



# Q&A pricing proposal

For prices from 1 July 2016

Sydney Water has submitted a pricing proposal to IPART, which recommends lower bills for customers from 1 July 2016.

## What is happening?

The Independent Pricing and Regulatory Tribunal (IPART) reviews and sets prices for water, wastewater and stormwater services generally every four years. Sydney Water is proposing to lower prices and bills for customers over the next four years in our pricing proposal to IPART.

## What is Sydney Water proposing?

Sydney Water's submission, lodged with IPART, proposes to:

- **reduce customer bills**, while still delivering high quality services
- **enhance customer engagement**, so we can better align our services to meet customer expectations
- **modernise regulation**, so we can deliver better outcomes for customers.

## How much will customers save?

Most households will save about \$100 each year, for the next four years.

Compared with the 2015–16 average bill, residential customers will save:

- \$105 or 8.6% (for customers in single residential homes)
- \$86 or 7.9% (for customers in residential flats).

Overall, of our non-residential customers:

- 43% will receive up to a 10% saving
- about 50% will receive a 15–17% saving
- about 7% will see a 35–39% saving.

## Why is Sydney Water proposing lower bills?

We believe our customers should benefit from the savings we have been able to make. We are able to propose a reduction in bills because:

- we are passing through savings from lower interest rates
- we have saved over \$450 million since 2012 by being more efficient
- we expect lower costs in buying water.

## What other changes is Sydney Water proposing?

We are planning to change how we charge for our services, to better reflect what customers have told us they prefer. We propose in real terms over the four years:

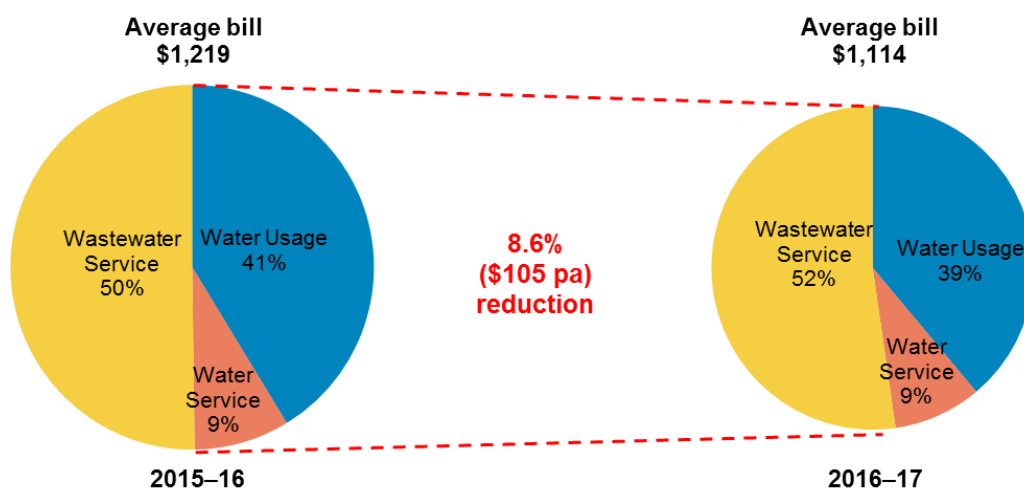
- a \$1.97kL water usage price
- a fixed annual water service charge of \$98.52 a year.

We are also proposing some changes to how we are regulated to deliver better value for customers. The improvements we are proposing will:

- allow us to share savings between customers and our business and pass through costs as they happen
- give us flexibility to set our own prices within a limit to better meet customer needs.

## How will this affect how my bill is made up?

Within an overall lower bill for residents, the wastewater service charge will account for slightly more of the bill (52%), and the water usage charge slightly less (39%).



## What if I'm having trouble paying my bills? Can Sydney Water help?

Yes, we provide a range of assistance programs to ensure customers experiencing financial difficulties have the support they need.

By providing flexible payment arrangements and tailored assistance for customers we help to remove some of the pressures associated with paying bills.

Under the BillAssist® program, our team of qualified professional case coordinators work with residential customers experiencing financial hardship. We provide personalised support, advice and payment assistance, and refer customers to other specialist services.

Further information on how to receive assistance can be found on our website, [sydneywater.com.au](http://sydneywater.com.au) or by calling our customer contact centre on 13 20 92.

### **What does the new proposal mean for pensioner rebates?**

Sydney Water provides concessions on water, wastewater and stormwater drainage service charges to recipients of the CentreLink Pensioner Concession Card and certain Department of Veterans' Affairs cards.

Through this scheme eligible home owner-occupiers (ie pensioners) currently receive a rebate of 100% on water, 83% on wastewater and 50% on stormwater service charges.

It is envisaged that the wastewater service rebate percentage for pensioners will change as a result of the price reductions that we have proposed. Subject to the final prices determined by IPART, Sydney Water will make the appropriate adjustments to the rebate percentage for pensioners. We expect that for the typical pensioner bills will go down by 8.4%.

### **What happens if I pay my bill late? Will I be charged a fee?**

As part of our Operating Licence review conduct last year, Sydney Water requested the ability to charge a late fee. It will be up to IPART to determine what Sydney Water could charge, if anything, for this late fee. This will be determined following IPART's consultation process.

We are proposing the approval of a small late fee for customers who have unpaid bills and are not referred to one of our hardship programs.

This allows Sydney Water to recover the costs associated with unpaid bills, without having to pass this cost back onto the whole customer base in increased prices.

### **What is Sydney Water proposing for recycled water prices?**

Sydney Water is proposing a drinking water usage price that is lower by 13.9% than the level in 2015–16. Following IPART's guidelines, we set recycled water charges at 80% of what we charge for drinking water. We believe that if we continue to set the recycled water usage price like this when the drinking water price is much lower, we increase the risk that recycled water revenues will be too low to recover costs. To reduce this risk, we propose to set the recycled water usage price at 90% of the charge for drinking water from 2016–17.

### **What is Sydney Water proposing for Rouse Hill stormwater customers?**

We provide stormwater services and bill customers a service charge for stormwater drainage in the Rouse Hill area. In this submission, we propose to maintain the charge in real terms at \$140.33 a year (\$2015–16) for the next four years.

## **What is Sydney Water proposing for new properties in Rouse Hill?**

As part of its 2012 determination, IPART established a new charge to recover a portion of Sydney Water's capital costs for the Rouse Hill trunk drainage system, known as the Rouse Hill Land Charge. We were to apply the charge to all new properties that connected to our services between July 2012 and June 2022. The Rouse Hill Land Charge, was initially set at \$969 a year (\$2012–13). In 2013, after public concerns about the charge, Sydney Water agreed with the NSW Government to lower the land charge to \$237 a year (\$2013–14). We propose to maintain the Rouse Hill land charge in real terms at \$237 a year.

## **Does reducing bills mean we're reducing investment in our network?**

No. We are committed to improving the service we provide and the way in which we engage with customers.

Over the last four years we've been able to make some significant efficiency gains as a business, without compromising the quality of service we offer our customers.

We would not be proposing any reduction in prices if we didn't believe we could continue to provide high quality services to our customers. Our customer satisfaction over the last four years has increased, and our aim is to improve on this rating in the coming four years.

## **Will I be able to have my say on the proposal?**

Yes. IPART will consult the public and other parties before finalising and approving our proposal. The details and timings of this consultation period will be announced by IPART shortly.

We encourage everyone to read our proposal and provide feedback to IPART when the opportunity arises.

## **What happens if there are changes in the economy before your proposal is approved?**

We have undertaken a rigorous process in the development of this proposal. However, IPART will undertake its own independent assessment of our costs and any changes in economic conditions when setting its final determination for Sydney Water's prices next year.

Sydney Water remains committed to striving to keep bills as low as possible, while continuing to provide high quality services.

## **The proposal talks about changing regulation, what exactly are you proposing and why?**

Sydney Water is proposing regulatory changes that will benefit customers as well as our business over the longer term.

We are proposing the introduction of an efficient benefit sharing scheme, which means we keep the savings we make for slightly longer before they are shared with customers. This gives us a stronger driver to reduce costs, which leads to lower bills for customers in the future.

Our proposal also includes the flexibility for Sydney Water to set its own prices, within a limit on any increases approved by IPART under a price-cap model. This will allow us to change prices within a price path - which means customers aren't locked into prices over the four-year period and could benefit sooner from potential savings from tariffs that better suit their needs. It also helps to avoid large increases at the end of each price path.

### **What happens if IPART doesn't approve this proposal?**

We have undertaken a rigorous process to develop our proposal and will work closely with IPART and key stakeholders to ensure customers will benefit from reduced prices.

IPART will undertake a public consultation process to determine the best outcome for customers before it delivers its final determination next year.

### **How much of my new bills will go towards the desalination plant?**

Sydney Water's residential customers have enjoyed relatively stable average residential bills for water and wastewater services over the last 20 years. The only significant increase in prices and bills happened during 2008–2012. This was driven largely by costs to secure Sydney's water supply through constructing the desalination and water recycling plants, and improving the performance of our wastewater networks through constructing the Northern Beaches Storage Tank. These projects were all completed by 2012, which has brought the capital expenditure budget back down, contributing to declining bills.

A small proportion of our operating expenditure goes towards a fixed charge for the desalination plant that is part of the strategy to secure Sydney's water future, this cost is on average around \$90 a year.

The Desalination Plant came online in 2010 and operated continually for two years during its proving period. In December 2011 the dam storage level reached 80% and production was reduced to about 90 million litres a day. On 1 July 2012 the Desalination Plant ceased production and entered water security shutdown mode.

It is assumed that the plant will continue to operate in water security shutdown mode with no water production for the duration of the determination period. For this reason the cost forecast in our proposal only includes the fixed charge of around \$90 a year.