



29 April 2016

Mr Marcus Crudden
Director, Water
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne Vic 3000

Dear Marcus

Re: GMW Submission on the Commission's Draft Decision - 2016 Price Review

Thank you for this opportunity to respond to your draft decision on GMW's 2016 Price Submission.

As we highlighted in our 2016 Price Submission and subsequent submission to the ESC in February 2016, GMW continues to implement a program of internal reform to drive efficiency into the business operations, improve our customer service levels and customer interface and undertake infrastructure modernisation through the Connections Project.

GMW and our customers are facing significant uncertainty over the four year period of the 2016 Price Submission in which our revenues are to be determined with limited opportunity for variation. This uncertainty arises from a combination of external factors including climate change and ongoing dry conditions, the Murray Darling Basin Plan and competition for water outside of the GMID. A combination of these factors is likely to result in less water being available for our customers in the short and long term.

In addition, following the Mid Term Review, the Connections Project is going through a reset process with the State and Commonwealth Governments which may change our forecast future operating environment. The reset is currently investigating a range of options and recommendations on the way in which the project will be implemented. The outcomes of the reset and any consequential impacts on GMW's revenue requirement will only be understood after the commencement of the pricing period.

We have developed our 2016 Price Submission and the underpinning service standards, efficiency improvements, tariff strategies and infrastructure investment programs to manage this uncertainty in the best way possible.

In formulating our 2016 Pricing Submission and this response we have used the best available information on how the business will change during the regulatory period. Accordingly, we have carried out analysis on the impact of these changes on our expenditure and investment over the 2016-20 period, and prepared revised expenditure forecasts, which are outlined in this submission.

We have continued to engage with our customers and stakeholders since the ESC's draft decision was released, through both our Water Service Committees (WSC) and the ESC's public forum. We have presented our views on the implications of the draft decision for our business and services, and incorporated feedback in the development of this submission.

We have also identified some key issues raised in the Draft Decision which we consider important to respond, to inform the ESC's Final Decision.



Executive Summary

This submission (Draft Decision Submission) in response to the Commission's Draft Decision details GMW's proposed operating expenditure, revenue requirement and tariff reform required to deliver services and meet service standards over the period 2016/17 to 2019/20. A summary of key elements of this submission are summarised below:

Revenue Requirement & Operating Costs

GMW proposes a revenue requirement of \$477m. This is \$16m lower than our 2016 Price Submission reflecting a reduction in pass through costs of \$8.8 associated with MDBA Contributions and we have subsequently generated an additional \$1.1 million per annum (\$5.2 million over the regulatory period) of ongoing operating expenditure savings since our 2016 Pricing Submission.

GMW considers the revenue requirement in the ESC's Draft Decision places the business at significant financial risk. The Draft Decision does not recognise the change in environment since the 2013 Blueprint and GMW's track record of passing through additional savings achieved in pricing during the current regulatory period.

Demand & Quantity Forecasts

Since our 2016 Price Submission was prepared, we have prepared revised demand and quantity forecasts, using the same methodology applied in our original price submission. A key change in the demand and quantity forecasts reflects that since our 2016 Price Submission was developed, dry conditions have worsened which risk our expenditure forecasts and revenue in the 2016 Price Submission. This submission also includes updated trends in service points, delivery shares and entitlement.

Gravity Tariff Reform

In our 2016 Price Submission, GMW considered a uniform GMID Delivery Charge reflects an appropriate balance of the objectives provided for in the ACCC's pricing principles. The ESC has indicated that it supports GMW's shift to a uniform tariff policy however on a "5:1" arrangement in which 5 of the 6 districts are moved to a uniform price.

GMW considers that Uniform Delivery Charges still provides the most appropriate balance of the ACCC's pricing principles.

However should the ESC not reconsider its draft decision following its consultation, GMW accepts the ESC's draft decision proposal of moving to a 5:1 tariff arrangement as a prudent approach to tariff reform and will substantially deliver on anticipated efficiency savings and benefits from the overarching tariff simplification.

Diversion Tariff Reform

The Draft Decision proposes to approve GMW's submitted diversion tariff structure if GMW were to extend the transition period from two to four years.

While GMW supports the intention to smooth bill increases for small customers, GMW considers that a transition period of 2 years still provides the most appropriate balance.

However, should the ESC not reconsider its draft decision following its consultation process, GMW proposes to accept the Commission's draft decision and implement a 4 year transition.

Connections Project

The Connections Project is currently undertaking detailed analysis of the options outlined in the Mid Term Review and other considerations to determine the best way forward. The analysis to date does not require any changes to our current assumptions.

Consultation & Feedback

Customers are the centre of our business and it is for this reason we initiated improvements to our approach to consultation during the current regulatory review. We continued to consult and seek

feedback on this submission in a consistent and ongoing engagement with Water Service Committees (WSC).

Discussions were held with gravity and diversions WSC Chairs and Deputy Chairs and the whole committee membership in regards to our proposed submission. Information provided included the provision of alternative price outcomes and customer impact analysis for our gravity and diversion tariffs.

In relation to gravity services WSC feedback across WSC Chairs and Deputy Chairs' was mixed, ranging from support for uniform district pricing, 5:1 pricing, status quo and an alternative model. The feedback was equally mixed at the committee level. The feedback helped inform GMW's decision to accept the ESC's 5:1 pricing if the ESC did not reconsider its draft decision on uniform pricing.

In the case of diversions, GMW presented several options to its WSCs in regards to the transition path that would satisfy the requirements of the draft decision and also provided the anticipated customer impacts.

These options included:

- The transition of smaller customers across the regulatory period whilst transitioning larger customers in a shorter timeframe (2 or 3 years);
- The transition of all customers across the regulatory period as per the draft decision; or
- Consideration of providing new supporting information to demonstrate that consultation with smaller customers was effective, allowing the ESC to reconsider its Draft Decision.

Feedback from WSCs strongly maintained support for a 2 year transition, however acknowledged the importance of achieving the ultimate objectives of tariff reform.

The remainder of this paper provides detail on the key elements GMW's submission:

1. Service Standards
2. Demand Forecasts
3. Operating Costs
4. Tariff Reform
5. Revenue Requirement
6. Pricing & Customer Impacts
7. Connections Project

1. Service standards

Our 2016 Price Submission noted that the fourth regulatory period will be characterised by the integration of the modernised system in relation to the GMID. Notwithstanding the 'reset' of the Connections Project, we consider our proposed service standards, which were approved by the ESC in its Draft Decision, remain appropriate for the fourth regulatory period, with some exceptions.

Increasing our delivery efficiency in the gravity irrigation business from 79% in 2015-16 to 85% by 2019-20 was based on the timing of the completion of the Connections Project. GMW proposes to set the efficiency target annually based on the timing of the roll-out of modernisation with the minimum level set at 79% which reflects recent actual performance in the third regulatory period. We look forward to discussing the process to implement this with the ESC.

While we are not proposing to change the percentage targets, GMW would like to take this opportunity to update the descriptions of two of the gravity irrigation service standards to reflect the ability for it to measure outcomes. For customers for which 'remotely read and operated meters' are installed under the Connections Project, GMW will be able to measure the consistency of flow and supply levels, and therefore associated targets in our 2016 Price Submission. For non-modernised customers, GMW proposes these targets will not be applied as measurement will not be possible.

In our original proposal the service standard listed in table 12 stated the following:

- % of orders within +/- 10% of flow rate for 90% of time
- % of orders within +/- 40mm of supply level 90% of time

Accordingly, GMW proposes a change to the title of these targets, to identify modernised customers – new text in italics:

- *For customers within the modernised system:* % of orders within +/- 10% of flow rate for 90% of time.
- *For customers within the modernised system:* % of orders within +/- 40mm of supply level 90% of time.

2. Demand Forecasts

We have prepared revised demand forecasts, using the same methodology applied in our original price submission. The ESC noted GMW's methodology for forecasting demand was sound. Updating demand forecasts now will ensure 2016-17 prices are as accurate as possible and the revenue generated is in line with the revenue cap.

Delivery Volumes

Delivery volume forecasts underpinning our expenditure and revenue forecasts in the 2016 Price Submission were based on a median climate and output scenario, selected from system simulation models run by Jacobs. Since our 2016 Price Submission was developed, dry conditions have worsened across the GMID.

Our 2016 Price Submission was based on forecasts from simulation model runs performed in March 2015 shown by figure 1 on the following page. Close to 12 months has now passed; in which conditions have been very dry (in excess of 90% Probability of Exceedence (PoE) inflows in most systems). It can be seen in figure 2 that the updated March 2016 forecast deliveries shows a reduction in delivery under all three statistical scenarios compared to the original model runs, in particular approximately 100 GL per year in the median as outlined in the following table.

Table 1: Revised delivery volumes

Season	2016 Price Submission forecast: Total GMID delivery volume (ML)	Revised forecast: Total GMID delivery volume (ML)
2016/17	1,158,556	1,057,475
2017/18	1,150,420	1,021,940
2018/19	1,129,363	1,018,930
2019/20	1,127,545	1,026,262
2020/21	1,121,282	1,032,378
2021/22	1,128,945	1,038,912
2022/23	1,130,469	1,059,901
2023/24	1,150,765	1,071,032

This can be explained by the following events:

1. Very low inflows in season 2015/16: With the exception of Hume and Dartmouth, inflow to GMW storages has been in excess of 90% PoE (i.e. <10th percentile) for the water year to date in 2015/16. Inflows to Hume and Dartmouth were 89% PoE and 84% PoE respectively to the end of February 2016. As well as meaning reduced deliveries in season 2015/16, the low inflow volumes means there is less carryover volume for delivery in subsequent years and the storage volumes have further to recover from drawdown during 2015/16 .
2. Reduced entitlement held in the areas: Both the updated and original model runs were run with different area entitlement volumes used in the model to what was actually held in the area as recorded in the Water Register. A post model run adjustment was used to update the model

results based on the current area entitlement volumes. The 'current' entitlement volumes directly held in districts has changed between the two model runs with the result being less entitlement held in the areas now to 12 months ago; 948 GL total now versus 992 GL total 12 months ago.¹

¹ This does not account for volumes shifted to 'non-water user' water that is likely to still be used in the GMID.

Figure 1: Forecast irrigation area deliveries from model runs performed at March 2015

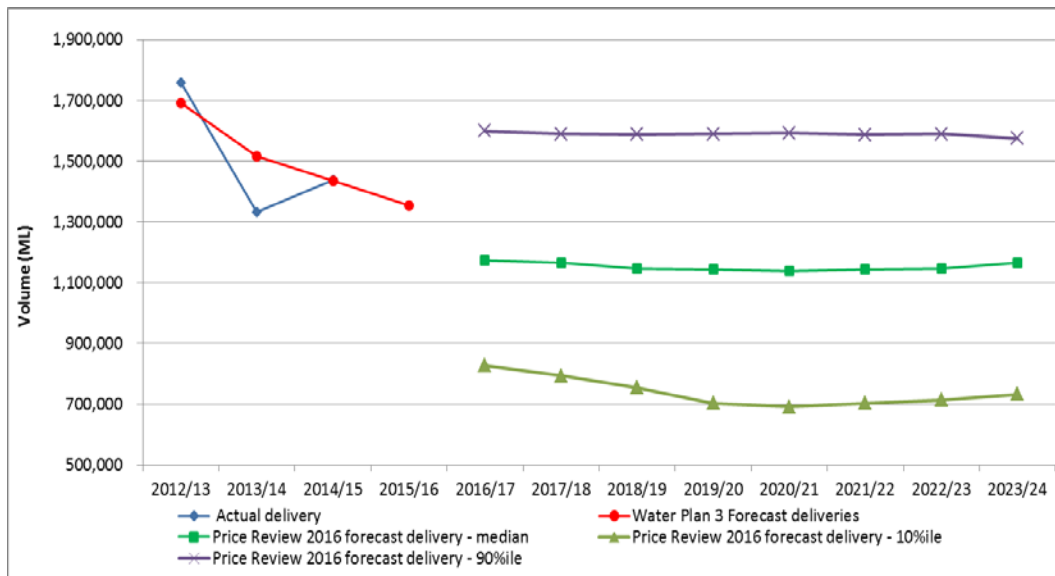
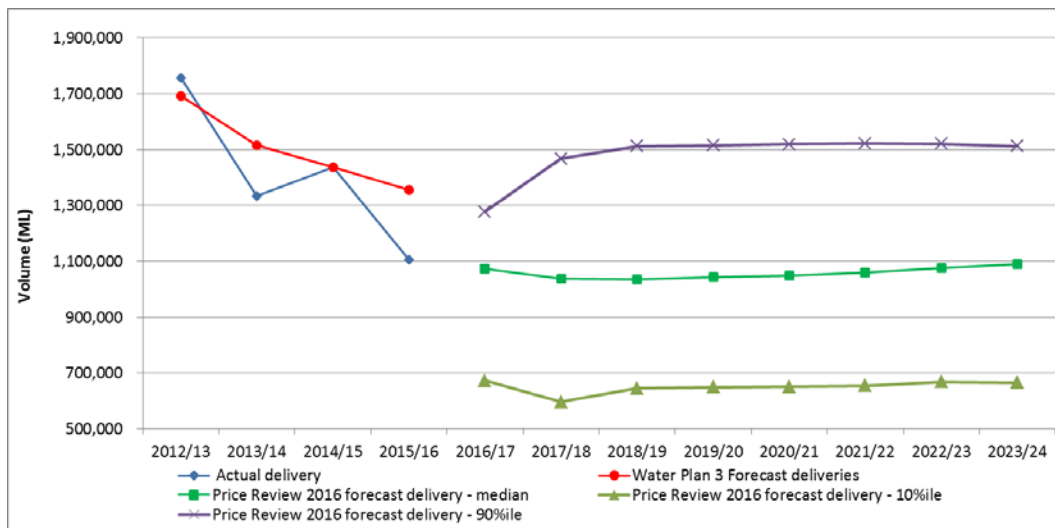


Figure 2: Forecast irrigation area deliveries from model runs performed at March 2016



The impact on operating costs of dry conditions is discussed in the operating costs section of this submission.

Delivery shares and Connection Points

Our 2016 Price Submission included Delivery Shares and Connection Points forecasts prepared around the time of the Mid Term Review. The latest forecasts of delivery shares shown in table 2 reflect fewer terminations due to improved economic conditions and resource conditions.

Table 2 – Original and Revised 2016 Price Submission delivery share (ML/Day)

Season	2016 Price Submission forecast: Total GMID delivery share (ML/Day)	Revised forecast: Total GMID delivery share (ML/Day)
2016/17	15,102	15,272
2017/18	14,957	15,128
2018/19	14,812	14,983
2019/20	14,812	14,983
2020/21	14,812	14,983
2021/22	14,812	14,983
2022/23	14,812	14,983
2023/24	14,812	14,983

As described in section 7, the Mid-term review of the Connections Project confirmed that the number of customers seeking to disconnect is lower than first envisaged. Table 3 reflects the original Price Submission Connections Point numbers, while Table 4 has been updated to reflect current service points. The original submission service point numbers for remote read/operate and remote read have been corrected in the revised table.

Table 3 – Original 2016 Price Submission Connection Points

Outlet type	2016/17	2017/18	2018/19	2019/20	2020/21 to 2023/24
Domestic and Stock	7,433	6,364	5,840	5,840	5,840
Local Read	7,472	4,987	3,872	3,872	3,872
Remote Read/Operate	2,399	2,788	3,006	3,006	3,006
Remote Read	5,989	6,710	7,176	7,176	7,176
Total	23,294	20,849	19,894	19,894	19,894

Table 4 – Revised 2016 Price Submission Connection Points

Outlet type	2016/17	2017/18	2018/19	2019/20	2020/21 to 2023/24
Domestic and Stock	9,314	7,670	6,026	6,026	6,026
Local Read	8,976	6,432	3,888	3,888	3,888
Remote Read/Operate	5,851	6,507	7,162	7,162	7,162
Remote Read	1,881	2,381	2,880	2,880	2,880
Total	26,022	22,989	19,956	19,956	19,956

Diverters

Tables 5 and 7 represent the diverter entitlement volumes and service point quantities respectively from our original 2016 Price Submission. Tables 6 and 8 show revised service point quantities based on the most up to date customer data.

Table 5 - Original 2016 Price Submission - Diverter Entitlement

	Total entitlement (ML)					
	2015/16 (WP3)	2016/17	2017/18	2018/19	2019/20	2020/21 to 2023/24
Unregulated surface water	85,470	85,470	85,470	85,470	85,470	85,470
Groundwater	247,014	248,264	249,514	250,764	252,014	252,014
SIR groundwater	195,493	197,937	200,380	202,824	205,268	205,268

Table 6 – Revised Diverter Entitlement

	Total entitlement (ML)					
	2015/16 (WP3)	2016/17	2017/18	2018/19	2019/20	2020/21 to 2023/24
Unregulated surface water	85,470	83,492	83,492	83,492	83,492	83,492
Groundwater	247,014	237,759	237,759	237,759	237,759	237,759
SIR groundwater	195,493	190,204	190,204	190,204	190,204	190,204

Table 7 - Original 2016 Price Submission - Diverter Service Points

Total number of service points	2015/16 (WP3)					
	2015/16 (WP3)	2016/17	2017/18	2018/19	2019/20	2020/21 to 2023/24
Unregulated surface water	4,497	4,452	4,407	4,407	4,407	4,407
Regulated surface water	4,542	4,497	4,451	4,451	4,451	4,451
Groundwater	2,323	2,323	2,323	2,323	2,323	2,323
Shepparton Irrigation	1,145	1,145	1,145	1,145	1,145	1,145
Region groundwater						

Table 8 –2016 Revised Diverter Service Points

Total number of service points	2015/16 (WP3)					
	2015/16 (WP3)	2016/17	2017/18	2018/19	2019/20	2020/21 to 2023/24
Unregulated surface water	4,497	4,412	4,412	4,412	4,412	4,412
Regulated surface water	4,542	4,442	4,442	4,442	4,442	4,442
Groundwater	2,323	2,270	2,270	2,270	2,270	2,270
Shepparton Irrigation	1,145	1,112	1,112	1,112	1,112	1,112
Region groundwater						

- Changes were made to Diversions tariffs volumes to reflect improved data on customer service points.

A complete revised tariff schedule for 2016/17 is presented in Appendix C.

3. Operational Costs (“opex”)

Our 2016 Price Submission opex incorporated savings targets over and above the ESC 1% productivity hurdle which was applied in the third regulatory period. The ESC’s draft decision imposes savings targets which go significantly further, despite the changed circumstances since the 2013 Blueprint was released. The ESC’s draft decision proposes an overall reduction of \$25 million over the regulatory period.

Of the \$25 million over the regulatory period, GMW notes that \$8.8 million relates to reduction to MDBA Contribution which the ESC has deemed as “pass through” costs. GMW accepts this reduction on the basis these costs are considered pass through.

The remaining \$16 million (\$6.4 million per annum by 2019-20) proposed to be reduced by the Commission reflect the additional savings to bring into effect the \$20 million of annual savings outlined in GMW’s 2013 Blueprint (of which \$17 million apply to prescribed services), after accounting for the efficiencies GMW has already realised in recent years.

GMW does not accept the ESC’s draft decision to further reduce operating costs by \$16 million over the regulatory period. Instead, GMW proposes an additional reduction of \$5.2 million over the regulatory period. GMW’s proposal is to provide pass through savings achieved since the 2016 Pricing Submission of \$4.4 million in the revenue cap and anticipated savings of \$0.8 million from tariff reform. Any further savings will be reflected in pricing during the regulatory period as they are sustainably achieved. This reflects:

- GMW has a track record of passing through opex savings in price in the third regulatory period.
- Other operating costs have increased by greater percentages than originally forecast
- Risk that savings initiatives are not achieved or achieved in full, as the relatively easier savings initiatives have already been undertaken
- External conditions have changed significantly since the 2013 Blueprint – particularly dry conditions which is discussed further below – which are likely to result in higher operating costs

2013 Blueprint – Change in Environment

Our 2013 Blueprint which proposed \$20 million of efficiency savings lists a range of assumptions on which the savings are based. GMW has achieved significant cost savings, however some of the major drivers of cost reduction yet to be achieved are uncertain or have been achieved to a lesser extent, as outlined in Appendix B.

One major assumption change is climate and expected inflows. GMW is already experiencing less than 100% allocation in the Goulburn system and the risk of dry conditions is likely in 2016-17 and beyond. Dry conditions increase operating costs and risk our ability to deliver the total operational costs in the 2013 Blueprint. GMW implemented a wide range of drought response initiatives in the second regulatory period to manage and share limited water resources. These initiatives increased GMW’s operating costs, for example:

- We pumped the dead-space in the Waranga Basin to access water that could not be released under gravity, in order to maintain a limited supply to our customers.
- We introduced modified system operating arrangements to reduce channel distribution losses and make more water available for allocation to customers. That involved additional administration and system management costs.
- We increased our irrigation administration activities. For example we managed various government drought initiatives, adjusted trading rules, and held extensive customer meetings across the region to help customers understand options to use water-trading and carryover.
- We expanded our range of communications to customers, industry and the wider community on water resources, access, delivery and trading issues, including dedicated drought, fire and flood recovery information pages on our website.
- We implemented an expanded compliance regime to give confidence to all customers that the scarce resource was being allocated fairly and in accordance with licence conditions and our rostering schedule. This initiative required resources to manage licence access and rostering

across an area the size of Tasmania. This added an additional \$3.76 million to our operating expenditure.²

Given the risk with respect to climatic outlook (discussed further below) and our experience during the second regulatory period, there is a significant risk that GMW:

- could incur additional operating expenditure for pumping of Buffalo and Waranga Basin. During the last drought, pumping of Buffalo and Waranga Basin was required twice which could cost \$4.5 million. Should it continue to be dry this cost is likely to be incurred in 2018-19.

We also expect that demand for additional services will increase as a result of dryer conditions. Higher costs due to the following tasks could be incurred:

- Managing a greater number of water trade applications and enquiries.
- Managing restrictions and enforcement activities in the unregulated diversions business
- Managing compliance activities in the gravity irrigation business
- Managing lands at storages which are currently underwater

GMW would attempt to minimise the impact and phasing of any increased resource but the annual impact could be in the order of \$3.1 million.

We therefore submit that the opex allowance we proposed in our 2016 Price Submission adjusted for savings achieved since the Submission remains a prudent approach given the heightened risk GMW faces as set out below.

Table 9 – Revised 2016 Price Submission operating expenditure (\$M)

	2016/17	2017/18	2018/19	2019/20	Total
GMW 2016 Price Submission opex	100.1	99.9	99.8	98.5	398.3
ESC Reduction to MDBA Contribution	-2.2	-2.2	-2.2	-2.2	-8.8
ESC draft decision reduction of opex efficiency savings	-1.6	-3.2	-4.8	-6.4	-16.0
ESC Add back single price	0.0	0.0	0.0	0.85	0.9
ESC baseline reduction for labour vacancies	-0.4	-0.4	-0.4	-0.4	-1.6
ESC Draft Decision opex	95.9	94.1	92.4	90.4	372.8
GMW add back ESC Draft decision opex efficiency savings	1.6	3.2	4.8	6.4	16.0
GMW reduction for opex savings identified since March 2015	-1.1	-1.1	-1.1	-1.1	-4.4
GMW reduction for Savings due to 5:1 tariff reform			-0.4	-0.4	-0.8
GMW Submission for Revised Opex	96.4	96.2	95.7	95.3	383.6

² GMW, 2012 Price Submission, p. 36-7.

4. Tariff Reform

Gravity Irrigation Tariff Reform

In our 2016 Price Submission, GMW considered a uniform GMID Delivery Charge reflected an appropriate balance of the objectives provided for in the ACCC's pricing principles. In particular, pricing which will achieve cost reflectivity at a GMID level to reflect the level of service provided, and as a result the promotion of the efficient use of water infrastructure, and water, as well as simplicity, transparency and lower administrative costs.

In its Final Decision for the 2013 Price Review, the ESC approved GMW's proposed tariffs including charges on water and delivery shares, infrastructure access and use fees and on service point fees, including price increases for IAF, to make charges more uniform across the irrigation districts.³

The ESC has indicated in this Draft Decision that it supports GMW's shift towards simpler tariffs, and is in principle supportive of a more uniform tariff policy where it is cost reflective.

The ESC's draft decision confirmed that its cost analysis performed by Indec provides support for a shift to a more uniform tariff across the GMID, and in particular a '5:1' arrangement in which Shepparton's tariffs differ from the other five districts. This is because Indec's cost analysis highlighted Shepparton as a significantly higher cost district, exceeding the average district cost by more than 20%.⁴

GMW reiterates that this cost differential is impacted by:

- GMW's view that errors and inconsistencies occurred in Indec's approach in determining cost reflectivity. In particular, we consider Indec's finding that on average a district staff member incurs labour costs across 1.7 districts is incorrect, as it does not take into account 58 staff which work across all six districts, providing centralised services.⁵ If these staff are taken into account, the average number of districts which staff work is 2.7.
- Historic district boundaries allocated lower cost areas adjacent to Shepparton into other districts, which have the effect of increasing the average cost of services for Shepparton. For example, the Broken Creek area is notionally located in Murray Valley and reduces the overall costs of that district, however could have been considered part of Shepparton.
- Unlike the other districts, Shepparton has not benefited from the rationalisation that is occurring as part of the Connections Project, increasing the number and costs of maintaining and renewing its assets.

GMW also reiterates that whilst cost reflective pricing is an important economic principle that should be pursued; there is a trade-off between tariff and administrative simplicity, and cost reflectivity. 'True' cost reflectivity, to the extent it can even be defined in a complex system such as the GMID, typically requires complex cost allocation and tariff setting, and GMW and our customers need to balance the costs and benefits of different approaches for tariffs. For example:

- An independent review of our billing process has recently highlighted the risks associated with GMW's current complex tariffs:

'The 2015/16 tariff structure contains 29 different service areas and 56 different charges making the current structure of charges complex due to multiple categories and separate levels of charges depending on the service and location. There are currently 2,200 possible tariff combinations. As a result, many tariff structures are very similar to one another in terms of services provided which raises the inherent risk of errors in the billing process. For example there are ten different "Infrastructure Access" charges for the same service which is dependent on the customer's irrigation district.'

Taking into account the ESC draft decision and feedback from our customers and other stakeholders throughout the development of our tariff strategy and subsequent pricing submission, we considered this trade-off and continue to maintain the view that the best option for GMW and its customers is to move to a simplified uniform delivery charge for the GMID.

³ ESC, Final Decision Price review 2013: Rural Water Businesses June 2013 section 9.2.1, p58

⁴ ESC, Draft Decision, p. 51.

⁵ Indec, ESC Review of GMW Prices – Tariffs – Final, January 2016, p. 9.

However should the ESC not reconsider its draft decision following consultation, GMW accepts the ESC's draft decision proposal of moving to a 5:1 tariff arrangement.

This reflects that:

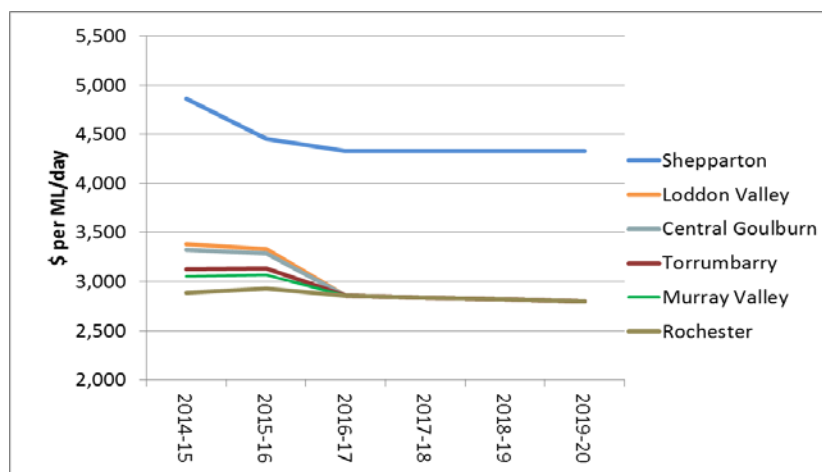
- We expect to achieve some efficiencies earlier due to our proposal to move to the 5:1 reform from 2016-17 instead of 2019-20. We expect it will take two years to realise these efficiencies, due to the need for us to maintain two prices and the time needed to undertake efficiency reform. Accordingly, our revised opex forecast incorporates \$400,000 of savings expected from 2018-19.
- GMW accepts the ESC's draft position that moving to a uniform tariff for five districts is a prudent approach to tariff reform, and considers it would deliver significantly on the efficiency savings and benefits from the overarching tariff simplification.
- We accept that there are several different views on shared and district costs within GMW's business, and some of the categories Indec has identified as district based GMW treats as centralised.
- GMW is satisfied that the approach taken by Indec to estimate costs per district is reasonable under its methodology. The resulting cost per district is reproduced below in support of our revised tariff reform proposal.

Table 10 – District costs per Delivery Share – INDEC Consulting

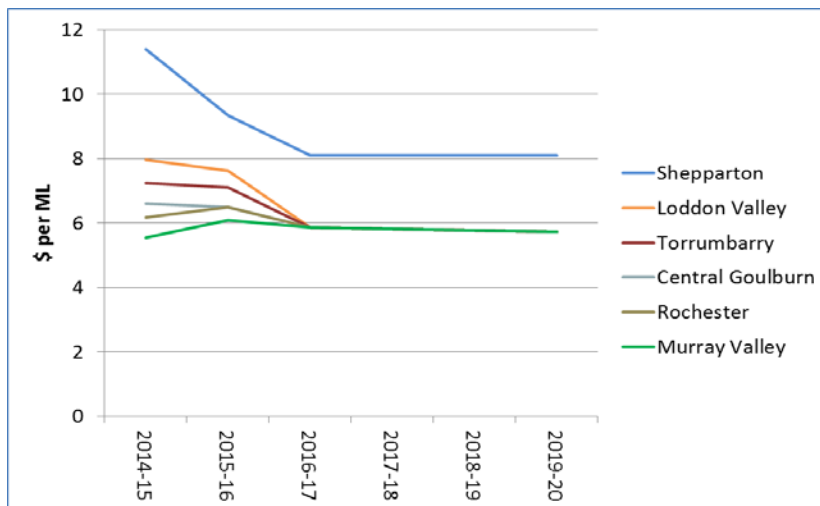
	Indec total operating costs per Delivery Share	Indec total operating costs per Delivery Share, excluding account admin and site compliance
Central Goulburn	3145	2627
Torrumbarry	3151	2771
Loddon Valley	3185	2857
Rochester	3245	2759
Murray Valley	3522	3113
Shepparton	4143	3534

- Maintaining a separate Infrastructure Access Fee for Shepparton allows GMW to implement tariff reform for the five districts more rapidly, as the other five districts' tariffs are already relatively similar. Transitioning to a 5:1 gravity irrigation tariff from 2016-17 will allow customers to realise all savings from the first year of the fourth regulatory period, and provides for a smoother price path into the fifth regulatory period.

The following graph outlines the proposed price path for Infrastructure Access Fees under the 5:1 tariff reform.



For the Infrastructure Use Fee, GMW proposes to move to a 5:1 tariff from 2016-17, in line with the Infrastructure Access Fee. The following graph outlines the proposed price path for Infrastructure Use Fees under the 5:1 tariff reform.



GMW accepts the Commission's proposal to approve GMW's proposed Service Point Fees structure as it would lead to greater costs reflectivity which aligns with the ACCC's promotion of user pays principles.

Diversions Tariff Reform

Our 2016 Price Submission proposed reforms to our diversion tariffs, which involved:

- Access fees shifting from being based on the size of a water entitlement, to being based on the number of service points by 2017-18
- Replacement of the current single Service Point Fee with small and large service point fees, with the small Service Point Fee initially set equal to the stock and domestic service point fee in 2016-17 and then increased incrementally to reflect costs. A large Service Point Fee of \$300 in 2016-17 which would then gradually increase to become consistent with the Local Read Meter Fee in gravity irrigation districts.
- Rationalisation of the number of diversion customer groups from 2016-17.

GMW undertook a comprehensive review of the services provided to diverters, the associated costs and tariffs. The review sought to address similar issues as those which have been raised in submissions, including concerns about the value for money of the service, and the need for a better link between the services that diverters receive tariffs and the work that GMW undertakes.

Following extensive consultation and consideration of issues raised by customers and other stakeholders, the Diverters' Tariff Strategy was finalised and published in September 2013. While changes to the tariff structure were proposed, importantly, the strategy aimed to reduce the cost of diversion services overall, improving cost effectiveness and reflectivity.

As we noted in our 2016 Price Submission, the nature of the consultation involved a public consultation process from 26 July to 23 August 2013 by which GMW sought feedback via an online survey, a call for written submissions, inviting customers to provide face to face feedback at specific regional locations and through sessions with the regional WSC. Prior to implementing the Diverters Tariff Strategy in 2014/15 there was also a further mail out to all customers.

During the consultation on the draft submission, some concern was raised by small customers about the impact of the new tariff structure. GMW understands these concerns.

Given our objective to move to cost reflective pricing but avoiding price shocks following the ESC's Draft Decision we considered alternative options. For example, we considered reducing the volumetric prices over two years but increasing service point fees over four years (consistent with the Draft Decision). This would reduce our cash flows or alternatively require some cross subsidisation from other services. We also considered a slower transition over three years.

GMW has continued to consult with its Water Service Committees; with members expressing the following views that:

- Our proposed fixed access fees and restructuring of customer categories more closely align tariffs with costs, leading to greater cost reflectivity and efficiency;

- GMW had undertaken extensive consultation in the development of the strategy and its implementation;
- The effectiveness and efficient implementation of the strategy is based on the user pays principle; extending the transition timeframe defers arriving at 'user pays'.

The Draft Decision proposed to approve GMW's proposed diversion tariff structure if GMW were to extend the transition period from two to four years.

While GMW supports the intention to smooth bill increases for small customers, GMW considers that transition period of 2 years still provides the most appropriate balance.

However, should the ESC not reconsider its draft decision following its consultation process, GMW proposes to accept the Commission's draft decision and implement a 4 year transition.

5. Revenue Requirement

GMW's proposed revenue requirement is:

Table 12: GMW Submission on revised revenue requirement

	2016/17	2017/18	2018/19	2019/20	Total
Operating expenditure	96.4	96.2	95.7	95.3	383.6
Return on assets	12.4	13.6	14.5	15.1	55.6
Return of assets	7.2	8.9	10.4	11.5	38.0
GMW Submission on revised revenue requirement	116.0	118.7	120.6	121.9	477.1

GMW will smooth revenue over the regulatory period.

As set out in this submission, GMW is faced with a number of uncertainties. Further reductions in operating expenditure as outlined in the ESC's draft decision would impose substantial financial risks for our business, particularly in the latter years of the regulatory period.

Table 13 illustrates the financial metrics based on our response, highlighting risks in the future years arising from prolonged dry conditions. These ratios do not include higher revenue (should the ESC agree that GMW's risk could be too high to sustain at the level set in the Draft Decision).

Table 13 – Financial sustainability metrics – GMW's Response to ESC Draft Decision 2016

	2016/17	2017/18	2018/19	2019/20
Cash Interest Cover	2.7	2.8	1.5	1.7
Gearing #	2.6%	2.8%	3.5%	3.6%
Regulatory Gearing*	39%	39%	44%	45%
Internal Financing Ratio	28%	47%	15%	29%

**This is calculated to reflect the Regulatory Asset Base for the entire business.*

#Note debt is increasing to fund the potential drought costs from 2018/19

If GMW is unable to recover its proposed efficient opex forecast and is impacted by prolonged dry conditions, by 2018-19 our underlying cash interest cover would fall below 2 times, which we consider unsustainable. In addition, our internal financing ratio (net operating cash flow less dividends/net capex) will be below 40% over the period with the exception of 2017/18.

Re-opening provision

Significant unforeseen changes to GMW's costs during the regulatory period can trigger a variation, or cost pass through, in which the ESC's final determination could be reopened and revenues increased to allow for the recovery of additional expenditure. However, the materiality threshold for variation determined in the WCIR requires unforeseen costs due to the event to exceed \$15 million, or 5% of the starting RAB (\$13.9 million) over the remainder of the regulatory period.

This threshold is higher than that required under other regulatory regimes, including the Water Industry Regulatory Order under which other Victorian utilities are regulated. GMW has recently made submissions to the ACCC suggesting reductions to the WCIR variation materiality threshold.⁶

Regardless of any changes currently being considered for the WCIR, the current \$15M threshold will remain applicable during GMW's fourth regulatory period.

GMW considers this threshold too high to manage the risk GMW faces and underpins our proposed alternative revenue outlined in this submission. We look forward to discussing alternative options for reopening the ESC's determination should this be required.

6. Pricing & Customer Impacts

The impacts of our revised tariff reform proposal on customer prices are outlined in the following tables. All values are in real dollars.

Table 14 – Annual Large Customer bill change under the 5 & 1 Infrastructure Access Fee

	2016/17	2017/18	2018/19	2019/20
Shepparton	-2%	1%	1%	1%
Central Goulburn	-8%	1%	1%	1%
Rochester	-1%	1%	1%	1%
Loddon Valley	-10%	1%	1%	1%
Murray Valley	-3%	1%	1%	1%
Torrumbarry	-6%	1%	1%	1%

Table 15 – Annual Large Customer bill change under the 5 & 1 Infrastructure Access Fee

	2015/16 Bill	Expected Bill Change			
		2016-17	2017-18	2018-19	2019-20
Shepparton	\$33,995	-\$679	\$407	\$410	\$416
Central Goulburn	\$25,576	-\$1,918	\$267	\$257	\$248
Rochester	\$24,135	-\$217	\$293	\$285	\$279
Loddon Valley	\$25,966	-\$2,611	\$232	\$218	\$205
Murray Valley	\$25,847	-\$679	\$299	\$292	\$288
Torrumbarry	\$25,649	-\$1,446	\$239	\$225	\$212

⁶ See GMW's submission on the ACCC's Issues Paper here: <https://www.accc.gov.au/regulated-infrastructure/water/water-projects/review-of-the-water-charge-rules-advice-development/issues-paper#public-submissions-to-the-issues-paper> GMW's submission on the ACCC's Draft Advice here: <https://www.accc.gov.au/regulated-infrastructure/water/water-projects/review-of-the-water-charge-rules-advice-development/draft-advice#public-submissions-to-the-draft-advice>

Table 16 – Annual Medium Customer bill change under the 5 & 1 Infrastructure Access Fee

	2016/17	2017/18	2018/19	2019/20
Shepparton	-1%	2%	2%	2%
Central Goulburn	-7%	2%	2%	2%
Rochester	0%	2%	2%	2%
Loddon Valley	-9%	2%	2%	2%
Murray Valley	-2%	2%	2%	2%
Torrumbarry	-5%	2%	2%	2%

Table 17 – Annual Medium Customer bill change under the 5 & 1 Infrastructure Access Fee

	2015/16 Bill	Expected Bill Change			
		2016-17	2017-18	2018-19	2019-20
Shepparton	\$10,263	-\$111	\$191	\$187	\$183
Central Goulburn	\$7,808	-\$522	\$152	\$144	\$137
Rochester	\$7,327	\$19	\$158	\$151	\$144
Loddon Valley	\$7,922	-\$706	\$144	\$135	\$127
Murray Valley	\$7,791	-\$142	\$159	\$152	\$146
Torrumbarry	\$7,773	-\$350	\$145	\$137	\$129

Table 18 – Annual Small Customer bill change under the 5 & 1 Infrastructure Access Fee

	2016/17	2017/18	2018/19	2019/20
Shepparton	2%	4%	3%	3%
Central Goulburn	0%	4%	4%	3%
Rochester	3%	4%	4%	3%
Loddon Valley	-1%	4%	4%	3%
Murray Valley	2%	4%	4%	3%
Torrumbarry	1%	4%	4%	3%

Table 19 – Annual Small Customer bill change under the 5 & 1 Infrastructure Access Fee

	2015/16 Bill	Expected Bill Change			
		2016-17	2017-18	2018-19	2019-20
Shepparton	\$373	\$8	\$14	\$13	\$13
Central Goulburn	\$330	\$0	\$14	\$13	\$12
Rochester	\$319	\$11	\$14	\$13	\$12
Loddon Valley	\$335	-\$4	\$14	\$13	\$12
Murray Valley	\$329	\$8	\$14	\$13	\$12
Torrumbarry	\$334	\$3	\$14	\$13	\$12

Table 20 - Diverters Customer impact – Expected bill change

	Typical bill 2015/16	2016/17	2017/18	2018/19	2019/20
Small customers					
Regulated Surface Water Diverters	\$285	\$36	\$42	\$49	\$53
Unregulated Surface Water Diverters	\$282	\$23	\$25	\$33	\$33
Groundwater Diverters (SIR)	\$251	-\$16	-\$6	-\$6	\$4
Groundwater Diverters (Intensive)	\$380	\$34	\$40	\$46	\$53
Groundwater Diverters (Other)	\$339	\$44	\$50	\$57	\$63
Large customers					
Regulated Surface Water Diverters	\$4,049	\$102	-\$49	-\$47	-\$45
Unregulated Surface Water Diverters	\$2,145	-\$247	-\$320	-\$232	-\$270
Groundwater Diverters (SIR)	\$1,365	-\$302	-\$264	-\$252	-\$13
Groundwater Diverters (Intensive)	\$3,505	-\$72	-\$208	-\$210	-\$204
Groundwater Diverters (Other)	\$2,485	\$183	\$47	\$45	\$51

Table 21 - Diverters Customer impact – Expected bill percentage change

	Typical bill 2015/16	2016/17	2017/18	2018/19	2019/20
Small customers					
Regulated Surface Water Diverters	\$285	12.7%	13.0%	13.5%	12.9%
Unregulated Surface Water Diverters	\$282	8.3%	8.1%	10.1%	9.1%
Groundwater Diverters (SIR)	\$251	-7%	-2%	-2%	2%
Groundwater Diverters (Intensive)	\$380	9%	10%	10%	11%
Groundwater Diverters (Other)	\$339	13%	13%	13%	13%
Large customers					
Regulated Surface Water Diverters	\$4,049	2.5%	-1.2%	-1.2%	-1.1%
Unregulated Surface Water Diverters	\$2,145	-11.5%	-16.9%	-14.7%	-20.1%
Groundwater Diverters (SIR)	\$1,365	-22%	-25%	-31%	-2%
Groundwater Diverters (Intensive)	\$3,505	-2%	-6%	-7%	-7%
Groundwater Diverters (Other)	\$2,485	7%	2%	2%	2%

7. Connections Project – Impact of the Mid Term Review

In its draft decision, the ESC noted that the Mid Term Review of G-MW's Connections Project could have implications for our capital expenditure program, and requested GMW to advise it on how the capital expenditure program might change over the fourth regulatory period as a result of the Mid Term Review.⁷

The Mid Term Review was a significant turning point for the delivery of the Connections Project. It outlined the achievements to date and the challenges that the project is now facing, and presented some high level, un-costed options for the resetting of the project.

Fundamentally, the Mid Term Review found that the original assumptions about how many landholders would disconnect was in practice less and the nature of seeking agreements to change the water service supply and connections takes much longer to achieve during active agricultural periods than first envisaged. Approximately 2,000 farmers were assumed to leave irrigated agriculture, but are now requesting connection as part of the project, increasing cost and complexity. It also identified a number of challenges in the project's delivery that needed to be addressed.

The Mid Term Review identified that further analysis is required to reset the project. It also highlighted the need for clear agreement between the Commonwealth, Victoria and GMW on the next stages.

An announcement by the Hon. Minister Lisa Neville in early March 2016 noted the extensive ongoing consultation process around 'resetting' the Connections Project, drawing on local knowledge. The Minister also announced the appointment of Mike Walsh as Chair of a Project Control Group which oversees the Project.

Since the Connections Project commenced, GMW has minimised investment and maintenance expenditure on its legacy channel system, i.e. channels, regulators and meter connections that were assumed to be decommissioned as part of the project.

The Connections Project is currently undertaking detailed analysis of the options outlined in the Mid Term Review and other considerations to determine the best way forward. This work has not progressed to a point that requires any changes to our current assumptions.

Should you wish to discuss any of the issues raised in our submission, please do not hesitate to contact Carmine Piantedosi on (03) 5826 3585.

Yours sincerely



John Calleja
MANAGING DIRECTOR

⁷ ESC, Draft Decision, p. 30

Appendix A: Revised Tariffs

5 & 1: Infrastructure Access Fee \$2015/16

	2015/16	2016/17	2017/18	2018/19	2019/20
Shepparton	\$4,454	\$4,332	\$4,332	\$4,332	\$4,332
Central Goulburn	\$3,290	\$2,859	\$2,841	\$2,822	\$2,802
Rochester	\$2,933	\$2,859	\$2,841	\$2,822	\$2,802
Loddon Valley	\$3,332	\$2,859	\$2,841	\$2,822	\$2,802
Murray Valley	\$3,069	\$2,859	\$2,841	\$2,822	\$2,802
Torrumbarry	\$3,131	\$2,859	\$2,841	\$2,822	\$2,802

5 & 1: Infrastructure Use Fee \$2015/16

	2015/16	2016/17	2017/18	2018/19	2019/20
Shepparton	\$9.34	\$8.10	\$8.10	\$8.10	\$8.10
Central Goulburn	\$6.50	\$5.85	\$5.82	\$5.78	\$5.74
Rochester	\$6.50	\$5.85	\$5.82	\$5.78	\$5.74
Loddon Valley	\$7.63	\$5.85	\$5.82	\$5.78	\$5.74
Murray Valley	\$6.08	\$5.85	\$5.82	\$5.78	\$5.74
Torrumbarry	\$7.11	\$5.85	\$5.82	\$5.78	\$5.74

Appendix B - Status of assumptions underpinning 2013 Blueprint Savings

Assumption	Status	Description
Connections Project delivered, total channel length reduced and GMID automated	Uncertain	Following the Mid Term Review, outcomes for the Connections Project will be determined in conjunction with the Federal and Victorian Governments.
Simplified billing, tariff and regulatory processes	Not yet implemented	Our proposed uniform tariff strategy for gravity irrigation services and the diversion tariff reforms will assist in delivering efficiencies over the fourth regulatory period.
Flattened structure and greater accountability	Achieved	A comprehensive organisational restructure has delivered a flatter, more efficient structure and enhanced accountability, to deliver long term efficiencies.
Alternate revenue options implemented e.g. hydro-electricity	Minimal achieved	GMW has identified a number of initiatives with potential for unregulated revenue growth, including solar panels and Zed Boats. However, only minimal revenue has been achieved to date.
Continuous-improvement process in place	Ongoing	Following the Business Transformation Program, we are continuing to streamline processes.
Optimisation of our district-based management	Ongoing	As we continue on the path to modernisation, our services are increasingly becoming centralised.
Supplier contracts renegotiated / reviewed	Ongoing	A review of specific contracts and services has resulted in lower on-going costs of \$1.6 million, however further savings are anticipated.
A reduction of full time staff over 5 years to reflect the changing nature of the business	Ongoing	An organisational restructure and reduction in full-time staff during the third regulatory period has saved more than \$6 million in ongoing opex.
Rationalisation of information and communications telephony systems	Ongoing	During the Business Transformation Program all ICT expenditure was centralised. To date, GMW has rationalised two ICT systems, with plans for further rationalisation. We are also negotiating better contracts with service providers, reducing expenditure on consultants and increasing productivity of our internal staff.
Review of GMW's fleet and depot facilities	Ongoing	We are now realising savings from fleet review, however the efficiencies have not been as significant as forecast. The asset rationalisation strategy is in place, but activities are not yet complete and sales of facilities have not proved to generate as much revenue.
Greater use of automation and technology to support customer service functions.	Ongoing	GMW has improved its online services, and enabled automatic ordering which is possible through the modernised connections.

Appendix C - Prices

Business segment	Tariff	Service	Units	Term	2016-17
Gravity Irrigation	Infrastructure Access Fee	Shepparton	\$ / ML/day	\$2015-16	\$4,331.71
Gravity Irrigation	Infrastructure Access Fee	Central Goulburn	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Infrastructure Access Fee	Rochester	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Infrastructure Access Fee	Loddon Valley	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Infrastructure Access Fee	Murray Valley	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Infrastructure Access Fee	Torrumbarry	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Service Point Fee (D&S)*	Shepparton	\$ / Service Point	\$2015-16	\$87.80
Gravity Irrigation	Service Point Fee (D&S)*	Central Goulburn	\$ / Service Point	\$2015-16	\$87.80
Gravity Irrigation	Service Point Fee (D&S)*	Rochester	\$ / Service Point	\$2015-16	\$87.80
Gravity Irrigation	Service Point Fee (D&S)*	Loddon Valley	\$ / Service Point	\$2015-16	\$87.80
Gravity Irrigation	Service Point Fee (D&S)*	Murray Valley	\$ / Service Point	\$2015-16	\$87.80
Gravity Irrigation	Service Point Fee (D&S)*	Torrumbarry	\$ / Service Point	\$2015-16	\$87.80
Gravity Irrigation	Service Point Fee (LR)*	Shepparton	\$ / Service Point	\$2015-16	\$312.20
Gravity Irrigation	Service Point Fee (LR)*	Central Goulburn	\$ / Service Point	\$2015-16	\$312.20
Gravity Irrigation	Service Point Fee (LR)*	Rochester	\$ / Service Point	\$2015-16	\$312.20
Gravity Irrigation	Service Point Fee (LR)*	Loddon Valley	\$ / Service Point	\$2015-16	\$312.20
Gravity Irrigation	Service Point Fee (LR)*	Murray Valley	\$ / Service Point	\$2015-16	\$312.20
Gravity Irrigation	Service Point Fee (LR)*	Torrumbarry	\$ / Service Point	\$2015-16	\$312.20
Gravity Irrigation	Service Point Fee (RR)*	Shepparton	\$ / Service Point	\$2015-16	\$463.41
Gravity Irrigation	Service Point Fee (RR)*	Central Goulburn	\$ / Service Point	\$2015-16	\$463.41
Gravity Irrigation	Service Point Fee (RR)*	Rochester	\$ / Service Point	\$2015-16	\$463.41
Gravity Irrigation	Service Point Fee (RR)*	Loddon Valley	\$ / Service Point	\$2015-16	\$463.41
Gravity Irrigation	Service Point Fee (RR)*	Murray Valley	\$ / Service Point	\$2015-16	\$463.41
Gravity Irrigation	Service Point Fee (RR)*	Torrumbarry	\$ / Service Point	\$2015-16	\$463.41
Gravity Irrigation	Service Point Fee (RRRO)*	Shepparton	\$ / Service Point	\$2015-16	\$560.98
Gravity Irrigation	Service Point Fee (RRRO)*	Central Goulburn	\$ / Service Point	\$2015-16	\$560.98
Gravity Irrigation	Service Point Fee (RRRO)*	Rochester	\$ / Service Point	\$2015-16	\$560.98
Gravity Irrigation	Service Point Fee (RRRO)*	Loddon Valley	\$ / Service Point	\$2015-16	\$560.98
Gravity Irrigation	Service Point Fee (RRRO)*	Murray Valley	\$ / Service Point	\$2015-16	\$560.98
Gravity Irrigation	Service Point Fee (RRRO)*	Torrumbarry	\$ / Service Point	\$2015-16	\$560.98
Gravity Irrigation	Service Fee*	Shepparton	\$ / Property	\$2015-16	\$107.32
Gravity Irrigation	Service Fee*	Central Goulburn	\$ / Property	\$2015-16	\$107.32
Gravity Irrigation	Service Fee*	Rochester	\$ / Property	\$2015-16	\$107.32
Gravity Irrigation	Service Fee*	Loddon Valley	\$ / Property	\$2015-16	\$107.32

Business segment	Tariff	Service	Units	Term	2016-17
Gravity Irrigation	Service Fee*	Murray Valley	\$ / Property	\$2015-16	\$107.32
Gravity Irrigation	Service Fee*	Torrumbarry	\$ / Property	\$2015-16	\$107.32
Gravity Irrigation	Infrastructure Use Fee	Shepparton	\$ / ML	\$2015-16	\$8.10
Gravity Irrigation	Infrastructure Use Fee	Central Goulburn	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Infrastructure Use Fee	Rochester	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Infrastructure Use Fee	Loddon Valley	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Infrastructure Use Fee	Murray Valley	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Infrastructure Use Fee	Torrumbarry	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Casual Infrastructure Use Fee	Shepparton	\$ / ML	\$2015-16	\$73.07
Gravity Irrigation	Casual Infrastructure Use Fee	Central Goulburn	\$ / ML	\$2015-16	\$48.73
Gravity Irrigation	Casual Infrastructure Use Fee	Rochester	\$ / ML	\$2015-16	\$48.73
Gravity Irrigation	Casual Infrastructure Use Fee	Loddon Valley	\$ / ML	\$2015-16	\$48.73
Gravity Irrigation	Casual Infrastructure Use Fee	Murray Valley	\$ / ML	\$2015-16	\$48.73
Gravity Irrigation	Casual Infrastructure Use Fee	Torrumbarry	\$ / ML	\$2015-16	\$48.73
Gravity Irrigation	Distribution Access Fee	Shepparton	\$ / ML/day	\$2015-16	\$4,331.71
Gravity Irrigation	Distribution Access Fee	Central Goulburn	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Distribution Access Fee	Rochester	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Distribution Access Fee	Loddon Valley	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Distribution Access Fee	Murray Valley	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Distribution Access Fee	Torrumbarry	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Distribution Use Fee	Shepparton	\$ / ML	\$2015-16	\$8.10
Gravity Irrigation	Distribution Use Fee	Central Goulburn	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Distribution Use Fee	Rochester	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Distribution Use Fee	Loddon Valley	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Distribution Use Fee	Murray Valley	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Distribution Use Fee	Torrumbarry	\$ / ML	\$2015-16	\$5.85
Gravity Irrigation	Termination Fee	Shepparton	\$ / ML/day	\$2015-16	\$43,317.07
Gravity Irrigation	Termination Fee	Central Goulburn	\$ / ML/day	\$2015-16	\$28,585.37
Gravity Irrigation	Termination Fee	Rochester	\$ / ML/day	\$2015-16	\$28,585.37
Gravity Irrigation	Termination Fee	Loddon Valley	\$ / ML/day	\$2015-16	\$28,585.37
Gravity Irrigation	Termination Fee	Murray Valley	\$ / ML/day	\$2015-16	\$28,585.37
Gravity Irrigation	Termination Fee	Torrumbarry	\$ / ML/day	\$2015-16	\$28,585.37
Gravity Irrigation	Delivery Share Reservation Fee	Shepparton	\$ / ML/day	\$2015-16	\$4,331.71
Gravity Irrigation	Delivery Share Reservation Fee	Central Goulburn	\$ / ML/day	\$2015-16	\$2,858.54

Business segment	Tariff	Service	Units	Term	2016-17
Gravity Irrigation	Delivery Share Reservation Fee	Rochester	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Delivery Share Reservation Fee	Loddon Valley	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Delivery Share Reservation Fee	Murray Valley	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Delivery Share Reservation Fee	Torrumbarry	\$ / ML/day	\$2015-16	\$2,858.54
Gravity Irrigation	Overuse Fee*	Shepparton	\$ / ML	\$2015-16	\$1,951.22
Gravity Irrigation	Overuse Fee*	Central Goulburn	\$ / ML	\$2015-16	\$1,951.22
Gravity Irrigation	Overuse Fee*	Rochester	\$ / ML	\$2015-16	\$1,951.22
Gravity Irrigation	Overuse Fee*	Loddon Valley	\$ / ML	\$2015-16	\$1,951.22
Gravity Irrigation	Overuse Fee*	Murray Valley	\$ / ML	\$2015-16	\$1,951.22
Gravity Irrigation	Overuse Fee*	Torrumbarry	\$ / ML	\$2015-16	\$1,951.22
Bulk Water	Very High RE	Goulburn	\$ / ML	\$2015-16	\$8.58
Bulk Water	High RE	Broken	\$ / ML	\$2015-16	\$42.27
Bulk Water	High RE	Goulburn	\$ / ML	\$2015-16	\$8.15
Bulk Water	High RE	Campaspe	\$ / ML	\$2015-16	\$24.86
Bulk Water	High RE	Loddon	\$ / ML	\$2015-16	\$42.19
Bulk Water	High RE	Bullarook	\$ / ML	\$2015-16	\$362.57
Bulk Water	High RE	Murray	\$ / ML	\$2015-16	\$10.09
Bulk Water	High RE	Ovens	\$ / ML	\$2015-16	\$53.29
Bulk Water	Low RE	Broken	\$ / ML	\$2015-16	\$8.88
Bulk Water	Low RE	Goulburn	\$ / ML	\$2015-16	\$4.18
Bulk Water	Low RE	Campaspe	\$ / ML	\$2015-16	\$15.35
Bulk Water	Low RE	Loddon	\$ / ML	\$2015-16	\$16.61
Bulk Water	Low RE	Bullarook	\$ / ML	\$2015-16	\$219.71
Bulk Water	Low RE	Murray	\$ / ML	\$2015-16	\$4.58
Bulk Water	Low RE	Ovens	\$ / ML	\$2015-16	\$26.65
Bulk Water	Above Entitlement Storage	Goulburn	\$ / ML	\$2015-16	\$4.18
Bulk Water	Above Entitlement Storage	Campaspe	\$ / ML	\$2015-16	\$15.35
Bulk Water	Above Entitlement Storage	Murray	\$ / ML	\$2015-16	\$4.58
Bulk Water	WR Equivalent Entitlement	Goulburn	\$ / ML	\$2015-16	\$10.41
Bulk Water	WR Equivalent Entitlement	Murray	\$ / ML	\$2015-16	\$11.84
Bulk Water	Coliban Capacity Share	Campaspe	\$ / ML	\$2015-16	\$31.19
Bulk Water	HRWS Water User	Broken	\$ / ML	\$2015-16	\$10.57
Bulk Water	HRWS Water User	Goulburn	\$ / ML	\$2015-16	\$10.57
Bulk Water	HRWS Water User	Campaspe	\$ / ML	\$2015-16	\$10.57
Bulk Water	HRWS Water User	Loddon	\$ / ML	\$2015-16	\$10.57
Bulk Water	HRWS Water User	Bullarook	\$ / ML	\$2015-16	\$10.57

Business segment	Tariff	Service	Units	Term	2016-17
Bulk Water	HRWS Water User	Murray	\$ / ML	\$2015-16	\$13.04
Bulk Water	HRWS Water User	Ovens	\$ / ML	\$2015-16	\$13.04
Bulk Water	LRWS Water User	Broken	\$ / ML	\$2015-16	\$5.18
Bulk Water	LRWS Water User	Goulburn	\$ / ML	\$2015-16	\$5.18
Bulk Water	LRWS Water User	Campaspe	\$ / ML	\$2015-16	\$5.18
Bulk Water	LRWS Water User	Loddon	\$ / ML	\$2015-16	\$5.18
Bulk Water	LRWS Water User	Bullarook	\$ / ML	\$2015-16	\$5.18
Bulk Water	LRWS Water User	Murray	\$ / ML	\$2015-16	\$4.96
Bulk Water	LRWS Water User	Ovens	\$ / ML	\$2015-16	\$4.96
Bulk Water	HRWS ESF Non Water User	Broken	\$ / ML	\$2015-16	\$42.27
Bulk Water	HRWS ESF Non Water User	Goulburn	\$ / ML	\$2015-16	\$8.15
Bulk Water	HRWS ESF Non Water User	Campaspe	\$ / ML	\$2015-16	\$24.86
Bulk Water	HRWS ESF Non Water User	Loddon	\$ / ML	\$2015-16	\$42.19
Bulk Water	HRWS ESF Non Water User	Bullarook	\$ / ML	\$2015-16	\$362.57
Bulk Water	HRWS ESF Non Water User	Murray	\$ / ML	\$2015-16	\$10.09
Bulk Water	HRWS ESF Non Water User	Ovens	\$ / ML	\$2015-16	\$53.29
Bulk Water	LRWS ESF Non Water User	Goulburn	\$ / ML	\$2015-16	\$4.18
Bulk Water	LRWS ESF Non Water User	Campaspe	\$ / ML	\$2015-16	\$15.35
Bulk Water	LRWS ESF Non Water User	Bullarook	\$ / ML	\$2015-16	\$219.71
Bulk Water	LRWS ESF Non Water User	Murray	\$ / ML	\$2015-16	\$4.58
Bulk Water	Service Fee*	Broken	\$ / ML	\$2015-16	\$107.32
Bulk Water	Service Fee*	Goulburn	\$ / ML	\$2015-16	\$107.32
Bulk Water	Service Fee*	Campaspe	\$ / ML	\$2015-16	\$107.32
Bulk Water	Service Fee*	Loddon	\$ / ML	\$2015-16	\$107.32
Bulk Water	Service Fee*	Bullarook	\$ / ML	\$2015-16	\$107.32
Bulk Water	Service Fee*	Murray	\$ / ML	\$2015-16	\$107.32
Bulk Water	Service Fee*	Ovens	\$ / ML	\$2015-16	\$107.32
Salinity Mitigation	Salinity Mitigation	Salinity Mitigation	\$ / ML	\$2015-16	\$4.55
Loch Garry Waterway	Service Fee	Loch Garry	\$ / Property	\$2015-16	\$107.32
Loch Garry Waterway	Flood Protection	Loch Garry	\$ / HA	\$2015-16	\$1.38
Surface Drainage	Drainage Service Fee*	Shepparton	\$ / Property	\$2015-16	\$107.32
Surface Drainage	Drainage Service Fee*	Central Goulburn	\$ / Property	\$2015-16	\$107.32
Surface Drainage	Drainage Service Fee*	Rochester	\$ / Property	\$2015-16	\$107.32
Surface Drainage	Drainage Service Fee*	Loddon Valley	\$ / Property	\$2015-16	\$107.32
Surface Drainage	Drainage Service Fee*	Murray Valley	\$ / Property	\$2015-16	\$107.32

Business segment	Tariff	Service	Units	Term	2016-17
Surface Drainage	Drainage Service Fee*	Torrumbarry	\$ / Property	\$2015-16	\$107.32
Surface Drainage	Drainage Service Fee*	Tyntynder	\$ / Property	\$2015-16	\$107.32
Surface Drainage	Drainage Water Use Fee	Shepparton	\$ / ML	\$2015-16	\$5.37
Surface Drainage	Drainage Water Use Fee	Central Goulburn	\$ / ML	\$2015-16	\$2.90
Surface Drainage	Drainage Water Use Fee	Rochester	\$ / ML	\$2015-16	\$2.90
Surface Drainage	Drainage Water Use Fee	Loddon Valley	\$ / ML	\$2015-16	\$2.99
Surface Drainage	Drainage Water Use Fee	Murray Valley	\$ / ML	\$2015-16	\$3.21
Surface Drainage	Drainage Water Use Fee	Torrumbarry	\$ / ML	\$2015-16	\$2.58
Surface Drainage	Drainage Water Use Fee	Tyntynder	\$ / ML	\$2015-16	\$4.13
Surface Drainage	Drainage Area Fee	Shepparton	\$ / HA	\$2015-16	\$12.90
Surface Drainage	Drainage Area Fee	Central Goulburn	\$ / HA	\$2015-16	\$6.75
Surface Drainage	Drainage Area Fee	Rochester	\$ / HA	\$2015-16	\$8.75
Surface Drainage	Drainage Area Fee	Loddon Valley	\$ / HA	\$2015-16	\$4.14
Surface Drainage	Drainage Area Fee	Murray Valley	\$ / HA	\$2015-16	\$9.58
Surface Drainage	Drainage Area Fee	Torrumbarry	\$ / HA	\$2015-16	\$4.14
Surface Drainage	Drainage Area Fee	Tyntynder	\$ / HA	\$2015-16	\$8.52
Surface Drainage	Drainage Diversion Site Fee	Shepparton	\$ / Site	\$2015-16	\$205.70
Surface Drainage	Drainage Diversion Site Fee	Central Goulburn	\$ / Site	\$2015-16	\$205.70
Surface Drainage	Drainage Diversion Site Fee	Rochester	\$ / Site	\$2015-16	\$205.70
Surface Drainage	Drainage Diversion Site Fee	Loddon Valley	\$ / Site	\$2015-16	\$51.42
Surface Drainage	Drainage Diversion Site Fee	Murray Valley	\$ / Site	\$2015-16	\$205.70
Surface Drainage	Drainage Diversion Site Fee	Torrumbarry	\$ / Site	\$2015-16	\$51.42
Surface Drainage	Drainage Diversion Site Fee	Tyntynder	\$ / Site	\$2015-16	\$51.42
Surface Drainage	Drainage Diversion Agreement	Shepparton	\$ / ML	\$2015-16	\$2.06
Surface Drainage	Drainage Diversion Agreement	Central Goulburn	\$ / ML	\$2015-16	\$2.06
Surface Drainage	Drainage Diversion Agreement	Rochester	\$ / ML	\$2015-16	\$2.06
Surface Drainage	Drainage Diversion Agreement	Murray Valley	\$ / ML	\$2015-16	\$2.06
Community Surface Drainage	Community Surface Drainage Fee	Shepparton	\$ / KM	\$2015-16	\$659.14
Community Surface Drainage	Community Surface Drainage Fee	Central Goulburn	\$ / KM	\$2015-16	\$659.14
Community Surface Drainage	Community Surface Drainage Fee	Rochester	\$ / KM	\$2015-16	\$659.14
Community Surface Drainage	Community Surface Drainage Fee	Loddon Valley	\$ / KM	\$2015-16	\$659.14
Community Surface Drainage	Community Surface Drainage Fee	Murray Valley	\$ / KM	\$2015-16	\$659.14
Community Surface Drainage	Community Surface Drainage Fee	Torrumbarry	\$ / KM	\$2015-16	\$659.14
Subsurface Drainage	Subsurface Drainage	Shepparton	\$ / ML	\$2015-16	\$1.63
Subsurface Drainage	Subsurface Drainage	Tresco	\$ / ML	\$2015-16	\$1.50

Business segment	Tariff	Service	Units	Term	2016-17
Subsurface Drainage	Subsurface Drainage Service Fee	Central Goulburn	\$ / ML	\$2015-16	\$1.89
Subsurface Drainage	Subsurface Drainage Service Fee	Rochester	\$ / ML	\$2015-16	\$0.82
Subsurface Drainage	Subsurface Drainage Service Fee	Murray Valley	\$ / ML	\$2015-16	\$1.35
Subsurface Drainage	Local Benefit Area	Central Goulburn	\$ / HA	\$2015-16	\$2.83
Subsurface Drainage	Local Benefit Area	Rochester	\$ / HA	\$2015-16	\$17.23
Subsurface Drainage	Local Benefit Area	Murray Valley	\$ / HA	\$2015-16	\$4.81
Subsurface Drainage	Local Benefit Water Use	Central Goulburn	\$ / ML	\$2015-16	\$1.50
Subsurface Drainage	Local Benefit Water Use	Rochester	\$ / ML	\$2015-16	\$9.47
Subsurface Drainage	Local Benefit Water Use	Murray Valley	\$ / ML	\$2015-16	\$3.58
Subsurface Drainage	Municipal Local Benefit Area	Central Goulburn	\$ / HA	\$2015-16	\$15.07
Subsurface Drainage	Municipal Local Benefit Area	Rochester	\$ / HA	\$2015-16	\$67.55
Subsurface Drainage	Municipal Local Benefit Area	Murray Valley	\$ / HA	\$2015-16	\$20.24
Subsurface Drainage	Subsurface Drainage Service Fee	Woorinen	\$ / Property	\$2015-16	\$107.32
Subsurface Drainage	Subsurface Drainage Service Fee	Nyah	\$ / Property	\$2015-16	\$107.32
Subsurface Drainage	Area	Woorinen	\$ / HA	\$2015-16	\$1.72
Subsurface Drainage	Water Use	Woorinen	\$ / ML	\$2015-16	\$0.71
Subsurface Drainage	Water Use	Nyah	\$ / ML	\$2015-16	\$3.77
Water District	Service Fee*	Normanville	\$ / Property	\$2015-16	\$107.32
Water District	Service Fee*	Tungamah	\$ / Property	\$2015-16	\$107.32
Water District	Service Fee*	East Loddon (South)	\$ / Property	\$2015-16	\$107.32
Water District	Service Fee*	East Loddon (North)	\$ / Property	\$2015-16	\$107.32
Water District	Service Fee*	West Loddon	\$ / Property	\$2015-16	\$107.32
Water District	Water Allowance Storage	Normanville	\$ / ML	\$2015-16	\$8.16
Water District	Water Allowance Storage	Tungamah	\$ / ML	\$2015-16	\$8.16
Water District	Water Allowance Storage	East Loddon (South)	\$ / ML	\$2015-16	\$8.16
Water District	Water Allowance Storage	East Loddon (North)	\$ / ML	\$2015-16	\$8.16
Water District	Water Allowance Storage	West Loddon	\$ / ML	\$2015-16	\$8.16
Water District	Infrastructure Access Fee	Normanville	\$ / KL per Day	\$2015-16	\$166.39
Water District	Infrastructure Access Fee	Tungamah	\$ / KL per Day	\$2015-16	\$150.21
Water District	Infrastructure Access Fee	East Loddon (South)	\$ / KL per Day	\$2015-16	\$107.41
Water District	Infrastructure Access Fee	East Loddon (North)	\$ / HA	\$2015-16	\$2.82
Water District	Infrastructure Access Fee	West Loddon	\$ / HA	\$2015-16	\$3.07
Water District	Infrastructure Use Fee	Normanville	\$ / ML	\$2015-16	\$112.66
Water District	Infrastructure Use Fee	Tungamah	\$ / ML	\$2015-16	\$42.66
Water District	Infrastructure Use Fee	East Loddon (South)	\$ / ML	\$2015-16	\$62.34

Business segment	Tariff	Service	Units	Term	2016-17
Water District	Additional Service Point Fee*	Normanville	\$ / \$ each	\$2015-16	\$87.80
Water District	Additional Service Point Fee*	Tungamah	\$ / \$ each	\$2015-16	\$87.80
Water District	Additional Service Point Fee*	East Loddon (South)	\$ / \$ each	\$2015-16	\$87.80
Water District	Distribution Access	East Loddon (North)	\$ / ML per Day	\$2015-16	\$2,858.54
Water District	Distribution Use	East Loddon (North)	\$ / ML	\$2015-16	\$5.85
Water District	Overuse Fee	Normanville	\$ / ML	\$2015-16	\$1,951.22
Water District	Overuse Fee	Tungamah	\$ / ML	\$2015-16	\$1,951.22
Water District	Overuse Fee	East Loddon (South)	\$ / ML	\$2015-16	\$1,951.22
Water District	Overuse Fee	East Loddon (North)	\$ / ML	\$2015-16	\$1,951.22
Water District	Overuse Fee	West Loddon	\$ / ML	\$2015-16	\$1,951.22
Water District	Service Point Fee*	Normanville	\$ / Service Point	\$2015-16	\$87.80
Water District	Service Point Fee*	Tungamah	\$ / Service Point	\$2015-16	\$87.80
Water District	Service Point Fee*	East Loddon (South)	\$ / Service Point	\$2015-16	\$87.80
Pumped Irrigation	Infrastructure Access Fee	Woorinen	\$ / ML/day	\$2015-16	\$5,324.84
Pumped Irrigation	Infrastructure Access Fee	Nyah	\$ / ML/day	\$2015-16	\$4,302.17
Pumped Irrigation	Infrastructure Access Fee	Tresco	\$ / ML/day	\$2015-16	\$5,050.58
Pumped Irrigation	Additional Service Point Fee*	Woorinen	\$ / Additional SP	\$2015-16	\$87.80
Pumped Irrigation	Additional Service Point Fee*	Nyah	\$ / Additional SP	\$2015-16	\$87.80
Pumped Irrigation	Additional Service Point Fee*	Tresco	\$ / Additional SP	\$2015-16	\$87.80
Pumped Irrigation	Service Fee*	Woorinen	\$ / Property	\$2015-16	\$107.32
Pumped Irrigation	Service Fee*	Nyah	\$ / Property	\$2015-16	\$107.32
Pumped Irrigation	Service Fee*	Tresco	\$ / Property	\$2015-16	\$107.32
Pumped Irrigation	Infrastructure Use Fee	Woorinen	\$ / ML	\$2015-16	\$17.90
Pumped Irrigation	Infrastructure Use Fee	Nyah	\$ / ML	\$2015-16	\$19.54
Pumped Irrigation	Infrastructure Use Fee	Tresco	\$ / ML	\$2015-16	\$10.12
Pumped Irrigation	Casual Infrastructure Use Fee	Woorinen	\$ / ML	\$2015-16	\$97.78
Pumped Irrigation	Casual Infrastructure Use Fee	Nyah	\$ / ML	\$2015-16	\$79.75
Pumped Irrigation	Casual Infrastructure Use Fee	Tresco	\$ / ML	\$2015-16	\$84.61
Pumped Irrigation	Termination Fee	Woorinen	\$ / ML/day	\$2015-16	\$53,248.35
Pumped Irrigation	Termination Fee	Nyah	\$ / ML/day	\$2015-16	\$43,021.72
Pumped Irrigation	Termination Fee	Tresco	\$ / ML/day	\$2015-16	\$50,505.82
Pumped Irrigation	Delivery Share Reservation	Woorinen	\$ / ML/day	\$2015-16	\$5,324.84
Pumped Irrigation	Delivery Share Reservation	Nyah	\$ / ML/day	\$2015-16	\$4,302.17
Pumped Irrigation	Delivery Share Reservation	Tresco	\$ / ML/day	\$2015-16	\$5,050.58
Pumped Irrigation	Overuse*	Woorinen	\$ / ML	\$2015-16	\$1,951.22

Business segment	Tariff	Service	Units	Term	2016-17
Pumped Irrigation	Overuse*	Nyah	\$ / ML	\$2015-16	\$1,951.22
Pumped Irrigation	Overuse*	Tresco	\$ / ML	\$2015-16	\$1,951.22
Surface Diversions	Service Fee*	Regulated Waterways	\$ / Property	\$2015-16	\$107.32
Surface Diversions	Service Fee*	Unregulated Waterways	\$ / Property	\$2015-16	\$107.32
Surface Diversions	Overuse Fee	Regulated Waterways	\$ / ML	\$2015-16	\$1,951.22
Surface Diversions	Overuse Fee	Unregulated Waterways	\$ / ML	\$2015-16	\$1,951.22
Surface Diversions	Access Fee	Regulated Waterways	\$ / ML/day	\$2015-16	\$136.59
Surface Diversions	Access Fee	Unregulated Waterways	\$ / ML ent.	\$2015-16	\$5.76
Surface Diversions	Resource Management Fee	Unregulated Waterways	\$ / ML ent.	\$2015-16	\$3.08
Surface Diversions	Service Point Fee (Diverters, Small)*	Regulated Waterways	\$ / Service Point	\$2015-16	\$97.56
Surface Diversions	Service Point Fee (Diverters, Small)*	Unregulated Waterways	\$ / Service Point	\$2015-16	\$97.56
Surface Diversions	Service Point Fee (Diverters, Large)*	Regulated Waterways	\$ / Service Point	\$2015-16	\$312.20
Surface Diversions	Service Point Fee (Diverters, Large)*	Unregulated Waterways	\$ / Service Point	\$2015-16	\$312.20
Surface Diversions	Access Fee (Service Point)	Regulated Waterways	\$ / Service Point	\$2015-16	\$92.68
Surface Diversions	Access Fee (Service Point)	Unregulated Waterways	\$ / Service Point	\$2015-16	\$82.93
Groundwater	Service Fee*	Shepparton Irrigation Region	\$ / Property	\$2015-16	\$107.32
Groundwater	Service Fee*	Other Intensive	\$ / Property	\$2015-16	\$107.32
Groundwater	Service Fee*	Other	\$ / Property	\$2015-16	\$107.32
Groundwater	Access Fee	Other Intensive	\$ / ML ent.	\$2015-16	\$1.53
Groundwater	Resource Management Fee	Shepparton Irrigation Region	\$ / ML ent.	\$2015-16	\$1.95
Groundwater	Resource Management Fee	Other Intensive	\$ / ML ent.	\$2015-16	\$4.54
Groundwater	Resource Management Fee	Other	\$ / ML ent.	\$2015-16	\$4.54
Groundwater	Overuse Fee*	Shepparton Irrigation Region	\$ / ML	\$2015-16	\$1,951.22
Groundwater	Overuse Fee*	Other Intensive	\$ / ML	\$2015-16	\$1,951.22
Groundwater	Overuse Fee*	Other	\$ / ML	\$2015-16	\$1,951.22
Groundwater	Service Point Fee (Diverters, Small)*	Other Intensive	\$ / Service Point	\$2015-16	\$97.56
Groundwater	Service Point Fee (Diverters, Small)*	Other	\$ / Service Point	\$2015-16	\$97.56
Groundwater	Service Point Fee (Diverters, Large)*	Other Intensive	\$ / Service Point	\$2015-16	\$312.20
Groundwater	Service Point Fee (Diverters, Large)*	Other	\$ / Service Point	\$2015-16	\$312.20
Groundwater	Access Fee (Service Point)	Shepparton Irrigation Region	\$ / Service Point	\$2015-16	\$87.80
Groundwater	Access Fee (Service Point)	Other Intensive	\$ / Service Point	\$2015-16	\$87.80
Groundwater	Access Fee (Service Point)	Other	\$ / Service Point	\$2015-16	\$87.80

* Indicates fees that will be converted to \$2016/17 using an assumed inflation rate of 2.5%. All other fees will be inflated using March quarter CPI