

NEW CUSTOMER CONTRIBUTIONS PROCEDURES

1. PURPOSE

1.1 This document, which has been developed in consultation with key stakeholders, details East Gippsland Water's (EGW) procedures in relation to the connection of new customers to East Gippsland Water's reticulation networks incorporating the New Customer Contributions (NCC) framework. This Standard Operating Procedure (SOP) supports the Essential Services Commission's (ESC) Guidance Paper (August 2012), EGW's Price Submission (2017/18 – 2022/23), EGW's Negotiating Framework (DOC/12/28404*) and related documents. This SOP also reflects the ESC's 2013 Water Price Review Final Decision, which set Standard New Customer Contributions at zero, as of 1 July 2017.

1.2 This SOP applies 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 relevant to this SOP 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 un-serviced 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.

2. APPROVAL

Managing Director.

3. 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.

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 SOP 155 Wastewater Tariff & Trade Waste Pricing Methodology. 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.

Gifted Assets: are those assets that are required to be constructed by a Connection Applicant to service their property (e.g. connecting pipework, tapplings, 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 DOC/12/28404.

4. PROCEDURE

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

4.1 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. Required information may include (as considered relevant 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 outstanding relevant 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

4.2 Consideration of the Application by EGW

EGW will consider the application and will notify the applicant of either its refusal of or consent to the application within **five (5) working days** (or a later date as may be 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.

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 notification of its 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 (DOC/12/28404).

Requests to waive or defer payment of applicable NCC is not normally possible, but may be considered by EGW where exceptional circumstances are demonstrated to EGW's satisfaction by the applicant in writing. Waiving or deferral of payment of an applicable of NCC by a Connection Applicant may only be authorised by an EGW Executive Manager.

4.3 Miscellaneous Fees

Miscellaneous charges may also apply (e.g. tapping fees) in accordance with the ESC-approved tariffs for the applicable regulatory period. Applicable charges are available on EGW's web site.

4.4 NCC

In this document, NCC are based on the following pricing principles (as determined by the ESC) and must;

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.

EGW's Standard NCC is zero.

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

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 (DOC/12/28404*) 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);
- 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 may be subject to legislative process (e.g. an owner-funded scheme under the Water Act 1989), 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 of cost-share based on a specific peak capacity apportionment 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 would apply in such 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 relevant gifted 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 needed for their own development.

4.5 Gifted Assets

Gifted assets must 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 SOP132 Third-Party Works) (DOC/09/163*). 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 – relevant Miscellaneous Charges apply.

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.

4.6 Timeframes

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

Standard NCC

Not applicable.

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

5. REFERENCES

- POL 025 Customer Connections
- SOP 155 Wastewater Tariff & Trade Waste Pricing Methodology
- SOP 166 Third Party Works impacts on EGW works
- SOP 125 Structures Over EGW Works
- Water Act 1989
- Planning & Environment Act 1987
- Sop 132 Third Party Works

6. REVIEW

This document is reviewed by exception or on a five yearly basis and revised as needed to ensure operational control and compliance with regulations and standards.