

# GMW Price Submission 2024



Excellence



Honesty



Accountability



Courage



Caring

## Acknowledgement

Goulburn-Murray Water acknowledges the Aboriginal and Torres Strait Islander communities of Victoria and pays respect to their Elders past, present and emerging.

We acknowledge Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia and as the proud representatives of the world's oldest, living culture.

We recognise the Yorta Yorta Nation and the Dja Dja Wurrung, Taungurung and Gunaikurnai Clans, as the Registered Aboriginal Parties within our service region and acknowledge their rights as the Traditional Owners of lands and waters, as outlined in their agreements with the state of Victoria. We also acknowledge the insight, contributions and value the Traditional Owner communities add to the management of those lands and waters.

We also recognise the rich cultural connections all First Peoples have across our region, as Traditional Custodians of lands and waters and the importance of those to all our communities.

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# 1. Executive summary

## AT A GLANCE:

- Our GMW Price Submission 2024 is for the four-year regulatory period, 2024-28 (Regulatory Period 6)
- We have sought efficiency measures that deliver a reduction in operating costs to offset anticipated cost escalations, without impacting service.
- On average, we have been able to maintain typical customer bills at a 0.1 per cent decrease before CPI across the Regulatory Period 6.
- We have refreshed our five outcomes, plus added a new outcome of being Socially Responsible.
- \$114.6 million in capital works is proposed over the four years.
- \$371.5 million in total prescribed operating expenditure is expected over the four years.
- A revenue cap form of price control has been used.
- We have delivered a prudent and efficient price submission that provides the best value for customers.

Over the past four years, Goulburn-Murray Water (GMW) has faced unprecedented challenges across northern Victoria including the COVID-19 pandemic and devastating 2022 floods. These events have challenged the organisation operationally, and at the same time shaped the way we think about the future of water for our customers, communities and region.

Recent global experiences have highlighted that the future is uncertain, and that governments, businesses and communities need to be flexible, resilient and adaptable. We face several trends and drivers of change which present both risks and opportunities for the business and our customers.

We operate in a changing environment influenced by many internal and external forces and opportunities and challenges for natural resources management are presented. This, combined with climate effects on water availability, including environmental water recovery, cultural water flows, competition from other regions and changing commodity prices, are driving land use change and a changing customer base.

Our ability to respond, adapt and be flexible in the face of challenges now and into the future will improve GMW's long-term sustainability and resilience. This price submission is our best offer to customers to ensure core services can continue to be delivered at agreed service levels in the context of the significant challenges being faced.

The foundations of this price submission, for the four-year regulatory period, are built on an understanding of customers' needs and values. Commencing in 2021 with the development of service plans with customers to gain a comprehensive understanding of their needs and wants, our price submission engagement program was conducted through various communication and engagement methods including surveys, focus groups, face-to-face conversations, customer workshops and online forums.

Engagement revealed that customer expectations still largely align with existing customer outcomes around fair pricing, getting the basics right, environmental sustainability, liveability, and being part of the community. In addition, key messages from customers, regulators and stakeholders, alongside our current risk profile, has identified the emerging challenges of water security, climate change and environmental compliance as issues we need to address.

Through engagement with customers, six outcomes were revised and a new outcome developed that our customers will receive during Regulatory Period 6 (2024-28).

They are:

- Reliable Supply
- Credible Business
- Fair Pricing
- Efficient Operations
- Responsive Services
- Socially Responsible (**NEW**)



The activities and programs proposed to achieve these outcomes will require an investment of \$114.6 million in capital works over Regulatory Period 6.

Our operating expenditure for Regulatory Period 6 is forecast to be \$371.5 million and any operational increases above CPI will be absorbed through efficiency savings.

Required service outcomes will continue to be delivered for customers while maintaining an average decrease of 0.1 per cent in the typical customer bill over the four-year period before CPI adjustments.

Some customers may see higher typical bill increases in diversions, pumped irrigation and water supply districts to recover the higher costs of Service Point fees and to undertake essential maintenance ensuring service needs are met. A summary of the impact of this price submission on average customers' bills is attached as Appendix 1.

A 'revenue cap' form of price control has been proposed with a +/- 10 per cent rebalancing constraint to manage customer prices in Regulatory Period 6 in line with the current regulatory period (2020-2024). 'Revenue cap' price control helps to support price stability and is easier to administer and explain. Any over-recovery of revenue is passed back to customers through lower prices.

Using guidance provided by the Essential Services Commission (ESC), we have assessed our overall price submission to be '**standard**' under the PREMO incentive mechanism, with an aggregated score of **10.3/16**, as presented below in Table 1. This is GMW's first price submission under the ESC's PREMO framework and as a result the 'Performance' element is not required to be assessed. However, in Section 3, we still provide details of our current pricing period performance.

Table 1: PREMO self-assessment overall outcome summary

PREMO ELEMENT	GMW'S SELF ASSESSMENT
Performance	N/A
Risk	2.5/4
Engagement	2.6/4
Management	2.6/4
Outcomes	2.6/4
<b>Overall PREMO rating</b>	<b>10.3/16</b>

Customers, the Board, our managing director, executive team, subject matter experts and other staff across the organisation have been central to the development of this price submission. The Board has attested that our submission meets the ESC's requirements and addresses all elements of PREMO.

All documents, frameworks, strategies or analysis referenced within this submission can be made available to the ESC upon request.

## 2. Board Attestation

The directors of GMW, having made such reasonable inquiries of management as we considered necessary (or having satisfied ourselves that we have no query), attest that, to the best of our knowledge, for the purpose of proposing prices for the ESC's 2024 water price review:

- information and documentation provided in the price submission and relied upon to support GMW's Price Submission 2024 is reasonably based, complete and accurate in all material respects;
- financial and demand forecasts are the business's best estimates;
- supporting information is available to justify the assumptions and methodologies used; and,
- the price submission satisfies the requirements of the 2024 water price review guidance paper issued by the ESC in all material respects.



Diane James AM

CHAIR

GOULBURN-MURRAY WATER

## 3. Performance

### AT A GLANCE:

- Performance across the current regulatory period, 2020-24 (Regulatory Period 5) has been very strong despite the significant challenges faced, with overall customer outcomes met or largely delivered each year.
- Operational expenditure is approximately three per cent or \$11.5 million lower than approved for the current regulatory period.
- Total prescribed capital expenditure is forecast to be approximately \$108 million, this includes \$18.7 million contributions for fishway projects.
- Four of the current regulatory period top 11 projects/programs have been delivered, four are on schedule, and three have been delayed (re-prioritised to Regulatory Period 6).
- We are not required to assess the PREMO rating for 'Performance' as this is GMW's first submission under the PREMO framework.

Despite facing significant challenges in northern Victoria including the COVID-19 pandemic and devastating flooding during the current regulatory period, our performance has remained strong and customers have still received a quality service. These events presented operational challenges, and at the same time shaped the way we think about the future of water for our customers, communities and region.

## Operating expenditure - Regulatory Period 5

At the commencement of the current regulatory period, GMW delivered on its commitment to reduce prices by an average of 10 per cent, and have also partly absorbed inflation and delivered lower price increases compared to the published inflation rates.

In fact, many prices have remained lower than they were in the previous regulatory period (Regulatory Period 4, 2016-20), despite external factors including extreme weather conditions and a global pandemic having placed pressure on the business in terms of the replacement and maintenance required to manage both ageing infrastructure and modernised assets.

### Total prescribed operating expenditure

The current forecast operating expenditure for the current regulatory period is \$380.4 million which is \$11.5 million less than the ESC approved operating expenditure of \$391.9 million for the period. Operating expenditure savings have been passed back to customers and offset increased expenses including flood costs in the current regulatory period.

Table 2: Total prescribed operating expenditure – Regulatory Period 5 (23/24\$m)

	REGULATORY PERIOD 5				Total
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast	
Approved	103.5	96.6	95.9	95.9	<b>391.9</b>
Actuals/forecast	95.0	96.6	97.0	91.8	<b>380.4</b>
<b>Variance</b>	<b>8.5</b>	<b>0.0</b>	<b>(1.1)</b>	<b>4.1</b>	<b>11.5</b>

Note: Numbers have been rounded and includes flood costs.

The current regulatory period forecast reflects our commitment to continuous improvement, by identifying and implementing efficiencies and/or savings to minimise our cost structure, ensuring we have been able to provide customers with the lowest possible price while maintaining required levels of service.

We have successfully navigated significant challenges including escalating costs of materials, extreme weather conditions, in addition to managing a global pandemic, to ensure delivery of financial objectives set out in our Price Submission 2020. These include absorbing flood response and recovery costs, continually managing the ongoing financial implications of the COVID-19 pandemic as well as the increasing costs of materials used to maintain our large asset base.

In managing this, it has meant there are a number of projects and costs that did not go ahead due to the floods. These range from reduced power costs in pumped irrigation areas, through to maintenance that could not



proceed. These will be expanded upon in the baseline calculation in Section 9.1 Operating expenditure – Regulatory Period 6.

## Total controllable operating expenditure

Table 3: Controllable operating expenditure – Regulatory Period 5 (23/24\$m)

	REGULATORY PERIOD 5				Total
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast	
Approved	84.8	77.8	77.2	77.1	<b>316.9</b>
Actuals/forecast	76.9	78.7	80.0	75.8	<b>311.4</b>
<b>Variance</b>	<b>7.9</b>	<b>(0.9)</b>	<b>(2.8)</b>	<b>1.3</b>	<b>5.5</b>

Note: Numbers have been rounded and includes flood costs.

The reduction in controllable operating expenditure of \$5.5 million represents a 1.7 per cent variance from the ESC approved determination of \$316.9 million, with majority of the reduction occurring in the 2020/21 financial year, please see below the drivers of performance across the current regulatory period.

## Drivers for performance in current regulatory period

### Labour costs

Efficiencies in direct ongoing labour costs are due to several factors. The major factor being a transformational restructure following Price Submission 2020 which resulted in ongoing labour establishment savings both in terms of headcount and ultimately cost, along with savings made while positions were vacant. These savings have in part been offset by increased labour costs during 2020/21 and 2021/22 due to reduced annual leave taken during the COVID-19 pandemic. The lower rate of annual leave taken through the pandemic period resulted in increased operating expenditure along with an increase to the cost provision on the balance sheet. Following COVID-19 restrictions, measures have been put in place to ensure staff do not hold high leave balances and must either take leave entitlements or have a plan in place to do so.

### ICT costs

With increasing compliance and security obligations, the decision was made to move to Software as a Service (SAAS) (Cloud based solution) in order to meet these requirements as efficiently as possible. This move was made in the penultimate year of the current regulatory period. It was expected to produce savings, however an escalation in supplier costs due to warehousing, storage and cyber security costs has seen an increase in costs. These costs are unavoidable in the global climate and are the most efficient solution in managing these obligations.

### Electricity costs

Electricity costs are lower than forecast for the current regulatory period. This is both demand driven (due to the temporary office closure during the COVID-19 pandemic), along with lower demand for irrigation pumping due to above average rainfall. A further reduction in costs is expected to be delivered in the final year of the current regulatory period due to the introduction of solar power at the office in Tatura.

### Insurance costs

Insurance costs have increased substantially faster than inflation across the current regulatory period. This is driven by external natural disasters, as well as inflation, and business interruptions such as the COVID-19 pandemic. The rate of increase is forecast to slow but remain higher than inflation in Regulatory Period 6.

### Maintenance materials costs

The failure rate of modernised assets has been greater than expected during the current regulatory period. The quantity of materials required to maintain the modernised gravity irrigation network has substantially increased. With a number of years of operating the modernised system and having more data available for analysis, this trend is expected to continue into Regulatory Period 6. Much of the modernised assets are first generation technology that are simultaneously reaching end of life failures.

## Flood response costs

GMW's flood incident response and subsequent repair costs during 2022/23 have increased operating expenditure above a business as usual baseline. For the purposes of comparison and benchmarking, the net impact of costs relating to the flood incident, response and recovery have been removed from the base year calculation for Regulatory Period 6 (see Section 9 - Forecast operating expenditure).

## Total non-controllable operating expenditure

Table 4: Non-controllable operating expenditure – Regulatory Period 5 (23/24\$m)

	REGULATORY PERIOD 5				Total
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast	
Approved	18.8	18.8	18.7	18.7	<b>75.0</b>
Actuals/forecast	18.1	17.9	17.1	15.9	<b>69.0</b>
<b>Variance</b>	<b>0.7</b>	<b>0.9</b>	<b>1.6</b>	<b>2.8</b>	<b>6.0</b>

Note: Numbers have been rounded

The reduction in non-controllable operating expenditure of \$6.0 million represents an 8.0 per cent variance from the ESC approved determination of \$75.0 million for the current regulatory period, with majority of the reduction occurring in the last two financial years.

The current forecast of \$69.0 million is comprised of regulatory licence fees, environmental contributions and Murray-Darling Basin Authority (MDBA) contributions. The MDBA contribution being the largest contributor to the current underspend. Overall the non-controllable expenditure is forecast to be \$6.0 million lower than approved expenditure over the current regulatory period. This is due to some costs being held at real value and not inflated through the current regulatory period. Inflating these to 2023/24 dollars, as assumed in our Price Submission 2020 creates an under spend of \$6.0 million.

## Capital expenditure - Regulatory Period 5

### Summary of capital expenditure

GMW's forecast prescribed capital expenditure for the current regulatory period is \$89.2 million, \$17.4 million less than the ESC approved determination of \$106.6 million.

Although spending less during the current regulatory period, service performance has been maintained. Some of the delays were due to the COVID-19 pandemic and a shortage of internal and external consulting resources, but another significant factor was high water storage levels and subsequent flooding events.

Table 5: Actual/forecast and approved capital expenditure – Regulatory Period 5 (2023/24\$m).

	REGULATORY PERIOD 5				Total
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast	
Approved	27.5	27.1	25.7	26.2	<b>106.6</b>
Actual/forecast	24.5	20.1	15.8	28.8	<b>89.2</b>
<b>Variance</b>	<b>3.0</b>	<b>7.0</b>	<b>9.9</b>	<b>(2.6)</b>	<b>17.4</b>
<i>Actual Forecast by Service</i>					
<i>Irrigation, Drainage and Water Supply</i>	20.9	16.0	9.0	20.8	<b>66.7</b>
<i>Diversions</i>	0.3	0.3	0.5	0.5	<b>1.6</b>
<i>Bulk Water</i>	3.3	3.8	6.3	7.5	<b>20.9</b>
<i>Actual Forecast by Service</i>	24.5	20.1	15.8	28.8	<b>89.2</b>

Note: Numbers have been rounded

A large contributor to the 15 per cent variance against our ESC approved determination was the deferral of major projects within bulk water, namely:

- Dam safety projects

- Buffalo outlet and trash racks project
- Laanecoore spillway and outlets.

Bulk water projects were impacted by the ability to have specialist contractors onsite during the COVID-19 pandemic, followed by high storage levels and floods.

However, we are forecast to deliver a gross prescribed capital program of \$107.9 million for the current regulatory period as shown below, resulting in an overall -1.2 per cent variance compared to the total approved capital expenditure. This was primarily due to the provision of external funding from Catchment Management Authorities for the construction of fishways (Taylors and Tea Garden Creek). The delivery of these externally partner funded projects was prioritised due to the availability of the funding.

Table 6: Actual/forecast prescribed capital expenditure – Regulatory Period 5 (23/24\$m)

	REGULATORY PERIOD 5				Total
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast	
Improvements/compliance/renewals	24.5	20.1	15.8	28.8	89.2
Contributions	4.1	3.0	8.7	2.9	18.7
<b>Total prescribed capital expenditure</b>	<b>28.6</b>	<b>23.1</b>	<b>24.5</b>	<b>31.7</b>	<b>107.9</b>

Note: Numbers have been rounded

## Delivery of major projects and programs

The table below details the significant capital projects and programs in the current regulatory period. While there has been some under and over expenditure for specific projects and programs, and reprioritisation of expenditure, overall expenditure is in line with our Price Submission 2020.

Table 7: Significant capital projects and programs – Regulatory Period 5

PROJECTS / PROGRAMS	STATUS	COMMENT	OUTCOME
Cohuna Weir Fishway	Complete		Socially responsible + credible business
Koondrook Weir Fishway (Externally Funded)	Complete	Over our approved Price Submission 2020 due to complexities of site.	Socially responsible + credible business
Mitiamo Pipeline	Complete	Majority funded under water Efficiency Program.	Reliable supply + efficient operations (Water savings)
Tatura Office Solar Panel Installation	Complete		Socially responsible
Channel Remodelling	On schedule	Flood recovery diverted resources and impacted progress during 2022/23.	Reliable supply + efficient operations
Access Tracks & Fencing	On schedule		Reliable supply + efficient operations
Structures – replacement and refurbishment on channels and drains	On schedule	Flood recovery diverted resources and impacted progress during 2022/23.	Reliable supply, efficient operations + credible business
Meter Replacement	On schedule		Responsive services, fair pricing, efficient operations + credible business
Laanecoore Spillway and Outlets upgrade	Deferred	Changing water use patterns and alternatives for operating conditions lead to an extended options analysis.	Reliable supply + efficient operations
Lake Buffalo Outlets and Trashracks	Deferred	Unavailability of specialist external resources delaying detailed design.	Reliable supply + efficient operations
Dam safety – Newlyn, Nillahcootie and Tullaroop	Deferred	Due to High water levels and shortage of internal resources to manage investigation and design.	Reliable supply + credible business (risk reduction)

Lessons learnt are being captured from the current regulatory period to ensure we are in the best position to deliver the capital program in Regulatory Period 6. We are currently:

- reviewing of our Investment and Project Management Framework to ensure ongoing prudent and efficient investment, including:
  - earlier project planning, including time for procurement (competitive tendering)
  - clear lines of roles and responsibilities in project management and delivery
  - improved gateway management and approval process.
- increasing specialist dams engineering and project management resources to assist with the progress of major dam safety projects.

## 4. Risk

### AT A GLANCE:

- We have assessed and managed key risks to deliver a price submission that is both prudent and efficient.
- We developed a holistic strategy to managing risk, such that any cost impacts on customers are minimised.
- In allocating risk, we have considered the party in the best position to manage the risk.
- We are confident in the overall risk profile of the price submission due to our well-established strategic planning process and effective contingency management approach.
- PREMO self-assessed rating for risk = Standard (2.6/4).

In formulating this price submission, we have taken into account the unique challenges and operating conditions faced by GMW. Our approach involved careful consideration of future projections, prioritisation of activities to address business risks, and the fulfilment of expectations from customers, regulators, and the government. Recent events such as the ongoing impact of the COVID-19 pandemic, periods of heavy rainfall, the 2022 floods, and the forecast start of El Nino with an expected change to drier conditions have also been factored in.

The primary objective of this price submission is to effectively manage risks while remaining committed to our core purpose of 'delivering for our region and our future' as the custodian of the water infrastructure and services that form such an integral component of economic activity in the region. Overall, we are seeing strong results against our strategic objectives, and price stability and affordability remains our priority. To achieve this, we have embraced a higher risk profile, evaluating various price-sensitive areas within this price submission. Our aim is to appropriately distribute these risks between customers and ourselves, thereby minimising the impact of customer price increases while continuing to maintain levels of service.

Our PREMO Risk Strategy was developed using a collaborative approach with subject matter experts and our existing Risk Management Procedure and Risk Assessment Matrix. The Risk Management procedure is based on the AS/ANZ ISO31000:2018 Risk Management Framework and incorporates a comprehensive assessment of both risks and opportunities, evaluating their magnitude based on the likelihood of occurrence and the corresponding consequences or benefits they entail.

We have conducted a thorough review across several areas outlined below, ensuring fairness and manageability in the allocation of risks. This approach enables us to meet the revenue requirements outlined in this price submission, maintain our strong financial position, and keep prices as affordable as possible for customers.

We have assessed the risks associated with our submission and have identified risks in regard to:

- inflows and the ongoing impacts of climate change
- demand forecasting and potential material differences to actual demand
- financial factors that affect the whole of economy including the ability for customers to pay their bills, annual budgeting, our capital program and increasing input costs
- changing regulation and policy that may materially affect costs or revenue
- business risks from a lack of innovation and exposure to potential cyber-attacks
- business operations including meeting customer expectations and navigating an ageing asset base.

## Key risks and allocation summary

The executive team and key staff participated in a workshop to identify and assess material risks associated with delivering the agreed outcomes in this price submission for customers. The key risks and their allocations are summarised in the following table:

Table 8: The risks assessed, options considered and assumptions adopted.

<b>OPERATING EXPENDITURE</b>	
Revenue is insufficient to meet short and long term expenditure requirements while maintaining affordability	
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>Proposed \$371.5 million operating expenditure for Regulatory Period 6 (2024-28).</li> <li>Identified efficiency measures that deliver a reduction in operating costs to offset anticipated cost escalations.</li> </ul> <p><i>Refer to 'Section 9 – Forecast operating expenditure' for our proposed expenditure and efficiencies.</i></p>
<b>Controls</b>	<ul style="list-style-type: none"> <li>Revenue cap form of price control</li> <li>Our forecasts include known growth expenditure (e.g., labour, contracts and materials).</li> </ul>
<b>Risk</b>	After considering the controls, the risk that operational expenditure forecasts have not been adequately estimated was evaluated as <b>medium</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Largely borne by GMW</b></p> <p>We have applied a thorough and rigorous review process to assess and prioritise the proposed operating program, ensuring that spending is prudent and efficient. Under GMW's revenue cap, as a form of price control, GMW assumes responsibility for any operating expenses that exceed the approved allowance. Additionally, an examination was conducted on the duration of the proposed regulatory period, revealing that a four-year cycle is most advantageous in enabling unforeseen or uncertain events to be effectively addressed, including substantial fluctuations in revenue and costs.</p>
<b>CAPITAL PROGRAM AND INCREASING INPUT COSTS</b>	
The forecasting of capital and operating expenditures fails to sufficiently incorporate external market factors	
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>\$114.6 million in capital expenditure over Regulatory Period 6 – a 6 per cent increase on the current regulatory period (2020-24).</li> <li>Projects have been strategically phased to optimise the allocation of resources and deliverability.</li> <li>Uncertain projects have been scheduled for the subsequent regulatory period (Regulatory Period 7) to allow for further refinement of forecasts, options and costs.</li> </ul> <p><i>Refer to 'Section 10 – Forecast capital expenditure' for our proposed expenditure and major capital projects and programs.</i></p>
<b>Controls</b>	<ul style="list-style-type: none"> <li>Project contingency allowances and P50 estimates for our major projects</li> <li>Exclusion of forecasts for uncertain projects</li> <li>Asset management practices and Asset Management Accountability Framework (AMAF) compliance</li> <li>Utilisation of the Channel-by-Channel planning tool</li> <li>Use of scalable internal and external delivery models</li> <li>Risk management practices in line with ISO 31000.</li> </ul>
<b>Risk</b>	After considering the controls, the risk of significant increase in capital expenditure beyond our forecast due to inaccurate capital estimates or project prioritisation was evaluated as <b>medium</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Largely borne by GMW</b></p> <p>Our Investment and Project Management Framework serves as the mechanism through which we manage and accommodate any necessary adjustments to the capital expenditure program. Any expenditure in excess of the allowance will be initially borne by GMW and assessed by the ESC prior to inclusion in the Regulatory Asset Base (RAB) for our next price submission (2028). Other pass-through mechanisms will be utilised in the event of a significant unforeseen event, and this will occur within the requirements detailed by the ESC. Renewals expenditure is the most significant driver of capital expenditure across the period. The program's development adheres to historical patterns and unit costs, aligned with our Asset Management Strategy, and has undergone external review by Aither to verify its accuracy and fiscal prudence. We have used P50 estimates for the major projects and used statistical analysis (using @Risk software) that is similar (if not the same as Monte Carlo) to do the simulation of the distribution of costs. We believe P50 estimates are an appropriate tool for project forecasts because they represent the point of greatest likelihood, accounting for uncertainties and providing a balanced baseline for informed decision-making. Programs and smaller projects have optimised contingency allowances in accordance with our Investment and Project Management Framework. GMW adopts a prudent approach by excluding costs associated with highly uncertain projects and incorporating minimal contingencies in capital expenditure forecasts, aiming to maintain competitive pricing and cost efficiency. Expenditure for each project has been carefully assessed for timing and cost justification, while executive management has thoroughly examined major project feasibility, enhancing confidence in their inclusion in this submission. Business cases have also be completed for all our major projects.</p>
<b>INFLOWS CLIMATE CHANGE AND DEMAND FORECASTING</b>	
Climate change and external events affect services to our customer and stakeholder outcomes. Actual customer demand during a regulatory period differs materially from the forecasts.	



<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Median average climate conditions for short to medium term delivery forecasting</li> <li>• Worst-case climate for long-term supply-demand planning.</li> </ul> <p><i>Refer to 'Section 11 – Demand for our demand forecasts'.</i></p>
<b>Controls</b>	<ul style="list-style-type: none"> <li>• GMW Water Resources Strategy</li> <li>• Compliance with Bulk Entitlements and Sustainable Diversions Limits</li> <li>• Effective demand forecasting and scenario modelling verified by external consultants</li> <li>• Variable tariff structures for usage</li> <li>• Revenue cap form of price control.</li> </ul>
<b>Risk</b>	After considering the controls, the risk of impacts on services to our customers and stakeholder outcomes arising from low inflows and climate change was evaluated as <b>medium</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Largely borne by GMW</b></p> <p>GMW accepts risk on behalf of customers, due to the higher costs associated with maintaining service levels in dry conditions. This lessens the benefit of increased revenue from higher water demand. We also realise minimal cost savings in wet conditions due to the fixed cost nature of our water delivery infrastructure. Additionally, we have an effective demand forecasting framework. In 2023 this was reviewed by an external consultant who verified our underlying demand forecasting assumptions. Due to the predominately fixed nature of GMW's charges (approximately 90 per cent), GMW takes on the risk of any fluctuations from forecasts.</p>
<b>CHANGING REGULATORY POLICY</b>	
GMW performance is below government, customer or regulatory expectations impacting our social licence to operate	
<b>Assumptions</b>	Our Price Submission 2024 does not include cost allocations for future changes as these are deemed to be uncertain. Inputs are based on known regulation and policy. The potential impacts of Environmental Water Policy are explored in 'Section 11.3 - Demand forecasts'.
<b>Controls</b>	<ul style="list-style-type: none"> <li>• Internal policies and procedures placing GMW in an informed position to meet regulatory obligations throughout the regulatory period</li> <li>• Significant unforeseen changes will typically be mitigated via a pass-through mechanism.</li> </ul>
<b>Risk</b>	After considering the controls, the risk that changes to regulation or government policy may impact on GMW's financials was evaluated as <b>low</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Shared by GMW and our customers</b></p> <p>Internal business strategies have been created to ensure the fulfilment of regulatory obligations across all facets of our operations. As the cost associated with implementing new policies or regulatory changes is uncertain, we have taken the approach of absorbing these costs during the current pricing period and recovering them in the subsequent period and/or using a pass-through mechanism as required. <i>For further information on uncertain or unforeseen events see 'Section 8.4 - Form of price control'.</i></p>
<b>CUSTOMERS ARE UNABLE TO PAY BILLS</b>	
Economic factors including rising interest rates or economic downturn affect GMW's cost of debt	
<b>Assumptions</b>	On average <1 per cent of total revenue is not collected each year due to customers' inability to pay and sundry debt not expected to be recovered. Financial model inputs are determined by the ESC. For Regulatory Period 6, CPI is set at 3.5 per cent for modelling purposes and will be managed as part of our annual price review.
<b>Controls</b>	<ul style="list-style-type: none"> <li>• Annual budget setting</li> <li>• Annual price review</li> <li>• Validation of pricing reviews by external consultants</li> <li>• Revenue cap form of price control</li> <li>• Interest on overdue accounts</li> <li>• Debt management, including hardship policy.</li> </ul>
<b>Risk</b>	After considering the controls, the risk that economic factors including rising interest rates or economic downturn affect GMW's cost of debt and customers' ability to pay bills was evaluated as <b>medium</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Largely borne by GMW</b></p> <p>Indexation ensures GMW remains fully responsible for the management of controllable costs, and that we do not need to bear the full risk associated with general price inflation. Inflation is based on the ESC's assumption of 3.5 per cent in each year of the price submission and as part of price control, GMW applies inflation on the prices through each annual price review. Additionally, the revenue cap form of price control and 10 per cent rebalancing constraint also provides customers with security as we continue to minimise prices where possible. By using a 10 per cent rebalancing limit to adjust real prices for customers individually, GMW ensures stable pricing and sustainable revenue even during variable water deliveries. This mechanism offers water trade for risk management, maintains price path confidence, and passes over-recovery benefits to customers, promoting lower prices without distorting demand forecasts, especially in non-profit operations. Flexible payment arrangements are also offered to support customers experiencing hardship. These include the option of flexible payment plans with no interest, payments in instalments, and providing other support such as information about government grants and concessions, and accredited financial counsellors. However, there is still a financial risk involved in the chance that the number of customers unable to pay their bills might exceed assumptions.</p>

<b>BUSINESS INTERRUPTION INCLUDING CYBER ATTACK</b>	
GMW experiences an emergency event or is subject to cyber-crime leading to data theft or system interference	
<b>Assumptions</b>	A fit-for-purpose uplift in digital and cyber security.
<b>Controls</b>	<ul style="list-style-type: none"> <li>• Cyber Security Strategy and Digital Strategy which is reviewed annually</li> <li>• Asset Management Strategy supporting robust asset management practices</li> <li>• Regular internal and external auditing.</li> </ul>
<b>Risk</b>	After considering the controls, the risk that GMW experiences an emergency event or is subject to cyber-crime leading to data theft or system interference was evaluated as <b>medium</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Shared by GMW and our customers</b></p> <p>We have developed a proactive approach towards cybersecurity and emerging innovations through our Digital Strategy and Cyber Security Strategy, both subject to annual review. During Regulatory Period 6, we will remain proactive in monitoring and addressing the ever-evolving risks in cybersecurity. Some of these risks may remain unknown and surface unexpectedly, and we will take on the responsibility of being well-prepared and capable of responding effectively to these emerging threats. However, depending on the nature of the event, customers ultimately may see some level of impact, which we will strive to minimise.</p>
<b>AGEING INFRASTRUCTURE</b>	
Negative customer, asset and financial impacts as a result of aging infrastructure	
<b>Assumptions</b>	Renewals will account for 70 per cent of our total capital expenditure over Regulatory Period 6.
<b>Controls</b>	<ul style="list-style-type: none"> <li>• Asset renewal plans that consider asset age, type, condition, expected life and criticality</li> <li>• Strategic technology uplift to improve understanding of asset performance</li> <li>• Additional expenditure to increase the resilience of our infrastructure.</li> </ul>
<b>Risk</b>	After considering the controls, the risk that ageing infrastructure hinders GMW's ability to effectively store and deliver water, and impacts service and financial outcomes was evaluated as <b>medium</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Shared by GMW and our customers</b></p> <p>To ensure an appropriate approach to asset renewals within this price submission, a thorough review of the renewals program has been conducted, aiming to avoid an overly conservative stance. This involved reducing the allowances for program renewals, where discrete projects bear a significant renewals component as the primary cost driver. Considering the allocated investment in renewals, the risk of insufficient maintenance to sustain service levels within Regulatory Period 6 is assessed to be moderate. It is important to note that the performance degradation of aging assets typically occurs over decades rather than years, especially considering the planned expenditure. If this risk materialises, adjustments to renewals expenditure can be made during subsequent regulatory periods.</p>
<b>SERVICE LEVEL EXPECTATIONS</b>	
Customer requirements of service outcomes change significantly	
<b>Assumptions</b>	The pricing strategies and initiatives are able to maximise customer value while aligning with community expectations as they are informed by a comprehensive and inclusive engagement process.
<b>Controls</b>	<ul style="list-style-type: none"> <li>• Refresh of service standard targets to increase accountability to our customers</li> <li>• Comprehensive engagement program to validate customer priorities.</li> </ul>
<b>Risk</b>	After considering the controls, the risk that customer requirements of service outcomes change significantly was evaluated as <b>medium</b> based on our corporate risk matrix.
<b>Risk Allocation</b>	<p><b>Shared by GMW and our customers</b></p> <p>We utilise forecasting methodologies to assess the service requirements of customers, enabling the necessary resource levels and infrastructure needs to be accurately determined. Our ongoing comprehensive engagement program and suite of service plans, are a proactive means to stay in a well-informed position for future price submissions, as they enable us to collaboratively establish priorities with customers. However, we continue to face the risk of being unable to meet customer expectations during Regulatory Period 6, especially if there are demographic, economic, or climatic changes in the region that lead to shifting customer demands. GMW will continue without a Guaranteed Service Level (GSL) scheme for this price submission.</p>

# PREMO summary – Risk

GMW evaluates its performance as **Standard (2.6/4)** for the risk component of PREMO. The assessment details can be found in Table 9 below.

Table 9: PREMO assessment details - Risk

ESC GUIDING QUESTION	SCORE	COMMENT
<p>To what extent has GMW demonstrated a robust process for identifying risk, and how it has decided who should bear these risks? That is, customers are not paying more than they need to.</p>	<p><b>2.6</b></p>	<ul style="list-style-type: none"> <li>• We take on risks on behalf of our customers, dealing with higher costs during dry conditions and minimal cost savings in wet conditions due to fixed infrastructure costs.</li> <li>• Our Water Resources Strategy outlines climate scenario modelling and adaptive planning, including a Climate Change Adaption Action Plan.</li> <li>• We have an effective demand forecasting framework, reviewed externally in 2023 to verify assumptions.</li> <li>• Revenue primarily comes from fixed demand quantities, while the revenue cap allows for adjustments during the annual price review to address fluctuations.</li> <li>• The continued use of the revenue cap protects customers from variations in actual demand from forecast.</li> <li>• We have aligned our investment program with the revenue cap, with excess CAPEX assessed by the ESC for future price submissions.</li> <li>• P50 estimates and optimised contingency allowances are used for major and smaller projects, respectively.</li> <li>• We manage uncertainties through pass-through events and adjusts for significant unforeseen occurrences.</li> <li>• Indexation safeguards us against inflation risks</li> <li>• Our Digital Strategy and Cyber Security Strategy undergo annual reviews, reflecting the evolving landscape of cyber security alongside our comprehensive risk management practices.</li> </ul>

**Key References:**

1. Risk template - PREMO Risk work stream – A4486067
2. Pricing Submission 2024 - Project Planning and Reporting - Work Plan - Risk Strategy Work Stream – A4474794
3. Pricing Submission 2024 - Work Stream - PREMO RISK - Information Paper – A4552202
4. Procedure - SSP - Risk Management Procedure - Approved 30 September 2022 – A3927850
5. Policy - SSP - Risk Management Policy - Approved April 2022 – A3395664
6. Risk and Resilience Document Hierarchy – A4476123

# 5. Engagement

## AT A GLANCE:

- We have delivered our most extensive, inclusive, and adaptable customer engagement program to inform our Price Submission 2024.
- Engagement was tailored to cater to our diverse customer base, taking care to consider customer vulnerability in a remote and rural context with challenges including access, connectivity, economic, environmental, and the COVID-19 pandemic.
- Severe flooding heavily impacted the region in October 2022. In recognition of the consequences for the community, the engagement program was paused for three months.
- We invested in a new online engagement platform for this price submission and branded it YourSay@GMW, with a suite of best practice online engagement tools not offered previously.
- More than 4100 people visited our service planning and price submission website pages.
- Seven online pricing simulators were developed, one for each major customer group, enabling customers to calculate how the proposed prices would impact their individual bill.
- Across the two-year engagement program, more than 1400 pieces of feedback were received.
- PREMO self-assessed rating for risk = Standard (2.6/4).

## Our customers

GMW's customers range from large-scale gravity irrigators to part-time hobby and lifestyle landowners who access domestic and stock water or groundwater. Other customers include diverters, people who pump from waterways or groundwater, and urban water authorities and environmental water holders who have bulk entitlements. We also work closely with the region's Traditional Owner groups in a range of ways, including management options for significant sites such as Greens Lake and Ghow Swamp. Our customer base is located across northern Victoria – stretching from Corryong in the east down river to Nyah in the west, and bordered by the Great Dividing Range in the south and the Murray River in the north.

There is no one-size-fits-all approach to engaging with customers – some customers are extremely water-savvy and fully understand the price submission process, and others just want to know their supply is secure, that prices remain affordable, and bills are easy to understand. Traditional Owners are also integral to our engagement process, as they have an intrinsic connection to water and land and are increasingly involved in managing natural resources.

Recognising this, we took a diverse approach to engagement over a two-year period.

## Engagement principles and approach

We engaged with customers and stakeholders through an extensive and staged approach, seeking to understand what mattered most to them, how they saw the region and future.

Embracing the new PREMO regulatory model, we ensured engagement started early, deeply and with broad content, allowing customers and stakeholders to direct the areas of key importance in this price submission.

We wanted to first listen, using our diverse services as a way of meeting customers and stakeholders on the topics of interest to them. Tailoring engagement approaches and communication was particularly important when talking to distressed customers in the wake of the region's devastating floods.

We sought to explore feedback in more depth before an extensive roadshow and online campaign to engage with even more people and check-in with those who had already contributed.

Through every stage there were a variety of ways customers could be involved, with options that made it easy to take part. We went to where customers would be, setting up drop-in sessions at saleyards, farmers' markets, outside coffee shops and bakeries, and at rural events and shows.

This approach was informed by GMW's Engagement Principles that derive from the IAP2 Core Values. Using the IAP2 spectrum for Public Participation, engagement opportunities ranged from 'inform' to 'collaborate' and were mostly in-line with the 'consult' and 'involve' levels on the spectrum. We chose this approach in acknowledgement of our diverse customer base, and well-established network of Water Services Committees who have the knowledge, experience and community connections to provide invaluable advice.

Throughout the process, we focused on the 'golden thread', seeking to make clear a line of sight from what was learnt about the consequences of activities, to understand the assumptions that were being made and how customers experienced them. Customer feedback has been incorporated into our price submission commitments, scorecard measures, targets, and service standards, as well as how these will be monitored, and outcomes reported.

The engagement strategy was discussed with, and supported by our 11 Water Services Committees, and with our internal Price Submission Steering Committee. The engagement approach was monitored by the Board and considered at various points, including at the Board Pricing and Funding Workshop in February 2023.

GMW's Engagement Principles:



**Fit for purpose**

We recognise the differing needs and interests of our customers, community and stakeholders and will tailor our activities by adopting a targeted and flexible approach.



**Continual improvement**

We will monitor the effectiveness of our activities and use information gathered to review and continuously improve our efforts to create public value.



**Genuine and transparent**

We will be open and honest about the scope and purpose of our engagement, communications and partnership activities.



**Inclusive and accessible**

We will be approachable and provide an environment which encourages diverse opinions and perspectives and enables them to be heard.

## How customer input was sought

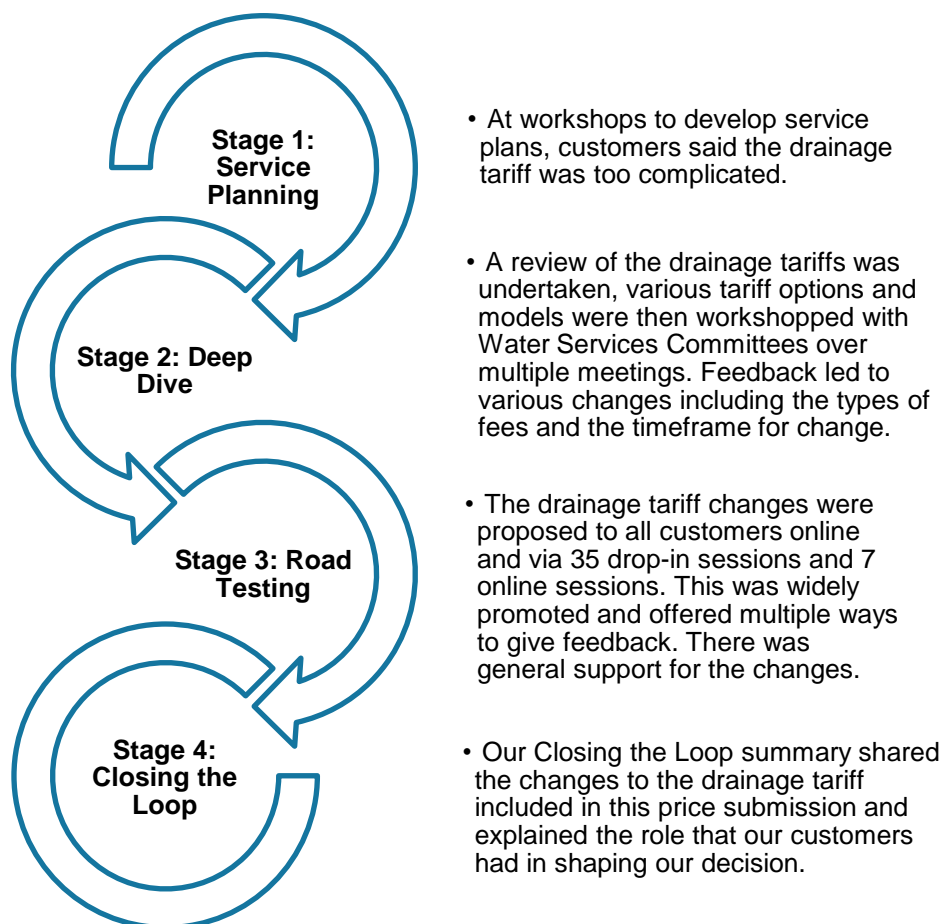
An extensive engagement program was developed which aimed to provide all customers with multiple opportunities and ways to engage.

A four-stage engagement approach rolled out over two years. This approach first sought to understand the future needs of customers and communities, and then refined the ideas and workshopped the challenges to deliver on outcomes that mattered.

The four stages of engagement were:

- **Stage 1: Service Planning**  
September 2021-October 2022  
Extensive engagement to inform the development of service plans.
- **Stage 2: Deep Dive**  
February-April 2023  
Exploring in depth the issues and opportunities identified in Stage 1.
- **Stage 3: Road Testing**  
June-July 2023  
Extensive customer consultation to share what we had heard so far, what we had done and road test proposals.
- **Stage 4: Closing the Loop**  
August-September 2023  
The Closing the Loop stage played back to customers what we had heard and how customers had influenced our price submission.

Figure 1: Engagement stages in action – the drainage tariff example



## Stage 1 – Service Planning

In September 2021, we set out to develop service plans for each of our prescribed services. The aim was to understand customer priorities, and to develop a suite of plans to guide GMW services into the future. Each plan identified service goals, which informed business priorities, and identified core focus areas for each service. Engagement took place via surveys, online focus groups, and in-person workshops.

Customer feedback informed service plans for each of our prescribed services:

- Gravity Irrigation
- Pumped Irrigation
- Drainage
- Water Supply Districts
- Diversions
- Bulk Water

The service planning engagement process was extensive, and consisted of the following activities:

- fact finding with internal stakeholders and Water Services Committees
- defining negotiables and non-negotiables
- public launch on GMW’s website
- surveys and workshops with customers
- playback with summaries shared with customers and published online.

These service plans underpin the GMW Service Strategy and establish an end-to-end plan for the individual services provided. Customer input at this stage shaped the areas of focus for the rest of the price submission engagement.

This stage included 10 customer workshops, 2100 individual visitors to our service planning website pages, 440 survey responses, and 64 conversations with Water Services Committees.



## Stage 2 – Deep Dive

Stage 2, the Deep Dive was an opportunity to take what customers said in Stage 1 and explore these ideas in depth. This stage examined the ideas raised throughout Stage 1 that were outside of the service planning scope or required additional time and detail. Stage 2 also sought customer feedback on our proposed outcomes and service standards – engagement that remained open through to the end of July 2023.

In Stage 1, customers said the drainage tariff was complex and hard to understand, that there was an opportunity to review the operation of customer service points, they had ideas for potential future capital projects and thoughts on how we bill customers. This feedback formed the basis for further work and deep dive engagement activities.

From February to June 2023, we explored these topics with customers, starting with surveys on billing, service outcomes and service standards, capital expenditure and maintenance, and customer service point deactivation. The opportunity for customers to contribute was heavily promoted via direct emails, letters, social media and media. The February episode of our Talking Water podcast was also dedicated to the price submission, highlighting the importance of customer involvement.

During this stage, our 11 Water Services Committees continued to play a key role, providing advice on issues facing customers and their service expectations, as well as disseminating information to customers.

The Water Services Committees were also integral to developing the approach to proposed drainage tariff changes. Multiple detailed workshops were held with Water Services Committee members to explore the options to simplify the tariff structure and the potential impacts. Their feedback played a key role as various options were tested before refining the proposal to present to the broader customer base.

Staff also engaged one-on-one with customers and stakeholders wherever possible, at pre-arranged meetings or casual opportunities. This enabled more specific conversations, including seeking feedback from bulk water customers on the proposal to move from basin to system pricing.

This stage also saw a review of Customer Satisfaction Survey results, a statistically significant survey of 1207 customers conducted in September/October 2022. The results included feedback on pricing, service delivery and corporate image, and the findings were presented to the Board, staff and Water Services Committees to support the development of the price submission proposals for Stage 3.

As Stage 2 drew to a close in early June 2023, there had been extensive Water Services Committee involvement, as well as 1,600 visits to our YourSay@GMW platform from 858 individuals, with 117 people making 583 contributions to consultation topics.

## Stage 3 – Road Testing

In Stage 3, proposals were presented, including the anticipated pricing for typical customer bills. The proposals put forward in Stage 3 were informed by research and customer input throughout Stages 1 and 2.

Across six weeks (from mid-June to the end of July 2023), an intensive communication and engagement program was delivered, running a roadshow across the region with 35 drop-in sessions and workshops, as well as seven online sessions. The YourSay@GMW online platform was also a key component of this stage, allowing customers to access information and contribute feedback at any time that suited them. Customers were also encouraged to reach out with their feedback via phone, email, and were offered the opportunity to have one-on-one appointments with Customer Relationship Coordinators.

There were extensive communications to support the road testing stage including a print and geo-targeted online advertising campaign, media coverage and direct customer communications.

The roadshow visited Numurkah, Cobram, Nathalia, Tallygaroopna, Shepparton, Dookie, Tungamah, Strathmerton, Katandra, Kyabram, Rochester, Lockington, Tongala, Tatura, Euroa, Wangaratta, Seymour, Creswick, Serpentine, Wodonga, Mansfield, Girgarre, Kerang, Pyramid Hill, Swan Hill, Boort and Bendigo.

Proposals covered all customer groups and a wide range of topics including:

- overall pricing
- gravity irrigation pricing
- diversions pricing
- surface and subsurface drainage tariff reform
- water supply districts
- pumped irrigation
- hardship and vulnerable customers
- drainage tariff simplification
- customer serviced point deactivation.

Engagement was supported with a suite of consultation papers, including 14 briefing papers, one investigation paper and four factsheets (Appendix 6), all available in hard copy and online via the YourSay@GMW platform, along with interactive pricing simulators.

Customers were also encouraged to make an appointment with one of our Customer Relationship Coordinators to be taken through the topics that interested them, at their convenience. We also met with a small group of customers in the Upper Ovens district to discuss the relevance of fees to their specific circumstances. As part of their everyday work, customer-facing staff also had conversations with customers about the price submission proposals.

Online pricing simulators were developed to enable customers to determine what proposed changes would mean to their costs. Seven were developed in total, one for each key area.

Engagement was also guided by input from Water Services Committees who had the intimate knowledge to advise on how, when and where to best engage with each target group.

By the end of July 2023, our YourSay@GMW platform had received 3400 visits from 1900 individual visitors. During the roadshow stage, cumulative contributions to the YourSay@GMW platform reached nearly 800, and close to 100 customers attended online and in-person drop-in sessions.

## Stage 4 – Closing the Loop

In early September 2023, a Closing the Loop summary was released. The *Delivering for our Region – Closing the Loop* document was made available for all customers, widely promoted via direct email, SMS, our website, social media and with a media release.

The Closing the Loop document played back to customers what we had heard, articulated what was done as a result and promoted the next steps.

Our YourSay@GMW platform remained open for any further input throughout this stage, and customers were encouraged to make any further comments via the website, phone, offices, or through our Customer Relationship Coordinators.

Closing out the extensive and iterative consultation process that had run since September 2021, there was no feedback received in response to Stage 4.

## Engagement methods

As diverse demographically as geographically, the engagement methods used to develop this price submission were tailored to ensure access for everyone.

We bolstered our online engagement platform for price submission engagement through the purchase of the Social Pinpoint program and branded it YourSay@GMW. It was launched in January 2023, providing a suite of best-practice online engagement tools that had not been offered previously. Customers had access to information at any time that suited them. They could provide input on as many of the proposed topics as they were interested in. Each topic had its own web page and included the proposed outcomes which came from earlier customer engagement. Customers could access all information or filter topics relevant to their customer group.

Recognising the connectivity and computer literacy challenges for some customers, we ensured the engagement program included extensive in person opportunities for customers to have their say. This included workshops and drop-in sessions across the region, as well as outreach from our Customer Relationships Coordinators and advocacy from Water Service Committee members.

All communication considered language, assumed knowledge, format accessibility, and customer circumstance and emotional state. This consideration was particularly important during and after the October 2022 flood event.

The opportunities to contribute on all platforms were promoted across traditional media, social media, customer newsletters, at Customer Service Centres and within the *Key Elements* summary document (released on 15 June 2023) and the *Delivering for our region and our Future – Closing the Loop* document (released 6 September 2023).

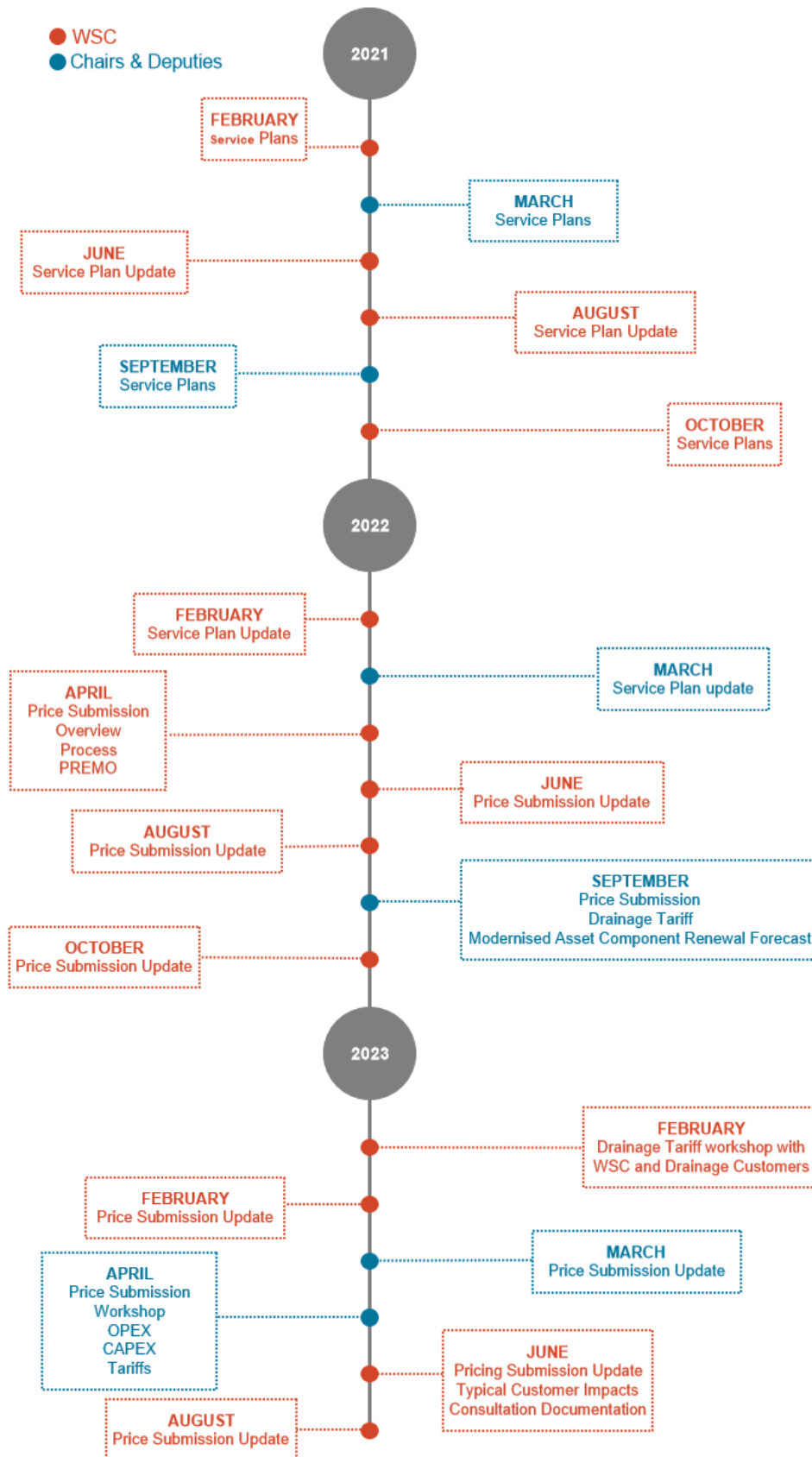
Information was shared with 13 local councils across our region, the Committee for Greater Shepparton, Regional Development Victoria and the Victorian Farmers' Federation, with a request to promote the opportunity to contribute throughout their communication channels.

As part of the plan to go to the people, drop-in sessions and workshops were held at farmers' markets, the Bendigo Sheep and Wool Show, outside rural supply stores, hardware stores, bakeries, cafes, football clubs, parks, and at saleyards on high traffic days.

The depth of engagement stretched along the IAP2 Engagement Spectrum from ‘inform’ to ‘collaborate’, depending on the topic or critical decision to be made (see Appendix 7).

Integral to the entire engagement process was the role of our Water Services Committees. They provided guidance and feedback on our engagement plans, ideas, options, and assisted to refine proposals.

Figure 2: Timeline of Water Service Committee price submission engagement



## Ensuring diversity and inclusion

We took an inclusive approach to all engagement activities, acknowledging the many barriers customers, stakeholders and community members can face.

Traditional Owner groups were individually contacted to invite them to share how they would like to be engaged and contribute. Our managing director wrote and phoned the CEOs of the Registered Aboriginal Parties to discuss the price submission and invite their input.

In all invitations and promotional materials, our desire to hear from customers, stakeholders and community members was emphasised, and that no prior knowledge of the water industry was required. Selection of venues and facilities considered accessibility and family friendliness (noting some of the engagement activities were delivered in school holidays). Our engagement plan also underwent an internal gender equity audit.

A dedicated web page was created to seek feedback from customers experiencing hardship. This was complemented by phone calls to a number of customers on payment plans, who were interviewed about the quality and effectiveness of GMW's hardship support.

We also redeveloped our website to lift accessibility toward the Victorian Government's minimum AA standard.

## What we heard from customers

The table below outlines each topic engaged on for this price submission, the feedback from our customers and the opportunities identified as part of the process. We also shared proposed fees and charges for Regulatory Period 6 with a full rundown of what a typical customer bill would look like for each service under these proposals (See Appendix 1).

Traditional Owners were invited to engage with our price submission in any way that felt relevant to them. This invitation was extended personally from our managing director, and through other forms of broader engagement promotion. We heard that ongoing partnership development was the most important outcome for Traditional Owner groups, and we have committed to continuing engagement and partnership development over the next four years. This will include exploring a formal partnership agreement at the request of Dja Dja Wurrung, as well as ongoing projects and collaborations with other Traditional Owner organisations and groups.

Table 10: Customer feedback and influence

### OUTCOMES

#### WHAT WAS PROPOSED:

A set of outcomes that represented the value our customers will receive during the next price submission period.

These outcomes are our commitment to our customers:

- Reliable supply
- Credible business
- Fair pricing
- Efficient operations
- Responsive services
- Socially responsible

#### WHAT WE HEARD FROM CUSTOMERS:

- two-thirds of customers supported the outcomes
- fees need to be reduced where possible
- customers were pleased to see a focus on social responsibility, but not to the detriment of farmers/customers
- desire to see GMW advocating for policy in favour of customers (e.g., Murray Darling Basin Plan and impacts).

#### HOW FEEDBACK SHAPED OUR SUBMISSION:

We will continue with the proposed six outcomes. Our customers have verified the lasting nature of our outcomes. To ensure transparency, our reporting scorecard will be publicly released on an annual basis. This will allow customers to track our progress on delivering these commitments.

### GRAVITY IRRIGATION PRICING

#### **WHAT WAS PROPOSED:**

While there is an increase in expenditure associated with maintaining our modernised water delivery system and increases in insurance and IT costs, costs have been reduced in other areas to pass savings onto customers. This has meant that on average, gravity irrigation customers can expect a reduction on their typical bills, excluding CPI, over Regulatory Period 6.

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#### **WHAT WE HEARD FROM CUSTOMERS:**

Gravity irrigation customers told us they value price stability, price reduction and carefully managed costs. We heard channel maintenance, asset management and water availability are all important issues for these customers. Those who attended drop-in sessions and workshops were generally supportive of the approach to reduce customer bills and continue established service standards.

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#### **HOW FEEDBACK SHAPED OUR SUBMISSION:**

We will continue with the proposal to reduce costs and pass on a reduction in typical bills for gravity irrigation customers.

### **GOULBURN MURRAY IRRIGATION DISTRICT (GMID) DRAINAGE PRICING**

#### **WHAT WAS PROPOSED:**

To simplify surface and subsurface drainage tariffs in the GMID, the following was proposed:

- Reducing the number of drainage pricing entities, amalgamating surface drainage into East, West, Central and Tyntynder, and subsurface drainage into East and Central.
  - Phasing out the Water Use Fee for surface and subsurface drainage.
  - Changes to tariffs for diversion from surface drains.
- 

#### **WHAT WE HEARD FROM CUSTOMERS:**

- drainage tariffs were overly complicated and too hard to understand
  - generally supportive of the proposal to reduce the number of drainage pricing entities
  - some queries about whether amalgamating some of the areas would have too much of a price impact, particularly in Torrumbarry
  - generally supportive of the proposals to phase out the Water Use Fee for surface and subsurface drainage and generally supportive of changes to the surface drainage tariffs for drain diversion.
- 

#### **HOW FEEDBACK SHAPED OUR SUBMISSION:**

In response to feedback during Stage 1 about the complexity of drainage tariffs, a review of the GMID drainage tariffs was undertaken. Water Services Committees were integral in shaping the proposed change to the fee structure, testing and advising on various options. We initially considered a more far-reaching change to the drainage tariff, but after working with Water Services Committees this was scaled back to be a significant, but more digestible change for customers. It was agreed service levels would be reviewed with our customers in Regulatory Period 7.

### **PUMPED IRRIGATION PRICING**

#### **WHAT WAS PROPOSED:**

Customers were asked about the infrastructure needed to meet future service needs and about their priorities. We highlighted the risks associated with the ageing infrastructure at Nyah and Tresco and proposed GMW would take on more risk during this regulatory period while developing options to address the longer-term future of these sites. Woorinen's modernised irrigation meters are reaching end of life and their replacement has started and will continue over regulatory periods 6 and 7.

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#### **WHAT WE HEARD FROM CUSTOMERS:**

In Stage 1 we discussed with customers the potential for high future costs to maintain infrastructure supporting these services. Customers expressed concern about prices.

In Stage 3, customers who attended drop-in sessions and workshops were supportive of the proposed approach. There was a shared understanding that the ageing infrastructure requires a well-informed plan.

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#### **HOW FEEDBACK SHAPED OUR SUBMISSION:**

We responded to customer concerns about potential for significant future costs within these districts to update infrastructure. We will partner with customers, community, and stakeholders to develop a future service

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strategy that will explore Nyah and Tresco's future service offering, key infrastructure needs and associated tariffs, in line with customers future needs.

GMW has taken on added risk in Regulatory Period 6, to allow time to undertake this planning, and any outcomes will be proposed as part of the next draft price submission. Woorinen Service Point fees will increase to fund meter replacement.

## WATER SUPPLY DISTRICTS PRICING

### WHAT WAS PROPOSED:

There are two distinct services provided between the six districts – a 365-day pipelined service for East Loddon, Mitiamo, Normanville, and Tungamah and a gravity dam-filling service for East Loddon (north) and West Loddon. East Loddon (north) and West Loddon are the latter two are gravity water supply districts, which use inefficient channels to supply a very small customer base.

Water infrastructure projects were identified to ensure the ongoing operation of these services into the future and asked for feedback on our proposed fees and charges for Regulatory Period 6.

### WHAT WE HEARD FROM CUSTOMERS:

In Stage 1 we discussed with customers the potential for high future costs to maintain these services. Customers expressed concern about prices.

In Stage 3, customers involved in drop-in sessions and workshops were generally supportive of our approach of delivering a future service strategy and tariff review in time for Regulatory Period 7.

### HOW FEEDBACK SHAPED OUR SUBMISSION:

We responded to early customer concerns about the potential high cost of future works by committing to work with customers to deliver a future service strategy and tariff review, for the water supply districts that will assess different options for future improvement of infrastructure, trade and carryover, and aggregate pricing.

GMW has taken on added risk in Regulatory Period 6, to allow time to undertake an initial review over the next four years, with any outcomes to be proposed as part of the next draft price submission.

## DIVERSIONS PRICING

### WHAT WAS PROPOSED:

Regulated surface water customers will see a drop of between 4-16 per cent over Regulatory Period 6. The metered Service Point Fee will increase over the four years (to recover higher labour costs and meter parts), which will result in small increases to overall bills towards the end of the period, however, typical customer bills will remain below the average bill set at the start of the regulatory period excluding CPI.

Unregulated surface water medium to extra-large bills will see a small increase of 1-3 per cent each year over Regulatory Period 6 due to the metered Service Point Fee and Customer Fee increasing. Small unregulated customers will see a drop of about 2 per cent each year over the four years.

Shepparton groundwater customers with medium to extra-large bills will see a decrease on their average annual bill of 1-2 per cent over Regulatory Period 6, which will be partially offset by increases to the Customer Fee.

Groundwater customers with medium to extra-large bills will remain relatively stable over Regulatory Period 6. There will be some increases to the metered Service Point Fee and Customer Fee, however these will be offset by decreases in the Access Fee.

### WHAT WE HEARD FROM CUSTOMERS:

There was general support from the diversions customer group who attended workshops and drop-in sessions. During Stage 1, diversions customers expressed the priorities were for reduced prices and understanding value for money.

Throughout the engagement program, some unregulated diversions customers questioned the relevance of fees for their circumstances and requested to be recognised as a specific customer group.

### HOW FEEDBACK SHAPED OUR SUBMISSION:

An independent review of cost assumptions for the Customer Fee and Service Point Fee was commissioned. This review found the pricing method for Service Point fees was fit-for-purpose and did not support the subdivision into smaller customer groups. Feedback was provided to the customers who had raised this and explained the decision not to change these fees.

Work will be done to improve how diversions fees and charges are explained, to ensure a shared understanding of value-for-money. We will also continue to seek efficiencies, with a review of how water usage is determined for diversions customers.



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We will continue with its proposal for diversions customer pricing.

## BILLING

### WHAT WAS PROPOSED:

The following changes to customer billing were proposed:

- move from two variable invoices to one
- move the fixed charges accounts due date from December to November
- remove the early payment discount of 2 per cent.

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### WHAT WE HEARD FROM CUSTOMERS:

Most customers did not support moving the due date for fixed charge accounts. There was diverse feedback about the number and timing of variable accounts.

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### HOW FEEDBACK SHAPED OUR SUBMISSION:

In line with customer feedback, the proposed change to the due date of the fixed charges account will not go ahead.

We will continue with the proposals to move to one variable invoice and remove the 2 per cent early payment discount.

## HARDSHIP AND VULNERABLE CUSTOMERS

### WHAT WAS PROPOSED:

Customers who have accessed hardship/payment support were asked about their experience with the service.

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### WHAT WE HEARD FROM CUSTOMERS:

- 75 per cent of customers who responded to surveys and phone interviews had used the eight instalment option
- 25 per cent had used a payment extension
- 75 per cent said GMW's payment assistance/support was helpful when they needed it
- positive feedback on seeking payment plan solution
- flexibility currently works well.

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### HOW FEEDBACK SHAPED OUR SUBMISSION:

We have committed to maintaining a flexible, empathetic, and pro-active approach to supporting customers experiencing financial hardship.

## CUSTOMER SERVICE POINT DEACTIVATION

### WHAT WAS PROPOSED:

Exploring the opportunity for customers to temporarily deactivate their customer service point – that is, to pause their ability to have water delivered through the customer service points. We proposed exploring the feasibility of deactivating these assets to minimise costs associated with maintenance and component replacement for periods when the service point is not being actively used.

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### WHAT WE HEARD FROM CUSTOMERS:

A small group of customers raised this suggestion during Stage 1 and this was explored further with the broader customer group during Stage 2. Feedback showed 73 per cent of responding customers would be likely to deactivate one or more of their customer service points if they didn't plan to use it across multiple years.

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### HOW FEEDBACK SHAPED OUR SUBMISSION:

We acted on initial customer input by exploring this idea more broadly with the wider customer base during Stage 2. With customer support confirmed, we have committed to investigate how this can be implemented and is undertaking an impact assessment.

## BULK WATER ENTITLEMENTS

### WHAT WAS PROPOSED:

To move bulk water customers from basin to system pricing in 2025/26, which will provide equity between the service provided and the cost to deliver that service and will also be in line with our GMW retail customers

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(including how the pricing is determined). The move to system pricing requires the need to change bulk entitlement and environmental entitlement orders to accommodate system pricing.

We are also proposing a new water quality service standard, which will be reported on an annual basis from 2025:

**Proposed standard:** *Advise urban water suppliers of incidents and operations that could affect raw water quality at a town offtake within 1 day of GMW becoming aware of the risk (95 per cent of the time).*

Other proposals include the:

- operating and capital budgets
- impact of the draft environmental water pricing policies.

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## WHAT WE HEARD FROM CUSTOMERS:

Bulk water customers:

- told us the existing service standards worked well.
- welcomed the introduction of a standard addressing water quality, however expressed concern that the planned one business day notification may not meet expectations for emergency incidents. The discussion noted that internal processes should be adjusted for dealing with water quality incidents that posed an immediate and urgent risk to water quality.
- acknowledged the operating and capital budgets proposed for Regulatory Period 6.
- recognised the potential changes proposed under the draft environmental water pricing policies.
- agreed to the planned move to system pricing, which for most offered the prospect of cheaper charges.
- requested further detail on the proposed changes to bulk and environmental entitlements to determine what the changes meant for their organisations.

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## HOW FEEDBACK SHAPED OUR SUBMISSION:

The differences between charges for Bulk Water and Entitlement Storage fees were explained, noting the effect of the two per cent environmental contribution on the Entitlement Storage Fee. Most bulk water customers hold water shares in addition to bulk water entitlements.

The difference in pricing between very high-reliability entitlements, high-reliability entitlements and water right equivalents was also explained.

From September 2023 to March 2024, we will continue to work closely with the bulk water customers to prepare applications to amend bulk entitlements and environmental entitlements to enable the move to system pricing. We will enrol the Department of Energy, Environment and Climate Action (DEECA) to help with the process, which is planned to occur during 2023/24 for finalisation during 2024/25.

We are progressing with confidence the change to system pricing following bulk water customer feedback, which has included formal letters of support. From April to September 2024, we will seek Ministerial approval for these amendments, with system pricing expected to commence from 1 July 2025.

We have committed to regular and ongoing engagement with bulk water customers to ensure that our incident response plans continually meet or exceed expectations. With customer input, we will review internal protocols for management and communication to guarantee the correct staff are involved in a timeframe appropriate for the incident.

## SERVICE STANDARDS

### GENERAL

#### WHAT WAS PROPOSED:

We sought to understand whether customers were satisfied with our current general service standards, including:

- Licensing and administration
- Customer service
- Groundwater supply.

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#### WHAT WE HEARD FROM CUSTOMERS:

##### Licensing and administration

- most were happy with the proposed service standards
- some would like to see reduced processing times but confirmed current timeframes were considered reasonable
- banks were identified as slowing the process.

##### Customer service

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- most were happy with the proposed service standards
- complaints handling could be improved
- calls answered within 60 seconds is not necessarily the priority, first point of call resolution should be prioritised and is more meaningful.

#### Groundwater supply

- they are happy with the addition of the service standard but suggested the 70 day timeframe was too long and work should be done to reduce this.

#### HOW FEEDBACK SHAPED OUR SUBMISSION:

We will maintain the licensing and administration service standards and continue to seek efficiencies in processing times.

For customer service, we will continue with the proposed changes to service standards and maintain the other existing service levels. We will review our systems to improve satisfaction with complaint handling and first point of call resolution. This will include exploring a Customer Relationship Management system to improve our data, analysis capability and ability to implement targeted and meaningful strategies.

For groundwater applications, we have improved reporting visibility that will enable us to better track and identify ways to improve processing times.

Overall, we aim to maintain a balance between cost and appropriate service levels in our general service standards.

### SERVICE STANDARDS

#### GRAVITY IRRIGATION

#### WHAT WAS PROPOSED:

- Revised wording of our standards to read: *Irrigation orders are commenced within 24 hours of requested start.*
- No change to flow rate target of 80 per cent.
- Proposed new standard that *GMW will maintain the channel level within 40mm of the required supply level.*

#### WHAT WE HEARD FROM CUSTOMERS:

- the vast majority of customers are happy with the proposed service standards.
- many agree that the new service standard is very important if it can be achieved as any channel level fluctuation affects effectiveness of irrigation
- they would like to have better access to planners and/or the ability to go online to manage their orders
- while target flow rates are acceptable, they would like more transparency around if these are being achieved.

#### HOW FEEDBACK SHAPED OUR SUBMISSION:

We will update the irrigation order service standard to *Irrigation orders are commenced within 24 hours of the requested start.* This better reflects service, as time measured is more precise.

We will maintain the flow rate standard and proceed with the new service standard for supply level, as customers indicated the importance of this metric to successful irrigation. It is important to note that this change will not have any effect on service levels. Instead, it provides a more accurate description of the order schedule start time target, as "delivered" can now be defined as an order in its completed state. To ensure transparency, our reporting scorecard will be publicly released on an annual basis. This will allow customers to track our progress on delivering these commitments.

We will also continue to provide online ordering access to customers, while maintaining continuous 24/7 contact to our planners. This ensures that customers can always communicate with someone regarding their irrigation requirements.

### SERVICE STANDARDS

#### DRAINAGE

#### WHAT WAS PROPOSED:

Service standard of drains are maintained to a level that they are available to remove run-off to remain at target of 98 per cent.

#### WHAT WE HEARD FROM CUSTOMERS:

- there was mixed support for the service standard (mostly because customers don't believe they are getting the level of service promised)

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- more maintenance of drains was a significant theme across the board
  - most see drainage as an important service to be provided and maintained into the future.
- 

#### **HOW FEEDBACK SHAPED OUR SUBMISSION:**

We will maintain this service standard and explore smarter ways of managing drains. Due to a number of factors including resourcing, design and extreme wet conditions, drainage has been managed at a less than optimal level. We have committed to spraying each drain and its access track once per year, undertaking necessary clearing of blockages and other reactive maintenance. We will monitor the condition and performance of the drains over the coming regulatory period, and will review alternatives, as well as service levels, as part of the development of the next price submission.

### **SERVICE STANDARDS**

#### **PUMPED IRRIGATION**

#### **WHAT WAS PROPOSED:**

- New wording of the service standard *Irrigation orders are commenced within 24 hours of requested start.*
  - The service standard of customers informed by SMS when there is supply interruption and when it is restored to remain at 100 per cent.
  - Update to wording of supply interruptions service standard to change it to a numerical value (five outages) rather than a percentage (80 per cent)
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#### **WHAT WE HEARD FROM OUR CUSTOMERS:**

- flow rate concerns are prominent due to issues with silt and customers would like this addressed
  - outage notification timeframes should be reduced where possible and should be more specific.
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#### **HOW FEEDBACK SHAPED OUR SUBMISSION:**

We will continue with the proposed service standard. While pumped irrigation customers supported the proposed wording changes to the service standards, which ensures consistency in the wording across our service standards, it is acknowledged the nature of the service provided to pumped irrigation customers is different. We will continue to work with our customers over the coming regulatory period to ensure our ongoing metrics are reflective of the services required.

We will also look to improve our messaging on outages to provide more accurate outage details, including more specific outage locations to assist our customers in identifying whether they are impacted.

In addition, we have started trialing technology that will measure pressure in pipes, with the potential to help identify flow rate issues, enabling a quick response, reducing the impact on customers.

### **SERVICE STANDARDS**

#### **WATER SUPPLY DISTRICTS**

#### **WHAT WAS PROPOSED:**

Update supply interruption service standard to be a target of zero interruptions in excess of 96 hours, rather than a percentage target measure.

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#### **WHAT WE HEARD FROM CUSTOMERS:**

There was mixed support from customers on the service standard.

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#### **HOW FEEDBACK SHAPED OUR SUBMISSION:**

We will continue with the proposed service standard as the change to a numerical value will help with more accurate reporting and allow us to better monitor the number of interruptions.

Customers in water supply districts are required to maintain four days' worth of on farm storage in case of a supply interruption, which supports our ongoing service standard. However, enhancing the transparency regarding the frequency of supply interruptions throughout the year will enable us to enact corrective measures and reduce the number of occurrences more effectively.

### **SERVICE STANDARDS**

#### **DIVERSIONS**

#### **WHAT WAS PROPOSED:**

- Remove the service standard that customers have access to water monitoring data within two weeks of data being submitted by monitoring contractor (customers can access this through DEECA's Water Measurement Information System).
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- Retain seasonal allocation service standard with no change.
- Retain unregulated stream flow service standard with no change.
- Update wording of notification of amending rosters and restrictions to be within 24 hours GMW will initiate notification.

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#### WHAT WE HEARD FROM CUSTOMERS:

Most customers supported the proposed standards, with some questions raised around pricing and customer groupings.

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#### HOW FEEDBACK SHAPED OUR SUBMISSION:

We will proceed with the proposed service standards. Our customers have validated that the current service standards are meeting the necessary service levels. Throughout the regulatory period, we will aim to attain the highest performance within these standards.

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## PREMO summary - Engagement

GMW evaluates its performance as **Standard (2.6/4)** for the engagement component of PREMO. The assessment details can be found in Table 10 below.

Table 10: PREMO assessment details - Engagement

ESC GUIDING QUESTION	SCORE	COMMENT
To what extent has GMW justified how the form of engagement suits the content of consultation, the circumstances facing the water business and its customers?	2.75	To ensure that the individual needs of customers are met in the most effective way possible, we developed a carefully planned approach to engagement that considered the complexity of the issues and the differing needs of individual customers. This meant using a wide range of engagement tools and methods, tailored to the specific needs of each customer, and that allowed the provision of targeted and meaningful support. We considered vulnerability from a rural and remote perspective, designing engagement that considered challenges including access, connectivity, economic, environmental, and the COVID-19 pandemic. The engagement program was also adapted to consider the needs of customers during and after the October 2022 flood event.
To what extent has GMW demonstrated that it provided appropriate instruction and information to customers about the purpose, form and content of the customer engagement?	3	We took great care to ensure customers had a high degree of awareness, information and instruction about how to meaningfully participate in engagement. We worked with our Water Services Committees to ensure engagement activities were appropriate, relevant and to review our engagement materials wherever possible. A wide variety of opportunities and methods to engage was offered, and these were promoted extensively. Our Customer Relationship Coordinators, geographically spread across the GMW footprint, were engagement champions delivering one-on-one support wherever needed.
To what extent has GMW demonstrated that the matters it has engaged on are those that have the most influence on the services provided to customers and prices charged?	3	We set out to listen first. From September 2021, our customers were engaged in service planning discussions where they highlighted the issues of importance to them. This important first step gave us clear direction and confidence to investigate and consult further. We developed specific engagement activities to “deep dive” into these topics throughout 2022/23 with specific customer groups, and then presented proposals and prices to our broader customer base for further input before forming our price submission.
To what extent has GMW explained how it decided when to carry out its engagement?	2.75	We have been strategic in the timing of engagement for this price submission taking a long-term approach that allowed multiple opportunities to reflect what we had heard, and refine next steps based on what customers shared. We were responsive to the unique economic, global and social conditions experienced during the submission engagement period, as well as our rural and remote context. For example, user-friendly online engagement opportunities allowed consultation to occur during COVID-19 pandemic restrictions and engagement was paused from October 2022 through to February 2023 during a time our customers focus was on recovering from floods.

<p>To what extent has GMW demonstrated how its engagement with customers has influenced its submission?</p>	<p><b>2.5</b></p>	<p>We took an iterative approach to building this price submission, reflecting to customers what we heard at every stage and explaining how it informed next steps and the next engagement opportunities. For example, we explored the future of each service with customers through Stage 1 and developed service plans. We shared what we'd heard, what had been taken on and what required further development. In Stage 2, we took the ideas and opportunities raised in the service plan engagement, undertook further investigation and engagement to develop proposals with customers. In Stage 3 we took our proposals and prices out and broadly road tested them with all customers, sharing the method and feedback that had shaped each initiative. In Stage 4, we closed the loop by sharing what we had included in our price submission and how our customers had influenced each proposal.</p>
<p>To what extent has GMW demonstrated that its engagement was inclusive of consumers experiencing vulnerability?</p>	<p><b>2.5</b></p>	<p>Our online engagement platform was upgraded to improve equity of access to information and interactive engagement opportunities for this price submission. We also redesigned our website to improve accessibility. Online engagement was complemented by 45 geographically dispersed face-to-face workshops and drop-in sessions, including one-on-one meetings where appropriate. GMW also reached out to customers experiencing financial hardship with a dedicated web page for feedback and phone interviews with a sample of customers on payment plans.</p>
<p>To what extent has GMW demonstrated that its engagement was inclusive of First Nations people?</p>	<p><b>2.0</b></p>	<p>Our Reconciliation Strategy details how we are working with Traditional Owners to learn more about self-determination and how we can support this, and to understand Traditional Owner's economic aspirations relating to water. We recognise Traditional Owners face increased demands for their input on numerous land and water related submissions and strategies and via its Reconciliation in Action group is aiming to track and streamline the engagement process. Throughout the engagement process for this price submission, we worked with three Recognised Aboriginal Parties in the region on a range of issues important to them including protection declaration orders and land use activity agreements. Our managing director phoned and wrote to Traditional Owner leaders to speak one-on-one about our price submission, and the executive team met with Dja Dja Warrung leaders to discuss the Gatjin Strategy and future opportunities.</p>



**Key References:**

1. Price Submission 2024 Engagement Plan – A4419270
2. Engagement summary: Miscellaneous Fees and Charges – A4684429
3. Engagement summary: Diversions Pricing – A4684417
4. Engagement summary: Gravity Irrigation Pricing – A4684423
5. Engagement summary: Billing – A4684421
6. Engagement summary: Capital Expenditure and Maintenance - Irrigation Network – A4684419
7. Engagement summary: Capital Expenditure and Maintenance – Water Storages – A4684415
8. Engagement summary: Customer Service Point Deactivation – A4684425
9. Engagement summary: Pumped Irrigation – A4684433
10. Engagement summary: Hardship and Vulnerable Customers – A4684427
11. Engagement summary: Operating Expenditure – A468443
12. Engagement summary: Service Outcomes – A4684435
13. Engagement summary: Service Standards – Diversions – A4684437
14. Engagement summary: Service Standards – Drainage – A4684439
15. Engagement summary: Service Standards – General – A4684441
16. Engagement summary: Service Standards – Gravity Irrigation – A4684443
17. Engagement summary: Service Standards – Pumped Irrigation – A4684445
18. Engagement summary: Service Standards – Water Supply Districts – A4684447

# 6. Management

## AT A GLANCE:

- The Board, executive and senior management, Water Services Committees and wider customer base all played a significant role in developing our Price Submission 2024.
- The submission has been approved by the Board and endorsed by the Water Services Committees.
- An independent review of the submission was undertaken by external party, Aither.
- All operating expenditure above the 2022/23 baseline was validated by risk-based prioritisation and executive reviews.
- All capital expenditure proposals were subjected to a robust review and prioritisation process.
- Key outcomes and service standards were developed through rigorous and wide-reaching customer engagement.
- Efficiency measures that deliver a reduction in operating costs demonstrates our prudent and efficient management.
- Our PREMO self-assessed rating for management = Standard (2.64).

## Managing our price review

GMW implemented effective project governance, planning and independent assurance to ensure we have developed our best offer and met the expectations of both our customers and the ESC.

To ensure this, we:

- adopted good practice project governance and planning arrangements
- developed a fit-for-purpose monitoring and reporting framework to support Board assurance
- engaged independent external party, Aither, to undertake a multi-stage detailed review of our price submission, the financial template and supporting forecasts
- held a Board Pricing and Funding Workshop to allow the Board to discuss in depth key considerations for our price submission.

The purpose of these arrangements was to ensure value for customers, but also to support the ESC's assessment of the prudence and efficiency of our proposals. We have worked hard to be more transparent, honest and efficient, and strongly believe the implementation of these arrangements has ensured the rigour of our price submission.

## Good practice project governance and planning

At the beginning of 2022, project objectives and overarching principles were developed that we sought to deliver during the development of our price submission and supporting proposals. This included:

- **Customer advocated** – Customers were engaged early, and on issues that mattered to them. We presented our current outcomes to meet these priorities which were refreshed with customers input. These outcomes informed the development of deliverable outputs (e.g., service performance targets) and activities. Customer groups supported the main elements of our price submission.
- **Alignment with a long-term strategy to rationalise assets** – We will redefine the nature of future capital investment to rationalise underutilised assets (e.g., channels, concrete structures) and renew/replace modernised assets (e.g., meters, automated gates). Proposed changes will be supported through ongoing customer engagement and to drive better outcomes for both the business and customers.
- **On time and on budget** – We have met all our internal and external requirements, through good project governance, appropriate management of internal and external resources, and consistency with the budget it allocated at the beginning of the price review.
- **Articulated the “golden threads”** – We have provided a clear narrative through the entire price submission and supporting documents, demonstrating that we are delivering value to our customers, managed regulatory risks effectively, kept our prices low and engaged early and on matters of importance to customers.

- **Risk identified, monitored and mitigated** – All material risks (from a likelihood and consequence perspective) were identified early and allocated to responsible parties to manage, with strategies developed for regular monitoring and control.

We created strong project governance arrangements, through:

- an internal Price Submission Steering Committee, comprising members of our executive team
- a dedicated project manager for the duration of the development of the submission
- independent external regulatory advisors (Aither) to provide strategic advice during the development of our submission
- a detailed project plan which outlined our project structure, project governance, outputs to be delivered and detailed timetable
- a Board Assurance Framework, detailing steps to be taken to achieve Board assurance
- a Board Pricing and Funding Workshop
- a detailed terms of reference and individual work streams (capex, cost allocation, demand, engagement, operating expenditure, outcomes, PREMO Risk Strategy, PREMO Self rating, Revenue & Price Control, and Tariff & Pricing Strategy)
- fortnightly Project Steering Committee meetings and project updates detailing progress for completion of each work stream
- regular updates and papers provided to the Board of progress to achieving assurance for the final price submission. This included a full day session on our price submission governance approach.

These governance arrangements ensured all tasks were completed on time, rigorously and supported the detailed requirements of the ESC Guidance Paper.

## Peer review of our price submission, supporting documents and proposals

To earn the trust of customers, the ESC and stakeholders, it was important that we put forward our best offer. This meant:

- forecasts that only reflect prudent and efficient expenditure
- a price submission that reflects customer values and needs, while addressing the ESC Guidance Paper
- a price submission, financial template and supporting documents that are consistent, accurate and free from error.

While we have implemented our own rigorous internal checks and balances, we also sought to engage an independent external party to perform a two-stage review of our proposals and price submission. To do this, we engaged Aither, for their knowledge of the ESC's regulatory framework and exemplary reputation in the Victorian water sector. The Aither review included:

- An assessment of our forecasts for prudence and efficiency. This included:
  - **For opex** – justification of our baseline, adjustments to the baseline, necessary step changes during the next regulatory period, and adjustments for ongoing price (e.g. labour) and non-price (e.g. efficiency) trends.
  - **For capex** – a review of a sample of our largest projects and programs of work, including assessment of business cases, options analysis, trend analysis, cost estimates, risk analysis and alignment with good practice asset management and capital governance and planning.
  - **For demand** – an assessment of our forecasting methodologies, underlying assumptions and consistency with historical trends.
- An assessment of our final draft price submission and financial template, to support Board assurance. This included:
  - information and documentation provided in the submission and relied upon to support that our Price Submission 2024 is reasonably based, complete and accurate in all material respects
  - financial and demand forecasts are the business' best estimates, and supporting information is available to justify the assumptions and methodologies used
  - the price submission satisfies the requirements of the ESC Guidance Paper in all material respects.

We have accepted and/or responded to all of the findings provided by Aither.

# Price submission development process

Our Price Submission 2024 was developed with input from our Board, executive and senior management, subject matter experts (internal and external), our Water Services Committees, and our wider customer base. This is our 'best offer' to our customers for the achievement of our six outcomes and their associated measures and targets over Regulatory Period 6.

The Board have been actively involved in the governance, review and approval of the price submission.

## Strategy and service plan development

In 2020, new organisational strategies were developed for all areas of the business and service plans for our prescribed services. These became key references that have informed our price submission.

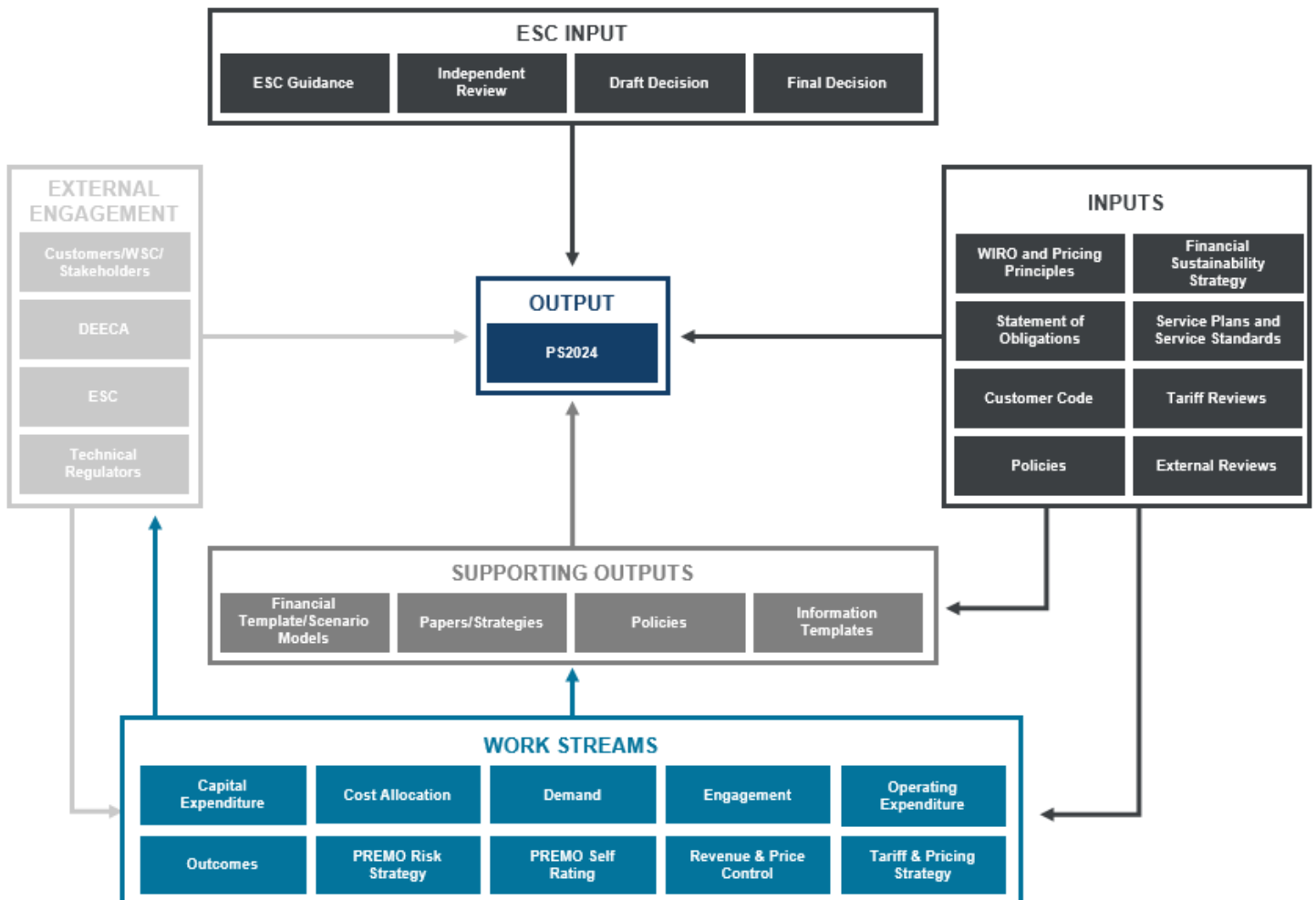
The organisational strategies and service plans followed a standard template to ensure customer, regulatory, strategic and operational risks and key assumptions were identified and addressed.

They were informed by regulatory guidance such as the Statement of Obligations and by extensive customer engagement and incorporated initiatives and actions to deliver agreed outcomes valued by customers. The strategies and service plans were then used to build the operating expenditure forecast for Regulatory Period 6, with executive level review to further validate recommendations.

Figure 3 shows a summary of our price submission development process. This process was iterative, with feedback from customers, executive and senior management, Board, stakeholders, community, regulators and results of key technical reports and business cases incorporated along the way.

Further detail relating to our price submission development process can be provided on request.

Figure 3: GMW Price Submission 2024 development process



# Board assurance

## Briefing program

A comprehensive suite of papers and briefings were provided to the Board and relevant Board Committees during the development of our Price Submission 2024. This process started with the development of our GMW Service Strategy, services plans and price submission governance approach.

Table 11 presents a summary of papers prepared in relation to the price submission for the Board and Board Committees over the past four years.

Table 11: Number of Pricing Submission elements prepared within papers for Board and Board Committees 2020-2023

	2020	2021	2022	2023	TOTAL
<b>GMW Service Strategy and service plans</b>	4	3	5	2	<b>14</b>
<b>Price submission process development and progress updates</b>	0	0	2	5	<b>7</b>
<b>Customer engagement program development</b>	0	1	2	3	<b>6</b>
<b>PREMO framework</b>	0	0	1	3	<b>4</b>
<b>Opex, capex and pricing</b>	0	0	2	5	<b>7</b>
<b>Attestation</b>	0	0	1	4	<b>5</b>
<b>Total papers prepared for Board and Sub Committees</b>	<b>4</b>	<b>4</b>	<b>13</b>	<b>22</b>	<b>43</b>

The extensive governance by the Board gives us confidence this price submission provides value for money to customers, while delivering key outcomes and maintaining service levels. We believe we have struck the balance between keeping prices low and bills affordable for customers while being able to deliver our core business of providing high quality and reliable services.

The Board Pricing and Funding Workshop was held on 22 February 2023, with directors, general managers and key staff present. The purpose of the workshop was to allow the Board to discuss in depth key considerations for our price submission.

## Board Assurance Framework

Consistent with the ESC Guidance Paper, our GMW Board are required to provide assurance over the quality and accuracy of the information included in the price submission, and that the submission complies with the ESC Guidance Paper in all material respects.

To do this, we developed a Board Assurance Framework, which sought to detail our internal control procedures and checks to report accountability and progress to the Board, such that directors have confidence in attesting to the quality, completeness, accuracy and consistency of the price submission and the ESC's financial template.

This framework provided a rigorous governance arrangement to support the Board in providing assurance over the quality and accuracy of the information included in our price submission, and that the price submission complies with the ESC Guidance Paper in all material respects.

# PREMO summary – Management

GMW evaluates its performance as **Standard (2.6/4)** for the management component of PREMO. The assessment details can be found in Table 12 below.

Table 12: PREMO assessment details - Management

ESC GUIDING QUESTION	SCORE	COMMENT
To what extent has GMW demonstrated how its proposed prices reflect only prudent and efficient expenditure?	2.5	<ul style="list-style-type: none"> <li>• Extensive review of our CAPEX program and development of supporting business cases.</li> <li>• Our capital delivery approach and prioritisation of what is included within our revenue requirement.</li> <li>• The level of efficiencies proposed in OPEX.</li> </ul>
To what extent has GMW justified its commitment to cost efficiency or productivity improvements?	2.5	<ul style="list-style-type: none"> <li>• We have identified efficiency measures that deliver a reduction in operating costs to offset anticipated cost escalations.</li> <li>• Compared to our industry peers, we have been able to keep prices low. On average, we have been able to maintain customer bills at a 0.1 per cent decrease before CPI.</li> </ul>
To what extent has GMW justified or provided assurance about the quality of the submission, including the quality of supporting information on forecast costs or projects?	2.5	<ul style="list-style-type: none"> <li>• Our Price Submission 2024 governance framework through our Terms of Reference and dedicated stream working groups and project group.</li> <li>• Our Board Assurance Framework.</li> <li>• Independent review by Aither of each submission element and our Price Submission 2024 as a whole to verify key inputs and assumptions.</li> <li>• The Board has provided its attestation in support of the price submission at its September 2023 meeting.</li> <li>• Our Investment and Project Management Framework and the project/program documentation guide the development of our CAPEX program.</li> <li>• Forecast expenditure is in accordance with the ESC Guidance Paper and uses the ESC template for price modelling.</li> </ul>
To what extent has GMW provided evidence that there is senior level, including Board level, ownership and commitment to its submission and its outcomes?	2.5	<ul style="list-style-type: none"> <li>• Our Board Assurance Framework.</li> <li>• Board made its final attestation and approval of our Price Submission 2024 at its September 2023 meeting.</li> </ul>
To what extent has GMW demonstrated its price submission is an “open book”?	3	<ul style="list-style-type: none"> <li>• Engagement with the ESC throughout the process, including meetings with Board and representatives’ of the executive leadership team.</li> <li>• Relevant supporting documents and reference materials are available on request.</li> <li>• Availability of any additional information required for the ESC to undertake its assessment of our submission.</li> <li>• Publication of a summary of our Price Submission 2024 will be made available on our website.</li> </ul>

## Key References:

1. Pricing Submission 2024 - Project Overview – A4604075
2. Pricing Submission 2024 - Project Plan as of December 2022 – A4409072
3. Pricing Submission 2024 - Terms of Reference – A4458734
4. Board Meeting 349 - 21 September 2022 - Agenda Item 3.2 Board Assurance Framework – A4476296



# 7. Outcomes

## AT A GLANCE:

- Customer outcomes have been refreshed to align with current and emerging concerns and expectations of customers.
- Our Price Submission 2024 will deliver six key outcomes for customers.
- We collaborated with our Water Services Committees and customers to review and develop measures and targets linked to our outcomes that are meaningful.
- We have reviewed our service standards relating to reliability and faults.
- We will deliver service outcomes valued by our customers while maintaining annual tariffs within the ESC's published pricing determination.
- PREMO self-assessed rating for outcomes = Standard (2.6/4).

## Setting our outcomes

The outcomes, output measures, and targets proposed below have been directly influenced and informed by the insights and feedback received from customers through various engagement initiatives.

Our price submission engagement program was designed to actively involve customers, understand their needs, preferences, and pain points, and used this information to shape and confirm our outcomes, and the corresponding targets that we will use to assess performance.

We heard from customers that:

- overall, there is substantial support for our proposed outcomes
- we need to seek to reduce or maintain our prices where possible, particularly in the current environment
- they are happy to see a focus on social responsibility, as long as this is not to the detriment of customers
- we must continue advocating for policy in favour of our customers.

Feedback received through engagement told us that customer expectations still largely align with the existing customer outcomes, reflecting the enduring nature of the outcomes established with customers through Price Submission 2020. However, during the process, we identified an emerging theme that indicated the need for some revisions.

These revisions have allowed us to address the concerns of affordability, the decline in commercial irrigation customers and increased drought and flood conditions, and to ensure we continue to meet expectations more clearly around reliable services, being easy to deal with, improving the environment and contributing to the community.

Following extensive customer engagement, we have refreshed the outcomes that customers will receive over Regulatory Period 6. We have also added a new outcome of Social Responsibility as requested by customers. These revised and new outcomes are outlined in Figure 4.

Our proposed outcomes are discussed further in the following sections, which show how we intend to deliver on the outcomes over the next four years by setting out what we heard from customers, the actions proposed in response, and the performance measures defined for successful delivery.

The measures of success were developed in collaboration with our Water Services Committees and customers at various workshops held throughout 2021 and 2022 to ensure they were meaningful. We have consulted with our customers regarding any amendments, and these will enable enhanced ability to monitor and assess our performance in delivering core services more effectively.

For more information on how we consulted with our customers on the proposals below, refer to Section 5 – Engagement.

Figure 4: GMW's Proposed Outcomes



## Measuring our performance

The customer value that will be derived from our actions is described in our measures of success. We have defined 27 measures of success – between two to seven measures across each of the six outcomes. Our performance scorecard (Appendix 5) shows how we have defined units of measure, assessed our baseline performance and set annual targets for each of the 27 measures of success, to ensure accurate reporting and accountability for performance over Regulatory Period 6.

We understand the importance of transparency and accountability for customers and take our commitment to our outcomes seriously. As part of delivering continuous improvement, we will report performance against the set measures and targets annually. This information will be easily accessible to the public through a performance scorecard published on our GMW website, and demonstrates our commitment to delivering on the outcomes and being accountable to customers and stakeholders.

The annual review process will play a crucial role in our efforts to maintain high-quality services. In case of any underperformance, the review process will enable us to conduct a comprehensive assessment to understand the root causes and challenges. Identifying areas of underperformance will allow a proactive approach, addressing issues before they escalate and impact customer experience.

Our goal is to realign performance and ensure that our service standards are being met or exceeded. This process involves a careful evaluation of our operations, systems, and resources. Based on the assessment's findings, actionable plans will be developed to rectify any shortcomings and improve our performance in those specific areas.

We are committed to maintaining a customer-centric approach in all that we do, and our commitment to upholding our service standards remains unwavering. With regular monitoring, transparent reporting, and a proactive response to underperformance, we are confident in our ability to meet the evolving needs of customers and provide services that contribute positively to the communities we serve.

## Delivering our services

To achieve the intended outcomes and meet service standards, the projected revenue requirement for Regulatory Period 6 is \$474 million after adjustments from last period<sup>1</sup>. This represents a reduction of \$37 million compared to the ESC's approved determination and \$31 million less than the total revenue collected during the current regulatory period. This demonstrates our ongoing commitment to providing value to customers while keeping prices as affordable as possible.

<sup>1</sup> The forecast in Price Submission 2020 was on a reasonable basis assuming DEECA would apply CPI adjustments to the MDBA Contribution. As this has not occurred, GMW made an adjustment in the 2023/24 Annual Price Review. To minimise price shocks and provide price stability to customers, the ESC approved that GMW can pass this over recovery back to the Murray customers across 2023/24 and the four years of Regulatory Period 6. This is reflected in the Price Submission 2024 as an adjustment from the last period in the revenue requirement.

As per our revenue cap price control mechanism, any over or under recoveries of the revenue cap will be passed on to customers during the annual price review. This ensures that prices are adjusted to maintain the efficient and effective achievement of our proposed outcomes and service standards.

We have proposed step change increases in maintenance costs and investment in IT expenditure, which will support the additional maintenance required for our increasing age profile of modernised assets and harden cyber security both internally and externally.

We are also planning to invest \$114.6 million in capital works over Regulatory Period 6 that will support the renewal of aging assets, and includes expenditure for major projects, including dam safety projects. Our proposed capital program is an approximate 5 per cent increase above the projected capital expenditure during the current regulatory period, and will allow us to continue to meet compliance obligations and deliver on the below proposed service levels.

Additionally, we will continue to deliver required service outcomes to customers while keeping annual tariffs in line with the proposed structures within the ESC's approved pricing determination.

For additional information on key operating and capital expenditure items that will help us to deliver our outcomes please refer to Section 9 - Operating expenditure and Section 10 - Capital expenditure.

## Outcome 1: Reliable supply

### What customers said:

- Reliable water supply is critical
- Additional support for unregulated customers
- Water needs to stay within each system to stop price gouging, and where possible GMW should be advocating for this
- Repairs to outlets should be prioritised.

### What this outcome means for customers:

- We will deliver water to meet our customers' requirements.
- We will deliver water in a timely manner.

Table 13: Outcome 1 - summary table

<b>OUTCOME 1 – RELIABLE SUPPLY</b>
<b>We need our water to stay in the region and to deliver flow rates in the right timeframes.</b>
<p><b>Measures of success</b></p> <ul style="list-style-type: none"> <li>• Irrigation orders are commenced within 24 hours of requested start (gravity irrigation).</li> <li>• Flow rate is within 10 per cent of order (gravity irrigation).</li> <li>• We maintain the channel level within 40mm of the required supply level 80 per cent of the time (gravity irrigation) – <b>NEW</b>.</li> <li>• Greater than 70 per cent of customers have overall satisfaction with the services we deliver by the end of the period (via our biennial customer satisfaction survey) – <b>NEW</b>.</li> <li>• Customers will be informed by SMS when there is a supply interruption and again when it is restored, within two hours 100 per cent of the time (pumped irrigation).</li> <li>• Supply interruptions do not exceed eight hours in the summer months and 48 hours in the winter for pumped irrigation.</li> <li>• Supply interruptions do not exceed 96 hours for water supply districts.</li> </ul>
<p><b>Key actions, activities and programs</b></p> <ul style="list-style-type: none"> <li>• continue our asset management program and compliance with the Asset Management Accountability Framework.</li> <li>• continue with linear and structures programs. Refer to Section 10.2 for our capital projects and programs.</li> <li>• continue with our infrastructure renewals program to maintain our increased age profile of modernised assets.</li> <li>• continue with our SCADA development program.</li> <li>• continue to provide and enhance online access to forms/self-service portals.</li> <li>• propose a new service standard on channel level to better manage water deliveries (see gravity irrigation service standards).</li> </ul> <p><i>Refer to Section 10.2 for our capital projects and programs.</i></p>

## Outcome 2: Credible business

### What customers said:

- GMW need to be accountable for and responsive to customer complaints

- there should be better consultation with customers, including on general matters such as fencing
- the feedback received through engagement should lead to tangible and substantial changes
- GMW need to stay accountable to the outcomes and be transparent on performance.

**What this outcome means for customers:**

- We will attract and retain employees, customers and investors.
- We will continue to build trust with customers and the wider community, and seek feedback continuously through our “YourSay@GMW” platform.
- We will partner with customers to continually improve/review our current and future services.
- We will be transparent and provide customer information in an open and timely manner.
- We will be accountable for and responsive to customer complaints.

Table 14: Outcome 2 - summary table

<b>OUTCOME 2 – CREDIBLE BUSINESS</b>
<b>We need GMW to be transparent, honest and trustworthy.</b>
<p><b>Measures of success</b></p> <ul style="list-style-type: none"> <li>• The number of customer complaints is maintained at less than three per 100 customers – <b>NEW</b>.</li> <li>• All customer complaints will receive a response in writing within three business days.</li> <li>• We will report on our performance against our price submission and make this available publicly annually – <b>NEW</b>.</li> <li>• Greater than 60 per cent of customers are satisfied with GMW reputation in the community by the end of the period (via our biennial customer satisfaction survey) – <b>NEW</b>.</li> </ul>
<p><b>Key actions, activities and programs</b></p> <ul style="list-style-type: none"> <li>• continue to make customers aware of the financial hardship assistance available which is highlighted on every customer bill</li> <li>• annual reporting against outcome commitments</li> <li>• increase engagement with agencies supporting those in hardship</li> <li>• develop future services strategies in partnership with stakeholders</li> <li>• continue with complaints investigation and resolution</li> <li>• improve communication and engagement methods including our “YourSay@GMW” platform that will allow customers to have ongoing consultation with GMW.</li> </ul>

## Outcome 3: Fair pricing

**What customers said:**

- affordability is essential
- keeping price increases to a minimum should remain a key focus for GMW, especially in the current conditions
- significant consideration should be given to environmental water deliveries and the corresponding fees
- additional information on service charges would be beneficial
- pricing should be reflective of the service e.g., irrigation district vs groundwater diversion.

**What this outcome means for customers:**

- We will keep bill increases as low as possible while continuing to provide reliable water delivery and storage services.
- We will continue to make customers aware of the financial hardship assistance available should some customers experience financial challenges.
- We will continue communication about payment flexibility options.
- We will develop more formal arrangements, and increase interaction with vulnerable customers and external agencies supporting vulnerable customers.

Table 15: Outcome 3 - summary table

<b>OUTCOME 3 – FAIR PRICING</b>
<b>We need prices that fairly reflect the true use of infrastructure by all water users (including irrigators, investors and the environment).</b>
<p><b>Measures of success</b></p> <ul style="list-style-type: none"> <li>• Greater than 65 per cent of customers are satisfied with value for money for services received by the end of the period (via our biennial customer satisfaction survey) – <b>NEW</b>.</li> </ul>

- We will continue to deliver required service outcomes to our customers while keeping annual tariffs in line with the proposed structures within the ESC's published pricing determination.

**Key actions, activities and programs**

- continue to make customers aware of the financial hardship assistance available which is highlighted on every customer bill
- increase engagement with agencies supporting those in hardship
- continue our asset management improvement program
- continue our energy efficiency program
- continue to participate in joint industry procurement programs
- continue to participate in shared services programs with other regional government agencies
- continue to actively participate in the Intelligent Water Network, seeking efficiencies through innovation
- we will explore opportunities to ensure all users of our services contribute fairly to the costs of its provision.

## Outcome 4: Efficient operations

**What customers said:**

- focus should be on efficiently accomplishing essential tasks, with an increased presence of staff on-site dedicated to critical operations
- efficiencies realised through the installation of remote read meters should be reflected in customer prices.

**What this outcome means for customers:**

- We will operate responsibly and prudently invest in technology to support an efficient business and achieve value for money for our customers.
- We will ensure our customers have access to staff on the ground with relevant expertise.
- We will pass on savings achieved through innovation to customer prices wherever possible.
- We will exclude allowances for opportunistic programs (e.g., asset rationalisation) which have not been planned and scoped.

Table 16: Outcome 4 - summary table

<b>OUTCOME 4 – EFFICIENT OPERATIONS</b>
<b>We need the business to run lean enough to deliver affordable prices that support farmers to stay on the land.</b>
<p><b>Measures of success</b></p> <ul style="list-style-type: none"> <li>• Greater than 90 per cent of our staff have completed any relevant mandatory training each financial year – <b>NEW</b>.</li> <li>• Voluntary organisational turnover is maintained below 10 per cent annually – <b>NEW</b>.</li> <li>• We will maintain our controllable operating cost to equal to or less than \$306.2 million (23/24\$) by the end of the price submission period – <b>NEW</b>.</li> </ul>
<p><b>Key actions, activities and programs</b></p> <ul style="list-style-type: none"> <li>• continue our channel-by-channel assessment program to optimise maintenance and investment</li> <li>• automate water storage assets</li> <li>• continue our energy efficiency program</li> <li>• continue to participate in joint industry procurement programs</li> <li>• continue to participate in shared services programs with other regional government agencies</li> <li>• continue to actively participate in the Intelligent Water Network, seeking efficiencies through innovation</li> <li>• implement our Regionalisation Strategy.</li> </ul> <p><i>Refer to Section 9.1 for our operating expenditure.</i></p>

## Outcome 5: Responsive services

**What customers said:**

- delivering services in simple and responsive ways is an ongoing expectation
- GMW should continue to promote and provide online access to services for customers
- processes and applications need to be simplified where possible.

**What this outcome means for customers:**

- We will process all customer applications within agreed timeframes.
- We will support our staff to be empowered and capable to manage customer enquiries and improve our first point of call resolution.

- We will continue to optimise our services through application refreshes and process reviews.

Table 17: Outcome 5 - summary table

<b>OUTCOME 5 – RESPONSIVE SERVICES</b>
<b>We need GMW people and systems to efficiently deliver our services with digital information and communications systems that are fast and simple.</b>
<p><b>Measures of success</b></p> <ul style="list-style-type: none"> <li>• We process 90 per cent of allocation trade applications within five business days.</li> <li>• We process 95 per cent of all water share applications within 10 business days.</li> <li>• We process 90 per cent of all change of ownership applications within 10 business days.</li> <li>• Our calls are answered within 60 seconds 85 per cent of the time.</li> <li>• We achieve first-point-of-call resolution 70 per cent of the time.</li> <li>• We process 75 per cent of all groundwater transfers within 70 days – <b>NEW</b>.</li> <li>• We will advise urban water suppliers of incidents and operations that could affect raw water quality at a town offtake within one day of GMW becoming aware of the risk 95 per cent of the time – <b>NEW</b>.</li> </ul>
<p><b>Key actions, activities and programs</b></p> <ul style="list-style-type: none"> <li>• update our service standards to more effectively measure our performance (see general service standards)</li> <li>• monitor reporting against groundwater transfers to identify and improve processing times.</li> <li>• increase investment in IT expenditure to reinforce cyber security both internally and externally through our cloud based providers</li> <li>• reduce investment requirements by moving to managed services (Cloud)</li> <li>• support DEECA through the Victorian Water Register upgrade</li> <li>• continue to provide online access to forms/ self-service portals.</li> </ul>

## Outcome 6: Socially responsible

### What customers said:

- many are happy to see more activity from GMW in relation to environmental sustainability
- farmers should always come first in environmental matters
- while pursuing environmental outcomes, GMW needs to ensure reliable supply and efficient operations are very important
- service outcomes should not cause environmental damage, including increasing salinity
- GMW should be advocating for customers and the region to ensure government priorities lead to beneficial outcomes.

### What this outcome means for customers:

- We will ensure we can provide secure, reliable and fit-for-purpose water supply.
- We will more proactively communicate about what we are doing to plan for the future.
- We will continue to explore alternative water supply and collaboration with others to identify integrated water management opportunities.
- We will continue on our journey of continuous improvement to reduce our environmental footprint and move towards net zero emissions by 2035.
- We will improve experiences at our storages, and enhance the liveability of the region, without adversely impacting on lake operations, water quality, the environment, or community safety, while also acknowledging and respecting cultural values.

Table 18: Outcome 6 - summary table

<b>OUTCOME 6 – SOCIALLY RESPONSIBLE</b>
<b>We need to deliver on environmental, cultural and recreational outcomes that matter to our customers, Traditional Owners and communities.</b>
<p><b>Measures of success</b></p> <ul style="list-style-type: none"> <li>• We will reduce our greenhouse gas emissions in line with our annual targets en-route to net-zero by 2035, reducing to 1,707 tonnes CO<sub>2</sub> equivalent by 2028 – <b>NEW</b>.</li> <li>• We achieve 100 per cent annual compliance against our activities in accordance with an integrated and accredited HSE Management System – <b>NEW</b>.</li> <li>• We will reduce waste sent to landfill by 25 per cent per FTE by 2028 – <b>NEW</b>.</li> <li>• We will have 100 per cent of the required new EPA Licences in place for sewerage systems by 30 June 2026 – <b>NEW</b>.</li> </ul>



#### Key actions, activities and programs

- continue towards net zero emissions by 2035
- continue to transition to an integrated HSE Management System by 2028
- continue to develop procedures and training to improve environmental awareness and support a proactive staff culture for identifying and minimising priority environmental risks
- implement waste record keeping system and continue to review waste streams for recycling/reuse opportunities
- continue to implement our sewerage system environmental compliance program
- continue to engage with recreational users, communities, Traditional Owners and stakeholders in line with our Land and on Water Stakeholder Engagement Framework
- develop management plans for recreational areas at GMW storages in line with requirements outlined within the Water (Recreational Area) Regulations
- commence annual reporting against new Land and on Water service standards
- regularly engage with other agencies on water issues.

## Service standards

Considering the high value our customers place on maintaining the current levels of service as a minimum, we propose to largely maintain the majority of the existing service standards, including all standards concerning reliability and fault resolution. Three new standards were also proposed in gravity irrigation supply, bulk water and general licensing.

Year after year, customers make it clear that “flow rate is king”, and our price submission engagement has further solidified its importance. In gravity irrigation, we are proposing to maintain our flow rate standard, which has consistently received customer support, while adding a supplementary standard that aims to ensure that the channel level remains within a 40mm range of the required supply level. We believe that implementing this standard will significantly enhance water delivery efficiency for customers and emphasises our commitment to ensuring a **reliable water supply**.

In bulk water, following significant engagement with our Urban Water Corporation customers, the feedback was undeniable: water quality is crucial. Although we only supply raw and untreated water, by introducing a service standard in relation to advising urban water suppliers of potential water quality risks, we are confirming our commitment to monitor water quality within our storages and irrigation system, and highlighting our dedication to **responsive services**.

Customer feedback also evidenced that we should look to reduce the processing times for customer applications to support efficient farm operations. By introducing a service standard to monitor the processing of groundwater applications, we will increase transparency in reporting against these transactions and better understand current processing timeframes so that we can seek improvements. This also supports our commitment to providing **responsive services** to customers.

However, we recommend removing two service standards relating to the customer complaints process and access to resource data. We believe that these requirements can be achieved more effectively by incorporating them into other service standards or by utilising agency-developed portals more efficiently. At present, they offer limited benefits to customers and fail to contribute to enhancing service levels. Customers have supported this proposal.

Certain service standards have undergone revised wording, but the underlying target remains the same. However, these adjustments will enable more accurate reporting in alignment with these standards, facilitating more efficient monitoring and prompt implementation of corrective measures, while providing customers with more useful information.

All other service standards will remain unchanged. Please refer to Table 19 for our revised service standards and Appendix 4 for our proposed suite of service standards for Regulatory Period 6.

Table 19: Revised service standards

SERVICE STANDARDS	CURRENT TARGET 2020-24	PROPOSED TARGET 2024-28	REVISION
<b>Gravity Irrigation</b>			
Irrigation orders are commenced within 24 hours of requested start.	<b>95%</b>	<b>95%</b>	Modified wording to better reflect service as time measured is more precise.
GMW will maintain the channel level within 40mm of the required supply level.	<b>New Standard</b>	<b>80%</b>	Important to gauge GMW's water level stability across the network.
<b>Diversions</b>			
Diversions customers have access to water resource monitoring data within two weeks of data being submitted by monitoring contractor.	<b>90%</b>	<b>Remove</b>	Removed as it is not fit for purpose and customers can access the data through the DEECA Water Measurement Information System.
GMW will, within 24 hrs of being aware of the need to amend rosters and restrictions, initiate notification to customers impacted by these changes (through SMS, email, written letters, or website content).	<b>100%</b>	<b>100%</b>	Modified wording to enhance notification times.
<b>Pumped Irrigation</b>			
Irrigation orders are commenced within 24 hours of requested start.	<b>98%</b>	<b>98%</b>	Modified wording to better reflect the needs of our pumped irrigation customers.
Supply interruptions do not exceed eight hours in the summer months and 48 hours in the winter.	<b>80%</b>	<b>5</b>	Modified for more accurate reporting.
<b>Water Supply Districts</b>			
Number of supply interruptions for continuous periods in excess of 96 hours.	<b>100%</b>	<b>0</b>	Modified for more accurate reporting.
<b>Bulk Water</b>			
Advise urban water suppliers of incidents and operations that could affect raw water quality at a town offtake within one day of GMW becoming aware of the risk.	<b>New Standard</b>	<b>95%</b>	Confirms GMW's commitment to monitor water quality.
<b>General</b>			
Complaints to GMW per 100 customers (5 year rolling average).	<b>1/1000 customers</b>	<b>0.36/100</b>	Updated to ESC prescribed standard of total complaints to GMW per 100 customers.
Complaints process managed to the satisfaction of the customer.	<b>85%</b>	<b>Remove</b>	Removed as unable to be accurately measured. Replaced with tightened measures against other complaints metrics.
We process all groundwater transfers within 70 days.	<b>New standard</b>	<b>75%</b>	Increased visibility to understand processing times and seek improvement on these.

As we navigate the current challenging environment, we recognise the importance of upholding existing service standards as a fundamental commitment to customers. With our suite of proposed service standards, we acknowledge most of our existing service standards are enduring and remain key priorities for our customers, as evidenced through the valuable feedback received.

We will continue to strive to achieve better performance against each of these service standards and will continue to report on performance annually to customers and regulators. This approach will enable us to proactively identify areas for enhancement and implement action plans with efficiency and effectiveness. By doing so, we hope to not only meet but exceed customers' expectations. This reporting mechanism will ensure transparency and foster accountability.

For a comprehensive understanding of the proposed operating and capital expenditures, which are essential in upholding the delivery of our service standards, refer to Section 9 - Operating expenditure and Section 10 - Capital expenditure.

# PREMO summary – Outcomes

GMW evaluates its performance as **Standard (2.6/4)** for the outcomes component of PREMO. The assessment details can be found in Table 20 below.

Table 20: PREMO assessment details - Outcomes

ESC GUIDING QUESTION	SCORE	COMMENT
Has GMW provided evidence that the outcomes proposed have taken into account the views, concerns and priorities of customers?	2.75	<ul style="list-style-type: none"> <li>Customers expressed strong support for our high-level customer outcomes during our previous price submission engagement and confirmed that they were still fit for purpose.</li> <li>Based on feedback from internal and external consultations, we have made some refinements while also introducing a new outcome focused on social responsibility.</li> <li>The feedback clearly highlighted the importance of addressing this aspect. Both our current and revised outcomes have received strong backing from both internal stakeholders and external parties, emphasising their significance as enduring goals to be pursued.</li> </ul>
Has GMW provided sufficient explanation of how the outcomes it has proposed align to the forecast expenditure requested?	2.25	<ul style="list-style-type: none"> <li>We sought customer feedback on our proposed capital and maintenance programs to ensure these align with customer priorities.</li> <li>Customer feedback is limited for capital expenditure, therefore corporate strategies and service standards were used to inform our capital expenditure forecasts, and this is further explored in Section 10 - Capital expenditure.</li> </ul>
Has GMW proposed outputs to support each of its outcomes, which are measurable, robust and deliverable?	2.75	<ul style="list-style-type: none"> <li>Our service standards have been carefully reviewed and updated to make sure they are both measurable and achievable.</li> <li>We've tested these standards with customers to ensure they align with service level expectations.</li> <li>Our aim is to provide the best possible service that meets and satisfies customers' needs.</li> </ul>
Has GMW provided evidence that the outputs it has proposed are reasonable measures of performance against stated outcomes?	2.75	<ul style="list-style-type: none"> <li>To ensure we stay on track with our outcomes, we've identified key success measures that will hold us accountable.</li> <li>These measures are based on important customer priorities and incorporate service standards as well.</li> <li>By monitoring these metrics, we can ensure we're delivering as expected and meeting our goals.</li> </ul>
Has GMW demonstrated a process to measure performance against each outcome and to inform customers?	2.5	<ul style="list-style-type: none"> <li>Our outcomes framework lays out the timelines for reporting our performance on achieving outcomes and how we'll share this information with customers and regulators.</li> <li>A yearly review will be undertaken to track progress on our key success measures, and the results available on our website.</li> <li>The report will include performance data and any actions being taking to address any areas where we may have fallen short.</li> </ul>

## Key References:

- YourSay@GMW data - PS2024 - Service Standards – General – A4684441
- YourSay@GMW data - PS2024 - Service Standards – Gravity Irrigation – A4684443
- YourSay@GMW data - PS2024 - Pumped Irrigation – A4684433
- YourSay@GMW data - PS2024 - Service Standards – Diversions – A4684437
- YourSay@GMW data - PS2024 - Service Standards – Drainage – A4684439
- YourSay@GMW data - PS2024 - Service Standards – Water Supply Districts – A4684447
- YourSay@GMW data - PS2024 - Service Outcomes – A4684435
- Pricing Submission 2024 - Outcomes Framework – A4555335
- PS2024 Outcomes Framework - Key Themes from Customer Engagement – A4511800

## 8. Revenue requirement

### AT A GLANCE:

- The forecast revenue requirement is \$474.2 million over Regulatory Period 6. This is \$24.9 million less than Regulatory Period 5.
- The forecasted Regulatory Asset Base (RAB) at the end of Regulatory Period 5 is \$471.7 million and it is expected to grow to \$522.6 million at the end of Regulatory Period 6.
- Our return on assets is based on a standard PREMO rating.

To deliver the outcomes proposed, and meet the required service standards in this price submission, the forecast revenue requirement for the Regulatory Period 6 is \$474.2 million (after adjustments from last period<sup>2</sup>). This is \$37 million lower than the ESC's approved determination for the current period, and \$31 million lower than the total revenue collected. The revenue requirement includes an adjustment to reflect our commitment to pass back the previous over recovery of the MDBA contribution to customers.

Table 21: Annual building block current regulatory period (23/24\$m)

Rev Requirement	REGULATORY PERIOD 5				Total
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast	
Operating expenditure	95.0	96.6	97.0	91.8	<b>380.4</b>
Return on assets	17.8	18.4	18.9	19.5	<b>74.6</b>
Regulatory depreciation	11.0	10.9	11.0	11.2	<b>44.1</b>
<b>Total Revenue Requirement</b>	<b>123.8</b>	<b>125.9</b>	<b>126.9</b>	<b>122.5</b>	<b>499.1</b>

Note: Numbers have been rounded

Table 22: Annual building block forecast (23/24\$m)

Rev Requirement	REGULATORY PERIOD 6					REGULATORY PERIOD 7				
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Total	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast	Total
Operating expenditure	92.2	92.7	93.4	93.2	<b>371.5</b>	93.2	93.2	93.3	93.1	<b>372.9</b>
Return on assets	11.8	12.5	13.3	14.2	<b>51.9</b>	15.3	16.5	18.3	20.2	<b>70.2</b>
Regulatory depreciation	12.5	13.2	13.9	14.4	<b>54.1</b>	15.1	15.8	16.4	17.1	<b>64.5</b>
Adjustments from last period	(0.8)	(0.8)	(0.8)	(0.8)	<b>(3.4)</b>	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Total Revenue Requirement</b>	<b>115.7</b>	<b>117.7</b>	<b>119.8</b>	<b>121.0</b>	<b>474.2</b>	<b>123.6</b>	<b>125.5</b>	<b>128.1</b>	<b>130.4</b>	<b>507.5</b>

Note: Numbers have been rounded

The proposed revenue requirement is 6 per cent lower than the actual revenue generated in the current regulatory period. This is due to savings achieved in operating expenditure, reduced return on assets from a lower regulatory rate of return and offsetting, this is an increase in regulatory depreciation due to the growing RAB. The majority of our asset base is gifted, thus capital expenditure programs increase RAB through replacement of gifted assets and result in an increase in regulatory depreciation and return on assets (dependent on the regulatory rate of return).

Each of the building blocks listed above are described in further detail in the following sections.

The revenue requirement is proposed to be generated through the levying of fixed and variable charges to irrigation, water supply, diversion and bulk water customers based on the services provided, and in accordance with the tariff procedure, which is available on our website<sup>3</sup>.

<sup>2</sup> The forecast in Price Submission 2020 was on a reasonable basis assuming DEECA would apply CPI adjustments to the MDBA Contribution. As this has not occurred, GMW made an adjustment in the 2023/24 Annual Price Review. To minimise price shocks and provide price stability to customers, the ESC approved that GMW can pass this over recovery back to the Murray customers across 2023/24 and the four years of Regulatory Period 6. This is reflected in the Price Submission 2024 as an adjustment from the last period in the revenue requirement.

<sup>3</sup> GMW Tariff Procedure: [20230525\\_Procedure\\_SSP\\_Tariff\\_2023\\_24\\_A4512476.pdf](https://www.gmw.com.au/20230525_Procedure_SSP_Tariff_2023_24_A4512476.pdf) (g-mwater.com.au)

# Taxation

Since the inception of the National Tax Equivalent Regime (NTER) administered by the Australian Tax Office (ATO), GMW has accumulated significant carry forward tax losses. These tax losses are expected to cover any potential tax payable generated throughout Regulatory Period 6. No tax payable is therefore forecast during this period.

## Regulatory Asset Base

The revenue requirement includes a return of the RAB through regulatory depreciation and a return on assets.

The table below shows the forecast closing RAB at the end of the current regulatory period. The roll forward is completed with a combination of actual results (until 2022/23) and then the ESC approved determination for 2023/24. The closing value of the RAB is forecast to be \$471.7 million.

Table 23: Forecast value of the RAB at the end of Regulatory Period 5 (23/24\$m)

Rolled forward asset base	REGULATORY PERIOD 5				
	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Opening asset base	434.2	432.6	446.0	455.0	459.7
plus gross capex	13.2	28.6	23.1	24.5	26.2
less government contributions	(0.3)	(0.0)	(2.8)	(8.7)	(2.9)
less customer contributions	(0.2)	(4.1)	(0.1)	0.0	0.0
less proceeds from disposals	(0.0)	(0.1)	(0.2)	(0.0)	(0.13)
less regulatory depreciation	(14.3)	(11.0)	(10.9)	(11.0)	(11.2)
<b>Closing asset base</b>	<b>432.6</b>	<b>446.0</b>	<b>455.0</b>	<b>459.7</b>	<b>471.7</b>

Note: Numbers have been rounded

The proposed capital expenditure program for the next two regulatory periods (Regulatory Periods 6 and 7) is forecast to increase the RAB in line with the table below. We have forecast proceeds of disposal based on historical trends. Most of the assets disposed are rationalised and therefore not able to be sold, proceeds from disposal relates predominantly to minor income generated from sale of items of plant and equipment that have broader value. Customer contributions are generally minor and ad-hoc, therefore customer contribution estimates are not built into the RAB.

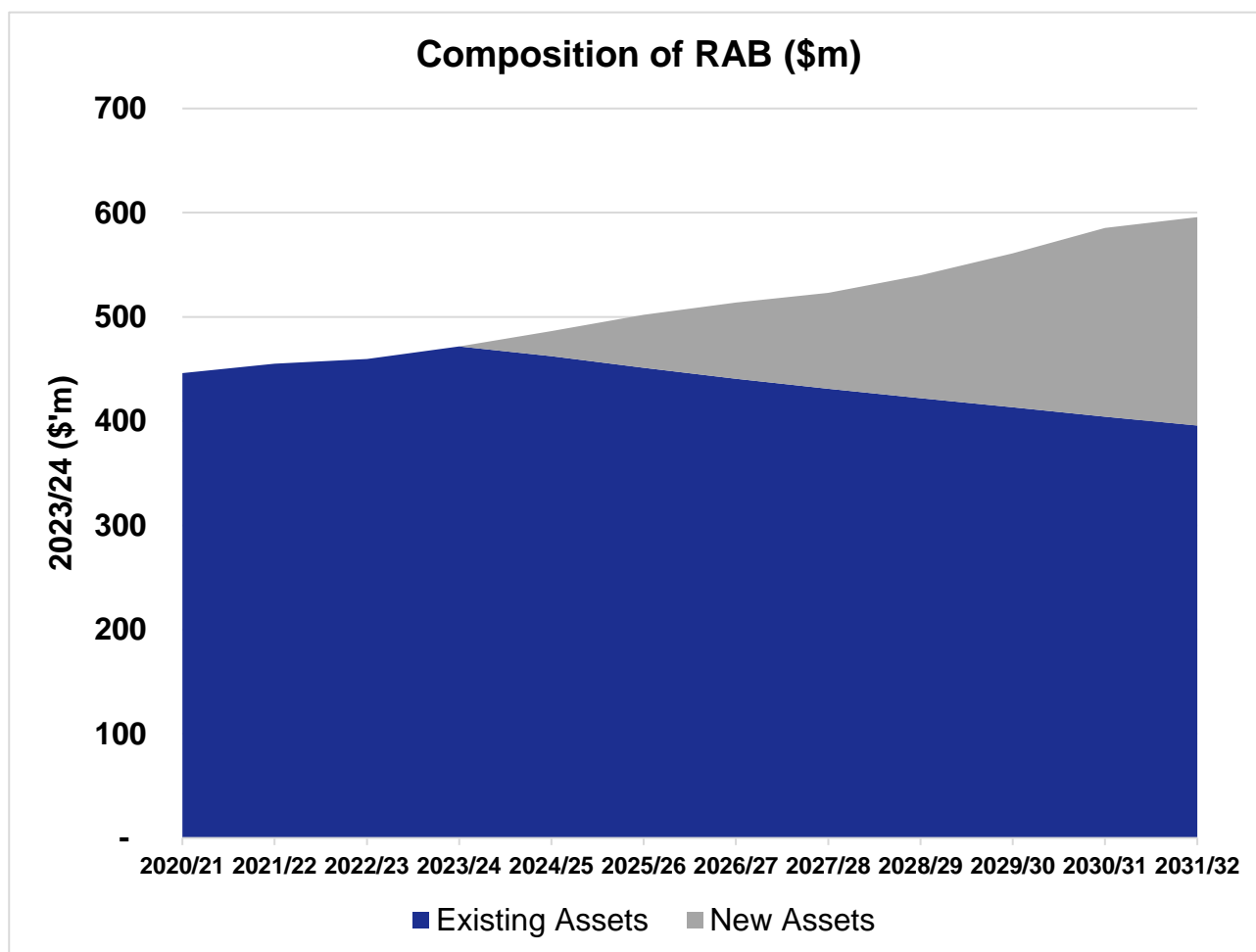
Table 24: Estimated value of the RAB for Regulatory Periods 6 and 7 (23/24\$m)

Rolled forward asset base	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Opening asset base	471.7	486.8	502.0	513.5	522.6	540.2	561.3	585.1
plus gross capex	32.4	30.0	27.1	25.1	32.8	37.0	40.4	27.7
less government contributions	(4.6)	(1.5)	(1.5)	(1.5)	0.0	0.0	0.0	0.0
less customer contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
less proceeds from disposals	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
less regulatory depreciation	(12.5)	(13.2)	(13.9)	(14.4)	(15.1)	(15.8)	(16.4)	(17.1)
<b>Closing asset base</b>	<b>486.8</b>	<b>502.0</b>	<b>513.5</b>	<b>522.6</b>	<b>540.2</b>	<b>561.3</b>	<b>585.1</b>	<b>595.5</b>

Note: Numbers have been rounded

The composition of the RAB over the current and next two regulatory periods is represented in the graph below, showing the impact of the proposed capital investment during this period on the RAB.

Figure 5: Composition of RAB 2020-2032 (23/24\$)



Note: "New Assets" includes capital expenditure required for assets constructed in regulatory periods 6 and 7

## Depreciation

Depreciation is categorised into the asset types listed in the table below. The depreciation rates are applied on a straight-line basis over the expected useful lives of the assets as determined by the asset type.

Table 25: Estimated regulatory depreciation over Regulatory Periods 6 and 7 (23/24\$m)

Rolled forward asset base	Useful Life	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
		2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Access and fencing	20	1.2	1.3	1.4	1.5	1.5	1.6	1.6	1.7
Buildings	40	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Dams structures	60	0.7	0.7	0.8	0.8	1.0	1.2	1.5	1.7
Electrical, SCADA and radio network	15	1.1	1.2	1.3	1.4	1.4	1.4	1.4	1.3
Equipment and systems	5	2.7	2.9	3.1	3.1	3.2	3.2	2.9	2.8
Infrastructure	100	3.0	3.0	3.0	3.0	3.0	2.9	3.0	3.1
Meters	30	0.5	0.6	0.6	0.7	0.8	0.8	0.9	1.0
Mobile plant and vehicles	10	1.1	1.2	1.2	1.3	1.4	1.6	1.9	2.2
Pipelines	75	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Pump stations	30	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Retail structures	80	1.1	1.3	1.4	1.6	1.7	1.9	2.1	2.2
<b>Total prescribed</b>		<b>12.5</b>	<b>13.2</b>	<b>13.9</b>	<b>14.4</b>	<b>15.1</b>	<b>15.8</b>	<b>16.4</b>	<b>17.1</b>

Note: Numbers have been rounded

Depreciation is expected to continue increasing over the longer term as we renew gifted assets (that have no value in the RAB).



# Contributions

Contributions are sometimes received from the governments to fund capital expenditure. These are ad hoc in nature and generally small in value. When forecasting the estimated RAB for Regulatory Periods 6 and 7, where agreements are either in place or expected to be in place, then the contribution and corresponding capital project has been recorded. Otherwise a minor level of funding has been forecast.

## Form of price control

GMW currently uses the revenue cap form of price control with a +/- 10 per cent rebalancing constraint to manage customer prices. We propose to continue using the revenue cap form of control including the +/- 10 per cent rebalancing constraint for Regulatory Period 6 to apply to all our prescribed services. We will use this rebalancing constraint in such a way that limits the weighted average real price change to +/- 10 per cent for any individual tariff in any one year. Section 11 - Tariff identifies any tariffs that are proposed to be exempt from the rebalancing constraint.

Over and under recoveries of the revenue cap will be passed through to customers during the annual price review where prices will be adjusted to ensure that revenue to date for the regulatory period is lower than the allowable to date revenue cap.

In developing our price submission, we considered other forms of price control and where they are utilised across the Victorian water sector. The revenue cap form of price control balances the requirements of revenue and price stability and includes an appropriate rebalancing constraint on individual tariffs of +/- 10 per cent of the approved price path in each year. It allocates risk in a fair and consistent way between GMW and its customers and is also understood by customers. As a large portion of our costs and revenue are fixed in nature, this form of price control also reduces the risk of material annual price variations.

Therefore, we propose to retain the revenue cap form of price control for Regulatory Period 6.

$$cap_t = \left[ rev_t + \left( cap_{t-1} - \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-1}^{ij} \right) * cpi_t * (1 + RRR_t^{adj}) \right] + MDBA$$

Where GMW has  $n$  tariff categories, which have up to  $m$  tariff components, and where:

$p_{t-1}^{ij}$  is the proposed tariff component  $j$  of tariff  $i$  for the regulatory year  $t - 1$

$q_{t-1}^{ij}$  is the forecast quantity of tariff component  $j$  of tariff  $i$  for the regulatory year  $t - 1$

$cap_t$  is the revenue cap for the regulatory year  $t$  calculated in accordance with the formula set out above

$cap_{t-1}$  is the revenue cap for the regulatory year  $t-1$ . For the second year of the regulatory period,  $cap_{t-1}$  is equal to  $rev_t$  for the first regulatory year. For subsequent regulatory years,  $cap_{t-1}$  is the amount calculated in accordance with the formula set out above.

$rev_t$  is the total revenue requirement for the regulatory year  $t$ .

$cpi_t$  is the Consumer Price Index: All Groups Index for the eight Capital Cities as published by the ABS for the March quarter immediately preceding the start of the regulatory year, divided by the same index from the March quarter of the previous regulatory year.

$RRR_t^{adj}$  is the required adjustment for change in the regulatory rate of return (for regulatory year 't') in regulatory year 't' dollars. This adjustment will be undertaken consistent with the ESC's approach to adjusting the rate of return for all regulated water utilities.

$MDBA$  an allowance to reflect a material change in the cost contribution required by GMW to DEECA in respect of the Victorian share of the MDBA contribution.

## Price adjustment mechanisms

As outlined in the ESC Guidance Paper, where there is a potential policy or regulatory change that is known but its impact on GMW is uncertain at the time of our submission - it can be identified as an uncertain or unforeseen event. At present, there are multiple known initiatives that are likely to impact on GMW's costs, however their impact is uncertain and has therefore not been included in the expenditure forecasts for this price submission. These uncertain events and their potential impact include:

- ACCC water markets inquiry
  - seasonal determination processes
  - data collection, storage, and transmission requirements to the Bureau of Meteorology
  - IT systems and interfaces
  - Murray Darling Basin Plan
- Place of Take implementation
  - IT systems and interfaces
  - customer education and communication
- Victorian Water Register re-refresh
  - IT systems and interfaces
- Participation of Traditional Owners
  - supporting Traditional Owners to gain understanding, familiarity, confidence and participation in areas including water planning, management and markets
  - Traditional Owners are at different stages on their journeys and the amount of assistance that we will provide is uncertain, while at the same time the Victorian Government has committed that this support will not be at the expense of other water users

We will only seek to recover costs associated with uncertain and unforeseen events where there is a material difference that impacts either the business or our customers. In seeking to incorporate an uncertain event, we will provide all the necessary information to the ESC to allow it to consider the application. To assist with this, costs for any uncertain events will be captured separately from our prescribed expenditure to ensure they are easily identifiable and reportable.

**Key References:**

1. Pricing Submission 2024 – Price Control Options Analysis paper – A4492847
2. GMW Regulatory Asset Base model – depreciation on existing assets – A4725691
3. GMW Regulatory Asset Base model PS2024 – A4725696
4. PS2024 financial modelling SAAS treatment opex v capex – A4727472

## 9. Forecast operating expenditure

### AT A GLANCE:

- The forecast controllable, prescribed, operational expenditure for Regulatory Period 6 is \$306.2m, a decrease of \$1.4m compared to our adjusted baseline year (2022/23) being \$76.9m x 4 years = \$307.6m.
- We will continue to deliver required service outcomes to customers while keeping the typical customer bill across Regulatory Period 6 on average below 0.1 per cent increase before CPI.
- Some customers may see higher increases in their typical bills in diversions, pumped irrigation and water supply districts to recover higher costs of Service Point fees and to undertake essential maintenance ensuring service needs are met.
- We will absorb most operational increases above CPI through efficiency savings.

## Operating expenditure – Regulatory Period 6

### Baseline operating expenditure methodology

GMW has adopted the Base Step Trend (BST) method as the overarching forecasting method, which is consistent with the ESC's approach to forecasting operational expenditure.

Aither has independently assessed the prudence and efficiency of our forecast, and we have responded to all recommendations made by Aither.

### Baseline

The baseline expenditure year is 2022/23 and has been adjusted to exclude non-controllable and non-recurrent expenditure.

Table 26: Adjusted controllable opex baseline (23/24\$m)

	2022/23 (\$m)
<b>BASELINE YEAR - TOTAL PRESCRIBED OPERATING EXPENDITURE</b>	<b>97.0</b>
<b>Less non-controllable expenditure</b>	
Licence fees	0.1
Environment Contribution	2.6
Murray Darling Basin Contribution	14.3
Other non-controllable	0.0
Total	17.0
<b>BASELINE YEAR - TOTAL CONTROLLABLE OPERATING EXPENDITURE</b>	<b>80.0</b>
<b>Less non-controllable expenditure</b>	
Cloud based solutions, exclude as not included in opex Regulatory Period 6	0.3
Additional costs associated with Major Flood and recovery works	6.6
Costs removed due to focus on flood recovery	(5.7)
Externally Funded Works	0.8
Consultants – Pricing Review	0.1
Works in Progress Write Off 2022/23	0.6
Cyclical Dam Safety Reviews	0.4
Total	3.1
<b>ADJUSTED BASELINE CONTROLLABLE OPERATING EXPENDITURE</b>	<b>76.9</b>
<b>Comparison with approved 2022/23 Total Controllable opex per 2020 determination in 23/24\$m</b>	<b>77.2</b>
<i>Difference under baseline</i>	<b>(0.3)</b>

Note: Numbers have been rounded

## Step changes

- Increases in maintenance costs identified through service plans to maintain our increased age profile of modernised assets, which require additional maintenance.
- Increased investment in IT expenditure to harden cyber security both internally and externally through Cloud based providers in order to maintain a safe and reliable service.

## Expenditure for Regulatory Period 6 and Regulatory Period 7

Forecast operating expenditure for the Regulatory Period 6 (2024-28) is \$371.5 million. For Regulatory Period 7 (2028-32), the forecast expenditure is \$372.9 million.

Table 27: Forecast expenditure for Regulatory Period 6 (23/24\$m)

	REGULATORY PERIOD 6					Total Forecast
	2022/23 Baseline	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	
Total Controllable*	76.9	75.8	76.3	77.1	77.0	306.2
Total Non-Controllable	17.1	16.4	16.4	16.3	16.2	65.4
Total Prescribed	93.9	92.2	92.7	93.4	93.2	371.5

Note: Numbers have been rounded

## Prescribed operating expenditure – (controllable + non-controllable)

Table 28: Forecast expenditure for Regulatory Period 6 against adjusted baseline (23/24\$m)

	REGULATORY PERIOD 6					Total Forecast
	2022/23 Baseline	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	
<b>Controllable Opex 22/23 Base</b>	<b>76.9</b>	<b>76.9</b>	<b>76.9</b>	<b>76.9</b>	<b>76.9</b>	<b>307.6</b>
New Costs: General Insurance Increases		0.2	0.2	0.4	0.4	
New Costs: Increases in maintenance cost		0.9	1.0	1.2	1.2	
New Costs: Increases in IT Cloud/Security Systems		0.4	0.7	1.5	1.5	
Cyclical Costs; Dam Safety Reviews / Spillway Works / Consultants		1.0	1.2	0.8	0.7	
Productivity: Regionalisation Efficiencies		0.0	(0.1)	(0.1)	(0.1)	
Productivity: Communications Efficiencies		(0.1)	(0.1)	(0.1)	(0.1)	
Productivity: Electricity Efficiencies		(0.1)	(0.1)	(0.1)	(0.1)	
Productivity: Training Efficiencies		(0.1)	(0.1)	(0.1)	(0.1)	
Productivity: Discount Expense not offered in next regulatory period		(0.9)	(0.9)	(0.9)	(0.9)	
Productivity: Overtime/Contract Labour Reduction		(0.6)	(0.6)	(0.6)	(0.6)	
Productivity: Labour Efficiencies		(1.8)	(1.8)	(1.8)	(1.8)	
<b>Total Forecast variations</b>	<b>0.0</b>	<b>(1.1)</b>	<b>(0.6)</b>	<b>0.2</b>	<b>0.1</b>	<b>(1.4)</b>
<b>Adjusted Baseline - Future Years Total Controllable Opex</b>	<b>76.9</b>	<b>75.8</b>	<b>76.3</b>	<b>77.1</b>	<b>77.0</b>	<b>306.2</b>
<b>Plus Non-Controllable Expenditure</b>						
Licence fees		0.1	0.1	0.1	0.1	
Environment Contribution		2.4	2.3	2.2	2.1	
Murray Darling Basin Contribution		14.0	14.0	14.0	14.0	

<b>Total Non-Controllable Expenditure</b>	<b>17.1</b>	<b>16.5</b>	<b>16.4</b>	<b>16.3</b>	<b>16.2</b>	<b>65.4</b>
<b>Total Adjusted Prescribed Opex</b>	<b>93.9</b>	<b>92.2</b>	<b>92.7</b>	<b>93.4</b>	<b>93.2</b>	<b>371.5</b>

Note: Numbers have been rounded

### Operating expenditure savings:

- Labour efficiencies are due to the implementation of a new Enterprise Agreement and productivity savings.
- We are removing the 2 per cent discount currently offered to customers for early payment. This will attribute to savings for all customers rather than limiting the savings to those who have the ability to pay early.

### Operating expenditure increases:

- Insurance costs are forecast to continue increasing at a greater rate than inflation. This is across global insurance markets with the expectation of increasing frequency and severity of natural hazards, increasing inflation, and supply chain issues continuing to put upwards pressure on premiums.
- Continued investment in maintenance of modernised assets as the assets become older. Mechanical components of automated flumegates are beginning to reach a midlife cycle refurbishment in Regulatory Period 6. Telemetry and electronic components are deteriorating at a greater rate with age and require maintenance to extend operational life.
- Increased investment in IT cyber security expenditure to ensure our systems and data are secure.
- Dam Safety Review expenditure is cyclical in nature. The ANCOLD Guidelines on Dam Safety Management provide information in respect to the nature, purpose and reasons that Design Reviews should be undertaken. The outer limit period of 20 years for Design Reviews has been adopted.

### Allocation of corporate costs:

- Our management overhead costs are allocated based on labour hours worked in each of our resource centres that charge into a service (customer group).
- This allocation method ensures overheads are distributed in proportion to the work completed at a job and project level and are reported at the activity level which enables service managers to measure their performance.
- The majority of our corporate costs are allocated based on expenditure in the pricing service, this includes operational expenditure and capital expenditure (capped at \$1million).
- Additional information regarding our cost allocation methodology is in our costing manual which is available upon request.

The proposed controllable expenditure for Regulatory Period 6 by service can be seen in the table below:

Table 29: Controllable operating expenditure by service (23/24\$m)

	2022/23 Baseline	REGULATORY PERIOD 6				Total Forecast
		2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	
Irrigation	48.6	46.5	46.9	48.3	48.0	<b>189.7</b>
Drainage	4.3	3.3	3.4	3.4	3.4	<b>13.5</b>
Water supply districts	0.7	0.9	0.9	0.9	0.9	<b>3.6</b>
Surface water diversions	3.0	2.7	2.7	2.8	2.8	<b>11.0</b>
Groundwater diversions	2.1	2.2	2.2	2.4	2.4	<b>9.2</b>
Bulk water services	14.5	16.2	16.2	15.3	15.5	<b>63.2</b>
Customer service and billing	3.9	4.0	4.0	4.0	4.0	<b>16.0</b>
<b>Total Controllable Opex</b>	<b>76.9</b>	<b>75.8</b>	<b>76.3</b>	<b>77.1</b>	<b>77.0</b>	<b>306.2</b>

Note: Numbers have been rounded

## Total non-controllable operating expenditure

Table 30: Non-controllable prescribed operating expenditure by service (23/24\$m)

	2022/23 Baseline	REGULATORY PERIOD 6				Total Forecast
		2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	
Licence fees	0.1	0.1	0.1	0.1	0.1	0.4
Environment Contribution	2.7	2.4	2.3	2.2	2.1	9.0
Murray Darling Basin Contribution	14.3	14.0	14.0	14.0	14.0	56.0
<b>Total Non-Controllable Opex</b>	<b>17.1</b>	<b>16.5</b>	<b>16.4</b>	<b>16.3</b>	<b>16.2</b>	<b>65.4</b>

Note: Numbers have been rounded

MDBA contribution forecast for Regulatory Period 6 is \$14.0 million per annum.

For regulatory period 6, GMW and DEECA have agreed that:

- GMW needs to provide a predictable price path for customers.
- a predictable price path will be better achieved by paying DEECA a fixed annual amount. The fixed annual amount is estimated to be \$14.0 million is based on the full program of works carried out by the MDBA across all State Constructing Authorities.
- CPI adjustments will be applied to the contribution annually.

Together with DEECA, we will continue to review our annual contribution payment to DEECA every four years to inform each price submission.

Environment Contribution is based on DEECA's latest historic calculation, being \$2.4 million inflated to 23/24\$. It has been adjusted down assuming a 3.5 per cent CPI year on year rate for Regulatory Period 6 in line with ESC Guidance Paper.

## Trends analysis

### Output growth

There is no expected customer growth. Delivery shares are assumed to remain constant with water deliveries remaining constant over the regulatory period. No growth has been considered in the forecast.

### Real price growth

Key cost inputs have been forecast to increase by CPI and any cost escalations above CPI will be absorbed by the business. On this basis, GMW is bearing the risk of future price increase above CPI.

### Productivity

Further savings are expected in labour, accommodation, electricity, printing, postage, travel and communications costs. These savings largely mitigate the escalating maintenance spend we are facing.

### Proposed new expenditure

New proposed expenditure for Regulatory Period 6 includes:

- ongoing cyclical Dam Safety Design Reviews and large maintenance tasks
- preventative maintenance in some of our smaller pricing areas,
- inclusion of service plan reviews across a number of our customer groups.

## Reflection of customer feedback

GMW's financial objective is to be financially sustainable in the short and long term. Financial sustainability requires prices to be at a level that customers can afford, revenue generated is sufficient to provide the services required by customers, and current and forecast debt levels can be financed. Our organisational restructure was designed with customer service as one of its main principles. The structure introduced in 2020 has seen further reductions and has been a main contributor to reducing annual operating costs by \$11.7m in the current regulatory period.

Our operating forecast reflects the outcomes customers are seeking from us. To incorporate customer feedback and suggestions, we:



- proposed simplifying our drainage and bulk charges to make our processes appropriate.
- continue to optimise maintenance through our channel-by-channel assessment, to invest where it makes sense to do so.
- committed to provide better access to digital information and communications systems, without increasing opex.
- committed to maintaining service levels consistent with our regulatory obligations and customer performance standards, while reducing annual operations and maintenance costs.

## Managing uncertainty

We have followed the ESC Guidance Paper and developed a forecast reflecting prudent and efficient expenditure for Regulatory Period 6.

We have progressed business transformation and maintained focus to deliver financial sustainably. We continue to look for efficiencies to reduce our ongoing costs of running the business, seeking to put forward our best offer for customers and have avoided overly conservative cost estimates.

The forecast method is consistent with our aim of minimising price increases to customers. Both customer feedback from our price submission engagement program (focus on cost reduction), and the ESC's approach to economic regulation, support this approach.

We have also excluded allowances for opportunistic programs (e.g. asset rationalisation) which have not been planned and scoped. This approach aligns with the ESC's forecast approach to include only prudent and efficient costs. The ESC's framework identifies a number of options to manage increases or decreases in costs such as allowing businesses to apply for price adjustments for significant events that were significant and uncertain at the time of the original determination. Opportunistic programs that would be beneficial for the business and customers in the longer term requiring significant opex may require us to apply for changes to the ESC's opex determination in the future when the cost of such opportunities are known.

### Key References:

1. Pricing Submission 2024 - Project Planning & Reporting - ESC Draft Guidance Paper - June 2022 – A4417064
2. Pricing Submission 2024 - OPEX - Chapter - Aither feedback LIVE – A4662980
3. Baseline and Step Changes - LIVE VERSION – A4705499
4. GMW\_2024 Price Review Model - LIVE VERSION – A4500064
5. Pricing Report Water Plan 5 & 6 - LIVE – A4705495
6. Labour Template Workings - Summary for WP6 – A4700596
7. Electricity Template Workings - Summary for WP6 – A4700562
8. IT Template Workings - Summary for WP6 – A4700816
9. Cost Allocation Manual – A3687086

# 10. Forecast capital expenditure

## AT A GLANCE:

- The forecast prescribed capital works program for Regulatory Period 6 is \$114.6m, this is an increase of \$5.6m compared to the current regulatory period (gross) forecast.
- For Regulatory Period 6, the forecast includes:
  - 8 per cent spend on major projects
  - 56 per cent on other top capital programs
  - 36 per cent spend on 'other projects', such as those for compliance and growth, which are not considered capital programs or top 10.
- Renewals expenditure is the most significant driver of capital expenditure across the business for Regulatory Period 6.
- Capital program management is more rigorous than ever with early planning, use of our Investment and Project Management Framework gateways, and our ability to scale resources to meet deliverables.

## Capital expenditure - Regulatory Period 6

The capital expenditure forecast for Regulatory Period 6 reflects our Asset Management Policy vision of “assets are managed by capable people using effective systems, ensuring they are safe, compliant and deliver valued, efficient services to customers and the community”.

Each project that makes up the capital expenditure forecast delivers on achieving this, whether it be due to government requirements for metering and dam safety, effective software systems to support staff and customers, fit for purpose equipment, efficient water delivery or other obligations.

### Summary of capital expenditure program

We plan to invest \$114.6m in capital works over Regulatory Period 6. This figure takes into consideration risk management, regulatory compliance requirements, levels of service, customer feedback, asset condition and climate change. This planned expenditure includes \$9.1m for works funded by the government or other agencies.

Table 31: Forecast capital expenditure by cost driver (23/24\$m)

	REGULATORY PERIOD 6					REGULATORY PERIOD 7
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Total	Total
Renewals	20.1	21.1	21.0	17.5	<b>79.7</b>	<b>100.9</b>
Growth	0.0	0.0	0.0	0.0	<b>0.0</b>	<b>0.0</b>
Improvements/compliance	7.7	7.4	4.6	6.1	<b>25.8</b>	<b>37.0</b>
Government contributions	4.6	1.5	1.5	1.5	<b>9.1</b>	<b>0.0</b>
<b>Total capital expenditure</b>	<b>32.4</b>	<b>30.0</b>	<b>27.1</b>	<b>25.1</b>	<b>114.6</b>	<b>137.9</b>

Note: Numbers have been rounded

The proposed capital expenditure of \$114.6 million is approximately 5 per cent above the projected capital expenditure of \$109 million during the current regulatory period. This is due to the renewal of aging assets and the inclusion of major projects, including dam safety projects.

The increased investment cannot be delayed in order to meet our compliance and level of service obligations and some assets have reached the end of their useful life.

We have a strong base to build on and have already implemented a number of changes to support the delivery of a larger program, being:

- improved and more rigorous project planning, management and delivery processes
- raising issues/hard questions early in the project planning process
- implementing our Investment and Project Management Framework gateways
- major projects presented to, and reviewed by executive management to give greater confidence in our ability to deliver

- scalability of resources, as demonstrated with our flood response
- preparing to put in place specialist resources to assist with the initiation of major/dam safety projects in Regulatory Periods 6 and 7.

The key drivers in developing capital expenditure for Regulatory Period 6 include:

- maintaining a stable price path for customers
- meeting agreed levels of service
- using a prudent bottom up, risk based asset management approach in accordance with our Asset Management Strategy.

The expenditure associated with each project has been reviewed and prioritised to ensure it is justified in terms of timing and cost. The deliverability of major projects has been scrutinised and reviewed by executive management to give greater confidence that sufficient planning has been undertaken to support their inclusion in our Price Submission 2024.

During Regulatory Period 6, renewals expenditure is the most significant driver of capital expenditure across the business. This expenditure occurs on assets based on our asset management practices. The asset may be reaching end of life and require replacement, or based on risk (criticality) is at a point in its life cycle that is requires a major refurbishment or replacement to maintain service levels.

We have processes in place to assess, track and report on the condition and performance of our assets through our Asset Management Information System (Maximo) and cyclic inspection programs. This is consistent with the current regulatory period.

Table 32: Forecast capital expenditure by service (23/24\$m)

	REGULATORY PERIOD 6					RP7
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Total	Total
Irrigation, Drainage and Water Supply	16.8	14.9	16.4	14.2	62.3	63.6
Diversions	1.8	1.8	1.8	1.8	7.2	1.4
Bulk Water	8.5	8.4	5.1	5.1	27.1	55.1
Corporate	5.2	4.9	3.9	4.0	18.0	17.8
<b>Total capital expenditure</b>	<b>32.4</b>	<b>30.0</b>	<b>27.1</b>	<b>25.1</b>	<b>114.6</b>	<b>137.9</b>

Note: Numbers have been rounded

## Irrigation and drainage forecast capital expenditure

Irrigation and drainage capital expenditure is forecast at \$62 million. This expenditure will enable us to continue to meet customer service standard expectations and supply serviced properties with consistent flow rates and orders at the time requested, with minimum interruptions to service that result from asset failures, and to remove water in accordance with agreed levels of service.

\$58.2 million of this expenditure relates to gravity irrigation services with drainage, pumped irrigation and water supply districts making up the remainder.

The high level works programs are:

- **Linear Program** - associated with channels and drains, including GMW defined linear treatments, pipelines, access tracks and fencing.
- **Structures Program** - which includes renewing and refurbishing road culverts/bridges, occupational crossings, subways, syphons, beaching and backfilling structures to extend life and the prioritised replacement/upgrade of bridge and culvert guard railing on both irrigation channels and drains.
- **Meters** - includes both irrigation and diversion customer meter replacements.
- **Other** - pump station components, telemetry and communications, etc.

The gravity irrigation expenditure path has been both reduced and smoothed through the Channel by Channel investment approach. Developed by GMW, this approach is a decision-support tool which has a transparent and repeatable process for evaluating and comparing options to maintain or decommission water delivery assets.

The Channel by Channel approach compares different asset management options for potential infrastructure savings, impacts on system operations and costs to remaining customers. It also targets how water recovery can produce infrastructure savings and improve system efficiency while reducing water losses.

## Diversions forecast capital expenditure

Diversions expenditure of \$7.2 million is planned in Regulatory Period 6, primarily for the replacement of failed meters.

Our Metering Action Plan (current State-approved Plan is dated August 2020) sets the current investment path for the business' entire irrigation meter fleet. The capital funding requirement for this price submission is based on the age profiles, historical failure rates and average replacement costs.

## Bulk Water forecast capital expenditure

Capital expenditure of \$27.1 million for bulk water is planned in Regulatory Period 6. This includes business as usual activities comprising small-medium scale renewals projects, three major projects and one dam safety project identified through the 2019 Portfolio Risk Assessment (PRA) which is a dam safety risk assessment of our dams portfolio every 10 years in accordance with ANCOLD guidelines.

This will ensure our continued ability to harvest and store water in provision of bulk water service targets and address the highest priority dam safety risks. Other major projects will commence investigation and design during Regulatory Period 6 in preparation for the following regulatory period and to inform costing and timing of those projects.

The small-medium scale renewal projects are informed by recent comparable projects which provide the most reasonable estimate of expenditure and are supported by an agreed project candidate document that defines the business need and scope of each project.

Also included in bulk water capital expenditure is almost \$3 million for the commencement of investigations and designs for dam safety upgrades and other large projects in future years.

## Corporate services capital expenditure

During Regulatory Period 6, capital expenditure of \$18.0 million has been planned for corporate services (primarily linked to information technology and cyber security). This is higher than the current regulatory period, mainly due to an increase in the plant and equipment replacement program as well as increased demand for Cloud and security upgrades. This will ensure the organisation's increasing reliance on automation is supported by reliable systems and will drive improvements in data management and systems to facilitate more efficient service delivery.

# Major capital projects and programs

An overview of each of our major capital projects and programs by cost is outlined in the tables below, including their drivers, links to outcomes, estimated cost, timing and background. We consider those projects or programs with a total project estimate of approximately \$2.0 million or greater as major, and part of the top 10. The total capital expenditure for the top 10 major projects and programs represents 67 per cent of the planned capital expenditure over Regulatory Period 6.

As all of these projects are yet to commence, they are not subject to any existing competitive tendering or contractual arrangements regarding incentive and penalty payments. Any future contracts will be in accordance with the Victorian Government's procurement processes.

## Major capital projects

Business cases are available for each major project and all projects have assessed various options using statistical analysis via a Monte Carlo simulation, resulting in the forecast capital expenditure for each major project being based on a P50 estimate. One of the projects is in delivery (either construction contracts have been awarded or detail design is in progress). All other projects are commencing detailed design now during 2023/24 (business cases prepared).

The total capital expenditure for the top major projects represents around 11 per cent of the planned capital expenditure over Regulatory Period 6. All other capital projects are included in the capital programs, which are described in the subsequent section of this chapter.

Table 33: Major capital projects (23/24\$m)

\$million	REGULATORY PERIOD 6				Total	Project Total
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast		
Tullaroop upgrade	0.1	0.4	0.2	2.1	2.8	5.7
Laanecoorie spillway	2.1	1.7	-	-	3.8	3.8

Goulburn Weir spillway	0.1	0.4	0.5	0.5	1.5	1.5
Lake Buffalo outlet	1.3	0.1	-	-	1.4	1.4
<b>Major Projects</b>	<b>3.6</b>	<b>2.6</b>	<b>0.8</b>	<b>2.6</b>	<b>9.4</b>	<b>12.4</b>

Note: Numbers have been rounded

**PROJECT: TULLAROOP SECONDARY EMBANKMENT FILTERS UPGRADE**

<b>Cost and timing</b> \$5.7 million (2024-2029)
<b>Service category:</b> Bulk water
<b>Asset category:</b> Headworks
<b>Cost Driver category:</b> Improvements and compliance
<b>Description:</b> Construction of filter buttresses in the secondary embankment.
<b>Outcome:</b> Reliable supply
<b>Current risk rating:</b> Significant
<b>Risk rating post-control:</b> Medium



Figure 6: Tullaroop reservoir

**Background:** The Tullaroop Reservoir stores water for supply to Maryborough township and rural properties along Tullaroop Creek and the Loddon River. A PRA identified structural upgrade works to address the potential piping (internal erosion) through the secondary embankments. This project will consist of works to construct a full height filter buttress in the earth fill embankments to address the critical piping issue.

**PROJECT: LAANECOORIE SPILLWAY AND OUTLET WORKS UPGRADE**

<b>Cost and timing</b> \$3.8 million (2024-2026)
<b>Service category:</b> Bulk water
<b>Asset category:</b> Headworks
<b>Cost Driver category:</b> Renewal
<b>Description:</b> Replacement of assets that are at end of life.
<b>Outcome:</b> Reliable supply
<b>Current risk rating:</b> Significant
<b>Risk rating post-control:</b> Medium



Figure 7: Laanecoorie reservoir

**Background:** Laanecoorie Reservoir's function is to control flows in the Loddon River downstream of Cairn Curran and Tullaroop Reservoirs. A PRA concluded that Laanecoorie has several risks associated with failure of the primary spillway superstructure under flood conditions and failure of the outlet valves to close under normal operating conditions. This project will consist of works to improve the superstructure, tilt gates, outlet valves and associated infrastructure.

**PROJECT: GOULBURN WEIR REPLACEMENT OF GATE PROTECTIVE COATING**

<b>Cost and timing</b> \$1.5 million (2024-2028)
<b>Service category:</b> Bulk water
<b>Asset category:</b> Headworks
<b>Cost Driver category:</b> Improvements and compliance
<b>Description:</b> Construction of filter buttresses in the secondary embankment.
<b>Outcome:</b> Efficient operations
<b>Current risk rating:</b> Significant
<b>Risk rating post-control:</b> Medium



Figure 8: Goulburn Weir



**Background:** The Goulburn Weir controls all water released from Lake Eildon and directs water to over 20,000 GMW customers and regional cities and towns. A 2014 comprehensive dam safety inspection noted the protective coating appeared to be nearing the end of its serviceable life and required close inspection. Given the condition and age of the existing coating at Goulburn Weir, the protective coating is now at end of life and needs to be replaced in order to maintain the life of the radial gates. This project will see the progressive replacement of the protective coating of nine radial gates by a coating specialist.

**PROJECT: LAKE BUFFALO IRRIGATION OUTLETS AND TRASH SCREEN RENEWAL**

**Cost and timing** \$1.4 million (2024-2026)

**Service category:** Bulk water

**Asset category:** Headworks

**Cost Driver category:** Renewal

**Description:** Replacement of valves and trash screens that are at end of the nominal useful life.

**Outcome:** Reliable supply

**Current risk rating:** Significant

**Risk rating post-control:** Medium



Figure 9: Lake Buffalo

**Background:** The water stored in Lake Buffalo is used to supplement flows in the Ovens River for irrigation and urban water supply. There are two conduits that control water releases and the valves have been in place for over 57 years. Both the valves and trash screens have reached the end of the nominal useful life. The project has evaluated various options and configurations of the valves and trash screens and will best enable continuation of existing service standards in a prudent and efficient way.

## Major capital programs

An overview of each of our top programs by total capital value is outlined in the tables below.

The total capital expenditure for the top major programs represents around 56 per cent of the planned capital expenditure over Regulatory Period 6. These programs are outlined in Table 35 with a total expenditure of \$64.4 million.

Each program has been forecast in line with our policy on Cost Estimation and Risk Sharing which includes an appropriate level of contingency based on the current understanding of the program scope and risks. These programs are also supported by program business cases which consider the program drivers, options, expenditures and delivery approaches.

Table 34: Major capital programs (23/24\$m)

\$million	REGULATORY PERIOD 6				Total
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	
Linear Program	5.7	6.4	6.5	6.0	24.6
Structures Program	3.2	3.8	5.0	3.5	15.5
Meter Replacement Program	3.0	3.1	3.0	3.0	12.1
IT Equipment & System Refresh	0.8	1.5	0.9	1.3	4.5
IT Security Program	0.6	0.7	0.3	0.1	1.7
Plant & Equipment Program	1.5	1.5	1.5	1.5	6.0
<b>Major programs</b>	<b>14.8</b>	<b>17.0</b>	<b>17.2</b>	<b>15.4</b>	<b>64.4</b>

Note: Numbers have been rounded




PROGRAM: LINEAR PROGRAM	
<b>Cost and timing</b> \$24.6 million (2024-2028)	
<b>Service category:</b> Irrigation and Drainage	
<b>Asset category:</b> Channels	
<b>Cost Driver category:</b> Renewals	
<b>Description:</b> The Linear Program will continue, and proposes works to assets in poor condition and high maintenance costs whose failure would result in unacceptable risks to the service.	
<b>Outcome:</b> Reliable supply	
<b>Current risk rating:</b> Significant	
<b>Risk rating post-control:</b> Medium	
<p><b>Background:</b> The Linear Program includes works on channel remodeling, bank rehabilitation and protection techniques, pipelines, access tracks and fencing. It covers rehabilitation works on the GMID gravity irrigation delivery network. These channels are assessed to be in poor to very poor condition and have been prioritised with local operations and maintenance staff. In addition to this, all proposed projects are assessed through the “Channel by Channel” tool at meetings with area operations staff and the “Channel by Channel” project team.</p>	

Figure 10: GMW Channel


PROGRAM: STRUCTURES PROGRAM	
<b>Cost and timing</b> \$15.5 million (2024-2028)	
<b>Service category:</b> Irrigation and Drainage	
<b>Asset category:</b> Channels and drains	
<b>Cost Driver category:</b> Renewals	
<b>Description:</b> The Structural Program will continue and provides capital expenditure to replace and refurbish structures, such as road crossings, channel syphons and drainage subways.	
<b>Outcome:</b> Reliable supply	
<b>Current risk rating:</b> Significant	
<b>Risk rating post-control:</b> Medium	
<p><b>Background:</b> The proposed program of replacement and refurbishment of irrigation/drainage structures (bridges, culverts and weirs) mainly focuses on rehabilitation and replacement of structures on drains, irrigation channels, with some targeted backfill and beaching, and guard railing of high risk road structures.</p> <p>The majority of the structures are assessed to be in poor to very poor condition and have been prioritised according to their asset condition rating and through discussions with local operations and maintenance staff.</p>	

Figure 11: Bridge Replacement


PROGRAM: METER REPLACEMENT	
<b>Cost and timing</b> \$12.1 million (2024-2028)	
<b>Service category:</b> Irrigation and Diversions	
<b>Asset category:</b> Channels	
<b>Cost Driver category:</b> Renewals and compliance	
<b>Description:</b> The Meter Replacement Program will continue to replace failed meters with pattern approved and compliant devices.	
<b>Outcome:</b> Compliance	
<b>Current risk rating:</b> Significant	
<b>Risk rating post-control:</b> Low	
<p><b>Background:</b> GMW has a compliance requirement to replace failed flowmeters under our Statement of Obligation (SoO) and Metering Action Plan (MAP) approved by the State.</p>	

Figure 12: GMW Meter

Replacing and upgrading these assets will also maximise the benefits of accurate flowmeters and to ensure the KPIs are aligned to the customer service standards and support the water efficiency targets.

The diversions and GMID metering program is a part of a longer term program where the proposed budget was developed to achieve metering obligations under the National Framework for Non-urban Water Metering – Victorian Implementation Plan March 2010.

The plan was established to outline the basis and costs for the capital replacement program for these meters which are considered grandfathered under the National Measurement Standards (NMS). The program has a focus on reducing the number of customer service points that require upgrading. The approach to the program focused on the upgrade of meters which have reached end of life.

This capital plan focuses on meter replacement to improve the quality of meter accuracy and water sharing arrangements for diversion and irrigation customers.

**PROGRAM: IT EQUIPMENT AND SYSTEM REFRESH**

<b>Cost and timing</b> \$4.5 million (2024-2028)
<b>Service category:</b> Corporate
<b>Asset category:</b> Corporate
<b>Cost Driver category:</b> Improvements and compliance
<b>Description:</b> Various projects to review and replace IT equipment and systems.
<b>Outcome:</b> Responsive services
<b>Current risk rating:</b> Significant
<b>Risk rating post-control:</b> Medium



Figure 13: IT System process

**Background:** Our Price Submission 2024 places significant importance on a justified, regular refresh of client device hardware to provide our employees with access to modern technology and enhance our services for our customers.

This refresh cycle plays a crucial role in equipping our workforce with the latest advancements and capabilities necessary to excel in their roles. By proactively replacing aging hardware, we minimise compatibility issues, reduce the risk of performance bottlenecks, system failures, and productivity disruptions. Additionally, this strategic approach actively addresses security vulnerabilities associated with outdated devices, ensuring a secure work environment for our employees.

The ongoing investment in the regular refresh of client device hardware within this price submission capital works program highlights our commitment to creating a productive, technologically advanced workspace that empowers our employees, fostering their efficiency and success in delivering customer valued services.

**PROGRAM: SECURITY PROJECTS**

<b>Cost and timing</b> \$1.7 million (2024-2028)
<b>Service category:</b> Corporate
<b>Asset category:</b> Corporate
<b>Cost Driver category:</b> Improvements and compliance
<b>Description:</b> Various projects to improve GMW's IT security posture and threat defence.
<b>Outcome:</b> Responsive devices
<b>Current risk rating:</b> Significant
<b>Risk rating post-control:</b> Medium



Figure 14: Cyber Security graphic

**Background:** The proposed capital spend for security projects is fully warranted given the ever-increasing cyber threats, vulnerabilities in critical infrastructure, and the imperative need for robust data protection. By allocating additional capital to cybersecurity initiatives, we prioritise the enhancement of our defenses against cyber-attacks.

This proactive approach not only helps protect critical infrastructure but also safeguards sensitive data, ensuring the confidentiality, integrity, and availability of our systems and information. Moreover, the investment in cybersecurity enables us to foster innovation by creating a secure environment where new technologies can be adopted with confidence.

By addressing emerging technological challenges and staying ahead of evolving cyber risks, we strengthen GMW's resilience, protect our reputation (i.e. through protecting our customer data), and ensure long-term success in the face of an ever-changing threat landscape.

**PROGRAM: PLANT AND EQUIPMENT REPLACEMENT**

<b>Cost and timing</b> \$6 million (2024-2028)
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<b>Service category:</b> Corporate	
<b>Asset category:</b> Mobile Plant and vehicles	
<b>Cost Driver category:</b> Renewals	
<b>Description:</b> Replacement of ageing plant and ensuring all equipment is fit for purpose.	
<b>Outcome:</b> Responsive services and reliable supply	
<b>Current risk rating:</b> Significant	
<b>Risk rating post-control:</b> Low	
<p><b>Background:</b> Our field services unit delivers both construction and maintenance activities across our region, with over \$12 million of capital and \$8 million of maintenance works delivered annually. The unit has approximately 50 full time employees, plus casual staff and contractors. The unit operates a mixture of GMW owned and leased plant and equipment, supplemented by contractors on an as needs basis.</p> <p>This program will replace major maintenance and construction plant and equipment, to ensure:</p> <ul style="list-style-type: none"> <li>• ageing and poor condition plant is replaced</li> <li>• all maintenance plant is fit for purpose</li> <li>• plant meets future requirements of GMW.</li> </ul>	

Figure 15: GMW Plant and Equipment

## Other capital expenditure

Other capital expenditure are discrete programs or projects driven by renewals and compliance, and not considered part of the top capital projects or programs. These include business as usual and small-medium scale water storages renewals projects, facilities renewals projects and purchase of plant and equipment for surveys and the electrical and mechanical team.

The other programs and projects account for approximately 33 per cent of the proposed capital investment over Regulatory Period 6 and are supported by business cases or project candidate documents.

## 10.3 Method for developing the capital program

We have developed a top down and bottom up capital expenditure forecast by service (irrigation and drainage, bulk water and corporate) that is linked to corporate strategies and policies, expenditure drivers, customer/service outcomes, government policy commitments and regulatory obligations.

The following aspects were relevant to the development of our capital program:

- **Corporate strategies**  
GMW's corporate strategies and service plans were reviewed/developed to profile the capital expenditure required for Regulatory Period 6.
- **Asset management practices**  
Our Asset Management Strategy, policies and plans are key documents for the capital forecast as the bulk of the expenditure is related to asset renewals cost. They set out the asset management objectives, principles, high level network planning and management approach to ensure best practice asset management.
- **Business cases**  
Where the need for capital investment was identified and further justification was required, a business case was completed.
- **Channel by Channel Framework**  
The Channel by Channel Framework allows us to make informed decisions about irrigation infrastructure. Our decision-support tool has a transparent and repeatable process for evaluating and comparing options to maintain or decommission water delivery assets.
- **Capital planning and drivers**  
Capital expenditure reflects the ongoing expenditure required to renew the water delivery (irrigation and diversion), water storage (bulk water storage) and other business assets (including ICT assets, and facilities). It also reflects the expenditure required to meet compliance requirements, particularly in relation to safety, dam safety and metering, as well as those which are occurring to improve business service.

- **Risk**  
To ensure best practice asset management compliant with the Department of Treasury and Finance's Asset Management Accountability Framework (AMAF) and alignment with the ISO 55000 standard, GMW uses a bottom up, risk based asset analysis to identify and prioritise the capital plan. Asset condition and consequence of asset failure are key inputs used to determine the most appropriate approach in managing assets. This allows the identification of assets that pose potential unacceptable business risks.
- **Service standards**  
Assets are managed to provide efficient and affordable services to our customers within agreed service standards. The current service standards were co-created with customers in 2020 and have been refined by customers in 2023. All service standards were considered in the development of the capital expenditure forecast and are very much focussed on supplying our customers in a timely and efficient manner, avoiding interruptions, storing water and the systems to support all services.
- **Governance**  
Our Investment and Project Management Framework provides an appropriate governance framework for determining investment expenditure. It ensures ongoing prudent and efficient investment and describes the manner in which we govern and manage the delivery of projects within the business to maintain service standards through renewals or to expand or improve services through improvements/compliance.
- **P50 estimates**  
We have adopted P50 estimates for all major (bulk water) projects and optimised contingency allowances to ensure a robust forecast was achieved for prudent and efficient expenditure.

## Demonstrating prudence and efficiency

Similar to operating expenditure, we have put forward our best offer, considering all of the ESC's detailed requirements contained within its Guidance Paper. We have prepared our capital forecast with consideration to our Asset Management Framework and what is best for the assets into the future rather than "mining" assets to achieve a desired price path. Using the Channel by Channel Framework demonstrates a level of cost efficiency for channel treatments that maintains service levels but considers future costs and requirements of customers.

To ensure the rigour of our proposals, Aither has independently assessed the prudence and efficiency of our forecasts. We have responded to all their recommendations for improvement. An independent statement from Aither regarding their assessment is included in Appendix 8.

## Reflection of customer feedback

We engaged with customers and the community as part of the development of service plans in 2021. The service plans directly informed our price submission and provided input into our price submission engagement program and topics. A deep dive into customer engagement commenced in 2023 with the broader customer base, across the region and online, to understand what services customers value and their thoughts regarding ongoing asset investment.

The capital expenditure forecast did not receive a lot of direct feedback from initial online customer engagement. Much of the feedback was around flood mitigation for Rochester and the future operating arrangements at Lake Eppalock. The Victorian Government is currently undertaking a technical assessment of the operating and infrastructure arrangements at Lake Eppalock and we are supporting and providing input into the assessment. If the study recommends major upgrade works, it is expected that significant design will be required, and all works will fall outside Regulatory Period 6.

Due to the limited feedback from customers regarding capital expenditure, we will continue to focus on the service expectations and requirements of our customers. Currently all capital investment can be related to achievement of service standards. While a lot of the achievement of these service standards can be attributed to proper maintenance, ordering systems and Total Channel Control etc., there comes a point where reinvestment in assets is required.

**Key References:**

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2. Risk Management Policy – A3395664
3. GMW Investment & Project Management Framework – A1252898
4. Dam Safety – Portfolio Risk Assessment – GMW Dams – PRA Strategy Report - Final – A3785629
5. GMW Asset Management Strategy 2024 – A3829155
6. Asset Management – Board Policy – A3838150
7. Risk Management Procedure – A3927850
8. Channel by Channel Framework – A4693872
9. Capital Expenditure Information paper – A4550597
10. Service Standard Outputs 2020-2024 – A3918911
11. Major Projects Business Cases:
  - Laanecoore – A4564830
  - Tullaroop – A4564105
  - Goulburn Weir – A4564103
  - Buffalo – A4550595
12. Major Program Business Cases:
  - Linear – A4666155
  - Structures – A4666153 & A4666147
  - Meters – A4666146
  - IT Equipment & Systems – A4646628
  - IT Security Stream – A4694486
  - Plant & Equipment – A4642539



# 11. Demand

## AT A GLANCE:

- Demand forecasts remain similar to the current regulatory period.
- Comparisons of historic trends show that most of GMW's demands are fixed and do not change significantly year on year.
- Most forecasts of demand for Regulatory Period 6 assume a steady state in line with observed trends.
- A significant proportion of GMW's costs are fixed and insensitive to variations in the volumes of water delivered. As a result, the forecast delivery volumes proposed have only a small impact on the costs included in our Price Submission 2024.

## Demand method

Demand forecasts are an important element of our price submission. The method for developing our forecasts reflects the most recent data available and the assumptions underlying them represent our best expectations of outcomes over the next four years.

Comparisons of historic trends of the demand quantities versus previous forecasts show that most of GMW's demands are fixed and do not change significantly year on year. Some quantities, such as delivery share or service points, have seen reductions over the past decade due to works completed under the Connections Project. A smaller water savings project, the Water Efficiency Project, has commenced, with some slight impacts to the demand quantities coming into effect in 2023/24 and 2024/25.

Most forecasts of demand quantities for our price submission assume a steady state for these quantities, i.e., no increase or decrease to the demand quantity over the period.

There are some variable demand quantities to forecast, notably the volume of delivery within the GMID. We have used the outputs from resource models, run using climate change adjusted inflow sequences, and analysed these in relation to recent historical observation to derive a reasonable forecast for this quantity into the near future.

A significant proportion of GMW's costs are fixed and insensitive to variations in the volumes of water delivered. As a result, the forecast delivery volumes proposed have only a small impact on the costs included in our price submission.

The annual price review gives us the opportunity to update the forecast assumption if conditions change from the present state.

Further technical forecasting information is available in our Demand Data Manual.

## Demand forecasting impacts

### Revenue cap price control

GMW uses the revenue cap price control with 10 per cent rebalancing constraint for its pricing. Unforeseen fluctuations in demand quantities that are observed over the Regulatory Period 6 will be adjusted through the annual price review process and revenue impacts limited through adjustments to the price annually, depending on customer consultation input.

### Connections Project

The Connections Project has been carried out over the past decade and has now concluded. The project's aim was to achieve water savings through measures such as meter upgrades and channel remediation and decommissioning.

The impacts of the Connections Project on demand quantities could be observed primarily through the reduction of the number of service points and a reduction in GMID area loss allowance and corresponding adjustment to entitlement volumes as water savings achieved by the project were converted into water share



entitlements and bulk entitlement volumes. With the Connections Project now completed, no further impact on demand quantities from this project will occur.

## Water Efficiency Project

Like the Connections Project, the Water Efficiency Project (WEP) is a water savings project but over a shorter time frame and much smaller scale - 15.9 GL of water savings versus the 433 GL of savings achieved by the Connections Project. WEP is due for completion in the 2023/24 with impacts on demand quantities from WEP (primarily service points and water share volumes created from water savings) observed through 2023/24 into 2024/25 but not beyond.

## Demand forecasts

The following sections outline the forecasts and forecasting assumptions used to determine the proposed demands for the Regulatory Period 6.

The forecasts included in this section are outlined in Table 35. Further technical forecasting information, including forecast delivery volumes for the pumped districts, infrastructure access volumes for the water supply districts and resource management volumes for the unregulated and groundwater services, are available in our Demand Data Manual.

Table 35: Demand forecasts by service and tariff

Service	Demand forecasts (tariffs)
Customer Service	Customers (Customer Fee)
Water Delivery Services	Delivered volume (Infrastructure Use Fee) Delivery shares (Infrastructure Access Fee) Service points (Service Point fees)
Drainage Services	Drained area (Surface Drainage Area fees) Drained area (Subsurface Drainage Area fees)
Diversion Services	Service points (Service Point fees; Access fees)
Water Storage Services	Entitlement volumes (Entitlement Storage fees; Bulk Water fees)

## Customer service

The Customer Fee recovers the administrative costs of maintaining land and water records, billing, debt management and central customer service.

The Customer Fee replaced the previous Service Fee during the current regulatory period. A step change in the quantities of the Customer Fee was observed when the tariff change was implemented in 2021/22 due to the quantity being adjusted in line with the tariff change. Introduction of the Customer Fee means customers only pay a single fee as a customer, rather than multiple service fees for each service they have with us. This fee is payable by all of our customers.

### REGULATORY PERIOD 5 PERFORMANCE

Our Price Submission 2020 assumed that the number of Customer fees charged for the current regulatory period would remain constant. The Customer Fee forecasts were underestimated by an average of 3,334 per annum than actuals due to the finalisation of the single customer tariff that provided a more accurate reflection of our customer base.

Table 36: Price Submission 2020 - Forecast and Actuals - Customer Fee

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (Service Fee)	33,503	-	-	-
Forecast (Customer Fee)	-	19,958	19,958	19,958
Actual	33,712	22,318	23,874	23,684
<b>Variance</b>	<b>+209</b>	<b>+2,360</b>	<b>+3,916</b>	<b>+3,726</b>

### REGULATORY PERIOD 6 FORECASTS

Customer numbers are stabilising post implementation of the single customer model and we are not anticipating any significant increase or decrease in customer numbers. Therefore, the number of Customer fees for Regulatory Period 6 is assumed to remain constant.

Table 37: Price Submission 2024 - Forecast - Customer Fee

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Customer Fee	23,684	23,684	23,684	23,684	23,684	23,684	23,684	23,684

## Water Delivery Services

### Delivery volume

GMW manages availability of water in accordance with Victoria's water entitlement framework, via the seasonal determination process. Water is made available to customers on an annual basis through seasonal determinations to entitlements.

Total volumes of entitlements for water are capped in northern Victoria, in line with Sustainable Diversion Limits (SDLs) under the Murray Darling Basin Plan (MDB Plan) meaning no new entitlements can be created other than through substitution processes like water savings projects which convert allowances for system operating losses into consumptive water entitlements. This means there is no long term growth in demand, as any new demand for water use needs to be met from the existing pool of entitlements and so would be offset by a reduction in existing demand. Use of water against entitlements is metered to allow an accurate record for billing, but also for compliance purposes to ensure consumption remains within sustainable diversion limits.

### Modelling method

The modelling method used to provide a forecast of GMID delivery volumes utilises resource model runs that have been scaled to recent conditions, specifically storage volumes and expected carryover which drives water availability in the short term. The resource model runs provide a range of potential annual delivery volumes, dependant on the climate scenario. The climate scenario used in the original model runs was a climate adjusted scenario that takes into account predicted impacts of climate change, as developed by the CSIRO for previous system reliability analyses.

Using the modelling method, as used for previous price submissions, a range of potential delivery scenarios are output from the demand model (approximately 100 scenarios based on the climate adjusted historic record), from which the median delivery volume for each year of Regulatory Periods 6 and 7 is the modelled forecast delivery volume. This method ensures all potential delivery scenarios due to climate variability are considered and the selected forecast using the median values ensures the forecast is not improbably high or low due to the climate variability.

### Analysis of recent history of GMID deliveries

One of the limitations of the resource models used in the modelling method for forecasting delivery volumes is the demand model within the resource model is based on the observed historic relationship between water availability and water use. Over the past ten seasons, utilisation of total available water in the GMID has been trending down over time, a trend that is not accounted for by the resource models. Factors such as carryover behaviour and a tendency toward entitlement holders hedging against potential future dry low allocation seasons as opposed to higher utilisation within the current season may help explain this trend.

Forecasts that are based only on the more recent seasons of observed use behaviour provide a better representation of future expected demand. A closer examination of the most recent eight seasons, the GMID delivery volumes in those seasons and the seasonal conditions, as measured by the inflow probability exceedance of both Lake Eildon (Goulburn system major storage) and Lake Hume (Murray system major storage) shows that a wide range of inflow seasons has been experienced over the period, but the period as a whole is not skewed significantly toward either wet or dry conditions. The median delivery volume for the past eight seasons is 925 GL.

### REGULATORY PERIOD 5 PERFORMANCE

Our Price Submission 2020 assumed that delivery volumes were to decline steadily. Actual deliveries over Regulatory Period 5 were quite close to the forecast in years 2020/21 and 2021/22.

Season 2020/21 saw good inflows to storages and a return to full allocation to High Reliability Water Shares (HRWS) in the Murray and Goulburn systems. This was followed up in 2021/22 with another season of good inflows, 100 per cent allocation to Goulburn and Murray HRWS plus 100 per cent allocation to Murray Low Reliability Water Shares (LRWS).

The 2022/23 season, was the third straight La Nina season and was characterised by full storages and flooding in most northern Victorian river systems through late spring. These conditions once again saw very high allocations - 100 per cent allocation to LRWS in both the Murray and the Goulburn systems, but close to no irrigation demand through spring 2022 into summer. Once conditions dried out in summer, irrigation demand

was consistent with that observed in previous seasons and then accelerated in March, which traditionally is a period of high use with the start of autumn annual-pasture watering.

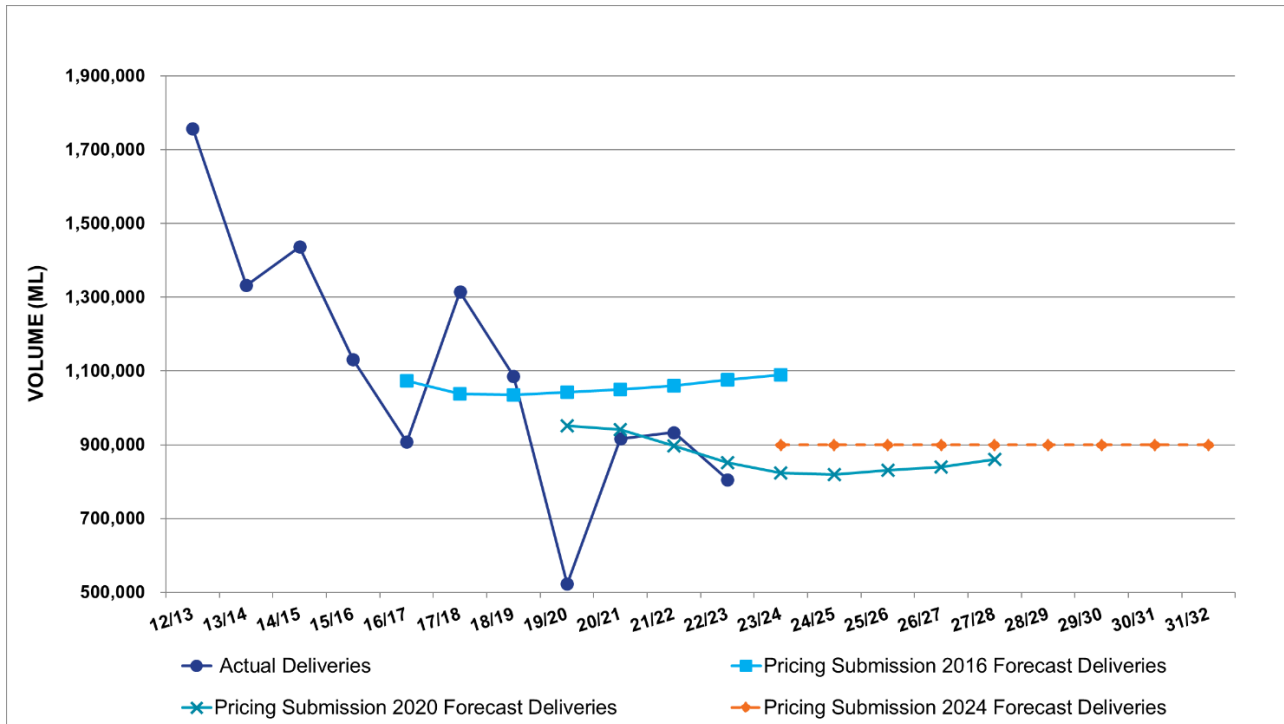
Table 38: Price Submission 2020 - Forecast and Actuals - Delivery volumes

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ML)	951,264	905,847	860,823	832,302
Actual (ML)	914,362	933,448	808,173	900,000
<b>Variance</b>	<b>-36,902</b>	<b>+27,601</b>	<b>-52,650</b>	<b>+67,698</b>

### REGULATORY PERIOD 6 FORECASTS

A forecast annual delivery volume of 900 GL is being used for Regulatory Periods 6 and 7 (Figure 16). 900 GL is close to the eight-year median average volume of 925 GL but adjusted down slightly to account for the more recent four year median average being a lesser volume of 861 GL.

Figure 161: Price Submission 2024 - Forecast – GMID Delivery volumes



An annual forecast of 900 GL does not mean that each season’s delivery volume is expected to be 900 GL. This is clearly unrealistic given the variability year on year as shown. However, a forecast volume of 900 GL will provide the lowest risk of variance between the forecast delivery volume for pricing and the actual delivery volume recorded in any of the coming years. This will then require smaller price adjustments to balance out the fluctuations in delivery volumes as the demand quantities are updated through the annual price review process.

Table 39: Price Submission 2024 - Forecast – gravity irrigation delivery volumes

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Forecast (ML)	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000

There has been recent media speculation regarding the MDB Plan and whether further buybacks of irrigator entitlements may be made by the Commonwealth Government to meet MDB Plan commitments. Given the uncertainty of whether buybacks will occur and if so, how and when they would occur, the potential impacts on future GMID delivery volumes from buybacks has not been accounted for in this forecast.

## Delivery Shares

A delivery share is an entitlement to have water delivered to a serviced property in an irrigation district. It gives access to a share of the available capacity in the channel or piped network that supplies water to the property.

It is defined by a flow rate (megalitres per day), which establishes how deliveries will be shared if demand for water exceeds delivery capacity over a period.

For GMW pricing, the Infrastructure Access Fee applies to customers' delivery shares. This fee is an annual fixed charge per delivery share and is the primary charge used to recover the costs of the irrigation districts. Termination of delivery share incurs a Termination Fee which is equivalent to ten times the Infrastructure Access Fee – this means that in the short-term, Infrastructure Access Fee revenue is stable if delivery share is terminated (delivery share quantity reduces).

## REGULATORY PERIOD 5 PERFORMANCE

The Connections Project and WEP have occurred over the past decade and accounted for some of the reduction in delivery share observed over the period. Accounting for the reductions due to the Connections Project, the delivery share quantities remain stable, with any fluctuation generally less than 1 per cent annual change.

The Irrigators' Share Distribution (ISD) is the component of water recovered through the Connections Project that the Victorian Government committed to provide to delivery share holders within the GMID. The ISD has been distributed directly to GMID delivery share holders as per Irrigators' Share Consultative Committee recommendations.

There was speculation that GMID customers would use the financial value of their irrigators share distribution to terminate their delivery share in some parts of the network. To date, there has been little evidence that this has or will occur to any significant extent.

Table 40: Price Submission 2020 forecast and actuals – total gravity irrigation delivery shares

REGULATORY PERIOD 5				
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ML/d)	15,312	15,312	15,310	15,310
Actual (ML/d)	15,232	15,222	15,128	15,128
<b>Variance</b>	<b>-80</b>	<b>-90</b>	<b>-182</b>	<b>-182</b>

## REGULATORY PERIOD 6 FORECASTS

Delivery share quantities are expected to remain constant over Regulatory Period 6. A steady state assumption for this quantity is consistent with what has been observed in recent years.

Table 41: Price Submission 2024 forecasts – gravity irrigation delivery shares

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Forecast (ML/d)	15,128	15,128	15,128	15,128	15,128	15,128	15,128	15,128

## Service Points

A service point connects customer properties to GMW assets in an irrigation or water supply district. The demand forecasts for service points used in this price submission are based on the number and type of service points held by customers over Regulatory Period 6.

## REGULATORY PERIOD 5 PERFORMANCE

Service points were forecast to remain constant over the current regulatory period. The Connections Project and WEP accounted for some reduction in overall service point numbers observed over the period due to meter upgrades and rationalisation works that occurred at the end of the project.

The Mitiamo pipeline, which commenced operation in 2020/21 accounted for 180 new customers and around 370 new service points.

Accounting for the reductions due to the Connections Project and WEP, as well as the increases due to the Mitiamo pipeline, the overall number of service points does not change significantly over time.

Table 42: Price Submission 2020 forecast and actuals – service points

REGULATORY PERIOD 5				
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast	26,673	26,673	26,673	26,673
Actual (number)	26,414	26,661	26,581	26,434
<b>Variance</b>	<b>-259</b>	<b>-12</b>	<b>-92</b>	<b>-239</b>

Note: table reports the sum service points across irrigation and water supply districts

## REGULATORY PERIOD 6 FORECASTS

Forecasts are based on a steady state assumption as there is no anticipated growth or decline in service points over Regulatory Period 6. A steady state assumption for this forecast is consistent with what has been observed in actuals over the current regulatory period, which only evidenced an on average 1.2 per cent annual discrepancy between the forecast and actual quantity.

Table 43: Price Submission 2024 forecasts – service points

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Service Points	26,434	26,434	26,434	26,434	26,434	26,434	26,434	26,434

Note: table reports the sum service points across irrigation and water supply districts

## Drainage Services

### Surface drainage

We provide a surface drainage service to customers, dependant on the location of their properties in relation to the surface drain network. The Area Fee is levied on customers for this service on a district or area basis and based on the area drained.

### REGULATORY PERIOD 5 PERFORMANCE

Area fees were forecast to remain constant over the current regulatory period consistent with historical trends that declined at an annual average rate of 0.1 per cent per annum. The observed demand over the period showed little variance and was in line with steady state forecast.

Table 44: Price Submission 2020 forecast and actuals – surface drainage area fees (hectares)

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ha)	277,100	277,100	277,100	277,100
Actual (ha)	264,949	265,278	263,980	263,980
<b>Variance (ha)</b>	<b>-12,151</b>	<b>-11,822</b>	<b>-13,120</b>	<b>-13,120</b>

Note: table reports the sum total of hectares across all districts

## REGULATORY PERIOD 6 FORECASTS

A steady state assumption for the area of surface drainage has been made for Regulatory Period 6. However an increase occurs in 2025/26 as Community Surface Drains are combined with Primary Drains.

Table 45: Pricing Submission 2024 forecasts – surface drainage area fees (hectares)

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Forecast (ha)	263,980	269,020	268,938	268,866	268,565	268,300	268,064	267,853

Note: table reports the sum total hectares across all districts

### Subsurface drainage

Customers are charged for a subsurface drainage service dependant on where their properties are located in relation to the GMW network of groundwater control pumps. The pumps are operated by us to manage the impacts of high water table levels and salinity. Subsurface drainage customers are levied an Area Fee based on the area drained.

### REGULATORY PERIOD 5 PERFORMANCE

Hectares for the Area Fee were forecast to remain constant over the current regulatory period consistent with historical trends that declined at an annual average rate of less than 1 per cent per annum. The observed demand over the period showed little variance and was in line with steady state forecast.

Table 46: Price Submission 2020 forecast and actuals - subsurface drainage area fee (hectares)

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ha)	54,650	54,650	54,650	54,650
Actual (ha)	54,098	54,258	53,629	53,632

<b>Variance (ha)</b>	<b>-552</b>	<b>-392</b>	<b>-1,021</b>	<b>-1,018</b>
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Note: table reports the sum total hectares across all districts

## REGULATORY PERIOD 6 FORECASTS

A steady state assumption for the area of subsurface drainage has been made for Regulatory Period 6. This is consistent with recent observations and reflects expectations that significant fluctuations are unlikely, noting small increases or decreases can occur on an annual basis

Table 47: Price Submission 2024 forecasts - subsurface drainage area fee (hectares)

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Forecast (ha)	53,632	53,632	53,632	53,632	53,632	53,632	53,632	53,632

Note: table reports the sum total hectares across all districts

## Diversions Services

Diversion customers include those who pump water directly from regulated and unregulated rivers, streams and creeks, and groundwater. There are no variable charges for diversions customers.

### REGULATORY PERIOD 5 PERFORMANCE

Access Fee (per service point) for diversions were forecast to remain constant over the current regulatory period consistent with historical trends. A small positive variance was observed compared to the forecast for the period.

Table 48: Price Submission 2020 forecast and actuals - Access Fee (Service Points)

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Access fee	11,634	11,634	11,634	11,634
Actuals	11,763	11,837	11,712	11,755
<b>Variance</b>	<b>+129</b>	<b>+203</b>	<b>+78</b>	<b>+121</b>

Note: table reports the sum service points across surface water and groundwater customer groups.

## REGULATORY PERIOD 6 FORECASTS

A steady state assumption for the number of diversion service points has been made for Regulatory Period 6. This is consistent with recent observations and reflects expectations that significant fluctuations are unlikely, noting small increases or decreases can occur on an annual basis.

Table 49: Price Submission 2024 forecasts - Access Fee (Service Points)

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Access Fee	11,755	11,755	11,755	11,755	11,755	11,755	11,755	11,755

Note: table reports the sum service points across surface water and groundwater customer groups

## Water Storage Services

GMW operates water storages to harvest and store water for customers in line with the provisions of Bulk Entitlements. Customers receive water allocated to their entitlements, based on water availability, for rural, urban and environmental use in northern Victoria (and beyond).

We have a number of responsibilities under appointments as the storage manager, resource manager and authority appointed under section 64B of the Water Act 1989 to make seasonal determinations, for northern Victorian declared water systems.

The Entitlement Storage and Bulk Water fees cover the cost of operating and maintaining water storages that service the regulated river systems. The costs are charged per ML of the type of entitlement held.

There has been recent media speculation regarding the MDB Plan and whether further buybacks of irrigator entitlements may be made by the Commonwealth Government to meet MDB Plan commitments. If buybacks were to occur, volumes of entitlement would shift ownership between private owners and the Commonwealth Environmental Water Holder, however this would not affect overall volumes of entitlement incurring storage service charges and thus have no revenue impact.



## Entitlement Storage fees (Water Shares)

Entitlement Storage fees are payable by customers with water shares for regulated systems.

Water shares are also held by rural and urban users and environmental water holders, primarily the Commonwealth Environmental Water Holder (CEWH), who is the largest holder of entitlement across the systems.

Volumes of water shares are expected to remain reasonably constant over time, with fluctuation in volumes over recent seasons explained by:

- issuing of the ISD from the Connections Project - this accounts for the jump in volumes seen in the 2021/22 season (Tables 50 and 51 below)
- transfer of water shares between GMW and Lower Murray Water (LMW) customers – recovery of costs of water shares held by GMW customers are recovered via the GMW Entitlement Storage Fee, whereas water shares held by LMW customers are recovered by GMW through Bulk Water charges to LMW. The proposed transition of Bulk Water charges to a system price in line with the Entitlement Storage Fees (as discussed in the Tariff section) is expected to reduce the driver of this transfer
- final issue of water shares to CEWH from the Connections Project.

### REGULATORY PERIOD 5 PERFORMANCE

Table 50: Price Submission 2020 Forecast and actuals - ESF HRWS volumes (ML)

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ML)	2,132,700	2,132,725	2,132,725	2,132,725
Actual (ML)	2,143,806	2,211,324	2,177,037	2,199,107
<b>Variance</b>	<b>+11,106</b>	<b>+78,599</b>	<b>+44,312</b>	<b>+66,382</b>

Note: table includes the sum of volumes across all GMW Basins.

Table 51: Price Submission 2020 forecast and actuals - ESF LRWS volumes (ML)

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ML)	818,310	818,310	818,310	818,310
Actual (ML)	820,880	854,706	852,234	860,501
<b>Variance</b>	<b>+2,570</b>	<b>+36,396</b>	<b>+33,924</b>	<b>+42,191</b>

Note: table includes the sum of volumes across all GMW Basins.

### REGULATORY PERIOD 6 FORECASTS

We expect that the volumes of water shares and bulk entitlements will remain constant for Regulatory Period 6. An exception to this assumption is an increase to the Goulburn and Murray HRWS and LRWS volumes due to be issued to the CEWH from the finalisation of WEP.

The volume of savings from the project is expected to be around 16 GL of long-term average (LTA) equivalent in total and so will be relatively small compared to overall system entitlement volumes. Translation of the LTA volume into HRWS and LRWS and issue to the CEWH occurred prior to season 2023/24. From a water resource and pricing perspective, the creation of these new entitlements is balanced out by a reduction in GMID area loss allowances.

Table 52: Price Submission 2024 forecasts - ESF HRWS volumes (ML)

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Goulburn System	1,166,313	1,166,313	1,166,313	1,166,313	1,166,313	1,166,313	1,166,313	1,166,313
Murray System	1,040,836	1,040,836	1,040,836	1,040,836	1,040,836	1,040,836	1,040,836	1,040,836
<b>Total ESF HRWS</b>	<b>2,207,149</b>	<b>2,207,149</b>	<b>2,207,149</b>	<b>2,207,149</b>	<b>2,207,149</b>	<b>2,207,149</b>	<b>2,207,149</b>	<b>2,207,149</b>

Note: Goulburn system includes the Bullarook, Loddon, Campaspe, Goulburn and Broken basins, the Murray system includes the Ovens and Murray basins.

Table 53: Price Submission 2024 forecasts - ESF LRWS volumes (ML)

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Goulburn System	516,275	516,275	516,275	516,275	516,275	516,275	516,275	516,275
Murray System	346,707	346,707	346,707	346,707	346,707	346,707	346,707	346,707
<b>Total ESF LRWS</b>	<b>862,982</b>	<b>862,982</b>	<b>862,982</b>	<b>862,982</b>	<b>862,982</b>	<b>862,982</b>	<b>862,982</b>	<b>862,982</b>

Note: Goulburn system includes the Bullarook, Loddon, Campaspe, Goulburn and Broken basins, the Murray system includes the Ovens and Murray basins.

## Bulk Water

Bulk Water fees are payable by Bulk Entitlement holders - Victorian urban and rural water corporations and the Victorian Environmental Water Holder (VEWH). We are currently consulting with other bulk entitlement holders to remove the basin price tariff and move all storage service charges to the system price. This would mean bulk entitlement volumes incur the system price along with water share volumes.

This tariff arrangement is not expected to be in place by the start of Regulatory Period 6 but the bulk water entitlement quantities are not forecast to change as a result of a shift from a Basin to System tariff.

The harvesting capacity of the water systems underpins the entitlements in those systems. High reliability water entitlements have a high chance of receiving full seasonal allocation, while low reliability water entitlements have a much lower chance of receiving full seasonal allocation.

### REGULATORY PERIOD 5 PERFORMANCE

Table 54: Price Submission 2020 forecast and actuals - HR bulk entitlement volumes (ML)

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ML)	678,613	678,613	678,613	678,613
Actual (ML)	657,656	674,488	657,336	669,008
<b>Variance (ML)</b>	<b>-20,957</b>	<b>-4,125</b>	<b>-21,277</b>	<b>-9,605</b>

Table 55: Price Submission 2020 forecast and actuals - LR bulk entitlement volumes (ML)

	REGULATORY PERIOD 5			
	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Forecast (ML)	301,035	301,035	301,035	301,035
Actual (ML)	302,682	302,735	332,664	334,110
<b>Variance (ML)</b>	<b>+1,647</b>	<b>+1,700</b>	<b>+31,629</b>	<b>+33,075</b>

Variations to the volumes of high and low reliability bulk entitlements over the period are due to the conversion of provisional entitlements into enduring bulk entitlements, as part of the completion of the Connections Project.

### REGULATORY PERIOD 6 FORECASTS

The volumes for High Reliability (HR) and Low Reliability (LR) bulk entitlements in the Goulburn and Murray systems are forecast to remain constant over time, reflective of historic performance. Small reductions have been made to the HR volumes, 2,000 ML in the Goulburn system and 29,609 ML in the Murray system, commencing in 2024/25, in expectation of environmental water headworks charges policies being developed by DEECA, which may result in fees no longer applying to this volume of environmental entitlements.

Table 56: Price Submission 2024 forecasts - HR bulk entitlement volumes (ML)

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecas	2025/26 Forecas	2026/27 Forecas	2027/28 Forecas	2028/29 Forecas	2029/30 Forecas	2030/31 Forecas	2031/32 Forecas
Goulburn System (ML)	168,093	168,093	168,093	168,093	168,093	168,093	168,093	168,093
Murray System (ML)	469,306	469,306	469,306	469,306	469,306	469,306	469,306	469,306
<b>Total HR BE Volume</b>	<b>637,399</b>	<b>637,399</b>	<b>637,399</b>	<b>637,399</b>	<b>637,399</b>	<b>637,399</b>	<b>637,399</b>	<b>637,399</b>

Note: Goulburn system includes the Bullarook, Loddon, Campaspe, Goulburn and Broken basins, the Murray system includes the Ovens and Murray basins

Table 57: Price Submission 2024 forecasts - LR bulk entitlement volumes (ML)

	REGULATORY PERIOD 6				REGULATORY PERIOD 7			
	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast	2031/32 Forecast
Goulburn System	198,527	198,527	198,527	198,527	198,527	198,527	198,527	198,527
Murray System (ML)	135,584	135,584	135,584	135,584	135,584	135,584	135,584	135,584
<b>Total LR BE</b>	<b>334,110</b>	<b>334,110</b>	<b>334,110</b>	<b>334,110</b>	<b>334,110</b>	<b>334,110</b>	<b>334,110</b>	<b>334,110</b>

Note: Goulburn system includes the Bullarook, Loddon, Campaspe, Goulburn and Broken basins, the Murray system includes the Ovens and Murray basins.

## Price elasticity of demand

In preparing the demand forecasts, it was determined that the effect of price elasticity is marginal. Our dominant fixed pricing structure combined with the limits of our infrastructure and underlying water service requirements of our customer base mean that dramatic price changes and associated changes to demands are unlikely.

This is also the case when considering the potential impact of fluctuating commodity prices on irrigation demand. Our region has sufficient diversity of crop and product types, an established allocation trade market and the ability for customers to carryover unused allocation from one season into the next.

These factors allow for irrigation demand for any particular product type that might be impacted by fluctuations in commodity prices to be balanced by demand for other products or balanced over time through use of carryover, so that aggregated demand across the region over the medium term is not significantly impacted. Elasticity will be most evident in how customers respond to allocation (or temporary) trade prices in the water market.

However, as explored with the GMID delivery volume forecasts, large volumes of available water that, all other things being equal, translates into lower allocation trade prices, does not necessarily translate into higher volumes of delivery within the GMID.

## Demand management

GMW manages the availability of water in accordance with Victoria's water entitlement framework, via the seasonal determination process. Water is made available to customers on an annual basis through seasonal determinations to entitlements.

Seasonal determinations are set and then increased through the season depending on available water, primarily water held in storage, versus an assessment of water requirements for the season to cover storage evaporation losses, river losses, etc.

Allocation policies, as specified in GMW's legislated Bulk Entitlements, define conditions around how much water should be set aside for subsequent seasons versus allocated to entitlements and made available to customers in the current season.

Total volumes of entitlements for water are capped in northern Victoria, in line with Sustainable Diversion Limits (SDLs) under the MDB Plan meaning no new entitlements can be created other than through substitution processes like water savings projects, which convert allowances for system operating losses into consumptive water share entitlements. This means there is no overall growth in demand, as any new demand for water use needs to be met from the existing pool of entitlements and so would be offset by a reduction in existing demand.

### Key References:

1. Demand Data Manual – A4536899
2. Historical Trends Demand Model – A4539255
3. Irrigation Delivery Data – A1252898
4. GMID Delivery Forecasts – A4555969

# 12. Tariffs

## AT A GLANCE:

- Tariff changes are proposed for surface and subsurface drainage in the GMID. Transition plans will provide time for impacted customers to adjust.
- Tariff changes are proposed for bulk water, with implementation proposed from 2025/26.
- A number of individual prices (including some for GMID drainage) will increase by more than 10 per cent in real dollars, but impacts on customers are either minor, offset by other changes or include transitions to assist customers adjust.
- Extensive engagement has been undertaken but feedback has been limited.

## Prices and tariff structures

To inform our tariff reform journey, GMW has had regard for the requirements of the Water Industry Regulatory Order (WIRO), the ESC Guidance Paper including the tariff principles listed in Table 3.5, the Australian Competition and Consumer Commission (ACCC) Water Charge Rules and the Water Act 1989.

We have considered changes to tariff structures for Regulatory Period 6 for our bulk water and environmental services, as well as a consolidation of our drainage tariffs, and have engaged extensively with customers on these issues in developing the proposals.

Table 58: Overview of proposed changes to prices and tariff structures

SERVICE	PROPOSED CHANGE	RATIONALE
Customer	• No change	The current tariff for Customer Fee and Water Register Fee have been retained without change.
Water Delivery	• No change	The current tariffs for water delivery services have been retained without change.
Surface Drainage	• Tariff change • Price movement	Improvement in cost-reflectivity and simplification of tariff structure. There will be resultant price movement.
Subsurface Drainage	• Tariff change • Price movement	Improvement in cost-reflectivity and simplification of tariff structure. There will be resultant price movement.
Diversions	• No change	The tariff and prices for unregulated diversions have been reviewed in response to requests from a small group of customers and in accordance with ESC Guidance Paper. No changes are proposed for diversion tariffs as they remain aligned with ESC pricing principles and reflect the outcomes from extensive customer engagement with the wider diversions customer base.
Water Supply	• Price movement	The current tariffs for water supply services have been retained without change. There will be price movement for Cosgrove/Tungamah customers, resulting from an adjustment of entitlements to reflect actual level of service provided.
Bulk Water	• Tariff change	Moving from Basin to System pricing.

# Tariff structure changes

We are proposing to simplify our surface and subsurface drainage tariff structure to respond to clear customer feedback for pricing to be more cost-reflective, simpler, easier to understand and broadly equitable. We are also to reform the way costs of storage services are shared between bulk entitlement holders.

Various engagement opportunities enabled individual customers to express their views on various elements of our service plans and price submission, including the proposed changes to service standards, the operational and capital expenditure programs and the move from basin to system pricing.

Table 59: Proposed tariff structure changes

DRAINAGE	
Surface Drainage	

**CURRENT STATE:** Surface drainage enables the removal of excess water from the surface of serviced properties in irrigation districts. Primary surface drains are the ‘backbone’ of the GMID surface drainage network. They provide access for drainage of water from properties and also outfalls for GMW and private Community Surface Drains (CSDs) and other drains.

Until now, the main purpose of GMW surface drains has been to remove the irrigation-induced component of rainfall runoff. With changing catchment conditions, the nature and benefits from the surface drainage service are changing due to:

- a reduction in total rainfall while the maximum intensity of rain events is expected to increase with climate change
- a reduced irrigation footprint together with improved on-farm water use efficiency.

These changes mean irrigation-induced rainfall runoff has effectively been eliminated for rain events up to the drains’ design event (rainfall intensity and frequency). Nearly all flow now occurs from rainfall events greater than the drains are built to handle.

The GMID Drainage Management Strategy recognises the amount of water in drains has reduced significantly since the 1990s. Base flows in drains are all but non-existent now, whereas previously they carried significant volumes from applied irrigation water runoff and channel outfalls, and flows were generally quite high across the irrigation season.

Table 60: Surface drainage tariff elements

Fee Element	Units	Primary Surface Drainage	GMW Managed CSD	Drainage Diversion
Area	\$ / Ha (fixed)	✓		
Water Use	\$ / ML (variable)	✓		
Rating Division	1 – 8 (individual property)	✓		
Drainage Diversion Site	\$ / Each			✓
Drainage Diversion Site (High Flow)	\$ / Each			✓
Drainage Diversion Agreement	\$ / ML (fixed)			✓
Community Surface Drainage	\$ / km (fixed)		✓	

**DRIVER FOR CHANGE:** GMW was involved in developing the GMID Drainage Management Strategy with various stakeholders including DEECA, Goulburn Broken CMA, North Central CMA, AgVic and drainage customer representatives. The GMID Drainage Management Strategy provides a clear direction for the future management of drains in the GMID. It identified that many aspects of our drainage management including current drainage tariff structures and pricing are still set in the context of the 1990s. Over the last three decades significant catchment and land use changes have occurred and are continuing to impact the nature of drainage needs across the GMID.

Current pricing structures no longer add sufficient value, and it is considered timely for us to review our current suite of pricing approaches. Simplifying the administrative structures of drainage could make GMID drainage services more adaptable and resilient.

**PROPOSAL:** We are proposing to simplify the surface drainage tariff structure and make it more reflective of the current environment and cost drivers.

Table 61: Proposed changes to surface drainage tariff.

Category	Proposed Change	Change Summary	Timing
Pricing entity amalgamation	Combine GMW Primary and GMW	<ul style="list-style-type: none"> <li>• No change to the service level – GMW primary and CSDs provide the same level of service.</li> </ul>	From July 2025

	Community Surface Drains	<ul style="list-style-type: none"> <li>On-going costs of service provision are the same.</li> <li>Would affect approximately 160 GMW CSD properties.</li> <li>The Primary Surface Drain division for the GMW CSD properties would be revised to have regard for the different cost-sharing model used when they were constructed.</li> </ul>	
Pricing entity amalgamation	Reduce the number of GMW Primary Surface Drain pricing entities to reflect current circumstances and needs	<ul style="list-style-type: none"> <li>Murray Valley and Shepparton amalgamated to East Surface Drainage.</li> <li>Central Goulburn and Rochester amalgamated to Central Surface Drainage.</li> <li>Loddon Valley and Torrumbarry amalgamated to West Surface Drainage.</li> <li>Tyntynder would remain stand-alone, pending further review during Regulatory Period 6, given its different nature (pumped outfall) and associated costs.</li> <li>The Area Fee and Water Use Fee within each of East, Central and West would be merged over Regulatory Period 6.</li> </ul>	
Tariff	Drain Diversion	<ul style="list-style-type: none"> <li>Implementation of a standard Drain Diversion Site Fee of \$55 (currently these vary from \$55 to \$220) and removal of the Agreement Volume Fee.</li> <li>The proposed change affects agreement holders in Murray Valley, Shepparton, Central Goulburn and Rochester (these arrangements already exist for Loddon Valley, Torrumbarry and Tyntynder).</li> </ul>	From July 2024
Tariff	Water Use Fee	<ul style="list-style-type: none"> <li>Gradual reduction in Water Use Fee revenue with its phase out over 8 years to 2031/32.</li> <li>More efficient use of water on properties means the irrigation induced component of rainfall runoff and irrigation tailwater are no longer drivers of drain costs.</li> <li>Will be accompanied by an increase in Area Fee, recognising that rainfall runoff from irrigated and unirrigated land is now similar.</li> </ul>	Phase out over the period 2024 – 2032.
Tariff	Drainage Divisions	<ul style="list-style-type: none"> <li>Review the drain division rules and administration requirements during Regulatory Period 6 and, if appropriate, develop a change proposal for implementation in the period 2028 – 2032. This will include establishing arrangements for Drainage Course Declaration properties.</li> </ul>	

**PRICING PRINCIPLES:** The key principles informing the proposal are cost-reflectivity, administrative simplicity, ease of understanding and customer support.

**CUSTOMER IMPACT:** About half of the properties in the GMID have surface drainage and for those drainage is typically around 10 per cent of their total bill. For those with drainage, modelling estimates that 90 per cent of customers will see a reduction in the drainage component of their bill or an increase of less than \$200. Two to three per cent of customers will see an increase of over \$500 and we are proposing an eight-year implementation to enable time for this transition.

**CUSTOMER ENGAGEMENT:** We have held extensive engagement sessions including various workshops and drop-in sessions with drainage customers to explore their views on the surface drainage service. Some drainage customers feel that they are not getting the same value for money they were in the past and that their drainage service expectations and perceptions of value are changing.

We recognise that customer understanding of the surface drainage tariff structure is limited and the different application of charges may confuse customers. Drainage customers have communicated their desire for drainage pricing to be simpler, easier to understand and broadly equitable.

Most customers participating in our price submission engagement program have supported the drainage change rationale and proposed changes. The two main concerns raised have been:

- potential for cross-subsidy arising from the proposed amalgamation of Primary Surface Drain pricing entities. We believe that the service provided and the circumstances and needs for drainage in the proposed amalgamations are similar and that current differences in price are not linked to fundamental differences in costs of service provision. We are proposing a four-year transition for this aspect of the proposed tariff change.
- phase out of the Water Use Fee. Landowners that do not irrigate believe that irrigated properties generate more run-off to drains and therefore drain management costs. That was certainly the case in the 1990s when the current tariffs were implemented but changed catchment conditions and on-farm water management mean this is no longer true. We are proposing an eight-year transition for this aspect of the proposed tariff change.



## DRAINAGE

### Subsurface Drainage

**CURRENT STATE:** Subsurface drainage involves pumping from shallow groundwater systems to provide water table control and salinity mitigation to land within the zone of the pumps. In the Shepparton Irrigation Region (SIR), targeted subsurface drainage is provided by GMW groundwater pumping in higher-risk areas.

Reduced rainfall, better irrigation management and surface drainage systems reduce accessions to the water table. Lower water tables reduce salinity risk and the need for pumping. In some locations, the reduced risk has enabled pumps to be de-activated. At this stage, none are being decommissioned, enabling them to be brought back into operation if required. There are on-going costs associated with de-activated pumps.

The current tariff structure takes into account the area of a property protected by the pumps, the water use by the property and its service level (determined by the degree of protection provided and the land use). Catchment conditions and on-property water management have changed, and irrigation contributions are much lower and water table benefits much reduced in many areas due to general falls in regional water tables.

Table 62: Subsurface drainage tariff elements

Fee Element	Units	GMW Subsurface Drainage
Local Benefit Area	\$ / Ha (fixed)	✓
Local Benefit Water Use	\$ / ML (variable)	✓
Service Level	0 – 5 (individual property)	
Municipal Local Benefit Area	\$ / Ha (fixed)	✓

**DRIVER FOR CHANGE:** The GMID Drainage Management Strategy provides a clear direction for the future management of irrigation drainage in the GMID. It identified that many aspects of our drainage management including current drainage tariff structures and pricing are still set in the context of the 1990s.

Tariffs were developed based on the contribution of irrigation application to water table levels and also on the water table control benefits delivered to properties under the prevailing high water table conditions - the catchment has changed, and regional water tables and irrigation contributions are much lower.

A number of customers do not understand the rules used to assign a service level to their properties. As well, there are more fundamental questions about whether the current service level rules, designed in the early 1990s, remain suitable.

**PROPOSAL:** We are proposing to simplify the subsurface drainage tariff structure and make it more reflective of the current environment.

We understand a number of customers do not understand the rules used to assign a service level to their properties. As well, there are more fundamental questions about whether the current service level rules, designed in the early 1990s, remain suitable. We intend to review the service level rules during Regulatory Period 6 and, if appropriate, develop a change proposal for implementation in Regulatory Period 7.

Shepparton Irrigation Area subsurface drainage properties currently do not pay subsurface drainage fees. Proposed tariff and prices for these customers will be developed as part of the service level review.

Table 63: Proposed changes to subsurface drainage tariff

Category	Proposed Change	Change Summary	Timing
Pricing entity amalgamation	Reduce the number of pricing entities to reflect current circumstances and needs.	<ul style="list-style-type: none"> <li>Murray Valley and Shepparton amalgamated to East Subsurface Drainage</li> <li>Central Goulburn and Rochester amalgamated to Central Subsurface Drainage</li> </ul>	July 2024
Tariff	Water Use Fee	<ul style="list-style-type: none"> <li>Phase out the Water Use Fee over Regulatory Periods 6 and 7.</li> <li>The phase-out is intended to give those affected by the proposed change sufficient time to adjust.</li> </ul>	Phase out over the period 2024 – 2032.

**PRICING PRINCIPLES:** The key principles informing the proposal are cost-reflectivity, administrative simplicity, ease of understanding and customer support.

**CUSTOMER IMPACT:** Subsurface drainage is provided to approximately 1050 properties and makes up a small component of those customers' bills. There will be no impact for Murray Valley and Shepparton customers whose properties have subsurface drainage. The subsurface drainage component of bills will decrease for Rochester customers and modelling indicates there will be a reduction or an increase of less than \$100 for 99 per cent of Central Goulburn customers.

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**CUSTOMER ENGAGEMENT:** We have held extensive engagement sessions including various workshops and drop-in sessions with drainage customers to explore their views on the drainage service.

We received very limited feedback on the proposed changes, but those that did indicated support.

## BULK WATER

### Basin to System Pricing

**CURRENT STATE:** GMW is the Minister for Water's current appointee for provision of storage manager and resource manager services in the Broken, Bullarook, Campaspe, Goulburn, Loddon, Murray and Ovens basins.

The bulk and environmental entitlement Ministerial orders held by water corporations and the VEWH set out their entitlements to water and their obligations in relation to payment for services provided to them by the storage manager and resource manager .

Currently the costs of service provision, the range of storage services and reliability of entitlements vary considerably between individual basins

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**DRIVER FOR CHANGE:** We believe the proposed approach results in a fairer outcome. It would align the bulk water pricing method with that approved by the ESC for Entitlement Storage fees, an outcome the ESC considers to be more cost-reflective (see the ESC Guidance Paper).

**PROPOSAL:** We are proposing a cost sharing model so that rather than the costs of individual basins being shared only by holders of entitlements to water in that basin (known as basin pricing), the costs would instead be pooled across several basins and consequently across a wider number of entitlement holders (known as system pricing).

The proposal is to remain with 2023/24 basin pricing in 2024/25, to allow time for the Bulk and Environmental Entitlement Orders to be updated. The new system pricing method would commence from 1 July 2025.

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**PRICING PRINCIPLES:** The key principles informing the proposal are cost-reflectivity, administrative simplicity, ease of understanding and customer support.

**CUSTOMER IMPACT:** This benefits bulk entitlement holders by creating a more equitable pricing system. This change will result in all bulk and retail entitlement holders having the same pricing method for storage services. Several water corporations and the VEWH hold entitlements from multiple basins, and in most cases the pooling arrangements have little impact on their total charges with most decreasing. All customers support the proposed change and are confident they will be able to manage the change for their retail customers. This change has no major impact on our retail customers.

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**CUSTOMER ENGAGEMENT:** We have held various workshops and forums with our bulk water customers during the development of the Bulk Water Service Plan which began in 2021 .

We conducted briefing sessions with bulk water customers collectively and then engaged in a series of bilateral face-to-face conversations about the proposed change to the pricing method.

Consensus has been achieved for a move from Basin to System pricing with bulk water customers providing their support in writing.

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## Price movements

There are several price changes proposed which will result in increases of greater than 10 per cent in a single year. These are:

- Woorinen Delivery Service – Service Point Fee Local Operate
- Torrumbarry Surface Drainage service – Area Fee
- Rochester Subsurface Drainage –Water Use Fee
- Goulburn Storage service – Entitlement Storage fees
- Water Supply service – Tungamah Capacity Shares

The increases are a result of a number of factors which are discussed below. We are conscious of the cost impost on customers and where appropriate have considered a staged transition to manage this impact.

Table 64: Proposed price movements

### WOORINEN DELIVERY SERVICE

#### Service Point Fee Local Operate

**CURRENT STATE:** The Woorinen delivery service was modernised in the early 2000s, with gravity channels replaced with a new pumped and piped system. As part of this, electronic meters were installed with an estimated 20- to 30-year life. At the time, electronic irrigation meters were a relatively new technology. The modernisation of Woorinen resulted in water savings and the government made a significant contribution to its cost.

**DRIVER FOR CHANGE:** GMW must meet national metering obligations. The electronic meters have now reached or are reaching end of useful life and their replacement has commenced, with forecast capital expenditure of \$5.0 million over the period 2020/21 to 2031/32. Recovery of this capex will need to be funded from customer prices.

**PROPOSAL:** It is proposed that the recovery of capex related to service point replacement form part of the building block for calculation of Woorinen Service Point fees. This treatment of capex will be consistent with that in place for Service Point fees in other GMW pricing entities, will provide a cost-reflective signal about the on-going cost of providing service points, inform customer demand for the number and type of service points for their property, and will minimise cross-subsidies between Woorinen customers.

**CUSTOMER IMPACT:** We have undertaken an impact analysis for each Woorinen customer and are proposing an eight-year transition. It is proposed to increase the price annually to reflect the increase in the service point RAB – but with the resulting price in any year not being greater than that contained in this submission, which is based on forecast capex. We have high confidence in the capex forecast for Regulatory Period 6 because it is based on meters that are known to have reached end of life and require replacement.

**CUSTOMER ENGAGEMENT:** We have held extensive engagement sessions including various workshops and drop-in sessions.

Feedback has not been received on proposed Woorinen prices.

## TORRUMBARRY SURFACE DRAINAGE SERVICE

### Area Fee

**CURRENT STATE:** The surface drainage tariff proposal included phase out of the Water Use Fee. This is the largest contributor (approx. 2/3rds) to the Torrumbarry Area Fee price increase, with the balance resulting from the amalgamation with Loddon Valley. Extending the Water Use Fee phase out beyond eight years was considered but is not proposed because, while the Area Fee increases for Torrumbarry are higher in percentage terms, they are comparable in dollar amounts to increases proposed for Murray Valley and Tyntynder.

**DRIVER FOR CHANGE:** The drivers for change are described in Proposed Tariff Structure Changes section.

**PROPOSAL:** We are proposing to amalgamate surface drainage pricing entities over Regulatory Period 6. With the exception of the amalgamation of Loddon Valley and Torrumbarry into West Surface Drainage, this will not result in price increases of greater than 10 per cent for any surface drainage fees.

Torrumbarry and Loddon Valley currently have the lowest and second lowest surface drainage fees, respectively. We have undertaken impact analysis for all surface drainage customers and have considered a four-year transition and an eight-year transition for both the amalgamation of pricing entities and phase out of the Water Use Fee. A four-year transition for the amalgamation of pricing entities and an eight-year transition for the phase out of the Water Use Fee keeps annual price increases for all surface drainage prices below 10 per cent, except for the Torrumbarry Area Fee.

**CUSTOMER IMPACT:** Surface drainage tariffs are one of the smaller components (typically in the order of 10 per cent) of a GMID customer's bill. This means that the impact on the total bill from changes in individual drainage prices is proportionately smaller. This can be seen in the gravity irrigation typical customer bills, which includes surface drainage fees for medium, large and extra-large customers (small customers typically do not have access to drainage).

**CUSTOMER ENGAGEMENT:** We have held extensive engagement sessions including various workshops and drop-in sessions.

Torrumbarry customers that participated mostly did not support the proposed amalgamation with Loddon Valley. Their main concern was the potential for creation of cross-subsidy rather than the specific increase in the surface drainage component of their bill resulting from the amalgamation.

We believe that the service provided, and the circumstances and needs for surface drainage for Loddon Valley and Torrumbarry are similar and that current differences in prices are not linked to fundamental differences in costs of service provision. Because surface drainage is a small component of customers' bills, we believe the proposed four-year transition offers appropriate time to adjust.

## ROCHESTER SUBSURFACE DRAINAGE SERVICE

### Local Benefit Water Use Fee

**CURRENT STATE:** The Rochester subsurface drainage service is a small pricing entity and currently has a relatively high Local Benefit Area Fee and relatively smaller Local Benefit Water Use Fee.

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**DRIVER FOR CHANGE:** The drivers for change are described in the Proposed Tariff Structure Changes section.

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**PROPOSAL:** We are proposing to amalgamate GMID subsurface drainage pricing entities over Regulatory Period 6. We have proposed that the merger of Murray Valley and Shepparton to form East Subsurface Drainage, and Central Goulburn and Rochester to form Central Subsurface Drainage, both occur in 2024/25.

All Rochester customers will be better off. To enable the amalgamation to be completed in one year there will be an initial increase in their Water Use Fee and a more than offsetting reduction in their Area Fee. The Water Use Fee will then reduce for both Central Goulburn and Rochester customers as it is phased out over eight years.

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**CUSTOMER IMPACT:** All Rochester subsurface drainage customers will benefit from the amalgamation.

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**CUSTOMER ENGAGEMENT:** There was positive but very minimal feedback about the proposed change.

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## TUNGAMAH WATER SUPPLY SERVICE

### Capacity Shares

**CURRENT STATE:** In 2014, the Tungamah Water Supply District was extended by about 11,000 hectares to service Cosgrove customers who were formerly supplied from the Broken River by the East Shepparton Community Water Supply dam fill scheme. The pipeline has provided Cosgrove customers with year-round access to more reliable and higher quality water from the Goulburn River.

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**DRIVER FOR CHANGE:** Tungamah and Cosgrove customers all receive the same level of service but it has identified that the capacity share issued to customers on the Cosgrove section of the Tungamah Water Supply District does not reflect the level of service their property is entitled to and receives.

Because of this the Infrastructure Access Fee element of the tariff is currently applied on a different basis between the two groups, resulting in Cosgrove customers paying less for the same service (meaning other customers in the district pay more in order to generate the district's revenue requirement).

To address this, capacity shares for properties in the Cosgrove section of the Tungamah Water Supply District will be updated to reflect the level of service their property receives. Overall, Cosgrove customers will receive bill increases and Tungamah customers will receive bill decreases.

To avoid price shock for Cosgrove customers, they will be provided with a rebate on a portion of the Infrastructure Access Fee. The rebate will be progressively reduced so that by 2027/28 Cosgrove customers will pay the standard Infrastructure Access Fee, along with all other customers.

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**PROPOSAL:** To update the capacity shares for properties in the Cosgrove section of the Tungamah Water Supply District to reflect the level of service their property receives and to transition customers to the appropriate application of the Infrastructure Access Fee; and, to provide a rebate on the Infrastructure Access Fee to them as transition assistance.

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**CUSTOMER IMPACT:** A number of customers will see an increase or a decrease in their bills to align with all customers in the Tungamah Water Supply District which will make the application of tariff more equitable.

Tungamah customers can expect up to a nine per cent average bill decrease in 2024/25, with price stability expected for the remaining three years. The initial reduction is to support the alignment of Cosgrove customers with Tungamah prices by 2027/28.

Cosgrove customers have been contacted directly in relation to their individual price impacts.

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**CUSTOMER ENGAGEMENT:** Cosgrove customers were written to individually in relation to their price impacts and subsequently we have held several drop-in sessions and made ourselves available for one-to-one discussions.

Relatively few customers have contacted us at the drop-in session or separately. Those that have were mainly seeking to ensure they understood the letters. They were satisfied with the rationale for the change and our proposed implementation approach.

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## Unregulated domestic and stock users

The ESC consulted on the draft Guidance with GMW and interested stakeholders over June to July 2022, and amended the Guidance Paper to address the issues raised in the submissions received particularly from a small group of unregulated domestic and stock users. The ESC requires specific information to assess our proposed diversion tariff structure appropriately accounts for the circumstances of unregulated domestic and

stock users. Unregulated domestic and stock users are a sub-set of diversion customers, who receive water from unregulated catchments (e.g. rivers, creeks and small waterways) through licences managed by GMW.

The Water Industry Regulatory Order 2014 (WIRO) defines a diversion service as a service provided by a regulated entity in connection with the management, extraction or use of groundwater or surface water. The ESC considers that this service definition encompasses diversion services provided to customers who receive water from both regulated and unregulated catchments.

Table 65: Review of unregulated domestic and stock users' tariff and prices

## UNREGULATED DIVERSION SERVICE

### Customer Fee and Service Point fees

**CURRENT STATE:** Following extensive customer engagement, on 1 July 2014 GMW commenced implementation of significant reforms to tariffs for regulated and unregulated surface water and groundwater diversion customers. The main impact of the changes was a re-distribution between small and larger users to better reflect the costs of service provision. Initially, a four-year transition was proposed by us and approved by the ESC. This was later extended to six years and completed in 2019/20.

During development of Price Submission 2020, the ESC received representation from a small group of unregulated diverters. In response, the ESC appointed auditors to review our proposal, which was then approved.

Since then, the same customers have requested we review the terms of their licences. We did so with the result being an extension from five years to 15 years, resulting in savings of approximately \$1400 per customer over the 15-year period. As part of that process, we undertook a review their tariffs as part of this price submission. The customers subsequently and separately approached the ESC, and the ESC responded by including requirements in its Guidance Paper as discussed above.

We appointed external consultants to bring independence to the process. The review found that our tariffs and pricing method for service point fees is currently fit-for-purpose, however it is noted that the process does rely on a range of assumptions to derive each process. It was suggested that fees should be separated out and separately priced (for diversion and irrigation district customers), though noted that separately priced doesn't mean different prices. Separate fees for diversions and irrigation district customer groups would allow for flexibility of cost drivers for each group change in future.

The review heard suggestions that diversions domestic and stock (D&S) customers should be treated differently to diversions unmetered irrigation customers in relation to Service Point fees, however it was determined that separating D&S from unmetered irrigation in diversions is not considered to have any intrinsic merit.

The review also found that the underlying costs and assumptions associated with determining the Customer Fee are considered reasonable and aligned to the fee being levied.

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**PROPOSAL:** No change proposed.

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**PRICING PRINCIPLES:** This tariff is consistent with pricing principles of sustainable revenue and customer focus. The current tariff and service offering ensures an economically sustainable revenue stream over Regulatory Period 6 and takes into consideration customer preferences and needs in relation to service standards and services levels, price path stability and the costs of implementing the tariff offering, including administration costs.

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**CUSTOMER IMPACT:** A small number of customers predominantly from the Upper Ovens and nearby streams will be dissatisfied with the no change proposal but there is no foreseen impact on other customers.

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**CUSTOMER ENGAGEMENT:** We have engaged extensively with Upper Ovens customers and with Water Services Committees. Little feedback has been received from the wider diversions customer base.

## Customer Service Point deactivation

The Customer Service Point (CSP) deactivation initiative to allow customers to deactivate their service points that have little to no usage is being investigated and may be introduced during Regulatory Period 6. There is strong customer support for this initiative to go ahead, so we would like to continue investigating the ability to deactivate CSP's and implementing, if successful, during Regulatory Period 6.

## WATER DELIVERY

### Service Point Fee

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**CURRENT STATE:** GMW has modernised CSP's that have had limited or no use over many years.

**DRIVER FOR CHANGE:** We are considering the mutual benefits of reducing our active asset fleet by offering customers the opportunity to temporarily deactivate their ability to have water delivered through CSPs.

**PROPOSAL:** We are investigating the feasibility of deactivating these assets to minimise costs associated with maintenance and component replacement by agreement with customers where the CSP is not being actively used. This would support the business and customer outcomes and offer greater choice and flexibility of service. Consultation about options will be progressed, with a view to being made available for trial and then broader application if supported. CSPs can already be assessed for permanent removal upon request by customers and subject to conditions (delivery share assigned to the service point must be re-assigned, transferred or terminated).

**PRICING PRINCIPLES:** The key principle informing the initiative is customer focus. To proceed, the product will need to be cost-reflective and appropriately share risk between participating customers and GMW if a customer's requirements for water delivery change.

**CUSTOMER IMPACT:** We acknowledge that customer goals vary, and the ability to deactivate CSPs provides greater choice and flexibility to customers. CSP deactivation for a fixed term would reduce Service Point fees payable by customers during the period of deactivation.

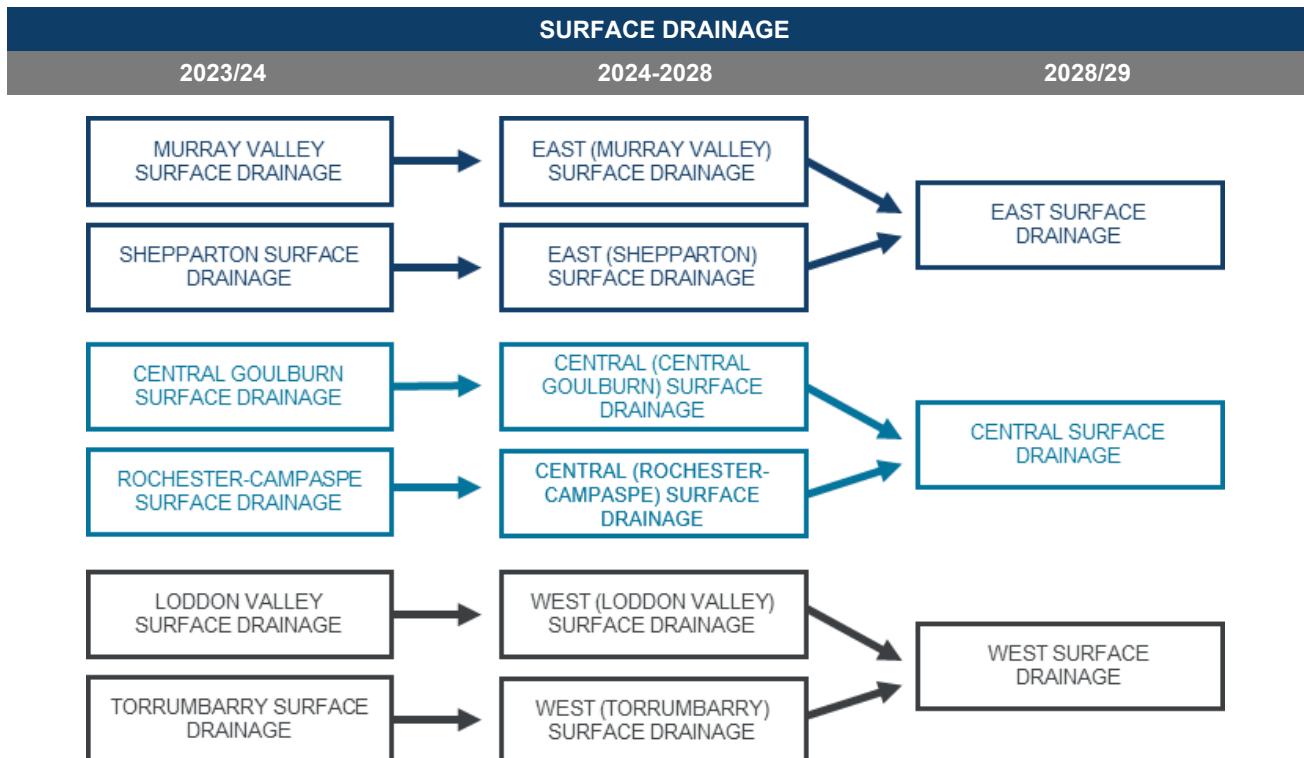
**CUSTOMER ENGAGEMENT:** As described in Section 5.4, an investigation paper was prepared for CSP deactivation and 73 per cent of responding customers indicated would be likely to deactivate one or more of their CSPs if they didn't plan to use it across multiple years.

## Tariff name changes

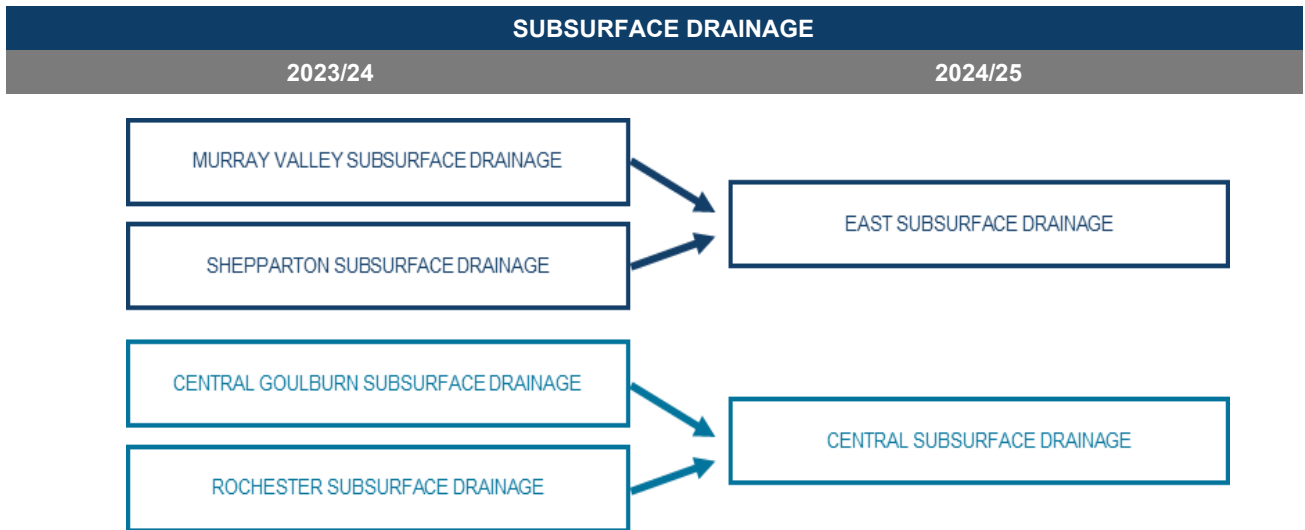
We will implement the following changes to pricing entity and fee descriptions during Regulatory Period 6, as a complement to the changes to tariff structures.

### Pricing entities

Table 66: Pricing entity changes

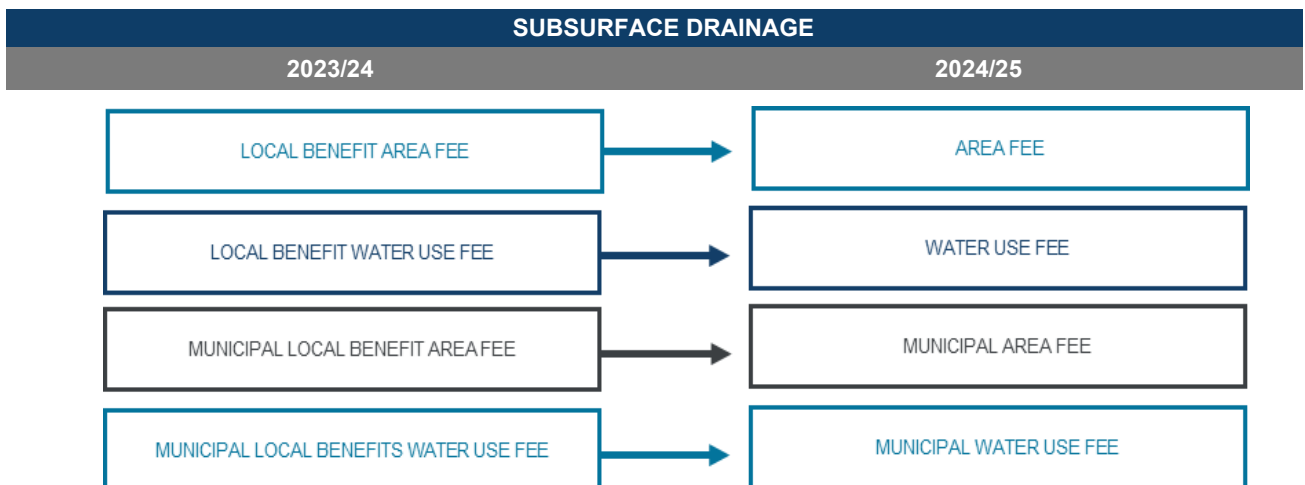
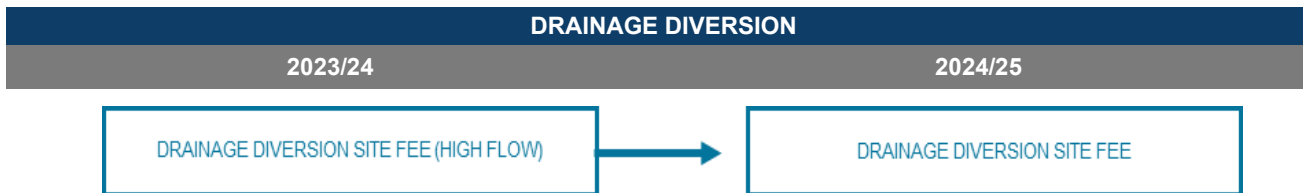
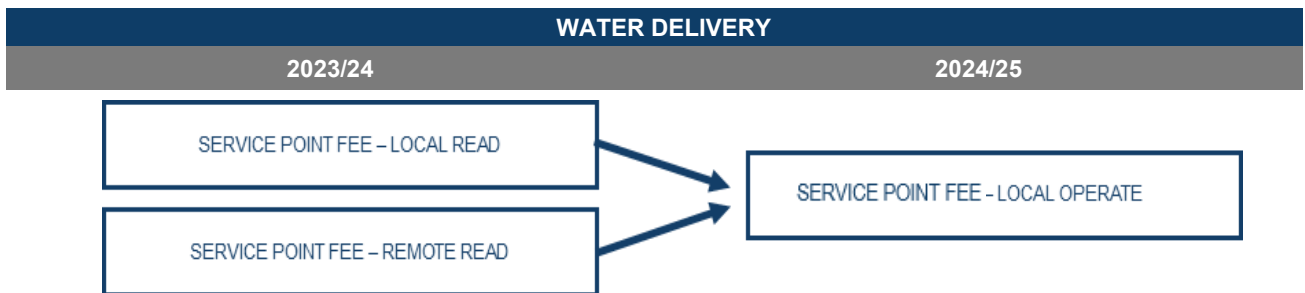






## Fee descriptions

Table 67: Fee description changes



# Cost allocation

Costs are allocated within GMW across both the prescribed and non-prescribed business. In the first instance, all costs that are directly attributable to providing one particular service, either prescribed or non-prescribed, are costed directly to that service through our job costing system.

Where costs are not directly attributable to one particular service, costs need to be allocated. There are different tiers of allocation depending on the nature of the cost. Shared costs are allocated between a limited number of services based on legal agreements or long-standing allocation shares. Examples of these are allocations of operating and maintenance costs for bulk water assets also used for hydro electricity generation.

All other costs are classified as overheads. Overheads are broken into two categories, management overheads and corporate overheads. Management overheads are identified as costs that have a direct managerial relationship to staff who are direct charging their time to one particular service. Management overheads are therefore allocated using the causal relationship of the direct charged time.

Corporate overheads are the final allocation to occur. Predominantly corporate overheads are allocated based on total expenditure, with a cap on capital projects in excess of \$1 million, due to the distortionary impact of these projects which are generally outsourced and therefore not overhead intensive. Where possible, overheads are allocated on a more appropriate base (i.e., total employee costs for HR and safety overheads), however the majority are allocated on total expenditure. Costs are allocated between prescribed and non-prescribed services on a consistent basis.

## **Key References:**

1. Tariff and Pricing Information Paper – A4531951
2. Unregulated D&S – Information Paper – A4701476
3. Aither / DG review Customer and Service Point Fee review – A4617714

# 13. Appendices

## Appendix 1. Typical customer bills

Table 68: Typical customer bills - Gravity Irrigation (23/24\$)

GRAVITY IRRIGATION	SMALL				
	2023/24	2024/25	2025/26	2026/27	2027/28
Shepparton	\$418	\$418	\$413	\$414	\$416
Central Goulburn	\$418	\$418	\$413	\$414	\$416
Rochester	\$418	\$418	\$413	\$414	\$416
Loddon Valley	\$418	\$418	\$413	\$414	\$416
Murray Valley	\$422	\$422	\$417	\$418	\$419
Torrumbarry	\$422	\$422	\$417	\$418	\$419

GRAVITY IRRIGATION	LARGE				
	2023/24	2024/25	2025/26	2026/27	2027/28
Shepparton	\$25,006	\$25,062	\$24,272	\$24,358	\$24,440
Central Goulburn	\$24,088	\$24,169	\$23,451	\$23,607	\$23,763
Rochester	\$23,831	\$23,978	\$23,325	\$23,547	\$23,763
Loddon Valley	\$24,534	\$24,433	\$23,573	\$23,622	\$23,151
Murray Valley	\$24,867	\$25,030	\$24,529	\$24,695	\$24,876
Torrumbarry	\$23,399	\$23,617	\$23,167	\$23,376	\$23,587

GRAVITY IRRIGATION	MEDIUM				
	2023/24	2024/25	2025/26	2026/27	2027/28
Shepparton	\$7,801	\$7,833	\$7,663	\$7,703	\$7,741
Central Goulburn	\$7,585	\$7,624	\$7,470	\$7,528	\$7,583
Rochester	\$7,525	\$7,579	\$7,441	\$7,514	\$7,583
Loddon Valley	\$7,699	\$7,693	\$7,506	\$7,538	\$7,441
Murray Valley	\$7,773	\$7,830	\$7,729	\$7,787	\$7,847
Torrumbarry	\$7,428	\$7,499	\$7,410	\$7,480	\$7,547

GRAVITY IRRIGATION	EXTRA LARGE				
	2023/24	2024/25	2025/26	2026/27	2027/28
Shepparton	\$50,574	\$50,548	\$48,512	\$48,624	\$48,739
Central Goulburn	\$49,236	\$49,301	\$47,401	\$47,649	\$47,911
Rochester	\$48,803	\$48,980	\$47,193	\$47,553	\$47,911
Loddon Valley	\$50,791	\$50,482	\$48,305	\$48,358	\$47,203
Murray Valley	\$50,818	\$50,976	\$49,494	\$49,640	\$49,804
Torrumbarry	\$48,736	\$49,039	\$47,695	\$47,973	\$48,267

Table 69: Typical customer bills - Diversions (23/24\$)

DIVERSIONS	SMALL				
	2023/24	2024/25	2025/26	2026/27	2027/28
Regulated Surface (Murray)	\$531	\$508	\$485	\$467	\$451
Regulated Surface (Goulburn)	\$529	\$506	\$482	\$464	\$449
Unregulated Surface	\$379	\$370	\$362	\$355	\$349
Shepparton Groundwater	\$225	\$227	\$228	\$229	\$230
Groundwater	\$524	\$508	\$495	\$483	\$472

DIVERSIONS	LARGE				
	2023/24	2024/25	2025/26	2026/27	2027/28

DIVERSIONS	MEDIUM				
	2023/24	2024/25	2025/26	2026/27	2027/28
Regulated Surface (Murray)	\$1,654	\$1,662	\$1,550	\$1,564	\$1,571
Regulated Surface (Goulburn)	\$1,573	\$1,580	\$1,447	\$1,475	\$1,496
Unregulated Surface	\$812	\$832	\$849	\$877	\$895
Shepparton Groundwater	\$340	\$339	\$338	\$336	\$334
Groundwater	\$1,497	\$1,511	\$1,522	\$1,545	\$1,559

DIVERSIONS	EXTRA LARGE				
	2023/24	2024/25	2025/26	2026/27	2027/28

Regulated Surface (Murray)	\$4,795	\$4,805	\$4,346	\$4,365	\$4,369
Regulated Surface (Goulburn)	\$4,470	\$4,481	\$3,932	\$4,010	\$4,071
Unregulated Surface	\$1,232	\$1,252	\$1,269	\$1,297	\$1,315
Shepparton Groundwater	\$594	\$587	\$579	\$570	\$561
Groundwater	\$2,955	\$2,970	\$2,981	\$3,003	\$3,017

Regulated Surface (Murray)	\$8,555	\$8,565	\$7,576	\$7,584	\$7,578
Regulated Surface (Goulburn)	\$7,859	\$7,869	\$6,689	\$6,821	\$6,939
Unregulated Surface	\$2,835	\$2,873	\$2,902	\$2,953	\$2,985
Shepparton Groundwater	\$1,044	\$1,025	\$1,005	\$983	\$961
Groundwater	\$5,766	\$5,791	\$5,809	\$5,850	\$5,873

Table 70: Typical customer bills - Pumped Irrigation (23/24\$)

PUMPED IRRIGATION	SMALL				
	2023/24	2024/25	2025/26	2026/27	2027/28
Woorinen	\$1,275	\$1,267	\$1,257	\$1,250	\$1,244
Nyah	\$1,209	\$1,208	\$1,204	\$1,204	\$1,204
Tresco	\$1,345	\$1,364	\$1,381	\$1,401	\$1,422

PUMPED IRRIGATION	MEDIUM				
	2023/24	2024/25	2025/26	2026/27	2027/28
Woorinen	\$8,033	\$8,318	\$8,505	\$8,938	\$9,427
Nyah	\$10,000	\$10,064	\$9,953	\$10,027	\$10,083
Tresco	\$9,580	\$9,768	\$9,776	\$9,971	\$10,153

PUMPED IRRIGATION	LARGE				
	2023/24	2024/25	2025/26	2026/27	2027/28
Woorinen	\$19,411	\$20,012	\$20,326	\$21,226	\$22,239
Nyah	\$19,711	\$19,839	\$19,619	\$19,766	\$19,879
Tresco	\$18,870	\$19,248	\$19,264	\$19,654	\$20,018

Table 71: Typical customer bills - Water Supply District (23/24\$)

WATER SUPPLY DISTRICTS	SMALL				
	2023/24	2024/25	2025/26	2026/27	2027/28
Normanville	\$2,255	\$2,283	\$2,308	\$2,339	\$2,370
Tungamah	\$1,626	\$1,475	\$1,470	\$1,470	\$1,470
East Loddon	\$966	\$1,017	\$1,062	\$1,117	\$1,178
East Loddon (North)	\$1,082	\$1,178	\$1,279	\$1,394	\$1,521
West Loddon	\$879	\$905	\$927	\$954	\$982
Mitiamo	\$2,195	\$2,206	\$2,214	\$2,227	\$2,241

Note: All tables provided above are calculated excluding CPI and could be subject to change as part of the determination process for GMW's Price Submission 2024.

The ESC updates the cost of debt within the regulatory period that may also impact prices.

## Appendix 2. Typical customer attributes

Table 72: Typical customer attributes – Gravity Irrigation

Gravity Irrigation	Unit	ATTRIBUTES			
		Small	Medium	Large	Extra Large
Customer Fee	Customer	1.00	1.00	1.00	1.00
Water Register	Entitlement	1.00	2.00	2.00	2.00
Service Point Fee - D&S	Service Point	1.00	1.00	1.00	1.00
Service Point Fee - Remote Operate	Service Point	-	1.00	2.00	2.00
Infrastructure Access Fee	ML/Day	0.03	1.50	4.70	10.00
Infrastructure Use Fee	ML	3.00	100.00	410.00	1,000.00
High Reliability Water Share Entitlement Storage Fee	ML	3.00	100.00	410.00	1,000.00
Area Fee	HA	-	30.00	130.00	130.00
Water Use Fee	ML	-	100.00	410.00	1,000.00

Table 73: Typical customer attributes - Diversions

Diversions	Unit	ATTRIBUTES			
		Small	Medium	Large	Extra Large
<b>Regulated Waterways</b>					
Customer Fee	Customer	1.00	1.00	1.00	1.00
Water Register	Entitlement	1.00	2.00	2.00	2.00
Service Point Fee - Unmetered	Service Point	1.00	-	-	-
Service Point Fee - Metered (excluding D&S)	Service Point	-	1.00	2.00	2.00
Access Fee	Service Point	1.00	1.00	2.00	2.00
High Reliability Water Share Entitlement Storage Fee	ML	2.00	70.00	280.00	600.00
<b>Unregulated Waterways</b>					
Customer Fee	Customer	1.00	1.00	1.00	1.00
Water Register	Entitlement	1.00	1.00	1.00	1.00
Service Point Fee - Unmetered	Service Point	1.00	-	-	-
Service Point Fee - Metered (excluding D&S)	Service Point	-	1.00	1.00	2.00
Access Fee	Service Point	1.00	1.00	1.00	2.00
Resource Management Fee	ML	2.00	40.00	170.00	500.00
<b>Groundwater</b>					
Customer Fee	Customer	1.00	1.00	1.00	1.00
Water Register	Entitlement	1.00	1.00	1.00	1.00
Service Point Fee - Unmetered	Service Point	1.00	-	-	-
Service Point Fee - Metered (excluding D&S)	Service Point	-	1.00	1.00	2.00
Access Fee	Service Point	1.00	1.00	1.00	2.00
Resource Management Fee	ML	20.00	170.00	500.00	1,000.00

Diversions	Unit	ATTRIBUTES			
		Small	Medium	Large	Extra Large
<b>Shepparton Irrigation Region Groundwater</b>					
Customer Fee	Customer	1.00	1.00	1.00	1.00
Water Register	Entitlement	1.00	1.00	1.00	1.00
Access Fee	Service Point	1.00	1.00	1.00	2.00
Resource Management Fee	ML	20.00	170.00	500.00	1,000.00

Table 74: Typical customer attributes - Pumped Irrigation

Pumped Irrigation	Unit	ATTRIBUTES		
		Small	Medium	Large
<b>Woorinen</b>				
Customer Fee	Customer	1.00	1.00	1.00
Water Register	Entitlement	1.00	1.00	1.00
Area	HA	-	9.80	31.00
Water Use	ML	-	70.00	180.00
Service Point Fee - D&S	Service Point	1.00	1.00	1.00
Service Point Fee - Local Operate	Service Point	-	2.00	4.00
Infrastructure Access Fee	ML/Day	0.20	0.88	2.20
Infrastructure Use Fee	ML	2.00	70.00	180.00
High Reliability Water Share Entitlement Storage Fee	ML	2.00	70.00	180.00
Low Reliability Water Share Entitlement Storage Fee	ML	-	32.00	81.60
<b>Nyah</b>				
Customer Fee	Customer	1.00	1.00	1.00
Water Register	Entitlement	1.00	1.00	1.00
Water Use	ML	-	20.00	40.00
Service Point Fee - D&S	Service Point	1.00	1.00	1.00
Service Point Fee - Local Operate	Service Point	-	2.00	4.00
Infrastructure Access Fee	ML/Day	0.20	1.00	2.00
Infrastructure Use Fee	ML	2.00	100.00	200.00
High Reliability Water Share Entitlement Storage Fee	ML	2.00	100.00	200.00



Pumped Irrigation	Unit	ATTRIBUTES		
		Small	Medium	Large
<b>Tresco</b>				
Customer Fee	Customer	1.00	1.00	1.00
Water Register	Entitlement	1.00	1.00	1.00
Subsurface Drainage	ML	-	100.00	200.00
Service Point Fee - D&S	Service Point	1.00	1.00	1.00
Service Point Fee - Local Operate	Service Point	-	2.00	4.00
Infrastructure Access Fee	ML/Day	0.20	1.00	2.00
Infrastructure Use Fee	ML	2.00	100.00	200.00
High Reliability Water Share Entitlement Storage Fee	ML	2.00	100.00	200.00

Table 75: Typical customer attributes - Water Supply District

Water Supply District	Unit	ATTRIBUTES					
		SMALL					
		East Loddon	Mitiamo	Normanville	Tungamah	East Loddon (North)	West Loddon
Customer Fee	Customer	1.00	1.00	1.00	1.00	1.00	1.00
Water Register	Entitlement	1.00	1.00	1.00	1.00	1.00	1.00
Service Point Fee	Service Point	1.00	1.00	1.00	1.00	-	-
Water Allowance Storage	ML	2.00	2.00	2.00	2.00	2.00	2.00
Infrastructure Access Fee	KL/Day	10.00	10.00	10.00	10.00	-	-
Infrastructure Access Fee	HA	-	-	-	-	350.00	260.00
Infrastructure Use Fee	ML	2.00	2.00	2.00	2.00	-	-

## Appendix 3. Schedule of prices

Table 76: GMW proposed prices (2024-2028) – 23/24\$

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Customer Service &amp; Billing</b>					
Customer Fee	Each	134.03	138.18	142.46	146.88
Water Register Fee	Transaction	14.46	14.46	14.46	14.46
<b>GMID (Incorporating Central Goulburn, Loddon Valley, Murray Valley, Rochester, Shepparton, Torrumbarry Irrigation Areas)</b>					
<b>GMID Gravity Irrigation</b>					
Service Point Fee - D&S	D&S Service Point	140.10	135.36	130.78	126.36
Service Point Fee - Local Operate	Irrigation Service Point	480.00	500.00	530.00	550.00
Service Point Fee - Remote Operate	Irrigation Service Point	1,090.00	1,115.00	1,135.00	1,150.00
<b>Distribution</b>					
Infrastructure Access Fee	ML/day	2,717.00	2,744.00	2,771.00	2,799.00
Infrastructure Use Fee	ML	5.49	5.54	5.60	5.66
Casual Infrastructure Use Fee	ML	46.25	46.70	47.17	47.65
Distribution Access Fee	ML/day	2,717.00	2,744.00	2,771.00	2,799.00
Distribution Use Fee	ML	5.49	5.54	5.60	5.66
Delivery Share Reservation	ML/day	2,717.00	2,744.00	2,771.00	2,799.00
Termination Fee*	ML/day	27,170.00	27,440.00	27,710.00	27,990.00
<b>East Drainage</b>					
<b>East (Shepparton) Community Surface Drainage</b>					
Community Surface Drainage Fee	KM	720.00	N/A	N/A	N/A
<b>East (Shepparton) Surface Drainage</b>					
Area Fee	ha	16.19	16.19	16.19	16.19
Water Use Fee	ML	2.71	2.28	1.85	1.42
Drainage Diversion Site Fee	Site	55.00	55.00	55.00	55.00
<b>East (Murray Valley) Community Surface Drainage</b>					
Community Surface Drainage Fee	KM	720.00	N/A	N/A	N/A
<b>East (Murray Valley) Surface Drainage</b>					
Area Fee	ha	13.49	14.29	15.15	16.19
Water Use Fee	ML	2.33	2.03	1.73	1.42
Drainage Diversion Site Fee	Site	55.00	55.00	55.00	55.00
<b>East Subsurface Drainage</b>					
Area Fee	ha	4.59	4.67	4.75	4.83
Municipal Area Fee	ha	18.36	18.68	18.99	19.32

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Tungamah</b>					
<b>Tungamah - Water Supply District</b>					
Service Point Fee	D&S Service Point	140.10	135.36	130.78	126.36
Water Allowance Storage Fee	ML/Allowance	10.59	8.45	8.61	8.79
Infrastructure Access Fee	kL/day	101.00	101.00	101.00	101.00
Infrastructure Use Fee	ML	77.52	77.52	77.52	77.52
Excess Fee	ML	1,932.37	1,867.02	1,803.89	1,742.88
<b>Central Drainage</b>					
<b>Central (Central Goulburn) Community Surface Drainage</b>					
Community Surface Drainage Fee	KM	720.00	N/A	N/A	N/A
<b>Central (Central Goulburn) Surface Drainage</b>					
Area Fee	ha	11.22	11.42	11.62	11.80
Water Use Fee	ML	2.11	1.79	1.47	1.16
Drainage Diversion Site Fee	Site	55.00	55.00	55.00	55.00
<b>Central (Rochester-Campaspe) Community Surface Drainage</b>					
Community Surface Drainage Fee	KM	720.00	N/A	N/A	N/A
<b>Central (Rochester-Campaspe) Surface Drainage</b>					
Area Fee	ha	10.44	10.89	11.34	11.80
Water Use Fee	ML	1.89	1.65	1.41	1.16
Drainage Diversion Site Fee	Site	55.00	55.00	55.00	55.00
<b>Central Subsurface Drainage</b>					
Area Fee	ha	4.44	4.79	5.17	5.57
Water Use Fee	ML	1.20	0.98	0.79	0.62
Municipal Area Fee	ha	17.76	19.16	20.68	22.28
<b>West Drainage</b>					
<b>West (Loddon Valley) Community Surface Drainage</b>					
Community Surface Drainage Fee	KM	720.00	N/A	N/A	N/A
<b>West (Loddon Valley) Surface Drainage</b>					
Area Fee	ha	8.35	8.18	8.02	7.60
Water Use Fee	ML	3.66	3.11	2.65	1.00
Drainage Diversion Site Fee	Site	55.00	55.00	55.00	55.00
<b>West (Torrumbarry) Community Surface Drainage</b>					
Community Surface Drainage Fee	KM	720.00	N/A	N/A	N/A
<b>West (Torrumbarry) Surface Drainage</b>					
Area Fee	ha	5.43	6.15	6.87	7.60
Water Use Fee	ML	1.44	1.29	1.14	1.00
Drainage Diversion Site Fee	Site	55.00	55.00	55.00	55.00

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Tyntynder Drainage</b>					
<b>Tyntynder Surface Drainage</b>					
Area Fee	ha	19.07	20.71	22.35	24.00
Water Use Fee	ML	5.26	4.51	3.76	3.01
Drainage Diversion Site Fee	Site	55.00	55.00	55.00	55.00
<b>Loddon Water Supply Districts</b>					
<b>Normanville Water Supply District</b>					
Service Point Fee	Service Point	140.10	135.36	130.78	126.36
Water Allowance Storage Fee	ML/Allowance	10.59	8.45	8.61	8.79
Infrastructure Access Fee	kL/day	165.45	168.42	171.45	174.54
Infrastructure Use Fee	ML	159.60	159.60	159.60	159.60
Excess Fee	ML	1,932.37	1,867.02	1,803.89	1,742.88
<b>East Loddon (North) Water Supply District</b>					
Water Allowance Storage Fee	ML/Allowance	10.59	8.45	8.61	8.79
Infrastructure Access Fee	ha	2.88	3.17	3.49	3.83
Distribution Access Fee	ML/day	2,717.00	2,744.00	2,771.00	2,799.00
Distribution Use Fee	ML	5.49	5.54	5.60	5.66
Excess Fee	ML	1,932.37	1,867.02	1,803.89	1,742.88
<b>East Loddon Water Supply District</b>					
Service Point Fee	Service Point	140.10	135.36	130.78	126.36
Water Allowance Storage Fee	ML/Allowance	10.59	8.45	8.61	8.79
Infrastructure Access Fee	kL/day	50.20	55.22	60.75	66.82
Infrastructure Use Fee	ML	102.50	102.50	102.50	102.50
Excess Fee	ML	1,932.37	1,867.02	1,803.89	1,742.88
<b>West Loddon Water Supply District</b>					
Water Allowance Storage Fee	ML/Allowance	10.59	8.45	8.61	8.79
Infrastructure Access Fee	ha	2.83	2.91	3.00	3.09
Excess Fee	ML	1,932.37	1,867.02	1,803.89	1,742.88
<b>Mitiamo Water Supply District</b>					
Service Point Fee	Service Point	140.10	135.36	130.78	126.36
Water Allowance Storage Fee	ML/Allowance	10.59	8.45	8.61	8.79
Infrastructure Access Fee	kL/day	183.87	185.15	186.45	187.75
Infrastructure Use Fee	ML	29.02	29.02	29.02	29.02
Distribution Access Fee	kL/day	183.87	185.15	186.45	187.75
Distribution Use Fee	ML	29.02	29.02	29.02	29.02
Excess Fee	ML	1,932.37	1,867.02	1,803.89	1,742.88

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Torrumbarry - Pumped</b>					
<b>Woorinen Pumped Irrigation</b>					
Service Point Fee - D&S	D&S Service Point	140.10	135.36	130.78	126.36
Service Point Fee - Local Operate	Irrigation Service Point	575.00	725.00	915.00	1,130.00
Service Point Fee - Remote Operate	Irrigation Service Point	1,090.00	1,115.00	1,135.00	1,150.00
Distribution					
Infrastructure Access Fee	ML/day	4,516.38	4,471.22	4,426.50	4,382.24
Infrastructure Use Fee	ML	25.95	27.24	28.60	30.04
Casual Infrastructure Use Fee	ML	93.69	94.31	95.00	95.77
Delivery Share Reservation	ML/day	4,516.38	4,471.22	4,426.50	4,382.24
Termination Fee*	ML/day	45,163.80	44,712.16	44,265.04	43,822.39
<b>Woorinen Subsurface Drainage</b>					
Area Fee	ha	3.41	3.41	3.41	3.41
Water Use Fee	ML	1.36	1.36	1.36	1.36
<b>Nyah Pumped Irrigation</b>					
Service Point Fee - D&S	D&S Service Point	140.10	135.36	130.78	126.36
Service Point Fee - Local Operate	Irrigation Service Point	480.00	500.00	530.00	550.00
Distribution					
Infrastructure Access Fee	ML/day	4,146.00	4,146.00	4,146.00	4,146.00
Infrastructure Use Fee	ML	33.35	33.35	33.35	33.35
Casual Infrastructure Use Fee	ML	95.54	95.54	95.54	95.54
Delivery Share Reservation	ML/day	4,146.00	4,146.00	4,146.00	4,146.00
Termination Fee*	ML/day	41,460.00	41,460.00	41,460.00	41,460.00
<b>Nyah Subsurface Drainage</b>					
Water Use Fee	ML	7.96	8.76	9.64	10.60
<b>Tresco Pumped Irrigation</b>					
Service Point Fee - D&S	D&S Service Point	140.10	135.36	130.78	126.36
Service Point Fee - Local Operate	Irrigation Service Point	480.00	500.00	530.00	550.00
Distribution					
Infrastructure Access Fee	ML/day	5,065.32	5,166.63	5,269.96	5,375.36
Infrastructure Use Fee	ML	19.55	19.55	19.55	19.55
Casual Infrastructure Use Fee	ML	95.53	97.05	98.60	100.18
Delivery Share Reservation	ML/day	5,065.32	5,166.63	5,269.96	5,375.36
Termination Fee*	ML/day	50,653.20	51,666.26	52,699.59	53,753.58
<b>Tresco Subsurface Drainage</b>					
Subsurface Drainage Fee	ML	3.25	3.57	3.93	4.32
<b>Surface Water Diversions</b>					
<b>Regulated Waterways</b>					
Service Point Fee - Unmetered	Service Point	140.10	135.36	130.78	126.36

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
Service Point Fee - Metered (excluding D&S)	Service Point	480.00	500.00	530.00	550.00
Access Fee	Service Point	196.20	176.58	158.92	143.03
<b>Unregulated Waterways</b>					
Service Point Fee - Unmetered	Service Point	140.10	135.36	130.78	126.36
Service Point Fee - Metered (excluding D&S)	Service Point	480.00	500.00	530.00	550.00
Access Fee	Service Point	74.70	67.23	60.51	54.46
Resource Management Fee	ML	3.23	3.23	3.23	3.23
<b>Groundwater Diversions</b>					
<b>Groundwater</b>					
Service Point Fee - Unmetered	Service Point	140.10	135.36	130.78	126.36
Service Point Fee - Metered (excluding D&S)	Service Point	480.00	500.00	530.00	550.00
Access Fee	Service Point	131.40	118.26	106.43	95.79
Resource Management Fee	ML	4.42	4.42	4.42	4.42
<b>Shepparton Irrigation Region Groundwater</b>					
Access Fee	Service Point	63.05	61.16	58.10	55.00
Resource Management Fee	ML	0.75	0.73	0.71	0.69
<b>Storage</b>					
<b>Entitlement Storage Fee</b>					
Broken Basin - HRWS	ML	10.59	8.61	8.79	8.96
Broken Basin - LRWS	ML	4.84	5.00	5.10	5.20
Goulburn Basin - HRWS	ML	10.59	8.61	8.79	8.96
Goulburn Basin - LRWS	ML	4.84	5.00	5.10	5.20
Campaspe Basin - HRWS	ML	10.59	8.61	8.79	8.96
Campaspe Basin - LRWS	ML	4.84	5.00	5.10	5.20
Loddon Basin - HRWS	ML	10.59	8.61	8.79	8.96
Loddon Basin - LRWS	ML	4.84	5.00	5.10	5.20
Bullarook Basin - HRWS	ML	10.59	8.61	8.79	8.96
Bullarook Basin - LRWS	ML	4.84	5.00	5.10	5.20
Murray Basin - HRWS	ML	11.75	10.09	10.06	10.03
Murray Basin - LRWS	ML	4.31	2.83	2.82	2.81
Ovens Basin - HRWS	ML	11.75	10.09	10.06	10.03
Ovens Basin - Spill Reliability	ML	4.31	2.83	2.82	2.81
<b>Entitlement Storage Fee - Above Entitlement Storage</b>					
Goulburn Basin	ML	4.37	5.00	5.10	5.20
Campaspe Basin	ML	18.20	5.00	5.10	5.20
Murray Basin	ML	4.61	2.83	2.82	2.81



TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Bulk Water</b>					
<b>Murray Basin</b>					
Murray Basin HR	ML	9.93	9.90	9.86	9.83
Murray Basin LR	ML	4.52	2.77	2.76	2.75
Murray Basin WR Equivalent	ML	11.62	11.57	11.53	11.50
Murray Basin Above Entitlement Storage	ML	4.52	2.77	2.76	2.75
<b>Ovens Basin</b>					
Ovens Basin HR	ML	84.15	9.90	9.86	9.83
<b>Broken Basin</b>					
Broken Basin HR	ML	66.72	8.45	8.61	8.79
Broken Basin LR	ML	N/A	4.90	5.00	5.10
<b>Goulburn Basin</b>					
Goulburn Basin VHR	ML	8.67	8.84	9.02	9.20
Goulburn Basin HR	ML	8.28	8.45	8.61	8.79
Goulburn Basin LR	ML	4.28	4.90	5.00	5.10
Goulburn Basin WR Equivalent	ML	10.56	10.77	10.99	11.21
Goulburn Basin Above Entitlement Storage	ML	4.28	4.90	5.00	5.10
<b>Campaspe Basin</b>					
GMW Capacity Share					
Campaspe Basin HR	ML	28.92	8.45	8.61	8.79
Campaspe Basin LR	ML	17.85	4.90	5.00	5.10
Campaspe Basin Above Entitlement Storage	ML	17.85	4.90	5.00	5.10
Coliban Capacity Share	ML	36.31	8.45	8.61	8.79
<b>Loddon Basin</b>					
Loddon Basin HR	ML	49.10	8.45	8.61	8.79
Loddon Basin LR	ML	N/A	4.90	5.00	5.10
<b>Bullarook Basin</b>					
Bullarook Basin HR	ML	513.85	8.45	8.61	8.79
Bullarook Basin LR	ML	311.34	4.90	5.00	5.10

Table 77: Proposed miscellaneous fees and charges (2024-28) - 23/24\$

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Groundwater</b>					
<b>Works Licence</b>					
Groundwater - Construct Works Licence - Non Licensable Bore Form 72 Issue New/Alter Existing/Amend Existing/Replace Existing		275.00	300.00	325.00	325.00
Groundwater - Construct Works Licence - Non Licensable Bore Form 72 Renew Existing/Transfer Ownership		275.00	300.00	325.00	325.00
Groundwater - Construct Works Licence - Non Licensable Bore Form 72 Additional Bore		150.00	150.00	150.00	150.00
Groundwater - Construct Works Licence - Licensable Bore Form 70 Issue New/Alter Existing/Amend Existing		2,170.00	2,385.00	2,425.00	2,425.00
Groundwater - Construct Works Licence - Licensable Bore Form 70 Renew Existing/Transfer Ownership		247.00	271.00	298.00	325.00
Groundwater - Construct Works Licence - Licensable Bore Form 70 Replace Existing		1,250.00	1,250.00	1,250.00	1,250.00
Groundwater - Construct Works Licence - Licensable Bore Form 70 Additional Bore		150.00	150.00	150.00	150.00
Groundwater - Construct Works Licence - Form 76 Decommission Works		325.00	325.00	325.00	325.00
Groundwater - Online - Construct a Domestic and Stock Bore		235.00	235.00	235.00	235.00
Groundwater - Online - Amend and renew a Domestic and Stock Bore		80.00	80.00	80.00	80.00
Groundwater - Online - Construct an Investigation or Monitoring Bore		235.00	235.00	235.00	235.00
Groundwater - Online - Amend and Renew an Investigation or Monitoring Bore		80.00	80.00	80.00	80.00
<b>Take and Use Licence</b>					
Groundwater - Take and Use Licence - Licensable Bore Form 91 Issue New		2,170.00	2,385.00	2,620.00	2,850.00
Groundwater - Take and Use Licence - Licensable Bore Form 75GW Temporary Transfer Water Entitlement Tier 1		247.00	271.00	298.00	325.00
Groundwater - Take and Use Licence - Licensable Bore Form 75GW Temporary Transfer Water Entitlement Tier 2		1,890.00	2,075.00	2,280.00	2,500.00
Groundwater - Take and Use Licence - Licensable Bore Form 75GW Temporary Transfer Water Entitlement Tier 2B		550.00	550.00	550.00	550.00
Groundwater - Take and Use Licence - Form 74GW Permanent Transfer Water Entitlement		2,170.00	2,385.00	2,620.00	2,850.00
Groundwater - Take and Use Licence - Licensable Bore Form 93 Transfer Ownership/Transfer Extraction Share		247.00	271.00	298.00	325.00
Groundwater - Take and Use Licence - Licensable Bore Form 73GW Renew Existing		770.00	845.00	925.00	1,000.00
Groundwater - Take and Use Licence - Licensable Bore Form 91 Decrease Volume/Remove Land		247.00	271.00	298.00	325.00
Groundwater - Take and Use Licence - Licensable Bore Form 78 Subdivide a Licence		1,540.00	1,550.00	1,550.00	1,550.00
Groundwater - Take and Use Licence - Licensable Bore Form 77 Amalgamate Licences		1,540.00	1,550.00	1,550.00	1,550.00
Groundwater - Take and Use Licence - Licensable Bore Form 91 Amend Existing		1,025.00	1,125.00	1,235.00	1,350.00
<b>Regulated Rivers and Streams</b>					
<b>Works Licence</b>					
Regulated Rivers - Construct Works Licence - Form 29 Issue New		860.00	945.00	1,000.00	1,000.00
Regulated Rivers - Construct Works Licence - Form 31 Renew Existing		275.00	300.00	325.00	325.00

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
Regulated Rivers - Operate Works Licence - Form 29 Issue New		860.00	945.00	1,000.00	1,000.00
Regulated Rivers - Operate Works Licence - Form 31 Amend Existing/Renew Existing		830.00	850.00	850.00	850.00
Regulated Rivers - Operate Works Licence - Form 31 Transfer Ownership		181.00	199.00	218.50	240.00
<b>Water Use Licence or Registration</b>					
Regulated Rivers - Water Use Licence or Registration - Form 23 Issue New (with Field Inspection)		830.00	850.00	850.00	850.00
Regulated Rivers - Water Use Licence or Registration - Form 23 Issue New (without Field Inspection)		145.00	150.00	150.00	150.00
Regulated Rivers - Water Use Licence or Registration - Form 24 Vary Existing		145.00	150.00	150.00	150.00
Regulated Rivers - Water Use Licence or Registration - Form 25A Subdivide or Amalgamate (with Field Inspection)	Per lot	830.00	850.00	850.00	850.00
Regulated Rivers - Water Use Licence or Registration - Form 25A Subdivide or Amalgamate (without Field Inspection)	Per lot	145.00	150.00	150.00	150.00
<b>Unregulated Rivers and Streams</b>					
<b>Works Licence</b>					
Construct Works Licence - Form 90 Alter Existing/Amend Existing/Issue New		1,250.00	1,250.00	1,250.00	1,250.00
Construct Works Licence - Form 90 Transfer Ownership/Renew Existing		247.00	271.00	298.00	325.00
Construct Works Licence - Form 79 Decommission Works		181.00	199.00	218.50	240.00
<b>Take and Use Licence</b>					
Take and Use Licence - Form 71 Issue New		2,050.00	2,200.00	2,200.00	2,200.00
Take and Use Licence - Form 75SW Temporary Transfer Water Entitlement Tier 1		247.00	271.00	298.00	325.00
Take and Use Licence - Form 75SW Temporary Transfer Water Entitlement Tier 2		1,800.00	1,900.00	2,050.00	2,200.00
Take and Use Licence - Form 75SW Temporary Transfer Water Entitlement Tier 2B		550.00	550.00	550.00	550.00
Take and Use Licence - Form 74SW Permanent Transfer Water Entitlement		2,050.00	2,200.00	2,200.00	2,200.00
Take and Use Licence - Form 93 Transfer Ownership/Transfer Extraction Share		247.00	271.00	298.00	325.00
Take and Use Licence - Form 73SW Renew Existing		770.00	845.00	925.00	1,000.00
Take and Use Licence - Form 77 Amalgamate Licences		1,540.00	1,550.00	1,550.00	1,550.00
Take and Use Licence - Form 78 Subdivide a Licence		1,540.00	1,550.00	1,550.00	1,550.00
Take and Use Licence - Form 71 Amend Existing		1,025.00	1,125.00	1,235.00	1,350.00
Take and Use Licence - Form 71 Decrease Volume/Remove Land		247.00	271.00	298.00	325.00
Form 95 Private Right Determination		770.00	845.00	925.00	1,000.00
Form 96 Waterway Determination		900.00	990.00	1,000.00	1,000.00
Form 96 Waterway Determination Additional Assessment		550.00	550.00	550.00	550.00
<b>Private Dams</b>					
Private Dam - Construct Works Licence - Licensable Dam Form 60 Issue New/Alter Existing/Decommission Works		1,700.00	1,700.00	1,700.00	1,700.00
Private Dam - Operate Works Licence - Licensable Dam Form 61 Issue New		1,017.00	1,118.00	1,229.00	1,350.00
Private Dam - Operate Works Licence - Licensable Dam Form 62 Amend Existing/Renew Existing		955.00	1,000.00	1,000.00	1,000.00
Private Dam - Operate Works Licence - Licensable Dam Form 62 Transfer Ownership		181.00	199.00	218.50	240.00

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Information Statements &amp; Special Meter Readings</b>					
Copy of Record		31.00	34.00	37.00	40.00
Information Statements and Special Meter Reading - Information Statement		115.00	125.00	130.00	130.00
Information Statements and Special Meter Reading - Information Statement Express Service		174.50	189.50	195.00	195.00
Information Statements and Special Meter Reading - Special Meter Reading		115.00	125.00	130.00	130.00
<b>Irrigation Districts</b>					
Irrigation District - Form 150 Amend District Boundary		650.00	650.00	650.00	650.00
<b>Delivery Share</b>					
Irrigation District - Delivery Share - Form 36 Transfer		247.00	271.00	298.00	325.00
Irrigation District - Delivery Share - Form 35 Vary Existing		247.00	271.00	298.00	325.00
Irrigation District - Delivery Share - Form 34 Issue New		247.00	271.00	298.00	325.00
Irrigation District - Delivery Share - Form 34 Reservation		247.00	271.00	298.00	325.00
Irrigation District - Delivery Share - Capacity Assessment		247.00	271.00	298.00	325.00
<b>Private Works</b>					
Irrigation District - Private Works - Form 130 Issue New		1,300.00	1,430.00	1,570.00	1,700.00
Irrigation District - Private Works - Form 130 Security Deposit		25% of job (min 1,000)	25% of job (min 1,000)	25% of job (min 1,000)	25% of job (min 1,000)
Irrigation District - Private Works - Form 130 Supervision Fee		5% of job (min 275)	5% of job (min 275)	5% of job (min 275)	5% of job (min 275)
Irrigation District - Private Works - Form 131 Transfer Ownership		181.00	199.00	218.50	240.00
Irrigation District - Private Works - Form 131 Renew Existing		520.00	570.00	625.00	650.00
Irrigation District - Private Works - Form 135 Installation of a New Service Point		650.00	650.00	650.00	650.00
<b>Supply Agreement</b>					
Irrigation District - Supply by Agreement - Drainage Diversion Form 143 Issue New (without Field Inspection)		235.00	255.00	255.00	260.00
Irrigation District - Supply by Agreement - Drainage Diversion Form 143 Issue New (with Field Inspection)		520.00	570.00	625.00	650.00
Irrigation District - Supply by Agreement - Form 141 Amend Existing/Issue New		550.00	550.00	550.00	550.00
Irrigation District - Supply by Agreement - Mobile Collection Form 142 Issue New		198.00	217.00	238.00	260.00
<b>Water Use Licence or Registration</b>					
Irrigation District - Water Use Licence or Registration - Form 23 Issue New (with Field Inspection)		830.00	850.00	850.00	850.00
Irrigation District - Water Use Licence or Registration - Form 25A Subdivide or Amalgamate (with Field Inspection)	Per lot	830.00	850.00	850.00	850.00
Irrigation District - Water Use Licence or Registration - Form 23 Issue New (without Field Inspection)		145.00	150.00	150.00	150.00
Irrigation District - Water Use Licence or Registration - Form 24 Vary Existing		145.00	150.00	150.00	150.00
Irrigation District - Water Use Licence or Registration - Form 25A Subdivide or Amalgamate (without Field Inspection)	Per lot	145.00	150.00	150.00	150.00

TARIFF AND PRICE COMPONENT	UNIT	2024-25	2025-26	2026-27	2027-28
<b>Water Supply District</b>					
Water Supply District - Form 171 Amalgamate Properties		400.00	400.00	400.00	400.00
Water Supply District - Form 172 Issue New		1,180.00	1,250.00	1,250.00	1,250.00
Water Supply District - Form 170 Subdivide a Property	Per lot	400.00	400.00	400.00	400.00
<b>Technical Advice for High Risk or Complex Applications</b>					
Technical Advice for High Risk or Complex Applications	Per Hr	150.00	150.00	150.00	150.00

\* Indicative: The figures shown will generally apply to terminations requested to apply within six months of a customer submitting a written information request. For terminations requested to apply more than six months after the written information request is submitted, the Termination Fee will be that applicable at the date of termination.

Notes:

- All prices provided above are calculated excluding CPI and could be subject to change as part of the determination process for GMW's Price Submission 2024.
- The ESC updates the cost of debt within the regulatory period that may also impact prices.

## Appendix 4. Service standards



Table 78: GMW's suite of proposed service standards

SERVICE STANDARDS	PROPOSED ANNUAL TARGET FOR REGULATORY PERIOD 6
<b>Gravity Irrigation</b>	
Irrigation orders are commenced within 24 hours of requested start.	95%
Flow rate is within 10% of order.	80%
GMW will maintain the channel level within 40mm of the required supply level.	80%
<b>Diversions</b>	
Customer access to groundwater is managed through seasonal allocations which are announced in accordance with relevant management plans.	100%
Access to unregulated stream flows is managed in accordance with restriction triggers in Local Management Rules.	100%
GMW will, within 24 hrs of being aware of the need to amend rosters and restrictions, initiate notification to customers impacted by these changes (through SMS, email, written letters, or website content).	100%
<b>Pumped Irrigation</b>	
Irrigation orders are commenced within 24 hours of requested start.	98%
Customers are informed by SMS when there is a supply interruption and again when it is restored, within two hours.	100%
Supply interruptions do not exceed eight hours in the summer months and 48 hours in the winter.	5
<b>Water Supply Districts</b>	
Number of supply interruptions for continuous periods in excess of 96 hours.	0
<b>Drainage</b>	
Drains are maintained to a level that they are available to remove run-off.	98%
<b>Bulk Water</b>	
The ability of each regulated system to deliver water to meet customer demand as a percentage of time.	99%
The ability of each regulated system to maximise harvesting opportunities up to 100% of the design storage capacity as a percentage of time.	100%
Minimum flow requirements for regulated waterways as specified in the relevant bulk entitlements are satisfied as a % of time.	98%
Seasonal determination announcements for regulated systems to be made within defined timeframes each month.	100%
Risk of spill announcements for relevant regulated systems to be made within defined timeframes each month.	100%
Advise urban water suppliers of incidents and operations that could affect raw water quality at a town offtake.	95%
<b>Network Delivery Efficiency</b>	
Water delivered to customer properties through the closed piped network as a percentage of water extracted.	92%
Water delivered to customer properties through the open channel network as a percentage of water extracted.	85%
<b>General</b>	
We process all allocation trade applications within five days.	90%
We process all water share applications within 10 business days.	95%
We process all change of ownership applications within 10 business days.	90%
Complaints to GMW per 100 customers (5 year rolling average).	0.36/100
Calls are answered within 60 seconds.	85%
We respond to complaints in writing within three business days.	100%
First-point-of-call resolution.	70%
We process all groundwater transfers within 70 days.	75%







# Appendix 5. GMW Performance Scorecard

Table 79: Past performance for each year of Regulatory Period 5 and performance target for each year of Regulatory Period 6

		REGULATORY PERIOD 5				REGULATORY PERIOD 6				
		Actual	Actual	Actual	Actual	Target	Target	Target	Target	
		20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
 <b>RELIABLE SUPPLY</b>	<b>Output Measure</b>	<b>Metric</b>								
	Irrigation orders are commenced within 24 hours of requested start (Gravity Irrigation)	Percentage of orders	95	97	98	-	95	95	95	95
	Flow rate is within 10% of order (Gravity Irrigation)	Percentage of orders	90	82	81	-	80	80	80	80
	We maintain the channel level within 40mm of the required supply level 80% of the time (Gravity Irrigation)	Percentage of orders	N/A	N/A	N/A	N/A	80	80	80	80
	Greater than 70% of customers have overall satisfaction with the services we deliver by the end of the period (via our annual customer satisfaction survey)	Percentage of customers	N/A	N/A	N/A	N/A	66	68	68	70
	Customers will be informed by SMS when there is a supply interruption and again when it is restored, within two hours 100% of the time (Pumped Irrigation)	Percentage of customers informed	100	100	100	-	100	100	100	100
	Number of supply interruptions do not exceed eight hours in the summer months and 48 hours in the winter months (Pumped Irrigation)	Number of supply interruptions no more than	90	99	99	-	5	5	5	5
Number of supply interruptions for continuous periods in excess of 96 hours (Water Supply Districts)	Number of supply interruptions no more than	100	100	100	-	0	0	0	0	
 <b>CREDIBLE BUSINESS</b>	<b>Output Measure</b>	<b>Metric</b>								
	The number of customer complaints is maintained at less than three per 100 customers <sup>4</sup>	Number of complaints to GMW per 100 customers (5 year rolling average)	0.24/1000	0.57/1000	0.33/1000	-	0.36/100	0.36/100	0.36/100	0.36/100
	All customer complaints will receive a response in writing within three business days	Percentage of complaints responded to in writing within three business days	100	100	100	-	100	100	100	100
	We will report on our performance against our Price Submission and make this available publicly annually	Our performance scorecard is published on our website	N/A	N/A	N/A	N/A	Published	Published	Published	Published
Greater than 60% of customers are satisfied with GMW reputation in the community by the end of the period (via our annual customer satisfaction survey).	Percentage of customers	N/A	N/A	N/A	N/A	56	58	58	60	
	<b>Output Measure</b>	<b>Metric</b>								
	Greater than 65% of customers are satisfied with value for money for services received by the end of the period (via our annual customer satisfaction survey)	Percentage of customers	N/A	N/A	N/A	N/A	56	58	58	60

<sup>4</sup> This measure has been modified from complaints to EWOV/1000 customers to complaints received by GMW/100 customers and represented an increased level of standard.

 <b>FAIR PRICING</b>	Annual tariffs follow the proposed structures within the ESC's published pricing determination	Tariffs in line with determination	N/A	N/A	N/A	N/A	Achieved	Achieved	Achieved	Achieved
 <b>EFFICIENT OPERATIONS</b>	<b>Output Measure</b>	<b>Metric</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
We will maintain our controllable operating cost to equal to or less than \$306.2M by the end of the Price Submission period	Controllable operating costs in \$M	N/A	N/A	N/A	N/A	75.8	76.3	77.1	77.0	
Greater than 90% of our staff have completed any relevant mandatory training each financial year	Percentage of staff with training complete	N/A	N/A	N/A	N/A	90	90	90	90	
Voluntary organisational turnover is maintained below 10% annually	Percentage of turnover	N/A	N/A	N/A	N/A	<10	<10	<10	<10	
 <b>RESPONSIVE SERVICES</b>	<b>Output Measure</b>	<b>Metric</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
We process 90% of allocation trade applications within five business days	Percentage of applications processed	99	99	99	-	90	90	90	90	
We process 95% of all water share applications within 10 business days	Percentage of applications processed	82	97	98	-	95	95	95	95	
We process 90% of all change of ownership applications within 10 business days	Percentage of applications processed	77	99	98	-	90	90	90	90	
Our calls are answered within 60 seconds 85% of the time	Percentage of calls answered	83	93	89	-	85	85	85	85	
We achieve first-point-of-call resolution 70% of the time	Percentage of calls with first point-of-call resolution	87	84	78	-	70	70	70	70	
We process 75% of all groundwater transfers within 70 days	Percentage of applications processed	N/A	N/A	N/A	N/A	75	75	75	75	
We advise urban water suppliers of incidents and operations that could affect raw water quality at a town offtake within 1 day of GMW becoming aware of the risk 95% of the time	Percentage of notifications within 1 day	N/A	N/A	N/A	N/A	95	95	95	95	
 <b>SOCIALLY RESPONSIBLE</b>	<b>Output Measure</b>	<b>Metric</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
We will reduce our greenhouse gas emissions in line with our annual targets en-route to net-zero by 2035	Emissions in tonnes	10,345	10,641	8,812	-	8,467	4,909	1,707	1,707	
We achieve annual compliance against our activities in accordance with an integrated and accredited OHS Management System	Annual compliance status	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved	
Our waste sent to landfill is reduced by 25% per FTE by 2028 <sup>5</sup>	Percentage reduction per FTE	N/A	N/A	N/A	N/A	10%	15%	20%	25%	
We have new EPA Licences in place for sewerage systems by 30 June 2026.	All required licences in place	N/A	N/A	N/A	N/A	Positive progress	Achieved	Achieved	Achieved	

5 GMW collected waste data from available Council Rates Notices and invoices to determine improvement targets. GMW is aiming to implement more robust waste data collection processes in the next 2 years to improve the integrity of its waste records and identify opportunities for improvements. These targets are reliant on the data provided to GMW by our waste management contractors and we will continue to review these over the next regulatory period.

## Appendix 6. Information provided to customers – road testing phase

Table 80: Information provided to customers during our Price Submission 2024 engagement (Stage 3: Road Testing) and links to these documents

Topic	What
Delivering for our region and our future: Key elements of GMW's proposed Price Submission 2024	Document
Service Outcomes	Consultation paper
Service standards – General	Consultation paper
Service standards – Gravity Irrigation	Consultation paper
Service standards – Diversions	Consultation paper
Service standards – Drainage	Consultation paper
Service standards – Pumped Irrigation	Consultation paper
Service standards – Water Supply Districts	Consultation paper
Gravity Irrigation Pricing	Consultation paper
Diversions Pricing	Consultation paper
Water Supply Districts	Consultation paper
Pumped Irrigation	Consultation paper
Simplifying our Surface Drainage Tariffs	Consultation paper
Simplifying our Subsurface Drainage Tariffs	Consultation paper
Billing	Consultation paper
Hardship and Vulnerable Customers	Consultation paper
Customer Service Point Deactivation	Investigation paper
Operating Expenditure	Fact sheet
Capital Expenditure – Water Storages	Fact sheet
Capital Expenditure – Irrigation Network	Fact sheet
Miscellaneous fees and charges	Fact sheet
Pricing Simulator – Irrigation Area Customers	Simulator
Pricing Simulator – Pumped Irrigation District Customers	Simulator
Pricing Simulator – Water Districts Customers	Simulator
Pricing Simulator – River Diversion Regulated Customers	Simulator
Pricing Simulator – River Diversion Unregulated Customers	Simulator
Pricing Simulator – Groundwater Customers	Simulator
Pricing Simulator – Non-Delivery Customers	Simulator

## Appendix 7. Engagement alignment with the IAP2 Engagement Spectrum

	<b>Inform</b>	<b>Consult</b>	<b>Involve</b>	<b>Collaborate</b>
<b>Stage 1: Service Planning</b>	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Customer newsletters</li> <li>• Direct customer emails</li> <li>• Direct customers SMS</li> <li>• Print advertising</li> <li>• Website</li> <li>• Social media</li> <li>• Fact sheets</li> <li>• Posters</li> <li>• Letters</li> <li>• Phone calls</li> <li>• Briefing papers</li> </ul>	<ul style="list-style-type: none"> <li>• Formal correspondence seeking feedback</li> <li>• Surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Your Say – Online Engagement Hub</li> <li>• 10 service specific customer workshops</li> <li>• Meetings with other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Workshops with Water Services Committees</li> </ul>
<b>Stage 2: Deep Dive</b>	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Customer newsletters</li> <li>• Direct customer emails</li> <li>• Direct customers SMS</li> <li>• Website</li> <li>• Social media</li> <li>• Fact sheets</li> <li>• Letters</li> <li>• Phone calls</li> <li>• Briefing papers</li> <li>• Podcast episode</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Targeted phone calls with vulnerable customers</li> <li>• Formal correspondence seeking feedback</li> <li>• Surveys</li> <li>• Customer Satisfaction Survey Results</li> </ul>	<ul style="list-style-type: none"> <li>• Your Say – Online Engagement Hub</li> <li>• Drop-in sessions</li> <li>• Meetings with other Bulk Water customers</li> <li>• Meetings with other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Working groups</li> <li>• Tariff and Pricing Workshop with Water Service Committee Chairs and Deputies</li> <li>• Meetings with Water Services Committees</li> </ul>
<b>Stage 3: Road Testing</b>	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Customer newsletters</li> <li>• Direct customer emails</li> <li>• Direct customers SMS</li> <li>• Print advertising</li> <li>• Geo-targeted social media advertising</li> <li>• Website</li> <li>• Social media</li> <li>• Fact sheets</li> <li>• Posters</li> <li>• Letters</li> <li>• Phone calls</li> <li>• Briefing papers</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Phone calls</li> <li>• Key Elements summary document</li> <li>• Formal correspondence seeking feedback</li> <li>• Surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Your Say – Online Engagement Hub</li> <li>• In person drop-in sessions</li> <li>• Online drop-in sessions</li> <li>• Topic specific workshops</li> <li>• Meetings with other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Water Services Committees</li> </ul>
<b>Stage 4: Closing the Loop</b>	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Customer newsletters</li> <li>• Direct customer emails</li> <li>• Direct customers SMS</li> <li>• Advertising</li> <li>• Website</li> <li>• Social media</li> <li>• Phone calls</li> </ul>	<ul style="list-style-type: none"> <li>• Delivering for our region and our Future - Closing the Loop document</li> <li>• Your Say – Online Engagement Hub</li> </ul>		

# Glossary

**Current regulatory period** – Regulatory Period 5 (2020-24).

**Consultation paper:** Outlines a topic we are consulting with our customers on, where their feedback could influence an outcome.

**Investigation paper:** Outlines information on a future project we are gathering feedback on, but not delivering as part of GMW's Price Submission 2024.

**Fact sheet:** Information that supports other topics within GMW's Price Submission 2024.

**Regulatory Period 6** – 2024-2028.

**Regulatory Period 7** – 2028-2032.

**Service Plan:** Plans which outline how services are managed into the future.

**Service Standard:** GMW's service delivery commitments to our customers, which provide a measure to monitor performance against.

# Acronyms

**ACCC** – Australian Competition and Consumer Commission

**ATO** – Australian Tax Office

**CAPEX** – Capital Expenditure

**CEWH** – Commonwealth Environmental Water Holder

**CSD** – Community Surface Drain

**CSP** – Customer Service Point

**CPI** – Consumer Price Index

**DEECA** – The Department of Energy, Environment and Climate Action

**ESC** – Essential Services Commission

**GMID** – Goulburn-Murray Irrigation District

**GMW** – Goulburn-Murray Water

**HR** – High Reliability

**HRWS** – High Reliability Water Shares

**IAP2** – International Association for Public Participation

**ISD** – Irrigators' Share Distribution

**LMW** – Lower Murray Water

**LR** – Low Reliability

**LRWS** – Low Reliability Water Shares

**MDB Plan** – Murray Darling Basin Plan

**NTER** – National Tax Equivalent Regime

**OPEX** – Operating Expenditure

**PRA** – Portfolio Risk Assessment

**PREMO** – Performance, Risk, Engagement, Management and Outcomes (Regulatory Model)

**RAB** - Regulatory Asset Base

**WEP** – Water Efficiency Project

**WIRO** – Water Industry Regulatory Order

# Appendix 8: Aither Independent Statement

**A I T H E R**

Diane James  
Chair  
Goulburn-Murray Water  
[By email]

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Dear Diane,

## Pricing Submission Assurance

We were pleased to assist Goulburn-Murray Water in the preparation of its Pricing Submission and to provide assurance for the Goulburn-Murray Water Board in relation to its accuracy and robustness.

The finding from our review of the current version of the Pricing Submission, is that we **agree with the self-assessment of Standard** for Goulburn-Murray Water under the Essential Services Commission's (ESC's) PREMO framework. Using the rating scale provided by the ESC, we consider that Goulburn-Murray Water should have a high to very-high degree of confidence in its self-assessment of Standard.

In undertaking our review of the Pricing Submission, we focused on whether:

- Operating and capital expenditure has been appropriately justified in the Pricing Submission and associated supporting documentation
- Forecast demand (and the underlying methodology) has been appropriately justified
- The Pricing Submission was consistent with the ESC's Guidance Paper for Goulburn-Murray Water
- The underlying financial model was accurately calculating the elements required for the ESC Information Return template, and
- The self-assessment was appropriate given the ESC's Guidance and our own experience in submitting and reviewing pricing submissions under the PREMO framework.

Through this review, we have provided feedback to Goulburn-Murray Water staff that has resulted in amendments to the Pricing Submission through an iterative process.

A summary of our findings has been provided to the Goulburn-Murray Water Board as part of its Board pack for the September Board meeting. A more detailed report has been provided to Goulburn-Murray Water staff earlier in the process. This detailed report was provided earlier to allow sufficient time to revise the Pricing Submission where appropriate.

If you have any questions in relation to our findings, please feel free to contact me on 0418 140 857 or [tim.ryan@aither.com.au](mailto:tim.ryan@aither.com.au).

Kind regards,



Tim Ryan  
Associate Director

22 September 2023

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**A I T H E R**  
Pricing Submission Assurance

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