

Hunter Water price review -

Draft Report and prices — 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 residential customers' annual bills increasing by around 3% in 2016-17 and around 5% to 6% each year thereafter until 2019-20, including inflation. 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 our recommended dishonoured or declined payment fees.



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 submission 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, residential customers’ water and sewerage bills would increase over the 4-year determination period. This is because of our draft decisions on Hunter Water’s efficient costs, and its price structures.

We consider that Hunter Water’s prices need to increase to ensure it can fund the efficient costs of providing its regulated services to its customers.

Prices for residential customers are also rising because we have changed the price structure to rebalance Hunter Water’s costs across its customer base. The new price structure seeks to remove cross-subsidies so customers pay similar prices for similar services. Previously, residential customers paid less than their share of costs for water and sewerage services, and more than their share of costs for stormwater services.

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

- ▼ Maintaining the current water usage charge at \$2.22 per kL.
- ▼ Decreasing the sewerage discharge allowance for residential (house) customers from 150 kL to 120 kL per year from 2016-17.
- ▼ Maintaining apartments paying 72.5% of the sewerage service charge applicable to houses.
- ▼ 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.
- ▼ Introducing a low-impact customer category for stormwater charges for residential customers equal to the charge for apartments.

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

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
Service charge (\$/year)	17.75	25.28	48.86	73.79	101.00
Sewerage					
House service charge (\$/year) ^a	593.58	597.00	604.93	612.20	618.45
Apartment service charge (\$/year)	430.35	432.82	438.57	443.84	448.38
Environmental Improvement Charge (\$/year)	38.37	38.37	38.37	38.37	38.37
Stormwater					
Multi premise or low impact (\$/year)	26.59	26.85	27.11	27.38	27.64
Standalone (\$/year)	71.86	72.56	73.27	73.97	74.67

^a Includes the lower deemed discharge allowance of 120 kL per year from 2016-17 onwards.

We have also accepted Hunter Water's proposed miscellaneous and ancillary charges.¹ Appendix G in our Draft Report contains a complete list of draft miscellaneous and ancillary prices.

2 Indicative impacts on residential customer bills

The impacts of our prices on overall bills would vary depending on a residential customer's water usage and whether they live in a house or apartment. Bill impacts also vary depending on whether customers pay stormwater charges to Hunter Water.²

Table 2 shows indicative annual bills. Over the 4-year period:

- ▼ A customer in a house using 185 kL of water per year would face a water and sewerage bill increase of around 21%, including inflation.
- ▼ A pensioner in a house or a customer in an apartment using 150 kL of water per year would face a water and sewerage bill increase of around 23%, including inflation.

We were mindful of the smaller price increases that would have occurred if the pricing review had not been brought forward by one year, and so smaller increases are proposed for 2016-17 to ease the transition for residential customers.

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

Customer type	2015-16	2016-17	2017-18	2018-19	2019-20	Change 2016-2020	
						IPART	HW proposal
House (185 kL)	1,060	1,093	1,153	1,216	1,284	223	110
<i>Annual change</i>		3.1%	5.5%	5.5%	5.5%	21.0%	10.4%
House (185 kL) with stormwater	1,132	1,167	1,230	1,296	1,366	234	123
<i>Annual change</i>		3.0%	5.4%	5.4%	5.4%	20.6%	10.8%
Pensioner in a house (150 kL)^a	670	692	733	777	824	154	69
<i>Annual change</i>		3.2%	6.0%	6.0%	6.0%	23.0%	10.3%
Pensioner in a house (150 kL)^a with stormwater	742	766	810	856	906	164	81
<i>Annual change</i>		3.2%	5.8%	5.7%	5.8%	22.1%	11.0%
Apartment (150 kL)	819	846	898	953	1,011	192	265
<i>Annual change</i>		3.2%	6.1%	6.1%	6.2%	23.4%	32.3%
Apartment (150 kL) with stormwater	846	873	926	982	1,042	196	269
<i>Annual change</i>		3.2%	6.0%	6.0%	6.1%	23.1%	31.8%

^a A pensioner in a house who is eligible to receive the pensioner rebate from Hunter Water.

Note: The above bills (excluding pensioners) include 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.