

# Border valley – Final Report

## WaterNSW rural bulk water services



13 June 2017



### What is this fact sheet about?

We have released the Final Report and 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 decisions made as part of our review that affect the **Border valley**.

This information is not exhaustive. Further information is available in our General Overview Fact Sheet and our Final Report.<sup>1</sup>



### Bills will decrease in the Border valley

Bill impacts for a 'typical' customer in the Border valley under our Determination are presented in Table 1.

Customers in the Border valley pay both WaterNSW bulk water charges and Dumaresq-Barwon Border Rivers Commission (BRC) charges.

**Table 1 Bill impacts of bulk water and BRC charges for Border valley 2017 Determination (\$ nominal – ie, with inflation)**

		Current charge (2016-17)	IPART Decision (2017-18)	IPART Decision (2020-21)	% Change (2016-17 to 2020-21)
High security - small		\$2,175	\$1,650	\$1,777	
High security - medium	↓	\$10,875	\$8,250	\$8,885	-18.3%
High security - large		\$21,750	\$16,500	\$17,770	
General security - small		\$1,030	\$759	\$817	
General security - medium	↓	\$5,149	\$3,793	\$4,085	-20.7%
General security - large		\$10,298	\$7,586	\$8,170	

**Note:** 'Typical' customer bill impacts analysis are based on high security entitlement holders at 100% of usage, and general security entitlement holders at 60% of usage, for small (100ML of entitlements), medium (500ML of entitlements) and large (1,000ML of entitlements) customers.

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

- ▼ Under our Determination, bills will decrease (in nominal terms – ie, with inflation) for customers in the Border valley.
  - ▽ This is largely due to a reduction in the customer share of WaterNSW's total costs, primarily due to efficiency gains in operating expenditure and lower financing costs, which has been marginally offset by:
    - the inclusion of a volatility allowance and payments to recover the outstanding unders and overs mechanism (UOM)<sup>2</sup> balance (to be paid back over a 12-year period).

<sup>1</sup> See Appendix G.1 of our Final Report for further Border valley specific information.

<sup>2</sup> The UOM was introduced in 2014 by the ACCC to manage revenue volatility risk.

- ▼ Our prices will result in marginally higher bills for high security (HS) customers than those proposed by WaterNSW (which would have resulted in a 22% reduction). This is largely due to our decisions to:
  - ▽ apply the standard HS premium for BRC charges rather than WaterNSW's proposed HS premium, which would have redistributed WaterNSW's costs between HS and general security (GS) customers, and
  - ▽ recover the volatility allowance from all customers (including HS customers).
- ▼ Under our Determination, the customer share of WaterNSW's notional revenue requirement (efficient costs) for the Border valley will be lower by 22.5% per year on average relative to current levels.<sup>3</sup>



### Prices will decrease in the Border valley

**Table 2 Bulk water charges for Border valley for the 2017 Determination - \$/ML of entitlement and usage (\$2016-17 – ie, without inflation)**

		Current charge (2016-17)	IPART Decision (2017-18 to 2020-21)	% Change (2016-17 to 2020-21)
High security charge	↓	6.90	5.33	-22.8%
General security charge	↓	2.43	1.98	-18.5%
Usage charge	↓	6.60	5.44	-17.6%

Source: ACCC Final Report June 2014 and IPART analysis.

**Table 3 BRC charges for Border valley for the 2017 Determination - \$/ML of entitlement and usage (\$2016-17 – ie, without inflation)**

		Current charge (2016-17)	IPART Decision (2017-18 to 2020-21)	% Change (2016-17 to 2020-21)
High security charge	↑	4.22	4.61	9.1%
General security charge	↑	1.49	1.71	15.1%
Usage charge	↓	4.03	0.78	-80.6%

Source: ACCC Final Report June 2014 and IPART analysis.

- ▼ Under our Determination, bulk water charges and BRC usage charges will decrease compared with current charges.
- ▼ BRC entitlement charges will increase (in real terms – ie, without inflation) due to our decision to adopt an 80:20 fixed to variable tariff structure for BRC charges (previously 40:60), which means a larger portion of BRC payments will be recovered through fixed charges.

<sup>3</sup> In real terms – ie, without inflation.