

Hunter Water price review -

Draft Report and prices —non-residential customers



22 March 2016



WHAT

IPART has released a Draft Report and Draft Determination for prices Hunter Water can charge for:

- ▼ water
- ▼ sewerage
- ▼ stormwater drainage, and
- ▼ other services, including trade waste and miscellaneous services.

Our draft prices would result in bill increases for some non-residential customers and decreases for others – impacts would vary depending on a customer’s water usage and meter size. Our focus was on finding extra efficiencies in Hunter Water’s operations and reforming prices to better reflect the costs different users place on the system.

The [Draft Report](#) can be accessed on our website, along with other materials relating to the review, including a separate Fact Sheet that outlines a new provision for large non-residential customers to enter unregulated pricing agreements.



WHY

Prices set for Hunter Water at our last review were to conclude on 30 June 2017. At Hunter Water’s request, we have brought forward the timing of this price review. The new prices will apply for a 4-year period from 1 July 2016.

IPART is seeking views from the public and stakeholders on its draft decisions. Submissions from all interested parties will be considered in finalising our report.



HOW

IPART has followed its established price review process. We sought public submissions on an Issues Paper which we released in September 2015. The Issues Paper summarised Hunter Water’s pricing proposal and outlined IPART’s initial position.

We engaged [consultants to review Hunter Water’s capital and operating expenditure proposals](#). We then set prices to raise the revenue Hunter Water requires to recover its prudent and efficient costs. All prices in this Fact Sheet are presented in \$2015-16 (ie, excluding inflation) unless stated otherwise.



WHEN

The key dates for this price review are:

- ▼ 11 April 2016 – Public Hearing on late payment and dishonoured or declined payment fees.
- ▼ 18 April 2016 – Submissions due in response to the Draft Report.
- ▼ mid-June 2016 – IPART will release Final Report and Determination.
- ▼ 1 July 2016 – new prices take effect.



WHAT NEXT

Submissions are due by 18 April 2016.

We prefer submissions via our online [form](#). You can also send comments by fax to (02) 9290 2061, or by mail to:

Review of prices for Hunter Water Corporation
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Unless they are identified as confidential, we plan to put all submissions on our website soon after the closing date for submissions.

1 IPART's draft prices

Under our draft prices, most non-residential customers would see their water and sewerage bills decrease in real terms. The new price structure seeks to remove cross-subsidies so customers pay similar prices for similar services. Medium and large businesses were previously paying more than their share of costs for water and sewerage services, and less than their share of costs for stormwater services.

Non-residential customers pay Hunter Water a per kL consumption-based water usage charge, a per kL consumption-based sewerage usage charge (above a discharge allowance), meter-based water and sewerage service charges, an Environment Improvement Charge (EIC), and, in some cases, a fixed stormwater service charge. Table 1 shows our draft price decisions for major services which include (for a 20mm meter):

- ▼ Maintaining the current water usage charge at \$2.22 per kL.
- ▼ Maintaining the sewerage usage charge at \$0.67 per kL, including inflation.
- ▼ Increasing the discharge allowance from 50 kL to 120 kL per year by 2019-20.
- ▼ Maintaining the EIC at \$38.37 per year.
- ▼ Rebased water and sewerage service charges and continuing the transition towards area-based stormwater charges, to remove cross-subsidies between residential and non-residential customers.

We have also maintained location based water usage charges.

Table 1 Draft prices for major services from 1 July 2016 (\$2015-16) – without inflation

Non-residential prices	2015-16	2016-17	2017-18	2018-19	2019-20
Water					
Usage charge (\$/kL)	2.22	2.22	2.22	2.22	2.22
20mm meter stand-alone (\$/year)	17.75	25.28	48.86	73.79	101.00
20mm meter ^a (\$/year)	18.54	29.99	54.19	78.05	101.00
Sewerage					
Usage charge (\$/kL, \$nominal – with inflation)	0.67	0.67	0.67	0.67	0.67
20mm meter stand-alone (\$/year) ^b	593.58	597.25	617.83	637.15	654.82
20mm meter (\$/year) ^{b, c}	943.66	943.32	817.98	734.57	654.82
Environmental Improvement Charge (\$/year)	38.37	38.37	38.37	38.37	38.37
Stormwater					
Multi premise (\$/year)	26.59	26.85	27.11	27.38	27.64
Small non-residential (\$/year)	71.86	72.56	73.27	73.97	74.67
Medium non-residential (\$/year)	129.91	153.87	182.24	215.85	255.66

^a Charge applicable per 20mm meter for a common 20mm meter or multiple 20mm meters.

^b For indicative purposes we have applied an average discharge factor (DF) of 80% to show that sewerage service charges can be aligned by 2019-20. The actual charges will depend on each non-residential customer's DF, assigned by Hunter Water. We have also included the increasing sewerage discharge allowance to these service charges.

^c For indicative purposes, this would be the charge applicable to a common 20mm meter with an average DF of 80%, including the increasing sewerage discharge allowance.

For other prices:

- ▼ We have adopted Hunter Water’s proposal to maintain trade waste charges and increase them in line with inflation, and add a new charge for assessing the quality and quantity of waste discharged. Appendix F of our Draft Report contains a complete list of draft trade waste prices.
- ▼ We have also adopted Hunter Water’s proposed miscellaneous and ancillary charges.¹ Hunter Water reviewed these charges and proposed a number of changes. Appendix G of our Draft Report contains a complete list of draft miscellaneous and ancillary prices.

2 Indicative impacts on customer bills

Non-residential customers vary in their use of water, sewerage and stormwater services and metering arrangements (eg, some have their own meter and some share a common meter with different size meters). The impacts of these prices on overall bills would vary depending on a customer’s water usage and meter size. Bill impacts also vary depending on whether customers pay stormwater charges to Hunter Water.²

Table 2 shows some indicative water and sewerage bills. Over the 4-year period:

- ▼ Small customers with a stand-alone 20mm meter and water usage of 185 kL would face an increase in their bills of 22.6% (or \$256), including inflation.
- ▼ Medium customers with a 25mm meter and water usage of 300 kL per year would face a decrease in their bills of 10.6% (or \$259), including inflation.
- ▼ Large customers with a 100mm meter and water usage of 40,000 kL per year would face an increase in their bills of 4.3% (or \$5,302), including inflation.

Table 2 Annual water and sewerage bills for non-residential customers (\$nominal) — with inflation

Customer type	2015-16	2016-17	2017-18	2018-19	2019-20	Change 2016-2020
20mm (185 kL)	1,132	1,188	1,252	1,318	1,388	256
<i>Annual change</i>		4.9%	5.3%	5.3%	5.3%	22.6%
25mm (300 kL)	2,437	2,459	2,321	2,249	2,178	- 259
<i>Annual change</i>		0.9%	-5.6%	-3.1%	-3.1%	-10.6%
40mm (2,000 kL)	9,669	9,722	9,436	9,322	9,213	- 455
<i>Annual change</i>		0.6%	-2.9%	-1.2%	-1.2%	-4.7%
100mm (40,000 kL)	123,042	124,579	125,271	126,774	128,344	5,302
<i>Annual change</i>		1.2%	0.6%	1.2%	1.2%	4.3%

Note: These bills assume discharge factors of 85% for 20mm to 40mm, and 60% for 100mm. Customers with lower discharge factors would incur lower bills. These bills also including the increasing discharge allowance, and the Environmental Improvement Charge. Our estimate of inflation is 2.0% for 2016-17 and 2.5% each year thereafter.

¹ With one adjustment to correct the calculation of the ‘metered standpipe hire triannual fee’.

² Only some of Hunter Water’s customers are within its stormwater area. Instead, local councils are the main providers of stormwater services in Hunter Water’s area of operation.