

# Pricing Determination 2012

IPART Public Hearing

November 2011

# Desal - on time, under budget





# Major Recycling Projects



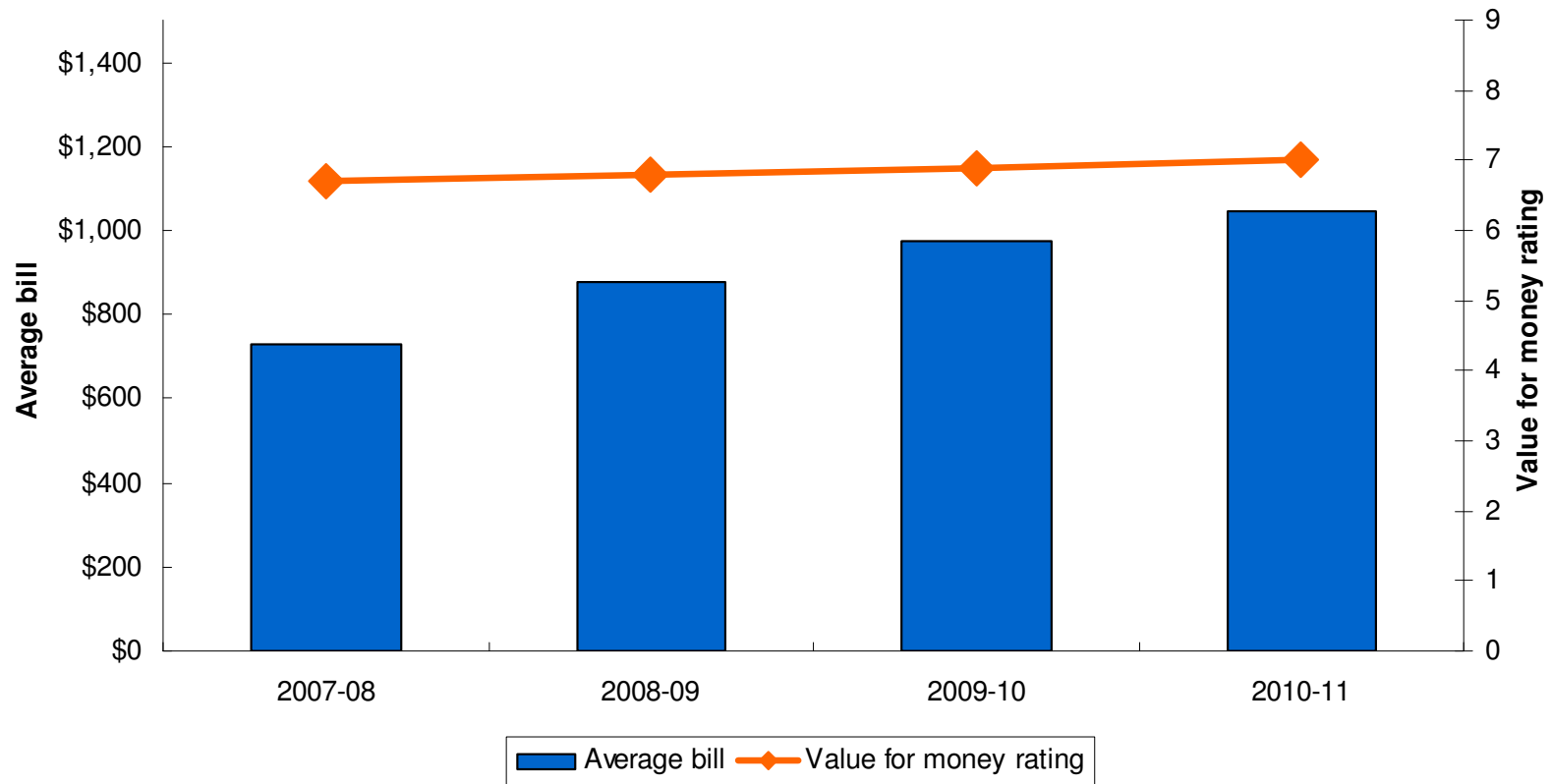
# Water efficiency



# Over the last determination

- Improved water security
- Full compliance with Operating Licence
- Prices increases
  - 34.8 per cent real increase - \$819 in 2007-08 to \$1,105 in 2011-12 (\$2011-12)

# Customers have supported us

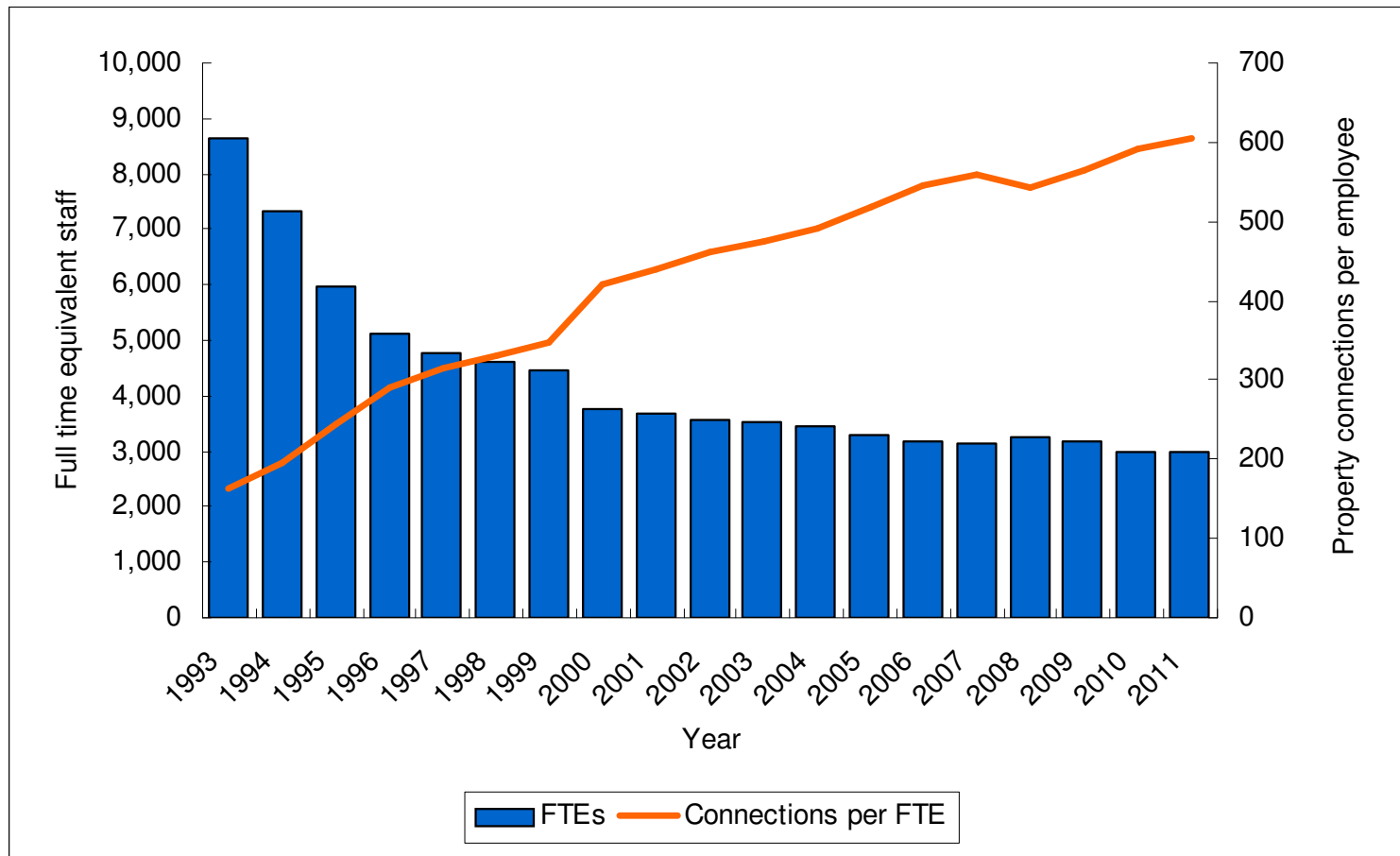


# Sydney Water's performance

- Operating costs and capital costs within one percent of forecast
- Productivity up

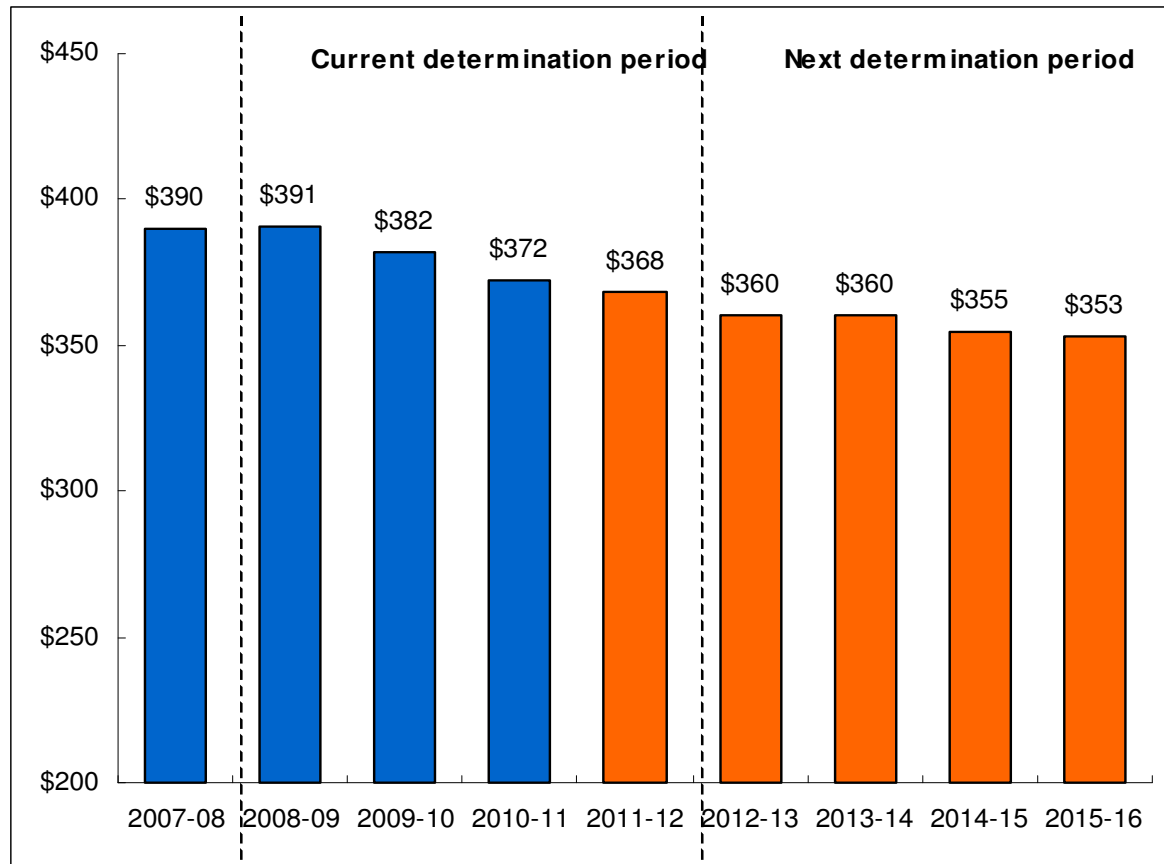


# Employment and labour productivity





# Underlying operating cost per connection



# But under-recovery of revenue

- One billion dollars less than necessary for cost recovery since 2005-06
- Drought persisted longer than anyone forecast

	Prior determination period			Current determination period				
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
IPART notional revenue	1,548	1,630	1,704	1,903	2,204	2,332	2,451	13,773
Actual revenue	1,417	1,503	1,528	1,831	2,080	2,202	2,292	12,852
<b>Under-recovery</b>	<b>-131</b>	<b>-127</b>	<b>-176</b>	<b>-73</b>	<b>-124</b>	<b>-131</b>	<b>-160</b>	<b>-920</b>

# The next price determination

- Significant operational efficiencies over the determination
  - \$139 million cumulative by 2015-16 compared to 2011-12 forecast
  - overall operating costs stable despite non-controllable cost increases
- Capital expenditure returning close to trend
  - approx. \$3 billion over 4 years

# Some costs are increasing

- Contractors (\$136 m)

- Facilities maintenance (pumping stations & treatment plants)
- Trunk main repairs (accounting change – was capex)
- IT application support

- Energy (\$98 m)

- Carbon tax and higher prices

- Chemicals (\$16 m)



# Efficiencies

## Planned savings and efficiency gains (\$m, \$2011-12)

	2012-13	2013-14	2014-15	2015-16	Total
Labour savings	13.2	17.8	22.4	26.2	79.6
Total savings in forecast operating costs	23.3	30.8	41.0	43.7	138.8

# Operating efficiency savings

- asset creation improvement process
  - more efficient planning and building of assets
- modern mobile workforce
  - Single person first response
  - GPS in vehicles (improved scheduling, reduced travel times)
  - area based maintenance delivery
- operational improvements program
  - improved planning and work practices in mechanical and electrical maintenance

# Operating efficiency savings

- road restoration costs
- vehicles, plant and equipment
- inventory management
- doing maintenance just-in-time (risk-based)
- reduced water main breaks (from pressure mgt program)
- energy efficiency and biosolids transport projects

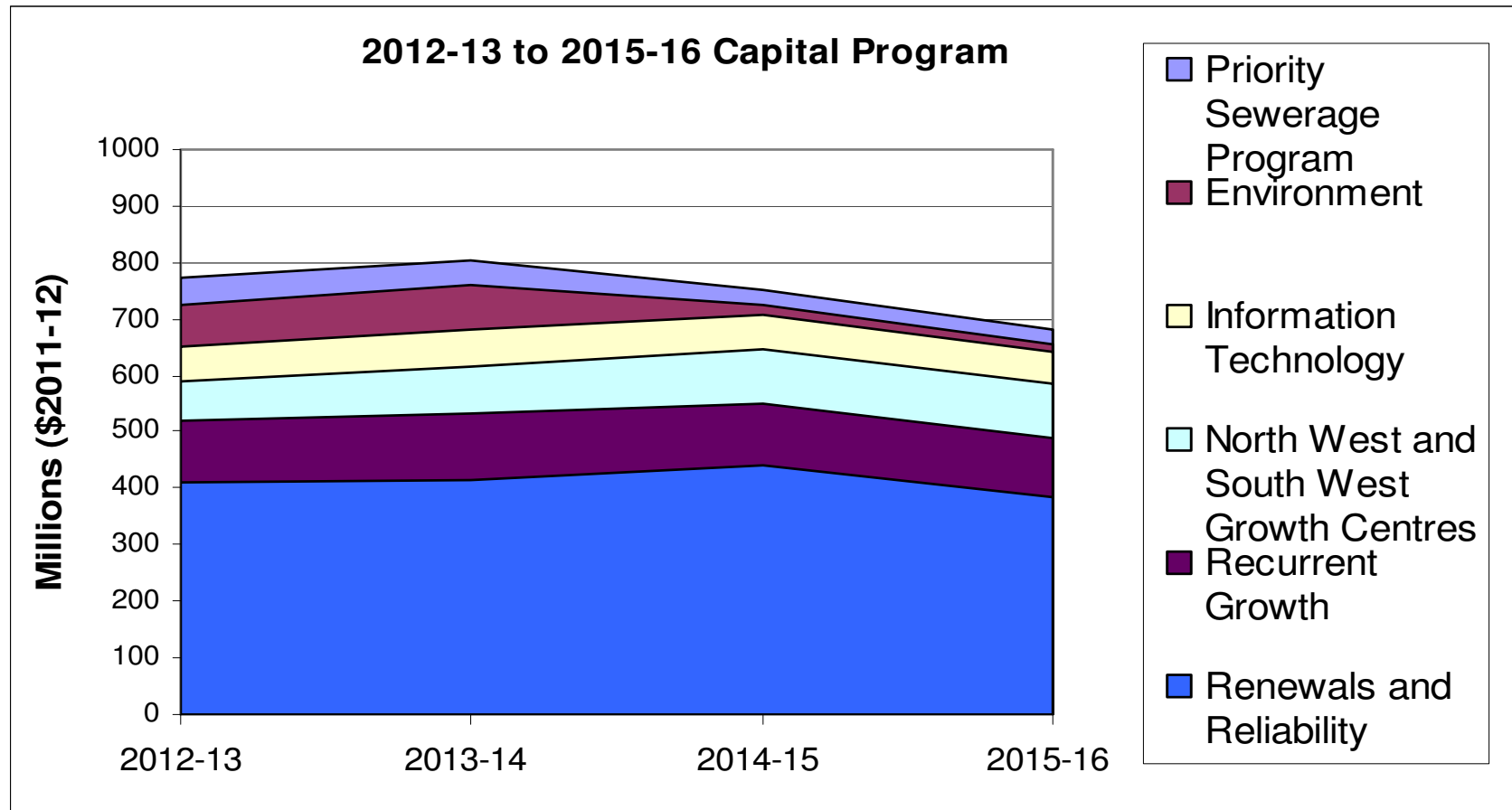
# Capital expenditure

## Capital expenditure 2012-13 to 2015-16 (\$ 2011-12)

	2012-13	2013-14	2014-15	2015-16	Total
Maintaining and renewing assets	415	420	440	382	1,657
Growth	176	194	204	200	774
Overflow abatement, mandatory standards Priority Sewerage program	147	155	78	69	450
Business Efficiency	35	33	29	29	126
<b>Total</b>	<b>773</b>	<b>802</b>	<b>751</b>	<b>680</b>	<b>3,006</b>



# Capital expenditure



# Three main price pressures:

- Maintaining and renewing assets
  - Underlying intergenerational pressure on prices
- Providing for growth
  - Including abolition of developer charges
- Prices currently set on unrealistically high volumes

# Proposed prices

## Prices for water and wastewater services (\$ 2011-12)

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Water</b>					
Usage (\$/kL)	2.103	2.200	2.250	2.300	2.350
Service (\$/year)	144.79	162.64	162.64	162.64	162.64
<b>Wastewater</b>					
Service (\$/year)	539.53	605.82	618.40	629.00	638.84

# Bill impacts

## Annual residential water and wastewater bill (\$ 2011-12)

	2011-12	2012-13	2013-14	2014-15	2015-16
100 kL/year	895	988	1,006	1,022	1,036
200 kL/year	1,105	1,208	1,231	1,252	1,271
		9.3%	1.9%	1.7%	1.5%
					15.0%
300 kL/year	1,315	1,428	1,456	1,482	1,506



# Breakdown of bills



# Breakdown of bill increase

## Breakdown of the total annual bill increase by 2015-16

Driver of increase	Indicative proportion (\$)
Maintaining and renewing assets	55.00
Servicing urban growth	45.00
Demand adjustment	41.00
Overflow abatement, meeting standards and Priority Sewerage Program	15.00
Other, including carbon tax	10.00
<b>Total</b>	<b>166.00</b>

# Price structure

- IPART proposes applying a common water service charge to all residential properties
- Sydney Water supports the change
  - currently some units pay \$3.20 a year in service charges while others pay over \$140
  - a two year transitional period proposed to manage impacts

# Improved payment assistance

## New Payment Assistance Strategy (2010-15)

- Payment Assistance Policy & Program
- Payment Assistance Manager & Support specialist
- Customer Assistance (Hardship) Program team- BillAssist
- Improved products and services:
  - BillAssist
  - PAS review and enhancements
  - more assistance options including bill smoothing
  - telephone Centrepay registration
  - enhanced NILS funding
  - PlumbAssist – hardship targeted plumbing program
  - hardship donations program
  - education and outreach program (2012)