

IPART Bulk Water Pricing Determination, September 2006

Frequently Asked Questions

1. Who is IPART?

The Independent Regulatory and Pricing Tribunal (IPART) is an independent economic regulator that sets maximum prices for monopoly services such as water, gas and electricity, in New South Wales.

More information on IPART is available at www.ipart.nsw.gov.au

2. What does State Water Corporation (State Water) do?

State Water is the bulk water delivery business in NSW, supplying water to regional and rural NSW. On 1 July 2004 it became a state-owned corporation under the *State Water Corporation Act 2004*. State Water maintains and operates the large irrigation dams, weirs and regulators on 12 regulated river systems in NSW. State Water manages customer water accounts, delivering water on-order to its 6500 customers state-wide.

In NSW, the functions of water resource policy and regulation have been separated from the functions of resource operation, in accordance with the Council of Australian Governments (CoAG) Agreement, National Competition Policy (NCP) and the National Water Initiative (NWI). The Department of Natural Resources (DNR) is the water resource policy and regulatory agency.

More information on State Water is available on this website.

3. Why did State Water Corporation (State Water) need to make a bulk water pricing submission to IPART?

In accordance with CoAG, NCP and the NWI principles, State Water needs to recover the costs of providing its services to its customers. Prior to 1994, the government used to set bulk water prices, but since 1995, IPART as the NSW pricing regulator sets bulk water prices. In accordance with the Determination process, State Water made a pricing submission to IPART in October 2005, clearly identifying all the requirements, services and costs.

State Water's submission is available at www.ipart.nsw.gov.au/water/water.asp

4. What has happened since State Water made their submission and when do the new water prices become effective?

Between October 2005 and February 2006, several workshops and a public hearing were held to allow all stakeholders an opportunity to present their views. Several studies were commissioned by IPART to assess State Water’s claims. A draft Determination was released in May to allow a final opportunity to all the stakeholders. After a public hearing at the end of June 06, the final determination was handed down in September. The new bulk water prices become effective on 1 October 2006.

More information on the process is available in the IPART Water Report on page 13.

| May | June | July | Aug | Sept | Oct | Nov | Dec |
|-------------------------------|---------------------------|------------------|---|---------------------------------|--------------|-----|-----|
| 05/06 Water Year | | 06/07 Water Year | | | | | |
| 31 May Draft Determination | 30 June Public Hearing | Reviews | 12 September Final Determination Gazettal | 1 Oct 2006 New Prices Effective | | | |
| 05/06 PRICES | | | | | 06/07 PRICES | | |

5. What does it mean to me now that IPART has set the maximum prices?

The new prices will be effective from 1 October 2006. A *Ready Reckoner* (www.statewater.com.au/water_pricing.htm) is available and may help you to compare the 2006/07 charges against the 2005/06 charges. For the first quarter of 2006/07, the old 2005/06 prices will apply.

State Water charges will increase on average by CPI + 5.8% a year over the next four years. Four valleys (Peel, Toonumbar, Brogo, Hunter) will not get to full cost recovery, recognising the customers’ ability to pay. In reviewing all submissions during the determination process, IPART has taken into consideration the ability of water users to absorb price increases, as well as National Water Initiative commitment to full cost recovery.

From 2006/07 onwards, prices have been set to reduce State Water’s fixed revenue and increase its revenue from actual water usage. This means that in dry years when usage is low, then water bills will be low.

6. What are the major changes?

New Prices – there is an increase in bulk water prices (average of CPI + 5.8%). Some prices go up whereas some reduce. Generally, the impact is reduced considerably for low water use. The two-part tariff remains, with an entitlement price per megalitre or share, and a usage price per megalitre of water used.

High Security Premiums – High Security prices will attract the same premium as that specified in the Water Sharing Plan for the valley.

Fixed and Variable prices – The two-part tariff will continue, but with a much greater emphasis on cost-recovery through usage charges. As usage increases, the total charges increase in all valleys.

Cost Sharing between customers and the government remains, with the legacy cost of dam safety compliance fully borne by government, environmental compliance and OH&S compliance borne 50% each. The government will also bear 10% of the cost of major maintenance.

Performance Indicators - New efficiency levels for State Water have been set by IPART, along with clear reporting requirements to Customer Service Committees and to IPART.

Wholesale Discounts for the Irrigation Companies are replaced by cash rebates.

Conveyance Licence Charges - Coleambally Irrigation and Murrumbidgee Irrigation Conveyance Licences now attract charges, but at a sliding scale discounted rate.

Billing on a quarterly basis has been introduced by State Water for the first quarter on 2006/07 using the old prices. The second quarter bills to be issued in January 2007 will use the new prices.

Detailed Fact Sheets on these changes are available.

(www.statewater.com.au/water_pricing.htm)

7. Who can I talk to?

For more information on local issues or to discuss impacts of the new prices on your business contact your local Customer Service Officer, Customer Service Committee, or Customer Service Manager in your area.

| Area | Customer Service Manager | Phone number |
|-------------|------------------------------------|---------------------|
| North | Jubrahil Khan | 02 6751 2700 |
| Central | Sri Sritharan (IPART Spokesperson) | 02 6841 2063 |
| South | Stephen Moore (Acting CSM) | 02 6953 0748 |
| Coastal | Greg Hillis | 02 6542 4403 |

For billing enquiries call the State Water Billing Team toll free on 1800 353 091 or email: swace@statewater.com.au.

8. Where can I get more information?

Fact sheets (www.statewater.com.au/water_pricing.htm) and other information are available on our website.

Further billing information will be available with your next bill. A billing information sheet www.statewater.com.au/water_pricing.htm is also available.

For more information on the IPART pricing process visit the IPART website at www.ipart.nsw.gov.au. Go to "Water", click on the link to "Bulk Pricing", then click on the link to "Review of Bulk Water Prices from 2006/07", alternatively use the following link:

http://www.ipart.nsw.gov.au/investigation_content.asp?industry=3§or=6&inquiry=89