

The Essential Services Commission

The Commission is the independent economic regulator of the Victorian water industry. We periodically assess prices put forward by water businesses in a three to five year Water Plan.

ESC review of Water Plans

Last year the regional water businesses submitted to the Commission their Water Plans for the third regulatory period commencing, 1 July 2013. These Water Plans set out the forecast business costs and the prices that each business proposed to charge their customers to recover those costs. In approving revenue and prices for the water businesses, the Commission assessed the revenue required to operate the businesses and to meet obligations from the Minister for Water and other regulatory bodies.

Revenue requirement – final decision

In their Water Plans, the businesses' identified their revenue requirements for the third regulatory period (2013-18). These revenue forecasts reflect their expected operating expenditure, a return on assets (existing and new assets) and regulatory depreciation (return of assets). Over the regulatory period, the 12 water businesses' proposed a total revenue requirement of \$4.2 billion (Table 1). In our draft decision, the Commission reviewed the businesses' proposed revenue and adjusted the businesses' revenue requirement estimates over the third regulatory period to reflect our view of the efficient level of expenditure and the efficient costs of financing, by preliminarily approving a revenue of \$4.0 billion. This is \$185 million (or 4.3 per cent) lower than that proposed by the businesses. This downward adjustment to their proposed revenue reflects our draft decision to not approve all the revenue sought by the water businesses in their Water Plans.

The final decision provides for \$4.0 billion in revenue requirement over the regulatory period. This is \$235 million (or 5.6 per cent) lower than that originally proposed by the water businesses in their Water Plans. The downward adjustment to their proposed revenue requirements reflect our final decision to not approve all the expenditure sought by the water businesses in their Water Plans and the lower costs of financing capital investments.

Table 1. Revenue requirement – proposed and final decision (\$m 2012-13)

Business	Businesses' proposal	Final decision	Difference (\$m)	Per cent
Barwon Water	919.9	872.3	-47.6	-5.2
Central Highlands Water	414.2	390.8	-23.3	-5.6
Coliban Water	520.2	467.0	-53.1	-10.2
East Gippsland Water	153.6	149.1	-4.5	-2.9
Gippsland Water	569.8	545.1	-24.7	-4.3
Goulburn Valley Water	348.2	324.5	-23.6	-6.8
GWMWater	295.7	280.5	-15.2	-5.1
Lower Murray Water - urban	162.3	158.9	-3.4	-2.1
North East Water	275.7	261.6	-14.1	-5.1
South Gippsland Water	135.7	126.6	-9.1	-6.7
Wannon Water	328.7	318.7	-10.0	-3.0
Westernport Water	102.4	95.5	-6.9	-6.7
Total	4226.3	3990.7	-235.6	-5.6

For more information

More information, including material from past price reviews can be found on the Commission's website www.esc.vic.gov.au.