

# Border Valley

## Issues Paper - WaterNSW's rural bulk water pricing proposal



In this Fact Sheet we highlight selected key information from WaterNSW's pricing proposal for customers in the **Border valley**. This information is not exhaustive and should be read in conjunction with our General Overview Fact Sheet and Issues Paper.

### Overview

- ▼ Forecast annual entitlement for 2016-17: General Security 263,238 ML; High Security 3,122 ML.
- ▼ Forecast annual usage for 2016-17: 147,829 ML (20 year rolling average).
- ▼ Proposed user share of notional revenue requirement (NRR): \$8.9 million over 2017-18 to 2020-21 or \$2.2 million per year. The user share of NRR is the portion of total costs that are paid for by customers. This is used as the basis for WaterNSW setting its proposed prices.
- ▼ The proposed user share of NRR for the Border valley represents around 3% of WaterNSW's proposed total user share of NRR across the state.
- ▼ Proposed average annual user share of NRR over the next determination period is decreasing when compared to that allowed under the 2014 ACCC Decision.
- ▼ On average, the proposed Border Rivers Commission (BRC) costs represent 35% of the total proposed user share of NRR for the Border valley over 2017-18 to 2020-21.

Under WaterNSW's proposal, final entitlement charges (ie, bulk water plus BRC charges) would decrease for high security entitlement holders and increase for general security holders in real terms. The usage charge would decrease significantly for all customers. WaterNSW has proposed a change in price structure for BRC charges from the current 40:60 fixed to usage split to 100% fixed charge on entitlement.

Consistent with WaterNSW's proposal, the **price** and **revenue** figures below are in **\$2016-17** (ie, they **exclude** the effects of inflation beyond 2016-17).

### WaterNSW's proposed prices, change over 2016-17 to 2020-21 (per ML, \$2016-17)

		Bulk water charges (excluding inflation)			BRC charges (excluding inflation)			Final charges (excluding inflation)	
High Security	↓	19.8%	(\$6.90 to \$5.53)	↓	2.1%	(\$4.22 to \$4.31)	↓	11.5%	(\$11.12 to \$9.84)
General Security	↓	5.3%	(\$2.43 to \$2.30)	↑	95.8%	(\$1.49 to \$2.91)	↑	33.1%	(\$3.91 to \$5.21)
Usage	↓	16.1%	(\$6.60 to \$5.53)	↓	100%	(\$4.03 to \$0.00)	↓	48.0%	(\$10.63 to \$5.53)

### WaterNSW's proposed user share of NRR for the Border valley (\$000s, \$2016-17)

	2017-18	2018-19	2019-20	2020-21	Total <sup>a</sup>	Average Proposed <sup>a</sup>	Average ACCC	Change <sup>b</sup>
Base building block	1,340	1,381	1,401	1,395	5,517	1,379	1,595	-13.6%
UOM <sup>c</sup> allowance	61	61	61	61	243	61	32	90.4%
BRC costs	758	782	779	779	3,098	775	746	3.9%
<b>Total user share</b>	<b>2,159</b>	<b>2,224</b>	<b>2,240</b>	<b>2,235</b>	<b>8,858</b>	<b>2,214</b>	<b>2,571</b>	<b>-6.7%</b>
Total NRR-Border	2,366	2,432	2,447	2,437	9,682	2,421	2,561	-5.5%
<b>User Share (%)</b>	<b>91%</b>	<b>91%</b>	<b>92%</b>	<b>92%</b>	<b>91%</b>	<b>91%</b>	<b>93%</b>	<b>-</b>

<sup>a</sup> Total and annual average over 2017-18 to 2020-21.

<sup>b</sup> Annual average (2017-18 to 2020-21) compared with average annual (2014-15 to 2016-17).

<sup>c</sup> Unders and Overs Mechanism (UOM).



WaterNSW's pricing proposal includes indicative customer bills, for a range of entitlement and usage volume scenarios, under its proposed fixed and usage charges.

Below we present two of these scenarios: a general security bill based on a customer holding a 1,000 ML entitlement and using 60% of the entitlement; and a high security bill based on a customer holding a 500 ML entitlement and using 100% of the entitlement held in a year.

The **bill impacts** presented are in **nominal dollars** (ie, they **include** the effects of forecast inflation, assumed to be 2.5% per year, beyond 2016-17).

Under WaterNSW's proposed final prices, which include BRC costs, these typical bills would decrease for high security and general security entitlement holders.

#### Indicative customer bill impacts of proposed final prices (\$nominal)

		High Security (including inflation)		General Security (including inflation)
	22.0%	\$10,875 (2016-17) \$8,485 (2020-21)		8.6%
				\$10,298 (2016-17) \$9,410 (2020-21)

**The IPART Issues Paper contains a number of questions for stakeholder comment.** The following questions are particularly relevant to stakeholders in the Border valley:

- ▼ WaterNSW has forecast a BRC user share of costs of about \$2.8 million over the four years to 2020-21. This represents an annual average decrease of 4.5% compared to the previous three years. Is the proposed BRC user share of costs efficient?
- ▼ WaterNSW has proposed to change the BRC charge from a 40:60 fixed to usage split to a 100% fixed charge per ML. How should BRC charges be structured?
- ▼ WaterNSW has proposed adjusting the high security premium, which would shift costs towards general security users. Is this adjustment reasonable?