

## BULK WATER PRICES TO INCREASE

Embargoed until 11:00 am, Tuesday 12 September 2006

**Sydney: September, 2006:** The Independent Pricing and Regulatory Tribunal (IPART) today released the final Determination setting maximum charges for a range of bulk water services supplied by State Water and Department of Natural Resources (DNR) for the period from 1 October 2006 to 30 June 2010.

State Water charges will increase on average by CPI + 5.8 per cent per annum over the Determination period. However, the rate of increase varies between valleys. The bills for General Security customers extracting water at the average valley rate (relative to their licensed entitlement) will, on average, increase by no more than 15 per cent per annum above inflation.

The key drivers of the increases are higher operating and capital costs for the agencies, and the continued progress towards achieving cost reflective prices. For State Water, the determination also restructures prices so that a greater proportion of revenue is generated from usage charges.

Charges in the Murray Valley will be lower than stated in the draft Determination. Charges will be higher in most other valleys. The Murray Darling Basin Commission costs allocated to users have been reduced and have been allocated in part away from the Murray to other valleys. State Water expenses have been revised upwards.

DNR charges will increase on average by CPI + 4.1 per cent per annum. Regulated river charges will increase annually on average by 0.1 per cent below inflation, unregulated river charges by 4.8 per cent above inflation and groundwater charges by 11.8 per cent above inflation.

Chairman of IPART, Dr Michael Keating stated, "The Tribunal has set bulk water charges to better reflect the costs of delivering bulk water in each valley. It has also taken into account the impact of higher water charges on farm costs and the ability of bulk water users to absorb those increases and the effects on State Water and DNR."

DNR's bulk water charges on regulated rivers will achieve full cost recovery in all but two valleys. For State Water, all but four valleys will achieve full cost recovery by the end of the Determination period, and in these four valleys water charges will be higher than elsewhere.

The Determination will also allow for an annual rebate to large irrigation companies for State Water's charges replacing the current wholesale discount. The rebate is intended to better reflect lower customer costs and system wide benefits generated by these corporations. 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.

Discounts provided to large irrigation companies on DNR charges will be phased out over the Determination period and groundwater base charges will be abolished. However, a minimum charge will apply to all DNR water bills.

Charges for conveyance licenses will be phased in for Murrumbidgee and Coleambally Irrigation Corporations allowing them time to adjust to the new pricing arrangements.

The report *Bulk Water Prices for State Water Corporation and Water Administration Ministerial Corporation from 1 October 2006 to 30 June 2010* is available on IPART's website <<http://www.ipart.nsw.gov.au>>.

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