

Return of unrequired desalination payments to customers



May 2013 progress report

The Essential Services Commission is responsible for monitoring the return of unrequired desalination payments by the metropolitan water businesses and Western Water. This report provides information regarding the impacts of the price freeze on customers in the period from July 2012 to March 2013. We will provide the next update in July 2013. All dollar values in this report are in nominal (or in today's dollar) terms.

How much needs to be returned?

We estimate businesses must return \$297 million to customers based on updated water usage over 2012-13. This amount also includes \$24 million of interest.

The estimate of the amount that needs to be returned will vary depending on water use. In our last report we estimated the amount to be returned was \$289 million, this

amount has increased due to the higher forecast in water sales in 2012-13 than at the time of our last report.

For further information on this estimate, please see the Commission's *Opinion Report — Return of Additional Desalination Payments* on the Commission's website.

How much has already been returned?

The water retailers estimate that the price freeze lowered customers' bills by \$46 million in the period from January to March 2013. This reduction is slightly greater than the \$42 million over the period from October to December 2012.

The increase was expected and reflects increased water use in line with warmer and dryer months — this meant more funds were returned through the price freeze.

In our January 2013 update, we noted that retailers would be expected to commence rebating bills by February. The rebates have begun and will continue to provide an earlier return of funds to customers.

The water retailers returned \$36 million through a rebate on bills in the period from January to March 2013.

The amount returned to customers over the period from January to March 2013 through the price freeze and rebates was \$82 million.

Over the nine months to March 2013, the water retailers returned \$154 million to customers. This includes around \$70,000 returned to customers through special circumstances payments.

Special circumstance payments are made to customers who contributed in the past to desalination payments, but no longer receive a water bill and so do not benefit from the price freeze.

By business, the amount returned over the nine months to March 2013 ranges from \$3 million for Western Water's customers to \$65 million for Yarra Valley Water's customers. The variation between businesses is mainly due to differences in customer numbers and Western Water's access to its own source of water (in addition to the Melbourne system).

How much do businesses need to return?

We estimate an additional \$143 million must still be returned to customers. Based on information provided by the water businesses, we expect a further \$63 million will be returned through the 2012-13 price freeze and around \$80 million through other reductions in customer bills (for example through rebates).

The Commission will conduct an audit in early 2013-14 to ensure that all unrequired desalination payments have been returned, including an adjustment for interest. If the returns to customers are insufficient, the water business will return the remaining balance in 2013-14.

Overall \$ amount businesses will return to customers



Estimated \$ amount returned by each retailer up to March 2013



More information and feedback?

Customers can get more information on the return of unrequired desalination payments from their water retailer.

City West Water: Website: www.citywestwater.com.au
Phone: 131691

South East Water: Website: www.southeastwater.com.au
Phone: 131694

Yarra Valley Water: Website: www.yvw.com.au
Phone: 131721

Western Water: Website: www.westernwater.com.au
Phone: 1300 650 425

Media queries: Simon Tolstrup on 8628 9313 or
0408 331 356

We welcome any feedback on this progress report — you can send comments to water@esc.vic.gov.au.

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