

Draft prices for groundwater from 1 July 2016



1 Overview

The Independent Pricing and Regulatory Tribunal of NSW (IPART) has set the draft maximum prices that DPI Water can charge for the monopoly services it delivers on behalf of the Water Administration Ministerial Corporation. Our full Draft Report and Draft Determination are available on our website (www.ipart.nsw.gov.au).

This Fact Sheet sets out our draft decisions on prices for groundwater water source customers. Our decisions on prices for regulated and unregulated water source customers are outlined in separate fact sheets available on our website.

Tariff structure

Groundwater customers may be charged either a 1-part tariff or a 2-part tariff depending on whether water take is measured or not. We have maintained the current tariff structure for the 2016 Determination. The 2-part tariffs will be made available to customers with measured water take, where metering as well as methods other than metering can be used to assess and quantify water take. A new Water Take Measurement Strategy is being developed by DPI Water, in consultation with stakeholders and water users, for measuring take of water under water access licences. Where water take is not measured, customers will be charged a 1-part tariff (\$ per ML of entitlement). The 1-part tariff is the sum of the entitlement and water take charge of the equivalent 2-part tariff.

Key drivers of price changes

Some of the key drivers of price changes in groundwater sources were our decisions to:

- ▼ reduce DPI Water's notional revenue requirement (and user share of notional revenue requirement) compared to the 2011 Determination and DPI Water's proposal (downward impact on groundwater prices)
- ▼ use water take to allocate costs, which resulted in cost reallocation from unregulated and groundwater sources to regulated rivers (downward impact on groundwater prices), and
- ▼ revise downwards water take forecasts for groundwater (upward impact on groundwater prices).

We have increased the minimum annual charge in order to make this charge more cost-reflective. This is discussed further below.

Impact on typical bills

As a result of our draft decisions on DPI Water's revenue requirement, the share to be recovered from users, and its allocation across water sources, groundwater sources experience the largest decrease in prices and bills, except for Murrumbidgee. In Murrumbidgee groundwater source, prices are still below the level necessary to achieve full cost recovery. Murrumbidgee groundwater prices are set on a path to move towards full cost recovery over the 2016 determination period.

2 Groundwater prices – 2-part tariff and water take only licences



For the fixed (entitlement) component, there is a reduction in prices when compared to the 2015-16 prices due to our adjustments to the user share of notional revenue requirement and there a lower share of cost allocated to groundwater than in the 2011 determination period (Table 1).

Water take prices for customers in groundwater sources increase in all sources over 2015-16 to 2019-20 (Table 2).

This is due to the use of revised water take forecasts, which are lower than that used in the 2011 Determination. Increases in water take prices for groundwater sources range from 40% in the Inland water source to 81% in the Murrumbidgee.

For 1-part tariff licenses, entitlement prices are the sum of the 2-part entitlement and water take prices (Table 3). Prices in the Murrumbidgee are increasing as this water source is below full cost recovery and on a glide path towards the prices in the Inland water source.

Increases			Decreases		
2-part tariff		1-part tariff	2-part tariff		1-part tariff
Fixed component: None	Water take: M'bidgee +81% Coastal +66% Inland +40%	Fixed charge: M'bidgee +23%	Fixed component Coastal -59% Inland -26% M'bidgee-3%	Water take: None	Fixed charge Coastal -20% Inland -6%

Table 1 Groundwater prices – fixed component of 2-part tariff (\$2015-16) – excluding inflation

	Draft Price (\$/ML of entitlement)					Change 2015-16 to 2019-20	
	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
Inland ^a	4.86	3.61	3.61	3.61	3.61	-26%	-18%
Murrumbidgee	2.47	2.13	2.22	2.31	2.40	-3%	-7%
Coastal	4.07	1.65	1.65	1.65	1.65	-59%	-55%

^a Excluding Murrumbidgee.

Table 2 Groundwater prices – water take component of 2-part tariff and water take only licences (\$2015-16) – excluding inflation

	Draft Price (\$/ML of water take)					Change 2015-16 to 2019-20	
	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
Inland ^a	2.09	2.93	2.93	2.93	2.93	40%	55%
Murrumbidgee	1.07	1.72	1.79	1.87	1.94	81%	73%
Coastal	1.85	3.08	3.08	3.08	3.08	66%	84%

^a Excluding Murrumbidgee.

Table 3 Groundwater prices – fixed charges for 1-part tariff (\$2015-16) – excluding inflation

	Draft Price (\$/ML of entitlement)					Change 2015-16 to 2019-20	
	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
Inland ^a	6.95	6.54	6.54	6.54	6.54	-6%	4%
Murrumbidgee	3.53	3.85	4.01	4.18	4.34	23%	17%
Coastal	5.92	4.73	4.73	4.73	4.73	-20%	-11%

^a Excluding Murrumbidgee.

3 Minimum Annual Charge



A minimum annual charge (MAC) applies to billed licences where the sum of the entitlement charge and water take charge is less than the minimum annual charge. The current MAC is \$105.34 per licence per year. Our draft decision on the minimum annual charge is to transition from the current charge of \$105.34 to \$200 over the 2016 Determination.

We consider that this will move this charge to a more cost-reflective level. Our decision on the level of the minimum annual charge is shown below in Table 4.

Table 4 IPART's draft minimum annual charge - excluding inflation

	Current	2016-17	2017-18	2018-19	2019-20
Minimum annual charge	105.34	150	167	184	200