

Yarra Valley Water Determination

1 July 2023 – 30 June 2028

23 June 2023

Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

An appropriate citation for this paper is:

Essential Services Commission 2023, Yarra Valley Water Determination: 1 July 2023 – 30 June 2028, 23 June

© Essential Services Commission, 2023



This work, Yarra Valley Water Determination, is licensed under a Creative Commons Attribution 4.0 licence [creativecommons.org/licenses/by/4.0]. You are free to re-use the work under that licence, on the condition that you credit the Essential Services Commission as author, indicate if changes were made and comply with the other licence terms.

The licence does not apply to any brand logo, images or photographs within the publication.

Contents

1. General	1
1.1 Introduction	1
1.2 Application	1
1.3 Effective period	1
1.4 Modification of time periods	2
1.5 Summary and structure	2
1.6 Definitions and interpretation	2
1.7 Annexure A	2
2. Price control	3
2.1 General principles	3
2.2 Ancillary matters	3
2.3 Annual adjustment of prices	4
2.4 Price changes during a billing period	6
2.5 Reporting requirements	6
3. Uncertain or unforeseen events	7
3.1 General principles	7
3.2 Considerations by the commission	7
3.3 Procedure	9
4. Material error or unintended consequences	11
5. Adjustment to Schedule 2 – pass through of changed prices for storage operator and bulk water services (Melbourne Water Corporation)	12
Schedule 1 – Definitions and interpretation	13
A Definitions	13
B Interpretation	14
Schedule 2 – Prices	16
Schedule 3 – Adjustments to revenue requirement for each regulatory year	21
3.1 Pass through of revenue cap adjustment, change in costs and non-achievement of outcomes	21
3.2 Calculation and application of adjustments	22

Schedule 4 – Application of prices	30
4.1 Water usage charges	30
4.2 Recycled water usage charges	30
4.3 Residential property	30
4.4 Non-residential property	30
4.5 Private extension or trunk service fees	31
4.6 Sewage disposal charges	31
4.7 Non-residential properties	32
4.8 Community sewerage contribution	32
4.9 Trade waste	32
4.10 Miscellaneous fees and charges	34
Schedule 5 – Pricing principles	36
5.1 Recycled water pricing principles	36
5.2 Pricing principles where scheduled prices do not apply	36
5.3 Pricing principles for New Customer Contributions	37
5.4 Pricing principles for <i>miscellaneous services</i> not included in Schedule 2	38
5.5 Guidelines	39
Annexure A	41

1. General

1.1 Introduction

- (a) Clause 14 of the **WIRO** requires the commission to either:
 - (i) approve the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated, as proposed by the **regulated entity** in its **price submission**; or
 - (ii) specify the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated.
- (b) On 21 June 2023, the commission made its decision in respect of the prices which **Yarra Valley Water** may charge for prescribed services during the regulatory period.
- (c) This Determination is made by the commission under section 33 of the **ESC Act**, pursuant to clauses 10 and 14 of the **WIRO**.
- (d) The purposes for the making of this Determination are to:
 - (i) give effect to the decision of the commission referred to in clause 1.1(b);
 - (ii) to specify the maximum prices which **Yarra Valley Water** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated, determined or otherwise regulated;
 - (iii) facilitate the achievement of the commission's objectives in the **ESC Act** and the **WI Act**; and
 - (iv) reflect the requirements of the **WIRO**.
- (e) The reasons for the making of this Determination are as set out in the decision of the commission made on 21 June 2023.

1.2 Application

This Determination applies to **Yarra Valley Water** and its successors and assigns in respect of the business carried on by **Yarra Valley 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 or 1 July 2023, and subject to clause 1.3(b), has effect until the date on which it is amended or revoked by a later determination or 30 June 2028.

(b) Next regulatory period

Subject to clause 2.3(b)(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 2028, 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 ***Yarra Valley Water*** from 1 July 2028 to the day before 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 ***Yarra Valley Water***, extend or reduce the time by which, or the period within which, ***Yarra Valley 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 to 5 provide for the circumstances in which prices may be adjusted or amended during the ***regulatory period*** other than in accordance with clause 2 only.

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 (or, where only used within a clause, the meaning given upon their first use); and
- (b)** the rules of interpretation in part B of Schedule 1 will apply.

1.7 Annexure A

- (a)** For convenience, Annexure A to this Determination summarises: the assumptions underpinning the prices to apply to Yarra Valley Water during the regulatory period or the manner in which such prices are to be calculated, determined or otherwise regulated.
- (b)** Full details of these assumptions are contained in the commission's decision in which it has set out its reasons for this Determination.
- (c)** For the avoidance of doubt, Annexure A does not form part of this Determination.

2. Price control

2.1 General principles

Subject to this Determination:

(a) Scheduled prices

Yarra Valley Water must not charge more than:

- (i) the scheduled prices in Schedule 2, during the first **regulatory year**; and
- (ii) the amounts 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 relate.

(b) Application principles

The application principles in Schedule 4 will apply to the prices charged by **Yarra Valley Water** in respect of **prescribed services** specified or deemed to be included in Schedule 2 during the **regulatory period**.

(c) Pricing principles

During the **regulatory period**, **Yarra Valley Water** must apply the pricing principles in Schedule 5 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 5 relate.

2.2 Ancillary matters

(a) Contracts

Where **Yarra Valley Water** has entered into a contract which relates to the provision of **prescribed services** prior to 1 July 2023 (a **relevant contract**), **Yarra Valley 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 (as adjusted in accordance with this Determination) or the prices determined in accordance with the pricing principles in Schedule 5 will apply for the remainder of the **regulatory period**.

(b) Dispute Resolution

Any dispute 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.

(c) Publication

Yarra Valley Water must publish a list of its current prices and pricing principles for **prescribed services**, and all relevant supporting information that it has 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 list to its customers on request. The list 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.

(d) GST

Yarra Valley 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) Adjustment

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

(b) 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 formulae set out in Schedule 3 with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:
- (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 2028, the revenue requirement for regulatory year t " R_{t-1}^{set} " will be set equal to " $\left(R_{t-1}^{set} * \frac{CPI_t}{CPI_{base}} \right)$ " for the purpose of adjusting prices in accordance with the formulae in clause 2.3(b)(i) for **regulatory years** commencing on or after 1 July 2028 until the

date on which this Determination is amended or revoked by a later determination.

- (iii) An increase in any schedule price in Schedule 2 in **regulatory years** 2023-2024 and 2024-2025, must not exceed a nominal 5 per cent increase. An increase in any schedule price in Schedule 2 in **regulatory years** 2025-2026 to 2027-2028, must not exceed the average of all scheduled price increases in that **regulatory year** by 2 per cent (real).

(c) Adjustment procedure

- (i) At least 30 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period**, **Yarra Valley Water** must submit its proposed prices for the **prescribed services** referred to in clause 2.3(a) to apply in that subsequent **regulatory year** (the **revised scheduled prices**) to the commission for approval, together with sufficient information to enable the commission to assess whether the proposed prices comply with this Determination.
- (ii) The commission will approve the **revised scheduled prices** if it considers that:
 - (A) The items referred to in clause 2.3(c)(i) are reasonable; and
 - (B) The **revised scheduled prices** have been calculated in accordance with the formulae set out in clause 2.3(b)(i).
- (iii) The commission will be deemed to have approved the **revised scheduled prices** if it has not provided notice under clause 2.3(c)(iv) to **Yarra Valley Water** within 30 **business days** from the date of its receipt of the **revised scheduled prices**.
- (iv) If the commission does not approve the **revised scheduled prices**, the commission:
 - (A) will provide notice to **Yarra Valley Water** (including a statement of its reasons);
 - (B) may request **Yarra Valley Water** to provide any additional information specified by the commission;
 - (C) will take any additional information provided by **Yarra Valley Water** into account; and
 - (D) will determine the **revised scheduled prices**.

2.4 Price changes during a billing period

(a) Application of this clause

This clause 2.4 applies where **Yarra Valley 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

Yarra Valley 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) **Yarra Valley 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 **Yarra Valley Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Yarra Valley Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 5 relate, **Yarra Valley Water** must, on request by the commission, 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 **Yarra Valley 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 **Yarra Valley 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, **Yarra Valley 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. Uncertain or unforeseen events

3.1 General principles

- (a) **Yarra Valley Water** may apply to the commission for the amendment of this Determination and/or the adjustment of the scheduled prices in Schedule 2 to reflect increased or decreased costs incurred by **Yarra Valley Water** and/or increased or decreased revenue received by **Yarra Valley Water** as a result of events which were uncertain or unforeseen at the time this Determination was made (an **uncertain events application**).
- (b) Whether or not **Yarra Valley Water** makes an application under clause 3.1(a), **Yarra Valley Water** must promptly notify the commission upon becoming aware of an event which could form part or all of the basis of an application.
- (c) The commission may on its own initiative, and in its sole discretion, initiate its own process to amend this Determination and/or adjust the schedule of prices in Schedule 2 to reflect increased or decreased costs incurred by **Yarra Valley Water** and/or increased or decreased revenue received by **Yarra Valley Water** as a result of events which were uncertain or unforeseen at the time this Determination was made. Such a process may only be initiated if the commission identifies an event or events which it, in its sole discretion, considers has had or may have a material impact on **Yarra Valley Water's** operating and/or capital expenditure and/or revenue.
- (d) The commission may only adjust prices in response to an **uncertain events application**, or a process initiated by the commission under clause 3.1(c), 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 of making this Determination and that such action takes into account the interests of customers. The commission may limit an adjustment to only some events or a single event.

3.2 Considerations by the commission

(a) Examples of uncertain or unforeseen events

Examples of potential uncertain or unforeseen events include, but are not limited to:

- (i) actual licence fees or contributions payable by **Yarra Valley Water** during a **regulatory year** in 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 **Yarra Valley 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 **Yarra Valley Water** in one or more **regulatory years** during the **regulatory period**; or
- (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 2017* (Vic) or relevant regulations or orders or other statutory instruments made under any of them;
 - (B) any licence issued pursuant to any of the Acts referred to in clause 3.2(a)(iv)(A);
 - (C) any tax imposed by or payable directly or indirectly to any government or public authority in the Commonwealth of Australia (including **GST**) but excluding:
 - (1) the licence fees referred to in clause 3.2 of this Determination;
 - (2) penalties and interest for late payment of any tax; and/or
 - (3) any tax that replaces any of the taxes referred to in (1) and (2), where tax includes any rate, duty, charge or other like or analogous impost.
 - (D) the **Statement of Obligations**; or
 - (E) the introduction or cessation of a statutory carbon price or tax or a national emissions trading scheme or other scheme relating to the reduction of greenhouse gas emissions.

(b) Exclusions

In considering an **uncertain events application** or a process initiated by the commission under clause 3.1(c), the commission will not take into account matters that:

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

(c) Dispute resolution

Any dispute as to whether a matter should be taken into account by the commission under this clause 3 will be determined by the commission in its absolute discretion.

3.3 Procedure

(a) Application information for *Yarra Valley Water*

- (i) An ***uncertain events application*** must be accompanied by a statement setting out:
 - (A) the details of each 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 3.3(a)(i)(B); and
 - (D) details of the proposed action to be taken by the commission under clause 3.3(b).
- (ii) The commission may request ***Yarra Valley Water*** to provide any additional information specified by the commission in connection with an ***uncertain events application***. ***Yarra Valley Water*** is obliged to provide the requested information.

(b) Commission processes

- (i) The commission may in its sole discretion decide the steps, timing of and processes to be followed in relation to an ***uncertain events application*** or a process initiated by it under clause 3.1(c).
- (ii) The commission may in its sole discretion decide the nature and extent of stakeholder consultation it will undertake in relation to such an ***uncertain events application*** or process.
- (iii) The commission will advise ***Yarra Valley Water*** of the matters in clause 3.3(b)(i) and clause 3.3(b)(ii) in writing and publish details of this on its website.
- (iv) In most cases, an amendment of this Determination and/or adjustment of the scheduled prices in Schedule 2, will be undertaken in accordance with the

commission's standard consultation process for price determinations, including the issue of a draft decision and an invitation for interested parties to make submissions to the commission in relation to the draft decision, as set out in clause 16(a) and (b) of the **WIRO**.

- (v) In some limited circumstances, the commission may amend this Determination and/or adjust the scheduled prices in Schedule 2 without or with only limited consultation. This will be the case where there is urgency that justifies the commission moving quickly, as set out in clause 16(c) of the **WIRO**. In these circumstances, the commission will provide its reasons for proceeding with the amendment without consultation (or with a modified consultation process).
- (vi) The commission may request **Yarra Valley Water** to provide information to the commission required for any purposes of an uncertain events application or the process initiated by the commission under clause 3.1(c). **Yarra Valley Water** is obliged to provide the requested information to the commission.

(c) Action by the commission

If the commission is satisfied of the matters set out in clause 3.1(d) in respect of an **uncertain events application** or a process initiated by the commission under clause 3.1(c), the commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 (and make any consequential adjustments to Annexure A) with effect from a date and in a manner decided by the commission (in respect of one or more events) at a time decided by the commission; or
- (ii) take the **uncertain events application** or any process initiated by the commission under clause 3.1(c) into account in making its determination in respect of the prices which **Yarra Valley Water** may charge for **prescribed services** in the **next regulatory period**.

(d) Effective date of amendment or adjustment

A determination made by the commission under this clause 3 to amend this Determination takes effect from the date on which notice of its making is published in the Government Gazette or any later date of commencement as may be specified in the determination.

4. Material error or unintended consequences

(a) Where the commission is satisfied that in any material respect:

- (i) this Determination or any information relied upon in the making of this Determination contains an error, deficiency or miscalculation;
- (ii) any information on which this Determination was based was false or misleading in a material respect; or
- (iii) 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 adjust the schedule prices in Schedule 2, provided that it is satisfied that such amendment and/or price adjustment takes into account the interests of customers.

(b) In most cases, an amendment will be undertaken in accordance with the commission's standard consultation process for price determinations, including the issue of a draft decision and an invitation for interested parties to make submissions to the commission in relation to the draft decision, as set out in clause 16(a) and (b) of the WIRO.

(c) In some limited circumstances, the commission may amend this Determination without further consultation, or with only limited consultation. This will be the case where an amendment is not sufficiently material to warrant a full consultation process, or where there is urgency that justifies the commission moving quickly, as set out in clause 16(c) of the WIRO. In these circumstances, the commission will provide its reasons for proceeding with the amendment without consultation (or with a modified consultation process).

(d) A determination made by the commission under this clause 4 to amend this Determination takes effect from the date on which notice of its making is published in the Government Gazette or any later date of commencement as may be specified in the determination.

5. Adjustment to Schedule 2 – pass through of changed prices for storage operator and bulk water services (Melbourne Water Corporation)

(a) Where the commission:

- (i) makes a price determination for storage operator and bulk water services (as defined in the **WIRO**) provided to **Yarra Valley Water** by Melbourne Water Corporation for some or all of the **regulatory period**; and
- (ii) declares that such price determination provides for different prices to be charged to **Yarra Valley Water** from those assumed by the commission in the making of this Determination,

the commission may decide to specify a price adjustment and/or a mechanism for making a price adjustment to scheduled prices in Schedule 2 to take into account the impact this has for the commission's assumptions made for storage operator and bulk water service prices in making this Determination, provided that it is satisfied that such amendment and/or price adjustment takes or will take into account the interests of customers.

- (b) If the commission exercises its discretion under clause 5(a), the commission will also specify the relevant regulatory year/s for which the price adjustment and/or a mechanism for making a price adjustment to prices specified in Schedule 2 for storage operator and bulk water service.
- (c) **Yarra Valley Water** is obliged, in any proposal for an annual adjustment to prices made to the commission under clause 2.3, to propose an adjustment mechanism for storage operator and bulk water service prices to applicable prices in Schedule 2, that is consistent with the price adjustment and/or price adjustment mechanism specified by the commission under clause 2.3(a).
- (d) The adjustment procedure and outcomes of that procedure specified in clause 2.3(c) will apply to the proposals made by **Yarra Valley Water** under clause 5(c).

Schedule 1 – 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.

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 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**.

new customer contributions means a charge levied by **Yarra Valley Water** under section 268 of the *Water Act 1989* (Vic).

next regulatory period means the period commencing on 1 July 2028 and ending on a date specified by the commission.

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

price submission has the meaning given in the **WIRO**.

RAB means regulatory asset base.

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

regulatory period means the period commencing on 1 July 2023 and ending on 30 June 2028.

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

Statement of Obligations means an applicable statement of obligations made under section 4I(2) of the *Water Industry Act 1994* (Vic).

Water Act means the *Water Act 1989* (Vic).

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

WIRO means the Water Industry Regulatory Order 2014 as at the date of this Determination.

Yarra Valley Water means Yarra Valley Water Corporation (trading as Yarra Valley Water (ABN 93 066 902 501)

B Interpretation

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

- (a) The singular includes the plural, and the converse also applies.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (d) A reference to a clause or schedule is a reference to a clause of or schedule to this document.
- (e) 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.
- (f) 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.
- (g) 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.
- (h) Any “notice” to be given or matter to be “notified” must be in writing.
- (i) The symbol ‘ Σ ’ requires a summation to be performed over the range of variables specified in respect of the algebraic terms specified.
- (j) 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.
- (k) A fixed price, charge or fee determined in accordance with this Determination is to be rounded down and specified to two decimal places.
- (l) A volumetric price, charge or fee determined in accordance with this Determination is to be rounded down and specified to four decimal places.

(m) 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

This schedule should be read in conjunction with Schedule 3, Schedule 4 and Schedule 5. Variable water, sewerage, recycled water and trade waste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
1.1 Residential water tariff					
System charge (per annum)	80.59	-1.6%	0.0%	0.0%	0.0%
Water and sewerage customers					
Water and sewer usage charge (per kL)					
Step 1 (0 – 440 litres/day)	3.3438	-1.6%	0.0%	0.0%	0.0%
Step 2 (441 – 880 litres/day)	4.3873	-1.6%	0.0%	0.0%	0.0%
Step 3 (881 + litres/day)	5.0973	-1.6%	0.0%	0.0%	0.0%
Water only customers					
Water usage charge (per kL)					
Step 1 (0 – 440 litres/day)	2.4956	-1.6%	0.0%	0.0%	0.0%
Step 2 (441 – 880 litres/day)	3.1898	-1.6%	0.0%	0.0%	0.0%
Step 3 (881 + litres/day)	4.7256	-1.6%	0.0%	0.0%	0.0%
1.2 Non-residential water tariff					
System charge (per annum)	299.02	-1.6%	0.0%	0.0%	0.0%
Usage charge (per kL)	2.9675	-1.6%	0.0%	0.0%	0.0%
1.3 Residential sewerage tariff					
System charge (per annum)	460.37	-1.6%	0.0%	0.0%	0.0%
1.4 Non-residential sewerage tariff					
System charge (per annum)	575.12	-1.6%	0.0%	0.0%	0.0%
Sewerage disposal charge (per kL)	2.0868	-1.6%	0.0%	0.0%	0.0%

Continued next page

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
1.5 Residential recycled water tariff (Supplied via third pipe)					
Service charge (per annum)	0.0000	0.0%	0.0%	0.0%	0.0%
Usage charge (per kL)	1.8871	-1.6%	0.0%	0.0%	0.0%
1.6 Non-Residential recycled water tariff (Supplied via third pipe)					
Service charge (per annum)	0.0000	0.0%	0.0%	0.0%	0.0%
Usage charge (per kL)	1.8871	-1.6%	0.0%	0.0%	0.0%
1.7 Trade waste charges					
Contract fee (per annum)					
Risk Rank 1	18033.35	-1.6%	0.0%	0.0%	0.0%
Risk Rank 2	15980.99	-1.6%	0.0%	0.0%	0.0%
Risk Rank 3	6010.68	-1.6%	0.0%	0.0%	0.0%
Risk Rank 4	1802.48	-1.6%	0.0%	0.0%	0.0%
Risk Rank 5	600.27	-1.6%	0.0%	0.0%	0.0%
Volumetric and load					
Volume (per kL)	1.0146	-1.6%	0.0%	0.0%	0.0%
BOD (per kg)	0.8767	-1.6%	0.0%	0.0%	0.0%
SS (per kg)	0.5159	-1.6%	0.0%	0.0%	0.0%
TKN (per kg)	1.4668	-1.6%	0.0%	0.0%	0.0%
ITDS (per kg)	0.0363	-1.5%	0.0%	0.0%	0.0%
Food waste charges					
Health care institutions					
Charge per bed	55.11	-1.6%	0.0%	0.0%	0.0%
Accommodation premises and restaurants - rating of food waste unit (per unit per annum)					
180 – <400 watts	1568.25	-1.6%	0.0%	0.0%	0.0%
400 – <700 watts	8031.10	-1.6%	0.0%	0.0%	0.0%
700 – <1500 watts	16179.50	-1.6%	0.0%	0.0%	0.0%

Continued next page

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
1.8 Fire services (per annum)					
Unmetered fire service (without sprinkler system)	138.06	0.0%	0.0%	0.0%	0.0%
Unmetered fire sprinkler service fee	1152.62	0.0%	0.0%	0.0%	0.0%
Metered fire service (without sprinkler system)	46.62	0.0%	0.0%	0.0%	0.0%
Metered fire sprinkler service fee	396.06	0.0%	0.0%	0.0%	0.0%
1.9 New customer contributions - Standard (all lot sizes per lot)					
Water	870.97	5.0%	5.0%	5.0%	5.0%
Sewer	870.97	5.0%	5.0%	5.0%	5.0%
Recycled Water	870.97	5.0%	5.0%	5.0%	5.0%
Special charging area – new urban growth boundary					
Water [1]	3053.98	10.0% nominal	10.0%	10.0%	10.0%
Sewer [1]	3053.98	10.0% nominal	10.0%	10.0%	10.0%
Recycled Water [1]	852.58	10.0% nominal	10.0%	10.0%	10.0%
Special charging area – Greenvale / Mickleham					
Water [2]	2452.99	0% nominal	0% nominal	0% nominal	0% nominal
Sewer [2]	2452.99	0% nominal	0% nominal	0% nominal	0% nominal
Recycled Water	870.97	5.0%	5.0%	5.0%	5.0%
Special charging area – Epping North					
Water [2]	1131.39	0% nominal	0% nominal	0% nominal	0% nominal
Sewer [2]	1131.39	0% nominal	0% nominal	0% nominal	0% nominal

Recycled Water	870.97	5.0%	5.0%	5.0%	5.0%
----------------	--------	------	------	------	------

Continued next page

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
2.0 Core miscellaneous fees and charges					
20mm potable and recycled water products					
Standard meter and install	158.71	0.0%	0.0%	0.0%	0.0%
Remote meter supplement	245.75	0.0%	0.0%	0.0%	0.0%
20 mm new estate connection – combo drinking water and recycled water	730.51	0.0%	0.0%	0.0%	0.0%
Complete connection supplement - long	2116.87	0.0%	0.0%	0.0%	0.0%
Complete connection supplement - short	1363.53	0.0%	0.0%	0.0%	0.0%
Other products					
Recycled water audit	431.55	0.0%	0.0%	0.0%	0.0%
Multi-unit development application - 3 to 19 lots	671.09	0.0%	0.0%	0.0%	0.0%
Multi-unit development application - 2 lots	511.67	0.0%	0.0%	0.0%	0.0%
Information statement	25.01	0.0%	0.0%	0.0%	0.0%
Development Deed Application	1500.15	0.0%	0.0%	0.0%	0.0%
Non-core miscellaneous services	Actual cost				

[1] YVW have committed to a nominal increase of 10% for 2023-24 and 2024-25. The price reflected here is the maximum price for 2024-25 regardless of inflation. The subsequent years include a 10% real increase. [2] YVW have committed to a nominal increase of 0% until this charge is the equivalent of the New Customer Contributions - Standard charges. The price reflected here is the maximum price regardless of inflation.

As set out in clause 1.1(d) of this Determination, the role of the Commission in making this Determination is limited to determining the maximum prices that **Yarra Valley Water** may charge for **prescribed services** during the **regulatory period**, or the manner in which such prices are to be calculated, determined or otherwise regulated.

Schedule 2 – Prices

It is the role of **Yarra Valley Water** to set a tariff for **prescribed services** in accordance with the **Water Act** and to ensure the tariff complies with this Determination. The commission does not have a role in hearing disputes about individual billing issues that users may have.

Schedule 3 – Adjustments to revenue requirement for each regulatory year

This schedule should be read in conjunction with clause 2.3 and Schedule 2.

Table 3.1 Benchmark revenue requirement
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Revenue requirement	987.9	980.8	992.7	1011.1	1028.9

3.1 Pass through of revenue cap adjustment, change in costs and non-achievement of outcomes

Revenue (R^{set}) is the determination tariff revenue for revenue cap products adjusted for:

- revenue cap adjustment from **regulatory year** 't-1' and 't-2'
- forecast changes in bulk charges for **regulatory year** 't'
- annual update of the regulatory rate of return for **regulatory year** 't'
- savings in interest costs as a result of deferral of top 10 projects from **regulatory year** 't-1'
- non-achievement of outcomes from **regulatory year** 't-1'

Target revenue for price setting purposes is the determination tariff revenue from revenue cap products plus the pass through of changed costs as described in 3.2 below. The most up to date forecast quantities will be used in calculating the prices

Target revenue is calculated as:

$$R_t^{set} = R_t^{det} \times \frac{CPI_t}{CPI_{base}} + A_t + C_t^{adj} + RRR_t^{adj} + T10_t^{adj} + O_t^{adj}$$

where:

R_t^{set}	are the revenues set or determined to be received by Yarra Valley Water (for regulatory year 't') in regulatory year 't' dollars from revenue cap services
R_t^{det}	services

Continued next page

CPI_t	is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March Quarter immediately preceding the start of the relevant regulatory year ('t')
CPI_{base}	is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March 2023 Quarter equal to 132.6.
A_t	is the required revenue cap adjustment (for regulatory year 't') in regulatory year 't' dollars
C_t^{adj}	is required adjustment to bulk charges to Yarra Valley Water (for regulatory year 't') in regulatory year 't' dollars
RRR_t^{adj}	is the required adjustment for change in the regulatory rate of return (for regulatory year 't') in regulatory year 't' dollars
$T10_t^{adj}$	is the required adjustment for deferral of top 10 projects (for regulatory year 't') in regulatory year 't' dollars
O_t^{adj}	is the required adjustment for outcomes not achieved (for regulatory year 't') in regulatory year 't' dollars
t	is the regulatory year in respect of which the calculation is being made
set	is the value at the time of determination with adjustments described in this schedule

3.2 Calculation and application of adjustments

3.2.1 Revenue cap

Revenue cap adjustment formula

$$\begin{aligned}
 A_t = & \left((R_{t-1}^{for} - C_{t-1}^{for}) - (R_{t-1}^{set} - C_{t-1}^{set}) \right) \\
 & + \left((R_{t-2}^{act} - C_{t-2}^{act}) - (R_{t-2}^{for} - C_{t-2}^{for}) \right) \times (1 + RRR_{t-2}) \times \frac{CPI_{t-1}}{CPI_{t-2}} \times (1 + RRR_{t-1}) \\
 & \times \frac{CPI_t}{CPI_{t-1}}
 \end{aligned}$$

where:

A_t	is the required revenue cap adjustment in regulatory year 't' dollars
R_{t-1}^{for} R_{t-1}^{set} R_{t-2}^{act} R_{t-2}^{for}	are the forecast, set or actual revenue to be received by Yarra Valley Water (for regulatory year 't-1' or 't-2') and include the following revenue cap services: <ul style="list-style-type: none"> • water supply system charges • water supply usage charges • water and sewer usage charge • sewerage system charges • sewage disposal charges • trade waste charges • trade waste volume and load charges • recycled water system charges • recycled water usage charges <p>This will be in regulatory year 't-1' and 't-2' dollars respectively.</p>
C_{t-1}^{for} C_{t-1}^{set} C_{t-2}^{act} C_{t-2}^{for}	are the forecast, set or actual bulk charges to Yarra Valley Water (for regulatory year 't-1' or 't-2') and include adjustments for: <ul style="list-style-type: none"> • Melbourne Water's annual rate of return update • changes in desalination contract costs • desalination water orders • Melbourne Water's 2021 and 2026 Determinations <p>This will be in regulatory year 't-1' and 't-2' dollars respectively.</p>
CPI_t CPI_{t-1} CPI_{t-2}	are the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March Quarter immediately preceding the start of the relevant regulatory year ('t', 't-1', 't-2')
RRR_{t-1} RRR_{t-2}	are the post-tax 'vanilla' regulatory rate of return in real terms, which is adjusted annually, for the relevant regulatory year ('t-1', 't-2').
t	is the regulatory year in respect of which the calculation is being made
for	is the forecast value at April

Continued next page

Revenue cap adjustment formula (continued)

set is the value at the time of determination with revenue cap adjustments and the pass through of costs/benefits made outside of the revenue cap for:

- annual regulatory rate of return update
- non-achievement of outcome targets
- deferral of “top 10” projects adjustment
- change in bulk charges

act is the actual value at June

The following principles apply to revenue cap adjustments

1. Where the revenue cap adjustment (A_t) is positive (excess revenue to be returned to customers), prices are to be reduced to return the full adjustment in regulatory year ‘t’.
2. Where the revenue cap adjustment (A_t) is negative (shortfall of revenue to be recouped from customers), prices in regulatory year ‘t’ may be increased to recoup the full adjustment provided the increase to any individual price as a result of the revenue cap adjustment does not exceed the weighted average of all schedule price increase in that regulatory year by either:
 - a. 2 per cent in real terms (to apply in every regulatory period)
 - b. 5 per cent in nominal terms (to apply in 2023-24 and 2024-25).
3. When the full revenue cap adjustment cannot be recouped in regulatory year t due to either constraint in 2. above, or where Yarra Valley Water elects to increase prices to recover less than the full revenue adjustment, the shortfall can be carried forward for inclusion in the calculation of the revenue cap adjustment for subsequent years.
4. Any shortfall in revenue as a result of constraint 2(b) above will be recovered when inflation is within or near the Reserve Bank of Australia (RBA) target band of 2-3 per cent.
5. Price changes as a result of a revenue cap adjustment may be applied to any or all of the revenue cap services.

3.2.2 Bulk charges

Bulk charges (C^{set}) are calculated by multiplying prices by latest forecast volumes.

Where bulk charges differ from those in the determination, the prices for revenue cap products will be adjusted to reflect the change.

Change in costs associated with:

- Desalination plant contract costs will be passed through water charges
- Desalination water order costs will be passed through water supply usage charges (for business and water only residential customers) and water and sewerage charges (for both water and sewerage residential customers) with the unit cost (per kilolitre) calculated by dividing cost of the water order by the forecast quantity of billable water supplied to customers
- Other changes in costs including annual update of rate of return will be passed through any or all water, sewerage and trade waste charges

The adjustment in target revenue is calculated as:

$$C_t^{adj} = C_t^{set} - C_t^{det} \times \frac{CPI_t}{CPI_{base}}$$

where:

C_t^{adj}	are the adjusted, set and determined bulk charges to Yarra Valley Water (for regulatory year 't') and include adjustments for:
C_t^{set}	– Melbourne Water's annual regulated rate of return update
C_t^{det}	– changes in desalination contract costs – desalination water orders – Melbourne Water's 2021 and 2026 Determinations – This will be in regulatory year 't' dollars except C_t^{det} which is in 2022-23 dollars
CPI_t	is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March Quarter immediately preceding the start of the relevant regulatory year ('t')
CPI_{base}	is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March 2023 Quarter equal to 132.6.

3.2.3 Annual update of the regulatory rate of return

Where the calculated regulatory rate of return differs from that shown in the table below, the difference in the regulatory rate of return times the average regulatory asset base will be passed through charges for water, sewerage, recycled water and trade waste products.

The adjustment in target revenue is calculated as

$$RRR_t^{adj} = (RRR_t - RRR_t^{det}) \times \left(\frac{RAB_{opening,t}^{det} + RAB_{closing,t}^{det}}{2} \right) \times \frac{CPI_t}{CPI_{base}}$$

The following equations outline the process required to determine the actual cost of debt in any given year.

Determining the nominal cost of debt

$$CoD_t^{nominal} = \left(\sum_{i=t-10}^t \frac{CoD_i^{nominal}}{10} \right)$$

Where:

$CoD_t^{nominal}$ Is equal to the simple average of the 10 years up to (but not inclusive of) **regulatory year 't'** of:

- The data series outlined in Table 1 in Annexure A; and
- *RBA Table F3 – Non-financial corporate BBB-rated bonds – Yield – 10 year target tenor [Series ID FNFYBBB10M]*

from 1 April to 31 March before the start of **regulatory year 't'** (e.g. 1 April 2022 to 31 March 2023 in relation to 2023-24)

Determining the real cost of debt

$$CoD_t^{real} = \frac{(1 + CoD_t^{nominal})}{(1 + \pi_{CoD})} - 1$$

Where:

CoD_t^{real} Is the total cost of debt in real terms for **regulatory year 't'**

$CoD_t^{nominal}$ Is the total cost of debt in nominal terms for **regulatory year 't'**

π_{CoD} Is the inflation factor which is equal to 3.5% for all **regulatory year 't'** (unless updated in accordance with Note 1 below, in which case it is equal to the updated amount set by the commission)

Note 1: If inflation (measured by the Australian Bureau of Statistics Consumer Price Index – all groups) falls below 2.5 per cent in 2026-27, we will update the inflation factor (π^{det}) using a five year averaging period; the updated inflation factor will be used for any necessary adjustment of the Scheduled prices in Schedule 2.

Determining the real regulatory rate of return

$$RRR_t = 0.4 \times CoE_t^{real} + 0.6 \times CoD_t^{real}$$

Where:

RRR_t	Is the post-tax ‘vanilla’ regulatory rate of return in real terms for regulatory year ‘t’ rounded to 2 decimal place, i.e. 4.347% is rounded to 4.35%
CoE_t^{real}	Is the real cost of equity determined through Yarra Valley Water’s PREMO rating, which is equal to 4.5% for 2023-24 to 2027-28
RRR_t^{det}	Is the determination real post tax ‘vanilla’ regulatory rate of return in regulatory year ‘t’
$RAB_{opening,t}^{det}$	Is the determination opening regulatory asset base in regulatory year ‘t’
$RAB_{closing,t}^{det}$	Is the determination closing regulatory asset base in regulatory year ‘t’

3.2.4 Savings in interest costs as a result of deferral of top 10 projects

Where **Yarra Valley Water** defers a top 10 project the savings in interest will be passed through charges for water, sewerage, recycled water and trade waste products. The amount to be returned will be the nominal cost of debt in the year the expenditure was programmed times the programmed expenditure times the gearing ratio (60%).

For avoidance of doubt, there will be no adjustment to charges where:

- there is a reduction in programmed expenditure due to efficiencies
- there is an increase in interest charges due to a top 10 project being brought forward.

The adjustment in target revenue is calculated as

$$T10_t^{adj} = \left[\left(\left(CapExT10_{t-1}^{for} - CapExT10_{t-1}^{det} \times \frac{CPI_{t-1}}{CPI_{base}} \right) \times RRR_t \right) + \left(\left(CapExT10_{t-2}^{act} - CapExT10_{t-1}^{set} \right) \times (1 + RRR_{t-2}) \times \frac{CPI_{t-1}}{CPI_{t-2}} \times RRR_{t-1} \right) \right] \times (1 + RRR_{t-1}) \times \frac{CPI_t}{CPI_{t-1}}$$

where:

$T10_t^{adj}$	is the required adjustment for deferral of top 10 projects (for regulatory year 't') in regulatory year 't' dollars
CapExT10	is the capital expenditure of the top 10 projects that have been deferred
$T10_{t-1}^{act}$	are actual value at June (<i>act</i>), forecast value at the time of the price determination (<i>det</i>) and the forecast value at the time of price setting (<i>set</i>) of capital expenditure on top 10 projects (for regulatory year 't-1') in regulatory year 't' and 2023-24 dollars respectively
$T10_{t-1}^{det}$	
$T10_{t-1}^{set}$	
RRR	is the post-tax real regulatory rate of return for the specified regulatory year
CPI_{base}	are the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March Quarter immediately preceding the start of the relevant regulatory year ('t', 't-1'). For the March Quarter in year 2023 it is equal to 132.6.
CPI_t	
CPI_{t-1}	
<i>det</i>	is the forecast value at the time of the price determination
<i>adj</i>	is the adjustment required
<i>act</i>	is the actual value at June
<i>for</i>	is the forecast value at April
<i>set</i>	is the forecast value at the time of price setting in the previous regulatory year (t-1)

3.2.5 Non-achievement of outcomes

Yarra Valley Water has committed to achieving 6 outcome targets. For each outcome not achieved a maximum of \$1.800 million (2023-24 dollars) will be returned to customers and/or the community in a manner decided by customers or customer representatives. Any reduction in prices will be passed through charges for water, sewerage, recycled water and trade waste products.

The adjustment in target revenue (\$ millions) is calculated as

$$O_t^{adj} = \left(N_{t-1} \times \$X \times \frac{CPI_t}{CPI_{base}} \right)$$

where:

O_t^{adj}	is the required adjustment for outcomes not achieved (for regulatory year 't-1') in regulatory year 't' dollars
N_{t-1}	is the number of outcome targets not achieved (for regulatory year 't-1')
CPI_t	is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March Quarter immediately preceding the start of the relevant regulatory year ('t')
CPI_{base}	is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 – Table 8), for the March 2023 Quarter in year 2023 equal to 132.6
$\$X$	is the amount agreed by customers or customer representatives to be returned to customers via reduced prices (maximum of \$1.800 million (2023-24 dollars) per outcome not achieved).

Schedule 4 – Application of prices

4.1 Water usage charges

- (a) It is the role of **Yarra Valley Water** to apply a water usage charge in accordance with the **Water Act**.
- (b) A water usage charge shall be calculated by reference to the volume, expressed in kilolitres, or part thereof, of water supplied during a meter reading period.
- (c) For inclining block tariffs, where multiple properties and/or occupancies are being supplied by a single meter, block allowances will be applied on a pro-rata basis.

4.2 Recycled water usage charges

- (a) It is the role of **Yarra Valley Water** to apply a recycled water usage charge in accordance with the **Water Act**.
- (b) A recycled water usage charge shall be calculated by reference to the volume, expressed in kilolitres or part thereof, of recycled water supplied during a meter reading period.

4.3 Residential property

For the purpose of Schedule 2, a residential property means:

- (a) a property used or intended to be used primarily as a residence or residences; and
- (b) in the case of vacant land, land zoned for residential purposes.

But does not include a property used or intended to be used as:

- (i) a guest house, motel, hotel or caravan park;
- (ii) a farming enterprise; and
- (iii) a residence attached to a shop or professional suites.

4.4 Non-residential property

For the purpose of Schedule 2, a non-residential property is a property which is not a residential property.

4.5 Private extension or trunk service fees

Yarra Valley Water may, as a term of any agreement with the owner of a property for the supply of water from its works made under section 124(7) of the Water Act, require that owner to pay:

- (a) an annual private delivery maximum supply fee equivalent to the Supply charge (per annum); and
- (b) a private extension usage fee equivalent to the Usage charge (per kL), specified in Schedule 2.

4.6 Sewage disposal charges

- (a) It is the role of **Yarra Valley Water** to apply a sewage disposal charge in accordance with the **Water Act**.
- (b) A sewage disposal charge shall be calculated by reference to the volume, expressed in kilolitres, or part thereof, of sewage discharged or estimated to have been discharged during a meter reading period.
- (c) Except as provided for in paragraph (d)-(g) the volume of sewage discharged to the sewerage system during a meter reading period shall be calculated according to the formula specified in Clause 4.7 of this Schedule, for residential and non-residential properties, as the case may be.
- (d) If **Yarra Valley Water** is satisfied that the use of the formula specified in Clause 4.7 of this Schedule is likely to systematically and substantially over or under estimate the volume of sewage discharged, **Yarra Valley Water** may use another formula or method for estimating the volume.
- (e) If there is an alternative source of water (e.g. rainwater tanks or third pipe recycled water supply), **Yarra Valley Water** may apply 'property specific' sewage disposal charge factors which take into account water from all sources that may discharge into the sewerage system.
- (f) A customer may seek a customised discharge factor using water consumption history to determine the percentage of water disposed to the sewer annually. In the majority of cases, the formula used to calculate the volume of sewage differs to that applied in the default method with the seasonal factor and discharge factor replaced by the customised discharge factor.
- (g) Residential customers will cease to be charged a separate sewage disposal charge from 1 July 2023. Combined water and sewerage charges will come into effect for all residential customers with both water and sewerage services at their property from 1 July 2023.

4.7 Non-residential properties

The formula for calculating the volume of sewage from non-residential properties and premises is:

$$VS_{NR} = (VW - VTW) \times DF$$

where:

VW is the volume of water supplied to the property or premises, being the volume determined for the purpose of calculating a water usage charge for the same meter reading period or that volume rounded down to the nearest kilolitre. For third pipe recycled water customers, volume of water is the sum of metered potable water and metered recycled water. The calculation of the sewage disposal charge is subject to clauses 4.6 (c)-(g);

VTW is the volume of Category A Trade Waste discharged or estimated to have been discharged from the property or premises in the meter reading period; and

DF is the discharge factor, which is 0.9 or a lesser figure determined by *Yarra Valley Water* which results in a more accurate estimate of the volume of sewage discharged.

4.8 Community sewerage contribution

It is the role of *Yarra Valley Water* to apply a community sewerage charge in accordance with the *Water Act*.

4.9 Trade waste

4.9.1 Assignment of trade waste risk rank

Yarra Valley Water assigns all its trade waste customers a risk rank according to a risk rank algorithm.

The algorithm takes into account specific customer information and discharge characteristics including:

- customer location relative to treatment plant
- the volume of trade waste discharged
- the nature of the customer's business activity
- the nature and quality of the customer's trade waste
- the customer's compliance history, where available
- risks to health and safety
- risks to the sewerage system (transport or treatment)
- risks to the quality of recycled water or biosolids from the sewerage system
- risks to the environment.

Yarra Valley Water may change a trade waste customer's risk rank due to the customer's changed circumstances or updated information.

4.9.2 Assignment of trade waste category

Each trade waste discharger is placed into one of two charging categories depending on the annual volume of discharge. The categories are:

Category A — Dischargers of waste having an annual volume greater than 1000 kL. These dischargers pay variable trade waste charges.

Category B — Dischargers of waste having an annual volume not greater than 1000 kL. These dischargers do not pay variable trade waste charges.

4.9.3 Trade waste contract fee

A charge imposed by a licensee in respect of a trade waste agreement shall vary according to the risk ranking of the discharger.

4.9.4 Variable charges for categories of trade waste

Charge imposed by a licensee for each kilolitre of trade waste and each kilogram of load discharged or estimated to have been discharged to its sewerage system.

Food waste charges

Food waste charges apply in respect to the discharge of food waste not attracting Category A trade waste charges. Food waste includes any matter, whether water borne or not, consisting solely or partly of food, food particles or food scraps, which had constituted part or had been generated during production of a meal other than on residential premises or residential property.

For hospitals and institutions the charge applies on a per bed basis. For accommodation premises and restaurants the charge is applied to the number and power rating of food disposal units.

4.10 Miscellaneous fees and charges

The following table sets out the definitions of the miscellaneous charges contained in Schedule 2.

Miscellaneous service	Definition
Standard meter and install (20mm drinking water meter).	Properties connecting to the water and recycled water supply systems are required to pay for meters to be installed by Yarra Valley Water to measure the volume of water or recycled water supplied to the property. Includes the supply and installation of a meter and meter lock.
New estate connection – combo drinking water and recycled water	Provision of drinking water and recycled water service to the property via tappings of the <i>Yarra Valley Water</i> mains and includes the supply and installation of meters and meter locks.
Complete connection supplement (long)	<p>This is an optional supplemental product that can only be purchased in conjunction with a 20mm–50mm residential connection and associated 20mm-50mm meter installation. The product includes excavation, service pipe, traffic management, main meter installation or manifold setup (depending on the development requirements). The distance from the main is between 5 and 20 metres.</p> <p>This product is applicable to both potable and recycled water.</p>
Complete connection supplement (short)	<p>This is an optional supplemental product that can only be purchased in conjunction with a 20mm–50mm residential connection and associated 20mm-50mm meter installation. The product includes excavation, service pipe, traffic management, main meter installation or manifold setup (depending on the development requirements). The distance from the main is less than 5 metres.</p> <p>This product is applicable to both potable and recycled water.</p>
Remote supplement	This is an optional mechanism that allows remote meter reading. It is additional to standard meter charges and can be purchased with a new meter. Note that not all existing meters are suitable to be fitted with the remote supplement.

Continued next page

Miscellaneous service	Definition
Recycled water audit fee	To reduce the possibility of cross connections between drinking water and recycled water, audits of the customer’s recycled water plumbing are undertaken by Yarra Valley Water.
Multi-unit 2 lot development application	Provision of water and sewer connection based information that is required to be undertaken by the Developer to enable the development of the proposed 2 lot development
Multi-unit 3 to 19 lot development application	Provision of water and sewer connection based information that is required to be undertaken by the Developer to enable the development of the proposed 3–19 lot development.
Development deed application	<p>For developments that require the construction of new water and sewerage infrastructure, a Development Deed is the formal agreement between Yarra Valley Water and a developer.</p> <p>The Development Deed provides all requirements for completion of the work relevant to each stage.</p>
Information statement	A statement (as required to be provided by vendors of property prior to contract signing under the Sale of Land Act 1962 (section 32 (2)(b))) detailing any encumbrance affecting the land (excluding those shown on land titles), works required to be carried out, matters outstanding and any relevant rates or charges.

Schedule 5 – Pricing principles

5.1 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 **Yarra Valley 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 **Yarra Valley Water** or pursuant to other government policies that apply to **Yarra Valley Water** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

5.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 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 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.

5.3 Pricing principles for New Customer Contributions

Core pricing principles

New Customer Contributions (**NCC**), including standard or negotiated **NCC**, will be calculated by applying the following core **NCC** pricing principles.

Standard and negotiated **NCC** will:

- have regard to the incremental infrastructure and associated costs in one or more of the statutory cost categories attributable to a given connection;
- have regard to the incremental future revenues that will be earned from customers at that connection;
- be greater than the avoidable cost of that connection and less than the standalone cost of that connection.

Notes:

1. Given that **NCC** are to be based on the net incremental cost of connection (ie incremental costs net of incremental benefits), in this context, the costs referred to in the efficient pricing bound are the net costs, specifically the avoidable net cost of connection and standalone net cost of connection.
2. Where the connection arrangement requires assets to be gifted, the value of gifted assets will be excluded for the purpose of calculating net costs.
3. Incremental costs may include financing costs associated with constructing an asset sooner than planned.

NCC application

NCC are applied on a per lot basis and may be levied on any connection of a new customer that is separately titled or is, or can be, individually metered.

Incremental financing costs

Incremental financing costs (IFC) should be calculated using this formula:

$$\text{IFC} = \left(1 - \left[\frac{1}{(1+r)^n}\right]\right) \times \text{cost of capital being provided sooner than planned}$$

where:

r estimated pre-tax regulatory rate of return

n the number of years the asset is required sooner than planned.

Gifted Assets

Yarra Valley Water can require developers to provide and gift to **Yarra Valley Water** specified assets as a condition of connection, provided that **Yarra Valley Water**:

- makes clear to potential developers which assets a developer will be responsible for providing and gifting, and which will be provided by **Yarra Valley Water**;
- confirms that negotiation of any non-standard connection and associated charges will be undertaken in accordance with **Yarra Valley Water's** published negotiating framework; and
- the value of gifted assets will be excluded for the purposes of calculating net costs.

Community sewerage scheme

If a customer requires connection under the community sewerage scheme sooner than scheduled, then **Yarra Valley Water** may charge an amount to recover any incremental financing costs incurred by it. This amount is to be calculated using the principles and formula shown under section "incremental financing costs" above.

5.4 Pricing principles for *miscellaneous services* not included in Schedule 2

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.

5.5 Guidelines

Yarra Valley 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 4 relates.

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



Date: 26 June, 2023

A handwritten signature in blue ink, appearing to be "Kate Symons".

Kate Symons
Chairperson

Annexure A

Table 1 Historical cost of debt (nominal)

Per cent

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Cost of debt	7.05%	5.36%	5.27%	4.91%	4.53%	4.61%	3.31%	3.05%	3.75%	6.76%

Table 2 Forecast real regulatory rate of return

Per cent

	2023-24	2024-25	2025-26	2026-27	2027-28
Regulatory rate of return	2.59%	2.57%	2.65%	2.74%	2.85%

Table 3 Benchmark revenue requirement

\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Operating expenditure	707.4	702.2	702.4	689.6	687.5
Return on assets	135.5	136.0	146.9	159.0	171.0
Regulatory depreciation	135.7	127.3	126.3	133.3	137.4
Adjustments from last period	-1.7	-	-	-	-
Non-prescribed revenue offset of revenue requirement	-	-	-	-	-
Tax allowance	11.0	9.4	9.4	10.6	11.4
Total	987.9	974.9	985.0	992.4	1007.3

Table 3.1 Benchmark determined tariff revenue

\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Determined revenue (R^{det})	952.90	951.10	966.19	981.27	995.18

Table 4 Closing regulatory asset base
\$m 2022-23

	2017-18	2018-19	2019-20	2020-21	2021-22
Opening RAB at 1 July	4,416.0	4,583.7	4,766.5	4,946.5	5,132.4
<i>Plus</i> Gross capital expenditure	315.3	343.8	348.5	348.0	290.9
<i>Less</i> Government contributions	-	-	-	-	-
<i>Less</i> Customer contributions	51.1	52.3	55.9	54.2	45.2
<i>Less</i> Proceeds from disposals	1.2	1.1	0.9	0.5	3.4
<i>Less</i> Regulatory depreciation	95.2	107.7	111.7	107.4	108.7
Closing RAB at 30 June	4,583.7	4,766.5	4,946.5	5,132.4	5,266.0

Table 5 Forecast regulatory asset base
\$m 2022-23

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Opening RAB at 1 July	5,266.0	5,281.6	5,182.3	5,401.9	5,682.3	5,920.4
<i>Plus</i> Gross capital expenditure	217.9	329.9	394.5	458.2	428.4	351.0
<i>Less</i> Government contributions	-	-	-	-	-	-
<i>Less</i> Customer contributions	40.1	46.2	46.0	50.0	55.0	54.6
<i>Less</i> Proceeds from disposals	50.9	247.3	1.6	1.5	2.0	1.1
<i>Less</i> Regulatory depreciation	111.3	135.7	127.3	126.3	133.3	137.4
Closing RAB at 30 June	5,281.6	5,182.3	5,401.9	5,682.3	5,920.4	6,078.4

Table 6 Approved licence fee and environmental contribution assumptions
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Essential Services Commission licence fee	0.8	0.8	0.8	0.8	0.7
Department of Health licence fee	0.3	0.3	0.3	0.3	0.3
Environment Protection Authority licence fee	0.1	0.1	0.1	0.1	0.1
Environmental contribution	45.8	44.3	42.8	41.3	39.9

Table 7 Bulk water purchases
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Bulk water purchases	497.9	494.4	495.4	484.5	481.7

Table 8 Demand forecast

	2023-24	2024-25	2025-26	2026-27	2027-28
Water assessments (no.)					
Residential	831,430	846,390	863,940	879,880	894,310
Non-residential	61,780	62,890	64,190	65,380	66,450
Total	893,210	909,280	928,130	945,260	960,760
Sewerage assessments (no.)					
Residential	781,070	796,080	813,570	829,590	844,210
Non-residential	55,110	56,100	57,250	58,320	59,270
Total	836,180	852,180	870,820	887,910	903,480
Billable water consumption (ML)					
Residential	118,437	119,750	121,211	122,633	123,933
Non-residential	28,981	29,373	29,836	30,267	30,660
Total	147,418	149,123	151,047	152,900	154,593

Table 9 Major capital projects

Project	Expected start date	Expected completion date
Park Orchards Community Sewerage Project	2022-23	2027-28
Aurora Recycled Water Treatment Plant and Transfer System	2020-21	2027-28
Doncaster Hill Recycled Water Project	2017-18	2026-27
Craigieburn Storage and Transfer Hub Stage 3	2018-19	2031-32
Love Branch Sewer - Stage 3	2021-22	2025-26
Wallan East Branch Sewer Stage 1	2020-21	2026-27
Eltham Main Sewer Rehabilitation	2025-26	2026-27
Healesville Sewage Treatment Plant Capacity Upgrade	2018-19	2027-28
M4 Distribution Main Renewal Project	2017-18	2027-28
Mt Fraser Drinking Water and Recycled Water Transfer System	2020-21	2026-27