

## FACT SHEET

# Determining water prices for customers in Broken Hill

Based on *Issues Paper for the review of prices for Essential Energy's water and sewerage services*  
18 June 2013

Essential Energy, through its Essential Water division, provides water supply services to over 10,000 customers in Broken Hill, Menindee, Sunset Strip and Silverton, and sewerage services to Broken Hill.

IPART is now reviewing the prices that Essential Energy can charge its customers for providing water, sewerage and related services in Broken Hill from 1 July 2014.

An Issues Paper outlining IPART's approach to the review and the key issues to be considered has been released as the first stage of public consultation. This fact sheet outlines the contents of the Issues Paper. It also explains how you can provide input to the review. Stakeholders can also read the Issues Paper, which is available at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

### What's in the Issues Paper?

Our Issues Paper discusses key issues for this review, such as Essential Energy's operations, its regulatory requirements and its performance over 2010/11 to 2012/13. It explains our approach to determining Essential Energy's efficient costs and our approach to setting prices to reflect these costs. The Issues Paper also lists questions for stakeholder response and comment.

In its price submission to the review, Essential Energy is required to explain its forecast costs and sales and its proposed prices from 1 July 2014. In particular, proposals should be accompanied by sufficient information, explanation and justification to support any changes. Essential Energy's submission should also identify the potential customer impacts of its proposals, how the impacts are distributed, and options to mitigate or minimise these impacts.

## Our approach to setting prices

In general terms, we aim to set prices so that Essential Energy can meet its efficient costs of providing water and sewerage services to its customers. However, we are also required to consider a range of other matters, including the impacts of prices on customers.

## Issues for consideration

We are interested in obtaining comments about our approach to the review, Essential Energy's performance over the 2010 determination period and its proposals for the upcoming determination period.

We are seeking comments on various issues. Some of these are outlined below. A full list of issues and questions for stakeholders is in our Issues Paper.

### What are Essential Energy's efficient costs of providing its water services?

We will need to determine Essential Energy's efficient costs of providing water and sewerage services over the upcoming determination period, having regard to service quality standards. These include operating costs, proposed capital investment, an allowance for depreciation and a rate of return.

We have asked Essential Energy for its proposals, and seek public comment on these proposals and on any other matters considered important by stakeholders.

### How long should we set prices for?

For this review, we need to determine how long the prices we set should remain in effect, before we do another price review.

In determining the period to set prices, we aim to strike an appropriate balance between competing factors. There are advantages to a longer determination period, including stronger incentives for Essential Energy to increase efficiency, but also disadvantages, such as possible delays in customers benefitting from efficiency gains.

### What are forecast water sales and customer numbers?

Prices for individual services are set to recover Essential Energy's revenue. Thus, the level of prices depends on how much water Essential Energy is expected to sell and how many customers it is expected to have. It is important that these forecasts are accurate. If the forecasts differ greatly from actual figures, Essential Energy may either earn too much or too little revenue.

## How should Essential Energy's prices be structured?

We are interested in obtaining views from stakeholders on Essential Energy's proposed price structures and levels. This includes:

- ▼ Whether customers are willing to pay for Essential Energy's service levels and proposed expenditures?
- ▼ What are the impacts of Essential Energy's proposed prices on customers?
- ▼ Whether the current 2-tiered water usage charges - including the summer tariff where the usage threshold increases in summer - are appropriate?
- ▼ Whether Essential Energy's proposed prices for the different types of water services (eg treated, chlorinated, untreated and effluent water services) reflect the costs it incurs in providing these services?

## Issues from the 2010 Determination

In 2002, the NSW Government established a Mines Charges Agreement and also provided for a 'Treasury subsidy' to Essential Energy for its Broken Hill water business. We seek comment on these issues.

The Mines Charges Agreement set prices until June 2012, when mining operations were expected to have ceased. A number of mines are operating in Broken Hill and we have asked Essential Energy how prices should be set for the mines.

The Treasury subsidy is to expire on 30 June 2013. Prices from 1 July 2012 will remain unchanged for 2 years, until we set new prices from 1 July 2014.

In the Issues Paper, we propose that we will set prices from 1 July 2014 to reflect Essential Energy's efficient costs. If the subsidy is not renewed, we may transition increases in prices to cost-reflective levels, where appropriate.

## Service quality standards

We expect that Essential Energy's required standards of service will be maintained by its proposed prices.

If Essential Energy proposes expenditure on activities that exceed regulatory standards or where standards are not prescribed, these proposals should be supported by its customers.

We are interested in obtaining views from stakeholders on Essential Energy's proposed expenditure and whether it has adequately consulted with its customers on its expenditure programs and pricing proposals.

## Have your say about water prices in Broken Hill

We are asking for comments from all interested parties – including individuals, businesses and not for profit organisations. You may provide comments through the NSW Government's *Have your say* website: <http://www.haveyoursay.nsw.gov.au> or via our online submission form:

[http://www.ipart.nsw.gov.au/Home/For\\_Consumers/Having\\_your\\_say/Lodge\\_a\\_submission](http://www.ipart.nsw.gov.au/Home/For_Consumers/Having_your_say/Lodge_a_submission)

## What happens next?

We invite all interested parties, including individuals, businesses, business groups, councils, community groups, and NSW Government departments or agencies to make written submissions to the review by **11 October 2013**.

Submissions may comment on any or all of the questions raised in the Issues Paper, and on any other issues stakeholders consider relevant to the review.

We would prefer to receive submissions electronically via our online submission form:

[http://www.ipart.nsw.gov.au/Home/For\\_Consumers/Having\\_your\\_say/Lodge\\_a\\_submission](http://www.ipart.nsw.gov.au/Home/For_Consumers/Having_your_say/Lodge_a_submission)

or via email: [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au).

You can also send comments by mail to:

**Water Pricing - Broken Hill**

Independent Pricing and Regulatory Tribunal

PO Box Q290

QVB Post Office NSW 1230

Our normal practice is to make submissions publicly available on our website <http://www.ipart.nsw.gov.au>

If you would like further information on making a submission, IPART's submission policy is available on our website, as well as at the front of our Issues Paper.

In addition to submissions, we will also hold a public hearing in Broken Hill in November 2013. We will release a draft report in March 2014, to provide further opportunities for stakeholders to present their views.

Table 1 sets out our indicative review timetable.

**Table 1 Indicative review timetable**

<b>Task</b>	<b>Timeframe</b>
Release Issues Paper	18 June 2013
Receive and publish Essential Energy's submission	13 September 2013
Receive public submissions	11 October 2013
Public hearing	19 November 2013
Release Draft Report	March 2014
Receive submissions to Draft Report	April 2014
Release Final Report	June 2014

**Note:** These dates are indicative and are subject to change.