

NORTH COAST AND SOUTH COAST WATER PRICES RELEASED

The Independent Pricing and Regulatory Tribunal (IPART) today released its final decisions on the prices that WaterNSW can charge for its monopoly rural bulk water services in the North Coast and South Coast valleys from 1 July 2017 to 30 June 2021.

IPART Chair Dr Peter Boxall said “typical bulk water users will see their bills fall over the next four years by up to 41% in the North Coast valley, and up to 15% in the South Coast valley, with bills substantially lower than those proposed by WaterNSW for both valleys”.

“We considered a number of options and stakeholder submissions on the most appropriate way to set prices in valleys which are currently well below full cost recovery,” Dr Boxall said.

“Rather than continuing to increase prices by 10% per year towards full cost recovery, we have decided to set prices with reference to an efficient pricing band that considers WaterNSW’s customers’ capacity to pay in these valleys, as well as WaterNSW’s avoided costs.”

“When possible, we aim to set prices that fully recover the customer share of efficient costs. However, full cost recovery is likely to be unattainable in the North Coast and South Coast valleys over this determination period or going forward,” Dr Boxall said.

“Our final decisions included changing the structure of tariffs in these valleys, by lowering the usage charges to stimulate demand, with a view to increasing overall revenue in these valleys.”

“This means that usage charges paid by irrigators will fall by up to 61% in the North Coast and 57% in the South Coast. This has been offset in part by increases in fixed entitlement charges.”

Dr Boxall said this brought WaterNSW’s usage charges in these coastal valleys more in line with other valleys in NSW, and was a better reflection of the mostly fixed cost structure of WaterNSW’s operations.

Our decision means a shortfall in revenue (\$1.4 million per year) from these valleys as the prices do not fully recover the customer share of costs. This under recovery of costs and revenue shortfall will need to be borne by WaterNSW or recovered from the NSW Government as shareholder.

The report for the WaterNSW price review is available on IPART’s website <<http://www.ipart.nsw.gov.au>>.