

# Hunter 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 **Hunter 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 138,109 ML; High Security 70,408 ML.
- ▼ Forecast annual usage for 2016-17: 123,211 ML (20 year rolling average).
- ▼ Proposed user share notional revenue requirement (NRR): \$16.3 million over 2017-18 to 2020-21 or \$4.1 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 Hunter valley represents around 5.6% of WaterNSW's proposed total user share of NRR across the state.
- ▼ Proposed average annual user share of NRR over the four year determination period is decreasing when compared to the 3 years of the current determination.
- ▼ Proposed volatility cost (ie, the costs of purchasing a risk transfer product) represents 2.1% of user share NRR for the Hunter valley.

Under WaterNSW's proposal, entitlement charges and variable usage charges are decreasing in real terms for all customers in the valley.

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 price changes (per ML, \$2016-17)

<b>High Security</b>	↓	20.2%	\$26.03/ML (2016-17) \$20.76/ML (2020-21)
<b>General Security</b>	↓	17.2%	\$8.86/ML (2016-17) \$7.33/ML (2020-21)
<b>Variable Usage</b>	↓	12.5%	\$14.77/ML (2016-17) \$12.93/ML (2020-21)

### WaterNSW's proposed NRR for Hunter valley (\$000s, \$2016-17)

	2017-18	2018-19	2019-20	2020-21	Total <sup>a</sup>	Average Proposed <sup>a</sup>	Average IPART	Change <sup>b</sup>
Base building block	4,073	3,960	4,098	4,138	16,269	4,067	5,581	-27.1%
UOM <sup>c</sup> allowance	-	-	-	-	-	-	-	N/A
BRC & MDBA costs	-	-	-	-	-	-	-	N/A
<b>Total user share</b>	<b>4,073</b>	<b>3,960</b>	<b>4,098</b>	<b>4,138</b>	<b>16,269</b>	<b>4,067</b>	<b>5,581</b>	<b>-27.1%</b>
Total NRR- Hunter	5,236	5,099	5,256	5,284	20,874	5,219	6,884	-24.2%
<b>Total user share (%)</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>	<b>81%</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 (2010-11 to 2013-14).

<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 below 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 prices, typical bills would decrease for high security and general security entitlement holders.

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

		<b>High Security (including inflation)</b>		<b>General Security (including inflation)</b>
	8.8%	\$20,400 (2016-17) \$18,595 (2020-21)		6.0%
				\$17,722 (2016-17) \$16,655 (2020-21)

**The Issues Paper contains a number of questions for stakeholder comment.** The following question may be particularly relevant to stakeholders in the Hunter valley:

- ▼ WaterNSW has proposed an increase in the user share of average annual capital expenditure of around \$1.9 million for the Hunter valley from 2016-17 to 2020-21. Is WaterNSW's forecast capital expenditure prudent and efficient?