

FINAL DECISION ON RURAL WATER MANAGEMENT PRICES

7 June 2016

The Independent Pricing and Regulatory Tribunal (IPART) today released its final determination of prices that the Water Administration Ministerial Corporation (WAMC) can charge for its monopoly water management services, currently undertaken on its behalf by DPI Water. The new prices will take effect from 1 July 2016.

Over the next four years from 1 July 2016, DPI Water proposed to reduce the share of costs recovered from water users by around \$1.0 million a year. IPART has made further reductions to WAMC's revenue raised through its water prices, reflecting opportunities for further efficiency gains. Under IPART's prices, the revenue that can be recovered from water users will be about \$41.4 million a year during the next four years, which is around \$3.9 million less per year than the \$45.3 million proposed by DPI Water.

IPART Chairman Dr Peter Boxall said that prices have been set at cost-reflective levels, which will allow the costs of water management to be recovered from users.

"Under our prices, the typical bill is forecast to decrease for 18 of the 26 water sources. For the remaining eight water sources, three would increase by less than the rate of inflation, and five would increase above the rate of inflation over the next four years." Dr Boxall said.

"Typical bills will rise above the rate of inflation in the Gwydir, Peel, Murrumbidgee and Hunter regulated water sources, and the Murrumbidgee groundwater source, because there is currently under-recovery of costs in these areas and we have gradually transitioned prices towards full cost recovery."

"DPI Water has improved its internal business processes. Nevertheless, IPART considers there is scope for improvements in the delivery of water management services, and that water licence holders should not be paying more than necessary."

"Relative to DPI Water's proposal and our Draft Report, we are also reducing the amount recovered from water users for contributions made to the Murray-Darling Basin Authority over the next four years, pending greater transparency about the efficiency of MDBA programs funded by these contributions."

"Our decision on prices will reduce the forecast revenue that can be collected from water licence holders on behalf of WAMC," Dr Boxall said.

IPART has also maintained its draft decision to transition to higher minimum annual charges over the next four years, from \$105 in 2015-16 to \$150 in 2016-17 and to \$200 by 2019-20 (excluding inflation). This is to better reflect minimum compliance, customer and billing management costs for each licence, whilst not overburdening smaller licence holders.

The new prices will take effect from 1 July 2016, with the determination scheduled to apply until 30 June 2020.

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