

Draft prices for unregulated rivers from 1 July 2016



1 Overview

The Independent Pricing and Regulatory Tribunal of NSW (IPART) has set the draft maximum prices that DPI Water can charge for the monopoly services it delivers on behalf of the Water Administration Ministerial Corporation. Our full Draft Report and Draft Determination are available on our website (www.ipart.nsw.gov.au).

This Fact Sheet sets out our draft decisions on prices for unregulated water source customers. Our decisions on prices for regulated and groundwater source customers are outlined in separate fact sheets available on our website.

Tariff Structure

Unregulated water source customers may be charged either a 1-part tariff or a 2-part tariff depending on whether water take is measured or not. We have maintained the current tariff structure for the 2016 Determination. The 2-part tariffs will be made available to customers with measured water take, where metering as well as methods other than metering can be used to assess and quantify water take. A new Water Take Measurement Strategy is being developed by DPI Water, in consultation with stakeholders and water users, for measuring take of water under water access licences. Where water take is not measured, customers will be charged a 1-part tariff (\$ per ML of entitlement). The 1-part tariff is the sum of the entitlement and water take charge of the equivalent 2-part tariff.

Key drivers of price changes

Some of the key drivers of price changes in unregulated sources were our decisions to:

- ▼ reduce DPI Water's notional revenue requirement compared to the 2011 determination and DPI Water's proposal (downward impact on prices)
- ▼ use water take to allocate costs, which resulted in a shift of costs from unregulated and groundwater sources to regulated rivers (downward impact on unregulated source prices), and
- ▼ use lower water take forecasts for unregulated rivers (upward impact on water take prices in unregulated rivers).

We have established a separate set of water management prices for the Far West unregulated water source, which will apply from the 1 July following Ministerial approval to issue all floodplain harvesting licences (FPH) for that water source.

We have also increased the minimum annual charge in order to make this charge more cost-reflective. This is discussed further in section 5 below.


We have introduced a new charge to recover the costs of the Metropolitan Water Plan from WaterNSW (in South Coast unregulated rivers).

Impact on typical bills

Under our draft determination, unregulated rivers experience the largest decrease in prices and bills. Typical bills for the 2-part tariff licences would decrease in all valleys.

2 Unregulated river prices – fixed component of 2-part tariff

Our draft decision on unregulated river entitlement prices is shown in Table 1 below.



Increases between 2015-16 and 2019-20	Decreases between 2015-16 and 2019-20
None	Murray -63% Murrumbidgee-63% Lachlan -57% Macquarie -57% Hunter -47% Border -42%
	Gwydir -42% Namoi -42% Peel -42% North Coast -39% South Coast -27% Far West -17%







Table 1 Unregulated river prices - fixed component of 2-part tariff (\$2015-16) – excluding inflation

	Draft Price (\$/ML of entitlement)					Change 2015-16 to 2019-20	
	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
Border	3.73	2.16	2.16	2.16	2.16	-42%	-39%
Gwydir	3.73	2.16	2.16	2.16	2.16	-42%	-39%
Namoi	3.73	2.16	2.16	2.16	2.16	-42%	-39%
Peel	3.73	2.16	2.16	2.16	2.16	-42%	-39%
Lachlan	5.87	2.52	2.52	2.52	2.52	-57%	-55%
Macquarie	5.87	2.52	2.52	2.52	2.52	-57%	-55%
Far West	4.67	3.87	3.87	3.87	3.87	-17%	-10%
Murray	6.77	2.48	2.48	2.48	2.48	-63%	-61%
Murrumbidgee	8.30	3.06	3.06	3.06	3.06	-63%	-61%
North Coast	7.00	4.29	4.29	4.29	4.29	-39%	-34%
Hunter	2.30	1.21	1.21	1.21	1.21	-47%	-41%
South Coast	2.26	1.64	1.64	1.64	1.64	-27%	0%

3 Unregulated River Prices – Water take component of 2-part tariff and water take only licences

For a given level of costs to be recovered via prices, lower water take forecasts will result in higher water take prices (and vice versa). Since we have adopted lower water take forecasts for the 2016 determination period, water take prices increase for all unregulated water sources except the Hunter and South Coast. Our decision on the water take prices for unregulated river sources is shown in Table 2.



Increases between 2015-16 and 2019-20	Decreases between 2015-16 and 2019-20
North Coast +54% Murrumbidgee +53% Border +44% Gwydir +44% Namoi +44%	Hunter -9% South Coast -6%
Peel +44% Murray +36% Far West +19% Macquarie +8% Lachlan +8%	






Table 2 Unregulated river prices - water take component of 2-part tariff and water take only licences (\$2015-16) – excluding inflation

	Draft Price (\$/ML of water take)					Change 2015-16 to 2019-20	
	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
Border	1.60	2.31	2.31	2.31	2.31	44%	52%
Gwydir	1.60	2.31	2.31	2.31	2.31	44%	52%
Namoi	1.60	2.31	2.31	2.31	2.31	44%	52%
Peel	1.60	2.31	2.31	2.31	2.31	44%	52%
Lachlan	2.52	2.73	2.73	2.73	2.73	8%	13%
Macquarie	2.52	2.73	2.73	2.73	2.73	8%	13%
Far West	2.00	2.37	2.37	2.37	2.37	19%	29%
Murray	2.91	3.95	3.95	3.95	3.95	36%	44%
Murrumbidgee	3.55	5.44	5.44	5.44	5.44	53%	61%
North Coast	3.00	4.61	4.61	4.61	4.61	54%	65%
Hunter	2.17	1.98	1.98	1.98	1.98	-9%	1%
South Coast	1.48	1.39	1.39	1.39	1.39	-6%	27%

4 Unregulated River Prices – fixed charges for 1-part tariff

Entitlement prices for licence holders on a 1-part tariff are the sum of the entitlement price and the water take price for the 2-part tariff. Table 3 below shows that all unregulated water sources on a 1-part tariff face decreases in their prices over 2015-16 to 2019-20.

These price decreases are the result of the user share of DPI Water's notional revenue requirement for the 2016 determination period declining when compared to the previous determination period, and a shift in unregulated rivers' share of user costs.




	Increases between 2015-16 and 2019-20	Decreases between 2015-16 and 2019-20	
	 None	Lachlan -37% Macquarie -37% Murray -34% Hunter -29% Murrumbidgee -28% South Coast -19%	 Border -16% Gwydir -16% Namoi -16% Peel -16% North Coast -11% Far West -6%

Table 3 Unregulated river prices – fixed charges for 1-part tariff (\$2015-16) – excluding inflation

	Draft Price (\$/ML of entitlement)					Change 2015-16 to 2019-20	
	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
Border	5.34	4.47	4.47	4.47	4.47	-16%	-12%
Gwydir	5.34	4.47	4.47	4.47	4.47	-16%	-12%
Namoi	5.34	4.47	4.47	4.47	4.47	-16%	-12%
Peel	5.34	4.47	4.47	4.47	4.47	-16%	-12%
Lachlan	8.39	5.25	5.25	5.25	5.25	-37%	-35%
Macquarie	8.39	5.25	5.25	5.25	5.25	-37%	-35%
Far West	6.67	6.25	6.25	6.25	6.25	-6%	2%
Murray	9.67	6.42	6.42	6.42	6.42	-34%	-30%
Murrumbidgee	11.85	8.50	8.50	8.50	8.50	-28%	-24%
North Coast	10.01	8.90	8.90	8.90	8.90	-11%	-4%
Hunter	4.48	3.20	3.20	3.20	3.20	-29%	-21%
South Coast	3.74	3.03	3.03	3.03	3.03	-19%	11%

5 Minimum Annual Charge



A minimum annual charge (MAC) applies to billed licences where the sum of the entitlement charge and water take charge is less than the minimum annual charge. The current MAC is \$105.34 per licence per year. Our draft decision on the minimum annual charge is to transition from the current charge of \$105.34 to \$200 over the 2016 Determination.

We consider that this will move this charge to a more cost-reflective level. Our decision on the level of the minimum annual charge is shown below in Table 4.

Table 4 IPART's draft minimum annual charge - excluding inflation

	Current	2016-17	2017-18	2018-19	2019-20
Minimum annual charge	105.34	150	167	184	200

6 WaterNSW Metropolitan Water Plan Levy



We have decided to apply a levy to WaterNSW to recover the costs specific to the development of the Metropolitan Water Plan for the Sydney metropolitan region. The costs of the Metropolitan Water Plan will be recovered from WaterNSW via a new specific charge. The draft price will be charged on the entitlement held by WaterNSW.

Table 5 Special charge for Water NSW on entitlement (\$2015-16) – excluding inflation

	Price (\$/ML of entitlement)				Change 2015-16 to 2019-20	
	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
South Coast	0.85	0.85	0.85	0.85	na	na

Note: WaterNSW unregulated licences are subject to a special price that reflects MWP costs. The charge is payable in addition to the standard entitlement charges for South Coast unregulated rivers.

7 Unregulated river prices with floodplain harvesting



Floodplain harvesting prices **may** apply for the Far West unregulated water source in the 2016 determination period, depending on Ministerial approval.

Table 4 shows entitlement and water take prices for the Far West unregulated water source relating to users on a 2-part tariff, and 1-part tariff.

Under our draft decision, the 2-part tariff prices would decrease by 14% and 5% for entitlement and water take, respectively, over 2015-16 to 2019-20. The reduction in the entitlement charge is larger than that proposed by DPI Water. For water take, the price is less under floodplain harvesting because of additional water take under floodplain harvesting licenses.

For the 1-part tariff, our draft decision would reduce the price by 12%. This is lower than that proposed by DPI Water.

Table 6 Far West unregulated river prices with FPH – excluding inflation

		Draft Price (\$/ML of entitlement or water take)					Change 2015-16 to 2019-20	
		2015-16 (Current)	2016-17	2017-18	2018-19	2019-20	IPART	DPI Water proposed
2-part tariff	Entitlement	4.67	4.00	4.00	4.00	4.00	-14%	-10%
	Water take	2.00	1.89	1.89	1.89	1.89	-5%	9%
1-part tariff		6.67	5.89	5.89	5.89	5.89	-12%	-4%