



Level 37, 2 Lonsdale St
Melbourne 3000, Australia
Telephone +61 3 9032 1300
 +61 1300 664 969
Facsimile +61 3 9032 1300

2013 WATER PRICE REVIEW

EAST GIPPSLAND WATER DETERMINATION

1 JULY 2013 – 30 JUNE 2018

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1. General

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 12 June 2013, the Commission made its decision under the **WIRO** in respect of:
 - (i) the prices which East Gippsland Region Water Corporation (trading as East Gippsland Water) (ABN 40 096 764 586) (**East Gippsland Water**) may charge for **prescribed services** during the **regulatory period**; and
 - (ii) the standards and conditions of service and supply which **East Gippsland 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 **East Gippsland 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 **East Gippsland Water** and its successors and assigns in respect of the business carried on by **East Gippsland 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 2013 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 2018.

(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 2018, 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 **East Gippsland Water** between 1 July 2018 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 **East Gippsland Water**, extend or reduce the time by which, or the period within which, **East Gippsland 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; 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 **East Gippsland 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 **East Gippsland 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

2.1 General principles

Subject to this Determination:

(a) Scheduled prices

East Gippsland Water must not charge more than:

- (i) the scheduled prices in Schedule 2, during the first **regulatory year**, and
- (ii) the amounts 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.

(b) Application principles

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

(c) Pricing principles

During the **regulatory period**, *East Gippsland 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 Ancillary matters

(a) Contracts

Where *East Gippsland Water* has entered into a contract (a **relevant contract**) which relates to the provision of **prescribed services** prior to 1 July 2013, *East Gippsland 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

East Gippsland Water must publish a schedule 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 schedule to its customers on request. The schedule 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

(in a manner consistent with the requirements of the *Competition and Consumer Act 2010* (Cth)).

(d) GST

East Gippsland 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 determined in accordance with clause 2 only by reason of the levying of a charge on account of **GST**.

2.3 Annual adjustment of prices

(a) Adjustment

(i) 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_t 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 2018, PPM_t 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 2018 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, East Gippsland Water** must submit its proposed prices for the **prescribed services** referred to in clause 2.3(a) to apply in that subsequent **regulatory year** (the **revised prices**) to the Commission for approval, together with sufficient information to enable the Commission to assess whether the proposed prices comply with this Determination.
- (ii) The Commission will approve the **revised 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 prices** if it has not provided notice under clause 2.3(c)(iv) to **East Gippsland Water** within 20 **business days** from the date of its receipt of the **revised prices**.
- (iv) If the Commission does not approve the **revised prices**, the Commission:
 - (A) will provide notice to **East Gippsland Water** (including a statement of its reasons);

- (B) may request **East Gippsland Water** to provide any additional information specified by the Commission;
- (C) will take any additional information provided by **East Gippsland Water** into account; and
- (D) will determine the **revised prices**.

2.4 Price changes during a billing period

(a) Application of this clause

This clause 2.4 applies where **East Gippsland 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

East Gippsland 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) **East Gippsland 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 **East Gippsland Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **East Gippsland Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 4 relate, **East Gippsland Water** must, within 30 **business days** of the date of the **new contract**, on request 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 **East Gippsland 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 **East Gippsland 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, **East Gippsland 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

3.1 Second regulatory year and all subsequent regulatory years

- (a) Amendment
- (i) **East Gippsland Water** may amend the prescribed price movements and/or price components included in Schedule 2 for the second **regulatory year** t (the **relevant regulatory year**) and all subsequent **regulatory years** remaining in the **regulatory period** (the **revised tariff schedule**) in accordance with this clause 3.
 - (ii) 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 **East Gippsland 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** $t-2$.

- (iii) An increase or decrease in any scheduled price in Schedule 3 in any **regulatory year** must not exceed the average of all scheduled price increases in that **regulatory year** by more than 3%.

(b) Amendment procedure

- (i) An amendment by **East Gippsland Water** under this clause 3.1 must be notified to the Commission at least 40 **business days** prior to the commencement of the

relevant regulatory year and must be accompanied by the following information:

- (A) 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**;
- (B) a statement setting out evidence demonstrating that **East Gippsland Water** has provided information to its customers explaining the **revised tariff schedule**; and
- (C) an explanation of the calculation of the relevant quantities “ q_{t-2}^{ij} ”.

4. Uncertain or unforeseen events

4.1 General principle

- (a) **East Gippsland 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 **East Gippsland Water** and/or increased or decreased revenue received by **East Gippsland Water** as a result of events which were uncertain or unforeseen at the time this Determination was made (an **uncertain events application**).
- (b) Whether or not **East Gippsland Water** makes an application under clause 4.1(a), **East Gippsland Water** must promptly notify the Commission upon becoming aware of an event which could form part or all of the basis of an application.
- (c) 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. Generally the matters taken into account will include positive and

negative influences on revenue and expenditure. The Commission may limit an adjustment to only some events or a single event.

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 **East Gippsland 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 **East Gippsland 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 **East Gippsland 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);
 - (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 the introduction or cessation of a statutory carbon price or tax or 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 *East Gippsland Water's* control;
- (ii) were or should have been known by *East Gippsland Water* at the time the Determination was made;
- (iii) could reasonably have been foreseen by *East Gippsland Water*;
- (iv) should be or should have been planned for or managed by *East Gippsland Water*, and/or
- (v) reflect inefficient expenditure by *East Gippsland 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 each 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 *East*

Gippsland Water's operating and/or capital expenditure and/or revenue and may decide to take action under clause 4.3(b) in the absence of an **uncertain events application** by **East Gippsland Water**.

- (iii) The Commission may request **East Gippsland 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 of the matters set out in clause 4.1(c) in respect of an **uncertain events application** or an event identified by the Commission under clause 4.3(a)(ii), the Commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 and/or the revenue requirements in Schedule 4 with effect from a date and in a manner decided by the Commission (in respect of one or more events) at a time decided by the Commission; or
- (ii) take the **uncertain events application** into account in making its determination in respect of the prices which **East Gippsland Water** may charge for **prescribed services** in the **next regulatory period**.

5. Other adjustments during regulatory period

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

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 applicable *Customer Service Code* made under the **WI Act**.

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 2018 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 2013 and ending on 30 June 2018.

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 government or public authority in the Commonwealth of Australia (including **GST**) but excluding:

- (a) the licence fees referred to in clause 4.2 of this Determination;
- (b) penalties and interest for late payment of any tax; or
- (c) 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 2012 as at the date of this Determination.

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 ' Σ ' 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.

<i>Tariff and Price Component</i>	<i>Price (1 July 2013)</i>	<i>PPM Year 2</i>	<i>PPM Year 3</i>	<i>PPM Year 4</i>	<i>PPM Year 5</i>
1.1 Water Tariff Residential & Non-Residential					
Service Availability Charge – 20 mm (per annum)	227.03	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – 25 mm (per annum)	354.16	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – 32 mm (per annum)	581.19	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – 40 mm (per annum)	908.12	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – 50 mm (per annum)	1418.94	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – 75 mm (per annum)	3192.05	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – 80 mm (per annum)	3632.49	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – 100 mm (per annum)	5675.76	-1.7%	-1.8%	-1.8%	-3.3%
Service Availability Charge – No Connection	113.51	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 20 mm (per annum)	34.05	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 25 mm (per annum)	53.12	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 32 mm (per annum)	87.17	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 40 mm (per annum)	136.21	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 50 mm (per annum)	212.84	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 75 mm (per annum)	478.8	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 80 mm (per annum)	544.87	-1.7%	-1.8%	-1.8%	-3.3%
Unmetered Fire Service – 100 mm (per annum)	851.36	-1.7%	-1.8%	-1.8%	-3.3%
Usage Charge (per kL)	1.8689	1.6%	1.6%	2.1%	2.6%
1.2 Wastewater Tariff Residential & Non-Residential service charges (per annum)					
Bairnsdale	606.34	0.5%	0.5%	0.5%	0.5%
Bruthen	606.34	0.5%	0.5%	0.5%	0.5%
Cann River	606.34	0.5%	0.5%	0.5%	0.5%
Dinner Plain	606.34	0.5%	0.5%	0.5%	0.5%
Paynesville	606.34	0.5%	0.5%	0.5%	0.5%
Lakes Entrance	606.34	0.5%	0.5%	0.5%	0.5%
Lindenow	606.34	0.5%	0.5%	0.5%	0.5%
Mallacoota	606.34	0.5%	0.5%	0.5%	0.5%
Metung	606.34	0.5%	0.5%	0.5%	0.5%
Nicholson, Newlands Arm, Johnsonville, Swan Reach	606.34	0.5%	0.5%	0.5%	0.5%
Orbost	606.34	0.5%	0.5%	0.5%	0.5%
Omeo Gravity System (Cap)	1272.61	0.5%	0.5%	0.5%	0.5%
Omeo Gravity System	606.34	0.5%	0.5%	0.5%	0.5%

Omeo STEP System	606.34	0.5%	0.5%	0.5%	0.5%
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1.3 Wastewater Tariff vacant block (per annum)

Bairnsdale	303.17	0.5%	0.5%	0.5%	0.5%
Bruthen	303.17	0.5%	0.5%	0.5%	0.5%
Cann River	303.17	0.5%	0.5%	0.5%	0.5%
Dinner Plain	303.17	0.5%	0.5%	0.5%	0.5%
Paynesville	303.17	0.5%	0.5%	0.5%	0.5%
Lakes Entrance	303.17	0.5%	0.5%	0.5%	0.5%
Lindenow	303.17	0.5%	0.5%	0.5%	0.5%
Mallacoota	303.17	0.5%	0.5%	0.5%	0.5%
Metung	303.17	0.5%	0.5%	0.5%	0.5%
Nicholson, Newlands Arm, Johnsonville, Swan Reach	303.17	0.5%	0.5%	0.5%	0.5%
Orbost	303.17	0.5%	0.5%	0.5%	0.5%
Omeo Gravity System	303.17	0.5%	0.5%	0.5%	0.5%

1.4 New customer contribution (per lot)

Water (per lot)

Category one charge - Lot size < 450 sq m	512.51	-20.0%	-25.0%	-50.0%	-100.0%
Category two charge - Lot size 450 - 1350 sq m	1025.02	-20.0%	-25.0%	-50.0%	-100.0%
Category three charge - Lot size > 1350 sq m	2050.05	-20.0%	-25.0%	-50.0%	-100.0%

Sewer (per lot)

Category one charge - Lot size < 450 sq m	512.51	-20.0%	-25.0%	-50.0%	-100.0%
Category two charge - Lot size 450 - 1350 sq m	1025.02	-20.0%	-25.0%	-50.0%	-100.0%
Category three charge - Lot size > 1350 sq m	2050.05	-20.0%	-25.0%	-50.0%	-100.0%

1.5 Trade Waste

Service Charge (per annum)	265.39	0.5%	0.5%	0.5%	0.5%
Chemical Oxygen Charge (per kL)	0.9829	0.5%	0.5%	0.5%	0.5%
Suspended Solids Charge (per kL)	0.1240	0.5%	0.5%	0.5%	0.5%
Monitoring Charge	1236.59	0.5%	0.5%	0.5%	0.5%

1.6 Recycled Water

Usage Charge (per ML)	35.8758	0.5%	0.5%	0.5%	0.5%
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1.7 Miscellaneous Fees and Charges

Information Statement (each)	51.25	0.0%	0.0%	0.0%	0.0%
Special Meter Reading (including Tenant Readings) (each)	61.50	0.0%	0.0%	0.0%	0.0%
Information Statement with Meter Reading (per application)	76.87	0.0%	0.0%	0.0%	0.0%
Private Fire Service Resealing fire hose taps	138.37	0.0%	0.0%	0.0%	0.0%
Sewerage Connection Application	158.87	0.0%	0.0%	0.0%	0.0%
Connection Fee Meter – 20mm (each)	394.63	0.0%	0.0%	0.0%	0.0%
Connection Fee Meter – 25mm (each)	522.76	0.0%	0.0%	0.0%	0.0%
Standpipe Tokens (each)	3.73	0.0%	0.0%	0.0%	0.0%

Septic Waste Disposal (per kL)	20.5005	0.0%	0.0%	0.0%	0.0%
De-Sludging Fees (per kL)	20.5005	0.0%	0.0%	0.0%	0.0%
Development Planning Charges					
Project Cost <= \$5000	350.00	NOM	NOM	NOM	NOM
Project Cost \$5000 - \$50000	6% or a minimum of 900	NOM	NOM	NOM	NOM
Project Cost \$50001 - \$100000	5% or a minimum of 3500	NOM	NOM	NOM	NOM
Project Cost => \$100000	4% or a minimum of 5500	NOM	NOM	NOM	NOM
Non-core miscellaneous services	Actual cost				

Schedule 3

Application of prices

3.1 Water service and consumption charges

Service charges are determined on meter service size.

3.2 Water service availability charge – vacant lots on separate titles

A charge equivalent to half the 20mm service charge is applicable to vacant lots where they are not connected.

3.3 Unmetered fire service charge

A charge equivalent to 15% of the availability charge based on meter service size is applicable to customers that have an unmetered fire service.

3.4 Wastewater service availability charges

Wastewater tariffs are based on a system of Equivalent Tenement Unit ratings (EQT) with one EQT as a minimum charge per separate property/occupancy. In the case of non-residential customers the amount of EQTs charged is based on a 3 year average water use and applying the appropriate industry discharge factor e.g. Motel, Units or Restaurants.

3.5 Wastewater charge vacant lots on separate titles

Where wastewater services are available for areas of vacant land that exist as a separate title, a vacant land service charge is applied determined at 50% of the EQT charge above.

3.6 Trade waste charges

Trade waste charges are separated into either minor or major trade waste customers depending on the requirement to collect and treat their wastewater. Minor Trade Waste customers are generally smaller customers with requirements for a grease trap. They are charged a trade waste facility charge. This is a management fee to cover site inspections, compliance audit monitoring, administration and reviewing trade waste agreements.

Trade waste is any liquid waste generated by any industry, business, trade or manufacturing process, other than domestic waste, acceptable for discharge to sewer. It is the liquid generated from commercial and industrial activities and can

contain a number of substances used or generated in manufacturing, processing or food preparation. Trade waste requires more treatment effort, has a greater propensity to cause blockages and disruption to normal sewerage treatment processes. Trade waste is also more difficult to collect and dispose than domestic waste.

For trade waste customers, the trade waste charge is the above domestic sewage strength charge passed on to the customer to recover the cost incurred for collection, transportation treatment and disposal of constituents of certain constituents of trade waste.

3.7 Major trade waste charges

Major trade waste is concerned with businesses that generate large volumes of different types of trade waste. The complexity of major trade waste arrangements requires separate agreements with businesses based on the nature and amount of the waste to be treated. Prices for trade waste are determined by the individual circumstances of each customer taking into account:

3.8 Reuse water

East Gippsland Water has a small number of agreements for the use of re-use water. The strategy to maintain 100% re-use requires the Corporation to consider many options for wastewater discharge. Agreements are in place with businesses and organizations that are able to use the re-used water for farming and recreational purposes. The agreements cover 20% of all wastewater collected.

Prices for reuse water are determined by the individual circumstances of each customer taking into account:

- the cost benefits to the Corporation
- customer's willingness and ability to pay
- customers long term commitment in this type of arrangement
- other means available to dispose the wastewater.

3.9 Miscellaneous fees and charges

The following table sets out the definitions of the miscellaneous charges contained in Schedule 2.

Miscellaneous service	Definition
Farm operations	Leasing/rental charges applied to farm operations/houses are determined by market demand. Farming Leases go through a tender process and rental of Corporation houses are managed by property agents.
Water connection fee 20mm - connection cost including materials	This includes full tapping and water meter installation to the property boundary.

Water connection fee 20mm - complete connection cost to meter	The tapping into the water main and water meter have been combined into one single charge called water connection. The fee is based on the effort and material to connect to the water main and the size of the pipes ranging from 20mm to 50mm. This charge involves the customer's plumber preparing the location and installation of the meter.
Materials for connection only (includes meter, stop tap, nuts and tails, ferrule bend) - 20mm	Price for materials only, necessary for connection.
Meter only - 20mm	Price of meter only.
Meter with remote reader - 20mm	Non-residential property owners will be required to install a meter with a device that enable remote reading capability. Designated residential areas will also be required to install meters that have remote reading capability. Where this is a requirement customers will only be charged the meter reader at cost without on costs.
Road under bore	Where an under road/street bore is required for complete water connection, only the actual cost will be charged to the customer.
Water meter connection rebooking fee	A water meter connection rebooking fee of \$60 will be charged where a customer or their plumber has not honoured an agreed meeting time which requires a revisit.
Sewerage connection/cut & seal/alteration/disconnection application	This fee \$155 is charged for checking sewer availability and issuing a Plumbing Industry Commission (PIC) consent number.
Road under bore	Where an under road/street bore is required for complete water connection, only the actual cost will be charged to the customer.
Water meter connection rebooking fee	A water meter connection rebooking fee of \$60 will be charged where a customer or their plumber has not honoured an agreed meeting time which requires a revisit.
Sewerage connection/cut & seal/alteration/disconnection application	This fee \$155 is charged for checking sewer availability and issuing a Plumbing Industry Commission (PIC) consent number.
Standard information certificate	This fee is charged to provide details regarding outstanding charges and tariffs and any other conditions/encumbrances that may apply to a property title by the Corporation. Information statements are requested for transfer of property transactions. Details are provided as an information certificate/statement defined by the Water Act 1989. Customers will be offered a choice for this service: (a) Standard Information Certificate based on providing information statements

	within 5 days as per approved ESC KPIS; (b) Premium Information Certificate provides customers with a quicker 1-2 day turnaround time for information statements at 1.5 times the standard price.
Rental/Lease charges	Rental charges for use of Corporation owned land are largely determined by market demand. Rent/lease payments for use of land are determined by market demand. Residential property is managed independently using local real estate agents and fees are adjusted as recommended by the agent. Charges for leasing telecommunication sites are market driven and reviewed on expiry of leases.
Legal fees recovered	Actual legal costs incurred for debt recovery or dishonoured payments are directly charged back to customers for full cost recovery as approved by the ESC. No overheads or Corporation costs are on these charges.
Metered hydrant	A comprehensive assessment of the cost to administer this system was undertaken. Management are confident that the administration cost of \$250 per annum is within the Corporation's pricing principles to ensure backflow and calibration requirements are met as well as billing administration and hydrant depreciation.
Standpipe water token (per kL)	Tokens are sold to customers for access to any of the Corporation's four standpipes. One token = 1 kilolitre of fully treated water. Tokens are to be based on the advertised customer service price per kilolitre of water x 200% to cover fixed costs of servicing and providing standpipe infrastructure.
Meter reading fee	A \$60 fee is charged to read meters outside of the normal meter reading cycle, normally in conjunction with an Information Statement or where there is a change of tenant/owner. This fee is for a meter reading and does include an information statement.
Meter fee access fee	This \$60 fee is charged when a property owner does not provide appropriate access for water meter reading and following third official written warning notification and where a revisit is required, plus \$10 extra for each further written request.
DHS fee for administration of water charge concessions	Fee for the Corporation to process concession claims determined by DHS.

Scrap asset sales	Revenue from disposal of damaged or obsolete fittings as required.
Septic tank disposal fee (per kL)	This fee is charged to dispose of domestic (residential household) septic tank waste at the Corporation's Sewerage Treatment Plants. Fee based on cost recovery for administration, treatment and provision of access to dispose waste.
Fire services application fee (per kL)	Where a customer has, or requests, a fire service to be provided to their property the appropriate fees indicated for water connection apply. The fire services application fee is additional and includes sealing and recording of fire service details on the customer information system.
Resealing fire hose	A fee is charged to reseal a fire service hose. Broken seal suggests unauthorised water use and customers are charged a resealing fee to replace the seal, use of water and as a penalty and deterrent to ensure that fire hoses remain available for emergency fire fighting only. Industry average charge of \$135 is applied for the first resealing, second resealing charged at \$200.
Water flow test	A test that checks the water flow (litres per minute) at the customer meter. Customers can request this test if they believe they have low water flow that does not meet EGW flow rate standards of 20 litres per minute (20mm water connection). Water flow testing comprises travel to property, carrying out a water measure test and written report back to customer.
AS2419 Compliance flow and pressure test for fire hydrant installation	A more comprehensive pressure and flow test per section 3.3 of AS2419 2005 Fire Hydrant installation may also be carried out on request at a cost of \$205.
Water quality test	This test checks the water quality from the customer meter. Customers can request this test if they believe that water quality does not meet approved service standards. The test consists of collecting a water sample, sending sample to an independent testing laboratory and associated administration. The Customer Charter allows the Corporation to charge for the test if the water quality is found to meet approved water quality standards.
Testing water meters	This test is carried out on the customer water meter to check its accuracy. EGW's Customer Charter provides ability for customers to request a water meter test to ascertain its accuracy within +/- 5% of acceptable industry standards. If the test demonstrates that a meter is reading higher than accepted industry tolerance levels, EGW will: (a) repair or replace the inaccurate meter; (b) pay the cost of the test; and (c) adjust the usage account accordingly

Account/Billing history information (per hour)	At the customer's request, EGW will provide the customer with account and usage history for the preceding 3 years within 10 business days without charge. The Corporation will charge \$40 per hour (labour plus 25% oncost) to provide billing information in excess of 3 years.
Tender printing	Printing tender documents, staff labour, printing and photocopying shall be charged at \$40 per hour plus 20 cents per page. No charge to be applied for emailing of tender documents. Tenders stored and sent on CD or memory stick will be charged a flat administration fee of \$10 plus \$5 for the IT peripherals.
Freedom of information	Fees for provision of FOI as provided by the FOI Act 1982. A fee for investigation, collating, photocopying and postage if applicable will be charged for providing this service. Fee for information shall be charges as determined by the FOI Act 1982 and monetary units gazetted from time to time.
Build over easement agreements	A charge of \$85 based on the average time to check the plan to determine whether the building is suitable for build over and does not interfere with water or sewerage infrastructure.
Recoverable sundry works costs	These costs are charged for damage(s) caused by external parties to Corporation owned infrastructure or for Sundry works requested by third parties. Costs are charged to cover construction, alteration or repair of assets due to damage caused by third parties.
Plug Off/Tapping relocation fee	This fee of \$110 is charged when an existing water service is disconnected or when a meter is relocated together with a new tapping (new water connection less the cost of the meter).
Backflow prevention device application fee	Customers are required under Plumbing Regulations to install testable backflow protection device(s) at the property boundary in circumstances where there are risks of cross contamination in the Corporation's water supply system. Backflow devices are required to undergo annual testing to ensure operability. An application fee is applicable where the backflow prevention device is fitted to a new service.
Backflow prevention device inspection fee	Backflow prevention devices are to be regularly inspected to ensure that they meet compliance to prevent any backflow of water into the Corporation's water system.
Low pressure sewer pump fees	Customers connecting low pressure sewer pumps to the Corporation's system will be charged a supervision and administration fee of \$420 for arranging pump installation. Cost of the pump units or full installation costs will be actual cost plus 25% of indirect costs and oncosts.

Information statement	<p>This fee is charged to provide details regarding outstanding charges and tariffs and any other conditions/encumbrances that may apply to a property title by the Corporation. Information statements are requested for transfer of property transactions. Details are provided as an information certificate/statement defined by the Water Act 1989. Customers will be offered a choice for this service: (a) Standard Information Certificate based on providing information statements within 5 days as per approved ESC KPIS; (b) Premium Information Certificate provides customers with a quicker 1-2 day turnaround time for information statements at 1.5 times the standard price.</p>
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Schedule 4

Pricing principles

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 **East Gippsland 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 **East Gippsland Water** or pursuant to other Government policies that apply to **East Gippsland 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 New Customer Contributions (NCC)

Core pricing principles

NCC, including standard or negotiated NCC, will be calculated by applying the following core NCC pricing principles.

Standard and negotiated NCC will:

- have regard to the incremental infrastructure and associated costs in one or more of the statutory cost categories attributable to a given connection;
- have regard to the incremental future revenues that will be earned from customers at that connection;
- be greater than the avoidable cost of that connection and less than the standalone cost of that connection.

Notes:

1. Given that NCC are to be based on the net incremental cost of connection (ie incremental costs net of incremental benefits), in this context, the costs referred to in the efficient pricing bound are the net costs, specifically the avoidable net cost of connection and standalone net cost of connection.
2. Where the connection arrangement requires assets to be gifted, the value of gifted assets will be excluded for the purpose of calculating net costs.
3. Incremental costs may include financing costs associated with constructing an asset sooner than planned.

Incremental financing costs

Incremental financing costs (IFC) should be calculated using this formula:

$$\text{IFC} = (1 - [1/ (1+r)^n]) \times \text{cost of capital being provided sooner than planned}$$

where:

r = estimated pre-tax WACC

n = the number of years the asset is required sooner than planned.

Gifted Assets

East Gippsland Water can require developers to provide and gift to **East Gippsland Water** specified assets as a condition of connection, provided that **East Gippsland Water**:

- makes clear to potential developers which assets a developer will be responsible for providing and gifting, and which will be provided by **East Gippsland Water**;
- confirms that negotiation of any non-standard connection and associated charges will be undertaken in accordance with **East Gippsland Water's** [published] negotiating framework; and
- the value of gifted assets will be excluded for the purposes of calculating net costs.

4.4 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.

4.5 Guidelines

East Gippsland 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: 21 June, 2013



Dr Ron Ben-David
Chairperson



Annexure A

Table 1 **Weighted average cost of capital**
(per cent)

<i>Post tax WACC</i>	<i>Implied pre-tax WACC</i>
4.5	4.5

Table 2 **Benchmark revenue requirement**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Operating expenditure	16.9	17.1	17.4	17.5	17.6
Return on existing assets	5.3	5.0	4.8	4.5	4.2
Return on new investments	0.2	0.7	1.1	1.4	1.7
Regulatory depreciation	5.9	6.3	6.8	7.2	7.5
Total	28.3	29.1	30.1	30.5	31.0

Table 3 **Updated regulatory asset base**
\$m 2012-13

	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
Opening RAB	69.0	86.7	97.0	120.9	124.1
<i>Plus</i> Gross capital expenditure	21.8	15.8	29.1	11.3	8.4
<i>Less</i> Government contributions	0.0	0.0	0.0	0.8	2.2
<i>Less</i> Customer contributions	0.3	1.6	0.5	0.7	0.4
<i>Less</i> Proceeds from disposals	0.4	0.3	0.2	1.4	1.1
<i>Less</i> Regulatory depreciation	3.4	3.6	4.5	5.1	5.4
Closing RAB	86.7	97.0	120.9	124.1	123.5

Table 4 **Rolled forward regulatory asset base**
\$m 2012-13

	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Opening RAB	123.5	121.2	124.7	130.5	131.5	131.0
<i>Plus</i> Gross capital expenditure	4.1	10.5	13.1	8.6	7.3	8.7
<i>Less</i> Government contributions	0.0	0.0	0.0	0.0	0.0	0.0
<i>Less</i> Customer contributions	0.4	0.8	0.6	0.4	0.2	0.0
<i>Less</i> Proceeds from disposals	0.4	0.4	0.4	0.4	0.4	0.4
<i>Less</i> Regulatory depreciation	5.6	5.9	6.3	6.8	7.2	7.5
Closing RAB	121.2	124.7	130.5	131.5	131.0	131.8

Table 5 **Approved licence fee and environmental contribution assumptions**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Essential Services Commission licence fee	0.03	0.03	0.03	0.03	0.03
Department of Human Services licence fee	0.01	0.01	0.01	0.01	0.01
Environment Protection Authority licence fee	0.02	0.02	0.02	0.02	0.02
Environmental contribution	1.17	1.14	1.11	1.08	1.05

Table 6 **Bulk water purchases**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Bulk water purchases	0.00	0.00	0.00	0.00	0.00

Table 7 **Demand forecast**

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Water assessments (no.)					
Total	22 547	22 927	23 314	23 708	24 131
Sewerage assessments (no.)					
Total	21 638	21 977	22 320	22 670	23 043
Billable water consumption (ML)					
Residential	2 826	2 875	2 923	2 973	3 026
Non-residential	1 626	1 644	1 662	1 680	1 699
Total	4 452	4 519	4 585	4 653	4 725

Table 8 **Key capital projects and programs**

Projects	<i>Expected completion date</i>
Sarsfield – additional tank or liner	2014-15
Bairnsdale sewer master plan bridge sewer pump station	2015-16
Paynesville main supply pipeline (stage 2)	2015-16
Bairnsdale wastewater treatment plant upgrade	2017-18
Programs	
Corporate vehicles	Ongoing
Wastewater desludge	Ongoing
IT hardware/software	Ongoing
SCADA upgrade and support	Ongoing
Water main renewals	Ongoing