
Transferred Retail Water Customers associated with the purchase of Marom Creek Water Treatment Plant

Responsible Officer: Group Manager Planning and Delivery (Andrew Logan)

Recommendation

That Council endorse the recommended approach and transitional fee structure, as outlined in this report, for the transfer of existing Ballina Shire Council retail customers to Council, as part of the purchase of the Marom Creek Water Treatment Plant from Ballina Shire Council.

Background

The purpose of this report is to seek in-principal support for a transitional fee structure for the retail customers that are affected by the transfer of the Marom Creek Water Treatment Plant (MCWTP) and its associated infrastructure, as per Council Resolution [37/24] and specifically Item 5(a)(i) of the minutes of Rous County Council's (Council) extraordinary meeting of 17 July 2024.

The transitional fee structure will be included in an update of the Retail Water Customer Account Assistance Policy which is scheduled to be tabled at Council's April 2025 meeting.

Transferring ownership of the MCWTP, along with existing groundwater supplies provides the most advantageous water security and cost outcomes for the regional supply, constituent councils and the community.

Since July 2024 Council and Ballina Shire Council (BaSC) have been working to finalise the sales contract regarding the proposed acquisition by Council of the MCWTP (and associated assets) from BaSC. This includes approximately 11.1 kilometres of water distribution pipelines that have 57 retail water connections. A map of the transferred pipelines is shown in Attachment 1.

Historically, Council has endeavoured to ensure that its retail water charges are in line with its constituent councils. However, in more recent times, the fees for Council's retail water supply have increased at a faster rate than those charged by BaSC. Table 1 provides an overview of the Rous region's water fees and charges, based on a 20mm metered connection for the 2024/25 financial year.

Table 1- Rous region's water fees and charges (FY24/25)

Local Water Utility (LWU) Area	Fixed Charges (20mm meter)	LWU's (\$/KL) Volumetric charges	Step Charge (threshold) KL/A	Step 2 Charge (\$/KL)	Average usage (KL/A) ²	Usage charges	Total Charges
Ballina Shire Council	\$250	\$2.82	350	\$4.23	270	\$761	\$1,011
Byron Shire Council	\$237	\$3.61			266	\$960	\$1,197
Lismore City Council	\$369.08	\$5.03			189	\$949	\$1,318
Richmond Valley Council	\$208	\$3.25	200	\$4.95	210	\$700	\$908
Rous County Council	\$411.40 ¹	\$3.28			347	\$1,138	\$1,550
Average	\$295.10	\$3.60	275	\$4.59	256	\$902	\$1,197

1 - Includes the \$196 charge for the backflow prevention device

2 - Usage is based on the 2022/23 average residential consumption

A comparison between current BaSC and future Council water fees and charges, based on actual 2023/24 water usage for the transferred retail water connections is shown in Table 2.

Table 2- Comparison of water fees and charges (23/24 actual) for transferred BaSC customers

Row Labels	No. of Meters	BaSC Usages charges	RCC usage charges	BaSC Total Costs	RCC total Costs	Difference
20mm connection	44	\$34,068	\$35,345	\$45,068	\$53,445	\$8,376
25mm connection	8	\$10,060	\$10,493	\$13,180	\$14,777	\$1,596
32mm connection	1	\$564	\$656	\$1,205	\$1,414	\$209
40mm connection	1	\$0	\$0	\$1,003	\$1,076	\$73
50mm connection ¹	1	\$1,139	\$1,266	\$2,705	\$2,838	\$133
80mm connection ¹	2	\$979	\$1,138	\$9,021	\$8,589	-\$431
Grand Total	57	\$46,811	\$48,898	\$72,183	\$82,139	\$9,956

1 - Connections associated with the NSW Wollongbar Agricultural Station

Based on the recorded usage in the 2023/24 financial year, the typical annual increase in water fees and charges is approximately \$190 to \$210 per customer for connections up to 32mm in size. For connections greater than 32mm, there is minimal difference in the total annual average bill charged by BaSC when compared to Council.

It is recommended that a transitional fee structure is applied to customers with meters 32mm and lower. A review of larger connections indicates a commercial nature to these properties, with one connection having no recorded usage for the last two financial years resulting in a negligible impact.

Proposed transitional fee structure

To ensure that the transferred BaSC retail customers are not financially disadvantaged with an immediate increase to water charges, it is recommended that a transitional fee structure be adopted for a period of five years. Fixed charges for the connection, based on meter size, would be in addition to the water consumption and backflow charges.

Table 3 outlines the proposed transitional fee structure.

Table 3 - Proposed transitional fee structure for water consumption and backflow

	Financial Year				
	2024-25	2025-26	2026-27	2027-28	2028-29
Rous Consumption Charge					
Forecast Price Path (Proposed % Increase)		8.00%	8.00%	8.00%	8.00%
Forecast Consumption Charge (\$/KL)	3.28	3.54	3.82	4.13	4.46
Proposed Transition charge to transitioned customers (\$/KL)	2.82	3.16	3.54	3.97	4.46
% Increase for transitioned customers		12.06%	12.03%	12.15%	12.34%
Rous Backflow Device Annual Charge \$196 (23/24)					
Transition charge to new customers (Indexed in line with charge changes)	0	49	98	147	196
% Increase		25%	50%	75%	100%
Rous Annual Facility (fixed) Charges¹					
20mm water meter connection	\$215.35	\$229.95	\$248.20	\$267.18	\$288.35
25mm water meter connection	\$339.50	\$365.00	\$394.20	\$424.56	\$456.25
32mm water meter connection	\$562.10	\$605.90	\$653.35	\$702.72	\$755.55
40mm water meter connection	\$879.70	\$949.00	\$1,022.00	\$1,101.66	\$1,186.25
50mm water meter connection	\$1,376.10	\$1,485.55	\$1,602.35	\$1,727.52	\$1,865.15
80mm water meter connection	\$3,529.60	\$3,810.60	\$4,113.55	\$4,439.58	\$4,792.45

1 – Fixed charges are subject to the annual budget process and may change in future years.

It is recommended that the fixed charge component of Council's water charges will be the same as the amount determined annually, during the budget process. Table 4 provides a comparison of the fixed charges between Council and BaSC.

Table 4 – Fixed Charge Comparison

Financial Year	No. of Meters	BaSC	Rous ¹	Difference
		2024-25	2024-25	
20mm water meter connection	44	\$250	\$215.35	-\$34.65
25mm water meter connection	8	\$390	\$339.50	-\$50.50
32mm water meter connection	1	\$641	\$562.10	-\$78.90
40mm water meter connection	1	\$1,003	\$879.70	-\$123.30
50mm water meter connection	1	\$1,566	\$1,376.10	-\$189.90
80mm water meter connection	2	\$4,021	\$3,529.60	-\$491.40

1 - Excludes the \$196 charge for the backflow prevention device

Based on Table 3, there will be a loss of revenue due to the proposed transitional fee structure. This estimated loss in revenue is shown in Table 5.

Table 5 - Estimated loss in revenue

	Financial Year				
	2024-25 ¹	2025-26	2026-27	2027-28	2028-29
Consumption Charge	\$1,638	\$5,413	\$3,989	\$2,279	\$0
Backflow Device Annual Charge	\$2,646	\$8,379	\$5,586	\$2,793	\$0
Total loss on revenue	\$4,284	\$13,792	\$9,575	\$5,072	\$0

1 assumes only one quarter for that FY

The total estimated loss in revenue is \$34,724 over the 5-year period, based on an average recorded consumption for the transitioning customers over the last 2-year period. At the same time, the expected total retail revenue from the newly transferred retail customers is \$339,655.

There will be some additional costs to set up and administer the proposed transitional fee structure, however, these costs are anticipated to be negligible. It is recognised that BaSC may seek to adjust its revenue policy, given Council's forecast bulk water price path over this five-year period, of the proposed transitional fee structure. Should that be the case, Council can review its transitional fee structure when it adopts the operational plan and budget in June of each year.

Upon the transfer of retail customers, which is expected to occur by the fourth quarter of FY25, Council will implement a smart metering and backflow prevention changeover project. It is proposed that these works will be funded under the existing Future Water Project budget allocations for the Alstonville Plateau water supply scheme and completed by staff.

Analysis completed on recorded water usage for the transferred retail water customers, indicates that several of the meters greater than 20mm but less than 50mm, do not require a water meter of this size based on actual recorded consumption over the last two financial years. This is likely due to changes in ownership over time and associated changes to property related activities and practices. These customers will be offered the opportunity to have a smaller connection installed as part of the smart meter and backflow prevention changeover. This may reduce the fixed charges component and further alleviate the increase in fees for these customers.

Governance

- **Finance**

There are sufficient budget allocations within the Future Water Project for the Alstonville Plateau water supply scheme project to accommodate the change-over to smart meters, along with the installation of the backflow prevention devices.

Based on the proposed transitional fee structure, the estimated loss in revenue (as outlined in Table 4) is insignificant in comparison to the forecast revenue. The forecast revenue for the retail water fund is \$3.967M for the 2024/25 financial year.

The current funding arrangements for the Retail Water Customer Account Assistance Policy will be reviewed for the 2025/26 financial year onwards. This budget review will accompany the policy update at Council's April meeting. However, since the deployment of Council's smart metering fleet, the change to the Retail Water Customer Account Assistance budget is likely to be negligible, as a result of the proposed transitional fee structure.

- **Legal**

It is recommended that the charges imposed on the affected customers is reduced based on a proposed update to the Retail Water Customer Account Assistance Policy, instead of revising the current and future year's revenue policies. The proposed approach allows the affected customers to be advised of the change, once the sales contract (between Council and BaSC) has been

exchanged and ensures that the water charges can be reduced prior to the issuing of the first water accounts to customers from Council in the fourth quarter of FY25. This approach also ensures the actual reduction in fees can be tracked and reported to Council.

In relation to its retail water charges, Council has authority to set the form (e.g. fixed amount, rate per kilolitre, or a combination of them)¹ and the amount, including determining differing amounts for the same charge,² taking into consideration factors such as the quantity of water supplied and the nature and use of the premises to which the water is supplied.³

Whilst there are recommended practises for determining location based pricing, this is not one of those instances. The proposed transitional fee structure is considered reasonable given the circumstances and within the above-mentioned legislative parameters.

Consultation

There has been no external consultation undertaken as a part of this process. Affected retail water customers have not been consulted on the transfer arrangements by either BaSC or Council.

The proposed transitional fee structure was developed through an internal consultative process involving the relevant Council teams, mainly water billing, finance and operations. This approach has received broad support.

It is anticipated contracts will be exchanged in February 2025 with settlement occurring in April 2025. This will align with the third quarter (and final) account issued to these customers from BaSC. Once these customers have been transferred, Rous will deploy its smart meters as soon as possible.

BaSC and Rous have prepared joint statements to key stakeholders about the pending changes once contracts have been exchanged.

Conclusion

As a result of Council acquiring the MCWTP and associated assets, there are 57 retail customers that would have a significant and immediate increase in water charges. It is recommended that a transitional fee structure be applied to these customers to provide for a smooth and progressive increase in their fixed charge and usage charges over a 5-year period.

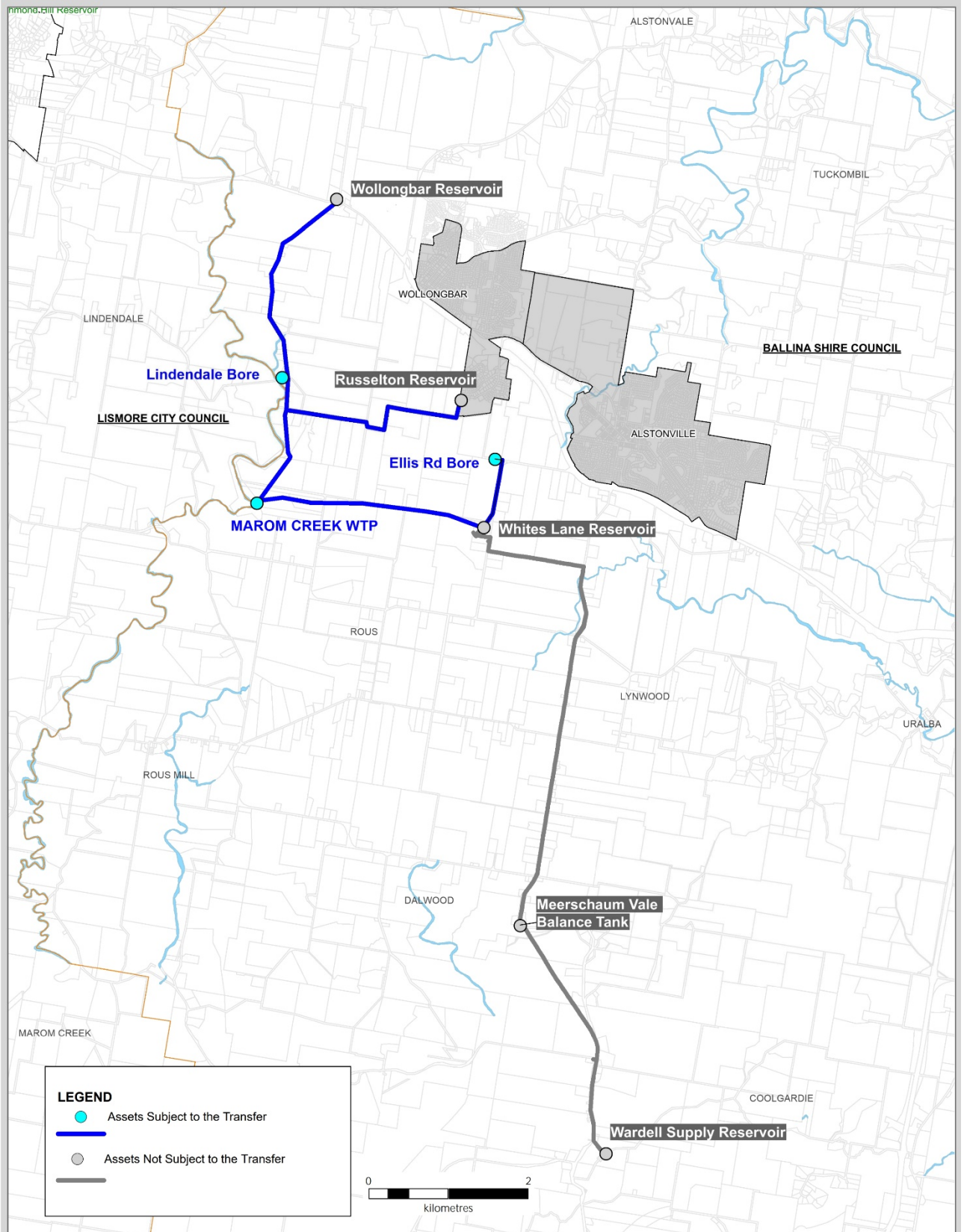
¹ [Section 540](#) of the *Local Government Act 1993*

² [Section 541](#) *Ibid.*

³ [Section 539](#) *Ibid.*

Attachment

1. Map of transferred pipelines



Attachment 1 - Ballina Shire Council Assets to be Transferred to Rous - Marom Creek WTP Sales Contract

THE INFORMATION ON THIS MAP MAY NOT BE ACCURATE.
 Disclaimer: The material contained on this map is made available on the understanding that Rous County Council is not hereby engaged in rendering professional advice. While all reasonable care has been taken to ensure the information contained on this map is up to date and accurate, no warranty is given that the information contained on this map is free from error or omission. Any reliance placed on such information shall be at the sole risk of the user. Please verify the accuracy of the information prior to using it.



Printed Date: 11/09/2024
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