

Newsletter to Barossa Infrastructure Ltd Customers

BIL Water Prices for 2017/2018

SA Water have advised Barossa Infrastructure of a substantial increase of 98% in their costs for electricity. This has more than offset the reduction in the fixed charge and would, if fully passed on to customers, as required in the customer contract, lead to a 22% increase in the price of premium water to 87 cents per Kilolitre.

The causes of this price increase have been explained as follows:

1. "Significant reduction in water transferred from the river – 35% of the water pumped in 15-16 was pumped in 16-17. This means that the fixed networks cost have been allocated across a much smaller base.
2. Increase price of electricity due to the impact on the SA electricity market from the removal of low cost baseload coal-fired generation in the NEM. Natural gas fuelled generation now provides baseload requirements and therefore sets the price. The cost of natural gas has increased by over 100% in the last 18 months due to export increases from Australia creating a domestic shortage."

In considering these reasons, the Board resolved that a portion of this increase due to the wet summer and low pumping, may be reversed in future years and has recommended to the AGM a once off 5 cent/KL of \$50/ ML price reduction. This would leave a 15% increase in the Premium Water price. The price reduction would leave the company in a similar financial position as was originally planned and enable the planned purchase of River Murray Water Rights to occur.

The new prices are as below, if the resolution at the AGM accepting a 5 cent/ KL once off price reduction in the price of Premium Water is accepted.

2017/18 calculation Cost \$/KL		\$ / ML	2016/17
0.82	Premium	820	710
1.02	Off Peak	1,020	910
0.39	Not taken	390	480
1.44	Spot	1,440	1,230
4.10	Excess water Charge	4,100	3,550
0.75	CWMS Premium	750	640
0.95	CWMS Off Peak	950	840
	Disconnect and reconnect fee (inc GST)	1,100	1,100

Analysis of increases since 2001 indicate BIL has had an average 5% per annum increase in power prices, while SA Water report an average increase of 6.9%. CPI has increased at an average rate of 2.5% a year over the same period.

Effect on BIL prices of power cost increases

Power price increases represent 60% of the price increase in water since 2001. In the current price increase of 11 cents a Kilolitre, power price is an 18 cent increase. The balance is the 5 cent reduction recommended to the AGM and a 2 cent reduction in the fixed charge component of the water price.

Annual General Meeting

Come along to the AGM at 4:00 pm on Monday 23 October at the Vine Inn. There will be a presentation of the changes that will occur to the infrastructure as part of the expansion.



Paul Shanks
General Manager