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Inquiry on Urban Water and Wastewater Pricing

Perth Forum

19 May 2005



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**Novotel Langley Perth
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Challenges

Climate

Competing
users

Reliable supply

Affordability

Environmental

Efficient service
delivery

Responses

Quantity

- Restrictions
- Source
development
- Recycling

Information

- Education
- Labelling

Pricing/financial

- Water pricing
- Rebates
- Trading



Objectives of Water Pricing

- Align price with cost
- Manage demand
- Encourage optimal investments in source development/recycling
- Move water to its highest value use (efficient allocation)
- Pass on or avoid environmental costs
- Recover efficient costs of water provision (generate revenue)
- Deliver affordable access to water for basic needs (equitable pricing)



Water Pricing Tools

- Level of the total bill
- Inclining tariff with steps
- Balancing fixed and usage charges
(total bill stays the same)
- Concessions



Water Pricing

Objectives	Current	Alternative
Align price with cost	Around 50% of total bill is fixed charge	Greater relationship between total bill and amount used
Manage demand	Inclining tariff with 5 steps	Rebalance tariff
Reflect environmental costs	Prices recover costs of meeting licence conditions	Include resource management costs
Generate revenue	Budget/SDP	Enhanced transparency and certainty
Equitable pricing	Inclining tariff plus concessions	Rebalance tariff



Tariff Rebalancing

Benefits

Greater relationship between total bill and amount used

Households using less than 150kL pay less (except tenants)

Easier to understand

Water savings?

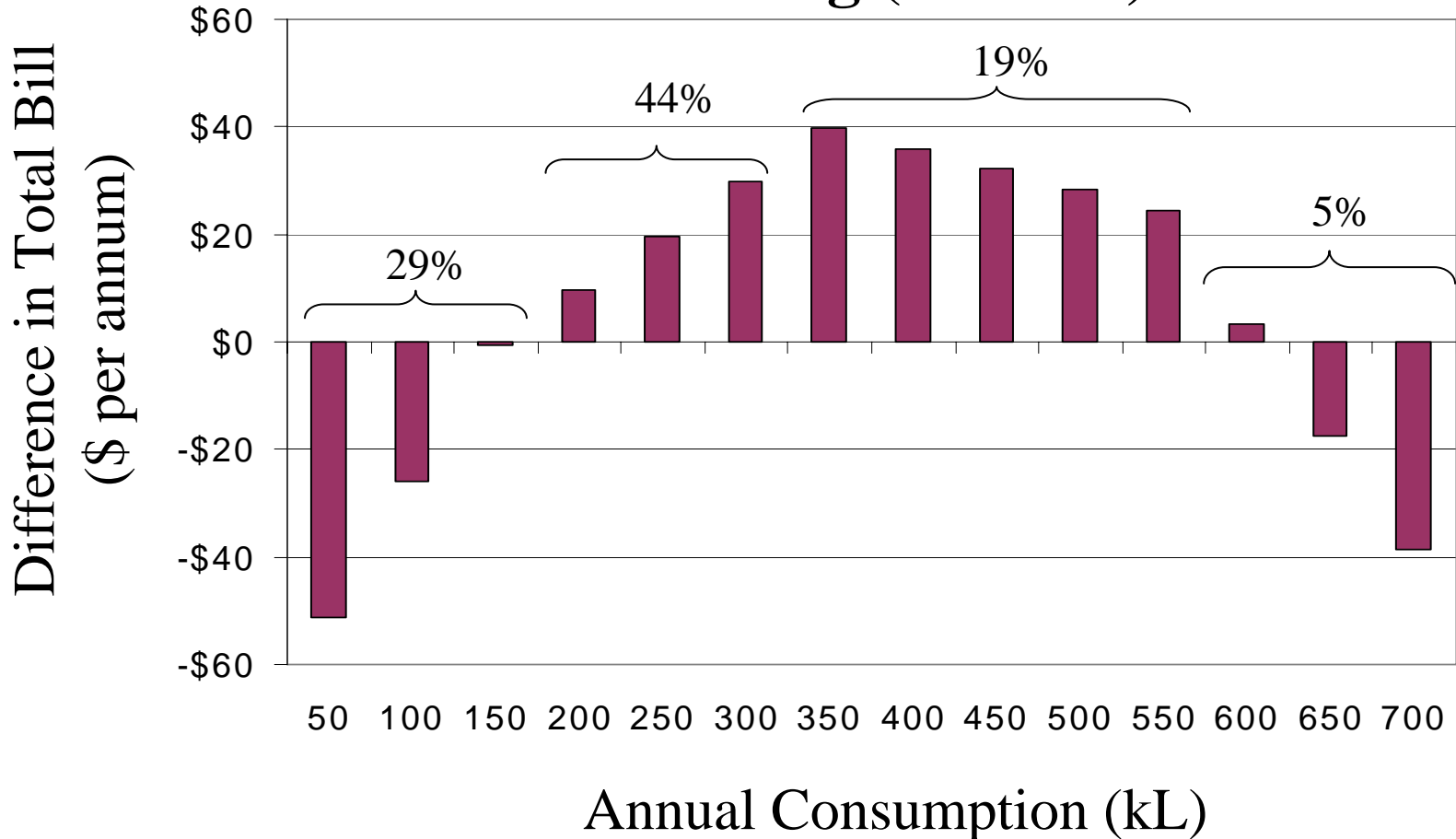
At average household usage (250kL):

- extra \$20
- extra \$39 for Seniors
- extra \$96 for tenants

Costs



Change in Total Residential Water Bills from Rebalancing (2006/07)



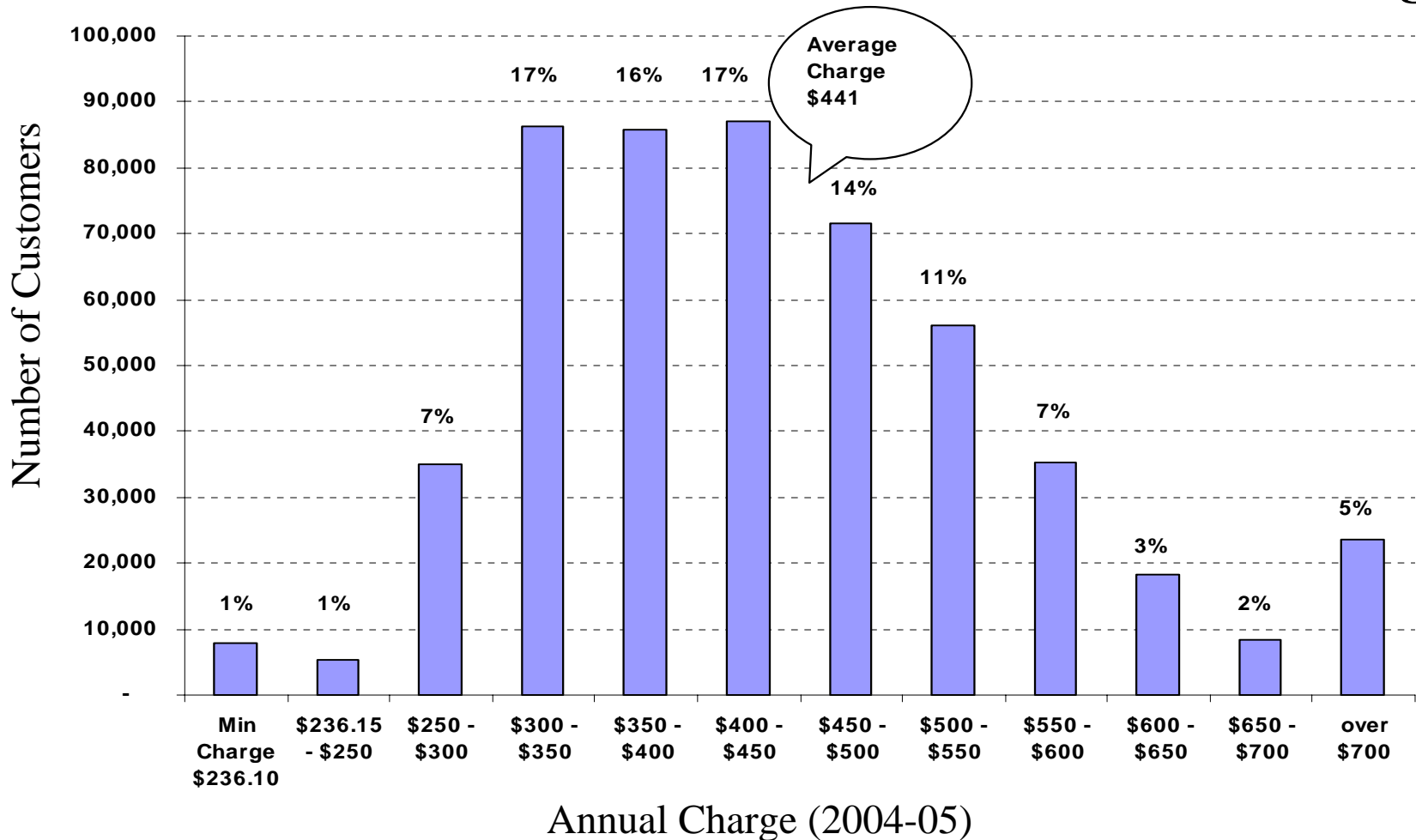


Can the price increases to vulnerable groups be ameliorated?

- Graduated phase-in
- Targeted rebates
- Water saving packages
- Landlord incentives



Distribution of Perth Household Wastewater Charges





Wastewater Pricing Reform

Benefits

More cost reflective
Administrative savings
Easier to understand

More equitable?

- 25% of low income households live in above average valued properties
- 11% of high income households live in below average valued properties

Costs

Price increases for those in low valued properties
(tenants and concession holders shielded)



Conclusion

- The high fixed charge disguises the costs of water usage to customers.
- The five step tariff is complex and may not be the best way of achieving equitable pricing.
- Aligning prices with costs reveals customer preferences for source development.
- Aligning prices with costs also reveals the value of water in alternative uses.
- Residential wastewater charging is largely an equity issue.
- There are options for minimising the impacts of change on vulnerable groups.