

## **DRAFT REPORT: REVIEW OF WATER, SEWERAGE AND STORMWATER PRICES FOR HUNTER WATER**

**Embargoed until 10am Tuesday 12 March 2013**

The Independent Pricing and Regulatory Tribunal (IPART) today released its Draft Report on the prices that Hunter Water can charge for water, sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017.

Under the Draft Determination, water and sewerage bills for the typical house in Hunter Water's area will rise by less than the rate of inflation, bills for residential flats and units will increase by marginally more than inflation, and costs for most small businesses will decrease significantly.

IPART is seeking stakeholder feedback on the proposed prices by 12 April 2013. The Final Determination will be released in June 2013.

IPART Chairman, Peter Boxall, said "We have accepted Hunter Water's expenditure proposal with some minor adjustments. However, we have set prices marginally lower than those proposed by Hunter Water, as we have applied a lower rate of return on its assets. We have set water prices so that they will not change over the 4 years; sewerage prices will change by the rate of inflation only."

For residential houses, typical annual water and sewerage bills will rise by 6.7% or \$69 over the next 4 years to 2017. This increase is less than our estimate of the rate of inflation of 11.0% over the same period. When the effects of inflation are excluded there is a decrease of \$40 or 3.9% in a typical bill over 4 years. The cost of stormwater drainage will decrease by about 22.5% for residential houses to \$67, including inflation, over the same 4-year period.

For residential flats and units, typical annual water and sewerage bills will rise by 15.6% or \$113 over the 4 years to 2017. This is 4.1% or \$30 more than the rate of inflation. However, stormwater charges for flats and units will fall by about 72% including inflation over the same period, saving owners \$62 on their stormwater bill by 2017.

The majority of small businesses operating in the Hunter region will see significant decreases in their bills, both before and after inflation is taken into account. This is due to a reduction in the sewerage service charge to put them on par with residential customers. For an average small business customer, we estimate a decrease in the combined water and sewerage bill of \$252 or 18.6% over the 4 years including the effects of inflation. Stormwater charges for small businesses will decrease from \$86 in 2012/13 to \$67 in 2016/17, a decrease of 22.5% over the 4 years including the effects of inflation.

Larger business customers will see their water and sewerage bills increase by around half the rate of inflation, rising by an average 5% over the 4 years. Stormwater charges will also decrease by around 22.5% over the 4-year period.

“The capital expenditure Hunter Water plans for in the upcoming period is less than half of what it spent in the current period. Over the next 4 years, Hunter Water customers will be able to reap the benefits of past large expenditure,” Dr Boxall said.

“After analysis of the capital expenditure requirements and efficient operating costs in the Hunter, we are confident that the draft decision will allow Hunter Water to continue provide quality services and meet regulatory standards.”

The Draft Determination excludes all costs related to Tillegra Dam.

The relative increase in prices for flats and units compared to houses reflects new price structures to bring prices more into line with the cost of delivering water and sewerage services to different customers.

“The new price structures will benefit customers living in houses and small businesses, while those in units and flats who have paid less than the costs of delivering their services in the past will now need to pay a bit more”, Dr Boxall said.

The typical bill for residential units and flats is estimated to be \$835 by June 2017, which will remain lower than the typical bill of \$1,095 for a house. This reflects lower consumption by flats, on average, and IPART’s acceptance of Hunter Water’s proposal that the sewerage service charge be transitioned to 75% of the charge for houses by the end of the 4 years.

The Draft Report and Draft Determination, *Hunter Water Corporation - Prices for water, sewerage and stormwater drainage and other services from 1 July 2013 to 30 June 2017*, is available on IPART’s website.

Fact Sheets of the impacts of the Draft Determination on different customer groups are also available on IPART’s website

<[http://www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Metro\\_Pricing/Review\\_of\\_prices\\_for\\_Hunter\\_Water\\_Corporation\\_from\\_1\\_July\\_2013](http://www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Metro_Pricing/Review_of_prices_for_Hunter_Water_Corporation_from_1_July_2013)>

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**Table 1 Summary of impacts of the Draft Determination**

	<b>Nominal (includes inflation)</b>	<b>Real</b>
<b>Residential houses (typical user: individual meter using 200kL)</b>	Up 6.7% or \$69 over 4 years	Down 3.9% or \$40 over 4 years
<b>Residential flats and units (typical user: individual meter using 150kL)</b>	Up 15.6% or \$113 over 4 years	Up 4.1% or \$30 over 4 years
<b>Pensioners (typical user: individual meter using 100kL)</b>	Up 2.2% or \$11 over 4 years	Down 8.0% or \$42 over 4 years
<b>Non-residential – small business (20mm standalone meter using 200kL)</b>	Down 18.6% or \$252 over 4 years	Down 26.7% or \$362 over 4 years
<b>Non-residential (meter size greater than 40mm)</b>	Depends on connection size and water usage. Up 5.4% or \$323 over 4 years (40mm meter using 1,000kL)	Depends on connection size and water usage. Down 5.0% or \$299 over 4 years (40mm meter using 1,000kL)