

Regulator releases Final Decision on Melbourne Water's 2016 price submission

16 June 2016

Water

Victoria's independent economic regulator, the Essential Services Commission (the Commission), has today released its Final Decision on Melbourne Water's price submission for 1 July 2016 to 30 June 2021.

Melbourne Water provides wholesale water and sewerage services to the metropolitan retail water businesses. The prices charged by the metropolitan retail water businesses will reflect our final decision. Bills for most end-use customers in Melbourne will decline slightly in 2016-17.

- The metropolitan water retailers advised that they estimated end-use customer bills will be up to \$15 (nominal) dollars lower in 2016-17 compared to 2015-16.
- Under our final decision, bills are likely to fall slightly for the remaining years, 2017-18 to 2020-21.

These estimates exclude the impact of the 2016-17 desalination water order.

"Melbourne Water's approved prices allow it to continue to support Melbourne's increasing population and upgrade and maintain infrastructure," said Commission Chair Dr Ron Ben-David.

"The \$94 million of savings identified by the Commission reflect a more efficient delivery plan for Melbourne Water's proposed outcomes for its customers," he said.

Melbourne Water will spend \$2.5 billion on capital projects over the next five years to deliver a

number of treatment plant upgrades, maintain major water and sewer assets, and protect the health of its waterways.

\$4.5 billion will be spent over the five years on day-to-day operations for Melbourne Water's water and sewage treatment facilities, maintenance of assets to continue to provide reliable and quality services, and operation of the desalination plant.

The Commission also approved Melbourne Water's proposed wholesale prices. The result of our final decision is a fall of 11 per cent in its wholesale prices for 2016-17.

Dr Ben-David said that Melbourne Water proposed to transition 34,000 non-residential customers, currently on a property based charge, to a flat minimum tariff equal to 1.5 times the residential tariff by 2020-21.

"We approve these reforms as the tariff structure is more cost reflective – a move from a property based tariff to a charge that reflects the average contribution of non-residential customers to waterways and drainage costs," said Dr Ben-David.

Residential waterways and drainage customers will continue to pay the existing flat charge of \$96 per annum, indexed to inflation, over the five years from 1 July 2016.

Melbourne Water agreed that flood protection costs for the residents in the Patterson Lakes area should be covered by the general waterways and drainage charge.

"We have approved the use of a 'trailing average approach' to estimate the cost of debt. Melbourne Water is the first Victorian water business to use this new approach, which should minimise the impact of any fluctuations in the cost of debt on customer bills and prices," said Dr Ben-David.

"The Final Decision represents the completion of 8 months of review, with our initial Draft Decision released in March. Melbourne Water accepted most of our Draft Decision, but put forward some recommendations. Our decision was made after analysing Melbourne Water's submissions and reports from expert consultants, as well as listening to concerns raised by customers during public consultations," Dr Ben-David said.

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