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BY EXPRESS POST

COPY

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Dear Mr Kelly

Yarra Valley Water's Water Plan 2013/2014 to 2017/2018

Australian Unity and the Residents' Committee of the Walmsley Friendship Village (**Residents' Committee**) wish to take this further opportunity to comment on Yarra Valley Water's Water Plan 2013/2014 to 2017/2018 (**Water Plan**) that was recently submitted to the Essential Services Commission (ESC). It is a very clear and comprehensive plan.

This letter supplements my previous letters to Yarra Valley Water (YVW) dated 19 March 2012 and 18 July 2012 that commented on Yarra Valley Water's Draft Water Plan 2013/2014 to 2017/2018.

My letter dated 18 July 2012 encouraged YVW to investigate three further possible approaches to address the identified pricing inequities currently faced by residents of the Walmsley Friendship Village. That letter also expressed our support for:

- the application of fixed service charges on a connection basis rather than on a property title basis;
- water prices to be increased only when desalinated water is required;
- retaining the current three-step volume charge for water;
- the 100% variable tariff;
- the hardship scheme; and
- water efficiency programs.

Our thinking is generally consistent with the results of YVW's comprehensive community engagement process, although the Water Plan now provides for transitioning the basis for service charges to a connection basis over two years.

Water quality, security and supply reliability

We are generally satisfied with water quality, water security, water supply reliability and other core areas of YVW's service, noting also YVW's long-term plans for these core areas.

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Sewage Disposal Charge

In previous discussions with YVW staff, we indicated that we were comfortable with the existing approach to calculating the Sewage Disposal Charge. It is noted that the existing approach will be retained, although the assumed percentage of measured water returned to the sewer in a twelve-month period is increased from 70% to 75%.

Water prices

In respect of water prices, we support YVW's revenue cap approach with a 2% limit on price increases. This will decrease any potential for YVW to make more or less revenue than it actually needs, excluding the adjustment made for the cost of an annual order of water from the desalination plant.

We also support YVW's proposal for a Matched price path, rather than an Even price path which would result in a higher bill at the end of the five year period due to additional borrowings.

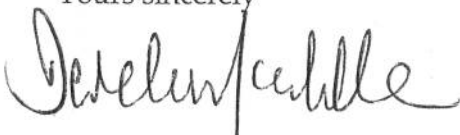
Pricing inequities and further consultations

The three possible approaches to address the identified pricing inequities at the Walmsley Friendship Village have not been further pursued with YVW staff since the meeting on 22 June 2012, recognising that YVW staff were fully involved in modifying the Water Plan in consequence of the freeze on 2012/2013 prices, thereby cancelling the increases that were planned to take effect from 1 July 2012.

Water charges are a significant component of the resident budget for the Walmsley Friendship Village and consequently the maintenance charges paid by the mainly single pensioner residents, who are also suffering from increases in council rates, gas and electricity charges well above inflation and pension adjustments.

Australian Unity and the Residents' Committee look forward to continuing consultations with YVW on the identified pricing inequities. We regard achievement of a mutually satisfactory outcome as very important, particularly considering the further significant escalation in water and sewerage prices by 33.7% in 2013/2014 with inflation increases in subsequent years through to 2018.

Yours sincerely



Derek McMillan

Chief Executive Officer – Retirement Living