



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

COLIBAN WATER DETERMINATION

1 JULY 2013 – 30 JUNE 2018

JUNE 2013

An appropriate citation for this paper is:

Essential Services Commission 2013, *2013 Water Price Review Final Decision: Coliban Water Determination*, June.

CONTENTS

Contents	III
Coliban Water	1
1. General	1
1.1 Introduction	1
1.2 Application	2
1.3 Effective period	2
1.4 Modification of time periods	2
1.5 Summary and structure	2
1.6 Definitions and interpretation	3
1.7 Annexure	3
2. Price control	3
2.1 General principles	3
2.2 Ancillary matters	4
2.3 Annual adjustment of prices	5
2.4 Price changes during a billing period	8
2.5 Reporting requirements	9
3. No clause	10
4. Uncertain or unforeseen events	10
4.1 General principle	10
4.2 Consideration by the Commission	10
4.3 Procedure	12
5. Other adjustments during regulatory period	13
Schedule 1	14
Definitions and Interpretation	14
Schedule 2	17
Prices	17
Schedule 3	20
Application of prices	20
3.1 Water volume charge	20
3.2 Wastewater access fee	20
3.3 Non-residential wastewater access fee calculation	21

3.4	Wastewater volume charge	21
3.5	Recycled and untreated water charges	21
3.6	Industry discharge factors	22
3.7	Miscellaneous fees and charges	23
Schedule 4		24
	Pricing principles	24
4.1	Recycled water pricing principles	24
4.2	Pricing principles where scheduled prices do not apply	24
4.3	Pricing principles for New Customer Contributions (NCC)	25
4.4	Pricing principles for miscellaneous services not included in Schedule 2	26
4.5	Guidelines	27
Annexure A		28

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 Coliban Region Water Corporation (trading as Coliban Water) (ABN 96 549 082 360) (*Coliban Water*) may charge for *prescribed services* during the *regulatory period*; and
 - (ii) the standards and conditions of service and supply which *Coliban 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 *Coliban 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 **Coliban Water** and its successors and assigns in respect of the business carried on by **Coliban 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 **Coliban 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 **Coliban Water**, extend or reduce the time by which, or the period within which, **Coliban 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 ***Coliban 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 ***Coliban 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**

Coliban 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 4 will apply to the prices charged by **Coliban Water** in respect of **prescribed services** during the **regulatory period**.

(c) Pricing principles

During the **regulatory period**, **Coliban Water** must apply the pricing principles in Schedule 5 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 5 relate.

2.2 Ancillary matters

(a) New prices

If a **new price** is introduced under clause 2.3:

- (i) that **new price** is deemed to be included in Schedule 2 with effect from the start of the subsequent **regulatory year**; and
- (ii) any new application principle specified in respect of that **new price** is deemed to be included in Schedule 2 with effect from the start of the subsequent **regulatory year**.

(b) Contracts

Where **Coliban Water** has entered into a contract (a **relevant contract**) which relates to the provision of **prescribed services** prior to 1 July 2013, **Coliban 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 the **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 5 will apply for the remainder of the **regulatory period**.

(c) 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.

(d) Publication

Coliban 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)).

(e) GST

Coliban 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

Subject to Schedule 2 and clause 2.3(b)(iii), the scheduled prices in Schedule 2 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formulae 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) Formulae

- (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.

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 40 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period**, **Coliban Water** must submit its proposed prices for the **prescribed services** referred to in clause 2.3(a) to apply in the 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 including:
 - (A) the forecast quantities for **regulatory year** t “ q_t^{ij} ” (referred to in the relevant formula in clause 2.3(b)(i));
 - (B) the estimate of actual quantities for **regulatory year** $t-1$ “ q_{t-1}^{ij} ” (referred to in the relevant formula in clause 2.3(b)(i));

- (C) information which explains the calculation of the items referred to in subparagraphs (A) and (B) above;
 - (D) information relating to any **new price** which **Coliban Water** proposes to introduce in **regulatory year t**; and
 - (E) a statement setting out evidence demonstrating the extent to which **Coliban Water** has provided information to its customers and any relevant consultative committee established under the *Water Act 1989* (Vic) (the **Water Act**) explaining the calculation of the revised prices and has consulted effectively with its customers and any relevant consultative committee on the revised prices;
 - (F) a statement setting out the anticipated customer impacts resulting from the revised prices and actions, if any, proposed by **Coliban Water** to address these customer impacts;
 - (G) a statement setting out evidence demonstrating the extent to which **Coliban Water** has, over the course of the past **regulatory year**, provided information to its customers explaining its long-term pricing strategy for **prescribed services** and consulted effectively with its customers on developing that pricing strategy to provide reasonable price stability(that is, minimising price shocks) to its customers; and
 - (H) any other information required by the Commission.
- (ii) The Commission will approve the **revised prices** if it considers that:
- (A) the items referred to in clause 2.3(c)(i)(A) and (B) are reasonable;
 - (B) the **revised prices** have been calculated in accordance with the formulae set out in clause 2.3(b)(i);

- (C) **Coliban Water** has adequately consulted (in the circumstances) with its customers and any relevant consultative committee established under the **Water Act** on the revised prices;
 - (D) **Coliban Water** has adequately addressed (in the circumstances) customer impacts resulting from the revised prices; and
- (iii) **Coliban Water** has adequately consulted (in the circumstances) with its customers on its long-term pricing strategy and that strategy provides reasonable price stability (that is, minimising price shocks) to its customers.
 - (iv) The Commission will be deemed to have approved the **revised prices** if it has not provided notice under clause 2.3(c)(iv) to **Coliban Water** within 30 **business days** from the date of its receipt of the **revised prices**.
 - (v) If the Commission does not approve the **revised prices**, the Commission:
 - (A) will provide notice to **Coliban Water** (including a statement of its reasons);
 - (B) may request **Coliban Water** to provide any additional information specified by the Commission;
 - (C) will take any additional information provided by **Coliban Water** into account; and
 - (D) will determine the **revised prices**.
 - (vi) For the avoidance of doubt, any **new price** approved by the Commission under clause 2.3(c)(ii) or deemed to have been approved by the Commission under clause 2.3(c)(iii) will be a **revised price** for the purpose of clause 2.3(c).

2.4 Price changes during a billing period

(a) Application of this clause

This clause 2.4 applies where **Coliban 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

Coliban 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) **Coliban 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 **Coliban Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Coliban Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 5 relate, **Coliban 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 **Coliban 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 **Coliban 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, **Coliban 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. No clause

4. Uncertain or unforeseen events

4.1 General principle

- (a) **Coliban 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 **Coliban Water** and/or increased or decreased revenue received by **Coliban 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 **Coliban Water** makes an application under clause 4.1(a), **Coliban 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 **Coliban 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 **Coliban 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 **Coliban Water** in one or more **regulatory years** during the **regulatory period**;
- (iv) amounts payable by **Coliban Water** for purchases of bulk water during a particular **regulatory year** during the **regulatory period** which differ from the forecast bulk water payments set out in annexure A for that **regulatory year**; and
- (v) 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)(v)(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 **Coliban Water's** control;
- (ii) were or should have been known by **Coliban Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **Coliban Water**;

- (iv) should be or should have been planned for or managed by **Coliban Water**, and/or
- (v) reflect inefficient expenditure by **Coliban 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 **Coliban 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 **Coliban Water**.
- (iii) The Commission may request **Coliban 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 **Coliban 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 government or public tax imposed by or payable directly or indirectly to any 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 Volume Charges (per kL)					
Central District	2.1464	3.0%	0.8%	0.0%	0.0%
Northern District	1.1203	14.8%	12.9%	11.4%	10.2%
Untreated	0.8402	14.8%	12.9%	11.4%	10.2%
Recycled	1.6098	3.0%	0.8%	0.0%	0.0%
1.2 Urban Water Access Fees* (per annum)					
0 & 20 mm Meter	203.97	3.0%	0.8%	0.0%	0.0%
25 mm Meter	318.71	3.0%	0.8%	0.0%	0.0%
32 mm Meter	522.18	3.0%	0.8%	0.0%	0.0%
40 mm Meter	815.91	3.0%	0.8%	0.0%	0.0%
50 mm Meter	1274.87	3.0%	0.8%	0.0%	0.0%
80 mm Meter	3263.67	3.0%	0.8%	0.0%	0.0%
100 mm Meter	5099.49	3.0%	0.8%	0.0%	0.0%
150 mm + Meter	11473.87	3.0%	0.8%	0.0%	0.0%
* Recycled & Untreated Water Access is meter based at 50% of the Urban Water Access Fee					
1.3 Fire Services Access Fees (per annum)					
32 mm Meter	44.81	3.0%	3.0%	3.0%	3.0%
40 mm Meter	67.22	3.0%	3.0%	3.0%	3.0%
50 mm Meter	96.58	3.0%	3.0%	3.0%	3.0%
80 mm Meter	230.84	3.0%	3.0%	3.0%	3.0%
100 mm Meter	360.72	3.0%	3.0%	3.0%	3.0%
150 mm + Meter	758.03	3.0%	3.0%	3.0%	3.0%
1.4 Wastewater Access Fee Residential (per annum)					
Residential Sewer Access	622.63	3.0%	0.8%	0.0%	0.0%
1.5 Wastewater Access Fees Non-Residential (per annum)					
Non-Residential Sewer Access (commencing 1 July 2015)	622.63	3.0%	0.8%	0.0%	0.0%

Sewer Access – Major					
Maximum	622.63	3.00%	NA	NA	NA
Minimum	520.25	20.00%	NA	NA	NA
20 mm Meter	507.49	20.00%	NA	NA	NA
25 mm Meter	647.02	20.00%	NA	NA	NA
32 mm Meter	1 104.31	20.00%	NA	NA	NA
40 mm Meter	1 624.07	20.00%	NA	NA	NA
50 mm Meter	2378.91	20.00%	NA	NA	NA
80 mm Meter	5684.40	20.00%	NA	NA	NA
100 mm Meter	8247.35	20.00%	NA	NA	NA
150 mm + Meter	17 129.29	20.00%	NA	NA	NA
Sewer Access - Enviro 1					
Maximum	622.63	3.00%	NA	NA	NA
Minimum	525.09	20.00%	NA	NA	NA
20 mm Meter	511.21	20.00%	NA	NA	NA
25 mm Meter	651.77	20.00%	NA	NA	NA
32 mm Meter	1 112.43	20.00%	NA	NA	NA
40 mm Meter	1 635.99	20.00%	NA	NA	NA
50 mm Meter	2 396.37	20.00%	NA	NA	NA
80 mm Meter	5 726.16	20.00%	NA	NA	NA
100 mm Meter	8 307.95	20.00%	NA	NA	NA
150 mm + Meter	17 255.13	20.00%	NA	NA	NA
Sewer Access - Enviro 2					
Maximum	622.63	3.00%	NA	NA	NA
Minimum	476.58	20.00%	NA	NA	NA
20 mm Meter	467.56	20.00%	NA	NA	NA
25 mm Meter	596.11	20.00%	NA	NA	NA
32 mm Meter	1 017.42	20.00%	NA	NA	NA
40 mm Meter	1 496.280	20.00%	NA	NA	NA
50 mm Meter	2 191.75	20.00%	NA	NA	NA
80 mm Meter	5 237.20	20.00%	NA	NA	NA
100 mm Meter	7 598.52	20.00%	NA	NA	NA
150 mm + Meter	15 781.68	20.00%	NA	NA	NA

1.6 Wastewater Volume Charge (per kL)

Wastewater Volume Charge (non-residential only)	0.8302	3.0%	3.0%	3.0%	0.0%
--	--------	------	------	------	------

1.7 Rural District Volume Charges (per ML)

Volume Charge	242.3364	subject to approval
Excess Usage	3 000.00	subject to approval

1.8 Rural District Access Fees (per annum)

Unmodernised Pipeline	793.36	subject to approval
Channel	445.88	subject to approval
Storage Access	98.86	subject to approval

Modernised Pipeline	As per urban water access charges				
Infrastructure Charge - unmodernised (per ML ent)	148.15	subject to approval			
Infrastructure Charge - modernised (per ML ent)	230.63	subject to approval			
Termination fee (per ML ent)	In accordance with ACCC rules				

1.9 Rural District Outlet Charges

(per additional outlet)

2-5 outlets	25.52	subject to approval			
6-10 outlets	35.76	subject to approval			
11+ outlets	35.76	subject to approval			

1.10 Major Trade Waste Charges

Access Fee (per annum)	In accordance with pricing principles				
Volume Charge (per kL)	0.8303	3.0%	3.0%	3.0%	3.0%
Quality Parameters (per kg)	In accordance with pricing principles				
COD	0.3177	3.0%	3.0%	3.0%	3.0%
SS	0.6784	3.0%	3.0%	3.0%	3.0%
TKN	1.3463	3.0%	3.0%	3.0%	3.0%
P	2.6025	3.0%	3.0%	3.0%	3.0%
TDS	0.0205	3.0%	3.0%	3.0%	3.0%
Sampling	Actual Cost				
Minor Trade Waste (per annum)	128.13	3.0%	3.0%	3.0%	3.0%

1.11 New Customer Contributions (per lot)

Water	1479.11	0.0%	0.0%	0.0%	0.0%
Sewer	1479.11	0.0%	0.0%	0.0%	0.0%
Recycled water	739.55	0.0%	0.0%	0.0%	0.0%

1.12 Core Miscellaneous Services

Project Management Fee (per project)	512.51	0.0%	0.0%	0.0%	0.0%
Project Management Fee (per lot)	68.55	0.0%	0.0%	0.0%	0.0%
Water & Sewer Plan Amendment Fee	68.83	0.0%	0.0%	0.0%	0.0%
Property Connection Application	68.83	0.0%	0.0%	0.0%	0.0%
Special Meter Reading Fee	35.04	0.0%	0.0%	0.0%	0.0%
Information Statement	52.62	0.0%	0.0%	0.0%	0.0%
Minor Trade Waste	128.130	0.0%	0.0%	0.0%	0.0%

Non-core miscellaneous services

Actual Cost

Schedule 3

Application of prices

3.1 Water volume charge

The table below indicates the allocation of towns to districts for the purposes of applying the water volume charge.

District	Towns
Central Districts	The towns within the Coliban Water supply region except those mentioned in the Northern District are subject to Central District pricing.
Northern Districts	The towns of Echuca, Cohuna, Gannawarra, Gunbower, Leitchville, Mead and Rochester.
Untreated Supply	All water that is supplied untreated. Some towns include Borung, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella.

3.2 Wastewater access fee

The table below indicates the allocation of towns to districts for the purposes of applying the wastewater access fee.

Residential	
Residential wastewater access fee	Applicable to all residential customers.
Non-residential	
	The non-residential wastewater zones (Major, Enviro 1 & Enviro 2) will be amalgamated at 1 July 2015.
	Until such time the current allocation of towns continue for the purpose of the Wastewater Access Fee. The calculation continues as a meter based charge.
Access charges – Major	Bendigo, Castlemaine, Cohuna, Echuca, Elmore, Epsom, Heathcote, Kyneton, Lockington, Maiden Gully, Malmsbury, Rochester, Strathfieldsaye.
Access charges – Enviro 1	Bridgewater, Epsom (Envirosafe), Campbells Creek, Chewton, Hansen Street (Echuca), Harcourt, Huntly, Inglewood, Maldon, Marong, Pyramid Hill, Trentham, Tylden, Wharparilla Drive (Echuca).
Access charges – Enviro 2	Axedale, Boort, Dunolly, Gunbower, Leitchville, Newstead, Wedderburn.

The non-residential wastewater access fee remains meter based during the transition to the amalgamated price. Until the amalgamated price commences on 1 July 2015 the maximum applicable non-residential charge will be equivalent to the

residential wastewater access fee, regardless of location. The minimum charge applicable depends upon the customer's location and meter size. Prices for all locations may be found in Schedule 2. The meter based calculation is demonstrated in 3.3.

3.3 Non-residential wastewater access fee calculation

Access Fee X Share of Meter X Industry Discharge Factor
 (by meter size and location) (percentage share) (refer to table 3.6)

Where this calculation results in an access fee less than the minimum access fee, the minimum access fee applies. Where this calculation results in an access fee greater than the maximum access fee, the maximum access fee applies.

Commencing 1 July 2015 all non-residential customers will be subject to the wastewater access fee, priced equivalently to the residential wastewater access fee.

3.4 Wastewater volume charge

Only non-residential customers are subject to the wastewater volume charge on discharges in excess of 230kL per annum. This charge is not applicable to major trade waste customers where they are subject to the trade waste pricing schedule. The volume charge calculation is as follows:

$$\frac{((\text{Water Consumption} \times \text{Industry Discharge Factor}) - ((230 / \text{Days in year}) \times \text{Days in period}))}{(\text{KL per billing period})} \times \frac{\text{Price}}{(\text{allowable discharge in the period kL})} \quad (\$/\text{kL})$$

Where this calculation results in a negative (occurring when a customer's wastewater volume is less than the allowable volume in a period) the applicable charge becomes \$0.00.

3.5 Recycled and untreated water charges

Recycled Water Volume Charge: 75% of the central district volumetric rate, regardless of location.

Recycled Water Access Charge: 50% of the equivalent urban water access fee (meter based).

Untreated Water Volume Charge: 75% of the northern district volumetric rate, regardless of location.

Untreated Water Access Charge: 50% of the equivalent urban water access fee (meter based).

3.6 Industry discharge factors

Description	%	Description	%
Airfield	50	Office	95
Bakery	25	Panel Beating	95
Bank/Financial Institution	95	Plant Nursery	25
Bowling Club	25	Police station and dwelling	75
Building	95	Post Office	95
Café/Restaurant	95	Pottery	25
Caravan Park	50	Poultry Shed	50
Car Park	95	Pre School	50
Car Yard	75	Private Hospital	75
Cemetery	25	Public Utility	95
Church	75	Quarry	25
Court House	95	Racecourse/Stables	50
Dairy	95	Railway Station	75
Dental Clinic	95	Recreational Club	95
Depot	95	Recreation Centre	95
Factory	95	Recreation Reserve – Facilities	25
Farm including house	65	Recreation Reserve – No Facilities	0
Fire Station	75	Restaurant	95
Funeral Director	95	Retail Store	95
Golf Course	25	School – Large Non Discharge Usage	15
Guest House	75	School – Normal Discharge Usage	50
Hall	95	School – Zero Non Discharge Usage	75
Health Centre	95	Service Station	95
Hospital	75	Shed	95
Hotel – Large Non Discharge Usage	35	Shop	95
Hotel – Normal Discharge Usage	95	Shop and Dwelling	75
Ice Skating Rink	75	Shop and Factory	95
Industrial Land	0	Special Accommodation	75
Infant Welfare	50	Squash Courts	95
Information Centre – Tourist	95	Standpipe	0
Jail	75	Swimming Pool	50
Kennels	75	Telephone Exchange	95

Description	%	Description	%
Laboratory	95	Tennis Courts	95
Laundry/Dry Cleaner	95	Theatre	95
Lawn Tennis Courts	25	Timber Yard	95
Library	95	Tip	95
Median Strip	0	Toilet	95
Medical Rooms	95	Trade Waste (by agreement)	
Mining Lease	0	Unspecified	95
Mining Treatment	25	Veterinary Clinic	75
Motel – Normal Discharge Usage	75	Warehouse	95
Motel – Large Non Discharge Usage	40	Winery	25
Municipal Office	95	Workshop	95
Nursing Home	75	Youth Club	95

3.7 Miscellaneous fees and charges

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

Miscellaneous service	Definition
Project management fee (per project)	Fees for the management of developer works. Applied on a per project basis.
Project management fee (per lot)	Fees for the management of developer works. Applied on a per lot basis.
Water & sewer plan amendment fee	Fee for the management of adjustments to on site water and sewer assets.
Property connection application	Fee for administering the lodgement and management of land development applications and associated works.
Special meter reading fee	Fee to conduct a meter read at a customer's request.
Information statements	Provision of information statements on the transfer of properties.
Connection fee	Property connection application fee for the administration required to process a new connection application.

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 **Coliban 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 **Coliban Water** or pursuant to other Government policies that apply to **Coliban 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 purposes 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:

IFC = $(1 - [1 / (1+r)^n])$ x 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

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

- makes clear to potential developers which assets a developer will be responsible for providing and gifting, and which will be provided by **Coliban Water**;
- confirms that negotiation of any non-standard connection and associated charges will be undertaken in accordance with **Coliban 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

Coliban 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	60.7	61.1	61.9	62.2	61.7
Return on existing assets	14.6	14.1	13.6	13.2	12.7
Return on new investments	1.4	3.6	5.1	6.3	7.4
Regulatory depreciation	11.2	12.4	13.7	14.7	15.6
Adjustments from last period	6.8	6.8	6.8	6.8	6.8
Total	94.6	98.0	101.0	103.1	104.1

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	80.2	158.7	221.2	241.9	271.7
<i>Plus</i> Gross capital expenditure	98.7	70.5	29.9	40.4	39.5
<i>Less</i> Government contributions	17.4	0.5	0.0	0.0	1.3
<i>Less</i> Customer contributions	1.1	1.7	1.2	2.7	2.5
<i>Less</i> Proceeds from disposals	0.0	0.0	0.0	0.1	0.1
<i>Less</i> Regulatory depreciation	1.7	5.8	8.0	9.2	9.8
Closing RAB	158.7	221.2	241.9	270.3	297.5

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	297.5	329.7	380.1	406.8	425.7	438.5
<i>Plus</i> Gross capital expenditure	43.8	64.1	41.7	35.2	30.2	34.4
<i>Less</i> Government contributions	0.0	0.0	0.0	0.0	0.0	0.0
<i>Less</i> Customer contributions	2.7	2.6	2.7	2.7	2.7	2.8
<i>Less</i> Proceeds from disposals	0.0	0.0	0.0	0.0	0.0	0.0
<i>Less</i> Regulatory depreciation	10.1	11.2	12.4	13.7	14.7	15.6
Closing RAB	328.4	380.1	406.8	425.7	438.5	454.5

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	0.07	0.07	0.07	0.08	0.09
Department of Human Services licence fee	0.03	0.03	0.03	0.03	0.03
Environment Protection Authority licence fee	0.11	0.11	0.11	0.11	0.11
Environmental contribution	3.19	3.10	3.02	2.94	2.86

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	1.50	1.59	1.72	1.77	1.80

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.)					
Residential	63 039	64 137	65 254	66 391	67 548
Non-residential	6 614	6 680	6 746	6 812	6 880
Total	69 653	70 817	72 000	73 204	74 428
Sewerage assessments (no.)					
Residential	56 959	57 952	58 961	59 988	61 033
Non-residential	5 495	5 585	5 678	5 735	5 792
Total	62 454	63 537	64 639	65 723	66 825
Billable water consumption (ML)					
Residential	10 366	10 492	10 626	10 774	10 930
Non-residential	5 939	5 972	6 004	6 037	6 070
Total	16 305	16 464	16 630	16 811	17 000

Table 8 **Key capital projects and programs**

Projects	<i>Expected completion date</i>
Rochester wastewater connection to Echuca	2013-14
Harcourt rural modernisation project	2014-15
Heathcote backlog sewerage	2014-15
Echuca and Cohuna water treatment plant upgrades	2015-16
Coliban main channel	2016-17
Cohuna water reclamation plant refurbishment	2017-18
Bridgewater and Laanecoorie water treatment plant upgrades	2017-18
Programs	
Water main renewals program	Ongoing
Occupational, health and safety program	Ongoing
Sewer main renewals program	Ongoing