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## 2008 WATER PRICE REVIEW

SOUTHERN RURAL WATER DETERMINATION

1 JULY 2008 – 30 JUNE 2013

(as amended on 1 July 2011)

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## 1. General

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### 1.1 Introduction

- (a) Clause 8 of the **WIRO** requires the Commission to either:
  - (i) approve 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**; or
  - (ii) specify 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.
- (b) On 20 June 2008, the Commission made its decision under the **WIRO** in respect of:
  - (i) the prices which Gippsland and Southern Rural Water Corporation (trading as Southern Rural Water) (ABN 70 801 473 421) (**Southern Rural Water**) may charge for **prescribed services** during the **regulatory period**; and
  - (ii) the standards and conditions of service and supply which **Southern Rural Water** has included in its **Water Plan**.
- (c) This Determination is made by the Commission under section 33 of the **ESC Act**, pursuant to clause 8 of the **WIRO**.
- (d) The purpose and reasons for the making of this Determination are to:
  - (i) give effect to the decision of the Commission referred to in clause 1.1(b)(i);
  - (ii) specify the prices which **Southern Rural Water** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated or otherwise determined;

- (iii) facilitate the achievement of the Commission's objectives in the **ESC Act** and the **WI Act**; and
- (iv) reflect the requirements in the **WIRO**.

## 1.2 Application

This Determination applies to **Southern Rural Water** and its successors and assigns in respect of the business carried on by **Southern Rural Water** at the date of this Determination.

## 1.3 Effective period

### (a) Term

This Determination takes effect on the later of the date on which notice of its making is published in the Government Gazette and 1 July 2008 and, subject to clause 1.3(b), has effect until the earlier of the date on which it is amended or revoked by a later determination or 30 June 2013.

### (b) Next regulatory period

Subject to clause 2.3(c)(ii) and clause 2.3(d)(ii), if the Commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2013, the prices or the manner in which such prices are to be calculated or otherwise determined as set out in this Determination will continue to apply in respect of **prescribed services** provided by **Southern Rural Water** between 1 July 2013 and the date on which the determination for the **next regulatory period** comes into effect.

## 1.4 Modification of time periods

The Commission may, by notice to **Southern Rural Water**, extend or reduce the time by which, or the period within which, **Southern Rural Water** or the Commission must comply with an obligation under this Determination.

## 1.5 Summary and structure

Clause 2 of this Determination specifies the prices which will apply to **prescribed services** during the **regulatory period** and sets out the procedure and formula according to which prices may be adjusted during the **regulatory period** on an annual basis. Clauses 3-6 provide for the

circumstances in which prices may be adjusted during the **regulatory period** otherwise than in accordance with clause 2.

## 1.6 Definitions and interpretation

In this Determination, unless the contrary intention appears:

- (a) words and phrases in bold italics have the meanings given to them in part A of Schedule 1; and
- (b) the rules of interpretation in part B of Schedule 1 will apply.

## 1.7 Annexure

- (a) For convenience, annexure A to this Determination summarises:
  - (i) the assumptions underpinning the prices to apply to **Southern Rural Water** during the **regulatory period** or the manner in which such prices are to be calculated or otherwise determined; and
  - (ii) the standards and conditions of services and supply additional to those specified in the **Code** which will be provided by **Southern Rural Water** pursuant to the decision referred to in clause 1.1(b)(ii).
- (b) For the avoidance of doubt, annexure A does not form part of this Determination.

## 2. Price control

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### 2.1 General principles

Subject to this Determination:

#### (a) Scheduled prices

**Southern Rural Water** must not charge more than:

- (i) the scheduled prices in Schedule 2 and Schedule 3, during the first **regulatory year**; and
- (ii) the amount determined in accordance with clause 2.3, during each subsequent **regulatory year**,

in respect of those **prescribed services** to which the scheduled prices in Schedule 2 and Schedule 3 relate.

**(b) Application principles**

The application principles in Schedule 5 will apply to the prices charged by **Southern Rural Water** in respect of **prescribed services** during the **regulatory period**.

**(c) Pricing principles**

During the **regulatory period**, **Southern Rural Water** must apply the pricing principles in Schedule 6 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 6 relate.

## 2.2 Ancillary matters

**(a) New prices**

If a **new price** is introduced under clause 2.3:

- (i) that **new price** is deemed to be included in Schedule 3 with effect from the start of the subsequent **regulatory year**; and
- (ii) any new application principle specified in respect of that **new price** is deemed to be included in Schedule 5 with effect from the start of the subsequent **regulatory year**.

**(b) Contracts**

Where **Southern Rural Water** has entered into a contract (a **relevant contract**) which relates to the provision of **prescribed services** prior to 1 July 2008, **Southern Rural Water** may charge the prices for **prescribed services** which are set out in that **relevant contract** until its expiration, termination or a periodic review of the prices set out in the contract. Once a **relevant contract** has expired or been terminated or the prices in a **relevant contract** have been subject to a periodic review, the scheduled prices in Schedule 2 and Schedule 3 (as adjusted in accordance with this Determination) or the prices determined in accordance with the pricing principles in Schedule 6 will apply for the remainder of the **regulatory period**.

**(c) Dispute Resolution**

Any question as to whether a price has been set in accordance with this Determination will be determined by the Commission on the basis of the Commission's interpretation of this Determination.



**(d) Publication**

**Southern Rural Water** must publish a schedule of its current prices and pricing principles for **prescribed services**, and all relevant supporting information that is relied upon to apply the prices or pricing principles, on its website at all times during the **regulatory period** and must provide a written copy of the schedule to its customers on request. To the extent permissible under the *Trade Practices Act 1974* (Cth), the schedule must clearly indicate in respect of each price, the amount determined in accordance with this Determination, the amount of GST payable and the total price.

**(e) GST**

**Southern Rural Water** will not be considered to be in contravention of this Determination if a price charged by it for a **prescribed service** exceeds the amount determined in accordance with clause 2 only by reason of the levying of a charge on account of **GST**.

## **2.3 Annual adjustment of prices**

**(a) Schedule 2: Adjustment**

Subject to Schedule 2, the scheduled prices in Schedule 2 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formula in clause 2.3(c)(i) and the procedure in clause 2.3(e), and will apply to the **prescribed services** to which the scheduled prices in Schedule 2 relate in that **regulatory year**.

**(b) Schedule 3: Adjustment**

Subject to Schedule 3, the scheduled prices in Schedule 3 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formula in clause 2.3(d)(i) and the procedure in clause 2.3(e), and will apply to the **prescribed services** to which the scheduled prices in Schedule 3 relate in that **regulatory year**.

**(c) Schedule 2: Formula**

(i) Subject to Schedule 2, each price for the **prescribed services** referred to in clause 2.3(a) will be adjusted in accordance with the following formula with effect from the

beginning of each subsequent **regulatory year** in the **regulatory period**:

$$P_t = P_{t-1} * CPI_t *(1 + PPM_t)$$

where:

$P_t$  is the price component for **regulatory year** t

$P_{t-1}$  is the price component for **regulatory year** t-1

$CPI_t$  for the particular **regulatory year** is:

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the start of the relevant **regulatory year**

**divided by**

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the March quarter referred to above

$PPM_t$  is the prescribed price movement for the price component for **regulatory year** t determined in accordance with Schedule 2.

- (ii) If the Commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2013,  $PPM_t$  will be set equal to zero for the purpose of adjusting prices in accordance with the formula in clause 2.3(c)(i) for **regulatory years** commencing on or after 1 July 2013 until the date on which this determination is amended or revoked by a later determination.

**(d) Schedule 3: Formulae**

- (i) Subject to Schedule 3, each price for the **prescribed services** referred to in clause 2.3(b) will be adjusted in accordance with the following formulae with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:

$$\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_t^{ij} \leq cap_t$$

$$cap_t = rev_t + (cap_{t-1} - \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-1}^{ij}) * cpi_t * (1 + wacc)$$

where **Southern Rural Water** has  $n$  tariff categories, which have up to  $m$  tariff components, and where:

$p_t^{ij}$  is the proposed tariff component  $j$  of tariff  $i$  for **regulatory year**  $t$

$q_t^{ij}$  is the forecast quantity of tariff component  $j$  of tariff  $i$  for **regulatory year**  $t$

$cap_t$  is the revenue cap for **regulatory year**  $t$  calculated in accordance with the formula set out above

$cap_{t-1}$  is the revenue cap for **regulatory year**  $t-1$ : for the second year of the **regulatory period**,  $cap_{t-1}$  is equal to  $rev_t$  for the first **regulatory year** as set out in Schedule 4. For subsequent **regulatory years**,  $cap_{t-1}$  is the amount calculated for **regulatory year**  $t-1$  in accordance with the formula set out above

$rev_t$  is the total revenue requirement for **regulatory year**  $t$  as set out in Schedule 4

$p_{t-1}^{ij}$  is the actual tariff component  $j$  of tariff  $i$  for **regulatory year**  $t-1$

$q_{t-1}^{ij}$  is the estimate of the actual quantities of tariff component  $j$  of tariff  $i$  for **regulatory year**  $t-1$

$cpi_t$  for the particular **regulatory year** is:

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter

immediately preceding the start of the relevant **regulatory year**

divided by

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the March quarter referred to above

*wacc* is 5.8%, being the weighted average cost of capital

- (ii) If the Commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2013, the regulatory requirement for **regulatory year t** "*rev<sub>t</sub>*" will be set equal to

"(*rev<sub>t-1</sub>* \* *cpi<sub>t</sub>*)" for the purpose of adjusting prices in accordance with the formulae in clause 2.3(d)(i) for **regulatory years** commencing on or after 1 July 2013 until the date on which this determination is amended or revoked by a later determination.

**(e) Adjustment procedure**

- (i) At least 40 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period, Southern Rural Water** must submit its proposed prices for the **prescribed services** referred to in clauses 2.3(a) and 2.3(b) to apply in the subsequent **regulatory year** (the **revised prices**) to the Commission for approval, together with sufficient information to enable the Commission to assess whether the proposed prices comply with this Determination including in relation to the proposed prices for the **prescribed services** referred to in clause 2.3(b):

- (A) the forecast quantities for **regulatory year t** "*q<sub>t</sub><sup>ij</sup>*" (referred to in the relevant formula in clause 2.3(d)(i));
- (B) the estimate of actual quantities for **regulatory year t-1** "*q<sub>t-1</sub><sup>ij</sup>*" (referred to in the relevant formula in clause 2.3(d)(i));

- (C) information which explains the calculation of the items referred to in subparagraphs (A) and (B) above;
  - (D) information relating to any **new price** which **Southern Rural Water** proposes to introduce in **regulatory year t**; and
  - (E) any other information required by the Commission.
- (ii) The Commission will approve the **revised prices** if it considers that:
- (A) the **revised prices** in respect of clause 2.3(a) have been calculated in accordance with the formula set out in clause 2.3(c)(i);
  - (B) the **revised prices** in respect of clause 2.3(b) have been calculated in accordance with the formulae set out in clause 2.3(d)(i); and
  - (C) the items referred to in clause 2.3(e)(i)(A) and (B) are reasonable.
- (iii) The Commission will be deemed to have approved the **revised prices** if it has not provided notice under clause 2.3(c)(iv) to **Southern Rural Water** within 30 **business days** from the date of its receipt of the **revised prices**.
- (iv) If the Commission does not approve the **revised prices**, the Commission:
- (A) will provide notice to **Southern Rural Water** (including a statement of its reasons);
  - (B) may request **Southern Rural Water** to provide any additional information specified by the Commission;
  - (C) will take any additional information provided by **Southern Rural Water** into account; and
  - (D) will determine the **revised prices**.
- (v) For the avoidance of doubt, any **new price** approved by the Commission under clause 2.3(e)(ii) or deemed to have been approved by the Commission under clause 2.3(e)(iii) will be a **revised price** for the purpose of clause 2.3(e).

## 2.4 Price changes during a billing period

### (a) Application of this clause

This clause 2.4 applies where **Southern Rural Water** issues an invoice in respect of a billing period during which a change to any price for a **prescribed service** comes into effect in accordance with this Determination.

### (b) Method of charging

**Southern Rural Water** must not charge the prices determined in accordance with this Determination in respect of any part of a billing period prior to the effective date of the change, but may charge for **prescribed services** in respect of the periods before and after the effective date of the change at the prices applicable for each of those periods on a pro-rata basis.

## 2.5 Reporting requirements

(a) **Southern Rural Water** must make available to the Commission all information reasonably requested by the Commission from time to time for the purpose of enabling it to confirm that **Southern Rural Water** is complying with this Determination.

(b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Southern Rural Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 4 relate, **Southern Rural Water** must, within 30 **business days** of the date of the **new contract**, provide the Commission with a notice specifying:

- (i) details of the **new contract**, and
- (ii) information which demonstrates the way in which the prices in the **new contract** reflect the relevant pricing principles.

(c) Without limiting clause 2.5(a), if **Southern Rural Water** proposes to stop providing a **prescribed service** or refuses to provide a **prescribed service** to a customer, or potential customer, during the **regulatory period**, it must:

- (i) in the case of a proposal to stop providing a **prescribed service**, provide a notice to the Commission stating the nature of the **prescribed service** which it proposes to stop providing and the reason why it proposes to stop providing

the **prescribed service**. This notice must be provided at least 30 **business days** prior to the date upon which **Southern Rural Water** proposes to stop providing the **prescribed service**; and

- (ii) in the case of a refusal to provide a **prescribed service** to a customer, or potential customer, **Southern Rural Water** must provide a notice to the Commission within 5 **business days** of the refusal, stating the nature of the **prescribed service** and the reason for the refusal.

### 3. Amendment of Schedule 2

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#### 3.1 Second regulatory year

(a) Amendment

- (i) **Southern Rural Water** must apply to the Commission in accordance with this clause 3.1 for the amendment of the prescribed price movements and/or price components included in Schedule 2 for the second **regulatory year** in the **regulatory period** and each subsequent **regulatory year** remaining in the **regulatory period** (the **revised tariff schedule**).
- (ii) The average price movement for the second **regulatory year** in the **regulatory period** and each subsequent **regulatory year** in the **regulatory period** determined in accordance with the **revised tariff schedule** must not exceed the average price movement that would have otherwise applied under this Determination as calculated in accordance with the following formula.

$$\frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}} \geq \frac{\sum_{i=1}^n \sum_{j=1}^m ap_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}, i = 1, \dots, n; j = 1 \dots m$$

where **Southern Rural Water** has  $n$  tariff categories, which each have up to  $m$  tariff components, and where, for

each **regulatory year**  $t$  for which the calculation is undertaken:

$p_{t-1}^{ij}$  is the tariff charged in **regulatory year**  $t-1$  for component  $j$  of tariff  $i$

$p_t^{ij}$  is the proposed tariff for **regulatory year**  $t$  for component  $j$  of tariff  $i$  determined in accordance with Schedule 2 where the **revised tariff schedule** is not applied

$ap_t^{ij}$  is the proposed tariff for **regulatory year**  $t$  for component  $j$  of tariff  $i$  determined in accordance with Schedule 2 where the **revised tariff schedule** is applied

$q_{t-2}^{ij}$  is the quantity of component  $j$  of tariff  $i$  that was sold in **regulatory year**  $t-2$ , or, if an actual quantity is not available, either an estimate of the quantity of component  $j$  of tariff  $i$  that was sold in **regulatory year**  $t-2$  or a forecast of the quantity of component  $j$  of tariff  $i$  that is expected to be sold in **regulatory year**  $t-2$ .

**(b) Amendment procedure**

- (i) An application by **Southern Rural Water** under this clause 3.1 must be received by the Commission at least 100 **business days** prior to the commencement of the second **regulatory year** and must be accompanied by the following information:
  - (A) a clearly articulated new tariff strategy that is consistent with the regulatory principles in clause 14(i)(a) of the **WIRO (the revised tariff strategy)**;
  - (B) a **revised tariff schedule** that specifies proposed prices for the second **regulatory year** and prescribed price movements for each subsequent **regulatory year** in the **regulatory period** that is consistent with the **revised tariff strategy**;



- (C) a statement setting out evidence demonstrating that **Southern Rural Water** has provided information to its customers and any relevant consultative committee established under the *Water Act 1989* (Vic) (the **Water Act**) explaining the **revised tariff strategy and revised tariff schedule** and has consulted effectively with its customers and any relevant consultative committee on the **revised tariff strategy and revised tariff schedule**;
  - (D) a statement setting out the customer impacts resulting from the **revised tariff schedule** and actions proposed by **Southern Rural Water** to address these customer impacts; and
  - (E) an explanation of the calculation of the relevant quantities “ $q_{t-2}^{ij}$ ”.
- (ii) The Commission may approve the **revised tariff schedule** submitted by **Southern Rural Water** under this clause 3.1 if it is satisfied that:
- (A) **Southern Rural Water** has complied with clause 3.1(b)(i)(A);
  - (B) the average price movements calculated in accordance with the **revised tariff schedule** comply with the formula in clause 3.1(a)(ii);
  - (C) the **revised tariff schedule** is consistent with the **revised tariff strategy**;
  - (D) **Southern Rural Water** has consulted effectively with its customers and any relevant consultative committee referred to in clause 3.1(b)(i)(C) on the **revised tariff strategy** and **revised tariff schedule**;
  - (E) **Southern Rural Water** has effectively addressed customer impacts resulting from the **revised tariff schedule**; and
  - (F) the basis for calculating the relevant quantities “ $q_{t-2}^{ij}$ ” is reasonable.

- (iii) In determining whether it will approve the **revised tariff schedule**, the Commission may request **Southern Rural Water** to provide any additional information specified by the Commission and/or to resubmit any of the matters in clause 3.1(b)(i)(A)-(E).
- (iv) The Commission will be deemed to have not approved a **revised tariff schedule** if it has not provided notice to **Southern Rural Water** within 60 **business days** from the date of its receipt of **Southern Rural Water's** application under this clause 3.1.
- (v) If the Commission does not approve, or is deemed not to have approved, the **revised tariff schedule** submitted by **Southern Rural Water** under this clause 3.1, or if **Southern Rural Water** fails to submit a **revised tariff schedule** under this clause 3.1, the Commission must specify the prescribed price movement and/or price components included in Schedule 2 for the second **regulatory year** in the **regulatory period** and each subsequent **regulatory year** in the **regulatory period**.

## 3.2 Subsequent regulatory years

### (a) Amendment

- (i) With effect from the second **regulatory year** in the **regulatory period**, **Southern Rural Water** may apply to the Commission in accordance with this clause 3.2 for a **revised tariff schedule** for the following **regulatory year** (the **relevant regulatory year**) and each subsequent **regulatory year** in the **regulatory period**.
- (ii) The average price movement for the **relevant regulatory year** and each subsequent **regulatory year** in the **regulatory period** determined in accordance with the **revised tariff schedule** must not exceed the average price movement that would have otherwise applied under this Determination as calculated in accordance with the formula in clause 3.1(a)(ii).

### (b) Amendment procedure

- (i) An application by **Southern Rural Water** under this clause 3.2 must be received by the Commission at least

80 **business days** prior to the commencement of the **relevant regulatory year** and must be accompanied by the following information:

- (A) (1) a clearly articulated new tariff strategy that is consistent with the regulatory principles in clause 14(i)(a) of the **WIRO** (the **revised tariff strategy**); or
  - (2) an explanation of how the **revised tariff schedule** is consistent with the tariff strategy for **Southern Rural Water** approved by the Commission in connection with this Determination, **(the relevant tariff strategy)**;
  - (B) a **revised tariff schedule** that specifies proposed prices for the **relevant regulatory year** and prescribed price movements for each subsequent **regulatory year** in the **regulatory period** that is consistent with the **relevant tariff strategy**;
  - (C) a statement setting out evidence demonstrating that **Southern Rural Water** has provided information to its customers and any relevant consultative committee established under the **Water Act** explaining the **revised tariff schedule** and how it relates to the **relevant tariff strategy** and has consulted effectively with its customers and any relevant consultative committee on the **revised tariff strategy** (if clause 3.2(i)(A)(1) applies) and the **revised tariff schedule**;
  - (D) a statement setting out the customer impacts resulting from the **revised tariff schedule** and actions proposed by **Southern Rural Water** to address these customer impacts; and
  - (E) an explanation of the calculation of the relevant quantities “ $q_{t-2}^{ij}$ ”.
- (ii) The Commission may approve the **revised tariff schedule** submitted by **Southern Rural Water** under this clause 3.2 if it is satisfied that:

- (A) **Southern Rural Water** has complied with clause 3.2(b)(i)(A);
  - (B) the average price movements calculated in accordance with the **revised tariff schedule** has comply with the formula in clause 3.1(a)(ii);
  - (C) the **revised tariff schedule** is consistent with the **relevant tariff strategy**;
  - (D) **Southern Rural Water** has consulted effectively with its customers and any relevant consultative committee referred to in clause 3.2(b)(i)(C) on the revised tariff strategy (if clause 3.2(i)(A)(1) applies) and the **revised tariff schedule**;
  - (E) **Southern Rural Water** has effectively addressed customer impacts resulting from the **revised tariff schedule**; and
  - (F) the basis for calculating the relevant quantities " $q_{t-2}^{ij}$ " is reasonable.
- (iii) In determining whether it will approve the **revised tariff schedule**, the Commission may request **Southern Rural Water** to provide any additional information specified by the Commission and/or to resubmit any of the matters in clause 3.2(b)(i)(A)-(E).
  - (iv) The Commission will be deemed to have not approved a **revised tariff schedule** if it has not provided notice to **Southern Rural Water** within 40 **business days** from the date of its receipt of **Southern Rural Water's** application under this clause 3.2.

## 4. Amendment of Schedule 4

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### (a) Amendment

**Southern Rural Water** must apply to the Commission in accordance with this clause 4 for the amendment of the revenue requirements included in Schedule 4 for the second **regulatory year** in the **regulatory period** and each subsequent **regulatory year** remaining in the **regulatory period** (the **revised Schedule 4**).

**(b) Amendment procedure**

- (i) An application by **Southern Rural Water** under this clause 4 must be received by the Commission at least 100 **business days** prior to the commencement of the second **regulatory year** in the **regulatory period** and must be accompanied by the following information:
- (A) a **revised Schedule 4**;
  - (B) an explanation of the calculation of the revenue requirements in the **revised Schedule 4**, including outcomes to be delivered and forecasts of operating and capital expenditure and demand levels for the second **regulatory year** and each subsequent **regulatory year** in the **regulatory period**;
  - (C) a revised Schedule 3 that specifies proposed prices for the second **regulatory year** which are consistent with the revenue requirement for the second **regulatory year** included in the **revised Schedule 4**;
  - (D) a statement setting out evidence demonstrating that **Southern Rural Water** has provided information to its customers and any relevant consultative committee established under the *Water Act 1989* (Vic) (the **Water Act**) explaining the matters referred to in clause 4(b)(i)(A)-(C) and has consulted effectively with its customers and any relevant consultative committee on these matters; and
  - (E) a statement setting out the customer impacts resulting from the revised Schedule 3 referred to in clause 4(b)(i)(C) and actions proposed by **Southern Rural Water** to address these customer impacts.
- (ii) The Commission may approve the **revised Schedule 4** submitted by **Southern Rural Water** under this clause 4 if it is satisfied that:
- (A) **Southern Rural Water** has complied with clause 4(b)(i)(A) and clause 4(b)(i)(B);

- (B) the proposed outcomes and forecasts of operating and capital **Southern Rural Water** to calculate the revenue requirements included in the **revised Schedule 4** are reasonable and are consistent with the regulatory principles in clause 14(i)(a) of the **WIRO**;
  - (C) **Southern Rural Water** has consulted effectively with its customers and any relevant consultative committee established under the **Water Act** on the matters referred to in clause 4(b)(i)(A)-(C); and
  - (D) **Southern Rural Water** has effectively addressed customer impacts resulting from the revised Schedule 3 referred to in clause 4(b)(i)(C).
- (iii) In determining whether it will approve the **revised Schedule 4**, the Commission may request **Southern Rural Water** to provide any additional information specified by the Commission and/or to resubmit any of the matters in clause 4(b)(i)(A)-(E).
  - (iv) The Commission will be deemed to have not approved a **revised Schedule 4** if it has not provided notice to **Southern Rural Water** within 60 **business days** from the date of its receipt of **Southern Rural Water's** application under this clause 4.
  - (v) If the Commission does not approve, or is deemed to have not approved, the **revised Schedule 4** submitted by **Southern Rural Water** under this clause 4, or if **Southern Rural Water** fails to submit a **revised Schedule 4** under this clause 4, the Commission must specify the revenue requirements included in Schedule 4 for the second **regulatory year** and each subsequent **regulatory year** in the **regulatory period**.

## 5. Uncertain or unforeseen events

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### 5.1 General principle

- (a) With effect from the commencement of the second **regulatory year** in the **regulatory period**, **Southern Rural Water** may apply to the Commission for the amendment of this Determination and/or

the adjustment of the scheduled prices in Schedule 2 and/or the adjustment of the **revenue requirements** in Schedule 4 to reflect increased or decreased costs incurred by **Southern Rural Water** as a result of events which were uncertain or unforeseen at the time applications were submitted by **Southern Rural Water** under clause 3.1(b) and clause 4(b) (an **uncertain events application**).

- (b) The Commission may take action under clause 5.3(b) in respect of an **uncertain events application** where the Commission is satisfied that such action is necessary or desirable to take account of events that were uncertain or unforeseen at the time applications were submitted by **Southern Rural Water** under clause 3.1(b) and clause 4(b) provided that the Commission is satisfied that such action takes into account the interests of customers.

## 5.2 Consideration by the Commission

### (a) Examples of uncertain and unforeseen events

The matters that may, at the discretion of the Commission, be taken into account by the Commission under this clause 5 include:

- (i) actual licence fees or contributions payable by **Southern Rural Water** during a particular **regulatory year** during the **regulatory period** under section 51 of the *Safe Drinking Water Act 2003* (Vic), section 24 of the *Environment Protection Act 1970* (Vic) and section 4H(2) of the **WI Act** which differ from the forecast licence fees or contributions set out in annexure A for that **regulatory year**;
- (ii) changes in the timing or scope of expenditure by **Southern Rural Water** on major capital projects;
- (iii) instances where the Commission is satisfied that there is a material difference between the forecast demand levels set out in annexure A and actual demand levels for **Southern Rural Water** in one or more **regulatory years** during the **regulatory period**; and
- (iv) a change in or to any of the following:
  - (A) the **WI Act**, the *Water Act 1989* (Vic), the *Safe Drinking Water Act 2003* (Vic), the *State Owned Enterprises Act 1992* (Vic) and the *Environment Protection Act 1970* (Vic);

- (B) any licence issued pursuant to any of the Acts referred to in clause 5.2(a)(iv)(A);
- (C) a **relevant tax**; or
- (D) the Statement of Obligations,  
or the introduction of a national emissions trading scheme or other scheme relating to the reduction of greenhouse gas emissions.

**(b) Exclusions**

In considering an **uncertain events application**, the Commission will not take into account matters that:

- (i) are or should be within **Southern Rural Water's** control;
- (ii) were or should have been known by **Southern Rural Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **Southern Rural Water**;
- (iv) should be or should have been planned for or managed by **Southern Rural Water**, and/or
- (v) reflect inefficient expenditure by **Southern Rural Water**.

**(c) Dispute resolution**

Any question as to whether a matter should be taken into account by the Commission under this clause 5 will be determined by the Commission in its absolute discretion.

## 5.3 Procedure

**(a) Application process**

- (i) An **uncertain events application** must be accompanied by a statement setting out:
  - (A) the details of the relevant uncertain or unforeseen event;
  - (B) the amount and timing of any increase or decrease in operating and/or capital expenditure associated with the relevant event during the **regulatory period** and/or the amount and timing of any increase or decrease in revenue associated with the relevant event during the **regulatory period**;



- (C) the basis for calculating the increase or decrease in operating and/or capital expenditure and/or revenue referred to in clause 5.3(a)(i)(B); and
  - (D) details of the proposed action to be taken by the Commission under clause 5.3(b).
- (ii) The Commission may identify an event which it considers has had or may have a material impact on **Southern Rural Water's** operating and/or capital expenditure and/or revenue and may decide to take action under clause 5.3(b) in the absence of an **uncertain events application** by **Southern Rural Water**.
  - (iii) The Commission may request **Southern Rural Water** to provide any additional information specified by the Commission in connection with an **uncertain events application**.

**(b) Action by the Commission**

If the Commission is satisfied of the matters set out in clause 5.1(b) in respect of an uncertain events application, the Commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 and/or the revenue requirements in Schedule 4 with effect from **regulatory year** t at the same time as prices are adjusted pursuant to clause 2.3; or
- (ii) take the **uncertain events application** into account in making its determination in respect of the prices which **Southern Rural Water** may charge for **prescribed services** in the **next regulatory period**.

## 6. Other adjustments during regulatory period

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Where the Commission is satisfied that:

- (a) there is a manifest and material error in this Determination;
- (b) any information on which this Determination was based was false or misleading in a material respect; or
- (c) such amendment or adjustment is necessary or desirable to avoid an unintended consequence of this Determination,

the Commission may decide to amend this Determination and/or specify a price adjustment, provided that it is satisfied that such amendment and/or price adjustment takes into account the interests of customers.

## Schedule 1

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### Definitions and Interpretation

#### A. Definitions

**business day** means a day on which banks are open for general banking business in Melbourne, not being a Saturday or a Sunday.

**Code** means the *Rural Water Customer Service Code* made under the *WI Act*.

**developer charges** has the meaning given in the *WIRO*.

**diversion services** has the meaning given in the *WIRO*.

**ESC Act** means the *Essential Services Commission Act 2001* (Vic).

**GST** has the meaning given in section 195-1 of the *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

**miscellaneous services** means services that are provided in direct connection with **prescribed services**, prices in respect of which are either included in Schedule 2 and/or Schedule 3 or determined in accordance with the relevant pricing principles in Schedule 4.

**new contract** means any contract for **prescribed services** which is renewed, renegotiated or entered into during the **regulatory period**.

**next regulatory period** means the period commencing on 1 July 2013 and ending on a date specified by the Commission.

**prescribed services** has the meaning given in the *WIRO* and includes **miscellaneous services**.

**recycled water services** has the meaning given in the *WIRO*.

**regulated entity** has the meaning given in the *WIRO*.

**regulatory period** means the period commencing on 1 July 2008 and ending on 30 June 2013.

**regulatory year** means each period of twelve months commencing on 1 July and ending on 30 June.

**relevant contract** means a contract which relates to the provision of **prescribed services**

**relevant tax** means any tax imposed by or payable directly or indirectly to any authority of the Commonwealth of Australia (including **GST**) but excluding:

- (a) the licence fees referred to in clause 5.2 of this Determination;
- (b) penalties and interest for late payment of any tax; or
- (c) any tax that replaces any of the taxes referred to in (a) and (b), where tax includes any rate, duty, charge or other like or analogous impost.

**urban water user** has the meaning given in the **WIRO**.

**Water Plan** has the meaning given in the **WIRO**.

**WI Act** means the *Water Industry Act 1994* (Vic).

**WIRO** means the Water Industry Regulatory Order 2003 as at 30 June 2008.

## **B. Interpretation**

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (d) The singular includes the plural, and the converse also applies.
- (e) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (f) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (g) A reference to a clause or schedule is a reference to a clause of or schedule to, this document.
- (h) A reference to a determination, agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (i) A reference to an Act, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

- (j) If a period of time is specified and commences on a given day or on a day of an act or event, the period of time is to be calculated inclusive of that day.
- (k) Any “notice” to be given or matter to be “notified” must be in writing.
- (l) The symbol ‘ $\Sigma$ ’ requires a summation to be performed over the range of variables specified in respect of the algebraic terms specified.
- (m) All data which is utilised in calculations made under this Determination will be utilised to the accuracy, in terms of the number of decimal places, to which it is given.
- (n) A fixed price, charge or fee determined in accordance with this Determination is to be rounded down and specified to two decimal places.
- (o) A volumetric price, charge or fee determined in accordance with this Determination is to be rounded down and specified to four decimal places.
- (p) When a calculation is required under this document:
  - (i) **regulatory year ‘t’** is the **regulatory year** in respect of which the calculation is being made;
  - (ii) **regulatory year ‘t-1’** is the **regulatory year** immediately preceding **regulatory year ‘t’**;
  - (iii) **regulatory year ‘t-2’** is the **regulatory year** immediately preceding **regulatory year ‘t-1’**.

## Schedule 2

### Prices - Diversions and Licences

All charges are rounded down to 2 decimal places

<i>Tariff and Price Component</i>	<i>Unit</i>	<i>Price (1 July 2011)</i>
<b>2.1 Irrigation District</b>		
Applications - Amend District Boundry	App	1088.47
Applications - Application to Vary Delivery Share	App	225.91
Applications - Application to Transfer Delivery Share (Temporary)	App	410.74
Applications - Application to Transfer Delivery Share (Permanent)	App	225.91
Applications - Application for Declaration that Property Not To Be Serviced Property	App	97.55
<b>2.2 Drainage Diversion Agreements</b>		
Applications - Application	App	225.91
Applications - Renewal	App	379.94
<b>2.3 Issue of Licence: Surfacewater</b>		
Applications - Domestic & Stock	App	518.56
Applications - Under 10ML & Not Significant	App	1237.37
Applications - Under 10ML & Significant	App	3717.23
Applications - 10ML-200ML - Fixed Component	App	3717.23
Applications - 10ML-200ML - Volumetric Component	App	20.54
Applications - Over 200ML - Fixed Component	App	7619.30
Applications - Over 200ML - Volumetric Component	App	40.56
Applications - Water Availability Assessment Fee	App	2372.05
Applications - Technical Information Analysis Fee	App	1026.86
<b>2.4 Issue of Licence: Groundwater</b>		
Applications - Under 20ML & Not Significant	App	1237.37
Applications - Under 20ML & Significant	App	3717.23
Applications - 20ML-200ML - Fixed Component	App	3717.23
Applications - 20ML-200ML - Volumetric Component	App	10.27
Applications - 200ML-400ML - Fixed Component	App	5565.58
Applications - 200ML-400ML - Volumetric Component	App	20.54
Applications - Over 400ML - Fixed Component	App	9673.02
Applications - Over 400ML - Volumetric Component	App	40.56
Applications - Technical Information Analysis Fee	App	1026.86
Applications - Refundable Component	App	754.74
<b>2.5 Issue of Licence: Surfacewater</b>		
Applications - Refundable Component	App	754.74
<b>2.6 License Renewal</b>		
Applications - General	App	308.06
<b>2.7 Amendment/Amalgamation of Licence</b>		
Applications - General	App	518.56
<b>2.8 Transfer of License</b>		
Applications - Temporary	App	308.06
Applications - Temporary via Trade Agency	App	231.04
Applications - Permanent (Sale of Property)	App	518.56
Applications - Permanent (Splitting Licence)	App	1237.37
Applications - Permanent (Other)	App	1026.86
<b>2.9 Construction Licences - New</b>		
Applications - Farm Dams - <1m high, <1ML capacity	App	1853.48
Applications - Farm Dams - <5m high, <3ML capacity & <50ha catchment	App	2988.16
Applications - Farm Dams - <5m high, <20ML capacity & <200ha catchment	App	4117.71
Applications - Farm Dams - >5m high, >20ML capacity or > 200ha catchment	App	5355.08
Applications - Bore - Category A or B	App	703.40
<b>2.10 Construction Licences - Existing</b>		
Applications - Hazardous Dam - Operating Licence	App	1237.37
Applications - Bore - Category A or B - Licence to Modify	App	703.40
Applications - Construction Licence Renewal - General	App	308.06
Applications - Construction Licence Renewal - Hazardous Dam Operating Licence	App	1237.37
Applications - Transfer of Licence	App	308.06
<b>2.11 Underground Disposal - New</b>		
Applications - Under 10ML & Not Significant	App	1237.37
Applications - Under 10ML & Significant	App	3717.23
Applications - 10ML-1000ML - Fixed Component	App	3717.23
Applications - 10ML-1000ML - Volumetric Component	App	10.27
Applications - Over 1000ML - Fixed Component	App	13883.15
Applications - Over 1000ML - Volumetric Component	App	40.56

<i>Tariff and Price Component</i>	<i>Unit</i>	<i>Price (1 July 2011)</i>
<b>2.12 General</b>		
Applications - Information Statement	App	97.55
Applications - Valuation Certificate	App	97.55
Applications - Information Report - Short	App	107.82
Applications - Special Meter Reading	App	97.55
Applications - Meter Test	App	138.63
<b>2.13 Weribee Irrigation District</b>		
Irrigation - Recycled Water Entitlement	ML WR	320.89
<b>Miscellaneous Fees and Charges</b>		Actual cost

## Schedule 3

### Rural Prices

All charges are rounded down to 2 decimal places

<i>Tariff and Price Component</i>	<i>Unit</i>	<i>Price (1 July 2008)</i>
<b>Irrigation / Regulated Systems</b>		
<b>2.1 Macalister Irrigation / Macalister and Thompson Regulated Systems</b>		
Water Share Fee - High Reliability	ML WR	8.70
Water Share Fee - Low Reliability	ML WR	4.35
Delivery Share - Infrastructure Fee	ML/Day	3690.00
Delivery Share - Termination Fee	No.	55350.00
Delivery Share - Service Point Fee - Standard	Point	150.00
Delivery Share - Service Point Fee - Standard (Shared)	Point	120.00
Delivery Share - Service Point Fee - Pump	Point	80.00
Delivery Share - Service Point Fee - Pump (Shared)	Point	64.00
Delivery Share - Service Point Fee - River	Point	80.00
Delivery Share - Service Point Fee - River (Shared)	Point	64.00
Delivery Share - Service Point Fee - Unmetered	Point	35.00
Delivery Share - Service Point Fee - Unmetered (shared)	Point	28.00
Delivery Share - Water Usage Fee - Standard	ML	9.00
Delivery Share - Water Usage Fee - River	ML	5.60
Delivery Share - Water Usage Fee - Casual Use	ML	38.00
Drainage Diversion	ML WR	13.50
Drainage Diversion Sales	ML	13.50
Conditional Drainage Diversion	ML WR	6.75
Irrigation Bulk Supply	ML WR	10.40
<b>2.2 Werribee and Bacchus Marsh Irrigation / Werribee Regulated System</b>		
Water Share Fee - High Reliability	ML WR	55.00
Water Share Fee - Low Reliability	ML WR	27.50
Delivery Share - Infrastructure Fee (WID)	ML/Day	10325.00
Delivery Share - Termination Fee (WID)	No.	154875.00
Delivery Share - Infrastructure Fee (BMID)	ML/Day	8755.00
Delivery Share - Termination Fee (BMID)	No.	131325.00
Delivery Share - Service Point Fee - Standard	Point	160.00
Delivery Share - Service Point Fee - Standard (Shared)	Point	128.00
Delivery Share - Service Point Fee - Pump	Point	80.00
Delivery Share - Service Point Fee - Pump (Shared)	Point	64.00
Delivery Share - Service Point Fee - River	Point	80.00
Delivery Share - Service Point Fee - River (Shared)	Point	64.00
Delivery Share - Service Point Fee - Unmetered	Point	35.00
Delivery Share - Service Point Fee - Unmetered (shared)	Point	28.00
Delivery Share - Water Usage Fee - Casual Use (WID)	ML	160.00
Delivery Share - Water Usage Fee - Casual Use (BMID)	ML	195.00
Drainage Diversion (WID)	ML WR	57.05
Drainage Diversion Sales (WID)	ML	57.05
Drainage Tariff - Division 1 (WID)	ML WR	30.81
Drainage Tariff - Division 2 (WID)	ML WR	23.09
Drainage Tariff - Division 3 (WID)	ML WR	15.42
<b>Groundwater and Rivers</b>		
<b>2.3 Fixed Charges</b>		
Standard	Licence	250.00
Surface Water (Regulated Systems)	Licence	155.00
Surface Water - Aquaculture (diversion rate up to 3ML/day)	Licence	440.00
Surface Water - Power Generation (diversion rate up to generate up to 5kW)	Licence	150.00
Groundwater - Decontamination Bore Operating Licence	Licence	320.00
<b>2.4 Licensed Volume Charges</b>		
Surface Water - Standard	ML WR	8.50
Surface Water - Standard (Sales)	ML	8.50
Surface Water - Standard (Offstream Winterfill)	ML WR	5.95
Surface Water - Aquaculture (diversion additional to 3ML/day)	ML	58.30
Surface Water - Power Generation (diversion additional to 5kW)	ML	30.00
Groundwater - Standard	ML WR	2.80
<b>2.5 Intensive Management Charges</b>		
Surface Water - Thorpdale	ML WR	7.80
Surface Water - Latrobe System	ML WR	0.00
Surface Water - Maribyrnong	ML WR	0.00
Groundwater - Deutgam	ML WR	22.00
Groundwater - Koo Wee Rup	ML WR	0.00
<b>2.6 Farm Dams</b>		
Hazardous Dams Operating Licence	Licence	320.00



## Schedule 4

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### Calculation of revenue requirements for each regulatory year

This schedule should be read in conjunction with clause 2.3(d) and Schedule 3.

### Revenue requirements for regulatory years

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<i>Regulatory year</i>	<i>Calculation of revenue requirements</i>
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Where t = 2008-09,	$rev_t = \$21.158 \text{ million}$
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Where t = 2009-10,	$rev_t = \$23.741 \text{ million} * cpir_t$
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Where t = 2010-11,	$rev_t = \$25.799 \text{ million} * cpir_t$
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Where t = 2011-12,	$rev_t = \$28.561 \text{ million} * cpir_t$
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Where t = 2012-13,	$rev_t = \$30.750 \text{ million} * cpir_t$
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where

$cpir_t$  for the particular **regulatory year** is:

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the start of the relevant **regulatory year**

**divided by**

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter 2008

## Schedule 5

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### Application of prices

#### 5.1 Temporary transfer of water rights

Price is levied in reference to **Southern Rural Water** By-law No.2.

#### 5.2 Permanent transfer of water rights

Prices are set by regulation under Section 228 (d), *Water Act 1989*.

#### 5.3 Amalgamation of water rights

50 per cent of charge applies when entitlements are amalgamated and 50 per cent at end of season when the arrangement is reversed and usage reconciled.

#### 5.4 Application fees

Charges applying to unregulated surface water licences will also apply to recycled water when the *Water Act 1989* is amended to bring recycled water into the general water allocation framework.

#### 5.5 Application fees (take and use, underground disposal licences)

For those tariffs in Schedule 2 with the foot note a the price applies to ML above cut-off point not to total ML. Some cut-off points reduced for 2005-06.

#### 5.6 Section 51 – Issue of licence: refundable component

Price applies to ML applied for, but will be refunded for any ML not granted.

#### 5.7 Meter installation charge

Licence holder pays actual cost of purchasing and installing meters as required by **Southern Rural Water** for installation. From 2005-06 applies to backlog metering of existing licences, except for dairy wash where agreements may differ.

#### 5.8 Issue of licence (categories C and D)

Provides for a **Southern Rural Water** commitment of 6 hours (category C) or 8 hours (category D).

## **5.9 Hazardous dam – operating licence**

Applies only to dam licences after 1 July 2003.

## **5.10 Water meters – meter test**

Fee refunded if meter found to be outside ***Southern Rural Water*** tolerances.

## Schedule 6

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### Pricing principles

#### 6.1 Recycled water pricing principles

Recycled water prices should be set so as to:

- have regard to the price of any substitutes and customers' willingness to pay;
- cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand); and
- include a variable component.

Where **Southern Rural Water** does not propose to fully recover the costs associated with recycled water, it must demonstrate to the Commission that:

- it has assessed the costs and benefits of pursuing the recycled water project;
- it has clearly identified the basis on which any revenue shortfall is to be recovered; and
- if the revenue shortfall is to be recovered from non-recycled water customers, either the project is required under the Statement of Obligations which applies to **Southern Rural Water** or pursuant to other Government policies that apply to **Southern Rural Water** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

#### 6.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 and Schedule 3 do not apply because the nature of the service provided to a particular customer (including, in the case of trade waste customers, the volume or load of waste treated) is unique, prices must be set as follows:

- variable prices (including, in the case of trade waste customers, load-based charges) should reflect the long run marginal cost (LRMC) of providing services (including, in the case of trade waste customers, trade waste transfer, treatment and disposal);
- the total revenue received from each customer should be greater than the cost that would be 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;
- 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;

- prices should reflect reasonable assumptions regarding the customer's demand for services (including, in the case of trade waste customers, the volume and strength of trade waste anticipated to be produced by that customer);
- depreciation rates and rates of return used to determine prices should be consistent with those adopted by the Commission for the purposes of making this Determination;
- customers should be provided with full details of the manner in which prices have been calculated and any new, renewed or renegotiated contractual agreements with customers should indicate that the prices to apply are subject to any Determination made by the Commission;
- 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.

### 6.3 Pricing principles for developer charges for new customers

Schedule 3 sets out **developer charges** for new customers.

The scheduled charge applies on a per lot basis, and may be levied on any connection of a new customer that is, or can be, individually metered.

When connecting to **Southern Rural Water's** water and sewerage network, the developer must provide the reticulation assets that are required to service their development and connect to **Southern Rural Water's** network.

Reticulation assets are infrastructure assets that are explicitly provided in relation to prescribed services for one development and are not required to be upsized to support other future developments. A water main that is 150mm or less in diameter and a sewerage main that is 225mm or less in diameter, and all associated assets that relate to these sized assets are generally considered to be reticulation assets although there may be some situations where these sizes are inappropriate.

Shared distribution assets are infrastructure assets that are generally provided in relation to prescribed services for more than one development and do not include:

- reticulation assets; or
- headworks and tailworks.

If a developer is required to provide reticulation assets that exceed the requirements of their development in a material respect, the developer can only be required to contribute to the costs of the reticulation assets an amount that reflects the requirements of their development.

The balance of the costs of the reticulation assets in such a case is to be recovered from future developers.

At any time during the regulatory period, **Southern Rural Water** may levy a charge greater than the scheduled charge that will cover the costs associated with bringing forward the provision of shared distribution assets. In doing so, **Southern Rural**

**Water** must set out the pricing principles for determining **developer charges** as contained in this Determination, and also notify the developer of their right to appeal any non-scheduled charge to the Commission. The proposed charge is to be calculated on the basis of:

- the development-specific capital costs associated with connecting a customer or group of customers. For the avoidance of doubt, development-specific capital costs do not include any costs associated with:
  - assets in place prior to the development;
  - shared network assets; or
  - headworks, tailworks and treatment plants.
- where relevant, the financing costs that may be attributable to bringing forward the timing of the provision of shared assets required to connect to the existing network.

The brought forward financing costs associated with developments requiring the construction of shared network assets are to be calculated on the basis of the extent to which the assets being constructed form part of a logical extension to **Southern Rural Water's** existing water and sewerage networks:

- Where the shared assets could be reasonably considered to form part of a logically sequenced network expansion and could reasonably be expected to be required by **Southern Rural Water** within a short to medium term planning horizon, no bring forward **developer charge** is to apply (scheduled charge applies).
- Where the shared assets do not form part of a logically sequenced network expansion, but could reasonably be expected to have been required by **Southern Rural Water** in respect of a long term planning horizon, then a non-scheduled **developer charge** equivalent to 40 per cent of the as constructed cost of the shared assets will apply.
- Where the shared assets do not form part of a logically sequenced network expansion, and could not reasonably be expected to have been required by **Southern Rural Water** in respect of a long term planning horizon, then a non-scheduled **developer charge** equivalent to 70 per cent of the as constructed cost of the shared assets will apply.

#### **6.4 Pricing principles for developer charges for existing property owners**

At any time during the regulatory period, **Southern Rural Water** must seek the Commission's approval where it proposes to levy a **developer charge** to apply to existing property owners connecting to water and/or sewerage services. This charge must not be greater than:

- the full efficient cost of installing the local reticulation mains; and
- any cap as specified by the Minister for Water in accordance with the requirements of the Statement of Obligations.

## 6.5 Pricing principles for miscellaneous services not included in Schedule 2 or Schedule 3

Prices for miscellaneous services must be set according to actual cost calculated on the basis of the aggregate of:

- direct third party or contractor invoice cost;
- direct marginal internal costs, including labour, materials and transport costs; and
- a fair contribution to overheads.

For bank dishonour, debt collection and legal fees, the third party costs must be charged directly to the customer with no contribution for internal costs or a contribution to overheads.

## 6.6 Guidelines

**Southern Rural Water** must comply with any guidelines issued by the Commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 6 relates.

## 6.7 Pricing principles for termination fees

**Southern Rural Water** may apply termination fees to irrigation customers who surrender delivery entitlements during the **regulatory period**.

Any termination fee levied by **Southern Rural Water** must be calculated and applied in accordance with Schedule E Protocol (Access, Exit and Termination Fees) of the Murray-Darling Basin Agreement.

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**The Common Seal of the  
Essential Services Commission**  
was affixed to this Determination  
with the authority of the  
Commission.



Date: 25<sup>th</sup> June, 2008

A handwritten signature in black ink, appearing to read "Greg Wilson".

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**Greg Wilson**  
**Chairperson**



## Annexure A

Table 1 **Additional 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>
<b>MACALISTER IRRIGATION DISTRICT</b>					
Flow Rate Consistency - Automated System (per cent)	75.0	76.0	77.0	78.0	79.0
Delivery Reliability (per cent)	99.0	99.0	99.0	99.0	99.0
Customer Satisfaction Index (per cent)	76.0	na	78.0	na	80.0
<b>WERRIBEE &amp; BACCHUS MARSH IRRIGATION DISTRICT</b>					
Volume Consistency (per cent)	90.0	91.0	92.0	93.0	95.0
Delivery Reliability (per cent)	99.0	99.0	99.0	99.0	99.0
Customer Satisfaction Index (per cent)	76.0	na	78.0	na	80.0
<b>HEADWORKS</b>					
Delivery of ordered releases on time (per cent)	95.0	95.0	95.0	95.0	95.0
Release Reliability (per cent)	99.0	99.0	99.0	99.0	99.0
ANCOLD Dam Monitoring Compliance (per cent)	100.0	100.0	100.0	100.0	100.0
Bulk Entitlement Breaches (number)	0.0	0.0	0.0	0.0	0.0
<b>LICENSING</b>					
Farm Dam Construction Licences 60 days (per cent)	100.0	100.0	100.0	100.0	100.0
Bore Construction Licences 14 days (per cent)	100.0	100.0	100.0	100.0	100.0
Surface And Groundwater Licences 60 days (per cent)	100.0	100.0	100.0	100.0	100.0
Information Statements Processed 7 days (per cent)	100.0	100.0	100.0	100.0	100.0

**Note** Data rounded to one decimal place. na: not applicable

Table 2 **Weighted average cost of capital**  
(per cent)

<i>Post tax WACC</i>	<i>Implied pre-tax WACC</i>
5.8	5.8

Table 3 **Benchmark revenue requirement**  
\$ 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	17.71	17.25	17.22	16.86	16.67
Return on existing assts	1.34	1.24	1.14	1.05	0.97
Return on new investments	0.22	0.63	1.22	2.49	4.61
Regulatory depreciation	1.91	2.31	2.67	2.86	3.36
1st period adjustments	2.13	2.13	2.13	2.13	2.13
Tax liability	0.00	0.00	0.00	0.00	0.00
Renewals annuity	1.74	1.74	1.74	1.74	1.74
<b>Total</b>	<b>25.06</b>	<b>25.31</b>	<b>26.13</b>	<b>27.13</b>	<b>29.49</b>

Table 4 **Updated regulatory asset base**  
\$ million in January 2007 prices

	2004-05	2005-06	2006-07	2007-08
Opening RAB	0.00	1.47	2.80	4.65
<i>Plus</i> Gross capital expenditure	1.54	1.58	2.31	19.92
<i>Less</i> Government contributions	0.00	0.00	0.00	0.00
<i>Less</i> Customer contributions	0.00	0.00	0.00	0.00
<i>Less</i> Proceeds from disposals	0.00	0.00	0.00	0.00
<i>Less</i> Regulatory depreciation	0.07	0.24	0.46	0.64
<b>Closing RAB</b>	<b>1.47</b>	<b>2.80</b>	<b>4.65</b>	<b>23.93</b>

Table 5 **Rolled forward regulated 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	23.93	29.70	34.89	46.67	75.37
<i>Plus</i> Gross capital expenditure	11.97	11.75	15.00	32.09	45.67
<i>Less</i> Government contributions	3.74	3.71	0.00	0.00	0.00
<i>Less</i> Customer contributions	0.55	0.55	0.55	0.55	0.55
<i>Less</i> Proceeds from disposals	0.00	0.00	0.00	0.00	0.00
<i>Less</i> Regulatory depreciation	1.91	2.31	2.67	2.86	3.36
<b>Closing RAB</b>	<b>29.70</b>	<b>34.89</b>	<b>46.67</b>	<b>75.37</b>	<b>117.13</b>

Table 6 **Approved licence fee and environmental contribution 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>
Essential Services					
Commission licence fee	0.030	0.030	0.030	0.030	0.030
Environmental contribution	0.263	0.256	0.249	0.242	0.235

Table 7 **Demand forecasts - price cap services**

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Werribee Irrigation District – Recycled Water Entitlement (ML)	1,599	1,599	1,599	1,599	1,599

Table 8 **Key capital projects**

	<i>Expected completion date</i>
Macalister Irrigation District 2030	Post 2012-13
Channel Automation	2009-10
Metering Program	2012-13
Macalister Irrigation District Carp Damage (Renewal)	2012-13
Melton Embankment Program	2012-13