

4 Pricing

4.1 P8—Typical residential bill: water and sewerage (\$)

4.1.1 Introduction

The typical residential bills presented in this chapter are the sum of fixed charges and volumetric-usage charges for water and also sewerage in some utilities that are billed to a residential customer. They are based on each utility's average annual volume of residential water supplied (W12). Prices, which are presented in real 2015–16 dollars, may be set by government or, in some jurisdictions, by a regulator, council, or utility.

While the size of a utility's customer base has some influence on bills, the geographical location and distribution of the customer base, the local topography, climate, available sources of water, and government policy and legislation all influence water bills.

The mix of fixed-and-usage charges and the level of water consumption also impacts on the typical residential bill. Therefore, when drawing comparisons between utilities, it is important to note that a change in the typical bill may be the result of both a change in average consumption and a change in the price of water.

Historically, residential water-bill pricing models have varied across the nation; however, with one exception, all utilities now have a water-supply pricing model based on a two-part structure, that is, a fixed component and a component based on volumetric usage. The exception is Townsville Water (Townsville Regional Council), where ratepayers have a choice between a flat charge and a tiered structure (Townsville City Council, 2016).

Unlike residential water-supply pricing, the majority of utilities have a fixed price model for sewerage services. The exceptions are the Melbourne Metropolitan retailers (Western Water, Yarra Valley Water, South East Water, and City West Water); Byron Shire Council; and Unitywater, which have both a fixed and volumetric component in their sewerage charges.

Typical residential bill data for all utilities reporting P8 in 2015–16 can be found in Table A3 in Appendix A. Historical values have been adjusted using consumer price index (CPI) data to facilitate comparison in real terms.

4.1.2 Key findings

A summary of the reported typical residential bill data, by utility size group, is presented in Table 4.1.

The national median typical residential bill for water and sewerage rose by 4 per cent in 2015–16, increasing to \$1,386 in 2015–16 from \$1,334 in 2014–15. In the 10,000–20,000 size group, 67 per cent of the utilities that reported in both years recorded an increase, as did 85 per cent in the 20,000–50,000 size group. In the 50,000–100,000 size group, the typical residential bill fell by 3 per cent.

Figure 4.1 shows a box-and-whisker plot of typical residential bill data for all utilities reporting the P8 indicator for a given reporting year from 2006–07 to 2015–16. The plot shows an increasing trend in the median typical residential bill over this period, with increases above CPI.

In each utility size group, Victorian utilities had the lowest typical residential bill (Table A3 in Appendix A). This is following the Victorian State Government's Fairer Water Bills Initiative introduced in July 2014, which was a major driver of bill decreases statewide. Through this initiative some Victorian utilities provided rebates and others passed on the savings through tariff reductions (Melbourne Water 2014).

Table 4.1 P8—Overview of results: Typical residential bill: water and sewerage (\$)

Size group (connected properties)	Range		Number of utilities with increase/decrease from 2014–15		Median		Change in the median from 2014–15 %
	High	Low	Increase	Decrease	2014–15	2015–16	
100,000+	1,570 Gold Coast	944 City West Water	7	6	1,172	1,169	0
50,000–100,000	1,882 P&W (Darwin)	925 Goulburn Valley Water	4	5	1,294	1,250	-3
20,000–50,000	1,591 MidCoast Water	884 North East Water	17	3	1,328	1,392	5
10,000–20,000	1,970 P&W (Alice Springs)	970 South Gippsland Water	16	7	1,400	1,497	7
All size groups (national)	1,970 P&W (Alice Springs)	884 North East Water	44	21	1,334	1,386	4

Table note

The typical residential bill is calculated using data from all utilities supplying both water and sewerage services that reported data for P3 and P6 in both the 2014–15 and 2015–16 reporting years.

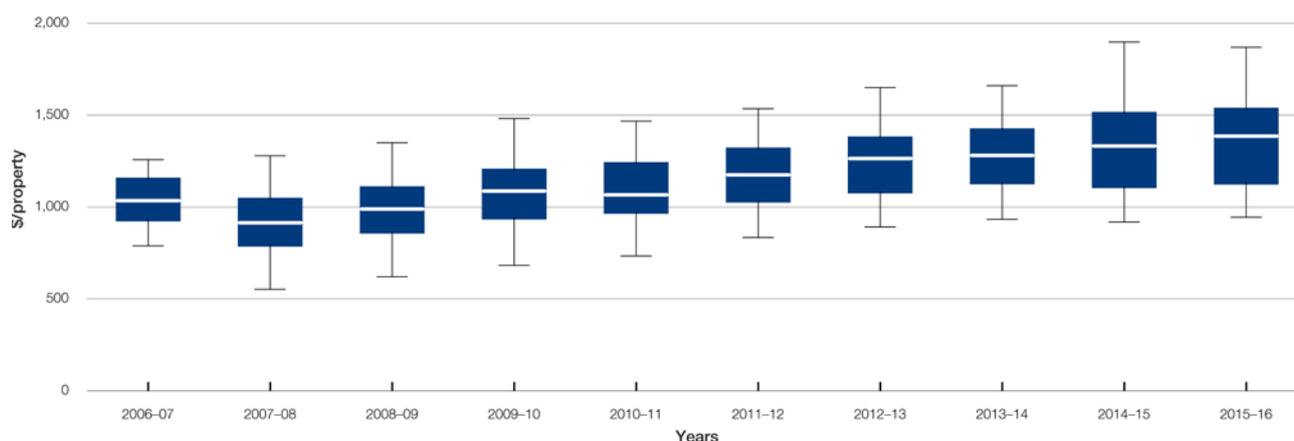


Figure 4.1 P8—Typical residential bill: water and sewerage (\$), 2006–07 to 2015–16

4.1.3 Results and analysis—100,000+ size group

A ranked breakdown of the typical residential bill for this size group is presented in Figure 4.2. The figure highlights the component of water (P3) and sewerage (P6) cost for each utility in the size group from 2012–13 to 2015–16.

Although recording a nominal decrease in the median typical residential bill, the utilities in the 100,000+ size group recorded significant variation in the reported bill values. Within this group, Queensland’s utilities remain amongst the most expensive with Logan City Council and Gold Coast City Council recording the highest typical residential bills (Table A3 in Appendix A). The decreases for Logan City Council (4 per cent), Gold Coast City Council (3 per cent), and Unitywater (1 per cent) can be attributed to the Queensland Government’s bulk water

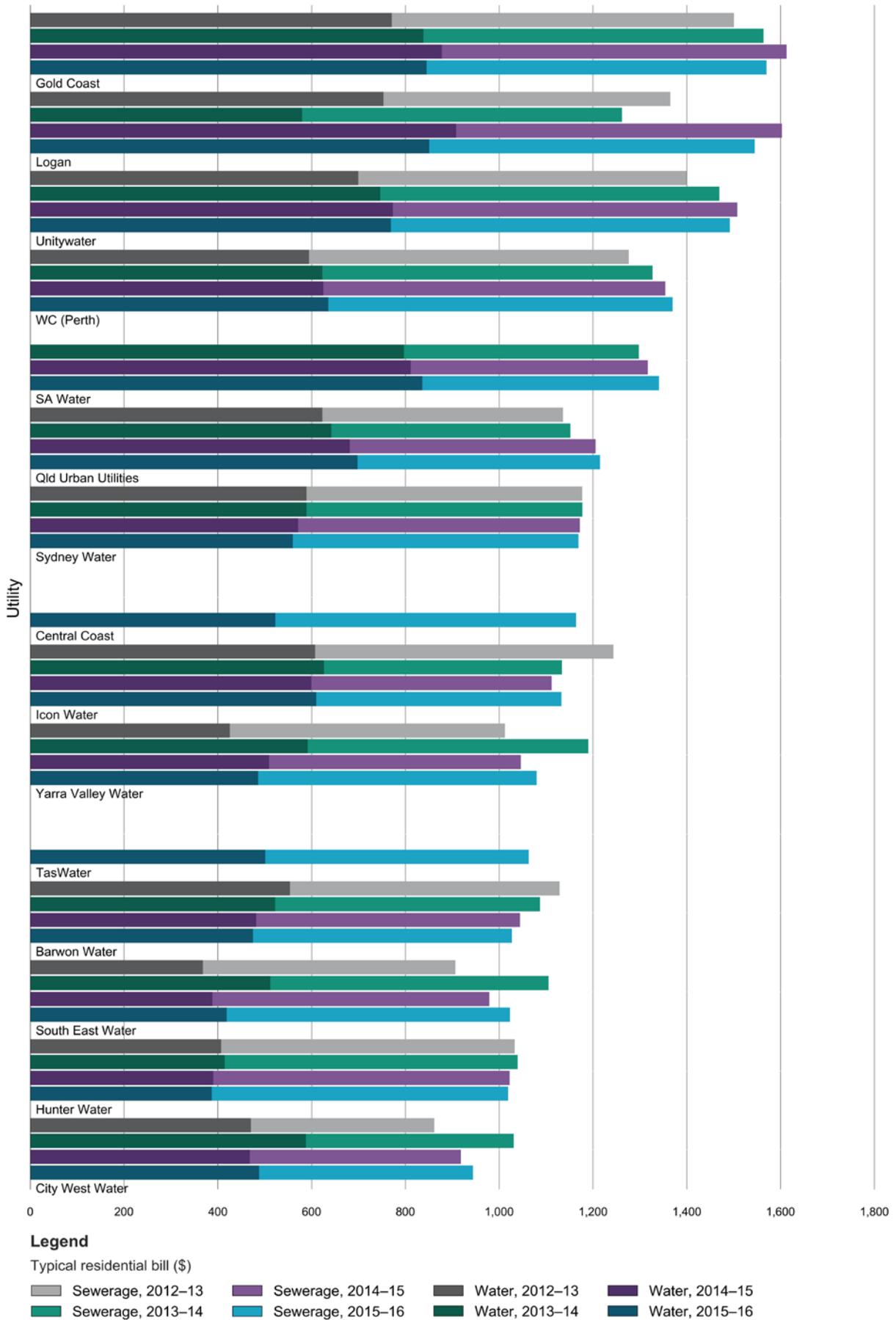


Figure 4.2 P8—Typical residential bill: water and sewerage, for utilities with 100,000+ connected properties (\$), 2012-13 to 2015-16

prices announcement in June 2015. These utilities had bulk water prices above the forecast common price and received price decreases as a result (Queensland Government 2016).

Similarly, Queensland urban utilities had bulk water prices below the forecast common price resulting in a median increase in typical residential bills of 1 per cent.

Melbourne's three major retailers continued to have the lowest typical residential bills in the 100,000+ size group following the Victorian State Government's 2014 Fairer Water Bills Initiative (Melbourne Water 2014). This is despite South East Water, Yarra Valley Water, and City West Water reporting increases of 4 per cent, 3 per cent, and 3 per cent respectively.

4.2 P7—Annual bill based on 200 kL: water and sewerage (\$)

4.2.1 Introduction

This indicator comprises the sum of P2 (Annual bill based on 200 kL: water) and P5 (Annual bill based on 200 kL: sewerage). It has many of the same drivers as P8 (Typical residential bill: water and sewerage). For these indicators, all utilities report the annual bill for a hypothetical residential customer using 200 kL/annum. The use of 200 kL as the basis for the bill in part normalises the reported data by correcting for differences in the volumes of residential water supplied to customers.

The P7 indicator aids comparisons between the utilities' annual bills (for the particular usage volume of 200 kL) and improves the transparency of price increases; however, the P8 indicator (Typical residential bill: water and sewerage) remains the best guide to determining the impact of pricing on a utility's customers because it is based on the typical bill paid by those customers.

Residential bill data based on a use of 200 kL/annum for all utilities reporting against the P7 indicator in 2015–16 can be found in Table A4 in Appendix A. Historical values have been adjusted using CPI data to facilitate comparison in real terms.

4.2.2 Key findings

A summary of the 200 kL/annum residential bill data, by utility size group, is presented in Table 4.2.

In real terms, there was no change between the 2015–16 and 2014–15 median residential bills based on a usage of 200 kL/annum.

Table 4.2 P7—Overview of results: Annual bill based on 200 kL: water and sewerage (\$)

Size group (connected properties)	Range		Number of utilities with increase/decrease from 2014–15		Median		Change in the median from 2014–15 %
	High	Low	Increase	Decrease	2014–15	2015–16	
100,000+	1,724	1,086	5	8	1,268	1,279	1
	Logan	TasWater					
50,000–100,000	1,498	826	2	7	1,325	1,308	-1
	Townsville	Goulburn Valley Water					
20,000–50,000	1,769	747	15	5	1,294	1,367	6
	MidCoast Water	Lower Murray Water					
10,000–20,000	1,879	1,019	18	6	1,413	1,464	4
	Bega Valley	Bathurst					
All size groups (national)	1,879	747	40	26	1,326	1,332	0
	Bega Valley	Lower Murray Water					

Table note

The 200 kL residential bill data for water and sewerage is calculated using data from all utilities that reported against the P2 and P5 indicators in both 2014–15 and 2015–16.

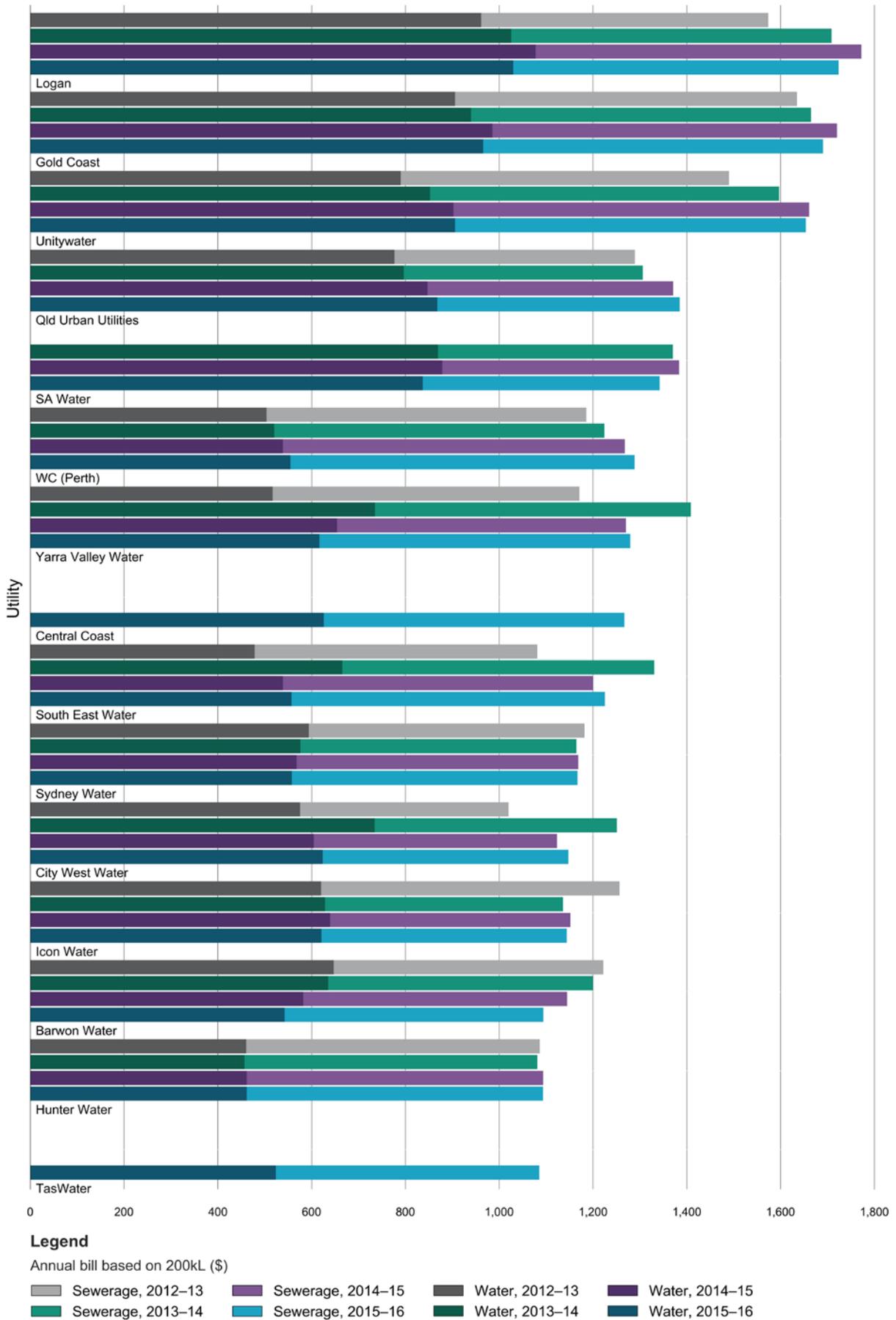


Figure 4.3 P7— Annual bill based on 200 kL: water and sewerage, for utilities with 100,000+ connected properties (\$), 2012-13 to 2015-16

4.2.3 Results and analysis—100,000+ size group

A ranked breakdown of the typical residential bill for the supply of 200 kL of water per annum is presented in Figure 4.3. The figure highlights the component of water (P2) and sewerage (P5) cost for each utility in the size group from 2012–13 to 2015–16.

Taking the volume of residential water supplied into consideration, Queensland's major urban utilities (Logan City Council, Gold Coast City Council, Unitywater, and Queensland Urban Utilities) remain the most expensive in the group. These utilities reported that the bulk water charges, set by the Queensland Government, were responsible for as much as 60 per cent of their residential bills (Logan City Council 2012). As observed in section 4.1.3, decreases in annual bills for Logan City Council (3 per cent) and Gold Coast City Council (2 per cent) can be attributed to these utilities having bulk water prices above the forecast common price.

Barwon Water reported a decrease of 4 per cent in their annual bill, following the Essential Services Commission approval of a 1.6 per cent decrease per year, excluding CPI, as part of the utility's 2013–2018 water plan. A lower inflation rate experienced in 2015 and 2016 saw this saving passed on to customers.