

# Welcome to the Essential Services Commission's public forum on our draft decision





# Essential Services Commission online public forum

Goulburn Valley Water  
draft decision 2023

2 May 2023



# Acknowledgement of country

I would like to acknowledge the traditional owners of all of the lands and waters wherever you are today. I would also like to acknowledge the traditional owners of the land and waters of the service area of Goulburn Valley Water.

I would also like to pay my respects to their Elders, past and present, and extend that respect to all Aboriginal people here today.

Barring Djinang artwork by Jade Kennedy.  
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# Agenda

- Summary of our role in water price regulation

Sitesh Bhojani

**Commissioner, Essential Services Commission**

- How we assessed the price submission and our draft decision

Dean Wickenton

**Senior Regulatory Manager, Essential Services Commission**

- Goulburn Valley Water's response to our draft decision

Steve Capewell, **Managing Director** and Sarah Thomson, **General Manager Strategy Governance and Finance**

- Questions from attendees

# About the Essential Services Commission

**Our purpose is to promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.**

We regulate Victoria's energy, water and transport sectors, and oversee the Fair Go Rates system. We also administer the Victorian Energy Upgrades program.

We have been regulating water prices more than 20 years.

For the water sector we:

- approve prices and service standards
- monitor and report on performance
- administer customer service codes.

# Goulburn Valley Water price review process

We assess Goulburn Valley Water's price submission to ensure it:

- complies with the requirements of the Water Industry Regulatory Order
- meets the requirements in our guidance, including:
  - our expectations on the overall approach
  - application of our incentive (PREMO) framework, where the returns earned are linked to the level of ambition in the price submission
- complies with relevant criteria in the *Water Industry Act 1994* and the *Essential Services Commission Act 2001*.



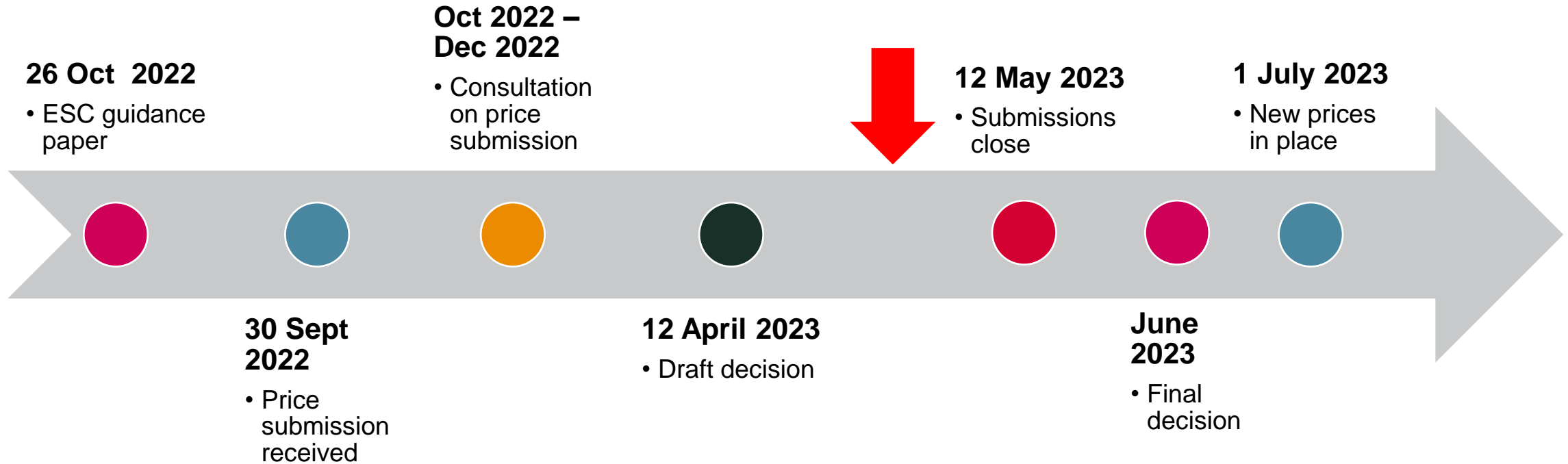
# Goulburn Valley Water price review process

It is up to Goulburn Valley Water to propose prices and services consistent with the order, guidance and relevant legislation.

## **Essential Services Commission's draft decision**

Our draft decision indicates what we propose to approve (or not approve), and allows Goulburn Valley Water– and other stakeholders – to respond before we make our final decision and price determination.

# Goulburn Valley Water price review process





# We assessed Goulburn Valley Water's proposals and the reasons for them

We did this by:

- looking at engagement and how Goulburn Valley Water used feedback
- testing expenditure and demand forecasts
- verifying the supporting assumptions and data
- evaluating how Goulburn Valley Water managed risk and its performance
- reviewing opex and capex costing and timing assumptions to ensure they were reasonable.

We also obtained advice from expert consultants where appropriate.

# Summary of our draft decision

- Accepts 5-year pricing period (prices increasing in real terms over the 5-year period).
- Proposes to accept many elements of the price submission including:
  - demand forecasts
  - continuing their approach to tariff structures and price control (price cap).
- Proposes to not accept their digital meter tariff for ‘growth’ towns
- Adopts a revenue requirement of \$419.9 million over a five-year period.
- We asked Goulburn Valley Water to:
  - provide further information on how it has allocated its capital expenditure to new customer contributions
  - confirm its approach to adjusting prices and identify benefits of digital meters
  - consider the impacts of relatively high inflation on proposed prices and customer bills.

# Estimated typical annual water and sewerage bills (proposed)

Typical water and sewerage bills (not including inflation)

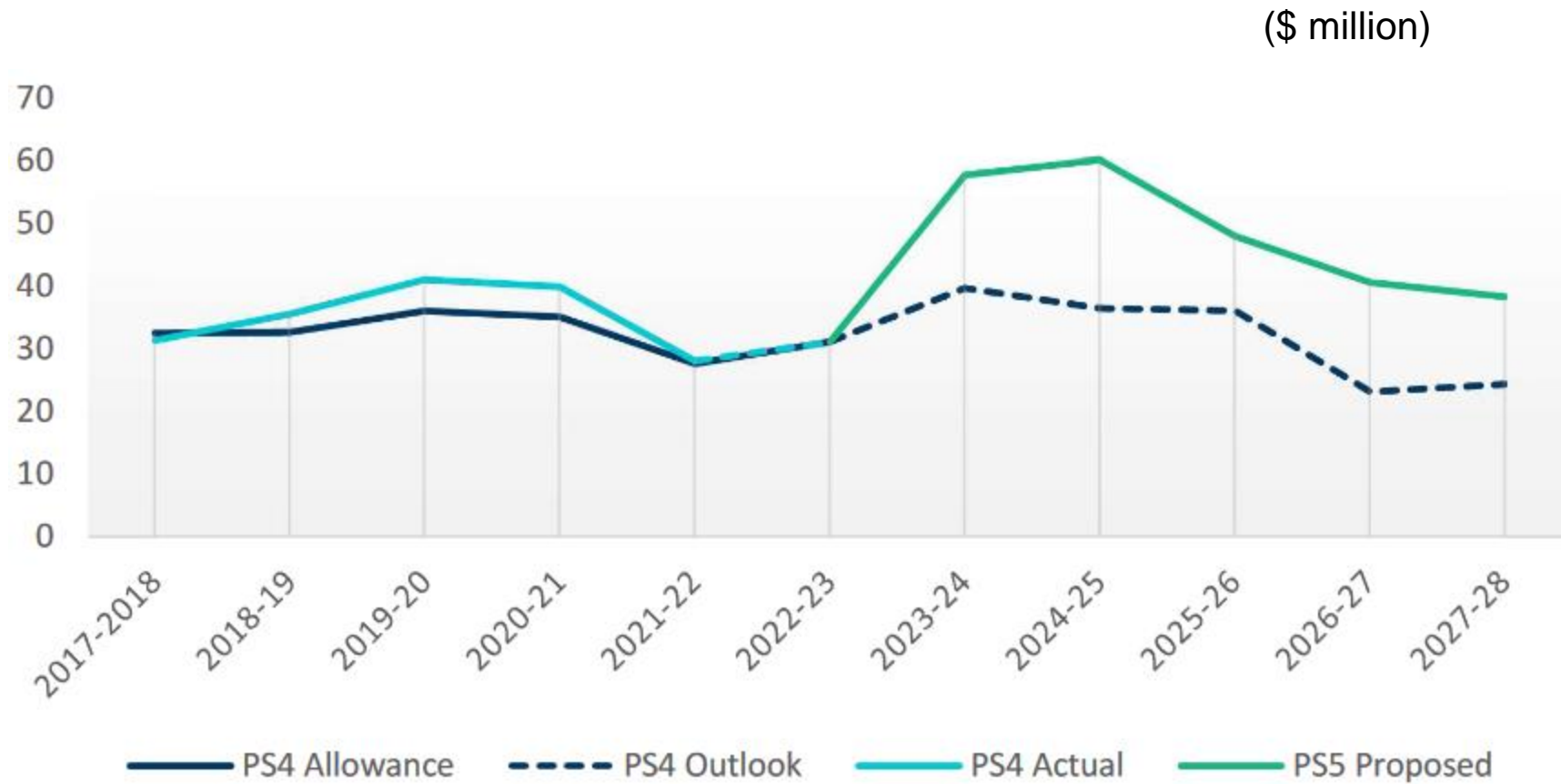
Customer Group	Average consumption (kL p.a.)	2022-23 annual bill	2023-24 annual bill	2027-28 annual bill
Residential (Owner occupier)	260	\$890	\$917	\$1,035
Residential (Tenant)	260	\$296	\$305	\$344
Non-residential (Small)	108	\$876	\$901	\$1,011
Non-residential (Medium)	603	\$2,041	\$2,094	\$2,338
Non-residential (Large)	3,875	\$8,943	\$9,169	\$10,215

A seven per cent inflation outcome for the year to March 2023 means the bill for a residential owner occupier under the business price submission proposal is around \$981.

# Goulburn Valley Water expenditure forecasts

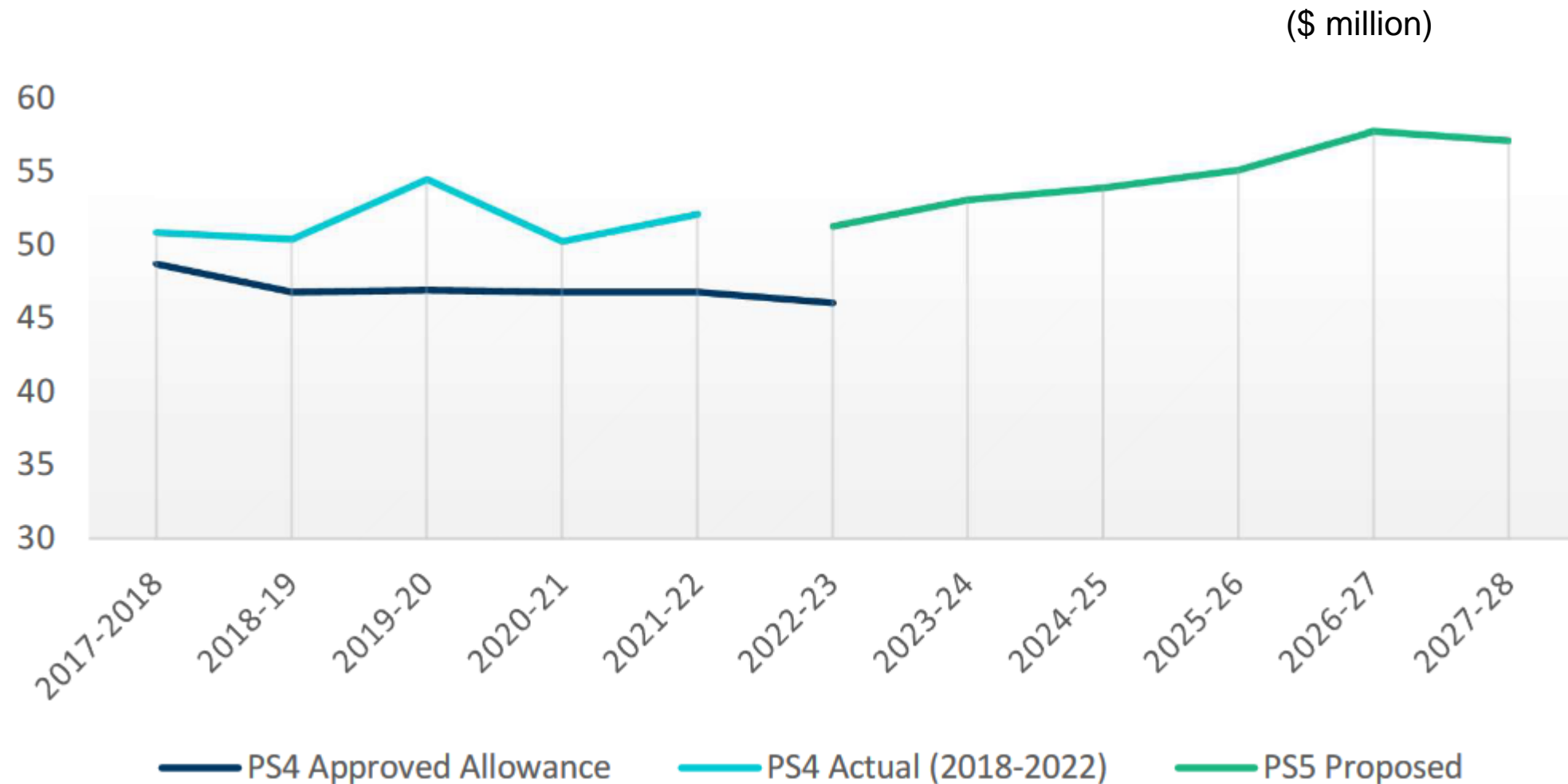
5-year total	Proposed	Our proposed adjustments	Draft decision (\$ million)
Operating expenditure	302.2	-16.4	285.7
Capital expenditure	245.0	-17.6	227.5

# Goulburn Valley Water forecast capital expenditure



Source: FTI Consulting, Goulburn Valley Water 2023 Price Review Model

# Goulburn Valley Water forecast operating expenditure



Source: FTI Consulting, Goulburn Valley Water 2023 Price Review Model

# We propose a 'Standard' PREMO price submission rating

- We consider that Goulburn Valley Water met expectations for delivery against its outcome commitments for the current regulatory period.
- Its engagement program gave customers an opportunity to participate and to provide feedback on the prices and services that affect them. Its engagement was inclusive and diverse.
- Its proposed outcome measures and targets were developed in consultation with its customers and are supported by customers. They provide overall improvement in customer value.
- It has chosen to accept a standard level of risk on behalf of customers in some areas. This includes accepting demand risk and impact of recent price increases on some major projects.
- Some of its proposed costs could not be verified as prudent and efficient, and its proposed operating cost efficiency rate of 0.4 per cent is below the threshold of a standard management rating.



## Our draft decision means...

- Prices will increase in real terms before inflation (noting inflation will be added to 2023-24 prices and bills, subject to the price cap in 2023-24 and 2024-25).
- Customers will continue to receive high-quality drinking water, safe treatment and disposal of sewage, and new investment in waterways.
- Goulburn Valley Water will continue to reduce its environmental footprint and respond to climate change.



# Goulburn Valley Water 2023-28 Pricing Submission

ESC community/customer feedback forum – 2 May 2023

Steve Capewell - Managing Director

Sarah Thomson - General Manager Strategy Governance and Finance







# About Goulburn Valley Water

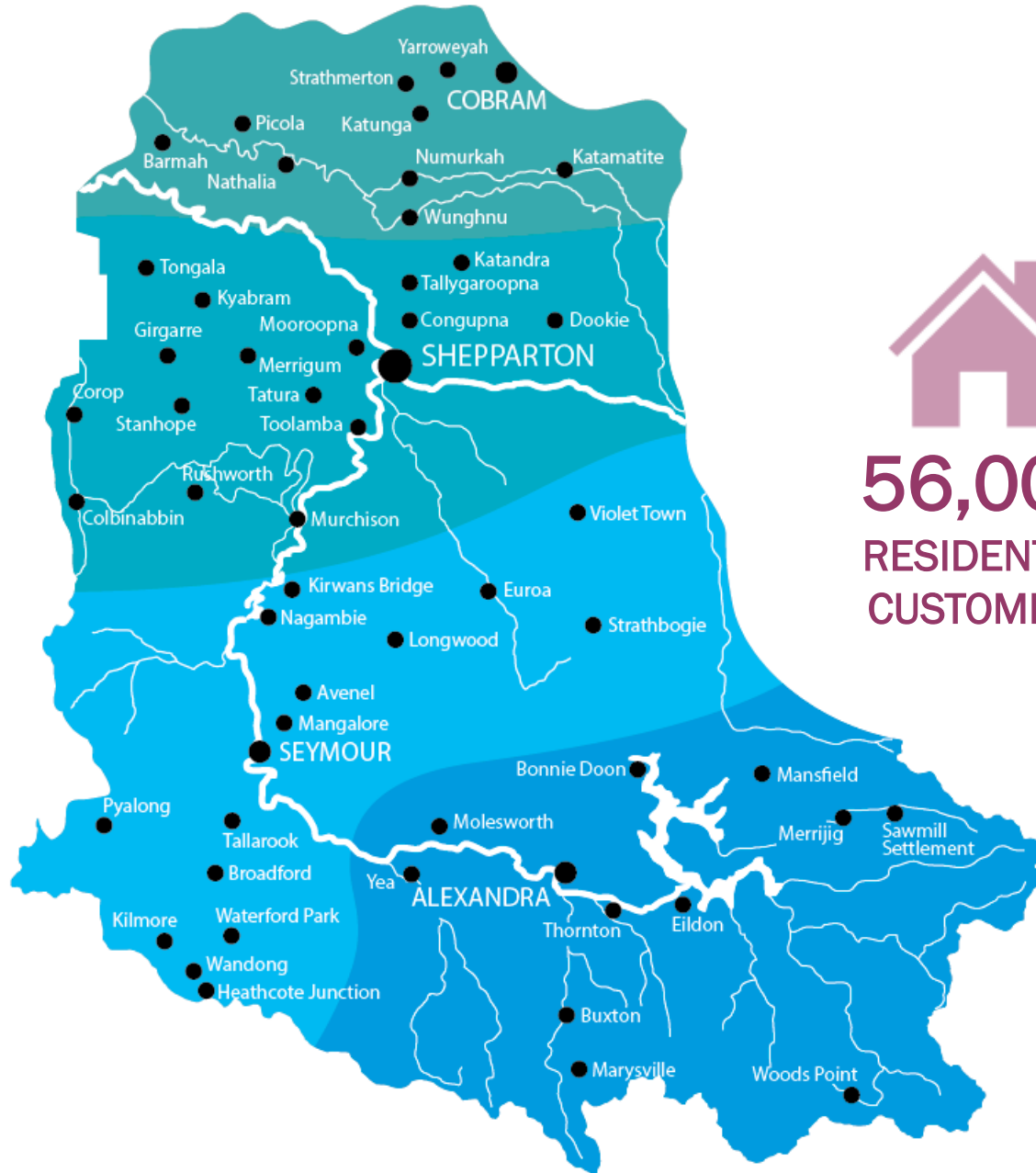




**135,000+**  
**POPULATION**



**54**  
**TOWNS**



**56,000**  
**RESIDENTIAL**  
**CUSTOMERS**



**6,500**  
**BUSINESS**  
**CUSTOMERS**

Including:

- SPC
- Nestle
- Noumi
- Campbells
- Bega
- GrainCorp
- Gouge



# Our approach



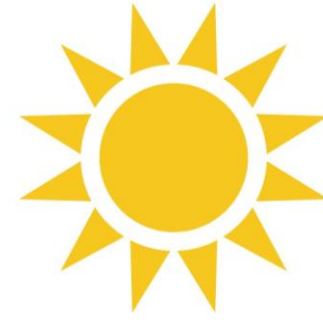
# Navigating change and uncertainty



Population  
& industry  
growth



Economic  
climate &  
affordability



Climate  
change



Asset &  
infrastructure  
resilience



New  
obligations

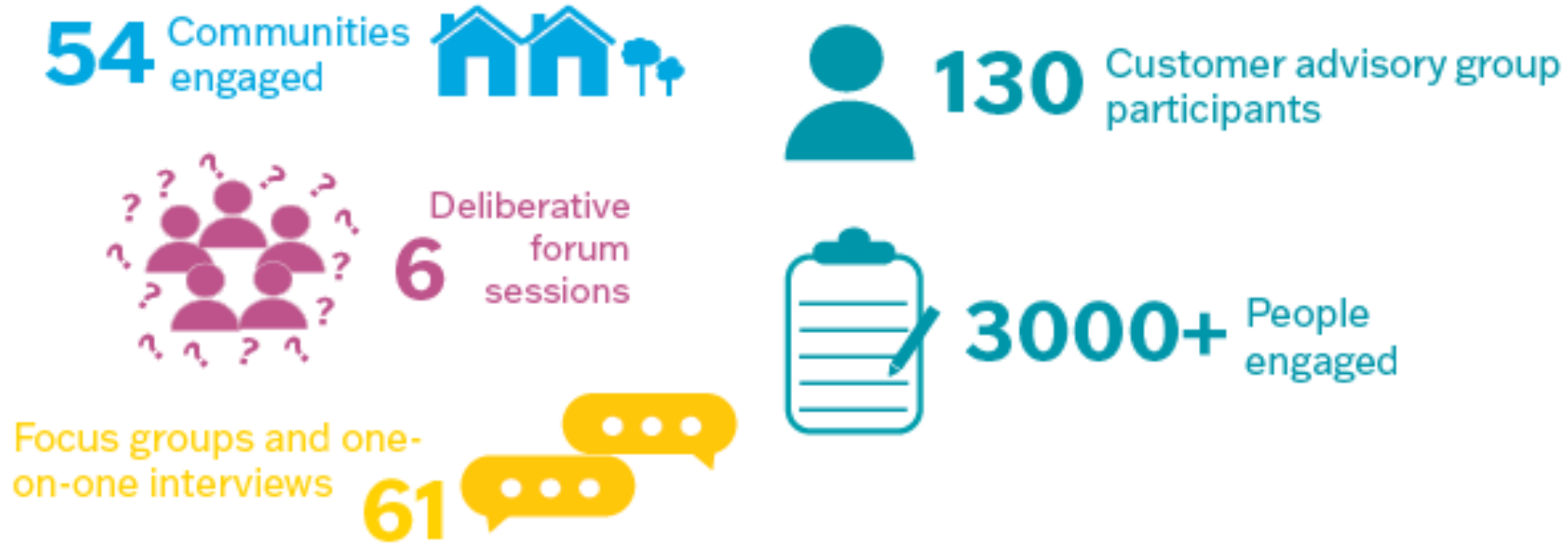


Service  
sustainability





# Engaging with customers and community



# Customer promises

- ✓ We will supply reliable water and wastewater services customers can trust
- ✓ We will lead action with our partners to grow the region
- ✓ We will care for the environment and adapt to a future impacted by climate variability
- ✓ We will deliver respectful and responsive customer service, balancing affordability and fairness



# Investing in the future



# Capital works

Total investment  
**\$245 million**



## Priority projects: all areas - \$68.8m total

- large scale solar project
- water treatment process upgrades
- SCADA (network monitoring) replacement
- water main replacement program
- sewer main relining (collapse prevention) program
- sewer main relining (blockage prevention) program
- customer billing system replacement

Priority projects:  
towns - \$94.8m total

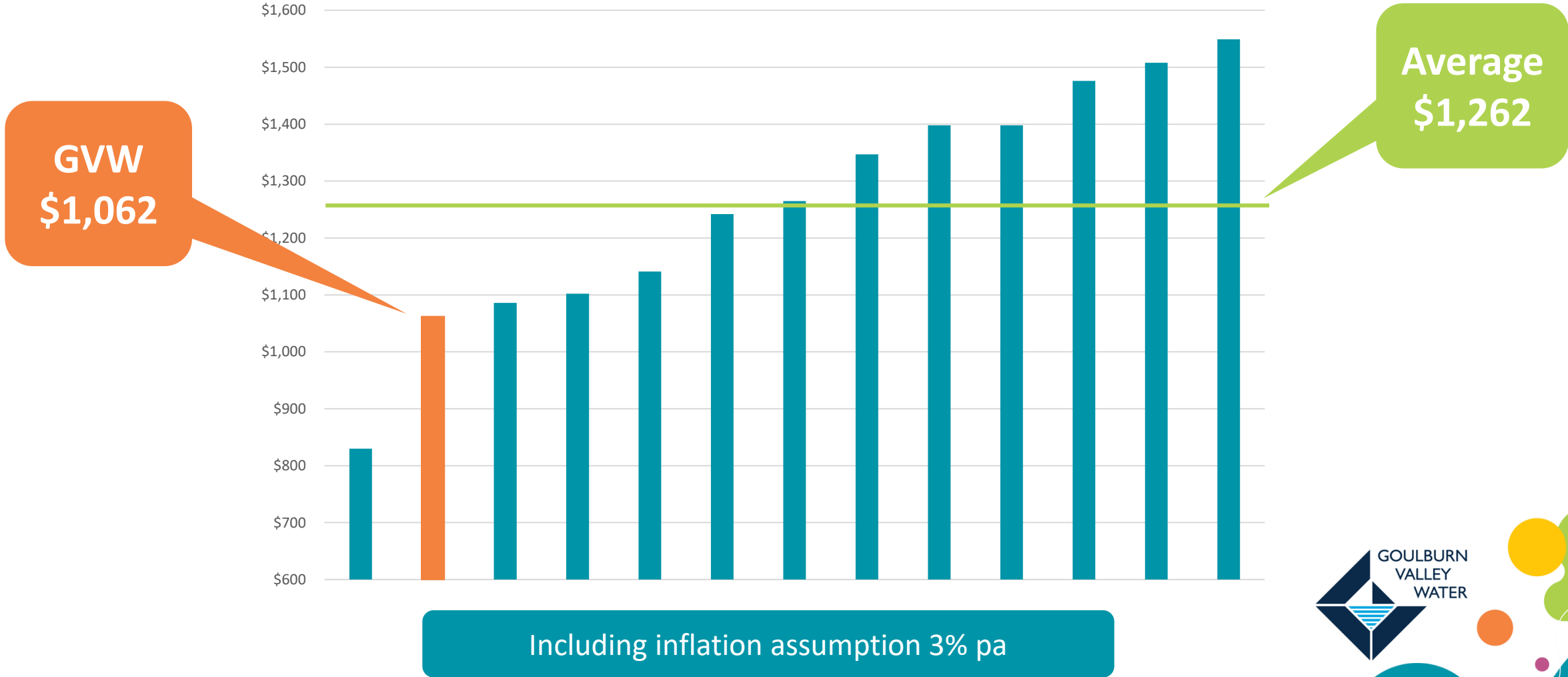


# Pricing

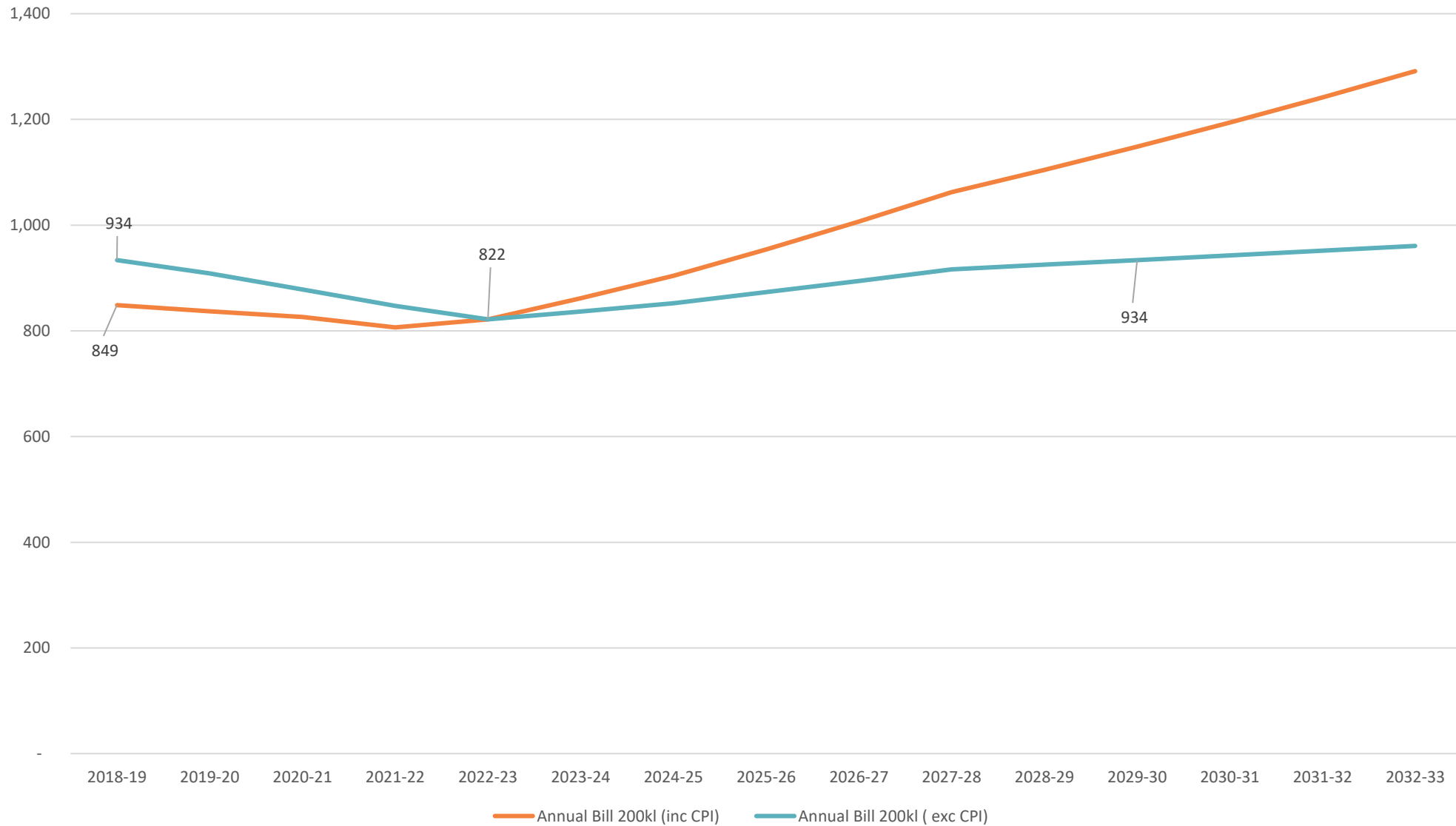


# Pricing proposal compared to other Victorian water corporations

## 200kL bill in 2027-28



# Goulburn Valley Water 200kl bills - 15 years





# Helping customers in need – proposed initiatives

INITIATIVE 1  
Water  
efficiency  
partnerships

INITIATIVE 2  
Customer  
leak  
repair

INITIATIVE 3  
Customer  
monthly  
billing

INITIATIVE 4  
Supporting  
our  
youth

INITIATIVE 5  
New  
arrivals  
education

# GVW response to ESC draft decision

Review efficiency hurdle

Price path and inflation

Customer engagement projects

Provide further information

# Q & A

## Housekeeping

- A reminder this public forum is being recorded. This means:
  - any statement or comment you make or question you ask will be **included in the recording**
  - any question you ask using the **'chat'** function, will be **read out along with your name** and will be included in the recording.
- For those online, for verbal comments, please use the **'raise your hand'** function and you will be invited to unmute your microphone, turn on your camera, say your name and organisation.
- If you are calling in via phone, please say your name and location prior to speaking.

# Thank you for joining us today

**Submissions on our draft decision are due by 12 May 2023**

- You can provide written submissions or feedback via the Engage Victoria website:  
<https://engage.vic.gov.au/water-price-review-2023>
- You can also contact us by email: [water@esc.vic.gov.au](mailto:water@esc.vic.gov.au)

