

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





Essential Services Commission online public forum

GWMWater
draft decision 2023

4 April 2023



Acknowledgement of country

I would like to acknowledge the Traditional Owners of all of the lands wherever you are today. I would also like to acknowledge the traditional owners of the land and waters of the service area of GWMWater.

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

Kate Symons
Chairperson, Essential Services Commission

How we assessed the price submission and our draft decision

Dean Wickenton
Senior Regulatory Manager, Essential Services Commission

GWMWater's response to our draft decision

Mark Williams, Managing Director, and Sally Marshall, Executive Manager Strategic Planning and Performance

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.

GWMWater price review process

We assess GWMWater 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*.

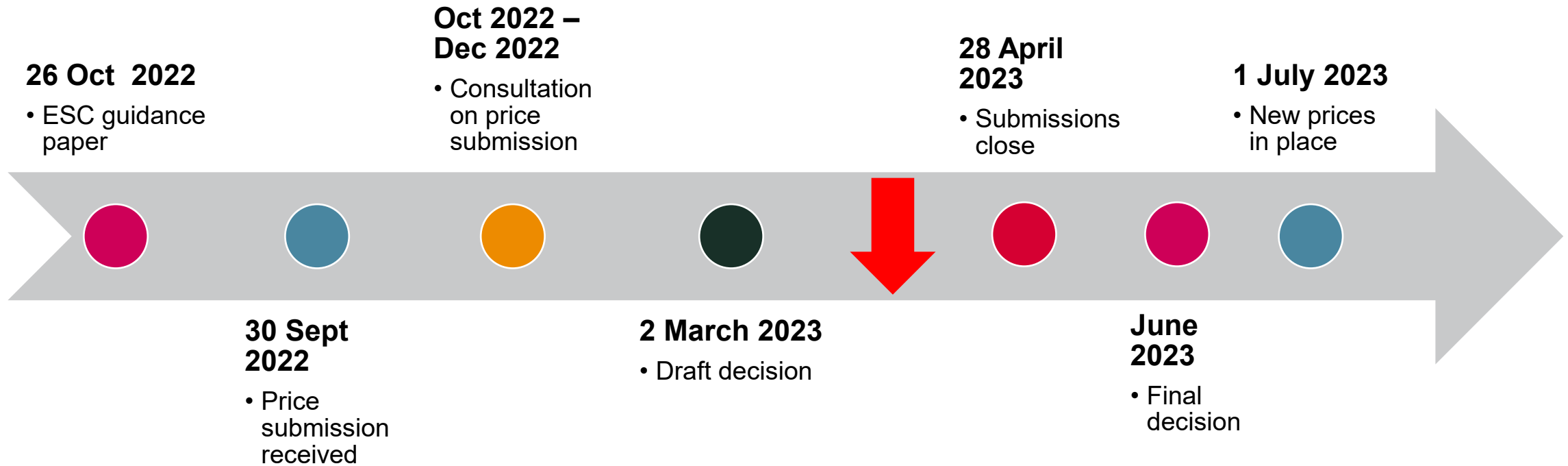
GWMWater price review process

It is up to GWMWater 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 GWMWater – and other stakeholders – to respond before we make our final decision and price determination.

GWMWater price review process



We assessed GWMWater's proposals and the reasons for them

We did this by:

- looking at engagement and how GWMWater used feedback
- testing expenditure and demand forecasts
- verifying the supporting assumptions and data
- evaluating how GWMWater 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

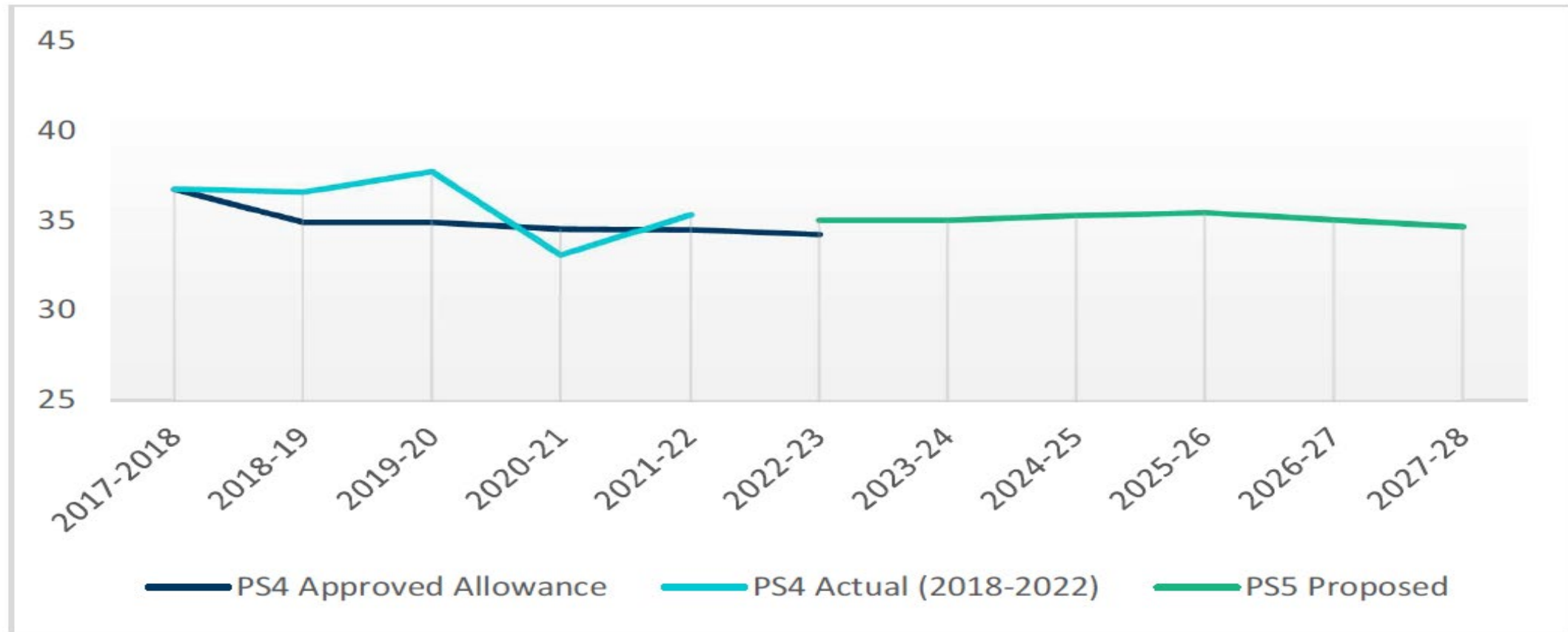
- Generally proposes to accept GWMWater's proposals including:
 - 5-year pricing period 1 July 2023 to 30 June 2028
 - Forecast capital expenditure
 - Forecast operating expenditure (with minor adjustments proposed by us)
 - Guaranteed service level scheme
 - Tariff structures and form of price control (price cap)
- Adopts a slightly lower revenue requirement than proposed by GWMWater (1.1 per cent)
- GWMWater must update its proposed prices in response to our draft decision

GWMWater expenditure forecasts 2022–23

5-year total	Proposed	Our proposed adjustments	Draft decision (\$ million)
Operating expenditure	190.76	-1.92	188.84
Capital expenditure	203.6	0	203.6

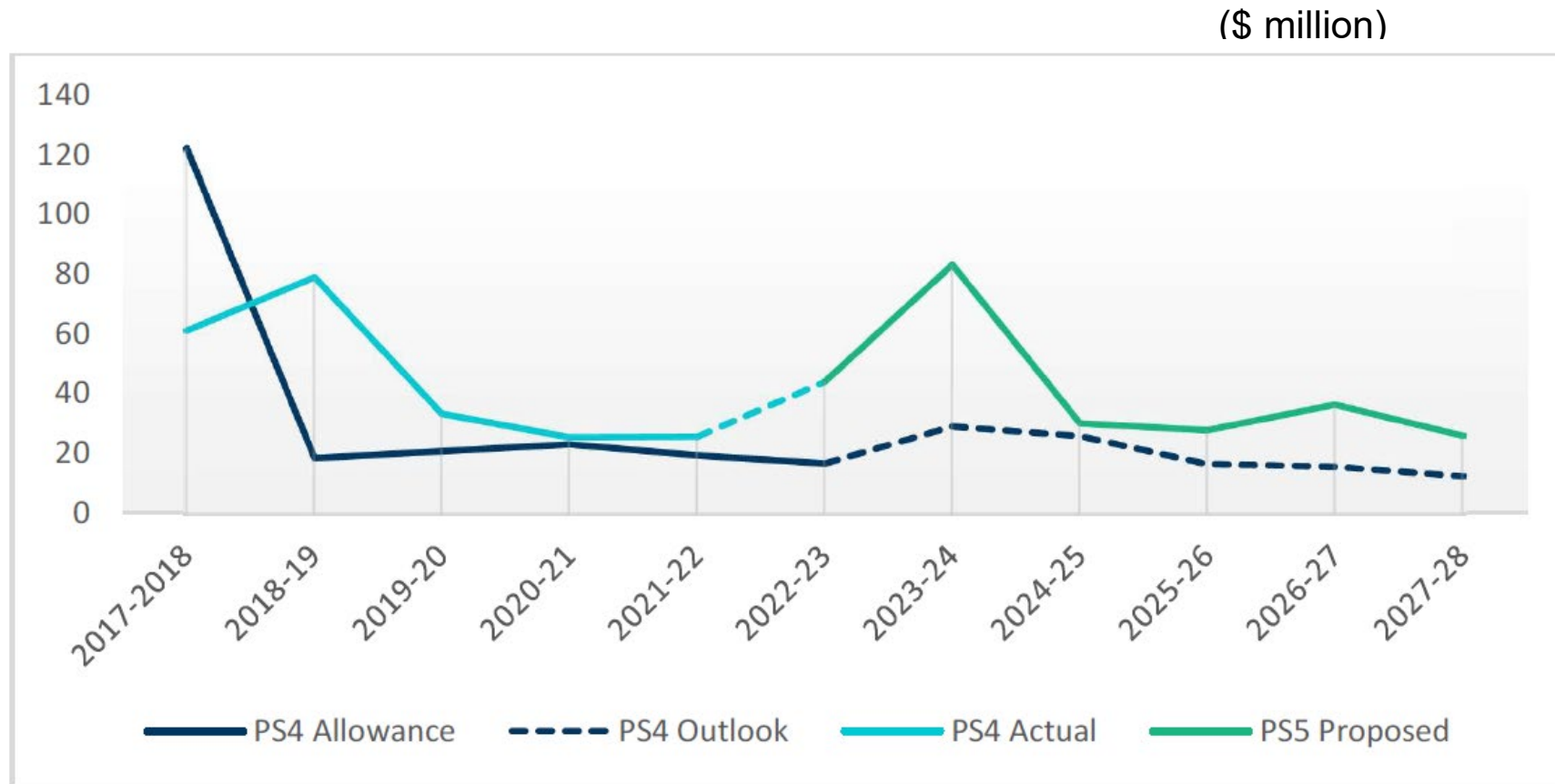
GWMWater forecast operating expenditure 2022–23

(\$ million)



Source: FTI Consulting, GWMWater 2023 Price Review Model

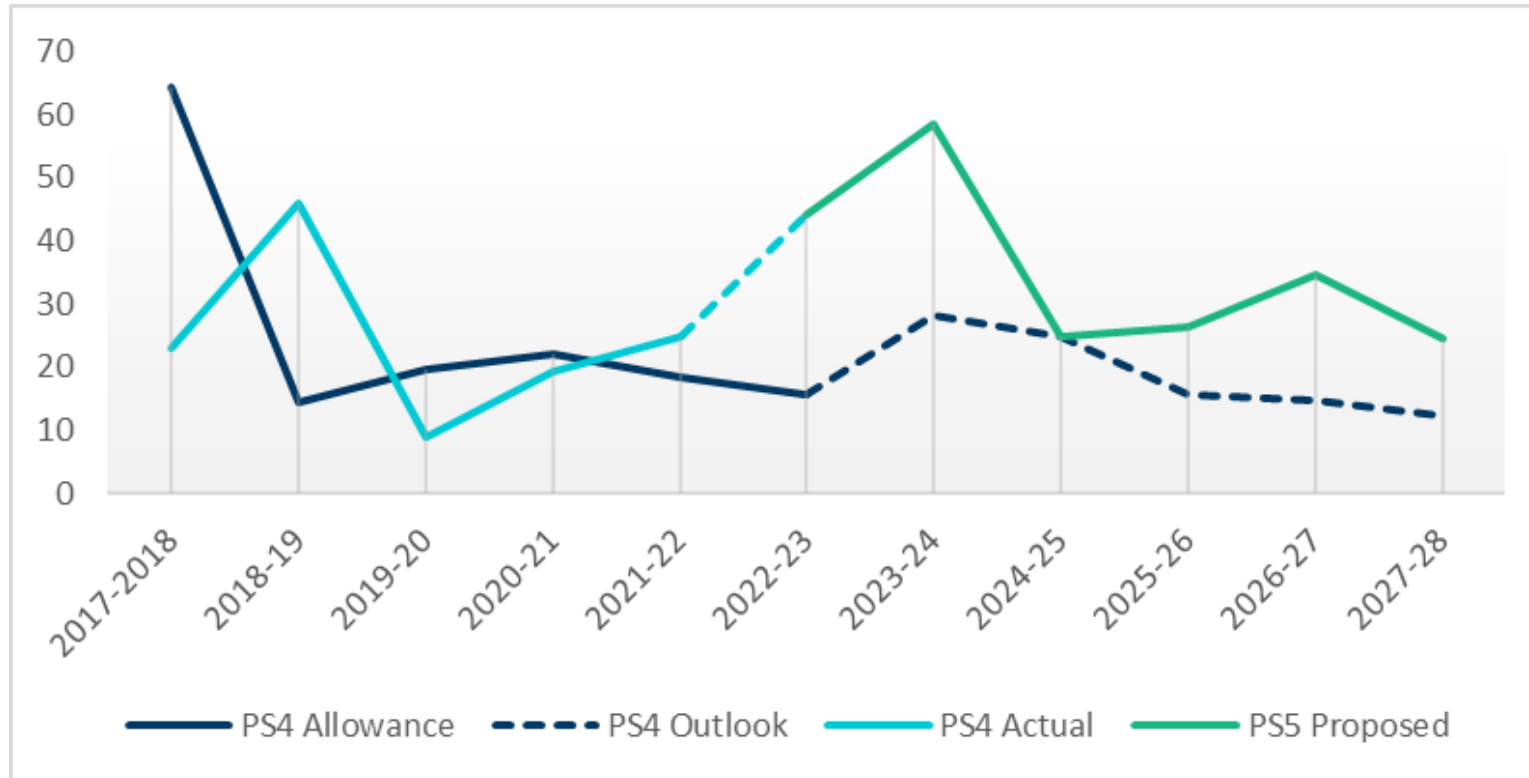
GWMWater forecast gross capital expenditure 2022–23



Source: FTI Consulting, GWMWater 2023 Price Review Model

GWMWater forecast net capital expenditure 2022–23

(\$ million)



Source: GWMWater 2023 Price Review Model

Estimated annual water and sewerage bills (proposed)

	Average consumption (kL p.a.)	2022-23 (current)	2023-24	2027-28
Residential – owner occupier	240	\$1,404	\$1,292	\$1,307
Residential – tenant	240	\$422	\$388	\$391
Non-residential (Medium)	390	\$1,649	\$1,517	\$1,533

We propose to accept an 'Advanced' PREMO price submission rating

- Strong engagement program which informed key outcomes
- Demonstrated operating cost control in current period
- Sound justification for forecast operating costs and capital program
- Relatively high efficiency target and forecast reduction in controllable operating expenditure
- New guaranteed service levels focusing on supply interruptions
- Overall value proposition – commitment to improve outcomes (e.g. water quality) while delivering lower (real) prices



Our response to the Draft Decision

Mark Williams
Managing Director

Sally Marshall
Executive Manager Strategic Planning &
Performance

GWMM

GWMWater services

- Urban water services to 71 towns (34,174 customers)
 - 38* drinking water towns (32,559 - 95% customers)
- Wastewater services to 28* towns (28,400 customers)
- Rural Domestic and Stock pipeline supplies to 9,200 customers / enterprises (15,900 meter connections)*
- Headworks and Environmental water customers (7 customers)
- Resource management
 - Groundwater licence customers (248)
 - Surface water diversion customers (301)



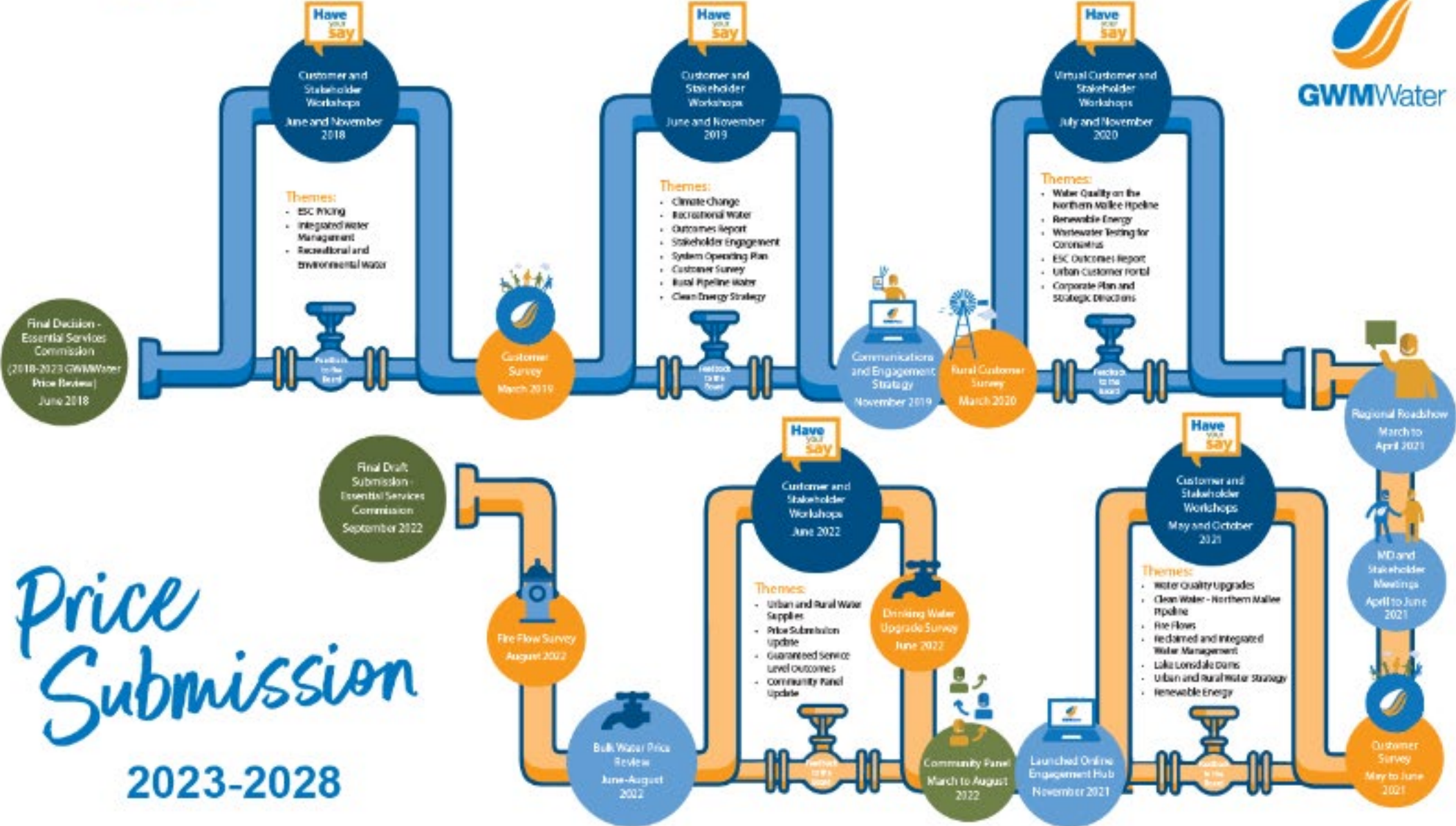
Our Commitment

Our ongoing engagement program with customers, regulators and stakeholders informed our five key outcomes our customers will receive during 2023-2028:

1. Safe Drinking Water
2. Clean Non-drinking Water – Urban
3. Clean Non-drinking Water – Rural
4. Reliable and Affordable Services
5. Healthy and Liveable Region

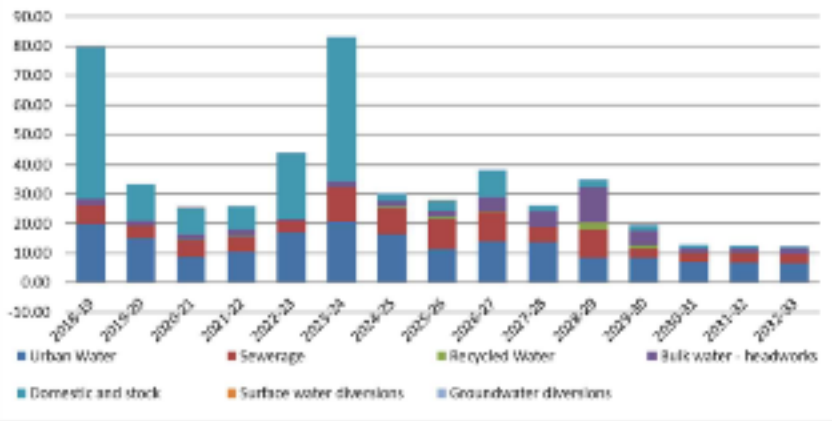


Engagement model



Infrastructure Plan

Total capex by service category (\$m)

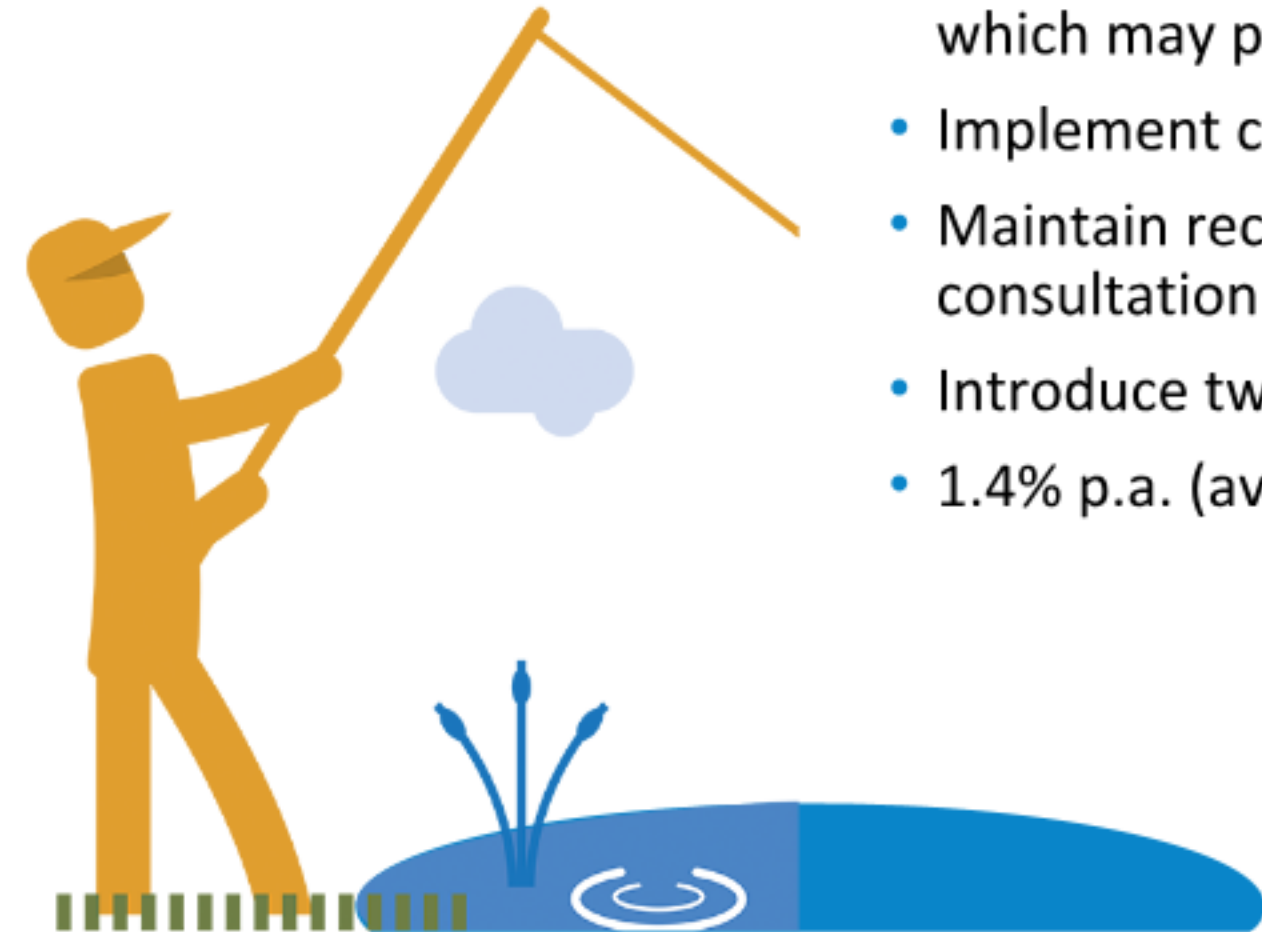


- Strong focus on renewals and compliance related upgrade
- Completion of drinking water upgrades at Kaniva and Moyston, and upgrades for Berrillock and Culgoa
- East Grampians Rural Pipeline Project completion
- Improve water quality for Piangil and Nyah customers on Northern Mallee Pipeline
- Improve fire services for industrial customers



Other key initiatives

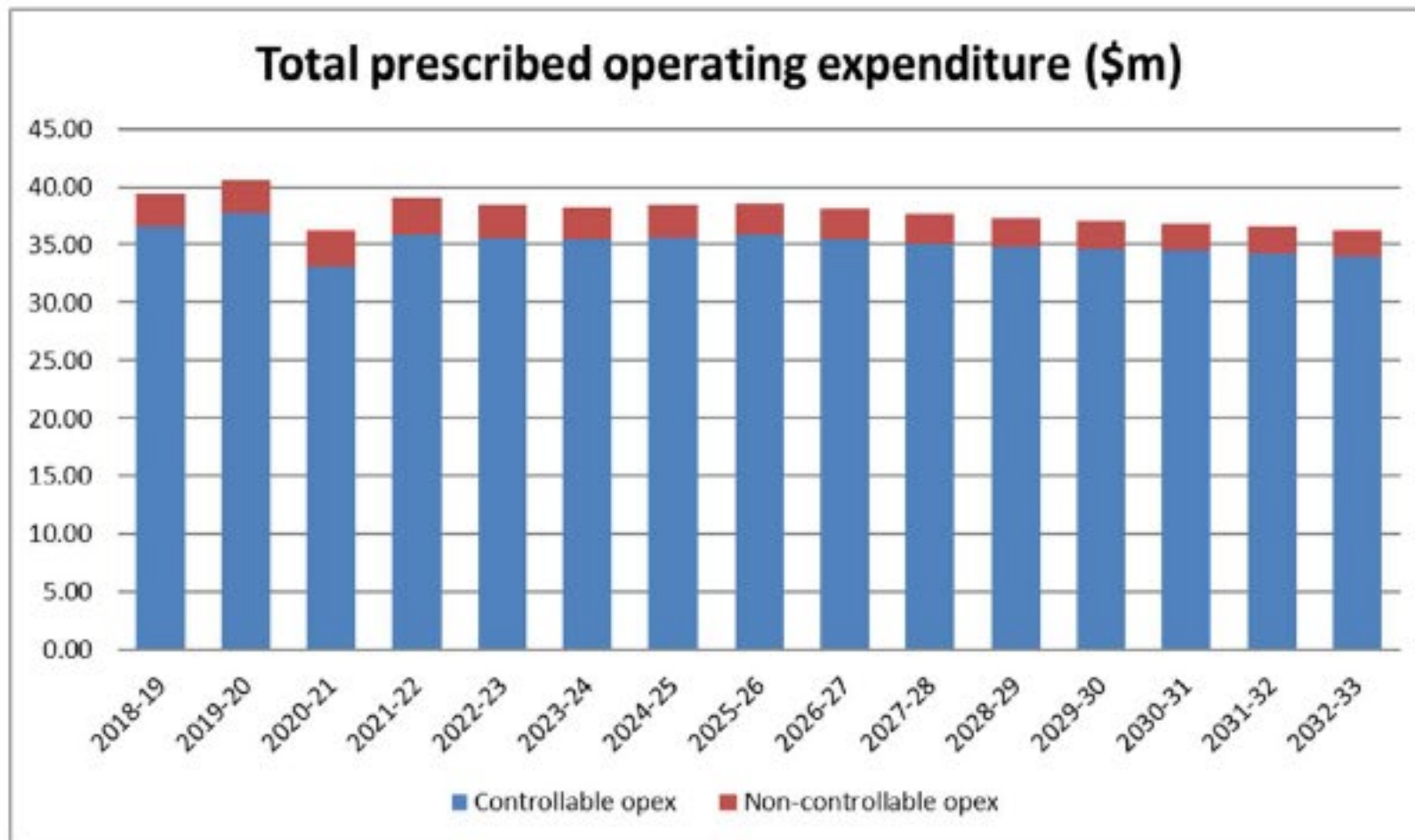
- Double the urban minimum flow rate to 20L/min
- Consult small urban towns to explore servicing options which may provide better value
- Implement changes to bulk water tariffs
- Maintain recreation water pricing policy, with further consultation with non-residential customers
- Introduce two new GSLs for multiple interruptions
- 1.4% p.a. (average) Cost Efficiency Target



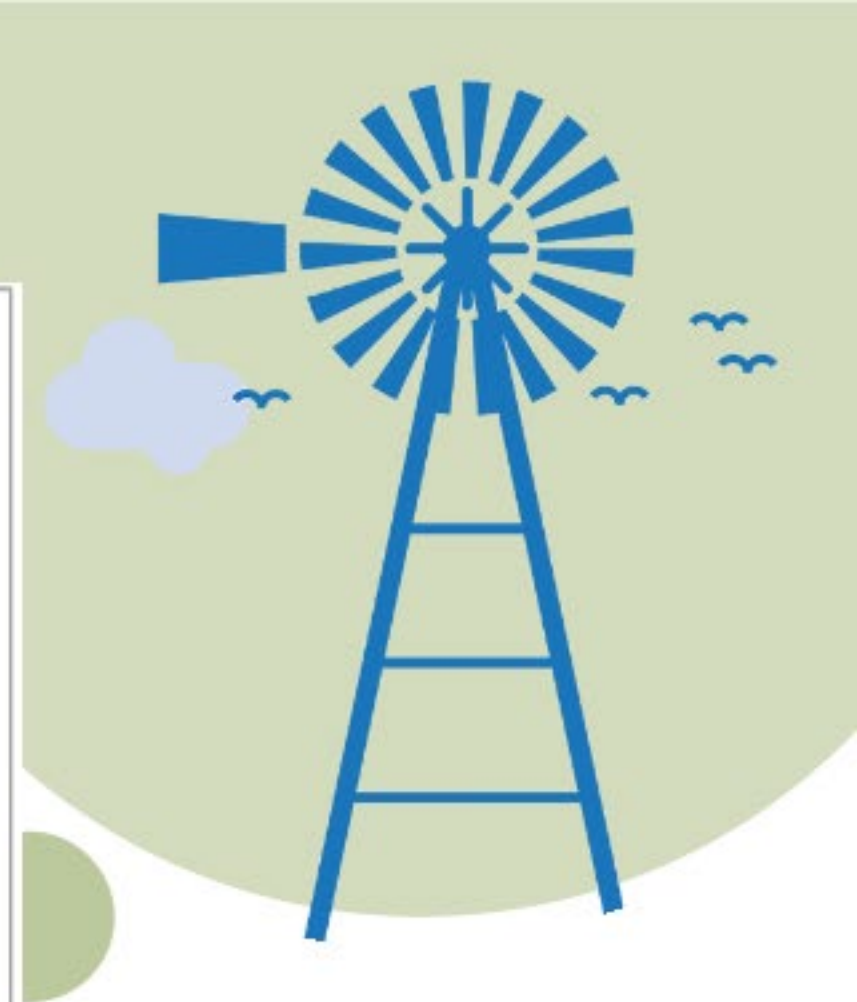
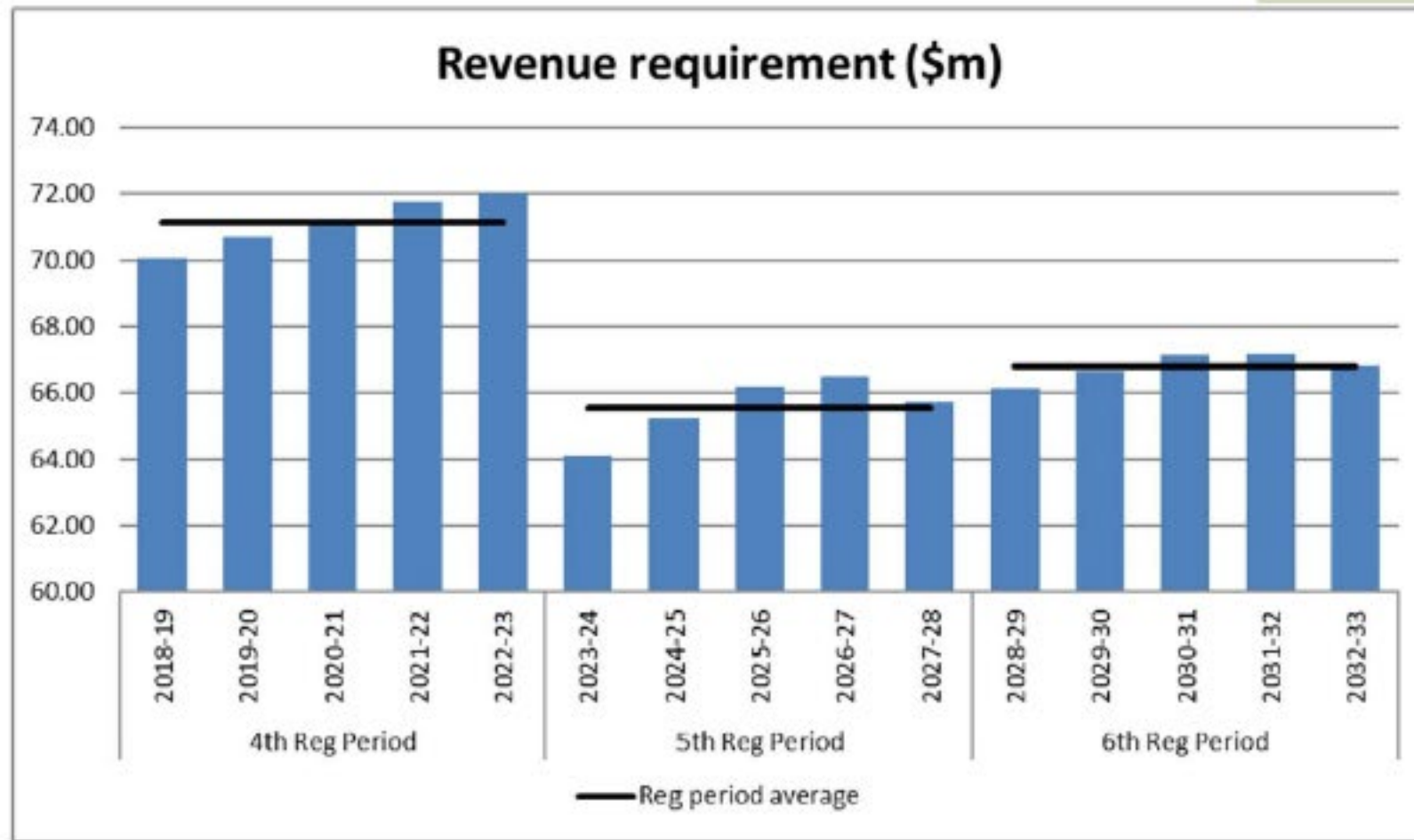


**1.4% p.a.
(average) Cost
Efficiency
Target**

Operating Expenditure



Revenue Requirement



Guaranteed Service Levels

Service level obligation	Rebate \$
Notification to customer advising drinking water not suitable for drinking	100
More than 5 unplanned water interruptions in a year (*New)	80
More than 3 sewer blockages in a year (*New)	80
Unplanned water interruptions not restored within five hours of notification	50
Planned interruption longer than notification	50
Sewer interruption not restored within five hours of notification	50
Sewer spill within a house caused by failure of system not contained within one hour	1,000
Restricting the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying.	300



Draft Decision Response

In preparing a response to the Draft Decision GWMWater is committed to:

- No real price increases
- Continuous management and engagement to improve our performance against Service Standards and deliver on Outcomes for our customers and the community
- Improving value to our customers and the region
- Remaining accountable for the delivery of our programs

	Real % increase/(decrease)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Urban water - potable	(7.9%)	0	0.9%	0	1.0%
Urban water - non potable	(7.9%)	0	0	0	0
Sewerage	(7.9%)	0	0	0	0
Rural pipeline	(7.9%)	0	0	0	0.7%
Commercial off-season usage	(10%)	(5%)	0	0	0
Groundwater	(7.9%)	0	0	0	0
Unregulated licences - surface water	(7.9%)	0	0	0	0
Environment	(7.9%)	0	0	0	0
Bulk water	(10%)	(10%)	0	0	0
Recreation lake water	(7.9%)	0	0	0	0
Minor trade waste	(7.9%)	0	0	0	0



Questions



GWMWater



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Q & A

- 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 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.
- If you want to make a written public statement, please submit via engage.vic.gov.au

Thank you for joining us today

Submissions on our draft decision are due by 28 April 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

