

ESSENTIAL WATER PRICE REVIEW

Draft decisions fact sheet



We have released draft prices that Essential Water would charge customers from **1 July 2019**, for a period of three years.



Our prices have taken into account the **NSW Government's commitment** that prices would not rise above inflation for the next four years, as a result of the the Murray River to Broken Hill Pipeline.

Customer bills

Water and sewerage bills would increase by less than inflation for most residential customers, except for chlorinated water customers. (See the water fact sheet on the next page for more information.)

Water and sewerage bills would increase by less than inflation for non-residential customers, except those with applicable trade waste charges. (See the sewerage fact sheet for more information.)

Pipeline customers receiving untreated water would see their bills increase to pay the same as other untreated water customers.

Annual water and sewerage bills under draft prices (including inflation)

	2018-19	2019-20	2020-21	2021-22	Change 2018-19 to 2021-22
Residential – treated water – non pensioner					
200kL usage	1,223	1,230	1,261	1,292	6%
Residential – treated water – pensioner					
200kL usage	1,048	1,055	1,086	1,117	7%
Residential – chlorinated water (water bills only as no sewerage services are provided)					
200kL usage	560	581	608	636	14%
Non-residential – treated water					
20mm with 250kL usage	1,537	1,432	1,468	1,505	-2%
Non-residential – untreated water (water bills only as no sewerage services are provided)					
20mm with 250kL usage	723	736	754	773	7%



What next

We seek your feedback on our draft decisions.

The draft report is available on our website: ipart.nsw.gov.au

You can make a submission **by 24 April**, via our website or by post.

HAVE YOUR SAY

What are the costs?

Essential Water's revenue requirement (\$ millions, \$2018-19)

	IPART's draft decision
Essential Water's existing network costs	63.8
Consequential works costs	3.5
Broken Hill Pipeline transportation costs	85.6
Total	152.9

Who pays?

How Essential Water's revenue is to be recovered (\$ millions, \$2018-19)

	IPART's draft decision
Revenue from customers	75.1
NSW Government contribution	77.8
Essential Water's total revenue	152.9

Essential Water proposed revenue of **\$73.4 million over 2019-22** for its existing network (excluding the costs of transporting bulk water through the Broken Hill Pipeline and consequential works that Essential Water considers are needed as a result of the Pipeline). We would reduce Essential Water's proposed revenue by around **\$9.6 million, or 13%, over 3 years**.

How did we reach our draft decisions?

1. Essential Water made a pricing proposal to us in July 2018 setting out its proposed revenue needs and price structures.

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

2. We determined Essential Water's efficient revenue needs.

- ▼ We reviewed Essential Water's proposed expenditure for prudence and efficiency.

3. We set prices for customers taking into account the efficient costs of providing services and the NSW Government commitment for the Broken Hill Pipeline.

What price would I pay?

Water prices for most customers would stay the same in real terms (ie, without inflation), except:

- ▼ The usage price for chlorinated water would increase from \$1.16 per kL to \$1.22 per kL in 2019-20.
- ▼ The usage price for untreated water (pipeline customers only) would increase from \$0.78 per kL to \$1.58 per kL, to be the same as all other untreated water customers.

Draft water prices (\$2018-19 ie, without inflation)

	2018-19 (current prices)	2019-20
Service Charges (\$ per year)		
Residential	327.68	327.68
Non-residential^a		
– 20mm connection	327.68	327.68
– 25mm connection	512.00	512.00
– 40mm connection	1,310.72	1310.72
– 100mm connection	8,192.01	8192.00
Usage Charges (\$ per kL)		
Treated	1.80	1.80
Chlorinated	1.16	1.22
Untreated – Pipeline	0.78	1.58
Untreated – Non-pipeline	1.58	1.58

^a The meter based charges are set with reference to the 20mm meter charge based on the following formula: (meter size)²x20mm meter charge/400.

What are IPART's draft decisions?

We would maintain current price structures.

- ▼ We would maintain water service prices for residential and non-residential customers.
- ▼ We would maintain usage prices for treated water in real terms.
- ▼ We would maintain the current pricing approach for the mines. However, because the mines' share of historical water usage has increased, the water service charge would increase for mining customers.

We would set a single untreated water usage price for all customers. Currently, untreated pipeline customers pay less than non-pipeline customers. However, the cost to supply untreated water is similar for both pipeline and non-pipeline customers.

We would gradually increase the chlorinated water usage price over the 2019 determination period.

We would gradually transition the chlorinated usage price to \$1.58 per kL by 2026-27. This is because the cost of supplying chlorinated water is similar to the cost of supplying treated water. However, as customer affordability is likely to be an issue for chlorinated water customers, we have decided to transition the price to align with the untreated water usage price.

What price would I pay?

Sewerage prices for most customers would decrease in real terms (ie, without inflation):

- ▼ Sewerage service prices would decrease for both residential and non-residential customers.
- ▼ Sewerage usage prices would stay the same at \$1.28 per kL.

Draft sewerage prices (\$2018-19 ie, without inflation)

	2018-19 (current prices)	2019-20
Service Charges (\$ per year)		
Residential	535.73	522.01 ^a
Non-residential^b		
– 20mm connection	765.00	581.16
– 25mm connection	1,195.22	908.06
– 40mm connection	3,060.01	2,324.62
– 100mm connection	19,125.08	14,528.89
Usage Charges (\$ per kL)		
Non-residential	1.28	1.28

^a Includes 90 kL of deemed usage per year.

^b Non-residential prices assume a 100% discharge factor; bills will depend on discharge factors assigned by Essential Water for individual customers.

What are IPART's draft decisions?

Change in the price structure:

- ▼ We would introduce a deemed sewerage allowance of 90 kL per annum for all residential customers. That is, residential customers would pay a fixed (or deemed) sewerage charge (at 90 kL per annum) as part of their sewerage service charge.
- ▼ This change would improve the consistency in prices for residential and non-residential customers.
- ▼ Currently, non-residential customers with equivalent use to a residential customer pay more for sewerage services than their residential counterparts.

Trade waste prices

- ▼ Some non-residential customers in Broken Hill discharge trade waste into the sewerage system. Currently, these customers do not pay for trade waste services (except the mines).
- ▼ Our draft decision is to transition over a 10-year period to the default trade waste prices set by the NSW Department of Industry.
- ▼ We have subtracted our best estimate of Essential Water's costs of treating trade waste from sewerage prices. This is because customers who do not receive trade waste services should not pay for these costs.