

2 June 2020

1 Approval

Having regard to the factors below, IPART has approved Water NSW's regulated charges for *Water Charge (Infrastructure) Rules 2010 (WCIR)* Bulk Water Services for the 2020-21 Year.

The regulated charges for Water NSW's rural bulk water services set under the WCIR for the 2020-21 Year will be as set out in the 2017 Determination.

Factors

Under the WCIR, IPART must not approve or determine regulated charges other than those set out in the 2017 Determination for the 2020-21 Year except to the extent, if any, that it is reasonably necessary to make variations to those charges having regard to:

- ▼ the changes in the demand or consumption forecasts set out in Water NSW's application; and
- ▼ price stability.

In giving this approval, IPART has applied the pricing principles published by the ACCC, in accordance with the conditions of its accreditation arrangements under Part 9 of the WCIR.

Reasons

IPART's reasons for its approval are set out in the accompanying report, 'Water NSW – Annual review of rural bulk water charges for 2020-21'.

In summary, those reasons are as follows:

- ▼ While the data set out in Water NSW's application indicates that there has been a decline in demand and consumption, we do not consider that this amounts to a sustained shift that would justify altering the regulated charges.
- ▼ Altering the regulated charges now, in circumstances where we do not consider there has been a sustained shift in demand or consumption, would expose customers to price volatility and uncertainty.

Application

This approval applies to regulated charges for WCIR Bulk Water Services supplied by Water NSW during the 2020-21 Year. That is, this approval applies to services supplied by Water NSW in the Murray-Darling Basin Valleys (the Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray, Murrumbidgee and Lowbidgee Valleys) and to Rural Water Supply Customers in the Fish River Water Supply Scheme.

This approval does not apply to the maximum prices in the 2017 Determination which are set under the IPART Act. That is, this approval does not apply to services supplied by Water NSW in Coastal Valleys (the North Coast, South Coast and Hunter Valleys) or to Urban Water Supply Customers in the Fish River Water Supply Scheme. The 2017 Determination continues to apply to Water NSW's maximum prices for rural bulk water services set under the IPART Act.

2 Background

- ▼ In the 2017 Determination, IPART determined the regulated charges that Water NSW may charge for rural bulk water services for the period from 1 July 2017 to 30 June 2021. IPART made the 2017 Determination under two regulatory regimes:
 - ▽ the regulated charges for certain rural bulk water services supplied by Water NSW (i.e. WCIR Bulk Water Services) were set under the WCIR;¹ and
 - ▽ the maximum prices for the remaining rural bulk water services supplied by Water NSW were set under the IPART Act.
- ▼ Under rule 34 of the WCIR, Water NSW has applied to IPART for approval of its regulated charges for WCIR Bulk Water Services in respect of the 2020-21 Year. In its application, Water NSW has applied for approval of regulated charges as set out in the 2017 Determination.
- ▼ Under rule 37 of the WCIR, IPART must approve or determine the regulated charges for WCIR Bulk Water Services in respect of the 2020-21 Year.

3 Definitions and interpretation

In this approval:

2017 Determination means IPART's determination entitled 'Water NSW - Prices for rural bulk water services from 1 July 2017' dated June 2017.

2020-21 Year means the period from 1 July 2020 to 30 June 2021.

IPART Act means the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

WCIR means the *Water Charge (Infrastructure) Rules 2010* (Cth).

WCIR Bulk Water Services means the services for which IPART has determined regulated charges pursuant to the WCIR under the 2017 Determination.

Terms used but not defined in this approval have the same meaning given in the 2017 Determination.

All provisions of the 2017 Determination relevant to the application of the regulated charges for the WCIR Bulk Water Services continue to apply during the 2020-21 Year. This includes Section 2 (Interpretation) of Schedule 5 of the 2017 Determination.

¹ IPART has undertaken this annual review and approved the regulated charges in respect of the 2020-21 Year under accreditation arrangements in Part 9 of the WCIR. The ACCC approved IPART's accreditation under rule 63 of the WCIR, with effect from 1 June 2016.