

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 **Lachlan valley**.

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



Bills impacts will be mixed in the Lachlan valley

Bill impacts for a ‘typical’ customer in the Lachlan valley under our Determination are presented in Table 1.

Table 1 Bill impacts of bulk water charges for the Lachlan valley for 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		\$3,760	\$3,514	\$3,784	
High security - medium	↑	\$18,800	\$17,570	\$18,920	0.6%
High security - large		\$37,600	\$35,140	\$37,840	
General security - small		\$1,595	\$1,445	\$1,556	
General security - medium	↓	\$7,976	\$7,227	\$7,779	-2.5%
General security - large		\$15,952	\$14,454	\$15,558	

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 (100ML of entitlements), medium (500ML of entitlements) and large (1,000ML of entitlements) customers.

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

- ▼ Under our Determination, bills will decrease slightly for general security (GS) customers, and increase slightly for high security (HS) customers in the Lachlan valley (in nominal terms – ie, with inflation).
 - ▽ Efficiency gains in operating expenditure and lower financing costs have decreased overall costs. However, this has been offset by the:
 - inclusion of a volatility allowance and payments to recover the outstanding unders and overs mechanism (UOM)² balance in the Lachlan 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 increase in the premium in the Lachlan valley compared with other

¹ See Appendix G.5 of our Final Report for further Lachlan 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 HS customers compared with GS customers in the Lachlan valley.

- ▽ This means that bills for HS customers will increase in the Lachlan valley, but by less than inflation.
- ▼ Compared with those proposed by WaterNSW, bills will be lower for GS customers, but higher for HS customers.
- ▼ Under our Determination, the customer share of WaterNSW's notional revenue requirement (efficient costs) for the Lachlan valley will be lower by 18.0% per year on average relative to current levels.³



Prices will decrease in the Lachlan valley

Table 2 Bulk water charges for Lachlan valley for 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	↓	16.48	15.38	-6.7%
General security charge	↓	3.28	2.73	-16.8%
Usage charge	↓	21.12	19.04	-9.8%

Source: ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, entitlement charges and usage charges in the Lachlan valley will decrease compared with current charges (in real terms – ie, without inflation).
- ▼ Our prices for HS entitlement charges and usage charges are higher than those proposed by WaterNSW mainly due to our decisions (mentioned above) to use an updated, and higher HS premium and include a UOM payback in charges.

³ In real terms – ie, without inflation.