

9 May 2023

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

Dear Mr Crudden

Response to our 2023-28 water price review draft decision

South East Water welcomes the Essential Services Commission's (Commission) draft decision on our 2023-28 price submission for the five-year period commencing 1 July 2023. We consider the draft decision contains a strong commitment to supporting our customers, community and environment, now and into the future.

From 1 July 2023, our average-user residential water customers will see a real decrease of around 5.4% (before inflation) in the prices they pay for our services. This reflects our commitment for this essential service to remain affordable for our customers.

In this response we set out:

- amended prices to reflect updates to the value of inflation and cost of debt, as well as other changes set out in the draft decision and this response
- two proposed amendments to our revenue requirement relating to the cost recovery profile of our digital meter program and the inclusion of minor sewerage alteration services in prescribed services
- items where we have accepted the Commission's changes to capital and operating expenditure in the draft decision, as well as providing further information on historical changes to our capitalisation policy
- that our approach to calculating new customer contributions is robust but we support a more holistic review of the approach to these charges
- evidence that our demand forecasts are consistent over the medium term with the latest information from the Victorian government on how and when Melbourne is predicted to grow
- updated customer outcome measures and targets.

These matters are set out in our submission below.

1. Prices updated for inflation and cost of debt

The Commission requires us to update the forecasts for inflation and cost of debt estimations prior to the final decision.¹ On 26 April 2023, the Australian Bureau of Statistics (ABS) published the March quarter Consumer Price Index (CPI) figure of 7.0%, and the Commission advised the cost of debt as 6.7608% for 2022/23. On 3 May 2023, the Commission requested we use 3.5% as the estimate of long-term inflation.²

We have updated our revenue requirement and prices to include these revised parameters.

Table 1 Residential customer impacts from proposed 2023/24 changes (\$2022/23)

Residential customer	Usage per year (kL)	2022/23 annual bill	2023/24 annual bill	\$ change	% change
Owner occupier - Small user	76	711.76	673.79	-37.97	-5.34%
Owner occupier - Average user	150	966.95	914.78	-52.17	-5.40%
Owner occupier - Large user	300	1567.71	1502.50	-65.21	-4.16%
Tenant - Small user	76	260.28	245.37	-14.92	-5.73%
Tenant - Average user	150	515.47	486.35	-29.12	-5.65%
Tenant - Large user	300	1116.23	1074.08	-42.15	-3.78%
Owner occupier - Water-only customer	150	492.94	565.79	72.85	14.78%
Landlord	NA	451.48	428.43	-23.05	-5.11%

Table 2 Non-residential customer impacts from proposed 2023/24 changes (\$2022/23)

Non-residential customer	Usage per year (kL)	2022/23 annual bill	2023/24 annual bill	\$ change	% change
Non-residential customer - Small	150	1281.45	1215.98	-65.47	-5.11%
Non-residential customer - Medium	1,000	5593.84	5308.16	-285.68	-5.11%
Non-residential customer - Large	10,000	51254.44	48637.15	-2617.29	-5.11%

¹ Essential Services Commission, South East Water draft decision — 2023 Water Price Review, 30 March 2023, p. 44.

² We request the Commission provide evidence of how the calculations of long-term inflation are consistent with section 3.13.1 of its 2023 water price review – guidance paper, dated 26 October 2021. The Commission also indicated the estimate may change following the Reserve Bank of Australia's (RBA) publication of the Statement of Monetary Policy in May.

Further detail on the revenue requirement and new prices and bill impacts is contained in attachment A, and the updated regulatory model is provided at attachment E.

2. We have proposed two amendments to our revenue requirement

We propose two changes to our pricing submission in response to the draft decision, namely:

- changes to the cost profile for digital meters
- inclusion of the costs and revenues for minor sewerage alteration services.

First, we propose to more gradually recover the costs of the digital meter program. Our price submission outlined that around 120,000 digital meters and sensors would be deployed in our network in 2023/24. Due to supply chain issues resulting in delays to the commencement of the program, the volume of meters has been lowered to around 60,000 in the first year, with higher volumes in subsequent years. Overall, the total volume for the 2023-28 period will remain unchanged, but with a modified deployment profile.

The recovery of costs for the digital meter program from customers will be amended to align with the revised deployment program. In particular, we propose to reduce the costs associated with the digital meter program in 2023/24, with those costs to be recovered in later years of the regulatory period. This will better align the recovery of costs and realisation of benefits to customers of this program. Additionally, the change in the cost profile will reduce the immediate price impacts of our digital metering program on our customers.³

Second, in response to Commission questions, we identified that minor sewer alterations services were incorrectly treated as 'non-prescribed' services in our initial submission.⁴ Minor sewer alterations refers to modifications, relocations, or extensions of existing sewer assets upon request by an existing customer.

Minor sewerage alterations are prescribed services under the *Water Industry Regulatory Order 2014 (WIRO)*. They are performed by South East Water (or by our contractors who are directly engaged by us or acting as our agent), at the request of existing customers on the basis that:

- they are "retail sewerage services", being a service provided by South East Water in connection with the removal of sewage; and/or
- they may be "connection services", being the connection of a serviced property to a sewerage system, if the alterations result in a new connection.

The inclusion of the costs and revenues for minor sewerage alterations will lower prices for all customers. This is because the revenues exceed costs for this service, and as such, it results in a decline in the average bill for prescribed services. It is also important to note that costs and revenues for these services were not accurately captured in our original price submission. Costs were previously included in the pricing model as non-prescribed, and revenue was inadvertently omitted. The accurate allocation of these costs and revenues will lower the average bill for all customers of prescribed services.

³ Essential Services Commission, South East Water draft decision — 2023 Water Price Review, 30 March 2023, p. 35.

⁴ The Commission required us to update our pricing model to include the missing tariff – please see Essential Services Commission, South East Water draft decision — 2023 Water Price Review, 30 March 2023, p. 47.

3. We have accepted the Commission's changes to our costs

South East Water accepts the following changes made by the Commission in its draft decision:

- use of the benchmark figure of \$219.6m (\$2022/23) for forecast capital expenditure in our regulatory asset base for 2022/23, consistent with the Commission's guidance paper
- amendments to capital expenditure to reconcile with the regulatory accounts as well as the incorrect classification of operating expenditure as capital expenditure, including corporate or overhead items such as insurance resulting in a net increase in our baseline controllable operating expenditure of \$21.05m
- removal of our \$1.68m operating cost step change for water literacy, which we will instead seek to undertake through the approved revenue requirement.

Further, the Commission requested us to provide further information on costs that were previously treated as capital expenditure in the 2018-23 regulatory period but are now treated as controllable operating expenditure for the 2023-28 regulatory period through the inclusion in the 2021/22 base year, due to the review of:

- our capitalisation policy relating to developer activity costs
- our corporate overhead charge-out policy.

In relation to our capitalisation policy, costs borne by the business to support developer activity have shifted from capital expenditure to operating expenditure between regulatory periods. In the 2016/17 base year for the 2018-23 regulatory period, these labour costs were treated as capital expenditure. From 2017/18, the costs have been treated as controllable operating expenditure, and thus are included in the base year for the 2023-28 regulatory period. The adjustment was undertaken to ensure South East Water's capitalisation policy of labour costs aligned with the accounting standards for labour capitalisation. The reclassification of these costs contributes to the apparent increase in the controllable operating expenditure baseline since the 2018 price determination.

We accept the Commission's reversal of our capitalisation of some corporate overheads in the draft decision. Our capitalisation policy was amended in 2021/22 so the costs of particular corporate staff who were supporting the establishment of a new system or asset were not capitalised against that item and therefore formed part of controllable expenditure. As these costs supported the capital program we originally proposed to continue to treat these as capital for regulatory purposes, however we now have removed these costs as capital and they are now treated as controllable operating expenses. The draft decision has reinserted those costs into our baseline operating expenditure.

Further information on these changes is provided in attachment C.

4. We encourage a holistic review of new customer contributions

The Commission did not accept our proposed new customer contributions in its draft decision.⁵ In this response to the draft decision, the Commission requires us to provide:

- an explanation of our transition path towards achieving full cost reflectivity for each growth area, including the timeframes for this plan and provide reasons for adopting this transition plan
- set out how we propose to fund any shortfall in revenue from new customer contributions (NCCs), compared to the estimated cost of providing the service.

In terms of the latter point, the Commission noted that it considers the broader customer base should not contribute to shortfalls in revenue arising from a proposal to set new customer contributions below estimated cost.

Our approach to forecasting NCCs is robust, resulting in fair and reasonable charges to our developer customers. We have used a consistent approach to forecasting NCC costs since 2013. Our NCC model for the Casey, Cardinia and Fishermans Bend growth areas only includes capital expenditure for projects and programs where “growth” is the primary driver of the investment, and then calculates the net incremental cost of the provision of such services.⁶ For ‘other areas’ NCC estimates, we also included an allocation of forecast renewals and compliance capital expenditure to new customers.

We have taken a balanced approach to setting NCC prices for the 2023-28 regulatory period. Given the disparity between the prevailing NCC prices and net incremental costs, to avoid price shocks for customers we have proposed NCC charges below the net incremental cost. This proposal is:

- consistent with the pricing principles set out in the WIRO, which sets out that prices should provide signals about the efficient costs of providing prescribed services to customers, while avoiding price shocks where possible⁷
- inconsistent with the NCC pricing principle of the price being greater than the avoidable cost but less than the standalone cost of that connection.⁸

Our pricing will not result in a “shortfall” or cross-subsidy of developer costs by other water and sewerage customers. Due to the operation of the building block approach to setting revenue requirements, and the low rate of return for our assets over their long asset life, the raising of developer prices to the level of incremental costs would increase our overall revenue requirement. In particular, if developers pay more for the assets supplied, there is a reduction in our net capital expenditure and consequently the return on capital received for those assets. This decrease will be more than offset by the increase in our tax allowance for the cash contributions received from developers for these assets. In short, there would be unintended consequences for all other customers if NCC prices were raised for the 2023-28 regulatory period.

Over the longer term, we support a transition to cost reflective NCC pricing. To minimise price shocks to our developer customers, we have capped the price increases at 5% real per

⁵ Essential Services Commission, South East Water draft decision — 2023 Water Price Review, 30 March 2023, p. 50.

⁶ The only exception is the South East Regional Bio Factory, where there were two drivers split 50% growth and 50% compliance. Only the portion of expenditure driven by growth was included in the NCC model.

⁷ WIRO, clause 11(d)(ii)

⁸ Essential Services Commission, 2023 water price review – guidance paper, 26 October 2021, Box 3.3, p. 58.

annum in the 2023-28 regulatory period. This cap took into account feedback we received from developers in preparing our 2023-28 pricing submission, in particular that significant increases in NCCs would be a concern as they had already acquired land and set their budgets.⁹ Collaborative engagement will be undertaken with developers and other customers prior to the 2028-33 pricing submission to maintain the balanced approach while continuing to move towards cost reflective pricing.

Overall, we support a holistic review of the NCCs. The current approach means that NCC prices are sensitive to cost changes every five years, and this is likely to be exacerbated in the future by the higher costs associated with the increasing number of recycled water projects.

5. Our demand forecasts are consistent with VIF22 over the medium term

The draft decision accepts our forecast demands for the purpose of approving maximum prices because they were developed consistently with the guidance paper. However, in response to the draft decision the Commission requires us to demonstrate how we have considered the latest information from the Victoria in Future (VIF) 2022 forecasts relating to population and dwelling growth, and if required, to identify and justify any changes to our demand forecasts.¹⁰

We consider our demand forecasts are consistent with VIF2022 over the medium term, and thus no changes are required to our forecasts. Spatial Economics, who have assisted with the preparation of our demand forecasts, have compared our forecasts with those of VIF2022 and found that they are consistent by the end of the 2028-33 regulatory period, with some differences driven by the speed and pattern of the growth.

Spatial Economics has summarised the following differences between the VIF2022 forecasts and our own demand forecasts:

- Normally, population and dwelling growth projections between VIF and the Australian Bureau of Statistics (ABS) are systematically linked and in sync but the two have become out of step with each other. During the coronavirus pandemic population growth faltered while dwelling activity was strong, partly owing to Victorian Government incentives. Now, as population growth recovers, the building industry is struggling to meet demand.
- Spatial Economics projections which were used in our forecasts for dwelling growth are approximately 7,209 lower than the VIF2022 forecasts for the 2023-28 regulatory period and 5,435 higher for the 2028-32 regulatory period.
- Over the 2023-28 regulatory period, Spatial Economics factored market conditions into the dwelling projections. These market conditions included such factors as the cost of consumer finance, cost of dwelling construction, changing dwelling vacancy rates, the extent of previous bring forward demand due to home building incentives and temporary change to average household sizes. In contrast, the dwelling projections contained in VIF2022 assume a direct relationship between population, household formation and subsequent dwelling demand/construction.

⁹ We note that the Urban Development Institute of Australia supports our NCC prices – see attachment D
¹⁰ Essential Services Commission, South East Water draft decision — 2023 Water Price Review, 30 March 2023, p. 43.

- Overall, Spatial Economics found that our demand forecasts are still fit for purpose and closely align over the next ten years, with only a negligible variance of 1,774 dwellings by 2033.

Spatial Economics' review is provided at attachment G.

6. We have clarified our customer outcome measures and targets

Our customer outcome measures and targets were developed in consultation with, and supported by, our customers. The Commission found our intentions were clear, our measures and targets will provide a sound basis to track performance and delivery against each outcome.¹¹ We welcome the Commission's findings.

That said, the Commission noted it would seek clarification on some of our targets. The draft decision accepted our five customer outcomes and the proposed 16 measures and targets. On 3 April 2023, we received correspondence from the Commission which provided analysis of our outcomes and measures and suggested changes. We were invited to update these in our response to the draft decision, which is provided in attachment B and contains the full list of outcomes, output measures and targets proposed.

The Commission identified the following matters for us to address in our outcomes and measures:

- where measures and targets are based on customer perception, stating clearly that the source is via a survey and noting the specific responses counted
- clearly articulating the relevant type of support and contact methods counted
- specific reference to planned water supply interruptions where appropriate
- reconfirming targets.

Additionally, we have revised the measure and associated targets for the percentage compliance with drinking water standards. This has been changed from 100% compliance to measuring the number of safe drinking water act non-compliances (water sampling and audits) with a target across all five years of zero.

To simplify the reporting of customer savings realised through repair of digital meter detected property leaks, we propose to round the financial targets to the nearest million dollars, out to one decimal place (i.e. 2023/24 target of \$1,100,692 becomes \$1.1m).

Finally, we will track the water literacy of our customers on an annual basis using a purpose-built survey. The survey will be shared with a representative selection of customers from across our service area to capture a minimum of 1,500 responses to a series of industry accepted questions. This methodology is consistent with the Melbourne Water research conducted throughout the 2022/23 year that has been referenced to establish the baseline, and year one target. We are committed to achieving the 0.5% year-on-year increase stated in our submission.

¹¹ Essential Services Commission, South East Water draft decision — 2023 Water Price Review, 30 March 2023, p. 144.

7. Other matters

Finally, we note the following matters:

- Given the Melbourne Water engagement on tariff reform with retailers, we wish to ensure the Commission's wording of the tariff basket does not impose an artificial constraint on our ability to recover variable costs. To that end, we request the Commission provide us with a copy of the draft wording for the tariff baskets and pass through costs to ensure there are no barriers to passing through fixed and variable costs from Melbourne Water.
- Our costs have not been updated for draft revised tariff forecasts provided by Melbourne Water on 27 April 2023.
- To clarify an unintended oversight in the joint retailer water quality Guaranteed Service Level (GSL), South East Water can confirm that the threshold for us to contribute funds to our Community Grants Program following the issuing of water quality advisories to customers are:
 - incidents affecting less than 50 customers: \$5,000
 - incidents affecting 50 or more customers: \$10,000 per impacted postcode.
- We wish to advise the GSL associated with the minimum notification period prior to planned works is two business days, and not 48 hours as previously stated.
- In preparing our response, we are not aware of any changes in law or government policy that will impact our forecast costs and revenue requirement, and thus no amendments have been made.¹²

Should you have any queries in relation to this response, please contact Elizabeth Carlile, Group Manager, Planning & Regulation at [REDACTED] or on [REDACTED].

Regards

[REDACTED]

Lara Olsen
Managing Director
South East Water

¹² Essential Services Commission, South East Water draft decision — 2023 Water Price Review, 30 March 2023, p. 21.

Table of attachments

Attachment	Description
A	Revenue requirement, prices and bill impacts
B	Customer outcome measures and targets
C	Further information on capitalisation policy
D	Letter of support from UDIA
E	ESC regulatory model
F	Outcomes reporting template
G	Spatial Economics report on demand

Attachment A — Revenue requirement, prices and bill impacts

Table 3 Proposed annual revenue requirement, 2023–33 (\$million \$2022/23)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33
Controllable operating expenditure	166.98	168.50	169.16	167.63	166.64	164.63	162.77	162.18	161.65	161.00
Uncontrollable operating expenditure	536.81	532.60	535.32	523.58	519.86	518.73	518.40	518.39	518.41	518.15
Return on assets	100.89	104.84	114.39	124.90	136.53	149.28	161.73	179.06	198.08	214.28
Regulatory depreciation of assets	118.35	108.18	104.16	110.36	121.56	134.01	145.88	153.91	164.04	175.02
Tax liability	15.09	12.04	10.59	12.99	13.75	15.85	16.70	16.70	17.12	18.01
Revenue requirement	938.12	926.16	933.63	939.46	958.35	982.51	1,005.48	1,030.24	1,059.29	1,086.45

Table 4 Proposed residential prices 2023–28 regulatory period (\$2022/23)

Residential tariffs	2022-23	2023-28	P0 Percentage change
Water service charge - Residential service charge Fixed (\$/year)	83.72	79.44	-5.11%
Sewerage service charge - Residential service charge Fixed (\$/year)	367.76	348.98	-5.11%
Water usage charge - Residential block 1 variable (\$/kL)	2.72	3.23	18.85%
Water usage charge - Residential block 2 variable (\$/kL)	3.47	4.12	18.85%
Sewerage Disposal charge - Residential SDC Variable (\$/kL)	0.94	0.00	-100.00%
Water Usage charge - Residential block 1 Water-only Variable (\$/kL)	0.00	2.58	NA
Water Usage charge - Residential block 2 Water-only Variable (\$/kL)	0.00	3.29	NA
Volume of recycled water – residential consumer (\$/kL)	2.15	2.04	-5.11%
Bunyip main race – residential customer (\$/year)	120.64	114.48	-5.11%
Non potable water from Bunyip Main Race (\$/kL)	1.66	1.57	-5.11%

Table 5 Proposed non-residential prices 2023–28 regulatory period (\$2022/23)

Non-residential tariffs	2022-23	2023-28	P0 Percentage change
Water service charge - Non-residential service charge fixed (\$/year)	83.72	79.44	-5.11%
Sewerage service charge - Non-residential service charge fixed (\$/year)	436.72	414.42	-5.11%
Water usage charge - Non-residential variable (\$/kL)	3.466	3.29	-5.11%
Sewerage Disposal charge - Non-residential SDC variable (\$/kL)	1.786	1.69	-5.11%
Fire service charge (\$/year)	128.32	121.77	-5.11%
Bunyip main race – Non-residential customer (\$/year)	120.64	114.48	-5.11%
Fire usage charge (\$/kL)	3.4311	3.29	-4.14%

Attachment B - Customer outcome measures and targets

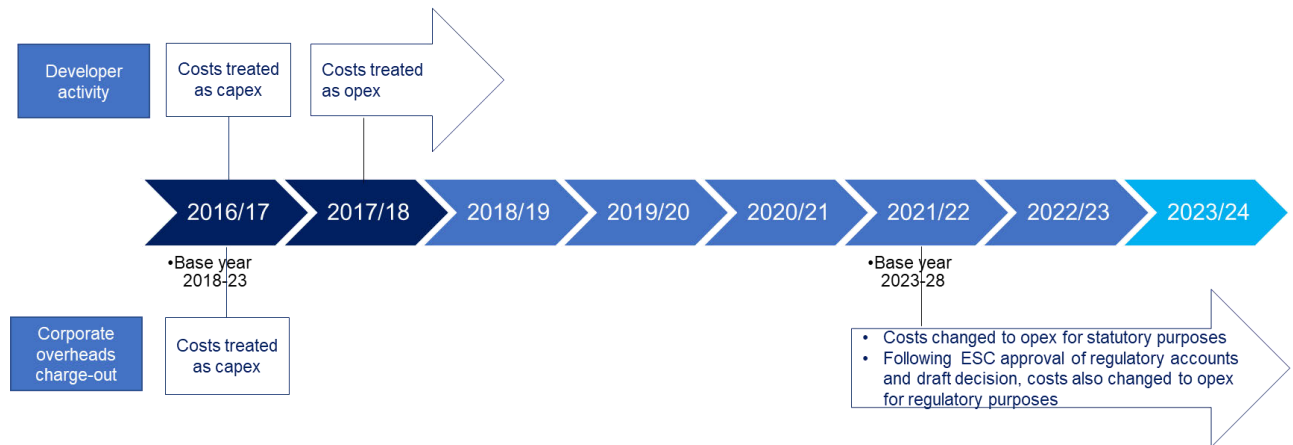
Table 6 Amendments to our customer outcome measures and targets

Customer outcome	Output measures	2023–24 target	2024–25 target	2025–26 target	2026–27 target	2027–28 target
1. Get the basics right, always	<u>Number of Safe Drinking Water Act non-compliances (water sampling and audit)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Customers experiencing more than 5 unplanned disruptions in a 12-month period (water, sewer and water quality)	450	450	450	450	450
	Total volume of water saved through digital detection of network leaks (ML)	<u>0</u>	461	737	1,007	1,271
2. Warn me, inform me	Customer savings realised through repair of digital meter-detected property leaks	<u>\$1.1m</u>	<u>\$2.8m</u>	<u>\$4.5m</u>	<u>\$6.2m</u>	<u>\$7.8m</u>
	Customers notified per unplanned <u>water supply interruption</u> as a percentage of total customers affected	<u>78.5%</u>	<u>79%</u>	<u>79.5%</u>	<u>80%</u>	<u>80.5%</u>
	Water literacy of South East Water customers (<u>captured via survey responses to a series of industry indicators</u>)	29%	29.5%	30%	30.5%	31%
3. Fair and affordable for all	Percentage of existing properties upgraded to a digital meter	17%	34%	51%	68%	85%
	Total customers supported (provided <u>financial or payment assistance</u>)	10,000	10,000	10,000	10,000	10,000
	Percentage of customers with arrears greater than 90 days who have <u>received financial or payment assistance</u>	47%	49%	51%	53%	55%
4. Make my experience better	Total number of inbound contacts per 100 customers (<u>calls, portal, web and email enquiries</u>)	63	62	61	60.2	59.5
	Overall customer satisfaction with South East Water (<u>scores of 7 and above in customer surveys</u>)	68%	68.5%	69%	69.5%	70%
	Number of enquiries relating to the explanation of charges (per 100 customers)	6.8	6.6	6.4	5.9	5.4
5. Support my community, protect my environment	Overall community trust in South East Water (<u>scores of 7 and above in customer surveys</u>)	68%	68.5%	69%	69.5%	70%
	Total <u>net</u> greenhouse gas emissions (tCO ₂ e)	28,439	23,016	23,509	23,998	12,033
	Alternative water as a percentage of total water supplied to <u>all</u> customers	4.5%	5%	6%	6.5%	7.0%
	Number of EPA reportable dry weather sewer spills	15	15	15	15	15

Attachment C – Changes to capitalisation policy

To provide a more detailed explanation of the changes to our capitalisation policy and how the associated expenditure items have been previously classified for pricing purposes, please see a timeline of the treatment of the costs below.

Figure 1 Changes to capitalisation policy over time



In summary:

- developer activity costs were treated as capital expenditure in the base year for the 2018-23 regulatory period. These costs have been treated as controllable operating expenditure in the base year for the 2023-28 regulatory period
- corporate overheads were categorised as capital expenditure in the base year for the 2018-23 regulatory period. These costs were ultimately changed to controllable operating expenditure in the base year for the 2023-28 regulatory period.

The combination of these two changes contribute to an increase in controllable operating expenditure above the 2018 determination baseline figure. This is shown in the waterfall graph below.

Table 7 Change in controllable operating expenditure (\$k 2022/23)



It is noted that without the changes in the treatment of corporate overheads and developer activity costs, and the change for the minor sewerage alteration services contained within this response, our controllable operating expenditure would have declined from the PS18 benchmark to 2021/22.

Attachment D — Supporting letter from Urban Development Institute of Australia



5 May 2023

Mr Giuliano Gava
Group Manager Land Development
South East Water

Dear Mr Gava,

The Urban Development Institute of Australia, Victoria (UDIA Victoria) thanks South East Water (SEW) for engaging with us and our membership throughout the preparation of its submission to the Essential Services Commission (ESC) regarding their New Connection Contributions (NCCs). We are grateful for the opportunity to provide industry insight on the impacts of proposed changes to the NCCs currently under ESC review.

UDIA Victoria is the peak body representing the urban development industry. We are a not-for-profit advocacy, research and educational organisation supported by a membership of land-use and urban development entities, across the private sector and Victoria's public service. We are committed to working with industry and government to deliver housing, infrastructure, and thriving communities for all Victorians.

UDIA Victoria appreciates the principle of a cost-reflective contribution mechanism, however we strongly encourage decision-makers to consider changes to the existing NCC in the context of the current challenging economic circumstances and a historic high-inflationary environment.

The implementation of a cost-reflective mechanism, without suitable transitional provisions, risks impacting the deliverability of development in growth areas and will drive up the cost of housing during a major housing affordability and availability crisis.

The urban development industry is facing an unprecedented raft of challenges: construction cost escalation, skilled labour shortages, interminable planning delays, successive interest rate hikes and severe market volatility. We have already seen these result in numerous development projects being rendered unviable and the collapse of a number of high-profile industry participants.

We also note that the ESC's previously held position recognises that there is a significant risk of price shock associated with steep annual incremental increases, which would threaten the feasibility of projects currently underway or in planning, and lead to additional costs being passed through to homebuyers.



SEW's proposed approach demonstrates an appreciation of the impact material changes to the current mechanism will have on growth area development, and the significant cost pressures already facing the industry. We are encouraged by SEW's efforts to balance their expenditure demands with the cost impacts of NCCs.

We thank you again for engaging with UDIA Victoria throughout SEW's Price Review 2023 and look forward to continuing to work with South East Water into the future.

If you would like to discuss any of the matters raised in this letter, please don't hesitate to contact me at [REDACTED] or UDIA Victoria's Director of Policy, [REDACTED] at [REDACTED].

Regards,

[REDACTED]

Matthew Kandelaars, CEO,
UDIA Victoria