

4 Pricing

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

The typical residential bill for water and sewerage (P8) is the sum of fixed charges and volumetric-usage charges for water and sewerage billed to a residential customer. The typical bill is based on each utility's average annual volume of residential water supplied (W12) and its pricing structure (P1, P1.1–P1.12, P4.1–P4.3). Prices are set by government or, in some jurisdictions, by a regulator, council, or utility.

Water bills are influenced by a number of factors:

- size of utility's customer base
- geographical location
- distribution of the customer base
- local topography
- climate
- available sources of water
- government policy and legislation.

The mix of fixed-and-usage charges, and the level of water consumption, impact on the typical residential bill.

When drawing comparisons between utilities, it is important to note changes in a typical bill may occur as a result of changes to average consumption and changes to the price of water.

Historically, residential water-bill pricing models have varied across the nation. The majority of utilities now have a water-supply pricing model based on a two-part structure: a fixed component; and a component based on volumetric usage.

Townsville Regional Council remains an exception. Ratepayers have a choice between a flat charge and a tiered structure.¹⁵

Unlike residential water-supply pricing, the majority of utilities have a fixed price model for sewerage services. The exceptions are the Melbourne utilities¹⁶, Byron Shire Council and Unitywater. These utilities have both a fixed and volumetric component in their sewerage charges.

Billing data is indexed using the consumer price index (CPI) to facilitate comparison in real terms. Typical residential bill data for all utilities reporting in 2016–17 is in Table A3, Appendix A.

4.1.1 Key findings

A summary of the median typical residential bills, by utility group, is shown in Table 4.1.

Nationally the median typical residential bill decreased in 2016–17, down \$32 per annum (2 per cent) from 2015–16.

The largest decrease occurred in the Medium utility group, with Bundaberg, Gladstone and Mackay councils, GWMWater, and Wannon Water all reporting decreases of greater than \$70 per annum (between 5 and 7 per cent).

¹⁵ www.townsville.qld.gov.au/payments-rates-and-permits/rates

¹⁶ Western Water, Yarra Valley Water, South East Water, and City West Water.

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

Utility group	Range		No. utilities with increase/decrease from 2015–16		Median		Change from 2015–16 %
	High	Low	Increase	Decrease	2015–16	2016–17	
Major	1,586	933	4	10	1,170	1,120	–4
	Logan	City West Water					
Large	1,796	860	4	7	1,271	1,303	3
	P&W (Darwin)	North East Water					
Medium	1,602	906	4	7	1,383	1,296	–6
	Fraser Coast	Lower Murray Water					
Small	1,907	1,110	6	4	1,613	1,633	1
	P&W (Alice Springs)	Westernport Water					
All utility groups (national)	1,907	860	18	28	1,364	1,332	–2
	P&W (Alice Springs)	North East Water					

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 2015–16 and 2016–17 reporting years.

In the Large utility group, the anomaly between the observed decrease in median average residential water supply (W12), and the small increases in the median typical residential bill is explained by two factors. These are: the availability of pricing data for a number of New South Wales regional utilities, and Townsville's use of a flat charge pricing structure, which negates the impact of its significant decrease in residential water supplied.

Figure 4.1 shows a box-and-whisker plot of typical residential bills for all utilities reporting data in a given year.

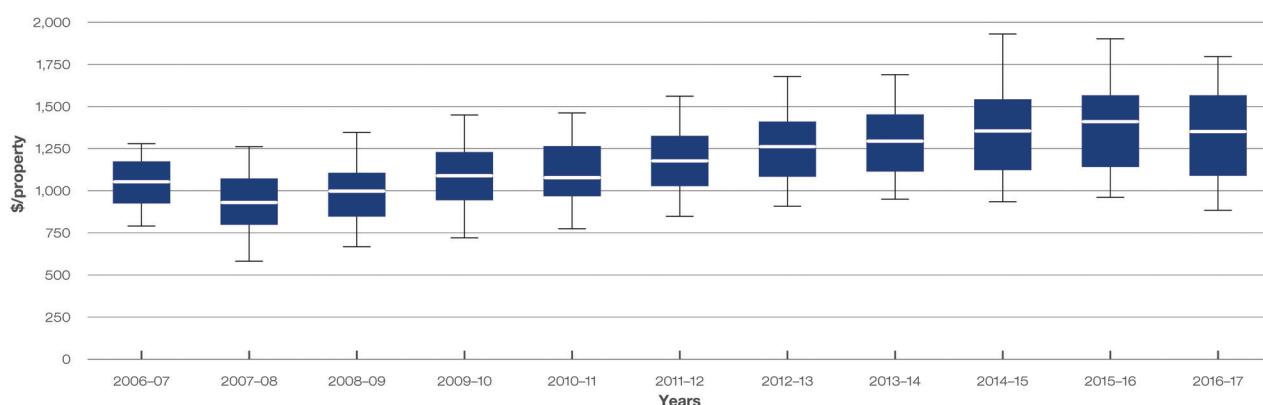
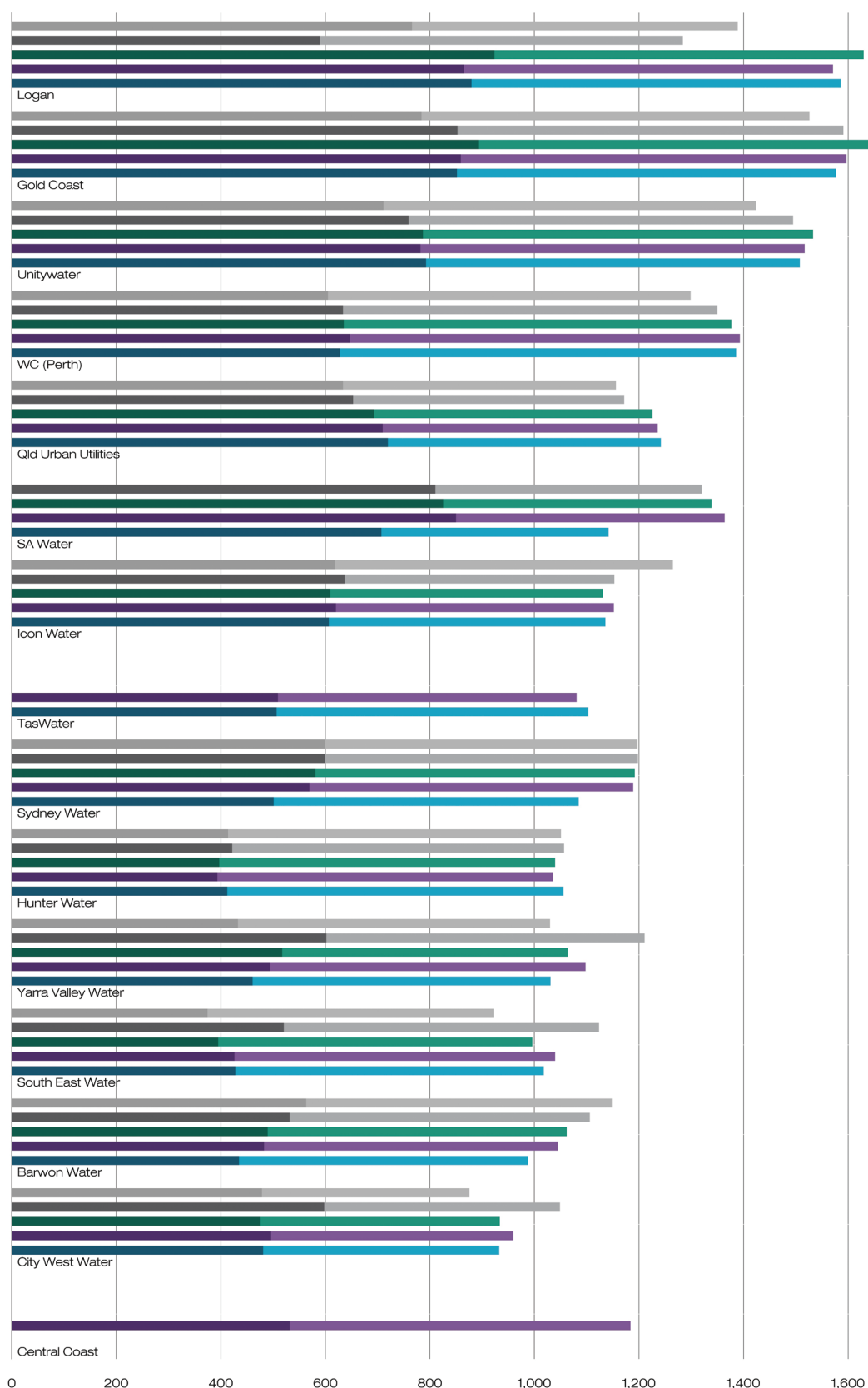


Figure 4.1 Typical residential bill: water and sewerage (\$)

Sixty per cent of utilities reported a decrease in their typical residential bill in 2016–17, curbing the upward trend of the last 8 years. It is important to note, the availability of pricing data for a number of New South Wales regional utilities may be a factor in this result.

Victorian utilities remain amongst those charging the lowest typical residential bills in each utility group. This is due to a combination of the State's typically lower residential water use and downward pressure on bills through the Victorian State Government's Fairer Water Bills Initiative. Temperature and rainfall, as well as demand management, are key factors in the States typically lower residential water usage.



Legend

Typical residential bill (\$)

Wastewater 2012-13	Wastewater 2016-17	Water 2014-15
Wastewater 2013-14	Water 2012-13	Water 2015-16
Wastewater 2014-15	Water 2013-14	Water 2016-17
Wastewater 2015-16		

Figure 4.2 Typical residential bill: water and sewerage (\$) – Major utility group

4.1.2 Results and analysis—Major utility group

A ranked breakdown of the typical residential bill for the Major utility group is presented in Figure 4.2. The figure highlights the water (P3) and sewerage (P6) components of the bill for each utility.

Despite consecutive years of modest reductions by Gold Coast City Council and Unitywater they, along with Logan City Council and Queensland Urban Utilities, remain the most expensive in the large utility group.

Significant reductions in typical residential water bills for SA Water Corporation (16 per cent) and Sydney Water Corporation (9 per cent) have seen respective annual savings of \$222 and \$104 per annum. SA Water Corporation's reduction was driven by decreased residential water usage. Sydney Water Corporation's decrease was driven by the Independent Pricing and Regulatory Tribunal's (IPART) review of residential pricing, which resulted in a \$100 per year decrease to residential bills from 1 July 2016.

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

The annual bill, based on 200 kL for water and sewerage services (P7) is the sum of the annual bill for the supply of 200 kL of water (P2) and the annual bill for the provision of sewerage services for a residential customer using 200 kL of water (P5).

While the typical residential bill (P8) is the best guide to determining the impact of pricing on customers, the annual bill based on 200 kL aids comparisons between utilities'. The adoption of a consistent 200 kL as the basis for the bill partially normalises the data, correcting for differences in the volumes of water supplied and providing insight in to price variations.

Bill data is indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Annual bill based on 200 kL (water and sewerage) data for all utilities reporting in 2016–17 is in Table A4, Appendix A.

4.2.1 Key findings

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

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

Utility group	Range		No. utilities with increase/decrease from 2015–16		Median		Change from 2015–16
	High	Low	Increase	Decrease	High	Low	%
Major	1,759	1,074	5	9	1,274	1,236	–3
	Logan	Sydney Water					
Large	1,530	835	4	7	1,330	1,362	2
	Redland City	Goulburn Valley Water					
Medium	1,603	755	4	7	1,290	1,298	1
	Fraser Coast	Lower Murray Water					
Small	1,618	1,296	10	2	1,478	1,495	1
	WC (Albany)	Central Highlands					
All utility groups (national)	1,759	755	23	25	1,334	1,360	2
	Logan	Lower Murray Water					

Table note

The 200 kL residential bill data for water and sewerage is calculated using data from all utilities who reported against the P2 and P5 indicators in both 2015–16 and 2016–17.

On a 200 kL/annum basis the national median bill remained consistent with 2015–16, rising 2 per cent, an increase of \$26 per annum. Again, the availability of pricing data for a number of New South Wales regional utilities may be a factor in this result.

The discrepancy between a decrease in the national median typical bill and an increase in the national median annual bill is explained by the competing impacts of decreased water usage and increased prices.

4.2.2 Results and analysis—Major utility group

A ranked breakdown of the annual residential bill based on 200 kL for the Major utility group is presented in Figure 4.3. The figure highlights the water (P2) and sewerage (P5) components of the bill for each utility. The figure reinforces the higher volumetric pricing of water by Queensland's Major utilities.

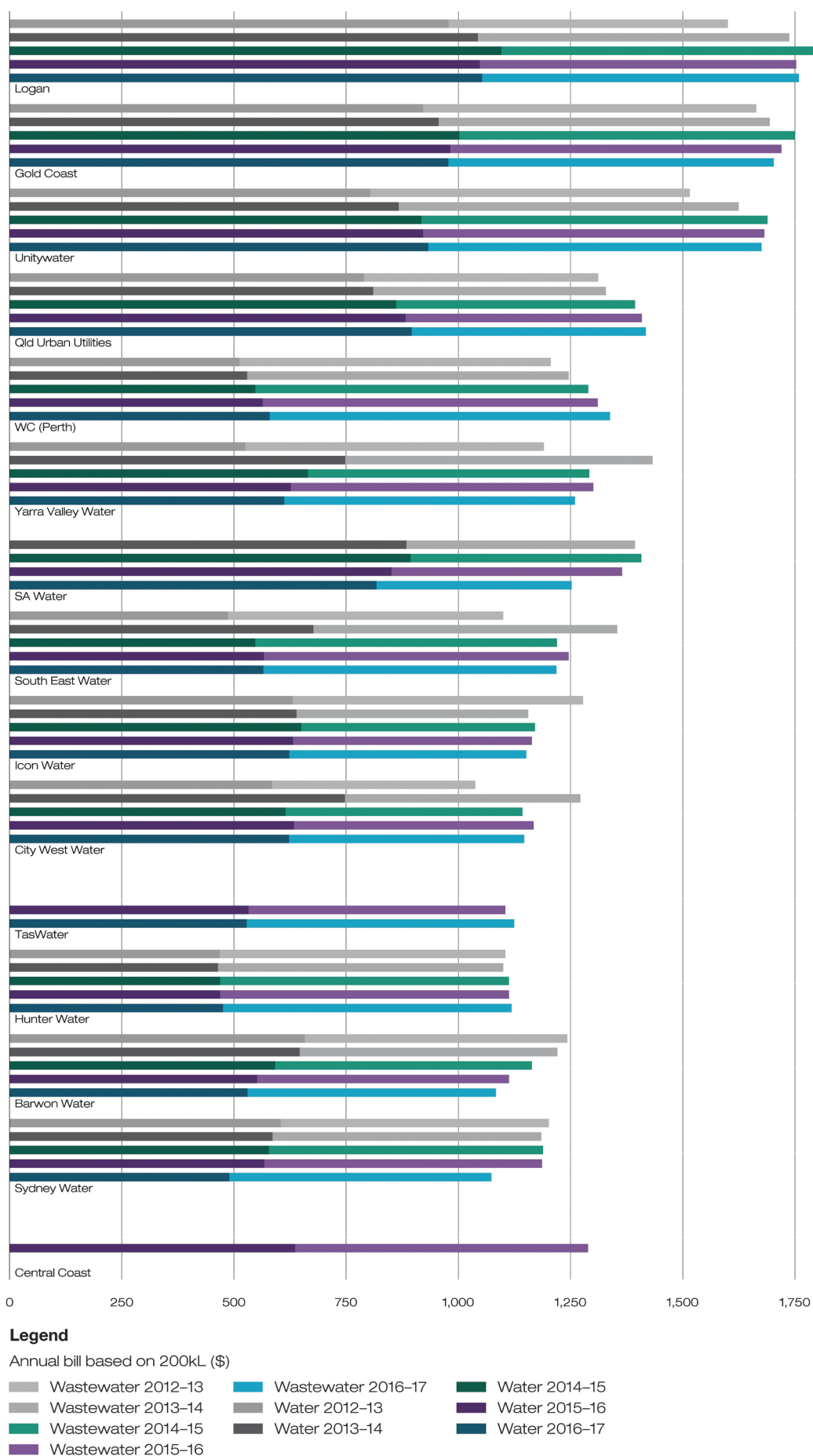


Figure 4.3 Annual bill based on 200 kL: water and sewerage (\$)—Major utility group