

## FACT SHEET

# Prices for Sydney Water's large business customers

Based on *Determination and Final Report for Sydney Water's prices*  
From 1 July 2012

On 19 June 2012, IPART released its final determination on the prices that Sydney Water can charge for providing water and related services to its customers during the 4 years from 1 July 2012 to 30 June 2016.

This fact sheet has been prepared to provide information specific to Sydney Water's large business customers and how this determination will affect the prices they will pay. The final report and determination are available on IPART's website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

### Prices

Our determination results in a change in price levels and a change in price structures. These changes in price structure do not increase the total revenue Sydney Water recovers from its customer base but are intended to remove cross-subsidies and ensure that customers who impose similar costs on Sydney Water's systems pay the same price. Most residential customers will receive bills that increase by less than the rate of inflation while some non-residential customers will receive lower bills and some higher.

Large business customers of Sydney Water vary greatly in size and in their use of Sydney Water's services and, therefore, the impact of our determination on large businesses varies from customer to customer. There is no 'average' large business customer. Consequently, this fact sheet discusses the changes in the various categories of prices that apply to large businesses generally.

### Water, sewerage and stormwater drainage charges

Individually metered large business customers will face:

- ▼ water bills that decrease or increase by less than the rate of inflation because:
  - water service charges for large meter sizes will decrease
  - water usage charges will increase at the rate of inflation

- ▼ varying changes to sewerage bills because:
  - service charges for large meter sizes will increase significantly but
  - for large water users, an increase in the service charge will be offset by a decrease in the usage charge (and therefore the impact on bills will be dependent on water consumption)
- ▼ varying changes to stormwater drainage bills (due to charges moving to an area basis for stormwater drainage services, larger land areas will pay more and smaller areas will pay less):
  - stormwater drainage bills will decrease for properties less than 1,000m<sup>2</sup> and
  - stormwater drainage bills will increase for properties greater than 1,000m<sup>2</sup>.

Table 1 shows examples of water and sewerage bills for business customers with large meters and large water consumption.

**Table 1 Water and sewerage bills for large business customers with individual meters (\$2011/12)**

Water use	Meter size	2011/12 Current	2012/13	2013/14	2014/15	2015/16	Change 2011/12- 2015/16
1,000 kL pa	40mm	4,820	5,090	5,391	5,729	6,107	1,287
%increase			5.61%	5.90%	6.27%	6.60%	26.70%
10,000 kL pa	100mm	46,354	47,028	47,886	49,075	50,605	4,251
%increase			1.45%	1.82%	2.48%	3.12%	9.17%

**Note:** We have applied an average discharge factor of 79%, calculated from information submitted by Sydney Water in early November 2011 in response to requests from IPART.

#### Trade waste<sup>1</sup>

Trade waste is wastewater from commercial and industrial customers with pollutant concentrations that exceed a domestic equivalent.<sup>2</sup> Sydney Water proposed a number of changes to its trade waste pricing schedule and we have decided to introduce the majority of the charges that Sydney Water proposed in its supplementary submission. Some of the features of the trade waste charges for the 2012 Determination are:

- ▼ Introducing a new Wastesafe charging system from 1 July 2013. The 1-year delay is in response to stakeholder feedback.

<sup>1</sup> A fuller discussion of our decisions for Trade Waste including Wastesafe can be viewed in our accompanying Fact Sheet entitled *Trade Waste Charges for Sydney Water* on our website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

<sup>2</sup> A domestic equivalent is a concentration or level as would be found in household wastewater.

- ▼ Charges for substances that do not drive any Sydney Water costs have been abolished. These substances included total dissolved solids, sulphate, ammonia, and non-domestic pollutants (42 substances).
- ▼ The number of chargeable commercial process codes was reduced from 66 to 8.
- ▼ Where pollutant charges decrease, the full extent of the price reduction will be introduced from 1 July 2012.
- ▼ Transitional pricing for pollutant charges that are being increased.

A fuller discussion of our decisions for Trade Waste including Wastesafe can be viewed in our accompanying Fact Sheet entitled *Trade Waste Charges for Sydney Water* on our website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

A key factor in our pricing determination is our finding that Sydney Water's revenue requirement will remain fairly stable during the period, increasing by an average of only 0.7% per year (plus inflation). 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 consider that the prices in the determination will allow Sydney Water to continue to provide quality services, maintain its financial viability (and pay a 70% dividend and a proportion of its capital expenditure in cash in each year of the determination period) and comply with its operating licence. However, Sydney Water's financial performance will depend on the extent to which it is able to reduce its costs to efficient levels as allowed for in our determination.