

Appendix Q

New Customer Contributions



New Customer Contributions

Industry Proposal – May 2007

The water industry proposes the following amendments as the approach to be followed in the preparation of the May/June 2007 draft Water Plans, which are to be released for public comment prior to being formally submitted to the Commission in September 2007.

1. A standard schedule of charges, detailed below, scaled according to the water-sensitivity of particular developments and the demand for future infrastructure.

Many of the features of Water Sensitive Urban Design are implemented by individual property owners in the building construction phase of developments, i.e. water tanks and grey water recycling systems. At the planning permit stage for lot development there can be little guarantee with regard to the full take up of these features, however lot size and location are known, which also impact on water consumption, and the amount of infrastructure required for individual lots are known. For example; large rural residential lots generally use significantly more water than unit developments, and the amount of infrastructure required per lot is much higher. The Water Industry position, as detailed below, incorporates consideration of the impact of future water resource demand, particularly in relation to lot size when assessing New Customer Contributions (NCC's).

- a) Where a NCC is to be applied, a charge of \$550.00 per lot per new service for water, sewerage and dual pipe water (total for the three services is \$1,650.00 per lot) for developments which are designed in a manner that will have minimal impact on future water resource demands, and can be catered for without additional investment within the medium-term distribution capacity.

These developments are typically:

- ◆ A lot with an area no greater than 450 square meters (sqm) per lot with a small demand on the system.
- ◆ Unit developments, even where there are not separate titles – i.e. \$550.00 per unit.
- ◆ Apartment lots with separate titles – i.e. \$514.91 per apartment.
- ◆ 2-lot sub-divisions with each lot not exceeding 450sqm.
- ◆ The charge is for each new lot created of a sub-division (i.e. a two lot subdivision only creates one new lot).

- b) A charge of \$1,100.00 per lot per service for water and sewerage and dual pipe (total \$3,300.00 per lot) applies to urban developments which will require further investment in infrastructure to serve these developments.

These developments are typically:

- ◆ Traditional Greenfield urban developments with lot sizes between 450sqm and 1350sqm.

- c) A charge of \$2,200.00 per lot per service for water, sewerage and dual pipe (total \$6,600.00 per lot) for developments designed in such a way that properties will create demand for water resources over and above high-density developments and will require further investment in infrastructure to service these developments.

These developments are typically:

- ◆ Greenfield developments with lots sizes exceeding 1,350sqm e.g. lots with potentially large outside water-use, no recycled water and which will influence near term investment in infrastructure decisions.

Note: Where shared assets must be constructed ahead of schedule to service a new property or development, and the calculated 'bring-forward' costs are greater than fees outlined in 1a) 1b) and 1c) (per lot for water, sewerage and dual pipe), the calculated charge shall apply. This effectively applies to all sub-divisions except for the small 2-lot sub-division with a small demand on the system and requires no further infrastructure to be developed.

Further Points:

2. The reference to \$550, \$1,100 and \$2,200 are the recommended amounts for 2008/2009. It is expected that all NCC's will be increased by CPI each year.
3. The intent is for these guidelines to easily cover 95% of applications. More complex applications will require additional investigation and assessment.
4. A business would have the discretion to charge zero if it is believed that the short and long term incremental costs were negligible.
5. The schedule should not apply to developments where the application would result in a higher contribution than that which is allowed under the provisions of the current water legislation.
6. Proceeds from developer charges are to be offset from future revenue in a manner that does not impact on the compliance of usage tariffs within the requirements of the WIRO (i.e. not to distort usage charges such that they no longer provide appropriate incentives for sustainable water use to end customers).
7. In the event of disputes over the categorisation of a particular development or the substantiation of particular costs where the schedule does not apply, the relevant developer can lodge a dispute with the Commission, which will make a binding decision on the matter. i.e. In all situations where brought forward costs are calculated and charged the applicant has a right to appeal to the ESC.
8. NCC's are maximums (i.e. caps) except for a) where a minimum charge has been set, and b) where the calculated 'bring-forward' costs as per the current developer contribution guideline is greater than \$1,100 (per lot for water and sewerage), the calculated charge shall apply.

9. Current arrangements to apply with respect to applying forecast contributions to the overall revenue requirement of the water authority (as an offset to capital expenditure).
10. The Water Industry proposal is dependant on new customers/developers continuing to be responsible for providing reticulated assets to be installed specifically to service their property or development. The definition of reticulated assets should continue to include the 150mm water main, dual pipe water mains and 225mm diameter sewer main (and associated infrastructure) on the basis that this criterion provides a clear process to ensure developers and water businesses know when a main of this size must be funded by the developer and not by the water business. In line with the current definition, water businesses reserve the right to treat some assets above this size as reticulation assets. In particular, when they are specifically required to service a single development.

Prepared By VicWater

May 2007