

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 **Murrumbidgee valley**.

Further information is available in our General Overview Fact Sheet and our Final Report.¹



Bills will increase in the Murrumbidgee valley

Bill impacts for a ‘typical’ customer in the Murrumbidgee valley under our Determination are presented in Table 1. Customers in the Murrumbidgee 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 Murrumbidgee 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		\$815	\$836	\$899	
High security - medium	↑	\$4,075	\$4,180	\$4,495	10.3%
High security - large		\$8,150	\$8,360	\$8,990	
General security - small		\$416	\$397	\$428	
General security - medium	↑	\$2,080	\$1,987	\$2,141	2.9%
General security - large		\$4,160	\$3,974	\$4,282	

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 calculations.

- ▼ Under our Determination, bills will increase compared with current charges (in nominal terms – ie, with inflation) for customers in the Murrumbidgee valley.
 - ▽ This is largely due to an increase in MDBA pass-through charges.²
 - ▽ The customer share of MDBA payments for the Murrumbidgee valley has risen from about \$2.4 million per year (for the three-year ACCC 2014 decision period) to \$2.6 million per year (for the four-year 2017 determination period).
- ▼ However, in real terms (ie, without inflation), bills will remain similar or decrease, due to a reduction in the customer share of WaterNSW’s total costs (lower by 10.5% per year on average relative to current levels).
- ▼ The increase in bills is more pronounced for high security (HS) customers.

¹ See Appendix G.8 of our Final Report for further Murrumbidgee valley specific information.

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

- ▽ This is a result of 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 this valley.



MDBA entitlement charges will increase in the Murrumbidgee valley

Table 2 Bulk water charges for the Murrumbidgee 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	↓	3.08	2.95	-4.2%
General security charge	↓	1.26	1.11	-11.9%
Usage charge	↓	3.53	3.31	-6.2%

Source: ACCC Final Report June 2014 and IPART analysis.

Table 3 MDBA charges for the Murrumbidgee 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	↑	0.72	1.61	124.8%
General security charge	↑	0.29	0.61	106.8%
Usage charge	↓	0.82	0.30	-63.5%

Source: ACCC Final Report June 2014 and IPART analysis.

- ▽ Under our Determination, usage charges and bulk water entitlement charges in the Murrumbidgee valley will decrease compared with current charges (in real terms – ie, without inflation).
- ▽ However, MDBA entitlement charges will increase due to the 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). This results in a larger portion of MDBA costs being recovered as a fixed charge, which better reflects WaterNSW's cost structure.
- ▽ Our combined bulk water and MDBA HS entitlement charges are higher than those proposed by WaterNSW, but our general security entitlement charges are lower.
 - ▽ This is in large part due to our decision to apply the standard HS premium rather than WaterNSW's proposed HS premium, which has rebalanced costs between HS and GS entitlement customers.
- ▽ Our combined bulk water and MDBA usage charges are higher than those proposed by WaterNSW (by \$0.29 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 payments are recovered via usage charges) rather than the 100% fixed structure proposed by WaterNSW.