

## FACT SHEET

# Draft prices for Sydney Water's large business customers

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 large business customers 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](http://www.ipart.nsw.gov.au)). We expect to complete our review and release our final determination in June 2012.

### Draft prices

Our draft determination results in a change in price levels and a change in price structures. These changes in price structure do not increase the total revenue Sydney Water recovers from its customer base but are intended to remove cross-subsidies and ensure that customers who impose similar costs on Sydney Water's systems pay the same price. Most residential customers will receive lower bills (in real terms) while some non-residential customers will receive lower bills and some higher.

Large business customers of Sydney Water vary greatly in size and in their use of Sydney Water's services and, therefore, the impact of our draft determination on large businesses varies from customer to customer. There is no 'average' large business customer. Consequently, this fact sheet discusses the changes in the various categories of prices that apply to large businesses generally.

## Water, sewerage and drainage charges

Individually metered large business customers will face:

- ▼ a decrease in water bills because:
  - water service charges for large meter sizes will decrease (in real terms)
  - water usage charges are maintained at current levels (in real terms)
- ▼ varying changes to sewerage bills because:
  - service charges for large meter sizes will increase significantly but
  - for large water users, an increase in the service charge will be offset by a decrease in the usage charge (and therefore the impact on bills will be dependent on water consumption).
- ▼ varying changes to stormwater drainage bills (due to charges moving to an area basis for stormwater drainage services, larger land areas will pay more and smaller areas will pay less):
  - stormwater drainage bills will decrease for properties less than 1,000m<sup>2</sup> and
  - stormwater drainage bills will increase for properties greater than 1,000m<sup>2</sup>.

Table 1 shows examples of water and sewerage bills for business customers with large meters and large water consumption.

**Table 1 Water and sewerage bills for large business customers with individual meters (\$2011/12)**

| Water use       | Meter size | 2011/12<br>Current | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Change<br>2011/12-<br>2015/16 |
|-----------------|------------|--------------------|---------|---------|---------|---------|-------------------------------|
| 1,000 kL pa     | 40mm       | 4,820              | 5,057   | 5,315   | 5,604   | 5,934   | 1,114                         |
| %increase       |            |                    | 4.92%   | 5.10%   | 5.45%   | 5.88%   | 23.10%                        |
| 10,000 kL<br>pa | 100mm      | 46,354             | 46,756  | 47,358  | 48,252  | 49,483  | 3,129                         |
| %increase       |            |                    | 0.87%   | 1.29%   | 1.89%   | 2.55%   | 6.75%                         |

**Note:** We have applied an average discharge factor of 79%, calculated from information submitted by Sydney Water in early November 2011 in response to requests from IPART.

## Trade waste<sup>1</sup>

Trade waste is wastewater from commercial and industrial customers with pollutant concentrations that exceed a domestic equivalent.<sup>2</sup>

Sydney Water proposed a number of changes to its trade waste pricing schedule. We consider that further investigation needs to be undertaken to establish the cost reflectivity of the charges and manage the impacts of price changes, so have decided not to set prices for trade waste charges for the draft report, with the exception of the Wastesafe charge.

We will hold another further workshop in the second half of April 2012 to address trade waste issues. Full details will be published on our website.

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.

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<sup>1</sup> A fuller discussion of our decisions for Trade Waste including Wastesafe can be viewed in our accompanying Fact Sheet entitled *Draft Trade Waste Charges for Sydney Water* on our website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

<sup>2</sup> A domestic equivalent is a concentration or level as would be found in household wastewater.