



We have released draft maximum prices that WaterNSW would charge Essential Water and offtake customers for the delivery of water via the Murray River to Broken Hill Pipeline. This is the first time we have set prices for the Pipeline and we have made a draft decision to set prices for three years, from 1 July 2019.

Under our draft decisions, the maximum prices WaterNSW could charge Essential Water and offtake customers would be lower than WaterNSW had proposed.

These prices do not affect the prices Essential Water charges its own customers. The NSW government has made a commitment that prices for these customers will not rise above inflation, for the next four years, as a result of the Pipeline.



## What next



We seek your feedback on our draft decisions.

The draft report is available on our website: [ipart.nsw.gov.au](http://ipart.nsw.gov.au)

You can make a submission **by 24 April**, via our website or by post at:  
**Murray River to Broken Hill price review**  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

## Our key draft decisions



To set prices for transporting water through the Pipeline that are lower than those proposed by WaterNSW



To set a structure of prices that is different to that proposed by WaterNSW



To allow WaterNSW to generate 8.3% less revenue per year than it proposed, on average

## How did we reach our key draft decisions

### 1. WaterNSW made a pricing proposal to us in June 2018 setting out its proposed revenue needs and prices.

- ▼ We released an Issues Paper in September 2018.
- ▼ We sought public submissions and held a Public Hearing in Broken Hill in November 2018

### 2. We determined WaterNSW's revenue needs.

We reviewed WaterNSW's past expenditure for prudence and proposed expenditure for efficiency. We engaged industry experts to advise us. We also considered other factors, such as the appropriate rate of return on the Pipeline assets.

### 3. We set prices for Essential Water and offtake customers.

#### We made draft decisions on:

- ▼ **fixed access charges** for Essential Water and offtake customers.
- ▼ **variable usage charges** for Essential Water and offtake customers.

We are **seeking stakeholder views** on an alternate option for setting the usage charge for offtake customers – see **page 3** of this fact sheet.

# WATER PRICES – CHARGES FOR ESSENTIAL WATER FACT SHEET

Murray River to Broken Hill Pipeline price review

Submissions due  
24 April 2019

## What price would Essential Water pay?

The access charge paid by Essential Water would remain constant in real terms (ie, without inflation) over the three years. The usage charge would change each year, in line with our estimates of the volume of energy (and its cost) required to operate the Pipeline.

**Our draft access charges are slightly lower than WaterNSW proposed, and the draft usage charges are significantly lower:**

- ▼ This reflects our draft decisions on the amount of energy required to move water through the Pipeline and the efficient cost of that energy.

**Draft prices for Essential Water** (\$2018-19 ie, without inflation)

	2019-20 <sup>a</sup>	2020-21	2021-22
<b>IPART draft decision</b>			
Access charge (\$/day)	75,162.81	75,368.73	75,368.73
Usage charge (\$/ML)	194.78	200.39	195.04
<b>WaterNSW proposal</b>			
Access charge (\$/day)	80,509.63	80,171.34	79,470.65
Usage charge (\$/ML)	327.80	304.07	256.04
<b>Difference</b>			
Access charge (\$/day)	-5,346.82	-4,802.61	-4,101.92
Usage charge (\$/ML)	-133.01	-103.67	-61.01
<b>Difference (%)</b>			
Access charge (\$/day)	-6.6%	-6.0%	-5.2%
Usage charge (\$/ML)	-40.6%	-34.1%	-23.8%

<sup>a</sup>Calendar year 2020 is a leap year (ie, 2019-20 has 366 days)

## What are our draft decisions?

**We adopted price structures that are cost reflective:**

- ▼ We set access charges to recover fixed costs and usage charges to recover variable costs.
- ▼ The access charge for Essential Water recovers the efficient fixed costs of the Pipeline.
- ▼ The usage charge reflects our estimate of the efficient (energy) costs of delivering a megalitre of water to Essential Water.

**We allocated the fixed costs of the Pipeline between Essential Water and offtake customers on the basis of each party's contribution to the need to incur the cost of the Pipeline:**

- ▼ The Pipeline was built (and designed) to supply Essential Water (and its customers in Broken Hill). This is reflected in Essential Water's guaranteed right to the Pipeline's transportation services (offtake customers do not have such a guaranteed right).
- ▼ On this basis, under our draft prices Essential Water would pay for the fixed costs of the Pipeline, whereas offtake customers would pay the incremental fixed costs associated with their own supply.

**We did not accept WaterNSW's proposed declining charge for Essential Water's usage charge:**

- ▼ We did not consider that WaterNSW's proposed price structure for this charge was cost reflective.
- ▼ Instead we set a single usage charge, to be paid by Essential Water for each megalitre of water delivered to it.

# WATER PRICES – CHARGES FOR OFFTAKE CUSTOMERS FACT SHEET

Murray River to Broken Hill Pipeline price review

Submissions due  
24 April 2019

## What price would offtake customers pay?

The access charge paid by offtake customers would remain constant in real terms (ie, without inflation) over the three years. The usage charge would change each year in line with our estimate of the efficient energy costs required to operate the Pipeline.

**Both our draft access charges and our draft usage charges are significantly lower than WaterNSW proposed:**

- For usage charges, as this charge is based on the charge for Essential Water, this reflects our draft decisions on the amount of energy required to transport water through the Pipeline to Essential Water and the efficient cost of that energy.
- For access charges, it reflects our draft decision that offtake customers should only pay the incremental fixed costs associated with their supply.

### Draft prices for offtake customers (\$2018-19 ie, without inflation)

	2019-20 <sup>a</sup>	2020-21	2021-22
<b>IPART draft decision</b>			
Access charge (\$/day)	20.45	20.51	20.51
Usage charge (\$/ML)	194.78	200.39	195.04
<b>WaterNSW proposal</b>			
Access charge (\$/day)	27.21	27.02	27.46
Usage charge (\$/ML)	321.27	298.73	251.38
<b>Difference</b>			
Access charge (\$/day)	-6.76	-6.51	-6.95
Usage charge (\$/ML)	-126.48	-98.33	-56.35
<b>Difference (%)</b>			
Access charge (\$/day)	-24.8%	-24.1%	-25.3%
Usage charge (\$/ML)	-39.4%	-32.9%	-22.4%

<sup>a</sup>Calendar year 2020 is a leap year (ie, 2019-20 has 366 days)

## What are our draft decisions?

**We adopted price structures that are cost reflective.**

- We set access charges to recover fixed costs and usage charges to recover variable costs.
- The access charge recovers the incremental fixed costs of serving offtake customers.
- The usage charge is based on our estimate of the cost of delivering a megalitre of water to Essential Water.

**We are interested in stakeholder views on an alternate option for setting the usage charge for offtake customers:**

- Usage charges could be set by quarter and reflect the cost of delivering water in peak, shoulder and off-peak electricity periods, which we think may provide offtake customers with increased flexibility and reliability of water.
- Offtake customers would be charged on the basis of when water was delivered to them.

### Alternate option for usage charges (\$2018-19 ie, without inflation, \$/ML)

Calendar Year	Quarter	Off-Peak	Shoulder	Peak
<b>2019</b>	3	182.4	237.8	254.6
<b>2019</b>	4	166.2	204.8	224.4
<b>2020</b>	1	199.4	258.9	297.8
<b>2020</b>	2	174.5	235.0	259.4
<b>2020</b>	3	188.6	245.2	267.3
<b>2020</b>	4	165.0	203.3	226.8
<b>2021</b>	1	213.0	263.7	353.3
<b>2021</b>	2	175.9	235.8	266.0
<b>2021</b>	3	183.4	236.4	257.7
<b>2021</b>	4	163.6	199.4	224.9
<b>2022</b>	1	204.5	254.5	343.8
<b>2022</b>	2	169.9	223.9	252.7