

Gwydir 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 **Gwydir valley**.

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



Bill impacts in Gwydir valley would be mixed under draft prices

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

Table 1 Indicative bill impact of draft bulk water charges for Gwydir 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		\$2,626	\$2,167	\$2,333	
High security - medium	↓	\$13,130	\$10,834	\$11,667	-11.1%
High security - large		\$26,259	\$21,667	\$23,333	
General security - small		\$1,075	\$1,119	\$1,213	
General security - medium	↑	\$5,376	\$5,595	\$6,064	12.8%
General security - large		\$10,753	\$11,190	\$12,129	

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

- ▼ Under our Draft Determination, bills would decrease for high security (HS) customers and increase for general security (GS) customers in the Gwydir valley (in nominal terms – ie, with inflation).
 - ▽ The increase in bills for GS customers is largely due to our decision to use a lower HS premium¹ which better reflects both the security and reliability of water supply from holding HS over GS entitlements. This would rebalance WaterNSW costs between HS and GS customers.
 - ▽ To manage revenue volatility risk faced by WaterNSW, we have made a decision to discontinue the unders and overs mechanism (UOM), and have instead included a volatility allowance in prices and adjusted prices to ensure the outstanding balance of the UOM account is paid back – this increases GS bills in the Gwydir valley.

¹ The HS premium is 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.

- ▼ Under our Draft Determination, customers' share of WaterNSW's notional revenue requirement (efficient costs) for the Gwydir valley would increase by 4.6% relative to current levels.



Usage and high security entitlement charges would decrease

Table 2 Draft bulk water charges for Gwydir 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	↓	14.13	10.25	10.25	-27.5%
General security charge	↑	3.47	4.37	4.44	27.9%
Usage charge	↓	12.13	11.00	11.00	-9.3%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Under our Draft Determination, HS entitlement charges and usage charges in the Gwydir valley would decrease, whilst GS entitlement charges would increase (in real terms).
- ▼ The increase in GS entitlement charges results from our decisions, mentioned above, to:
 - ▽ use an updated, and lower HS premium,
 - ▽ include a volatility allowance (\$0.24 per ML per year), and
 - ▽ discontinue the UOM and include a UOM payback (of about \$0.96 per ML per year, on average) in charges.
- ▼ Our draft prices for GS entitlement chargers are also higher than those proposed by WaterNSW due to our decision to include a UOM payback in charges.