

Water NSW

Maximum prices for water supply services
from 1 July 2016 in relation to
Sydney Catchment Functions

Water — Draft Determination
March 2016



Independent Pricing and Regulatory Tribunal

Water NSW

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Sydney Catchment Functions

Draft Determination No. 3, 2016

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Preliminary

1 Background

- (a) Section 11 of the *Independent Pricing and Regulatory Tribunal Act 1992* (**IPART Act**) gives the Independent Pricing and Regulatory Tribunal (**IPART**) a standing reference to conduct investigations and make reports to the Minister on the determination of the pricing for a government monopoly service supplied by a government agency specified in schedule 1 to the IPART Act.
- (b) Water NSW is listed as a government agency in schedule 1 to the IPART Act.
- (c) The *Independent Pricing and Regulatory Tribunal (Water Supply Services) Order 2000* (**Order**) declares certain services provided by the now-abolished Sydney Catchment Authority to be government monopoly services.
- (d) Pursuant to cl 24(2)(c)(ii) of schedule 2 to the *Water NSW Act 2014*, references to the Sydney Catchment Authority in the Order are to be read as references to Water NSW.
- (e) The services which, if supplied by Water NSW, are declared as government monopoly services under the Order are:
 - (1) water supply services; and
 - (2) ancillary and miscellaneous services for which no alternative supply exists and which relate to the supply of those water supply services,
(together, the **Monopoly Services**).
- (f) Accordingly, IPART may determine the maximum prices for the Monopoly Services.

2 Application of this determination

- (a) Under section 11 of the IPART Act, this determination fixes the maximum prices, or sets a methodology for fixing the maximum prices, that Water NSW may charge for the Determination Services.
- (b) Under section 13(6) of the IPART Act, IPART may limit an investigation and report with respect to a government monopoly service to a particular part or category of that service or to a particular period during which that service is supplied or in any other manner.

- (c) The following part of the Monopoly Services is not Determination Services for the purposes of this determination: any services supplied by Water NSW to Sydney Water Corporation in order to earn:
 - (1) any Annual Water Quality Incentive Payment paid to it under the “Raw Water Supply Agreement” executed on 14 October 2013 by Water NSW and Sydney Water Corporation, or
 - (2) an equivalent payment under any amended version or replacement of that agreement in force from time to time.

[Note: IPART intends, at a later time to be decided, to conduct an investigation and make a report to the Minister on the determination of the pricing in respect of that part of the Monopoly Services to which this determination does not apply.]

- (d) For the avoidance of any doubt, and despite any other provision in this determination, this determination does not apply to any services provided by Water NSW:
 - (1) in connection with its Non-Sydney Catchment Functions; or
 - (2) that do not have a connection with the Sydney Catchment Area.
- (e) This determination commences on the later of:
 - (1) 1 July 2016; and
 - (2) the date that it is published in the NSW Government Gazette, **(Commencement Date)**.
- (f) The maximum prices set out in, or calculated in accordance with, this determination apply from the Commencement Date to 30 June 2020. The maximum prices set out in, or calculated in accordance with, this determination prevailing at 30 June 2020 continue to apply beyond 30 June 2020 until this determination is replaced.
- (g) Under section 18(2) of the IPART Act, Water NSW may not fix a price below the maximum price determined by IPART, or calculated in accordance with a determination by IPART, without the approval of the Treasurer.

3 Replacement of Determination No. 2 of 2012

- (a) This determination replaces Determination No. 2 of 2012 from the Commencement Date, and Determination No. 2 of 2012 ceases to have any effect whatsoever on and from the Commencement Date, despite anything to the contrary in Determination No. 2 of 2012.
- (b) The replacement does not affect anything done or omitted to be done, or rights or obligations accrued, under Determination No. 2 of 2012 before the Commencement Date.

4 Requirements of the IPART Act

- (a) In determining the pricing of the Determination Services, IPART has had regard to a broad range of matters, including the matters in section 15(1) of the IPART Act.
- (b) In accordance with section 13A of the IPART Act, IPART has fixed a maximum price for the Determination Services or has set a methodology for fixing the maximum price for the Determination Services, as appropriate. As required by section 13A(3) of the IPART Act, where IPART has set such a methodology, its reasons for doing so are set out in schedule 6.

5 Monitoring

IPART may monitor Water NSW's performance for the purposes of:

- (a) establishing and reporting on the level of Water NSW's compliance with this determination; and
- (b) preparing a periodic review of pricing policies in respect of the Monopoly Services.

6 Schedules

- (a) Schedule 1 set outs the methodology for fixing the maximum prices that Water NSW may charge Large Customers for the Determination Services.
- (b) Schedule 2 set outs the maximum prices that Water NSW may charge Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council for the Determination Services.
- (c) Schedule 3 sets out the maximum prices that Water NSW may charge Small Customers for the supply of Bulk Raw Water.
- (d) Schedule 4 sets out the maximum prices that Water NSW may charge Small Customers for the supply of Unfiltered Water.
- (e) Schedule 5 sets out the definitions and interpretation provisions.
- (f) Schedule 6 sets out the reasons why IPART has chosen to set a methodology for fixing a maximum price.

Schedule 1 Methodology for fixing the maximum prices that Water NSW may charge Large Customers for the Determination Services

1 Application

Schedule 1 sets the methodology for fixing the maximum prices that Water NSW may charge Large Customers for the Determination Services.

2 Maximum price

The maximum price that Water NSW may charge a Large Customer for the Determination Services for a month is calculated as follows:

$$\left(FAC \times \frac{Customer\ Supply}{Total\ Supply} \right) + (VC \times Customer\ Supply)$$

Where:

- (1) *FAC* is the fixed availability charge for the Period in which the month occurs, as set out in Table 1;
- (2) *Customer Supply* is the total volume of water supplied by Water NSW to the Large Customer for the month;
- (3) *Total Supply* is the total volume of water supplied by Water NSW to all Large Customers for the month; and
- (4) *VC* is the volumetric charge for the month, which is either:
 - (a) if $Q_{SDP} < FS$, the amount calculated by applying clause 3 of schedule 1; or
 - (b) if $Q_{SDP} \geq FS$, nil,

where Q_{SDP} and FS have the meanings given in clause 3 of schedule 1.

3 Calculating the applicable volumetric charge

For the purposes of clause 2 of schedule 1, the volumetric charge for a month is the amount calculated using the following equation:

$$\frac{20\% \times TR}{(FS - Q_{SDP})} + \frac{CST}{AS}$$

Where:

- (1) *TR* is Water NSW's target revenue requirement from Large Customers for the Period in which the month occurs, as set out in Table 2;
- (2) *FS* is Water NSW's forecast water sales to all Large Customers for the Period in which the month occurs, as set out in Table 3;
- (3) *Q_{SDP}* (quantity supplied by SDP to all Large Customers) is the lesser of either:
 - (a) 7,500ML; or
 - (b) such other amount, being the volume of water which is supplied by SDP to all Large Customers in the month, as notified to Water NSW collectively by the Large Customers no later than 5 business days after the end of the month;
- (4) *AS* is the actual water sales to all Large Customers by Water NSW in the month; and
- (5) *CST* (cost of Shoalhaven transfer) is the amount calculated in accordance with clause 4 of schedule 1.

4 Calculating *CST*

For the purposes of clause 3 of schedule 1, *CST* is the amount calculated using the following equation:

$$RRP \times 1.96MWh/ML \times STV$$

Where:

- (1) *RRP* is NSW regional reference price for the 18 half-hourly periods starting at 10:00pm and ending at 07:00am, averaged for the month, in \$/MWh, as reported by the Australian Energy Market Operator; and
- (2) *STV* (Shoalhaven transfer value) is the number of ML calculated in accordance with clause 5 of schedule 1.

5 Calculating *STV*

For the purposes of clause 4 of schedule 1, *STV* is the amount calculated using the following equation:

$$(HP_1 \times 54.5 \text{ML/hour}) + (HP_2 \times 104.6 \text{ML/hour})$$

where:

- (1) ***HP*₁** is total number of hours in the month metered at the Burrawang Pumping Station, Meter No 4507 labelled “Any 1 Pump Only”; and
- (2) ***HP*₂** is total number of hours in the month metered at the Burrawang Pumping Station, Meter No 4508 labelled “Any 2 Pumps Together”.

Tables 1, 2 and 3

Table 1 Fixed availability charge

Period	(\$ per month)
Commencement Date to 30 June 2017	13,099,914
1 July 2017 to 30 June 2018	13,269,537 x (1 + ΔCPI ₁)
1 July 2018 to 30 June 2019	13,568,103 x (1 + ΔCPI ₂)
1 July 2019 to 30 June 2020	13,704,681 x (1 + ΔCPI ₃)

Table 2 Target revenue requirement from Large Customers

Period	(\$ per month)
Commencement Date to 30 June 2017	16,374,892
1 July 2017 to 30 June 2018	16,586,921 x (1 + ΔCPI ₁)
1 July 2018 to 30 June 2019	16,960,128 x (1 + ΔCPI ₂)
1 July 2019 to 30 June 2020	17,130,852 x (1 + ΔCPI ₃)

Table 3 Total forecast water sales to Large Customers

Period	(ML per month)
Commencement Date to 30 June 2017	44,344
1 July 2017 to 30 June 2018	44,953
1 July 2018 to 30 June 2019	45,329
1 July 2019 to 30 June 2020	45,845

Schedule 2 Maximum prices that Water NSW may charge certain councils for the Determination Services

1 Application

Schedule 2 sets the maximum prices that Water NSW may charge Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council for the Determination Services.

2 Maximum price for the Determination Services to Wingecarribee Shire Council

The maximum price that Water NSW may charge Wingecarribee Shire Council for the Determination Services for a month is the sum of:

- (a) the fixed availability charge for the Wingecarribee Shire Council in Table 4 for the Period in which the month occurs; and
- (b) the volumetric charge in Table 7 for the Period in which the month occurs multiplied by the number of ML of water supplied by Water NSW to Wingecarribee Shire Council for the month.

3 Maximum price for the Determination Services to Shoalhaven City Council

The maximum price that Water NSW may charge Shoalhaven City Council for the Determination Services for a month is the sum of:

- (a) the fixed availability charge in Table 5 for the Period in which the month occurs for Shoalhaven City Council; and
- (b) the volumetric charge in Table 7 for the Period in which the month occurs multiplied by the number of ML of water supplied by Water NSW to Shoalhaven City Council for the month.

4 Maximum price for the Determination Services to Goulburn Mulwaree Council

The maximum price that Water NSW may charge Goulburn Mulwaree Council for the Determination Services for a month is the sum of:

- (a) the fixed availability charge for Goulburn Mulwaree Council in Table 6 for the Period in which the month occurs; and
- (b) the volumetric charge in Table 7 for the Period in which the month occurs multiplied by the number of ML of water supplied by Water NSW to Goulburn Mulwaree Council for the month.

Tables 4, 5, 6 and 7

Table 4 Fixed availability charge for Wingecarribee Shire Council

Period	(\$ per month)
Commencement Date to 30 June 2017	86,803.72
1 July 2017 to 30 June 2018	$86,803.72 \times (1 + \Delta\text{CPI}_1)$
1 July 2018 to 30 June 2019	$86,803.72 \times (1 + \Delta\text{CPI}_2)$
1 July 2019 to 30 June 2020	$86,803.72 \times (1 + \Delta\text{CPI}_3)$

Table 5 Fixed availability charge for Shoalhaven City Council

Period	(\$ per month)
Commencement Date to 30 June 2017	1,627.57
1 July 2017 to 30 June 2018	$1,627.57 \times (1 + \Delta\text{CPI}_1)$
1 July 2018 to 30 June 2019	$1,627.57 \times (1 + \Delta\text{CPI}_2)$
1 July 2019 to 30 June 2020	$1,627.57 \times (1 + \Delta\text{CPI}_3)$

Table 6 Fixed availability charge for Goulburn Mulwaree Council

Period	(\$ per month)
Commencement Date to 30 June 2017	1,953.08
1 July 2017 to 30 June 2018	$1,953.08 \times (1 + \Delta\text{CPI}_1)$
1 July 2018 to 30 June 2019	$1,953.08 \times (1 + \Delta\text{CPI}_2)$
1 July 2019 to 30 June 2020	$1,953.08 \times (1 + \Delta\text{CPI}_3)$

Table 7 Volumetric charge for Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council

Period	(\$ per ML)
Commencement Date to 30 June 2017	54.25
1 July 2017 to 30 June 2018	$54.25 \times (1 + \Delta\text{CPI}_1)$
1 July 2018 to 30 June 2019	$54.25 \times (1 + \Delta\text{CPI}_2)$
1 July 2019 to 30 June 2020	$54.25 \times (1 + \Delta\text{CPI}_3)$

Schedule 3 Maximum prices that Water NSW may charge Small Customers for the supply of Bulk Raw Water

1 Application

Schedule 3 sets the maximum prices that Water NSW may charge Small Customers for the supply of Bulk Raw Water.

2 Maximum price for Bulk Raw Water

The maximum price that Water NSW may charge a Small Customer for supplying Bulk Raw Water is the volumetric charge in Table 8 for the Period in which the Bulk Raw Water is supplied, multiplied by the number of kL of Bulk Raw Water supplied by Water NSW to the Small Customer during the applicable Period.

[Note: There is no fixed component of the maximum price that Water NSW may charge a Small Customer for supplying Bulk Raw Water.]

Table 8

Table 8 Volumetric charge for Bulk Raw Water

Period	(\$ per kL)
Commencement Date to 30 June 2017	0.69
1 July 2017 to 30 June 2018	$0.69 \times (1 + \Delta\text{CPI}_1)$
1 July 2018 to 30 June 2019	$0.69 \times (1 + \Delta\text{CPI}_2)$
1 July 2019 to 30 June 2020	$0.69 \times (1 + \Delta\text{CPI}_3)$

Schedule 4 Maximum prices that Water NSW may charge Small Customers for the supply of Unfiltered Water

1 Application

Schedule 4 sets the maximum prices that Water NSW may charge Small Customers for the supply of Unfiltered Water.

2 Maximum price for Unfiltered Water

The maximum price that Water NSW may charge a Small Customer for supplying Unfiltered Water for a Period is the sum of:

- (a) the fixed availability charge in Table 9 for the applicable meter size and Period; and
- (b) the volumetric charge in Table 10 for the applicable Period, multiplied by the number of kL of Unfiltered Water supplied by Water NSW to the Small Customer during the applicable Period.

Tables 9 and 10

Table 9 Fixed availability charge for Unfiltered Water (\$)

Meter size	Period			
	Commencement Date to 30 June 2017	1 July 2017 to 30 June 2018	1 July 2018 to 30 June 2019	1 July 2019 to 30 June 2020
20mm	106.08	$106.08 \times (1 + \Delta\text{CPI}_1)$	$106.08 \times (1 + \Delta\text{CPI}_2)$	$106.08 \times (1 + \Delta\text{CPI}_3)$
25mm	165.75	$165.75 \times (1 + \Delta\text{CPI}_1)$	$165.75 \times (1 + \Delta\text{CPI}_2)$	$165.75 \times (1 + \Delta\text{CPI}_3)$
30mm	238.68	$238.68 \times (1 + \Delta\text{CPI}_1)$	$238.68 \times (1 + \Delta\text{CPI}_2)$	$238.68 \times (1 + \Delta\text{CPI}_3)$
32mm	271.56	$271.56 \times (1 + \Delta\text{CPI}_1)$	$271.56 \times (1 + \Delta\text{CPI}_2)$	$271.56 \times (1 + \Delta\text{CPI}_3)$
40mm	424.32	$424.32 \times (1 + \Delta\text{CPI}_1)$	$424.32 \times (1 + \Delta\text{CPI}_2)$	$424.32 \times (1 + \Delta\text{CPI}_3)$
50mm	663.00	$663.00 \times (1 + \Delta\text{CPI}_1)$	$663.00 \times (1 + \Delta\text{CPI}_2)$	$663.00 \times (1 + \Delta\text{CPI}_3)$
80mm	1,697.28	$1,697.28 \times (1 + \Delta\text{CPI}_1)$	$1,697.28 \times (1 + \Delta\text{CPI}_2)$	$1,697.28 \times (1 + \Delta\text{CPI}_3)$
100mm	2,652.00	$2,652.00 \times (1 + \Delta\text{CPI}_1)$	$2,652.00 \times (1 + \Delta\text{CPI}_2)$	$2,652.00 \times (1 + \Delta\text{CPI}_3)$
150mm	5,967.00	$5,967.00 \times (1 + \Delta\text{CPI}_1)$	$5,967.00 \times (1 + \Delta\text{CPI}_2)$	$5,967.00 \times (1 + \Delta\text{CPI}_3)$
200mm	10,608.00	$10,608.00 \times (1 + \Delta\text{CPI}_1)$	$10,608.00 \times (1 + \Delta\text{CPI}_2)$	$10,608.00 \times (1 + \Delta\text{CPI}_3)$
>200mm	$(\text{Meter size})^2 \times (20\text{mm fixed availability charge}) \div 400$	$(\text{Meter size})^2 \times (20\text{mm fixed availability charge}) \div 400$	$(\text{Meter size})^2 \times (20\text{mm fixed availability charge}) \div 400$	$(\text{Meter size})^2 \times (20\text{mm fixed availability charge}) \div 400$

Table 10 Volumetric charge for Unfiltered Water

Period	(\$ per kL)
Commencement Date to 30 June 2017	1.20
1 July 2017 to 30 June 2018	$1.20 \times (1 + \Delta\text{CPI}_1)$
1 July 2018 to 30 June 2019	$1.20 \times (1 + \Delta\text{CPI}_2)$
1 July 2019 to 30 June 2020	$1.20 \times (1 + \Delta\text{CPI}_3)$

Schedule 5 Definitions and interpretation

1 Definitions

1.1 General definitions

In this determination:

Bulk Raw Water means water that has not been treated in any way.

Commencement Date has the meaning given to that term in clause 2(e) of the Preliminary section of this determination.

Determination Services means the Monopoly Services other than that part of the Monopoly Services described in clause 2(c) of the Preliminary section of this determination.

Goulburn Mulwaree Council means any council constituted from time to time under the *Local Government Act 1993* (NSW) in respect of an area which covers all, or a substantial part, of the area of the Goulburn Mulwaree Council as constituted at the Commencement Date.

GST has the meaning given to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

IPART Act means the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

IPART means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

kL means kilolitre or one thousand litres.

Large Customer means:

- (a) Sydney Water Corporation; or
- (b) any one of the following persons to whom Water NSW provides Determination Services:
 - (1) the holder of a WIC Act Licence;
 - (2) a water supply authority within the meaning of the *Water Management Act 2000* (NSW);
 - (3) a council or county council constituted under the *Local Government Act 1993* (NSW) that exercises water or sewerage functions;

- (4) a person who, pursuant to:
- (A) a coverage declaration which has been determined under section 26 of the WIC Act and is in force;
 - (B) an access undertaking which has been approved by IPART under section 38 of the WIC Act and is in force;
 - (C) an access agreement (as referred to in section 39 of the WIC Act); or
 - (D) an access determination (as referred to in section 40 of the WIC Act),
- has access to some of Sydney Water Corporation's infrastructure services (as defined in the WIC Act), to the extent that the relevant infrastructure services relate to the Determination Services; or
- (5) a person not referred to in paragraphs (1)-(4) above who:
- (A) is able to purchase water from Sydney Water Corporation but instead purchases it directly from Water NSW (regardless of whether Water NSW supplies the water to the person by means of Sydney Water Corporation's systems); and
 - (B) in purchasing that water directly from Water NSW, reduces the amount of such water that Sydney Water Corporation would otherwise need to obtain from Water NSW to supply the person,
- but excludes Wingecarribee Shire Council, Shoalhaven City Council and Goulburn Mulwaree Council.

ML means megalitre or one million litres.

Monopoly Services has the meaning given in clause 1(e) of the Preliminary section of this determination.

Network Operator's Licence has the meaning given in the WIC Act, and a reference in this determination to a particular Network Operator's Licence includes an instrument which replaces or partially replaces that Network Operator's Licence from time to time.

Non-Sydney Catchment Functions has the same meaning as under clause 12(4) of schedule 2 to the *Water NSW Act 2014*.

Order has the meaning given to that term in clause 1(c) of the Preliminary section of this determination.

Period means the Commencement Date to 30 June 2017, 1 July 2017 to 30 June 2018, 1 July 2018 to 30 June 2019, or 1 July 2019 to 30 June 2020 (as the case may be).

SDP means the water industry infrastructure covered by Sydney Desalination Plant Pty Limited's (ACN 125 935 177) Network Operator's Licence, excluding the pipeline system running from Lot 2 in Deposited Plan 1077972 in the suburb of Kurnell to Lot A in Deposited Plan 365407 in the suburb of Erskineville.

Shoalhaven City Council means any council constituted from time to time under the *Local Government Act 1993* (NSW) in respect of an area which covers all, or a substantial part, of the area of the Shoalhaven City Council as constituted at the Commencement Date.

Small Customer means a person to whom Water NSW supplies Bulk Raw Water and/or Unfiltered Water in connection with Water NSW's operations in the Sydney Catchment Area, other than:

- (a) a Large Customer;
- (b) Goulburn Mulwaree Council;
- (c) Shoalhaven City Council; and
- (d) Wingecarribee Shire Council.

Sydney Catchment Area has the same meaning as under section 3 of the *Water NSW Act 2014*.

Sydney Water Corporation means the Sydney Water Corporation constituted as a corporation under the *Sydney Water Act 1994*.

Unfiltered Water means water that has been treated for quality, whether or not by chemical treatment, but not treated at a water filtration plant.

Water NSW means the corporation constituted under the *Water NSW Act 2014*.

WIC Act means the *Water Industry Competition Act 2006*.

WIC Act Licence means:

- (a) a licence under the WIC Act; and
- (b) any similar instrument, granted under the WIC Act as in force from time to time, or under any legislation which replaces the WIC Act (or any legislation which replaces any replacement of the WIC Act and so on).

Wingecarribee Shire Council means any council constituted from time to time under the *Local Government Act 1993* (NSW) in respect of an area which covers all, or a substantial part, of the area of the Wingecarribee Shire Council as constituted at the Commencement Date.

1.2 Consumer Price Index

$$(a) \Delta CPI_1 = \left(\frac{CPI_{March2017}}{CPI_{March2016}} \right) - 1$$

$$\Delta CPI_2 = \left(\frac{CPI_{March2018}}{CPI_{March2016}} \right) - 1$$

$$\Delta CPI_3 = \left(\frac{CPI_{March2019}}{CPI_{March2016}} \right) - 1$$

each as calculated and notified by IPART, where:

- (1) CPI means:
 - (A) the consumer price index, All Groups index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics; or
 - (B) if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by IPART;
- (b) The subtext (for example _{March2018}) when used in relation to the CPI in paragraph (a) above refers to the CPI for the quarter and year indicated (in the example, the March quarter for 2018).

2 Interpretation

2.1 General provisions

In this determination:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, annexure, clause or table is a reference to a schedule or annexure to, clause of, or table in, this determination unless otherwise indicated;
- (c) a construction that would promote the purpose or object expressly or impliedly underlying the IPART Act is to be preferred to a construction that would not promote that purpose or object;

- (d) words importing the singular include the plural and vice versa;
- (e) a reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacements of them;
- (f) where a word is defined, other grammatical forms of that word have a corresponding meaning;
- (g) a reference to a day is to a calendar day;
- (h) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation), replacements and assigns;
- (i) a reference to an officer includes a reference to the officer which replaces it or which substantially succeeds to its powers or functions;
- (j) a reference to a body, whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body, is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

2.2 Explanatory notes and clarification notice

- (a) Explanatory notes do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.
- (b) IPART may publish a clarification notice in the NSW Government Gazette to correct any manifest error in this determination. Such a clarification notice is taken to form part of this determination.

2.3 Prices exclusive of GST

Prices or charges specified in this determination do not include GST.

2.4 Water NSW's billing cycle

For the avoidance of doubt nothing in this determination affects when Water NSW may issue a bill to a customer for prices or charges under this determination.

2.5 Rounding rule

- (a) Any price or charge calculated in accordance with this determination is to be rounded to the nearest whole cent.
- (b) For the purposes of calculating a price or charge under clause 2.5(a) of schedule 5, any amount that is a multiple of 0.5 cents (but not a multiple of 1 cent), is to be rounded up to the nearest whole cent.

Schedule 6 Statement of the reasons why IPART has chosen to set a methodology for fixing a maximum price

Under section 13A of the IPART Act, IPART may set maximum prices or may determine a methodology for setting maximum prices.

In schedule 1 of this determination, IPART has set a methodology for fixing the maximum prices that Water NSW may charge Large Customers for the Determination Services.

Volumetric charge that varies based on supply from the SDP

The methodology addresses the risk that Water NSW will under-recover revenue if its sales to Large Customers differ significantly from IPART's sales forecasts. Water NSW's sales to Large Customers may be affected by Large Customers' arrangements to purchase water from the SDP. The SDP has the capacity to supply over 90 gigalitres of Large Customers' annual water needs. However, depending on rainfall and other variables, the SDP will often produce less than its capacity. The more water supplied to Large Customers from the SDP, the greater the reduction in Water NSW's sales to Large Customers.

The methodology in schedule 1 provides for a volumetric charge which varies depending on how much water is supplied to Large Customers from the SDP. The variation of each day's volumetric charge compensates Water NSW for reduced sales to Large Customers, when they purchase water from the SDP.

IPART considers that this methodology is appropriate for addressing the revenue risk to Water NSW and the uncertainty regarding the operation of the SDP. IPART considers that it would be impractical to make a determination that directly fixes the maximum prices that Water NSW can charge Large Customers for the Determination Services, as different prices will apply depending on the volume of water supplied to Large Customers by the SDP.

Pass-through of certain electricity costs

The methodology in schedule 1 is also designed to pass-through to Large Customers Water NSW's electricity costs of pumping water from its storages on the Shoalhaven River to other water storages. The amount of water which Water NSW needs to pump from its storages on the Shoalhaven River varies greatly from time to time, largely depending on rainfall. In times of high rainfall, Water NSW will need to pump only small volumes of water from its storages on the Shoalhaven River in order to maintain pumping infrastructure. In contrast, during times of low rainfall, Water NSW may need to pump much higher

volumes of water from those storages to compensate for low supply at other water storages.

Because of the uncertainty as to the volume of water that Water NSW will need to pump from its storages on the Shoalhaven River, IPART considers that it is sub-optimal to incorporate a fixed amount, reflecting the electricity costs of such pumping, into the maximum prices that Water NSW can charge Large Customers. The uncertainty means that a fixed amount, based on a forecast by IPART, could significantly over- or undercompensate Water NSW for its costs, depending on rainfall.

Instead, IPART considers it appropriate to set a methodology for setting maximum prices, which varies depending on how much water is actually pumped from Water NSW's storages on the Shoalhaven River. The actual volume of water pumped would then be multiplied by a benchmark published by the Australian Energy Market Operator. This approach should result in prices which are closer to the actual efficient costs of Water NSW.

