



**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

NEWS RELEASE

BULK WATER PRICES TO INCREASE

Sydney: May 31:The Independent Pricing and Regulatory Tribunal (IPART) in a draft Determination released today set the maximum prices that can be charged for a range of bulk water services by State Water and Department of Natural Resources (DNR).

Customers' bills for State Water charges will increase on average by CPI + 5.5% a year. Increases will vary by valley with bills in some valleys increasing by CPI + 15% per year. Bills in the Murrumbidgee will fall.

Bills for DNR customers will increase on average by CPI +4.5% a year. Increases in bills on unregulated rivers and in ground water sources will be capped at CPI + 25% a year for any customer.

Chairman of IPART, Dr Michael Keating said today that in setting the bulk water prices the Tribunal has taken into consideration the ability of bulk water users to absorb price increases and broader Government commitments particularly to full cost recovery, environmental sustainability and economic efficiencies.

"Changes to State Water's operating licence, along with increases in costs in providing bulk water by both State Water and DNR since the last major pricing review in 2001, were also significant influences on prices. In addition, an increased contribution by the NSW Government to the Murray Darling Basin Commission (MDBC) has been passed on to users including the costs of River Murray Water.

Changes to State Water's licence mean that the corporation is required to generate 50% of its revenue from usage charges from July 1, 2006 and 60% from July 1, 2008. With a greater reliance on usage based charges, in years of low usage customers' bills will be lower than in years of higher usage.

"There are still a number of areas for improvement for State Water and DNR such as improved accountability for spending on programs and the establishment of performance indicators allowing customers to monitor and track benefits from the increased prices."

The prices will generate \$193 million for State Water and \$102 million in revenue for the Department of Natural Resources (DNR) over the four years of the Determination.

The increases will fund State Water's future capital expenditure program and allow for the restructuring of prices for regulated river activities.

Dr. Keating said that customers' bills will vary depending on how much water they use and in which valley they are located.

For DNR's regulated rivers, the bulk water prices for all but two valleys will achieve full cost recovery. And for State Water, all but four valleys will achieve full cost recovery by the end of the Determination period.

The Determination will also allow for an annual rebate to large irrigation companies for State Water's charges only. A two tier entitlement charge will be maintained with a premium for holders of high security licences for State Water charges. For the DNR component of the bill, high security licence holders will have the same entitlement charge as general security licence holders.

For unregulated rivers, all but three will achieve full cost recovery by the end of the Determination period. In the case of Groundwater services, only two valleys will achieve cost recovery by the end of the period.

Discounts provided to large irrigation companies on DNR charges will be phased out over the Determination period and groundwater base charges will be abolished.

IPART invites interested parties to make submissions by Wednesday 21st of June. A public hearing will be held in Sydney on 30 June and a final report will be issued in July, 2006.

**Further information contact: James Cox Chief Executive Officer and Full-Time Member
(02) 9290 8411**