

SYDNEY WATER'S CHARGES TO RISE

Sydney: 16 June 2008: The Independent Pricing and Regulatory Tribunal (IPART) today released its final report setting out the prices that Sydney Water can charge for water, sewerage and stormwater services for the four years commencing 1 July 2008.

In the first year of the determination, bills for water and sewerage services will increase by \$126 or 17 per cent for households consuming the average amount of 200 KL of water a year. This amounts to an increase of \$2.42 a week.

IPART's Chief Executive and full time Tribunal member, Mr Jim Cox, said that for households consuming 200kL per year, the total bill will increase by \$245 (plus inflation) per year by 2012.

This increase is made up of \$103 for the costs of the desalination plant; \$63 for renewal of and additions to existing infrastructure to meet service standards; \$60 for improving financial viability; and \$19 will be directed to recycled water projects.

Commercial and Industrial customers with a 20mm meter that consume 300KL of water per year can expect an increase of \$300 or around 34 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 \$7,975 or 25 per cent by 2011/12.

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

Mr Cox said: "The price increases are necessary to support capital works such as the desalination plant and a range of other projects, which will provide an insurance policy against water shortages in the future."

The usage charge will increase from the current first tier price of \$1.38 per kilolitre to \$1.93 (in dollars of 2008-09) for all water consumed in 2011-12.

IPART has estimated the marginal cost of water to be \$1.93 per KL in 2008/09 dollars. This represents an increase of 10 cents per KL over the amount calculated at the time of the Tribunal's draft report in March 2008.

IPART will replace the inclining block tariff (IBT) for single dwellings that consume more than 400 KLs of water with a two-part tariff made up of fixed service charge and a single usage charge.

IPART considers that the inclining block tariff has served its purpose during a period of scarcity.

The Government has decided to build a desalination plant and recent heavy rains have seen dam storage levels rise to around 65 per cent, IPART therefore considers that Sydney no longer faces

water shortages in the medium term. These circumstances, and IPART's decision to increase the usage price for all water, justify the removal of the second tier price.

The price of a sewerage service for residential customers will increase by \$75.80 from \$419.19 in 2007/08 to \$494.99 in 2011/12 (\$ of 2008/09).

Stormwater charges will increase only by changes in the CPI over the period to 2012.

The \$245 a year increase for a household consuming 200kL per year is \$4 more than that proposed by Sydney Water in its submission to IPART.

This reflects changes in allowable costs since the draft report, including an increase in Sydney Water's Weighted Average Cost of Capital (WACC) to 7.5 per cent due to increases in interest rates and other changes in financial conditions. IPART had assessed Sydney Water's WACC at 7.1 per cent for the draft report.

The proposed increases will allow Sydney Water to achieve at least a BBB+ credit rating in each year of the price path.

The Final Determination and Report, *Review of prices for Sydney Water Corporation's water, sewerage, stormwater and other services* is available on IPART's website www.ipart.nsw.gov.au.

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IPART's decision on water charges (\$real, 2008/09)

	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
Draft decision					
Service charge (\$ per annum) ^a	57.74	66.85	79.85	91.17	104.62
Tier 1 usage charge (\$ per kL)	1.38	1.59	1.78	1.88	1.89
Tier 2 usage charge greater than 1.1kL per day (\$ per kL) ^b	1.88	1.83	na	na	na
Final decision					
Service charge (\$ per annum) ^a	57.74	75.70	90.96	105.86	116.39
Tier 1 usage charge (\$ per kL)	1.38	1.61	1.80	1.90	1.93
Tier 2 usage charge greater than 1.1kL per day (\$ per kL) ^b	1.88	1.83	na	na	na

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

^b 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 continue to apply until 1 July 2009, when it will be replaced by the Tier 1 usage charge.

IPART's decision on sewerage charges (\$real, 2008/09)

	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
Draft decision					
Service charge (\$ per annum) ^a	419.19	468.68	470.24	475.91	482.16
Usage charge: non-residential properties (\$ per kL) ^b	1.33	1.33	1.33	1.33	1.33
Final decision					
Service charge (\$ per annum) ^a	419.19	480.31	482.30	488.38	494.99
Usage charge: non-residential properties (\$ per kL) ^b	1.33	1.37	1.37	1.37	1.37

^a 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.

^b 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 annual bills for individually metered residential properties with water and wastewater services

Real 2008/09 \$ per year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Change 04/05 to 11/12
water use (kL pa)									
100 kL pa	592	613	616	615	717	753	784	804	212
% increase		3.5%	0.4%	-0.2%	16.7%	5.1%	4.1%	2.6%	35.8%
200 kL pa	706	739	750	752	878	933	974	997	291
% increase		4.6%	1.5%	0.3%	16.7%	6.3%	4.4%	2.4%	41.2%
300 kL pa	820	865	884	890	1,039	1,113	1,164	1,190	370
% increase		5.4%	2.2%	0.7%	16.8%	7.1%	4.6%	2.2%	45.1%
400 kL pa	935	991	1,018	1,027	1,200	1,293	1,354	1,383	449
% increase		6.0%	2.7%	1.0%	16.8%	7.8%	4.7%	2.2%	48.0%
750 kL pa	1,334	1,512	1,624	1,685	1,841	1,923	2,019	2,059	725
% increase		13.3%	7.5%	3.7%	9.2%	4.5%	5.0%	2.0%	54.3%

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%
Total residential	1,584,965	100.0%

Average bills as a proportion of average earnings

Year	Average water & sewerage bill ^a (\$real, 2008/09)	Average earnings NSW ^b (\$real, 2008/09)	Average bill as a proportion of average earnings
1996/97	689	43,107	1.6%
1997/98	714	43,897	1.6%
1998/99	725	44,999	1.6%
1999/00	727	46,176	1.6%
2000/01	708	45,798	1.5%
2001/02	707	45,907	1.5%
2002/03	699	46,918	1.5%
2003/04	703	47,872	1.5%
2004/05	706	48,781	1.4%
2005/06	739	49,180	1.5%
2006/07	750	49,689	1.5%
2007/08	752	50,434	1.5%
2008/09	878	51,191	1.7%
2009/10	933	51,958	1.8%
2010/11	974	52,738	1.8%
2011/12	997	53,529	1.9%

a Annual water and sewerage bill for a customer that consumes 200kL per annum.

b 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.