

3 May 2021

Marcus Crudden
Acting Chief Executive Officer
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Dear Marcus,

Re: **Melbourne Water price review 2021**

The Victorian Water Industry Association (VicWater) is the peak body for the Victorian water industry. Our letter is prepared with recognition of Melbourne Water as a wholesale water corporation acknowledging the effects of the ESC's decision will have a bearing on retailing water businesses engaged in the greater Melbourne water supply system.

Our interest relates to specific aspects of the draft decision that may have repercussions for other water businesses in Victoria. These are outlined below.

Stormwater harvesting

Melbourne Water has sought funding for stormwater harvesting in support of integrated water management across the region. The draft decision appears to support reductions of \$98M in CAPEX (and related OPEX) for stormwater harvesting schemes for Sunbury, Upper Merri Creek and priority regional locations as determined by the Healthy Waterways Strategy. This is on the basis that the associated business cases did not sufficiently demonstrate that each of the projects would result in a net incremental benefit.

Stormwater harvesting is evolving as industry practice. Thus, business cases for its development are typically less comprehensive than for the traditional practices. It is important that this is recognised in the review given the sector-wide implications for delivering integrated water management to meet the objectives of Government's *Water for Victoria* policy and plan.

Engagement methodology

Noting the critical review of SIMALTO as a stated preference customer survey method in the draft decision, we are concerned of its implications for the sector. SIMALTO is also a widely accepted method used by the water sector in the UK and by several local governments in Australia. We acknowledge that Melbourne Water first used it in its 2016 submission; City West Water also used it in their 2018 price submission.

Questioning this research method to support sector investments at this stage of the process potentially leaves Melbourne Water and other corporations uncertain as to how to effectively test community support

for their investment. Further guidance will be particularly important as our sector aims to address emerging and multifaceted issues relating to liveability and integrated water management.

Please contact me [REDACTED] should you have any questions, or if you would like to discuss any of the matters we have raised in greater detail.

Yours sincerely

A handwritten signature in blue ink, consisting of a large, stylized initial 'P' followed by a long, horizontal, slightly wavy line extending to the right.

Peter Morison
Chief Executive Officer