



# PRICE SUBMISSION SUMMARY

## JUNE 2015

IPART's Review of Prices for Hunter Water from 1 July 2016

### BACKGROUND

Hunter Water does not set its own prices. The prices you pay for water, sewerage and stormwater drainage services are decided by the NSW Independent Pricing and Regulatory Tribunal (IPART). IPART determines prices for a range of government services including water, public transport and aspects of gas and electricity charges.

IPART is now preparing to set new prices to apply from 1 July 2016. As part of the price review process, it has asked Hunter Water to provide a detailed submission containing information about:

- The duration that prices should apply, which is typically four years (to 30 June 2020).
- How well Hunter Water has stayed within the cost limits set for it when IPART last set its prices several years ago.
- How much water Hunter Water expects to sell each year for the next price period.
- How many new customers Hunter Water expects to connect in the next price period.
- What operating costs Hunter Water expects to incur over the next price period.
- How much Hunter Water expects to invest in replacement and new infrastructure over the next 10 years.
- What prices Hunter Water expects to charge customers over the next price period to cover these costs.

In addition, IPART may make changes to the way prices are structured.

IPART considers that a large proportion of the costs of serving residential customers are the same. IPART's policy is to apply uniform service charges for all residential customers, regardless of dwelling size or type or ownership structure.

In the 2013 price review, IPART decided to set the water service charge for flats and units at the same level as for houses. This is fair for water service charges because most of the water component of your bill depends on how much water you use.

IPART's last review set the sewer service charge for flats and units so that it would increase towards the service charge paid by houses. The owners of flats and units in Sydney and the Central Coast already pay the same amount as houses in their respective areas.

Hunter Water's submission to IPART proposes that the transition to a common sewer service charge for residential customers be completed by the end of the next price period (2019-20). That way unit and flat owners are able to factor the bill increases into their budgets over time.

Hunter Water's price submission is available on IPART's website [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

### COMMUNITY CONSULTATION

Hunter Water's price submission was lodged with IPART on 30 June 2015.

The public release of the submission provides an opportunity for community comment on the pricing proposals. IPART will release an Issues Paper on 7 September 2015 that invites written comment on specific topics. The submission closing date is 5 October 2015.

IPART will hold a formal public hearing on Hunter Water's prices in Newcastle on Monday, 2 November 2015. The location and times will be advertised in local newspapers and will be available from IPART's website.

IPART will release a draft determination of prices in March 2016 and provide a further opportunity for public comment at that time. Final IPART determined prices will take effect from 1 July 2016.

Comments can be made online at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au) or by mail to:

Review of Prices for Hunter Water / IPART / PO Box K35 / Haymarket Post Shop NSW 1240

## WHAT IS HAPPENING TO PRICES

Hunter Water has proposed a modest increase in prices for the next price period:

- Most customers will see no increase in bills above the rate of inflation.
- Sewer service charges for standalone houses will increase by less than inflation.
- Sewer service charges for flats and units will increase over the four years during the transition to a single residential charge. The charge will rise from about \$430 in 2015-16 to about \$550 in 2019-20 (\$2015-16), before inflation is added.
- Water usage charges will only adjust for inflation.
- Water service charge for residential customers will increase from less than \$20 per year in 2015-16 to around \$60 in 2019-20 (\$2015-16), before inflation is added. It will still be much less than in Sydney, Gosford and Wyong, where water service charges are over \$100.
- All customers will see small increases in stormwater charges of around 1% per year, before inflation is added.
- Backlog sewerage levies, such as the Environmental Improvement Charge and the levy to fund Clarence Town's sewerage scheme will only increase in line with inflation. The Clarence Town levy will cease in June 2019 as previously stated.

Hunter Water's proposed water, sewer and stormwater drainage prices are shown in a table at the end of this brochure. You can provide comments to IPART on these prices and any other aspect of Hunter Water's submission.

Remember too, prices will not change until 1 July 2016 and the prices that IPART ultimately sets may be different to those proposed in Hunter Water's submission and outlined in this brochure.

### What are the changes to price structures?

Hunter Water surveyed customers in 2014 and asked if there was anything unfair about current prices. Almost two thirds of customers were supportive of current price structures. Hunter Water is therefore not proposing substantial changes.

Water price structures will stay the same, as will stormwater drainage price structures.

Some customers will see changes to the way sewer charges are applied as Hunter Water continues to implement changes started by IPART in 2013.

At present, residential sewer service charges vary based on the property type. Flats and units pay less than houses. IPART has indicated that it would like to see a common service charge for all residential dwellings. This would increase the sewer service charge paid by flats and units. Hunter Water is proposing that the change is phased in over four years, so that the bill impacts are manageable for customers.

### How will the proposed changes affect my bill?

Hunter Water already offers the lowest average bill of any medium or large sized water utility in Australia. Hunter Water's bill for a residential customer using 200 kilolitres per year was the lowest amongst utilities with at least 100,000 connected properties in the latest national benchmarking report produced by the Bureau of Meteorology.

Hunter Water's proposals will affect residential customers in different ways depending on how much water they use, whether they own a house or an apartment, whether they are eligible for the pensioner concession and whether they are liable for drainage charges.

Most customers will see no increase in bills above the rate of inflation. Owners of flats and units will see bills rise progressively across the four years as the fixed sewer service charge increases.

**The typical bill for a house will increase on average by 49c per week, including forecast inflation. If you remove the impact of inflation, bills will fall annually by 0.2%.**

The table on the next page compares the current bill with proposed annual bills for a sample of different customers. The bills shown in the table are in nominal dollars, consistent with the year in which the cost occurs, including an annual inflation adjustment.

Non-residential customers will be affected in different ways depending on how much water they use, whether they are connected to the sewer, the size of their landholding if they pay drainage charges and whether they use trade services.

**Most non-residential customers will see bills increase by no more than the rate of inflation.**

### What assistance is available if I am unable to pay my bill?

Hunter Water provides up to \$300 in credit to the accounts of its customers unable to pay their bills because of genuine financial hardship.

For qualifying customers, Hunter Water suspends interest charges, protects them from actions such as debt collection and restriction of their water supply, and assists them enter into a payment plan to pay off their existing debt.

Hunter Water may also make available to customers in genuine financial hardship, advice on how to reduce their water consumption to make their bills more affordable, as well as provide access to plumbing services where leaks are adding to water bills.

## INDICATIVE RESIDENTIAL BILLS (\$ PER YEAR) INCLUDING INFLATION OF 2.5% PER YEAR <sup>a</sup>

Customer	2015-16	2016-17	2017-18	2018-19	2019-20	Average weekly increase
	[current] <sup>b</sup>					
<b>House (185 kL/yr)</b>						
Water and sewer only	1,069.09	1,086.65	1,112.51	1,141.06	1,170.52	49 cents
% Change on previous year		1.6%	2.4%	2.6%	2.6%	
Water, sewer and drainage	1,141.50	1,161.86	1,190.63	1,222.20	1,254.88	55 cents
% Change on previous year		1.8%	2.5%	2.7%	2.7%	
<b>Apartment, flat or unit (150 kL/yr)</b>						
Water and sewer only	826.20	855.16	929.48	1,006.27	1,084.07	124 cents
% Change on previous year		3.5%	8.7%	8.3%	7.7%	
Water, sewer and drainage	852.99	882.99	958.38	1,036.29	1,114.95	126 cents
% Change on previous year		3.5%	8.5%	8.1%	7.6%	
<b>Pensioner-owned house (100 kL/yr)</b>						
Water and sewer only	563.37	570.32	584.28	599.32	615.02	25 cents
% Change on previous year		1.2%	2.4%	2.6%	2.6%	

### Notes:

- a. All bill estimates include forecast inflation of 2.5% pa. Annual inflation used for indexation of dollar values was set by IPART in its Submission Information Package provided to Hunter Water in November 2014.
- b. Prices for 2015-16 are estimates provided for comparative purposes only. Prices published on Hunter Water's website prevail where there is a difference.

### OUR RESPONSE TO YOUR FEEDBACK

Hunter Water surveyed customers in 2014 and asked if there was anything unfair about current prices. Almost two thirds of customers were supportive of current price structures. Around one third of customers expressed some concern with the fairness of bills, such as control over bills and high fixed sewer charges. Hunter Water has attempted to address these concerns in its proposals whilst adhering to IPART's pricing principles. The full survey results are provided in the submission.

#### How much control do I have over my bills?

Many customers would like more of the bill to be variable and less to be fixed, because it helps encourage water conservation and manage affordability.

Hunter Water customers have more control over their water bills than any other major Australian urban area. Water usage charges currently make up 96 per cent of the 2015-16 typical household water bill. The proposed prices would see the variable (controllable) portion of the typical water bill decrease to 88 per cent by 2019-20. In Sydney, Gosford and Wyong less than 80% of the typical household water bill is variable.

#### Why is the sewer bill a fixed price?

Hunter Water charged all customers a fixed sewer service charge and a variable sewer usage charge until 2009. Some of the reasons for not charging residential customers a sewer usage charge are:

- Most residential customers discharge about the same amount of sewerage and it is too expensive to meter.
- Only a small proportion of costs related to the volume of discharges.
- Customers complained about a range of issues to do with the usage charges.

## PROPOSED CHARGES <sup>a</sup> (\$2015-16)

Charge description	Unit	2015-16	2016-17	2017-18	2018-19	2019-20
		[current] <sup>b</sup>				
<b>Water</b>						
<b>Usage</b>						
Residential and non-residential <sup>c</sup>	\$/kL	2.24	2.24	2.24	2.24	2.24
<b>Service</b>						
<b>Residential</b>						
Houses, flats and units	\$/occupancy	17.89	17.14	30.92	44.82	58.72
<b>Non-Residential</b>						
Small customers (20mm stand-alone)	\$/connection	17.89	17.14	30.92	44.82	58.72
Other (meters 25mm and greater)	\$/25mm equiv <sup>d</sup>	29.20	31.01	55.86	80.84	105.75
<b>Sewer</b>						
<b>Usage</b>						
Non-residential <sup>e</sup>	\$/kL	0.67	0.65	0.64	0.62	0.61
<b>Service</b>						
<b>Residential</b>						
Houses	\$/occupancy	598.13	589.22	575.51	562.08	549.07
Flats and units	\$/occupancy	433.64	441.91	479.59	515.24	549.07
<b>Non-residential</b>						
Small customers (20mm stand-alone)	\$/connection	598.13	589.22	575.51	562.08	549.07
Other (meters 25mm and greater) <sup>f</sup>	\$/25mm equiv <sup>d</sup>	1,857.22	1,916.63	1,908.67	1,906.42	1,896.30
<b>Environmental Improvement Charge</b>						
Residential, non-residential and vacant		38.67	38.67	38.67	38.67	38.67
<b>Stormwater drainage</b>						
<b>Residential properties</b>						
Houses	\$/occupancy	72.41	73.38	74.35	75.34	76.43
Units	\$/occupancy	26.79	27.15	27.51	27.88	27.97
<b>Non-residential properties</b>						
Small (<1,000m <sup>2</sup> ) / low impact	\$/occupancy	72.41	73.38	74.35	75.34	76.43
Medium (1,001 - 10,000m <sup>2</sup> )	\$/occupancy	130.89	132.62	134.39	136.17	138.14
Large (10,001 - 45,000m <sup>2</sup> )	\$/occupancy	832.55	843.56	854.80	866.18	878.68
Very Large (>45,000m <sup>2</sup> )	\$/occupancy	2,645.21	2,680.19	2,715.90	2,752.07	2,791.78

Notes:

- The amounts shown in the table are in \$2015-16 terms and will change in line with actual inflation in future years.
- Prices for 2015-16 are estimates provided for comparative purposes only. Prices published on Hunter Water's website prevail where there is a difference.
- Different usage charges may apply to some large industrial customers for water use in excess of 50,000 kilolitres per year. Full details are provided in the Chapter 9 of the submission.
- This is the charge for a 25 mm meter equivalent. Customers with larger meters will pay a multiple of this charge depending on the size of the water meter. Charges for larger meters can be calculated as the charge shown in the table multiplied by (meter size)<sup>2</sup> / 625.
- This charge only applies for the imputed volume of sewage discharged in excess of the discharge allowance. In 2015-16 the discharge allowance is 50 kL pa.
- Charges shown are for a 100% discharge factor. Actual charges for individual customers are adjusted by the discharge factor applying to each customer – e.g. a customer with an 85% discharge factor would pay 85% of the charge shown.