

Peel 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 **Peel valley**.

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



Bills would decrease or remain the same under draft prices

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

Table 1 Indicative bill impact of draft bulk water charges for Peel 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	↓	\$9,352	\$7,726	\$8,320	-11.0%
High security - medium		\$46,761	\$38,631	\$41,601	
High security - large		\$93,523	\$77,262	\$83,202	
General security - small	↑	\$3,883	\$3,643	\$3,923	1.0%
General security - medium		\$19,416	\$18,216	\$19,617	
General security - large		\$38,832	\$36,432	\$39,233	

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

- ▼ Under our Draft Determination, bills (in nominal terms – ie, with inflation) in the Peel valley would:
 - ▽ Decrease for high security (HS) customers due to a reduction in the customer share of WaterNSW's total costs (by about 22.1% in real terms) in this valley, primarily due to efficiency gains in operating expenditure.
 - ▽ Increase slightly for general security (GS) customers due to our decision to use a lower HS premium that better reflects the security and reliability of water supply from holding HS over GS entitlements – the lower premium rebalances WaterNSW's costs between HS and GS customers.¹
- ▼ The increase in bills for GS customers is below the rate of inflation.

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.



Prices in Peel valley would decrease for first time

Table 2 Draft bulk water charges for Peel 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	↓	35.27	20.77	20.77	-41.1%
General security charge	↓	3.88	2.73	2.73	-29.5%
Usage charge	↓	58.26	54.97	54.97	-5.6%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Compared to current charges, all charges in the Peel valley would decrease, for the first time, under our Draft Determination.
 - ▽ Customers in the Peel valley would experience a substantial reduction in entitlement charges (between 30% and 41%), as well as a decrease in usage charges (by 6%).
- ▼ Our draft prices are also lower than those proposed by WaterNSW.
 - ▽ This is due to our decision to use a lower volatility allowance than that proposed by WaterNSW, particularly for GS entitlement charges (we used a volatility allowance of \$0.73 per ML per year, compared to WaterNSW's volatility allowance of (\$2.76 per ML per year).