

# Attachment G: Target versus actual revenue by product

For the period 1 July 2020 to 30 June 2024, the variance between target and actual revenues is shown for:

- Product: water, wastewater, stormwater, discretionary and non-regulatory activities
- Charge type: service, usage and other regulated revenue

Differences related to inflation are explained in Chapter 6. The IPART ‘pricing’ CPI applied to prices (March to March index), and inherent in actual revenue, is substantially lower over the period than the yearly June to June inflation used to inflate costs and the target revenue into \$2024-25. Table 1 shows the difference in inflation.

**Table 1: IPART pricing versus June-to-June indexation**

	2020-21	2021-22	2022-23	2023-24	2024-25
Inflation					
– June to June increase	3.8%	6.1%	6.0%	3.8%	3.0%
Cumulative index					
– from June 2020	1.038	1.101	1.167	1.212	1.248
IPART pricing index					
– March to March increase	2.2%	1.1%	5.1%	7.0%	0.0%
Cumulative index					
– from March 2019	1.022	1.033	1.086	1.162	1.162

Source: ‘Inflation - June to June increase’: IPART correspondence.

‘IPART pricing index – March to March increase’: increase applied to prices each year in line with the 2020 IPART Determination method. Prices remained constant in nominal dollars in 2024-25 due to the deferral of the pricing proposal by one year.

We have isolated the revenue impact related to inflation to better identify the variance driven by different connections growth and demand for services. Commentary focuses on variances net of the inflation impact.

The largest variance between target and actual revenues is in our usage charges:

- In Chapter 7, we described that we had lower water sales over the period than forecast. The overall revenue variance was \$43.7 million or six per cent of target. Table 2 shows the variance related to usage charges and bulk water usage. Chapter 6 details a \$5.8 million DVAM revenue adjustment we have applied to the upcoming pricing period to recover some of this revenue.
- We have received \$2.2 million lower than target non-residential wastewater usage charges over the period (as shown in Table 3). Chapter 7 details differences between forecast and actual non-residential discharge volumes. Lower water sales have resulted in lower wastewater discharge. Variances are also impacted by the mix of non-residential customers with deemed discharge factors.

Variances in service charge revenues are immaterial – less than two per cent of target for each product. Variances reflect different connections growth compared to forecast. Chapter 7 details our forecast and actual connections for the period.

Variances in stormwater revenue and revenue from our discretionary charges are shown in Table 4 and Table 5, respectively. Variances are immaterial.

**Table 2 Water revenue detail - Target versus Actual (\$2024-25, \$millions)**

Component	2020-21	2021-22	2022-23	2023-24	4-year total
Target revenue	182.2	188.6	193.5	197.8	762.1
Actual revenue	170.6	162.5	164.8	185.0	682.9
Difference: total	(11.6)	(26.1)	(28.7)	(12.8)	(79.2)
Difference: inflation	(2.8)	(11.7)	(13.5)	(8.1)	(36.1)
<b>Difference: connections and demand for services</b>	<b>(8.8)</b>	<b>(14.5)</b>	<b>(15.2)</b>	<b>(4.7)</b>	<b>(43.1)</b>
Usage charges	(9.9)	(14.1)	(14.5)	(4.0)	(42.6)
Bulk water usage	1.2	(0.6)	(0.8)	(0.9)	(1.2)
Service charges	0.1	0.1	(0.0)	0.1	0.4
Other regulated	(0.1)	0.1	0.1	0.1	0.2

Source: Hunter Water analysis.

**Table 3 Wastewater revenue detail - Target versus Actual (\$2024-25, \$millions)**

Component	2020-21	2021-22	2022-23	2023-24	4-year total
Target revenue	218.4	222.5	226.4	230.3	897.5
Actual revenue	214.0	209.5	210.9	221.7	856.1
Difference: total	(4.4)	(13.0)	(15.4)	(8.6)	(41.4)
Difference: inflation	(3.4)	(13.8)	(15.8)	(9.5)	(42.4)
<b>Difference: connections and demand for services</b>	<b>(1.0)</b>	<b>0.7</b>	<b>0.4</b>	<b>0.9</b>	<b>1.0</b>
Usage charges	(1.3)	(1.0)	0.3	(0.2)	(2.2)
Service charges	0.3	1.4	(0.4)	1.0	2.3
Trade waste charges	0.1	0.3	0.5	0.2	1.1
Other regulated	(0.2)	0.1	(0.0)	(0.1)	(0.2)

Source: Hunter Water analysis

The residential deemed wastewater usage charge has been included in line 'service charges' above. This aligns with treatment in the AIR.

**Table 4: Stormwater revenue detail - Target versus Actual (\$2024-25, \$millions)**

Component	2020-21	2021-22	2022-23	2023-24	4-year total
Target revenue	6.8	6.9	6.9	6.9	27.5
Actual revenue	6.6	6.3	6.3	6.6	25.9
Difference: total	(0.2)	(0.5)	(0.6)	(0.4)	(1.6)
Difference: inflation	(0.1)	(0.4)	(0.5)	(0.3)	(1.3)
<b>Difference: connections</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.3)</b>
Service charges	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Other regulated	0.0	0.0	0.0	0.0	0.1

Source: Hunter Water analysis

**Table 5: Discretionary revenue detail - Target versus Actual (\$2024-25, \$millions)**

Component	2020-21	2021-22	2022-23	2023-24	4-year total
Target revenue <sup>1</sup>	0.1	0.4	0.7	0.9	2.1
Actual revenue	0.5	0.5	0.5	0.5	1.9
Difference: total	0.4	0.1	(0.2)	(0.4)	(0.2)
Difference: inflation	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
<b>Difference: connections</b>	<b>0.4</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.1)</b>

Source: Hunter Water analysis

Note: 1. Discretionary revenue included in IPARTs total target revenues was not based on final 'smoothed' prices. Attachment K provides a reconciliation of discretionary revenues that is based on the smoothed discretionary target revenue.

We recovered more revenue from non-regulatory activities than target (see Table 6). Around \$560 thousand relates to the receipt of government grants. These grants are deducted from the RAB in full when received and therefore excluded from non-regulatory revenue below. We also received more income from rents and leases over the period than forecast.

**Table 6: Non-regulatory revenue detail - Target versus Actual (\$2024-25, \$millions)**

Component	2020-21	2021-22	2022-23	2023-24	4-year total
Target revenue	1.7	1.7	1.7	1.7	6.8
Actual revenue	2.3	2.6	2.0	2.2	9.2
Difference: total	0.6	0.9	0.4	0.6	2.4
Exclude government grants	(0.0)	(0.5)	(0.0)	(0.0)	(0.6)
<b>Difference: excluding grants</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.6</b>	<b>1.9</b>

Source: Hunter Water analysis