

# Lowbidgee 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 **Lowbidgee 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 747,000 ML (supplementary licences only).
- ▼ Proposed user share notional revenue requirement (NRR): \$2.5 million over 2017-18 to 2020-21 or \$0.6 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 Lowbidgee valley represents around 0.9% of WaterNSW's proposed total user share of NRR across the state.
- ▼ Proposed average annual user share of NRR over the 4-year determination period is increasing when compared to the three years of the current determination.

Under WaterNSW's proposal, bulk water charges in the valley are increasing slightly in real terms for general entitlement holders.

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)

General Security (excluding inflation)  0.6% \$0.84/ML (2016-17)  
\$0.84/ML (2020-21)

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

	2017-18	2018-19	2019-20	2020-21	Total <sup>a</sup>	Average Proposed <sup>a</sup>	Average ACCC	Change <sup>b</sup>
Base building block	480	571	684	782	2,517	629	597	5.5%
UOM <sup>c</sup> allowance	-	-	-	-	-	-	-	N/A
BRC & MDBA costs	-	-	-	-	-	-	-	N/A
<b>Total user share</b>	480	571	684	782	2,517	629	597	5.5%
Total NRR-Lowbidgee	480	571	684	782	2,517	629	597	5.5%
<b>Total user share (%)</b>	100%	100%	100%	100%	100%	100%	100%	

<sup>a</sup> Total and annual average over 2017-18 to 2020-21.

<sup>b</sup> Annual average (2017-18 to 2020-21) compared with average annual (2014-15 to 2016-17).

<sup>c</sup> 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. We present one of these scenarios: a general security bill based on a customer holding a 1,000 ML entitlement and using 60% of the entitlement.

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 increase for general security entitlement holders.

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

General Security (including inflation)		11.0%	\$625,574 (2016-17)
			\$694,548 (2020-21)

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

- ▼ WaterNSW has proposed an increase in the user share of average annual capital expenditure of around \$2 million in Lowbidgee valley from 2016-17 to 2020-21. Is WaterNSW's forecast capital expenditure prudent and efficient? Is WaterNSW's proposed capital maintenance allowance reasonable?