Lower Murray Water draft decision – rural services

2018 Water Price Review

28 March 2018

An appropriate citation for this paper is:

Essential Services Commission 2018*, Lower Murray Water draft decision – rural services: 2018 Water Price Review,* 28 March

Contents

Summary

In September 2017, Lower Murray Water provided a submission to us proposing rural prices for a five year period starting 1 July 2018

This draft decision sets out our preliminary views on Lower Murray Water's rural price submission.[1][2]

We invite interested parties to comment on our preliminary views in this draft decision before we make a final decision and issue a price determination in June 2018. Details on how to make a submission on our draft decision are provided in Chapter 9.

Our draft decision proposes to approve a lower revenue requirement than proposed by Lower Murray Water reflecting our review of efficient costs

Our draft decision proposes to approve a revenue requirement of $128.1 million for Lower Murray Water over the five year period starting 1 July 2018, for the purpose of approving maximum prices.[3] This is $0.6 million or 0.5 per cent lower than proposed by Lower Murray Water.

Compared to Lower Murray Water's original proposal, our draft decision results in lower prices (on average) for customers by 0.5 per cent over the five year period. Lower Murray Water must respond to our draft decision and propose individual tariffs that reflect our initial views on the revenue requirement. Lower Murray Water's response will determine the price and bill impact of our draft decision across customer groups.

Our draft decision should allow Lower Murray Water to deliver the service outcomes outlined in its price submission

Our draft decision should allow Lower Murray Water to deliver on its customer service commitments.

Some of the ways Lower Murray Water plans to improve outcomes for customers are by:

- improving the operation of the irrigation network

[1] Lower Murray Water's price submission is available on our website at www.esc.vic.gov.au.

[2] Clause 28 of the *Water Charge (Infrastructure) Rules 2010* requires us to issue a draft decision.

[3] The revenue requirement is the forecast amount a water corporation needs to deliver on service outcomes, government policy, and other obligations. Along with forecast demand, it is an input to calculating the prices to be charged by a water corporation.

- implementing a new website with a customer portal that has capacity for water ordering, online bill payments, meter reads and increased online services for developers and builders
- renewing existing infrastructure to improve supply reliability
- preparing for Sunraysia modernisation project stage 2 which would expand irrigation to new areas. This business case for this project is yet to be approved by the state and Commonwealth Government.

Tariff structures will remain the same

Our draft decision approves Lower Murray Water's proposed tariff structures, which are the same as its current tariff structures.

Lower Murray Water's tariffs are location specific and cover an array of services for irrigation, drainage, waterworks, stock and domestic and private diversions.

We propose to approve Lower Murray Water's proposed 'revenue cap' form of price control. This means the revenue Lower Murray Water can earn is fixed at the start of its regulatory period, but customer prices may vary annually – within pre-defined limits – so the corporation can meet its revenue requirement.

Our role and approach to water pricing

We are Victoria's independent economic regulator

Our role in the water industry includes regulating prices and monitoring the service standards of the 19 water corporations operating in Victoria.

Lower Murray Water's rural infrastructure-related services and prices are regulated under the Commonwealth's Water Charge (Infrastructure) Rules 2010 (WCIR). In February 2011, the Australian Competition and Consumer Commission (ACCC) accredited the commission to regulate Lower Murray Water's rural infrastructure related services. This accreditation required the commission to follow the ACCC's pricing principles (made under the WCIR) when conducting its price review. The accreditation decision and the attached pricing principles are available on our website.[4]

Some of Lower Murray Water's miscellaneous services are not infrastructure related, and are regulated under the Water Industry Regulatory Order 2014 (WIRO).

We are reviewing the prices 17 water corporations propose to charge customers from 1 July 2018

In September 2017, Lower Murray Water provided a submission to us proposing rural prices for a five year period starting 1 July 2018. Our task is to assess the price submission against the legal framework that governs our role, and make a price determination that takes effect from 1 July 2018. The price determination will specify the maximum prices Lower Murray Water may charge for its rural prescribed services, or the manner in which prices are to be calculated, determined or otherwise regulated. We also issue a final decision that explains the reasons for our price determination.

We assess prices against the WCIR and other legal requirements

The WCIR requires the commission to adopt a building block approach to review Lower Murray Water's proposed prices. This approach has four steps.

The first step is to establish service obligations and other outcomes that Lower Murray Water proposes to deliver over the regulatory period. These obligations and outcomes reflect obligations

[4] Lower Murray Water's urban water services are regulated under the Water Industry Regulatory Order 2014 (WIRO). The commission's draft decision with respect to these services is outlined in a separate decision document.

imposed by the Minister for Water through the Statement of Obligations and government regulatory agencies, and customer preferences.

Next, the commission determines the revenue that Lower Murray Water needs to meet these service obligations and outcomes. To do so, it reviews Lower Murray Water's expenditure proposals and calculates an appropriate return on Lower Murray Water's assets. The revenue approved by the commission does not represent amounts that Lower Murray Water is required to spend or direct to particular activities or projects. In consultation with customers, Lower Murray Water is free to determine its expenditure priorities and to pursue innovation and efficiencies that enable it to outperform cost assumptions.

At the third step, the commission reviews Lower Murray Water's service demand forecasts that are used to forecast prices.

Finally, the commission reviews Lower Murray Water's proposed tariff structures and calculates prices to apply in the first year of the regulatory period (this will form part of the commission's final decision).

Following publication of this draft decision, Lower Murray Water should recalculate and resubmit all its proposed tariffs and prices to account for the commission's required amendments.

Sources of information

The commission made its draft decision after considering a range of information sources: Lower Murray Water's price submission including supplementary information provided in responses to our queries; written submissions from interested parties; and reports prepared by a consultant on Lower Murray Water's operating and capital costs.

1. Customer engagement

Our guidance required Lower Murray Water to engage with customers to inform its price submission.[5] Lower Murray Water adopted an extensive engagement approach for its rural services that aligned with the commission's requirements for its urban services. The commission notes that this approach to rural engagement is greater than what is required under the WCIR.

The engagement by Lower Murray Water:

- took place between September 2016 and September 2017
- used a range of methods including focus groups, rural customer research, pop-up kiosks at farmers' markets and social media to inform and update its customers on the pricing submission process
- sought views from agricultural industry representatives such as Murray Valley Wine Grape Growers, Dried Fruit Australia and Citrus Australia, and was informed by its rural customer service advisory committees and the strategic advisory committee
- covered topics such as irrigation operation, enforcement of delivery shares, removal of channels near local schools, capital works programs, affordable and financially sustainable services, climate change and maximising the benefit of irrigation networks.

More detail on Lower Murray Water's engagement is available at pages 3 to 7 of its price submission.[6]

Evidence that Lower Murray Water's engagement influenced its proposals includes:

- investment in irrigation and drainage systems renewals in response to feedback that customers value the reliable supply of irrigation water
- improving access to account information and staff in response to feedback that customers value real time information and personal contact.

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[5] Essential Services Commission 2017, *2018 Lower Murray Water Rural Price Review, Guidance paper*, February, pp. 11-13.

[6] Lower Murray Water's price submission is available on our website at www.esc.vic.gov.au.

2. Service outcomes

Introduction

This chapter reviews Lower Murray Water proposed service outcomes.[7] The WCIR do not cover Lower Murray Water's services standards which are regulated under Victoria's legal framework. Consistent with its price submission covering Lower Murray Water's urban water and related services, Lower Murray Water has proposed a set of outcomes for its rural customers, as well as the outputs and activities that will provide a basis to measure Lower Murray Water's progress against each outcome.

Lower Murray Water's proposed service outcomes

The service outcomes Lower Murray Water proposes to deliver over the five year period starting 1 July 2018 are:

- supply customers with water when they need it
- keep customer costs to a minimum
- be easy to contact and quick to respond
- comply with other government obligations.

Each customer outcome has performance measures and targets for Lower Murray Water to achieve. Proposed changes include improved targets and two new performance measures. Improved targets include:

- more than 98 per cent of water orders delivered on time (up from 95 per cent)
- less than 60 channel / pipe bursts and leaks per 100 km by 2023 (currently 70 per 100 km).

New performance measures include a survey of customers about their interaction with Lower Murray Water. It aims for 80 per cent satisfaction.

For the standards on billing complaints per year, number of complaints to EWOV per year and community satisfaction survey results, targets have been set to improve its past average

[7] Under the WCIR, operators are required to provide details of the 'infrastructure service standards' that they will deliver. Consistent with the terminology in our rural guidance to Lower Murray Water, we refer to those 'infrastructure service standards' as 'service outcomes'.

performance.[8] The complete list of Lower Murray Water's proposed service standards can been seen in Table 2.1.

Table 2.1 Service outcomes

Proposed performance assessment criteria	Unit of measurement	2018-19	2019-20	2020-21	2021-22	2022-23
Outcome 1 – Supply me with water when I need it						
Water orders delivered on time (whole of rural business)	Percentage	> 98	> 98	> 98	> 98	> 98
Channel / pipe bursts and leaks (whole of rural business)	Per 100 km	< 64	< 63	< 62	< 61	< 60
Deliver capital plan on cost and on time (Projects >$1 M)	Percentage	95	95	95	95	95
Outcome 2 – Keep my costs to a minimum						
Billing payment issues complaints	Number	< 4	< 4	< 4	< 4	< 4
Deliver price path commitment for rural customers as approved by the commission	Pass/Fail	Pass	Pass	Pass	Pass	Pass
Deliver 1% per annum efficiency improvement	Pass/Fail	Pass	Pass	Pass	Pass	Pass
Statutory compliance reports generated automatically	Percentage	90	92	94	96	100
Outcome 3 – Be easy to contact and quick to respond						
Post interaction satisfaction survey: Number of completed surveys	Number	150	150	150	150	150
Post interaction satisfaction survey: Level of customer satisfaction	Percentage	> 80	> 80	> 80	> 80	> 80
Community satisfaction survey	Percentage	> 78	> 79	> 80	> 81	> 82
Customer complaints to EWOV	Number	< 7	< 7	< 7	< 7	< 7
Calls answered within 60 seconds (operations room)	Percentage	> 85	> 85	> 85	> 85	> 85
Report our performance against all rural customer outcomes to customers annually	Pass/Fail	Pass	Pass	Pass	Pass	Pass
Outcome 4 – Comply with other government obligations						
Compliance with government reporting policy requirements	Percentage	100	100	100	100	100
Implement strategies to deliver Letter of Expectations and associated policies (Water for Victoria)	Pass/Fail	Pass	Pass	Pass	Pass	Pass

[8] Energy and Water Ombudsman Victoria (EWOV)

Table 2.1 Service outcomes (continued)

Proposed performance assessment criteria	Unit of measurement	2018-19	2019-20	2020-21	2021-22	2022-23
Customer Service Code – Irrigation						
Number channel bursts and leaks - Merbein	per 100 km	155	154	153	152	151
Number channel bursts and leaks - Red Cliffs	per 100 km	65	64	63	62	61
Number channel bursts and leaks - Robinvale	per 100 km	10	10	10	10	10
Number channel bursts and leaks - Millewa	per 100 km	7	7	7	7	7
Number channel bursts and leaks - Mildura	per 100 km	150	148	146	144	142
Unaccounted for water - Merbein	Percentage	12	12	12	12	12
Unaccounted for water - Red Cliffs	Percentage	12	12	12	12	12
Unaccounted for water - Robinvale	Percentage	2	2	2	2	2
Unaccounted for water - Millewa	Percentage	20	20	20	20	20
Unaccounted for water - Mildura	Percentage	15	15	15	15	15
Customer Service Code – Licensing/Administration						
Use licences determined within 30 days	Percentage	90	90	90	90	90
Processing transfer of water use licences between Lower Murray Water customers within 10 days	Percentage	90	90	90	90	90
Processing permanent transfer of water shares between Lower Murray Water customers within 10 days	Percentage	85	85	85	85	85
Number of works licences metered or assessed for metering at 30 June	Percentage	95	95	95	95	95
Volume of total annual use limit metered at 30 June	Percentage	95	95	95	95	95

Source: Lower Murray Water's price submission

Draft decision on service outcomes

The commission proposes to approve Lower Murray Water's proposed service outcomes because they are consistent with the requirements in our guidance. Lower Murray Water:

- provided evidence that the new service outcomes were informed by the business's customer engagement program

- provided evidence to demonstrate the connection between the performance measures, key actions, activities and programs proposed to achieve the specified service outcomes
- is improving service outcomes as a result of the Sunraysia Modernisation Project Stage 1 which delivered 365-day irrigation access
- is proposing measures aimed at improving customers' satisfaction with its service.

To facilitate improved transparency around Lower Murray Water's performance, Lower Murray Water has proposed to report annually in summary on its website, along with a downloadable report and also include any interim reporting. It will also discuss results with the Strategic Advisory Committee and Customer Service Advisory Committee.

3. Operating expenditure

Introduction

This chapter reviews Lower Murray Water's forecast operating expenditure. Operating expenditure is a key input into customer prices. The completion of the Sunraysia Modernisation Project (Stage 1) and the associated modernisation of infrastructure means that Lower Murray Water's future operating expenditure requirements will differ from past requirements (in terms of the nature and magnitude of expenditure).

Approach to operating expenditure

We regulate Lower Murray Water's forecast operating expenditure according to the ACCC's pricing principles (Box 3.1) made under the WCIR.

Box 3.1 ACCC's principles for assessing operating expenditure

In making an assessment of the prudent and efficient operating expenditure for the next regulatory period, the regulator must assess:

- the prudency and efficiency of operating expenditure in the previous regulatory period
- the reasons and evidence supporting changes to service standards in the next regulatory period
- the reasons and evidence supporting changes to operating expenditure in the next regulatory period
- reasonable productivity improvements in providing services over the next regulatory period.

Where relevant, a regulator must compare and take into account operating expenditure of similar businesses.

Forecasts must be based on reasonable assumptions of the efficient costs likely to be incurred in this period.

Source: Australian Competition and Consumer Commission 2012, *Application by Essential Services Commission of Victoria for accreditation Final decision*, 17 February.

Operating expenditure is an input to the revenue requirement. Lower Murray Water's price submission provides detail on its forecast operating expenditure from pages 33 to 42, with a cost breakdown shown in table 14 on page 33.

We assess both:

- controllable costs – those that can be directly or indirectly influenced by a water corporation's decisions
- non-controllable costs – those that cannot be directly or indirectly influenced by a water corporation's decisions.

For controllable operating expenditure, our assessment process first confirms an efficient baseline, based on the last year of actual costs prior to our price review (that is, 2016-17). We then consider the forecast costs relative to this baseline, including any on-going and proposed productivity improvements, and any proposed cost changes relative to the baseline. We engaged Deloitte Access Economics to provide expert advice to inform our assessment of controllable operating expenditure. Deloitte's report on its assessment of Lower Murray Water's expenditure forecast is available on our website.[9]

In addition, our guidance also required that Lower Murray Water explain how it has taken into account the impact of the Sunraysia modernisation project – stage 1 and the associated modernisation infrastructure on its forecast operating expenditure.[10]

For non-controllable expenditure (government charges and licence fees) we confirm the proposed forecasts, with reference to the relevant regulatory body where appropriate.

Table 3.1 sets out our draft decision on Lower Murray Water's forecast operating expenditure, for the purpose of establishing the revenue requirement (Table 5.4). Details of our assessment and reasons for our proposed adjustments to Lower Murray Water's proposal follow, with a summary of our adjustments shown at Table 3.2.

We consider the proposed operating expenditure in this draft decision reflects the prudent expenditure that Lower Murray Water needs to recover for the efficient costs of delivering the validated service outcomes in its price submission.

The benchmark operating expenditure that we propose to adopt for Lower Murray Water does not represent the amount that Lower Murray Water is required to spend or allocate to particular

[9] Deloitte Access Economics 2018, *Lower Murray Water Rural – expenditure review for 2018 water price review*, February.

[10] Essential Services Commission 2017, op. cit., pp. 17–21.

operational, maintenance and administrative activities. Rather, it represents assumptions about the overall level of operating expenditure (to be recovered through prices) that we consider sufficient to operate the business and to deliver its proposed services over the regulatory period.

Draft decision on operating expenditure

Table 3.1 Draft decision – operating expenditure
$ million 2017-18

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Controllable costs	16.7	15.9	15.7	15.7	15.7	79.8
Non-controllable costs	3.7	3.7	3.7	3.7	3.7	18.5
- Bulk services[a]	3.2	3.2	3.2	3.2	3.2	15.9
- Environmental contribution[b]	0.5	0.5	0.5	0.5	0.5	2.5
- Licence fees - ESC[c]	0.017	0.017	0.017	0.017	0.029	0.096
Draft decision - operating expenditure	**20.5**	**19.7**	**19.4**	**19.4**	**19.3**	**98.3**

[a] Bulk services covers the supply of bulk water from Goulburn-Murray Water to Lower Murray Water

[b] The Environmental Contribution collects funds from water corporations under the Water Industry Act 1994

[c] Licence fees are paid to cover costs incurred by the Essential Services Commission in their regulatory activities related to the water corporation

Note: Numbers have been rounded

For the reasons set out below, we propose to accept the forecast controllable operating expenditure proposed by Lower Murray Water in making our draft decision on its revenue requirement.

Correction to its price submission:

- During our initial assessment of Lower Murray Water's price submission and financial template, we identified an error in its operating expenditure data which Lower Murray Water subsequently corrected its indexing errors across a number of cost categories. The 2016-17 baseline year total controllable operating expenditure was reduced by $0.06 million, resulting in a decrease from $19.20 million to $19.14 million. However, in its resubmitted financial template, Lower Murray Water added a $0.29 million balancing adjustment to its proposed cost changes above the baseline, effectively reversing the baseline year reduction. Lower Murray Water has applied the same correction to its separate financial model for its urban services.

Baseline controllable operating expenditure:

- Lower Murray Water has proposed downward adjustments of $3.34 million to its actual 2016-17 baseline year controllable operating expenditure, producing a starting point for forecast annual operating expenditure. The reductions are largely to remove additional costs incurred in 2016-17 for the Sunraysia modernisation project – stage 1, because construction is now complete. The resultant figure of $15.80 million is 3 per cent above the benchmark of $15.36 million allowed for 2016-17 in the previous price determination. Deloitte noted the organisational restructure in 2016-17 was a key reason for this higher baseline. This restructure produced two new executive manager positions, with the aim to achieve labour force efficiencies and other efficiencies in the 2018–23 period. Deloitte considers the 2016-17 adjusted baseline reflects an efficient baseline and no adjustment is necessary.[11] We agree with Deloitte's assessment and consider this is a reasonable starting point for forecasting annual operating expenditure.

Proposed cost changes:

- Lower Murray Water sought additional operating expenditure of $0.46 million above its annual baseline cost across 2018–23, consisting of $5.90 million additional costs for energy which is offset by forecast various other savings of $5.43 million.
- Lower Murray Water sought additional expenditure of $5.90 million for energy, comprising price increases partially offset by reduced consumption from renewable energy projects. Deloitte compared the forecast electricity costs above the baseline with its latest forecasts for electricity prices. While Deloitte does not agree with forecast higher electricity prices continuing beyond 2019-20, it did not recommend any adjustment as Lower Murray Water proposed to update its electricity price forecasts once it had its new contracts in place ahead of our final decision.[12]
- We acknowledge that there is currently uncertainty in forecasting electricity prices and Lower Murray Water's electricity contract expires on 30 June 2018.
- We request that Lower Murray Water proposes a revised electricity forecast based on its new contract prices in response to our draft decision.
- Lower Murray Water forecast $0.35 million of savings for labour. Deloitte reviewed these labour costs and did not recommended any adjustment.

[11] Deloitte Access Economics, op. cit., p. 13.

[12] Deloitte Access Economics, op. cit., pp.15–18.

We accept Deloitte's recommendation that Lower Murray Water's proposed cost changes reflect prudent and efficient expenditure. Of note, Lower Murray Water is the only water corporation to have no recommended adjustments to controllable operating expenditure from Deloitte.

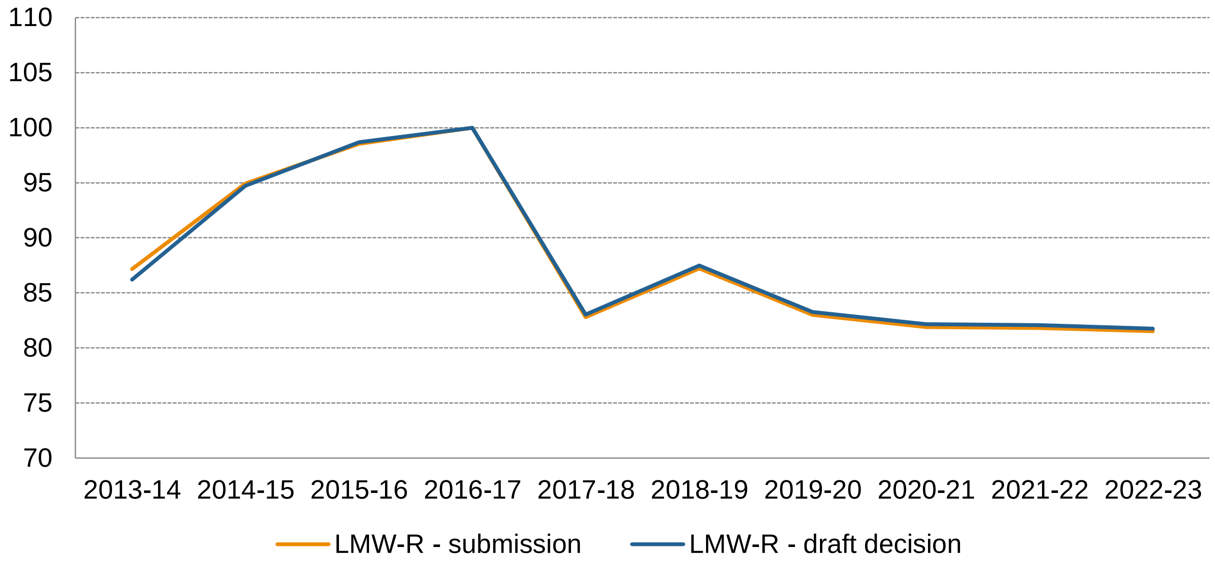
Other considerations:

- The Sunraysia modernisation project –stage 1 operating cost impacts for the fourth regulatory period are set out in Lower Murray Water's price submission in table 18 on page 39. The project is forecast to reduce operating costs by a net $2.39 million in the fourth regulatory period. This comprises $3.26 million in cost reductions offset by $0.87 million of new costs. We accept Lower Murray Water's explanation and consider these productivity improvements are reasonable.

We consider Lower Murray Water's approach to forecasting costs is consistent with the requirements of our guidance and the ACCC's pricing principles, and we are satisfied that Lower Murray Water is recovering no more than its efficient controllable operating expenditure. Although starting with a higher baseline than the benchmark for the current 2013–18 period, there is evidence that the corporation has significantly tested its controllable expenditure requirements, resulting in a significant decrease (in real terms) in controllable operating expenditure (Figure 3.1). We note that Lower Murray Water is proposing to maintain service levels, but has proposed improvements in some areas and a lower annual controllable operating expenditure.

Figure 3.1 Controllable operating expenditure

Index: 2016-17=100



Submission – based on actual historical and forecast values provided by the water corporation in its price submission. Draft decision – includes any corrections or adjustments to historical and forecast values arising from our assessment.

For non-controllable operating expenditure, we have adjusted Lower Murray Water's forecasts where required based on the latest information received from the relevant regulatory authorities on their licence fees and the environmental contribution. The values we have adopted for our draft decision are set out in Table 3.1 above.

For the environment contribution, we have used the 2018-19 value provided by the Department of Environment, Land, Water and Planning and assumed that this will remain flat in nominal terms (decline in real terms) across the 2018–23 regulatory period.

We have assumed the licence fees for the Essential Services Commission remain flat in real terms across the period, but with a 50 per cent increase for our fee in 2022-23 to align with our regulatory review cycle.[13]

We have verified Lower Murray Water's forecast external bulk water charges against the current price determination for Goulburn-Murray Water.

We have reduced Lower Murray Water's forecast non-controllable operating expenditure by $0.60 million across the 2018–23 period, resulting from our adjustment to decrease bulk water charges by $0.11 million per year in 2018-19 to 2021-22, and decrease bulk water charges by $0.10 million in 2022-23.

Overall, non-controllable operating expenditure will increase by $0.17 million from 2017-18 to 2018-19, due to the increase in the environment contribution from $0.37 million to $0.52 million, and an increase in external bulk water charges from $3.16 million to $3.19 million.

Prior to making our final decision, we will adjust Lower Murray Water's forecast non-controllable operating expenditure for the latest inflation and external bulk charges data.

Table 3.2 sets out our proposed adjustments to both controllable and non-controllable operating expenditure.

[13] We have based our forecast on our 2016-17 commission licence fee.

Table 3.2 Adjustments to operating expenditure
$ million 2017-18

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Proposed total operating expenditure	**20.6**	**19.8**	**19.6**	**19.5**	**19.5**	**98.9**
Bulk water charges	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Licence fees - ESC	0.0	0.0	0.0	0.0	0.013	0.013
Environmental contribution	0.008	-0.004	-0.015	-0.026	-0.037	-0.074
Total adjustments to non-controllable costs	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.6**
Draft decision - total operating expenditure	**20.5**	**19.7**	**19.4**	**19.4**	**19.3**	**98.3**

Note: Numbers have been rounded

4. Capital expenditure

Introduction

This chapter reviews Lower Murray Water's proposed capital expenditure. Capital expenditure forecasting involves anticipating the scope, timing and costs for a large number of various sized projects, ranging from the replacement of existing assets at the end of their lives to the construction of major new assets and facilities.

Approach to capital expenditure

We regulate Lower Murray Water's infrastructure related capital expenditure according to the ACCC's pricing principles. These principles focus on the efficiency and prudency of capital expenditure (Box 4.1) made under the WCIR.

Box 4.1 ACCC's principles for assessing capital expenditure

In making an assessment of the prudent and efficient capital expenditure for the next regulatory period, the regulator must assess:

- the prudency and efficiency of capital expenditure in the previous regulatory period (where relevant to proposed capital expenditure in the next regulatory period)
- the reasons and evidence supporting the commencement of new major capital expenditure projects in the next regulatory period, including whether such projects are consistent with efficient long term expenditure on infrastructure services
- the reasons and evidence supporting levels of capital expenditure in the next regulatory period
- whether the timeframe for delivering the proposed capital expenditure program is reasonable, having regard to the operator's delivery of major projects in the past
- whether the asset management and planning framework of the operator reflects best practice.

Forecasts must be based on reasonable assumptions of the efficient costs likely to be incurred in this period. Subject to confidentiality, external review of an operator's proposed capital expenditure must be made public on the regulator's website.

Source: Australian Competition and Consumer Commission 2012, op. cit.

We note that our guidance stated that Lower Murray Water should avoid including speculative capital expenditure in its price submission forecasts. We consider that in accordance with the WCIR, forecast prudent and efficient capital expenditure has the following characteristics which reduce the risk borne by customers:

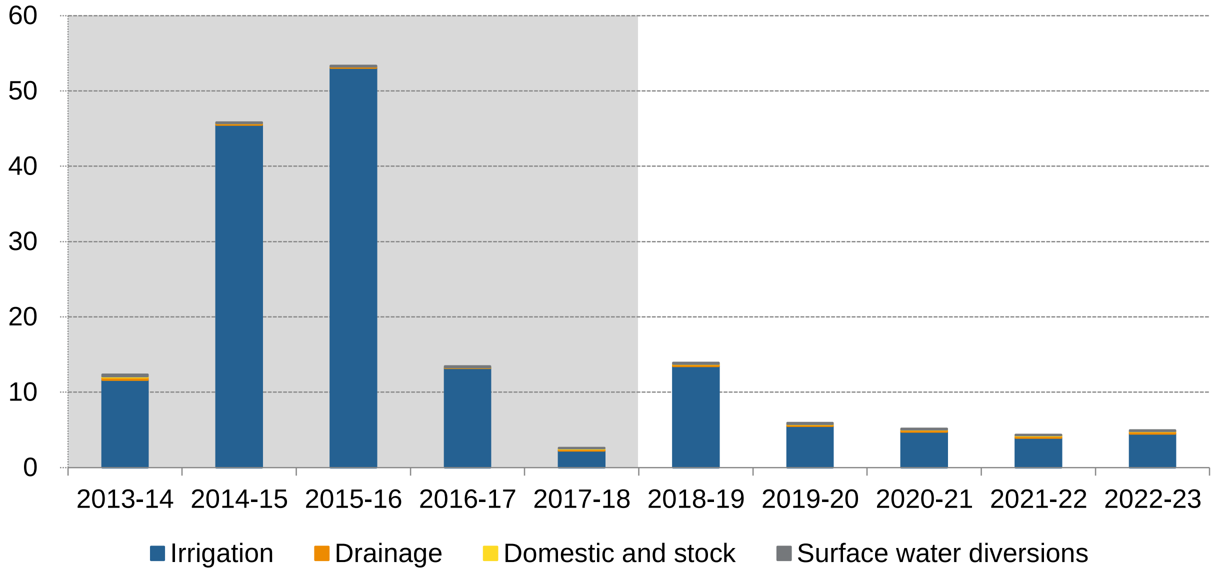
- required expenditure is based on a P50 estimate, in which there is an equal likelihood of project costs being higher or lower than forecast (noting a P50 estimate may not be appropriate where Lower Murray Water's proposed capital program is dominated by one or two major projects)
- contingency allowances are optimised
- forecast capital expenditure for renewals incorporates expectations for a reasonable rate of improvement in productivity
- risks of project delays and cost overruns are managed through contractual agreements with service providers.

Capital expenditure is an input to estimating the regulatory asset base. Lower Murray Water's forecast capital expenditure and supporting information is provided at pages 42 to 46 of its price submission. A summary of capital expenditure for the 2013–18 and 2018–23 periods is provided in Figure 4.1.

We engaged Deloitte Access Economics to provide expert advice to inform our assessment of capital expenditure. Deloitte's report on its assessment of Lower Murray Water's expenditure forecast is available on our website.[14]

[14] Deloitte Access Economics, op. cit.

Figure 4.1 **Gross capital expenditure by service category**
$ million 2017-18



Note: actuals for 2013-14 to 2016-17 and forecasts for 2017-18 to 2022-23

Draft decision on capital expenditure

For the reasons set out below, we have accepted the forecast capital expenditure of $34.3 million proposed by Lower Murray Water for our draft decision on its revenue requirement:

- Lower Murray Water's price submission provided evidence that its forecasts for capital expenditure are efficient. Lower Murray Water's proposed gross capital expenditure for 2018–23 is $93.2 million (73 per cent) lower than in the current regulatory period. The decrease is due to a significant reduction in irrigation expenditure with the substantial completion of the Sunraysia modernisation project – stage 1.[15]
- The Sunraysia modernisation project – stage 2 proposal has now been developed, planned and progressed by Lower Murray Water to business case stage. Lower Murray Water has sought a co-investment of $3.03 million from the Commonwealth Government. The business case has not yet received approval from the government, so capital expenditure for the project has not been included in Lower Murray Water's submission.
- The actual capital expenditure spent in the third regulatory period was $127.6 million, whereas the benchmark for last period was $37.7 million. This is because Lower Murray Water had submitted its price submission to us before the Commonwealth Government announced

[15] Deloitte Access Economics, op. cit., p. 9.

$120 million of funding for stage 1 of the Sunraysia modernisation project and Lower Murray Water had not included its proportion of the funding for the project in the benchmark.

- Deloitte requested selected documents from Lower Murray Water as a representative sample to demonstrate its asset management processes and justification for its capital expenditure program. Based on the sample of documents reviewed, these demonstrate that Lower Murray Water has a robust approach for developing project scope, the timing of works and cost estimates.
- Deloitte reviewed the business cases for the renewals expenditure program. Lower Murray Water's major projects are renewals projects.
- Deloitte found that Lower Murray Water's current irrigation network service performance is deteriorating as evidenced by increasing bursts and leaks. As a result, Lower Murray Water developed a strategy for a major irrigation pipeline renewal program, an approach which is fully supported by customers. Deloitte noted that detailed analysis was undertaken to justify the substantial new investment on the basis of the asset's criticality and service performance.
- Deloitte recommended no adjustments to Lower Murray Water's forecast capital expenditure.[16] We accept Deloitte's recommendation because it is consistent with the ACCC principles requiring reasons and evidence for the forecast levels of capital expenditure.
- We consider the timeframe for delivering the planned capital expenditure program is reasonable, given Lower Murray Water's past track record for delivering its capital expenditure program. In the 2013–18 regulatory period, the $120.0 million Sunraysia modernisation project – stage 1 was delivered under budget and within the planned timeframe. This was a larger capital expenditure program than the program proposed for the fourth regulatory period.
- Lower Murray Water did not specifically state the estimated cost of all uncertain works, however it did note several uncertain projects including extending the Red Cliffs District water intake suctions, major investment in irrigation drainage systems, and stage 2 of the Sunraysia modernisation project that has a $3.03 million co-investment from government. Where there is uncertainty in timing and scope of capital expenditure, Lower Murray Water has excluded speculative projects from its price submission. Lower Murray Water will need to demonstrate the efficiency of any additional costs if they are indeed incurred during the 2018–23 period if seeking to include them in the regulatory asset base.
- Lower Murray Water has made improvements to its capital planning and asset management systems and processes since the 2012-13 review.[17] Lower Murray Water has developed an implementation plan for compliance with the Asset Management Accountability Framework

[16] Deloitte Access Economics, op. cit., pp. 22-23.

[17] Deloitte Access Economics, op. cit., p. 20.

(AMAF) and the principles of ISO55000, the international standard for an Asset Management System. This demonstrates that Lower Murray Water is working towards best practice in terms of its asset management and planning framework.

- We agree with Deloitte’s assessment and consider Lower Murray Water’s approach to forecasting its capital expenditure is consistent with the requirements of our guidance and the ACCC’s pricing principles.[18]

Our draft decision for total gross capital expenditure is to accept Lower Murray Water’s proposed benchmark, as set out in Table 5.2.

[18] Essential Services Commission 2017, *op. cit.*, pp. 23-29.

5. Revenue requirement

Introduction

This chapter presents Lower Murray Water's revenue requirement. The commission must be satisfied that Lower Murray Water's prices are set at a level that generates sufficient revenue for the water business to recover the efficient cost of delivering services over the regulatory period. This revenue does not represent the approval of any particular projects or items of expenditure. Rather, Lower Murray Water should allocate its revenue depending on the most efficient spending options available during the regulatory period, which may change over time.

Approach to reviewing the revenue requirement

The ACCC's pricing principles require us to use the 'building block' approach to estimate the revenue that Lower Murray Water requires to deliver proposed service outcomes. Under this approach, the revenue reflects operating expenditure and a return on the regulatory asset base (RAB) updated annually to reflect additional capital expenditure and regulatory depreciation.

We set out our approach to rolling forward and calculating the RAB in our guidance, which aligns with the requirements of the ACCC's pricing principles.[19]

Regulatory asset base

The regulatory asset base is used to estimate the return on assets and regulatory depreciation in the revenue requirement. Our guidance required Lower Murray Water to propose its:

- closing regulatory asset base at 30 June 2017
- forecast regulatory asset base for each year of the regulatory period from 1 July 2018.

Closing regulatory asset base

We update the regulatory asset base to reflect actual capital expenditure, government and customer contributions, and asset disposals for the period to 30 June 2017. This helps to ensure prices reflect the actual expenditure of a water corporation.

We compared Lower Murray Water's actual net capital expenditure for 2012-13 to 2016-17 with the forecast used to approve maximum prices for the period from 1 July 2013.[20] We undertake a

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[19] Australian Competition and Consumer Commission 2012, op. cit.

prudency and efficiency review where a water corporation's net capital expenditure is more than 10 per cent above the forecast used to approve maximum prices for the period from 1 July 2013. We believe this approach is reasonable given capital expenditure can be relatively 'lumpy' in nature.

Our review identified relatively minor corrections to the assumptions adopted by Lower Murray Water for net capital expenditure over the period from 2012-13 to 2016-17.

In its price submission, Lower Murray Water assumed $32.6 million net capital expenditure over the period from 2012-13 to 2016-17. We identified some minor adjustments to the estimates adopted by Lower Murray Water, which reduced this to $32.4 million. This figure is 24.3 per cent lower than the forecast used to approve maximum prices for the period from 1 July 2013. After correcting for past net capital expenditure, Lower Murray Water also calculated its closing regulatory asset base in accordance with the requirements of our guidance. For these reasons, our draft decision proposes to approve a closing regulatory asset base for 30 June 2017 of $84.6 million.

Table 5.1 sets out our draft decision on Lower Murray Water's regulatory asset base at 30 June 2017.

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[20] Net capital expenditure is calculated by deducting government and customer contributions from gross capital expenditure.

Table 5.1 Closing regulatory asset base
$ million 2017-18

	2012-13	2013-14	2014-15	2015-16	2016-17
Opening RAB 1 July	68.3	78.2	54.6	45.0	74.1
Plus gross capital expenditure	13.5	12.4	45.8	53.3	13.4
Less government contributions	0.0	32.3	51.9	19.2	0.0
Less customer contributions	1.5	0.5	0.3	0.2	0.1
Less proceeds from disposals	0.3	0.6	0.6	2.0	0.1
Less regulatory depreciation	1.9	2.5	2.7	2.8	2.8
Closing RAB 30 June	**78.2**	**54.6**	**45.0**	**74.1**	**84.6**

Note: Numbers have been rounded

Forecast regulatory asset base

The forecast regulatory asset base is calculated having regard to the closing asset base, and forecasts for capital expenditure, government and customer contributions, and asset disposals.

Table 5.2 sets out our draft decision on Lower Murray Water's proposed forecast regulatory asset base from 1 July 2018.[21] Our assessment of the components of the forecast regulatory asset base is set out below.

[21] Our rural guidance required Lower Murray Water to use forecast figures of the components of its regulatory asset base from the 2013 price determination for incomplete years where actual figures are not available. This is so we can assess the opening asset base for 1 July 2018. An adjustment will be made for any difference between the forecast figures and actual figures at the price review following the 2018 water price review.

Table 5.2 Forecast regulatory asset base
$ million 2017-18

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Opening RAB 1 July	84.6	74.0	83.9	86.8	88.7	89.8
Plus gross capital expenditure	2.6	13.9	6.0	5.2	4.4	4.9
Less government contributions	6.2	1.1	0.0	0.0	0.0	0.0
Less customer contributions	0.3	0.3	0.3	0.3	0.3	0.3
Less proceeds from disposals	3.9	0.4	0.4	0.4	0.4	0.4
Less regulatory depreciation	2.8	2.2	2.4	2.5	2.6	2.7
Closing RAB 30 June	**74.0**	**83.9**	**86.8**	**88.7**	**89.8**	**91.4**

Note: Numbers have been rounded

2017-18 net capital expenditure

In our guidance paper, we noted we would use the 2013 determination forecast for 2017-18 net capital expenditure to establish the forecast regulatory asset base. This approach helps to limit incentives for a water corporation to delay capital works until the last year of a regulatory period.[22]

We note that the 2017-18 capital expenditure will be confirmed for inclusion in Lower Murray Water's regulatory asset base at its 2023 price review.

Approach to reviewing the rate of return

We set out our approach to reviewing the rate of return in our guidance, which aligns with the requirements of the ACCC's pricing principles.[23] This approach includes the weighted average cost of capital (WACC) parameters required by the pricing principles.

[22] Even if unintentional, delayed projects provide an undue benefit to a water corporation, as customer prices assume capital works proceed to schedule.

[23] Australian Competition and Consumer Commission 2012, op. cit.

Draft decision on rate of return

We included a WACC estimate in the financial model that we provided to Lower Murray Water to prepare its price submission. We will update this WACC estimate before the final decision, to reflect market conditions. The parameters for the draft decision are in Table 5.3.

We estimated the real risk free rate and a debt margin according to the methodology in the ACCC's pricing principles to calculate a rate for return for Lower Murray Water:

- we calculated the real risk free rate from the 40 day trading period to 16 March 2018
- we developed the range for the debt margin. This range is consistent with recent guidance and decisions of other Australian regulators.[24] We included an assumed 0.15 per cent debt raising cost in our range for the debt margin based on information from the Treasury Corporation of Victoria.

Table 5.3 Draft decision - real post tax WACC

WACC parameter	Source of parameter	Value
Risk free rate of return	Commission estimate	0.82%
Equity beta	ACCC pricing principles	0.70
Equity (market risk) premium	ACCC pricing principles	6.00%
Debt margin (includes debt raising cost)	Commission estimate	2.00–2.50%
Financing structure (debt assets)	ACCC pricing principles	60%
Franking credits	ACCC pricing principles	0.50
Forecast inflation	Commission estimate	2.30%
Vanilla post tax (real) WACC range		3.7–4.0%
Proposed Vanilla post tax (real) WACC		4.0%

Lower Murray Water proposed a WACC of 4.0 per cent which falls within the commission's range, albeit at the top end. For the purposes of the draft decision, we propose a WACC of 4.0 per cent. This figure will be updated in the final decision.

[24] Independent Pricing and Regulatory Tribunal 2017, *WACC biannual update*, February.

Approach to calculating depreciation

Regulatory depreciation is an input to calculating the regulatory asset base. In our guidance, we stated Lower Murray Water should estimate regulatory depreciation using reasonable assumptions about asset life and utilisation. We also noted in our guidance that we prefer a straight line depreciation profile.[25]

Draft decision on regulatory depreciation

Lower Murray Water's forecast regulatory depreciation was calculated using a straight line depreciation profile.[26] Lower Murray Water also calculated regulatory depreciation in a manner consistent with our guidance.

For these reasons, our draft decision proposes to accept Lower Murray Water's forecast regulatory depreciation.

Draft decision on the revenue requirement

Table 5.4 Draft decision revenue requirement
$ million 2017-18

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Operating expenditure	20.5	19.7	19.4	19.4	19.3	98.3
Return on assets	3.2	3.4	3.5	3.6	3.6	17.3
Regulatory depreciation	2.2	2.4	2.5	2.6	2.7	12.5
Revenue requirement	**25.9**	**25.5**	**25.5**	**25.6**	**25.7**	**128.1**

Note: Numbers have been rounded

[25] Essential Services Commission 2017, op. cit., p. 36.

[26] For the period from 2018-19 to 2022-23, Lower Murray Water proposed a regulatory depreciation of $12.5 million.

6. Demand

Introduction

This chapter reviews Lower Murray Water’s proposed demand forecasts. Demand forecasts are a key input into the determination of prices and are relevant to the assessment of past and forecast capital expenditure and operating expenditure.

Approach to reviewing demand

The commission must ensure that Lower Murray Water’s proposed demand forecasts meet the requirements of the WCIR and the ACCC’s pricing principles for rural infrastructure related services. Rule 11 of Schedule 1 of the WCIR outlines the requirements of demand forecasts (Box 6.1).

Box 6.1 Water charge infrastructure rules requirements of demand forecasts

The Commission will assess whether Lower Murray Water’s proposed forecasts:

- are based on an appropriate and unbiased forecasting methodology
- are based on reasonable assumptions about the key drivers of demand, including:
  - supply restrictions
  - environmental conditions, including water inflows and the availability of water
  - commodities, including the treatment of water as a derived demand
  - any elasticity assumptions
  - demographic impacts, where appropriate
- utilise the best available information, including historical data that can identify trends in demand
- take account of current demand and economic conditions.

Source: WCIR 2010.

Lower Murray Water's proposal for demand forecasts

Lower Murray Water's demand forecasts are set out at pages 31 to 33 of its price submission, and are also included in its financial model. Lower Murray Water forecast:

- irrigation customer numbers is consistent with historical trends
- increase in irrigation volumes in Mildura, Merbein and Red Cliffs is due to more favourable business conditions and development occurring within the districts
- increase in private diverter volumes is consistent with historical trends
- domestic and stock connection numbers and volumes are consistent with historical trends.

Draft decision on demand forecasts

Lower Murray Water proposed a revenue cap form of price control, therefore demand forecasts have minimal impact on revenue recovered by the business. The commission considers that Lower Murray Water's proposed demand forecasts meet the requirements of the WCIR and the ACCC's pricing principles for rural infrastructure related services. For this reason we propose to accept Lower Murray Water's demand forecasts.

7. Form of price control

Introduction

This chapter reviews Lower Murray Water's proposed form of price control. The form of control can be an important means of managing risk for water businesses and also has implications for how price changes will affect water customers.

For the current regulatory period, Lower Murray Water has a revenue cap form of price control with a rebalancing constraint of plus or minus 10 per cent. This means that Lower Murray Water may alter its prices to raise the revenue allowed by the commission at the last price review, but that it must limit individual price changes to plus or minus 10 per cent in any single year.

Approach to reviewing forms of price control

The ACCC's pricing principles allow the commission to apply any form of price control. In our guidance we supported Lower Murray Water maintaining its revenue cap.

Lower Murray Water proposed to continue to apply a revenue cap to its regulated tariffs. A revenue cap allows prices to be adjusted to reflect under or over-recovery of revenue in prior years, usually due to deviations in demand from forecast. Lower Murray Water proposed to limit any annual price increase to 10 per cent (not including inflation). Its proposal is similar to its current approach which we approved in 2013.

Draft decision on form of price control

Our guidance noted that if Lower Murray Water proposed to continue with its existing price control, it would only need to state this in its submission.

Our draft decision is to approve Lower Murray Water's proposed form of price control as it allows the recovery of sufficient revenue to cover the forecast efficient costs of providing services. Also, by limiting price increases arising from variations in demand from forecast, its proposal helps to minimise the impact of price changes on customers that can arise under a revenue cap.

Lower Murray Water's proposal to adjusting prices

Lower Murray Water proposed pass through mechanisms are set out at page 37 and pages 56 to 58 of its price submission. It proposed:

- to continue with its existing uncertain and unforeseen events mechanism
- to continue a direct pass through of Goulburn-Murray Water entitlement storage fees

- a pass through mechanism for electricity costs.

Draft decision on adjusting prices

Our draft decision proposes to accept Lower Murray Water's proposal to continue the existing uncertain and unforeseen events mechanism. Under this mechanism, Lower Murray Water may apply for a variation of our determination subject to the requirements specified in rule 40 of the WCIR.

Our draft decision proposes to accept Lower Murray Water's proposal to continue a pass through of Goulburn-Murray Water's entitlement storage fees. We note that our guidance required Lower Murray Water to detail how this pass through would interact with its form of price control. Lower Murray Water must address this in response to our draft decision.

Our draft decision proposes not to approve Lower Murray Water's proposed electricity pass through mechanism. We note that Lower Murray Water proposes to share the risk of electricity cost increases with its customers in an effort to reduce the impact of forecast increases on prices.

We consider that it is unclear at the time of this draft decision if Lower Murray Water requires an electricity pass-through mechanism for costs that are above their proposed forecast increase to energy costs, given the change to market conditions since its submission.[27] We also do not consider that the proposed pass through formula is easy for customers to understand. For this reason we propose to not approve Lower Murray Water's proposed pass through mechanism for electricity costs above its forecast.

[27] We note Lower Murray Water has stated on page 41 of its submission that it intends to provide the commission with an update on electricity costs in response to this draft decision, that better reflect the current market.

8. Tariffs

Introduction

This chapter reviews Lower Murray Water's proposed tariff structures. Lower Murray Water did not propose any changes to its existing tariff structures for pumped irrigation, waterworks, stock and domestic and private diversions.

Lower Murray Water's prices will be affected by our draft decision on the revenue requirement. Because of this, our draft decision on tariffs primarily relates to the structure of tariffs, but not the level of prices. However, we have considered the impact of significant changes in the level of prices on customers as part of this draft decision.

Approach to reviewing tariffs

The commission regulates Lower Murray Water's tariffs according to the ACCC's pricing principles (Box 8.1).

Box 8.1 ACCC's principles for assessing tariffs

Tariff structures should:

- promote the economically efficient use of water infrastructure assets
- ensure sufficient revenue streams to allow efficient delivery of the required services
- give effect to the principles of user pays in respect of water storage and delivery in irrigation systems
- achieve pricing transparency
- facilitate efficient water use and trade in water entitlements.

Source: Australian Competition and Consumer Commission 2012, op. cit.

The ACCC's pricing principles require that the regulator must have regard to consultation undertaken by an operator in approving or determining regulated charges.

Lower Murray Water's proposed tariffs

Lower Murray Water proposed to continue its existing tariff structures for irrigation, drainage, waterworks, stock and domestic and private diversions. Lower Murray Water proposed to continue recovering the costs incurred by individual districts through the use of location based pricing. The proposed tariff structures can be seen on pages 50 to 53 of Lower Murray Water's submission.

Lower Murray Water proposed a rebalancing of its prices within each district to cover the forecast increase to electricity costs and changes to other forecast costs during the proposed regulatory period.[28] The proposed price paths and reference customer bill impacts can be seen at pages 53 to 55 of Lower Murray Water's submission.

Based on its proposed prices, Lower Murray Water outlined the following average annual customer bill impacts for the period:[29]

- for irrigation and drainage customers (based on 100ML of annual usage)
  - Mildura - 0.2 per cent annual increase
  - Red Cliffs – 0.7 per cent annual increase
  - Robinvale – 1.3 per cent annual decrease
  - Mildura HPS – 2.6 per cent annual increase
  - Merbein – no change to 2017-18 bill level
- for domestic and stock customers an average annual decrease between 2.0 per cent and 0.2 per cent
- for diversion customers an average annual increase of 1.7 per cent (based on 1000ML of annual usage).

As outlined in our guidance, we have provided Lower Murray Water with a large degree of discretion to decide on individual tariff structures.[30] This recognises that Lower Murray Water, in consultation with its customer consultative committees and customers, is best placed to consider the interests of customers in designing tariffs, and that existing tariff structures have been developed over time to deal with a variety of local circumstances.

[28] In response to our enquiry, Lower Murray Water confirmed that proposed price changes had been consulted on with its Customer Committees.

[29] Inclusive of pass through of Goulburn-Murray Water bulk charges

[30] Essential Services Commission 2017, op. cit., p. 46.

Miscellaneous charges

Lower Murray Water proposed to continue to set prescribed miscellaneous charges at a level that reflect actual costs, including an allowance for to overheads. The proposed charges can be seen at pages 65 to 67 of Lower Murray Water's submission.

Victorian environmental water

A submission by the Victorian Environmental Water Holder (VEWH) noted inconsistencies in charging arrangements for environmental water between water corporations.[31] It also noted inconsistent approaches to how water corporations charged for environmental water services (mainly differences in whether corporations' treated environmental water services as a prescribed or alternatively, a non-prescribed service).

In discussion with Lower Murray Water and the VEWH, we have established that Lower Murray Water has not forecast any prescribed revenue generated through charges to the VEWH for the upcoming regulatory period. Lower Murray Water only charges the VEWH for actual costs incurred to deliver environmental water via its infrastructure through the prescribed Cardross Lakes miscellaneous charge when delivery occurs.

We consider this approach is acceptable, as it reflects the costs incurred by Lower Murray Water to deliver the environmental water through its regulated infrastructure.

Draft decision on tariffs

During our review we identified a charge in Lower Murray Water's financial template for 'Other Drainage' that was increasing by more than the annual rebalancing constraint allowed during the proposed period. Lower Murray Water confirmed that an incorrect increase had been applied to this charge. We require Lower Murray Water to correct this increase in response to our draft decision.

The commission received no submissions on the proposed continuation of Lower Murray Water's tariff structures. We considered Lower Murray Water's proposed price movements reflect costs incurred within its districts, and accord with the ACCC's principle of giving effect to 'user pays' principles. For this reason we propose to accept Lower Murray Water's proposed tariff structures.

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[31] Victorian Environmental Water Holder 2017, *Submission on water corporation water pricing proposals*, November.

The commission also proposes to accept Lower Murray Water's proposed approach to calculating its miscellaneous charges as it is consistent with our principles.[32]

[32] Lower Murray Water's prescribed miscellaneous charges are calculated in a way that meets the requirements of the WCIR and the WIRO.

9. We invite feedback on our draft decision

We invite feedback from stakeholders on our draft decision before we make a final decision and price determination. Our final decision and price determination will be made in June 2018.

Stakeholders may comment on any aspect of our draft decision, including the information we have relied upon in our assessment (such as Lower Murray Water's price submission).

How to provide feedback:

Attend a public forum

We will hold a public forum in April or May 2018. Forums provide an opportunity for interested parties to discuss key features of our draft decisions. We will publish details of public forums at www.esc.vic.gov.au/waterpricereview.

Provide written comments or submissions

Written comments or submissions in response to this draft decision will be due in early May 2018.

We require submissions by this date so we have time to fully consider submissions for our final decision. Comments or submissions received after this date may not be afforded the same weight as submissions received by the due date.

We would prefer to receive comments and submissions via our website at www.esc.vic.gov.au/waterpricereview.

Alternatively, you may send comments and submissions by mail to:

2018 Water Price Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

We usually make all comments and submissions publicly available in the interests of transparency. If you wish part or all of your submission to be private, please discuss with commission staff.

If you cannot access documents related to our price review, please contact us to make alternative arrangements (phone (03) 9032 1300).

Next steps

Indicative dates are provided below. To keep up-to-date, visit our website at www.esc.vic.gov.au/waterpricereview.

- April or May 2018 – public forum.
- 8 May 2018 – closing date for submissions on our draft decision.
- June 2018 – release date for final decision and price determination.

Appendix A – submissions received

The written submissions in table A.1 are available on our website.

Name of organisation	Date received
Mr G Mallon	7 November 2017
Victorian Environmental Water Holder	9 November 2017
Environment Protection Authority Victoria	12 December 2017