



## WHAT

IPART has released its Draft Report and Determination for WaterNSW's prices for its bulk water operations in the Greater Sydney area. These services were previously provided by the Sydney Catchment Authority (SCA).<sup>1</sup>

Sydney Water accounts for about 99% of WaterNSW's bulk water sales and revenue. Other customers include 3 councils and around 60 smaller raw and unfiltered water customers.

We have set draft bulk water prices for WaterNSW for four years from 1 July 2016.

All prices presented in this fact sheet are in \$2015-16.

### Our draft decisions have resulted in:

- ▼ Lower prices for Sydney Water than those at the end of 2015-16 and lower than those proposed by WaterNSW.
- ▼ A downward impact on the bills of Sydney Water's customers over the 2016 determination period.
- ▼ Lower bulk water bills for WaterNSW's Council customers.
- ▼ Unchanged prices for small raw water and unfiltered water customers in real terms (without inflation).



## WHY

### We made a number of draft decisions influencing the draft prices:

- ▼ We reduced WaterNSW's proposed notional revenue requirement (NRR) from \$821.8 million to \$801.2 million over the 4-year period.

<sup>1</sup> In 2015, the Sydney Catchment Authority and State Water merged to form WaterNSW.

- ▼ WaterNSW's lower NRR is driven by:
  - Operational efficiency savings from the merger of State Water and SCA (\$20.7 million) and our reduction to operating expenditure (\$11.3 million) compared to WaterNSW's revised proposal.
  - Reductions to capital expenditure (\$140 million) compared to WaterNSW's original proposal.

### We made a number of draft decisions influencing the approach to pricing:

- ▼ We are introducing a mechanism to pass through WaterNSW's costs of bulk water transfers from the Shoalhaven reservoir to Sydney Water.
- ▼ We have enabled WaterNSW and Sydney Water to employ a water quality incentive scheme.
- ▼ We intend to implement an efficiency carryover mechanism at WaterNSW's 2020 price review.



## WHAT NEXT

We would like to hear from you on our Draft Report and prices for WaterNSW.

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 WaterNSW**  
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.

We will consider the issues raised in submissions in making decisions in our Final Report, which is due to be released in mid-June 2016.

Following the release of our final report, the new prices will take effect from 1 July 2016.

## 1 Prices for Sydney Water



Sydney Water accounts for about 99% of WaterNSW's bulk water sales and revenue. WaterNSW's prices to Sydney Water are split 80:20 between its fixed and volumetric charges.

We have included a formula-based approach to calculating WaterNSW's volumetric charge to Sydney Water, to reflect all possible modes of operation of the Sydney Desalination Plant (SDP). This means that WaterNSW will receive the revenue to cover its costs even if its water sales are lower when the SDP is supplying water.

Our draft decision on prices is shown in Table 1. The draft volumetric prices shown are based on an assumption that the volume supplied by the SDP is zero. Forecast revenue from Sydney Water is, on average, \$197.2 million per year.

**Table 1 Draft maximum prices to Sydney Water (\$2015-16) – excluding inflation**

	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20
Fixed charge (\$million p.a.)	170.05	154.12	156.11	159.62	161.23
Volumetric charge (\$/ML)- SDP volume zero	85.81	72.41	72.35	73.36	73.27

## 2 Prices for Council customers



We have accepted WaterNSW's proposal to change the Councils' fixed to usage pricing ratio from 25:75 to 80:20.

Our draft prices are higher than those proposed by WaterNSW, but still should result in lower bulk water costs for the Councils than compared to current prices.

Current bulk water revenue for WaterNSW from its Council customers is estimated at \$1.4 million per year. Under our draft prices, the total forecast revenue from Councils would be \$1.3 million a year. Table 2 compares forecast bulk water revenue under our draft prices and under current prices, excluding inflation.

**Table 2 Bulk water costs under current prices compared to forecast bulk water costs under our draft prices (\$2015-16) – excluding inflation**

Council	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20
Wingecarribee Shire	1,315,051	1,276,525	1,276,525	1,276,525	1,276,525
Shoalhaven City	26,661	23,935	23,935	23,935	23,935
Goulburn Mulwaree	44,964	28,722	28,722	28,722	28,722
Total	1,386,676	1,329,182	1,329,182	1,329,182	1,329,182

Our draft decision on prices is shown below in Table 3.

**Table 3 Draft maximum prices to the Councils (\$2015-16) – excluding inflation**

	2015-16 (current)	2016-17	2017-18	2018-19	2019-20
Fixed charge to Wingecarribee Shire Council (\$ p.a)	277,419	1,021,220	1,021,220	1,021,220	1,021,220
Fixed charge to Shoalhaven City Council (\$ p.a)	7,206	19,148	19,148	19,148	19,148
Fixed charge to Goulburn Mulwaree Council (\$ p.a)	21,617	22,977	22,977	22,977	22,977
Volumetric charge to all councils customers (\$/ML)	216.17	53.19	53.19	53.19	53.19

### 3 Draft Prices for Raw and Unfiltered Water Customers



We have accepted WaterNSW's proposal to maintain prices for its small raw water and unfiltered water customers in real terms over the 2016 determination period. The total revenue requirement from WaterNSW's small raw and unfiltered water customers is around \$0.3 million per year.

Our draft decision on prices for raw and unfiltered water customers is shown below in Table 4.

**Table 4 Draft maximum prices to raw and unfiltered customers (\$2015-16) – excluding inflation**

	2015-16 (Current)	2016-17	2017-18	2018-19	2019-20
<b>Raw water customers</b>					
Fixed charge to raw water customers (\$ p.a.)	0	0	0	0	0
Volumetric charge to raw water customers (\$/ML)	680	680	680	680	680
<b>Unfiltered water customers</b>					
Fixed charge to unfiltered water customers -for 20 mm meter (\$ p.a.)	104	104	104	104	104
Volumetric charge to unfiltered water customers (c/kL)	118	118	118	118	118