

REVIEW OF PRICES FOR  
**SYDNEY WATER**  
FROM 1 JULY 2020

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Overview

March 2020

Draft Report

## IPART has set draft prices for Sydney Water's customers from 1 July 2020

Sydney's population is growing, increasing our need for water.

Until recently, the region was facing severe drought, with dam levels falling at an unprecedented rate.

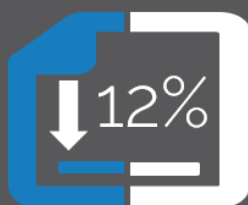
While recent rain has taken the immediate pressure off the system, it has shown how variable our climate has become.

We propose more flexible prices so customers have **more control** over their bills, allowing Sydney Water to deliver **record investment**, and ensuring households benefit from **lower bills** in these uncertain times.

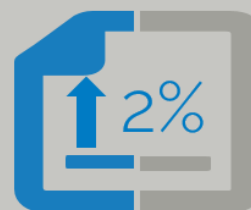


### A typical household's water bill

In average weather conditions

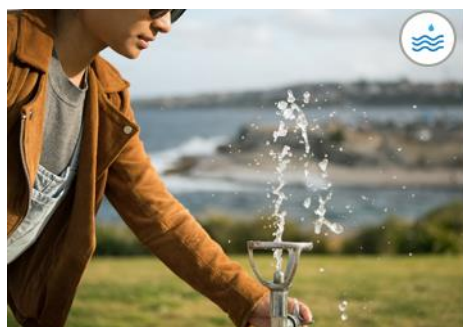


In drought conditions



This overview sets out our draft decisions on prices and underlying efficient costs, as well as:

- ▼ What our decisions mean for residential and non-residential customers
- ▼ How our decisions vary from what Sydney Water proposed
- ▼ How you can provide feedback on our draft decisions



### IPART's role

We set the maximum prices that Sydney Water can charge for its water, wastewater and stormwater services. We also set maximum charges for its trade waste services, and a range of ancillary and miscellaneous services.

## We are implementing flexible pricing

Households pay a water usage charge, and a fixed charge for water and wastewater services, and in some cases a stormwater charge. Some non-residential customers also pay a usage charge for wastewater, and trade waste prices.


In light of recent drought conditions, our draft decision is to implement flexible water usage pricing. With dam levels currently plentiful, bills would fall for almost all customers from 1 July. But if drought conditions return, the water usage price would be higher. This allows Sydney Water to recover increased costs in drought, and enables customers to manage these costs by adjusting their consumption. But it does not lock in higher prices when dams are full.

At the same time, we are reducing the service charge for water, meaning customers can save money during these uncertain times. Our draft decision is to:

 <p>Decrease fixed charges, giving customers <b>more control</b> of their bill</p>	 <p>Vary the water usage charge in response to dam levels, <b>signalling water's value</b></p>
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### How does our flexible pricing work?

60%






\$3.12 per kL

\$2.30 per kL

From 1 July 2020, the usage price you pay for water will depend on dam levels. If dam levels are above 60% at the start of each quarterly billing cycle, then you would pay \$2.30 per kilolitre of water you consume. This price has been set with reference to the long term cost of providing water under 'average weather' conditions.

When dam levels fall below 60%, you would pay \$3.12 per kilolitre as water becomes more costly to supply. You would pay this higher price until dam levels are 70% at the start of the quarter.

The small fixed charge is the same for average and drought conditions.

<p>\$2.11</p>  <p><b>Current water usage price/kL</b></p>	<p>\$2.30</p>  <p><b>New 'average weather' price/kL</b></p>	<p>\$3.12</p>  <p><b>New 'drought' usage price/kL</b></p>
<p>\$96.69</p> <p>Current water service charge</p>	<p>\$21.22</p> <p>New water service charge (all weather conditions)</p>	



The table below summarises our draft prices for 2020-2024. The water and wastewater service charges for non-residential customers are a multiple of the residential charges in the table, and vary based on the size of your meter.

### Current and proposed prices

	Current price	Sydney Water proposed price	IPART draft decision
Water usage charge (\$/kL)	2.11	2.11	2.30 (average weather) 3.12 (drought)
Water service charge (\$/year)	96.69	97.54	21.22
Wastewater usage charge (\$/kL)	1.17	0.61	1.17
Wastewater service charge (\$/kL)	614.85	562.75	516.03

### Your bill

The decrease in service charges and increase in the water usage charge means your bill is in your hands – if you reduce your water use, you reduce your bill.

A household using 200kL of water per year would see a decrease in their bill of around 12% during normal weather periods.

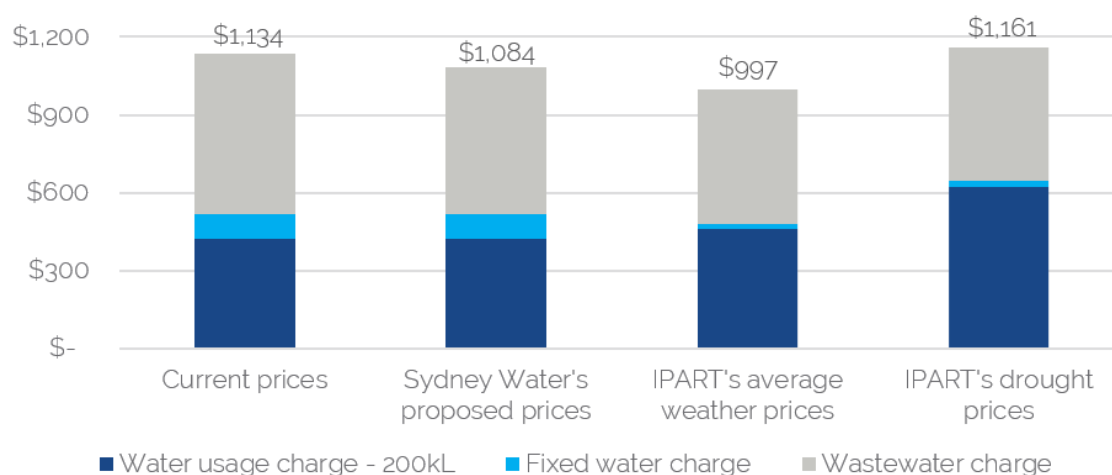
In drought, prices would be about 2% higher than they are currently. This household could avoid a bill increase by reducing its water use by 4%.

The decrease in bills in normal weather periods is driven by a combination of lower interest rates and our decisions on Sydney Water’s expenditure.

To see the impact for your bill, check out our [bill calculator](#).

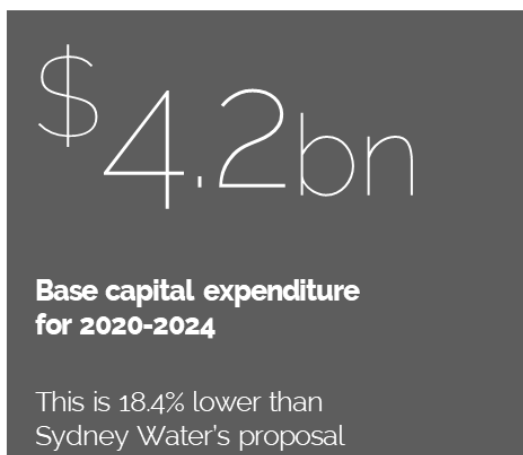


### A typical household bill under our draft decision...

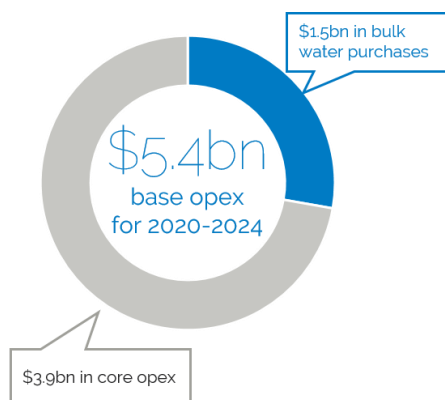


## Promoting resilience through record capital and contingent expenditure

In light of Sydney’s increasingly variable climate and growing population, our draft decision allocates record capital expenditure to Sydney Water. We recognise the need for Sydney Water to invest in its network to keep levels of service high and build resilience to drought, as well as meet its environmental obligations. At the same time, we did not find that all of Sydney Water’s proposal expenditure is efficient. We propose to allocate the following:



Sydney Water’s efficient operating expenditure has risen with population and drought. Our draft decision is to allow:



This is **3.9%** less than proposed by Sydney Water.

We found that Sydney Water’s proposed spending increase to maintain water and wastewater pipes was partly due to insufficient maintenance in the previous four years.

We have allowed for additional opex of \$80 million per year in drought periods.

Our expenditure decisions include a *continued efficiency factor* of 0.8% per annum, to ensure that Sydney Water continues to drive for efficiencies.

Sydney Water would recover \$10bn of revenue from customers over the 2020 period.



## Getting value for everyone by holding Sydney Water to account

We considered how to encourage Sydney Water to continually improve its performance, and publish better information to facilitate planning and encourage competition in the long-term interests of customers.



### Understanding the long-run costs of providing water

We recommend Sydney Water collaborate more closely with stakeholders to better understand the long-run costs of providing water. A better understanding of how these costs are influenced by the option of using purified recycled water for drinking would signal the potential value of recycled water to the market.



### Publishing estimates of wastewater costs by area

We have published estimates of Sydney Water's long-run costs of providing wastewater services by area, and have asked Sydney Water to improve on these estimates. This information can help to signal where it is most beneficial to invest in recycled water schemes and facilitate the efficient entry of private sector water providers into the market.



### Comprehensive water conservation reporting

We are consulting on more frequent and comprehensive reporting by Sydney Water on its water conservation targets. We want Sydney Water to meet its targets for leakage, demand management and water recycling, particularly during drought.



### Additional spending to improve environmental outcomes


We have approved almost \$80 million in discretionary spending to allow Sydney Water to improve waterway health. But Sydney Water could do more to understand what its customers are willing to pay for improved environmental outcomes.

Thanks to recent rainfall, Sydney is no longer in immediate need of additional water sources. **But now is not the time for complacency.** We would like to collaborate with Sydney Water, NSW Government, and other stakeholders to better understand the long-term costs of providing water. In particular, we will work to refine cost estimates associated with different augmentation options, and further develop our framework for valuing water.



## We are seeking feedback

Have your say on our **draft decisions**



We invite submissions from all interested parties, which we will consider before making our final decisions and releasing our Final Report and Final Determination in June 2020.

