

Namoi 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 **Namoi valley**.

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



Bills impacts in Namoi valley would be mixed under draft prices

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

Table 1 Indicative bill impact of draft bulk water charges for Namoi 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		\$3,755	\$3,431	\$3,694	
High security - medium	↓	\$18,776	\$17,153	\$18,472	-1.6%
High security - large		\$37,551	\$34,307	\$36,945	
General security - small		\$2,041	\$2,107	\$2,286	
General security - medium	↑	\$10,203	\$10,533	\$11,430	12.0%
General security - large		\$20,405	\$21,066	\$22,861	

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

- Under our Draft Determination, bills would decrease slightly for high security (HS) customers and increase for general security (GS) customers in the Namoi valley (in nominal terms – ie, with inflation).
 - The increase in bills for GS customers is a result of our decision to include a volatility allowance (\$0.50 per ML per year) in the charge to manage revenue volatility risk faced by WaterNSW associated with its 40:60 fixed to variable tariff structure relative to a more cost-reflective 80:20 fixed to variable structure.
 - We have also made a decision to discontinue the unders and overs mechanism (UOM), and adjusted prices to ensure the outstanding balance of the UOM account is paid back – which impacts (increases) GS bills in the Namoi valley.
- Overall, the customer share of WaterNSW's total costs in the Namoi valley increase by 3.7% under our Draft Determination (in real terms), due to our decisions to include a volatility allowance and UOM payback.



General security entitlement charges would increase

Table 2 Draft bulk water charges for Namoi 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	↓	17.29	15.52	15.52	-10.2%
General security charge	↑	8.25	9.78	9.94	20.6%
Usage charge	↓	20.26	18.12	18.12	-10.6%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Compared to current charges, HS entitlement charges and usage charges in the Namoi valley would decrease under our Draft Determination, whilst GS entitlement charges would increase (in real terms).
 - ▽ As mentioned above, the increase in GS entitlement charges is due to the inclusion of a volatility allowance and the UOM payback (of about \$2.15 per ML per year, on average).
- ▼ Our draft prices for GS entitlement chargers are higher than those proposed by WaterNSW (by \$0.30 per ML in 2017-18 up to \$0.46 per ML higher in 2020-21) - due to inclusion of the UOM payback in our charges.