

Application for Annual Price Review of Fees and Charges 2022/23

28 April 2022

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Executive Summary

This document and supporting attachments set out Goulburn-Murray Water's (GMW's) annual price review application for 2022/23.

GMW is required to submit its pricing application to the Essential Services Commission (ESC) for approval.

The Application is based on price adjustments which:

- continue to drive operational efficiencies while maintaining and/or improving service levels to our customers
- long-term tariff strategy implementation for service point tariffs
- ensure sustainable and predictable prices this year and into the future, maintaining price increases within CPI unless already approved in the 2020 Determination.
- are geared towards giving customers price relief, while ensuring GMW's financial sustainability
- maintain forecast revenue within the revenue cap approved by the ESC for the 2020 price review period
- consider the risks presented by uncertain and unforeseen events on GMW's financial sustainability and potential impact on sustainable and predictable price
- are informed by customers' views.

GMW's proposed revenue for 2022/23 is \$117.9 million, which is above the ESC's Final Decision and Determination of \$117.6 million (in 2022/23 values). GMW's current revenue forecast is aligned with its commitment to reduce prices in year one and smooth them over the regulatory period.

1.1. Purpose of this application

In June 2020, the ESC issued its Final Decision on GMW's 2020 Water Price Review. In its Final Decision, the ESC's main focus was to ensure that prices were fair and reasonable, that is as low as possible but still sufficient to allow the business to recover the efficient costs of providing services. It further noted that the ESC's Final Decision approved GMW's proposal for common Infrastructure Access and Use Fees for the six GMID irrigation areas,

In preparing its Application for the 2022/23 Annual Price Review of Fees and Charges (the Application), GMW has reviewed all of the forecasts and assumptions made for the 2020 Water Price Review to determine whether any adjustments are necessary. Thus the Application proposes adjustments to the fees and charges that are justified by circumstances arising since the 2020 price review.

This document and the supporting attachments set out GMW's annual Price Submission for the 2022/23 financial year.

1.2. Structure of the Application

The remainder of the Application is structured as follows:

Section 2: summarises the requirements and outcomes of GMW's 2020 Price Submission and actions taken since the price review in relation to GMW's Tariff Strategies.

Section 3: describes the annual price review process under the Water Charge Rules 2010 and provides an indicative timeline for this review and approval process.

Section 4: provides an assessment of GMW's financial viability.

Section 5: sets out GMW's internal governance process, which has been applied to this annual price review.

Section 6: details the consultative approach and methodology undertaken by GMW in determining prices for 2022/23 and provides an assessment of typical customer impacts.

Section 7: sets out GMW's proposed changes to gravity irrigation, diversion and environment prices in line with the ESC's 2020 Price Review Final Decision and Determination.

Section 8: describes the customer consultation and engagement processes and activities undertaken prior to and during this annual price review.

Attachments and information provided to support the Application will be sent via email to water@esc.vic.gov.au as requested by the ESC along with an electronic version of this document.

2. Introduction

2.1. GMW's 2020 Price Review

GMW's Statement of Obligations issued by the Minister for Water requires the delivery of a price submission to the Essential Services Commission (ESC), the economic regulator of the Victorian water sector. The ESC were accredited by the ACCC to regulate the prices of GMW's irrigation and bulk water services.

The ESC's review of GMW's pricing proposal for 2020/21 to 2023/24 was assessed in accordance with the Water Charge (Infrastructure) Rules 2010¹.

Under the price review process, GMW submitted its 2020 Price Submission for the fifth regulatory period in November 2019, setting out its expected costs of delivering services, its planned capital works program, the forecast volume of water to be delivered and the proposed level of service to be provided to its customers. The Price Submission identified and articulated key business requirements that were introduced as a result of a number of projects and initiatives due for implementation over the regulatory period. The Price Submission covered each year of the four-year regulatory period.

The Price Submission outlined the rationale for long-term tariff reform, which focused on reducing the complexity of tariffs and aligning tariffs with GMW's business objectives and future operating environment. The Price Submission stated that the tariff reforms required to achieve these objectives would largely be implemented over the 2020-2024 regulatory period.

The ESC's Final Decision for the fifth regulatory period 2020/21 to 2023/24:

- completed the ESC's review of GMW's pricing and tariff reset in accordance with the Water Charge (Infrastructure) Rules 2010¹
- completed the ESC's review of GMW's groundwater and non-infrastructure related miscellaneous services in accordance with the Water Industry Regulatory Order
- set charges and service standards for irrigation services over the next four years.

2.2. Final Decision and Determination 2020

2.2.1. Service Standards

GMW proposed changes to its service standards to better align them with customers' preferences and to better specify the services.

The ESC's Final Decision approved GMW's proposed service standards and targets. The ESC noted that:

- GMW's service standards and targets were developed in consultation with its Water Service Committees and customer engagement.
- GMW's proposed service targets were equal to or higher than previous years' targets.
- the ESC received no negative customer feedback on GMW's service standards.

¹ 1 July 2020 amended to Water Charge Rules 2010.

GMW has revised its Customer Charter to reflect the ESC's Final Decision on the new service standards and targets in accordance with the Rural Water Customer Service Code.

GMW continues to report its performance against these targets annually on its website and directly to its Water Service Committees.

2.2.2. Revenue Requirement

The ESC's Final Decision approved a revenue requirement of \$439.5 million for the fifth regulatory period, summarised as follows:

2019-20 \$ millions	2020-21	2021-22	2022-23	2023-24	Total WP5
Final Decision	113.9	108.3	108.3	108.9	439.5

2.2.3. Operating Expenditure

The ESC's Final Decision approved operating expenditure for GMW over the four year regulatory period of \$337.2 million, summarised as follows:

2019-20 \$ millions	2020-21	2021-22	2022-23	2023-24	Total WP5
Final Decision	89.1	83.1	82.5	82.5	337.2

2.2.4. Capital Expenditure

In its Final Decision the ESC approved a capital expenditure of \$96.1 million over the four year regulatory period.

2019-20 \$ millions	2020-21	2021-22	2022-23	2023-24	Total WP5
Final Decision	28.0	23.5	22.1	22.5	96.1

In addition, the ESC approved \$374.1 million for the Regulatory Asset Base opening balance at 1 July 2020.

For regulatory depreciation (return of capital), the ESC confirmed the depreciation forecasts submitted by GMW including its straight line approach to depreciation.

The ESC approved GMW's proposed real post tax weighted average cost of capital (WACC) of 4.0 per cent.

For demand forecast, the ESC adopted GMW's revised demand forecasts in its Final Decision.

2.2.5. Tariff Structure

Uniform Delivery Fees for the 6 areas of the GMID

GMW proposed to make its Infrastructure Access Fee (IAF) and Infrastructure Use Fee (IUF) uniform over the four years across its six irrigation areas: Shepparton, Central Goulburn, Rochester, Torrumbarry, Loddon Valley and Murray Valley.

The ESC's Final Decision approved GMW's proposal for a common delivery charge in the GMID as they believed GMW had demonstrated that costs are sufficiently aligned to support a common tariff, and the proposal better meets the ACCC's pricing principles.

2019-20 \$s	Infrastructure Access Fee		Infrastructure Use Fee
	Year	\$/ML/Day of delivery share held	\$/ML
Shepparton	2019-20	4,245.00	7.40
	2020-21	2,416.42	4.89
Central Goulburn, Rochester, Loddon Valley, Murray Valley, Torrumbarry	2019-20	2,925.00	5.10
	2020-21	2,416.42	4.89

Service Points

GMW proposed cost reflective service point tariffs for Gravity and Pumped Irrigation, Water Districts and Diversions to treat all service points the same way across all customer groups by 2023/24. Price changes were designed so that there was a steady transition between the beginning of WP5 and the final year of the regulatory period.

Bulk Storage charges:

- Wholesale customers - Bulk Entitlement holders to be maintained at the current basin pricing approach with no real change in price during the water plan 5 period. With the possibility to transition bulk charges to a system price during the next price review.
- Retail customers to pay the same storage fees regardless of whether their water entitlement is associated with land (ie their status as a water or non-water user) and to be charged Entitlement Storage fees based on a system price.

Single Customer Strategy

In the second year of the regulatory period (2021/22) the service fee will be replaced by a single Customer fee. Water register fees will also be separated from Service fees and be levied based on the number of water entitlements recorded in the water register.

In relation to GMW's other fees and tariffs the ESC approved:

- Nyah, Tresco and Woorinen Pumped Irrigation tariffs to continue with existing arrangements as they comply with the ACCC pricing principles.
- To phase out the Torrumbarry Natural Carriers Rebate gradually over 3 years.
- Diversion Service tariffs
 - To be rebalanced within the existing tariff rebalancing constraints and to lower other diversion tariffs to reflect lower operating costs.
 - To charge a resource management fee to 25 identified Unregulated Surface Water licence holders promoting greater cost reflectivity.
- GMW's irrigation drainage prices, retaining the current tariff structure for the regulatory period and undertake further consultation on pricing reform to irrigation drainage prior to the next price review.
- Tariffs for the newly constructed Mitiamo water pipeline district.
- GMW's miscellaneous services.

Further, the ESC approved GMW's proposed prices for the first year of the regulatory period.

On average, Goulburn Murray Water's charges and prices will fall by around 10 per cent in 2020/21 (compared to 2019/20). Charges and prices will fall by a little less than 1 per cent per annum for the remaining three years of its regulatory period².

Form of Price Control – the ESC approved GMW's form of price control, continuing to apply a revenue cap to our regulated tariffs (other than miscellaneous service charges which are set according to the pricing principles), with a rebalancing constraint of + 10 per cent to limit changes to tariffs in each year of the regulatory period.

2.2.6. Actions taken since 2020 Price Review

Gravity Irrigation

As approved by the ESC in its Final Decision (as described above), GMW's proposal for a common Infrastructure Access and Use Fee in the six irrigation areas (Shepparton, Central Goulburn, Rochester, Loddon Valley, Murray Valley and Torrumbarry) was applied in the first year of the regulatory period.

Service Point Fees

Service points continue their transition to be cost reflective for Gravity and Pumped Irrigation, Water Supply Districts and Diversions and to be treated the same way across all customer groups by 2023/24.

Bulk water

Bulk water prices have increased by 2% as we further consult with the Bulk Water Entitlement holders regarding system pricing in the next pricing submission.

² These reductions are calculated on a revenue weighted average of price movements.

Drainage

As approved by the ESC in the Final Decision drainage fee adjustments are made with regard to the ACCC pricing principles including that fixed costs should be recovered from fixed charges and variable costs from variable charges.

GMW's irrigation drainage prices will retain the current tariff structure for the regulatory period and will undertake further consultation on pricing reform to irrigation drainage prior to the next price review.

Single Customer Fee and Water Register Fee

In 2021/22 GMW introduced the single Customer fee and Water Register fee replacing the Service fee.

The service fee recovers the costs of maintaining customers' land and water records, billing, debt recovery and central customer service as well as a payment to DELWP for access to the Victorian Water Register. This is currently charged per property, therefore a customer with various properties would be charged multiple service fees. The single Customer fee will now be charged per customer.

The water register fee will pass through to customers the costs of storing their records in the Victorian water register. It will be separated from the service fee and levied based on the number of water entitlements recorded.

2.3. Water Price Review GMW Determination 1 July 2020 – 30 June 2024

In accordance with Clause 2.3 of the ESC's Goulburn-Murray Water Determination June 2020, the Application and the accompanying spreadsheets include:

- forecast quantities for 2022/23[spreadsheet]
- actual quantities for 2021/22[spreadsheet]
- information explaining how these quantities are derived and an explanation of why the forecast quantities are different from those set in its pricing proposal by at least a 10% variance, where applicable [section 6.2 below]
- information on any new prices GMW proposes to introduce in 2022/23 [section 6.2 miscellaneous fees]
- evidence demonstrating the extent to which GMW has consulted with customers regarding price changes [section 8 and Appendix 1 below]
- information regarding anticipated customer impacts resulting from revised prices and actions, if any, to address these impacts [section 6.3 below]
- evidence that GMW has provided information to its customers explaining its long term pricing strategy and consulted effectively to deliver sustainable and predictable pricing outcomes [sections 7 and 8, and Appendix 1 below]
- the actual or anticipated change (if any) in the annual contribution required to be made by GMW to the Murray Darling Basin Authority.
- other information as required by the ESC.

3. Annual Price Review Process

3.1. Water Charge Rules 2010

GMW acknowledges the key regulations by which annual prices are reviewed and set. After setting prices for the first year of a regulatory period, GMW may request that the ESC adjust charges for the second and subsequent years of the regulatory period through an annual review process. As part of this process, GMW is required to submit an application each year prior to the start of the regulatory year.

In its application, GMW may propose a change to the indicative charges approved by the ESC prior to the start of the regulatory period.

Under Division 3 of Part 6, the ESC's function is to adjust charges approved or determined under Division 2 of Part 6 (or as amended under Division 4) for changes in demand or consumption forecasts subject to the condition that changes must maintain price stability. The ESC has 30 business days from receiving GMW's application to approve or determine GMW's charges for the relevant year.

GMW has been notified by the ACCC that it will cease to be a Part 6 operator under rule 23 the *Water Charge Rules 2010* from 30 June 2024.

The following outlines the process for the annual review of prices.

The first step in the annual review process is for GMW to submit an application for an annual review of charges. The application for the annual review of charges must include:

- GMW's forecast of demand for or consumption of infrastructure services for the year to which the application relates
- GMW's estimate of demand or consumption during the current year
- An explanation of why any forecast quantities are different from those set in its pricing proposal by at least 10%
- information about how the forecast and estimate was calculated
- Anticipated customer impacts
- Customer engagement in respect to material price increases and long term pricing strategy.
- proposed regulated charges for the year to which the application relates.

During this step, the ESC may seek further information from GMW, halting the assessment process. 'Stop the clock' provisions can be applied if further information is required. The assessment will only restart once the additional information is provided to the ESC. The ESC will then publish a copy of the application and additional information on its website (subject to any confidentiality requirements).

The second step involves the ESC considering the application and publishing its Draft Decision on the regulated charges for the year. Submissions will be invited on its Draft Decision.

The third step entails consideration of submissions by the ESC on its Draft Decision, followed by the issue of a Final Decision. As part of the Final Decision, final charges will be approved or determined for each year of the regulatory period.

Assuming all information is provided and the ESC does not require an extension of the deliberation period, the Final Decision on the annual review of charges will be made within 30 business days of GMW submitting its application.

In the event that the ESC is unable to make a decision or determination within the 30 business day period, the ESC is able to extend the period by one month at a time. When this occurs, GMW can continue to levy fees and charges' not exceeding its current fees and charges until the extension expires.

In a pricing application GMW is required to provide an overview of how it consulted with its customers. In seeking input from customers GMW is required to consult, at a minimum, on issues of significance to its customers, such as service, tariffs, pricing and investment decisions.³

The structure of consultation may take a number of forms depending on the opportunity presented. Options for customer consultation include, but are not limited to, surveys, customer committees, public forums and customer focus groups, project specific consultation, inviting submissions, workshops, newsletters and media releases.

Appendix 1 sets out the key activities and dates for GMW's annual price review for 2022/23.

4. Financial Sustainability

Financial sustainability is a key component of GMW's corporate strategy. GMW has developed a series of metrics that it uses to assess financial viability.

Revenue from GMW's proposed prices for 2022/23 generates metrics within their target ranges, indicating that the revenue proposed by these prices does not cause detriment to GMW's financial sustainability.

GMW's financial indicators for Price Review 2022/23

	2022/23
Cash Interest Cover	7.4x
Gearing	2.2%
Regulatory Gearing	20.6%
Internal Financing Ratio	120%

The above table incorporates all of GMW's Water Storage & Delivery

³ Customers must be informed 25 business days prior to the new charges taking effect.

5. Governance Process

In developing its proposed 2022/23 prices, GMW has applied stringent internal governance arrangements relating to its annual pricing submission. GMW's Regulatory and Pricing team within the Finance Group manages and coordinates annual pricing reviews and regulatory compliance obligations. The pricing approach, annual price adjustments and broader pricing application developed by the Regulatory and Pricing team are subject to internal review by GMW before submission to the ESC. The GMW Board has been informed through the review period, endorsed the approach and is expected to subsequently approve 2022/23 prices after it has received the ESC's decision.

6. Approach to Determining Prices

In determining the prices for 2022/23 we have considered the following factors:

1. GMW's 2020 Price Submission - Final Decision and Determination issued by the ESC in June 2020
2. continue to drive operational efficiencies to achieve reduced controllable costs, while maintaining and/or improving service levels to our customers
3. long-term tariff strategy implementation for Service points, Storage fees and Single customer.
4. maintaining prices that are sustainable and predictable. We aim to maintain price increases within CPI unless approved in the Final Decision.
5. ensuring prices are as low as possible, while ensuring GMW's financial sustainability
6. ensuring forecast revenue is within the revenue cap approved by the ESC for the 2020 - 2024 regulatory period
7. consideration of the risks presented by uncertain and unforeseen events on GMW's financial sustainability and potential impact on prices
8. cost reflective pricing for Service point fees, etc.
9. customers' views.

Regarding the item 4 and 5 above, in some cases, significant price changes have been expressed in tariff strategy, meaning it's been necessary to introduce price changes greater than 10 per cent. Increases in excess of 10 per cent only affect prices already determined by the June 2020 ESC Final Decision. GMW has chosen a constant price path over several years to smooth the transition of prices. During the development of GMW's 2020 Pricing Submission GMW conducted a number of engagements with customers to explain the costs in detail and compare a range of options of the long-term transition path, thereby providing predictability, so that customers are able to prepare for price changes subsequently approved by the ESC.

6.1. Price Adjustments

With the above considerations in mind, the following provides details on our proposed prices for 2022/23. An agreed increase of 2 per cent has been applied and will remain. This is lower than the 5.1% release of the “all groups” March quarter 2022 CPI by the ABS as recommended by the ESC. Prices have been updated accordingly, excluding those prices where GMW is targeting a rounded nominal figure.

Customer Fee / Water Register Fee

In 2021/22 GMW introduced the single Customer fee and Water Register fee replacing the Service fee.

In 2022/23 GMW is holding the Customer Fee at the 2021/22 price of \$130.00 and not increasing the fee to \$135 as expected in the 2020 Pricing Submission. This is due to the single customer model now being finalised resulting in single customer numbers being higher than originally estimated in the 2020 Pricing Submission.

In 2022/23 GMW is increasing the Water Register fee by 2% which is in line with the 2020 Pricing Submission. This Fee is set by DELWP and is levied based on the number of water entitlements recorded in the water register.

Bulk Water Storage Fees

As required by the bulk entitlements GMW divides its bulk water service into seven Basins, with the price in each reflecting the costs of harvesting and storing water in that basin. Of the seven Basins, there are two larger basins – Goulburn and Murray – that hold the majority of water stored for customers. The other five Basins – Broken, Campaspe, Loddon, Bullarook and Ovens – store relatively small amounts of water.

For 2022/23 GMW proposes to increase the fees by 2% and maintain the current basin pricing approach.

GMW will continue to consult with Bulk Entitlement holders on the possibility of transitioning bulk charges to a system price during this regulatory period, as indicated in the 2020 Price Submission.

Entitlement Storage Fees

The Entitlement Storage Fee for the Goulburn and Murray systems will increase by 2%. This takes into consideration bulk water prices and latest water share demand. These system prices are the weighted average of their component basin prices.

Customer segment / tariff type	2021/22 Price (21/22 \$s)	2022/23 Price (22/23 \$s)	\$ change	% change
Entitlement Storage Fees				
Murray high reliability	11.27	11.50	0.23	2%
Murray low reliability	4.14	4.22	0.08	2%
Goulburn high reliability	9.83	10.03	0.20	2%
Goulburn low reliability	4.50	4.58	0.08	2%

Service Point Fees as approved by the ESC in GMW’s 2020 Price Review

GMW proposed cost reflective tariffs for all service points in its 2020 Price Submission.

Price increases are designed so that there is a steady transition between now until 2023/24. For some customers there are significant price changes, however, most charges are within the 10 per cent rebalancing constraint or approved by the ESC during our 2020 Price Submission. Further details are provided below.

(a) Gravity Irrigation

Consistent with the 2020 Price Submission, prices for Local Read and Remote Read service points will transition to a single Local Operate fee of \$455 by 2023/24. The local read will continue to transition up as the Remote Read transitions down across the regulatory period.

For 2022/23 the proposed service point fees are:

Customer segment / tariff type	2021/22 Price (21/22 \$s)	2022/23 Price (22/23 \$s)	\$ change
Gravity Irrigation			
Domestic & Stock	145	145	N/A
Local Read	400	425	25
Remote read	650	550	(100)
Remote operate	1,070	1,070	N/A

(b) Diversions

The existing Service Point Fee comprises two charges: Unmetered Service Point Fee and Metered Service Point Fee, reflecting the cost of operating the two different measurement types. The Unmetered Service Point Fee is aligned with the gravity district Stock and Domestic Service Point Fee. The Metered Service Point Fee will increase in line with the Local Read Meter Fee in gravity.

For 2022/23 the proposed service point fees are:

Customer segment / tariff type	2021/22 Price (21/22 \$s)	2022/23 Price (22/23 \$s)	\$ change
Diversions			
Service point fee –unmetered	145	145	N/A
Service point fee –metered	400	425	25

(c) *Pumped Districts and Water Districts*

For 2022/23 the proposed service point fees are:

Customer segment / tariff type	2021/22 Price (21/22 \$s)	2022/23 Price (22/23 \$s)	\$ change
Water Districts			
Domestic & Stock	74	110	36
Pumped Irrigation			
Domestic & Stock	74	110	36
Local Read	230	345	115
Remote operate	540	810	270

(d) *Infrastructure Access and Use Fee*

The ESC's Final Decision approved GMW's revised proposal for a common Infrastructure Access and Use Fees for the six irrigation areas (Shepparton, Central Goulburn, Rochester, Loddon Valley, Murray Valley and Torrumbarry). In 2022/23 all areas will see an increase of 2% on the Infrastructure Access and Use Fees.

(e) *Drainage Tariff Charges*

GMW's drainage prices retain the current tariff structure for the regulatory period. Review and customer consultation of the drainage tariffs is continuing prior to the next price review in 2024.

All drainage fees are as per the 2020 Pricing Submission with a 2% increase in 2022/23.

(f) *Diversion Access Fees*

All Diversion access fees will increase by 2% for 2022/23.

Pumped Irrigation and Water Districts

With the introduction of the Service Points fees customers will continue to see the Infrastructure Access fees transition down as the service point fees transition across the regulatory period.

Adjustments to prices for Pumped Irrigation and Water Districts, as with other customer groups, are made with regard to the ACCC pricing principles including that fixed costs should be recovered from fixed charges and variable costs from variable charges.

Infrastructure Access Fees for East Loddon and Normanville Water Supply Districts are not decreasing as planned in the 2020 Pricing Submission, they are being held at the 21/22 price due to higher costs than originally forecast. This is however within the rebalancing constraints set by the ESC Determination.

In the 2020 Pricing Submission there was inadequate resources allocated to adequately service and maintain the Water Districts. By allocating the extra resources, GMW will prevent major issues that are more expensive and time consuming to fix in the long term, ensuring prices remain stable into the next Pricing Submission. This in turn allows for preventive works such as flushing lines and scouring valves to ensure Pipelines are running smoothly.

Miscellaneous Charges

A complete review of the miscellaneous charges was undertaken for the 2020 Pricing Submission to ensure all fees were at cost recovery, as well to make sure GMW is in line with the pricing principles of user pays. Every year the time and motion of the costs relating to each application fee is reviewed and updated for changing processes and improvements and fees are adjusted accordingly.

In 2022/23 most miscellaneous charges will receive an increase of 2% on the 2021/22 fee. There is a minority of fees that will receive higher than the 2% increase due to changes since the 2020 Pricing Submission but these are all within the rebalancing constraints set by the ESC Determination.

6.2. Demand

This section provides information regarding GMW's actual fixed and forecast variable quantities for 2021/22 and its forecast quantities for 2022/23. Actual and forecast quantities have been provided for both fixed and variable tariffs.

Tariff structure

Approximately 90 per cent of GMW's prescribed revenue derives from its fixed tariffs. These fixed tariffs principally include:

- Storage charges that are charged to customers based on the volume and reliability of entitlements held
- Gravity and Pumped Irrigation District charges, including:
 - a Customer Fee, which is charged to each customer
 - a Water Register Fee, which is charged based on the number of water entitlements
 - an Infrastructure Access Fee, which is charged based on the number of delivery shares held, regardless of the volume used
 - a Service Point Fee, which is charged based on the number and type of service points
- The Surface Drainage Area Fee, charged based on the number of hectares drained
- Diverter charges, including:
 - a Customer Fee, which is charged to each customer
 - a Water Register Fee, which is charged based on the number of water entitlements
 - a Service Point Fee
 - an Access Fee based on the number of service points
 - a Resource Management Fee, based on entitlement volume.

The remaining 10 per cent of prescribed revenue derived from variable charges is collected largely from Gravity Irrigation through the:

- Infrastructure Use Fee that is charged based on the volume of water delivered
- Casual Infrastructure Use Fee that is charged based on the volume of water delivered in excess of customers' Annual Delivery Allowance
- Surface Drainage Water Use Fee that is charged based on water use on drained properties.

Fixed quantities

Invoices for most fixed charges for 2021/22 were raised with customers in July 2021, with the exception of bulk charges which were raised in November 2021 and May 2022. This allowed

for actual fixed charge quantities to be extracted from GMW's billing system, such as entitlement volumes, number of customers, service points and delivery shares.

A forecast of fixed charge quantities for 2022/23 was developed based on the 2021/22 actual billed quantities and taking account of any changes since accounts were billed in July.

Variable quantities

The irrigation season is generally from mid-August to mid-May. Invoices for water deliveries and other variable charges for 2021/22 are raised with customers and will be sent out in June 2022. Accordingly, final information on 2021/22 usage is not available at the time of this submission.

The forecast provided for 2021/22 of 920 GL is instead based on the best available information regarding year-to-date usage (as at 1 May 2022) and water availability (equal to allocations to water shares plus carryover from the previous year) and estimates for the final weeks of the irrigation season.

At this point in time the forecast GMID usage for 2022/23 is 970 GL. The estimates take account of anticipated carryover, available volumes in the storages and average weather conditions for next year.

Explanation of Demand Variances greater than 10% from the 2020 Pricing Submission

- Service Points

The Pricing Submission included assumptions around the finalisation of the Connections Project in regard to service points. Assumptions have also been included in regards to the mix of Service Points going forward for the Water Efficiency Project (WEP). The mix of the service points has varied slightly from that which was provided previously but is more relevant with what has actually occurred.

- Water Shares

Water shares change for many reasons

- Customer changes:
 - A customer may divide their water shares between different properties
 - They can sell a property and take all the water shares with them
 - They can sell their property and leave some water shares behind, and
 - A customer can consolidate water shares
- Irrigator Shares Distribution Project:
 - Changes in demand numbers due to additional water shares being issued as part of the Irrigator Share Distribution Project

- Spill Volumes

Since finalising the 2020 Pricing Submission spill volumes assumptions have since changed due to expectant under-utilisation carryover from the previous season and then the allocation in the current season minus physical spills.

- Drainage

Drainage diversion demand in Shepparton and Murray Valley has decreased in comparison to the 2020 Pricing Submission due to less intensive irrigation and a drying

climate resulting in less pumping than originally anticipated. Updated demand is in line with prior years actuals.

- Mitiamo

Mitiamo Water Supply District came into operation in 2021/22. Since the submission demand numbers have been updated to reflect the difference in capacity shares and service points resulting from further discussions with customers on their requirements. The assumed number of hectares and houses affected have both decreased and the piggery has ceased to operate.

- East Loddon North

East Loddon North will continue in 2022/23 as 51 customers have chosen not to be included in the Mitiamo pipeline and will continue to be priced under the current East Loddon North prices. This is a change from the 2020 Pricing Submission which assumed all customers would move to the pipeline.

- Variable Volumes

In the 2020 Pricing Submission the forecast GMID usage for 2022/23 was 852 GL, this has now been updated to 970 GL for the 2022/23 forecast. This is higher than the original forecast due to higher forecast water availability taking into account anticipated carryover, available volumes in the storages and average weather conditions for next year.

- Customer Fee

In 2022/23 the forecast single customer numbers are higher than originally anticipated in the 2020 Pricing Submission due to the finalisation of the single customer model.

6.3. Customer Impact Analysis

This section sets out the impact of our proposed 2022/23 prices on typical customers.

Customer impacts are expressed as the change in total bill for a set of 'typical customers'. The characteristics of the customer types have been determined using actual customer data. Nominal percentage changes in bills include the agreed increase of 2 per cent and not the March quarter CPI of 5.1% passing real savings on to all customers

Gravity Irrigation

GMW uses its customer data to prepare the following analysis of customer impacts, using an average population for each 'size' of customer. Customers may experience actual movements in bills higher or lower than the following indicative effects due to the use of a mean average. Likewise, customers for whom the Connections Project has made changes to meters and connections in the prior period may experience a change in tariff mix (particularly service point fees).

Small customers will receive a 4% bill decrease due GMW only passing on a 2% increase to fees and not the higher inflation rate of 5.1%. This shows favourable against the pricing submission of 8 % as it has been reassessed small customers will typically only have one water register fee and will not receive the expected increase in the customer fee.

The impact is lower for medium and large customers with multiple services, who will see decreases between 3-4%. Whilst the gravity delivery charges are uniform for the six areas, their overall bills differ due to bulk water and drainage charges.

Bill increases in real \$s, Gravity customers

Gravity Irrigation	Small			Medium			Large			Extra Large		
	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill
Shepparton	-\$18	-4%	\$411	-\$289	-4%	\$7,465	-\$917	-4%	\$23,832	-\$1,863	-4%	\$48,140
Central Goulburn	-\$18	-4%	\$411	-\$255	-3%	\$7,260	-\$774	-3%	\$22,960	-\$1,625	-3%	\$46,849
Rochester	-\$18	-4%	\$411	-\$265	-4%	\$7,202	-\$819	-3%	\$22,713	-\$1,617	-3%	\$46,425
Loddon Valley	-\$18	-4%	\$411	-\$189	-3%	\$7,363	-\$499	-2%	\$23,363	-\$1,015	-2%	\$48,361
Murray Valley	-\$18	-4%	\$415	-\$262	-3%	\$7,475	-\$805	-3%	\$23,850	-\$1,607	-3%	\$48,724
Torrumbarry	-\$18	-4%	\$415	-\$274	-4%	\$7,148	-\$853	-4%	\$22,459	-\$1,729	-4%	\$46,720

Diversions

As shown in the table below, diversion customers' bills will mostly decrease in proportional terms due GMW only passing on a 2% increase to fees and not the higher inflation rate of 5.1%. The metered service point fee will continue to transition however the customer fee and unmetered service point fees are held at 2021/22 prices.

Bill increases in real \$s, Diversion customers

Diversions	Small			Medium			Large			Extra Large		
	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill
Regulated Surface (Murray)	-\$21	-4%	\$518	-\$33	-2%	\$1,594	-\$107	-2%	\$4,640	-\$217	-3%	\$8,320
Regulated Surface (Goulburn)	-\$21	-4%	\$515	-\$30	-2%	\$1,491	-\$95	-2%	\$4,228	-\$191	-3%	\$7,438
Unregulated Surface	-\$13	-3%	\$374	-\$8	-1%	\$770	-\$20	-2%	\$1,168	-\$48	-2%	\$2,682
Shepparton Groundwater	-\$10	-4%	\$221	-\$14	-4%	\$330	-\$22	-4%	\$571	-\$38	-4%	\$998
Groundwater	-\$21	-4%	\$511	-\$28	-2%	\$1,419	-\$71	-2%	\$2,802	-\$135	-2%	\$5,460

Pumped Irrigation

Most Pumped Irrigation customers will see a reduction in their bills. The service point fee introduced this pricing submission continues to be phased in over the 4 years. As this occurs the transition of the Infrastructure Access Fee (IAF) decreases across the regulatory period.

Bill increases in real \$s, Pumped Irrigation customers

Pumped Irrigation	Small			Medium			Large		
	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill	\$ Change	% Change	Total Bill
Woorinen	-\$64	-5%	\$1,235	-\$183	-2%	\$7,608	-\$599	-3%	\$18,498
Nyah	-\$80	-6%	\$1,169	-\$102	-1%	\$9,523	-\$229	-1%	\$18,792
Tresco	-\$88	-6%	\$1,307	-\$166	-2%	\$9,156	-\$357	-2%	\$18,058

Water Districts

GMW's proposed prices result in real decreases for most customers, mainly due to changes in the Infrastructure Access Fee (IAF) that forms the majority of a typical customer's bill.

Infrastructure Access Fees for East Loddon and Normanville Water Supply Districts are not decreasing as planned in the 2020 Pricing Submission, they are being held at the 21/22 price due to higher costs than originally forecast. This is however within the rebalancing constraints set by the ESC Determination.

In the 2020 Pricing Submission there was inadequate resources allocated to adequately service and maintain the Water Districts. By allocating the extra resources, GMW will prevent major issues that are more expensive and time consuming to fix in the long term, ensuring

prices remain stable into the next Pricing Submission. This in turn allows for preventive works such as flushing lines and scouring valves to ensure Pipelines are running smoothly.

Bill increases in real \$s, Water District customers

Water Supply District	Small		
	\$ Change	% Change	Total Bill
Normanville	-\$30	-1%	\$2,201
Tungamah	-\$109	-6%	\$1,589
East Loddon	\$14	2%	\$902
East Loddon (North)	-\$33	-3%	\$1,032
West Loddon	-\$47	-5%	\$840
Mitiamo	-\$15	-1%	\$2,051

6.4. Annual contribution to the Murray Darling Basin Authority

There is expected to be no change in the annual contribution required to be made by GMW to the Murray Darling Basin Authority of \$13.4 million.

7. Tariff Strategies

DELIVERING FOR OUR REGION AND OUR FUTURE



The Service Strategy represents a focus for the entire organisation on its prescribed services. It is the roadmap for how Goulburn-Murray Water (GMW) will deliver on our service vision of “our services align with resilience principles, underpin a flourishing regional community and are financially and environmentally sustainable”.

The GMW Services Strategy is aligned to the delivery of GMW strategic outcome “Satisfied Customers, trusting partners” which ensures that our customer first culture and strategic partnerships provide benefits for our customers and communities.

The GMW Service Strategy outlines service goals to guide the development of individual GMW Service Plans that provide future direction for GMW’s Prescribed Services.

The Service Plans will form the basis of GMW’s 2024-2028 Pricing Submission.

The Service Plans:

- Provide a comprehensive view of each prescribed service.
- Guide GMW in aligning our services with customer needs, regulatory requirements and our strategic direction.
- Support engagement with our customers and stakeholders to drive forward our service commitments and guide future service development.
- Enable a greater planning focus over the next two regulatory periods (2024 – 2032).
- Promote an adaptive approach to ensure that GMW are able to meet changing customer and stakeholder needs
- Provide additional benefits to GMW by:
 - Increasing clarity for customers, regulators & employees

- Optimisation across our delivery mechanisms & activities to achieve our service outcomes
- Improved transparency to our customers & regulators and driving efficiency, e.g. informs pricing submission

GMW is committed to the development and implementation of an appropriate tariff structure and will continue to consult with customers as part of the development of the Service Plans.

8. Customer Communication and Engagement

Customers' views are an important input into GMW's pricing considerations. To facilitate informed and ongoing consultation GMW has a set of customer advisory committees, representing the various services that GMW provides. In every case the committees are created by the Board of GMW to provide advice to the Board, with members elected by customers. The committees' advice on pricing matters informs GMW's decision making process.

GMW operates eleven Water Services Committees (WSCs), with six based around our major gravity irrigation districts, four regional WSCs covering diverters and one representing our Water Supply Districts.

During the development of GMW's 2020 Price Submission, we consulted extensively with WSCs, customers and stakeholders of our proposed long term price paths for gravity and diversion specific pricing outcomes.

GMW has used various forms of communication to inform other customers and stakeholders on the ESC Final Decision and Price Determination made in June 2020. In relation to preparation towards GMW's 2022/23 Annual Price Review, the WSCs were briefed during April 2022 on the proposed process and an Annual Price Review Pack was sent out to WSCs requesting feedback and comments in late April.

GMW's 2022/23 proposed price adjustments align with the ESC's Final Decision and Price Determination. As GMW has consulted extensively during the 2020 price review, and given the revenue cap and related price limit regulations, extensive consultation was not considered necessary for this annual price review.

During 2021/22 and 2022/23 GMW has been conducting an extensive engagement program with WSCs, and its broader customer base to receive feedback on a range of topics including pricing, service standards and maintenance levels as part of the development of the suite of Service Plans.

Appendix 1: Annual Price Review - Indicative Timeline

The following table sets out the key dates for GMW's annual price review for 2022/23:

Responsible	Activity	Date
ABS	CPI released	27 April 2022
Board	Approved 22/23 Annual Price Review with latest CPI	28 April 2022
GMW	Consult WSCs on APR, based on draft proposal	29 April 2022
GMW	Submit Annual Price Review application to ESC	4 May 2022
ESC	ESC approval of Annual Price Review (Target)	20 May 2022
GMW	Provide artwork to printers and mail house in order to meet deadline to provide Price Lists to Customers	23 May 2022
GMW	Send Price Lists to customers, Publish tariffs in newspapers, Update GMW website and press release	By 26 May 2022
GMW	New charges come into effect	1 July 2022