

HUNTER WATER DRAFT PRICES FROM 1 JULY 2016

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The Independent Pricing and Regulatory Tribunal (IPART) is seeking feedback on its draft decisions, released today, on the prices that Hunter Water can charge its customers from 1 July 2016 to 30 June 2020.

Typical bills for Hunter Water customers in houses would increase by \$33 for the year starting 1 July 2016, with annual bills then increasing by between \$60 and \$68 per year from 2017-18 to 2019-20, including inflation, under the draft decision. For apartments, typical bills would increase by \$27 in 2016-17, and then by between \$52 and \$58 per year from 2017-18 to 2019-20.

Under IPART's draft decisions, water and sewerage bills for customers in houses would rise by more than what Hunter Water proposed, while bills for apartments would increase by less than what Hunter Water proposed. The impacts on Hunter Water's business customers would depend on how much water they use, how much wastewater they are estimated to discharge to the sewerage system, and the size of their meter.

IPART Chairman Dr Peter Boxall said that while IPART has identified ways for Hunter Water to reduce operating expenditure by \$9 million and capital expenditure by \$23 million, increases in financing costs and changes in how the life-span of Hunter Water's assets are estimated have contributed to increasing costs by \$25 million since Hunter Water lodged its proposal last year.

"In the face of rising costs, the draft decision focuses on finding extra efficiencies in Hunter Water's operations and on reforming the way prices are calculated to reflect the costs different users impose on the system," Dr Boxall said.

"This means that, under the draft decision, cross-subsidies would be removed gradually and customers who receive similar services would pay similar charges."

Dr Boxall said the price review had been brought forward by one year at Hunter Water's request, so smaller increases are proposed for 2016-17 for residential customers in recognition of the smaller increases that would have otherwise occurred.

Hunter Water's prices are being set at the same time as prices for Sydney Water and WaterNSW. As a result, IPART has made a number of proposed changes to ensure greater consistency of regulation. This includes increasing pricing flexibility so large non-residential customers could negotiate unregulated pricing agreements with Hunter Water on mutually beneficial terms.

Stakeholder feedback on the proposed prices for Hunter Water is due by 18 April 2016. Copies of the report are available on IPART's website <<http://www.ipart.nsw.gov.au>>. IPART will release its final determination of prices for Hunter Water in June 2016.

Over the coming months, IPART will also conduct a review of Hunter Water's operating licence, and complete a separate review of wholesale water and sewerage prices.

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