

# Hunter Water price review -

## Final Report and prices — non-residential customers



14 June 2016



### WHAT

IPART has released its decisions on Hunter Water's prices for:

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

Our prices will result in bill increases for some non-residential customers and decreases for others – impacts will vary depending on a customer's water usage, how much wastewater they discharge to the sewerage system and their meter size. Our focus was on finding efficiencies in Hunter Water's operations and reforming prices to better reflect the costs different users place on the system.



### WHY

Prices set for Hunter Water at our last review were to conclude on 30 June 2017. At Hunter Water's request, we brought forward the timing of this price review.

Our prices ensure customers pay no more than is necessary for the services they need.



### HOW

IPART has followed its established price review process, undertaking an extensive investigation including public consultation, by releasing an Issues Paper and Draft Report and holding a public hearing. In making our decisions, we have considered all submissions to the review.

We engaged [a consultant 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

New prices take effect on 1 July 2016 and will apply for a 4-year period.



### LEARN MORE

Our reports, stakeholder submissions, the transcript from the public hearing, and consultants' reports are available on our [website](#).

The [Final Report and Determination](#) 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.

## 1 IPART's prices

Under our determination of Hunter Water's prices, most non-residential customers will see their water and sewerage bills decrease in real terms (ie, excluding the effects of inflation). The new price structure seeks to ensure 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 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, in nominal terms.
- ▼ Increasing the discharge allowance from 50 kL to 120 kL per year by 2019-20.
- ▼ Maintaining the EIC at \$38.37 per year.
- ▼ Rebasement 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 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
<b>Water</b>					
Usage charge (\$/kL)	2.22	2.22	2.22	2.22	2.22
Service charge - 20mm meter stand-alone (\$/year)	17.75	25.36	49.43	71.14	93.95
Service charge - 20mm meter <sup>a</sup> (\$/year)	18.54	29.78	54.26	74.46	93.95
<b>Sewerage</b>					
Usage charge (\$/kL, \$nominal – with inflation)	0.67	0.67	0.67	0.67	0.67
Service charge - 20mm meter stand-alone (\$/year) <sup>b</sup>	593.58	596.34	610.20	626.36	641.49
Service charge - 20mm meter <sup>a,b, c</sup> (\$/year)	943.66	941.03	810.30	728.74	641.49
EIC (\$/year)	38.37	38.37	38.37	38.37	38.37
<b>Stormwater</b>					
Multi premise (\$/year)	26.59	26.84	27.08	27.33	27.57
Small non-residential (\$/year)	71.86	72.53	73.2	73.87	74.51
Medium non-residential (\$/year)	129.91	151.98	177.81	208.02	243.36

<sup>a</sup> Charge applicable per 20mm meter for a common 20mm meter or multiple 20mm meters.

<sup>b</sup> 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 deemed sewerage usage charge to these service charges.

<sup>c</sup> For indicative purposes, this will be the charge applicable to a common 20mm meter with an average DF of 80%, including the increasing deemed sewerage usage charge.

**Note:** The 'sewerage service charge' for non-residential customers comprises two components: (i) a meter based charge that incorporates a discharge factor; and (ii) a deemed sewerage usage charge. Customers on larger meters, relative to 20mm meters, may incur higher meter based charges depending on their discharge factors.

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 E of our Final Report contains a complete list of trade waste prices.
- ▼ We have also adopted Hunter Water’s proposed miscellaneous and ancillary charges.<sup>1</sup> Hunter Water reviewed these charges and proposed a number of changes. Appendix F of our Final Report contains a complete list of 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 (ie, some have their own meter or multiple meters, some share a common meter, and there are different size meters). The impacts of prices on overall bills will vary depending on a customer’s water usage, estimated wastewater discharge to the sewerage system and meter size. Bill impacts also vary depending on whether customers pay stormwater charges to Hunter Water.<sup>2</sup>

Table 2 shows some indicative water and sewerage bills. Over the 4-year period from 2016-17 to 2019-20:

- ▼ Small customers with a stand-alone 20mm meter and water usage of 185 kL will face an increase in their bills of 19.7% (or \$224), including inflation.
- ▼ Medium customers with a 25mm meter and water usage of 300 kL per year will face a decrease in their bills of 12.7% (or \$310), including inflation.
- ▼ Large customers with a 100mm meter and water usage of 40,000 kL per year will face an increase in their bills of 3.4% (or \$4,127), 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
<b>20mm (185 kL)</b>	1,132	1,180	1,236	1,294	1,356	224
<i>Annual change</i>		4.2%	4.7%	4.8%	4.8%	19.7%
<b>25mm (300 kL)</b>	2,437	2,439	2,292	2,218	2,128	-310
<i>Annual change</i>		0.1% <sup>a</sup>	-6.0%	-3.3%	-4.1%	-12.7%
<b>40mm (2,000 kL)</b>	9,669	9,655	9,348	9,227	9,067	-602
<i>Annual change</i>		-0.1%	-3.2%	-1.3%	-1.7%	-6.2%
<b>100mm (40,000 kL)</b>	123,042	123,853	124,439	125,865	127,169	4,127
<i>Annual change</i>		0.7%	0.5%	1.1%	1.0%	3.4%

<sup>a</sup> A non-residential customer with a 25mm meter (300kL water usage per year) and a discharge factor of 85% will face a real decrease of 20% over the 4-years to 2019-20, including a real decrease of 1.2% in 2016-17. However, including the effects of inflation, it will face a nominal increase of 0.1% in 2016-17 – this is because we have applied inflation of 1.3% for 2016-17.

**Note:** These bills assume discharge factors of 85% for 20mm to 40mm meters, and 60% for 100mm meters. Customers with lower discharge factors will incur lower bills. These bills also include the increasing discharge allowance, and the EIC. We have applied inflation of 1.3% for 2016-17 and 2.5% each year thereafter. In its proposal Hunter Water assumed inflation of 2.5% per year over 2016-17 to 2019-20.

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

<sup>2</sup> 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.