

GWMWater Determination

1 July 2018 – 30 June 2023

19 June 2018



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1. General

1.1. Introduction

- (a) Clause 14 of the **WIRO** requires the commission to either:
- (i) approve the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated, as proposed by the **regulated entity** in its **price submission**; or
 - (ii) specify the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated.
- (b) On 13 June 2018, the commission made its decision under the **WIRO** in respect of:
- (i) the prices which Grampians Wimmera Mallee Water Corporation (trading as **GMMWater**) (ABN 35 584 588 263) (**GMMWater**) may charge for **prescribed services** during the **regulatory period**; and
 - (ii) the standards and conditions of service and supply which **GMMWater** has included in its **price submission**.
- (c) This Determination is made by the commission under section 33 of the **ESC Act**, pursuant to clauses 10 and 14 of the **WIRO**.
- (d) The purpose for the making of this Determination is to:
- (i) give effect to the decision of the commission referred to in clause 1.1(b)(i);
 - (ii) specify the maximum prices which **GMMWater** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated, determined or otherwise regulated;
 - (iii) facilitate the achievement of the commission's objectives in the **ESC Act** and the **WI Act**; and
 - (iv) reflect the requirements in the **WIRO**.
- (e) The reasons for the making of this Determination are as set out in the decision published by the commission on 19 June 2018.

1.2. Application

This Determination applies to **GMMWater** and its successors and assigns in respect of the business carried on by **GMMWater** at the date of this Determination.

1.3. Effective period

(a) **Term**

This Determination takes effect on the later of the date on which notice of its making is published in the Government Gazette or 1 July 2018, subject to clause 1.3(b), has effect until the earlier of the date on which it is amended or revoked by a later determination or 30 June 2023.

(b) **Next regulatory period**

Subject to clause 2.3(b)(ii), if the commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2023, the prices or the manner in which such prices are to be calculated or otherwise determined as set out in this Determination will continue to apply in respect of **prescribed services** provided by **GWMWater** between 1 July 2023 and the date on which the determination for the **next regulatory period** comes into effect.

1.4. Modification of time periods

The commission may, by notice to **GWMWater**, extend or reduce the time by which, or the period within which, **GWMWater** or the commission must comply with an obligation under this Determination.

1.5. Summary and structure

Clause 2 of this Determination specifies the prices which will apply to **prescribed services** during the **regulatory period** and sets out the procedure and formula according to which prices may be adjusted during the **regulatory period** on an annual basis. Clauses 3, 4 and 5 provide for the circumstances in which prices may be adjusted during the **regulatory period** otherwise than in accordance with clause 2.

1.6. Definitions and interpretation

In this Determination, unless the contrary intention appears:

- (a) words and phrases in bold italics have the meanings given to them in part A of Schedule 1; and
- (b) the rules of interpretation in part B of Schedule 1 will apply.

1.7. Annexure

- (a) For convenience, Annexure A to this Determination summarises:
 - (i) the assumptions underpinning the prices to apply to **GWMWater** during the **regulatory period** or the manner in which such prices are to be calculated, determined or otherwise regulated; and
 - (ii) the standards and conditions of services and supply additional to those specified in the **Code** which will be provided by **GWMWater** pursuant to the decision referred to in clause 1.1(b)(ii).
- (b) For the avoidance of doubt, Annexure A does not form part of this Determination.

2. Price control

2.1. General principles

Subject to this Determination:

(a) Scheduled prices

GMMWater must not charge more than:

- (i) the scheduled prices in Schedule 2, during the first **regulatory year**, and
- (ii) the amounts determined in accordance with clause 2.3, during each subsequent **regulatory year**,

in respect of those prescribed services to which the scheduled prices in Schedule 2 relate.

(b) Application principles

The application principles in Schedule 3 will apply to the prices charged by **GMMWater** in respect of **prescribed services** during the **regulatory period**.

(c) Pricing principles

During the **regulatory period**, **GMMWater** must apply the pricing principles in Schedule 4 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 4 relate.

2.2. Ancillary matters

(a) New prices

If a new price is introduced under clause 2.3:

- (i) that **new price** is deemed to be included in Schedule 2 with effect from the start of the subsequent **regulatory year**; and
- (ii) any new application principle specified in respect of that **new price** is deemed to be included in Schedule 2 with effect from the start of the subsequent **regulatory year**.

(b) Contracts

Where **GMMWater** has entered into a contract (a **relevant contract**) which relates to the provision of **prescribed services** prior to 1 July 2018, **GMMWater** may charge the prices for **prescribed services** which are set out in that **relevant contract** until its expiration, termination or a periodic review of the prices set out in

the contract. Once a **relevant contract** has expired or been terminated or the prices in a **relevant contract** have been subject to a periodic review, the scheduled prices in Schedule 2 (as adjusted in accordance with this Determination) or the prices determined in accordance with the pricing principles in Schedule 4 will apply for the remainder of the **regulatory period**.

(c) Dispute Resolution

Any question as to whether a price has been set in accordance with this Determination will be determined by the commission on the basis of the commission's interpretation of this Determination.

(d) Publication

GWMWater must publish a list of its current prices and pricing principles for **prescribed services**, and all relevant supporting information that is relied upon to apply the prices or pricing principles, on its website at all times during the **regulatory period** and must provide a written copy of the list to its customers on request. The list must clearly indicate in respect of each price, the amount determined in accordance with this Determination, the amount of GST payable and the total price (in a manner consistent with the requirements of the *Competition and Consumer Act 2010* (Cth)).

(e) GST

GWMWater will not be considered to be in contravention of this Determination if a price charged by it for a **prescribed service** exceeds the amount determined in accordance with clause 2 only by reason of the levying of a charge on account of **GST**.

2.3. Annual adjustment of prices

(a) Adjustment

(i) Subject to Schedule 2 and Schedule 5, the scheduled prices in Schedule 2 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formula in clause 2.3(b)(i) and the procedure in clause 2.3(c), and will apply to the **prescribed services** to which the scheduled prices in Schedule 2 relate in that **regulatory year**.

(b) Formula

(i) Subject to Schedule 2 and Schedule 5, each price for the **prescribed services** referred to in clause 2.3(a) will be adjusted in accordance with the following formula with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:

$$p_t = p_{t-1} \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t)$$

where:

p_t is the price component for **regulatory year** 't'

p_{t-1} is the price component for **regulatory year** 't-1'

$\frac{CPI_t}{CPI_{t-1}}$ for the particular **regulatory year** is:
the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the start of the relevant **regulatory year**

divided by

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the March quarter referred to above

PPM_t is the prescribed price movement for the price component for **regulatory year** t determined in accordance with Schedule 2.

- (ii) If the commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2023, PPM_t will be set equal to zero for the purpose of adjusting prices in accordance with the formula in clause 2.3(b)(i) for **regulatory years** commencing on or after 1 July 2023 until the date on which this determination is amended or revoked by a later determination.

(c) Adjustment procedure

- (i) At least 30 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period**, **GWMWater** must submit its proposed prices for the **prescribed services** referred to in clause 2.3(a) to apply in that subsequent **regulatory year** (the **revised scheduled prices**) to the commission for approval, together with sufficient information to enable the commission to assess whether the proposed prices comply with this Determination.
- (ii) The commission will approve the **revised scheduled prices** if it considers that they have been calculated in accordance with the formula set out in clause 2.3(b)(i).

- (iii) The commission will be deemed to have approved the **revised scheduled prices** if it has not provided notice under clause 2.3(c)(iv) to **GMMWater** within 20 **business days** from the date of its receipt of the **revised scheduled prices**.
- (iv) If the commission does not approve the **revised scheduled prices**, the commission:
 - (A) will provide notice to **GMMWater** (including a statement of its reasons);
 - (B) may request **GMMWater** to provide any additional information specified by the commission;
 - (C) will take any additional information provided by **GMMWater** into account; and
 - (D) will determine the **revised scheduled prices**.

2.4. Price changes during a billing period

(a) Application of this clause

This clause 2.4 applies where **GMMWater** issues an invoice in respect of a billing period during which a change to any price for a **prescribed service** comes into effect in accordance with this Determination.

(b) Method of charging

GMMWater must not charge the prices determined in accordance with this Determination in respect of any part of a billing period prior to the effective date of the change, but may charge for **prescribed services** in respect of the periods before and after the effective date of the change at the prices applicable for each of those periods on a pro-rata basis.

2.5. Reporting requirements

- (a) **GMMWater** must make available to the commission all information reasonably requested by the commission from time to time for the purpose of enabling it to confirm that **GMMWater** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **GMMWater** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 4 relate, **GMMWater** must, within 30 **business days** of the date of the **new contract**, on request provide the commission with a notice specifying:
 - (i) details of the **new contract**; and

- (ii) information which demonstrates the way in which the prices in the **new contract** reflect the relevant pricing principles.
- (c) Without limiting clause 2.5(a), if **GWMWater** proposes to stop providing a **prescribed service** or refuses to provide a **prescribed service** to a customer, or potential customer, during the **regulatory period**, it must:
 - (i) in the case of a proposal to stop providing a **prescribed service**, provide a notice to the commission stating the nature of the **prescribed service** which it proposes to stop providing and the reason why it proposes to stop providing the **prescribed service**. This notice must be provided at least 30 **business days** prior to the date upon which **GWMWater** proposes to stop providing the **prescribed service**; and
 - (ii) in the case of a refusal to provide a **prescribed service** to a customer, or potential customer, **GWMWater** must provide a notice to the commission within 5 **business days** of the refusal, stating the nature of the **prescribed service** and the reason for the refusal.

3. Amendment of Schedule 2

(a) **Amendment**

- (i) **GWMWater** may apply to the commission in accordance with this clause 3 and Schedule 5 for the amendment of the prescribed price movements and/or price components included in Schedule 2 for the following **regulatory year** (the **relevant regulatory year**) and all subsequent **regulatory years** remaining in the **regulatory period** (the **revised tariff schedule**).
- (ii) The average price movement for the **relevant regulatory year** and for each subsequent **regulatory year** in the **regulatory period** determined in accordance with the **revised tariff schedule** must not exceed the weighted average price movement that would otherwise have applied under this Determination as calculated in accordance with the following formula.

$$\frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}} \geq \frac{\sum_{i=1}^n \sum_{j=1}^m ap_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}, i = 1, \dots, n; j = 1 \dots m$$

where **GWMWater** has n tariff categories, which each have up to m tariff components, and where, for each **regulatory year** t for which the calculation is undertaken:

p_{t-1}^{ij} is the tariff charged in **regulatory year** $t-1$ for component j of tariff i

p_t^{ij} is the proposed tariff for component j of tariff i determined in accordance with Schedule 2 where the **revised tariff schedule** is not applied

ap_t^{ij} is the proposed tariff for component j of tariff i determined in accordance with Schedule 2 where the **revised tariff schedule** is applied

q_{t-2}^{ij} is the quantity of component j of tariff i that was sold in **regulatory year** $t-2$, or, if an actual quantity is not available, either an estimate of the quantity of component j of tariff i that would have been sold in **regulatory year** $t-2$ or a forecast of the quantity of component j of tariff i that is expected to be sold in **regulatory year** $t-2$

(b) Amendment procedure

- (i) An application by **GWMWater** under this clause 3 must be received by the commission at least 80 **business days** prior to the commencement of the **relevant regulatory year** and must be accompanied by the following information:
- (A) (1) a clearly articulated new tariff strategy that is consistent with clause 11 of the **WIRO** (the **revised tariff strategy**); or
 - (2) an explanation of how the **revised tariff schedule** is consistent with the tariff strategy for **GWMWater** approved by the commission in connection with this Determination, (**the relevant tariff strategy**);
 - (B) a **revised tariff schedule** that specifies proposed prices for the **relevant regulatory year** and prescribed price movements for each subsequent **regulatory year** in the **regulatory period** that is consistent with the **relevant tariff strategy**;
 - (C) a statement setting out evidence demonstrating that **GWMWater** has provided information to its customers explaining the **revised tariff schedule** and how it relates to the **relevant tariff strategy** and has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
 - (D) a statement setting out the customer impacts resulting from the **revised tariff schedule** and actions proposed by **GWMWater** to address these customer impacts; and
 - (E) an explanation of the calculation of the relevant quantities " q_{t-2}^{ij} ".
- (ii) The commission may approve the **revised tariff schedule** submitted by **GWMWater** under this clause 3 if it is satisfied that:
- (A) **GWMWater** has complied with clause 3(b)(i)(A);
 - (B) the price movements calculated in accordance with the **revised tariff schedule** comply with clause 3(a)(ii);
 - (C) the **revised tariff schedule** is consistent with the **relevant tariff strategy**;
 - (D) **GWMWater** has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
 - (E) **GWMWater** has effectively addressed customer impacts resulting from the **revised tariff schedule**; and
 - (F) the basis for calculating the relevant quantities " q_{t-2}^{ij} " is reasonable.

- (iii) In determining whether it will approve the **revised tariff schedule**, the commission may request **GWMWater** to provide any additional information specified by the commission and/or to resubmit any of the matters in clause 3(b)(i)(A)-(E).
- (iv) The commission will be deemed to have not approved a **revised tariff schedule** if it has not provided notice to **GWMWater** within 40 **business days** from the date of its receipt of **GWMWater's** application under this clause 3.
- (v) An approved **revised tariff schedule** will be taken to amend Schedule 2 to the extent of any inconsistency.

4. Uncertain or unforeseen events

4.1. General principle

- (a) **GWMWater** may apply to the commission for the amendment of this Determination and/or the adjustment of the scheduled prices in Schedule 2 to reflect increased or decreased costs incurred by **GWMWater** and/or increased or decreased revenue received by **GWMWater** as a result of events which were uncertain or unforeseen at the time this Determination was made (an **uncertain events application**).
- (b) Whether or not **GWMWater** makes an application under clause 4.1(a), **GWMWater** must promptly notify the commission upon becoming aware of an event which could form part or all of the basis of an application.
- (c) The commission may take action under clause 4.3(b) in respect of an **uncertain events application** where the commission is satisfied that such action is necessary or desirable to take account of events that were uncertain or unforeseen at the time of making this Determination provided that the commission is satisfied that such action takes into account the interests of customers. Generally the matters taken into account will include positive and negative influences on revenue and expenditure. The Commission may limit an adjustment to only some events or a single event.

4.2. Consideration by the commission

(a) Examples of uncertain and unforeseen events

The matters that may, at the discretion of the commission, be taken into account by the commission under this clause 4 include:

- (i) actual licence fees or contributions payable by **GWMWater** during a particular **regulatory year** during the **regulatory period** under section 51 of the *Safe Drinking Water Act 2003* (Vic), section 24 of the *Environment Protection Act 1970* (Vic) and section 4H(2) of the **WI Act** which differ from the forecast licence fees or contributions set out in Annexure A for that **regulatory year**;
- (ii) changes in the timing or scope of expenditure by **GWMWater** on major capital projects;
- (iii) instances where the commission is satisfied that there is a material difference between the forecast demand levels set out in Annexure A and actual demand levels for **GWMWater** in one or more **regulatory years** during the **regulatory period**; and

- (iv) a change in or to any of the following:
 - (A) the **WI Act**, the *Water Act 1989 (Vic)*, the *Safe Drinking Water Act 2003 (Vic)*, the *State Owned Enterprises Act 1992 (Vic)* and the *Environment Protection Act 1970 (Vic)*;
 - (B) any licence issued pursuant to any of the Acts referred to in clause 4.2(a)(iv)(A);
 - (C) a **relevant tax**; or
 - (D) the Statement of Obligations; or
 - (E) the introduction or cessation of a statutory carbon price or tax or a national emissions trading scheme or other scheme relating to the reduction of greenhouse gas emissions.

(b) Exclusions

In considering an **uncertain events application**, the commission will not take into account matters that:

- (i) are or should be within **GWMWater's** control;
- (ii) were or should have been known by **GWMWater** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **GWMWater**;
- (iv) should be or should have been planned for or managed by **GWMWater**, and/or
- (v) reflect inefficient expenditure by **GWMWater**.

(c) Dispute resolution

Any question as to whether a matter should be taken into account by the commission under this clause 4 will be determined by the commission in its absolute discretion.

4.3. Procedure

(a) Application process

- (i) An **uncertain events application** must be accompanied by a statement setting out:
 - (A) the details of each relevant uncertain or unforeseen event;
 - (B) the amount and timing of any increase or decrease in operating and/or capital expenditure associated with the relevant event during the **regulatory period** and/or the amount and timing of any increase

or decrease in revenue associated with the relevant event during the **regulatory period**;

- (C) the basis for calculating the increase or decrease in operating and/or capital expenditure and/or revenue referred to in clause 4.3(a)(i)(B); and
- (D) details of the proposed action to be taken by the commission under clause 4.3(b).

- (ii) The commission may identify an event or events which it considers has had or may have a material impact on **GWMWater's** operating and/or capital expenditure and/or revenue and may decide to take action under clause 4.3(b) in the absence of an **uncertain events application** by **GWMWater**.
- (iii) The commission may request **GWMWater** to provide any additional information specified by the commission in connection with an **uncertain events application**.

(b) Action by the commission

If the commission is satisfied of the matters set out in clause 4.1(c) in respect of an **uncertain events application** or an event identified by the commission under clause 4.3(a)(ii), the commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 and/or the revenue requirements in Annexure A with effect from a date and in a manner decided by the commission (in respect of one or more events) at a time decided by the commission; or
- (ii) take the **uncertain events application** into account in making its determination in respect of the prices which **GWMWater** may charge for **prescribed services** in the **next regulatory period**.

5. Material error and unintended consequences

Where the commission is satisfied that in any material respect:

- (a)** this Determination or any information relied upon in the making of this Determination contains an error, deficiency or miscalculation;
- (b)** any information on which this Determination was based was false or misleading in a material respect; or
- (c)** such amendment or adjustment is necessary or desirable to avoid an unintended consequence of this Determination,

The commission may decide to amend this Determination and/or specify a price adjustment, provided that it is satisfied that such amendment and/or price adjustment takes into account the interests of customers.

In most cases, an amendment will be undertaken in accordance with the commission's standard consultation process for price determinations, including the issue of a draft decision and an invitation for interested parties to make submissions to the commission in relation to the draft decision, as set out in clause 16(a) and (b) of the WIRO.

In some limited circumstances, the commission may amend this Determination without further consultation, or with only limited consultation. This will be the case where an amendment is not sufficiently material to warrant a full consultation process, or where there is urgency that justifies the commission moving quickly, as set out in clause 16(c) of the WIRO. In these circumstances, the commission will provide its reasons for proceeding with the amendment without consultation (or with a modified consultation process).

Schedule 1 – Definitions and interpretation

A Definitions

business day means a day on which banks are open for general banking business in Melbourne, not being a Saturday or a Sunday.

Code means the applicable *Customer Service Code* made under the **WI Act**.

ESC Act means the *Essential Services Commission Act 2001* (Vic).

GST has the meaning given in section 195-1 of the *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

miscellaneous services means services that are provided in direct connection with **prescribed services**, prices in respect of which are either included in Schedule 2 or determined in accordance with the relevant pricing principles in Schedule 4.

new contract means any contract for **prescribed services** which is renewed, renegotiated or entered into during the **regulatory period**.

next regulatory period means the period commencing on 1 July 2023 and ending on a date specified by the commission.

prescribed services has the meaning given in the **WIRO** and includes **miscellaneous services**.

price submission has the meaning given in the **WIRO**.

regulated entity has the meaning given in the **WIRO**.

regulatory period means the period commencing on 1 July 2018 and ending on 30 June 2023.

regulatory year means each period of twelve months commencing on 1 July and ending on 30 June.

relevant contract means a contract which relates to the provision of **prescribed services**.

relevant tax means any tax imposed by or payable directly or indirectly to any government or public authority in the Commonwealth of Australia (including **GST**) but excluding:

- (a) the licence fees referred to in clause 4.2 of this Determination;
- (b) penalties and interest for late payment of any tax; or
- (c) any tax that replaces any of the taxes referred to in (a) and (b), where tax includes any rate, duty, charge or other like or analogous impost.

WI Act means the *Water Industry Act 1994* (Vic).

WIRO means the Water Industry Regulatory Order 2014 as at the date of this Determination.

B Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (d) A reference to a clause or schedule is a reference to a clause of or schedule to this document.
- (e) A reference to a determination, agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (f) A reference to an Act, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (g) If a period of time is specified and commences on a given day or on a day of an act or event, the period of time is to be calculated inclusive of that day.
- (h) Any “notice” to be given or matter to be “notified” must be in writing.
- (i) The symbol ‘ Σ ’ requires a summation to be performed over the range of variables specified in respect of the algebraic terms specified.
- (j) All data which is utilised in calculations made under this Determination will be utilised to the accuracy, in terms of the number of decimal places, to which it is given.
- (k) A fixed price, charge or fee determined in accordance with this Determination is to be rounded down and specified to two decimal places.
- (l) A volumetric price, charge or fee determined in accordance with this Determination is to be rounded down and specified to four decimal places.
- (m) When a calculation is required under this document:
 - (i) **regulatory year** ‘t’ is the **regulatory year** in respect of which the calculation is being made;
 - (ii) **regulatory year** ‘t-1’ is the **regulatory year** immediately preceding **regulatory year** ‘t’;
 - (iii) **regulatory year** ‘t-2’ is the **regulatory year** immediately preceding **regulatory year** ‘t-1’.

Schedule 2 – Prices

This schedule should be read in conjunction with Schedule 3, Schedule 4 and Schedule 5. Variable water, wastewater and trade waste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

Tariff and Price Component	Price (1 July 2018)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
Urban Water					
1.1 Potable towns					
Residential					
20 mm	457.93	0.0%	0.0%	0.0%	0.0%
25 mm	732.69	0.0%	0.0%	0.0%	0.0%
Non-Residential					
20 mm	439.59	0.0%	0.0%	0.0%	0.0%
25 mm	703.34	0.0%	0.0%	0.0%	0.0%
32 mm	1142.93	0.0%	0.0%	0.0%	0.0%
40 mm	1758.36	0.0%	0.0%	0.0%	0.0%
50 mm	2747.44	0.0%	0.0%	0.0%	0.0%
60 mm	4579.30	0.0%	0.0%	0.0%	0.0%
70 mm	5494.88	0.0%	0.0%	0.0%	0.0%
75 mm	7033.45	0.0%	0.0%	0.0%	0.0%
80 mm	7033.45	0.0%	0.0%	0.0%	0.0%
100 mm	10989.77	0.0%	0.0%	0.0%	0.0%
125 mm	21522.71	0.0%	0.0%	0.0%	0.0%
150 mm	25566.62	0.0%	0.0%	0.0%	0.0%
200 mm	45793.00	0.0%	0.0%	0.0%	0.0%
Concessional	294.46	0.0%	0.0%	0.0%	0.0%
Volumetric (kL)	1.7907	0.0%	0.0%	0.0%	0.0%
Vacant land (development rate)	212.32	0.0%	0.0%	0.0%	0.0%
1.2 Disinfected/partially treated					
Residential					
20 mm	448.85	0.0%	0.0%	0.0%	0.0%
25 mm	718.16	0.0%	0.0%	0.0%	0.0%
Non Residential					
20 mm	430.51	0.0%	0.0%	0.0%	0.0%
25 mm	688.82	0.0%	0.0%	0.0%	0.0%
32 mm	1119.33	0.0%	0.0%	0.0%	0.0%
40 mm	1722.05	0.0%	0.0%	0.0%	0.0%

Tariff and Price Component	Price (1 July 2018)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
50 mm	2690.70	0.0%	0.0%	0.0%	0.0%
60 mm	4305.10	0.0%	0.0%	0.0%	0.0%
70 mm	5381.40	0.0%	0.0%	0.0%	0.0%
75 mm	6888.20	0.0%	0.0%	0.0%	0.0%
80 mm	6888.20	0.0%	0.0%	0.0%	0.0%
100 mm	10762.81	0.0%	0.0%	0.0%	0.0%
125 mm	20233.97	0.0%	0.0%	0.0%	0.0%
150 mm	25038.61	0.0%	0.0%	0.0%	0.0%
200 mm	43051.00	0.0%	0.0%	0.0%	0.0%
Concessional	294.46	0.0%	0.0%	0.0%	0.0%
Volumetric (kL)	1.7072	0.0%	0.0%	0.0%	0.0%

1.3 Non potable pipeline

Residential

20 mm	404.72	0.0%	0.0%	0.0%	0.0%
25 mm	647.56	0.0%	0.0%	0.0%	0.0%

Non Residential

20 mm	386.38	0.0%	0.0%	0.0%	0.0%
25 mm	618.21	0.0%	0.0%	0.0%	0.0%
32 mm	1004.60	0.0%	0.0%	0.0%	0.0%
40 mm	1545.53	0.0%	0.0%	0.0%	0.0%
50 mm	2414.90	0.0%	0.0%	0.0%	0.0%
60 mm	4047.20	0.0%	0.0%	0.0%	0.0%
70 mm	4829.81	0.0%	0.0%	0.0%	0.0%
75 mm	6182.15	0.0%	0.0%	0.0%	0.0%
80 mm	6182.15	0.0%	0.0%	0.0%	0.0%
100 mm	9659.62	0.0%	0.0%	0.0%	0.0%
125 mm	19021.84	0.0%	0.0%	0.0%	0.0%
150 mm	22472.14	0.0%	0.0%	0.0%	0.0%
200 mm	40472.00	0.0%	0.0%	0.0%	0.0%
Concessional	294.46	0.0%	0.0%	0.0%	0.0%
Volumetric (kL)	1.6296	0.0%	0.0%	0.0%	0.0%

1.4 Non potable Eastern Grampians

Residential

20 mm	404.72	0.0%	0.0%	0.0%	0.0%
25 mm	647.56	0.0%	0.0%	0.0%	0.0%

Non Residential

20 mm	386.38	0.0%	0.0%	0.0%	0.0%
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Tariff and Price Component	Price (1 July 2018)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
25 mm	618.21	0.0%	0.0%	0.0%	0.0%
32 mm	1004.60	0.0%	0.0%	0.0%	0.0%
40 mm	1545.53	0.0%	0.0%	0.0%	0.0%
50 mm	2414.90	0.0%	0.0%	0.0%	0.0%
60 mm	4047.20	0.0%	0.0%	0.0%	0.0%
70 mm	4829.81	0.0%	0.0%	0.0%	0.0%
75 mm	6182.15	0.0%	0.0%	0.0%	0.0%
80 mm	6182.15	0.0%	0.0%	0.0%	0.0%
100 mm	9659.62	0.0%	0.0%	0.0%	0.0%
125 mm	19021.84	0.0%	0.0%	0.0%	0.0%
150 mm	22472.14	0.0%	0.0%	0.0%	0.0%
200 mm	40472.00	0.0%	0.0%	0.0%	0.0%
Concessional	294.46	0.0%	0.0%	0.0%	0.0%
Volumetric (kL)	1.3193	0.0%	0.0%	0.0%	0.0%

1.5 Non potable groundwater

Residential

20 mm	402.69	0.0%	0.0%	0.0%	0.0%
25 mm	644.30	0.0%	0.0%	0.0%	0.0%

Non Residential

20 mm	384.34	0.0%	0.0%	0.0%	0.0%
25 mm	614.95	0.0%	0.0%	0.0%	0.0%
32 mm	999.30	0.0%	0.0%	0.0%	0.0%
40 mm	1537.39	0.0%	0.0%	0.0%	0.0%
50 mm	2402.18	0.0%	0.0%	0.0%	0.0%
60 mm	4026.90	0.0%	0.0%	0.0%	0.0%
70 mm	4804.37	0.0%	0.0%	0.0%	0.0%
75 mm	6149.59	0.0%	0.0%	0.0%	0.0%
80 mm	6149.59	0.0%	0.0%	0.0%	0.0%
100 mm	6908.74	0.0%	0.0%	0.0%	0.0%
125 mm	18926.43	0.0%	0.0%	0.0%	0.0%
150 mm	22353.79	0.0%	0.0%	0.0%	0.0%
200 mm	40269.00	0.0%	0.0%	0.0%	0.0%
Concessional	294.46	0.0%	0.0%	0.0%	0.0%
Volumetric (kL)	1.0029	0.0%	0.0%	0.0%	0.0%

Sewerage

1.7 Sewerage

Sewerage access charge	490.38	0.0%	0.0%	0.0%	0.0%
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Tariff and Price Component	Price (1 July 2018)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
Concession	283.49	0.0%	0.0%	0.0%	0.0%
Vacant land (development rate)	217.99	0.0%	0.0%	0.0%	0.0%
Miscellaneous charges					
1.8 New customer contributions*					
Water (per lot)	By agreement	0.0%	0.0%	0.0%	0.0%
Sewer (per lot)	By agreement	0.0%	0.0%	0.0%	0.0%
Recycled water (per lot)	By agreement	0.0%	0.0%	0.0%	0.0%
*Refer to GMMWater's new customer contribution negotiating framework for guidelines.					
1.9 Trade waste					
Trade waste application fees					
Application to discharge trade waste – category 1 and 2	388.84	0.0%	0.0%	0.0%	0.0%
Application to discharge trade waste – category 3 and 4	On Application	0.0%	0.0%	0.0%	0.0%
Major trade waste					
Stawell, Ararat, St Arnaud, Horsham	By Agreement	0.0%	0.0%	0.0%	0.0%
Minor trade waste					
Category 1 and 2	263.41	0.0%	0.0%	0.0%	0.0%
1.10 Other Miscellaneous fees and charges					
Fire Service	485.33	0.0%	0.0%	0.0%	0.0%
Water all standpipe (kL)	2.41	0.0%	0.0%	0.0%	0.0%
Connection charges					
Water tapping/connection charge (20mm) [#]	321.88	0.0%	0.0%	0.0%	0.0%
Wastewater connection charges					
Residential	110.94	0.0%	0.0%	0.0%	0.0%
Commercial and small industrial	166.49	0.0%	0.0%	0.0%	0.0%
Large industrial	333.00	0.0%	0.0%	0.0%	0.0%
Special meter reading					
Urban/rural (remote reading)	33.23	0.0%	0.0%	0.0%	0.0%
Pipeline/rural/outside urban district	66.55	0.0%	0.0%	0.0%	0.0%
Disconnection/reconnection of water supply	77.64	0.0%	0.0%	0.0%	0.0%
Information statements					
Application fee	55.44	0.0%	0.0%	0.0%	0.0%
Application fee (priority)	110.94	0.0%	0.0%	0.0%	0.0%
Non-core miscellaneous services	Actual cost	0.0%	0.0%	0.0%	0.0%

[#]Higher charges are incurred for larger tappings.

Tariff and Price Component	Price (1 July 2018)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
Rural					
2.1 Bulk water – environment					
Allocation charge (ML)	7.27	3.1%	3.1%	3.2%	3.2%
Usage charge (ML)	14.5921	3.1%	3.1%	3.2%	3.2%
2.2 Stock and domestic (Rural Pipeline)					
Standard meter charge (per meter)	155.71	0.0%	0.0%	0.0%	0.0%
Primary meter charge (per meter)	311.51	0.0%	0.0%	0.0%	0.0%
Capacity charge (per kL) ^	0.8700	0.0%	0.0%	0.0%	0.0%
Minimum capacity charge (\$)	87.84	0.0%	0.0%	0.0%	0.0%
Usage charge (kL) ^	1.0501	0.0%	0.0%	0.0%	0.0%
Off season commercial capacity charge (ML)	0.8700	0.0%	0.0%	0.0%	0.0%
Off season usage charge (kL)	0.9700	0.0%	0.0%	0.0%	0.0%
Recreation lake water (ML)	21.2156	4.1%	4.1%	4.1%	4.1%
Excess Charge	3.8000	0.0%	0.0%	0.0%	0.0%
Rural new customer contributions ^					
Residential developments	By agreement	0.0%	0.0%	0.0%	0.0%
Stock customers - within pipeline supply area (per meter)	By agreement	0.0%	0.0%	0.0%	0.0%
Stock customers - outside pipeline supply area (per meter)	By agreement	0.0%	0.0%	0.0%	0.0%
2.3 Stock & Domestic (bore supply)					
Walpeup bore supply area charge div 2 (hectare)	2.75	0.0%	0.0%	0.0%	0.0%
Walpeup bore supply area charge div 3(hectare)	1.34	0.0%	0.0%	0.0%	0.0%
Walpeup bore supply area charge div 2 special (hectare)	0.77	0.0%	0.0%	0.0%	0.0%
Walpeup bore supply area charge div 3 special (hectare)	0.36	0.0%	0.0%	0.0%	0.0%
Walpeup bore supply minimum area charge	523.68	0.0%	0.0%	0.0%	0.0%
2.4 Groundwater					
Wimmera annual fixed charge	150.11	0.0%	0.0%	0.0%	0.0%
All areas (ML)	6.03	0.0%	0.0%	0.0%	0.0%
2.5 Diversions - Wimmera					
Unregulated diversions (ML) – minimum (15ML)	136.95	0.0%	0.0%	0.0%	0.0%
Unregulated diversions (ML)	9.13	0.0%	0.0%	0.0%	0.0%

Tariff and Price Component	Price (1 July 2018)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
Unregulated diversions – off stream (ML) – minimum (15ML)	67.65	0.0%	0.0%	0.0%	0.0%
Unregulated diversions – off stream (ML)	4.51	0.0%	0.0%	0.0%	0.0%
Unregulated domestic and stock (per 2.2 ML unit)	123.34	0.0%	0.0%	0.0%	0.0%
Unregulated domestic and stock – extra unit (ML)	62.24	0.0%	0.0%	0.0%	0.0%
Wimmera river weir pool and commercial fee (ML)	218.06	0.0%	0.0%	0.0%	0.0%

2.6 Bulk Water

Direct from headworks – fixed charge (agreement or entitlement capacity ML)	126.4500	0.0%	0.0%	0.0%	0.0%
Direct from headworks – supply usage (delivered volume ML)	126.4500	0.0%	0.0%	0.0%	0.0%

2.7 Miscellaneous Fees and Charges

Actual cost

^ Commercial and recreational supply-by-agreement tariffs no longer apply upon customer conversion to pipeline supply. GWMWater will address the prices that apply for commercial and recreational water supplies via rural pipeline on a case by case basis, with a 50% cap on the bill that applied in the prior year being the maximum that will be charged.

As set out in clause 1.1(d) of this Determination, the role of the Commission in making this Determination is limited to specifying the maximum prices that **GWMWater** may charge for **prescribed services** during the **regulatory period**, or the manner in which such prices are to be calculated, determined or otherwise regulated.

It is the role of **GWMWater** to apply a tariff in accordance with the **Water Act 1989 (Vic)**. The commission does not have a role in hearing disputes about individual billing issues that users may have.

Schedule 3 – Application of prices

3.1 Water tariffs

Water tariffs are based on water quality and source at 1 July 2018, consistent with the following table:

Potable supplies	Partially treated	Non potable pipeline	Eastern Grampians	Non potable ground-water
Ararat	Sea Lake	Antwerp	Buangor	Apsley
Birchip		Berriwillock	Elmhurst	Goroke
Charlton		Beulah	Moyston	Harrow
Dimboola		Brim	Wickliffe	Kiata
Donald		Chillingollah		Kaniva
Edenhope		Chinkapook		Lillimur
Great Western		Culgoa		Miriam
Halls Gap		Dooen		Serviceton
Hopetoun		Glenorchy		Streatham
Horsham		Jung		Westmere
Jeparit		Lalbert		Cowangie
Lake Bolac		Lascelles		Murrayville
Manangatang		Marnoo		
Minyip		Nandaly		
Murtoa		Nullawil		
Natimuk		Patchewollock		
Nhill		Pimpinio		
Ouyen		Speed		
Pomonal		Tarranyurk		
Quambatook		Tempy		
Rainbow		Ultima		
Rupanyup		Waitchie		
St Arnaud		Walpeup		

Potable supplies	Partially treated	Non potable pipeline	Eastern Grampians	Non potable ground-water
Stawell		Watchem		
Underbool		Woomelang		
Warracknabeal		Yaapeet		
Willaura				
Wycheproof				

3.2 Trade waste categories

For various purposes, including assessing the charges **GMMWater**, shall categorise trade waste in the following manner:

- trade waste from commercial establishments producing kitchen type or laundry wastes where the volume does not exceed 750 kilolitres per year shall be known as category 1 trade waste.
- trade waste from commercial establishments producing other types of wastes in high volumes (exceeding 750 kilolitres per year) with low levels of contaminants shall be known as category 2 trade waste.
- trade waste having a value of both the 5-day Biochemical Oxygen Demand concentration and the Suspended Solids concentration greater than 600mg/L or Chemical Oxygen Demand concentration greater than 1200mg/L irrespective of the volume discharged shall be known as category 3 trade waste.
- trade waste having characteristics which are outside the limits set by agreement or considered by the authority to not be satisfactorily identified as category 1, 2 or 3 trade waste but which is capable of being treated by **GMMWater's** treatment facility will be categorised as category 4 trade waste. Category 4 trade waste discharges may from time to time be accepted by **GMMWater** at the discretion of **GMMWater**.

3.3 Rural water pipeline tariffs

Capacity charge is applied to each ML of allowance.

The minimum capacity charge provides the customer with a 100kL allowance.

Primary meter charges apply to meters servicing a house. The primary meter provides the customer with an allowance of 730kL per year which does not attract the capacity charge.

The annual increase in each customer's bill will be capped to ensure that no bill increases by more than 50 per cent in a year, adjusted for the volume of water used.

3.4 Miscellaneous fees and charges

The following table sets out the definitions of the miscellaneous fees and charges contained in Schedule 2.

Miscellaneous service	Definition
Groundwater and surface water	Application for a take and use licence (s51) other than domestic and stock.
Groundwater and surface water	Permanent transfer to new licence/per transaction (s62).
Surface water	Construct dam or other works on a waterway.
Groundwater	Application for a licence to construct or alter a bore (s67).
Groundwater	Application for approval to dispose of matter underground by means of a bore (s76).
Trade waste	Application to discharge trade waste - category 1 and 2.
Groundwater and surface water	Application for a renewal of take and use licence (s53) other than annual licence.
Wastewater	Wastewater connection charges – large Industrial.
Urban water and rural pipeline	Water – tapping/connection charge (tapping size 20 mm).
Groundwater	Application for a licence to construct or alter a bore – data collection only.
Connection fee	Applicable fee to connect a property to the water reticulation network.
Information statement	Information statement is provided on request. This certificate details outstanding rates and encumbrances in accordance with Section 158 of the <i>Water Act 1989</i> .
Meter read	Incurred when the meter is required to be read when a tenant moves out of a property, outside of our scheduled meter reads.

Schedule 4 – Pricing principles

4.1 Recycled water pricing principles

Recycled water prices should be set so as to:

- have regard to the price of any substitutes and customers' willingness to pay;
- cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand); and
- include a variable component.

Where **GMMWater** does not propose to fully recover the costs associated with recycled water, it must demonstrate to the commission that:

- it has assessed the costs and benefits of pursuing the recycled water project;
- it has clearly identified the basis on which any revenue shortfall is to be recovered; and
- if the revenue shortfall is to be recovered from non-recycled water customers, either the project is required under the Statement of Obligations which applies to **GMMWater** or pursuant to other government policies that apply to **GMMWater** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

4.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 do not apply because the nature of the service provided to a particular customer (including, in the case of trade waste customers, the volume or load of waste treated) is unique, prices must be set as follows:

- variable prices (including, in the case of trade waste customers, load-based charges) should reflect the long run marginal cost of providing services (including, in the case of trade waste customers, trade waste transfer, treatment and disposal);
- the total revenue received from each customer should be greater than the cost that would be avoided from ceasing to serve that customer, and (subject to meeting avoidable cost) less than the stand alone cost of providing the service to the customer in the most efficient manner;
- the methodology used to allocate common and fixed costs to that customer should be clearly articulated and be consistent with any guidance provided by the commission;
- prices should reflect reasonable assumptions regarding the customer's demand for services (including, in the case of trade waste customers, the volume and strength of trade waste anticipated to be produced by that customer);
- depreciation rates and rates of return used to determine prices should be consistent with those adopted by the commission for the purposes of making this Determination;

- customers should be provided with full details of the manner in which prices have been calculated and any new, renewed or renegotiated contractual agreements with customers should indicate that the prices to apply are subject to any Determination made by the commission;
- where applying these principles results in significant changes to prices or tariff structures, arrangements for phasing in the changes may be considered and any transitional arrangements should be clearly articulated.

4.3 Pricing principles for New Customer Contributions (NCC)

Core pricing principles

NCC, including standard or negotiated NCC, will be calculated by applying the following core NCC pricing principles.

Standard and negotiated NCC will:

- have regard to the incremental infrastructure and associated costs in one or more of the statutory cost categories attributable to a given connection;
- have regard to the incremental future revenues that will be earned from customers at that connection;
- be greater than the avoidable cost of that connection and less than the standalone cost of that connection.

Notes:

1. Given that NCC are to be based on the net incremental cost of connection (ie incremental costs net of incremental benefits), in this context, the costs referred to in the efficient pricing bound are the net costs, specifically the avoidable net cost of connection and standalone net cost of connection.
2. Where the connection arrangement requires assets to be gifted, the value of gifted assets will be excluded for the purpose of calculating net costs.
3. Incremental costs may include financing costs associated with constructing an asset sooner than planned.

Incremental financing costs

Incremental financing costs (IFC) should be calculated using this formula:

$$\text{IFC} = \left(1 - \left[\frac{1}{(1+r)^n}\right]\right) \times \text{cost of capital being provided sooner than planned}$$

where:

r estimated pre-tax regulatory rate of return

n the number of years the asset is required sooner than planned.

Gifted Assets

GWMWater can require developers to provide and gift to **GWMWater** specified assets as a condition of connection, provided that **GWMWater**:

- makes clear to potential developers which assets a developer will be responsible for providing and gifting, and which will be provided by **GWMWater**;
- confirms that negotiation of any non-standard connection and associated charges will be undertaken in accordance with **GWMWater's** published negotiating framework; and
- the value of gifted assets will be excluded for the purposes of calculating net costs.

4.4 Pricing principles for miscellaneous services not included in Schedule 2

Prices for miscellaneous services must be set according to actual cost calculated on the basis of the aggregate of:

- direct third party or contractor invoice cost;
- direct marginal internal costs, including labour, materials and transport costs; and
- a fair contribution to overheads.

For bank dishonour, debt collection and legal fees, the third party costs must be charged directly to the customer with no contribution for internal costs or a contribution to overheads.

4.5 Guidelines

GWMWater must comply with any guidelines issued by the commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 4 relates.

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

If in any **regulatory year** Condition A applies, the formula set out in clause 2.3(b) is not applicable to the extent it relates to the prices outlined in Schedule 5A. These prices are set out in items 1.1 to 1.5 of Schedule 2.

Instead the prices above will be adjusted in accordance with the formulas (as applicable) provided below, with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**.

GWMWater must comply with any guidance issued by the commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 2 and 4 relates.

Schedule 5A – Adjustments to prices

	Condition A (Annual cost of debt update)
1.1 Urban water – Potable towns	X
1.2 Urban water – Disinfected/partially treated	X
1.3 Urban water – Non potable pipeline	X
1.4 Urban water – Non potable Eastern Grampians	X
1.5 Urban water – Non potable groundwater	X

Schedule 5B – Prices

Condition A – Annual cost of debt update

Condition A will apply when the trailing average cost of debt in any **regulatory year** 't' changes in that year. The adjustment is calculated as per formula 4.

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

The difference in the forecast and actual regulatory rate of return in any **regulatory year** 't' is multiplied by the average of the regulatory asset base (RAB) to determine the change in **GWMWater's** total expected return. The RAB is set out in Table 5 of Annexure A.

The trailing average cost of debt adjustment will be apportioned across the tariffs listed in Schedule 5A.

Formula 1: Determining the nominal cost of debt

$$CoD_t^{nominal} = \sum_{i=t-10}^{t-1} \frac{CoD_i^{nominal}}{10}$$

$CoD_t^{nominal}$ Is equal to the simple average of the 10 years up to (but not inclusive of) **regulatory year** 't' of:

- The data series outlined in Table 1 of Annexure A

and

- RBA Table F3 – Non-financial corporate BBB-rated bonds – Yield – 10 year target tenor [Series ID FNFYBBB10M]

from 1 April to 31 March before the start of **regulatory year** 't' (e.g. 1 April 2017 to 31 March 2018 in relation to 2018-19)

Formula 2: Determining the real cost of debt

$$CoD_t^{real} = \frac{(1 + CoD_t^{nominal})}{(1 + \pi^{det})} - 1$$

π^{det} Is the inflation factor which is equal to 2.3% for all regulatory years

Formula 2 outlines the process for converting the trailing average cost of debt from nominal to real using the Fisher equation.

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

Formula 3: Determining the real regulatory rate of return

$$RRR_t^{real} = 0.4 \times CoE_t^{real} + 0.6 \times CoD_t^{real}$$

RRR_t^{real}	Is the post-tax ‘vanilla’ regulatory rate of return in real terms for regulatory year ‘t’ rounded to two decimal places, i.e. 4.347% is rounded to 4.35%
CoE_t^{real}	Is the real cost of equity determined through GWMWater ’s PREMO rating, which is equal to 4.9% for 2018-19 to 2022-23

Formula 4: Trailing average cost of debt adjustment

$$CDA_t^j = (RRR_t^{act} - RRR_t^{det}) \times \left(\frac{RAB_{opening,t}^{det} + RAB_{closing,t}^{det}}{2} \right) \times \frac{CPI_t}{CPI_{base}} \times \frac{\alpha_t^j \times q_{j,t}^{det}}{\sum_{j=1,n}^{t=t} (\alpha_t^j \times q_{j,t}^{det})} \times \frac{1}{q_{j,t}^{det}}$$

CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j, based on tariff j’s relative share of total revenues. Total revenues refer to the sum of all revenue received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply
RRR_t^{act}	Is the actual calculated real post tax ‘vanilla’ regulatory rate of return in regulatory year ‘t’
RRR_t^{det}	Is the determination real post tax ‘vanilla’ regulatory rate of return in regulatory year ‘t’
$RAB_{opening,t}^{det}$	Is the determination opening regulatory asset base in regulatory year ‘t’
$RAB_{closing,t}^{det}$	Is the determination closing regulatory asset base in regulatory year ‘t’
CPI_t	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter immediately preceding the start of the relevant regulatory year
CPI_{base}	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter in year 2017 equal to 110.5
α_t^j	Is the price for tariff j at regulatory year ‘t’ before the cost of debt adjustment where: $\alpha_t^j = p_{t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j)$

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

p_{t-1}^j	Is the price for tariff j in regulatory year 't-1'
$q_{j,t}^{det}$	Is the determination quantity for tariff j in regulatory year 't'
$\sum_{j=1,n}^{t=t} (\alpha_t^j \times q_{j,t}^{det})$	Is the sum of all revenue received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply

Formula 4 outlines the process for calculating the adjustment to prices outlined in Schedule 5A to reflect the new cost of debt. This is done in two steps. The first step is to calculate the change in the revenue requirement by multiplying the adjustment to the rate of return, to reflect the updated cost of debt, by the average regulatory asset base.

The second step is to apply the change in the revenue requirement proportionally to tariff j, based on tariff j's relative share of total revenues. Total revenues are defined as the sum of all revenues received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply.

Formula 5: Schedule 5A tariffs

$$p_t^{j,COD} = p_{t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j) + CDA_t^j$$

$p_t^{j,COD}$	Is the price for tariff j at regulatory year 't' that accounts for the cost of debt adjustment. The cost of debt adjustment will apply to the tariffs listed in Schedule 5A
p_{t-1}^j	Is the price for tariff j in regulatory year 't-1'
CPI_t	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter immediately preceding the start of the relevant regulatory year
PPM_t^j	The prescribed price movement for the price component for tariff j in regulatory year 't' as per the determination
CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j, based on tariff j's relative share of total revenues as outlined in formula 4. Total revenues refer to the sum of all revenue received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply.

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

**The Common Seal of the
Essential Services
Commission** was affixed to
this Determination with the
authority of the commission.



Date: 1st June, 2018

A handwritten signature in black ink, appearing to read "Ron Ben-David", written over a horizontal line.

Dr Ron Ben-David
Chairperson

Annexure A

Table 1 Historical cost of debt (nominal)

Per cent

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Cost of debt	6.92%	7.36%	7.05%	6.31%	5.27%	7.05%	5.36%	5.27%	4.91%	4.53%

Table 2 Forecast real regulatory rate of return

Per cent

	2018-19	2019-20	2020-21	2021-22	2022-23
Regulatory rate of return	4.13%	4.13%	4.13%	4.13%	4.13%

Table 3 Benchmark revenue requirement

\$m 2017-18

	2018-19	2019-20	2020-21	2021-22	2022-23
Operating expenditure	33.7	33.6	33.3	33.2	32.9
Return on assets	16.6	16.7	16.9	17.0	17.0
Regulatory depreciation	12.2	12.8	13.4	13.8	14.3
Adjustments from last period	0.0	0.0	0.0	0.0	0.0
Non-prescribed revenue offset of revenue requirement	0.0	0.0	0.0	0.0	0.0
Tax allowance	0.0	0.0	0.0	0.0	0.0
Total	62.5	63.1	63.5	64.0	64.2

Table 4 Updated regulatory asset base
\$m 2017-18

	2012-13	2013-14	2014-15	2015-16	2016-17
Opening RAB at 1 July	319.6	337.2	352.2	357.2	363.2
<i>Plus</i> Gross capital expenditure	28.0	30.9	20.4	23.7	22.5
<i>Less</i> Government contributions	0.3	3.7	1.2	2.4	12.2
<i>Less</i> Customer contributions	1.1	0.3	1.7	0.8	0.7
<i>Less</i> Proceeds from disposals	0.9	1.3	1.1	2.2	1.1
<i>Less</i> Regulatory depreciation	8.2	10.5	11.5	12.3	12.8
Closing RAB at 30 June	337.2	352.2	357.2	363.2	358.9

Table 5 Rolled forward regulatory asset base
\$m 2017-18

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Opening RAB at 1 July	358.9	402.1	401.7	405.7	411.1	412.8
<i>Plus</i> Gross capital expenditure	109.0	16.5	18.6	20.7	17.4	14.9
<i>Less</i> Government contributions	48.0	0.0	0.1	0.0	0.0	0.0
<i>Less</i> Customer contributions	3.5	3.7	0.9	0.9	0.9	0.9
<i>Less</i> Proceeds from disposals	1.0	1.0	0.9	1.0	1.1	1.1
<i>Less</i> Regulatory depreciation	13.2	12.2	12.8	13.4	13.8	14.3
Closing RAB at 30 June	402.1	401.7	405.7	411.1	412.8	411.5

Table 6 **Approved licence fee and environmental contribution assumptions**
 \$m 2017-18

	2018-19	2019-20	2020-21	2021-22	2022-23
Essential Services Commission licence fee	0.04	0.04	0.04	0.04	0.05
Department of Health and Human Services licence fee	0.02	0.02	0.02	0.02	0.02
Environment Protection Authority licence fee	0.05	0.05	0.05	0.05	0.05
Environmental contribution	2.22	2.17	2.12	2.07	2.02

Table 7 **Bulk water purchases**
 \$m 2017-18

	2018-19	2019-20	2020-21	2021-22	2022-23
Bulk water purchases	0.23	0.23	0.23	0.23	0.23

Table 8 Demand forecast

	2018-19	2019-20	2020-21	2021-22	2022-23
URBAN					
Water assessments (no.)					
Residential	27,550	27,689	27,823	27,955	28,089
Non-residential	3,709	3,727	3,745	3,758	3,771
Concessional	1,136	1,140	1,142	1,145	1,148
Vacant Land	638	643	647	651	657
Total	33,033	33,199	33,357	33,508	33,665
Sewerage assessments (no.)					
Total	27,188	27,480	27,629	27,773	27,921
Billable water consumption (ML) excluding contract revenue					
Residential	5,519	5,546	5,571	5,597	5,622
Non-residential	1,233	1,242	1,250	1,256	1,262
Concessional	1,096	1,096	1,107	1,108	1,110
Total	7,848	7,884	7,928	7,960	7,994
RURAL					
Domestic and stock					
Primary meter charge pipeline (number)	4,767	4,767	4,767	4,767	4,767
Standard meter charge pipeline (number)	9,749	9,749	9,749	9,749	9,749
Pipeline supply volumetric charge including off season (ML)	5,890	5,890	5,890	5,890	5,890
Pipeline supply capacity charge including off season (ML)	9,745	10,115	10,465	10,815	11,165
Surface water					
Unregulated Diversion (ML)	5,496	5,496	5,496	5,496	5,496
Groundwater					
Wimmera annual fixed charge (number)	251	251	251	251	251
License volume charge (ML)	70,012	70,012	70,012	70,012	70,012

Table 9 Major capital projects

Projects	Expected start date	Expected completion date
South West Loddon Rural Water Supply Project	2016-17	2018-19
Mallee Towns Drinking Water Project – Brim, Beulah, Woomelang and Sea Lake	2017-18	2018-19
East Grampians Rural Water Supply Project – Stage 1 Funding	2018-19	2020-21
Sewerage scheme – Goroke	2018-19	2018-19
Urban remote metering and customer portal	2018-19	2019-20
Upgrade wastewater treatment plant & reuse system – Donald	2019-20	2020-21
Water treatment plant upgrades – health based treatment targets	2018-19	2020-21
Dam safety works – Lake Fyans	2021-22	2021-22
Development servicing – pressure improvements commercial and industrial – fire services	2020-21	2021-22
Treated water supply – Ultima	2019-20	2019-20
Treated water supply – Kaniva	2020-21	2020-21
Treated water supply – Moyston and Elmhurst	2022-23	2022-23