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GWMWater

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*Certified to best practice standards
ISO 9001 / 14001 and AS/NZS 4801*

11 December 2012

Marcus Crudden
Acting Director Water
Essential Services Commission
Level 2 / 35 Spring Street
MELBOURNE VIC 3000

Dear Marcus

New Customer Contributions

GWMWater is proposing to adopt a set principles based approach initially with NCC recalculated and set on an annual basis.

This approach is consistent with the GWMWater application for a revenue cap and tariff basket. Much of GWMWater's own investment in the Wimmera Mallee Pipeline was committed to facilitating regional growth opportunities that had been typically constrained by an overcommitted water system. This investment related to expenditure to create new water resource (growth water) to facilitate growth combined with building additional capacity into the pipeline. This capacity was nominally available for urban and/or rural growth opportunities with an acknowledgement that further augmentation may be required to facilitate growth opportunities with the pipeline network.

The final position on level of new customer contributions will be contingent upon the outcome of current discussions between GWMWater and the Commonwealth specific to the financial closure of the WMPP and the growth water sales process. This position is further contingent upon the ultimate position adopted on inter period adjustments for expenditure incurred in transitioning from Water Plan 2 to Water Plan 3. These adjustments relate specifically to the expenditure that was to be incurred on delivering the WMPP in Water Plan 2 that will now lag into the period covered by Water Plan 3.

By adopting the principles based approach, GWMWater will be adopting the negotiating framework outlined in the proforma of appendix B *Essential Services Commission 2012, Guidance paper – new customer contributions, August 2012*.

GWMWater will maintain a reserve value on growth water of \$2,500 per ML as part of this proposal. For urban developments this will be embedded in the new customer contribution charge relative to the likely water demands commanded by the development. For planning purposes GWMWater has assumed the current new

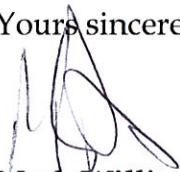
customer contribution of \$606.80 will be the baseline for the purpose of revenue generated across the regulatory period.

The forecast growth and associated capital expenditure and gifted assets remain consistent with the information submitted as part of Water Plan 3.

GWMWater propose a transitional plan that would cap any potential increase in NCC's at 20% per annum where the application of the principles based approach gave rise to increases in new customer contributions.

Should you have any queries please do not hesitate to contact me on (03) 5381 9822.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mark Williams', with a stylized flourish extending from the end.

Mark Williams
Managing Director