

# **IPART review of Central Coast Council water & wastewater services**

28 November

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## About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

## Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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The Justice and Equity Centre office is located on the land of the Gadigal of the Eora Nation.

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# 1. Introduction

The Justice and Equity Centre welcomes the opportunity to respond to IPART's *Review of prices for Central Coast Council's water and wastewater services* Consultation Paper (the Paper).

Central Coast Council is the third largest operator of water and wastewater services in NSW and the largest council operator of these services. The Central Coast is a rapidly growing region with significant diversity, including a substantial population of households experiencing financial disadvantage. The equitable, sustainable and affordable provision of efficient water and wastewater services is critical to the continuing growth of this region and this process has a material potential impact on the health, wellbeing and socio-economic participation of Central Coast households.

This process comes at an important time for Central Coast households, and in the context of difficult circumstances for Central Coast Council's water and wastewater operations. Like all water providers in NSW, Central Coast Council faces challenges in dealing with growth, replacing and maintaining ageing infrastructure, meeting updated standards of health, quality and environmental impact, and ensuring resilient, secure water services in face of the impacts of climate change. Responding to these challenges while maintaining equity and affordability of access to the essential water services all households need is increasingly difficult.

Central Coast Council's historic performance makes responding to these challenges even more difficult and places added significance on this process. The community has voiced consistent concerns with Central Coast Council's performance over the course of this and previous processes, noting issues with service performance, water quality, service continuity and dissatisfaction with increasing bills. These sustained concerns, in addition to identified issues with asset management, investment and service performance standards highlighted in the previous determination process, place added importance on this process and IPART's interrogation of the Central Coast Council proposal.

The JEC has had limited opportunities to engage with Central Coast Council and the Central Coast community as part of the process of development of the water and wastewater pricing proposal. Accordingly, our submission highlights areas of the proposal which we consider warrant particular scrutiny by IPART, and presents a number of additional perspectives on the need to increase consistency and transparency of aspects of the regulation of Central Coast Council in line with recommendations we have made in response to the Sydney Water and Hunter Water determination processes, and the review of Local Water Utility funding. This includes:

- Highlighting the need for close examination of previous capital expenditure and impact on performance, in particular Central Coast Council's capacity to identify and complete proposed major projects in the context of past performance.
- Noting inadequacies in the proposed performance reporting metrics and the need for more robust, comprehensive measures aligned with more consistent reporting across NSW water utilities, and which better track performance against critical issues for Central Coast Council.

- Noting potential issues with Central Coast Council understanding of the purpose of proposal grading and providing some comments on potential issues with the adequacy of engagement and its scope to underpin proposals.
- Commenting on the approach to pricing and implementing price increases, questioning the balance of cost increases and providing additional commentary on affordability considerations and how to respond to them.
- Noting the circumstances of Central Coast Council within the wider context of challenges facing all NSW water utilities, and providing recommendations for wider potential reforms including:
  - Considering further structural changes to Central Coast Council water and waste water service provision, including amalgamation of all or part of operations with Hunter and or Sydney Water.
  - Implementing more consistent regulation across all water service providers, particular in relation to payment difficulty support, rebate support and reporting and transparency of performance.
  - Considering more consistent, alternative approaches to supporting growth and resilience/security investment for all NSW water services providers, which mitigates the up-front impact of investment on NSW households.

## 2. The need to consider further structural reform

The JEC considers this process a critical opportunity to consider and recommend substantive reforms, both to the structure and regulation of Central Coast Council water and wastewater, and the wider regulation of water utilities in NSW.

### **Making water service regulation, payment assistance, rebates and monitoring more consistent across NSW.**

In recent submissions to the Sydney Water 2025-2030<sup>12</sup> pricing review, Hunter Water 2025-2030 pricing review<sup>34</sup> and review of NSW Local Water utilities<sup>5</sup>, the JEC highlighted the need for comprehensive reform in water regulation, funding and affordability support. We reiterate these recommendations in relation to this process and encourage IPART to take this opportunity to promote the further consideration of reforms.

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1 JEC submission to [Review of Sydney Water Prices 2025-2030](#)  
 2 JEC submission to [Review of Sydney Water Prices 2025-2030 draft determination](#)  
 3 JEC submission to [Review of Hunter Water Prices 2025-2030](#)  
 4 JEC Submission to [Review of Hunter Water Prices 2025-2030 draft determination](#)  
 5 JEC submission to [2024 Review of alternative funding models for Local Water Utilities](#)

## **Rebates**

We understand opportunities to improve the adequacy and consistency of NSW Government support through Water rebates are currently being investigated. We commend IPART's previous support for such reforms and strongly recommend IPART highlight the importance of such reforms in relation to this process.

## **Payment assistance and monitoring affordability outcomes**

As we note above, it has been recognised that a more consistent approach to NSW Government rebate support for water service affordability is needed. However, consistency of water utility response to payment assistance across NSW is also required. We are not currently aware of any process explicitly considering this. In the context of substantial – and ongoing – rises in water bills, a more consistent approach to identifying and supporting NSW households experiencing difficulty in affording the water services they need, is long overdue. As we detail in previous submissions – which we commend to IPART – such an approach would:

- Set out consistent objectives, principles and requirements relating to payment difficulty and affordability support for all water and wastewater providers in NSW.
- Assign a single regulatory body responsible for monitoring and enforcing payment difficulty and affordability support regulation.
- Ensure consistent public reporting of consumer outcomes for all NSW households across NSW in relation to water services and provider performance in supporting affordability.

We highlight the regulatory framework in energy as a practical start-point for implementation of such a framework.

While we understand this broadly sits outside the remit of IPART in this process, we strongly encourage IPART to recommend consideration of such reforms.

## **Structural reform of Central Coast Council water and wastewater**

As has been noted in this process, and throughout the previous pricing process, Central Coast Council is a unique entity which appears to suffer from the circumstances it operates under, with significant consequences for Central Coast households.

The JEC considers this process an appropriate opportunity to consider scope for further, more structural reforms, including:

- Further reform of the framework governing Central Coast Council water and wastewater, to implement more robust regulation, such as through an operating licence.
- Alterations to the structure of the Central Coast Council water and wastewater in whole or part, either combining part of its investment or operation with other larger utilities or amalgamating it with other larger utilities (Sydney and Hunter Water).

- Considering wider reforms to the approach to regulation of water, in particular how the cost of investment in growth infrastructure and investment in infrastructure for improved water security and resilience is recovered.

### **Further reform of Central Coast Council water and wastewater**

In the last pricing process for CCC, IPART made recommendations for reform of the way CCC is regulated, including introducing scope for ex-post reviews, and applying an operating licence. Given CCC's unique status – being substantially larger than other local water utilities and situated between the two licenced urban water utilities - we strongly supported IPART's recommendations and consider it appropriate to raise the same issues in this pricing process.

Beyond recommendations made previously, it is also reasonable to consider further structural reform of the way Central Coast Council's water and wastewater services. For instance, CCC is currently responding to a long-term need to invest in improved security and resilience of water supply and services. This is broadly consistent with the needs Sydney and Hunter Water have responded to in their own recent processes.

We consider there are potential inefficiencies – with resulting increased costs to households – in addressing issues of supply security and resilience in this way. Given the geographic proximity of Sydney Water, Central Coast Council Water and Hunter Water, there is value in a more holistic assessment of how supply security and resilience could be addressed across all three areas of operation. It may be the case that more coordinated investment in some assets is both more effective in ensuring intended outcomes, and more efficient in doing so at reduced costs to households.

### **Consideration of wider reform of the approach to investment in water infrastructure**

As we have noted in our recent responses to the Sydney and Hunter Water pricing processes, it would be appropriate and timely to consider potential reforms to the way the costs of investment in major water infrastructure – particularly that related to growth, improved water security, improved water resilience, and improved environmental performance – are recovered.

In the public hearing as part of this process, the representative from the Water Services Association of Australia (WASAA) noted the issues being faced by CCC are increasingly common to all water service providers. That is, a step-change in large scale infrastructure investments required, has occurred and is likely to impact providers for the foreseeable future.

As we have noted in previous submissions – which we commend to IPART – the current approach to recovery of investment costs is broadly predicated on incremental investment, signalling forward needs in current costs recovered from consumers. It is possible this approach is incompatible with a step-change in investment, or at least incompatible with accommodating such a change while maintaining affordable and equitable access to services.

In any case, we consider it timely to assess potential alternatives which may better deal with the current anticipated circumstances being faced by CCC and other NSW water service providers.

### **3. Proposal assessment and engagement**

The JEC was not closely involved with Central Coast Council (CCC) and did not have the opportunity observe their engagement program in detail. As such we are unable to offer an informed perspective on the robustness of the program and the degree to which it is capable of underpinning the conclusions and decisions contained in their proposal. In this context we present the following comments on the proposal and observations based on our limited engagement with CCC.

#### **Assessment of the proposal and understanding of the 3C framework**

We concur with the starting assessment of CCC's proposal as 'standard' Given the state of maturity of the organisation and the scope of the program they appear to have undertaken 'standard' is likely to be the best possible grading of this proposal.

However, we observed during the public hearing a number of comments which, in the context of the proposal itself, raise concerns that CCC do not accurately understand the nature and intent of the 3Cs regulatory framework. It appears that CCC regard the standard of their proposal as being a cost trade-off – that is, higher standards of proposals are 'more costly' or otherwise a desirable rather essential investment. This is both incorrect and concerning.

The intent of the 3Cs framework is to centre consideration of the needs, values, and preferences of the community and ensure that meaningful engagement with the community and key stakeholders shapes the proposal to reflect those needs, values and preferences. In this context the grading of the proposal is an assessment of how well this has been done and how meaningfully it can be demonstrated. The implied intent is for businesses to attempt achievement of the highest level, then reflect honestly on their success. It is not intended to allow businesses to simply aim for 'good enough', and regard a more community-centric approach as 'optional'.

We are concerned CCC has not understood this as the inherent purpose. We are concerned their comments during the public forum indicate CCC consider engagement and reflection of community needs and values as a 'nice to have', which they have assessed as otherwise not being 'worth it', opting to 'save costs'. We are concerned they consider their self-assessment as 'standard' as a choice.

We strongly encourage IPART to engage with CCC, assess their understanding of the structure and intent of the 3C framework. Should this assessment demonstrate a lack of genuine understanding and commitment on the part of CCC, IPART should consider down-grading CCC's proposal if appropriate.

#### **Comments on engagement**

CCC's historic performance and consistent community dissatisfaction with that performance places a greater importance on CCC's engagement in developing this proposal. In this context, we recommend IPART undertake a robust assessment of CCC's engagement with a particular focus on:

- The overall scope and robustness of their engagement. This should include not merely the number of engagements undertaken and the questions considered, but the extent to which critical and complicated issues were matched with sufficiently robust processes. This is particularly critical in relation to questions of affordability versus reliability, pricing structures, performance measures and reporting and their approach to implementing price rises.
- The degree to which they have made sufficient efforts to understand the community and the source, nature and extent of community dissatisfaction with their historic investment and operational performance. This should also examine the extent to which CCC have attempted to engage on questions which relate to investment in the coming period, and how their success may be monitored and reported on. We are concerned that the comments and approach CCC demonstrated in the public hearing indicate this was not the focus of engagement.

## **4. Capital Expenditure**

CCC face similar challenges to all NSW water utilities in responding to growth, the need to replace aging legacy assets, and the need to meet increasing requirements related to water quality, environmental performance and climate resilience and water security. The common challenge to meet these elevated requirements while maintaining affordability is particularly difficult for CCC given the scale of their operations and the nature of the geographic environment they operate in. As we have noted, we consider the nature of these challenges requires consideration of alternative approaches to water infrastructure investment generally, and particularly for CCC.

We encourage IPART to undertake a thorough and robust assessment of CCC's capital expenditure proposal, not only for its prudence and efficiency in this period, but in the context of their historic performance implementing such investment and their capacity to deliver proposed investment efficiently, on time, and in a way which delivers (and demonstrates) intended performance improvements.

We are concerned that CCC's performance, particularly during the current pricing period, demonstrates a poor standard of investment scoping, planning and delivery given the material variance between allowed and actual expenditure. Given the further capital uplift proposed this period, the capacity to manage and deliver this spending is a critical consideration.

Community comments, particularly during the public forum, indicate the community expect investment to deliver improved service, ensuring investments are efficiently and effectively delivered is critical to demonstrating a response to community needs.

## **5. Pricing, bills and affordability**

This process comes at a time when affordability is a critical consideration and we encourage IPART to take every opportunity to focus on optimising affordability for Central Coast households, particularly in the shorter term, during the current affordability crisis.

## Considering affordability

As we have consistently noted in response to recent processes for Sydney and Hunter Water, affordability of water services must be considered in their correct context as inseparable elements of the essential cost of maintaining a home (in conjunction with rent/mortgage and energy costs). We strongly advise against considering water bills – and relative increases – in isolation, only as a proportion of annual income. As we have detailed in previous submissions<sup>6</sup> water bill affordability must be considered more holistically, including:

- Recognising that, as an essential component in the cost of housing, consideration of the affordability of water bills relative to household income should also include other housing costs. This is particularly important where international benchmarks of affordability are used to assess water bill affordability. Australian housing costs (rent and mortgage), particularly those in NSW, are well above international comparators which water bill benchmarks incorporate, making relatively smaller changes in water costs more significant for NSW households.
- Recognising that comparisons of annualised water bills to annualised household income are misleading. Household income is accrued weekly, fortnightly or monthly where water bills are quarterly (or monthly where there are smoothed). Evidence consistently shows many households do not have the \$500-1000 in savings required to pay a quarterly water bill when they arrive. Comparisons of bills to income should use a selection of more relevant comparators, including – for example - notional monthly bills compared to post-tax monthly income for various deciles of income groups.
- Understanding the current conditions regarding cost-of-living and inflation and considering the increased value of lower bills in early years of the period. Lower water bills in the early years of the period may have a disproportionate benefit to households - particularly more vulnerable households - given current circumstances.

## Supporting affordability

As we have noted, a more consistent and effective approach to support for affordability by NSW water service providers and the NSW Government is necessary. We understand such measures are outside the immediate scope of this process. However, there is scope for CCC to improve its support for affordability within the term of this proposal, including by:

- Identifying best-practice measures of Sydney and Hunter Water,
- Identifying best practice measures of other comparable water service providers in other jurisdictions,

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<sup>6</sup> We direct IPART to our most recent submissions in relation to the Sydney and Hunter Water pricing determinations regarding how to consider affordability more holistically.

- Engaging with the Central Coast community and expert stakeholders to explore the development of new, innovative affordability measures that best meet the needs of the local community.

We encourage IPART to engage directly with stakeholders and the community to improve understanding of usage needs and how price increases may (or may not) influence behaviour. However, we note the following issues with the way questions in the consultation paper address affordability and scope to alter usage:

- Questions 3 in the consultation paper is unlikely to provide an accurate or meaningful insight. People are generally poor at estimating the 'efficiency' of their usage and their capacity to reduce it. Such questions are susceptible to well established overestimation biases. A more useful approach would ask questions that help establish actual usage which is more likely to be amenable to reduction or improved efficiency – for instance:
  - Are you aware of any water leaks, drips or other water problems?
  - how long are your showers on average?
  - do you have efficient fixtures – such as shower heads and dual flush toilets - installed?
  - do you fill your washing/dishwashing machine? and how many loads a week do you do? These questions would help establish a relatively objective starting point for understanding existing usage and community literacy in identifying potential reduction.
  - What is the efficiency rating of your washing machine or dishwasher? How old is it? How important would efficiency rating be in any new purchase?
- It is critical not to make sweeping or generalised 'assumptions' regarding the level of usage of particular cohorts, and how efficient this usage may or may not be. Similarly, it is critical not to make assumptions regarding the scope for usage reduction of certain groups – for instance assuming large families overuse and have scope for reductions, or visa-versa. It is broadly true that most people have limited discretionary usage and limited scope to reduce in any that would materially reduce their bills.
- In the context of the point above, any consumer engagement on bill responsiveness or usage reduction must account for the tendency of people to over-estimate the impact of usage reductions generally. People do not well understand the actual cost of water, and the actual amount of water associated with common activities. For instance, its not well understood that \$3/Kl means that 1000 litres of usage is required to save \$3, where - for instance – a toilet flush is 7 litres, and the average shower is 9 litres a minute.
- Question 4 would be better focussed on identifying the most meaningful opportunities for water use reduction of particular cohorts, especially those facing disadvantage (such as renters, large families, apartment dwellers and people with inefficient appliances). The purpose of a more effective question would be identifying measures CCC could implement to support water saving and water efficiency.

We encourage IPART to focus broadly on CCC's understanding of usage and their efforts to support households to healthily reduce their usage in support of affordability.

## Pricing structures

CCC has proposed a range of changes to the fixed and variable components of water and wastewater charges. We are concerned these changes do not seem to clearly implement a principled approach to pricing grounded in community preferences. It does not seem consistent to reduce one set of services charges while increasing another, and increase one set of usage charges while reducing the other. Given there is at least some link between water and wastewater usage levels, it doesn't seem consistent to implement changes which treat them differently. While this is an apparent 'rebalancing' exercise, its not clear what is driving it or what preference or value it is responding to.

We encourage IPART to interrogate CCC's approach to pricing and their justification in adopting this approach. A priority is clearly establishing how the proposed approach aligns with meaningful expressions of the community's values and preferences and how CCC is responding to manage any affordability impacts which result from their approach – for instance, the impact on renters.

## Implementing bill increases

We understand engagement undertaken by CCC indicated a general community preference for 'flatter' bills over the period. CCC has interpreted this as justification for implementing a step-change in bills in the first year and retaining relative bill stability over the remaining 4 years.

We disagree with this interpretation and strongly recommend IPART consider a 'smoothed' implementation which prioritises affordability in early years of the period. We note the following in support of our assessment this approach would better promote the interests of Central Coast households:

- As noted in relation to affordability, the timing of bill increases should be considered in its wider economic context and the degree of impact on the community. We are currently experiencing a period of generalised cost-of-living concern – often referred to as a crisis – which is particularly acute for many households on lower incomes.

In this context even relatively small bill 'relief' in this period is likely to have a disproportionate benefit to households – particularly those struggling with bills – compared with the commensurate increases that will have to occur later in the period.

- Community perspectives of prior and current performance – as demonstrated in the public hearing – indicate a strong sense of disquiet at further bill increases in the context of performance they see as consistently poor/below expectations. While the regulatory framework fundamentally involves a lag between bill increases required to invest in improvements, and the impact of those improvements, we consider it reasonable to consider measures that 'defray' the impact of bill increases on Central Coast households by smoothing those increases.

- Engagement undertaken on pricing and implementation of bill increases was not engagement of a sufficiently representative and robust deliberative nature required to have confidence its' results reflect the strong preference of the community. In this context we consider it is appropriate for IPART to consider alternatives which may better promote the overall interests of the community.

## 6. Performance and reporting

The JEC does not regard CCC's proposed performance reporting framework to be adequate, particularly in the context of its historic performance issues and the ongoing investment – and related bill increases – it is undertaking. We strongly recommend a wider scope of performance metrics be adopted.

As we have noted, we support the adoption of a consistent set of robust performance metrics across all water service providers in NSW. These core metrics should be consistently collected and publicly reported. This approach does leave scope for water service providers to collect additional metrics specific to the needs and circumstances they face – for instance, CCC should consider metrics which report on its performance addressing established issues of importance to the community.

Regardless, we strongly recommend IPART ensure CCC expands their performance metrics to include more consumer outcomes, including outcomes relating to affordability and payment support. We highlight the following provided to the review of Local Water Utility funding as relevant metrics for CCC:

- residential customer numbers
- customers in arrears, by category (30, 60, 90, 120 days)
- customers receiving payment assistance measures
- customers in 'hardship' support
- customers disconnected/restricted (and figures on restoration)
- customer debt carried to be recovered/ customer debt recovered (for instance through property)
- unplanned service outages – number of outages, length of outages, customers impacted as a proportion of total connections
- water quality failures and boil-water notices – these should be measured against compliance requirements
- customer complaints (by category) – must include complaints on water quality, service availability, service standards, information failures, customer assistance failures, and bills.

## 7. Continued engagement

We welcome the opportunity to meet with IPART and other stakeholders to discuss these issues in more depth. Please contact Kira Van Os at [Kvanos@jec.org.au](mailto:Kvanos@jec.org.au) regarding any further follow up.