

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 **North Coast 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 North Coast valley

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

**Table 1 Bill impacts of bulk water charges for the North Coast 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		\$5,458	\$2,980	\$3,210	
High security - medium	↓	\$27,290	\$14,900	\$16,050	-41.2%
High security - large		\$54,580	\$29,800	\$32,100	
General security - small		\$3,427	\$1,999	\$2,153	
General security - medium	↓	\$17,137	\$9,994	\$10,765	-37.2%
General security - large		\$34,274	\$19,988	\$21,530	

**Note:** 'Typical' customer bill impacts analysis is 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 (in nominal terms – ie, with inflation) for customers in the North Coast.
  - ▽ This follows from our decision to adopt a different approach to setting prices in valleys which are currently well below full cost recovery (FCR), such as the North Coast valley.
    - Whilst we aim to set prices that fully recover the customer share of efficient costs, we recognise that FCR is likely to be unattainable in the North Coast over this Determination and going forward.<sup>2</sup>
  - ▽ In responding to stakeholder submissions, to better meet customer needs and increase infrastructure use, we have set prices for the North Coast:

<sup>1</sup> See Appendix G.10 of our Final Report for further North Coast valley specific information.

<sup>2</sup> WaterNSW's current prices in this valley recover only about 12% of the customer share of its efficient costs.

- with reference to an efficient pricing band that considers WaterNSW's customers' 'capacity to pay' in this valley, as well as WaterNSW's avoided costs, rather than continuing price increases towards FCR,
  - to recover about 10% of the customer share of efficient costs (current cost recovery levels are about 12%), and
  - by changing the tariff structure<sup>3</sup> to lower the usage charge (offset in part by an increase in fixed entitlement charges) to help stimulate demand, with a view to increasing overall revenue.
- ▼ Our prices also result in substantially lower bills for typical customers than those proposed by WaterNSW (which would result in a 46% increase).



### Entitlement charges to increase, but usage charges to decrease

**Table 2 Bulk water charges for North Coast 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	↑	9.54	11.78	23.5%
General security charge	↑	7.25	9.13	25.9%
Usage charge	↓	45.04	17.42	-61.3%

**Source:** ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, entitlement charges will increase, whilst usage charges decrease substantially (by 61%) compared with current charges (in real terms – ie, without inflation).
- ▼ Our usage charges are also substantially lower than those proposed by WaterNSW.

<sup>3</sup> We have decided to change the tariff structure from 60:40 to 90:10 fixed to variable for this valley.