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2008 WATER PRICE REVIEW

DRAFT DECISION VOLUME II:
BARWON WATER

MARCH 2008

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1. Purpose of volume II of the draft decision

The Commission is required to issue a Draft Decision that proposes either to:

- (a) approve all of the prices which a regulated entity may charge for prescribed services, or the manner in which such prices are to be calculated or otherwise determined, as set out in the regulated entity's water plan, until the commencement of the next regulatory period or
- (b) refuse to give the approval referred to above and specifies the reasons for the Commission's proposed refusal (which may include suggested amendments to, or action to be taken in respect of, the Water Plan that, if adopted or taken, may result in the Commission giving that approval) and the date by which a regulated entity must resubmit a revised Water Plan or undertake such action as to ensure compliance.

This Volume of the Draft Decision summarises for each business the suggested amendments or actions that if adopted or taken may result in the Commission giving its approval to the relevant business's proposed prices or the manner in which such prices are to be calculated or otherwise determined. The main reasons for suggested amendments or actions are summarised. More detailed reasons for the Commission's suggested amendments are outlined in Volume I of the Draft Decision.

2. Actions to be taken in response to this draft decision

In response to this Draft Decision, Barwon Water should by 9 May 2008 resubmit:

- (a) its proposed schedule of tariffs to apply for each year of the regulatory period commencing 1 July 2008 that reflects:
 - (i) the revised revenue requirement set out in Table 4
 - (ii) the revised demand forecasts set out in Tables 13–17 and
 - (iii) any changes to tariff structure suggested by the Commission.
- (b) the service standards to apply over the regulatory period consistent with any revisions suggested by the Commission set out in Tables 1–2.

If a business does not submit a revised schedule of tariffs and/or the service standards to apply, or otherwise make a submission as to why it has not adopted the Commission's suggested amendments by the due date, the Commission will specify the prices, or manner in which prices are to be calculated or otherwise

determined and the service standards to apply for the regulatory period 2008-09 to 2012-13 as part of its Final Determination.

3. Service standards

The Commission proposes to approve each of the service standards proposed in Barwon Water's Water Plan.

Table 1 Approved service standards

<i>Service standard</i>	<i>Draft decision – service standards</i>					
	<i>3yr Avg 2003-06</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Water						
Unplanned water supply interruptions (per 100km)	29.4	30.0	30.0	30.0	30.0	30.0
Average time taken to attend bursts and leaks (priority 1) (minutes)	33.2	35.0	35.0	35.0	35.0	35.0
Average time taken to attend bursts and leaks (priority 2) (minutes)	71.8	72.0	71.0	70.0	69.0	68.0
Average time taken to attend bursts and leaks (priority 3) (minutes)	311.0	360.0	360.0	360.0	360.0	360.0
Unplanned water supply interruptions restored within 5 hours (per cent)	96.5	95.0	96.0	96.5	96.5	96.5
Planned water supply interruptions restored within 5 hours (per cent)	70.4	70.0	72.5	75.0	77.5	80.0
Average unplanned customer minutes off water supply (minutes)	20.4	26.8 ^a	23.6 ^a	20.0 ^a	20.0 ^a	20.0 ^a
Average planned customer minutes off water supply (minutes)	59.6	58.8 ^a	54.1 ^a	50.6 ^a	47.3 ^a	46.2 ^a
Average frequency of unplanned water supply interruptions (number)	0.2	0.2	0.2	0.2	0.2	0.2
Average frequency of planned water supply interruptions (number)	0.2	0.2	0.2	0.2	0.2	0.2
Average duration of unplanned water supply interruptions (minutes)	100.7	127.5	115.0	100.0	100.0	100.0

<i>Service standard</i>	<i>Draft decision – service standards</i>					
	<i>3yr Avg 2003-06</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Average duration of planned water supply interruptions (minutes)	245.0	245.0	230.0	220.0	215.0	210.0
Number of customers experiencing 5 unplanned water supply interruptions in the year (number)	39.0	198.0	186.0	174.0	162.0	150.0
Unaccounted for water (per cent)	7.0	8.0	8.0	8.0	8.0	8.0
Sewerage						
Sewerage blockages (per 100km)	41.1	44.0	43.8	43.5	43.3	43.0
Average time to attend sewer spills and blockages (minutes)	82.8	83.0	82.0	81.0	80.0	80.0
Average time to rectify a sewer blockage (minutes)	249.5	250.0	250.0	250.0	250.0	250.0
Spills contained within 5 hours (per cent)	96.1	100.0	100.0	100.0	100.0	100.0
Customers receiving more than 3 sewer blockages in the year (number)	2.5	3.0	3.0	3.0	3.0	3.0
Customer Service						
Complaints to EWOV (per 1000 customers)	0.04	0.5 ^a	0.5 ^a	0.5 ^a	0.5 ^a	0.5 ^a
Telephone calls answered within 30 seconds (per cent)	95.98	95.0	95.0	95.0	95.0	95.0

Minimum Flow Rates

	<i>20mm</i>	<i>25mm</i>	<i>32mm</i>	<i>40mm</i>	<i>50mm</i>
Flow rate (litres per minute)	20.0	35.0	60.0	90.0	160.0

Note Data rounded to one decimal place. n.p. = Not provided. ^a amended by Barwon Water in the lead up to the Draft Decision

Where the proposed service standard target deviated from Barwon Water's actual three year average performance or did not appear to make sense, the Commission sought further information from Barwon Water. The table above indicates which of the standards were amended by Barwon Water in the lead up to the Draft Decision.

The Commission has proposed to approve a target that appears inconsistent with the three year average performance recorded by Barwon Water.

Number of customers experiencing more than 5 unplanned water supply interruptions in the year

There are just two years of data available for this indicator and 2006-07 data reveals a significant increase in the number of customers experiencing more than 5 unplanned water supply interruptions in the year from 39 in 2005-06 to 210. Barwon Water proposes to increase the service standard target from 5 to 150. The Commission proposes to approve this target on the basis that it is now more reflective of actual performance.

The Commission also notes that Barwon Water has proposed the additional service standards outlined in table 2.

Table 2 Additional service standards

<i>Service standard</i>	<i>3yr Avg 2003-06</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Telephone calls answered within 30 seconds (Service Faults Line)	96.07	96.0	96.0	96.0	96.0	96.0
Spills contained within 5 hours (per cent) (Priority 2)	100.00	97.0	97.0	97.0	97.0	97.0
Total CO2 Emissions (Tonne)	55,988	56,589 a	55,118 a	53,685 a	52,289 a	50,929 a
Recycled water target (per cent)	10.7%	14.7% a	14.2% a	14.3% a	18.7% a	26.4% a
Biosolids reuse (per cent)	124.7%	100.0%	100.0%	100.0%	100.0%	100.0%
No. Small Town Sewerage Scheme Properties Served		0	0	295	10	262
Compliance with EPA Licence Parameters (per cent)	99.6%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Population Receiving Water Meeting E.Coli Standards	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Population Receiving Water Meeting Turbidity Standards	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Population Receiving Water Meeting Disinfection By-products Standards	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note Data rounded to one decimal place. n.p. = Not provided. **a** amended by Barwon Water in the lead up to the Draft Decision

4. Guaranteed service level scheme

The Commission proposes to approve each of the proposed guaranteed service levels except as shaded or otherwise indicated in table 3. These guaranteed service levels should be reflected in Barwon Water's Customer Charter.

Table 3 Proposed and approved GSL events and payment levels

<i>Proposed level of service</i>	<i>Proposed payment</i>
Maximum of five unplanned water supply interruptions	65
Maximum of three customers receiving more than three sewer blockages per year	65

- (a) The Commission proposes to approve the GSL events and payment levels proposed by Barwon Water
- (b) The Commission proposes to approve the exclusion relieving Barwon Water of the responsibility of providing a GSL rebate where the event was the responsibility of the customer or a third party.

5. Revenue requirement

The Commission has adopted the following assumptions in relation to the revenue required over the regulatory period.

Table 4 Breakdown of revenue requirement implied by ESC draft decision
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-2012</i>	<i>2012-13</i>
Operating expenditure	74.61	79.46	76.28	78.06	80.59
Return on existing assets	29.76	28.83	27.90	27.03	26.22
Return on new investments	3.25	8.35	13.71	20.65	25.51
Regulatory depreciation	15.29	17.87	20.90	22.92	25.33
Tax liability	0.00	0.00	0.00	0.00	0.00
Total	122.90	134.50	138.79	148.66	157.65

6. Rolled forward regulatory asset base

The regulatory asset base as at 1 July 2005 has been rolled forward to reflect approved capital expenditures net of customer contributions (new customer and shareholder contributions) and disposals for the 2005-06 to 2007-08 period less any approved allowance for regulatory depreciation. The rolled forward values are shown in table 5.

Table 5 Updated regulatory asset base
\$ million in January 2007 prices

	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>
Opening RAB	405.4	423.6	453.3
<i>Plus</i> Gross Capital expenditure	34.4	46.4	60.9
<i>Less</i> Government contributions	0.00	0.00	0.14
<i>Less</i> Customer contributions	3.3	2.0	1.8
<i>Less</i> Proceeds from disposals	1.5	1.4	1.4
<i>Less</i> Regulatory depreciation	11.3	13.3	15.2
Closing RAB	423.6	453.3	495.6

The regulatory asset base as at 1 July 2007 will be rolled forward to reflect approved estimates of capital expenditure net of customer contributions (new customer and shareholder contributions) and disposals for the 2007-08 to 2012-13 period less any approved allowance for regulatory depreciation.

The Commission has adopted the following assumptions in relation to regulatory asset base over the regulatory period:

Table 6 Rolled forward regulatory asset base
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Opening RAB	495.6	586.7	632.2	732.2	831.1
<i>Plus</i> Gross Capital expenditure	114.5	83.57	159.9	142.4	62.7
<i>Less</i> Government contributions	4.7	16.87	35.1	17.1	0.13
<i>Less</i> Customer contributions	1.9	2.0	2.4	2.0	2.1
<i>Less</i> Proceeds from disposals	1.4	1.4	1.43	1.4	1.4
<i>Less</i> Regulatory depreciation	15.3	17.9	20.9	22.9	25.3
Closing RAB	586.7	632.2	732.2	831.1	864.8

7. Weighted average cost of capital

The Commission has adopted a weighted average cost of capital (WACC) of 6.1 per cent for all water businesses. The table below outlines the individual components for the WACC.

Table 7 Real post-tax WACC

<i>Real risk free rate</i>	<i>Equity beta</i>	<i>Market risk premium</i>	<i>Debt margin</i>	<i>Financing structure</i>	<i>Franking credit value</i>	<i>WACC</i>
<i>(per cent)</i>	<i>(β)</i>	<i>(per cent)</i>	<i>(per cent)</i>	<i>(per cent)</i>	<i>(%)</i>	<i>(per cent)</i>
3.41	0.65	6.00	1.95	60	0.5	6.1

8. Operating expenditure

The Commission has made the following assumptions about operating expenditure forecasts over the regulatory period:

Table 8 Proposed and approved operating expenditure assumptions
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Proposed operating expenditure	76.05	81.09	77.75	79.32	81.98
Revisions and adjustments	-1.44	-1.63	-1.47	-1.26	-1.39
Draft decision – operating expenditure	74.61	79.46	76.28	78.06	80.59

The Commission's assumptions reflect the following adjustments to Barwon Water's proposed operating expenditure forecasts:

Table 9 Adjustments to operating expenditure
\$ million in January 2007 prices

<i>Expenditure item</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Electricity (excluding borefields)	-0.64	-0.59	-0.63	-0.59	-0.55
Electricity (borefields only)	-0.68	-0.77	-0.41	-0.08	-0.08
Labour	-0.31	-0.43	-0.56	-0.69	-0.83
Pandemic	-1.00	-1.00	-1.00	-1.00	-1.00
Environmental contribution adjustments	1.19	1.16	1.13	1.10	1.07
Total	-1.44	-1.63	-1.47	-1.26	-1.39

- (a) Electricity expenditure adjustments reflect changes to consumption and electricity prices. SKM's forecasts of electricity pricing are discussed in section 3 of SKM's expenditure review
- (b) Business as usual labour expenditure was adjusted to reflect a 1.25 per cent real increase in labour rates as discussed in section 3 of the SKM expenditure review

- (c) After its water plan submission Barwon Water advised the Commission of a \$0.90 million reduction in pandemic expenditure. SKM recommended that the remaining \$0.10 million did not reflect prudent expenditure and should be removed (SKM section 6)
- (d) Advice was received from the Department of Human Services on their licence fees and the Department of Sustainability and Environment on the environmental contribution for the regulatory period. Adjustments were made so operating expenditure reflected the Department's advice (Draft Decision section 4.7)

9. Capital expenditure

The Commission has made the following assumptions about capital expenditure forecasts over the regulatory period:

Table 10 Proposed and approved capital expenditure assumptions
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Proposed capital expenditure	97.5	81.7	162.8	154.0	67.0
Draft decision – capital expenditure	114.45	83.57	159.90	142.37	62.70

The Commission's assumptions reflect the following adjustments to Barwon Water's proposed capital expenditure forecasts:

Table 11 Adjustments to capital expenditure
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Melbourne Interconnection	0	0	-12	-10	0
Apollo/Skenes Creek Bulk water supply	0	-2	2	0	0
Adjustments for 2007-08 deferrals	16.9	3.9	7.1	-1.7	-4.3
Total ESC Adjustment	16.9	1.9	-2.9	-11.7	-4.3

- (a) Melbourne Interconnection – SKM considers that the allowances for contingency and EPCM appear high given the apparently high rate assumed for the pipeline. SKM recommended that contingency be reduced from 25% to 15% and for EPCM be reduced from 15% to 10% reducing the overall cost to approximately \$120m (SKM, section 6.2)

- (b) SKM consider that Apollo Bay/Skenes Creek Bulk water supply project is necessary however the \$2M of expenditure for this project be deferred from 2009-10 to 2010-11 (SKM, section 6.2).
- (c) Adjustment for 2007-08 deferral – Barwon Water identified a number of variations and deferrals for 2007-08 and a number of changes across the period

Barwon Water has identified the following key capital projects that it proposes to deliver during the regulatory period.

Table 12 Key capital projects

	<i>Expected completion date</i>
Melbourne Interconnector	2011-12
Northern Water Reclamation Plant	2012-13
Anglesea Borefield project	2009-10
Water mains replacement	2012-13
Shared water and sewer reticulation assets	2012-13
Armstrong Creek sewerage scheme	2012-13
Bellarine transfer main	2012-13
BASIS replacement	2012-13
Leopold rising main No.1 replacement	2012-13
Apollo Bay/Skenes Creek bulk water supply	2010-11

10. Demand forecasts

- (a) The Commission has made the following assumptions about demand for various services over the regulatory period.
- (b) The Commission has adjusted proposed demand forecasts where shaded or otherwise indicated.

Table 13 Number of water connections

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Residential					
Proposed connections	121,641	123,952	126,183	128,454	130,767
Draft decision — connections	121,641	123,952	126,183	128,454	130,767
Non-residential					
Proposed connections	10,536	10,732	10,930	11,129	11,329
Draft decision — connections	10,536	10,732	10,930	11,129	11,329
Total	132,177	134,684	137,113	139,583	142,095
Draft decision — total connections	132,177	134,684	137,113	139,583	142,095

Table 14 Number of sewerage connections

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Residential					
Proposed connections	110,617	112,681	114,755	116,843	118,941
Draft decision — connections	110,617	112,681	114,755	116,843	118,941
Non-residential					
Proposed connections	8,079	8,229	8,381	8,533	8,686
Draft decision — connections	8,079	8,229	8,381	8,533	8,686
Proposed — total connections	118,696	120,911	123,136	125,376	127,627
Draft decision — total connections	118,696	120,911	123,136	125,376	127,627

**Table 15 Residential water consumption
ML**

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Proposed average consumption (kL)	158	170	173	176	175
Draft decision — average consumption (kL)	158	170	173	176	175
Proposed total residential consumption	19,208	21,055	21,839	22,666	22,863
Draft decision — total residential consumption	19,208	21,055	21,839	22,666	22,863

Table 16 Non-residential water consumption
ML

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Proposed non-residential consumption	12,230	13,405	13,904	12,408	11,507
Draft decision – non residential consumption	12,230	13,405	13,904	12,408	11,507

Table 17 Total water consumption
ML

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-2013</i>
Proposed total consumption	31,438	34,461	35,743	35,074	34,369
Draft decision – total consumption	31,438	34,461	35,743	35,074	34,369

11. Form of price control

- (a) The Commission proposes to approve individual price caps for Barwon Water.
- (b) Barwon Water should submit a schedule of prices to apply from 1 July 2008, as well as a process in which tariffs can be adjusted on an annual basis that is consistent with the following adjustment mechanism.
- (c) Barwon Water may apply for an adjustment to its prices or tariff strategy at the time of the annual price review. It would have to demonstrate in its application to the Commission that it has clearly articulated a new tariff strategy (or explained how the proposed price changes are consistent with its existing tariff strategy), undertaken appropriate customer consultation and addressed customer impacts. The average annual price increase across the range of tariffs could not be greater than the average increase calculated under a tariff basket approach. The Commission may then approve amended individual price caps for the remainder of the regulatory period.

12. Pass through mechanisms

Businesses may apply to the Commission to adjust their prices either at the end of the regulatory period or during the regulatory period for specified costs where these are materially different from the costs included for the purposes of the Determination. Pass through mechanisms may apply in the following cases:

- (a) Prices will be adjusted at the end of the regulatory period to reflect any difference between assumed and actual licence fees levied by the EPA, DHS and the ESC. To avoid any doubt, the assumed licence fees payable for each year of the regulatory period are set out in Table 18.

Table 18 Approved licence fee assumptions^a
 \$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-2012</i>	<i>2012-2013</i>
Essential Services Commission	0.10	0.10	0.10	0.10	0.13
Environment Protection Authority	0.21	0.21	0.21	0.21	0.21
Department of Human Services	0.05	0.05	0.05	0.05	0.05

^a Included in forecasts of business as usual operating expenditure.

- (b) Prices will be adjusted at the end of the regulatory period to reflect the additional net operating costs associated with meeting changes in legislative obligations during the regulatory period where:
- (i) the impact on costs is equivalent to at least 5 per cent of the business's revenue over the regulatory period
 - (ii) changes in costs relate to changes in primary Acts and legislative instruments, including regulations; in taxes (or fees or similar charges) excluding income tax, penalties and interest on taxes, stamp duty, financial institutions duty or similar taxes and levies; to EPA licence requirements; and/or to the Statement of Obligations
 - (iii) the change in legislative obligation was unforeseen and not already reflected in expenditure forecasts
 - (iv) additional capital costs will be rolled into the regulatory asset base at the beginning of the next regulatory period where the expenditure is assessed as being prudent and efficient, and prices will be adjusted to reflect any associated financing costs.
- (c) Prices may be adjusted during the regulatory period to reflect costs associated with catastrophic events, such as fire, earthquake or act of terrorism, where:
- (i) the impact on costs is so significant as to prevent the business meeting its service requirements and obligations without compromising its financial viability during the period
 - (ii) the business can demonstrate that it had taken appropriate steps to plan for or manage the potential impact of such an event.
- (d) Prices may be adjusted during the regulatory period to reflect expenditure relating to major capital projects where:
- (i) the business has separately identified any uncertain major capital projects and excluded those projects from its expenditure forecasts
 - (ii) the Commission has identified the project as an uncertain major capital project in the Final Determination

- (iii) the application process for determining the amount, nature and timing of any adjustment will be set out in the Final Determination.
- (e) Prices may be adjusted during the regulatory period to reflect any significant differences between actual and forecast demand levels where:
 - (i) the Commission determines that actual demand levels are significantly different from those forecast for the purposes of the Final Determination
 - (ii) the Commission finds a material impact on the business's revenues.

13. Retail water tariffs

- (a) The Commission proposes to approve Barwon Water's proposed tariff structure on the basis that it is consistent with the WIRO.
- (b) Barwon Water is proposing a significant restructuring of tariffs towards variable charges resulting in large price increases for some customers. Barwon Water should provide further information on its proposals for mitigating customer impacts, particularly with regard to non-residential customers and tenants.

14. Retail sewerage tariffs

- (a) The Commission proposes to approve Barwon Water's proposed tariff structure on the basis that it is consistent with the WIRO.

15. Trade waste charges

- (a) The Commission proposes to not approve Barwon Water's proposed trade waste tariff structure unless, in response to this Draft Decision, it provides details of its proposed fixed service charge to enable the Commission to assess whether Barwon Water's proposed tariff structure is consistent with the WIRO provisions.
- (b) Barwon Water is required to set out and apply specific trade waste pricing principles to apply to those customers for whom scheduled prices do not apply. The principles should be consistent with the following principles:
 - (i) volumetric and load based prices should, to the extent practicable, reflect the long run marginal cost (LRMC) of trade waste transfer, treatment and disposal
 - (ii) the total revenue received from each customer should be greater than the cost that would avoided from ceasing to serve that customer, and (subject to meeting avoidable cost) less than the stand alone cost of providing the service to the customer in the most efficient manner
 - (iii) the methodology used to allocate common and fixed costs to that customer should be clearly articulated and be consistent with any guidance provided by the Commission

- (iv) prices should reflect reasonable assumptions regarding the volume and strength of trade waste produced by that customer
- (v) depreciation rates and rates of return used to determine prices should be consistent with those adopted by the Commission in this Determination.
- (vi) Customers should be provided with full details of the manner in which prices have been calculated. Where applying these principles results in significant changes to prices or tariff structures, arrangements for phasing in the changes may be considered and any transitional arrangements should be clearly articulated.

16. Recycled water

- (a) The Commission proposes to approve Barwon Water's proposed pricing principles on the basis that they are consistent with the following principles that ensure that prices:
 - (i) have regard to the price of any substitutes and customers' willingness to pay
 - (ii) cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand)
 - (iii) include a variable component.
- (b) Where a business does not propose to fully recover the costs associated with recycled water, it must demonstrate to the Commission that:
 - (i) it has assessed the costs and benefits of pursuing the recycled water project
 - (ii) it has clearly identified the basis on which any revenue shortfall is to be recovered
 - (iii) if the revenue shortfall is to be recovered from non-recycled water customers, either that the project is required by 'specified obligations' or that there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

17. Customer contributions

- (a) The Commission proposes to approve Barwon Water's proposed new customer contributions.
- (b) Approval is subject to an adjustment clarifying that recycled water services, due to their unique nature, will not be subject to a scheduled charge but rather will be regulated by the Commission's proposed pricing principles for recycled water.

Table 19 New customer contributions charges
\$ per lot

	<i>Category 1^a</i>	<i>Category 2^b</i>	<i>Category 3^c</i>
Water	550.00	1,100.00	2,200.00
Sewerage	550.00	1,100.00	2,200.00

^a For developments which are designed in a manner that will have minimal impacts on future water resource demands (lot sizes typically no greater than 450 square meters). ^b For water sensitive urban developments which will require further investment in infrastructure within a six year period to service these developments (lot sizes typically between 450 and 1,350 square metres). ^c For developments that will create demand for water resources over and above high-density, water efficient homes (lot sizes typically exceeding 1,350 square metres).

18. Miscellaneous charges

- (a) Barwon Water did not include specific proposals for miscellaneous services in its Water Plan.
- (b) In response to this Draft Decision, Barwon Water is required to submit:
 - (i) a core set of miscellaneous services, which would be expected to generate at least 75 per cent of miscellaneous revenue
 - (ii) proposed prices for core miscellaneous services for 2008-09 and the manner in which they will be adjusted over the regulatory period
 - (iii) a brief definition of each core miscellaneous service, describing the nature of the service provided and the circumstances when the charge will apply.