

Your ref.

Our ref.

Contact: Jarrah O'Shea

25 September 2013

Mr Jason Fitts  
Manager, Water  
Essential Services Commission  
Level 37, 2 Lonsdale St  
**MELBOURNE VIC 3000**

Dear Mr <sup>Jason</sup>Fitts,

**Re: Coliban Water's preferred form of price control – additional information**

In response to your correspondence of 17 September, please note the following:

1. The form of price control we are applying for is the "price cap hybrid", as defined in your final decision. That is, price caps will apply unless Coliban Water seeks to apply for a tariff basket style adjustment "*limiting average annual price increases across the range of tariffs to the average increase under a tariff basket.*" (ESC 2013, *Price Review 2013: Regional Urban Water Businesses — final decision*, June). To avoid confusion, we accept the price caps for the 2013-14 financial year as approved in the final decision. We acknowledge the requirements of the final decision:
  - a. To consult with customers before proposing the tariff basket
  - b. To provide evidence of customer consultation (including customer consultative committees) and
  - c. To provide a statement about customer impacts and how the business would address those impacts.
2. The hybrid price control will apply to all of Coliban Water's services.
3. The formula we intend on applying is the same formula that applied to Coliban Water throughout the 2008-2013 regulatory period, and the same as applies to the majority of regional water corporations in their 2013 Determinations.

We would welcome the opportunity to further discuss our proposed price control with your team.

Yours faithfully,



**Jarrah O'Shea**  
**Manager Economics and Pricing**