

IPART RELEASES DETERMINATION OF WATER PRICES FOR SYDNEY CATCHMENT AUTHORITY

Embargoed until 10.00 am 19 June 2012

Sydney: 10.00 am 19 June 2012: The Independent Pricing and Regulatory Tribunal (IPART) today released a determination of the maximum prices that the Sydney Catchment Authority (SCA) may charge Sydney Water and its other customers from 1 July 2012 until 30 June 2016.

The revenue that SCA requires to meet its efficient costs will decrease by 7.5% in the first year of the determination period, 2012/13. The decrease in 2012/13 reflects IPART's move to a post-tax weighted average cost of capital. Prices will then increase by slightly more than inflation over the remainder of the determination period.

IPART Chairman Peter Boxall said: "the prices that we have set will allow SCA to continue to carry out its important role of meeting the supply needs of Sydney Water and its other customers and protecting the quality of water in the catchment."

SCA will have different volumetric charges to Sydney Water to account for different water sales when the Sydney Desalination Plant (SDP) is operating and when it is not. A lower volumetric charge will apply when SDP is not operating as SCA's sales to Sydney Water will be higher. When SDP is operating, the volumetric charge will increase to offset SCA's lower sales to Sydney Water. Both volumetric charges will allow SCA to recover its costs which do not change with the operation of SDP.

Dr Boxall said: "we have set different volumetric charges to manage the risk to SCA from the uncertainty in SDP's operation and to ensure that customers pay no more than necessary".

Prices to Sydney Water will have a larger fixed cost component than in the past. 80% of SCA's revenue will be recovered through a fixed charge, rising from 40% in previous determinations. This better reflects SCA's large fixed costs of doing business and is justified due to SCA's dependence on one customer.

SCA's prices to its 3 local council customers - Shoalhaven City Council, Wingecarribee Shire Council, and from 2012, Goulburn Mulwaree Council - will increase on average by 0.5% in 2012/13, which is less than inflation. Prices to these councils will then move in line with inflation over the remainder of the determination period.

Prices for SCA's bulk raw and unfiltered water customers will increase at the rate of inflation over the determination period, as proposed by SCA.

SCA's prices include the expected costs of the Australian Government's carbon price scheme which will commence on 1 July 2012. Carbon price costs represent about 1.9% of SCA's operating costs or about 0.9% of SCA's required revenue.

IPART's report can be viewed on its website <<http://www.ipart.nsw.gov.au>> or obtained by contacting IPART on 9290 8472.

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