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Thirteenth Beach Golf Links Ltd.
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Submission to Essential Services Commission on 2017-18 Water Price Review Process

Dear Sirs,

I am writing on behalf of the Board of Thirteenth Beach Golf Links (TBGLL) to provide comments and feedback on our understanding of the proposed pricing structure for Barwon Water for the five-year period commencing 1st July 2018.

TBGLL currently uses approximately 200 ML of RCW per annum to irrigate 36 holes of golf, practice facilities and associated areas within the precinct. TBGLL is one of the largest employers in the immediate area, employing 60 staff and has been host venue for the Oates Vic Open since 2013. This event generates significant, direct economic benefit to the region with an influx of international players and spectators from other parts of Victoria and inter-state.

Not so long ago, water costs were \$165/ML, however this figure increased dramatically in a short period of time to the current rate of \$451/ML. This is unsustainable for our business and it is unlikely that any business could support a 173% increase of this nature.

We understand from recent consultation with Barwon Water that a new model is proposed. It includes a "Take or Pay" option to lock-in a quantity at a reduced rate of \$300/ML with any excess reverting to the current rate. We also understand that future pricing is proposed to include the same "Take or Pay" option and cost, with the excess amount charged at \$388/ML. While these rates are lower than current levels, they remain vastly higher than \$165/ML.

The justification, according to Barwon Water, of both the higher costs and the new pricing model is based on infrastructure costs of the treatment plant that RCW is sourced from. In TBGLL's case this is Black Rock. The only potential future cost relief would be if more RCW customers come on line, something which existing customers have no control over.

Future infrastructure spend is also an element that the customer has no control over and we understand that this influences the price. For two of the main drivers of cost to be completely out of control of the customer, seems unfair and has significant impact on businesses.

We are also of the understanding that direct competitors in our location who are Barwon Water customers but source water from different treatment plants, will enjoy costs that are between 33% and 75% lower than our proposed pricing. This is simply inequitable and puts our business at a significant disadvantage.

Barwon Water have clearly given much thought to a variety of pricing models, however the bottom line for businesses, such as ours, is that the cost should be manageable and not subject to major increases that have been experienced in recent years, nor should pricing have significant inequity between direct competitors or like businesses.

Finally, due to the excess capacity of RCW produced at Black Rock, it is our understanding that a significant proportion of RCW is wasted and flows back into the sea. This no doubt also contributes to the high cost we are paying.

In summary, TBGLL implores the ESC to have Barwon Water revisit the proposed pricing levels and models to allow businesses such as ours, to have

1. A level of price certainty that is not subject to major increases
2. Confidence that pricing is equitable
3. A pricing model that is not driven by uncontrollable costs such as infrastructure and spare capacity

Thank you for considering our submission and please do not hesitate to contact us if you have any questions.

Yours sincerely



Craig Skimming

General Manager