

FACT SHEET

Draft prices for customers of Sydney Water living in apartments

Based on *Draft determination and report for Sydney Water's prices*
March 2012

On 16 March 2012, IPART released its draft determination on the prices that Sydney Water can charge for providing water and related services to its customers during the four years from 1 July 2012 to 30 June 2016.

This fact sheet has been prepared to provide information specific to Sydney Water's customers who own apartments and how this determination will affect the prices they will pay. These customers are invited to make written comments on our draft decisions by 13 April 2012. The draft report is available on IPART's website (www.ipart.nsw.gov.au). We expect to complete our review and release our final determination in June 2012.

Draft prices

Our draft determination includes several changes to the structure of prices. This price restructuring does not increase the total revenue received by Sydney Water for services, rather it removes some inequitable cross-subsidies so that customers who impose similar costs on Sydney Water's systems pay the same price.

We consider that all residential customers receive equal benefits from the availability of a water supply service in their home, and so should all pay the same price for this availability, regardless of the legal property status of that home. Therefore, we have determined a common water service charge for all residential customers. Any difference in water usage is reflected in the usage charge.

Currently, there is no standard water service charge for those customers with an apartment in a multi-dwelling property on a shared meter. Sydney Water charges customers who share a meter a share of a meter based charge while those with individual meters pay the same standard charge as a stand-alone house. On average, those customers on shared meters pay around \$70 per year. However, some pay as little as \$5 to \$10 a year. This imbalance influenced our decision to introduce a standard water service charge for all residential customers. As a result, many households in units with a common meter will now pay a higher water service charge than before. Those in houses and individually metered units will pay a lower water service charge.



We have not changed the usage charge for water which will remain at \$2.10 per kL in real terms.

It is important to note that the draft prices assume that Sydney Water will not purchase drinking water from the Sydney Desalination Plant (SDP). If Sydney Water does need to purchase drinking water from the SDP, the draft determination provides for a pass through of the associated costs. The impact of SDP operating at 100% capacity in any year, for example, would be an additional \$33 to \$38 (\$2011/12¹) added to the total bill of an average residential customer each year.

Sydney Water already levies all residential properties with a common service charge for sewerage. We have maintained this approach. The draft prices will see a modest increase in sewerage bills (overall less than 2% in real terms) for all residential properties including apartments.

Our analysis shows that the costs Sydney Water incurs to provide stormwater drainage services to customers is influenced by the size of their property. Therefore, we have decided to introduce area-based charges to reflect the real costs to Sydney Water in providing drainage services. The charge for residential customers is based on property type. For those in multi-dwelling properties (such as apartments) where properties are generally smaller, it decreases by around 70%.

In summary, individually metered residential apartments will receive an overall decrease in water, sewerage and stormwater drainage bills. This is because individually metered residential apartments will be charged the lower stormwater drainage charge and lower water service charge.

The change in bills for apartments on a shared meter will vary dependent on the level of their current water service charge compared to the new standard charge and whether they receive stormwater drainage services from Sydney Water. Generally, there will be an increase in water bills (due to the increase in their water service charge in the first year), a modest increase in sewerage bills and a decrease in stormwater drainage bills (due to the move to area based charging).

For all apartments, when the SDP operates they will pay around \$33 to \$38 more per year.

Table 1 shows the annual bills for residential apartments with varying water usage (assuming the SDP is not in full operation mode).

¹ These values will change in line with inflation in future years.

Table 1 Annual bills for residential apartments with water and wastewater services (\$2011/12)

	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Change 2011/12 to 2015/16	% Change 2011/12 to 2015/16
Individual meter							
100 kL pa	895	876	864	851	838	-57	-6.4%
200 kL pa	1,105	1,086	1,074	1,061	1,048	-57	-5.2%
Common meter							
100 kL pa	820	831	834	836	838	18	2.2%
200 kL pa	1,030	1,041	1,044	1,046	1,048	17	1.7%

A key factor in our draft pricing determination is our finding that Sydney Water's revenue requirement will remain fairly stable during the period, increasing by an average of only 0.1% per year (real terms). This is lower than the revenue requirement proposed by Sydney Water because:

- ▼ We used a post-tax Weighted Average Cost of Capital (WACC) and not a pre-tax WACC, and at a level lower than Sydney Water proposed.
- ▼ We assumed that the Sydney Desalination Plant (SDP) will be in long-term shutdown mode for the determination period while Sydney Water assumed it will be in full operation mode. Our prices increase if the plant operates during the period.
- ▼ We allowed lower capital and operating expenditures than Sydney Water proposed.

We are confident the prices in the draft determination will allow Sydney Water to continue to provide quality services and comply with its operating licence.