

Murray 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 **Murray valley**.

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



Bills in Murray valley would generally increase under draft prices

Bill impacts for a 'typical' customer in the Murray valley under our Draft Determination are presented in Table 1. Customers in the Murray 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 Murray 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	↑	\$1,148	\$1,445	\$1,556	35.5%
High security - medium		\$5,742	\$7,224	\$7,781	
High security - large		\$11,485	\$14,447	\$15,561	
General security - small	↑	\$660	\$669	\$721	9.2%
General security - medium		\$3,301	\$3,345	\$3,606	
General security - large		\$6,602	\$6,690	\$7,212	

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 Murray valley.
 - ▽ The customer share of WaterNSW's total costs would increase by 3.6% under our Draft Determination (in real terms).
 - ▽ This is largely due to the substantial increase in MDBA pass-through costs (and thus higher MDBA charges, as shown in Table 3).
 - ▽ The customer share of MDBA costs for the Murray valley has risen from about \$10.2 million per year (for the three-year 2014 Determination period) to \$12.0 million per year (for the four-year 2017 Determination period).
- ▼ The increase in bills is most pronounced for high security (HS) customers, whilst the increase for general security (GS) customers is about in line with inflation.

- ▽ This is as a result of our decision to use a higher HS premium, which better reflects both the security and reliability of water supply from holding HS over GS entitlements.¹



Entitlement charges in Murray valley would generally increase

Table 2 Draft bulk water charges for Murray 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	↑	1.79	1.92	1.92	7.7%
General security charge	↓	0.97	0.88	0.89	-8.6%
Usage charge	↓	2.31	2.00	2.00	-13.7%

Source: ACCC Final Report June 2014 and IPART calculations.

Table 3 Draft MDBA charges for Murray 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	↑	3.22	8.68	8.68	169.8%
General security charge	↑	1.74	3.54	3.54	103.1%
Usage charge	↓	4.17	1.56	1.56	-62.5%

Source: ACCC Final Report June 2014 and IPART calculations.

- ▼ Bulk water usage, MDBA usage and bulk water GS entitlement charges would decrease under our Draft Determination, whilst bulk water HS entitlement and MDBA entitlement charges would increase (in real terms).
- ▼ HS bulk water entitlement charges would increase.
 - ▽ This is due to our decision to update the HS premium, which results in a higher premium.
- ▼ MDBA entitlement charges would increase due to:
 - ▽ the large 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), which means a larger portion of MDBA costs being recovered as a fixed charge, which better reflects WaterNSW's cost structure.

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.