

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 **Murray valley**.

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



Bills will increase in the Murray valley

Bill impacts for a ‘typical’ customer in the Murray valley under our Determination are presented in Table 1. Customers in the Murray valley pay both WaterNSW bulk water charges and Murray-Darling Basin Authority (MDBA) charges.

Table 1 Bill impacts of bulk water and MDBA charges for the Murray 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		\$1,149	\$1,247	\$1,343	
High security - medium	↑	\$5,745	\$6,235	\$6,715	16.9%
High security - large		\$11,490	\$12,470	\$13,430	
General security - small		\$660	\$650	\$700	
General security - medium	↑	\$3,299	\$3,249	\$3,500	6.1%
General security - large		\$6,598	\$6,498	\$7,000	

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 increase (in nominal terms – ie, with inflation) for customers in the Murray valley.
 - ▽ This is largely due to an increase in MDBA pass-through charges.²
 - ▽ The customer share of MDBA payments for the Murray valley has risen from about \$10.5 million per year (for the three-year ACCC 2014 decision period) to \$11.6 million per year (for the four-year 2017 determination period).
- ▼ The increase in bills is most pronounced for high security (HS) customers, whilst the increase for general security (GS) customers is lower than the rate of inflation.

¹ See Appendix G.7 of our Final Report for further Murray valley specific information.

² As the NSW Government has resumed paying its historical share of the MDBA’s costs.

- ▽ This is due to our decision to update the HS premiums to better reflect the security and reliability of water supply that HS customers have compared with GS customers, which results in an increase in the HS premium in the Murray valley.
- ▼ Under our Determination, the customer share of WaterNSW's notional revenue requirement (efficient costs, including MDBA pass-through payments) for the Murray valley will be lower by 3.5% per year on average relative to current levels.³



MDBA entitlement charges will increase in the Murray valley

Table 2 Bulk water charges for the Murray 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	↓	1.79	1.54	-14.0%
General security charge	↓	0.97	0.75	-22.7%
Usage charge	↓	2.31	1.91	-17.3%

Source: ACCC Final Report June 2014 and IPART analysis.

Table 3 MDBA charges for the Murray 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	↑	3.22	7.27	125.8%
General security charge	↑	1.74	3.56	104.1%
Usage charge	↓	4.17	1.50	-64.0%

Source: ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, bulk water GS entitlement and usage charges, and MDBA usage charge will decrease, whilst MDBA entitlement charges will increase compared with current charges (in real terms – ie, without inflation) due to:
 - ▽ the large increase in MDBA pass-through payments, and
 - ▽ our decision to adopt an 80:20 fixed to variable tariff structure for MDBA charges (previously 40:60), which means a larger portion of MDBA payments will be recovered as a fixed charge, which better reflects WaterNSW's cost structure.
- ▼ Our combined bulk water and MDBA usage charges are higher than those proposed by WaterNSW (by \$1.44 per ML per year).
 - ▽ This is also due to our decision to adopt an 80:20 tariff structure for MDBA charges (ie, such that 20% of MDBA costs are recovered via usage charges) rather than the 100% fixed structure proposed by WaterNSW.

³ In real terms – ie, without inflation.