

8/11/2017

Our ref. C/17/19770

Mr Andrew Cairns
Chairman
Western Water
PO Box 2371
Sunbury DC VIC 3429



Dear Mr Cairns,

Western Water's price submission

I'm writing in response to your letter of 20 October 2017.

You requested we consider a pricing period of two years to allow the business, including recently appointed board members, time to assess Western Water's capacity to address challenges with servicing unprecedented levels of growth, while also providing affordable and value adding services to customers. Your letter noted Western Water's engagement highlighted the importance of providing bills that are affordable and equitable.

We are open to Western Water proposing a two year pricing period from 1 July 2018 for the reasons set out in your letter of 20 October 2017, given:

- The unique circumstances facing Western Water in coming years.
- Your advice that current modelling indicates prices would have to increase to a level that may not be affordable in the medium to long term in order to fully respond to the forecast growth in your region.
- Our objectives as set out in the *Essential Services Commission Act (Vic) 2001*, the *Water Industry Act (Vic) 1994*, and the *Water Industry Regulatory Order (2014)*. In particular, the long-term interests of Western Water's customers.
- Your commitment to undertaking an assessment of Western Water's capacity and resilience to address challenges, before committing to a longer term service, revenue and price path.

We also note your proposal to set prices at the current level plus an allowance for the consumer price index.

Western Water will need to provide us a price submission for a two year pricing period from 1 July 2018 for our assessment. As your price submission will likely vary from the requirements of our existing guidance, we will issue new guidance to Western Water to inform its price submission.

As required by the Water Industry Regulatory Order (2014) we will consult on the guidance before it is finalised, including with Western Water and Western Water's customers.

Our intention is to release updated guidance for consultation before mid-December 2017. Subject to the outcomes of our consultation, other key steps in the review and indicative dates are:

- Commission issues final guidance – late January 2018
- Western Water lodges its price submission – early March 2018
- Commission issues a draft decision for consultation – April 2018
- Consultation on the draft decision closes – early June 2018
- Commission issues final decision and price determination – mid to late June 2018

We will work to issue a new price determination in time for new prices to be in place by 1 July 2018. Our ability to do this will be reliant on Western Water complying with updated our guidance in making a price submission.

Our expectation is that from 1 July 2020, Western Water's price submissions will fully comply with PREMO and other elements of our pricing approach.

If you have any queries, I can be contacted on [REDACTED] Alternatively, your staff may contact Dean Wickenton, Senior Regulatory Manager – Water, [REDACTED].

Yours sincerely



Dr Ron Ben-David
Chairperson