

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 **Gwydir valley**.

This information is not exhaustive. Further information is available in our General Overview Fact Sheet and our Final Report.¹



Bill impacts will be mixed in the Gwydir valley

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

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

		Current charge (2016-17)	IPART Decision (2017-18)	IPART Decision (2020-21)	% Change (2016-17 to 2020-21)
High security - small	↓	\$2,626	\$2,343	\$2,523	
High security - medium		\$13,130	\$11,715	\$12,615	-3.9%
High security - large		\$26,260	\$23,430	\$25,230	
General security - small	↑	\$1,075	\$1,082	\$1,166	
General security - medium		\$5,374	\$5,411	\$5,830	8.5%
General security - large		\$10,748	\$10,822	\$11,660	

Note: 'Typical' customer bill impacts analysis are based on high security entitlement holders at 100% of usage, and general security entitlement holders at 60% of usage, for small (100 ML of entitlements), medium (500 ML of entitlements) and large (1,000 ML of entitlements) customers.

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

- ▼ Under our Determination, bills will decrease for high security (HS) customers and increase for general security (GS) customers in the Gwydir valley (in nominal terms – ie, with inflation).
 - ▽ Efficiency gains in operating expenditure and lower financing costs have decreased overall costs. However, this has been partially offset by the:
 - inclusion of a volatility allowance and payments to recover the outstanding unders and overs mechanism (UOM)² balance in the Gwydir valley (to be paid back over a 12-year period).
 - ▽ Also, our decision to update HS premiums to better reflect the security and reliability of water supply that HS customers have compared with GS customers has resulted in a larger reduction in the premium in the Gwydir valley compared with other

¹ See Appendix G.2 of our Final Report for further Gwydir valley specific information.

² The UOM was introduced in 2014 by the ACCC to manage revenue volatility risk.

valleys. This means a larger share of costs will now be recovered from GS customers compared with HS customers in the Gwydir valley.

- ▽ This means that bills for GS customers will increase in the Gwydir valley, but marginally less than inflation.
- ▼ Under our Determination, the customer share of WaterNSW's notional revenue requirement (efficient costs) for the Gwydir valley will be lower by 8.0% per year on average relative to current levels.³



Usage and high security entitlement charges will decrease

Table 2 Bulk water charges for Gwydir valley for the 2017 Determination - \$/ML 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)
High security charge	↓	14.13	11.08	-21.6%
General security charge	↑	3.47	3.48	0.3%
Usage charge	↓	12.13	11.87	-2.1%

Source: ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, HS entitlement charges and usage charges in the Gwydir valley will decrease, whilst GS entitlement charges will increase compared with current charges (in real terms – ie, without inflation).
- ▼ Despite decreasing costs in the Gwydir valley, the increase in GS entitlement charges mainly results from our decision (mentioned above) to use an updated, and lower HS premium.
- ▼ However, our prices for GS entitlement charges are lower than those proposed by WaterNSW.

³ In real terms – ie, without inflation.