

REPORT INTO THE REVIEW OF SYDNEY WATER'S PRICES

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The Independent Pricing and Regulatory Tribunal (IPART) today released its final report on the prices that Sydney Water can charge for its services from 1 July 2012 to 30 June 2016.

Prices will be slightly higher than those proposed under the draft determination released in March, but water and sewerage bills for the vast majority of Sydney Water's customers will go up by less than the rate of inflation, falling in real terms from 1 July 2012.

IPART Chairman Dr Peter Boxall said the annual water and sewerage bill of a typical residential house will rise by \$72 by 2016, which is \$29 less than if prices had risen in line with inflation.

For a typical residential apartment the annual water and sewerage bill will rise by \$134, or \$46 plus inflation by 2016, but if the apartment is within Sydney Water's stormwater drainage area the total water, sewerage and stormwater drainage bill increase will be less.

New pricing structures are also being applied to remove inequitable cross-subsidies between different users. The changes introduce a standard annual water service charge of \$94.88 (up from \$77.44 in the draft report) for all residential customers, including apartment owners whose access to water has previously been subsidised by house owners.

Dr Boxall said the changes to the pricing structures are necessary to make the prices paid by each customer fair, and to ensure that costs of water services are accurately reflected in customer bills.

"Pensioners are largely unaffected by the price changes with bills expected to rise by around \$1 a year, plus inflation, due to concessions on the service charges," he said.

Dr Boxall said the final determination allows Sydney Water slightly higher annual revenues than the draft determination (\$145.2 million or 1.6% higher).

"Although lower than that proposed by Sydney Water, we have allowed more revenue due to a small increase in the cost of funds," Dr Boxall said. "We have also considered Sydney Water's submission regarding its ability to deliver an expanded stormwater drainage capital expenditure program and included a higher capital expenditure allowance."

The determination is based on the assumption that desalinated water is not supplied by the Sydney Desalination Plant (SDP) in the four years to 30 June 2016. If the SDP operates, Sydney Water will pay it more and the prices that typical residential customers pay Sydney Water will rise by around \$30 per annum.

"Our decision means that customers only pay extra for the plant's operation when it's necessary," Dr Boxall said.

IPART considers that the prices in the determination will allow Sydney Water to continue to provide quality services, comply with its operating licence and to earn a commercial rate of return and remain financially viable.

The report, *Review of prices for Sydney Water Corporation's water, sewerage, drainage and other services, From 1 July 2012 to 30 June 2016* is available on IPART's website <<http://www.ipart.nsw.gov.au>>.

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Addendum – non-residential customers

The price restructure affects non-residential customers in different ways, depending on the size of their meter and whether it is shared.

Water and sewerage bills for almost half of non-residential customers who have an individual 20mm meter and 260kL water usage a year will increase by the rate of inflation less 2.4% (or a decrease of \$29 in real terms). However, the bills for other non-residential customers with an individual meter larger than 20mm may increase over the determination period. For example, an individually metered non-residential property with a 100mm meter and consuming 10,000 kL of water per year will face a water and sewerage bill increase of about 9.2% plus inflation.

Area-based stormwater drainage charges have been retained from the draft determination but the variable charge for the very largest non-residential properties has been replaced by two fixed price bands. These changes affect only those customers (around 25% of all Sydney Water's customers) who receive stormwater drainage services from Sydney Water. The changes result in price increases for customers with houses and non-residential property sizes of greater than 1,000m².

Dr Boxall said "in response to stakeholders' views we have simplified our stormwater reforms and have included a simpler price structure in the final determination".

Table 1 Prices for water supply services (\$2011/12)

	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Total change
Service charges (\$/year)						
Residential - individual meter	144.79	132.99	120.15	107.49	94.88	-34.5%
Residential - common meter	N/A ^a	70.00	78.29	86.59	94.88	NA
Non residential						
20mm individual meter	144.79	132.99	120.15	107.49	94.88	-34.5%
20mm meter	144.79	138.07	132.09	126.02	120.14	-17.0%
25mm meter	226.24	215.73	206.39	196.91	187.72	-17.0%
32mm meter	370.66	353.45	338.15	322.62	307.56	-17.0%
40mm meter	579.17	552.27	528.36	504.09	480.56	-17.0%
50mm meter	904.95	862.92	825.56	787.64	750.88	-17.0%
80mm meter	2,317	2,209	2,113	2,016	1,922	-17.0%
100mm meter	3,620	3,452	3,302	3,151	3,004	-17.0%
150mm meter	8,145	7,766	7,430	7,089	6,758	-17.0%
200mm meter	14,479	13,807	13,209	12,602	12,014	-17.0%
300mm meter	32,579	31,065	29,720	28,355	27,032	-17.0%
Usage charges (\$/kilolitre)						
Usage - drinking water	2.10	2.10	2.10	2.10	2.10	0%
Usage - unfiltered water	1.78	1.80	1.80	1.80	1.80	1.4%

^a Customers with a shared meter such as apartments currently pay a share of the service charge which is based on the size of the meter. This share depends on the number of units being served by the meter and the size of the meter. Under our determination, all apartments will now pay a set annual service charge.

Table 2 Prices for sewerage services (\$2011/12)

	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Total change
Availability charges (\$/year)						
Residential	539.53	546.34	551.78	556.29	560.85	4.0%
Non residential						
20mm meter (individual)	539.53	546.34	551.78	556.29	560.85	4.0%
20mm meter (shared)	539.53	623.32	720.05	832.25	960.01	77.9%
25mm meter	843.02	973.94	1,125	1,300	1,500	77.9%
32mm meter	1,381	1,596	1,843	2,131	2,458	77.9%
40mm meter	2,158	2,493	2,880	3,329	3,840	77.9%
50mm meter	3,372	3,896	4,500	5,202	6,000	77.9%
80mm meter	8,633	9,973	11,521	13,316	15,360	77.9%
100mm meter	13,488	15,583	18,001	20,806	24,000	77.9%
150mm meter	30,349	35,062	40,503	46,814	54,001	77.9%
200mm meter	53,954	62,332	72,005	83,225	96,001	77.9%
300mm meter	121,396	140,247	162,012	187,256	216,003	77.9%
Usage charge (\$/kilolitre)						
Non-residential	1.49	1.38	1.25	1.12	1.01	-32.4%

Table 3 Prices for stormwater drainage services (\$2011/12)

	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Total change
Stormwater drainage						
Availability charges						
Residential						
Apartments	49.08	48.31	39.60	35.20	29.04	-40.8%
Houses	49.08	48.31	66.00	74.81	79.21	61.4%
Non-residential						
Non-residential strata and 0-200m ²	127.74	125.73	39.60	35.20	29.04	-77.3%
Non-residential 201-1,000m ² ^a	127.74	125.73	105.61	88.01	79.21	-38.0%
Non-residential 1,001-10,000m ²	127.74	125.73	193.61	264.02	396.03	210%
Non-res. 10,001m ² – 45,000m ²	127.74	125.73	880.06	1,320	1,760	1278%
Non-res. > 45,000m ²	127.74	125.73	1,760	3,080	4,400	3345%
Rouse Hill Stormwater Drainage Charge						
Residential	128.58	128.58	128.58	128.58	128.58	0.0%
Non-residential	128.58	128.58	128.58	128.58	128.58	0.0%

^a And customers defined by Sydney Water as low impact

Table 4 Impact of determination on annual water and sewerage bills for residential customers with individual meters (\$2011/12)

Water usage pa	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Total change
100 kL	895	889	882	874	866	-29
change		-0.6%	-0.8%	-0.9%	-0.9%	-3.2%
200 kL	1,105	1,099	1,092	1,084	1,076	-29
change		-0.5%	-0.7%	-0.7%	-0.7%	-2.6%
300 kL	1,315	1,309	1,302	1,294	1,286	-29
change		-0.4%	-0.6%	-0.6%	-0.6%	-2.2%

Note: Totals may not add due to rounding.

Table 5 Impact of determination on annual water and sewerage bills for non-residential customers with individual meters (\$2011/12)

Water usage pa	Meter size	Current (2011/12)	2012/13	2013/14	2014/15	2015/16	Total change
260 kL	20mm	1,231	1,225	1,218	1,210	1,202	-29
%increase			-0.5%	-0.6%	-0.7%	-0.7%	-2.4%
350 kL	25mm	1,628	1,720	1,830	1,959	2,108	479
%increase			5.6%	6.4%	7.0%	7.6%	29.4%
1,000 kL	40mm	4,820	5,090	5,391	5,729	6,107	1,287
%increase			5.6%	5.9%	6.3%	6.6%	26.7%
10,000 kL	100mm	46,354	47,028	47,886	49,075	50,605	4,251
%increase			1.5%	1.8%	2.5%	3.1%	9.2%

Note: Average sewage discharge factors used.

Table 6 Indicative annual water and sewerage charges for strata units sharing a meter (\$2011/12)

Water use (kL pa)	Meter size	Equal strata connections	2011/12	2012/13	2013/14	2014/15	2015/16	Change 2011/12-15/16
75 kL pa per unit	25mm	3	773	486	523	566	615	-158
% increase				-37.1%	7.5%	8.2%	8.8%	-20.4%
350 kL pa per unit	25mm	3	1,351	1,238	1,279	1,323	1,370	19
% increase				-8.4%	3.3%	3.4%	3.6%	1.4%
75 kL pa per unit	25mm	8	726	285	306	328	351	-375
% increase				-60.7%	7.4%	7.2%	7.0%	-51.6%
350 kL pa per unit	40mm	8	1,348	1,354	1,368	1,388	1,415	67
% increase				0.5%	1.1%	1.4%	2.0%	5.0%
75 kL pa per unit	40mm	14	739	375	396	420	447	-292
% increase				-49.2%	5.6%	6.0%	6.4%	-39.5%

Note: Non-residential customers on shared meters will not actually receive a bill from Sydney Water for the amounts shown above. They will receive an invoice from Sydney Water directly for their water and sewerage service charges, but will be paying for their water usage charge via their strata levies.

We have applied an average discharge factor of 79%, calculated from information submitted by Sydney Water in early November 2011 in response to requests from IPART. We have also distributed the free threshold allowance for sewerage evenly between strata units.

Source: IPART analysis.