

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 **Hunter 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 Hunter valley

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

Table 1 Bill impacts of bulk water charges for the Hunter 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	↓	\$4,080	\$2,629	\$2,831	
High security - medium		\$20,400	\$13,145	\$14,155	-30.6%
High security - large		\$40,800	\$26,290	\$28,310	
General security - small	↑	\$1,772	\$1,814	\$1,955	
General security - medium		\$8,861	\$9,072	\$9,774	10.3%
General security - large		\$17,722	\$18,144	\$19,548	

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 Hunter valley (in nominal terms – ie, with inflation), although the increase is approximately in line with inflation.
 - ▽ This is largely due to our decision to update HS premiums to better reflect the security and reliability of water supply that HS customers have compared with GS customers. This has resulted in a substantial reduction in the premium in the Hunter valley, meaning a larger share of costs will now be recovered from GS customers compared with HS customers.²

¹ See Appendix G.11 of our Final Report for further Hunter valley specific information.

² In updating the HS premium we found that the security factor (previously termed 'conversion factor') used was based on a value sourced from the Hunter valley water sharing plan in place in 2006. However, the water sharing plan no longer specifies this number. We have recalculated the Hunter valley's HS premium using information in its current water sharing plan, consistent with how the premium is calculated for all other valleys. See Chapter 11 of our Final Report for further information.

- ▼ Compared with WaterNSW's pricing proposal, our prices will result in lower bills for HS customers, and higher bills for GS customers.
 - ▽ These differences are largely driven by our decision to update the HS premium.
- ▼ Under our Determination, the customer share of WaterNSW's notional revenue requirement (efficient costs) for the Hunter valley will be lower by 33.5% per year on average, relative to current levels.³



Usage and high security entitlement charges will decrease

Table 2 Bulk water charges for the Hunter 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	↓	26.03	13.13	-49.6%
General security charge	↑	8.86	10.20	15.1%
Usage charge	↓	14.77	12.62	-14.6%

Source: ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, usage charges in the Hunter valley will decrease compared with current charges (in real terms – ie, without inflation). However, the effect on entitlement charges is mixed, mainly due to our decision to update the HS premiums, as mentioned above.
- ▼ This also means that our HS entitlement charges will be considerably lower (by \$7.63 per ML per year), whilst our GS entitlement charges will be higher (by \$2.87 per ML per year) than those proposed by WaterNSW.
- ▼ Our usage charges are also slightly lower than those proposed by WaterNSW.

³ In real terms – ie, without inflation.