

11 May 2018

Mr Ron Ben David  
Chairman  
Essential Services Commission  
Level 37  
2 Lonsdale Street  
Melbourne VIC 3000

Dear Sir

**Gippsland Water Pricing "5 Year "Plan 2018-2023**

We refer to previous correspondence, the latest being 12/04/18 regarding unacceptable information in your letter 28/03/18.

We must express our severe disappointment that you would only allow a meeting of 1 ½ hours in Moe to present a verbal submission on the 19/04/18.

A story in the Latrobe Valley Express of the 30<sup>th</sup> April 2018 quotes issues from the Consumer Action Law Centre, which are not representative of the local Gippsland community. This is a Melbourne based organisation.

We presented copies of correspondence to the Water Minister on the 17/04/18, which the Latrobe Valley Express declined to publish.

Our president DR Christine Sindt made it clear the feelings of the members of our group and our community, that we have been overcharged going back to Water Plan 2 and that the business was struggling putting the price up is not an option, as Gippsland water consumers are owed.

Deloitte Report 11/01/13

The continued use of this report as the answer to the overcharges in water plan 2 is not supported by the facts of the actual charges and shows that your attention to detail as a regulator is sadly lacking according to our records and research based on water usage alone we believe the following to be correct.

		Charged
2008 Decision	14.9%	
2009	*23% Inflation?	27.27%
2010	*23%	33.25%
2011	4.3%	11.41%
2012	4.3%	13.02%
2013	4.3%	10.74%
	58.9%	15.6%
		74.50%

Includes allowance for Gippsland Water Factory, as an example of the collusion, we believe, between Gippsland Water and the ESC: enclosed is a letter from Gippsland Water dated 10<sup>th</sup> October 2012, which only adds to the confusion.

The letter states that "The price rise will be 4.3% inclusive of inflation". This is not what was charged, refer above.

Cross Subsidisation of Major Users

GRG has long maintained that we consumers representing about 25% of the usage are subsidising the larger group of major users.

We have requested several times copies of the major user contracts. In an email to Dr Sindt in April 2018 this request was denied, even though this information had previously been provided to the ESC.

At a recent meeting with Engie, their representative claimed that they had an "Allocation" of 14 Gigolitres. Hazelwood Power Station is not operating or generating electricity. Has their "Contract" been discontinued?

Due to the situations as outlined which would have significant impact on the 5 year water plan for 2018 to 2023, we are unable to provide a submission at this stage.

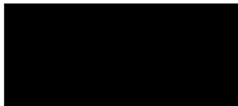
As we have requested legislative action from the Government we are not prepared to provide a subjective submission, until these matters have been decided.

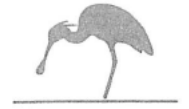
It appears that the ESC is assisting Gippsland Water to run a business rather than the regulation of the provision of a essential service.

Yours faithfully



Merv Geddes  
Secretary  
Gippsland Resource Group Inc.





Our reference:  
Your reference

Wednesday 10 October 2012

GIPPSLAND  
WATER

Mr Merv Geddes  
Gippsland Resource Group  
[REDACTED]

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Dear Merv,

**Re: Regulator Approved Price rises for Gippsland Water**

Thank you for your letter of 8 October 2012, as we have previously indicated to your organisation in our letter of 17 May 2012, Gippsland Water is confident that the prices charged are consistent with the prices approved by the ESC in its 2008 Determination.

We also understand that the ESC has also confirmed this to your organisation in a letter dated 24 May 2012.

Our media statement of 23 May 2012 states that for the average customer receiving both water and wastewater services, with a usage of 174kl of water per annum the price rise will be 4.3% inclusive of inflation.

The media statement also acknowledges that while our water charges align with the charges originally approved by the ESC in 2008, we have been able to achieve a reduction in the wastewater charges approved in 2008 for this period.

Yours sincerely

[REDACTED]

GIPPSLAND RESOURCE GROUP INC.  
NO A 00 50380 C

[REDACTED]

THE ESC IS NOT INDEPENDENT &  
OPERATES IN CONJUNCTION WITH G.W.  
EXCLUDING PUBLIC CONSULTATION  
ACTUAL INCREASE 29/5/2012 WAS  
10.14%

of the Gippsland Water Factory are known and assess how costs have been allocated across customers.

As noted in chapter 3, the Commission has adjusted Gippsland Water's revenue requirement and approved an average annual price increase of 14.9 per cent. Consistent with Gippsland Water's proposal the Commission has increased tariffs in each of the first two years of the regulatory period by 23 per cent and reduced the average increase for the remainder of the period from 10 per cent (as proposed) to 4.3 per cent.

#### **Final decision**

The Commission has approved the structure of Gippsland Water's retail water and sewerage tariffs, but has specified an average price increase of 14.9 per cent. It has increase prices by 23 per cent for each of the first and second years of the regulatory period and 4.3 per cent for each subsequent year.

#### **9.3.4 South Gippsland Water**

In its Draft Decision, the Commission proposed to approve South Gippsland Water's retail water and sewerage tariffs. However, the Commission noted that South Gippsland Water levies a higher usage charge for its major customer, Murray Goulburn, than for the rest of its customer base. South Gippsland Water was requested to provide an explanation as to why Murray Goulburn is subject to higher usage charges than other customers.

In its response to the Draft Decision, South Gippsland Water clarified that Murray Goulburn attracts a higher volumetric rate than other customers, but does not pay fixed charges.

South Gippsland Water stated that Murray Goulburn intends to be fully self-sustainable in water within 10 years, and has forecast significant reductions in demand. The result of this will be that Murray Goulburn will gradually reduce its demand on the Leongatha system.

South Gippsland Water presented the Commission with a report into implementing a uniform volumetric rate for all customers, which would involve a lower volumetric rate for Murray Goulburn and also the levying of fixed charges. Murray Goulburn and South Gippsland Water have argued that establishing a fixed charge and a lower volumetric rate will be a disincentive to Murray Goulburn implementing its planned demand reductions.

The Commission remains of the view that customers receiving the same service should be subject to the same charges, however, is cognisant of the impacts that reducing variable charges to Murray Goulburn may have on the rest of South Gippsland Water's customer base.