South Coast Valley
Issues Paper - WaterNSW's rural bulk water pricing proposal

In this Fact Sheet we highlight selected key information from WaterNSW's pricing proposal for customers in the **South Coast valley**. This information is not exhaustive and should be read in conjunction with our General Overview Fact Sheet and Issues Paper.

Overview

- Forecast annual entitlement for 2016-17: General Security 13,946 ML; High Security 1,175 ML.
- Forecast annual usage for 2016-17: 3,781 ML (20 year rolling average).
- Proposed user share notional revenue requirement (NRR): $3.5 million over 2017-18 to 2020-21 or $0.9 million per year. The user share of NRR is the portion of total costs that are paid for by customers. This is used as the basis for WaterNSW setting its proposed prices.
- The proposed user share of NRR for the South Coast valley represents around 1.2% of WaterNSW's proposed total user share of NRR across the state.
- Proposed average annual user share of NRR over the four year determination period is increasing when compared to the 3 years of the current determination.

Under WaterNSW's proposal, entitlement charges and variable usage charges are increasing in real terms for all customers in the valley.

Consistent with WaterNSW's proposal, the **price** and **revenue** figures below are in **$2016-17** (ie, they **exclude** the effects of inflation beyond 2016-17).

WaterNSW's proposed price changes (per ML, $2016-17)

High Security	↑	32.6%	$21.12/ML (2016-17) $28.01/ML (2020-21)
General Security	↑	32.6%	$10.09/ML (2016-17) $13.38/ML (2020-21)
Variable usage	↑	32.6%	$40.38/ML (2016-17) $53.56/ML (2020-21)

WaterNSW's proposed NRR the South Coast valley ($000s, $2016-17)

	2017-18	2018-19	2019-20	2020-21	Total[a]	Average Proposed[a]	Average IPART	Change[b]
Base building block	869	850	869	879	3,466	867	822	5.4%
UOM[c] allowance	-	-	-	-	-	-	-	N/A
BRC & MDBA costs	-	-	-	-	-	-	-	N/A
Total user share	*869*	*850*	*869*	*879*	*3,466*	*867*	*822*	5.4%
Total NRR- South Coast	1,067	1,048	1,063	1,077	4,255	1,064	1,009	5.4%
Total user share (%)	*81%*	*81%*	*82%*	*82%*	*81%*	*81%*	*81%*	

a Total and annual average over 2017-18 to 2020-21.

b Annual average (2017-18 to 2020-21) compared with average annual (2010-11 to 2013-14).

c Unders and Overs Mechanism (UOM).

WaterNSW's pricing proposal includes indicative customer bills, for a range of entitlement and usage volume scenarios, under its proposed fixed and usage charges.

Below we present two of these scenarios: a general security bill based on a customer holding a 1,000 ML entitlement and using 60% of the entitlement; and a high security bill based on a customer holding a 500 ML entitlement and using 100% of the entitlement held in a year.

The **bill impacts** presented below are in **nominal dollars** (ie, they **include** the effects of forecast inflation, assumed to be 2.5% per year, beyond 2016-17).

Under WaterNSW's proposed prices, typical bills would increase for high security and general security entitlement holders.

Indicative customer bill impacts of proposed final prices ($nominal)

		High Security (including inflation)			General Security (including inflation)
	46.4%	$30,750 (2016-17) $45,021 (2020-21)		46.4%	$34,318 (2016-17) $50,245 (2020-21)

The Issues Paper contains a number of questions for stakeholder comment. The following questions may be particularly relevant to stakeholders in the South Coast valley:

- WaterNSW proposes to continue to cap annual price increases at 10% per year for the South Coast valley. This would mean the South Coast valley would continue to service users at prices well below full cost-recovery (recovering about 44% of the user share of costs). How should the cost of providing bulk water services be recovered in valleys that are well below full cost recovery?
- What principles or approaches should we use to assess the efficient costs of services to these valleys?
- What principles should we use to determine prices in these valleys?
- Given the low level of cost-recovery, are there any assets that should be excluded from prices? If so, what are the ongoing costs of these assets and who should bear them?