


POLICY		Responsible Department	Executive
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		Date of Next Review	26.06.2024

ROXBY WATER PRICING POLICY	
Latest Review Changes	Minor formatting & editing, update of financial years to current
Previous Council Reviews	8.12.2017, 26.06.19, 26.06.20, 30.06.21
Audit Committee Reviews	

Applicable Legislation

<p><i>Local Government Act 1999</i></p> <p><i>Water Industry Act 2012</i></p> <p>Essential Services Commission of South Australia (ESCOSA)</p> <p>Office of the Technical Regulator (OTR)</p>

Related Policies

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Related Procedures

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Reference Documents

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1. INTRODUCTION

Roxby Council's 'Roxby Water' business unit provides water and sewerage services within the Roxby Downs Township pursuant to Clause 13 of the Schedule to the Roxby Downs (Indenture Ratification) Act 1982 (the Indenture) and Section 188 of the *Local Government Act 1999*.

Roxby Water also holds a Water Industry Retail Licence – Intermediate issued by the Essential Services Commission of South Australia (ESCOSA) pursuant to the *Water Industry Act 2012*.

This Pricing Policy Statement sets out the basis for determining the price of water supply and sewerage services provided by Roxby Water.

2. BACKGROUND

Unlike other water retailers in South Australia, Roxby Water must firstly comply with the requirements of the Indenture – where there is an inconsistency between the provisions of other State laws and of the Indenture, the provisions of the Indenture prevail.

The Water Industry Act requires water retailers licenced by (ESCOSA) to adopt and apply the National Water Initiative (NWI) pricing principles when determining the price of their services. The NWI principles apply specifically to water retail services, however ESCOSA has adopted the same principles for sewerage services.

Roxby Water recognises the importance of these principles and makes every effort to be fully compliant with them. This Pricing Policy Statement is issued in accordance with NWI guidelines to demonstrate that Roxby Water has applied the relevant principles in determining the prices for its regulated water and sewerage services.

3. DRINKING WATER SERVICES

There are approximately 1,719 metered water services in Roxby Downs. 67% of connections service residential homes; and these account for more than 60% of town water consumption. Water is also supplied to local businesses and used for public sporting fields, parks and gardens providing improved amenities for the broader community.

Water is purchased from BHP. The water is extracted from underground aquifers known as the Great Artesian Basin and piped to the Olympic Dam mine site where it is treated for human consumption. BHP owns and operates the water extraction, transport and treatment infrastructure.

Potable (drinking quality) water for Roxby Downs is piped from the BHP treatment plant to a storage dam adjacent to the town. Roxby Water operates a pumping station alongside the storage facility that reticulates water through an underground pipe network to where it's required.

4. SEWERAGE SERVICES

Roxby Water operates a network of underground pipes and pumping stations that reticulates household and commercial sewerage to treatment ponds off Opal Road. Water transitions through a series of large ponds by gravity over a 58-day period. It is then subject to chlorination and pumped to a final retention dam.

The resulting treated wastewater is used by the nearby golf course for irrigation. A pipeline and pumping station deliver the water to the golf course and an automated sprinkler system distributes the water as required.

This treated wastewater disposal method is managed as a cost of providing the sewerage service. The Golf Club manages the grounds on which the water is discharged as irrigation. There is no charge to Roxby Downs Golf Club for the supply of the treated wastewater.

5. INDENTURE ACT COMPLIANCE

Roxby Water has determined that prices for the retail water and sewerage services it delivers comply with the obligations placed upon it by the Indenture.

While the Indenture remains the primary source of legislative control, it is recognised that significant changes in the principles and methods of water infrastructure management and pricing have occurred since it was drafted.

6. NATIONAL WATER INITIATIVE (NWI)¹

Roxby Water has determined that prices for the retail water and sewerage services it delivers comply with the National Water Initiative (NWI) Pricing Principles.

Following is an explanation of how Roxby Water charges comply with the relevant pricing principles

6.1. RECOVERY OF CAPITAL EXPENDITURE

The first step in setting urban water and sewerage prices is to determine an 'annual revenue requirement'. This is determined by a complex set of accounting principles, including the concepts of 'lower bound'² and 'upper bound'³ pricing.

There are 3 basic elements to the 'revenue requirement' formula as follows –

Operating Expenditure	actual costs of water purchase, administration, maintenance, etc
Capital Recovery	depreciation of the regulated asset base
Return on Capital	a discounted asset base value X a 'weighted average cost of capital' (WACC)

Roxby Water maintains a comprehensive asset register and accurately allocates costs associated with the delivery of water and sewerage services. This includes allocating the cost of work done by Council staff on behalf of Roxby Water.

Costs incurred by Council on behalf of Roxby Water are allocated wherever possible on the basis of actual amounts. Some management and general overheads are allocated on a proportional basis. The overriding principle is to allocate costs to reflect the true costs of a standalone business unit.

Roxby Water has analysed the annual revenue it receives from retail water and sewerage services and determined that it complies with the NWI Recovery of Capital principles.

6.2. SETTING URBAN WATER TARIFFS

There are 10 NWI principles relating to the setting of urban water tariffs as follows:

6.2.1. Cost Recovery

The Council accounting system records all capital expenditure related to water and sewerage assets. The accounting system also captures all operational and maintenance costs. Council uses this cost information, and additional information from Asset Management Plans on future asset renewal requirements, to determine the level of charges to fully recover costs in the long term.

6.2.2. Tariff Structures

Roxby Water has implemented a 2 step / 3 tier pricing structure per access unit for water to encourage "responsible" consumer behaviour, with the top tier rate at a higher level to provide further incentive to conserve water.

Charges for other services (eg connections and additional meter readings) are based on cost recovery principles.

¹ The NWI Pricing Principles relate specifically to retail water services, however ESCOSA have adopted the same principles for sewerage services. [National Water Initiative Pricing Principles](#)

² Lower bound pricing seeks to recover the operational, maintenance and administrative costs, externalities, taxes or TERs (not including income tax), the interest cost on debt, dividends (if any) and to make provision for asset replacement.

³ Upper bound pricing is defined as the level at which, to avoid monopoly rents, a water business should not recover more than the lower bound price plus a cost of capital, the latter being calculated using a weighted average cost of capital (WACC).

6.2.3. Cost Reflective Tariffs

Water usage tariffs are required to reflect the long-run marginal cost of supplying additional water. Currently water usage income is marginally higher than the target level. Future tariff changes will seek to reduce the proportion of income derived from usage fees.

6.2.4. Service Availability Charge

Revenue recovered through the Service Availability Charge is calculated as the difference between the 'total revenue requirement' (see 'Recovery of Capital Expenditure' above) and the revenue recovered through water usage charges and developer charges.

The service availability charge varies for different types of customers depending on service demands and equity considerations – see 'Differential Water Charges' below.

6.2.5. Pricing Transparency

Roxby Water consults with the community on its proposed water and sewerage price changes as part of its annual business planning process each year. This Pricing Policy Statement and a 'Water & Sewerage Services' brochure are available to customers in hard-copy and on the Council website.

6.2.6. Over Recovery of Revenue

Should revenue exceed upper bound pricing Council will address the issue immediately and ensure that the over recovery is returned to customers through a refund, in the case of substantial amounts, or adjustment of future tariffs for small amounts.

6.2.7. Differential Water Charges

Fixed charges and water allowances are determined using a 5-tier 'access unit' scale based on water meter size and a 3-step consumption-based rates structure⁴. Larger meters incur a higher service availability charge but receive a higher water allowance at each rates step.

Other water and sewerage charges are consistent for all customers.

6.2.8. Developer Charges

Where applicable, developer charges are set on the basis of cost-recovery.

6.2.9. Capping Developer Charges

Developer charges should not exceed the costs of serving new developments which includes investment in both new and existing assets required to serve a new development.

6.2.10. Revenue from developer charges

To avoid over-recovery, revenue from developer charges should be offset against the total revenue requirement either by excluding or deducting the contributed assets from the RAB5 or by offsetting the revenue recovered using other mechanisms.

7. PRICE MOVEMENTS BETWEEN 2022/23 AND 2023/24

There was no increase in any of the rates, fees and charges applicable to Water and Sewerage services.

Council reviews ALL rates, fees and charges on a financial year basis – the revised charges apply from the 1st of July each year. The current review of water and sewerage rates will therefore apply until 30th of June 2024.

A copy of the pricing schedule from the 1st of July until the 30th of June 2024, including a comparison with 2022/23 prices, is provided in Appendix 1.

⁴ Rates charged for watering of the oval and recreation grounds are capped at rate level 2.

⁵ This approach is also known as the financial capital maintenance approach and is an application of the deprival value approach to establishing and updating the RAB. The deprival value approach was recommended by the Expert Group.

8. REVIEW

This policy will be reviewed annually to ensure compliance with Legislation.

9. AVAILABILITY OF THE POLICY

This Policy is available to be downloaded free of charge from Council's website: www.roxbydowns.sa.gov.au

Hard copies, for a fee, can be provided in accordance with Council's Fees and Charges Register at Council Office, 6 Richardson Place, Roxby Downs.

APPENDIX 1: Roxby Water 2023-2024 Pricing Schedule

Drinking Water Retail Services	Unit of Measure	Current Year \$/unit	Previous Year \$/unit	% Change
All Properties				
Supply Charge	<i>Per access unit per qtr</i>	\$72.00	\$72.00	0%
First 34 kl	<i>Kl per access unit</i>	\$2.00	\$2.00	0%
34-120 kl	<i>Kl per access unit</i>	\$3.90	\$3.90	0%
Over 120 kl	<i>Kl per access unit</i>	\$5.95	\$5.95	0%
Connection Size		Access Units		
20mm service connection	1			
25mm service connection	1.5625			
32 service connection	2.56			
40mm service connection	4			
50mm service connection	6.25			
80mm service connection	16			
150mm service connection	56.25			
Freehold land abutting a water main with no service connection	1			
Sewerage Services	Unit of Measure	Current \$/unit	Previous \$/unit	% Change
All Properties				
Service Availability Charge	<i>Per property unit per qtr.</i>	\$243.00	\$243.00	0.0%
Sewerage charges for all properties are based on establishing property units for each type of property according to use, as per guidelines established by the South Australian Local Government Association.				
Miscellaneous Fees & Charges	Unit of Measure	Current \$/unit	Previous \$/unit	% Change
Special Meter Reading Fee up to 4pm during business hours	each	\$40.00	\$40.00	0%
Special Meter Reading Fee after hours	each	\$90.00	\$90.00	0%
General Account / Administration Fee (Excludes Special Meter Reading Fee)	each	\$40.00	40.00	0%
Late Payment Fee (Sent with reminder notices)	each	\$16.00	\$16.00	0%
Other Fees	each	Details available from Council		0%