

Murrumbidgee 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 **Murrumbidgee valley**.

Further information is available in our General Overview Fact Sheet and our Draft Report.



Bills in Murrumbidgee valley would increase under draft prices

Bill impacts for a 'typical' customer in the Murrumbidgee valley under our Draft Determination are presented in Table 1. Customers in the Murrumbidgee valley pay both WaterNSW bulk water charges and Murray Darling Basin Authority (MDBA) charges.

Table 1 Indicative bill impact of draft charges (bulk water & MDBA) for Murrumbidgee 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	↑	\$815	\$831	\$895	9.8%
High security - medium		\$4,074	\$4,154	\$4,475	
High security - large		\$8,148	\$8,308	\$8,950	
General security - small	↑	\$417	\$405	\$436	4.7%
General security - medium		\$2,085	\$2,023	\$2,182	
General security - large		\$4,169	\$4,047	\$4,364	

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

- ▼ Under our Draft Determination, bills would increase (in nominal terms – ie, with inflation) for customers in the Murrumbidgee valley.
 - ▽ This is largely due to an increase in customer share of MDBA pass-through costs (and thus higher MDBA charges), from about \$2.3m p.a. (for the three-year 2014 Determination period) to \$2.6m p.a. (for the four-year 2017 Determination period).
 - ▽ In real terms, bills would remain similar or decrease, due to a reduction in the customer share of WaterNSW's total costs (by about 3.9%),.
- ▼ The increase in bills is most pronounced for high security customers.
 - ▽ This is as a result of our decision to use a higher high security (HS) premium,¹ which better reflects the security and reliability of HS over general security entitlements.

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.



MDBA entitlement charges in Murrumbidgee valley to increase

Table 2 Draft bulk water charges for Murrumbidgee 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	↓	3.08	2.95	2.96	-3.9%
General security charge	↓	1.26	1.22	1.22	-3.0%
Usage charge	↓	3.53	3.24	3.24	-8.2%

Source: ACCC Final Report June 2014 and IPART calculations.

Table 3 Draft MDBA charges for Murrumbidgee 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	↑	0.72	1.64	1.64	129.3%
General security charge	↑	0.29	0.62	0.62	110.9%
Usage charge	↓	0.82	0.31	0.31	-63.0%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Compared to current charges, usage charges in the Murrumbidgee valley would decrease under our Draft Determination (in real terms). Entitlement charges for bulk water would also decrease, but increase for MDBA charges.
 - ▽ MDBA entitlement charges increase due to the increase in MDBA pass-through costs, and our decision to adopt an 80:20 fixed to variable tariff structure for MDBA charges (previously 40:60). This results in a larger portion of MDBA costs being recovered as a fixed charge, which better reflects WaterNSW's cost structure.
- ▼ Our draft combined bulk water and MDBA HS entitlement charges are higher and our GS entitlement charges are lower than those proposed by WaterNSW.
 - ▽ This is in large part due to our decision to apply the standard HS premium rather than WaterNSW's proposed HS premium, which would have rebalanced costs between HS and GS entitlement customers.
- ▼ Our draft combined bulk water and MDBA usage charges are higher than those proposed by WaterNSW (by \$0.23 per ML per year).
 - ▽ This is also due to our decision to adopt an 80:20 tariff structure for MDBA charges (ie, such that 20% of MDBA costs are recovered via usage charges) rather than the 100% fixed structure proposed by WaterNSW.