



133 Macleod Street, PO Box 52, Bairnsdale Victoria 3875
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Our Ref: DOC/23/18729

9th May 2023

Marcus Crudden
Executive Director, Price Monitoring and Regulation
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne 3000

Dear Marcus,

RE: 2023-28 Price Submission – Draft Determination

East Gippsland Water appreciates the opportunity to provide this response to the “East Gippsland Water Draft Decision: 2023 Water Price Review”.

It is pleasing to note the Commission has accepted our proposals contained in our 2023 Price Submission, which was built on a platform of customer engagement, outcomes valued by customers, prudent and efficient expenditure and maintaining prices at existing levels. It is also pleasing to note the Commission’s PREMO assessment of our Price Submission was in line with our self-assessment. East Gippsland Water has accepted the changes proposed by the Commission in the Draft Determination.

As required in our response to the Draft Determination the following information is provided in order for the Commission to make its final decision on prices:

Outcomes

A completed Outcomes Reporting Template has been included with this response.

The completed template includes some minor changes to the wording of measures, for clarity, following ESC’s review and as discussed with ESC representative’s on Wednesday 26th April.

We accept the exclusion of the water efficiency rebate program from the guaranteed service levels, we will continue to track and report on the value of rebates granted as one of our outcome measures.

Efficiency improvement and growth rate

EGW accepts an efficiency rate of 1 per cent per annum. An updated financial model has been included with this response.

Demand

A high-level overview of our method for growth forecasting is in Section 12.1 of our Price Submission. Our growth and water demand figures have been re-assessed using the latest data from the Victoria in Future 2022, February 2023 local council (East Gippsland Shire Council) projections and our historic customer connections data. Each set of projection data comprises a quite large geographic area for East Gippsland, sometimes comprising areas with different growth drivers (e.g. coastal and inland towns grouped together) so this approach of using multiple inputs allows us to select the growth projection considered most appropriate for each individual district.





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Our Planning for Growth Strategy, further outlines our approach to developing growth rates, the growth rate applied to each EGW district, how this has been applied to our demand forecasts, and the effects of COVID-19 on growth in our region.

Based on the latest projections included in Victoria in Future 2022 and local council projections, small changes to our residential customer growth and demand have been made. There is no change to non-residential growth rates. The table below outlines these changes in terms of both growth rates and consumption:

GROWTH RATES	PRICE SUBMISSION				
	2023/24	2024/25	2025/26	2026/27	2027/28
Residential connections	1.48%	1.48%	1.48%	1.45%	1.45%
Revised Residential connections	1.50%	1.50%	1.50%	1.32%	1.32%

CONSUMPTION (ML)	PRICE SUBMISSION				
	2023/24	2024/25	2025/26	2026/27	2027/28
Residential consumption	3,250	3,299	3,347	3,396	3,445
Revised Residential consumption	3,251	3,300	3,350	3,394	3,439

The changes above lower the growth rate by a cumulative 0.20% and our demand is reduced by 2ML over the pricing period, which have been incorporated into the updated Draft Determination pricing model included with our response. The reduced prescribed revenue of \$0.03M associated with these changes has not been recovered from customers.

Prices

Changes made to the pricing model to reflect the Commission's Draft Determination have altered our proposed tariffs. The updated pricing model incorporates the changes advised by the ESC on the 3rd May in regards to the forecasts for inflation and cost of debt.

The updated tariffs are included in the pricing model accompanying this letter. Based on the outcomes of the Draft Determination and the updated model inputs for inflation and cost of debt, customer prices will increase by inflation plus 0.38% per year for the PS2023-28 period.

East Gippsland Water will pass on all inflation increases to customers to ensure the financial viability of the business in the long term, and we believe we have made ample hardship provisions for customers in financial distress. Any decision to reduce increases below inflation would be short-sighted will adversely impact the starting position of the business for the PS2028-33 Submission.

Currently in excess of 30% of customers receive a rebate to assist them with meeting their water and wastewater bills. Our submission includes an uplift of \$100K a year to \$250K per year in in-house support to customers who are suffering financial hardship and struggling to pay their bills. This uplift to \$250K in support each year is not capped, with any extra support provided to customers coming from the business without recovery from the greater customer base.





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New customer contributions

East Gippsland Water proposes to continue with a New Customer Contribution charge of \$0 for both water and wastewater new connections. The updated customer contributions model has been included with this response. Any increase in new customer contribution charges has the unintended consequence of raising customer prices. This is due to the effect of tax recovery on customer contribution revenue.

Updated financial pricing model

An updated financial pricing model has been included with this response incorporating all the changes stemming from the initial review by the Commission and the updated inflation, cost of debt, residential customer growth and demand forecasts.

We look forward to working with the Commission towards the final price determination. Should you require any additional information please contact Mathew Scott, Executive Manager Business, on [REDACTED].

Yours faithfully,

[REDACTED]
Steve McKenzie
MANAGING DIRECTOR

Enc.



Enclosure

Proposed Water Tariffs

\$, 01/01/23	2023-23	2023-24	2024-25	2025-26	2026-27	2027-28
Residential						
Water Service Fee - 20mm	\$ 225.53	\$ 226.40	\$ 227.27	\$ 228.14	\$ 229.02	\$ 229.90
Water Volume Fee (kL) - Residential	\$ 2.3656	\$ 2.3747	\$ 2.3838	\$ 2.3930	\$ 2.4022	\$ 2.4115
Non-Residential						
Non-Residential	\$ 225.53	\$ 226.40	\$ 227.27	\$ 228.14	\$ 229.02	\$ 229.90
Water Volume Fee - Non-residential	\$ 2.3656	\$ 2.3747	\$ 2.3838	\$ 2.3930	\$ 2.4022	\$ 2.4115

Proposed Sewerage Tariffs

\$, 01/01/23	2023-23	2023-24	2024-25	2025-26	2026-27	2027-28
Residential						
Sewerage Service Fee (1 EQT) - Res	\$ 678.43	\$ 681.04	\$ 683.66	\$ 686.29	\$ 688.93	\$ 691.58
Non-Residential						
Sewerage Service Fee (1 EQT) - Non Res	\$ 678.43	\$ 681.04	\$ 683.66	\$ 686.29	\$ 688.93	\$ 691.58