



Level 2, 35 Spring St
Melbourne 3000, Australia
Telephone +61 3 9651 0222
 +61 1300 664 969
Facsimile +61 3 9651 3688

2008 WATER PRICE REVIEW

DRAFT DECISION VOLUME II:
GMMWATER

MARCH 2008

An appropriate citation for this paper is:

Essential Services Commission 2008, *2008 Water Price Review Draft Decision Volume II: GMMWater*, March.

1. Purpose of volume II of the draft decision

The Commission is required to issue a Draft Decision that proposes either to:

- (a) approve all of the prices which a regulated entity may charge for prescribed services, or the manner in which such prices are to be calculated or otherwise determined, as set out in the regulated entity's water plan, until the commencement of the next regulatory period or
- (b) refuse to give the approval referred to above and specifies the reasons for the Commission's proposed refusal (which may include suggested amendments to, or action to be taken in respect of, the Water Plan that, if adopted or taken, may result in the Commission giving that approval) and the date by which a regulated entity must resubmit a revised Water Plan or undertake such action as to ensure compliance.

This Volume of the Draft Decision summarises for each business the suggested amendments or actions that if adopted or taken may result in the Commission giving its approval to the relevant business's proposed prices or the manner in which such prices are to be calculated or otherwise determined. The main reasons for suggested amendments or actions are summarised. More detailed reasons for the Commission's suggested amendments are outlined in Volume I of the Draft Decision.

2. Actions to be taken in response to this draft decision

In response to this Draft Decision, GMMWater should by 9 May 2008 resubmit:

- (a) its proposed schedule of tariffs to apply for each year of the regulatory period commencing 1 July 2008 that reflects:
 - (i) the revised revenue requirement set out in Table 5
 - (ii) the revised demand forecasts set out in Tables 13–17 and
 - (iii) any changes to tariff structure suggested by the Commission.
- (b) the service standards to apply over the regulatory period consistent with any revisions suggested by the Commission set out in Tables 1–2.

If a business does not submit a revised schedule of tariffs and/or the service standards to apply, or otherwise make a submission as to why it has not adopted the Commission's suggested amendments by the due date, the Commission will specify the prices, or manner in which prices are to be calculated or otherwise determined and the service standards to apply for the regulatory period 2008-09 to 2012-13 as part of its Final Determination.

3. Service standards

3.1 Urban service standards

The Commission proposes to approve each of the urban service standards proposed in GMMWater's Water Plan, except as indicated in table 1.

Table 1 Approved service standards

<i>Service standard</i>	<i>Draft decision – service standards</i>					
	<i>3yr Avg 2003-06</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Water						
Unplanned water supply interruptions (per 100km)	96.0	40.0	40.0	40.0	40.0	40.0
Average time taken to attend bursts and leaks (priority 1) (minutes)	39.0	30.0	30.0	30.0	30.0	30.0
Average time taken to attend bursts and leaks (priority 2) (minutes)	138.0	60.0	60.0	60.0	60.0	60.0
Average time taken to attend bursts and leaks (priority 3) (minutes)	221.0	60.0	60.0	60.0	60.0	60.0
Unplanned water supply interruptions restored within 5 hours (per cent) - proposed	98.0	97.5	97.5	97.5	97.5	97.5
Planned water supply interruptions restored within 5 hours (per cent)	88.3	95.0	95.0	95.0	95.0	95.0
Average unplanned customer minutes off water supply (minutes)	24.5	20.0	20.0	20.0	20.0	20.0
Average planned customer minutes off water supply (minutes)	13.0	12.0 a	12.0 a	12.0 a	12.0 a	12.0 a
Average frequency of unplanned water supply interruptions (number)	0.1	0.2	0.2	0.2	0.2	0.2
Average frequency of planned water supply interruptions (number)	0.0	0.07 a	0.07 a	0.07 a	0.07 a	0.07 a
Average duration of unplanned water supply interruptions (minutes)	97.5	100.0	100.0	100.0	100.0	100.0
Average duration of planned water supply interruptions (minutes)	140.5	180.0	180.0	180.0	180.0	180.0

<i>Service standard</i>	<i>Draft decision – service standards</i>					
	<i>3yr Avg 2003-06</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Number of customers experiencing 5 unplanned water supply interruptions in the year (number)	0.0	0.0	0.0	0.0	0.0	0.0
Unaccounted for water (per cent)	24.1	14.0	12.0	12.0	10.0	10.0
Sewerage						
Sewerage blockages (per 100km)	42.5	36	36	36	36	36
Average time to attend sewer spills and blockages (minutes)	32.9	30	30	30	30	30
Average time to rectify a sewer blockage (minutes)	181.7	180	180	180	180	180
Spills contained within 5 hours (per cent)	98.5	98	98	98	98	98
Customers receiving 3 sewer blockages in the year (number)	0	0	0	0	0	0
Customer Service						
Complaints to EWOV (per 1000 customers)	1.1	0.9	0.9	0.9	0.9	0.9
Telephone calls answered within 30 seconds (per cent)	81.2	80.0	80.0	80.0	80.0	80.0
Minimum Flow Rates						
	<i>20mm</i>	<i>25mm</i>	<i>32mm</i>	<i>40mm</i>	<i>50mm</i>	
Flow rate (litres per minute)	10	25	40	60	100	

Note Data rounded to one decimal place. **n.p.** = Not provided.

a amended by the business in the lead up to the Draft Decision

Where the proposed service standard target deviated from GWMWater's actual three year average performance or did not appear to make sense, the Commission sought further information from the business. The table above indicates which of the standards were amended by the business in the lead up to the Draft Decision.

The Commission also notes that GWMWater has proposed the additional service standards outlined in table 2.

Table 2 Additional service standards

<i>Service standard</i>	<i>3yr Avg 2003-06</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Total CO2 Emissions (Tonne) ^a		44900 ^b	52997 ^b	55744 ^b	56180 ^b	56629 ^b
Recycled water target (%)		100.0	100.0	100.0	100.0	100.0
Biosolids reuse (%)		100.0	100.0	100.0	100.0	100.0
Sewer backlog connections		0.0 ^b	0.0 ^b	100.0 ^b	360.0 ^b	80.0 ^b
Environmental discharge indicator		0.0	0.0	0.0	0.0	0.0
Drinking water quality indicators		98.0	98.0	98.0	98.0	98.0

Note Data rounded to one decimal place. ^a The projected increase in CO2 emissions are a result of the Wimmera Mallee Pipeline coming online. GMMW is aiming to reduce CO2 emissions resulting from energy consumption by 15% for each of the 5 years by purchasing green power and other offsets. ^b amended by the business in the lead up to the Draft Decision

3.2 Rural service standards

The Commission proposes to approve each of the rural service standards proposed in GMMWater's Water Plan.

Table 3 Approved service standards

<i>Service standard</i>	<i>Draft decision – service standards</i>				
	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Pumped Supply					
Number of pipeline bursts and leaks (per 100 km of pipeline)	10.0	10.0	10.0	10.0	10.0
Unavailability of stock and domestic supply systems for continuous periods in excess of 8 hours (%)	2.0	2.0	2.0	2.0	2.0
Unaccounted for water (per cent)	10.0	8.0	8.0	8.0	8.0
Irrigation drainage (by district/supply system)^a					
Availability of surface drainage schemes (per cent)	n/a	n/a	n/a	n/a	n/a
Availability of sub-surface drainage schemes (per cent)	n/a	n/a	n/a	n/a	n/a
Bulk Water					
Annual compliance with storage operator obligations (per cent)	100.0	100.0	100.0	100.0	100.0

<i>Service standard</i>	<i>Draft decision – service standards</i>				
	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Licensing/administration					
Applications for surface diversion, groundwater or supply-by-agreement licences determined within 60 days (per cent)	80.0	80.0	80.0	80.0	80.0
Processing permanent transfer of surface diversion or groundwater licences within 60 days (per cent)	80.0	80.0	80.0	80.0	80.0
Processing temporary transfer of water entitlement volumes within 15 days (per cent)	80.0	80.0	80.0	80.0	80.0
Processing permanent transfer of water entitlement volumes within 60 days (per cent)	80.0	80.0	80.0	80.0	80.0
Number of diversion licences metered or assessed for metering at 30 June (per cent) ^b	90.0	90.0	90.0	90.0	90.0
Volume of total surface water and groundwater entitlements metered at 30 June (per cent)	85.0	85.0	85.0	85.0	85.0
Customer service					
Complaints to EWOV	0.9	0.9	0.9	0.9	0.9
Telephone calls answered within 30 seconds	80.0	80.0	80.0	80.0	80.0

Note Data rounded to one decimal place. n.p. = Not provided.

^a have not received an allocation in over 8 years.

The Commission has sought further information in relation to the targets set for the following indicators (as shaded on Table 3):

- (a) Applications for surface diversion, groundwater or supply-by-agreement licences determined within [X] days
- (b) Processing permanent transfer of surface diversion or groundwater licences within [X] days
- (c) Processing temporary transfer of water entitlement volumes within [X] days
- (d) Processing permanent transfer of water entitlement volumes within [X] days

Table 4 Additional rural service standards

<i>Service standard</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Applications for renewal of groundwater licences determined within [40] days (%)	80.0	80.0	80.0	80.0	80.0
Applications for new surface diversion determined within [22] days (%)	80.0	80.0	80.0	80.0	80.0
Appl for renewal of surface diver & supply-by-agreement licences determined within [22] days (%)	80.0	80.0	80.0	80.0	80.0
Processing permanent transfer or surface diversion or groundwater licences within [60] days (%)	80.0	80.0	80.0	80.0	80.0

Note Data rounded to one decimal place. **n.p.** = Not provided.

4. Guaranteed service level scheme

The business has not proposed to introduce a GSL scheme in the forthcoming period.

5. Revenue requirement

The Commission has adopted the following assumptions in relation to the revenue required over the regulatory period.

Table 5 Breakdown of revenue requirement implied by ESC draft decision
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-2012</i>	<i>2012-13</i>
Operating expenditure	25.78	26.09	25.87	25.65	25.43
Return on existing assets	6.67	6.40	6.14	5.88	5.61
Return on new investments	3.81	8.89	10.35	10.89	11.60
Regulatory depreciation	3.53	4.79	5.37	5.78	6.24
Adjustments from previous period	0.47	0.47	0.47	0.47	0.46
Renewals annuity	0.00	0.00	0.00	0.00	0.00
Tax liability	0.00	0.00	0.00	0.00	0.00
Total	40.25	46.64	48.19	48.66	49.33

6. Rolled forward regulatory asset base

The regulatory asset base as at 1 July 2005 has been rolled forward to reflect approved capital expenditure net of customer contributions (new customer and shareholder contributions) and disposals for the 2005-06 to 2007-08 period less any approved allowance for regulatory depreciation. The rolled forward values are shown in table 6.

Table 6 Updated regulatory asset base
\$ million in January 2007 prices

	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>
Opening RAB	91.69	95.71	101.83
<i>Plus</i> Gross Capital expenditure	15.33	147.64	297.36
<i>Less</i> Government contributions	7.20	137.06	282.90
<i>Less</i> Customer contributions	0.62	0.18	0.00
<i>Less</i> Proceeds from disposals	1.47	1.65	1.50
<i>Less</i> Regulatory depreciation	2.01	2.64	3.21
Closing RAB	95.71	101.83	111.57

The regulatory asset base as at 1 July 2007 will be rolled forward to reflect approved estimates of capital expenditure net of customer contributions (new customer and shareholder contributions) and disposals for the 2007-08 to 2012-13 period less any approved allowance for regulatory depreciation.

The Commission has adopted the following assumptions in relation to regulatory asset base over the regulatory period:

Table 7 Rolled forward regulatory asset base
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Opening RAB	111.6	232.1	269.2	271.5	278.4
<i>Plus</i> Gross Capital expenditure	251.1	45.0	11.8	15.7	17.8
<i>Less</i> Government contributions	124.7	0.4	1.1	0.1	0.9
<i>Less</i> Customer contributions	0.5	1.2	1.3	1.3	1.5
<i>Less</i> Proceeds from disposals	1.9	1.6	1.8	1.6	1.9
<i>Less</i> Regulatory depreciation	3.5	4.8	5.4	5.8	6.2
Closing RAB	232.1	269.2	271.5	278.4	285.7

7. Weighted average cost of capital

The Commission has adopted a weighted average cost of capital (WACC) of 6.1 per cent for all water businesses. The table below outlines the individual components for the WACC.

<i>Real risk free rate</i>	<i>Equity beta</i>	<i>Market risk premium</i>	<i>Debt margin</i>	<i>Financing structure</i>	<i>Franking credit value</i>	<i>WACC</i>
<i>(per cent)</i>	<i>(β)</i>	<i>(per cent)</i>	<i>(per cent)</i>	<i>(per cent)</i>	<i>(%)</i>	<i>(per cent)</i>
3.41	0.65	6.00	1.95	60	0.5	6.1

8. Operating expenditure

The Commission has made the following assumptions about operating expenditure forecasts over the regulatory period:

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Proposed operating expenditure	25.58	25.89	25.68	25.46	25.25
Revisions and adjustments	0.19	0.19	0.19	0.19	0.18
Draft decision – operating expenditure	25.78	26.09	25.87	25.65	25.43

The Commission's assumptions reflect the following adjustments to GMMWater's proposed operating expenditure forecasts:

<i>Expenditure item</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Environmental contribution	0.29	0.28	0.28	0.28	0.28
DHS licence fee	-0.09	-0.09	-0.09	-0.09	-0.09
Total	0.19	0.19	0.19	0.19	0.18

- (a) No business revisions were proposed after the submission of the Water Plan
- (b) Advice was received from the Department of Human Service on their licence fees and the Department of Sustainability and Environment on the environmental contribution for the regulatory period. Adjustments were

made so operating expenditure reflected the Department's advice (Draft Decision section 4.7)

9. Capital expenditure

The Commission has made the following assumptions about capital expenditure forecasts over the regulatory period:

Table 11 Proposed and approved capital expenditure assumptions
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Proposed capital expenditure	251.14	45.04	11.78	15.68	17.83
Draft decision – capital expenditure	251.14	45.04	11.78	15.68	17.83

Based on Cardno's recommendation, the Commission has not made any adjustments to GMMWater's proposed Water Plan forecast capital expenditure.

GMMWater has identified the following key capital projects to be undertaken during the regulatory period.

Table 12 Key capital projects

	<i>Expected completion date</i>
Wimmera Mallee Pipeline	2009-10
Nhill Treated water supply	2012-13
Edenhope water supply security	2009-10
Stawell Waste Water Treatment Plant	2011-12
Rupanyip Sewerage Scheme	2012-13
Lake Bolac New Sewerage Scheme	2010-11
SCADA	2012-13
Dam safety works at Lake Lonsdale	2011-12
Natimuk treated water supply	2011-12
St Arnaud's WWTP upgrade	2010-11
Jeparit treated water supply	2012-13
Taylor's Lake embankment works	2010-11

10. Demand forecasts

- (a) The Commission has made the following assumptions about demand for various services over the regulatory period.

- (b) The Commission has adjusted proposed demand forecasts where shaded or otherwise indicated.

Table 13 Number of water connections

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Residential					
Proposed connections	25,523	25,785	25,930	26,078	26,445
Draft decision — connections	25,523	25,785	25,930	26,078	26,445
Non-residential					
Proposed connections	3,786	3,805	3,824	3,843	3,862
Draft decision — connections	3,786	3,805	3,824	3,843	3,862
Proposed – total connections	29,309	29,590	29,754	29,921	30,307
Draft decision — total connections	29,309	29,590	29,754	29,921	30,307

Table 14 Number of sewerage connections

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Residential					
Proposed connections	22,229	25,785	25,930	26,078	26,445
Draft decision – connections	22,229	22,350	22,357	22,482	22,608
Non-residential					
Proposed connections	2,734	2,749	2,784	2,799	2,814
Draft decision – connections	2,734	2,749	2,784	2,799	2,814
Total	24,963	28,534	28,714	28,877	29,259
Draft decision – total connections	24,963	25,099	25,141	25,281	25,422

Table 15 Residential water consumption
ML

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Proposed average consumption (kL)	180	216	234	240	234
Draft decision – average consumption (kL)	180	216	234	240	234
Proposed total residential consumption	4,598	5,564	6,062	6,253	6,195
Draft decision – total residential consumption	4,598	5,564	6,062	6,253	6,195

Table 16 Non-residential water consumption
ML

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Proposed non-residential consumption	2,454	2,863	3,070	3,160	3,175
Draft decision – non residential consumption	2,454	2,863	3,070	3,160	3,175

Table 17 Total water consumption
ML

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Proposed total consumption	7,052	8,427	9,132	9,413	9,370
Draft decision – total consumption	7,052	8,427	9,132	9,413	9,370

11. Form of price control

- (a) The Commission proposes to approve individual price caps for GWMWater.
- (b) GWMWater should submit a schedule of prices to apply from 1 July 2008, as well as a process in which its urban tariffs can be adjusted on an annual basis.
- (c) GWMWater may apply for an adjustment to the prices or tariff strategy for its urban services at the time of the annual price review. It would have to demonstrate in its application to the Commission that it has clearly articulated a new tariff strategy (or explained how the proposed price changes are consistent with its existing tariff strategy), undertaken appropriate customer consultation and addressed customer impacts. The average annual price increase across the range of tariffs could not be greater than the average increase calculated under a tariff basket approach. The Commission may then approve amended individual price caps for the remainder of the regulatory period.

12. Pass through mechanisms

Businesses may apply to the Commission to adjust their prices either at the end of the regulatory period or during the regulatory period for specified costs where these are materially different from the costs included for the purposes of the Determination. Pass through mechanisms may apply in the following cases:

- (a) Prices will be adjusted at the end of the regulatory period to reflect any difference between assumed and actual licence fees levied by the EPA, DHS and the ESC. To avoid any doubt, the assumed licence fees payable for each year of the regulatory period are set out in Table 18.

Table 18 Approved licence fee assumptions^a
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-2012</i>	<i>2012-2013</i>
Essential Services Commission	0.04	0.04	0.04	0.04	0.04
Environment Protection Authority	0.07	0.07	0.07	0.07	0.07
Department of Human Services	0.01	0.01	0.01	0.01	0.01

^a Included in forecasts of business as usual operating expenditure.

- (b) Prices will be adjusted at the end of the regulatory period to reflect the additional net operating costs associated with meeting changes in legislative obligations during the regulatory period where:
 - (i) the impact on costs is equivalent to at least 5 per cent of the business's revenue over the regulatory period
 - (ii) changes in costs relate to changes in primary Acts and legislative instruments, including regulations; in taxes (or fees or similar charges) excluding income tax, penalties and interest on taxes, stamp duty, financial institutions duty or similar taxes and levies; to EPA licence requirements; and/or to the Statement of Obligations
 - (iii) the change in legislative obligation was unforeseen and not already reflected in expenditure forecasts
 - (iv) additional capital costs will be rolled into the regulatory asset base at the beginning of the next regulatory period where the expenditure is assessed as being prudent and efficient, and prices will be adjusted to reflect any associated financing costs.
- (c) Prices may be adjusted during the regulatory period to reflect costs associated with catastrophic events, such as fire, earthquake or act of terrorism, where:
 - (i) the impact on costs is so significant as to prevent the business meeting its service requirements and obligations without compromising its financial viability during the period

- (ii) the business can demonstrate that it had taken appropriate steps to plan for or manage the potential impact of such an event.
- (d) Prices may be adjusted during the regulatory period to reflect expenditure relating to major capital projects where:
 - (i) the business has separately identified any uncertain major capital projects and excluded those projects from its expenditure forecasts
 - (ii) the Commission has identified the project as an uncertain major capital project in the Final Determination
 - (iii) the application process for determining the amount, nature and timing of any adjustment will be set out in the Final Determination.
- (e) Prices may be adjusted during the regulatory period to reflect any significant differences between actual and forecast demand levels where:
 - (i) the Commission determines that actual demand levels are significantly different from those forecast for the purposes of the Final Determination
 - (ii) the Commission finds a material impact on the business's revenues.

13. Retail water tariffs

The Commission proposes to approve GWMWater's proposed tariff structure on the basis that it is consistent with the WIRO.

14. Retail sewerage tariffs

The Commission proposes to approve GWMWater's proposed tariff structure on the basis that it is consistent with the WIRO.

15. Trade waste charges

- (a) The Commission proposes to generally approve GWMWater's proposed trade waste tariff structure on the basis that it is consistent with the WIRO and the Commission's trade waste pricing principles.
- (b) GWMWater is required to set out and apply specific trade waste pricing principles to apply to those customers for whom scheduled prices do not apply. The principles should be consistent with the following principles:
 - (i) volumetric and load based prices should, to the extent practicable, reflect the long run marginal cost (LRMC) of trade waste transfer, treatment and disposal
 - (ii) the total revenue received from each customer should be greater than the cost that would avoided from ceasing to serve that customer, and (subject to meeting avoidable cost) less than the stand alone cost of providing the service to the customer in the most efficient manner

- (iii) the methodology used to allocate common and fixed costs to that customer should be clearly articulated and be consistent with any guidance provided by the Commission
- (iv) prices should reflect reasonable assumptions regarding the volume and strength of trade waste produced by that customer
- (v) depreciation rates and rates of return used to determine prices should be consistent with those adopted by the Commission in this Determination.
- (vi) Customers should be provided with full details of the manner in which prices have been calculated. Where applying these principles results in significant changes to prices or tariff structures, arrangements for phasing in the changes may be considered and any transitional arrangements should be clearly articulated.

16. Recycled water

- (a) The Commission is proposing to approve GWMWater's proposed pricing principles on the basis that they are consistent with the principles below.
- (b) The Commission considers that GWMWater should set its recycled water prices according to a set of principles that ensure that prices:
 - (i) have regard to the price of any substitutes and customers' willingness to pay
 - (ii) cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand)
 - (iii) include a variable component.
- (c) Where a business does not propose to fully recover the costs associated with recycled water, it must demonstrate to the Commission that:
 - (i) it has assessed the costs and benefits of pursuing the recycled water project
 - (ii) it has clearly identified the basis on which any revenue shortfall is to be recovered
 - (iii) if the revenue shortfall is to be recovered from non-recycled water customers, either that the project is required by 'specified obligations' or that there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

17. Customer contributions

- (a) The Commission proposes to approve GWMWater's proposed new customer contributions.
- (b) Approval is subject to an adjustment clarifying that recycled water services, due to their unique nature, will not be subject to a scheduled charge but

rather will be regulated by the Commission's proposed pricing principles for recycled water.

Table 19 New customer contributions charges
\$ per lot

	<i>Category 1^a</i>	<i>Category 2^b</i>	<i>Category 3^c</i>
Water	550.00	1,100.00	2,200.00
Sewerage	550.00	1,100.00	2,200.00

^a For developments which are designed in a manner that will have minimal impacts on future water resource demands (lot sizes typically no greater than 450 square meters). ^b For water sensitive urban developments which will require further investment in infrastructure within a six year period to service these developments (lot sizes typically between 450 and 1,350 square metres). ^c For developments that will create demand for water resources over and above high-density, water efficient homes (lot sizes typically exceeding 1,350 square metres).

18. Rural charges

- (a) The Commission proposes to approve in principle GMMWater's proposed tariff structure to apply in the Wimmera Mallee Pipeline and Northern Mallee Pipeline systems.
- (b) In response to the Draft Decision, GMMWater is required to provide further information that addresses the Commission's concerns, which are discussed in Chapter 13 of Volume I of the Draft Decision. These concerns relate to:
 - (i) the process for allocating growth water to customers
 - (ii) timeframes for introducing trade in the pipeline systems
 - (iii) impacts of significant price increases for supply by agreement customers.
- (c) If satisfied that all of its concerns have been addressed, the Commission proposes to approve GMMWater's proposed rural pipeline tariff structure.
- (d) The Commission proposes to approve GMMWater's revised tariff structure for the Wimmera Irrigation Area, but requests further information from GMMWater on the extent of revenue shortfalls from continuing the special drought charge and its expected impact on future prices.
- (e) The Commission proposes to approve all other tariff structures and associated price paths proposed by GMMWater.
- (f) The Commission accepts the approach to bulk water prices adopted by GMMWater, however it is of the opinion that more detail is necessary in order to form an informed opinion on the appropriate price for the first year of the regulatory period.

19. Miscellaneous charges

- (a) GWMWater did not identify a core set of miscellaneous services in its Water Plan.
- (b) In response to this Draft Decision, GWMWater is required to submit:
 - (i) a core set of miscellaneous services, which would be expected to generate at least 75 per cent of miscellaneous revenue
 - (ii) proposed prices for core miscellaneous services for 2008-09 and the manner in which they will be adjusted over the regulatory period
 - (iii) a brief definition of each core miscellaneous service, describing the nature of the service provided and the circumstances when the charge will apply.