

Border valley – Draft Report

WaterNSW rural bulk water services



14 March 2017



What is this fact sheet about?

We have released a Draft Report and Draft Determination on our review of the maximum prices that WaterNSW can charge for its rural bulk water services, from 1 July 2017 for a period of four years. This fact sheet highlights key draft decisions made as part of our review that affect the **Border valley**.

This information is not exhaustive. Further information is available in our General Overview Fact Sheet and our Draft Report.



Bills in Border valley would decrease under draft prices

Bill impacts for a 'typical' customer in the Border valley under our Draft Determination are presented in Table 1.

Customers in the Border valley pay both WaterNSW bulk water charges and Barwon-Dumaresq Border Rivers Commission (BRC) charges.

Table 1 Indicative bill impact of draft charges (bulk water & BRC) for Border valley for 2017 Determination (\$ nominal – ie, with inflation)

	↓↑	Current charge (2016-17)	IPART Draft Decision (2017-18)	IPART Draft Decision (2020-21)	% Change (2016-17 to 2020-21)
High security - small	↓	\$2,175	\$1,777	\$1,914	-12.0%
High security - medium		\$10,876	\$8,887	\$9,570	
High security - large		\$21,751	\$17,773	\$19,140	
General security - small	↓	\$1,029	\$867	\$938	-8.8%
General security - medium		\$5,146	\$4,334	\$4,690	
General security - large		\$10,291	\$8,668	\$9,381	

Source: WaterNSW pricing proposal June 2016, ACCC Final Report June 2014 and IPART calculations.

- ▼ Under our Draft Determination, bills would decrease (in nominal terms – ie, with inflation) for customers in the Border valley.
 - ▽ This is largely due to a reduction in the customer share of WaterNSW's total costs (by about 4.6% in real terms), primarily due to efficiency gains in operating expenditure.
- ▼ Our draft prices would result in a smaller decrease in bills for high security (HS) customers than those proposed by WaterNSW (which would result in a 22% reduction).
 - ▽ This is largely due to our decision to apply the standard HS premium for BRC charges rather than WaterNSW proposed HS premium, which would have redistributed WaterNSW's costs between HS and general security (GS) customers.



Usage charges in Border valley would decrease

Table 2 Draft bulk water charges for Border valley for 2017 Determination - \$/ML of entitlement and usage (\$2016-17 – ie, without inflation)

	↓↑	Current charge (2016-17)	IPART Draft Decision (2017-18)	IPART Draft Decision (2020-21)	% Change (2016-17 to 2020-21)
High security charge	↓	6.90	5.17	5.17	-25.1%
General security charge	↑	2.43	2.51	2.55	4.9%
Usage charge	↓	6.60	5.28	5.28	-19.9%

Source: ACCC Final Report June 2014 and IPART calculations.

Table 3 Draft BRC charges for Border valley for 2017 Determination - \$/ML of entitlement and usage (\$2016-17 – ie, without inflation)

	↓↑	Current charge (2016-17)	IPART Draft Decision (2017-18)	IPART Draft Decision (2020-21)	% Change (2016-17 to 2020-21)
High security charge	↑	4.22	5.96	5.96	41.2%
General security charge	↑	1.49	2.21	2.21	49.1%
Usage charge	↓	4.03	1.01	1.01	-74.9%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Bulk water usage, BRC usage and bulk water HS entitlement charges would decrease under our Draft Determination.
- ▼ Bulk water GS entitlement charges would increase (in real terms).
 - This is due to our decision to use a lower HS premium,¹ which better reflects both the security and reliability of water supply from holding HS over GS entitlements. This would rebalance WaterNSW's costs between HS and GS customers.
- ▼ BRC entitlement charges would increase (in real terms) due to:
 - an increase in the customer share of BRC pass-through costs for the Border valley, from about \$0.7 million per year (for the three-year 2014 Determination period) to \$0.8 million per year (for the four-year 2017 Determination period), and
 - our decision to adopt an 80:20 fixed to variable tariff structure for BRC charges (previously 40:60), which means a larger portion of BRC costs being recovered as a fixed charge.

¹ The HS premium used to set the relative difference between the HS entitlement charge and the GS entitlement charge, and represents the relative benefit of holding a HS entitlement over a GS entitlement.