

Office of Economic Regulator

Comments on Draft Report - Regulated Water and Sewerage Services

Reference:

Submission from Southern Water: Price and Service Plan 2012 –2015, and

Draft Report from Economic Regulator:

The concept of fixed charges for infrastructure and a consumption charge are agreed. However, there is confusion in interpreting Southern Waters figures and it is considered they are quite misleading.

Taking 2011-2012 as the current charges, the actual account for Blackmans Bay shows the service charges:

Water	\$107.99 x 4	= \$431.96
Sewerage	\$149.25 x 4	= \$597.00
Total		\$1028.96

The graph on page 5 of the Southern Water proposal indicates the typical account (2011-2012) for a residential customer consuming 200kL as \$892.99, and rising to \$941.02 for 2012/2013.

Since the water meter has been installed in August 2011, the monthly consumption on this property for 7 months has averaged at 29.45kL from actual readings, giving an estimated annual consumption of $29.45 \times 12 = 353\text{kL}$. **This consumption is for a household of two retirees, who do not water a garden, nor water the lawn, nor hose wash the car.** This is predominately inside use and consequently, the assumptions from Southern Water of a figure of 150kL pa is grossly low for household use.. What justification has been given for this? A normal household with children would far exceed this consumption.

Based on the Economic Regulators' report Table 5.11 other water authorities on the mainland have based their consumption figures a lot higher, 300 –1000kL (averaging them gives 575 kL).

Using the Southern Water proposed charges for my present consumption rate, the cost for 2012 –2013 would be:

Water charge	\$272.32
Sewerage	\$488.71
Consumption 353kL x \$0.9 =	\$317.70
Total	= \$1078.73

Southern Water estimate is \$941.02 Consequently the difference of \$1078.73 - \$941.02 = \$137.71 exists between what Southern Water state and actual consumption.

It is noted that from the Economic Regulator report, Table 5.8 that the supply cost in 12/13 is \$0.2996. Does this mean that Southern Water will be making an excessive gain from the consumers, based on this false basis of consumption of 200kL pa.? Instead of Southern Water paying dividends to the local councils, why are these not

Home/Water response

redirected to upgrading the reputed obsolete infrastructure network, or lower the charges to consumers. For an monopoly essential service to be making a profit is not good .

Where Southern Water are stating they will freeze prices for those currently paying above these rates, what basis are they using?

It is noted that since water meters have been installed, a meter reader has been seen making patrols in Blackmans Bay. Consequently the base level consumptions for households should now be available.

CONCLUSION:

Current charges 11/12:	\$ 1028.96
Southern Water proposed 12/13:	\$ 941.02
Estimated on pro rata current consumption 12/13:	\$ 1078.73

Percentage increase over Southern Water's proposal for 2012 –2013 is 1078.73/941.02 =**15 %**

From page 89 of the draft report, it states that the regulated entity is proposing to recover a proportion of fixed costs through variable water charges, and this supposedly gives the customer control over the bill because they can adjust their water usage.

This adjustment in consumption is not a critical concern due to the more than abundant supply of free water to Southern Water from the River Derwent catchment, not like mainland councils with critical water sources.

Action 1

It is requested that the Economic Regulator seriously reviews the criteria that Southern Water basis its calculations on a typical household consumption of 200kL knowing:

(1) that other water authorities have used between 300 and 1000kL for their costing calculations., and

(2) Southern Water has now over 7 months records of actual consumptions from newly metered houses.

Action 2

Also to be considered is that Southern Water pay a dividend to Councils, yet there is no reduction in Council rates for this extra fund windfall that householders have had to pay via Southern Water charges. Any profit or dividend should be used to further upgrade the infrastructure.

Action 3

From section 5.4.6 of the draft report it is not clear about the fire services levy?.

Council rates have a component for the Fire Service levy and this has not decreased since the Southern Water commenced. In fact, the Council levy has increased from \$34 in 08/09 to \$47.50 in 11/12.

Council Rates + Southern Water

13	08/09	09/10	10/11	11/12
Council Rates	1803	962	1061	1119
Fire Levy	34 incl	41 incl	44 incl	47.52 incl
Water/Sewerage	945 incl	980	1018	1029
Total	1803	1942	2079	2148
Annual Increase		7.71 %	7.05 %	3.32 %

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Worked Example:

	11/12	12/13	13/14	14/15	Remarks
Water Fixed	431.96	272.32	288.65	305.97	Draft Table 5.4 page 86
Sewerage	597.00	488.71	518.03	549.11	Draft Table 5.6 page 87
Consumption charge kL	0	0.9000	0.9234	0.9474	Draft Table 5.7 page 88
Marginal consumption cost kL	0	0.2996	0.2869	0.2899	Draft Table 5.8 page 89
Cost based on 200kL	1028.96	941.03	991.36	1044.56	Southern Water estimate
Cost based on 400kL	1028.96	1121.03	1176.04	1234.04	Customer estimate
Percentage on consumption	0 %	19.13 %	18.63 %	18.14 %	Customer estimate over SW estimate
Annual increase 400kL basis	0 %	8.95%	4.91%	4.93 %	