



Level 2, 35 Spring St  
Melbourne 3000, Australia  
Telephone +61 3 9651 0222  
              +61 1300 664 969  
Facsimile +61 3 9651 3688

# METROPOLITAN MELBOURNE WATER PRICE REVIEW 2009

SOUTH EAST WATER DETERMINATION

1 JULY 2009 – 30 JUNE 2013

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## 1. General

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### 1.1 Introduction

- (a) Clause 8 of the **WIRO** requires the Commission to either:
  - (i) approve 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**; or
  - (ii) specify 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.
- (b) On 24 June 2009, the Commission made its decision under the **WIRO** in respect of:
  - (i) the prices which South East Water Limited (trading as South East Water) (ABN 89 066 902 547) (**South East Water**) may charge for **prescribed services** during the **regulatory period**; and
  - (ii) the standards and conditions of service and supply which **South East Water** has included in its **Water Plan**.
- (c) This Determination is made by the Commission under section 33 of the **ESC Act**, pursuant to clause 8 of the **WIRO**.
- (d) The purpose and reasons for the making of this Determination are to:
  - (i) give effect to the decision of the Commission referred to in clause 1.1(b)(i);
  - (ii) specify the prices which **South East Water** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated or otherwise determined;

- (iii) facilitate the achievement of the Commission's objectives in the **ESC Act** and the **WI Act**; and
- (iv) reflect the requirements in the **WIRO**.

## 1.2 Application

This Determination applies to **South East Water** and its successors and assigns in respect of the business carried on by **South East Water** at the date of this Determination.

## 1.3 Effective period

### (a) Term

This Determination takes effect on the later of the date on which notice of its making is published in the Government Gazette and 1 July 2009 and, subject to clause 1.3(b), has effect until the earlier of the date on which it is amended or revoked by a later determination or 30 June 2013.

### (b) Next regulatory period

Subject to clause 2.3(b)(ii), if the Commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2013, the prices or the manner in which such prices are to be calculated or otherwise determined as set out in this Determination will continue to apply in respect of **prescribed services** provided by **South East Water** between 1 July 2013 and the date on which the determination for the **next regulatory period** comes into effect.

## 1.4 Modification of time periods

The Commission may, by notice to **South East Water**, extend or reduce the time by which, or the period within which, **South East Water** or the Commission must comply with an obligation under this Determination.

## 1.5 Summary and structure

Clause 2 of this Determination specifies the prices which will apply to **prescribed services** during the **regulatory period** and sets out the procedure and formula according to which prices may be adjusted during the **regulatory period** on an annual basis. Clauses 3, 4 and 5 provide for the circumstances in which prices may be adjusted during the regulatory period otherwise than in accordance with clause 2.

## 1.6 Definitions and interpretation

In this Determination, unless the contrary intention appears:

- (a) words and phrases in bold italics have the meanings given to them in part A of Schedule 1 (or, where only used within a clause, the meaning given upon their first use); and
- (b) the rules of interpretation in part B of Schedule 1 will apply.

## 1.7 Annexure

- (a) For convenience, annexure A to this Determination summarises:
  - (i) the assumptions underpinning the prices to apply to **South East Water** during the **regulatory period** or the manner in which such prices are to be calculated or otherwise determined; and
  - (ii) the standards and conditions of services and supply additional to those specified in the **Code** which will be provided by **South East Water** pursuant to the decision referred to in clause 1.1(b)(ii).
- (b) For the avoidance of doubt, annexure A does not form part of this Determination.

## 2. Price control

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### 2.1 General principles

Subject to this Determination:

(a) **Scheduled prices**

**South East Water** must not charge more than:

- (i) the scheduled prices in Schedule 2, during the first **regulatory year**, and
- (ii) the amount determined in accordance with clause 2.3, during each subsequent **regulatory year**,

in respect of those **prescribed services** to which the scheduled prices in Schedule 2 relate, in accordance with Schedule 3.

**(b) Application principles**

The application principles in Schedule 3 will apply to the prices charged by **South East Water** in respect of **prescribed services** during the **regulatory period**.

**(c) Pricing principles**

During the **regulatory period**, **South East Water** must apply the pricing principles in Schedule 4 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 4 relate.

## **2.2 Operational matters**

**(a) Contracts**

Where **South East Water** has entered into a **relevant contract** which relates to the provision of **prescribed services** prior to 1 July 2009, **South East Water** may charge the prices for **prescribed services** which are set out in that **relevant contract** until its expiration, termination or a periodic review of the prices set out in the contract. Once a **relevant contract** has expired or been terminated or the prices in a **relevant contract** have been subject to a periodic review, the scheduled prices in Schedule 2 (as adjusted in accordance with this Determination) or the prices determined in accordance with the pricing principles in Schedule 4 will apply for the remainder of the **regulatory period**.

**(b) Dispute Resolution**

Any question as to whether a price has been set in accordance with this Determination will be determined by the Commission on the basis of the Commission's interpretation of this Determination.

**(c) Publication**

**South East Water** must publish a list of its current prices and pricing principles for **prescribed services**, and all relevant supporting information that is relied upon to apply the prices or pricing principles, on its website at all times during the **regulatory period** and must provide a written copy of the list to its customers on request. To the extent permissible under the *Trade Practices Act 1974* (Cth), the list must clearly indicate in respect of each price, the amount determined in accordance with this Determination, the amount of GST payable and the total price.

(d) **GST**

**South East Water** will not be considered to be in contravention of this Determination if a price charged by it for a **prescribed service** exceeds the amount applying under this Determination only by reason of the levying of a charge on account of **GST**.

## 2.3 Annual adjustment of prices

(a) **Adjustment**

Subject to Schedule 2, the scheduled prices in Schedule 2 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formula in clause 2.3(b)(i) and the procedure in clause 2.3(c), and will apply to the **prescribed services** to which the scheduled prices in Schedule 2 relate in that **regulatory year**.

(b) **Formula**

- (i) Subject to Schedule 2, each price for the **prescribed services** referred to in clause 2.3(a) will be adjusted in accordance with the following formula with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:

$$P_t = P_{t-1} * CPI_t * (1 + PPM_t)$$

where:

$P_t$  is the price component for **regulatory year t**

$P_{t-1}$  is the price component for **regulatory year t-1**

$CPI_t$  for the particular **regulatory year** is:

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the start of the relevant **regulatory year**

**divided by**

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the March quarter referred to above



PPM<sub>t</sub> is the prescribed price movement for the price component for **regulatory year** t determined in accordance with Schedule 2.

- (ii) If the Commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2013, PPM<sub>t</sub> will be set equal to zero for the purpose of adjusting prices in accordance with the formula in clause 2.3(b)(i) for **regulatory years** commencing on or after 1 July 2013 until the date on which this determination is amended or revoked by a later determination.

**(c) Adjustment procedure**

- (i) At least 30 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period, South East Water** must submit its calculation of maximum prices for the **prescribed services** referred to in clause 2.3(a) to apply in that subsequent **regulatory year** (the **revised scheduled prices**) to the Commission for approval, together with sufficient information to enable the Commission to assess whether those maximum prices comply with this Determination.
- (ii) The Commission will approve the **revised scheduled prices** if it considers that they have been calculated in accordance with the formula set out in clause 2.3(b)(i).
- (iii) The Commission will be deemed to have approved the **revised scheduled prices** if it has not provided notice under clause 2.3(c)(iv) to **South East Water** within 20 **business days** from the date of its receipt of the submitted calculation of the **revised scheduled prices**.
- (iv) If the Commission does not approve the **revised scheduled prices**, the Commission:
  - (A) will provide notice to **South East Water** (including a statement of its reasons);
  - (B) may request **South East Water** to provide any additional information specified by the Commission;
  - (C) will take any additional information provided by **South East Water** into account; and

(D) will determine the *revised scheduled prices*.

## 2.4 Price changes during a billing period

### (a) Application of this clause

This clause 2.4 applies where **South East Water** issues an invoice in respect of a billing period during which a change to any price for a **prescribed service** comes into effect in accordance with this Determination.

### (b) Method of charging

**South East Water** must not charge the prices determined in accordance with this Determination in respect of any part of a billing period prior to the effective date of the change, but may charge for **prescribed services** in respect of the periods before and after the effective date of the change at the prices applicable for each of those periods on a pro-rata basis.

## 2.5 Reporting requirements

- (a) **South East Water** must make available to the Commission all information reasonably requested by the Commission from time to time for the purpose of enabling it to confirm that **South East Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **South East Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 4 relate, **South East Water** must, within 30 **business days** of the date of the **new contract**, provide the Commission with a notice specifying:
- (i) details of the **new contract**; and
  - (ii) information which demonstrates the way in which the prices in the **new contract** reflect the relevant pricing principles.
- (c) Without limiting clause 2.5(a), if **South East Water** proposes to stop providing a **prescribed service** or refuses to provide a **prescribed service** to a customer, or potential customer, during the **regulatory period**, it must:
- (i) in the case of a proposal to stop providing a **prescribed service**, provide a notice to the Commission stating the

nature of the **prescribed service** which it proposes to stop providing and the reason why it proposes to stop providing the **prescribed service**. This notice must be provided at least 30 **business days** prior to the date upon which **South East Water** proposes to stop providing the **prescribed service**; and

- (ii) in the case of a refusal to provide a **prescribed service** to a customer, or potential customer, **South East Water** must provide a notice to the Commission within 5 **business days** of the refusal, stating the nature of the **prescribed service** and the reason for the refusal.

### 3. Amendment of Schedule 2

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(a) **Amendment proposals**

- (i) **South East Water** may apply to the Commission in accordance with this clause 3 for the amendment of the prescribed price movements and/or price components included in Schedule 2 for the following **regulatory year** (the **relevant regulatory year**) and all subsequent **regulatory years** remaining in the **regulatory period** (the **revised tariff schedule**).
- (ii) **South East Water** must apply to the Commission pursuant to clause 3(a)(i) for amendment of prescribed price movements and/or price components in respect of trade waste set out in Schedule 2 within 80 **business days** of a request by the Commission to do so.
- (iii) **South East Water** must apply to the Commission pursuant to clause 3(a)(i) for amendment of the prescribed price movements and/or price components in respect of recycled water set out in Schedule 2 within 80 **business days** of each change in the level of water restrictions.
- (iv) The average price movement for the **relevant regulatory year** and for each subsequent **regulatory year** in the **regulatory period** determined in accordance with the **revised tariff schedule** must not exceed the average price movement that would otherwise have applied under

this Determination as calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}} \geq \frac{\sum_{i=1}^n \sum_{j=1}^m ap_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}, i = 1, \dots, n; j = 1 \dots m$$

where **South East Water** has  $n$  tariff categories, which each have up to  $m$  tariff components, and where, for each **regulatory year**  $t$  for which the calculation is undertaken:

$p_{t-1}^{ij}$  is the tariff charged in **regulatory year**  $t-1$  for component  $j$  of tariff  $i$

$p_t^{ij}$  is the proposed tariff for component  $j$  of tariff  $i$  determined in accordance with Schedule 2 where the **revised tariff schedule** is not applied

$ap_t^{ij}$  is the proposed tariff for component  $j$  of tariff  $i$  determined in accordance with Schedule 2 where the **revised tariff schedule** is applied

$q_{t-2}^{ij}$  is the quantity of component  $j$  of tariff  $i$  that was sold in **regulatory year**  $t-2$ , or, if an actual quantity is not available, either an estimate of the quantity of component  $j$  of tariff  $i$  that would have been sold in **regulatory year**  $t-2$  or a forecast of the quantity of component  $j$  of tariff  $i$  that is expected to be sold in **regulatory year**  $t-2$

**(b) Amendment procedure**

- (i) An application by **South East Water** under this clause 3 must be received by the Commission at least 80 **business days** prior to the commencement of the **relevant regulatory year** (unless it is also pursuant to clause

3(a)(ii) or (iii)) and must be accompanied by the following information:

- (A) (1) a clearly articulated new tariff strategy that is consistent with the regulatory principles in clause 14(1)(a) of the **WIRO** (the **revised tariff strategy**); or
    - (2) an explanation of how the **revised tariff schedule** is consistent with the tariff strategy for **South East Water** approved by the Commission in connection with this Determination,  
  
(the **relevant tariff strategy**);
  - (B) a **revised tariff schedule** that specifies proposed prices for the **relevant regulatory year** and prescribed price movements for each subsequent **regulatory year** in the **regulatory period** that is consistent with the **relevant tariff strategy**;
  - (C) a statement setting out evidence demonstrating that **South East Water** has provided information to its customers explaining the **revised tariff schedule** and how it relates to the **relevant tariff strategy** and has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
  - (D) a statement setting out the customer impacts resulting from the **revised tariff strategy** and actions proposed by **South East Water** to address these customer impacts; and
  - (E) an explanation of the calculation of the relevant quantities “ $q_{t-2}^{ij}$ ”.
- (ii) The Commission may approve the **revised tariff schedule** submitted by **South East Water** under this clause 3 if it is satisfied that:
- (A) **South East Water** has complied with clause 3(b)(i)(A);

- (B) the average price movements calculated in accordance with the **revised tariff schedule** comply with the formula in clause 3(a)(iv);
  - (C) the **revised tariff schedule** is consistent with the **relevant tariff strategy**;
  - (D) **South East Water** has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
  - (E) **South East Water** has effectively addressed customer impacts resulting from the **revised tariff schedule**; and
  - (F) the basis for calculating the relevant quantities “ $q_{t-2}^{ij}$ ” is reasonable.
- (iii) In determining whether it will approve the **revised tariff schedule**, the Commission may request **South East Water** to provide any additional information specified by the Commission and/or to resubmit any of the matters in clause 3(b)(i)(A)-(E).
  - (iv) For the avoidance of doubt, the Commission will be deemed to have not approved a **revised tariff schedule** if it has not provided notice to **South East Water** within 40 **business days** from the date of its receipt of **South East Water's** application under this clause 3.
  - (v) An approved **revised tariff schedule** will be taken to amend Schedule 2 to the extent of any inconsistency.

## 4. Uncertain or unforeseen events

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### 4.1 General principle

- (a) **South East Water** may apply to the Commission for the amendment of this Determination and/or the adjustment of the scheduled prices in Schedule 2 to reflect increased or decreased costs incurred by **South East Water** and/or increased or decreased revenue received by **South East Water** as a result of

events which were uncertain or unforeseen at the time this Determination was made (an **uncertain events application**).

- (b) The Commission may take action under clause 4.3(b) in respect of an **uncertain events application** where the Commission is satisfied that such action is necessary or desirable to take account of events that were uncertain or unforeseen at the time of making this Determination provided that the Commission is satisfied that such action takes into account the interests of customers.

## 4.2 Consideration by the Commission

### (a) Examples of uncertain and unforeseen events

The matters that may, at the discretion of the Commission, be taken into account by the Commission under this clause 4 include:

- (i) actual licence fees or contributions payable by **South East Water** during a particular **regulatory year** during the **regulatory period** under section 51 of the *Safe Drinking Water Act 2003* (Vic), section 24 of the *Environment Protection Act 1970* (Vic) and section 4H(2) of the **WI Act** which differ from the forecast licence fees or contributions set out in annexure A for that **regulatory year**;
- (ii) changes in the timing or scope of expenditure by **South East Water** on major capital projects;
- (iii) instances where the Commission is satisfied that there is a material difference between the forecast demand levels set out in annexure A and actual demand levels for **South East Water** in one or more **regulatory years** during the **regulatory period**; and
- (iv) a change in or to any of the following:
  - (A) the **WI Act**, the *Water Act 1989* (Vic), the *Safe Drinking Water Act 2003* (Vic), the *State Owned Enterprises Act 1992* (Vic) and the *Environment Protection Act 1970* (Vic) or regulations made under any of them;
  - (B) any licence issued pursuant to any of the Acts referred to in clause 4.2(a)(iv)(A);
  - (C) a **relevant tax**; or
  - (D) the Statement of Obligations, or

(E) the introduction of a national emissions trading scheme or other scheme relating to the reduction of greenhouse gas emissions.

**(b) Exclusions**

In considering an *uncertain events application*, the Commission will not take into account matters that:

- (i) are or should be within **South East Water's** control;
- (ii) were or should have been known by **South East Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **South East Water**;
- (iv) should be or should have been planned for or managed by **South East Water**, and/or
- (v) reflect inefficient expenditure by **South East Water**.

**(c) Dispute resolution**

Any question as to whether a matter should be taken into account by the Commission under this clause 4 will be determined by the Commission in its absolute discretion.

## 4.3 Procedure

**(a) Application process**

- (i) An *uncertain events application* must be accompanied by a statement setting out:
  - (A) the details of the relevant uncertain or unforeseen event;
  - (B) the amount and timing of any increase or decrease in operating and/or capital expenditure associated with the relevant event during the **regulatory period** and/or the amount and timing of any increase or decrease in revenue associated with the relevant event during the **regulatory period**;
  - (C) the basis for calculating the increase or decrease in operating and/or capital expenditure and/or revenue referred to in clause 4.3(a)(i)(B); and



- (D) details of the proposed action to be taken by the Commission under clause 4.3(b).
- (ii) The Commission may identify an event or events which it considers has had or may have a material impact on **South East Water's** operating and/or capital expenditure and/or revenue and may decide to take action under clause 4.3(b) (including, without limitation, deciding to recognise it as an offset to an adjustment applied for by **South East Water**).
- (iii) The Commission may request **South East Water** to provide any additional information specified by the Commission in connection with an **uncertain events application**.

**(b) Action by the Commission**

If the Commission is satisfied about the matters set out in clause 4.1(b) in respect of an **uncertain events application**, the Commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 with effect from **regulatory year** t at the same time as prices are adjusted pursuant to clause 2.3; or
- (ii) take the **uncertain events application** into account in making its determination in respect of the prices which **South East Water** may charge for **prescribed services** in the **next regulatory period**.

## **5. Material error and unintended consequences**

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Where the Commission is satisfied that:

- (a) there is a manifest and material error in this Determination;
- (b) any information on which this Determination was based was false or misleading in a material respect; or
- (c) such amendment or adjustment is necessary or desirable to avoid an unintended consequence of this Determination,

the Commission may decide to amend this Determination and/or specify a price adjustment, provided that it is satisfied that such amendment and/or price adjustment takes into account the interests of customers.

## Schedule 1 – Definitions and Interpretation

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### A. Definitions

**business day** means a day on which banks are open for general banking business in Melbourne, not being a Saturday or a Sunday.

**Code** means the *Customer Service Code Metropolitan Retail and Regional Water Businesses* made under the **WI Act**.

**developer charges** has the meaning given in the **WIRO**.

**ESC Act** means the *Essential Services Commission Act 2001* (Vic).

**GST** has the meaning given in section 195-1 of the *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

**miscellaneous services** means services that are provided in direct connection with **prescribed services**, prices in respect of which are either included in Schedule 2 or determined in accordance with the relevant pricing principles in Schedule 4.

**new contract** means any contract for **prescribed services** which is renewed, renegotiated or entered into during the **regulatory period**.

**next regulatory period** means the period commencing on 1 July 2013 and ending on a date specified by the Commission.

**prescribed services** has the meaning given in the **WIRO** and includes **miscellaneous services**.

**regulated entity** has the meaning given in the **WIRO**.

**regulatory period** means the period commencing on 1 July 2009 and ending on 30 June 2013.

**regulatory year** means each period of twelve months commencing on 1 July and ending on 30 June.

**relevant contract** means a contract which relates to the provision of **prescribed services**.

**relevant tax** means any tax imposed by or payable directly or indirectly to any authority of the Commonwealth of Australia (including **GST**) but excluding:

- (d) the licence fees referred to in clause 4.2 of this Determination;
- (e) penalties and interest for late payment of any tax; or

- (f) any tax that replaces any of the taxes referred to in (a) and (b), where tax includes any rate, duty, charge or other like or analogous impost.

**Water Plan** has the meaning given in the **WIRO**.

**WI Act** means the *Water Industry Act 1994* (Vic).

**WIRO** means the Water Industry Regulatory Order 2003 as at 30 June 2009.

## **B. Interpretation**

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (d) A reference to a clause or schedule is a reference to a clause of or schedule to, this document.
- (e) A reference to a determination, agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (f) A reference to an Act, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (g) If a period of time is specified and commences on a given day or on a day of an act or event, the period of time is to be calculated inclusive of that day.
- (h) Any 'notice' to be given or matter to be 'notified' must be in writing.
- (i) The symbol ' $\Sigma$ ' requires a summation to be performed over the range of variables specified in respect of the algebraic terms specified.

- (j) All data which is utilised in calculations made under this Determination will be utilised to the accuracy, in terms of the number of decimal places, to which it is given.
- (k) A fixed price, charge or fee determined in accordance with this Determination is to be rounded down and specified to two decimal places.
- (l) A volumetric price, charge or fee determined in accordance with this Determination is to be rounded down and specified to four decimal places.
- (m) When a calculation is required under this document:
  - (i) **regulatory year 't'** is the **regulatory year** in respect of which the calculation is being made;
  - (ii) **regulatory year 't-1'** is the **regulatory year** immediately preceding **regulatory year 't'**;
  - (iii) **regulatory year 't-2'** is the **regulatory year** immediately preceding **regulatory year 't-1'**.

## Schedule 2 - Prices

This schedule should be read in conjunction with Schedule 3 and Schedule 4. Variable water, wastewater and trade waste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places. Prices for services marked with an asterisk are not subject to the adjustments pursuant to clause 2.3 of this Determination.

<i>Tariff and Price Component</i>	<i>Price (1 July 2009)</i>	<i>PPM Year 1</i>	<i>PPM Year 2</i>	<i>PPM Year 3</i>
<b>1.1 Residential water tariff</b>				
Service charge (per annum)	66.53	10.0%	6.0%	4.0%
Usage charge (per kL)				
Block 1 (0-440 litres/day)	1.2359	19.0%	12.0%	8.0%
Block 2 (441-880 litres/day)	1.5008	19.0%	12.0%	8.0%
Block 3 (881 + litres/day)	2.4278	19.0%	12.0%	8.0%
<b>1.2 Non-residential water tariff</b>				
Service charge (per annum)	66.53	10.0%	6.0%	4.0%
Usage charge (per kL)	1.5008	19.0%	12.0%	8.0%
<b>1.3 Residential sewerage tariff</b>				
Sewer service charge (per annum)	236.9	19.0%	12.0%	8.0%
Sewage disposal charge (per kL)	1.4291	7.5%	4.8%	4.0%
<b>1.4 Non-residential sewerage tariff</b>				
Sewer service charge (per annum)	281.34	19.0%	12.0%	8.0%
Sewage disposal charge (per kL)	1.4291	7.5%	4.8%	4.0%
<b>1.5 Residential Reticulated Recycled Water</b>				
Service charge (per annum)	20.49	0.0%	0.0%	0.0%
Usage charge (per KL)	1.2359	19.0%	12.0%	8.0%
<b>1.6 Trade waste charges</b>				
Volume (per kL)	0.6757	12.5%	8.5%	5.0%
BOD (per kg)	0.6411	12.5%	8.5%	5.0%
SS (per kg)	0.3595	12.5%	8.5%	5.0%
TKN (per kg)	1.4079	12.5%	8.5%	5.0%
Sulphur (per kg)	1.1991	12.5%	8.5%	5.0%
<b>1.7 Trade waste – agreement fees (discharge per annum)</b>				
≤ 2 500kL	412.92	12.5%	8.5%	5.0%

<i>Tariff and Price Component</i>	<i>Price (1 July 2009)</i>	<i>PPM Year 1</i>	<i>PPM Year 2</i>	<i>PPM Year 3</i>
2 500 - 25 000kL	1,197.41	12.5%	8.5%	5.0%
25 000 - 100 000kL	3,991.65	12.5%	8.5%	5.0%
>100 000kL	11,975.13	12.5%	8.5%	5.0%
<b>Food Waste</b>				
Hospitals and other institutions (per bed)	68.06	12.5%	8.5%	5.0%
Category A: 180 - 400 watts	1,934.60	12.5%	8.5%	5.0%
Category B: 400 - 700 watts	9,909.47	12.5%	8.5%	5.0%
Category C: 700 - 1500 watts	19,963.48	12.5%	8.5%	5.0%
Category D: 180 - 400 watts	0.00	0.0%	0.0%	0.0%
Category E: 400 - 700 watts	1,109.31	12.5%	8.5%	5.0%
Category F: 700 - 1500 watts	2,274.35	12.5%	8.5%	5.0%
<b>1.8 New Customer Contributions</b>				
<b>Water (per lot)</b>				
Category one charge - Lot size < 450 sq m	563.56	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,127.12	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,254.25	0.0%	0.0%	0.0%
<b>Sewer (per lot)</b>				
Category one charge - Lot size < 450 sq m	563.56	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,127.12	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,254.25	0.0%	0.0%	0.0%
<b>New Customer Contributions for third pipe recycled water developments or subdivisions</b>				
<b>Recycled water (per lot)</b>				
Category one charge - Lot size < 450 sq m	563.56	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,127.12	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,254.25	0.0%	0.0%	0.0%
<b>Water (per lot)</b>				
Category one charge - Lot size < 450 sq m	281.78	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	563.56	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	1,127.12	0.0%	0.0%	0.0%
<b>Sewer (per lot)</b>				
Category one charge - Lot size < 450 sq m	563.56	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,127.12	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,254.25	0.0%	0.0%	0.0%
<b>1.9 Other Charges</b>				
Fire service charges - per fire service connection	44.73	12.5%	8.5%	5.0%

<i>Tariff and Price Component</i>	<i>Price</i> <i>(1 July 2009)</i>	<i>PPM</i> <i>Year 1</i>	<i>PPM</i> <i>Year 2</i>	<i>PPM</i> <i>Year 3</i>
Bunyip Main Race - Maintained Private Extensions (per annum)	234.32	12.5%	8.5%	5.0%
Customers drawing non potable water from Bunyip and Tarago open channels (per kL)	0.9838	12.5%	8.5%	5.0%

<i>Tariff and Price Component</i>	<i>Price</i> <i>(1 July 2009)</i>	<i>Price</i> <i>(1 July 2010)</i>	<i>Price</i> <i>(1 July 2011)</i>	<i>Price</i> <i>(1 July 2012)</i>
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**1.10 Trade waste – application fees (discharge per day - prices expressed in nominal terms)\***

> 0.5kL - 4kL	43.00	49.00	50.00	50.00
> 4kL - 20kL	50.00	50.00	50.00	50.00
> 20kL - 50kL	50.00	50.00	50.00	50.00
> 50kL - 100kL	50.00	50.00	50.00	50.00
> 100kL - 1000kL	50.00	50.00	50.00	50.00
> 1000kL	50.00	50.00	50.00	50.00

**1.11 Miscellaneous fees and charges (prices expressed in nominal terms)\***

20 mm meter + delivery and installation	93.00	93.00	93.00	93.00
20 mm service connection to mains of up to 300mm	320.00	320.00	320.00	320.00
Removal and testing of water meters	76.00	88.00	98.00	108.00
Application fee for connection of single residential property to water and/or sewer	60.00	45.00	45.00	45.00
Plan showing sewer location within a Property (Property Sewerage Plan)	20.00	20.00	20.00	20.00
Backlog Connection Charge	500.00	500.00	500.00	500.00

**Information Statements**

All forms of lodgements	18.00	18.00	16.00	14.00
Restoration of supply at the meter	63.00	70.00	70.00	70.00
Application fee to build over South East asset or easement	36.00	41.00	45.00	49.00
Application fee - non works	128.00	148.00	165.00	183.00
Non-core miscellaneous services	Actual Cost	Actual Cost	Actual Cost	Actual Cost



## Schedule 3 – Application of prices

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### 3.1 Service charges only to be imposed on certain properties

- (a) A water service charge and sewerage service charge shall only be imposed in respect of a property.
- (b) For the purposes of this definition, a property means:
  - (i) If the land is under operation of the *Transfer of Land Act 1958*, the land for which there is a single folio of the register; and
  - (ii) If the land is not under the operation of the *Transfer of Land Act 1958* –
    - (A) Land owned by a single owner or joint owners; or
    - (B) In the case of Crown land, land occupied by a single occupier or joint occupiers.

### 3.2 Service charges only to be imposed on connected properties

- (a) A water service charge shall only be imposed if pipes and fittings have been installed which provide or are able to provide a supply of water to the property, and the water main has been charged.
- (b) A sewerage service charge shall only be imposed if pipes and fittings have been installed which convey or are able to convey sewage or trade waste from the property to the sewerage system.
- (c) A residential reticulated recycled water service charge shall only be imposed if pipes and fittings have been installed which provide or are able to provide a supply of recycled water to the property.
- (d) Each habitable property within a subdivision with an owners' corporation shall be deemed connected if under clause 3.2(a) to (c) the common property is determined to be liable for service charges.
- (e) A fire service charge shall only be imposed in respect of each connection to the water main that supplies a supply of water to a sprinkler system or fire service within a property.

### 3.3 Water usage charges

- (a) A water usage charge shall only be imposed where a meter or meters have been installed to measure the amount of water supplied to a property or to a property together with other properties.
- (b) A water usage charge shall be calculated by reference to the volume, expressed in kilolitres, or part thereof, of water supplied during a meter-reading period to a property or properties.

### **3.4 Residential property**

A 'residential property' means:

- a property used or intended to be used primarily as a residence or residences;
- in the case of vacant land, land zoned for residential purposes;

but does not include a property used or intended to be used as:

- a guest house, motel, hotel or caravan park;
- a farming enterprise; or
- a residence attached to a shop or professional suites.

### **3.5 Non-residential property**

A non-residential property is a property which is not a residential property.

### **3.6 Dwellings and units**

A 'dwelling' means: a house, flat or unit used for residential purposes, or a vacant lot on which a residence is being erected, but not a 'movable unit' (granny flat) provided by the Director of Housing under Section 18 of the Housing Act 1983, caravan or similar temporary accommodation.

'unit' (definition as contained in section 2 of Valuation of Land Act 1960) means:

- (a) A unit on a registered plan of strata subdivision subject to Schedule 2 to the Subdivision Act 1988; and
- (b) A stratum estate within the meaning of Transfer of Land Act 1958; and
- (c) A building or part of a building in the exclusive occupation of a person who is entitled to occupation by virtue of being a shareholder in a company which owns the building or a tenant of such a shareholder; and
- (d) A residential unit in respect of which a residence right in a retirement village under the Retirement Villages Act 1986 is in force.

### **3.7 Block tariff charges**

A block tariff is applicable for residential customers with different price increments occurring at 440L/day and 880L/day. Where multiple dwellings are supplied from a single meter, the blocks are multiplied by the number of dwellings. For example, the steps for a 2 dwelling residential property would be 880L/day and 1760L/day.

### **3.8 Sewage disposal charges**

- (a) A sewage disposal charge shall only be imposed where a meter has been installed:
  - (i) To measure the amount of water supplied to a property or to a property together with other properties; or

- (ii) To measure the amount of sewage discharged from a property.
- (b) A sewage disposal charge shall be calculated by reference to the volume, expressed in kilolitres, or part thereof, of sewage discharged or estimated to have been discharged during a meter reading period from a property or properties.
- (c) Except as provided for in the next three paragraphs, the volume of sewage discharged to the sewerage system from a property or properties during a meter-reading period shall be calculated according to a formula specified below.
- (d) If South East Water is satisfied that the use of the formula is likely to systematically and substantially overestimate the volume of sewage discharged from a property, South East Water may use another formula or method for estimating the volume.
- (e) South East Water may apply 'property specific' sewage disposal charge factors to customers that are served by a third pipe recycled water supply, or any other form of alternative water supply (eg. rainwater tanks). In those circumstances, South East Water would undertake a 'water balance' of potable water consumed as against expected discharges to sewer.
- (f) A customer may seek a customised discharge factor using the consumption history at the property to determine the assumed percentage of water discharged to the sewer annually. The formula used to calculate the volume of sewage may differ from that otherwise applied with the seasonal factor and discharge factor replaced by a customised discharge factor.

### **3.9 Backlog sewerage surcharge tariff**

The backlog sewerage surcharge will be applied to an unsewered property that is currently connected to South East Water's water supply system, and that is identified in a sewerage management plan as requiring the provision of sewerage services to solve a wastewater management issue. The charge is applied in five equal instalments over five years once the sewer infrastructure has been installed, regardless of whether the customer connects.

### **3.10 Sewage Disposal Charge formula – residential**

Where a volumetric sewage disposal charge is levied on residential customers in South East Water's area, it will be based on the metered water consumption, and a set of assumptions made about their return rate, that is, the proportion of the water that they use which is deemed to be returned as wastewater. Thus the sewage disposal charge is calculated as:

$$\text{Sewage Disposal Charge} = \text{Price} \times \text{Actual Metered Volume of Water Supplied} \times \text{Return Rate}$$

The return rate is derived by multiplying the discharge factor by the seasonal factor. Where customers receive recycled water services, the 'Actual Metered Volume' is the sum of metered potable water and metered recycled water.

Note: The calculation of the sewage disposal charge is subject to clauses 3.8 (c)-(f).

### **Discharge Factor**

The discharge factor is broadly inversely proportional to water consumption. It is calculated via a sliding scale over a specified range of consumption levels.

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<i>Quarterly equivalent metered water consumption for single property</i>	<i>Quarterly discharge factor</i>
0 to 125 kL	0.9
125.01 to 250 kL	0.9 minus 0.09 per 25 kL in excess of 125 kL
Over 250 kL	0.45

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These consumptions will be adjusted for the number of dwellings on a property.

As billing periods are not exactly quarterly, for the purpose of calculating the discharge factor, metered volumes are converted to quarterly equivalents through multiplication by 91.25 (a quarter of 365) and division by the actual number of days in that billing period covered. Where more than one property is supplied through a meter, the reading is divided by the number of properties served for the purposes of calculating the discharge factor. The discharge factor is otherwise independent of property type and time of year.

### **Seasonal Factor**

The number of days that a customer's bill covers is converted to a number of equivalent winter days, and the ratio of actual to equivalent days defines the seasonal factor. Equivalent winter days are calculated from sets of assumed seasonal indices that relate to the different months of the year.

*Seasonal Indices*

<i>Month</i>	<i>Houses</i>	<i>Units</i>
January	1.7	1.3
February	1.7	1.3
March	1.5	1.2
April	1.2	1.1
May	1.0	1.0
June	1.0	1.0
July	1.0	1.0
August	1.0	1.0
September	1.1	1.0
October	1.2	1.1
November	1.4	1.1
December	1.6	1.2

### 3.11 Sewage Disposal Charge formula – non-residential

For non-residential customers, the formula is:

Trade waste customers:

$$\text{Sewage Disposal Charge} = \text{Price} \times (\text{Metered volume} - \text{Process Volume} - \text{Trade waste volume}) \times 0.9$$

Other customers:

$$\text{Sewage Disposal Charge} = \text{Price} \times \text{Metered volume} \times \text{Discharge factor}$$

Note: In circumstances where a customer is supplied with recycled water that is discharged to sewer, metered volume includes both potable and recycled water.

Note: The calculation of the sewage disposal charge is subject to clauses 3.8 (c)-(f).

In the absence of meters to measure waste streams, the discharged volume is derived via estimation. For trade waste customers, this involves a detailed water audit, including whether there are any seasonal relationships with water use and sewage disposal. For non-trade waste customers, an alternative (more customer specific) factor is assigned. This factor essentially addresses the 'process' volume, for example watering ovals etc, and is primarily based on the industry in which the customer operates. See the following table for details:

per cent	Discharge factors
0	Farms, Fountain, Nature strip, Planter box, Round-a-bout, Vacant Land
10	Football oval, Golf course, Plant Nursery, Quarry, Racing tracks, Recreation reserve

25	Cemetery, Construction site, Bowling green, Tennis Club
50	Ambulance, Bus/tram depot, Car sales, Caravan Park, Caravan/Boat parking lot, Child care centre, Fire Brigade, Kennels, Kindergartens, Machinery storage, School, SES, Yacht club
75	Swimming centre
90	Laundrette, Library, Petrol station, Police station/courthouse, Post office, Printing works, Professional offices - , Public toilet block, Railway station, Reception centre, Repair workshop, Restaurant, RSL or other non sporting club, Shopfront printing works, Shopping centre, Silo/Grain storage or flour mill , Single shop, Storage depot for gas or fuel, Supermarket, Telephone exchange, Tip, Travel agency
90	All other Non Residential Customers

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### 3.12 Trade waste category allocation

Customers are allocated into Trade Waste categories based on annual volume and/or load concentrations as detailed below:

#### To be classified as Category 1:

Mean Bio-Chemical Oxygen Demand ('BOD') and Suspended Solids ('SS') concentrations must both be less than or equal to 600mg/L; and

Annual volume must be less than 1,000kL.

#### To be classified as Category 2

- Mean BOD and SS concentrations must both be less than or equal to 600mg/L to qualify; and
- Annual volume must be greater than 1,000kL.

A Category 2 customer will also be charged (per kg) for:

- Mean concentration of Nitrogen greater than 50mg/L; and
- Mean concentration of Total Oxidised Sulphur greater than 100mg/L.

#### To be classified as Category 3

- Either or both of the mean concentration of BOD and SS is greater than 600mg/L.
- There is no minimum or maximum volume required for a customer to be classified as a Trade Waste Category 3.

A Category 3 customer will also be charged (per kg) for:

- Mean concentration of Nitrogen greater than 50mg/L; and
- Mean concentration of Total Oxidised Sulphur greater than 100mg/L.

### 3.13 Miscellaneous fees and charges

*20 mm meter (plus delivery and installation)* – fee covers provision of information on metering policy, supply of a 20mm meter and its delivery to a South East Water

approved contractor, installation (or supervision of installation by the contractor) and creation or updating of customer records to indicate that the meter has been installed.

*20 mm service connection (to mains of up to 300 mm)* – fee covers administration costs of staff to determine that a connection can be installed in the main, arrange the connection date and time with the customer (or their plumber) and South East Water's contractor and update records indicating the type and size of connection. Also covers contractor's fees, covering labour, materials, travelling and other costs. The customer or their plumber is responsible for the excavation, backfilling, site reinstatement and traffic management costs.

*Removal and testing of meter (20mm)* – applied on request by customer for a meter accuracy test to be conducted at an Australian Government National Measurement Institute accredited laboratory. Fee covers cost of visiting property to remove meter and install a new meter in its place, freight costs, laboratory charges, cost of a new meter and administrative costs. If the laboratory test indicates that the meter was registering outside the National Measurement Act parameters, the fee is refunded to the customer. If the meter is registering accurately the fee is not refunded.

*Application fee for connection of single residential property to water and/or sewer* – fee needs to be lodged when:

- applying for a 20mm water supply and standard sewer connection for a residential property
- demolishing and rebuilding where the water meter is retained on the land
- undertaking house extensions or alterations such as installing an additional toilet
- converting from a septic system to a sewer connection
- for a 20mm non-residential connection that does not warrant the preparation of conditions of connection.

Fee covers the costs of verifying that the services being applied for are available and the capacity exists to service the property. The customer receives approval to connect, a copy of a plan showing the location of sewer pipes and the sewer connection point and if applicable an indication as to whether the water supply connection is to require a tapping of the main or the installation of a meter assembly.

*Plan showing sewer location within a property (property sewerage plan)* – fee covers the costs of maintaining the records of the location of sewer pipes within properties and extracting and providing a copy of a plan showing the location of sewer pipes for the property indicated in the application.

*Information statements* – in transactions related to property settlement, customers may request an information statement from South East Water that shows:

- the drainage charge levied on the property during the current financial year and the amount outstanding
- the parks charge levied on the property during the current financial year and the amount currently outstanding

- details of any encumbrances placed on the property by South East Water, and
- details of Melbourne Water's encumbrances placed on the property.

Fee covers the cost of issuing the statement, the cost of an update of the amount outstanding if such an update is requested within 6 months of the issue date of the statement in addition to charges payable to Melbourne Water.

*Restoration of supply at the meter* – fee covers part of the costs of visiting the property to further attempt to negotiate a payment plan prior to restricting the property and visiting the property to remove the restriction device when a payment is agreed.

*Application to build over easement or South East Water asset* – Property owners who want to erect a structure over or abutting a South East Water asset, or within a South East Water easement can only do so if approval is obtained from South East Water. Application fee covers part of the costs of the investigations that need to be undertaken to determine whether their request can be granted, be granted subject to conditions or whether an additional fee needs to be lodged to cover the costs of investigating the condition of the asset.



## Schedule 4 – Pricing principles

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### 4.1 Recycled water pricing principles

Recycled water prices should be set so as to:

- have regard to the price of any substitutes and customers' willingness to pay;
- cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand); and
- include a variable component.

Where **South East Water** does not propose to fully recover the costs associated with recycled water, it must demonstrate to the Commission that:

- it has assessed the costs and benefits of pursuing the recycled water project;
- it has clearly identified the basis on which any revenue shortfall is to be recovered; and
- if the revenue shortfall is to be recovered from non-recycled water customers, either the project is required under the Statement of Obligations which applies to **South East Water** or pursuant to other Government policies that apply to **South East Water** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

### 4.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 do not apply because the nature of the service provided to a particular customer (including, in the case of trade waste customers, the volume or load of waste treated) is unique, prices must be set as follows:

- variable prices (including, in the case of trade waste customers, load-based charges) should reflect the long run marginal cost (LRMC) of providing services (including, in the case of trade waste customers, trade waste transfer, treatment and disposal);
- the total revenue received from each customer should be greater than the cost that would be 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;
- 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;
- prices should reflect reasonable assumptions regarding the customer's demand for services (including, in the case of trade waste customers, the

volume and strength of trade waste anticipated to be produced by that customer)

- depreciation rates and rates of return used to determine prices should be consistent with those adopted by the Commission for the purposes of making this Determination;
- customers should be provided with full details of the manner in which prices have been calculated and any new, renewed or renegotiated contractual agreements with customers should indicate that the prices to apply are subject to any Determination made by the Commission;
- 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.

### 4.3 Pricing principles for developer charges for new customers

Schedule 2 sets out **developer charges** for new customers.

The scheduled charge applies on a per lot basis, and may be levied on any connection of a new customer that is, or can be, individually metered.

When connecting to **South East Water's** water and sewerage network, the developer must provide the reticulation assets that are required to service their development and connect to **South East Water's** network.

Reticulation assets are infrastructure assets that are explicitly provided in relation to prescribed services for one development and are not required to be upsized to support other future developments. A water main that is 150mm or less in diameter and a sewerage main that is 225mm or less in diameter, and all associated assets that relate to these sized assets are generally considered to be reticulation assets although there may be some situations where these sizes are inappropriate.

Shared distribution assets are infrastructure assets that are generally provided in relation to prescribed services for more than one development and do not include:

- reticulation assets; or
- headworks and tailworks.

If a developer is required to provide reticulation assets that exceed the requirements of their development in a material respect, the developer can only be required to contribute to the costs of the reticulation assets an amount that reflects the requirements of their development.

The balance of the costs of the reticulation assets in such a case is to be recovered from future developers.

At any time during the regulatory period, **South East Water** may levy a charge greater than the scheduled charge that will cover the costs associated with bringing forward the provision of shared distribution assets. In doing so, **South East Water** must set out the pricing principles for determining **developer charges** as contained in this Determination, and also notify the developer of their right to

appeal any non-scheduled charge to the Commission. The proposed charge is to be calculated on the basis of:

- the development-specific capital costs associated with connecting a customer or group of customers. For the avoidance of doubt, development-specific capital costs do not include any costs associated with:
  - assets in place prior to the development;
  - shared network assets; or
  - headworks, tailworks and treatment plants.
- where relevant, the financing costs that may be attributable to bringing forward the timing of the provision of shared assets required to connect to the existing network.

The brought forward financing costs associated with developments requiring the construction of shared network assets are to be calculated on the basis of the extent to which the assets being constructed form part of a logical extension to **South East Water's** existing water and sewerage networks:

Where the shared assets could be reasonably considered to form part of a logically sequenced network expansion and could reasonably be expected to be required by **South East Water** within a short to medium term planning horizon, no bring forward **developer charge** is to apply (scheduled charge applies).

Where the shared assets do not form part of a logically sequenced network expansion, but could reasonably be expected to have been required by **South East Water** in respect of a long term planning horizon, then a non-scheduled **developer charge** equivalent to 40 per cent of the as constructed cost of the shared assets will apply.

Where the shared assets do not form part of a logically sequenced network expansion, and could not reasonably be expected to have been required by **South East Water** in respect of a long term planning horizon, then a non-scheduled **developer charge** equivalent to 70 per cent of the as constructed cost of the shared assets will apply.

Non-scheduled new customer contributions in sewerage backlog areas are to be calculated according to the following formula:

$$NCC = 1 - \left[ \frac{1}{(1+r)^n} \right]$$

where:

*NCC* is the non-scheduled new customer contribution, expressed as a percentage and applied to final construction costs

*r* is the implied pre-tax weighted average cost of capital as approved by the Commission and

*n* is the number of years the backlog sewerage works have been brought forward.

#### **4.4 Pricing principles for developer charges for existing property owners**

At any time during the regulatory period, **South East Water** must seek the Commission's approval where it proposes to levy a **developer charge** to apply to existing property owners connecting to water and/or sewerage services. This charge must not be greater than:

- the full efficient cost of installing the local reticulation mains; and
- any cap as specified by the Minister for Water in accordance with the requirements of the Statement of Obligations.

#### **4.5 Pricing principles for miscellaneous services not included in Schedule 2**

Prices for miscellaneous services must be set according to actual cost calculated on the basis of the aggregate of:

- direct third party or contractor invoice cost;
- direct marginal internal costs, including labour, materials and transport costs; and
- a fair contribution to overheads.

For bank dishonour, debt collection and legal fees, the third party costs must be charged directly to the customer with no contribution for internal costs or a contribution to overheads.

#### **4.6 Guidelines**

**South East Water** must comply with any guidelines issued by the Commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 4 relates.

**The Common Seal of the  
Essential Services Commission**  
was affixed to this Determination  
with the authority of the  
Commission.

Date: 25 June, 2009



A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

**Dr Ron Ben-David**  
**Chairperson**

## Annexure A

Table 1 **Additional service standards**

<i>Service standard</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
CO <sub>2</sub> emissions (net tonnes)	22 000	19 000	16 500	13 750
Recycled water (ML)	7 200	7 300	7 400	7 500
Biosolids reused/recycled (per cent)	105	105	105	105
Sewer backlog connections (number)	400	600	800	900
Compliance with environment discharge licence requirement (per cent)	100	100	100	100
Compliance with drinking water quality regulations (per cent)	100	100	100	100
Demand by potable substitution schemes (ML)	300	900	1 000	1 100
Sewer odour complaints (per 1000 customers)	50	50	50	35
Sewer spills (per 100km)	7.5	7.5	7.5	7.5
Planned water supply interruptions (per 100km)	6.0	6.0	6.0	6.0
Account enquires answered within 30 seconds (per cent)	93	93	93	93
Systems faults calls answered within 30 seconds (per cent)	96	96	96	96
Residential potable water use targets (litres per person per day)	155	163	169	168
Total potable water use (litres per person per day)	240	253	261	258

Table 2 **Weighted average cost of capital**  
(per cent)

<i>Post tax WACC</i>	<i>Implied pre-tax WACC</i>
5.1	5.6

Table 3 **Benchmark revenue requirement**  
\$ million in January 2009 prices

	<i>2009-10</i>	<i>2010-11</i>	<i>2011-2012</i>	<i>2012-13</i>
Operating expenditure	333.61	372.04	441.04	538.96
Return on existing assts	93.07	91.53	89.99	88.45
Return on new investments	9.97	17.12	23.27	28.39
Regulatory depreciation	37.68	42.51	45.83	47.39
Tax liability	9.70	10.32	10.85	11.08
<b>Total</b>	<b>484.02</b>	<b>533.52</b>	<b>610.97</b>	<b>714.27</b>

Table 4 **Updated regulatory asset base**  
\$ million in January 2009 prices

	2004-05	2005-06	2006-07	2007-08
Opening RAB	1 739.09	1 756.62	1 775.90	1 822.02
<i>Plus</i> Gross capital expenditure	82.24	65.93	96.10	105.12
<i>Less</i> Government contributions	0.00	0.00	0.00	1.36
<i>Less</i> Customer contributions	35.03	13.09	12.45	15.43
<i>Less</i> Proceeds from disposals	0.00	0.00	0.00	0.00
<i>Less</i> Regulatory depreciation	29.67	33.56	37.53	40.17
<b>Closing RAB</b>	<b>1 756.62</b>	<b>1 775.90</b>	<b>1 822.02</b>	<b>1 870.18</b>

Table 5 **Rolled forward regulated asset base**  
\$ million in January 2009 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Opening RAB	1 870.18	1 964.06	2 076.52	2 184.06	2 257.44
<i>Plus</i> Gross capital expenditure	153.17	181.23	173.43	142.44	137.48
<i>Less</i> Government contributions	2.28	3.98	0.00	0.00	0.00
<i>Less</i> Customer contributions	24.31	27.11	23.37	23.23	23.00
<i>Less</i> Proceeds from disposals	0.00	0.00	0.00	0.00	0.00
<i>Less</i> Regulatory depreciation	32.69	37.68	42.51	45.83	47.39
<b>Closing RAB</b>	<b>1 964.06</b>	<b>2 076.52</b>	<b>2 184.06</b>	<b>2 257.44</b>	<b>2 324.54</b>

Table 6 **Approved licence fee and environmental contribution assumptions**  
\$ million in January 2009 prices

	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Essential Services Commission licence fee	0.37	0.37	0.37	0.52
Environment Protection Authority licence fee	0.11	0.12	0.13	0.14
Department of Human Services licence fee	0.21	0.21	0.21	0.21
Environmental contribution	16.17	15.77	15.39	15.01

Table 7 **Demand forecasts**

	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
<b>Water connections (no.)</b>				
Residential	576 630	587 009	597 575	608 331
Non-residential	49 594	50 725	51 873	53 038
<b>Total</b>	<b>626 224</b>	<b>637 734</b>	<b>649 448</b>	<b>661 369</b>
<b>Sewerage connections (no.)</b>				
Residential	547 859	558 095	568 584	579 430
Non-residential	44 341	45 353	46 379	47 421
<b>Total</b>	<b>592 200</b>	<b>603 448</b>	<b>614 963</b>	<b>626 851</b>
<b>Billable water consumption (ML)</b>				
Residential	83 355	89 765	91 880	96 742
Non-residential	28 947	33 486	33 787	36 240
<b>Total</b>	<b>112 302</b>	<b>123 251</b>	<b>125 667</b>	<b>132 982</b>
<b>Sewerage volumes (ML)</b>				
Residential	58 024	60 498	61 923	64 526
Non-residential	13 945	15 925	16 068	17 031
<b>Total</b>	<b>71 969</b>	<b>76 423</b>	<b>77 991</b>	<b>81 557</b>



Table 8 **Key capital projects**

	<i>Expected completion date</i>
Pakenham – Narre Warren sewer	2010-11
Mt Martha sewerage treatment plant upgrade	2012-13
Hastings industrial project	2010-11
Sherbrooke sewer backlog scheme reticulation	2012-13
Upper Beaconsfield sewer backlog scheme	2011-12
Flinders – Shoreham sewer backlog scheme connections	2010-11