

# **Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses**

## **1 Tariff Schedule**

In line with 2(a) of Volume II of the Draft Decision, Appendix A details our proposed Tariff Schedule.

The schedule reflects the revenue requirement, demand forecasts and other changes suggested by the ESC in its Draft Decision.

## **2 Service Standards**

In line with 2(b) of Volume II of the Draft Decision the Service Standards Schedule at Appendix B is proposed.

The schedule is consistent with the service standards suggested by the ESC.

## **3 Additional Service Standards**

In line with 2(b) of Volume II of the Draft Decision the Service Standards Schedule at Appendix C is proposed.

The schedule is not consistent with the service standards suggested by the ESC. The additional service standard for Small Town Sewerage connections has been adjusted to reflect the ESC's suggestion to defer the completion of the Poowong/Loch/Nyora scheme until the end of the regulatory period.

## **4 Operating Expenditure**

While South Gippsland Water has submitted a tariff schedule consistent with the operating expenditure suggested by the ESC, it is highlighted that the Department of Sustainability and Environment (DSE) has forwarded revised Environmental Contribution estimates to water businesses and that any changes to this important expenditure component will need to be reflected in final approved tariffs.

# **Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses**

## **5 Capital Expenditure**

The capital expenditure suggested by the ESC is confirmed. South Gippsland Water notes that the Poowong/Loch/Nyora Small Town Sewerage Scheme has been deferred as a result of the expenditure review.

Please note when documenting South Gippsland Water's Key Capital Projects in the Final Decision, that the expected completion date will now be 2012/13.

## **6 Demand Forecasts**

A number of demand forecasts in the Draft Decision were incorrectly documented, however, the ESC has made the corrections to the pricing template and South Gippsland Water has prepared its tariff schedule in line with this template.

## **7 Form of Price Control**

South Gippsland Water notes that it is subject to individual price caps.

## **8 Pass Trough Mechanisms**

In line with 12 (d) of the Draft Decision, South Gippsland Water wishes to identify the Poowong/Loch/Nyora Small Town Sewerage Scheme in terms of its uncertainty on price and timing.

## **9 Tariff Structures**

South Gippsland Water notes that the ESC has approved its tariff structures for:

- Retail water tariffs;
- Retail sewerage tariffs;
- Trade waste charges, including pricing principles where scheduled prices do not apply;
- Recycled water pricing principles subject to removing reference to maximising revenue earned (SGW agrees); and
- New customer contributions.

## **Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses**

The ESC raised an issue regarding charges for large customers, specifically with respect to the higher variable water charge levied on our major customer, Murray Goulburn.

South Gippsland Water has had extensive consultation with Murray Goulburn regarding the tariff and commissioned a PwC report (previously provided to the ESC) into the merits of such a charging structure and options for establishing a uniform volumetric rate for all South Gippsland Water customers.

The analysis included the assessment of different options for levying a fixed charge on Murray Goulburn and discussed the impacts these charges would have on South Gippsland Water's operating environment. Each option was analysed in terms of its implications for financial sustainability and the relationship to regulatory pricing principles such as cost recovery, cost reflectivity and tariff

Murray Goulburn has signalled its intention to be fully self sustainability in terms of water use within 10 years and the first phase of their long term plan will be implemented during 2008/09 (forecasting 35% reductions to water demand). As such, they will gradually reduce their impact on the Leongatha water system and have argued that the differential volumetric rate should continue as they believe that establishing a fixed charge and a lower volumetric rate will be a disincentive to implementing their major demand reductions.

### **10 Miscellaneous Charges**

In line with the ESC Draft Decision, South Gippsland Water has excluded administration developer fees from its core miscellaneous services.

In response to 18 (c) and (d) of the Draft Decision, the following information is furnished.

## Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses

### CORE MISCELLANEOUS SERVICE REVENUE BREAKUP

<u>Core Miscellaneous Service</u>	<u>Revenue Forecast – 2008/09 (1/1/07 \$'s)</u>	<u>% of Total Miscellaneous Services Revenue</u>
Property Information Statements	\$48,000	14%
Special Meter Readings	\$10,000	3%
20mm Tapping Fee	\$103,000	30%
Plumbing Industry Commission Fee	\$54,000	16%
Standpipe Water Sales	\$40,000	12%
Septic Tank Receptival	\$30,000	9%
All Other	\$55,000	16%
<b>TOTAL</b>	<b>\$340,000</b>	<b>100%</b>

The core set makes up some 84% of total miscellaneous services revenue and as such no further miscellaneous services are proposed.

# Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses

## APPENDIX A

### SOUTH GIPPSLAND WATER - Schedule of tariffs (Real) 1 July 2007 to 30 June 2013

Tariff and Price Component \$, 1/1/07	Price (1 July 2007)	Price (1 July 2008)	% Var'n	Price (1 July 2009)	% Var'n	Price (1 July 2010)	% Var'n	Price (1 July 2011)	% Var'n	Price (1 July 2012)	% Var'n
<b>1.1 Water access fees (per annum)</b>											
<b>East/West District</b>											
Access fee – Developed	199.88	214.28	7.2%	229.72	7.2%	244.93	6.6%	261.15	6.6%	278.44	6.6%
Access fee – Undeveloped	199.88	214.28	7.2%	229.72	7.2%	244.93	6.6%	261.15	6.6%	278.44	6.6%
Access fee – Agreements	181.72	194.82	7.2%	208.86	7.2%	222.68	6.6%	237.43	6.6%	253.15	6.6%
Access fee – Concessional	168.69	180.85	7.2%	193.88	7.2%	206.71	6.6%	220.40	6.6%	234.99	6.6%
<b>Southern District</b>											
Access fee – Developed	278.08	284.57	2.3%	291.23	2.3%	296.33	1.8%	301.52	1.8%	306.81	1.8%
Access fee – Undeveloped	278.08	284.57	2.3%	291.23	2.3%	296.33	1.8%	301.52	1.8%	306.81	1.8%
Access fee – Agreements	249.81	255.65	2.3%	261.63	2.3%	266.21	1.8%	270.88	1.8%	275.63	1.8%
Access fee – Concessional	168.69	172.63	2.3%	176.67	2.3%	179.76	1.8%	182.91	1.8%	186.12	1.8%
<b>1.2 Water usage charges (per kL)</b>											
Volumetric fee – Murray Goulburn	1.1754	1.2898	9.7%	1.4154	9.7%	1.5560	9.9%	1.7105	9.9%	1.8804	9.9%
Volumetric fee – All others	0.9665	1.0606	9.7%	1.1638	9.7%	1.2794	9.9%	1.4065	9.9%	1.5462	9.9%
<b>1.3 Sewerage access fees (per annum)</b>											
<b>Residential and non-residential</b>											
Access fee – Developed	344.26	353.99	2.8%	363.98	2.8%	374.26	2.8%	384.83	2.8%	395.69	2.8%
Access fee – Undeveloped	202.08	207.78	2.8%	213.65	2.8%	219.68	2.8%	225.89	2.8%	232.27	2.8%
<b>1.4 Cistern access fees (per annum)</b>											
1-2 Cisterns	111.58	114.73	2.8%	117.97	2.8%	121.30	2.8%	124.73	2.8%	128.25	2.8%
3-5 Cisterns	293.74	302.02	2.8%	310.55	2.8%	319.32	2.8%	328.35	2.8%	337.62	2.8%
6-10 Cisterns	567.87	583.87	2.8%	600.36	2.8%	617.31	2.8%	634.77	2.8%	652.69	2.8%
11-15 Cisterns	908.91	934.53	2.8%	960.92	2.8%	988.05	2.8%	1,016.00	2.8%	1,044.68	2.8%
16-20 Cisterns	1,516.32	1,559.06	2.8%	1,603.09	2.8%	1,648.35	2.8%	1,694.98	2.8%	1,742.83	2.8%
21-26 Cisterns	2,170.58	2,231.77	2.8%	2,294.80	2.8%	2,359.59	2.8%	2,426.34	2.8%	2,494.84	2.8%
27-35 Cisterns	2,660.40	2,735.40	2.8%	2,812.65	2.8%	2,892.06	2.8%	2,973.87	2.8%	3,057.83	2.8%
36–Greater Cisterns	3,040.39	3,126.11	2.8%	3,214.39	2.8%	3,305.14	2.8%	3,398.64	2.8%	3,494.59	2.8%
<b>Volume Charge – (per kL)</b>											
Volume Charge	0.9665	1.0606	9.7%	1.1638	9.7%	1.2794	9.9%	1.4065	9.9%	1.5462	9.9%
<b>1.5 Minor trade waste fees</b>											
<b>Application fees (per application)</b>											
Category 1	n/a	94.04	n/a	94.04	0.0%	94.04	0.0%	94.04	0.0%	94.04	0.0%
Category 2	n/a	149.84	n/a	149.84	0.0%	149.84	0.0%	149.84	0.0%	149.84	0.0%
Category 3	n/a	274.71	n/a	274.71	0.0%	274.71	0.0%	274.71	0.0%	274.71	0.0%
<b>Access fees (per annum)</b>											
Access fee – Category 1	n/a	298.05	n/a	339.78	14.0%	387.35	14.0%	441.57	14.0%	503.39	14.0%
Access fee – Category 2	n/a	395.79	n/a	451.20	14.0%	514.37	14.0%	586.38	14.0%	668.47	14.0%
Access fee – Category 3	n/a	491.04	n/a	559.79	14.0%	638.16	14.0%	727.50	14.0%	829.35	14.0%
<b>Volumetric fees (per kL)</b>											
All Categories	n/a	0.4000	n/a	0.4500	12.5%	0.5200	15.6%	0.5900	13.5%	0.6700	13.6%
<b>Quality fees (per kg)</b>											
BOD	n/a	0.3100	n/a	0.3500	12.9%	0.4000	14.3%	0.4600	15.0%	0.5200	13.0%
SS	n/a	0.2900	n/a	0.3300	13.8%	0.3800	15.2%	0.4300	13.2%	0.4900	14.0%
Nitrogen	n/a	1.2900	n/a	1.4800	14.7%	1.6800	13.5%	1.9200	14.3%	2.1900	14.1%
Phosphorus	n/a	7.3800	n/a	8.4100	14.0%	9.5900	14.0%	10.9300	14.0%	12.4600	14.0%
<b>Additional sampling (per sample)</b>											
All Categories	n/a	Actual Cost	0.0%	Actual Cost	0.0%	Actual Cost	0.0%	Actual Cost	0.0%	Actual Cost	0.0%
<b>Exceedence fees (per kg)</b>											
Oil & Grease	n/a	0.0800	n/a	0.0800	0.0%	0.0800	0.0%	0.0800	0.0%	0.0800	0.0%
Sodium	n/a	0.0800	n/a	0.0800	0.0%	0.0800	0.0%	0.0800	0.0%	0.0800	0.0%
TOS	n/a	0.5600	n/a	0.5600	0.0%	0.5600	0.0%	0.5600	0.0%	0.5600	0.0%

# Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses

## APPENDIX A (Cont)

Tariff and Price Component \$, 1/1/07	Price (1 July 2007)	Price (1 July 2008)	% Var'n	Price (1 July 2009)	% Var'n	Price (1 July 2010)	% Var'n	Price (1 July 2011)	% Var'n	Price (1 July 2012)	% Var'n
<b>1.6 New customer contributions (per lot)</b>											
Headworks charges – all areas	514.47	514.47	0.0%	514.47	0.0%	514.47	0.0%	514.47	0.0%	514.47	0.0%
Outfall charges – all areas	514.47	514.47	0.0%	514.47	0.0%	514.47	0.0%	514.47	0.0%	514.47	0.0%
<b>1.7 Miscellaneous fees and charges</b>											
<b>Property information statements</b>	39.05	39.05	0.0%	39.05	0.0%	39.05	0.0%	39.05	0.0%	39.05	0.0%
<i>Fee imposed for providing a certificate issued in accordance with Section 158 of the, Water Act 1989.</i>											
<b>Special meter readings</b>	20.01	20.01	0.0%	20.01	0.0%	20.01	0.0%	20.01	0.0%	20.01	0.0%
<i>Fee imposed for providing a certificate which indicates water usage charges up to a specified date. Generally provided, on application, for property sales.</i>											
<b>20mm Tapping Fee</b>	295.79	295.79	0.0%	295.79	0.0%	295.79	0.0%	295.79	0.0%	295.79	0.0%
<i>Fee imposed for meter and labour associated in providing a tapping to the water main.</i>											
<b>Plumbing Industry Commission (PIC) Fee</b>	152.78	152.78	0.0%	152.78	0.0%	152.78	0.0%	152.78	0.0%	152.78	0.0%
<i>Fee imposed for providing sewer plans and processing applications to connect or modify plumbing.</i>											
<b>Standpipe Water Sales (per kL)</b>											
<i>Fee imposed for the sale of water via a metered standpipe.</i>											
- Registered Users	300% of volumetric fee	300% of volumetric fee	0.0%	300% of volumetric fee	0.0%	300% of volumetric fee	0.0%	300% of volumetric fee	0.0%	300% of volumetric fee	0.0%
- Unregistered Users	400% of volumetric fee	400% of volumetric fee	0.0%	400% of volumetric fee	0.0%	400% of volumetric fee	0.0%	400% of volumetric fee	0.0%	400% of volumetric fee	0.0%
<b>Septic Tank Waste Receptival (per kL)</b>	20.00	20.00	0.0%	20.00	0.0%	20.00	0.0%	20.00	0.0%	20.00	0.0%
<i>Fee imposed on septic tank waste carters, for the disposing of sewage and/or other acceptable waste.</i>											

# Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses

## APPENDIX B

### SOUTH GIPPSLAND WATER - Service Standards 1 July 2007 to 30 June 2013

	3 YR AV.	PROPOSED SERVICE STANDARDS				
	2003-06	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Water</b>						
Unplanned water supply interruptions (per 100km)	28.2	28.0	28.0	28.0	28.0	28.0
Average time taken to attend bursts and leaks (priority 1)	16.3	30.0	30.0	30.0	30.0	30.0
Average time taken to attend bursts and leaks (priority 2)	36.1	40.0	40.0	40.0	40.0	40.0
Average time taken to attend bursts and leaks (priority 3)	45.1	1440.0	1440.0	1440.0	1440.0	1440.0
Unplanned water supply interruptions restored within 5 hours (per cent)	98.4	99.0	99.0	99.0	99.0	99.0
Planned water supply interruptions restored within 5 hours (per cent)	72.6	99.0	99.0	99.0	99.0	99.0
Average unplanned customer minutes off water supply	39.3	33.0	33.0	33.0	33.0	33.0
Average planned customer minutes off water supply	162.4	150.0	150.0	150.0	150.0	150.0
Average unplanned frequency of water supply interruptions	0.30	0.33	0.33	0.33	0.33	0.33
Average planned frequency of water supply interruptions	0.50	0.50	0.50	0.50	0.50	0.50
Average duration of unplanned water supply interruptions (minutes)	114.5	100.0	100.0	100.0	100.0	100.0
Average duration of planned water supply interruptions (minutes)	302.4	300.0	300.0	300.0	300.0	300.0
No. of customers experiencing more than 5 unplanned water supply interruptions in the year	0.0	0.0	0.0	0.0	0.0	0.0
Unaccounted for water	12.0	14.0	14.0	14.0	14.0	14.0

<b>Sewerage</b>						
Sewerage blockages (per 100km)	15.8	18.0	18.0	18.0	18.0	18.0
Average time to attend sewer spills and blockages (minutes)	26.4	30.0	30.0	30.0	30.0	30.0
Average time to rectify a sewer blockage (minutes)	142.0	120.0	120.0	120.0	120.0	120.0
Spills contained within 5 hours (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
No. of customers receiving more than 3 sewer blockages in the year	0.0	0.0	0.0	0.0	0.0	0.0

<b>Customer service</b>						
Complaints to EWOV	0.9	1.1	1.1	1.1	1.1	1.1
Telephone calls answered within 30 seconds	99.0	98.0	98.0	98.0	98.0	98.0

<b>Minimum flow rates</b>	
20mm	20
25mm	35
32mm	60
40mm	90
50mm	160

# Response to Draft Decision of the 2008 Water Price Review for Victorian Regional Urban Water Businesses

## APPENDIX C

### SOUTH GIPPSLAND WATER - Additional Service Standards 1 July 2007 to 30 June 2013

	3 YR AV.	PROPOSED SERVICE STANDARDS				
	2003-06	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Water</b>						
Recycled water target (% reused)	n/a	2.0	2.0	2.0	2.0	2.0
Biosolids reuse (% reused)	n/a	0.0	0.0	0.0	2.0	5.0
Small Town Sewerage Scheme connections (no. of)	n/a	0.0	0.0	206.0	2.0	2.0
Environmental discharge indicator (per cent)	n/a	100.0	100.0	100.0	100.0	100.0
Drinking water quality indicators (per cent)	n/a	100.0	100.0	100.0	100.0	100.0