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2013 WATER PRICE REVIEW

LOWER MURRAY WATER DETERMINATION

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1. General

1.1 Introduction

- (a) Rule 29 of the **WCIR** requires the Commission to approve or determine the regulated charges which **Part 6 operator** may charge as set out in the **Part 6 operator's** application under rule 25 of the **WCIR**.
- (b) Clause 8 of the **WIRO** requires the Commission to either:
 - (i) approve the prices which a **regulated entity** may charge for **prescribed services** or the manner in which such prices are to be calculated or otherwise determined, as set out in the **regulated entity's Water Plan**; or
 - (ii) specify the prices which a **regulated entity** may charge for **prescribed services** or the manner in which such prices are to be calculated or otherwise determined.
- (c) On 12 June 2013, the Commission made its decision under the **WCIR** and the **WIRO** in respect of:
 - (i) the regulated charges and prices which Lower Murray Urban and Rural Water Corporation (trading as Lower Murray Water) (ABN 18 475 808 826) (**Lower Murray Water**) may charge during the **regulatory period**; and
 - (ii) the standards and conditions of service and supply which **Lower Murray Water** has included in its **Water Plan**.
- (d) This Determination is made by the Commission under section 33 of the **ESC Act**, pursuant to rule 29 of the **WCIR** and clause 8 of the **WIRO**.
- (e) The purpose and reasons for the making of this Determination are to:
 - (i) give effect to the decision of the Commission referred to in clause 1.1(b)(i);

- (ii) determine the regulated charges and specify the prices which **Lower Murray Water** may levy or charge for during the **regulatory period** or the manner in which such charges or prices are to be calculated or otherwise determined;
- (iii) facilitate the achievement of the Commission's objectives in or applying under the **ESC Act**, the **WCIR**, the accreditation arrangements determined by the ACCC pursuant to rule 59 of the **WCIR** and the **WI Act**, and
- (iv) reflect the requirements in the **WCIR**, the **ACCC pricing principles** and the **WIRO**.

1.2 Application

This Determination applies to **Lower Murray Water** and its successors and assigns in respect of the business carried on by **Lower Murray Water** 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 and 1 July 2013 and, 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 2018.

(b) Next regulatory period

Subject to clause 2.3(c)(ii) and clause 2.3(d)(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 2018, 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 **Lower Murray Water** between 1 July 2018 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 **Lower Murray Water**, extend or reduce the time by which, or the period within which, **Lower Murray Water**

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 ***Lower Murray Water*** during the ***regulatory period*** or the manner in which such prices are to be calculated or otherwise determined; and
 - (ii) the standards and conditions of services and supply additional to those specified in the ***Codes*** which will be provided by ***Lower Murray Water*** 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**

Lower Murray Water must not charge more than:

- (i) the scheduled prices in Schedule 2 and Schedule 3, 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 and Schedule 3 relate.

(b) Application principles

The application principles in Schedule 5 will apply to the prices charged by **Lower Murray Water** in respect of **prescribed services** during the **regulatory period**.

(c) Pricing principles

During the **regulatory period**, **Lower Murray Water** must apply the pricing principles in Schedule 6 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 6 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 or Schedule 3 (as appropriate) 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 5 with effect from the start of the subsequent **regulatory year**.

(b) Contracts

Where **Lower Murray Water** has entered into a contract (a **relevant contract**) which relates to the provision of **prescribed services** prior to 1 July 2013, **Lower Murray Water** 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 and Schedule 3 (as adjusted in accordance with this Determination) or the prices determined in

accordance with the pricing principles in Schedule 6 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

Lower Murray Water must publish a schedule 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 schedule to its customers on request. The schedule 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

Lower Murray Water 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) Schedule 2: Adjustment

Subject to Schedule 2, 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(c)(i) and the procedure in clause 2.3(e), and will apply to the **prescribed services** to which the scheduled prices in Schedule 2 relate in that **regulatory year**.

(b) Schedule 3: Adjustment

Subject to Schedule 3 and clause 2.3(d)(iii), the scheduled prices in Schedule 3 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formula in clause 2.3(d)(i) and the procedure in clause 2.3(e), and will apply

to the **prescribed services** to which the scheduled prices in Schedule 3 relate in that **regulatory year**.

(c) **Schedule 2: Formula**

- (i) Subject to Schedule 2, 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**:

$$P_t = P_{t-1} * CPI_t *(1 + PPM_t)$$

where:

P_t is the price component for **regulatory year t**

P_{t-1} is the price component for **regulatory year t-1**

CPI_t 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 2018, PPM_t will be set equal to zero for the purpose of adjusting prices in accordance with the formula in clause 2.3(c)(i) for **regulatory years** commencing on or after 1 July 2018 until the date on which this determination is amended or revoked by a later determination.

(d) **Schedule 3: Formulae**

- (i) Subject to Schedule 3 and clause 2.3(d)(iii), each price for the **prescribed services** referred to in clause 2.3(b) will be adjusted in accordance with the following formulae with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:

$$\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_t^{ij} \leq cap_t$$

$$cap_t = rev_t + (cap_{t-1} - \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-1}^{ij}) * cpi_t * (1 + wacc)$$

where **Lower Murray Water** has n tariff categories, which have up to m tariff components, and where:

p_t^{ij} is the proposed tariff component j of tariff i for **regulatory year** t

q_t^{ij} is the forecast quantity of tariff component j of tariff i for **regulatory year** t

cap_t is the revenue cap for **regulatory year** t calculated in accordance with the formula set out above

cap_{t-1} is the revenue cap for **regulatory year** $t-1$: for the second year of the **regulatory period**, cap_{t-1} is equal to rev_t for the first **regulatory year** as set out in Schedule 4. For subsequent **regulatory years**, cap_{t-1} is the amount calculated for **regulatory year** $t-1$ in accordance with the formula set out above

rev_t is the total revenue requirement for **regulatory year** t as set out in Schedule 4

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

q_{t-1}^{ij} is the estimate of the actual quantities of tariff component j of tariff i for **regulatory year** t-1

cpi_t 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

$wacc$ is 4.7%, being the weighted average cost of capital

- (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 2018, the regulatory requirement for **regulatory year** t “ rev_t ” will be set equal to

“($rev_{t-1} * cpi_t$)” for the purpose of adjusting prices in accordance with the formulae in clause 2.3(d)(i) for **regulatory years** commencing on or after 1 July 2018 until the date on which this determination is amended or revoked by a later determination.

- (iii) An increase in any scheduled price in Schedule 3 in any **regulatory year** must not exceed the average of all scheduled price increases in that **regulatory year** by more than 10%.

(e) Adjustment procedure

- (i) At least 40 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period, Lower Murray Water** must submit its proposed prices for the **prescribed services** referred to in clauses 2.3(a) and 2.3(b) to apply in the subsequent **regulatory year** (the **revised prices**) to the Commission

for approval, together with sufficient information to enable the Commission to assess whether the proposed prices comply with this Determination including in relation to the proposed prices for the **prescribed services** referred to in clause 2.3(b):

- (A) the forecast quantities for **regulatory year t** “ q_t^{ij} ” (referred to in the relevant formula in clause 2.3(d)(i));
- (B) the estimate of actual quantities for **regulatory year t-1** “ q_{t-1}^{ij} ” (referred to in the relevant formula in clause 2.3(d)(i));
- (C) information which explains the calculation of the items referred to in subparagraphs (A) and (B) above;
- (D) information relating to any **new price** which **Lower Murray Water** proposes to introduce in **regulatory year t**;
- (E) a statement setting out evidence demonstrating the extent to which **Lower Murray Water** has provided, in respect of material price increases, information to its customers and any relevant consultative committee established under the *Water Act 1989* (Vic) (the **Water Act**) explaining the calculation of the revised prices and has consulted effectively with its customers and any relevant consultative committee on the revised prices;
- (F) a statement setting out the anticipated customer impacts resulting from the revised prices and actions, if any, proposed by **Lower Murray Water** to address these customer impacts;
- (G) a statement setting out evidence demonstrating the extent to which **Lower Murray Water** has, over the course of the past **regulatory year**, provided information to its customers explaining its long-term pricing strategy for **prescribed services** and consulted effectively with its customers on

developing that pricing strategy to provide reasonable price stability(that is, minimising price shocks) to its customers; and

- (H) any other information required by the Commission.
- (ii) The Commission will approve the **revised prices** if it considers that:
- (A) the **revised prices** in respect of clause 2.3(a) have been calculated in accordance with the formula set out in clause 2.3(c)(i);
 - (B) the **revised prices** in respect of clause 2.3(b) have been calculated in accordance with the formulae set out in clause 2.3(d)(i) with any necessary adjustments to comply with clause 2.3(d)(iii); and
 - (C) the items referred to in clause 2.3(e)(i)(A) and (B) are reasonable;
 - (D) the **revised prices** have been calculated in accordance with the formulae set out in clause 2.3(b)(i) with any necessary adjustments to comply with clause 2.3(b)(iii);
 - (E) **Lower Murray Water** has adequately consulted (in the circumstances) with its customers and any relevant consultative committee established under the **Water Act** on the revised prices;
 - (F) **Lower Murray Water** has adequately addressed (in the circumstances) customer impacts resulting from the revised prices; and
 - (G) **Lower Murray Water** has adequately consulted (in the circumstances) with its customers on its long-term pricing strategy and that strategy provides reasonable price stability (that is, minimising price shocks) to its customers.
- (iii) The Commission will be deemed to have approved the **revised prices** if it has not provided notice under clause 2.3(c)(iv) to **Lower Murray Water** within 30 **business days** from the date of its receipt of the **revised prices**.

- (iv) If the Commission does not approve the **revised prices**, the Commission:
 - (A) will provide notice to **Lower Murray Water** (including a statement of its reasons);
 - (B) may request **Lower Murray Water** to provide any additional information specified by the Commission;
 - (C) will take any additional information provided by **Lower Murray Water** into account; and
 - (D) will determine the **revised prices**.
- (v) For the avoidance of doubt, any **new price** approved by the Commission under clause 2.3(e)(ii) or deemed to have been approved by the Commission under clause 2.3(e)(iii) will be a **revised price** for the purpose of clause 2.3(e).

2.4 Price changes during a billing period

(a) Application of this clause

This clause 2.4 applies where **Lower Murray Water** 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

Lower Murray Water 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) **Lower Murray Water** 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 **Lower Murray Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Lower Murray Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing

principles in Schedule 4 relate, **Lower Murray Water** 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 **Lower Murray Water** 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 **Lower Murray Water** 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, **Lower Murray Water** 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

- (i) **Lower Murray Water** may amend the prescribed price movements and/or price components included in Schedule 2 for the second **regulatory year** in the **regulatory period** and each subsequent **regulatory year** remaining in the **regulatory period** (the **revised tariff schedule**) in accordance with this clause 3.
- (ii) The average price movement for the second **regulatory year** in the **regulatory period** and each subsequent **regulatory year** in the **regulatory period** determined in accordance with the **revised tariff schedule** must not exceed the average price movement that would have

otherwise 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 **Lower Murray Water** 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 **regulatory year** t 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 **regulatory year** t 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 was 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** $t-2$

- (iii) An increase in any scheduled price in Schedule 2 in an **regulatory year** must not exceed the average of all scheduled price increases in that **regulatory year** by more than 10%.

4. Uncertain or unforeseen events

4.1 General principle

- (a) Subject to the WCIR, **Lower Murray Water** may apply to the Commission for the amendment of this Determination and/or the adjustment of the scheduled prices in Schedule 2 and/or the adjustment of the **revenue requirements** in Schedule 4 to reflect increased or decreased costs incurred by **Lower Murray Water** and/or increased (or, in the case of **prescribed services**, decreased) revenue received by **Lower Murray Water** as a result of an event which could not reasonably have been foreseen (or, in the case of **prescribed services**, was uncertain) at the time this Determination was made (an **unforeseen events application**).
- (b) Whether or not **Lower Murray Water** makes an application under clause 4.1(a), **Lower Murray Water** 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 5.3(b) in respect of an **unforeseen 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 5 in respect of **prescribed services** include:

- (i) actual licence fees or contributions payable by **Lower Murray Water** 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 **Lower Murray Water** 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 **Lower Murray Water** in one or more **regulatory years** during the **regulatory period**;
- (iv) amounts payable by **Lower Murray Water** for purchases of bulk water during a particular **regulatory year** during the **regulatory period** which differ from the forecast bulk water payments set out in annexure A for that **regulatory year**, and
- (v) 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)(v)(A);
 - (C) a **relevant tax**; or
 - (D) the Statement of Obligations,
or 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 **unforeseen events application**, the Commission will not take into account matters that:

- (i) are or should be within **Lower Murray Water's** control;
- (ii) were or should have been known by **Lower Murray Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **Lower Murray Water**;

- (iv) should be or should have been planned for or managed by **Lower Murray Water**;
- (v) reflect inefficient expenditure by **Lower Murray Water** and/or
- (vi) in the case of an application made under the **WCIR**, have a rectification cost in excess of the amount referred to in rule 43(5)(b) of the **WCIR**.

(c) Dispute resolution

Any question as to whether a matter should be taken into account by the Commission under this clause 5 will be determined by the Commission in its absolute discretion.

4.3 Procedure

(a) Application process

- (i) An **unforeseen events application** made under the **WCIR** must satisfy the requirements of rule 40 of the **WCIR**.
- (ii) An **unforeseen events application** made in respect of **prescribed services** 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 5.3(a)(i)(B); and
 - (D) details of the proposed action to be taken by the Commission under clause 5.3(b).
- (iii) The Commission may identify an event which it considers has had or may have a material impact on **Lower Murray Water's** operating and/or capital expenditure and/or revenue and may decide to take action under clause 5.3(b)

in the absence of an ***unforeseen events application*** by ***Lower Murray Water***.

- (iv) The Commission may request ***Lower Murray Water*** to provide any additional information specified by the Commission in connection with an ***unforeseen events application***.

(b) Action by the Commission

If the Commission is satisfied of the matters set out in clause 5.1(c) in respect of an ***unforeseen events application*** or an event identified by the Commission under clause 5.3(a)(ii), the Commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 or 3 and/or the revenue requirements in Schedule 4 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 ***Lower Murray Water*** may charge for ***prescribed services*** in the ***next regulatory period***.

5. Other adjustments during regulatory period

Where [in respect of a ***prescribed service***] the Commission is satisfied that:

- (a) there is a manifest and material error in this Determination;
- (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.

Schedule 1

Definitions and Interpretation

A. Definitions

ACCC pricing principles means the pricing principles for price approvals and determinations under the **WCIR** published by the Australian Competition and Consumer Commission pursuant to rule 63 of the **WCIR**.

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 services to which regulated charges apply or with **prescribed services**, charges for or prices in respect of which are either included in Schedule 2 and/or Schedule 3 or determined in accordance with the relevant pricing principles in Schedule 6.

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 2018 and ending on a date specified by the Commission.

Part 6 operator has the meaning given in the **WCIR**.

prescribed services has the meaning given in the **WIRO** and (except to the extent that the **WCIR** applies to them) includes **miscellaneous services**.

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

regulatory period means the period commencing on 1 July 2013 and ending on 30 June 2018.

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.

urban water user has the meaning given in the **WIRO**.

Water Plan has the meaning given in the **WIRO**.

WCIR means the Water Charge (Infrastructure) Rules 2010 (Cth) as at the date of this Determination.

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

WIRO means the Water Industry Regulatory Order 2012 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 (*Prescribed services to urban water users*)

This schedule should be read in conjunction with Schedule 5 and Schedule 6.

<i>Tariff and Price Component</i>	<i>Price (1 July 2013)</i>	<i>PPM Year 2</i>	<i>PPM Year 3</i>	<i>PPM Year 4</i>	<i>PPM Year 5</i>
WATER					
1.1 Water - Availability - Domestic & Non-domestic					
20mm	186.20	1.8%	1.8%	1.8%	1.8%
25mm	292.28	1.8%	1.8%	1.8%	1.8%
32mm	478.89	1.8%	1.8%	1.8%	1.8%
40mm	748.28	1.8%	1.8%	1.8%	1.8%
50mm	1169.20	1.8%	1.8%	1.8%	1.8%
65mm	1976.02	1.8%	1.8%	1.8%	1.8%
80mm	2993.24	1.8%	1.8%	1.8%	1.8%
100mm	4676.98	1.8%	1.8%	1.8%	1.8%
150mm	10523.21	1.8%	1.8%	1.8%	1.8%
1.2 Usage - Domestic					
First Tier	0.4298	1.8%	1.8%	1.8%	1.8%
Second Tier	0.7820	1.8%	1.8%	1.8%	1.8%
Third Tier	1.0050	1.8%	1.8%	1.8%	1.8%
1.3 Usage - Non Domestic					
Volumetric	0.7820	1.8%	1.8%	1.8%	1.8%
SEWERAGE					
1.5 Sewerage - Domestic & Non-domestic					
Availability	439.35	1.8%	1.8%	1.8%	1.8%
1.6 Trade Waste					
Minor Trade Waste	61.26	1.8%	1.8%	1.8%	1.8%
Miscellaneous Minor Trade Waste Flow Charge*	0.7790	0.0%	0.0%	0.0%	0.0%
Septic Tank Effluent Disposal*	7.1444	0.0%	0.0%	0.0%	0.0%
Wimmera Mallee Pipeline (Back wash water discharging)	0.7585	1.8%	1.8%	1.8%	1.8%
Trade Waste Establishment Fees*	3898.32	0.0%	0.0%	0.0%	0.0%

MISCELLANEOUS CHARGES

1.7 Urban

Subdivision Processing Fee - Water/Sewerage	16.81	0.0%	0.0%	0.0%	0.0%
Subdivision Processing Fee – Overall*	35.36	0.0%	0.0%	0.0%	0.0%
Tappings					
- 20mm	356.70	0.0%	0.0%	0.0%	0.0%
- 25mm	535.06	0.0%	0.0%	0.0%	0.0%
- 32mm	951.22	0.0%	0.0%	0.0%	0.0%
- 40mm	1070.12	0.0%	0.0%	0.0%	0.0%
Inspection fee (additional to tapping)	59.45	0.0%	0.0%	0.0%	0.0%
Special meter read	41.61	0.0%	0.0%	0.0%	0.0%
New connections					
- standard residential	130.79	0.0%	0.0%	0.0%	0.0%
- non-standard residential	178.35	0.0%	0.0%	0.0%	0.0%
- small industrial.commercial	178.35	0.0%	0.0%	0.0%	0.0%
- large industrial.commercial	356.70	0.0%	0.0%	0.0%	0.0%
Fire service Tappings (100 dia AC/UPVC)					
- 25mm	283.93	0.0%	0.0%	0.0%	0.0%
- 32mm	371.05	0.0%	0.0%	0.0%	0.0%
- 40mm	426.41	0.0%	0.0%	0.0%	0.0%
Fire service Tappings (150 dia AC/UPVC)					
- 25mm	289.05	0.0%	0.0%	0.0%	0.0%
- 32mm	381.30	0.0%	0.0%	0.0%	0.0%
- 40mm	430.51	0.0%	0.0%	0.0%	0.0%
Information statement fee	83.02	0.0%	0.0%	0.0%	0.0%
Non-core miscellaneous services	Actual Cost				

1.8 New Customer Contributions

Water (per lot)

Category one charge - Lot size <= 750 sq m	996.9	37.4%	27.2%	0.0%	0.0%
Category one charge - Lot size > 750 sq m	1993.84	37.4%	27.2%	0.0%	0.0%

Sewer (per lot)

Category one charge - Lot size <= 750 sq m	803.35	22.3%	18.0%	0.0%	0.0%
Category one charge - Lot size > 750 sq m	1606.72	22.3%	18.3%	0.0%	0.0%

Schedule 3

Prices (services to users other than *urban water users*)

This schedule should be read in conjunction with Schedule 5 and Schedule 6.

<i>Tariff and Price Component</i>		<i>Price (1 July 2013)</i>
Irrigation		
2.1 Mildura Irrigation		
Delivery Share Fee	DS	536.71
Metered Usage Charge (Formerly "Delivery Fee")	ML	47.89
GMW Entitlement Storage Fee Murray Basin HR	ML/Ent	11.05
GMW Entitlement Storage Fee Murray Basin LR	ML/Ent	5.02
GMW Entitlement Storage Fee Goulburn Basin HR	ML/Ent	7.64
GMW Entitlement Storage Fee Goulburn Basin LR	ML/Ent	3.92
GMW Above Entitlement Storage Fee (Formerly "Spillable Water Charge")	ML	5.02
DEPI Water Share Fee	Share	12.55
Service Fee	Ass	100.00
Casual User Fee	DS	536.71
Excess Water Charge	ML	1 000.00
2.2 Mildura Unmetered Domestic & Stock		
D&S Unmetered	Cust	444.00
Service Fee	Ass	100.00
2.3 Mildura High Pressure Irrigation		
Delivery Share Fee	DS	605.54
Metered Usage Charge (Formerly "Delivery Fee")	ML	88.64
GMW Entitlement Storage Fee Murray Basin HR	ML/Ent	11.05
GMW Entitlement Storage Fee Murray Basin LR	ML/Ent	5.02
GMW Entitlement Storage Fee Goulburn Basin HR	ML/Ent	7.64
GMW Entitlement Storage Fee Goulburn Basin LR	ML/Ent	3.92
GMW Above Entitlement Storage Fee (Formerly "Spillable Water Charge")	ML	5.02
DEPI Water Share Fee	Share	12.55
Service Fee	Ass	100.00
Casual User Fee	DS	605.54
Excess Water Charge	ML	1 000.00

2.4 Merbein Irrigation

Delivery Share Fee	DS	368.91
Metered Usage Charge (Formerly "Delivery Fee")	ML	44.90
GMW Entitlement Storage Fee Murray Basin HR	ML/Ent	11.05
GMW Entitlement Storage Fee Murray Basin LR	ML/Ent	5.02
GMW Entitlement Storage Fee Goulburn Basin HR	ML/Ent	7.64
GMW Entitlement Storage Fee Goulburn Basin LR	ML/Ent	3.92
GMW Above Entitlement Storage Fee (Formerly "Spillable Water Charge")	ML	5.02
DEPI Water Share Fee	Share	12.55
Service Fee	Ass	100.00
Casual User Fee	DS	368.91
Excess Water Charge	ML	1 000.00

2.5 Merbein Unmetered Domestic & Stock

D&S Unmetered	Cust	444.00
Service Fee	Ass	100.00

2.6 Red Cliffs Irrigation

Delivery Share Fee	DS	453.90
Metered Usage Charge (Formerly "Delivery Fee")	ML	45.69
GMW Entitlement Storage Fee Murray Basin HR	ML/Ent	11.05
GMW Entitlement Storage Fee Murray Basin LR	ML/Ent	5.02
GMW Entitlement Storage Fee Goulburn Basin HR	ML/Ent	7.64
GMW Entitlement Storage Fee Goulburn Basin LR	ML/Ent	3.92
GMW Above Entitlement Storage Fee (Formerly "Spillable Water Charge")	ML	5.02
DEPI Water Share Fee	Share	12.55
Service Fee	Ass	100.00
Casual User Fee	DS	453.90
Excess Water Charge	ML	1 000.00

2.7 Red Cliffs Unmetered Domestic & Stock

D&S Unmetered	Cust	444.00
Service Fee	Ass	100.00

2.8 Robinvale Irrigation

Delivery Share Fee	DS	903.82
Metered Usage Charge (Formerly "Delivery Fee")	ML	69.73
GMW Entitlement Storage Fee Murray Basin HR	ML/Ent	11.05
GMW Entitlement Storage Fee Murray Basin LR	ML/Ent	5.02
GMW Entitlement Storage Fee Goulburn Basin HR	ML/Ent	7.64
GMW Entitlement Storage Fee Goulburn Basin LR	ML/Ent	3.92
GMW Above Entitlement Storage Fee (Formerly "Spillable Water Charge")	ML	5.02
DEPI Water Share Fee	Share	12.55

Service Fee	Ass	100.00
Casual User Fee	DS	903.82
Excess Water Charge	ML	1 000.00

2.9 Robinvale Unmetered Domestic & Stock

D&S Unmetered	Cust	444.00
Service Fee	Ass	100.00

Drainage

2.10 Mildura Drainage

Drainage Div 1	DS	50.82
Drainage Div 2	DS	38.11
Drainage Div 3	DS	25.41
Drainage Div 4	DS	12.70

2.11 Merbein Drainage

Drainage Div 1	DS	90.48
Drainage Div 2	DS	67.86
Drainage Div 3	DS	45.23
Drainage Div 4	DS	22.62

2.12 Red Cliffs Drainage

Drainage Div 1	DS	90.89
Drainage Div 2	DS	68.16
Drainage Div 3	DS	45.44
Drainage Div 4	DS	22.72

2.13 Robinvale Drainage

Drainage Div 1	DS	83.82
Drainage Div 2	DS	62.87
Drainage Div 3	DS	41.91
Drainage Div 4	DS	20.95

Domestic & Stock

2.14 Millewa Rural (Irrigation)

Metered Usage Charge (Formerly "Delivery Fee")	kL	0.18
Service Fee	Ass	100.00
Rural Access - House	Connection	520.75
Rural Access - Scrubland	ha	0.54
Rural Access - Stock	ha	2.14

2.15 Millewa Urban (Irrigation)

Metered Usage Charge (Formerly "Delivery Fee")	kL	0.52
Service Fee	Ass	100.00
Urban Access - No Offtake	Connection	260.37
Urban Access - Offtake	Connection	520.75

2.16 Other Domestic & Stock (Irrigation)

Connection Charge (Pipeline)	Connection	282.09
Delivery (Pipeline)	ML	385.07
Service Fee	Ass	100.00

Licensing**2.17 Diversions (Irrigation)**

Water Registration - Domestic and Stock	Licence	132.79
Operational Fee	ML/AUL	2.13
GMW Entitlement Storage Fee Murray Basin HR	ML/Ent	11.05
GMW Entitlement Storage Fee Murray Basin LR	ML/Ent	5.02
GMW Entitlement Storage Fee Goulburn Basin HR	ML/Ent	7.64
GMW Entitlement Storage Fee Goulburn Basin LR	ML/Ent	3.92
GMW Above Entitlement Storage Fee (Formerly "Spillable Water Charge")	ML	5.02
DEPI Water Share Fee	Share	12.55
Service Fee	Ass	100.00
Excess Water Charge	ML	1 000.00
Special from lake Cullulleraine		
Surcharge - Fixed	ML	6.26
Surcharge - Variable	ML	6.09

2.18 Miscellaneous Fees and Charges

Actual Cost

2.19 Irrigation Termination Fees

Actual Cost

2.20 Drainage Termination Fees

Actual Cost

Schedule 4

Calculation of revenue requirements for each regulatory year

This schedule should be read in conjunction with clause 2.3(d) and Schedule 3.

Revenue requirements for regulatory years

\$2013-14

<i>Regulatory year</i>	<i>Calculation of revenue requirements</i>
Where t = 2013-14,	$rev_t = \$19.530 \text{ million}$
Where t = 2014-15,	$rev_t = \$19.678 \text{ million} * cpir_t$
Where t = 2015-16,	$rev_t = \$20.162 \text{ million} * cpir_t$
Where t = 2016-17,	$rev_t = \$20.647 \text{ million} * cpir_t$
Where t = 2017-18,	$rev_t = \$21.147 \text{ million} * cpir_t$

where

$cpir_t$ 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 2013

Schedule 5

Application of prices

5.1 Urban water usage – domestic customers

Lower Murray Water's usage tiers are structured as follows:

	<u>1 Apr – 30 Sept</u>	<u>1 Oct – 31 Mar</u>
First Tier	0-50kL per quarter	0-100 kL per quarter
Second Tier	51-100 kL per quarter	101-200 kL per quarter
Third Tier	Over 100 kL per quarter	Over 200 kL per quarter

5.2 Urban sewerage and minor trade waste – domestic and non-domestic customers

Lower Murray Water's fixed sewerage and minor trade waste charge is derived from the unit or availability charge and is calculated as set out below:

<i>Customer Class</i>	<i>Application formula</i>
Residential	
Residential	Base charge multiplied by cistern factor (usually 1)
Vacant land	Base charge multiplied by cistern factor (usually 0.5)
Flats/units	Base charge multiplied by cistern factor (usually 1)
Non-residential	
Municipal/recreation	Base charge multiplied by cistern factor (usually 1)
Schools/churches	Base charge multiplied by cistern factor (usually 1)
Commercial/industrial	Base charge multiplied by cistern factor (usually 1)
Vacant commercial	Base charge multiplied by cistern factor (usually 0.5)
Holiday flats/backpackers	Base charge multiplied by one plus the number of rooms (or a load factor of 0.375) (a)
Hotel/motel/guest houses	Base charge multiplied by one plus the number of rooms (or a load factor of 0.150)
Hotels with accommodation	Base charge multiplied by one plus a cistern factor plus the number of rooms (or a load factor of 0.150) (b)
Caravan parks —inner	Base charge multiplied by one plus the number of powered sites (or a load factor of 0.300) (c)
Public hospitals/nursing homes	Base charge multiplied by the sum of the cistern factor, the number of medical/surgical beds and the number of nursing psychiatric and geriatric beds (d)
Private hospitals/nursing homes	Base charge multiplied by the sum of the cistern factor, the number of medical/surgical beds and the number of nursing psychiatric and geriatric beds (d)
Caravan parks-outer	Base charge multiplied by one plus the number of powered sites (or a load factor of 0.300) (c)

Note: Cistern factor is defined as the number of cisterns divided by 5. **a** For Holiday Flats if a Manager occupies one flat, number is reduced by one. For backpackers the equivalent number of rooms is calculated by the number of persons that can be accommodated divided by 2.5 (Number if not reduced if owner/manager is on site). **b** For hotels with accommodation rooms are counted as well as cisterns associated with the Bars, Dining room etc. **c** The number of powered sites includes on site vans, cabins and powered sites. **d** Add the surgery/chemotherapy type beds (divided by 3) to the medical bed count. Apply the full cistern count to those cisterns associated with residential and miscellaneous (for example, common room, nurses home, office, pathology, X-ray, ED etc). Cistern count includes those cisterns not associated with the wards or operating theatres etc. Stand alone nursing homes & hostels with communal kitchen/dining facilities count bed numbers only not cisterns.

5.3 Urban day labour construction – security amount

The security amount is refunded when the construction is finished, analysed and a refund given if the up front amount paid (based on an estimate of cost of construction) was greater than the actual cost of construction. The security amount is used if the actual construction cost is greater than the original estimate paid up front by the developer.

5.4 Rural irrigation and diversions – delivery share

Lower Murray Water's Delivery Share tariff is applied to a customer's Delivery Share over a 14 day period, calculated as 12 per cent of a customer's water entitlement in the absence of any prior arrangement otherwise.

5.5 Rural services - transfer of water entitlement

Application and certificate fees are set by the Water (Permanent Transfer of Water Right) Regulation 2001.

5.6 Rural drainage services – divisions

Drainage divisions are categorised as:

- Division 1: Full rate. Greater than two thirds capable of being drained directly into the Corporation's system.
- Division 2: Three quarter rate. Between half and two thirds capable of being drained directly into the Corporation's system.
- Division 3: Half rate. Between quarter and half capable of being drained directly into the Corporation's system.
- Division 4: Quarter rate. Less than one quarter capable of being drained directly into the Corporation's system.

5.7 Inclining block tariffs

Where multiple customers are being serviced by a single meter, the consumption tiers will be applied on a pro-rata basis.

5.8 Miscellaneous fees and charges

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

Miscellaneous service	Definition
Information Statement Fee (includes one meter reading)	Sec 158(i) of the Water Act 1989 states that any person may apply to LMW for an information statement in relation to any land that is within a district of the LMW or its area of interest. These are requested as part of the sale of properties for information LMW has relating to a particular property. The fee includes one meter reading.
Fire service charge	The fire service charge is an access charge for private fire services. LMW maintains the service point which includes the annual re-sealing of service program.
Fire Service Tapping Fee	This fee covers the installation of a fire service tapping band and ferrule to LMW's system.
Fire Service Information Fee	Provision of flow and pressure data.
Special Meter Read Fee	The fee is payable for any meter reading in addition to LMW's normal four scheduled readings i.e. Residential Tenancies and Solicitor Readings
New Connection Standard Residential	This is an administration fee for handling the administration of organising the connection, creating the property file etc.
Tappings 20mm Meter	This fee covers the installation of a tapping band and ferrule to LMW system. The plumber is required to excavate around LMW's main with adequate clearance to enable LMW to install a tapping band and ferrule. The plumber is responsible for backfilling, road opening fees and permits and safety of the site.
Subdivision Processing Fee - Water/Sewerage	This is an administration fee for investigation, correspondence and administration associated with the compliance of processing a subdivision, including setting requirements and conditions for the subdivision to occur.
Sewer Point Construction	Provision of an additional sewer point as a result of subdivision.
Inspection Fee	Inspection of connections to LMW infrastructure by contractors.

Schedule 6

Pricing principles

6.1 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 **Lower Murray Water** 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 **Lower Murray Water** or pursuant to other Government policies that apply to **Lower Murray Water** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

6.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 and Schedule 3 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 (LRMC) 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.

6.3 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:

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

where:

r = estimated pre-tax WACC

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

Gifted Assets

Lower Murray Water can require developers to provide and gift to **Lower Murray Water** specified assets as a condition of connection, provided that **Lower Murray Water**

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

6.4 Pricing principles for miscellaneous services not included in Schedule 2 or Schedule 3

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.

6.5 Guidelines

Lower Murray Water 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.

6.6 Pricing principles for termination fees

Lower Murray Water may apply termination fees to irrigation customers who surrender delivery entitlements during the *regulatory period*.

Any termination fee levied by *Lower Murray Water* must be calculated and applied in accordance with Schedule E Protocol (Access, Exit and Termination Fees) of the Murray-Darling Basin Agreement.

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

Date: 2 June, 2013



Dr Ron Ben-David
Chairperson



Annexure A

Table 1 **Weighted average cost of capital**
(per cent)

<i>Post tax WACC</i>	<i>Implied pre-tax WACC</i>
4.5	4.5

Table 2 **Benchmark revenue requirement – urban**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Operating expenditure	19.1	19.2	19.6	19.2	19.3
Return on existing assets	6.1	5.8	5.6	5.3	5.1
Return on new investments	0.3	0.9	1.3	1.6	1.8
Regulatory depreciation	5.2	5.8	6.2	6.4	6.7
Non prescribed revenue off-set	0.3	0.3	0.3	0.3	0.3
Total	30.4	31.4	32.3	32.2	32.6

Table 3 **Updated regulatory asset base – urban**
\$m 2012-13

	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
Opening RAB	69.8	72.2	77.2	120.8	126.9
<i>Plus</i> Gross capital expenditure	10.3	11.2	49.3	14.1	12.4
<i>Less</i> Government contributions	2.5	1.4	0.0	1.9	0.0
<i>Less</i> Customer contributions	1.8	1.1	1.6	1.6	1.4
<i>Less</i> Proceeds from disposals	0.4	0.5	0.4	0.6	0.6
<i>Less</i> Regulatory depreciation	3.3	3.2	3.8	3.9	4.2
Closing RAB	72.2	77.2	120.8	126.9	133.1

Table 4 **Rolled forward regulatory asset base – urban**
\$m 2012-13

	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Opening RAB	133.1	137.4	146.8	152.1	154.5	152.9
<i>Plus</i> Gross capital expenditure	10.9	15.9	12.5	10.2	6.5	8.9
<i>Less</i> Government contributions	0.0	0.0	0.0	0.0	0.0	0.0
<i>Less</i> Customer contributions	1.6	0.7	0.9	1.1	1.1	1.1
<i>Less</i> Proceeds from disposals	0.6	0.6	0.6	0.6	0.6	0.6
<i>Less</i> Regulatory depreciation	4.4	5.2	5.8	6.2	6.4	6.7
Closing RAB	137.4	146.8	152.1	154.5	152.9	153.3

Table 5 **Approved licence fee and environmental contribution assumptions – urban**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Essential Services Commission licence fee	0.04	0.04	0.04	0.04	0.05
Department of Human Services licence fee	0.02	0.02	0.02	0.02	0.02
Environment Protection Authority licence fee	0.03	0.03	0.03	0.03	0.03
Environmental contribution	1.18	1.15	1.12	1.09	1.06

Table 6 **Benchmark revenue requirement – rural**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Operating expenditure	21.1	21.0	21.2	21.3	21.3
Return on existing assets	3.0	2.9	2.8	2.7	2.6
Return on new investments	0.4	1.0	1.2	1.3	1.3
Regulatory depreciation	2.2	2.5	2.5	2.5	2.5
Total	26.7	27.3	27.6	27.8	27.8

Table 7 **Updated regulatory asset base – rural**
\$m 2012-13

	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
Opening RAB	9.2	21.8	35.6	52.6	56.4
<i>Plus</i> Gross Capital expenditure	25.4	26.3	20.5	5.9	7.6
<i>Less</i> Government contributions	12.0	4.2	1.1	0.0	0.2
<i>Less</i> Customer contributions	0.1	7.1	0.9	0.3	0.0
<i>Less</i> Proceeds from disposals	0.4	0.5	0.4	0.4	0.5
<i>Less</i> Regulatory depreciation	0.4	0.8	1.1	1.3	1.5
Closing RAB	21.8	35.6	52.6	56.4	61.8

Table 8 **Rolled forward regulatory asset base – rural**
\$m 2012-13

	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Opening RAB	61.8	67.0	82.3	88.6	88.3	87.8
<i>Plus</i> Gross capital expenditure	7.0	17.8	9.1	2.5	2.3	2.4
<i>Less</i> Government contributions	0.0	0.0	0.0	0.0	0.0	0.0
<i>Less</i> Customer contributions	0.0	0.0	0.0	0.0	0.0	0.0
<i>Less</i> Proceeds from disposals	0.0	0.3	0.3	0.3	0.3	0.3
<i>Less</i> Regulatory depreciation	1.7	2.2	2.5	2.5	2.5	2.5
Closing RAB	67.0	82.3	88.6	88.3	87.8	87.3

Table 9 **Approved licence fee and environmental contribution assumptions – rural**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Essential Services Commission licence fee	0.02	0.02	0.02	0.02	0.02
Environmental contribution	0.36	0.35	0.34	0.33	0.32

Table 10 **Bulk water purchases**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Bulk water purchases – urban	0.67	0.67	0.67	0.67	0.67
Bulk water purchases – rural	7.08	7.08	7.07	7.07	7.06

Table 11 **Demand forecast**

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Water assessments (no.)					
Residential	27 251	27 529	27 807	28 087	28 371
Non-residential	7 243	7 299	7 354	7 410	7 465
Total	34 494	34 828	35 161	35 497	35 836
Sewerage assessments (no.)					
Residential	24 892	25 170	25 448	25 728	26 012
Non-residential	4 618	4 683	4 748	4 813	4 878
Total	29 511	29 854	30 197	30 542	30 891
Billable water consumption (ML)					
Residential	13 149	13 236	13 324	13 412	13 502
Non-residential	3 394	3 420	3 446	3 472	3 498
Total	16 543	16 656	16 770	16 884	17 000

Table 12 **Key capital projects and programs – urban**

Projects	<i>Expected completion date</i>
None	
Programs	
Mildura water supply strategy	Ongoing
Water and sewerage main renewals	Ongoing
Water treatment plants quality improvements	Ongoing
Water treatment plants PLC replacements	Ongoing
Red Cliffs water treatment plant upgrade	Ongoing

Table 13 **Key capital projects and programs – rural**

Projects	<i>Expected completion date</i>
None	
Programs	
Mildura irrigation system essential replacements and overhauls	Ongoing
Merbein switchboard replacement and pump overhauls	Ongoing
Automatic channel control at Red Cliffs and Merbein	Ongoing
Red Cliffs switchboard replacement and pump overhauls	Ongoing
Irrigation meter replacement program	Ongoing
Irrigation pipeline and minor replacement	Ongoing