

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 **Hunter valley**.

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



Bill impacts in Hunter valley would be mixed under draft prices

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

Table 1 Indicative bill impact of draft bulk water charges for Hunter 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		\$4,080	\$2,602	\$2,802	
High security - medium	↓	\$20,401	\$13,010	\$14,011	-31.3%
High security - large		\$40,802	\$26,020	\$28,021	
General security - small		\$1,772	\$1,800	\$1,938	
General security - medium	↑	\$8,860	\$8,998	\$9,690	9.4%
General security - large		\$17,720	\$17,996	\$19,380	

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

- ▼ Under our Draft Determination, bills would decrease for high security (HS) customers and slightly increase for general security (GS) customers in the Hunter valley (in nominal terms – ie, with inflation), although the increase is approximately in line with inflation.
 - ▽ This is largely due to our draft decision to use a lower HS premium¹ which better reflects both the security and reliability of water supply from holding HS over GS entitlements. This would rebalance WaterNSW's costs between HS and GS customers.

¹ The HS premium is used to set the relative difference between the HS entitlement charge and the GS entitlement charge, and represents the relative benefit of holding a HS entitlement over a GS entitlement.

- ▼ Compared to WaterNSW's pricing proposal, our draft prices would result in a larger decrease in bills for HS customers, and an increase rather than decrease in bills for GS customers.
 - ▽ These differences are largely driven by our decision to update the HS premium.
- ▼ Under our Draft Determination, customers' share of WaterNSW's notional revenue requirement (efficient costs) for the Hunter valley would decrease by 27.9% relative to current levels.



Usage and high security entitlement charges would decrease

Table 2 Draft bulk water charges for Hunter 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	↓	26.03	13.02	13.02	-50.0%
General security charge	↑	8.86	10.15	10.15	14.6%
Usage charge	↓	14.77	12.49	12.49	-15.5%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Usage charges in the Hunter valley would decrease (in real terms) under our Draft Determination, whereas the effect on entitlement charges is mixed.
- ▼ Our draft high security entitlement charges would be considerably lower (by \$7.74 per ML per year), whilst our general security entitlement charges would be higher (by \$2.82 per ML per year) than those proposed by WaterNSW.
 - ▽ This is a result of our update to the security factors used in calculating the HS premium.
- ▼ Our draft usage charges are also slightly lower than those proposed by WaterNSW.