

Namoi 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 **Namoi 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 256,212 ML; High Security 8,874 ML.
- ▼ Forecast annual usage for 2016-17: 168,133 ML (20 year rolling average).
- ▼ Proposed user share notional revenue requirement (NRR): \$22.7 million over 2017-18 to 2020-21 or \$5.7 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 Namoi valley represents around 7.8% of WaterNSW's proposed total user share of NRR across the state.
- ▼ Proposed average annual user share of NRR over the 4-year determination period is increasing when compared to that allowed under the 2014 ACCC decision.
- ▼ Proposed volatility cost (ie, the costs of purchasing a risk transfer product) represents 8.9% of user share NRR of the Namoi Valley over the determination period.

Under WaterNSW's proposal, bulk water charges in the valley are decreasing in real terms for high security entitlement holders and increasing for general security entitlement holders. The variable usage charge will decrease for all customers.

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)

High Security		6.7%	\$17.29/ML (2016-17) \$16.13/ML (2020-21)
General Security		14.9%	\$8.25/ML (2016-17) \$9.48/ML (2020-21)
Variable usage		9.0%	\$20.26/ML (2016-17) \$18.45/ML (2020-21)

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

	2017-18	2018-19	2019-20	2020-21	Total ^a	Average Proposed ^a	Average ACCC	Change ^b
Base building block	5,297	5,395	5,603	5,686	21,981	5,495	5,492	0.0%
UOM ^c allowance	179	179	179	179	715	179	92	93.2%
BRC & MDBA costs	-	-	-	-	-	-	-	N/A
Total user share	5,476	5,574	5,782	5,864	22,695	5,674	5,585	1.6%
Total NRR- Namoi	13,855	14,399	14,811	15,098	58,162	14,541	14,538	0.0%
Total user share (%)	40%	39%	39%	39%	39%	39%	38%	

^a Total and annual average over 2017-18 to 2020-21

^b Annual average (2017-18 to 2020-21) compared with average annual (2014-15 to 2016-17).

^c 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 increase for high security and general security entitlement holders.

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

		High Security (including inflation)		General Security (including inflation)	
	1.6%	\$18,776 (2016-17) \$19,083 (2020-21)		11.2%	\$20,405 (2016-17) \$22,682 (2020-21)

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

- ▼ The proposed average annual user share of NRR is increasing by 1.6% when compared to the current determination period. General security entitlement charges are increasing by 14.9%. WaterNSW has proposed to purchase a risk transfer product to manage its sales volume volatility and to pass on the costs of this purchase to customers. The proposed volatility cost is 8.9% of the user share of NRR for the Namoi valley, which directly affects general security entitlement prices. Should users pay for the purchase of a risk transfer product?
- ▼ WaterNSW has proposed an increase in the user share of average annual capital expenditure of around \$2.4 million in the Namoi valley from 2016-17 to 2020-21. Is WaterNSW’s forecast capital expenditure prudent and efficient?