

# Lachlan 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 **Lachlan 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 Lachlan valley under our Draft Determination are presented in Table 1.

**Table 1** Indicative bill impact of draft bulk water charges for Lachlan 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	↓	\$3,760	\$3,413	\$3,675	-2.2%
High security - medium		\$18,799	\$17,064	\$18,376	
High security - large		\$37,599	\$34,129	\$36,753	
General security - small	=	\$1,595	\$1,476	\$1,596	0.0%
General security - medium		\$7,977	\$7,382	\$7,981	
General security - large		\$15,955	\$14,764	\$15,962	

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 remain the same for general security (GS) customers in the Lachlan valley (in nominal terms – ie, with inflation).
  - ▽ The decrease in HS customers' bills is largely due to a reduction in the customer share of WaterNSW's operating expenditure in this valley.
- ▼ Bills would also be lower than those proposed by WaterNSW.



## Usage and high security entitlement charges would decrease

**Table 2** Draft bulk water charges for Lachlan 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	↓	16.48	15.26	15.26	-7.4%
General security charge	↑	3.28	3.55	3.61	10.1%
Usage charge	↓	21.12	18.20	18.20	-13.8%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ In real terms, HS entitlement charges and usage charges in the Lachlan valley would decrease under our Draft Determination, whilst GS entitlement charges would increase.
- ▼ GS entitlement charges would increase because of:
  - ▽ Our draft decision to include a volatility allowance (\$0.20 per ML) in the charge to manage revenue volatility risk faced by WaterNSW associated with the 40:60 fixed to variable tariff structure relative to its 80:20 fixed:variable cost structure.
  - ▽ Our draft decision to discontinue the unders and overs mechanism (UOM) and adjust prices to ensure the outstanding balance of the UOM account is paid back (by about \$0.78 per ML per year, on average).
- ▼ Our draft prices for HS entitlement charges are higher than those proposed by WaterNSW.
  - ▽ This is due to an increase in the volatility allowance (from \$0.00 to \$0.58 per ML per year) included in our HS charges compared to WaterNSW's proposed charges.
- ▼ However, our draft GS entitlement charges are lower than those proposed by WaterNSW.
  - ▽ This is due to a decrease in the volatility allowance (from \$1.32 to \$0.20 per ML per year) included in our GS charges compared to WaterNSW's proposed charges.