

WAMC prices for Central West unregulated rivers

9 September 2021

Your total prices will increase from 1 October 2021

We have reviewed the Water Administration Ministerial Corporation's (WAMC) efficient costs and prices. As presented in Table 1 and Table 2, total prices will increase from 1 October 2021.

For this water source, the WAMC water management prices are transitioning towards full cost recovery. Price increases will be capped at 2.5% per year (before inflation) to mitigate bill impacts for water users. The prices to recover the costs of the Murray-Darling Basin Authority (MDBA) are set at full cost recovery and will remain constant in real terms over the 2021 determination period (1 Oct 2021 to 30 June 2025). The total prices are increasing by 11% (before inflation) from 2020-21 to 2024-25.

Schedule of prices from 1 October 2021

Table 1: Prices for 2-part tariffs (\$/ML, \$2021-22)

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | % change from 2020-21 to 2024-25 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
| Entitlement price | | | | | | |
| Water management | | 1.94 | 1.98 | 2.03 | 2.08 | NA |
| MDBA | | 0.13 | 0.13 | 0.13 | 0.13 | NA |
| BRC | | NA | NA | NA | NA | NA |
| Combined | 2.69 | 2.07 | 2.11 | 2.16 | 2.21 | -17.9% |
| Water take price | | | | | | |
| Water management | | 3.59 | 3.68 | 3.77 | 3.87 | NA |
| MDBA | | 0.14 | 0.14 | 0.14 | 0.14 | NA |
| BRC | | NA | NA | NA | NA | NA |
| Combined | 2.91 | 3.73 | 3.82 | 3.91 | 4.01 | 37.7% |
| Total price | 5.60 | 5.80 | 5.93 | 6.07 | 6.22 | 11.0% |

Note: The percentage change includes the impact of inflation from 2020-21 to 2021-22 of 1.1%.

Source: IPART analysis.

Table 2: Prices for 1-part tariffs (\$/ML, \$2021-22)

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | % change from 2020-21 to 2024-25 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|--|
| Entitlement price | | | | | | |
| Water management | | 5.53 | 5.66 | 5.80 | 5.95 | NA |
| MDBA | | 0.27 | 0.27 | 0.27 | 0.27 | NA |
| BRC | | NA | NA | NA | NA | NA |
| Total price | 5.60 | 5.80 | 5.93 | 6.07 | 6.22 | 11.0% |

Note: The percentage change includes the impact of inflation from 2020-21 to 2021-22 of 1.1%.

Source: IPART analysis.

Key drivers of prices changes

Total costs allocated to this water source have increased by 16% (or around \$0.9 million) since the 2016 price review, which are driven by:

- Higher capital costs. During the 2016–2021 period, WAMC's actual capital expenditure was much higher than allowed in the 2016 price review. A large proportion of the additional capital expenditure was on corporate systems. Over the 2021 determination period, we have allowed further capital expenditure on corporate systems to deliver required functions. The additional historical and future investments result in higher return on assets and regulatory depreciation, and therefore an increase in the costs allocated to this water source.
- Higher operating costs. This is up by \$0.3m (or around 5%) mainly due to increases in water quality monitoring and customer management expenditure.

For 2-part tariffs, entitlement prices and water take prices are moving in different directions.

- Firstly, we have structured prices so that 70% of the revenue recovered from 2-part tariffs is recovered from the 2-part tariff entitlement price, and the remaining 30% from the water take price based on volume forecasts.
- While both 2-part tariff entitlements and water take volume forecasts are higher than in the past, 2-part tariff entitlements have increased at a greater rate.
- Because of how we have structured prices and the different rate of increases between 2-part tariff entitlement and water take volumes, entitlement prices are decreasing, while water take prices are increasing.

Minimum annual charge set at \$221.50 per licence

We have set the minimum annual charge (MAC) at \$221.50 per licence in 2021-22. The MAC recovers most of WAMC's costs associated with account management services (i.e. compliance management, customer management and billing management). The MAC will increase by 2.5% per year (before inflation) over the 2021 determination period.

Water users paying the MAC will also be required to pay MDBA prices. This is to improve the sharing of MDBA costs between all water users.