



Minister for Water

Ref: MBRO20858

Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 2
35 Spring Street
MELBOURNE VIC 3000

1 Spring Street
GPO Box 4440
Melbourne Victoria 3001
Telephone: (03) 9938 5954
Facsimile: (03) 9658 4191
DX 210404

29 JUN 2012

Dear Dr Ben-David

RETURN OF DESALINATION PAYMENTS TO WATER CUSTOMERS

I am writing to you regarding proposed arrangements in Melbourne Water's draft Water Plan to return monies collected from retail water customers for the payment of costs related to the Wonthaggi desalination plant, for which the completion date has been delayed.

It is important that the return of monies collected for this purpose and not required during the current regulatory price determination period, commences immediately. To ensure this occurs, I wish to confirm the arrangements to freeze retail water customers' prices for the 2012/13 financial year.

The arrangements are as follows:

- Retail prices will freeze from 1 July 2012 so that 2011/12 retail prices will remain in place in nominal terms for the 2012/13 financial year.
- The 2012/13 price freeze applies to customers of City West Water, South East Water, Yarra Valley Water and Western Water.
- Melbourne Water's wholesale prices will also freeze from 1 July 2012.

The Essential Services Commission (ESC) is to provide oversight and independent verification of return of the monies, adjusted for interest and inflation, including any residual amounts to be returned in 2013/14. The ESC is to ensure that these monies are returned in a transparent manner that is easily understood by customers. I understand that these arrangements are consistent with the flexibility available to water corporations under their price determinations.

I have also requested water corporations to make appropriate amendments to draft Water Plans to reflect these arrangements. This will enable consultation with customers on the amendments ahead of submitting final Water Plans to the ESC.

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I trust you will provide me with regular updates and I encourage you to work with the relevant water corporations and the Department of Sustainability and Environment to ensure these arrangements are implemented in the interests of Victorian water customers.

If you wish to discuss any issues in relation to this matter, please contact Mr Peter Betson from the Department of Sustainability and Environment on (03) 9637 9127.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Walsh', written in a cursive style.

PETER WALSH MLA
Minister for Water