

What is a NCC?

New Customer Contributions (NCC) also known as developer charges are an upfront payment that may be levied by a water business when a customer builds or develops a property and connects to that water business's water, sewerage or recycled water network.

Existing arrangements

The existing charge is based on lot size. A uniform charge (for each lot size) is levied across all new connections in Victoria. In addition, developers may be required by water businesses to provide the reticulation assets which connect their development to the water businesses networks.

New NCC framework

From 1 July 2013, NCC may vary between water businesses and within a water businesses region. This is because NCC now reflect the costs of servicing growth in different locations. This approach promotes better signals to developers about the costs of developing in different locations. Typically, NCC will be higher in areas where new infrastructure needs to be (or has recently been) constructed to service growth. Conversely, NCC will be lower if there are minimal new infrastructure costs to service growth. In both cases existing customers are not required to pay for the costs of growth.

A uniform NCC for a service (water, sewerage, recycled water) may apply across a catchment or other defined area where growth rates and infrastructure requirements are clearly identified. These charges are known as standard NCC. This should give developers some certainty about expected charges. Water businesses must provide customers with maps showing where standard NCC apply. Water businesses and developers also have the ability to negotiate NCC. This will generally occur when unplanned infrastructure is required to connect a development to the existing network. All NCC will be calculated in accordance with pricing principles approved by the Commission.

The new arrangements aim to provide fair and reasonable prices to service growth.

Do new customers make an upfront contribution for assets that service existing customers?

No. Assets that service existing customers are included in ongoing tariffs that are paid by all customers.

This approach ensures that an upfront payment is only required when the water business will not recover the incremental costs of development from the revenue received from new customers over a reasonable period of time.

Apart from the NCC do developers have to pay for anything else?

Water businesses may require developers to gift reticulation assets, just as they do now.

What is the Commission's role in relation to NCC?

The Commission's role is to review the NCC proposals submitted by the water businesses as part of their Water Plan 3 submission. We have assessed whether:

- Standard NCC are calculated in accordance with the pricing principles
- The water business has a framework in place that guides negotiations in relation to NCC

Transition arrangements

If the proposed NCC are materially higher than current levels, water businesses' are required to propose transitional arrangements to minimise price shocks.

During the transition period and in the interests of minimising formal disputes before VCAT, the Commission could (upon request from a water business or developer) provide an opinion about whether the proposed NCC charge is consistent with the approved pricing principles. This informal role will be reviewed by the Commission prior to the end of the third regulatory period.

Next stage of the process

Businesses will need to address actions from the Commission and respond to the draft decision. Businesses are also required to inform their customers of any changes to NCC.

How to get involved

We invite the public to comment on our draft decision until 20 May 2013. Public forums will be held to gather your feedback in May. Written submissions can be sent by email to water@esc.vic.gov.au or posted to Water Price Review, Essential Services Commission, Level 37, 2 Lonsdale Street, Melbourne 3000. More information, including material from past price reviews can be found on the Commission's website www.esc.vic.gov.au.