



MEDIA RELEASE
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REGULATOR CONFIRMS WATER PRICE INCREASES FOR MELBOURNE

Victoria's independent economic regulator, the Essential Services Commission, has confirmed proposed real increases of between 51 and 64 percent in water and sewerage bills for Melbourne households over the next four years.

The price increases approved by the Commission will fund more than \$4.1 billion in capital projects undertaken by Melbourne Water and the three metropolitan water retailers, City West Water, South East Water and Yarra Valley Water from 2009-10 to 2012-13.

Melbourne Water sources and supplies bulk water to the three retailers that cover metropolitan Melbourne and some urban fringe areas.

In its Final Decision on metropolitan Melbourne water prices for the four years from 1 July 2009, the Commission revised the prices proposed in an earlier Draft Decision to allow for additional capital expenditure and financing costs.

Four-year price increases of between 48 and 60 percent were proposed in the Commission's Draft Decision of April. The price increases approved in the Final Decision, however, remain lower than the water retailers' four-year increases of between 63 and 71 percent proposed in their Water Plans submitted in November 2008.

In addition, the Commission has provided for additional revenue to support higher capital expenditure on a range of projects, including those at the Winneke and Western Treatment Plants, the Werribee aqueducts, desalination project costs and interconnection works.

Approved financing costs have also increased from 4.8 percent to 5.1 percent, reflecting recent market conditions and the allowance of a higher margin for debt.

Based on a typical household consumption of 165 kilolitres (kL) a year, annual household water and sewerage bills under the Final Decision will increase in real terms (excluding inflation) from \$568 in 2008-09 to \$858 in 2012-13 for City West Water customers, \$566 to \$894 (South East Water) and \$585 to \$960 (Yarra Valley Water).

Under the retailers' original proposals, household water and sewerage bills were to rise in real terms over the same period to \$925 for City West Water, \$963 for South-East Water and \$1004 for Yarra Valley Water customers.

The Commission's Final Decision therefore represents a reduction in the annual bill for a typical household of between \$44 and \$69 on the retailers' forecast price increases.

ESC Chairperson Dr Ron Ben-David said the Commission had sought to keep water and sewerage prices as low as possible while providing enough revenue for the businesses to provide services and undertake major capital expenditure and operating expenditure.

Dr Ben-David said the water businesses' capital works programs would help to improve reliability and security of water supply for Melbourne's 1.6 million households and businesses.

“The Essential Services Commission’s main focus has been to ensure that water prices are fair and reasonable, and that customers are only paying for the services they receive,” he said.

“Water prices should be as low as possible but still sufficient to fund the businesses’ costs of providing services.”

Dr Ben-David said the Commission recognised that the bill increases resulting from its Final Decision may cause financial difficulties for some customers.

He said the Commission would extend the Guaranteed Service Level (GSL) scheme to increase the businesses’ incentives to adequately address payment difficulties experienced by their customers.

“This will help to ensure that customers experiencing hardship are treated fairly, with dignity and in a timely manner,” Dr Ben-David said.

Major capital projects underway or proposed for Melbourne Water include the Sugarloaf pipeline, Northern Sewer project, expansion of the Melbourne main sewer and the Eastern Treatment Plant tertiary treatment.

For the retailers, major proposed projects include the West Werribee third pipe and Altona recycled water projects (City West Water); third pipe recycled water project and Pakenham-Narre Warren Sewer (South East Water) and sewer projects at Epping and Craigieburn (Yarra Valley Water).

**CURRENT AND PROPOSED HOUSEHOLD WATER AND SEWERAGE BILLS
(\$ expressed in January 2009 prices)**

| | 2008-09 HOUSEHOLD BILL | PROPOSED HOUSEHOLD BILLS 2012-13 – RETAILERS’ FORECAST | PROPOSED HOUSEHOLD BILLS 2012-13 – ESC FINAL DECISION |
|---------------------------|-------------------------------|---|--|
| CITY WEST WATER | 568 | 925 | 858 |
| SOUTH EAST WATER | 566 | 963 | 894 |
| YARRA VALLEY WATER | 585 | 1004 | 960 |

- *Estimated annual household bills are based on a typical consumption of 165 kilolitres each and prices proposed by businesses in their Water Plans and in the Final Decision. Figures do not include Melbourne Water drainage and waterways charges or Parks Victoria charges.*

Copies of the Final Decision and associated Consultants’ Reports are available via the ESC website at www.esc.vic.gov.au.

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