

## FACT SHEET

# Draft prices for Sydney Water's pensioner 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 pensioner customers and how this draft determination will affect the prices they 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

Sydney Water provides concessions for service charges to pensioners. The concessions for service charges are 100% of the water charge, 83% of the sewerage charge and 50% of the stormwater drainage charge. Our reforms to prices have little effect on pensioners because the charges that are being changed are covered by the concessions and other charges that affect pensioners are not being changed.

The average annual water and sewerage bill for a pensioner is expected to increase by about \$1 in real terms from 2011/12 to 2015/16.<sup>1</sup>

Table 1 below shows the impact of water and sewerage bills on pensioners for varying water usage.

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<sup>1</sup> Based on an average consumption of 150kL per year for pensioners.

**Table 1 Annual water and sewerage bills for pensioners (\$2011/12)**

	2011/12 Current	2012/13	2013/14	2014/15	2015/16	Change 2012-16
100 kL pa	302	302	303	303	304	2
%increase		0.1%	0.2%	0.1%	0.1%	0.5%
150 kL pa	407	407	408	408	409	1
%increase		0.1%	0.1%	0.1%	0.1%	0.3%
200 kL pa	512	512	513	513	514	1
%increase		0.0%	0.1%	0.1%	0.1%	0.2%

**Note:** Concessions of 100% and 83% have been applied to the water and sewerage service charge respectively.

Since pensioners do not pay a service charge for water, there is no distinction in charges between pensioners on individually metered residential properties or apartments or on properties sharing a meter.

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. Most residential customers will receive lower bills (in real terms) but pensioner customers' bills will remain broadly at the current level.

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.