Application for Annual Price Review of

Fees and Charges

2023/24

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Contents page

[Executive Summary 3](#_Toc134012413)

[1.1. Purpose of this application 4](#_Toc134012414)

[1.2. Structure of the Application 4](#_Toc134012415)

[2. Introduction 5](#_Toc134012416)

[2.1. GMW’s 2020 Price Review 5](#_Toc134012417)

[2.2. Final Decision and Determination 2020 5](#_Toc134012418)

[2.2.1. Service Standards 5](#_Toc134012419)

[2.2.2. Revenue Requirement 6](#_Toc134012420)

[2.2.3. Operating Expenditure 6](#_Toc134012421)

[2.2.4. Capital Expenditure 6](#_Toc134012422)

[2.2.5. Tariff Structure 6](#_Toc134012423)

[2.2.6. Actions taken since 2020 Price Review 8](#_Toc134012424)

[2.3. Water Price Review GMW Determination 1 July 2020 – 30 June 2024 9](#_Toc134012425)

[3. Annual Price Review Process 10](#_Toc134012426)

[3.1. Water Charge Rules 2010 10](#_Toc134012427)

[4. Financial Sustainability 11](#_Toc134012428)

[5. Governance Process 12](#_Toc134012429)

[6. Approach to Determining Prices 12](#_Toc134012430)

[6.1. Price Adjustments 13](#_Toc134012431)

[6.2. Demand 16](#_Toc134012432)

[6.3. Customer Impact Analysis 18](#_Toc134012433)

[6.4. Annual contribution to the Murray Darling Basin Authority 20](#_Toc134012434)

[7. Tariff Strategies 22](#_Toc134012435)

[8. Customer Communication and Engagement 23](#_Toc134012436)

[Appendix 1: Annual Price Review - Indicative Timeline 24](#_Toc134012437)

# Executive Summary

This document and supporting attachments set out Goulburn-Murray Water’s (GMW’s) annual price review application for 2023/24.

GMW is required to submit its pricing application to the Essential Services Commission (ESC) for approval.

The Application is based on price adjustments which:

* continue to drive operational efficiencies while maintaining and/or improving service levels to our customers
* long-term tariff strategy implementation for service point tariffs
* ensure sustainable and predictable prices this year and into the future, maintaining price increases within CPI unless already approved in the 2020 Determination.
* are geared towards giving customers price relief, while ensuring GMW’s financial sustainability
* maintain forecast revenue within the revenue cap approved by the ESC for the 2020 price review period
* consider the risks presented by uncertain and unforeseen events on GMW’s financial sustainability and potential impact on sustainable and predictable price
* are informed by customers’ views.

GMW’s proposed revenue for 2023/24 is $118.3 million, which is $3.9 million below the ESCs allowable revenue cap of $122.2 million (in 2023/24 values). GMW’s current revenue forecast is aligned with its commitment to reduce prices in year one and smooth them over the regulatory period.

## Purpose of this application

In June 2020, the ESC issued its Final Decision on GMW’s 2020 Water Price Review. In its Final Decision, the ESC’s main focus was to ensure that prices were fair and reasonable, that is as low as possible but still sufficient to allow the business to recover the efficient costs of providing services. It further noted that the ESC’s Final Decision approved GMW’s proposal for common Infrastructure Access and Use Fees for the six GMID irrigation areas,

In preparing its Application for the 2023/24 Annual Price Review of Fees and Charges (the Application), GMW has reviewed all of the forecasts and assumptions made for the 2020 Water Price Review to determine whether any adjustments are necessary. Thus the Application proposes adjustments to the fees and charges that are justified by circumstances arising since the 2020 price review.

This document and the supporting attachments set out GMW’s annual Price Submission for the 2023/24 financial year.

## Structure of the Application

The remainder of the Application is structured as follows:

Section 2: summarises the requirements and outcomes of GMW’s 2020 Price Submission and actions taken since the price review in relation to GMW’s Tariff Strategies.

Section 3: describes the annual price review process under the Water Charge Rules 2010 and provides an indicative timeline for this review and approval process.

Section 4: provides an assessment of GMW’s financial viability.

Section 5: sets out GMW’s internal governance process, which has been applied to this annual price review.

Section 6: details the consultative approach and methodology undertaken by GMW in determining prices for 2023/24 and provides an assessment of typical customer impacts.

Section 7: sets out GMW’s proposed changes to gravity irrigation, diversion and environment prices in line with the ESC’s 2020 Price Review Final Decision and Determination.

Section 8: describes the customer consultation and engagement processes and activities undertaken prior to and during this annual price review.

Attachments and information provided to support the Application will be sent via email to water@esc.vic.gov.au as requested by the ESC along with an electronic version of this document.

# Introduction

## GMW’s 2020 Price Review

GMW’s Statement of Obligations issued by the Minister for Water requires the delivery of a price submission to the Essential Services Commission (ESC), the economic regulator of the Victorian water sector. The ESC were accredited by the ACCC to regulate the prices of GMW’s irrigation and bulk water services.

The ESC’s review of GMW’s pricing proposal for 2020/21 to 2023/24 was assessed in accordance with the Water Charge (Infrastructure) Rules 2010[[1]](#footnote-1).

Under the price review process, GMW submitted its 2020 Price Submission for the fifth regulatory period in November 2019, setting out its expected costs of delivering services, its planned capital works program, the forecast volume of water to be delivered and the proposed level of service to be provided to its customers. The Price Submission identified and articulated key business requirements that were introduced as a result of a number of projects and initiatives due for implementation over the regulatory period. The Price Submission covered each year of the four-year regulatory period.

The Price Submission outlined the rationale for long-term tariff reform, which focused on reducing the complexity of tariffs and aligning tariffs with GMW’s business objectives and future operating environment. The Price Submission stated that the tariff reforms required to achieve these objectives would largely be implemented over the 2020-2024 regulatory period.

The ESC’s Final Decision for the fifth regulatory period 2020/21 to 2023/24:

* completed the ESC’s review of GMW’s pricing and tariff reset in accordance with the Water Charge (Infrastructure) Rules 20101
* completed the ESC’s review of GMW’s groundwater and non-infrastructure related miscellaneous services in accordance with the Water Industry Regulatory Order
* set charges and service standards for irrigation services over the next four years.

## Final Decision and Determination 2020

### Service Standards

GMW proposed changes to its service standards to better align them with customers’ preferences and to better specify the services.

The ESC’s Final Decision approved GMW’s proposed service standards and targets. The ESC noted that:

* GMW’s service standards and targets were developed in consultation with its Water Service Committees and customer engagement.
* GMW’s proposed service targets were equal to or higher than previous years’ targets.
* the ESC received no negative customer feedback on GMW’s service standards.

GMW has revised its Customer Charter to reflect the ESC’s Final Decision on the new service standards and targets in accordance with the Rural Water Customer Service Code.

GMW continues to report its performance against these targets annually on its website and directly to its Water Service Committees.

### Revenue Requirement

The ESC’s Final Decision approved a revenue requirement of $439.5 million for the fifth regulatory period, summarised as follows:

|  |
| --- |
| **2019-20 $ millions 2020-21 2021-2 2022-23 2023-24 Total WP5**  |
| Final Decision 113.9 108.3 108.3 108.9 439.5 |

### Operating Expenditure

The ESC’s Final Decision approved operating expenditure for GMW over the four year regulatory period of $337.2 million, summarised as follows:

|  |
| --- |
| **2019-20 $ millions 2020-21 2021-2 2022-23 2023-24 Total WP5**  |
| Final Decision 89.1 83.1 82.5 82.5 337.2 |

### Capital Expenditure

In its Final Decision the ESC approved a capital expenditure of $96.1 million over the four year regulatory period.

|  |
| --- |
| **2019-20 $ millions 2020-21 2021-2 2022-23 2023-24 Total WP5**  |
| Final Decision 28.0 23.5 22.1 22.5 96.1 |

In addition, the ESC approved $374.1 million for the Regulatory Asset Base opening balance at 1 July 2020.

For regulatory depreciation (return of capital), the ESC confirmed the depreciation forecasts submitted by GMW including its straight line approach to depreciation.

The ESC approved GMW’s proposed real post tax weighted average cost of capital (WACC) of 4.0 per cent.

For demand forecast, the ESC adopted GMW’s revised demand forecasts in its Final Decision.

### Tariff Structure

Uniform Delivery Fees for the 6 areas of the GMID

GMW proposed to make its Infrastructure Access Fee (IAF) and Infrastructure Use Fee (IUF) uniform over the four years across its six irrigation areas: Shepparton, Central Goulburn, Rochester, Torrumbarry, Loddon Valley and Murray Valley.

The ESC’s Final Decision approved GMW’s proposal for a common delivery charge in the GMID as they believed GMW had demonstrated that costs are sufficiently aligned to support a common tariff, and the proposal better meets the ACCC’s pricing principles.



|  |  |  |
| --- | --- | --- |
| **2019-20 $s** |  **Infrastructure Access Fee** **$/ML/Day of delivery share held****Year**  |  **Infrastructure Use Fee** **$/ML**  |
| Shepparton | 2019-20 | 4,245.00 | 7.40 |
| 2020-21 | 2,416.42 | 4.89 |
| Central Goulburn, Rochester, Loddon Valley, Murray Valley, Torrumbarry | 2019-20 | 2,925.00 | 5.10 |
| 2020-21 | 2,416.42 | 4.89 |

Service Points

GMW proposed cost reflective service point tariffs for Gravity and Pumped Irrigation, Water Districts and Diversions to treat all service points the same way across all customer groups by 2023/24. Price changes were designed so that there was a steady transition between the beginning of WP5 and the final year of the regulatory period.

Bulk Storage charges:

* Wholesale customers - Bulk Entitlement holders to be maintained at the current basin pricing approach with no real change in price during the water plan 5 period.

With the possibility to transition bulk charges to a system price during the next price review.

* Retail customers to pay the same storage fees regardless of whether their water entitlement is associated with land (ie their status as a water or non-water user) and to be charged Entitlement Storage fees based on a system price.

Single Customer Strategy

In the second year of the regulatory period (2021/22) the service fee will be replaced by a single Customer fee. Water register fees will also be separated from Service fees and be levied based on the number of water entitlements recorded in the water register.

In relation to GMW’s other fees and tariffs the ESC approved:

* Nyah, Tresco and Woorinen Pumped Irrigation tariffs to continue with existing arrangements as they comply with the ACCC pricing principles.
* To phase out the Torrumbarry Natural Carriers Rebate gradually over 3 years.
* Diversion Service tariffs
	+ To be rebalanced within the existing tariff rebalancing constraints and to lower other diversion tariffs to reflect lower operating costs.
	+ To charge a resource management fee to 25 identified Unregulated Surface Water licence holders promoting greater cost reflectivity.
* GMW’s irrigation drainage prices, retaining the current tariff structure for the regulatory period and undertake further consultation on pricing reform to irrigation drainage prior to the next price review.
* Tariffs for the newly constructed Mitiamo water pipeline district.
* GMW’s miscellaneous services.

Further, the ESC approved GMW’s proposed prices for the first year of the regulatory period.

On average, Goulburn Murray Water’s charges and prices will fall by around 10 per cent in 2020/21 (compared to 2019/20). Charges and prices will fall by a little less than 1 per cent per annum for the remaining three years of its regulatory period[[2]](#footnote-2) .

Form of Price Control – the ESC approved GMW’s form of price control, continuing to apply a revenue cap to our regulated tariffs (other than miscellaneous service charges which are set according to the pricing principles), with a rebalancing constraint of + 10 per cent to limit changes to tariffs in each year of the regulatory period.

### Actions taken since 2020 Price Review

Gravity Irrigation

As approved by the ESC in its Final Decision (as described above), GMW’s proposal for a common Infrastructure Access and Use Fee in the six irrigation areas (Shepparton, Central Goulburn, Rochester, Loddon Valley, Murray Valley and Torrumbarry) was applied in the first year of the regulatory period.

Service Point Fees

Service points continue their transition to be cost reflective for Gravity and Pumped Irrigation, Water Supply Districts and Diversions and to be treated the same way across all customer groups by 2023/24.

Bulk water

Bulk water prices retain their current tariff structure of basin pricing as we further consult with the Bulk Water Entitlement holders regarding system pricing in the next pricing submission.

Drainage

As approved by the ESC in the Final Decision drainage fee adjustments are made with regard to the ACCC pricing principles including that fixed costs should be recovered from fixed charges and variable costs from variable charges.

GMW’s irrigation drainage prices will retain the current tariff structure for the regulatory period and will undertake further consultation on pricing reform to irrigation drainage prior to the next price review.

Single Customer Fee and Water Register Fee

In 2021/22 GMW introduced the single Customer fee and Water Register fee replacing the Service fee.

The service fee recovers the costs of maintaining customers’ land and water records, billing, debt recovery and central customer service as well as a payment to DEECA for access to the Victorian Water Register. This is currently charged per property; therefore, a customer with various properties would be charged multiple service fees. The single Customer fee will now be charged per customer.

The water register fee will pass through to customers the costs of storing their records in the Victorian water register. It will be separated from the service fee and levied based on the number of water entitlements recorded.

## Water Price Review GMW Determination 1 July 2020 – 30 June 2024

In accordance with Clause 2.3 of the ESC’s Goulburn-Murray Water Determination June 2020, the Application and the accompanying spreadsheets include:

* forecast quantities for 2023/24[spreadsheet]
* actual quantities for 2022/23[spreadsheet]
* information explaining how these quantities are derived and an explanation of why the forecast quantities are different from those set in its pricing proposal by at least a 10 per cent variance, where applicable [section 6.2 below]
* information on any new prices GMW proposes to introduce in 2023/24 [section 6.2 miscellaneous fees]
* evidence demonstrating the extent to which GMW has consulted with customers regarding price changes [section 8 and Appendix 1 below]
* information regarding anticipated customer impacts resulting from revised prices and actions, if any, to address these impacts [section 6.3 below]
* evidence that GMW has provided information to its customers explaining its long term pricing strategy and consulted effectively to deliver sustainable and predictable pricing outcomes [sections 7 and 8, and Appendix 1 below]
* the actual or anticipated change (if any) in the annual contribution required to be made by GMW to the Murray Darling Basin Authority.
* other information as required by the ESC.

# Annual Price Review Process

## Water Charge Rules 2010

GMW acknowledges the key regulations by which annual prices are reviewed and set. After setting prices for the first year of a regulatory period, GMW may request that the ESC adjust charges for the second and subsequent years of the regulatory period through an annual review process. As part of this process, GMW is required to submit an application each year prior to the start of the regulatory year.

In its application, GMW may propose a change to the indicative charges approved by the ESC prior to the start of the regulatory period.

Under Division 3 of Part 6, the ESC’s function is to adjust charges approved or determined under Division 2 of Part 6 (or as amended under Division 4) for changes in demand or consumption forecasts subject to the condition that changes must maintain price stability. The ESC has 30 business days from receiving GMW’s application to approve or determine GMW’s charges for the relevant year.

GMW has been notified by the ACCC that it will cease to be a Part 6 operator under rule 23 the *Water Charge Rules 2010* from 30 June 2024.

The following outlines the process for the annual review of prices.

The first step in the annual review process is for GMW to submit an application for an annual review of charges. The application for the annual review of charges must include:

* GMW’s forecast of demand for or consumption of infrastructure services for the year to which the application relates
* GMW’s estimate of demand or consumption during the current year
* An explanation of why any forecast quantities are different from those set in its pricing proposal by at least 10 per cent
* information about how the forecast and estimate was calculated
* Anticipated customer impacts
* Customer engagement in respect to material price increases and long term pricing strategy.
* proposed regulated charges for the year to which the application relates.

During this step, the ESC may seek further information from GMW, halting the assessment process. ‘Stop the clock’ provisions can be applied if further information is required. The assessment will only restart once the additional information is provided to the ESC. The ESC will then publish a copy of the application and additional information on its website (subject to any confidentiality requirements).

The second step involves the ESC considering the application and publishing its Draft Decision on the regulated charges for the year. Submissions will be invited on its Draft Decision.

The third step entails consideration of submissions by the ESC on its Draft Decision, followed by the issue of a Final Decision. As part of the Final Decision, final charges will be approved or determined for each year of the regulatory period.

Assuming all information is provided and the ESC does not require an extension of the deliberation period, the Final Decision on the annual review of charges will be made within 30 business days of GMW submitting its application.

In the event that the ESC is unable to make a decision or determination within the 30 business day period, the ESC is able to extend the period by one month at a time. When this occurs, GMW can continue to levy fees and charges’ not exceeding its current fees and charges until the extension expires.

In a pricing application, GMW is required to provide an overview of how it consulted with its customers. In seeking input from customers, GMW is required to consult, at a minimum, on issues of significance to its customers, such as service, tariffs, pricing and investment decisions.[[3]](#footnote-3)

The structure of consultation may take a number of forms depending on the opportunity presented. Options for customer consultation include, but are not limited to, surveys, customer committees, public forums and customer focus groups, project specific consultation, inviting submissions, workshops, newsletters and media releases.

Appendix 1 sets out the key activities and dates for GMW’s annual price review for 2023/24.

# Financial Sustainability

Financial sustainability is a key component of GMW’s corporate strategy. GMW has developed a series of metrics that it uses to assess financial viability.

Revenue from GMW’s proposed prices for 2023/24 generates metrics within their target ranges, indicating that the revenue proposed by these prices does not cause detriment to GMW’s financial sustainability.

**GMW’s financial indicators for Price Review 2023/24**

|  |  |
| --- | --- |
|  | **2023/24** |
| **Cash Interest Cover** | 7.3x |
| **Gearing** | 2.2% |
| **Regulatory Gearing** | 17.0% |
| **Internal Financing Ratio** | 108% |

 *The above table incorporates all of GMW’s Water Storage & Delivery*

# Governance Process

In developing its proposed 2023/24 prices, GMW has applied stringent internal governance arrangements relating to its annual pricing submission. GMW’s Regulatory and Pricing team within the Finance Group manages and coordinates annual pricing reviews and regulatory compliance obligations. The pricing approach, annual price adjustments and broader pricing application developed by the Regulatory and Pricing team are subject to internal review by GMW before submission to the ESC. The GMW Board has been informed through the review period, endorsed the approach and is expected to subsequently approve 2023/24 prices after it has received the ESC’s decision.

# Approach to Determining Prices

In determining the prices for 2023/24 we have considered the following factors:

1. GMW’s 2020 Price Submission - Final Decision and Determination issued by the ESC in June 2020
2. continue to drive operational efficiencies to achieve reduced controllable costs, while maintaining and/or improving service levels to our customers
3. long-term tariff strategy implementation for Service points, Storage fees and Single customer.
4. maintaining prices that are sustainable and predictable. We aim to maintain price increases within CPI unless approved in the Final Decision.
5. ensuring prices are as low as possible, while ensuring GMW’s financial sustainability
6. ensuring forecast revenue is within the revenue cap approved by the ESC for the 2020 - 2024 regulatory period
7. consideration of the risks presented by uncertain and unforeseen events on GMW’s financial sustainability and potential impact on prices
8. cost reflective pricing for Service point fees, etc.
9. customers’ views.

Regarding the item 4 and 5 above, in some cases, significant price changes have been expressed in tariff strategy, meaning it’s been necessary to introduce price changes greater than 10 per cent. Increases in excess of 10 per cent only affect prices already determined by the June 2020 ESC Final Decision. GMW has chosen a constant price path over several years to smooth the transition of prices. During the development of GMW’s 2020 Pricing Submission GMW conducted a number of engagements with customers to explain the costs in detail and compare a range of options of the long-term transition path, thereby providing predictability, so that customers are able to prepare for price changes subsequently approved by the ESC.

## Price Adjustments

With the above considerations in mind, the following provides details on our proposed prices for 2023/24. An agreed increase of 5.6 per cent has been applied and not the “all groups” March quarter 2023 CPI of 7.0 per cent. Prices have been updated accordingly, excluding those prices where GMW is targeting a rounded nominal figure.

Customer Fee / Water Register Fee

In 2021/22 GMW introduced the single Customer fee and Water Register fee replacing the Service fee.

In 2023/24 GMW is holding the Customer Fee at the 2022/23 price of $130 and not increasing the fee to $135 as expected in the 2020 Pricing Submission. This is due to the single customer model now being finalised resulting in single customer numbers being higher than originally estimated in the 2020 Pricing Submission.

In 2023/24 GMW is increasing the Water Register fee by the “all groups” March quarter 2023 CPI of 7.0 per cent as recommended by DEECA. This Fee is set by DEECA and is levied based on the number of water entitlements recorded in the water register.

Bulk Water Storage Fees

As required by the bulk entitlements GMW divides its bulk water service into seven Basins, with the price in each reflecting the costs of harvesting and storing water in that basin. Of the seven Basins, there are two larger basins – Goulburn and Murray – that hold the majority of water stored for customers. The other five Basins – Broken, Campaspe, Loddon, Bullarook and Ovens – store relatively small amounts of water.

For 2023/24 GMW proposes to give the Murray Basin a decrease of 4.8 per cent in real dollars.

The forecast for the MDBA contribution in the 2020 Pricing Submission was on a reasonable basis assuming MDBA would apply CPI adjustments to the contribution.

As this has now not occurred GMW wish to make an adjustment in the 2023/24 Annual Price Review. GMW will start to pass back the over recovery across the next 5 years as agreed by the Essential Services Commission to ensure prices remain stable.

All other basins will see an increase of 5.6 per cent.

GMW will maintain the current basin pricing approach for the 2023/24 financial year but continue to consult with Bulk Entitlement holders on the possibility of transitioning bulk charges to a system price during the next regulatory period, as indicated in the 2020 Price Submission.

Entitlement Storage Fees

The Entitlement Storage Fee for the Murray system will also see a 4.8 per cent decrease in real terms from passing back the MDBA contribution back to customers. Therefore they will only see a 2.2 per cent increase in nominal terms which is less than the “all groups” March quarter 2023 CPI of 7.0 per cent.

The Goulburn system will increase by 5.6 per cent. This takes into consideration bulk water prices and latest water share demand. These system prices are the weighted average of their component basin prices.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Customer segment / tariff type** | **2022/23 Price****(22/23 $s)** | **2023/24 Price****(23/24 $s)** | **$ change** | **% change** |
| **Entitlement Storage Fees $ / ML** Murray High Reliability Murray Low Reliability Goulburn High Reliability Goulburn Low Reliability | 11.504.2210.034.58 | 11.754.3110.594.84 | 0.250.090.560.26 | 2.2%2.2%5.6%5.6% |

Service Point Fees as approved by the ESC in GMW’s 2020 Price Review

GMW proposed cost reflective tariffs for all service points in its 2020 Price Submission.

Price increases are designed so that there was a steady transition between 2020/21 and 2023/24. For some customers there are significant price changes, however, most charges are within the 10 per cent rebalancing constraint or approved by the ESC during our 2020 Price Submission. Further details are provided below.

1. *Gravity Irrigation*

Consistent with the 2020 Price Submission, prices for Local Read and Remote Read service points finalise their transition to a single Local Operate fee of $455 in 2023/24.

The local read transitioned up as the Remote Read transitioned down across the regulatory period.

For 2023/24 the proposed service point fees are:

|  |  |  |  |
| --- | --- | --- | --- |
| **Customer segment / tariff type** | **2022/23 Price****(22/23 $s)** | **2023/24 Price****(23/24 $s)** | **$ change** |
| **Gravity Irrigation** Domestic & Stock Local Read Remote Read Remote Operate | 1454255501,070 | 1454554551,070 | N/A30(95)N/A |

1. *Diversions*

The existing Service Point Fee comprises two charges: Unmetered Service Point Fee and Metered Service Point Fee, reflecting the cost of operating the two different measurement types. The Unmetered Service Point Fee is aligned with the gravity district Stock and Domestic Service Point Fee. The Metered Service Point Fee will increase in line with the Local Read Meter Fee in gravity.

For 2023/24 the proposed service point fees are:

|  |  |  |  |
| --- | --- | --- | --- |
| **Customer segment / tariff type** | **2022/23 Price****(22/23 $s)** | **2023/24 Price****(23/24 $s)** | **$ change** |
| **Diversions** Service point fee - unmetered Service point fee - metered | 145425 | 145455 | N/A30 |

1. *Pumped Districts and Water Supply Districts*

For 2023/24 the proposed service point fees are:

|  |  |  |  |
| --- | --- | --- | --- |
| **Customer segment / tariff type** | **2022/23 Price****(22/23 $s)** | **2023/24 Price****(23/24 $s)** | **$ change** |
| **Water Districts** Domestic & Stock**Pumped Irrigation** Domestic & Stock Local Read Remote Operate | 110110345810 | 1451454551,070 | 3535110260 |

1. *Infrastructure Access and Use Fee*

The ESC’s Final Decision approved GMW’s revised proposal for a common Infrastructure Access and Use Fees for the six irrigation areas (Shepparton, Central Goulburn, Rochester, Loddon Valley, Murray Valley and Torrumbarry). In 2023/24 all areas will see an increase of 5.6 per cent on the Infrastructure Access and Use Fees.

1. *Drainage Tariff Charges*

GMW’s drainage prices retain the current tariff structure for the regulatory period. Review and customer consultation of the drainage tariffs is continuing prior to the next price review in 2024.

All drainage area fees will see an 8 per cent increase in 2023/24 while the water use fees will be held at their 2022/23 price.

1. *Diversion Access Fees*

All Diversion access fees will increase between 4.8 to 5.8 per cent for 2023/24.

Pumped Irrigation and Water Districts

Infrastructure Access Fees in the Pumped irrigation services and Water Districts are being held at their 2022/23 price in 2023/24 and not decreasing as planned in the 2020 Pricing Submission, this is due to higher costs than originally forecasted. This is however within the rebalancing constraints set by the ESC Determination.

The Infrastructure Access Fees are increasing in West Loddon and East Loddon North by 5.6 per cent for 2023/24. Mitiamo will see an increase of 8.2 per cent due to a drop in capacity shares from the original business case of the pipeline. This is however within the rebalancing constraints.

Adjustments to prices for Pumped Irrigation and Water Districts, as with other customer groups, are made with regard to the ACCC pricing principles including that fixed costs should be recovered from fixed charges and variable costs from variable charges.

In the 2020, Pricing Submission there was inadequate resources allocated to adequately service and maintain the Water Districts. By allocating the extra resources, GMW will prevent major issues that are more expensive and time consuming to fix in the long term, ensuring prices remain stable into the next Pricing Submission. This in turn allows for preventive works such as flushing lines and scouring valves to ensure Pipelines are running smoothly.

Miscellaneous Charges

A complete review of the miscellaneous charges was undertaken for the 2020 Pricing Submission to ensure all fees were at cost recovery, as well to make sure GMW is in line with the pricing principles of user pays. Every year the time and motion of the costs relating to each application fee is reviewed and updated for changing processes and improvements and fees are adjusted accordingly.

In 2023/24 most miscellaneous charges will receive an increase of 5.6 per cent on the 2022/23 fee. Some of the fees will receive higher than the 5.6 per cent increase due to changes since the 2020 Pricing Submission but these are all within the rebalancing constraints set by the ESC Determination.

## Demand

This section provides information regarding GMW’s actual fixed and forecast variable quantities for 2022/23 and its forecast quantities for 2023/24. Actual and forecast quantities have been provided for both fixed and variable tariffs.

**Tariff structure**

Approximately 90 per cent of GMW’s prescribed revenue derives from its fixed tariffs. These fixed tariffs principally include:

* Storage charges that are charged to customers based on the volume and reliability of entitlements held
* Gravity and Pumped Irrigation District charges, including:
	+ a Customer Fee, which is charged to each customer
	+ a Water Register Fee, which is charged based on the number of water entitlements
	+ an Infrastructure Access Fee, which is charged based on the number of delivery shares held, regardless of the volume used
	+ a Service Point Fee, which is charged based on the number and type of service points
* The Surface Drainage Area Fee, charged based on the number of hectares drained
* Diverter charges, including:
	+ a Customer Fee, which is charged to each customer
	+ a Water Register Fee, which is charged based on the number of water entitlements
	+ a Service Point Fee
	+ an Access Fee based on the number of service points
	+ a Resource Management Fee, based on entitlement volume.

The remaining 10 per cent of prescribed revenue derived from variable charges is collected largely from Gravity Irrigation through the:

* Infrastructure Use Fee that is charged based on the volume of water delivered
* Casual Infrastructure Use Fee that is charged based on the volume of water delivered in excess of customers’ Annual Delivery Allowance
* Surface Drainage Water Use Fee that is charged based on water use on drained properties.

 **Fixed quantities**

Invoices for most fixed charges for 2022/23 were raised with customers in July 2022, with the exception of bulk charges which were raised November/December 2022. This allowed actual fixed charge quantities to be extracted from GMW’s billing system, such as entitlement volumes, number of customers, service points and delivery shares.

A forecast of fixed charge quantities for 2023/24 was developed based on the 2022/23 actual billed quantities and taking account of any changes since accounts were billed in July.

**Variable quantities**

The irrigation season is generally from mid-August to mid-May. Invoices for water deliveries and other variable charges for 2022/23 are raised with customers and sent out March and June 2023. Accordingly, final information on 2022/23 usage is not available at the time of this submission.

The forecast provided for 2022/23 of 750 GL is instead based on the best available information regarding year-to-date usage (as at 1 May 2023) and water availability (equal to allocations to water shares plus carryover from the previous year) and estimates for the final weeks of the irrigation season.

At this point in time the forecast GMID usage for 2023/24 is 900 GL. The estimates take account of anticipated carryover, available volumes in the storages and average weather conditions for next year.

**Explanation of Demand Variances greater than 10 per cent from the 2020 Pricing Submission**

* Service Points

The Pricing Submission included assumptions around the finalisation of the Connections Project in regard to service points. Assumptions have also been included in regards to the mix of Service Points going forward for the Water Efficiency Project (WEP). The mix of the service points has varied slightly from that which was provided previously but is more relevant with what has actually occurred.

* Water Shares

Water shares change for many reasons

* + Customer changes:
		- A customer may divide their water shares between different properties
		- They can sell a property and take all the water shares with them
		- They can sell their property and leave some water shares behind, and
		- A customer can consolidate water shares
	+ Irrigator Shares Distribution Project:
		- Changes in demand numbers due to additional water shares being issued as part of the Irrigator Share Distribution Project
* Spill Volumes

Since finalising the 2020 Pricing Submission spill volumes assumptions have since changed due to expectant under-utilisation carryover from the previous season and then the allocation in the current season minus physical spills.

* Drainage

Drainage diversion demand has decreased in comparison to the 2020 Pricing Submission due to less intensive irrigation and a drying climate resulting in less pumping than originally anticipated. Updated demand is in line with prior years actuals.

* Mitiamo

Mitiamo Water Supply District came into operation in 2021/22. Since the submission demand numbers have been updated to reflect the difference in capacity shares and service points resulting from further discussions with customers on their requirements. The assumed number of hectares and houses affected have both decreased and the piggery has ceased to operate.

* East Loddon North

East Loddon North will continue in 2023/24 as 46 customers have chosen not to be included in the Mitiamo pipeline and will continue to be priced under the current East Loddon North prices. This is a change from the 2020 Pricing Submission which assumed all customers would move to the pipeline.

* Variable Volumes

In the 2020 Pricing Submission the forecast GMID usage for 2023/24 was 824 GL, this has now been updated to 900 GL for the 2023/24 forecast. This is higher than the original forecast due to higher forecast water availability taking into account anticipated carryover, available volumes in the storages and average weather conditions for next year. In 2023/24 infrastructure use fee demand for pumped irrigation and water districts is coming in lower than anticipated.

* Customer Fee

In 2023/24 the forecast single customer numbers are higher than originally anticipated in the 2020 Pricing Submission due to the finalisation of the single customer model.

* Water Register Fee

In 2023/24 the forecast entitlements for the water register fee are higher than originally anticipated in the 2020 Pricing Submission due to the Irrigator Share Distribution Project and changes in demand at Mitiamo.

## Customer Impact Analysis

This section sets out the impact of our proposed 2023/24 prices on typical customers.

Customer impacts are expressed as the change in total bill for a set of ‘typical customers’. The characteristics of the customer types have been determined using actual customer data. Nominal percentage changes in bills include the agreed increase of 5.6 per cent.

Gravity Irrigation

GMW uses its customer data to prepare the following analysis of customer impacts, using an average population for each ‘size’ of customer. Customers may experience actual movements in bills higher or lower than the following indicative effects due to the use of a mean average. Likewise, customers for whom the Connections Project has made changes to meters and connections in the prior period may experience a change in tariff mix (particularly service point fees).

Small customers will receive a 5 per cent bill decrease due to the Customer Fee and D&S Service Point fee being held for 2023/24.

The impact is lower for medium and large customers, who will see decreases between 2-3 per cent as the increase in the Infrastructure Access and Use fees are offset by the Remote Operate Service Point fee which is being held for 2023/24.

Whilst the gravity delivery charges are uniform for the six areas, their overall bills differ due to bulk water and drainage charges.

**Bill increases in real $s, Gravity customers**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Gravity Irrigation** | **Small** | **Medium** | **Large** | **Extra Large** |
|  | **$ Change** | **% Change** | **Total Bill $** | **$****Change** | **% Change** | **Total Bill $** | **$ Change** | **% Change** | **Total Bill $** | **$ Change** | **% Change** | **Total Bill $** |
| Shepparton | -21 | -5% | 419 | -188 | -2% | 7,802 | -498 | -2% | 25,007 | -946 | -2% | 50,574 |
| Central Goulburn | -21 | -5% | 419 | -184 | -2% | 7,586 | -484 | -2% | 24,088 | -902 | -2% | 49,237 |
| Rochester | -21 | -5% | 419 | -182 | -2% | 7,525 | -476 | -2% | 23,832 | -882 | -2% | 48,803 |
| Loddon Valley | -21 | -5% | 419 | -181 | -2% | 7,699 | -468 | -2% | 24,535 | -964 | -2% | 50,792 |
| Murray Valley | -22 | -5% | 422 | -226 | -3% | 7,773 | -657 | -3% | 24,868 | -1327 | -3% | 50,819 |
| Torrumbarry | -22 | -5% | 422 | -221 | -3% | 7,429 | -636 | -3% | 23,400 | -1263 | -3% | 48,737 |

Diversions

As shown in the table below, diversion customers’ bills will mostly decrease in proportional terms for 20234/24 between 1%-4%. Although GMW is passing on a 5.6 per cent increase on the access fees this is offset as the customer fee and unmetered service point fees are held as per their 2022/23 price which is a 7.0 per cent decrease in real terms.

The metered service point fee finalises its transition and is in line with the gravity local read in 2023/24.

**Bill increases in real $s, Diversion customers**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Diversions** | **Small** | **Medium** | **Large** | **Extra Large** |
|  | **$ Change** | **% Change** | **Total Bill $** | **$****Change** | **% Change** | **Total Bill $** | **$ Change** | **% Change** | **Total Bill $** | **$ Change** | **% Change** | **Total Bill $** |
| Regulated Surface (Murray) | -23 | -4% | 531 | -50 | -3% | 1,655 | -170 | -3% | 4,796 | -348 | -4% | 8,556 |
| Regulated Surface (Goulburn) | -22 | -4% | 529 | -22 | -1% | 1,574 | -54 | -1% | 4,471 | -100 | -1% | 7,860 |
| Unregulated Surface | -15 | -4% | 379 | -12 | -1% | 812 | -18 | -1% | 1,232 | -34 | -1% | 2,837 |
| Shepparton Groundwater | -11 | -5% | 225 | -12 | -3% | 341 | -16 | -3% | 595 | -22 | -2% | 1,046 |
| Groundwater | -22 | -4% | 524 | -21 | -1% | 1,498 | -40 | -1% | 2,958 | -72 | -1% | 5,772 |

Pumped Irrigation

Pumped Irrigation customers will see a reduction in their bills. The service point fee introduced in the 2020 Pricing Submission finishes its transition in 2023/24.

**Bill increases in real $s, Pumped Irrigation customers**

|  |  |  |  |
| --- | --- | --- | --- |
| **Pumped Irrigation** | **Small** | **Medium** | **Large** |
|  | **$ Change** | **% Change** | **Total Bill $** | **$****Change** | **% Change** | **Total Bill $** | **$ Change** | **% Change** | **Total Bill $** |
| Woorinen | -46 | -4% | 1,275 | -109 | -1% | 8,033 | -385 | -2% | 19,412 |
| Nyah | -42 | -3% | 1,209 | -191 | -2% | 10,000 | -401 | -2% | 19,711 |
| Tresco | -53 | -4% | 1,345 | -219 | -2% | 9,580 | -456 | -2% | 18,870 |

Water Supply Districts

GMW’s proposed prices result in real decreases for most customers, mainly due to changes in the Infrastructure Access Fee (IAF) that forms the majority of a typical customer’s bill.

Infrastructure Access Fees in the Pumped Irrigation services and Water Supply Districts are being held at their 2022/23 price in 2023/24 and not decreasing as planned in the 2020 Pricing Submission, this is due to higher costs than originally forecasted. This is however within the rebalancing constraints set by the ESC Determination.

The Infrastructure Access Fees are increasing in West Loddon and East Loddon North by 5.6 per cent and in Mitiamo by 8.2 per cent for 2023/24.

In the 2020 Pricing Submission there was inadequate resources allocated to adequately service and maintain the Water Districts. By allocating the extra resources, GMW will prevent major issues that are more expensive and time consuming to fix in the long term, ensuring prices remain stable into the next Pricing Submission. This in turn allows for preventive works such as flushing lines and scouring valves to ensure Pipelines are running smoothly.

**Bill increases in real $s, Water Supply District customers**

|  |  |
| --- | --- |
| **Pumped Irrigation** | **Small** |
|  | **$ Change** | **% Change** | **Total Bill $** |
| Normanville | -101 | -4.3% | 2,255 |
| Tungamah | -74 | -4.4% | 1,626 |
| East Loddon | 1 | 0.1% | 966 |
| East Loddon (North) | -22 | -2.0% | 1,083 |
| West Loddon | -19 | -2.1% | 880 |
| Mitiamo | 0 | 0.0% | 2,195 |

## Annual contribution to the Murray Darling Basin Authority

There is expected to be no change in the annual contribution required to be made by GMW to the Murray Darling Basin Authority of $13.4 million.

As part of the 2020 Price Review GMW’s revenue cap was amended to include an MDBA adjustment. This is an allowance to reflect the cost contribution / the amount of any material change in the annual contribution required to be made by Goulburn-Murray Water to the Murray-Darling Basin Authority as calculated by the Commission.

This change is a pass through of an increase or a decrease in the contribution paid by GMW to the MDBA and GMW has not made an MDBA adjustment so far in the current regulatory period.

The forecast in the 2020 Pricing Submission was on a reasonable basis assuming MDBA would apply CPI adjustments to the contribution.

As this has now not occurred GMW wish to make an adjustment in the 2023/24 Annual Price Review.

To minimise price shocks and provide price stability to customers the ESC has approved that GMW can pass this over recovery back to the Murray customers across 2023/24 and the four years of the 6th regulatory period.

Since this pricing strategy aims to comply with clause 2.3(c)(ii)(E) of the Goulburn-Murray Water Determination, ESC considers the option to smooth the MDBA adjustment as acceptable.

# Tariff Strategies



The Service Strategy represents a focus for the entire organisation on its prescribed services. It is the roadmap for how Goulburn-Murray Water (GMW) will deliver on our service vision of “our services align with resilience principles, underpin a flourishing regional community and are financially and environmentally sustainable”.

The GMW Services Strategy is aligned to the delivery of GMW strategic outcome “Satisfied Customers, trusting partners” which ensures that our customer first culture and strategic partnerships provide benefits for our customers and communities.

The GMW Service Strategy outlines service goals to guide the development of individual GMW Service Plans that provide future direction for GMW’s Prescribed Services.

The Service Plans will form the basis of GMW’s 2024-2028 Pricing Submission.

The Service Plans:

* Provide a comprehensive view of each prescribed service.
* Guide GMW in aligning our services with customer needs, regulatory requirements and our strategic direction.
* Support engagement with our customers and stakeholders to drive forward our service commitments and guide future service development.
* Enable a greater planning focus over the next two regulatory periods (2024 – 2032).
* Promote an adaptive approach to ensure that GMW are able to meet changing customer and stakeholder needs
* Provide additional benefits to GMW by:
	+ Increasing clarity for customers, regulators & employees
	+ Optimisation across our delivery mechanisms & activities to achieve our service outcomes
	+ Improved transparency to our customers & regulators and driving efficiency, e.g. informs pricing submission

GMW is committed to the development and implementation of an appropriate tariff structure and will continue to consult with customers as part of the development of the Service Plans.

# Customer Communication and Engagement

Customers’ views are an important input into GMW’s pricing considerations. To facilitate informed and ongoing consultation GMW has a set of customer advisory committees, representing the various services that GMW provides. In every case, the committees are created by the Board of GMW to provide advice to the Board, with members elected by customers. The committees’ advice on pricing matters informs GMW’s decision making process.

GMW operates eleven Water Services Committees (WSCs), with six based around our major gravity irrigation districts, four regional WSCs covering diverters and one representing our Water Supply Districts.

During the development of GMW’s 2020 Price Submission, we consulted extensively with WSCs, customers and stakeholders of our proposed long-term price paths for gravity and diversion specific pricing outcomes.

GMW has used various forms of communication to inform other customers and stakeholders on the ESC Final Decision and Price Determination made in June 2020. In relation to preparation towards GMW’s 2023/24 Annual Price Review an Annual Price Review Pack was sent to WSCs requesting feedback and comments in late April.

GMW’s 2023/24 proposed price adjustments align with the ESC’s Final Decision and Price Determination. As GMW has consulted extensively during the 2020 price review, and given the revenue cap and related price limit regulations, extensive consultation was not considered necessary for this annual price review.

During 2021/22 and 2022/23 GMW conducted an extensive engagement program with WSCs, and its broader customer base to receive feedback on a range of topics including pricing, service standards and maintenance levels as part of the development of the suite of Service Plans. The feedback from these Service Plans has identified the issues of highest importance to customers and opportunities for service improvements and efficiencies. With the focus now on the 2024-28 Pricing Submission, GMW is exploring these issues and opportunities in more detail with our customers. GMW is working through a broad ranging engagement plan for the next Pricing Submission which has included redeveloping its website to an AA accessibility rating and creating a new online engagement hub to consult on our services and prices.

# Appendix 1: Annual Price Review - Indicative Timeline

The following table sets out the key dates for GMW’s annual price review for 2022/23:

|  |  |  |
| --- | --- | --- |
| **Responsible** | **Activity** | **Date** |
| ABS | CPI released | 26 April 2023 |
| Board | Approved 23/24 Annual Price Review |  26 April 2023 |
| GMW  | Consult WSCs on APR, based on draft proposal | 4 May 2023 |
| GMW  | Submit Annual Price Review application to ESC | 4 May 2023 |
| ESC | ESC approval of Annual Price Review (Target) | 22 May 2023 |
| GMW | Provide artwork to printers and mail house in order to meet deadline to provide Price Lists to Customers | 23 May 2023 |
| GMW  | Send Price Lists to customers, Publish tariffs in newspapers, Update GMW website and press release  | By 26 May 2023  |
| GMW  | New charges come into effect | 1 July 2023 |

1. 1 July 2020 amended to Water Charge Rules 2010. [↑](#footnote-ref-1)
2. These reductions are calculated on a revenue weighted average of price movements. [↑](#footnote-ref-2)
3. Customers must be informed 25 business days prior to the new charges taking effect. [↑](#footnote-ref-3)