



Ref:CW: B936840

3 September 2018

Mr Anthony Rush
IPART
PO Box K35
Haymarket Post Shop NSW 1240

Dear Mr Rush

Addendum to Essential Energy Proposal

This letter outlines Essential Energy's addendum to the proposal for Broken Hill Water and Sewer as submitted 13 July 2018. This addendum changes the proposed average increase in sewer and water prices annually over the 2019-2023 period to;

- A typical residential customer consuming 200 kilolitres of water per year would see an average annual increase in their combined water and sewerage bill of 6.8 per cent (4.2 per cent excluding inflation), or \$93 per year on average, in each of the next four years; and
- A typical non-residential customer consuming 2,100 kilolitres of water per year would see an averaging annual increase in their combined water and sewerage bill of 6.8 per cent (4.2 per cent excluding inflation), or \$770 per year on average, in each of the next four years.

This change is a result of making changes in Attachment 8 – Metro Water Model, a model provided by IPART and populated by Essential Energy. Following discussions with IPART staff following our submission it became apparent there were errors made in the application of this model. These errors have led to an updated model being provided to IPART with adjustments for:

- Discharge factors for non-residential customers;
- Sewer availability for Mines increased in line with standard availability charges;
- Increasing trade waste charges in line with increases in standard availability charges;
- Increasing miscellaneous revenue only by CPI; and
- Increasing access charge in proportion to standard availability charges.

The updates to the IPART model has resulted in important changes to our 13 July 2018 proposal and should be made available as IPART start their consultation process. No changes to the proposal document or proposed expenditure have been made at this stage and a updated version of the Metro model has been provided to IPART.

If you have any questions relating to this addendum please contact me.

Yours sincerely



Chantelle Bramley
General Manager Strategy, Regulation and Transformation

Attachment 1 Revised Price Increase Tables.

Table 12-3: Forecast water tariffs

\$ Nominal	Proposed			
	2019-20	2020-21	2021-22	2022-23
Service charge (\$ per annum)	350	374	400	427
Usage charge (\$ per kL) - treated	1.92	2.06	2.20	2.35
Usage charge (\$ per kL) - chlorinated	1.24	1.32	1.42	1.51
Usage charge (\$ per kL) - untreated	0.83	0.89	0.95	1.02

Notes: Nominal dollar terms, assuming 2.5 per cent forecast inflation and no pass-through adjustments.

Table 12-4: Forecast sewerage tariffs

\$ Nominal	Proposed			
	2019-20	2020-21	2021-22	2022-23
Service charge – Residential (\$ per annum)	572	612	653	698
Service charge – Non-residential (\$ per annum) X Discharge Factor^	818	874	934	997
Usage charge (\$ per kL)	1.37	1.46	1.56	1.67

Notes: Nominal dollar terms, assuming 2.5 per cent forecast inflation and no pass-through adjustments.

^ Discharge factors individually assessed.

Table 12-5: Impact of proposed prices on the annual water and sewerage bill for average residential customers supplied with treated water (\$nominal)

Financial year end	Current	Proposed					Total increase
	2019	2020	2021	2022	2023		
Residential non-pensioner							
200kL	1,223	1,307	1,397	1,492	1,595		
Year on year increase		84	90	96	102	371	
Change in Bill (%)		6.8%	6.8%	6.8%	6.8%		
Residential pensioner*							
200kL	1,048	1,132	1,222	1,317	1,420		
Year on year increase		84	90	96	102	371	
		8.0%	7.9%	7.8%	7.8%		

*The residential annual bill amounts for pensioners are the same as for residential non-pensioners /less the \$175 rebate from the government. As a result, the price increases match those of a residential non-pensioner.

Table 12-6: Impact of proposed prices on annual water bills for average residential non-pensioner customers supplied with chlorinated water and for pipeline customers supplied with untreated water (\$nominal)

\$ Nominal	Current	Proposed				Total increase
	2018-19	2019-20	2020-21	2021-22	2022-23	
Residential chlorinated water						
200kL	560	598	639	683	729	
Year on year increase		38	41	44	47	170
Pipeline, untreated water						
200kL	484	517	552	590	630	
Year on year increase		33	35	38	40	147

Table 12-7: Forecast non-residential bill impact

Financial year end	Current	Proposed			
	2019	2020	2021	2022	2023
Non-residential customers using 2,100kL per year					
Combined water and sewerage bill (\$ per annum)	10,149	10,845	11,588	12,382	13,230
Change in bill (\$)		696	743	794	848
Change in bill (%)		6.9%	6.8%	6.8%	6.8%

Notes: Nominal dollar terms, assuming 2.5 per cent forecast inflation and no pass-through adjustments.

^ Assumes Discharge Factors of 70%.

Table 12-8: Pipeline customer bill impacts

Nominal \$	Current	Proposed				Total increase
	2018-19	2019-20	2020-21	2021-22	2022-23	
1,000kL - 25mm meter	1,292	1,380	1,475	1,576	1,684	
Year on year increase		88	95	101	108	392
Change in bill (%)		6.8%	6.8%	6.8%	6.8%	