



Independent Pricing and Regulatory Tribunal
New South Wales



Review of prices for water and sewerage services in Broken Hill, and prices for the Broken Hill Pipeline, from 1 July 2019

Public Hearing

20 November 2018

Outline



**Overview of WaterNSW
and Essential Water reviews**



**Review of WaterNSW's prices for Murray
River to Broken Hill Pipeline transportation
services**



**Review of Essential Water's prices for water
and sewerage services in Broken Hill**



Overview of Essential Water and WaterNSW reviews

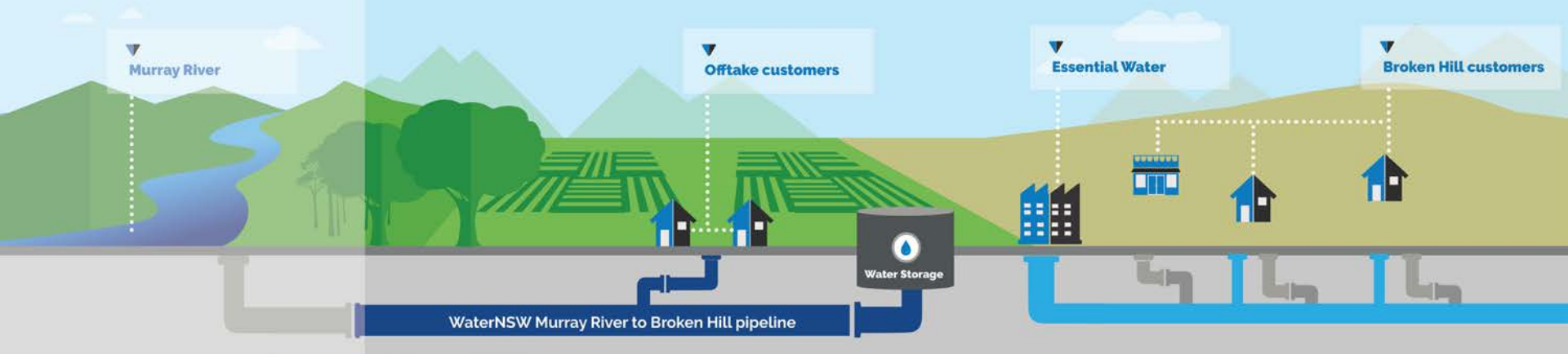




1 Prices for bulk water

2 Prices for the WaterNSW Murray River to Broken Hill pipeline

3 Prices for Broken Hill water and sewerage customers



What are we reviewing and why

WaterNSW Pipeline review:

Prices that WaterNSW can charge for the transportation services provided by the Broken Hill Pipeline (subject to s16a direction under IPART Act).

Essential Water review:

Water and sewerage prices for customers in Broken Hill. WaterNSW's Pipeline prices are an input to this review. Both reviews occurring concurrently.

How we will set affordable prices



We will first establish the **total efficient costs of providing services**, and subtract confirmed Government contributions.

- This ensures that Essential Water and WaterNSW only recover the efficient costs of providing services.



We will then set prices, taking account of what customers can afford to pay.



Review of WaterNSW's
prices for the water
transportation services
provided by the Murray
River to Broken Hill
Pipeline

from 1 July 2019

What is this review about?

In **November 2016** the NSW Government directed WaterNSW to design, build and operate the Murray River to Broken Hill Pipeline.

We are conducting a review of:

- the maximum prices WaterNSW can charge for the water transportation services provided by the Murray River to Broken Hill Pipeline.

The maximum prices we set will allow WaterNSW to recover the efficient costs of complying with the Government's directions to build and operate the Pipeline.



WaterNSW's proposal

WaterNSW is proposing that IPART set prices for:

- The water transportation service provided by the Pipeline
- Both Essential Energy and offtake customers
- Four years from 1 July 2019 to 30 June 2023.

WaterNSW's proposal - Revenue

WaterNSW's proposed **total notional revenue requirement** (\$123.4m) over the proposed 4-year determination period to 2022-23.



Determination period (2019-20 to 2022-23)

WaterNSW proposal – Offtake charges



WaterNSW is proposing to charge the same fixed access charge of **\$13,171 (in \$2018-19) to offtake customers**, irrespective of when the offtake is constructed.

This charge consists of:

- An annuity charge for the cost of connecting the offtake customer
- An allowance for the operating costs of supplying 10ML per year
- A contribution to the Pipeline's fixed costs.

Offtake charges levied in 2019-20 by year of installation

(\$2018-19)	Offtake installed in 2018-19	Offtake installed in 2019-20
Annuity charge	\$7,310	\$6,352
Allowance for operating costs	\$3,213	\$3,213
Contribution to the Pipeline	\$2,648	\$3,606
Total fixed charge	\$13,171	\$13,171

Key issues in this review



We are seeking your **feedback** on key issues including:

The **efficient costs** of providing the Pipeline transportation services



Setting **price structures** and **price levels** to reflect the **efficient cost** of the Pipeline

Apportioning the **costs** of the **Pipeline** between Essential Energy and Offtake customers



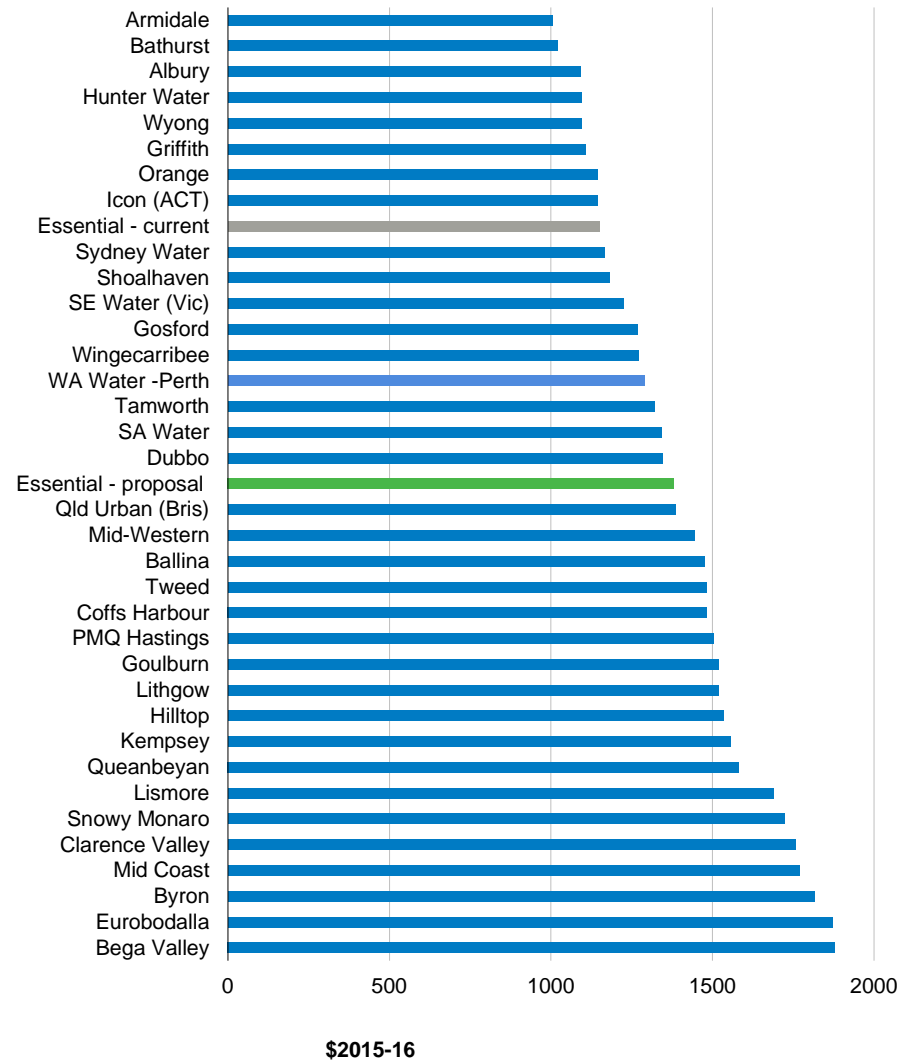
Review of Essential Water's prices for water and sewerage services in Broken Hill

from 1 July 2019

Consider what customers can afford

We will assess what customers can afford using both quantitative and qualitative information.

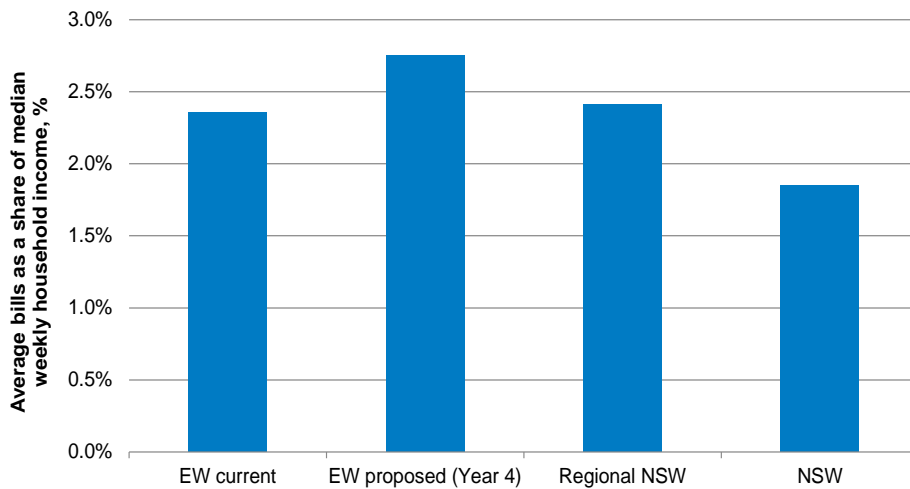
While prices are lower than average across the state, household incomes are also lower than the average.



Consider what customers can afford



Overall, Essential Water's bills currently represent a similar share of household income as other regional NSW areas.



- If prices increased according to Essential Water's proposal, services would be somewhat less affordable.
- We will also take account of what prices households in Broken Hill can afford.

Essential Water's proposal - Prices

- Under Essential Water's proposed prices, residential and non-residential bills would increase by an average of 6.8% per year (or 4.2% in real terms).
 - Typical residential bills would increase by an average of \$93 per year (including inflation).
 - Typical non-residential bills would increase by an average of \$770 per year (including inflation).
- Proposed prices exclude the costs of the Broken Hill pipeline and consequential works.

Essential Water's proposal – Bills

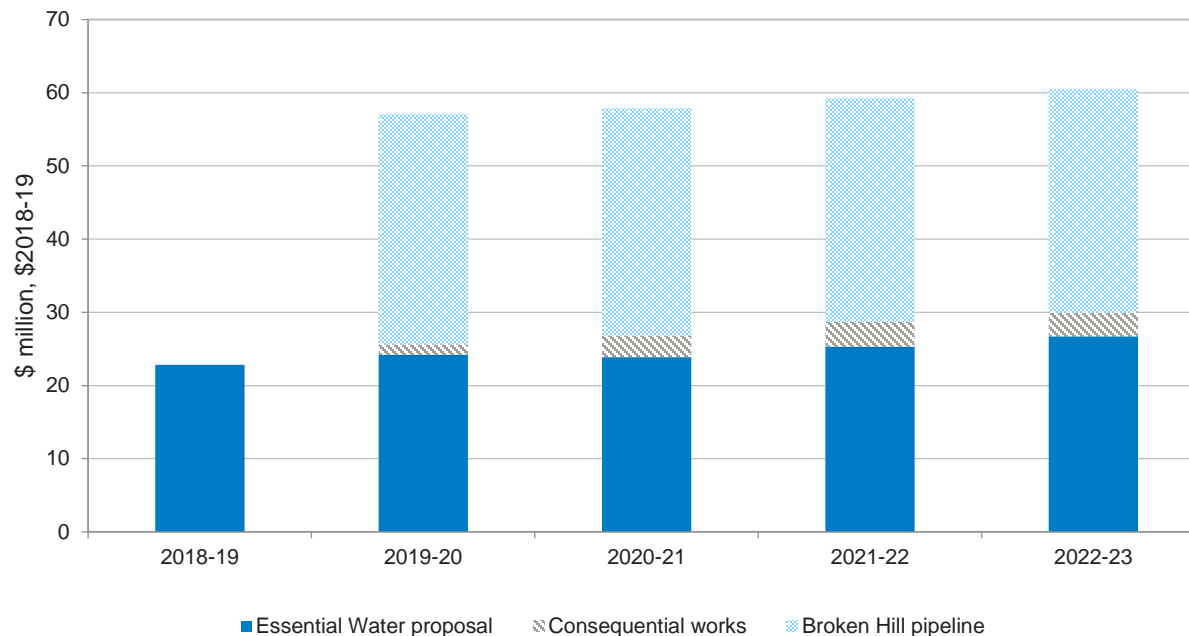
Impact of proposed prices on typical bills (\$ nominal – ie, with inflation)

	2018-19	2019-20	2020-21	2021-22	2022-23	Change 2018-19 to 2022-23	
	\$/pa	\$/pa	\$/pa	\$/pa	\$/pa	\$	%
Treated water and sewerage – residential							
Water bill	688	735	785	839	896	209	30.3%
Sewerage bill	536	572	612	653	698	162	30.3%
Total water and sewerage bill	1,223	1,307	1,397	1,492	1,595	371	30.3%
Treated water and sewerage – non-residential							
Water and sewerage bill	10,149	10,845	11,588	12,382	13,230	3,081	30.3%

Note: Residential bills assume usage of 200kL per year, non-residential bills assume usage of 2,100kL per year.

Essential Water's proposal – Revenue

Essential Water proposed a **Notional Revenue Requirement of \$100.1 million** over 2019-23, excluding the costs of the Broken Hill pipeline, and consequential works.



Essential Water's proposal – selected capital expenditure

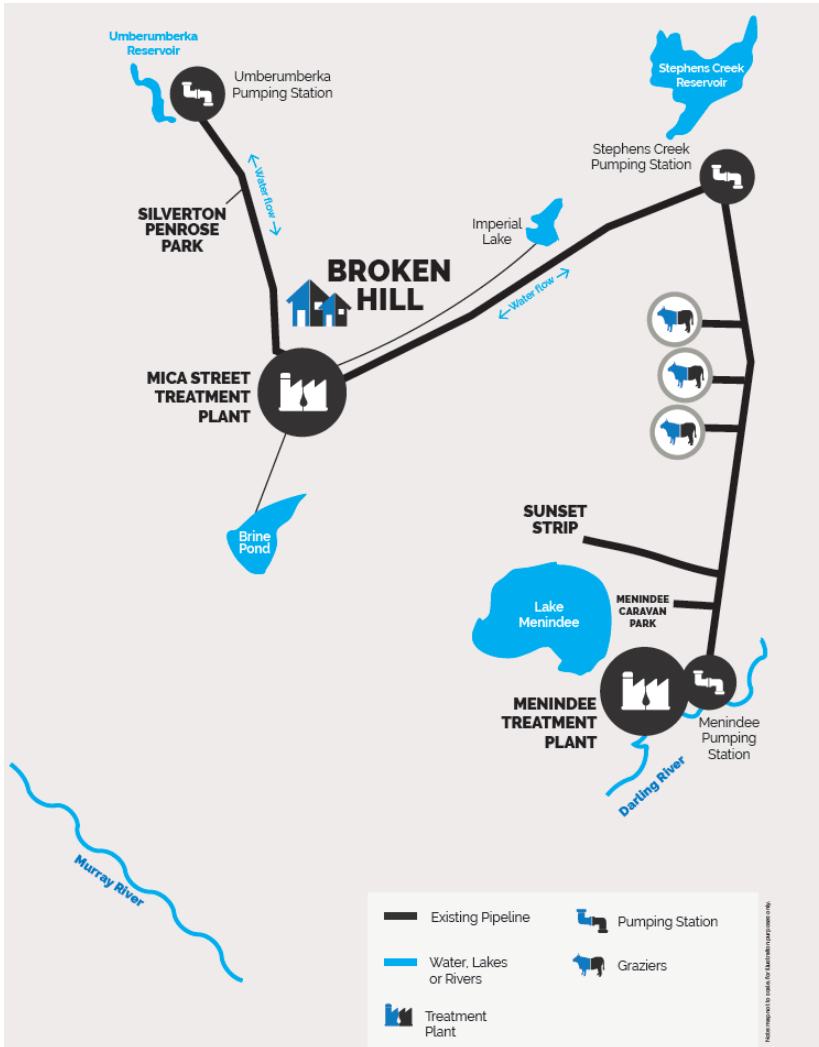
Selected Essential Water's proposed capital projects (part of its proposed NRR) (\$2018-19)

Project	Capital expenditure \$ millions	Description
Wills Street wastewater treatment plant replacement	34.3	Replace Broken Hill's larger wastewater treatment plant.
Rocky Hill service reservoir replacement	4.4	Construct a second smaller service reservoir at Rocky Hill to allow the main reservoir to be taken off-line for maintenance.

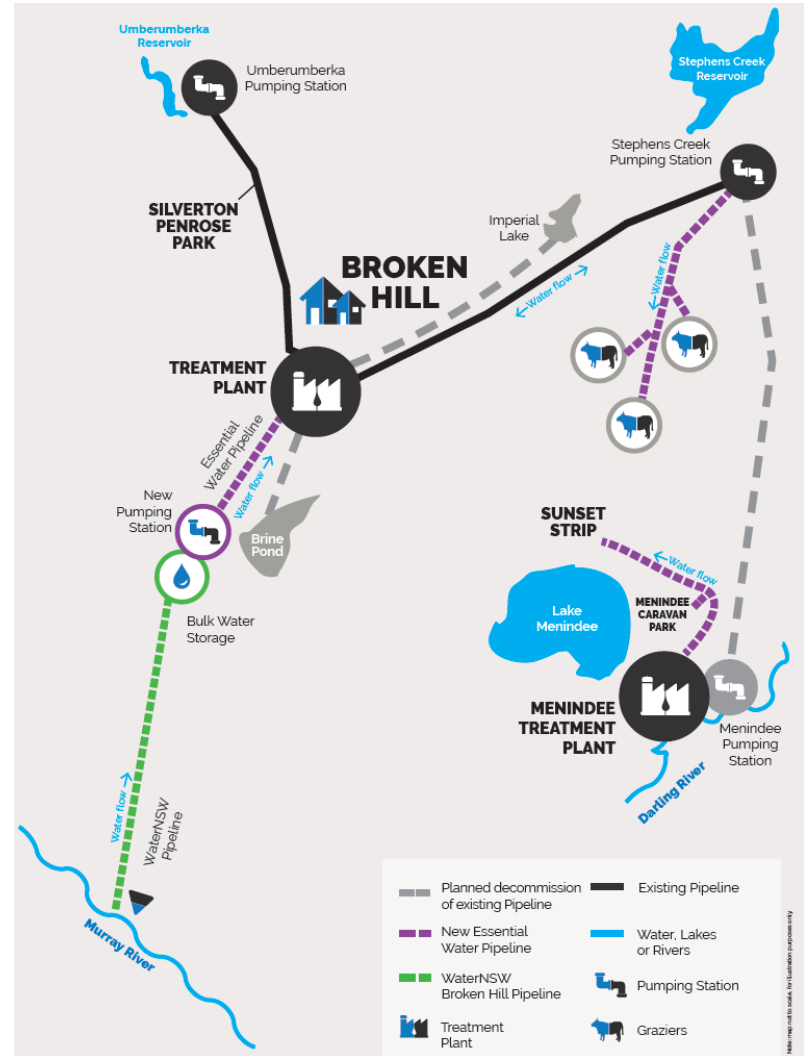
Essential Water's proposed consequential works (excluding contingencies) (\$2018-19)

Project	Cost \$ millions	Description
Stephen's Creek reservoir, pump station, and Rocla pipeline	31.5	Essential Water plans to transition Stephen's Creek reservoir from being Broken Hill's main water source to a back-up in case the Murray River to Broken Hill pipeline fails. This would involve: <ul style="list-style-type: none"> ▼ replacing the Stephen's Creek pump station, and ▼ replacing or refurbishing sections of the Rocla pipeline between Stephen's Creek reservoir and Broken Hill.
Replacement supply for customers along the Menindee Lakes pipeline	12.3	When the Menindee pipeline is decommissioned, Essential Water proposes to supply: <ul style="list-style-type: none"> ▼ the caravan park and Sunset Strip from a new pipeline from the Menindee water treatment plant (\$1.5 million), and ▼ the graziers with a new gravity fed pipeline from Stephen's Creek reservoir (\$10.8 million).
Decommissioning brine pond and pipeline	10.0	Decommissioning the brine evaporation pond and pipeline for the town's RO desalination plant, including remediating the site. The land will returned to Perilya, who will retain the earthworks to use as a future tailings dam.

Essential Water's operations



Current operations



Proposed operations

Essential Water's proposal – prices structures

Proposal – to keep all current price structures the same.

Price structure	Essential Water's proposal
Fixed and variable charges	Maintain current proportion of fixed and variable charges.
Water and sewerage charges	Uniform price increases for water and sewerage – currently sewerage charges recover more than costs, and water recovers less than costs.
Residential water service charge	Houses and apartments pay the same service charge.
Sewerage charges	Maintain current price structure – residential customers pay only a service charge and no usage charge; whereas non-residential customers pay both service and usage charges.
Mines water service charge	Maintain current approach to mines pricing, based on proportion of water used by the mines in relation to total water used.

25 September
2018

IPART **Issues Paper** released



30 October
2018

HAVE
YOUR SAY



Public submissions
to Issues Paper **due**

20 November
2018

Public hearing
Broken Hill

HAVE
YOUR SAY



Early April
2019



IPART **Draft Report**
and **Draft Determination** released

Late April
2019

Public submissions to Draft Report
and Draft Determination **due**

HAVE
YOUR SAY



Late May
2019



IPART **Final Report** and
Final Determination released

Timeline for both reviews



Questions and Answers

General discussion

