

DRAFT DETERMINATION FOR GROUNDWATER USERS

REVIEW OF PRICES FOR THE WATER ADMINISTRATION MINISTERIAL CORPORATION OCTOBER 2010

Water management in NSW is becoming more complex and demanding. IPART recognises that this requires an increase in activity by the NSW Office of Water (NOW), the government agency that is responsible for managing water resources. NOW is required to conduct activities such as developing and implementing water sharing plans, developing new policies and compliance activities to protect users' property rights and ensure a robust system of water allocation. IPART has released a Draft Determination that proposes changes to water management prices to reflect the efficient costs of NOW's activities.

- New prices are proposed for groundwater users in NSW
- Prices are set to generally increase for most users over the next three years
- IPART has released its Draft Determination for stakeholder comment

Who is affected by the changes?

Groundwater users affected by the draft price determination include irrigators, mines and other industry, bulk water suppliers and the local councils and water utilities that supply drinking water to cities and towns. In this review, holders of stock and domestic basic rights will not be charged for the water they use. However, IPART has indicated that it will consider setting prices for these water users at its next price review to be conducted by 2014.

When do the new prices take effect?

New prices are due to take effect on 1 July 2011. The determination covers the three year period from 1 July 2011 until 30 June 2014.

What are the new prices?

IPART's Draft Determination includes changes to both the fixed (entitlement) and usage prices for groundwater and supplementary groundwater users. Users without a water meter will pay a one-part tariff.

It is estimated that by 2014, groundwater users on a one-part tariff or those on a two-part tariff that extract 100% of their entitlement will have bills that range from \$3.19 to \$6.27 per megalitre. The change in bills for users on a two-part tariff range from a reduction of 22% in coastal regions to an increase of 73% in the Murrumbidgee valley over the period of the determination. Users currently on a one-part tariff may face higher increases in the first year, 2011/12, as they transition to the new price structure.

IPART's Draft Determination increases the minimum bill for small users from \$60 to \$95 per year. IPART expects that around 51% of all water users will be subject to the minimum bill of \$95 per year by 2013/14.

IPART's Draft Determination includes new charges for water meter services for users in groundwater systems. Meter service charges relate to the costs associated with reading all meters and maintaining government installed meters.

IPART has also permitted increases to NOW's charges for consent transactions, which covers activities such as the issuing of licences or approvals and trades.

Why do prices differ between regions?

Since IPART's last determination, IPART has adopted a more robust method to allocate costs between water types and valleys. This has resulted in a significant one-off change for some valleys. In addition, there have been changes in NOW's estimate of users' water entitlements, and changes in forecast water usage. These changes mean that the extent of price change varies between the valleys.

IPART's Draft Determination includes a transition from valley based towards region based prices for groundwater. The state is divided into 2 regions - 'inland valleys' and 'coastal valleys'.

How has IPART made this decision?

In reaching a Draft Determination, IPART considered a proposal from NOW and information provided by stakeholders who have participated in the review process to date.

IPART's draft prices are significantly less than those proposed by NOW. After detailed review, IPART has set prices to ensure that users only pay their fair share of NOW's efficient costs.

IPART has set prices so that increases in bills for most users are not expected to exceed 20% a year.

Detailed information about how IPART has determined the draft prices is included in the Draft Report.

Is the determination final?

IPART will finalise its decision on water prices in February 2011. IPART encourages water users and stakeholders to make submissions to provide feedback about specific elements of the Draft Determination. Submissions should be sent to IPART by 29 November 2010.

The full Draft Determination
is available online at
www.ipart.nsw.gov.au

Proposed price changes

Groundwater – Forecast user bill per megalitre of entitlement (\$2009/10)

Valley	Bill per ML of entitlement Year ending June				Increase from 2010 to 2014 (%)	
	2010	2012	2013	2014	IPART	NOW Proposed
Border	3.71	4.45	5.34	6.27	69%	177%
Gwydir	3.71	4.45	5.34	6.27	69%	177%
Namoi	3.71	4.45	5.34	6.27	69%	177%
Peel	3.71	4.45	5.34	6.27	69%	177%
Lachlan	4.64	5.57	5.94	6.27	35%	122%
Macquarie	4.64	5.57	5.94	6.27	35%	122%
Far West	6.82	5.64	5.94	6.27	-8%	51%
Murray	3.95	4.74	5.69	6.27	59%	160%
Murrumbidgee	1.84	2.21	2.66	3.19	73%	458%
North Coast	6.82	5.20	5.28	5.33	-22%	35%
Hunter	6.82	5.20	5.28	5.33	-22%	35%
South Coast	6.82	5.20	5.28	5.33	-22%	35%

The fixed and usage tariffs for each valley can be found in the Draft Report available on IPART's website.

How to find more information.

To obtain a copy of IPART's Draft Report, or for further information please visit www.ipart.nsw.gov.au or contact Amanda Chadwick:

Email: amanda_chadwick@ipart.nsw.gov.au

Telephone: (02) 9290 8453

Fax: (02) 9290 2061

How to make a submission.

Submissions to this review are due on the 29th November

Send your submissions to:

Email: ipart@ipart.nsw.gov.au

Fax: (02) 9290 2061

Mail: Water Administration Ministerial Corporation Price Review 2010
Independent Pricing and Regulatory Tribunal
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