

13 April 2017

Mr Marcus Crudden
Director, Water
Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Marcus

Quiet Lakes bore flushing tariff, response to ESC Draft Decision - Melbourne Water

Melbourne Water thanks the Essential Services Commission (ESC) for the opportunity to respond to the Commission's Draft Decision regarding the proposed Quiet Lakes bore flushing tariff.

The Draft Decision plans to amend the 2016 Price Review Determination to approve the bore flushing tariff at a rate of \$135 (nominal) to be paid by properties adjacent to Lake Legana and Illawong for the period 2017/18 to 2020/21.

Melbourne Water supports the Draft Decision as it reflects the wishes of a majority of Quiet Lakes residents and will provide continuity of bore flushing over the regulatory period.

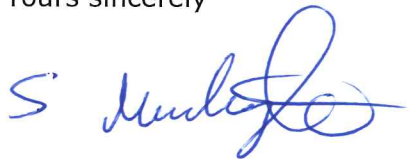
The ESC's \$21 reduction to the price proposed in the tariff submission is accepted given that savings found via the regulatory review will result in customers paying the most efficient cost of service.

It is our view that the ESC has given due regard to the key issues relating to the proposal in formulating its Decision. In particular:

- Following a bore flushing trial Quiet Lakes residents were consulted on the proposed service and associated charge via an independent ballot and 75% voted in favour. Melbourne Water notes it is unlikely that the high level of participation would be repeated in a regulatory review process given that participants have previously indicated their intentions via the ballot.
- The services associated with the bore flushing tariff exceed the level of service that is provided to Melbourne Water's broader operating area.
- The primary beneficiary to the flushing is the Quiet Lakes residents due to the private nature of the benefits that are not available to the general public. This has been made clear by the independent review and affirmed by the present Minister for Water (refer to the Honourable Lisa Neville's letter of 14/09/2015 included in a public submission to the ESC consultation process) and former Minister for Water the Honourable Peter Walsh (letter of 30 October 2014 attached).

Melbourne Water looks forward to providing the bore flushing service and applying the tariff from 1 July 2017 if approved in the ESC's final decision.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S. Marchington', with a stylized flourish at the end.

SIMON MARCHINGTON
MANAGER PRICING AND REGULATION