

## FEEDBACK SOUGHT ON DRAFT RURAL WATER MANAGEMENT PRICES

**8 March 2016**

The Independent Pricing and Regulatory Tribunal (IPART) is seeking feedback on its draft determination of prices that the Water Administration Ministerial Corporation (WAMC) can charge for its monopoly water management services, currently undertaken on its behalf by DPI Water.

Over the next 4 years from 1 July 2016, DPI Water proposed to reduce the share of its costs recovered from water users by around \$1.4 million a year. IPART is proposing further reductions to DPI Water's revenue raised through its water prices, reflecting opportunities for further efficiency gains. Under IPART's draft prices, the revenue that DPI Water can recover from water users would be cut by around \$3.8 million to about \$41.5 million a year for the next four years, down from \$46.8 million over the previous determination period.

IPART Chairman Dr Peter Boxall said feedback is being sought on whether the draft prices have been set at the right level to ensure that water management is undertaken in the most efficient way, and that the costs of water management are recovered equitably.

"Under our draft prices, the typical bill is forecast to decrease for 17 of the 26 water sources. For the remaining nine water sources, four would increase by less than the rate of inflation, and five would increase above the rate of inflation over the next four years." Dr Boxall said.

"While overall DPI Water's revenue would be lower under our draft decision, typical bills would rise above the rate of inflation in the Gwydir, Peel, Murrumbidgee and Hunter regulated water sources, and the Murrumbidgee groundwater source, because DPI Water is currently under-recovering its costs in these areas. In these water sources, we are proposing a gradual transition towards full cost recovery."

"DPI Water has improved its internal business processes, however IPART considers there is scope for DPI Water to be more efficient, and that water licence holders should not be paying any more than necessary."

"Relative to DPI Water's proposal, we are also reducing the amount recovered from water users for contributions made to the Murray-Darling Basin Authority over the next four years, pending greater transparency about the efficiency of these contributions."

"As a result, we are proposing prices to reduce the forecast revenue DPI Water will collect from water licence holders," Dr Boxall said.

IPART is also proposing to transition to higher minimum annual charges over the next four years, from \$105 in 2015-16 to \$150 in 2016-17 and to \$200 by 2019-20 (excluding inflation). This is to better reflect DPI Water's minimum compliance, customer and billing management costs for each licence, whilst not overburdening smaller licence holders.

IPART is seeking comments from stakeholders on its Draft Report and Draft Determination. Submissions are due by 4 April 2016. IPART will finalise its Determination in June 2016.

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