

WAMC prices for Border regulated rivers

9 September 2021

Your total prices will increase from 1 October 2021

We have reviewed the Water Administration Ministerial Corporation's (WAMC) efficient costs and prices. As presented in Table 1, total prices will increase from 1 October 2021.

For this water source, the WAMC water management prices are transitioning towards full cost recovery. The price increase will be capped at a rate of 2.5% per year (before inflation) to mitigate bill impacts for water users. The prices to recover the costs of the Murray-Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC) are set at full cost recovery and will remain constant in real terms over the 2021 determination period (1 Oct 2021 to 30 June 2025). The total prices are increasing by 51% (excluding forecast inflation) from 2020-21 to 2024-25.

Schedule of prices from 1 October 2021

Table 1: Prices for 2-part tariffs (\$/ML, \$2021-22)

	2020-21	2021-22	2022-23	2023-24	2024-25	% change from 2020-21 to 2024-25
Entitlement price						
Water management		1.76	1.80	1.85	1.90	NA
MDBA		0.54	0.54	0.54	0.54	NA
BRC		1.30	1.30	1.30	1.30	NA
Combined	2.28	3.60	3.64	3.69	3.74	64.1%
Water take price						
Water management		1.41	1.45	1.48	1.52	NA
MDBA		0.26	0.26	0.26	0.26	NA
BRC		0.62	0.62	0.62	0.62	NA
Combined	1.78	2.29	2.33	2.36	2.40	34.6%
Total price	4.06	5.89	5.97	6.05	6.14	51.2%

Note: The percentage change includes the impact of inflation from 2020-21 to 2021-22 of 1.1%. The prices presented above assume there are no floodplain harvesting (FPH) licences. If FPH licences are introduced, we have allowed for prices to switch to a new pricing schedule.

Source: IPART analysis.

Key drivers of prices changes

Total allocated costs to this water source have increased by around 54% (or around \$1.9 million) since the 2016 price review, which are driven by:

- Higher BRC costs. This is up by 597% (or around \$1.5 million) in comparison with the 2016 price review due to 3 factors:
 - increased total BRC costs allocated to WAMC due to an increase in the management nature of the BRC work being undertaken
 - a higher user share, and
 - BRC costs being allocated to fewer water sources to be more cost reflective.
- Higher capital costs. During the 2016-2021 period, WAMC's actual capital expenditure was much higher than allowed in the 2016 price review. A large proportion of the additional capital expenditure was on corporate systems. Over the 2021 determination period, we have allowed further capital expenditure on corporate systems to deliver required functions. The additional historical and future investments result in a higher return on assets and regulatory depreciation, and therefore an increase in the costs allocated to this water source.
- Higher MDBA costs. We have allocated a total of around \$0.72 million (up by \$0.11 million) to this water source. While total MDBA costs have declined from the 2016 price review, the increase in costs allocated to this water source reflects the higher user share.

The large increase in BRC costs and setting BRC prices at full cost recovery from 2021-22 are the main contributors to price increases.

Minimum annual charge set at \$221.50 per licence

We have set the minimum annual charge (MAC) at \$221.50 per licence in 2021-22. The MAC recovers most of WAMC's costs associated with account management services (i.e. compliance management, customer management and billing management). The MAC will increase by 2.5% per year (before inflation) over the 2021 determination period.

Water users paying the MAC will also be required to pay MDBA and BRC prices. This is to improve the sharing of MDBA and BRC costs between all water users.