

The Essential Services Commission

The Essential Services Commission (ESC) is the independent economic regulator of the Victorian Water Industry.

Under a process set out by the state Government, the ESC periodically assesses prices put forward by water businesses in a three to five year Water Plan. A Draft Decision on water and sewerage prices for Metropolitan Melbourne for the four years commencing 1 July 2009 was released on 21 April.

A decision on total revenue

The Commission's pricing decisions set a total "Revenue Requirement" for the period for each business. This is an estimate of the total income needed from prices to deliver services, manage and renew infrastructure and finance capital investments. Prices are set to recover this total dollar amount over the period, ensuring the businesses remain financially viable.

ESC Review of Water Plans

Last year water businesses submitted Water Plans which included forecasts of costs and the volumes of water that will be delivered over the next four years. These factors were used to justify prices proposed to be charged over the period.

The ESC has assessed the Water Plans and released a Draft Decision. In its decision the Commission has made some changes to the cost estimates of major projects and ongoing operating expenditure.

Review framework

The Price Review is undertaken according to legislation set out in the "Water Industry Regulatory Order" (or WIRO). The WIRO says what the ESC should take into account in making its decision.

Major elements of the decision

Total revenue requirement for the businesses has been reduced by 5.7% due to a re-estimate of the cost of capital and trimming of costs deemed to be inefficient. Since making their plans, retailers have revised their expectations for the easing of water restrictions in the near future.

The Commission has suggested that businesses adjust their tariff structures to put more emphasis on variable water charges.

The price rises predicted in the water plans have been curbed under the Commission's assessment.

Cumulative 4 yr price change	Proposal	Draft Decision
City West	63%	48%
South East	70%	53%
Yarra Valley	71%	60%

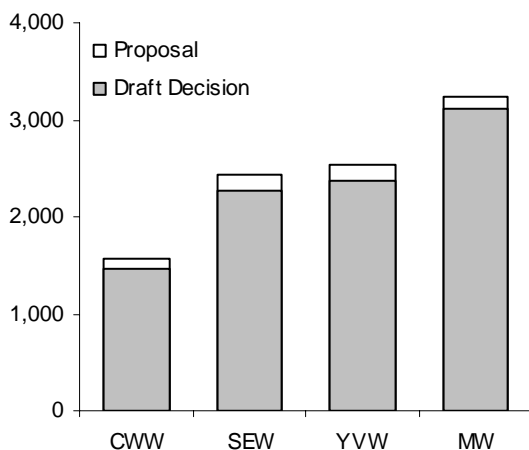
Next stage of the process

Businesses and stakeholders will make submissions to the ESC's decision. Following consultation with customers, water businesses and other interested parties, a Final Decision and Determination stating explicit price paths for four years will be issued in June.

How to get involved

The Commission's Draft Decision is open for consultation until 19 May. A stakeholder forum to gather feedback will be held in mid-May. More information, including material from past price reviews can be found on the Commission's website www.esc.vic.gov.au. Interested parties are encouraged to participate in the price review by making submissions. Written submissions can be sent by email to water@esc.vic.gov.au or posted to Water Price Review, Essential Services Commission, 2/35 Spring Street, Melbourne 3000.

Total Revenue Requirement 1/7/09 – 30/6/13



Average Household Bill by 2012/13

