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METROPOLITAN MELBOURNE WATER PRICE REVIEW 2013

YARRA VALLEY WATER DETERMINATION

1 JULY 2013 – 30 JUNE 2018

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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 21 June 2013, the Commission made its decision under the **WIRO** in respect of:
 - (i) the prices which Yarra Valley Water Corporation (trading as Yarra Valley Water) (ABN 93 066 902 501) (**Yarra Valley Water**) may charge for **prescribed services** during the **regulatory period**; and
 - (ii) the standards and conditions of service and supply which **Yarra Valley 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 **Yarra Valley 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 **Yarra Valley Water** and its successors and assigns in respect of the business carried on by **Yarra Valley 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 **Yarra Valley 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 **Yarra Valley Water** extend or reduce the time by which, or the period within which, **Yarra Valley 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 other 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 (or, where only used within a clause, the meaning given upon their first use); 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 **Yarra Valley 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 **Yarra Valley 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**

Yarra Valley 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, in accordance with Schedule 3.

(b) Application principles

The application principles in Schedule 3 will apply to the prices charged by *Yarra Valley Water* in respect of *prescribed services* during the *regulatory period*.

(c) Pricing principles

During the *regulatory period*, *Yarra Valley Water* must apply the pricing principles in Schedule 4 when determining the prices to apply to the *prescribed services* to which the pricing principles in Schedule 4 relate.

2.2 Operational matters

(a) Contracts

Where *Yarra Valley Water* has entered into a *relevant contract* which relates to the provision of *prescribed services* prior to 1 July 2013, *Yarra Valley 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 a *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 4 will apply for the remainder of the *regulatory period*.

(b) 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.

(c) Publication

Yarra Valley Water must publish a list 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 list 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)).

(d) **GST**

Yarra Valley 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 applying under this Determination 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 formula 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) **Formula**

- (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 "Revenue cap formula" set out in Schedule 3 with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**.
- (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 regulatory requirement for **regulatory year** t " rev_t " will be set equal to " $(rev_{t-1} * cpi_t)$ " for the purpose of adjusting prices in accordance with the formulae 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.
- (iii) An increase in any scheduled price in Schedule 2 in any **regulatory year** must not exceed the average of all scheduled price increases in that **regulatory year** by more than 2%.

(c) **Adjustment procedure**

- (i) At least 40 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period**, **Yarra Valley 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 **Yarra Valley Water** proposes to introduce in **regulatory year t**; and
 - (E) 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; and
 - (B) the **revised prices** have been calculated in accordance with the formulae set out in clause 2.3(b)(i) with any necessary adjustments to comply with clause 2.3(b)(iii).
- (iii) The Commission will be deemed to have approved the **revised prices** if it has not provided notice under clause 2.3(c)(iv) to **Yarra Valley Water** within 30 **business days** from the date of its receipt of the **revised prices**.

- (iv) If the Commission does not approve the **revised prices**, the Commission:
 - (A) will provide notice to **Yarra Valley Water** (including a statement of its reasons);
 - (B) may request **Yarra Valley Water** to provide any additional information specified by the Commission;
 - (C) will take any additional information provided by **Yarra Valley Water** into account; and
 - (D) will determine the **revised prices**.
- (v) 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 **Yarra Valley 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

Yarra Valley 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) **Yarra Valley 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 **Yarra Valley Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Yarra Valley Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing

principles in Schedule 4 relate, **Yarra Valley Water** must, within 30 **business days** of the date of the **new contract**, 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 **Yarra Valley 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 **Yarra Valley 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, **Yarra Valley 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.
 - (iii) the extent of any inconsistency.

3. Uncertain or unforeseen events

3.1 General principle

- (a) **Yarra Valley 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 **Yarra Valley Water** and/or increased or decreased revenue received by **Yarra Valley 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 **Yarra Valley Water** makes an application under clause 3.1(a), **Yarra Valley 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 3.3(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.

3.2 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 3 include:

- (i) actual licence fees or contributions payable by **Yarra Valley 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 **Yarra Valley 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 **Yarra Valley Water** in one or more **regulatory years** during the **regulatory period**; and
- (iv) 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) or regulations made under any of them;
 - (B) any licence issued pursuant to any of the Acts referred to in clause 4.2(a)(iv)(A);
 - (C) a **relevant tax**; or
 - (D) the Statement of Obligations; or
 - (E) 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 **Yarra Valley Water's** control;
- (ii) were or should have been known by **Yarra Valley Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **Yarra Valley Water**;
- (iv) should be or should have been planned for or managed by **Yarra Valley Water**; and/or
- (v) reflect inefficient expenditure by **Yarra Valley Water**.

(c) Dispute resolution

Any question as to whether a matter should be taken into account by the Commission under this clause 3 will be determined by the Commission in its absolute discretion.

3.3 Procedure

(a) Application process

- (i) An ***uncertain events application*** must be accompanied by a statement setting out:
 - (A) the details of the 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 3.3(a)(i)(B); and
 - (D) details of the proposed action to be taken by the Commission under clause 3.3(b).
- (ii) The Commission may identify an event or events which it considers has had or may have a material impact on ***Yarra Valley Water's*** operating and/or capital expenditure and/or revenue and may decide to take action under clause 3.3(b) in the absence of an ***uncertain events application*** by ***Yarra Valley Water***.
- (iii) The Commission may request ***Yarra Valley 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 about the matters set out in clause 3.1(b) in respect of an ***uncertain events application*** or an event identified by the Commission under clause 3.3(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 ***Yarra Valley Water*** may charge for ***prescribed services*** in the ***next regulatory period***.

4. Material error and unintended consequences

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.

5. Pass-through of changed Melbourne Water prices in fourth and fifth regulatory years

Where the Commission:

- (a) makes a price determination for storage operator and bulk water services supplied by Melbourne Water Corporation for some or all of the period from 1 July 2016; and
- (b) declares that such price determination provides for different prices to be charged to ***Yarra Valley Water*** from those assumed in the making this Determination;

the Commission may decide to amend this Determination, specify a price adjustment and/or specify a mechanism for making a price adjustment, provided that it is satisfied that such amendment and/or price adjustment takes or will take 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 tax imposed by or payable directly or indirectly to any government or public 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 Act means the *Water Act 1989* (Vic).

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 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 5. Variable water, wastewater and trade waste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

<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 Residential water tariff					
Service charge (per annum)	175.90	0.0%	0.0%	0.0%	0.0%
Usage charge (per kL)					
Block 1 (0-440 litres/day)	2.5970	0.0%	0.0%	0.0%	0.0%
Block 2 (441-880 litres/day)	3.0469	0.0%	0.0%	0.0%	0.0%
Block 3 (881 + litres/day)	4.5017	0.0%	0.0%	0.0%	0.0%
1.2 Non-residential water tariff					
Service charge (per annum)	285.51	0.0%	0.0%	0.0%	0.0%
Usage charge (per kL)	2.7985	0.0%	0.0%	0.0%	0.0%
1.3 Residential sewerage tariff					
Sewer service charge (per annum)	343.90	0.0%	0.0%	0.0%	0.0%
Sewerage disposal charge (per kL)	2.0908	0.0%	0.0%	0.0%	0.0%
1.4 Non-residential sewerage tariff					
Sewer service charge (per annum)	535.20	0.0%	0.0%	0.0%	0.0%
Sewerage disposal charge (per kL)	2.0300	0.0%	0.0%	0.0%	0.0%
1.5 Residential recycled water tariff (Supplied via third pipe)					
Service charge (per annum)	32.37	0.0%	0.0%	0.0%	0.0%
Usage charge (per kL)	2.2074	0.0%	0.0%	0.0%	0.0%
1.6 Non-Residential recycled water tariff (Supplied via third pipe)					
Service charge (per annum)	32.37	0.0%	0.0%	0.0%	0.0%
Usage charge (per kL)	2.6390	0.0%	0.0%	0.0%	0.0%
1.7 Trade waste charges					
Contract fee (per annum)					
Risk Rank 1	17118.61	0.0%	0.0%	0.0%	0.0%
Risk Rank 2	15170.37	0.0%	0.0%	0.0%	0.0%
Risk Rank 3	5705.79	0.0%	0.0%	0.0%	0.0%

<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>
Risk Rank 4	1711.07	0.0%	0.0%	0.0%	0.0%
Risk Rank 5	569.84	0.0%	0.0%	0.0%	0.0%
Volumetric and load					
Volume (per kL)	1.0512	0.0%	0.0%	0.0%	0.0%
BOD (per kg)	0.8213	0.0%	0.0%	0.0%	0.0%
SS (per kg)	0.4780	0.0%	0.0%	0.0%	0.0%
TKN (per kg)	2.2201	0.0%	0.0%	0.0%	0.0%
ITDS (per kg)	0.0342	0.0%	0.0%	0.0%	0.0%
Food waste charges					
Health care institutions					
Charge per bed	52.34	0.0%	0.0%	0.0%	0.0%
Accommodation premises and restaurants - rating of food waste unit (per unit per annum)					
180 - <400 watts	1488.72	0.0%	0.0%	0.0%	0.0%
400 - <700 watts	7623.74	0.0%	0.0%	0.0%	0.0%
700 - <1500 watts	15358.80	0.0%	0.0%	0.0%	0.0%
Application fee for trade waste agreement					
Risk Rank 1	3 687.04	0.0%	0.0%	0.0%	0.0%
Risk Rank 2	1 193.30	0.0%	0.0%	0.0%	0.0%
Risk Rank 3	667.29	0.0%	0.0%	0.0%	0.0%
Risk Rank 4	113.83	0.0%	0.0%	0.0%	0.0%
Risk Rank 5	57.89	0.0%	0.0%	0.0%	0.0%
Trade waste time and material basis (minimum of 2 hours will be charged)					
Monday-Friday (per hour)	149.14	0.0%	0.0%	0.0%	0.0%
Saturday (per hour)	196.21	0.0%	0.0%	0.0%	0.0%
Sunday (per hour)	261.63	0.0%	0.0%	0.0%	0.0%
1.8 New customer contributions					
Standard - all lot sizes (per lot)					
Water	640.64	0.0%	0.0%	0.0%	0.0%
Sewer	640.64	0.0%	0.0%	0.0%	0.0%
Recycled Water	640.64	0.0%	0.0%	0.0%	0.0%
Special charging area - new urban growth boundary Lot size < 450m2 (per lot)					
Water	705.21	36.3%	26.7%	21.0%	14.0%
Sewer	705.21	36.3%	26.7%	21.0%	14.0%
Recycled Water	640.64	0.0%	0.0%	0.0%	0.0%

<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>
Special charging area - New urban growth boundary Lot size ≥ 450m² (per lot)					
Water	1320.23	7.8%	7.2%	6.7%	3.2%
Sewer	1320.23	7.8%	7.2%	6.7%	3.2%
Recycled Water	640.64	0.0%	0.0%	0.0%	0.0%
Special charging area - Greenvale / Mickleham Lot size < 450m² (per lot)					
Water	705.21	36.3%	26.7%	21.0%	14.0%
Sewer	705.21	36.3%	26.7%	21.0%	14.0%
Recycled Water	640.64	0.0%	0.0%	0.0%	0.0%
Special charging area - Greenvale / Mickleham Lot size ≥ 450m² (per lot)					
Water	1320.23	7.8%	7.2%	6.7%	3.2%
Sewer	1320.23	7.8%	7.2%	6.7%	3.2%
Recycled Water	640.64	0.0%	0.0%	0.0%	0.0%
Special charging area - Epping North Lot size < 450m² (per lot)					
Water	705.21	32.6%	0.0%	0.0%	0.0%
Sewer	705.21	32.6%	0.0%	0.0%	0.0%
Recycled Water	640.64	0.0%	0.0%	0.0%	0.0%
Special charging area - Epping North Lot size ≥ 450m² (per lot)					
Water	1115.22	-9.2%	-7.6%	0.0%	0.0%
Sewer	1115.22	-9.2%	-7.6%	0.0%	0.0%
Recycled Water	640.64	0.0%	0.0%	0.0%	0.0%
1.9 Core miscellaneous fees and charges					
Land development fees					
Complete servicing advice - 2 lot development application	625.12	0.0%	0.0%	0.0%	0.0%
Complete servicing advice - 3 to 19 lot development application	820.11	0.0%	0.0%	0.0%	0.0%
Development deed application	1 832.75	0.0%	0.0%	0.0%	0.0%
Backlog connection charge	1 500.00	0.0%	0.0%	0.0%	0.0%
20mm potable and recycled water connection fees					
Supply 20 mm drinking/ recycled water meter	140.12	0.0%	0.0%	0.0%	0.0%
Install 20 mm drinking/ recycled water meter	60.73	0.0%	0.0%	0.0%	0.0%
20 mm new estate drinking water connection	228.44	0.0%	0.0%	0.0%	0.0%
20 mm new estate recycled water connection	316.26	0.0%	0.0%	0.0%	0.0%
Drinking / recycled water service connection	168.46	0.0%	0.0%	0.0%	0.0%

<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>
Fire services					
Unmetered fire service (without sprinkler system)	118.20	0.0%	0.0%	0.0%	0.0%
Unmetered fire sprinkler service fee	987.01	0.0%	0.0%	0.0%	0.0%
Metered fire service (without sprinkler system)	40.07	0.0%	0.0%	0.0%	0.0%
Metered fire sprinkler service fee	339.19	0.0%	0.0%	0.0%	0.0%
Other products					
Information statement	20.83	0.0%	0.0%	0.0%	0.0%
Non-core miscellaneous services	Actual cost				

Miscellaneous fees and charges reflect the retail price Yarra Valley Water will charge a customer directly for a product or service. For customer convenience, a range of plumbing and application products and services are also available through agency outlets (plumbing stores). Agency outlets independently set prices for these products and services to customers. The price charged at these outlets may be different from those listed.

Schedule 3

Calculation of revenue requirements for each regulatory year

This schedule should be read in conjunction with clause 2.3 and Schedule 2.

Revenue requirements for regulatory years

\$2013-14

<i>Regulatory year</i>	<i>Calculation of revenue requirements</i>
Where t = 2013-14,	$rev_t = \$899.128 \text{ million}$
Where t = 2014-15,	$rev_t = \$912.378 \text{ million} * cpir_t$
Where t = 2015-16,	$rev_t = \$929.553 \text{ million} * cpir_t$
Where t = 2016-17,	$rev_t = \$936.422 \text{ million} * cpir_t$
Where t = 2017-18,	$rev_t = \$943.638 \text{ million} * cpir_t$

where

$cpir_t$ 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 2013

Revenue cap formula

The revenue cap formula referred to in clause 2.3(b)(i) is:

$$\begin{aligned} & MAR_t \\ &= \left[rev'_t + \left((MAR_{t-1} - rev_{t-1}^{for}) * (1 + WACC) \right) \right. \\ & \left. - \left(\left((C'_{t-1} - C_{t-1}^{for}) + (L'_{t-1} - L_{t-1}^{for}) \right) * (1 + WACC) \right) \right] + D_t + S_{t-1} \end{aligned}$$

Where:

MAR is the maximum allowable revenue for the regulatory year

rev' is the forecast revenue requirement as a result of the Prescribed Price Movement in the Commission's Final Decision for a regulatory year. It includes revenue from charges for:

Residential service charges for water and sewerage

Residential usage charges for water

Residential sewage disposal charges

Non-residential service charges for water and sewerage

Non-residential usage charges for water

Non-residential sewage disposal charges

Trade waste service charges

Trade waste volumetric charges

Trade waste load charges

This may be amended by adjustments under the "unforeseen and uncertain events" provision as required

rev^{for} is the forecast revenue from charges under the revenue cap for a regulatory year

WACC is the post-tax nominal Weighted Average Cost of Capital as set out in the Commission's Final Decision

C' is the forecast of the bulk costs payable by Yarra Valley Water to Melbourne Water for a regulatory year which were included in *rev'*

C^{for} is the forecast bulk costs charged to Yarra Valley Water by Melbourne Water for a regulatory year. It does not include *S*

L' is the forecast of the bulk costs payable by Yarra Valley Water to Melbourne Water due to water losses for a regulatory year which were included in *rev'*

L^{for} is the forecast bulk costs charged to Yarra Valley Water by Melbourne Water due to water losses for a regulatory year.

D is the additional cost related to the desalinated water including orders

S is the change in cost due to changes to the security payments for the regulatory year. It may be positive or negative.

t regulatory year

The overall tolerance limit for the Maximum Allowable Revenue is as follows:

$$MAR_t - D_t - S_{t-1} \leq (MAR_{t-1} - D_{t-1} - S_{t-2}) * (1 + cap),$$

Where *cap* = 2 per cent

Plus any costs payable by **Yarra Valley Water** in respect of a desalination water order expressed as and adjustments for changes to security payments

1. Where:

the excess is carried forward for inclusion in the calculation of

2. Where:

individual charges may change by more or less than the maximum, with a cap of 2 per cent on increases to an individual charge, except by agreement with an individual customer.

3. Where **Yarra Valley Water** elects to increase prices to recover less than the maximum allowable revenue in a year, the foregone revenue will be carried forward for inclusion in the calculation of

4. The actual revenue for regulatory year t-1 will be known for the first three quarters of the year, but will be estimated for the final quarter. Therefore a further adjustment for any variance between the estimated and actual revenue in any year t-1 will feed through to the maximum allowed revenue in year t+1.

5. All revenues and costs will be inflated by the relevant Consumer Price Index (CPI). CPI 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 each year.

Schedule 4 – Application of prices

4.1 Imposition of service charges

- (a) Subject to clause 3.1(b), **Yarra Valley Water** may only impose a service charge referred to in clause 3.2 under a tariff pursuant to sections 259(1)(a), 259(2)(a) and 260 of the Water Act on the owner of the property that either:
- (i) has been declared to be a serviced property under section 144 of the Water Act; or
 - (ii) is taken to be a serviced property by clause 11 of Schedule 17 of the Water Act,

for the purpose of the relevant service to which the service charge relates.

- (b) Despite clause 3.1(a), **Yarra Valley Water** may impose a separate service charge on the owner of a serviced property in respect of each separate occupancy on that property pursuant to section 259(9) of the Water Act.

- (c) For the purposes of this Schedule:

"property" means either:

- (i) in the case of land subject to the *Transfer of Land Act 1958*, land for which there is a single folio in the register; or
- (ii) in the case of general law land:
 - (A) land held in fee simple, whether by one person, tenants in common or joint tenants; or
 - (B) Crown Land, occupied by one or more persons.

"separate occupancy", as required by section 259(10) of the Water Act, means a portion of a parcel of land on which a building is erected that is occupied separately, or is obviously adapted to being occupied separately, from other land in the parcel.

4.2 Service charges only to be imposed on connected properties

- (a) *Yarra Valley Water* may only impose a service charge relating to:
- (i) water supply (including a supply of recycled water or for fire suppression); or
 - (ii) sewerage,
under clause 3.1, if the relevant serviced property has previously been connected to *Yarra Valley Water's* works that provide the service to which the service charge relates, pursuant to section 145 of the Water Act.
- (b) For the sake of clarity:
- (i) for the purposes of clause 3.2(a) and section 258(1A) of the Water Act, where a serviced property is connected to *Yarra Valley Water's* works, each separate occupancy on that serviced property is also deemed to be connected to *Yarra Valley Water's* works, whether or not the service to which a service charge relates is delivered to the portion of the parcel of land where the separate occupancy occurs;
 - (ii) for the purposes of clause 3.2(a) and section 263(A) of the Water Act, each lot of land affected by an owner's corporation is deemed to be connected to *Yarra Valley Water's* works.

4.3 Water usage charges

- (a) A water usage charge shall only be imposed where a meter or meters have been installed to measure the amount of water supplied to a property or to a property together with other properties.
- (b) A water usage charge shall be calculated by reference to the volume, expressed in kilolitres, or part thereof, of water supplied during a meter reading period to a property or properties.

4.4 Recycled water usage charges

- (a) A recycled water usage charge shall only be imposed where a meter or meters have been installed to measure the amount of recycled water supplied to a property or to a property together with other properties.
- (b) A recycled water usage charge shall be calculated by reference to the volume, expressed in kilolitres or part thereof, of recycled water supplied during a meter reading period to a property or properties.

4.5 Residential property

A residential property means:

- (a) a property used or intended to be used primarily as a residence or residences; and
- (b) in the case of vacant land, land zoned for residential purposes.

But does not include a property used or intended to be used as:

- (i) a guest house, motel, hotel or caravan park;
- (ii) a farming enterprise; and
- (iii) a residence attached to a shop or professional suites.

4.6 Non-residential property

A non-residential property is a property which is not a residential property.

4.7 Private extension or trunk service fees

Yarra Valley Water may, as a term of any agreement with the owner of a property for the supply of water from its works made under section 124(7) of the Water Act, require that owner to pay:

- (a) an annual private delivery maximum supply fee equivalent to the Service charge (per annum); and
- (b) a private extension usage fee equivalent to the Usage charge (per kL),

specified in Schedule 2.

4.8 Sewage disposal charges

- (a) A sewage disposal charge shall only be imposed where a meter has been installed:
 - (i) to measure the amount of water supplied to a property or to a property together with other properties; or
 - (ii) to measure the amount of sewage discharged from a property.
- (b) A sewage disposal charge shall be calculated by reference to the volume, expressed in kilolitres, or part thereof, of sewage discharged or estimated to have been discharged during a meter reading period from a property or properties.

- (c) Except as provided for in paragraph (d)-(f), the volume of sewage discharged to the sewerage system from a property or properties during a meter reading period shall be calculated according to the formula specified in Clause 3.8 of this Schedule, for residential and non-residential properties, as the case may be.
- (d) If **Yarra Valley Water** is satisfied that the use of the formula specified in Clause 3.8 of this Schedule is likely to systematically and substantially overestimate the volume of sewage discharged from a property, **Yarra Valley Water** may use another formula or method for estimating the volume.
- (e) If the property or properties are provided with an alternative source of water (eg. rainwater tanks or third pipe recycled water supply), **Yarra Valley Water** may apply 'property specific' sewage disposal charge factors which take into account water from all sources that may discharge into the sewerage system.
- (f) A customer can seek a customised discharge factor using the consumption history at the property to determine the percentage of water disposed to the sewer annually. In the majority of cases, the formula used to calculate the volume of sewage differs to that applied in the default method with the seasonal factor and discharge factor replaced by the customised discharge factor

4.9 Calculation of volume of sewage

4.9.1 Residential properties

The formula for calculating the volume of sewage from residential properties and premises is:

$$VS_r = VW * SF * DF$$

where:

VW is the volume of water supplied to the property or premises, being the volume determined for the purpose of calculating a water usage charge for the same meter reading period or that volume rounded down to the nearest kilolitre;

SF is the seasonal factor which is derived from dividing:

(a) the total number of days in the meter reading period;

by the sum of

(b) the number of days which fall within each particular month within the meter reading period multiplied by the relevant seasonal index shown in Table 1 for that month for a House or a Unit. Different seasonal indices are used for third pipe recycled water customers as shown in Table 1.

DF is the discharge factor shown in the table below in respect of the relevant **quarterly equivalent volume of water**. The quarterly equivalent volume of water is the volume of water calculated by multiplying the volume of water supplied to or apportioned to the property or premises by 91.25 and dividing the result by the number of days in the meter reading period, except in the case of water supplied to:

(a) a separately metered property used or intended to be used for more than one residence where those residences are not separately metered; or

(b) to a property which is not separately metered and to which a volume of water has not been apportioned, in which case, the quarterly equivalent volume of water is the volume of water calculated by dividing the volume of water supplied to all residences or properties sharing the meter by the number of residences or properties supplied and multiplying the result by 91.25 and dividing that result by the number of days in the meter reading period.

where:

a **House** means a building, excluding a Unit, which is used or intended to be used as one residence.

a **Unit** means a unit within the meaning of the *Valuation of Land Act 1960*, a group of units within that meaning, a building used or intended to be used for more than one residence and a part of a building used or intended to be used as one residence.

Notes: For third pipe recycled water customers, volume of water is the sum of metered potable water and metered recycled water. The calculation of the sewage disposal charge is subject to clauses 3.7 (c)-(f).

Seasonal Indices

<i>Month</i>	<i>House with drinking and recycled water</i>	<i>House with drinking water only</i>	<i>Unit</i>
January	1.700	1.575	1.200
February	1.700	1.575	1.200
March	1.500	1.425	1.200
April	1.200	1.175	1.100
May	1.100	1.075	1.000
June	1.000	1.000	1.000
July	1.000	1.000	1.000
August	1.000	1.000	1.000
September	1.100	1.075	1.000
October	1.200	1.175	1.100
November	1.400	1.325	1.100
December	1.500	1.425	1.200

Discharge factors

<i>Quarterly equivalent volume of water</i>	<i>Discharge factor</i>
Less than or equal to 125 kL	0.9
More than 125 kL and less than or equal to 250 kL	0.9 less 0.0036 per kL in excess of 125 kL
More than 250 kL	0.45

4.9.2 Non-residential properties

The formula for calculating the volume of sewage from non-residential properties and premises is:

$$VS_{NR} = (VW - VTW) * DF$$

where:

VW is the volume of water supplied to the property or premises, being the volume determined for the purpose of calculating a water usage charge for the same meter reading period;

VTW is the volume of **Category 3 Trade Waste** discharged or estimated to have been discharged from the property or premises in the meter reading period; and

DF is the discharge factor, which is 0.9 or a lesser figure determined by **Yarra Valley Water** which results in a more accurate estimate of the volume of sewage discharged.

Notes: For third pipe recycled water customers, volume of water is the sum of metered potable water and metered recycled water. The calculation of the sewage disposal charge is subject to clauses 3.7 (c)-(f).

4.10 Backlog sewerage surcharge tariff fee

Yarra Valley Water may impose a backlog sewerage tariff fee pursuant to section 259(1)(a) of the Water Act, as specified in Schedule 2 on the owner of any property that:

- (i) has been identified in a sewerage management plan as requiring the provision of sewerage services to resolve problems relating to wastewater management on that property; and
- (ii) has been declared to be a serviced property for the purposes of sewerage by **Yarra Valley Water**, under section 144(1)(b) of the Water Act.

4.11 Trade waste

4.11.1 Assignment of trade waste risk rank

Yarra Valley Water assigns all its trade waste customers a risk rank according to a risk rank algorithm.

The algorithm takes into account specific customer information and discharge characteristics including:

- customer location relative to treatment plant
- the volume of trade waste discharged
- the nature of the customer's business activity
- the nature and quality of the customer's trade waste
- the customer's compliance history, where available
- risks to personal health and safety
- risks to the sewerage system (transport or treatment)

- risks to the quality of recycled water or biosolids from the sewerage system
- risks to the environment.

Yarra Valley Water may change a trade waste customer's risk rank due to the customer's changed circumstances or updated information.

4.11.2 Assignment of trade waste category

Each trade waste discharger is placed into one of two charging categories depending on the annual volume of discharge and the concentration of 5-day Biochemical Oxygen Demand (BOD(5)) and Suspended Solids (SS) in their waste. The categories are:

Category A — Dischargers of waste having a mean concentration of BOD(5) or SS greater than 600 mg/l or an annual volume greater than 750 kL.

Category B — Dischargers of waste having a mean concentration of BOD(5) and SS each not greater than 600 milligrams per litre (mg/l) and an annual volume not greater than 750 kL. These discharges do not pay variable trade waste charges.

4.11.3 Trade waste contract fee

A charge imposed by a licensee in respect of a trade waste agreement shall vary according to the risk ranking of the discharger.

4.11.4 Variable charges for categories of trade waste

Charge imposed by a licensee for each kilolitre of trade waste and each kilogram of load discharged or estimated to have been discharged to its sewerage system.

Food waste charges

Food waste charges apply in respect to the discharge of food waste not attracting Category A trade waste charges. Food waste includes any matter, whether water borne or not, consisting solely or partly of food, food particles or food scraps, which had constituted part or had been generated during production of a meal other than on residential premises or residential property.

For hospitals and institutions the charge applies on a per bed basis. For accommodation premises and restaurants the charge is applied to the number and power rating of food disposal units.

4.11.5 Trade waste application fees

A fee imposed by a licensee for an application for a trade waste agreement shall vary according to the risk ranking of the discharger.

4.11.6 Trade waste time and material fees

Time and material fees are applied when a trade waste customer requests:

- a site visit to check locked batch compliance prior to discharge;
- a variation from the trade waste standards; or
- a meeting to discuss non-compliance events and actions to prevent reoccurrence.

4.12 Inclining block tariffs

Where multiple properties and/or occupancies are being supplied by a single meter, block allowances will be applied on a pro-rata basis.

4.13 Miscellaneous fees and charges

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

A price is the retail price that **Yarra Valley Water** will charge a customer directly for a product or service. For customer convenience, a range of plumbing and application products and services are also available through agency outlets (plumbing stores). Agency outlets independently set prices for those products and services to customers. The price charged at such outlets may be different from those listed.

Miscellaneous service	Definition
Supply 20mm drinking/recycled water meter.	A 20mm drinking water or recycled water meter. A meter supplied by Yarra Valley Water must be installed to measure the volume of water or recycled water supplied to a property. Meter connection fees are charges to meet the initial and ongoing costs of providing metering services.

Miscellaneous service	Definition
Install 20mm drinking/recycled water meter	Installation of a 20mm drinking or recycled water meter.
20mm new estate drinking water connection	Provision of reticulated water supply service to the property via tapping of the YVW water main and fitting of a meter.
20mm new estate recycled water connection	Provision of recycled water supply service to the property, within a new (greenfield) estate, via tapping of the Yarra Valley Water recycled water main and fitting of a meter.
Drinking/recycled water service connection	Provision of either a reticulated or recycled water supply service to the property (brownfield) via tapping of the Yarra Valley Water main.
Unmetered fire service (without sprinkler system)	Provision of an unmetered fire service to the property (annual service charge).
Unmetered fire sprinkler service fee	Provision of an unmetered fire sprinkler system to the property (annual service charge).
Metered fire service (without sprinkler system)	Provision of a metered fire service to the property (annual service charge).
Metered fire service fee	Provision of a metered fire sprinkler system to the property (annual service charge).
Complete servicing advice 2 lot development application	Provision of all connection based information that is required by the Developer to enable the development of the proposed 2 lot development.

Miscellaneous service	Definition
Complete servicing advice 3-19 lot development application	Provision of all connection based information that is required by the Developer to enable the development of the proposed 3-19 lot development.
Development deed application	Provision of a development deed containing all infrastructure based information, including the terms and conditions under which development can proceed, that is required by the Developer to enable the proposed development to occur.
Information statement	A statement (as required to be provided by vendors of property prior to contract signing under the Sale of Land Act 1962 (section 32 (2)(b))) detailing any encumbrance affecting the land (excluding those shown on land titles), works required to be carried out, matters outstanding and any relevant rates or charges.

Schedule 5 – Pricing principles

5.1 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 **Yarra Valley 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 **Yarra Valley Water** or pursuant to other Government policies that apply to **Yarra Valley Water** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

5.2 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.

5.3 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.

NCC application

NCC are applied on a per lot basis, and may be levied on any connection of a new customer that is separately titled or is, or can be, individually metered.

Incremental financing costs

Incremental financing costs (IFC) should be calculated using this formula:

$$\text{IFC} = (1 - [1 / (1+r)^n]) \times \text{cost of capital being provided sooner than planned}$$

where:

r = estimated pre-tax WACC

n = the number of years the asset is required sooner than planned.

Gifted assets

Yarra Valley Water can require developers to provide and gift to **Yarra Valley Water** specified assets as a condition of connection, provided that **Yarra Valley Water**.

- makes clear to potential developers which assets a developer will be responsible for providing and gifting, and which will be provided by Yarra Valley Water;
- confirms that negotiation of any non-standard connection and associated charges will be undertaken in accordance with Yarra Valley Water's [published] negotiating framework; and
- the value of gifted assets will be excluded for the purposes of calculating net costs.

Backlog sewerage scheme

If a customer requires connection under the backlog sewerage scheme sooner than scheduled, then **Yarra Valley Water** may charge an amount to recover any incremental financing costs incurred by it. This amount is to be calculated using the formula shown under section "incremental financing costs" above.

5.4 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.

5.5 Guidelines

Yarra Valley 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: *26* 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	4.8

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	682.3	676.3	673.7	671.1	669.1
Return on existing assets	143.4	139.9	137.1	134.6	132.0
Return on new investments	4.8	14.2	23.1	31.8	40.2
Regulatory depreciation	88.5	76.2	68.7	73.8	76.8
Adjustments from last period	(1.3)	0.0	0.0	0.0	0.0
Tax liability	3.6	2.1	1.3	2.2	3.0
Total	921.3	908.7	903.9	913.4	921.0

Table 3 **Updated regulatory asset base**
\$m 2012-13

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
Opening RAB	2 427.5	2 555.0	2 778.9	2 933.9
<i>Plus</i> Gross capital expenditure	199.5	300.9	239.4	242.9
<i>Less</i> Government contributions	2.9	1.1	0.6	4.7
<i>Less</i> Customer contributions	13.3	20.0	30.8	31.2
<i>Less</i> Proceeds from disposals	0.0	0.0	0.0	0.1
<i>Less</i> Regulatory depreciation	55.7	55.9	53.0	50.5
Closing RAB	2 555.0	2 778.9	2 933.9	3 090.3

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	3 090.3	3 231.9	3 356.3	3 491.8	3 630.9	3 763.1
<i>Plus</i> Gross capital expenditure	223.9	234.6	233.6	227.8	226.6	224.5
<i>Less</i> Government contributions	4.0	2.3	3.2	0.0	0.0	0.0
<i>Less</i> Customer contributions	22.6	16.3	17.7	18.8	19.1	19.2
<i>Less</i> Proceeds from disposals	0.9	3.2	0.9	1.3	1.5	1.5
<i>Less</i> Regulatory depreciation	54.9	88.5	76.2	68.7	73.8	76.8
Closing RAB	3 231.9	3 356.3	3 491.8	3 630.9	3 763.1	3 890.1

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	0.62	0.62	0.62	0.65	0.75
Department of Human Services licence fee	0.25	0.25	0.25	0.25	0.25
Environment Protection Authority licence fee	0.07	0.07	0.07	0.07	0.07
Environmental contribution	29.13	28.35	27.58	26.84	26.11

Table 6 **Bulk water and sewerage 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	518.50	514.87	513.07	510.72	508.67

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	623 700	633 420	643 280	652 850	662 130
Non-residential	41 930	42 610	43 300	43 980	44 630
Total	665 630	676 030	686 580	696 830	706 760
Sewerage assessments (no.)					
Residential	601 000	610 840	620 890	630 780	640 440
Non-residential	39 590	40 300	41 010	41 720	42 400
Total	640 590	651 140	661 900	672 500	682 840
Billable water consumption (ML)					
Residential	100 888	100 980	101 427	101 654	101 938
Non-residential	25 486	25 244	25 595	25 505	25 544
Total	126 374	126 224	127 022	127 158	127 482

Table 8 **Key capital projects and programs**

Projects	<i>Expected completion date</i>
Warrandyte North sewerage project	2013-14
Donvale sewerage project	2015-16
Amaroo branch sewer	2016-17
Lockerbie branch sewer	2017-18
Epping branch sewer tunnel	Ongoing – 2020
Programs	
Water reticulation pipe renewal program	Ongoing
Water distribution main renewal program	Ongoing
House connection branch renewal program	Ongoing
Sewer renewal program (main, branch and reticulation)	Ongoing
Sewer capacity upgrades	Ongoing

Table 9 **Indicative desalination water order adjustments – cents per kilolitre**
\$m 2012-13

<i>Water order (GL)</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
0	0	0	0	0	0
50	8	8	8	9	9
75	12	12	12	13	14
100	18	19	19	20	21
125	26	26	27	28	29
150	33	34	35	36	37