



District Council of Karoonda East Murray

Recycled Water Services 2016-2017 Pricing Policy Statement

Introduction

The District Council of Karoonda East Murray provides a Community Wastewater Management Scheme (CWMS) in the township of Karoonda.

Principles set out in the Price Determination for Minor/Intermediate Retailers

1. **Flexible Regulation** *Light handed and flexible regulation (including use of pricing principles) is preferable, as it is generally more cost-efficient than formal regulation. However, formal regulation (e.g. establishing maximum prices and revenue caps to address problems arising from market power) should be employed where it will improve economic efficiency.*
2. **Cost Allocation** *When allocating cost, a beneficiary pays approach, typically including direct user pays contributions, should be the starting point, with specific costs shared across beneficiaries based on the scheme's drivers (and other characteristics of the recycled water/storm water reuse scheme).*
3. **Water Usage Charge** *Prices to contain a water usage (ie. volumetric) charge.*
4. **Substitutes** *Regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band.*
5. **Differential Pricing** *Pricing structures should be able to reflect differentiation in the quality or reliability of water supply.*
6. **Integrated Water Resource Planning** *Where appropriate, pricing should reflect the role of recycled water as part of an integrated water resource planning (IWRP) system.*
7. **Cost Recovery** *Prices should recover efficient, full direct costs - with system-wide incremental costs (adjusted for avoided costs and externalities) as the lower limit, and the lesser of stand-alone costs and willingness to pay (WTP) as the upper limit. Any full cost recovery gap should be recovered with reference to all beneficiaries of the avoided costs and externalities. Subsidies and Community Service Obligation (CSO) payments should be reviewed periodically and, where appropriate, reduced over time. Direct costs include any joint/common costs that a scheme imposes, as well as separable capital, operating and administrative costs. This definition of direct costs does not include externalities and avoided costs.*
8. **Transparency** *Prices should be transparent, understandable to users and published to assist efficient choices.*
9. **Gradual Approach** *Prices should be appropriate for adopting a strategy of 'gradualism' to allow consumer education and time for the community to adapt.*

Pricing Policy Statement

Council's pricing policy is designed to ultimately achieve full cost recovery and return on capital investment. Within this context, the most important considerations in setting prices relate to the markets willingness to pay, the price of substitutes and pricing certainty for consumers.

Council plans to achieve full cost recovery and return on capital investment through an increase in connection and pricing in line with the Local Government Association's (LGA) CWMS Accounting Principles, the Costing and Pricing of CWMS.

Pricing Schedule

Sewerage & Trade Waste Retail Services	Unit of measurement	2016-17 \$/unit	2015-16 \$/unit	Percentage Price Change
Karoonda	<i>Occupied Connection</i>	\$345	\$335	3%
Karoonda	<i>Property</i>	\$320	\$310	3%