

13 June 2017



What is this fact sheet about?

We have released a Final Report and 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 decisions made as part of our review that affect the **Fish River Water Supply Scheme (FRWS)**. This information is not exhaustive. Further information is available in our General Overview Fact Sheet and our Final Report.¹



Bills will decrease for most customers in the FRWS

Indicative bill impacts for customers in the FRWS under our Determination are presented in Table 1.

Table 1 Bill impacts of bulk water charges for the FRWS - 2017 Determination (\$ nominal – ie, with inflation)

		Current charge (2016-17)	IPART Decision (2017-18)	IPART Decision (2020-21)	% Change (2016-17 to 2020-21)
Bulk raw water					
EnergyAustralia	↑	\$3,418,816	\$3,658,850	\$3,935,190	15.1%
Sydney Catchment Authority	↓	\$2,348,127	\$2,034,500	\$2,189,960	-6.7%
Oberon Council	↓	\$709,534	\$602,850	\$648,950	-8.5%
Individual minor customers	↓	\$476	\$392	\$422	-11.4%
Bulk filtered water					
Lithgow Council	↑	\$1,542,666	\$1,449,680	\$1,564,560	1.4%
Individual minor customers	↓	\$794	\$666	\$714	-10.1%

Note: 'Typical' customer bill impacts analysis are based on water sharing plan MAQs for major customers, a 200 kL MAQ for minor individual customers and forecast usage.

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

- ▼ Under our Determination, bills will decrease (in nominal terms – ie, with inflation) for all customers in the FRWS, primarily due to efficiency gains in operating expenditure², except for EnergyAustralia and Lithgow Council, due to:
 - ▽ Our decision to adopt an 80:20 fixed to variable tariff structure for the FRWS, which better reflects WaterNSW's (largely fixed) cost structure.
 - In turn, this means EnergyAustralia's charges better reflect the cost of providing water infrastructure related to its minimum annual quantity (MAQ).
- ▼ Our prices will result in higher bills for EnergyAustralia and bulk filtered water individual minor customers, than those proposed by WaterNSW. This is mainly due to our decision

¹ See Appendix G.13 of our Final Report for further FRWS specific information.

² The customer share of operating expenditure will be lower by 47.3% per year on average relative to current levels (in real terms – ie, without inflation).

to change the tariff structure, and to discontinue the unders and overs mechanism (UOM)³ and include a UOM payback in charges.⁴



MAQ charges will increase, but usage charges will decrease

Table 2 Bulk water charges for the FRWS for the 2017 Determination - \$/kL of entitlement and usage (\$2016-17 – ie, without inflation)

		Current charge (2016-17)	IPART Decision (2017-18 to 2020-21)	% Change (2016-17 to 2020-21)
Bulk Raw Water				
Minimum Annual Quantity (MAQ)				
Major customers	↑	0.38 ^a	0.39	2.6%
Minor customers	↑	0.36	0.39	8.3%
Usage up to MAQ				
Major customers	↓	0.43 ^a	0.24	-44.2%
Minor customers	↓	0.42	0.24	-42.9%
Usage in excess of MAQ				
Major customers	↓	0.81	0.63	-22.2%
Minor customers	↓	0.78	0.63	-19.2%
Bulk Filtered Water				
Minimum Annual Quantity (MAQ)				
Major customers	↑	0.57	0.63	10.5%
Minor customers	↑	0.69	0.76	10.1%
Usage up to MAQ				
Major customers	↓	0.61	0.36	-41.0%
Minor customers	↓	0.78	0.46	-41.0%
Usage in excess of MAQ				
Major customers	↓	1.18	0.99	-16.1%
Minor customers	↓	1.47	1.22	-17.0%

^a In 2016-17, EnergyAustralia had the same price as the 'minor customers' (individual minor customers).

Note: WaterNSW currently has three major raw water customers – EnergyAustralia, WaterNSW (Greater Sydney) and Oberon Council. WaterNSW currently has only one major filtered water customer – Lithgow Council.

Source: ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, usage (variable) charges in the FRWS will decrease, whilst MAQ (fixed) charges will increase (in real terms – ie, without inflation). This is due to our decision to move to an 80:20 fixed to variable tariff structure for the FRWS (currently this ratio is 57:43 on average across the FRWS).

³ The UOM was introduced in 2014 by the ACCC to manage revenue volatility risk.

⁴ We note this excludes the impact of the UOM balance arising from the closure of EnergyAustralia's Wallerawang power station, as we have decided to set the UOM balance attributable to this structural change in demand to zero.