

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 **Macquarie valley**.

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



### Bills will decrease in the Macquarie valley

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

**Table 1 Bill impacts of bulk water charges for the Macquarie 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		\$3,314	\$2,787	\$3,002	
High security - medium	↓	\$16,570	\$13,935	\$15,010	-9.4%
High security - large		\$33,140	\$27,870	\$30,020	
General security - small		\$1,380	\$1,135	\$1,223	
General security - medium	↓	\$6,901	\$5,676	\$6,113	-11.4%
General security - large		\$13,802	\$11,352	\$12,226	

**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 generally decrease (in nominal terms – ie, with inflation) for all customers in the Macquarie valley.
  - ▽ This is largely due to a reduction in the customer share of WaterNSW's total costs (by 22.9% per year on average) relative to current levels<sup>2</sup>, primarily due to efficiency gains in operating expenditure and lower financing costs.
  - ▽ However, this is marginally offset by our decision to include a volatility allowance and discontinue the unders and overs mechanism (UOM).<sup>3</sup> We have included a UOM payback in charges so that the outstanding UOM balance can be recovered over a 12-year period.

<sup>1</sup> See Appendix G.6 of our Final Report for further Macquarie valley specific information.

<sup>2</sup> In real terms – ie, without inflation.

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

- ▼ Our prices also result in larger reductions in bills for all customers than those proposed by WaterNSW.
  - ▽ This is due to the inclusion of a lower volatility allowance in prices than originally proposed by WaterNSW.



### Prices will decrease in the Macquarie valley

**Table 2 Bulk water charges for Macquarie 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	↓	16.17	13.51	-16.5%
General security charge	↓	3.62	2.85	-21.3%
Usage charge	↓	16.97	13.78	-18.8%

Source: ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, all entitlement and usage charges in the Macquarie valley will decrease compared with current charges.
  - ▽ As mentioned above, the reduction in operating expenditure is a key driver for the reduction in charges.
- ▼ Our charges for high security entitlement and usage charges are higher than those proposed by WaterNSW. This is primarily due to:
  - ▽ our decision to include a UOM payback to recover the outstanding UOM balance in the Macquarie valley (\$0.42 per ML per year for HS entitlement charges and \$0.43 per ML per year for usage charges).
  - ▽ our decision to update the HS premium to better reflect the security and reliability of water supply that HS customers have compared with GS customers, which results in a larger share of costs to be recovered from HS customers compared with GS customers in the Macquarie valley.