

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 **Peel 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 Peel valley

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

**Table 1 Bill impacts of bulk water charges for the Peel 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		\$9,353	\$7,747	\$6,589	
High security - medium	↓	\$46,765	\$38,735	\$32,945	-29.6%
High security - large		\$93,530	\$77,470	\$65,890	
General security - small		\$3,884	\$3,580	\$1,653	
General security - medium	↓	\$19,418	\$17,900	\$8,267	-57.4%
General security - large		\$38,836	\$35,800	\$16,534	

**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 (in nominal terms – ie, with inflation) for customers in the Peel valley.
  - ▽ This follows our decision to maintain the existing 40:60 fixed to variable tariff structure in 2017-18, then move to an 80:20 fixed to variable tariff structure from 2018-19 onwards for the Peel valley.
  - ▽ The decreases also reflect a reduction in the customer share of WaterNSW's total costs in this valley (by 28.8% on average per year, in real terms – ie, without inflation), relative to current levels. This is primarily due to efficiency gains in operating expenditure and lower financing costs.

<sup>1</sup> See Appendix G.4 of our Final Report for further Peel valley specific information.

- ▽ The bill for Tamworth Regional Council will decrease by 1% over the 2017 determination period, based on its historical average usage.<sup>2</sup> The Council's bill decrease is less than what a typical high security customer would expect, as the Council's historical average usage, relative to its entitlement volumes, is substantially lower than our standard definition of a typical customer.
- ▼ Our prices also result in substantially lower bills for customers than those proposed by WaterNSW (which would result in only a 7% reduction in bills for high security (HS) customers and an 11% increase for general security customers).



### Usage prices will decrease in the Peel valley

**Table 2 Bulk water charges for the Peel valley for the 2017 Determination - \$/ML of entitlement and usage (\$2016-17 – ie, without inflation)**

		Current charge (2016-17)	IPART Decision (2017-18)	IPART Decision (2018-19 to 2020-21)	% Change (2016-17 to 2020-21)
High security charge	↑	35.27	20.78	41.57	17.9%
General security charge	↑	3.88	2.01	4.02	3.6%
Usage charge	↓	58.26	55.09	18.36	-68.5%

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

- ▼ Under our Determination, usage charges will decrease substantially, whilst entitlement charges will increase compared with current charges (in real terms – ie, without inflation).
  - ▽ Customers in the Peel valley will experience a substantial reduction in usage charges, by 69%, over the four year determination period. From 2018-19 onwards, the usage price will be \$18.36 in real terms (ie, without inflation).
- ▼ Our charges are also generally lower than those proposed by WaterNSW, except for HS entitlement charges from 2018-19 onwards, which are higher than those proposed by WaterNSW due to our decision to restructure the tariff to 80:20 fixed to variable.

<sup>2</sup> For Tamworth Regional Council's indicative bill analysis we have used its submission of average usage of 4,715 ML per year from the Peel valley (since 1990-91) (Tamworth Regional Council's submission to IPART's Draft Report, April 2017, p 4).