

FACT SHEET

Draft prices for customers of Sydney Water living in the Rouse Hill Development Area

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

On 16 March 2012, IPART released its draft report and 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 living in the Rouse Hill Development Area¹ and how this draft 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 and determination are 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

We have made several changes to the structure of prices for this determination. 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 in all groups pay bills that represent the costs they impose on Sydney Water.

Rouse Hill customers are subject to many of the same charges as other Sydney Water customers. However, the need to take account of the environmental impacts of water and sewerage services in this area has led to a number of unique charges for residents of the Rouse Hill Development Area.

Recycled water charges

Rouse Hill customers use recycled water for purposes such as garden watering. In our 2008 pricing determination we set a recycled water usage charge at 80% of the drinking water price and a recycled water service charge. We set these charges in line with important aspects of our pricing guidelines for recycled water services.²

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- ¹ The services are not delivered to all residents of the RHDA. The charges are only applicable to those customers who are receiving recycled water services or who are within the drainage area defined in our Draft Determination.
 - ² IPART, *Pricing Arrangements for Recycled Water and Sewer Mining - SWC, HWC, GSC, WSC*, 2006.

We have accepted Sydney Water's proposals that the Rouse Hill recycled water usage charge should remain at 80% of the potable water price and the recycled water service charge be removed. Sydney Water notes that if a recycled water customer uses less than 34kL of recycled water, they would pay more for their service than customers using the same amount of water connected to the potable water system. Because all operating costs will be recovered by the usage charge, our draft decision is to adopt Sydney Water's proposal to remove the recycled water service charge.

Stormwater charges

Sydney Water has built stormwater drainage infrastructure in the Rouse Hill area, but as a result of a Government policy, has not been able to recover its stormwater drainage capital costs for the Rouse Hill area since the end of 2008. To reflect the benefits enjoyed by Rouse Hill residents, we have decided to allow Sydney Water to charge a stormwater drainage charge to new Rouse Hill customers (residential and non-residential) of \$877 (\$2011/12) each year over a 5 year period.³

Sydney Water also charges customers in the Rouse Hill area a River Management Charge that covers the operating costs of Sydney Water's trunk drainage assets including flood prone land and wetlands in Rouse Hill. We have decided that the River Management Charge will continue to be funded from Rouse Hill customers and have maintained it in real terms at \$128.58 (\$2011/12) for both residential and non-residential customers throughout the determination.

The charges described above mean that, in Rouse Hill:

- ▼ customers will pay a recycled water usage charge that is 80% of the water charge
- ▼ customers will no longer pay a recycled water service charge (saving \$11.91)
- ▼ customers will continue to pay a River Management Charge of \$128.58 (\$2011/12⁴) in addition to their water and sewerage bills
- ▼ new customers will have an extra bill impact of \$877 (\$2011/12) each year in addition to the water, sewerage and drainage bills of existing customers.⁵

³ Sydney Water will recover the rest (30%) of its proposed capital expenditure from all sewerage customers. This reflects the benefits received by these customers.

⁴ These values will change in line with inflation in future years.

⁵ It is likely that the existing customers of the Rouse Hill Development Area have already contributed to the capital costs through a developer charge (prior to December 2008).



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.