

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





# Essential Services Commission online public forum

Wannon Water  
draft decision 2023

27 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 WannonWater.**

**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**

- Wannon Water's response to our draft decision

Andrew Jeffers

**Managing Director**

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.

# Wannon Water price review process

We assess Wannon 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*.

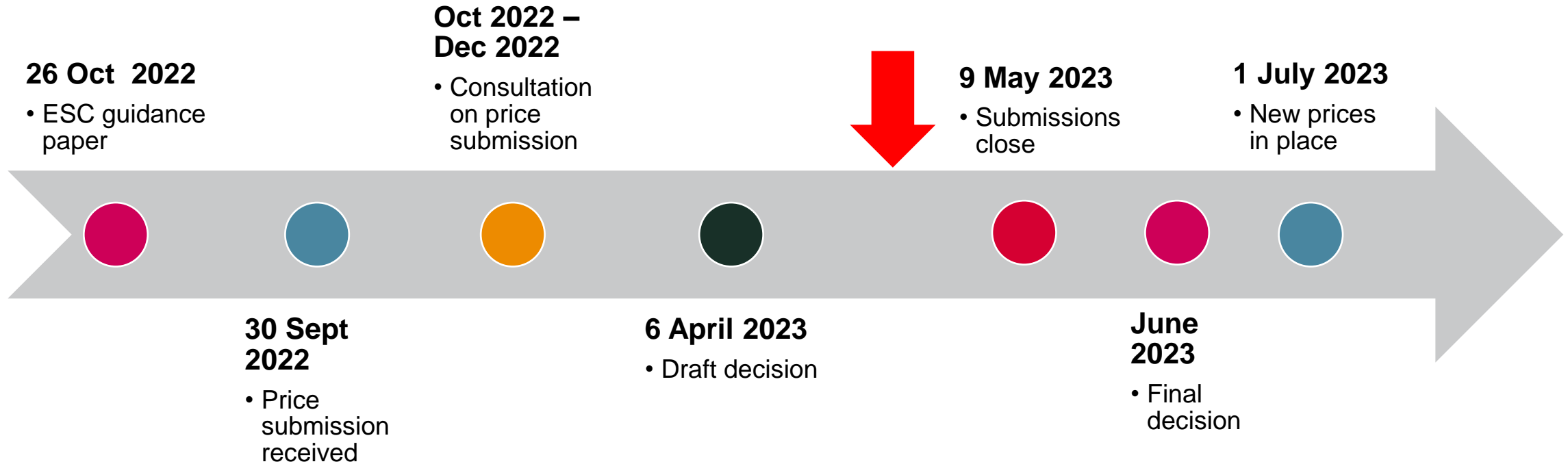
# Wannon Water price review process

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

# Wannon Water's price review process





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

We did this by:

- looking at engagement and how Wannon Water used feedback
- testing expenditure and demand forecasts
- verifying the supporting assumptions and data
- evaluating how Wannon 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 a 5-year pricing period.
- Proposes to accept many elements of the price submission including:
  - Tariff structure and form of price control (price cap)
  - Guaranteed service levels, service standards related to reliability and faults
  - Most of the proposed revenue requirement, noting some proposed reduction to costs
- Adopts a revenue requirement of \$370.8 million over a five-year period.
- We asked Wannon Water to (among other things):
  - Consider the current inflation environment
  - Provide more information on operating costs
  - Update prices to reflect our draft decision and any updates to its revenue requirement

# Estimated annual water and sewerage bills (proposed)

\*Table does not include inflation

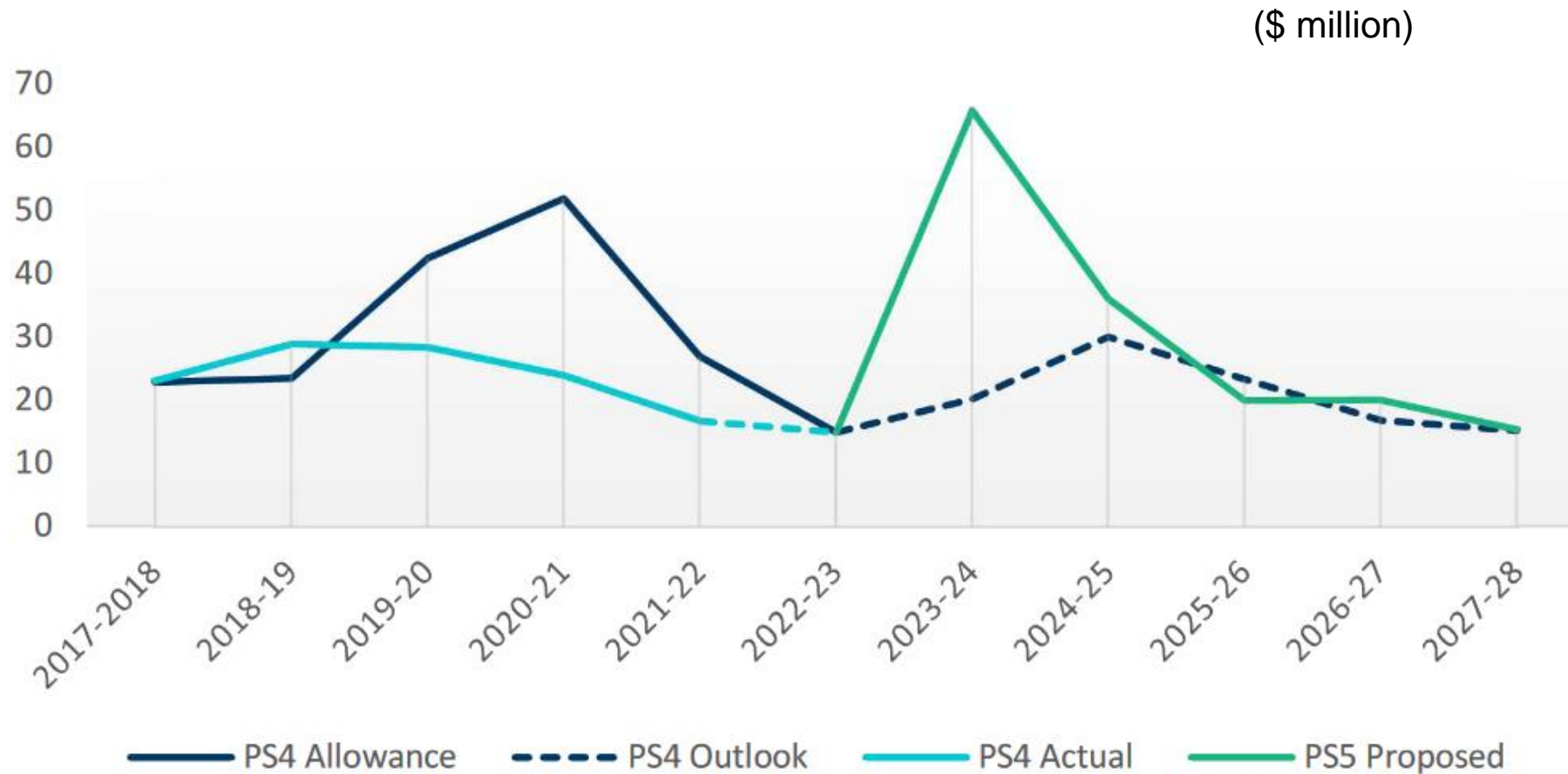
	Average consumption (kL p.a.)	2022-23 (current)	2023-24	2027-28
Residential – owner occupier	142	\$1,106	\$1,115	\$1,154
Residential – tenant	142	\$207	\$212	\$229
Non-residential (small)	100	\$1,122	\$1,132	\$1,172
Non-residential (medium)	1,000	\$4,192	\$4,229	\$4,389
Non-residential (large)	5,000	\$15,983	\$16,165	\$16,945

- 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 \$1,193.

# Wannon Water expenditure forecasts

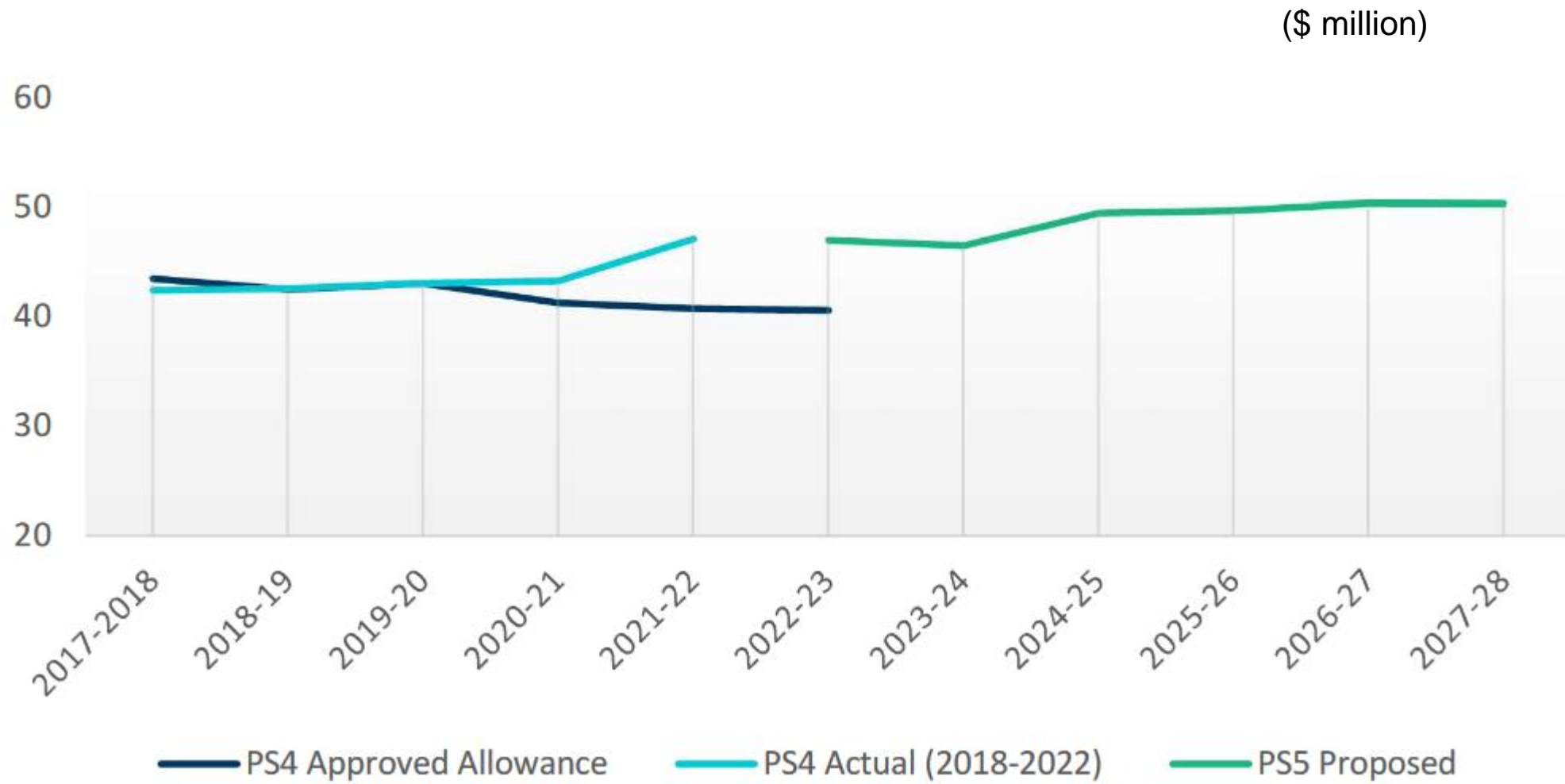
5-year total	Proposed	Our proposed adjustments	Draft decision (\$ million)
Operating expenditure	265.0	-12.8	252.1
Capital expenditure	157.2	-14.2	143.0

# Wannon Water forecast capital expenditure



Source: FTI Consulting, Wannon Water 2023 Price Review Model

# Wannon Water forecast operating expenditure



Source: FTI Consulting, Wannon Water 2023 Price Review Model

# We propose to accept a 'Standard' PREMO price submission rating

- 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.
- We consider that Wannon Water met expectations for delivery against its outcome commitments for the current regulatory period.
- 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.
- The business proposed to charge below its revenue requirement
- We have challenged the business on some costs, and approach to Warrnambool Sewage Treatment Plant cost recovery

# Price Submission 2023-28

Wannon Water response to draft decision

27 April 2023



[wannonwater.com.au](http://wannonwater.com.au)



# Acknowledgement

Acknowledge the traditional custodians of the land on which our region covers:

- Gunditjmara Peoples
- Eastern Maar Peoples
- The Wadawurrung Peoples
- The Wotjobaluk, Jaadwa, Jadawadjali, Wergaia and Japagalk Nations



# Introduction



# What we heard from customers

Final customer insights	Key price submission outcome considerations
Customers want bills kept affordable	Keep bills affordable, with gradual increases to pricing now rather than substantial jumps in pricing later
Customers want more assistance for those finding it difficult to pay	Improve access and support for customers finding it difficult to pay
Customers want a gradual increase in bill structure variability	Increase the variability of the bill, though do this gradually to avoid adverse impacts on some customer groups
Customers want current water and sewerage service levels to be maintained	Maintain existing levels of water and sewerage services
Customers want us to focus on the environment for a sustainable future	Prioritise and partner to care for the environment
Customers want greater equity of water quality across the region to improve health and local economies	Invest in water quality improvements (particularly in groundwater-sourced towns)
Customer experience can be improved, especially using digital technology	Invest in innovative ways to improve customer experience and digital access to information

# Outcomes



**WE'RE RELIABLE**  
Ongoing reliability of water and sewerage services



**WE'RE SUSTAINABLE**  
Ongoing protection of the environment through action and education, prioritising Country and our communities



**WE'RE SUPPORTIVE**  
Fair and reasonable bills for all



**WE'RE RESPONSIVE**  
Improved water quality in identified communities



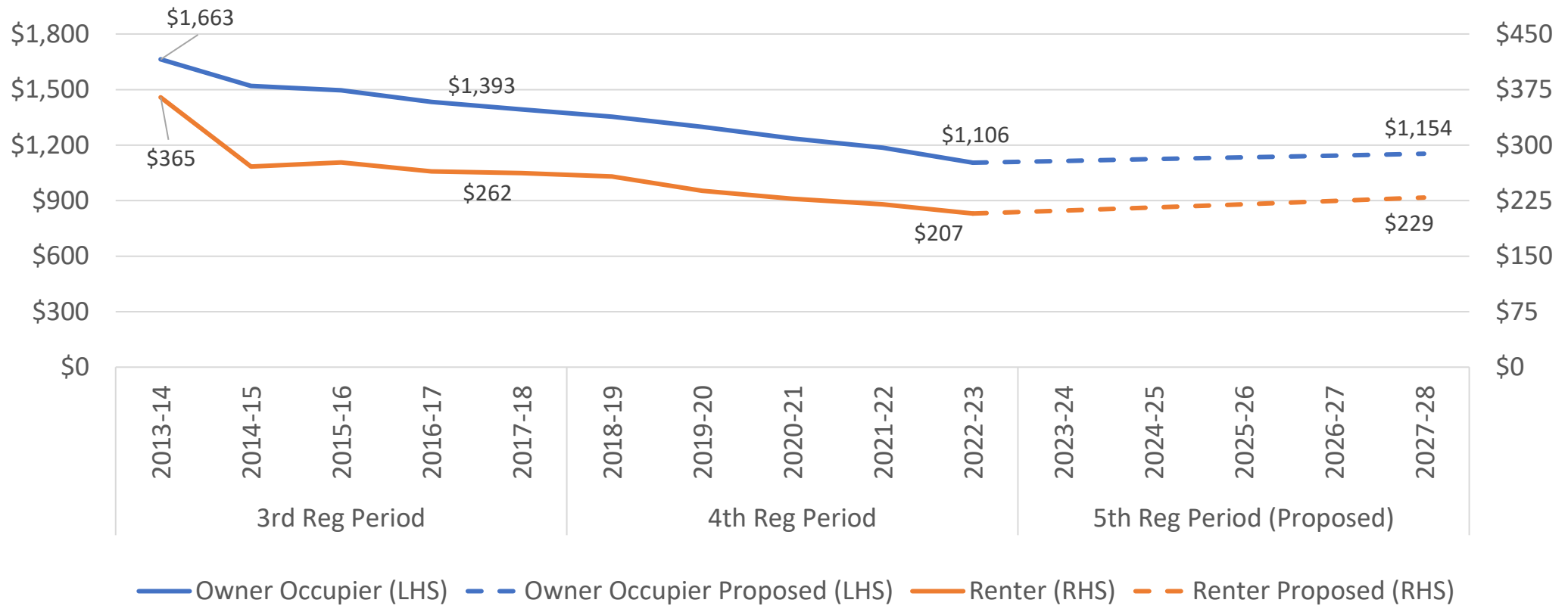
**WE'RE VALUED**  
Improved customer experience of our products and services



**WE'RE INFLUENTIAL**  
Active partnerships for healthy and resilient communities

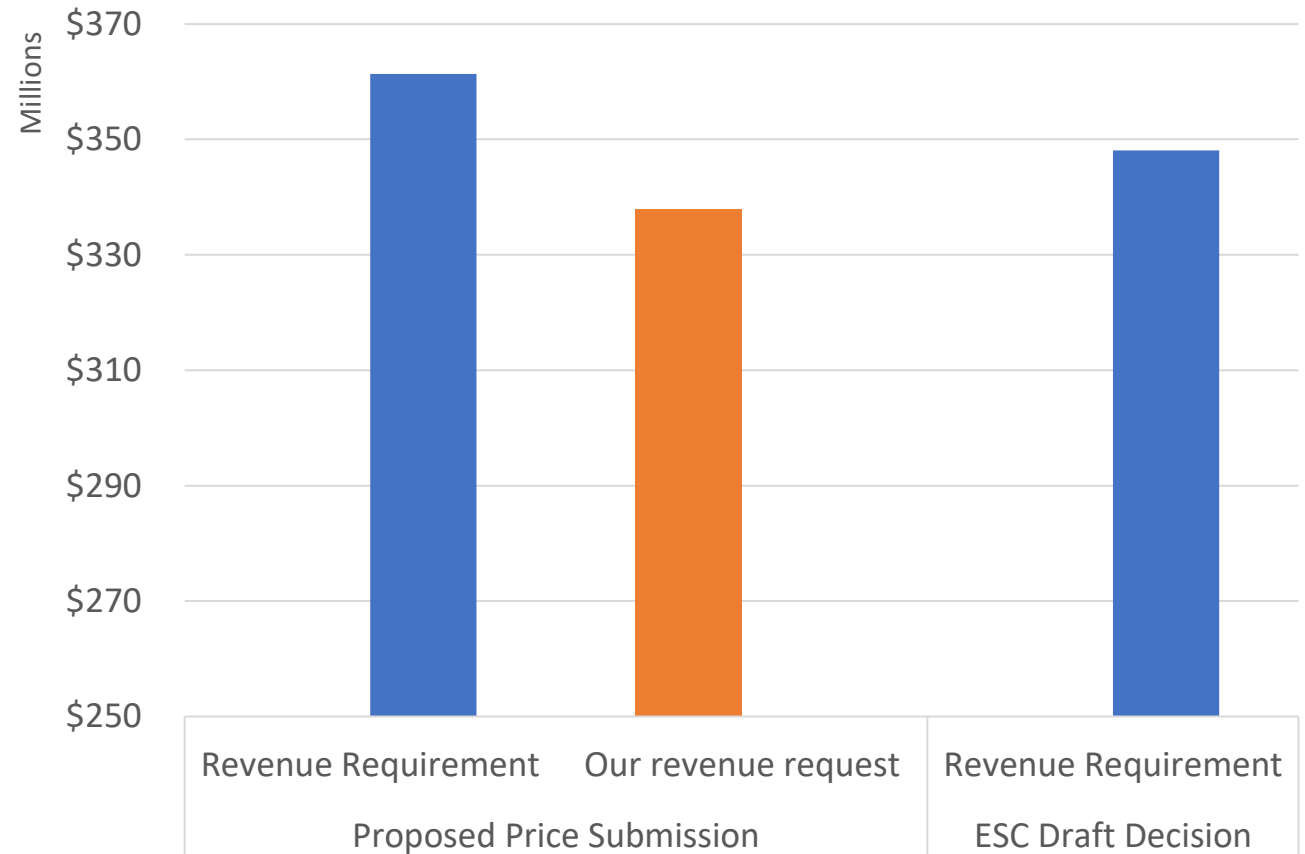
# Customer bills

Average Annual Household Bill (\$22/23)



# Responding to the draft decision

- No impact on our proposal to increase debt rather than pass all costs onto customer bills



# Responding to the draft decision

- We will address the specific requests within the draft decision
- We will submit our response by 9 May





# 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 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 9 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)

