

## FACT SHEET

# Draft prices for Sydney Water's household 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 customers living in houses 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 is 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**

Under the draft determination, most household customers will receive lower bills (in real terms).

Without inflation, the annual bill of a single dwelling household with average water consumption of 200kL per year will decrease by a total of \$57 (or 5.2%) by the end of the four year determination period. If inflation is assumed to be 2.5% each year, then most households will experience modest increases in total water and sewerage bills but the bills will increase at a slower rate than other household items.

Table 1 shows household bills with various levels of water usage.

**Table 1 Household annual bills – water and sewerage**

	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Change 2011/12 to 2015/16	% Change 2011/12 to 2015/16
<b>Without inflation</b>							
100 kL pa	895	876	864	851	838	-57	-6.4%
200 kL pa	1,105	1,086	1,074	1,061	1,048	-57	-5.2%
300 kL pa	1,315	1,296	1,284	1,271	1,258	-58	-4.4%
<b>With inflation (2.5% pa)</b>							
100 kL pa	895	898	907	916	925	30	3.4%
200 kL pa	1,105	1,113	1,128	1,142	1,156	52	4.7%
300 kL pa	1,315	1,329	1,349	1,368	1,388	73	5.6%

**Note:** Bills exclude stormwater drainage charges.

Our draft determination includes changes to price structures to remove some inequitable cross-subsidies so that customers in all groups pay bills that represent the costs they impose on Sydney Water. This means all residential customers will pay the same price for the right to access water, and those who use the most pay the most in usage charges.

For water services to households, our proposed prices are lower than Sydney Water's proposal and lower than current prices. They decrease in the actual dollar amount charged.

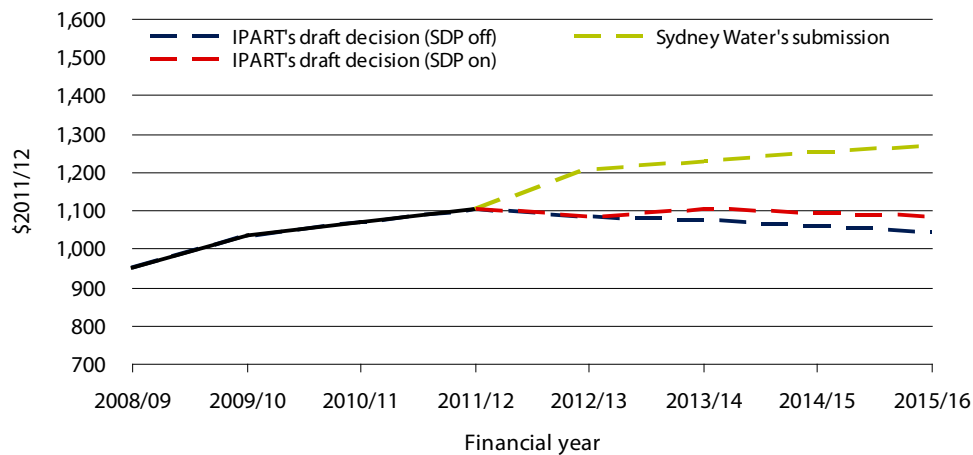
However, it is important to note that the draft prices assume that Sydney Water will not purchase drinking water from the Sydney Desalination Plant (SDP). If Sydney Water does need to purchase drinking water from the SDP, the draft determination provides for a pass through of the associated costs. The impact of SDP operating at 100% capacity for a year, for example, would be an additional \$33 to \$38 (\$2011/12<sup>1</sup>) added to the total bill of an average residential customer each year.

For sewerage services, prices will remain consistent with current levels and our proposed prices mean that the rate of increase over the next four years will be slower than the increase in other household items. Our proposed prices are lower than those proposed by Sydney Water.

Figure 1 shows how the bill of a household consuming 200kLs per year changes over time.

<sup>1</sup> These values will change in line with inflation in future years.

**Figure 1 Impact of IPART's draft decision on annual water and sewerage bills for households consuming 200kL per year, compared to Sydney Water's submission (\$2011/12)**



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 (in 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.