Draft prices for regulated rivers 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 regulated water source customers. Our decisions on prices for unregulated and groundwater source customers are outlined in separate fact sheets available on our website.

Tariff Structure

Regulated water source customers are charged a 2-part tariff for the services provided by DPI Water. The tariff is comprised of a fixed charge ($ per ML of entitlement or unit share) and a water take charge ($ per ML of water extracted).

Key drivers of changes to draft prices

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

- Reduce DPI Water's notional revenue requirement compared to the 2011 determination and DPI Water's proposal (downward impact on prices).
- The use of water take as a cost driver which resulted in a shift of costs:
  - from unregulated and groundwater sources to regulated rivers (upward impact on regulated river prices), and
  - from sources with low forecast water take to sources with high forecast water take (upward impact on sources with high take).

We have set separate floodplain harvesting (FPH) water management prices for five water sources, which will apply from the 1 July following Ministerial approval to issue all FPH licences for that water source.

We have also 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 decisions on DPI Water's revenue requirement, the share paid by water users and its allocation across water sources, some valleys in regulated rivers with relatively low water take will have a reduction in a typical bill. There are four valleys in regulated rivers (Gwydir, Peel, Murrumbidgee and Hunter) where prices are still below the level necessary to achieve cost recovery. In these valleys, prices are set on a path towards full cost recovery. Typical bills will increase in these valleys under our Draft Determination.

2 Regulated River Entitlement Prices

The water sources facing increases are currently not at full cost recovery levels. The increases in prices are higher than DPI Water's proposed increases because of our decision to base a 2.5% per year glide path on full cost recovery prices rather than current prices as proposed by DPI Water. Our decision on regulated river entitlement prices is shown below in Table 1.

Increases between 2015-16 and 2019-20	Decreases between 2015-16 and 2019-20
Gwydir +11% Murrumbidgee +8% Peel +7% Hunter +7%	South Coast -37% North Coast -33% Lachlan -28% Macquarie -19% Border -8% Namoi -7% Murray -4%

Table 1 Regulated river 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
Border	2.32	2.14	2.14	2.14	2.14	-8%	5%
Gwydir	1.37	1.39	1.44	1.48	1.52	11%	10%
Namoi	2.75	2.57	2.57	2.57	2.57	-7%	5%
Peel	2.33	2.26	2.34	2.42	2.50	7%	4%
Lachlan	1.86	1.35	1.35	1.35	1.35	-28%	-16%
Macquarie	1.98	1.60	1.60	1.60	1.60	-19%	-12%
Murray	1.50	1.45	1.45	1.45	1.45	-4%	5%
Murrumbidgee	1.23	1.22	1.26	1.29	1.32	8%	7%
North Coast	5.58	3.71	3.71	3.71	3.71	-33%	-28%
Hunter	2.73	2.69	2.77	2.85	2.92	7%	6%
South Coast	5.00	3.14	3.14	3.14	3.14	-37%	-31%

3 Regulated River Water Take Prices

The water sources that experience decreases have lower water take forecasts. Those that facing price increases are those that have higher water take forecasts such as the Murrumbidgee and Murray valleys. Four of the valleys, the Gwydir, Peel Murrumbidgee and Hunter, are currently below full cost recovery levels and increases in water take prices are partly a result of transitioning to full cost recovery prices.

Increases between 2015-16 and 2019-20	Decreases between 2015-16 and 2019-20
Peel +20% Hunter +14% Murrumbidgee +11% Murray +7% Gwydir +4% North Coast +3%	Lachlan -16% South coast -11% Macquarie -9% Namoi -8% Border -7%

Table 2 Regulated rivers 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
Border	1.79	1.67	1.67	1.67	1.67	-7%	6%
Gwydir	1.26	1.20	1.24	1.27	1.31	4%	2%
Namoi	1.88	1.73	1.73	1.73	1.73	-8%	3%
Peel	3.71	4.01	4.16	4.31	4.45	20%	17%
Lachlan	2.14	1.80	1.80	1.80	1.80	-16%	-2%
Macquarie	1.90	1.73	1.73	1.73	1.73	-9%	-1%
Murray	0.97	1.03	1.03	1.03	1.03	7%	15%
Murrumbidgee	0.79	0.81	0.83	0.85	0.88	11%	10%
North Coast	5.54	5.73	5.73	5.73	5.73	3%	7%
Hunter	1.75	1.84	1.89	1.94	2.00	14%	13%
South Coast	5.61	4.98	4.98	4.98	4.98	-11%	-3%

4 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 period. 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 3.

Table 3 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

5 Floodplain harvesting charges

Floodplain harvesting (FPH) prices **may** apply for four regulated water sources in the 2016 determination period, depending on Ministerial approval. Entitlement charges in the Gwydir would increase as this source is currently below full cost recovery.

Water take prices for regulated sources with floodplain harvesting apply to the water take component of the 2-part tariff and water take only licences.

Increases between 2015-16 and 2019-20		Decreases between 2015-16 and 2019-20	
Fixed component: Gwydir +11%	**Water take:** None 	**Fixed component:** Macquarie -19% Border -8% Namoi -7%	**Water take:** Namoi -29% Border -27% Gwydir -21% Macquarie -18% 

Table 4 Regulated river prices with FPH – 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
Border	2.32	2.14	2.14	2.14	2.14	-8%	5%
Gwydir	1.37	1.39	1.44	1.48	1.52	11%	10%
Namoi	2.75	2.57	2.57	2.57	2.57	-7%	5%
Macquarie	1.98	1.60	1.60	1.60	1.60	-19%	-12%

Table 5 Regulated river prices with FPH - 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
Border	1.79	1.30	1.30	1.30	1.30	-27%	-3%
Gwydir	1.26	1.00	1.00	1.00	1.00	-21%	-2%
Namoi	1.88	1.34	1.34	1.34	1.34	-29%	-5%
Macquarie	1.90	1.56	1.56	1.56	1.56	-18%	-4%