

FACT SHEET

Draft prices for Sydney Water's small 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 small 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). We expect to complete our review and release our final determination in June 2012.

Draft prices

Small businesses vary in their use of Sydney Water services – they have different sized water meters, some have their own meter and some share a common meter. This makes it difficult to define a 'typical' small business customer as the impact of our draft determination varies from customer to customer.

Therefore, for the purposes of this fact sheet, we have focussed on the impact of our draft prices on the bills of small business customers with their own meter (20mm and 25mm) and on customers who share a meter (25mm and 40mm). For customers sharing a meter, we have shown indicative water and sewerage charges for strata units that are equal in size and water consumption as an example so customers can gauge the impact of our pricing decisions on the total charges some non-residential properties on a shared meter can expect to pay. Further information is in our report to help customers calculate their own impacts.

Our draft finding is 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 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.

The main changes we have made concerning small business customers are:

- ▼ Customers with their own 20mm meter will be charged:
 - the same water service charge as residential customers
 - the same water usage charge as residential customers
 - the same sewerage service charge as residential customers
 - no sewerage usage charge.
- ▼ Customers with their own 25mm meter (or larger) will be charged:
 - a water service charge linked to the size of the meter
 - the same water usage charge as residential customers
 - a sewerage service charge linked to the size of the meter
 - a lower sewerage usage charge but a lower free threshold allowance compared to current levels.
- ▼ Customers sharing a meter (equal strata units for this example) will be charged:
 - an equal share of the water service charge for the meter they are connected to
 - the same water usage charge as residential customers
 - an equal share of the sewerage service charge for the meter they are connected to
 - a lower sewerage usage charge but a lower free threshold allowance compared to current levels.

These changes mean that customers on a standalone 20mm meter will face overall decreases in their water and sewerage bills. Customers on standalone 25mm meters or larger will face increases. Most customers sharing a meter will face overall bill decreases for water and sewerage services.

Stormwater drainage service charges will now be based on the area of the customer's property because we consider that land area is a good proxy for determining the relative cost of stormwater services. However, we have introduced a low impact discount for large properties that have minimal runoff due to having a low level of impervious area or a slope that retains stormwater. About 90% of Sydney Water's non-residential customers (operating on small or medium sized land less than 1,000m²) will face price decreases. The remaining 10% of properties, which are in excess of 1,000m² will face price increases.

Table 1 shows the impacts of our draft water and sewerage prices on small business customer bills.

Table 1 Small business annual bills – water and sewerage (\$2011/12)

Water use	Meter size	Equal strata connections	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Change 2012-16
With own meter								
260 kL pa	20mm		1,231	1,212	1,200	1,187	1,174	-57
% increase				-1.5%	-1.0%	-1.1%	-1.1%	-4.7%
350 kL pa	25mm		1,628	1,709	1,802	1,912	2,042	414
% increase				4.9%	5.5%	6.1%	6.8%	25.4%
With shared meter								
350 kL pa per strata	25mm	3	1,515	1,232	1,268	1,306	1,347	-168
% increase				-18.7%	2.9%	3.0%	3.1%	-11.1%
350 kL pa per strata	40mm	8	1,667	1,347	1,357	1,371	1,391	-276
% increase				-19.2%	0.7%	1.1%	1.5%	-16.6%

Note: Bills exclude stormwater drainage charges.

Note: Non-residential properties on shared meters are invoiced by Sydney Water directly for service charges but not for their usage charges. They are charged for their water usage by their strata management company according to the relevant strata plan.