

Hay PID Pricing Policy - Information for Customers

New Pricing for a New Delivery System:

The Hay PID Board has taken the opportunity provided by the installation of the Hay PID irrigation pipeline to establish a new pricing policy that aligns a tariff structure with the real cost of water delivery to customers.

Importantly, the new pricing policy does not aim to increase the amount of revenue collected by the Hay PID to cover administration, operations or maintenance, and annual budgets remain relatively unchanged (except for CPI increase) in these areas, compared to the old, open channel system.

The main area of potential cost increase relates to asset renewal and the need to collect sufficient revenue to maintain an adequate sinking fund to cover replacement of outlet and pump station components with a useful life of less than 30 years. The costs relating to meters and farm outlet renewal is recovered through the outlet charge. The asset renewal costs associated with pump station, and flow regulating structures within the pipeline is recovered through the Delivery Entitlement charge.

As the PID irrigation pipeline is in its early years of operation, and it is recognised that all customers have contributed in some way to achieving government funding for the pipeline installation, the PID Board have agreed to provide a transition pathway for existing customers to eventually reach a position of full cost recovery.

In addition, the existing sinking fund established by the PID over the past ten years will be included as an important contribution towards the cost of future asset recovery costs. This will help to reduce the annual costs to existing customers over the next 20 to 30 years.

The Board will report on the collection of funds and the progress of an Asset Renewal Fund as part of its Annual Financial reporting obligations.

It is proposed that the new pricing policy will come into force on 1 July 2017.

The Pricing Policy is based on the following key principles:

- The Hay PID operates as a cost recovery business.
- Pricing should be simple and transparent.
- Pricing should be cost reflective and the costs associated with the irrigation pipeline should be separated from those of the S&D pipeline.
- Pricing should relate to the level and type of service received by customers.
- Pricing structure should drive efficient choices by customers and allow flexibility in the level of service that customers choose to receive (and pay for).
- Pricing should comply with ACCC requirements.

Hay Private Irrigation District – Pricing

Updated 30 June 2017

Fixed Costs:

The greatest proportion of costs in the PID are fixed costs relating to administration, operation and maintenance and asset renewal and replacement. These costs will be recovered from customers of the PID through three main charges:

1. Administration Fee:

An administration fee will be charged to cover the cost of administering the business of the PID including compliance with government regulation, administration, legal, accounting, billing, and Board related costs (“in-office” costs).

There will be two scales of administration fee – one for large customers (those with a 3ML/day outlet or larger) and one for small customer (those with a 1ML/day outlet). In the case of the administration fee a “customer” is the same as a billing entity.

2. Outlet Charge:

An outlet charge relates to the cost of being connected to the PID irrigation pipeline and covers operation, maintenance, and future replacement and installation of an outlet and meter. Cost, and therefore the charge, varies depending on the size of the outlet (for example outlet sizes vary from 1, 3, 6 and 12ML/day).

An outlet fee will be a fixed annual charge based on each individual outlet.

3. Delivery Entitlement (DE) Charge:

A DE charge reflects the fixed cost component of operation, maintenance and asset replacement of the pipeline and associated infrastructure (other than the farm outlets). A flat DE fee will apply to all DEs owned within the PID.

Variable Costs:

The main variable cost of running the irrigation pipeline relates to electricity. The more water that is pumped and delivered through the pipeline the higher the cost of electricity.

The usage charge will be based leveed on each ML delivered at the farm meter.

Casual Usage Charge:

Casual usage relates to the costs of water delivery to customers who don’t own DEs or who own insufficient DEs.

To provide flexibility to customers, encourage additional water allocation to be transferred into the PID system, but still ensure that all customers contribute fairly to the fixed and variable costs of running the PID irrigation pipeline, a premium fee will be leveed on the delivery of water where this exceeds the number of DEs held according to the following formula:

(DE charge + 20%) + Usage Charge for each ML delivered through the farm meter.

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Termination Fee:

A termination fee equivalent to a maximum of ten times the DE charge will be leveled upon the termination of each Delivery Entitlement.

Additional Charges:

The PID will continue to levy additional charges to cover the costs of other areas of service – for example processing water allocation transfers, or to cover the cost of higher levels of service delivery including receiving paper bills and placing manual orders. This will ensure that the costs to customers choosing to receive the base service levels are kept as low as possible.

It is intended that customers will pay for the level of service that they want and receive.

Summary of Fees and Charges Relating to Water Delivery:

A summary of the main fees and charges for the irrigation pipeline is provided in the table below:

Area of Fee or Charge	What Costs it Relates To	Unit of Charge
Administration	Government compliance costs, billing costs, general administration, accounting, legal and Board costs, communication eg website and telephones.	Billing Entity: Large Customer (3ML outlet or larger) Small Customer (1ML outlet)
Outlet	Operation, Maintenance, and replacement costs associated with farm outlets including meters, batteries, solar panels and remote telemetry.	Outlet (Cost varies by outlet size)
Delivery Entitlement	Operation, maintenance, and asset replacement costs associated with pipeline and pump station. (Only assets with a useful life of less than 30 years included)	Delivery Entitlement
Usage	Variable costs associated with delivery of water through the pipeline – mainly electricity costs.	ML delivered through meter

Please Note: Any payment on your account will take a minimum of 3 (three) business days to show as a credit on your account