

Macquarie 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 **Macquarie 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 632,466 ML; High Security 42,707 ML.
- ▼ Forecast annual usage for 2016-17: 258,621 ML (20 year rolling average).
- ▼ Proposed user share notional revenue requirement (NRR): \$24.5 million over 2017-18 to 2020-21 or \$6.1 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 Macquarie valley represents around 8.4% 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 that allowed under the 2014 ACCC Decision.
- ▼ Proposed volatility cost (ie, the costs of purchasing a risk transfer product) represents 10.1% of user share NRR of the Macquarie 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 not changing for general security entitlement holders. The variable usage charge will also 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		22.7%	\$16.17/ML (2016-17) \$12.50/ML (2020-21)
General Security		0.0%	\$3.62/ML (2016-17) \$3.62/ML (2020-21)
Variable usage		er	\$16.97/ML (2016-17) \$12.78/ML (2020-21)

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

	2017-18	2018-19	2019-20	2020-21	Total ^a	Average Proposed ^a	Average ACCC	Change ^b
Base building block	5,728	5,736	5,867	5,910	23,241	5,810	7,065	-17.8%
UOM ^c allowance	316	316	316	316	1264	316	154	105.6%
BRC & MDBA costs	-	-	-	-	-	-	-	N/A
Total user share	6,044	6,052	6,183	6,226	24,505	6,126	7,219	-15.1%
Total NRR-Macquarie	9,011	9,004	9,118	9,133	36,265	9,066	10,359	-12.5%
Total user share (%)	67%	67%	68%	68%	68%	68%	70%	

^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 decrease for high security and general security entitlement holders.

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

High Security (including inflation)		General Security (including inflation)	
↓	15.8%	\$16,572 (2016-17) \$13,951 (2020-21)	↓
		9.8%	\$13,804 (2016-17) \$12,456 (2020-21)

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

- ▼ The proposed average annual user share of NRR is decreasing by 15.1% when compared to the current determination period. The general security entitlement charges are constant. 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 10.1% of the user share of NRR for the Macquarie valley, which directly affects general security entitlement prices. Should users pay for the purchase of a risk transfer product?