



Waste tariff policy positions

Workshop no 4 – Part vi

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Policy categories

- Institutional arrangements
- Social fairness
 - Responsibilities
 - Uniformity of tariffs
 - Customer groups
 - Level of service
 - Fixed / variable charges
- Service levels / standards
- Environment
 - Landfill levies
 - Establishment charges / deposits
- Full cost recovery
 - Definition
 - Time based
 - Efficiency
 - Capital investment
 - Grants and gifted assets
- Capital structure
- Capital value and return on capital
 - Regulatory capital value
 - Return on capital
 - Tax
- Process
 - Review periods

Institutional arrangements (1)

Responsibility for payment of services

Collection

- Options
 - Collection companies direct from customers
 - Municipalities through property tax systems
- Preferred position
 - Municipalities
- Subject to
 - Government policy
 - New legal instruments

Disposal

- Options
 - From licensed collection companies

Institutional arrangements (2)

Domestic treated differently to non-domestic

Collection

- Options
 - Status quo with WWRO setting tariffs for non-domestic
 - POEs to collect non-domestic on commercial basis
 - Remove non-domestic from POE responsibilities
- Preferred position
 - Bound by status quo but would prefer transfer of to municipal authorities
- Subject to
 - Government policy
 - New legal instruments

Disposal

- Not applicable

Social fairness / pricing structures (1)

Social responsibility – who?

Collection

- Options
 - Government responsibility
 - Service provider responsibility
- Preferred position
 - Government responsibility
- Subject to
 - Government policy (not a WRRO decision)

Disposal

- Not applicable

Social fairness / pricing structures (2)

Uniformity of tariffs

Collection

- Options
 - Uniform throughout region
 - Different tariffs for different towns / areas
- Preferred position
 - Uniform throughout POE area of responsibility
- Subject to

Disposal

- Options
 - Uniform throughout country
 - Different tariffs for different landfills
- Preferred position
 - Uniform throughout POE area of responsibility but options open for individual landfill tariffs in future
- Subject to
 - Adequate financial reporting systems

Social fairness / pricing structures (3)

Tariffs to reflect different levels of service

Collection

- Options
 - Separate tariffs for individual and communal services
 - Uniform tariffs irrespective of level of service
- Preferred position
 - Separate tariffs
- Subject to
 - Adequate financial reporting systems

Disposal

- Options
 - Uniform throughout country
 - Different tariffs for different landfills
- Preferred position
 - Uniform throughout POE area of responsibility but options open for individual landfill tariffs in future
- Subject to:
 - Adequate financial reporting systems

Social fairness / pricing structures (4)

Tariffs to reflect different types of waste

Collection

- Not applicable

Disposal

- Options
 - Uniform tariffs throughout regardless of type of waste
 - Different tariffs for different types of waste to reflect disposal costs
- Preferred position
 - Short term - Uniform tariffs
 - Longer term – cost reflective charging
- Subject to:
 - Hazardous waste outside WWRO remit

Environment (1)

Landfill levy (tax)

Collection

- Not applicable other than a cost carry-through from waste disposal

Disposal

- Options
 - Imposition of tax
 - No landfill tax
- Preferred position
 - Supportive of a landfill tax
- Subject to:
 - Government policy decision

Environment (2)

Establishment charges and deposit

Collection

- Not applicable other than a cost carry-through from waste disposal

Disposal

- Options
 - License fee and deposit to be applied to KLMC
 - No deposit
- Preferred position
 - License fee and deposit set at levels to cover clean-up costs on completion of landfill
- Subject to:
 - Government policy decision

Full cost recovery (1)

Definition of cost recovery

Collection

- Options
 - Accounting definition
 - Cash revenues to meet revenue requirements
- Preferred position
 - Accounting definition including full depreciation provisions
- Subject to:
 - Compliance with defined accounting standards

Disposal

- Options
 - Accounting definition
 - Cash revenues to meet revenue requirements
- Preferred position
 - Short term- revenue requirement
 - Medium to long term – accounting including a return on capital
- Subject to:
 - Financial reporting systems

Full cost recovery (2)

Timing of cost recovery

Collection

- Options
 - Short run cost recovery
 - Cost recovery to be achieved over a longer period, e.g. 5 – 10 years)
- Preferred position
 - Short –run (immediate) cost recovery
- Subject to:
 - Market competition

Disposal

- Options
 - Short run cost recovery
 - Cost recovery to be achieved over a longer period, e.g. 5 – 10 years)
- Preferred position
 - Medium term attainment of cost recovery with prices set to satisfy revenue requirements in the short term
- Subject to:
 - Nil

Full cost recovery (3)

Efficiency expectations

Collection

- Options
 - WWRO to set
 - Collection companies to set
- Preferred position
 - WWRO to set but based upon comparable market performance criteria
- Subject to:
 - Available performance data

Disposal

- Options
 - WWRO to set
 - KLMC to set
- Preferred position
 - WWRO to set in consultation with KLMC
- Subject to:
 - Nil

Full cost recovery (4)

Recovery of capital investment

Collection

- Options
 - Annually through historic cost depreciation
 - Annually through current cost depreciation
 - Long-term cost recovery calculation, e.g. LRMC
- Preferred position
 - Short run historic cost depreciation
- Subject to:
 - Nil

Disposal

- Options
 - Annually through historic cost depreciation
 - Annually through current cost depreciation
 - Long-term cost recovery calculation, e.g. LRMC
- Preferred position
 - Current cost depreciation or longer term model
- Subject to:
 - Cost recovery timing

Full cost recovery (5)

Grants and gifted assets

Collection

- Options
 - Treat all assets the same regardless of source of financing
 - Equalisation of grants against depreciation
- Preferred position
 - Equalisation of grants against assets unless open competition
 - If subject to competition treat all assets identically
- Subject to:
 - Degree of competition

Disposal

- Options
 - Treat all assets the same regardless of source of financing
 - Equalisation of grants against depreciation
- Preferred position
 - Depreciation to reflect levels of investment by KLMC's own financial resources
- Subject to:
 - Cash flow considerations

Capital structure

Should WWRO consider capital structure

Collection

- Options
 - Consider capital structure in the tariffs
 - To treat capital structure as a POE management issue only
- Preferred position
 - Capital structure to be a POE management issue only but WWRO to take an interest to ensure cash flow.
- Subject to:
 - Nil

Disposal

- Options
 - Consider capital structure in the tariffs
 - To treat capital structure as a POE management issue only
- Preferred position
 - WWRO to consider capital structure until cost recovery achieved
- Subject to:
 - Cash flow considerations

Capital value / return on capital (1)

Definition of capital value

Collection

- Options
 - Book value of assets
 - Book value adjusted for inflation
 - Value of investments made by POE's own financial resources
- Preferred position
 - Value determined on basis of POE's own investments but may change if the government divested itself of the entity.
- Subject to:
 - Institutional structures

Disposal

- Options
 - Book value of assets
 - Book value adjusted for inflation
 - Value of investments made by KLMC's own financial resources
- Preferred position
 - Value determined on basis of KLMC's own investments but may change if the government divested itself of the entity
- Subject to:
 - Institutional structures

Capital value / return on capital (2)

Return on capital

Collection

- Options
 - No return on capital in the tariff
 - ROC determined based upon market expectations
 - ROC set to ensure minimum cash flow requirements
- Preferred position
 - Market expectations
- Subject to:
 - Adequate market information

Disposal

- Options
 - No return on capital in the tariff
 - ROC determined based upon market expectations
 - ROC set to ensure minimum cash flow requirements
- Preferred position
 - Cash flow demands
- Subject to:
 - Government not demanding a return on its investment

Capital value / return on capital (3)

Taxation

Collection

- Options
 - ‘Pre-tax’ return on capital
 - ‘Post-tax’ return on capital
- Preferred position
 - ‘Post-tax’ return and to pass taxation costs through to the tariff
- Subject to:
 - Nil

Disposal

- Options
 - ‘Pre-tax’ return on capital
 - ‘Post-tax’ return on capital
- Preferred position
 - ‘Post-tax’ return and to pass taxation costs through to the tariff
- Subject to:
 - Nil

Process

Time between tariff reviews

Collection

- Options
 - Tariffs determined annually
 - Periodic review of tariffs (inflation linked interim adjustments)
- Preferred position
 - Short term- annually
 - Medium to longer term through tendering process
- Subject to:
 - Procurement and institutional structures

Disposal

- Options
 - Tariffs determined annually
 - Periodic review of tariffs (inflation linked interim adjustments).
- Preferred position
 - Short-term – annually
 - Medium to longer term through application of a longer run process
- Subject to:
 - New tariff determination rules

Next steps

- Preparation of a draft policy statement Jun 07
- Circulation to stakeholders Jun 07
- Stakeholder comments received July07
- Review comments / final tariff policy Jul / Aug 07
- WWRO to seek appropriate approvals Sep 07
- Adoption of tariff policy Oct 07
- Implementation for 2008 / 11 tariff review Dec 07 – Jun 08
- Application of tariffs Jul 08