



**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

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Price increases for Sydney to curb demand and boost supply of water

The Independent Pricing and Regulatory Tribunal of NSW (IPART) proposes to increase maximum prices that can be charged by Sydney Water for water, wastewater and drainage services. The higher prices will apply from 1 October 2005.

IPART's draft determination, released today, will send signals to water customers about the cost of water and the need to conserve it. This signal is strengthened by charging a higher price to residential customers for water consumed in excess of 400 kilolitres (kL) a year.

For Sydney Water's residential customers, the draft determination is expected to increase the total water and sewerage bill of a customer with average water consumption (250kL a year) by around 5.5 per cent in real terms (or 17 per cent including inflation) by 2008/09.

It will increase the bill of a customer using 500kL a year by 15 per cent (or 28 per cent including inflation) over the same period.

An average water customer could avoid any real increase in their water bill by reducing their consumption by 11.7 per cent (which is slightly less than the reduction in total consumption of 12.1 per cent achieved between October 2003 and the beginning of June 2005 in response to water restrictions).

Households currently pay a usage charge of \$1.013 per kL for all water consumed. Water usage prices will rise to \$1.13 from 1 October 2005 for the first 400 kL a year, increasing to \$1.33 per kL in 2008/9 (including inflation).

Above 400kL a year, residential customers will pay \$1.44 per kL from 1 October 2005, rising to around \$2.00 per kL (including inflation) over the four-years of the determination.

The additional revenue earned by Sydney Water from these higher prices is required to pay for the higher cost of water supply; to maintain existing water and wastewater assets; to cater for population growth; and to fund new demand management initiatives.

IPART Chairman, Dr Michael Keating, said the new price structure reflects the need to save water.

"Even in the absence of drought, Sydney's demand for water exceeds available supply and it is vital we sensibly manage the demand for water," Dr Keating said.

“Our decision to increase prices and to introduce a step price will send signals to large water users that the more you use, the more you pay. Saving water means saving money and helps conserve a scarce resource.”

Dr Keating said that assistance would be made available to large families to help offset the higher prices. Sydney Water already has a comprehensive assistance package that includes free retrofitting of houses and special bill payment arrangements for those in need.

IPART proposes an additional measure. For families of six or more, where one household member holds a Commonwealth health care card, IPART proposes that the second tier price only apply when per capita consumption exceeds 80 kL a year. Water consumption above this level is in excess of Sydney’s average per capita water consumption for a five member household and can be considered discretionary.

The extra revenue will allow Sydney Water to invest over \$423 million in renewing and expanding water mains, \$179 million in recycling schemes in new development areas, \$211 million in wastewater infrastructure, \$290 million to service new urban development, \$352 million on upgrading sewerage treatment plants and \$306 in improving Sydney’s sewer network.

Sydney Water will be required to contribute \$30 million a year to the Water Savings Fund recently established by the Minister for Utilities, Frank Sartor. This fund will support water conservation and demand management initiatives.

IPART will increase Sydney Catchment Authority prices by 12 per cent above inflation for the first year of the determination and after that by 4.5 per cent each year until 2009. In addition, the charge to Sydney Water will be rebalanced to place a greater focus on the volumetric charge. This rebalancing should provide a stronger incentive to Sydney Water to encourage sustainable water use by its customers.

The determination will generate \$633.3 million for the Catchment Authority, which is responsible for Sydney’s drinking water catchments, supplying untreated bulk water to Sydney Water and managing 21 impounding reservoirs, water mains and canals.

IPART’s decision will allow the Catchment Authority to undertake work on the Shoalhaven transfer scheme, construct a by-pass around Tallowa Dam to allow fish to migrate to the upper reaches of the Shoalhaven River, complete major work on Warragamba Dam and construct a pumping station at Prospect Reservoir to ensure back up supply.

The draft determination will be open for public comment until July 15.

Further Information:

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