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MEDIA RELEASE

REGULATOR FINALISES MELBOURNE'S WATER PRICES FOR NEXT FIVE YEARS

Victoria's independent economic regulator, the Essential Services Commission (the Commission), today announced its final decision on pricing for Victoria's water businesses (Melbourne Water, City West Water, South East Water and Yarra Valley Water) over the next five years.

In releasing its Final Decision, the Commission's Chairperson Dr Ron Ben-David said that Melbourne households will face water bill increases ranging from \$167 to \$222 for the 2013-14 financial year.

The Commission's final decision will take effect across Melbourne from 1 July 2013.

"Since our draft decision in April, there has been further savings", said Dr Ben-David. "In total, water bills will now be up to \$133 cheaper next year than originally proposed by the water businesses".

"This represents a significant reduction from the increases originally proposed by the businesses of between \$269 and \$355," Dr Ben-David said.

"After the first year increase, price rises will plateau and will only move in line with inflation.

"These lower prices are due to \$1 billion in savings identified by the Commission across the Metropolitan businesses," Dr Ben-David added.

Around 25 per cent of these savings come from reduced operating costs such as labour and energy, with the balance largely due to lower financing costs.

Dr Ben-David noted that annual water and drainage charges will increase from \$85 to \$89, which is slightly higher than suggested at the time of the Draft Decision.

Dr Ben-David said, "We recognise that higher prices will result in some households facing difficulties in paying their bills, and we encourage those customers to contact their water business for assistance."

"We have allowed an additional \$5 million for the metropolitan retailers to develop and maintain assistance programs," he said.

The businesses will be required to regularly update the Commission (and report publicly) on how the additional allowances are being spent during the five year period.

The Commission has considered Melbourne Water's proposal for capitalising some of the costs of the Victorian Desalination Plant.

"On the basis of the data submitted by Melbourne Water, and in the time available to us, we have not been able to satisfy ourselves about Melbourne Water's capacity to undertake capitalisation before 2016," Dr Ben-David said.

"Our view is that Melbourne Water will be able to afford some capitalisation after 2015-16, and pass on the savings to customers," Dr Ben-David said.

On that basis, the Commission has only approved Melbourne Water's prices for three years. Melbourne Water will be required to submit a new five year water plan, to take effect from July 2016.

The Commission reached its final decision after undertaking detailed analysis of the Water Plans submitted by each of the businesses in October 2012. This followed the Commission's state-wide consultations on the Water Plans, as well as the Draft Decision it released in April.

"Public input is an essential component in our assessment of the Water Plans and we thank those members of the community who took the time to attend our public forums or make written submissions during the course of this inquiry," Dr Ben-David said.

Over the last nine months, the Commission hosted almost 30 public forums throughout Victoria and received around 200 written submissions.

Tables 1 and 2 show typical annual bills for households and tenants. These are the actual (or nominal) amounts that customers will see on their bills.

"After the big increase next year, annual price rises will be limited to the rate of inflation and no more," Dr Ben-David said.

Fact Sheets available on the Commission website provide bill estimates based on different household water usage (small, medium, large & very large).

The Commission's Final Decision and full details as they apply to each business, along with Fact Sheets and consultant reports, can be found on the Commission's website www.esc.vic.gov.au

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TABLE 1 ILLUSTRATIVE ANNUAL RESIDENTIAL OWNER-OCCUPIER BILLS INCLUDING INFLATION

	Current bill	Proposed 2013-14	Approved 2013-14	Difference between current and approved
	<i>\$2012-13</i>	<i>\$2013-14</i>	<i>\$2013-14</i>	<i>\$2013-14</i>
City West Water	848	1 118	1 016	167
South East Water	863	1 196	1 085	222
Yarra Valley Water	949	1 304	1 171	222

NOTE: These bills are based on the businesses proposed consumption for 2013 - 14 and final decision prices and are 'illustrative' only. These figures do not include annual waterways and drainage prices proposed by Melbourne Water.

TABLE 2 ILLUSTRATIVE ANNUAL RESIDENTIAL TENANT BILLS INCLUDING INFLATION

	Current bill	Proposed 2013-14	Approved 2013-14	Difference between current and approved
	<i>\$2012-13</i>	<i>\$2013-14</i>	<i>\$2013-14</i>	<i>\$2013-14</i>
City West Water	461	615	552	91
South East Water	445	640	593	148
Yarra Valley Water	508	715	652	144

NOTE: These bills are based on the businesses proposed consumption for 2013 - 14 and final decision prices and are 'illustrative' only.