

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 **South 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 under draft prices

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

**Table 1** Indicative bill impact of draft bulk water charges for South 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		\$6,150	\$6,154	\$6,627	
High security - medium	↑	\$30,752	\$30,770	\$33,136	7.8%
High security - large		\$61,504	\$61,540	\$66,272	
General security - small		\$3,432	\$3,657	\$3,938	
General security - medium	↑	\$17,161	\$18,286	\$19,692	14.7%
General security - large		\$34,322	\$36,572	\$39,384	

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

- ▼ Under our Draft Determination, bills would increase (in nominal terms – ie, with inflation) for customers in the South Coast valley.
  - ▽ This relatively small increase follows from our draft decision to adopt a new approach to setting prices in valleys significantly below full cost recovery (FCR), such as the South Coast valley. WaterNSW's current prices in this valley recover only about 42% 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 South 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).



## Some charges in South Coast valley would increase

**Table 2 Draft bulk water charges for South 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	↓	21.12	18.26	18.26	-13.6%
General security charge	↑	10.09	10.61	10.61	5.1%
Usage charge	↑	40.38	42.08	42.08	4.2%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Compared to current charges (and without inflation), general security entitlement charges and usage charges in the South Coast valley would increase under our Draft Determination, while high security entitlement charges would decrease. However, our draft charges are all lower than those proposed by WaterNSW.
  - ▽ This is due to our decision to adopt a 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.
- ▼ High security charges decrease under our draft prices, largely due to our draft decision to use a lower HS premium<sup>1</sup> 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.

<sup>1</sup> 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.