

29 June 2012

The Hon. Peter Walsh, MP
Minister for Water
GPO Box 4440
Melbourne VIC 3001

Dear Minister

Return of unrequired desalination payments to water customers – role of the Essential Services Commission

Thank you for your letter regarding proposed arrangements to return unrequired payments made by retail water customers relating to the Wonthaggi desalination plant.

As outlined in your letter, the Commission will oversee and independently verify the return of unrequired payments to customers, adjusted for interest and inflation, including any residual amounts to be returned to customers in 2013-14. The Commission will also seek to ensure that these payments are returned in a way that is easily understood by customers. This is consistent with the Commission's existing pricing and customer protection role in the water sector.

To commence our role in monitoring and reporting on the return of unrequired desalination payments, in mid-July we will release a consultation paper setting out:

- an explanation of what has occurred in relation to desalination payments
- information on the implementation of the price freeze by water businesses and any other incidental issues, and our expectations for communications and information provision by water businesses
- our intention to release quarterly reports providing updates on progress in returning unrequired desalination payments to customers
- our intention to review opportunities to bring forward the timing of the return of any residual unrequired desalination payment amounts from 2013-14 to 2012-13.

The consultation paper will provide an opportunity for interested parties to comment on any of these matters and to identify any improvements that might be made to our approach. The Commission will widely communicate any changes to our proposed approach following our consultation process.

We have already requested that the metropolitan water businesses and Western Water develop a joint strategy to guide the return of unrequired desalination payments to customers. We will assess the strategy and advise whether it complies with our customer service code and the interests of water customers: if not, we will provide advice on actions that need to be taken to ensure it is compliant.

We anticipate that in August, when better information is available about a range of parameters, we will commence an internal review to assess whether there is an opportunity to bring forward the timing of the return of any residual unrequired desalination payment amounts from the first quarter of 2013-14 to 2012-13. We expect to report publicly on our findings by early September.

In October, we will release our first quarterly report providing updates on progress in returning desalination payments to customers. In the report, we will also summarise any customer issues arising during the return of desalination payments, and where appropriate, make recommendations on the actions businesses should take to address them.

The attached timeline summarises the key tasks and timelines of the Commission's work program.

We will continue to work closely with the metropolitan water businesses, Western Water and the Department of Sustainability and Environment to ensure the return of unrequired desalination payments is implemented efficiently, expeditiously and in the interests of water customers. In the coming days, we will provide more detailed advice to the businesses on our expectations and requirements.

I will provide you with regular updates on our progress.

Yours sincerely



Dr Ron Ben-David
Chairperson

Attached: Summary of key tasks and timeline – Essential Services Commission role in monitoring the return of desalination payments

ATTACHMENT

Summary of key tasks and timeline – Essential Services Commission role in monitoring the return of desalination payments

Activity	Date
Release consultation paper – Commission's role in monitoring return of desalination money	Mid July 2012
Submissions due – in response to consultation paper	Mid-August 2012
Release final report –feasibility assessment re. the feasibility to bring forward the return of any residual unrequired desalination payment amounts from the first quarter of 2013-14 to 2012-13.	Early September 2012
Release of progress report for quarter 1 (July-September 2012) Note: this report will also include a summary of outcomes from consultation on our consultation paper – Commission's role in monitoring return of desalination money.	October 2012
Release of progress report for quarter 2 (October-December 2012)	January 2013
Release of progress report for quarter 3 (January-March 2013)	April 2013
Release of progress report for quarter 4 (April-June 2013)	July 2013
Release of progress report for quarter 5 (July-September 2013)	October 2013