

## SYDNEY WATER'S CHARGES TO RISE

**Sydney: 27 March 2008:** The Independent Pricing and Regulatory Tribunal (IPART) today released a draft report proposing price increases for water, sewerage and storm-water services supplied by Sydney Water. New prices will apply from July 1, 2008.

In the first year of the determination, bills will increase by \$95 (\$2007/08) or 13 per cent for households consuming an average of 200 KL of water, with water and sewerage services.

IPART Chairman Dr. Michael Keating said that for a household consuming 200kL per year, by 2012 the total bill will increase by \$203 (\$2007/08) per year. This increase is composed of \$92 allocated to the costs of the desalination plant; \$61 for renewal of and additions to existing infrastructure to meet service standards; \$32 for ensuring a credit rating equivalent to investment grade; and \$18 would be directed to Western Sydney recycling.

The \$203 increase for a customer consuming 200kL per year is \$32 less than that proposed by Sydney Water in its submission to IPART.

Commercial and Industrial customers with a 20mm meter that consume 300KL of water per year can expect an increase of \$252 (\$2007/08) or around 29 per cent by 2011/12 in their combined annual water and sewerage bill. Commercial and industrial users with an 80 mm meter that consume 10,000 KL of water per year can expect an increase of \$6,583 or 21.4 per cent by 2011/12.

The increases in revenue will also allow Sydney Water to renew and expand water mains, reduce leakages, invest in wastewater infrastructure and recycled water schemes, and service new urban development.

Dr Keating said: "The increases we have recommended will pay for major capital works such as the desalination plant and water recycling projects. The desalination plant is a major investment and provides an insurance policy against future water shortages arising from droughts," he said.

The usage charge will increase from the current first tier price of \$1.34 per kilolitre to \$1.83 (in dollars of 2007-08) for all water consumed in 2011-12.

IPART recalculated the marginal cost of water arising from the 2004-5 determination and has estimated the current marginal cost of water at the \$1.83 per KL in 2007/08 dollars.

The tariff structure for sewerage, storm-water and other regulated services will remain but will increase in price.

IPART has also decided to replace the inclining block tariff (IBT) for single dwellings and individually metered households that consumed more than 400 KLS of water with a two-part tariff made up of fixed service charge and a single usage charge.

The Tribunal believes the inclining block tariff served its purpose during a period of scarcity. Now that circumstances have changed it is appropriate to remove the higher second tier price as the price of all water rises to that second level.

With the government's decision to build the desalination plant and recent heavy rains that has seen dam storage levels rise to around 65 per cent, The Tribunal believes we no longer face water shortages in the short term.

The proposed increases will allow Sydney Water to achieve a BBB credit rating by 2011-12.

Submissions or comments are due by April 18, 2008. Email on [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au).

**Contact: IPART Chairman Michael Keating 02 92908411.**

**IPART's decision for the draft determination on water charges (\$real, 2007/08)**

	Current (1 July 2007 to 30 June 2008)	1 July 2008 to 30 June 2009	1 July 2009 to 30 June 2010	1 July 2010 to 30 June 2011	1 July 2011 to 30 June 2012
Service charge (\$ per annum) <sup>a</sup>	56.17	64.82	77.38	88.35	101.38
Tier 1 usage charge (\$ per kL)	1.34	1.54	1.72	1.82	1.83
Tier 2 usage charge greater than 1.1 kL per day (\$ per kL) <sup>b</sup>	1.83	1.77	na <sup>c</sup>	na	na

<sup>a</sup> This charge applies to residential properties. For non-residential properties with larger connections, the charge is calculated according to the meter size.

<sup>b</sup> The Tier 2 usage charge applies only to individually metered residential properties. It should be noted that given the seasonality of water consumption, some customers who consume less than 400kL over the year, or approximately 1.1kL/day, may exceed the daily limit in any given quarter and thus be subject to the Tier 2 charge. The Tier 2 usage charge will remain constant at \$1.83 (in nominal dollars) until it is removed.

<sup>c</sup> The Tier 2 usage charge will continue to apply until the Tier 1 usage charge (in nominal dollars) is higher than \$1.83 (in nominal dollars). Whether this occurs in 2009/10 or 2010/11 will depend on the level of CPI increases.

**IPART's decision for the draft determination on sewerage charges (\$real, 2007/08)**

	Current (1 July 2007 to 30 June 2008)	1 July 2008 to 30 June 2009	1 July 2009 to 30 June 2010	1 July 2010 to 30 June 2011	1 July 2011 to 30 June 2012
Service charge (\$ per annum) <sup>a</sup>	407.81	454.15	455.66	461.15	467.21
Usage charge: non-residential properties (\$ per kL) <sup>b</sup>	1.30	1.30	1.30	1.30	1.30

<sup>a</sup> This charge applies to residential properties. For non-residential properties with larger connections, the charge is calculated according to the meter size and discharge factor.

<sup>b</sup> The usage charge applies only to non-residential properties that discharge more than 1.37kL per day multiplied by the number of days in the meter reading period. This equates to 500kL per year.

**Summary of proposed annual bills for individually metered residential properties with water and wastewater services**

Real 2007/08 \$ per year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Change 04/05 to 11/12
<b>water use (kL pa)</b>									
100 kL pa	576.08	596.36	598.83	597.88	672.97	705.04	731.50	751.58	175.51
% increase		3.5%	0.4%	-0.2%	12.6%	4.8%	3.8%	2.7%	30.5%
200 kL pa	687.11	718.85	729.27	731.78	826.97	877.04	913.50	934.58	247.47
% increase		4.6%	1.5%	0.3%	13.0%	6.1%	4.2%	2.3%	36.0%
300 kL pa	798.15	841.34	859.72	865.68	980.97	1,049.04	1,095.50	1,117.58	319.44
% increase		5.4%	2.2%	0.7%	13.3%	6.9%	4.4%	2.0%	40.0%
400 kL pa	909.18	963.82	990.16	999.58	1,134.97	1,221.04	1,277.50	1,300.58	391.41
% increase		6.0%	2.7%	1.0%	13.5%	7.6%	4.6%	1.8%	43.1%
750 kL pa	1,297.80	1,470.60	1,580.36	1,639.38	1,754.93	1,823.04	1,914.50	1,941.08	643.29
% increase		13.3%	7.5%	3.7%	7.0%	3.9%	5.0%	1.4%	49.6%

**Number of residential customers (including units & flats) with consumption recorded for the financial year 2006/07**

<100 kl pa	352,777	22.3%
100-150 kl pa	348,262	22.0%
150-200 kl pa	293,669	18.5%
200-250 kl pa	206,325	13.0%
250-300 kl pa	137,034	8.6%
300-400 kl pa	141,682	8.9%
400-500 kl pa	56,561	3.6%
500-1000 kl pa	44,673	2.8%
over 1000 kl pa	3,982	0.3%
<b>Total residential</b>	<b>1,584,965</b>	<b>100.0%</b>

### Average bills as a proportion of average earnings

Year	Average water & sewerage bill <sup>a</sup> (\$real, 2007/08)	Average earnings NSW <sup>b</sup> (\$real, 2007/08)	Average bill as a proportion of average earnings
1996/97	670.48	41,937	1.6%
1997/98	694.46	42,705	1.6%
1998/99	704.92	43,778	1.6%
1999/00	707.65	44,922	1.6%
2000/01	688.34	44,555	1.5%
2001/02	687.78	44,661	1.5%
2002/03	679.74	45,644	1.5%
2003/04	684.11	46,572	1.5%
2004/05	685.39	47,457	1.4%
2005/06	718.93	47,845	1.5%
2006/07	729.37	48,340	1.5%
2007/08	731.78	49,065	1.5%
2008/09	826.97	49,801	1.7%
2009/10	877.04	50,548	1.7%
2010/11	913.5	51,306	1.8%
2011/12	934.58	52,076	1.8%

<sup>a</sup> Annual water and sewerage bill for a customer that consumes 200kL per annum.

<sup>b</sup> Annual average gross (before tax) earnings of all employees. Average of four quarters ending August.

Source: Australian Bureau of Statistics, *Average Weekly Earnings Australia*, 6302.0, November 2007.

**Note:** Average earnings are assumed to increase at 1.5% per annum from 2006/07 levels (in real terms) from 2007/08 onwards.