



# POLICY

## Sewer Service Pricing Policy

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<b>DATE APPROVED</b>	15 June 2006
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<b>AUTHORITY</b>	General Manager
<b>CONTACT OFFICER</b>	Director Corporate Services

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## 1 PURPOSE

- 1.1 To comply with various directives relating to best practice pricing principles for sewerage businesses, a model pricing policy for sewerage services has been developed.

## 2 SCOPE

- 2.1 This policy applies to residential and non-residential customers to ensure a uniform annual sewerage bill is calculated for each individual property.

## 3 DEFINITIONS

- 3.1 For the purposes of this policy, the following definitions apply:

Term	Definition
Act	<i>Local Government Act 1993 (NSW)</i>

## 4 BACKGROUND

- 4.1 To comply with various directives relating to best practice pricing principles for sewerage businesses, a model pricing policy for sewerage services has been developed.
- 4.2 As a consequence of the 1994 Council of Australian Governments (COAG) adoption of the Strategic Framework for Water Reforms, the New South Wales Government adopted best practice pricing principles, full cost recovery and transparency as policy objectives for water supply and sewerage businesses and liquid trade waste services.
- 4.3 In 1996, the Independent Pricing and Regulatory Tribunal (IPART) developed “Pricing Principles for Local Water Authorities” which are consistent with COAG’s framework.
- 4.4 In December 2002, the then Department of Land and Water Conservation (*now the Department of Energy, Utilities and Sustainability – DEUS*) issued Water Supply, Sewerage and Trade Waste Pricing Guidelines.
- 4.5 These guidelines comply with IPART pricing principles and also the cost reflective provisions of Section 539 of the Local Government Act 1993 in relation to setting charges for Council services.
- 4.6 The best practice pricing principles detailed in the guidelines are a pre-requisite for eligibility for financial assistance towards the capital cost of backlog infrastructure under the Country Towns Water Supply and Sewerage program, and for eligibility for payment of a dividend from the water supply or sewerage business under s.409(5) of the Local Government Act 1993.
- 4.7 Compliance with pricing principles is also an explicit consideration in application for special variations to general income under s.508(2).
- 4.8 The Department of Energy, Utilities and Sustainability in a recent circular describes best practice pricing as follows:-
- Best practice pricing is fundamental to sound management of a water supply for or sewerage business as it provides:

- a. Fair pricing to equitably share the cost of service provision and remove significant cross subsidies;
- b. Appropriate pricing signals which enable customers to balance the benefits and costs of using the services, thereby promoting efficient use and reduced wastage; and
- c. Appropriate cost recovery.

4.9 The Minister for Energy and Utilities pursuant to s.409(6) of the *Local Government Act* has issued best practice guidelines to councils to assist in determining appropriate sewerage pricing policies.

4.10 The Minister for Local Government has concurred with these guidelines.

## 5 PRICING STRUCTURE

5.1 The guidelines require a uniform annual sewerage bill for each residential property. The IPART pricing principles indicate that pay for use sewerage pricing for residential customers is not warranted due to a lack of net benefits from such charging.

5.2 However, the uniform bill is based on the estimated volume of sewerage discharged from all residential customers which ensures that collectively residential customers meet an equitable share of the cost of the sewerage system.

5.3 For non-residential customers, sewerage bills should not be less than residential bills, and should be based on a two part tariff – an annual access charge, and a uniform sewerage usage charge per kilolitre.

5.4 The exception to this principle being those non-residential land uses that are recognised by Forbes Shire Council to meet Community Service Obligations eligibility criteria (as set out in the summary at the end of this document).

5.5 Where a CSO application is successful the charge will be calculated on the full usage charge only.

5.6 The sewerage access charge is proportional to the square of the size of the water connection to reflect the load that can be placed on the sewerage system, and the usage charge reflects the marginal costs of the sewerage business and applies to the estimated volume discharged into the sewerage system.

5.7 The new pricing policy must not involve land value based tariffs (rates) or annual sewerage charges based on charges for WC's and urinals.

5.8 To calculate the annual Non-Residential Sewerage Bill, the following formula is used:

$$B = SDF \times (AC + C \times UC)$$

Where

- B = Annual Non Residential Sewerage Bill (\$)
- SDF = Sewerage discharge factor
- AC = Access charge (dependent on size of water meter)
  - =  $AC_{20} \times \frac{D^2}{400}$
- C = Customers annual water consumption (KI)
- D = Water Supply Service Connection Size (mm)
- UC = Sewerage usage charge (\$/KI)

C is the actual water consumption for the property and UC is the usage charge (which will be \$1.20 per kilolitre as per the residential charge).

5.9 **Access Charge:**

Service Size	Per Quarter \$	Annual Equivalent \$
20 mm	84.17	336.67
25 mm	131.51	526.05
32mm	215.47	861.88
40 mm	336.67	1346.68
50 mm	526.05	2104.19
65 mm	889.02	3556.08
80 mm	1346.68	5386.72
100 mm	2104.19	8416.75
150 mm	4734.42	18937.69

5.10 **Usage Charge:**

- 5.11 As previously indicated, whilst the above calculation will be applied to all non-residential properties, the actual amount charged cannot be less than the annual residential sewerage charge.
- 5.12 In order to implement this pricing structure it will be necessary to make the charges under the provision of s.502 of the *Local Government Act*.
- 5.13 This means the service will be charged according to the actual use of the service. The proposed charging methodology would be based on a quarterly bill being rendered, which would incorporate the access charge and the usage charge, and take into account whether the minimum amount has been reached.

## 5.14 Sewerage Discharge Factors (SDF)

- 5.14.1 A critical element in the calculation of non-residential sewerage bills is the Sewerage Discharge Factor (SDF). A Sewerage Discharge Factor Policy will be developed which provides a methodology for determining sewerage factors for the various types of properties.
- 5.14.2 The discharge factor is used to determine the percentage of water used by the property (as measured by the water meter) that is discharged into the sewerage system. It is assumed that the remaining percentage is consumed in a variety of other ways on the property.
- 5.14.3 Sewerage Discharge Factors for each business type will be detailed in the Discharge Factor Policy.

## 5.15 Impact of the New Pricing Policy

- 5.15.1 The impact of this pricing structure on non-residential properties will be varied.
- 5.15.2 Factors that may affect the difference between amounts levied and charged this year and the estimated amount to be charged include: the amount of sewerage rates previously levied, the sewerage discharge factor, the size of the water connection, and actual water consumption.
- 5.15.3 This is despite the fact that the overall revenue from this class of properties is to remain approximately the same.
- 5.15.4 Each multi residential property will be liable for the full sewer residential charge.
- 5.15.5 Properties that are non-rateable under the provisions of Section 555 and 558 of the Local Government Act such as Churches, Schools, State Government properties and Federal Government properties are currently levied with annual charges on a per WC and per Urinal basis.
- 5.15.6 These properties will now be charged on the same basis as non-residential properties.
- 5.15.7 The charges will be raised on a quarterly basis and will be based on the actual use of the service.

## 6 PRICING POLICY IN SUMMARY

- 6.1 To comply with various directives relating to best practice pricing principles for sewerage businesses, a model pricing policy for sewerage services has been developed.
- 6.2 The Minister for Energy and Utilities pursuant to Section 409(6) of the *Local Government Act* has issued best practice guidelines to councils to assist in determining appropriate sewerage pricing policies.
- 6.3 The guidelines require a uniform annual sewerage bill for each residential property.
- 6.4 The uniform bill is based on the estimated volume of sewerage discharged from all residential customers which ensures that collectively residential customers meet an equitable share of the cost of the sewerage system.
- 6.5 For non-residential customers, sewerage bills should not be less than residential bills, and should be based on a two part tariff – an annual access charge, and a uniform sewerage usage charge per kilolitre.

- 6.6 The exception to this principle being those non-residential land uses that are recognised by Forbes Shire Council to meet Community Service Obligations (CSO) eligibility criteria.
- 6.7 Specifically, the land-use under application provides a community benefit, non-profit and operated and run solely by volunteers, as well as enabling all public to have access to the facility at all times. An example of this type of land use may include a church building (place of worship only), or a locally operated tennis club that is run by volunteers and is non-profit.
- 6.8 Where a CSO application is successful the charge will be calculated on the full access and usage charges only.
- 6.9 Organisations or properties, which seek to be classified as a CSO, must formally apply to Council for such recognition.
- 6.10 Applications must be accompanied by sufficient documentation to support the claim and be signed by the governing body, CEO or owner of the property. Council will reserve the right to seek further confirming details where required.
- 6.11 The sewerage access charge is proportional to the square of the size of the water connection to reflect the load that can be placed on the sewerage system, and the usage charge reflects the marginal costs of the sewerage business and applies to the estimated volume discharged into the sewerage system.
- 6.12 The new pricing policy must not involve land value based tariffs (rates) or annual sewerage charges based on charges for WC's and urinals.
- 6.13 A critical element in the calculation of non-residential sewerage bills is the Sewerage Discharge Factor (SDF).
- 6.14 The discharge factor is used to determine the percentage of water used by the property (as measured by the water meter) that is discharged into the sewerage system. It is assumed that the remaining percentage is consumed in a variety of ways on the property.

## 7 VARIATION

- 7.1 Council reserves the right to vary the terms and conditions of this policy subject to a report Council.

## 8 APPENDICES

- 8.1 This policy is supported by the following appendices:

Appendix No.	Description
1	Sewerage Discharge Factors for Non-residential Premises by SDF Category

## SEWERAGE DISCHARGE FACTORS FOR NON-RESIDENTIAL PREMISES BY SDF CATEGORY

<b>BUSINESS TYPE</b>	<b>Sewage Discharge Factor (SDF) Category</b>
Abattoir	A
Bakery	B
Butcher	B
Cake Shop	B
Car Detailing	B
Car Rental	B
Charcoal Chicken Shop	B
Delicatessen	B
Hot Bread Shop	B
KFC	B
McDonalds	B
Monumental Mason	B
Newsagent	B
Panel Beaters	B
Service Station	B
Shearing Supplies	B
Spray Painters	B
Veterinary Clinic	B
Aged Care Facility	C
Amusement	C
Auto Electrical	C
Auto Parts Recycling	C
Auto Spring Repairs	C
Auto Spring Shop	C
Backpackers Accommodation	C
Barber	C
Bed & Breakfast	C
Bread Manufacturer	C
Brick Manufacturing	C
Brick Yards (No Manufacturing)	C
Bus Depot	C
Cabins	C

Café	C
Care Dealer	C
Car Repair	C
Car Washing	C
Car Yard (Vehicle Sales)	C
Car Yard (Wrecking)	C
Chicken Shop	C
Chiropractor	C
Club (Registered)	C
Coach Depot	C
Commercial Kitchen	C
Dairy Goods Depot	C
Dental Surgery	C
Dental Technician	C
Depot	C
Distribution Depot	C
Drilling Depot	C
Dry Cleaners	C
Electroplaters	C
Emergency Services Depot	C
Engine Reconditioning	C
Fast Food Shop	C
Filter Cleaners	C
Fish & Chip Shop	C
Fish Shop	C
Florist	C
Flood Processor	C
Funeral Parlour	C
Government Agency	C
Grain Depot	C
Guest House	C
Hairdresser	C
Hall (Community)	C
Hospital	C
Hotel	C



Ice Cream Shop	C
Jewellery Shop	C
Juice Bar	C
Kitchen	C
Laboratory	C
Laundromat	C
Laundry	C
Library	C
Machinery Sales	C
Mall (Shopping)	C
Manufacturing (Dry)	C
Metal Coating Industry	C
Morgue	C
Motel	C
Motor Mechanic	C
Motorcycles Repairs	C
Motorcycles Shop	C
Nightclub	C
Nursing Home	C
Office	C
Office Block	C
Optometrist	C
Pathologist	C
Pet Food Manufacturing	C
Pet Shop	C
Petroleum Depot	C
Petroleum Storage	C
Photographic Processing	C
Pizzeria	C
Printer	C
Radiator Repairs	C
Railway Station	C
Research Establishment	C
Restaurant	C
Retail Shop	C

Saleyards (Livestock)	C
Shopping Centre	C
Sports Stadium (Indoor)	C
Surgery (Doctors)	C
Takeaway Food Shop	C
Tavern	C
Transmission (Automotive)	C
Truck Wash	C
Tyre Retailers	C
Tyre Wholesaler	C
University (Non Boarding)	C
Utility Depot (Power, Water Gas etc)	C
Vehicle Washbay	C
Warehouse	C
Waste Disposal	C
Winery	C
Workshop (Mechanical)	C
X Ray Clinic	C
Childcare/Preschool	D
Mixed Commercial/Residential	D
Public Toilet	D
Airport	E
Church	E
Club (Not Registered)	E
College (Technical)	E
Racecourse	E
Retirement Village	E
Showground	E
Sports Stadium (Outdoor)	E
University (Boarding)	E
Caravan Park	F
Tourist Park	F
Club (Lawn Bowls)	G
School (No Sporting Fields)	G
Swimming Pools	G

Agricultural Machinery Depot	H
Agricultural Machinery Sales	H
Cattery	H
Kennel	H
Landscape Supplies	H
Nursery	H
School	H
Concrete Batching Plant	I

## 2006/2007 PHASED SEWER DISCHARGE FACTORS

SDF CATEGORY	ACTUAL SDF'S (%)
A	50
B	0.475
C	0.45
D	0.425
E	0.4
F	0.375
G	0.35
H	0.325
I	0.3
J	0.275
K	0.25
L	0.225
M	0.2
N	0.175
O	0.15
P	0.125
Q	0.1
R	0.075
S	0.05
T	0.025
X	Exceptional
Z	0

## Revision History

Version	Adoption Date	Authorised by	Approved by	Revision Date
V1.0	December 2015	Director Corporate Services	General Manager	December 2006
V1.1	15/06/2006	Director Corporate Services	General Manager	June 2008

## Change History

Version	Change Details
V1.0	Initial Policy
V1.1	Amended Policy

## Related Documents

Title
<i>Local Government Act</i>