East Gippsland Water

SOP167
New Customer Contributions Procedures

22nd July 2013

EGW TRIM Ref; DOC/12/28728
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1 Introduction

1.1 Purpose

This document, which has been developed in consultation with key stakeholders, details East Gippsland Water’s (EGW) procedures in relation to the New Customer Contributions (NCC) framework. This procedures document supports the Essential Services Commission’s Guidance Paper (August 2012), EGW’s Water Plan 3 (2013/14 – 2017/18), EGW’s Negotiating Framework and related documents regarding NCC. This procedure has been updated to reflect the Essential Services Commission’s (ESC) Water Price Draft Decision Volume II, the Victorian Water Industry Model Negotiating Framework and subsequent negotiations to phase selected NCC payments down to $0 over a five year period.

1.2 Scope

The NCC procedure is applied where an application is received by EGW from a Connection Applicant for a new connection of a property to EGW’s water and/or sewer networks, or for an application to alter a connection (for an increased level of service) for an existing serviced property. Properties involved in the NCC process include:

- Newly created and serviced properties (such as newly created properties resulting from subdivision of a parent property, or where a water/sewer network extension enables unserviced properties to be serviced),
- Previously un-connected serviced properties (such as vacant land where tariffs have not previously been charged by EGW),
- Change of use of an existing serviced property (for example, where a larger diameter water supply connection, fire service, trade-waste or other enhanced service is requested),
- Owner-funded schemes (under Division 6 of Part 13 of the Water Act 1989) servicing new properties,
- Properties with services supplied by EGW by agreement,
- Any other property deemed by EGW to be a newly serviced property or where existing service is to be enhanced or upgraded.

Note that EGW does not currently provide recycled water services for domestic/residential purposes (commonly referred to as “third pipe” services), although specific reuse arrangements are made for non-domestic purposes (such as for irrigation) by agreement.

A NCC is payable by any property owner (or their agent, including a property developer), who is a Connection Applicant in relation to EGW’s water and/or sewer networks, as detailed in this document.

A NCC, where payable, applies for connection applications received by EGW on or after 1st July 2013.
2 Definitions

Connection: is the physical connection of a property to EGW’s water and/or sewerage networks, where the service can reasonably be provided and as approved by EGW. A connection may be a new connection to a previously un-serviced property or an amended connection to enhance the service to a property already serviced. Also refer to EGW Policy 025, Customer Connections (EGW TRIM reference DOC/09/19).

Connection Applicant: is the property-owner, or the property-owner’s authorised agent (for example; developer, consulting engineer, surveyor, plumber or other authorised representative), who makes an application to EGW in the required form (EGW Form 040, or formal Planning Permit referral under the Planning and Environment Act 1987, or by virtue of formal Notice for an owner funded scheme under Division 6 of Part 13 of the Water Act 1989), to connect a property to available water or sewer services or to amend an existing connection.

Equivalent Tenement (EQT): in relation to a once-off capital contribution, this is a measure of the peak demand/load from a connection, and is a “unit of measure that is based on normal household use being 1.0 EQT, which is the equivalent of one typical house on an allotment” (or property). For wastewater, EQT is defined in EGW’s Standard Operating Procedure SOP 155 Wastewater Tariff & Trade Waste Pricing Methodology (EGW TRIM reference DOC/12/14801). For water supply, EQT is based on connection pipeline diameter, where known, or otherwise according to the number of domestic dwellings on a property, or otherwise by specific calculation using initial estimated annual consumption information (refer to EGW TRIM document DOC/12/36776). EQTs will not normally be applicable to Standard NCC.

Gifted Assets: are those assets that are required to be constructed by a Connection Applicant to service their property (e.g. connecting pipework, tappings, internal reticulation and associated assets for a development and its connection to the existing EGW network). Gifted assets are provided at the cost of the applicant to EGW requirements. These assets are not specifically planned by EGW and are not provided for in EGW’s capital works program. Gifted assets are vested to EGW upon completion to EGW’s requirements.

Growth Assets: are planned assets, funded by EGW, that are wholly or partly designed with spare capacity specifically to provide for future customer growth. Growth assets, as distinct from assets that are renewed/replaced, provided to augment service standards or gifted assets, generally arise from EGW’s strategic asset plans such as; network master plans, development servicing plans, water supply demand strategies or other EGW planning documents, and are specifically provided for in EGW’s capital works program.

New Customer Contribution (NCC): is the charge payable by the Connection Applicant upon EGW’s approval of an application for connection of a property to EGW’s water and/or sewer networks. The NCC is established by the relevant regulatory instruments, including; this procedures document, EGW’s Negotiating Framework, EGW’s policies and procedures, and the relevant guidelines and determination by the Essential Services Commission (ESC).

Negotiating Framework: is detailed in the EGW document (EGW TRIM document DOC/12/28404), as approved by the ESC.
3 Process

An application for consent to connect a property to EGW’s water and/or sewer networks will be considered by EGW as described below;

3.1 Application for Connection

An application to connect a property to EGW’s network(s), or to amend an existing connection, must be submitted to EGW by the Connection Applicant on EGW’s standard form (Consent to Connect application, Form F040, or Planning Permit referral or scheme notice). The submission must include sufficient information to enable EGW to accurately assess the application and enable a timely determination.

Information to accompany the application form is needed to address the following key considerations by EGW:

- Who is the property-owner and who is their authorised agent (if different to the owner)?
- Where is the property located?
- Is the property within EGW’s service area?
- Is the property within a water/sewer district (as applicable)?
- Has the property been declared by EGW as a serviced property in accordance with section 144 of the Water Act 1989?
- Has the property been previously rated for water and/or sewer services by EGW?
- Is the application to connect a new property or properties to EGW’s water and/or sewer services?
- Is the application to upgrade an existing connection to a serviced property or properties? If so, what does the upgrade entail - increased water connection size, new fire service, trade waste connection, etc.?
- Is the property able to be reasonably serviced for water/sewer services as requested?
- Is, or will, the property be physically serviced e.g. fronted by a water main or provided with a sewer connection point?
- Has a planning permit been issued by the Responsible Authority (usually the local council), and are there any conditions relating to the application?
- Is there sufficient information to identify or estimate the level of servicing required by the property proposed to be connected (e.g. tapping size, expected current and future demand/load on the water and/or sewerage networks, average and peak flow rates, number of EQT’s involved (if applicable), staging, and any other special servicing needs of the property)?
- What works are required for the property to be serviced (e.g. are planned growth and/or gifted assets required)?
- Has a NCC been previously paid in relation to this property?
- Any other matters reasonably deemed relevant and required by EGW to adequately assess the proposed connection.

The Connection Applicant must provide EGW with any additional information if requested by EGW.
3.2 Consideration of the Application by EGW

EGW will consider the application and will either refuse the application or consent to the application within 10 working days (or a later date as agreed with the customer), including any terms or conditions EGW considers reasonable (refer to section 145 of the Water Act 1989).

If EGW considers that others may be affected by the proposed connection, EGW may consult with others as part of its consideration of the application. Sufficient time is to be allowed in the assessment process for such consultation to occur.

EGW will notify the Connection Applicant of its decision regarding the application within 5 working days of the application (refer DOC/12/28404).

If the Connection Applicant objects to EGW’s decision, they may wish to state their objections in writing to EGW within 14 days of EGW’s decision. EGW will consider the objection and will notify the Connection Applicant, within 14 days of receipt of the objection, of its further consideration and final decision.

The Connection Applicant has the right to lodge an application with VCAT to review EGW’s decision within 28 days, in accordance with section 145 of the Water Act 1989.

EGW’s notification of its decision to the Connection Applicant will include information on fees and contributions payable, together with information that might reasonably be required by a Connection Applicant should they seek review of EGW’s decision by VCAT.

Should the Applicant’s proposal not proceed within a reasonable timeframe, the Connection Applicant may be liable for any reasonable costs incurred by East Gippsland Water that are directly associated with its assessment of the application.

Further details are contained in EGW's Negotiating Framework (EGW TRIM Reference DOC/12/28404).

Deferral of NCC may be considered by EGW for developments where a single stage of a subdivision creates eight (8) lots or more. EGW may agree to defer payment of any applicable NCC to the time of sale/settlement of those lots or within a period to be determined (usually within two years), whichever is sooner. This policy will be reviewed in light of the timed reduction of NCC to $0 in 2017/18.

3.3 Miscellaneous Fees

Miscellaneous charges may also apply (e.g. tapping fees) in accordance with the ESC-approved tariffs for the Water Plan 3 period (July 2013 – June 2018, EGW TRIM reference DOC/12/22686).

3.4 NCC

In this document, NCC are based on the pricing principles (as determined by the ESC) as follows to;

1. Have regard to the incremental infrastructure and associated costs in one or more of the statutory cost categories attributable to a given connection.

2. Have regard to the incremental future revenues that will be earned from customers at that connection.

3. Be greater than the avoidable cost of that connection and less than the standalone cost of that connection.

In accordance with these pricing principles the NCC payable will generally be either;

A Standard NCC, which applies where applications to connect properties do not require any unplanned new growth assets to be created by EGW. In these cases, the Standard NCC is payable
for each additional lot / unit being serviced for water and / or sewer services. The Standard NCC applies for water or sewer services across all of EGW’s service area, as indicated in maps prepared by EGW.

A Negotiated NCC, which applies where EGW considers that unplanned growth assets are required, or planned growth assets need to be brought forward, to adequately service a connection application over and beyond that for a Standard NCC, in accordance with EGW’s Negotiation Framework.

In addition, the Connection Applicant is required to install, at their cost, any gifted assets required to service their development (also refer to section 3.5, below).

3.4.1 Standard NCC

Details of the calculation of the Standard NCC are contained in the model, as approved by the ESC. EGW’s Standard NCC charges for the WP3 period (2013/14 – 17/18) are (subject to annual CPI adjustments):

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;450 sq m</th>
<th>450 - 1350 sq m</th>
<th>&gt;1350 sq m</th>
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<tr>
<td>2014/15</td>
<td>$410.01</td>
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<td>$1,640.04</td>
</tr>
<tr>
<td>2015/16</td>
<td>$307.51</td>
<td>$615.02</td>
<td>$1,230.03</td>
</tr>
<tr>
<td>2016/17</td>
<td>$153.76</td>
<td>$307.51</td>
<td>$615.02</td>
</tr>
<tr>
<td>2017/18</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

(Ref: refer to EGW TRIM document DOC/12/35428, which outlines the assumptions and processes undertaken to determine the standard NCC charges for water and wastewater services)

The applicable NCC is payable prior to consent for Statement of Compliance in accordance with the planning process and EGW procedures as applicable.

A change of use for a connected serviced property may trigger a Negotiated NCC – this will be assessed on a case-by-case basis. These changes of use are normally identified through the planning or consent to connect processes.

Where tariffs have been levied on an undeveloped and un-connected serviced property over several years (e.g. vacant land), or where an upgraded connection is sought for an existing serviced property (e.g. for a multi-unit development), the “parent” property will generally be deemed by EGW to have already contributed applicable NCC, unless specific information on that property indicates otherwise.
3.4.2 Negotiated NCC

A Negotiated NCC applies where EGW considers that unplanned growth assets are required, or planned growth assets brought forward (for example, to service an out-of-sequence development or a significant change of use), to adequately service a connection application over and beyond that for a Standard NCC.

EGW is committed to negotiating fair and reasonable outcomes in good faith with the Connection Applicant to determine the price, terms and conditions for the services to be provided. EGW's Negotiating Framework forms the basis for negotiation of NCC over and above the Standard NCC.

Where a negotiated NCC is determined by EGW to be applicable in a particular circumstance, EGW will:

1. Review the circumstances applying and determine the EQT being serviced by the proposed connection, if applicable.
2. Determine the avoidable costs of the proposed connection – that is, EGW will estimate the cost that would be avoided if EGW did not provide services to that connection.
3. Determine the standalone cost of servicing the proposed connection – that is, the least cost technically efficient servicing solution, or a new independent servicing solution.
4. The incremental cost and benefits to EGW arising from the connection will be greater than the avoidable cost of that connection and less than the standalone cost of that connection. The incremental net cost to EGW will be apportioned according to the EQT or other assessment by EGW.

Assessment of the above steps by EGW will consider a range of factors and particular circumstances, including:

- Capacity and availability of existing and planned infrastructure;
- Service area and availability of surrounding land for development;
- Likelihood of development in future years (normal planning horizon is for the medium term of ten years, unless specific planning advice is available);
- The potential for the standard NCC model to be used to identify NCC of any proposed unplanned development or bring-forward;
- Potential for up-sizing of proposed assets that may be appropriate to provide for potential future property connections;
- Potential opportunities for cost-sharing of existing or new assets required to service the proposed connection, where adjacent properties may benefit from those assets.

In determining the negotiated NCC the Connection Applicant will be asked to provide information reasonably required by EGW to adequately determine the above parameters.

The negotiated NCC will be assessed and determined by EGW on a case-by-case basis.

Cost-sharing of assets, where possible, will be determined by EGW on a case-by-case basis, and would be subject to legislative process (e.g. an owner-funded scheme under the Water Act), EGW's budgetary constraints, and other factors. Cost-sharing would normally be based on an EQT distribution amongst the benefiting properties. Alternatively for certain situations, EGW may determine that a distribution based on a specific peak capacity share or other method suitable in the particular circumstances, is more appropriate.

EGW may facilitate discussions with adjacent property-owners/developers, who may agree to enter into joint funding arrangements for assets. EGW may agree to carry the cost of certain assets created and recover those costs from future connections (the negotiated NCC applying in those future cases), subject to EGW's budget constraints. An owner-funded scheme may also be facilitated by EGW.

While reasonable endeavours would be made, EGW can give no guarantees regarding the willingness of other parties to enter into any joint funding proposals, or to the timeframes that may
be involved. EGW’s approval of a particular application may be contingent upon confirmation of shared funding arrangements.

Property-owners/developers may wish to enter into their own arrangements to share assets – EGW is not a party to such arrangements, however such assets must be provided to EGW’s requirements.

There may be circumstances where, despite reasonable best endeavours, cost-sharing of assets is not possible and the connection applicant will therefore need to make their own decisions regarding commitment to creating assets.

3.5 Gifted Assets

Gifted assets are to be constructed to EGW’s requirements and are gifted to EGW by the applicant upon EGW’s certification of satisfactory completion of those assets (refer also to EGW’s Development Manual and SOP132 Third-Party Works). EGW assumes ownership, operation and maintenance of approved gifted assets in perpetuity.

EGW can assist in the delivery of gifted assets by prior arrangement with the property-owner or developer.

Unless specifically provided for in EGW’s consent to connect, there is generally no potential for refund to the Connection Applicant for other new connections that may occur after the assets are gifted to EGW. However, for the first two years after the assets are gifted, EGW will assess any new connections to those assets on a case-by-case basis and will make reasonable endeavours to recoup and refund a fair and reasonable apportionment of the cost to the original Connection Applicant. EGW cannot guarantee any recovery, or partial recovery, of such costs to the Connection Applicant.

3.6 Timeframes

Assessment of connection applications by EGW will be in accordance with the following timeframes:

**Standard NCC**

EGW’s consideration and decision on a connection application involving a Standard NCC will be made within 10 working days of EGW’s receipt of the application, subject to provision of additional information requested and any other legislative processes involved (for example, a referral under the Planning and Environment Act 1987 or an Owner-Funded scheme under Part 13 of the Water Act 1989) in which case the legislative timeframes will take precedence.

**Negotiated NCC**

For Negotiated NCC, the timeframes detailed in EGW’s Negotiating Framework apply as follows:

(a) Agree the milestones, information requirements and any other relevant issues within 5 business days of EGW’s receipt of an application;

(b) Finalise negotiations within 120 business days of the initial application.

The timeframes for any specific case may be changed to suit particular circumstances.
4 Procedure Summary

As of 1st July 2013, an application to connect a property to EGW’s networks, or to amend an existing connection, must be submitted to EGW by a Connection Applicant on EGW’s standard form (Consent to Connect application, Form F040) or Planning Permit referral from a Responsible Authority.

The submission must include sufficient information to enable EGW to accurately assess the application and enable a timely determination as to whether EGW will refuse or consent to the application (including any terms or conditions required by EGW) and what NCC is payable.

EGW may consult with others as part of its consideration of the application.

EGW will notify the applicant of its decision on the application within 10 working days for a Standard NCC or other statutory timeframes as applicable), or within 120 business days (where Negotiated NCC apply).

If the applicant objects to EGW’s decision, their written objections need to be submitted to EGW within 14 days of EGW’s decision. EGW will respond within 14 days of receipt of the objection. The applicant still then has the right to apply to VCAT for a review of EGW’s decision within 28 days.

A Standard NCC applies, for each additional lot / unit serviced, where applications to connect properties to water and/or sewer services do not require any unplanned new growth assets to be created by EGW.

The Standard NCC charges for the WP3 period (2013/14 – 17/18) are (subject to annual CPI adjustments):

<table>
<thead>
<tr>
<th>Year</th>
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<td>$153.76</td>
<td>$307.51</td>
<td>$615.02</td>
</tr>
<tr>
<td>2017/18</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

The Connection Applicant is required to install any gifted assets required to service their development.

Alternatively, a Negotiated NCC applies where EGW considers that unplanned growth assets are required, or where planned growth assets need to be brought forward, in accordance with EGW’s Negotiation Framework. Each application is assessed and determined by EGW on a case-by-case basis. EGW will take into account:

- The circumstances applying and the applicable EQT involved;
- The estimated cost that would be avoided if EGW did not provide services to that connection;
- The standalone cost of servicing the proposed connection – that is, the least cost, technically efficient servicing solution, including any cost-sharing of assets required, or a new independent servicing solution;
- From the above, the incremental cost and benefits to EGW will be determined. The incremental net cost to EGW will be apportioned according to the EQT assessment.

EGW will consult with that applicant to adequately determine the appropriate level of NCC.

This summary is a guide only and must be read in conjunction with the procedures document as a whole, together with the various supporting reference documents.
5 Examples

Examples of the application of NCC are provided below;

5.1 Standard NCC

5.1.1 Single Dwelling on a Vacant Lot

A house is being constructed on a vacant lot and an application for consent to connect is provided to EGW by the plumbing contractor. Assessment by EGW requires the following (where relevant):

- The property-owner is identified and has authorised, in writing, their plumbing contractor to act on their behalf in relation to their application to connect their property to EGW’s water and sewer services.

- The property is located within EGW's service area and is within both water and sewer districts and has been declared as a serviced property.

- The property was originally created by subdivision and EGW was a referral authority under the Planning and Environment Act 1987. The planning permit included extension of services to this subdivided lot, payment of NCC, and was declared by EGW as a serviced property in accordance with section 144 of the Water Act 1989.

- The property has been previously rated for water and sewer services as a vacant lot and currently remains un-connected to EGW’s water or sewer networks.

- The application to connect the property to a standard 20 mm diameter water supply connection and to the available gravity sewer connection point for a single residential house.

- No additional unplanned growth assets are required (EGW has provided for growth assets in its ten-year capital works program). The only assets required by the owner are for the main to meter pipe connection, tapping and installation of the meter (normal connection fees apply as per ESC-approved miscellaneous charges).

- An NCC has previously been paid by the original developer in relation to this particular property and, since no additional lot/unit is being serviced, no NCC is payable for this connection.

- EGW would consent to the connection application, with any other particular conditions deemed necessary, and advise the applicant accordingly.

5.1.2 Multiple Dwelling on a Vacant Lot

If, in the above example, the proposed construction on the vacant lot was for a three-unit development (instead of a single residential development) and all other circumstances remained the same, the assessment of the application for consent to connect would identify that an additional two units were created. Therefore, EGW’s assessment would consider payment of two times water NCC plus two times sewer NCC based on lot sizes <450 sq m:

- The NCC payable by the owner/applicant for the relevant financial year would be calculated. For example, for the 2013/14 financial year the charge would be $512.51 (water and sewer):
  
  \[
  4 \times 512.51 = 2,050.04 \text{ in total}
  \]

- EGW would consent to the connection application, requiring payment of the above NCC and compliance with any other particular conditions deemed necessary (such as whether separate or combined connections are required), and advise the applicant accordingly.

5.1.3 Multiple Lot Subdivision – Standard NCC (1)

A planning permit referral is received by EGW from a Council (being a responsible authority under the Planning and Environment Act 1987), to subdivide a “parent” property into ten residential lots. Assessment by EGW determines the following:
• The property-owner is identified and has authorised their consultant to act on their behalf in relation to their application for subdivision (including connection of the development to EGW’s water and sewer networks).

• The parent property is located on the fringe of EGW’s reticulation networks and is currently serviced for water (supply by agreement) but not for sewer (septic tank on farm-land). The property is within EGW’s service area but outside the water/sewer districts.

• The parent property is not fronted by a water main and has not been declared by EGW as a serviced property.

• The application is, upon subdivision, to connect nine new properties for water, and ten new properties for sewer services. In view of the supply by agreement in place for water service to the parent property, and in the absence of any direct evidence or record of previous NCC payment for the serviced parent property (and having paid tariffs for a period of time), EGW would deem that NCC has been paid for the supply of water service to the parent property only.

• EGW has sufficient information to identify the level of servicing required by the subdivided properties. EGW has made provision for any required or future growth assets in its forward plans, evidenced in its ten-year capital works program.

• The subdivided properties are able to be reasonably serviced for water and sewer and extension of water and sewer networks will be required by the developer as gifted assets. No unplanned growth assets are required to be provided by EGW and there are no other adjacent properties expected or likely to benefit from the gifted assets.

• Upon subdivision, the properties will be physically serviced (fronted by a water main and provided with sewer connection points – part of the gifted assets). EGW will require conditions on the planning permit for the developer to provide the gifted assets at their cost and to EGW requirements.

• EGW would also make a permit requirement for NCC to be paid based on the newly-serviced properties. The NCC payable by the owner/applicant (for the 2013/14 financial year) would be, based on lot sizes being < 450 sq m:

\[
9 \times $512.51 + 10 \times $512.51 = $9,737.69 \text{ in total}
\]

• EGW advises the developer of its determination (via the planning referral process) and would amend the water/sewer districts and undertake any other legislative requirements.

5.1.4 Multiple Lot Subdivision – Standard NCC (2)

If in the above example (5.1.3 Multiple Lot Subdivision – Standard NCC 1), the proposed development required planned growth assets as provided for in EGW’s ten-year capital works program (i.e. there is no change to timing or scope of the planned growth works), there would be no change to the above determination.

Examples of Negotiated NCC will be developed for the next version of this document.
Appendix 1

Section 145 Water Act 1989 – Control over connections

145 Control over connections

(1) A person must not, without an Authority's consent, cause or permit—
   (a) any works to be connected to the works of the Authority; or
   (b) the alteration or removal of any works that are connected to the works of the Authority; or
   (c) anything to be discharged into the works of the Authority.

Penalty: For a first offence, 20 penalty units or imprisonment for 3 months.
For a subsequent offence, 40 penalty units or imprisonment for 6 months.
For a continuing offence, an additional penalty of 5 penalty units for each day on which the offence continues—
   (d) after service of a notice of contravention on the person under section 151; or
   (e) if no notice of contravention is served, after conviction of the person for the offence.

(2) An application for the Authority's consent must be made in the manner determined by the Authority, and must be accompanied by any fee fixed by by-law and any plans and other information that the Authority requires.

(3) The Authority may—
   (a) refuse its consent; or
   (b) consent; or
   (c) consent subject to any terms and conditions it thinks fit.
(3A) A person may apply to VCAT for review of a decision by an Authority under subsection (3).

(3B) An application for review under subsection (3A) must be lodged with VCAT within 28 days after—

(a) notice of the decision was given; or

(b) if, under section 45 of the Victorian Civil and Administrative Tribunal Act 1998, the person requests a statement of reasons for the decision, the day on which the statement of reasons is given to the person or the person is informed under section 46(5) of that Act that a statement of reasons will not be given.

(4) A person who causes or permits anything referred to in subsection (1) to be done must make sure that it is done in accordance with any terms and conditions subject to which the Authority gave its consent.

Penalty: For a first offence, 20 penalty units or imprisonment for 3 months.

For a subsequent offence, 40 penalty units or imprisonment for 6 months.

For a continuing offence, an additional penalty of 5 penalty units for each day on which the offence continues—

(a) after service of a notice of contravention on the person under section 151; or

(b) if no notice of contravention is served, after conviction of the person for the offence.

(5) Terms and conditions subject to which the Authority consents are binding on the successors in title of the person who applied for that consent.