

DRAFT DETERMINATION FOR REGULATED WATER 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 regulated river 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?

Water users affected by the draft price determination include irrigators, environmental water holders, 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 regulated river, supplementary and floodplain harvesting water users. Compared to 2010 prices, entitlement charges are proposed to decrease in the Murray, and increase between 6% and 104% in all other valleys. Compared to 2010 prices, usage charges are proposed to decrease in the Border Rivers, and increase between 17% and 167% in all other valleys.

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

What about State Water?

State Water and NOW provide water users with different services. State Water is only responsible for the storage and delivery of water. IPART has assessed NOW's submission to ensure there is no double counting of activities that were included in the recent determination of State Water's costs.

Why do prices differ between valleys?

IPART's Draft Determination retains the current system of valley based charges. 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.

How has IPART made this decision?

In reaching its Draft Determination, IPART considered proposals 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 this determination final?

IPART will finalise its decision on water prices in February 2011. IPART encourages water users and stakeholders to make submissions and 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 for regulated rivers

Fixed component of 2-part tariff (2009/10\$)

Valley	Price (\$/ML or unit share) Year ending June				Increase from 2010 to 2014 (%)	
	2010	2012	2013	2014	IPART	NOW proposed
Border	1.40	1.94	2.06	2.10	49%	127%
Gwydir	0.78	1.02	1.20	1.23	57%	158%
Namoi	1.21	1.79	2.14	2.48	104%	227%
Peel	1.17	1.46	1.76	2.11	80%	325%
Lachlan	0.97	1.17	1.40	1.68	73%	193%
Macquarie	0.97	1.31	1.57	1.78	84%	181%
Murray	1.38	1.30	1.33	1.35	-2%	92%
Murrumbidgee	1.04	1.02	1.08	1.10	6%	122%
North Coast	2.99	3.50	4.20	5.04	68%	211%
Hunter	1.23	1.71	2.05	2.46	101%	435%
South Coast	2.97	3.13	3.76	4.51	52%	199%

Usage component of 2-part tariff and supplementary water and floodplain harvesting usage charges (2009/10\$)

Valley	Price (\$/ML) Year ending June				Increase from 2010 to 2014 (%)	
	2010	2012	2013	2014	IPART	NOW proposed
Border	1.63	1.49	1.58	1.61	-2%	49%
Gwydir	0.92	0.94	1.11	1.13	24%	82%
Namoi	1.46	1.22	1.47	1.70	17%	82%
Peel	2.12	2.32	2.79	3.34	58%	326%
Lachlan	1.12	1.34	1.61	1.93	73%	236%
Macquarie	1.31	1.26	1.51	1.71	30%	123%
Murray	0.38	0.84	0.86	0.88	134%	178%
Murrumbidgee	0.27	0.65	0.69	0.71	167%	139%
North Coast	2.01	3.47	4.16	4.99	149%	295%
Hunter	1.21	1.10	1.32	1.58	30%	274%
South Coast	1.99	3.51	4.21	5.05	154%	196%

Forecast user bill per ML of entitlement (\$2009/10)

Valley	Price (\$/ML) Year ending June				Increase from 2010 to 2014 (%)	
	2010	2012	2013	2014	IPART	NOW proposed
Border	2.31	2.78	2.94	2.99	29%	96%
Gwydir	1.21	1.45	1.72	1.76	45%	131%
Namoi	2.13	2.55	3.06	3.55	67%	165%
Peel	1.74	2.09	2.51	3.01	73%	325%
Lachlan	1.39	1.66	2.00	2.40	73%	206%
Macquarie	1.56	1.87	2.24	2.55	64%	159%
Murray	1.63	1.85	1.90	1.93	19%	105%
Murrumbidgee	1.22	1.46	1.55	1.58	30%	125%
North Coast	3.17	3.80	4.56	5.48	73%	215%
Hunter	2.04	2.44	2.93	3.52	73%	371%
South Coast	3.73	4.48	5.37	6.45	73%	199%

The forecast user bill is based on assumptions IPART has made in relation to usage. Please see the Draft Report for further detail.

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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