

WESTERNPORT WATER



**EXECUTIVE SUMMARY
OF
WESTERNPORT WATER'S
DRAFT WATER PLAN
FOR REGULATORY PERIOD
2008 - 2013**



EXECUTIVE SUMMARY

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Section 1 - Introduction

This document is an Executive summary of Westernport Water's draft Water Plan for the regulatory period 2008 - 2013.

The Draft Water Plan is an exposure draft whereby Westernport Water proposes a set of outcomes and expenditure forecasts designed to achieve those outcomes in order to generate feedback to assist in the finalisation of the plan for submission to the Essential Services Commission on 8 October 2008.

The Water Plan sets the pricing path for Westernport Water's regulated services for the 2008-13 period and has been developed to comply with the various requirements of its regulators, regulatory instruments and governing legislation. The Water Plan also delivers the water supply security required by Westernport Water's customers. Westernport Water's Water plan may be impacted by the Victorian Water Plan and in particular the recently announced Desalination plant at Wonthaggi. Whilst Westernport Water welcomes the recent announcement and the potential supply security it offers this Draft Water Plan has not been amended to take account of any impacts as there are insufficient details in regard to volumes and pricing.

The exposure draft gives stakeholders such as regulators, the community and customers a chance to provide feedback on the proposals prior to finalisation of the submission in October 2007.



This draft Water Plan comprises 9 sections. This section,

[Section 1 - Introduction](#) provides an overview of each of the following sections contained within the plan.

[Section 2 - Westernport Water](#)

An introduction to Westernport Water, the scope and scale of its operation, its strategic direction and its customers.

[Section 3 - Outcomes from the First Regulatory Period](#)

A financial report of the outcomes from the first regulatory period, 2005 – 2008.

[Section 4 - Requirements for the Next Regulatory Period](#)

This section focuses on our governmental, regulatory and environmental obligations and plans, the results from the first round of community consultation and details our customer service standards.

[Section 5 - Service Standards](#)

Details on key performance targets for water and wastewater service standards are highlighted in this section.

[Section 6 - Revenue Requirement](#)

This section details the cost of doing business, complying with new obligations imposed on Westernport Water and delivering strategic plan objectives over the next five years. The combination of operating and capital expenditure determines the amount of revenue required to enable Westernport Water to continue providing services.

[Section 7 - Demand](#)

In this section Westernport Water forecasts its population, customer and demand projections for each year of the Water Plan period.

[Section 8 - Prices](#)

Section 8 outlines the tariff pricing models for water and wastewater services. This also includes pricing for miscellaneous services offered by Westernport Water.

Section 9 – Non-Prescribed Services

The final section covers Westernport Waters non-prescribed services such as trade waste, recycled water, gas and farm activities.

A brief overview of each section is detailed below:

Section 2 – Westernport Water

Westernport Water provides water and wastewater utility network services to a projected 16,000 (in 2008) properties over an area of 300 square kilometres on Phillip Island and the mainland stretching from The Gurdies to Archies Creek.

In addition, Westernport Water provides the following services:

- Sale of treated effluent for beneficial re-use,
- Removal of greasy wastes - no major industrial trade waste producers currently exist within the serviced area,
- Other utility services including reticulated gas (LPG) and specialist advice on pipeline design for new developments.

The management and Board of Westernport Water reviewed and re-established the strategic intent of Westernport Water in early 2007. The strategic intent of Westernport Water is:

“To be a smart company providing quality water services and more.”

**We value our community, our reputation, our people and
outstanding performance.**

This vision is supported by a number of objectives (Refer to Section 2.3 of draft Water Plan for details of objectives) that are instrumental in the development of

this plan and formed the basis for a program of work that have been included in the operational and capital expenditure forecasts detailed in [Section 6](#).

Westernport Water's 16,000 properties are supplied water via the Candowie Reservoir located in the Bass hills. Water is harvested from a number of sources including the catchment area surrounding the reservoir, the Bass River and a groundwater bores.

The majority of the properties serviced are residential of which 61% are owned by non-permanent residents, normally described as holiday homeowners. In addition there are 2,000 properties classified as unconnected vacant land.

Wastewater services are provided to 14,700 properties. Wastewater is treated at two treatment plants (one located on Phillip Island and the other at Coronet Bay) that process approximately 1100 ML of domestic wastewater annually.

Westernport Water also has a small number of recycled water customers, typically in the area of recreational sports. Tankered recycled water is also available for domestic customers or community groups with relatively lower usage requirements.

Section 3 - Outcomes from the 2005 2008 Regulatory Period

Westernport Water does not propose to seek any pricing adjustment on the basis of the outcomes from the 2005-2008 regulatory period. This is despite a projected over expenditure of in excess of \$3 million.

The variance between the first water plan targets and the over expenditure projected for the period is due to number of factors, as summarised below:

- Underestimation of the cost of new obligations and regulatory reporting requirements;
- Shift of expenditure from unregulated to regulated services; and
- Impact of the current supply shortage as a result of the drought.

All of these factors have contributed to Westernport Water incurring greater than expected OPEX in relation to the regulated services of water and sewerage (Refer to Section 3.3 of draft Water Plan for full reconciliation).

The over expenditure is partially off set by a projected underspend in CAPEX over the period. The CAPEX program for the 2005-2008 period was dominated by a proposed \$15m project to interconnect with the Melbourne Water pipeline. Incomplete negotiations with the Melbourne retailers combined with a severe water shortage required Westernport Water to postpone this project in favour of more timely projects to secure water from the Bass River and the Corinella Aquifer. The combined effect of the postponement of the Melbourne water project and the reprioritisation of projects is that the CAPEX spend for the 2005 - 2008 period is anticipated to be \$8 million below that originally projected ([Section 3](#)).

Westernport Water's service standards of this regulatory period were also affected by the severe drought conditions resulting in an increase in the number of unplanned supply interruptions in 2006-07. However the planned interruption service standards were well below targets due the shift from preventative maintenance to reactive maintenance.

A summary of performance detailed below with further details in Section 3.5 of the draft Water Plan:

Service Standards	Actual 2005-06	Target 2005-06	Forecast 2006-07	Target 2006-07	Forecast 2007-08	Target 2007-08
Unplanned water supply interruptions (per 100km)	29.6	44	46.5	44	45	44
Average unplanned frequency of water supply interruptions	0.35	0.30	0.38	0.30	0.35	0.30
Average planned frequency of water supply interruptions	0.38	0.21	0.03	0.21	0.36	0.21
Average duration of unplanned water supply interruptions (mins)	154.41	110	78	105	110	100
Average duration of planned water supply interruptions (mins)	320.41	365	110.0	365	210	365
Unaccounted-for Water (%)	0.013	13.9	12	13.8	12	13.7
Avg time taken to attend bursts and leaks (hrs) priority #1	0.1	1	0.25	1	0.25	48
Avg time taken to attend bursts and leaks (hrs) priority #2	4.2	2	1.05	2	2.5	2
Avg time taken to attend bursts and leaks (hrs) priority #3	23.9	48	15.5	48	24.0	48
Unplanned water supply interruptions restored within 5 hrs (%)	97.2%	99%	99%	99%	99%	99%
Avg unplanned customer minutes off water supply (mins)	53.4	33	30	31.5	52	30
Avg unplanned frequency of water supply interruptions.	0.35	0.30	0.38	0.30	0.44	0.30
Avg duration of unplanned water supply interruptions (mins)	154.41	110	78	105	120.0	100
Avg planned customer minutes off water supply (minutes)	121.55	76	3.4	76	76.0	76
Sewerage blockages (per 100km)	3.61	23	12	23	18	6.4
Customers with > than 3 sewerage spills in a yr	n.p.	n.p.	n.p.	n.p.	N/A	n.p.
Sewerage blockages (per 100km)	3.61	23	12	23	18	6.4
Customers with > than 3 sewerage spills in a yr	n.p.	n.p.	n.p.	n.p.	N/A	n.p.



Section 4 – Requirements for 2008-13 Regulatory Period

The two principal regulatory mechanisms governing Westernport Water in respect to the development of this plan are the:

- Water Industry Regulatory Order (WIRO). The WIRO establishes the regulatory principles the ESC must use when assessing the Water Plan; and
- Statement of Obligations (SoO). The SoO determines out the procedural requirements to be followed by Westernport Water in the preparation of its plan.

Further details of these regulatory documents, and Westernport Water’s plan to meet there requirements are detailed in Section 4 of the draft Water Plan.

In developing the draft Water Plan, Westernport Water has consulted with the following groups:

- The Department of Sustainability and Environment (DSE);
- The Essential Services Commission (ESC);
- The Environmental Protection Agency (EPA);
- The Department of Human Services (DHS); and
- Westernport Water’s customers and community.

Details relating to the outcomes from the consultations with the EPA and DHS can be found in Section 4.2.7 and Section 4.2.8 of the draft Water Plan.

In addition to the stakeholder consultation, Westernport Water has designed, and is progressively implementing, a customer and community engagement and consultation plan assisted by an external consultant engaged by Westernport Water.

Westernport Water's preliminary consultations with our community were conducted in two stages.

- Stage 1 consisted of a telephone interview survey of 200 randomly selected customers and an on-line feedback survey posted on Westernport Water's website.
- Stage 2 consisted of two community workshops probing issues and feedback canvassed during Stage 1 such as:
 - Water quality improvements;
 - Water supply security;
 - Pricing methods; and
 - Management of environmental issues

The feedback gained from the consultation process has been invaluable in the development of the draft Water Plan. Full details of the consultation process and how the feedback has been incorporated into the plan can be found in Section 4.2 of the main document.



The forward consultation plan post release of this exposure draft is as per the table below:

Action	Communication Tool	Timeline
Inform community and stakeholders that the draft is complete and available	Media Release Local Paper adverts Fliers Westernport Water Website Letters to stakeholders and customers who attended last workshop 1x interest of registration 1 x confirmation of attendance Monthly public meeting with community group - group YTBC	31 July 30 July & 6 August 31 July 31 July 15 June 1 July
Make copy of Water Plan draft available	Hard copy at Westernport Water reception Soft copy download via website	31 July 2007
Advertise a series of public meetings to present draft and gather further feedback	Local paper adverts Westernport Water website	23, 31 July & 6 Aug
Hold public meetings issuing feedback forms that can be later collected	Newhaven Office Grantville Hall Cowes Cultural Centre	7, 9 & 11 August
Seek feedback from Community Consultative Panel	Monthly meeting	4 July
Finalise out come of public meetings and feedback – drafting process before final draft is submitted	Media Release Westernport Water website Media release Account Newsletter Website	Late August November account newsletter 16 July



Section 5 – Service Standards for the 2005 to 2008 Water Plan

Completing this section is the minimum service standards for water supply and wastewater services - summary of targets detailed in table below:

WATER	2008-09	2009-10	2010-11	2011-12	2012-13
Unplanned water supply interruptions (per 100km)	47	45	45	45	45
Unplanned water supply interruptions restored within 5 hrs (%)	99%	99%	99%	99%	99%
Average unplanned customer minutes off water supply	47	39	31	27	25
Average duration of unplanned water supply interruptions (mins)	120	110	100	90	90
Average duration of planned water supply interruptions (mins)	210	210	180	180	180
No. of customers experiencing at least 1 unplanned interruption	4,500	4,500	4,500	4,500	4,500
Unaccounted-for Water (%)	13%	13%	13%	13%	13%
WASTEWATER	2008-09	2009-10	2010-11	2011-12	2012-13
Sewerage blockages (per 100km)	15	12	12	12	12
Spills contained within 5 hours	100%	100%	100%	100%	100%

Section 6 – Revenue Requirement

The development of expenditure forecasts (OPEX and CAPEX) to satisfy the existing and new regulatory requirements, obligations and strategic plan objectives indicate that Westernport Water requires the following revenue requirement to sustain its operations to the required levels throughout the 2008-2013 regulatory period.

The following table outlines the building blocks of the revenue requirement for the period.

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Requirement \$1/07m					
Operating Expenditure	8.69	8.52	9.00	9.36	9.28
Return on assets to 30/6/08	2.98	2.91	2.85	2.79	2.73
Regulatory depreciation of assets to 30/6/08	1.20	1.20	1.18	1.07	1.00
Return on new assets	0.05	0.18	0.64	1.09	1.17
Regulatory depreciation of new assets	0.13	0.37	0.69	1.00	1.06
Adjustments from last period	-	-	-	-	-
Benchmark tax liability	-	-	-	-	-
Total revenue requirement	13.04	13.18	14.37	15.31	15.25

Business As Usual (BAU)

The cost of operating Westernport Water subject to the existing obligations and regulatory requirements is summarised in this section.

The table below summarises the total business as usual (BAU) OPEX allocated for the 2008 to 2013 regulatory period.

	2008-09	2009-10	2010-11	2011-12	2012-13
Operating Expenditure Summary \$1/07m					
Business As Usual	8.42	8.41	8.75	9.17	9.06
License Fees	0.05	0.05	0.05	0.05	0.05
Total prescribed BAU OPEX	8.47	8.46	8.80	9.22	9.11

The following table details those costs where significant increases have been included in the OPEX projections for the regulatory period.

	2008-09	2009-10	2010-11	2011-12	2012-13
Operating Expenditure Summary \$1/07m					
Increase in OPEX for preventative maintenance	109.50	115.50	148.00	115.50	138.00
Electricity (Pumping Bass River & Goundwater Bores)	90.00	90.00	90.00	90.00	90.00
Financing costs associated with borrowings to fund supply augmentation			350.00	813.00	775.00
Increase in cost of Electricity	100	100	100	100	100
Air Scouring	50.00	50.00	50.00	50.00	50.00
Distribution main cleaning	12.00				

The main OPEX related proposals outlined in the Draft Water Plan relate to implementing Westernport Waters strategic objectives to:

- Improve customer satisfaction
- Improve water quality through upgraded systems
- Raw water quality management
- Water treatment
- Distribution system operation and maintenance
- To increase the level of water supply security
- Improve customer service and system performance
- Increase the ratio of preventative to reactive maintenance
- Implement sustainability principles and seek to reduce environmental impact.

Full details of the proposals can be found in Section 6 of the draft Water Plan.

The CAPEX program for the regulatory period 2008-13 is focused on required works to increase Westernport Water’s ability to harvest and store or develop alternative sources of water.

The following table details the business as usual CAPEX projects allowed throughout the regulatory period:

	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Expenditure Summary \$1/07m					
Water	1.81	0.79	0.47	0.68	0.64
Sewerage	0.39	0.45	0.39	0.67	0.39
Bulk Water	0.21	2.06	15.41	2.51	1.21
Recycled Water	-	0.35	-	-	-
Total prescribed BAU CAPEX	2.40	3.65	16.27	3.86	2.23

A major water supply augmentation project (\$14 million in total) is planned for 2010-2011. Investigations will be undertaken during 2008 to 2010 to determine the most appropriate augmentation strategy. In the interim additional works will be undertaken to:

- Duplicate the pipeline from the bass river to double the capacity to extract from this source
- Connect the Grantville- Bass river pipeline to the Ian Bartlett water purification plant to allow the reservoir to be bypassed.
- It is also proposed to upgrade the water treatment plant

Full details of the proposed CAPEX program can be found in Section 6.3 of the draft Water Plan.

New Obligations

Westernport Water has been advised of a number of new obligations to be imposed on the business throughout the 2008-2013 regulatory period.



The proposed OPEX and CAPEX spend required to satisfy new obligations imposed on Westernport Water by the Statement of Obligations, EPA and DHS for the Water Plan Period are summarised in the table below:

	2008-09	2009-10	2010-11	2011-12	2012-13
New Obligations Summary \$1/07m					
Operating Expenditure	0.22	0.06	0.20	0.13	0.17
Gross Capital Expenditure	0.30	0.15	0.05	0.05	0.05
Government Contributions	-	-	-	-	-
Customer Contributions	-	-	-	-	-
Net Capital Expenditure on New Obligations	0.30	0.15	0.05	0.05	0.05

The new obligations to be imposed on Westernport Water by its regulators relate to the following areas:

- Investigation and Research
- Sustainable Management Plan
- Environmental Management Systems
- River & Aquifer Health
- Monitoring River Health
- Smart Water Fund
- Sewerage management systems
- Sewerage system performance
- Other Audits

Section 7 – Demand

Westernport Water forecasts that it will be servicing the following numbers of properties in the Water Plan period:

Property numbers	2008-09	2009-10	2010-11	2011-12	2012-13
Residential	13,321	13,496	13,766	14,041	14,322
Vacant Land	2,002	1,976	1,951	1,926	1,901
Commercial	768	774	781	788	795

The major assumptions driving the demand forecasts are:

- Growth in residential properties numbers of 2.0% per annum;
- Growth in Commercial properties 0.9%
- Growth in water consumer demand of 1.0% per annum, including assumptions regarding increase in consumption demand from ‘sea-change’ customers;
- Reduction in unconnected vacant residential land of a net 25 lots per annum;
- No significant growth in commercial or industrial customers is expected during the water plan period. Westernport Water does not expect to gain any major potable water supply customers (>100ML pa) in the foreseeable future;
- Non-revenue water is expected to be reduced by 2% providing Westernport Water with up to 50ML of “extra” water for growth.

The water demand and growth forecasts for Westernport Water are shown in the following table:

Total Demand (ML)	2008-09	2009-10	2010-11	2011-12	2012-13
	1,818	1,836	1,854	1,873	1,891
Residential (ML)	1,236	1,248	1,261	1,274	1,286
Commercial/Business (ML)	582	588	593	599	605
Total	1,818	1836	1854	1873	1891

Growth in water consumption is anticipated to be 1% less than growth in property numbers for the following reasons;

- Highly seasonal customer visitation and correspondingly low usage for holiday homes
- Ongoing water conservations programs aimed at constraining demand
- Implementation of an Inclining Block Tariff structure for domestic residents.

New Customer Contributions

Water businesses have the ability to require developers to make an upfront contribution to the costs of connecting to the existing water and sewerage networks in the form of New Customer Contributions (NCC) or developer charges. Westernport Water proposes to adopt the New Customer Contributions approach outlined in the Essential Service Commissions 2008 Water Price Review Guidance Paper released in March 2007.

The NCC framework encompasses a three tier application based on lot size and timing and impact on future investment in distribution capacity.

The anticipated level of development each year is as follows;

- 330 new allotments created and connected to water
- 275 connected to sewerage



Section 8 – Prices

Westernport Water proposes to utilise the price cap model as a form of price control for the 2008-13 regulatory period. This approach has the effect of setting the maximum tariffs fees and charges that Westernport Water can charge annually for its regulated services.

The proposed pricing path (net of CPI) to be applied to Westernport Water’s tariffs is as per the table below:

Pricing Path	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed annual increase in prices	4.50%	4.50%	4.50%	4.50%	4.35%

Application of the pricing path will result in Westernport Water levying the following fixed service charges (expressed in January 07 dollars) throughout the regulatory period.

Water Fixed Charges

Tariffs \$ 1/1/07	2008-09	2009-10	2010-11	2011-12	2012-13
Residential					
Residential Water Access Charge	\$265.20	\$277.13	\$289.61	\$302.64	\$315.82
Unconnected Vacant Land Water Access Charge	\$202.26	\$202.26	\$202.26	\$202.26	\$202.26
Commercial					
Commercial 20mm Access Charge	\$265.20	\$277.13	\$289.61	\$302.64	\$315.82
Commercial 25mm Access Charge	\$477.36	\$498.84	\$521.28	\$544.74	\$568.46
Commercial 32mm Access Charge	\$901.89	\$942.48	\$984.89	\$1,029.21	\$1,074.03
Commercial 40mm Access Charge	\$1,644.51	\$1,718.52	\$1,795.85	\$1,876.66	\$1,958.39
Commercial 50mm Access Charge	\$2,944.24	\$3,076.73	\$3,215.18	\$3,359.87	\$3,506.18
Commercial 65mm Access Charge	\$5,861.97	\$6,125.76	\$6,401.42	\$6,689.48	\$6,980.80
Commercial 80mm Access Charge	\$10,159.05	\$10,616.20	\$11,093.93	\$11,593.16	\$12,098.02
Commercial 100mm Access Charge	\$18,275.72	\$19,098.12	\$19,957.54	\$20,855.63	\$21,763.85



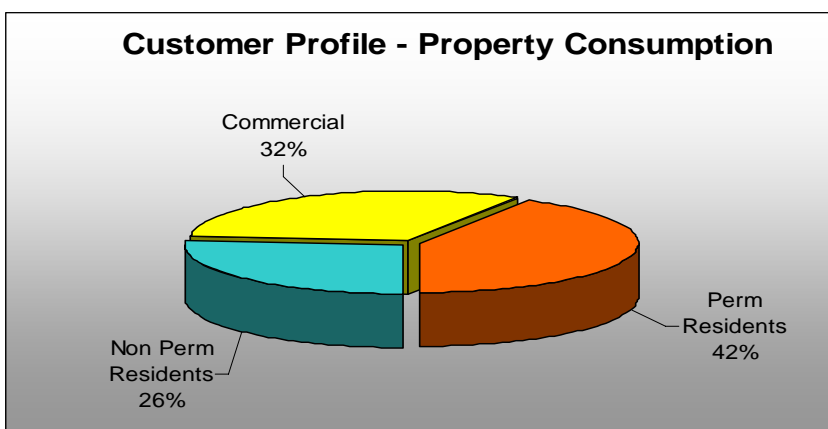
Sewer Charges

Tariffs \$ 1/1/07	2008-09	2009-10	2010-11	2011-12	2012-13
Residential					
Residential Sewer Access Charge	\$402.99	\$421.12	\$440.07	\$459.87	\$479.90
Unconnected Vacant Land Sewer Access Charge	\$207.87	\$207.87	\$207.87	\$207.87	\$207.87
Commercial					
Commercial Sewer Access Charge (1 cistern)	\$402.99	\$421.12	\$440.07	\$459.87	\$479.90
Commercial Cistern Charge (>2 cisterns)	\$146.39	\$152.98	\$159.86	\$167.06	\$174.33

Water Volumetric pricing

Westernport Water is proposing to implement an Inclining Block Tariff (IBT) for water consumption from July 2008 for domestic residential customers. The change to pricing structure is designed to send pricing signals to customers to conserve water and is targeted at above average water users.

As can be seen in the graph below, residential customers consume a projected 68% of the water provided by Westernport Water.



The design of the IBT has been undertaken so as not to disadvantage average household usage. The usage blocks proposed have been modelled on winter consumption data as this is an appropriate estimate for predominately indoor non-discretionary usage.

The proposed usage blocks are as per the table below:

Inclining Block	Residential per billing period	2008 -09 price\$(1/1/07)
Block 1	0-33kL	\$1.10
Block 2	33-108 kL	\$1.32
Block 3	Greater than 108kL	\$1.70

Commercial Pricing

The pricing approach for Commercial water consumption is proposed to remain as a single volumetric tariff. A pricing signal to encourage water conservation is present as the single rate is set higher than the base block of the domestic IBT. Commercial customers do not have the same levels of discretionary usage as domestic residents have and therefore an inclining block approach is felt to have a greater an impact on these customers.

The implementation of an Inclining Block Tariff (IBT) approach for domestic water consumption requires a one off adjustment to the general pricing path. The table below details the annual pricing for water volumetric tariffs expressed in January 2007 (excludes CPI).



Water Volumetric Charges

Tariffs \$ 1/1/07	kL per billing period	2008-09	2009-10	2010-11	2011-12	2012-13
Residential						
Residential Variable Charge - Block 1	0-33kL	\$1.1018	\$1.1514	\$1.2032	\$1.2573	\$1.3121
Residential Variable Charge - Block 2	33-108kL	\$1.3200	\$1.3794	\$1.4415	\$1.5063	\$1.5719
Residential Variable Charge - Block 3	108kL+	\$1.7000	\$1.7765	\$1.8564	\$1.9400	\$2.0245
Commercial						
Commercial Variable Charge		\$1.1514	\$1.2032	\$1.2573	\$1.3139	\$1.3711

Impact on customers

The introduction of an IBT structure will have the greatest impact in year one of the regulatory period, which is mainly due to the increases associated with the revenue requirement over the five year period. The table below demonstrates the impact of changing to an inclining block structure on three different residential customers in 2008-09¹.

Customer Impact Analysis \$1/1/07		Existing Tariff Structure	Domestic IBT Structure
	2007-08	2008-09	2008-09
Res (22kL Avg)			
Water SC	\$253.78	\$ 265.48	\$265.20
Volume	\$24.24	\$ 25.36	\$ 24.24
Waste SC	\$385.63	\$ 403.42	\$402.99
Total Account	\$663.65	\$ 694.26	\$692.43
Percentage change in total account		4.41%	4.16%
Res (200kL Avg)			
Water SC	\$253.78	\$265.48	\$265.20
Volume	\$220.36	\$230.52	\$242.40
Waste SC	\$385.63	\$403.42	\$ 402.99
Total Account	\$859.77	\$ 899.42	\$ 910.58
Percentage change in total account		4.41%	5.58%

¹ Percentage (%) change from 2007-08 charges

Customer Impact Analysis \$1/1/07		Existing Tariff Structure	Domestic IBT Structure
	2007-08	2008-09	2008-09
Res (250kL Avg)			
Water SC	\$253.78	\$265.48	\$265.20
Volume	\$275.45	\$288.15	\$308.40
Waste SC	\$385.63	\$403.42	\$402.99
Total Account	\$914.86	\$957.05	\$ 976.58
Percentage change in total account		4.41%	6.32%

As can be seen from the above table, the IBT will favour the low water user with a marginal decrease in total account over the alternative of maintaining the existing tariff structure.

The average household (200kL) will see a small increase in total account of 1.1%. This is due to the volume consumed entering the 2nd block of the tariff structure. In total dollar terms the increase equates to \$11.16 per annum, or \$3.72 per account compared to the alternative.

The largest impact is logically on the users that consume greater than 200kL per annum. A household with an average 250kL a year consumption will see an increase in account of 1.91% over the alternative and 6.32% increase over the 07-08 charges. In total dollar terms this is an increase of \$19.53 per annum, or \$6.51 per account compared to the alternative, which is driven by the higher volumetric charges.

Westernport Water believes that the IBT proposed will have the desired effect of sending appropriate pricing signals to conserve water, whilst not having a disproportionate impact on the permanent residents of the region.

Vacant Land

Westernport Water commenced restructuring its approach to charging for vacant land for water and sewerage during the 2005-2008 regulatory period. It is proposed to hold water and sewer vacant land charges at nominal values (no price increases apart from CPI) for the period of this Water Plan and continue to do so until the charges approximate 50% of the 20mm connected water fixed charge. This is in line with industry practice.

Miscellaneous Fees and Charges

Westernport Water is proposing a revised schedule of miscellaneous fees and charges for the 2008-2013 regulatory period. It is proposed to adjust the miscellaneous fees and charges by CPI annually for the regulatory period. A full schedule of miscellaneous fees and charges are detailed in Section 8.10 of the draft Water Plan

New Customer Contributions (NCC)

Water businesses have the ability to require developers to make an upfront contribution to the costs of connecting to the existing water and sewerage networks, and recycled water infrastructure in the form of New Customer Contributions or developer charges.



The following is a summary of the NCC framework as it applies to Westernport Water:

<i>Water NCC'S</i>	<i>\$ per lot</i>
2 Lots	\$ 545
Standard Lot	\$ 1,090
Large Lot	\$ 2,180
<i>Wastewater NCC'S</i>	
2 Lots	\$ 545
Standard Lot	\$ 1,090
Large Lot	\$ 2,180
<i>Recycled Water NCC'S</i>	
2 Lots	\$ 545
Standard Lot	\$ 1,090
Large Lot	\$ 2,180

Section 9 – Non-Prescribed Services

Services which are classified as non-prescribed services are:

- Tradewaste
- Gas
- Recycled Water
- Farming activities

Costs associated with non-prescribed services are excluded from the calculation (or building blocks) of the revenue requirement for operating the business. Subsequently, revenue streams from these services are not regulated by the ESC. Further details regarding the development of non-prescribed services and associated expenses and revenue are contained in Section 9 of the draft Water Plan.