

14 March 2017



What is this fact sheet about?

We have released a Draft Report and Draft Determination on our review of the maximum prices that WaterNSW can charge for its rural bulk water services from 1 July 2017 for a period of four years. This fact sheet highlights key draft decisions made as part of our review that affect the **North Coast valley**.

This information is not exhaustive. Further information is available in our General Overview Fact Sheet and our Draft Report.



Bills would generally increase in line with inflation

Bill impacts for a 'typical' customer in the North Coast valley under our Draft Determination are presented in Table 1.

Table 1 Indicative bill impact of draft bulk water charges for North Coast valley for 2017 Determination (\$ nominal – ie, with inflation)

	↓↑	Current charge (2016-17)	IPART Draft Decision (2017-18)	IPART Draft Decision (2020-21)	% Change (2016-17 to 2020-21)
High security - small		\$5,459	\$5,568	\$5,996	
High security - medium	↑	\$27,293	\$27,839	\$29,979	9.8%
High security - large		\$54,585	\$55,677	\$59,958	
General security - small		\$3,428	\$3,496	\$3,765	
General security - medium	↑	\$17,139	\$17,481	\$18,825	9.8%
General security - large		\$34,277	\$34,963	\$37,651	

Source: WaterNSW pricing proposal June 2016, ACCC Final Report June 2014 and IPART calculations.

- ▼ Under our Draft Determination, bills would increase (in nominal terms) for customers in the North Coast valley in line with inflation.
 - ▽ This follows from our draft decision to adopt a new approach to setting prices in valleys significantly below full cost recovery (FCR), such as the North Coast valley. WaterNSW's current prices in this valley recover only about 12% of the customers' share of its efficient cost.
 - ▽ Whilst we aim to set prices that fully recover efficient costs, where possible, we recognise that FCR is likely to be unattainable in the North Coast valley over this determination and going forward.
- ▼ Our draft prices result in substantially smaller increases in bills for customers than those proposed by WaterNSW (which would result in a 46% increase).



Prices in North Coast valley would remain constant

Table 2 Draft bulk water charges for North Coast valley for 2017 Determination - \$/ML of entitlement and usage (\$2016-17 – ie, without inflation)

	↓↑	Current charge (2016-17)	IPART Draft Decision (2017-18)	IPART Draft Decision (2020-21)	% Change (2016-17 to 2020-21)
High security charge	=	9.54	9.54	9.54	0.0%
General security charge	=	7.25	7.25	7.25	0.0%
Usage charge	=	45.04	45.04	45.04	0.0%

Source: ACCC Final Report June 2014 and IPART calculations.

For the four years of the 2017 determination period, prices would be kept constant at current (2016-17) levels under our Draft Determination (in real terms). Our draft charges are also all lower than those proposed by WaterNSW.

- ▼ Our draft prices for the North Coast reflect our new approach to setting prices in valleys significantly below FCR.
 - ▽ Rather than continuing to increase prices by 10% per year towards FCR, we have decided to set prices within an efficient pricing band that considers WaterNSW's customers' 'capacity to pay' in these valleys, as well as WaterNSW's avoided costs.