

Hunter Water price review -

Final Report and prices — residential customers



14 June 2016



WHAT

IPART has released its decisions on Hunter Water's prices for:

- ▼ water
- ▼ sewerage
- ▼ stormwater drainage, and
- ▼ other services, including trade waste and miscellaneous services.

Our prices will result in residential customers' annual bills increasing by around 2% in 2016-17 and around 5% each year thereafter until 2019-20, including inflation. Our focus was on finding efficiencies in Hunter Water's operations and reforming prices to better reflect the costs different users place on the system.



WHY

Prices set for Hunter Water at our last review were to conclude on 30 June 2017. At Hunter Water's request, we brought forward the timing of this price review.

Our prices ensure customers pay no more than is necessary for the services they need.



HOW

IPART has followed its established price review process, undertaking an extensive investigation and public consultation by, releasing an Issues Paper and Draft Report and holding a public hearing. In making our decisions, we have considered all submissions to the review.

We engaged [a consultant to review Hunter Water's capital and operating expenditure proposals](#). We then set prices to raise the revenue Hunter Water requires to recover its prudent and efficient costs of delivering its services.

All prices in this Fact Sheet are presented in \$2015-16 (ie, excluding inflation), unless stated otherwise.



WHEN

New prices take effect on 1 July 2016 and will apply for a 4-year period.



LEARN MORE

Our reports, stakeholder submissions, the transcript from the public hearing, and consultants' reports are available on our [website](#).

The [Final Report and Determination](#) can be accessed on our website, along with other materials relating to the review, including a separate Fact Sheet that outlines our recommended dishonoured or declined payment fee.

1 IPART's prices

Under our determination of Hunter Water's maximum prices, residential customers' water and sewerage bills will increase over the 4-year determination period. This is because of our decisions on Hunter Water's efficient costs (including increases in financing costs), and its price structures. We consider that Hunter Water's prices need to increase to ensure it can fund the efficient costs of providing its regulated services to its customers.

Prices for residential customers are also rising because we have changed the price structure to rebalance Hunter Water's costs across its customer base. The new price structure seeks to remove cross-subsidies so customers pay similar prices for similar services. Previously, residential customers paid less than their share of costs for water and sewerage services, and more than their share of costs for stormwater services.

Residential customers pay Hunter Water a per kL consumption-based water usage charge, fixed water and sewerage service charges, an Environment Improvement Charge (EIC) (excluding pensioners), and, in some cases, a fixed stormwater service charge. Table 1 shows our price decisions for major services, which include:

- ▼ Maintaining the current water usage charge at \$2.22 per kL.
- ▼ Decreasing the sewerage discharge allowance for residential (house) customers from 150 kL to 120 kL per year from 2016-17.
- ▼ Continuing to increase the sewerage service charge for apartments relative to houses, so that by 2019-20 apartments will pay 82.5% of the sewerage service charge applicable to houses.
- ▼ Rebasing water and sewerage service charges and continuing the transition towards area-based stormwater charges, to remove cross-subsidies between residential and non-residential customers.
- ▼ Maintaining the EIC at \$38.37 per year.
- ▼ Introducing a low-impact customer category for stormwater charges for residential customers equal to the charge for apartments (from 1 July 2017).

Table 1 Prices for major services from 1 July 2016 (\$2015-16) – without inflation

Residential prices	2015-16	2016-17	2017-18	2018-19	2019-20
Water					
Usage charge (\$/kL)	2.22	2.22	2.22	2.22	2.22
Service charge (\$/year)	17.75	25.36	49.43	71.14	93.95
Sewerage					
House service charge (\$/year) ^a	593.58	596.58	598.07	602.26	606.01
Apartment service charge (\$/year)	430.35	447.43	463.51	481.81	499.96
Environmental Improvement Charge (EIC) (\$/year)	38.37	38.37	38.37	38.37	38.37
Stormwater					
Multi premise or low impact (\$/year)	26.59	26.84	27.08	27.33	27.57
Standalone (\$/year)	71.86	72.53	73.2	73.87	74.51

^a Includes the lower deemed discharge allowance of 120 kL per year from 2016-17 onwards.

We have also accepted Hunter Water’s proposed miscellaneous and ancillary charges.¹ Appendix F in our Final Report contains a complete list of miscellaneous and ancillary prices.

2 Indicative impacts on residential customer bills

The impacts of our prices on overall bills will vary depending on a residential customer’s water usage and whether they live in a house or apartment. Bill impacts will also vary depending on whether customers pay stormwater charges to Hunter Water.²

Table 2 shows indicative annual bills. Over the 4-year period from 2016-17 to 2019-20:

- ▼ A customer in a house using 185 kL of water per year will face a water and sewerage bill increase of around 18.2%, including inflation.
- ▼ A pensioner in a house using 150 kL of water per year will face a water and sewerage bill increase of around 19.8%, including inflation.
- ▼ A customer in an apartment using 150 kL of water per year will face a water and sewerage bill increase of around 28.5%, including inflation.

We were mindful of the smaller price increases that would have occurred if the pricing review had not been brought forward by one year, and so smaller increases are proposed for 2016-17 to ease the transition for residential customers.

Table 2 Annual water, sewerage and stormwater bills for residential customers (\$nominal) — with inflation

Customer type	2015-16	2016-17	2017-18	2018-19	2019-20	Change 2016-2020	
						IPART decision	HW proposal
House (185 kL)	1,060	1,085	1,139	1,195	1,253	193	110
<i>Annual change</i>		2.3%	4.9%	4.9%	4.9%	18.2%	10.4%
House (185 kL) with stormwater	1,132	1,158	1,215	1,273	1,335	202	123
<i>Annual change</i>		2.3%	4.9%	4.8%	4.8%	17.9%	10.8%
Pensioner in a house (150 kL)^a	670	687	723	762	802	132	69
<i>Annual change</i>		2.5%	5.4%	5.3%	5.3%	19.8%	10.3%
Pensioner in a house (150 kL)^a with stormwater	742	760	799	841	884	142	81
<i>Annual change</i>		2.5%	5.2%	5.1%	5.1%	19.1%	11.0%
Apartment (150 kL)	819	855	918	984	1,053	234	265
<i>Annual change</i>		4.4%	7.4%	7.1%	7.0%	28.5%	32.3%
Apartment (150 kL) with stormwater	846	882	946	1,013	1,083	237	269
<i>Annual change</i>		4.3%	7.3%	7.0%	6.9%	28.0%	31.8%

^a A pensioner in a house who is eligible to receive the pensioner rebate from Hunter Water.

Note: These bills (excluding pensioners) include the EIC. Our estimate of inflation is 1.3% for 2016-17 and 2.5% each year thereafter, in its June 2015 proposal, Hunter Water assumed inflation of 2.5% per year over 2016-17 to 2019-20.

¹ With one adjustment to correct the calculation of the ‘metered standpipe hire triannual fee’.

² Only some of Hunter Water’s customers are within its stormwater area. Instead, local councils are the main providers of stormwater services in Hunter Water’s area of operation.