

# Return of unrequired desalination payments to customers



October 2012 progress report

We are monitoring the return of unrequired desalination payments by the Melbourne water businesses and Western Water. This Update Report provides information on how much has been returned to customers in the period from July to September 2012. We will provide the next update in January 2013. All dollar values in this report are in today's dollars

## How much has been returned?

Collectively, the water retailers estimate that \$26.4 million was returned to customers in the first quarter of the new financial year (July to September 2012).

Almost all of this amount was returned through the 2012-13 price freeze. Around \$20,000 was returned through special circumstances payments to customers. These payments are made to customers who have contributed in the past to desalination payments, but no longer receive a water bill and so do not benefit from the price freeze.

Chart 1 shows the estimated amounts returned by each water retailer. The estimated amounts returned range from \$1.2 million by Western Water to \$12.4 million by Yarra Valley Water. The variation is mainly due to differences in customer numbers.

The amount returned will increase steadily over the remainder of the year. Water businesses estimate the price freeze will return \$174 million to customers over 12 months.

## Will the price freeze be enough?

In October we released our Opinion Report - Return of Additional Desalination Payments. It can be found on our website.

In that report, we estimated that beyond the \$174 million to be returned to customers through the price freeze, there may be an additional amount that also needs to be returned (possibly in the form of an additional rebate in 2013).

The large range we estimated in our previous report was due to uncertainty about the completion date and final commissioning costs for the desalination plant.

The amount to be returned in each of the next three quarters will be somewhat higher than the amount returned in the first quarter. The lower amount deducted in the first quarter is due to:

- the number of days between 1 July 2012 and the date a customer's meter was read by their water retailer—that is, the number of days affected by the price freeze. In their next three bills, customers can expect to benefit from the price freeze for the entire period covered by the meter read.
- lower water use during this time of year means that a price freeze will return a proportionally lower amount. As water use increases in future months, returns through the price freeze will increase.

We will continue to monitor the amount returned to customers and we will take necessary action if this amount does not increase in line with expectations.

Since the release of our report in October, the plant operator reached preliminary commercial acceptance—a point at which the desalination plant was first able to produce at one-third of its planned maximum capacity for seven days. However, there have been no further announcements regarding the plant's expected completion date.

By the time of our next update (in January 2013), if the plant is completed and commissioning costs are known, we will be in a position to estimate the final amount to be returned to customers through the price freeze and any additional rebate.



## Checking the water businesses' return of funds

In July 2012, we requested that the water businesses develop a joint approach to guide the return of unrequired desalination payments to customers. Each water business provides details on its website about its approach to returning funds to customers (see website links provided below).

We are satisfied that the approach adopted by each of the water businesses is consistent with our customer protection framework for the water industry.

We also audited 50 randomly selected customer bills issued by each water retailer in the period from July

to September 2012 to check that the correct amounts were being deducted in accordance with the price freeze. All bills audited were calculated correctly.

We also found the businesses are publishing the correct prices in their customer information material (including on their websites and in their bill inserts).

Once the water businesses report that all funds have been returned to customers, we will undertake a final audit to confirm the amount returned is in line with our expectations. The results of that audit will be included in our final Update Report in October 2013.

## More information and feedback?

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

**City West Water:** Website: [www.citywestwater.com.au](http://www.citywestwater.com.au)  
Phone: 131691

**South East Water:** Website: [www.southeastwater.com.au](http://www.southeastwater.com.au)  
Phone: 131694

**Yarra Valley Water:** Website: [www.yvw.com.au](http://www.yvw.com.au)  
Phone: 131721

**Western Water:** Website: [www.westernwater.com.au](http://www.westernwater.com.au)  
Phone: 1300 650 425

We welcome any feedback on this progress report — you can send comments to [water@esc.vic.gov.au](mailto:water@esc.vic.gov.au).

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