

FINAL REPORT: REVIEW OF BROKEN HILL WATER AND SEWERAGE PRICES **10am, Monday 23 June 2014**

The Independent Pricing and Regulatory Tribunal (IPART) has released its final report on the maximum prices that Essential Energy may charge for water, sewerage and other services from 1 July 2014 to 30 June 2018.

Typical annual water and sewerage bills for residential houses and flats using 300 kL of water per year will rise by 15.3%, or 4.0% more than inflation, over the next 4 years.

The biggest increase will be from 1 July this year, when the typical bill will rise by \$88, or \$50 more than inflation. Bills will rise in line with inflation over the remaining 3 years, resulting in a total increase in the typical bill of \$191 over the 4-year period, including inflation.

The decision removes the 'inclining block tariff', under which a higher water usage charge applied above a certain amount of usage.

IPART Chairman Peter Boxall said that many stakeholders at the public forum in late 2013, and those who lodged submissions, considered this tariff was unnecessarily discouraging water consumption to the detriment of community health and amenity.

"Consistent with the draft determination, we have removed Tier 2 usage prices and set all water usage prices in Broken Hill at the current Tier 1 price. This reflects our assessment of the typical costs of supplying water in Broken Hill", Dr Boxall said.

"Customer bills will increase marginally more than inflation for most households and businesses who consume water mainly in Tier 1, while the bills for most customers who currently use Tier 2 water will increase at a rate less than inflation over the next 4 years. The actual bill impact will depend on how much water customers currently use in summer and non-summer periods."

The prices in the final decision are slightly higher than those proposed in the draft determination. Dr Boxall said the difference is the result of further analysis by IPART and consideration of concerns raised by Essential Energy and other stakeholders as part of the review process.

"Since the draft determination, we have carefully reviewed our decisions in response to concerns raised, and have allowed for slight increases in operating and capital expenditure. We have also increased our allowance for the appropriate rate of return on assets to reflect updated market information," Dr Boxall said.

"While these prices are higher than those proposed in the draft determination, they are still considerably lower than those requested by Essential Energy, and we are confident that they provide the right level of funding for the efficient delivery of water and sewerage services in Broken Hill."

The 2014 determination is the first time IPART has set prices for Essential Energy's water services to the mines in Broken Hill. The final prices reflect Essential Energy's costs of servicing the mines and there will be no cross-subsidy between the mines and other customers, or between the mining companies. The mines will pay the same water usage prices as the rest of the customer base, with a separate set of water service charges from other non-residential customers. These water service charges will recover the difference between revenue expected from mines' water usage charges and total costs to be recovered from the mines.

The final report, *Essential Energy's water, sewerage and other services in Broken Hill*, is available on IPART's website. Fact sheets on the impacts of the determination on different customer groups are also available on IPART's website

Media Contact	Emma Browning	02 9290 8403
		0409 504 888

**Essential Energy's water, sewerage other services in Broken Hill
from 1 July 2014 to 30 June 2018**

Table 1 Summary of impacts of the determination

	Nominal (includes inflation)	Real (excludes inflation)
Residential houses and units (individual meter using 300 kL)	Up 15.3% or \$191 over 4 years Bill in 2014 = \$1,251 (\$2013/14) Bill in 2018 = \$1,442 (\$2017/18)	Up 4.0% or \$50 over 4 years Bill in 2014 = \$1,251 (\$2013/14) Bill in 2018 = \$1,302 (\$2013/14)
Residential houses^a 500 kL – upper and lower estimates of bill impacts	If the 100 kL above 400 kL is currently used during summer Up 14.3% or \$227 over 4 years Bill in 2014 = \$1,585 (\$2013/14) Bill in 2018 = \$1,812 (\$2017/18)	If the 100 kL above 400 kL is currently used during summer Up 3.2% or \$50 over 4 years Bill in 2014 = \$1,585 (\$2013/14) Bill in 2018 = \$1,636 (\$2013/14)
	If the 100 kL above 400 kL is currently used during non-summer Up 6.7% or \$114 over 4 years Bill in 2014 = \$1,698 (\$2013/14) Bill in 2018 = \$1,812 (\$2017/18)	If the 100 kL above 400 kL is currently used during non-summer Down 3.7% or \$63 over 4 years Bill in 2014 = \$1,698 (\$2013/14) Bill in 2018 = \$1,636 (\$2013/14)
Non-residential – small business (20mm standalone meter using 250 kL)	Up 14.5% or \$218 over 4 years Bill in 2014 = \$1,506 (\$2013/14) Bill in 2018 = \$1,725 (\$2017/18)	Up 3.3% or \$50 over 4 years Bill in 2014 = \$1,506 (\$2013/14) Bill in 2018 = \$1,556 (\$2013/14)
Non-residential – 32 mm meter using 1,000 kL per year – upper and lower estimates of bill impacts For meter sizes greater than 20mm, bills depend on meter connection size and water usage.	600 kL charged at Tier 1 price, 400 kL charged at Tier 2 price Up 4.0% or \$210 over 4 years Bill in 2014 = \$5,264 (\$2013/14) Bill in 2018 = \$5,474 (\$2017/18)	600 kL charged at Tier 1 price, 400 kL charged at Tier 2 price Down 6.2% or \$324 over 4 years Bill in 2014 = \$5,264 (\$2013/14) Bill in 2018 = \$4,940 (\$2017/18)
	400 kL charged at Tier 1 price, 600 kL charged at Tier 2 price Down 0.3% or \$16 over 4 years Bill in 2014 = \$5,490 (\$2013/14) Bill in 2018 = \$5,474 (\$2017/18)	400 kL charged at Tier 1 price, 600 kL charged at Tier 2 price Down 10.0% or \$550 over 4 years Bill in 2014 = \$5,490 (\$2013/14) Bill in 2018 = \$4,940 (\$2013/14)

a The same charges apply to houses and units. Units generally have lower consumption than houses.

Note: Bill increases may not add up due to rounding.