

FACT SHEET

Draft prices for Sydney Water's stormwater drainage 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 stormwater drainage customers. 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

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.

Currently, stormwater drainage charges are fixed depending only on whether the property is residential or non-residential. For this draft determination, we have decided to introduce an area-based service charge for stormwater drainage services to remove cross-subsidisation between properties on different areas of land. We consider that properties on smaller land areas impose a relatively smaller cost to Sydney Water's stormwater drainage network than properties on larger land areas.

Our decisions have significant price impacts for some customers. Charges will reduce for multi-premise dwellings and for non-residential properties with an area smaller than 1,000m², while charges will increase for houses and for non-residential properties larger than 1,000m². To mitigate the impact of these changes we have decided to transition the introduction of charges over the determination period.

In making our decision we considered but decided not to implement a standard charge for all non-residential properties in the largest band (Non-residential > 10,000 m²). We did not adopt this option because there is a significant variation in property sizes within this band, and a standard charge would result in significant cross-subsidies. This is illustrated with examples in our report.

Table 1 shows our draft prices for drainage services and the option for large properties that we did not adopt.

Table 1 Draft prices for drainage services (\$2011/12)

	2011/12 Current	2012/13	2013/14	2014/15	2015/16
Apartments	\$49	\$50	\$43	\$28	\$16
Houses	\$49	\$60	\$73	\$80	\$86
Non-residential 0-200m ²	\$128	\$50	\$43	\$28	\$16
Non-residential 201-1,000m ² and low impact	\$128	\$60	\$73	\$80	\$86
Non-residential 1,001-10,000m ²	\$128	\$200	\$350	\$500	\$580
Non-residential > 10,000m ²	\$128	\$3 per 100m ²	\$8 per 100m ²	\$13 per 100m ²	\$17 per 100m ²
Option for uniform charge (not adopted)					
Non-residential > 10,000m ²	\$128	\$1,300	\$3,200	\$5,800	\$7,400

We welcome submissions from stakeholders on our draft decisions for drainage charges and the alternative option.

Rouse Hill¹ drainage customers

Rouse Hill customers² will not pay the area- based stormwater drainage charges outlined above as separate charges have been determined to recover the costs of stormwater services in the Rouse Hill Development Area.

Sydney Water has built stormwater drainage infrastructure in Rouse Hill but, as a result of a Government policy, has not been able to recover its stormwater drainage capital costs for the Rouse Hill area since the end of 2008. We have decided to introduce a stormwater drainage charge for new Rouse Hill customers (residential and non-residential) of \$877 (\$2011/12³) each year over a 5-year period. We have also decided that customers in Rouse Hill will continue to pay a River Management Charge that covers the operating costs of Sydney Water's trunk drainage assets. We have decided that the River Management Charge will be maintained in real terms at \$128.58 (\$2011/12) for both residential and non-residential customers. Details of our Rouse Hill decisions can be found in our Fact Sheet entitled *Draft prices for customers of Sydney Water living in the Rouse Hill Development Area*.

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.

¹ The services are not delivered to all residents of the RHDA. The charges are only applicable to those customers who are receiving recycled water services or who are within the drainage area defined in our Draft Determination.

² Details of our Rouse Hill decisions can be found in our Fact Sheet entitled *Draft prices for Rouse Hill customers of Sydney Water* available on our website (www.ipart.nsw.gov.au).

³ These values will change in line with inflation in future years.