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METROPOLITAN MELBOURNE WATER PRICE REVIEW 2013

CITY WEST WATER DETERMINATION

1 JULY 2013 – 30 JUNE 2018

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1. General

1.1 Introduction

- (a) 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.
- (b) On 21 June 2013, the Commission made its decision under the **WIRO** in respect of:
 - (i) the prices which City West Water Corporation (trading as City West Water) (ABN 70 066 902 467) (**City West Water**) may charge for **prescribed services** during the **regulatory period**; and
 - (ii) the standards and conditions of service and supply which **City West Water** has included in its **Water Plan**.
- (c) This Determination is made by the Commission under section 33 of the **ESC Act**, pursuant to clause 8 of the **WIRO**.
- (d) 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) specify the prices which **City West Water** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated or otherwise determined;

- (iii) facilitate the achievement of the Commission's objectives in the **ESC Act** and the **WI Act**; and
- (iv) reflect the requirements in the **WIRO**.

1.2 Application

This Determination applies to **City West Water** and its successors and assigns in respect of the business carried on by **City West 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(b)(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 **City West 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 **City West Water**, extend or reduce the time by which, or the period within which, **City West 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, 5 and 6 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 (or, where only used within a clause, the meaning given upon their first use); 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 **City West 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 **Code** which will be provided by **City West 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**

City West Water must not charge more than:

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

(b) **Application principles**

The application principles in Schedule 3 will apply to the prices charged by **City West Water** in respect of **prescribed services** during the **regulatory period**.

(c) **Pricing principles**

During the **regulatory period**, **City West Water** must apply the pricing principles in Schedule 4 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 4 relate.

2.2 Operational matters

(a) **Contracts**

Where **City West Water** has entered into a **relevant contract** which relates to the provision of **prescribed services** prior to 1 July 2013, **City West 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 (as adjusted in accordance with this Determination) or the prices determined in accordance with the pricing principles in Schedule 4 will apply for the remainder of the **regulatory period**.

(b) **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.

(c) **Publication**

City West Water must publish a list 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 list 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)).

(d) **GST**

City West 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 applying under this Determination only by reason of the levying of a charge on account of **GST**.

2.3 Annual adjustment of prices

(a) **Adjustment**

Subject to Schedule 2 and (in the event of a change in desalination costs to **City West Water** including by the making of a desalination water order in respect of a particular **regulatory year**) Schedule 5, 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(b)(i) and the procedure in clause 2.3(c), and will apply to the **prescribed services** to which the scheduled prices in Schedule 2 relate in that **regulatory year**.

(b) **Formula**

- (i) Subject to Schedule 2 and if applicable Schedule 5, 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(b)(i) or the formulas in Schedule 5 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.

(c) **Adjustment procedure**

- (i) At least 30 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period**, **City West Water** must submit its calculation of maximum prices for the **prescribed services** referred to in clause 2.3(a) to apply in that subsequent **regulatory year** (the **revised schedule prices**) to the Commission for approval, together with sufficient information to enable the Commission to assess whether those maximum prices comply with this Determination.
- (ii) The Commission will approve the **revised schedule prices** if it considers that they have been calculated in accordance with the formula set out in clause 2.3(b)(i).
- (iii) The Commission will be deemed to have approved the **revised schedule prices** if it has not provided notice under clause 2.3(c)(iv) to **City West Water** within 20 **business days** from the date of its receipt of the submitted calculation of the **revised schedule prices**.
- (iv) If the Commission does not approve the **revised schedule prices**, the Commission:
 - (A) will provide notice to **City West Water** (including a statement of its reasons);

- (B) may request **City West Water** to provide any additional information specified by the Commission;
- (C) will take any additional information provided by **City West Water** into account; and
- (D) will determine the **revised schedule prices**.

2.4 Price changes during a billing period

(a) Application of this clause

This clause 2.4 applies where **City West 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

City West 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) **City West 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 **City West Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **City West Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 4 relate, **City West Water** must, within 30 **business days** of the date of the **new contract**, 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 **City West 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 **City West 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, **City West 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

- (a) **Amendment proposals**
- (i) **City West Water** may apply to the Commission in accordance with this clause 3 for the amendment of the prescribed price movements and/or price components included in Schedule 2 for the following **regulatory year** (the **relevant regulatory year**) and all subsequent **regulatory years** remaining in the **regulatory period** (the **revised tariff schedule**).
 - (ii) **City West Water** must apply to the Commission pursuant to clause 3(a)(i) for amendment of prescribed price movements and/or price components in respect of trade waste set out included in Schedule 2 within 80 **business days** of a request by the Commission to do so.
 - (iii) **City West Water** must apply to the Commission pursuant to clause 3(a)(i) for amendment of the prescribed price movements and/or price components in respect of recycled water set out included in Schedule 2 within 80 **business days** of each change in the level of water restrictions.

- (iv) The average price movement for the **relevant regulatory year** and for 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 otherwise have 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 **City West 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 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 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 would have been 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** $t-2$

(b) **Amendment procedure**

(i) An application by **City West Water** under this clause 3 must be received by the Commission at least 80 **business days** prior to the commencement of the **relevant regulatory year** (unless it is also pursuant to clause 3(a)(ii) or (iii)) and must be accompanied by the following information:

- (A) (1) a clearly articulated new tariff strategy that is consistent with the regulatory principles in clause 14(1)(a) of the **WIRO** (the **revised tariff strategy**); or
- (2) an explanation of how the **revised tariff schedule** is consistent with the tariff strategy for **City West Water** approved by the Commission in connection with this Determination,
- (the **relevant tariff strategy**);
- (B) a **revised tariff schedule** that specifies proposed prices for the **relevant regulatory year** and prescribed price movements for each subsequent **regulatory year** in the **regulatory period** that is consistent with the **relevant tariff strategy**;
- (C) a statement setting out evidence demonstrating that **City West Water** has provided information to its customers explaining the **revised tariff schedule** and how it relates to the **relevant tariff strategy** and has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
- (D) a statement setting out the customer impacts resulting from the **revised tariff strategy** and actions proposed by **City West Water** to address these customer impacts; and
- (E) an explanation of the calculation of the relevant quantities “ q_{t-2}^{ij} ”.

- (ii) The Commission may approve the **revised tariff schedule** submitted by **City West Water** under this clause 3 if it is satisfied that:
- (A) **City West Water** has complied with clause 3(b)(i)(A);
 - (B) the average price movements calculated in accordance with the **revised tariff schedule** comply with the formula in clause 3(a)(iv);
 - (C) the **revised tariff schedule** is consistent with the **relevant tariff strategy**;
 - (D) **City West Water** has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
 - (E) **City West Water** has effectively addressed customer impacts resulting from the **revised tariff schedule**; and
 - (F) the basis for calculating the relevant quantities “ q_{t-2}^{ij} ” is reasonable.
- (iii) In determining whether it will approve the **revised tariff schedule**, the Commission may request **City West Water** to provide any additional information specified by the Commission and/or to resubmit any of the matters in clause 3(b)(i)(A)-(E).
- (iv) For the avoidance of doubt, the Commission will be deemed to have not approved a **revised tariff schedule** if it has not provided notice to **City West Water** within 40 **business days** from the date of its receipt of **City West Water’s** application under this clause 3.
- (v) An approved **revised tariff schedule** will be taken to amend Schedule 2 to the extent of any inconsistency.

4. Uncertain or unforeseen events

4.1 General principle

- (a) **City West Water** may apply to the Commission for the amendment of this Determination and/or the adjustment of the scheduled prices in Schedule 2 to reflect increased or decreased costs incurred by **City West Water** and/or increased or decreased revenue received by **City West Water** as a result of events which were uncertain or unforeseen at the time this Determination was made (an **uncertain events application**).
- (b) Whether or not **City West Water** makes an application under clause 4.1(a), **City West 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 4.3(b) in respect of an **uncertain 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 4 include:

- (i) actual licence fees or contributions payable by **City West 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 **City West 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 **City West Water** in one or more **regulatory years** during the **regulatory period**; and
- (iv) 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) or regulations made under any of them;
 - (B) any licence issued pursuant to any of the Acts referred to in clause 4.2(a)(iv)(A);
 - (C) a **relevant tax**; or
 - (D) the Statement of Obligations, or
 - (E) 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 **uncertain events application**, the Commission will not take into account matters that:

- (i) are or should be within **City West Water's** control;
- (ii) were or should have been known by **City West Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **City West Water**;
- (iv) should be or should have been planned for or managed by **City West Water**; and/or
- (v) reflect inefficient expenditure by **City West Water**.

(c) **Dispute resolution**

Any question as to whether a matter should be taken into account by the Commission under this clause 4 will be determined by the Commission in its absolute discretion.

4.3 Procedure

(a) Application process

- (i) An **uncertain events application** must be accompanied by a statement setting out:
 - (A) the details of the 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 4.3(a)(i)(B); and
 - (D) details of the proposed action to be taken by the Commission under clause 4.3(b).
- (ii) The Commission may identify an event or events which it considers has had or may have a material impact on **City West Water's** operating and/or capital expenditure and/or revenue and may decide to take action under clause 4.3(b) in the absence of an **uncertain events application** by **City West Water**.
- (iii) The Commission may request **City West Water** to provide any additional information specified by the Commission in connection with an **uncertain events application**.

(b) Action by the Commission

If the Commission is satisfied of the matters set out in clause 4.1(c) in respect of an **uncertain events application** or an event identified by the Commission under clause 4.3(a)(ii), the Commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 and/or the revenue requirements in Schedule 4 with effect from a date and 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 ***City West Water*** may charge for ***prescribed services*** in the ***next regulatory period***.

5. Material error and unintended consequences

Where 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.

6. Pass-through of changed Melbourne Water prices in fourth and fifth regulatory years

Where the Commission:

- (a) makes a price determination for storage operator and bulk water services supplied by Melbourne Water Corporation for some or all of the period from 1 July 2016; and
- (b) declares that such price determination provides for different prices to be charged to ***City West Water*** from those assumed in the making this Determination;

the Commission may decide to amend this Determination, specify a price adjustment and/or specify a mechanism for making a price adjustment, provided that it is satisfied that such amendment and/or price adjustment takes or will take into account the interests of customers.

Schedule 1 – Definitions and Interpretation

A. Definitions

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 **prescribed services**, prices in respect of which are either included in Schedule 2 or determined in accordance with the relevant pricing principles in Schedule 4,

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.

prescribed services has the meaning given in the **WIRO** and 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.

Water Act means the *Water Act 1989* (Vic).

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

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 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

This schedule should be read in conjunction with Schedule 3 and Schedule 4. Variable water, wastewater and trade waste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

<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>
2.1 Scheduled fixed potable water prices					
Residential water tariff					
Service charge (per annum)	223.56	0.0%	0.0%	0.0%	0.0%
Non-residential water tariff					
Service charge (per annum)	325.64	0.0%	0.0%	0.0%	0.0%
Common water tariff					
Service charge (per annum)	223.56	0.0%	0.0%	0.0%	0.0%
2.2 Scheduled volumetric potable water prices					
Residential water tariff					
Usage charge (per kL)					
Block 1 (0-440 litres/day)	2.3424	0.0%	0.0%	0.0%	0.0%
Block 2 (>440-880 litres/day)	2.7486	0.0%	0.0%	0.0%	0.0%
Block 3 (>880 litres/day)	4.0609	0.0%	0.0%	0.0%	0.0%
Non-residential water tariff					
Usage charge	2.6002	0.0%	0.0%	0.0%	0.0%
Usage charge – Little River bulk (per kL)	2.5876	0.0%	0.0%	0.0%	0.0%
Common water tariff					
Usage charge (per kL)	2.5876	0.0%	0.0%	0.0%	0.0%
2.3 All other scheduled prices					
Recycled water					
Residential - service charge (per annum)	28.54	0.0%	0.0%	0.0%	0.0%
Residential - usage charge (per kL)	2.3424	0.0%	0.0%	0.0%	0.0%
Non-residential - usage charge (per kL)	2.2102	0.0%	0.0%	0.0%	0.0%
Residential sewerage tariff					
Sewer service charge (per annum)	244.85	0.0%	0.0%	0.0%	0.0%

Sewerage disposal charge (per kL)	1.7808	0.0%	0.0%	0.0%	0.0%
Non-residential sewerage tariff					
Sewer service charge (per annum)	432.42	0.0%	0.0%	0.0%	0.0%
Sewage disposal charge (per kL)	1.7329	0.0%	0.0%	0.0%	0.0%
Common sewerage tariff					
Sewerage service charge (per annum)	244.85	0.0%	0.0%	0.0%	0.0%
Sewage disposal charge (per kL)	1.7664	0.0%	0.0%	0.0%	0.0%
Trade waste charges					
Volume (per kL)	0.9332	0.0%	0.0%	0.0%	0.0%
Biochemical Oxygen Demand (per kg)	0.9346	0.0%	0.0%	0.0%	0.0%
Suspended Solids (per kg)	0.5064	0.0%	0.0%	0.0%	0.0%
Total Kjeldahl Nitrogen (per kg)	1.7985	0.0%	0.0%	0.0%	0.0%
Inorganic Total Dissolved Solids (per kg)	0.0184	0.0%	0.0%	0.0%	0.0%
Trade waste – application fees					
Risk Rank 1	1990.29	0.0%	0.0%	0.0%	0.0%
Risk Rank 2	1990.29	0.0%	0.0%	0.0%	0.0%
Risk Rank 3	1990.29	0.0%	0.0%	0.0%	0.0%
Risk Rank 4	547.73	0.0%	0.0%	0.0%	0.0%
Risk Rank 5	285.25	0.0%	0.0%	0.0%	0.0%
Trade waste – agreement fees					
Risk Rank 1	17440.91	0.0%	0.0%	0.0%	0.0%
Risk Rank 2	14466.67	0.0%	0.0%	0.0%	0.0%
Risk Rank 3	7263.00	0.0%	0.0%	0.0%	0.0%
Risk Rank 4	1586.30	0.0%	0.0%	0.0%	0.0%
Risk Rank 5	301.22	0.0%	0.0%	0.0%	0.0%
Trade waste – food waste charges					
Hospitals and other institutions (per bed)	49.36	0.0%	0.0%	0.0%	0.0%
New customer contributions					
Water (standard charge, all zones, per lot)					
All Lot sizes	640.64	0.0%	0.0%	0.0%	0.0%
Sewerage (standard charge, all zones, per lot)					
All Lot sizes	640.64	0.0%	0.0%	0.0%	0.0%
West Werribee zone recycled water (per lot)					
Category one charge - Lot size < 450 sq m	768.76	66.7%	40.0%	22.9%	0.0%
Category two charge - Lot size ≥450 sq m	1998.79	10.3%	0.0%	0.0%	0.0%
Greek Hill zone recycled water (per lot)					
Category one charge - Lot size < 450 sq m	768.76	66.7%	40.0%	22.9%	0.0%
Category two charge - Lot size ≥450 sq m	1998.79	10.3%	0.0%	0.0%	0.0%

Holden zone recycled water (per lot)

Category one charge - Lot size < 450 sq m	768.76	66.7%	40.0%	28.6%	8.9%
Category two charge - Lot size ≥450 sq m	1998.79	10.3%	9.3%	4.3%	0.0%

Core miscellaneous fees and charges

Information statement - electronic	16.45	0.0%	0.0%	0.0%	0.0%
Information statement - standard	25.86	0.0%	0.0%	0.0%	0.0%
Offer Fees - Works Offers >10 lots	2142.91	0.0%	0.0%	0.0%	0.0%
Acceptance Fees - Works Offers >10 lots	4085.89	0.0%	0.0%	0.0%	0.0%
New Water Connection - 20 mm	174.00	0.0%	0.0%	0.0%	0.0%
New Water Connection and Assembly - 20mm	444.37	0.0%	0.0%	0.0%	0.0%
Plumbing Application - standard	79.11	0.0%	0.0%	0.0%	0.0%
Plumbing Application - complex	353.68	0.0%	0.0%	0.0%	0.0%

Non-core miscellaneous services

Actual cost

Schedule 3 – Application of prices

3.1 Imposition of service charges

- (a) Subject to clause 3.1(b), **City West Water** may only impose a service charge referred to in clause 3.2 under a tariff pursuant to sections 259(1)(a), 259(2)(a) and 260 of the Water Act on the owner of the property that either:
- (i) has been declared to be a serviced property under section 144 of the Water Act; or
 - (ii) is taken to be a serviced property by clause 11 of Schedule 17 of the Water Act,

for the purpose of the relevant service to which the service charge relates.

- (b) Despite clause 3.1(a), **City West Water** may impose a separate service charge on the owner of a serviced property in respect of each separate occupancy on that property pursuant to section 259(9) of the Water Act.

- (c) For the purposes of this Schedule:

"property" means either:

- (i) in the case of land subject to the *Transfer of Land Act 1958*, land for which there is a single folio in the register; or
- (ii) in the case of general law land:
 - (A) land held in fee simple, whether by one person, tenants in common or joint tenants; or
 - (B) Crown Land, occupied by one or more persons.

"separate occupancy", as required by section 259(10) of the Water Act, means a portion of a parcel of land on which a building is erected that is occupied separately, or is obviously adapted to being occupied separately, from other land in the parcel.

3.2 Service charges only to be imposed on the owner of a connected property

(a) **City West Water** may only impose a service charge relating to:

- (i) water supply (including a supply of recycled water or for fire suppression); or
- (ii) sewerage,

under clause 3.1, if the relevant serviced property has previously been connected to **City West Water's** works that provide the service to which the service charge relates, pursuant to section 145 of the Water Act.

(b) For the sake of clarity:

- (i) for the purposes of clause 3.2(a) and section 258(1A) of the Water Act, where a serviced property is connected to **City West Water's** works, each separate occupancy on that serviced property is also deemed to be connected to **City West Water's** works, whether or not the service to which a service charge relates is delivered to the portion of the parcel of land where the separate occupancy occurs;
- (ii) for the purposes of clause 3.2(a) and section 263(A) of the Water Act, each lot of land affected by an owner's corporation is deemed to be connected to **City West Water's** works.

3.3 Transition to uniform occupancy based service charges

For the purposes of this Schedule, **City West Water** will apply the following transition factors to the service charges in Schedules 2.1 and 2.3 for each separate occupancy, as defined in clause 3.1(b) and 3.1(c), that is connected and serviced properties but that has not been receiving a service charge.

Table 1 Transition to uniform service charges

Regulatory year	Year 1	Year 2	Year 3	Year 4	Year 5
Proportion of full service charge	0%	50%	100%	100%	100%

3.4 Water usage charges

- (a) A water usage charge shall only be imposed where a meter or meters have been installed to measure the amount of water supplied to a property together with other properties or to separate occupancies.
- (b) A water usage charge shall be calculated by reference to the volume, expressed in kilolitres, or part thereof, of water supplied during a meter reading period to a property, properties or separate occupancies.

3.5 Residential property

A 'residential' property means

- (a) a property used or intended to be used primarily as a residence or residences; and
- (b) in the case of vacant land, land zoned for residential purposes.
but does not include a property used or intended to be used as:
 - (i) a guest house, motel, hotel or caravan park;
 - (ii) a farming enterprise; and
 - (iii) a residence attached to a shop or professional suites.

3.6 Non-residential property

A non-residential property is a property which is not a residential property.

3.7 Combinations of residential and non-residential property

Where a combination of residential and non-residential properties and/or occupancies are being supplied by a single meter, City West Water may use common water and sewer tariffs as specified in Schedules 2.1, 2.2 and 2.3 for usage that is not been directly attributable to individual properties or occupancies

3.8 Private extension fees

City West Water may, as a term of any agreement with the owner of a property for the supply of water from its works made under section 124(7) of the Water Act, require that owner to pay:

- (a) an annual private extension supply fee equivalent to the Service charge (per annum); and
- (b) a private extension usage fee equivalent to the Usage charge (per kL), specified in item 2.1 of Schedule 2.

3.9 Calculating the volume of sewage — residential customers

Default method

The volume of sewage discharged from a residential property or premises during a meter reading period shall, by default, be calculated according to the formula:

$$\text{Volume of Sewage} = VW \times SF \times DF$$

Where:

VW is the volume of water supplied to the property or premises, being the volume determined for the purpose of calculating a water usage charge for the same meter reading period or that volume rounded to the nearest kilolitre;

SF is the seasonal factor, which is derived from dividing:

- (a) the total number of days in the meter reading period by the sum of
- (b) the number of days which fall within each particular month within the meter reading period multiplied by the relevant seasonal index shown in Table 2 for that month for a House or a Unit

Where:

‘House’ means a building, excluding a Unit, which is used or intended to be used as a residence. ‘

Unit’ means a unit within the meaning of the *Valuation of Land Act 1960*¹, a group of units within that meaning, a building used or intended to be used for more than one residence and a part of a building used or intended to be used as one residence.

¹ Under the *Valuation of Land Act 1960* a ‘unit’ is defined as ‘a unit on a registered plan within the meaning of the *Strata Titles Act 1967*; a stratum estate within the meaning of the *Transfer of Land Act 1958*; and a building or part of a building in the exclusive occupation of a person who is entitled to occupation by virtue of being a shareholder in a company which owns the building or a tenant of such a shareholder; and a residential unit in respect of which a residence right in a retirement village under the *Retirement Villages Act 1986* is in force’.

Table 2 Seasonal indices

<i>Month</i>	<i>House</i>	<i>Unit</i>
January	1.45	1.30
February	1.45	1.30
March	1.30	1.20
April	1.30	1.10
May	1.20	1.00
June	1.00	1.00
July	1.00	1.00
August	1.00	1.00
September	1.10	1.00
October	1.10	1.10
November	1.40	1.10
December	1.40	1.20

DF is the discharge factor shown in Table 3 in respect of the 'quarterly equivalent volume of water'. The quarterly equivalent volume of water is the volume of water calculated by multiplying the volume of water supplied to or apportioned to the property or premises by 91.25 and dividing the result by the number of days in the meter reading period, except in the case of water supplied to:

- (a) a separately metered property used or intended to be used for more than one residence where those residences are not separately metered; or
- (b) to a property which is not separately metered and to which a volume of water has not been apportioned,

In which case, the quarterly equivalent volume of water is the volume of water calculated by dividing the volume of water supplied to all residences or properties sharing the meter by the number of residences or properties supplied and multiplying the result by 91.25 and dividing that result by the number of days in the meter reading period.

Table 3 Discharge factors

<i>Quarterly equivalent volume of water</i>	<i>Discharge factor</i>
Less than or equal to 125 kl	0.9
More than 125 kl and less than or equal to 250 kl	0.9 less 0.0036 per kl in excess of 125 kl
More than 250 kl	0.45

Notes: For third pipe recycled water customers, volume of water is the sum of metered potable water and metered recycled water. The formula used for calculating the volume of sewage discharges is subject to alternative methods.

Alternative methods

Where **City West Water** is satisfied that the default method is likely to 'systematically and substantially overestimate the volume of sewage discharged';

- (a) a customer can seek a customised discharge factor using the consumption history at the property to determine the percentage of water disposed to the sewer annually. In the majority of cases, the formula used to calculate the volume of sewerage differs to that applied in the default method with the seasonal factor and discharge factor replaced by the customised discharge factor
- (b) extra water meters may be installed (at the customer's own cost) to more effectively isolate the water use which is discharged to the sewerage system; or
- (c) **City West Water** may apply 'property specific' sewage disposal factors to customers that are served by a third pipe recycled water supply, or any other form of alternative water supply (eg: rainwater tanks).

The decision on whether to use an alternative method rests with the customer and **City West Water** does not guarantee a particular outcome.

3.10 Calculating the volume of sewage — non-residential customers

Default method

The volume of sewage discharged from a non-residential property or premises during a meter reading period shall, by default, be calculated according to the formula:

$$\text{Volume of Sewage} = (VW - VTW) \times DF$$

Where:

VW is the volume of water supplied to the property or premises, being the volume determined for the purpose of calculating a water usage charge for the same meter reading period or that volume rounded to the nearest kilolitre;

VTW is the volume of trade waste discharged from the property or premises in the meter reading period; and

DF is the discharge factor, which is 0.9 or a lesser figure determined by **City West Water** to result in a more accurate estimate of the volume of sewage discharged.

For most non-residential customers, the default method coupled with a discharge factor of 0.9 is used. The only exceptions are Category A or B trade waste customers who typically use water in industrial processes. In these cases a customised discharge factor will be calculated by **City West Water** to account for the volumes of water incorporated into product, lost in steam etc. This will be undertaken as part of the pricing assessment for trade waste customers.

For customers who are not Category A or B trade waste customers but do use water in industrial processes, a customised discharge factor will be calculated by **City West Water** on request.

Notes: For third pipe recycled water customers, volume of water is the sum of metered potable water and metered recycled water. The formula used for calculating the volume of sewage discharged is subject to alternative methods (see alternative methods under clause 3.6).

3.11 Assignment of trade waste risk rank

City West Water assigns all its trade waste customers a risk rank according to a risk rank algorithm.

The algorithm takes into account specific customer information and discharge characteristics including:

- customer location relative to treatment plant
- the volume of trade waste discharged
- the nature of the customer's business activity
- the nature and quality of the customer's trade waste
- the customer's compliance history, where available
- risks to personal health and safety
- risks to the sewerage system (transport or treatment)
- risks to the quality of recycled water or biosolids from the sewerage system

- risks to the environment.

City West Water may change a trade waste customer's risk rank due to the customer's changed circumstances or updated information.

3.12 Food waste charges

Food waste charges do not apply to residential premises. For hospitals and institutions the charge applies to waste discharged through a food waste unit.

3.13 Inclining block tariffs

Where multiple properties and/or occupancies are being supplied by a single meter, block allowances will be applied on a pro-rata basis.

3.14 Miscellaneous fees and charges

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

Miscellaneous service	Definition
Information statement - electronic or standard	Under the Sale of Land Act 1962 (section 32(2)(b)), vendors of property in City West Water's district are required to provide potential purchasers, prior to contract signing, with an information statement from City West Water detailing any encumbrance affecting the land (excluding those shown on land titles), any works required to be carried out or any matters outstanding and any relevant rate or charge. This information is provided in the form of a rates and encumbrance certificate.

Miscellaneous service	Definition
Offer fees - Works offers > 10 lots	<p>A development works application applies when an extension of CWW's reticulated water, recycled water or sewerage mains is required to service a property. Offer and acceptance fees cover the costs of CWW staff to process development works application. Offer Fees cover costs associated with processing an application and generating development deed/conditions of offer.</p> <p>Acceptance Fees apply when the applicant accepts the development deed/ conditions and cover staff costs associated with the subsequent developments works.</p>
Acceptance fees - Works offers >10 lots	<p>A development works application applies when an extension of CWW's reticulated water, recycled water or sewerage mains is required to service a property. Offer and acceptance fees cover the costs of CWW staff to process development works application. Offer Fees cover costs associated with processing an application and generating development deed/conditions of offer.</p> <p>Acceptance Fees apply when the applicant accepts the development deed/ conditions and cover staff costs associated with the subsequent developments works.</p>
New water connection - 20mm	<p>Under the Water Act 1989, City West Water must permit a property to be connected to the water supply or sewerage systems once an owner or occupier requests connection by notice. However, the owner must agree to meet the cost of making that connection</p> <p>Connection costs for water supply differ by connection (meter) size. The meter size can range between 20mm - 250mm. The 20mm connection cost referenced above relates to installation of a 20mm water meter.</p>
New water connection and assembly - 20mm	<p>In addition to the connection itself, as described above, CWW will also provide the associated pipework with the 20mm meter assembly, including property hose tap, dual check valve associated with a Dry Tapping installation (tapping installed by developer at time of water main installation).</p>

Miscellaneous service	Definition
Plumbing application	<p>Before undertaking any plumbing works a property owner must obtain City West Water's consent. Building plans must be submitted with the application where external building works are involved (i.e. new building or extension).</p> <p>An application fee is required for all plumbing applications made to CWW. The fee covers staff costs associated with processing the plumbing application. An additional, assessment fee is required where the plumbing application relates to more complex developments i.e.; multiple dwellings and commercial/industrial sites. This fee covers the incremental staff costs associated with processing a larger and more complicated application.</p>

Schedule 4 – Pricing principles

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

4.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 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.

4.3 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 purposes of calculating net costs.
3. Incremental costs may include financing costs associated with constructing an asset sooner than planned.

NCC application

NCC are applied on a per lot basis, and may be levied on any connection of a new customer that is separately titled or is, or can be, individually metered.

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

City West Water can require developers to provide and gift to **City West Water** specified assets as a condition of connection, provided that **City West Water**:

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

4.4 Pricing principles for miscellaneous services not included in Schedule 2

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.

4.5 Guidelines

City West 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.

Schedule 5 – Adjustment for costs associated with the Victorian Desalination Plant

If in any *regulatory year* there will be a change in desalination costs to **City West Water** including by the making of a desalination water order in respect of that *regulatory year*, the following formula will apply for the purpose of annual adjustment of potable prices instead of the formula set out in clause 2.3(b):

(b) **Adjustment for potable water prices, including for costs associated with the Victorian Desalination Plant**

Subject to Schedule 2.1, the scheduled potable water prices in Schedule 2.1 will be adjusted in each subsequent *regulatory year* in the *regulatory period* in accordance with the formulas below and the procedures in clause 2.3(c), and will apply to the prescribed potable water services to which the scheduled prices in Schedule 2.1 relate in that *regulatory year*.

(i) **Adjustment for fees under fixed potable water tariffs**

Subject to Schedule 2.1, each price for a prescribed potable water service 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.

(A) Formula:

$$P_{RWS_{k,t}} = \left[P_{RWS_{k,t}}^{det} \times \frac{CPI_t}{CPI_{base}} \right] + \left[\left(P_{HF,t} - P_{HF,t}^{det} \times \frac{CPI_t}{CPI_{base}} \right) \times RS_{RWS_{k,t}} \times \frac{1}{Q_{k,t}} \right]$$

Where:

P is the price component for *regulatory year* t
RWS refers to a retail water service (RWS) charge,
det refers to base case prices, in real January 2014 prices

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
CPI _{base}	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 2013
HF	is Melbourne Water's bulk headworks fixed charge for CWW in regulatory year t
k	is an individual water service charge tariff (i.e. residential, non-residential, common water tariff),
RS	is the relative share of service charge revenue contributed by each individual class "k" of "K",
Q	is the quantity of service charges, that is the number of customers receiving a service charge,

And:

$RS_{RWS_{k,t}} = \frac{P_{k,t} \times Q_{k,t}}{\sum_k P_{k,t} \times Q_{k,t}}$ is the share of **City West Water's** service charge revenue recovered from each tariff class **k**,

$P_{RWS_{k,t}}^{cap}$	is the price cap for retail water service charge tariff k, in dollars of the day, applying in regulatory year t , as shown in schedule 2.1
$P_{RWS_{k,t}}^{det}$	is the determination price cap for retail water service charge tariff applying in regulatory year t , in real January 2014 prices,
$P_{HF,t}^{det}$	is the Melbourne Water headworks price applicable to City West Water for regulatory year t per the ESC determination, in real January 2014 prices,
$P_{HF,t}^{cap}$	is the Melbourne Water headworks price applicable to City West Water for regulatory year t .

(ii) **Adjustment to prices for volumetric potable water services**

Subject to Schedule 2.2, each price for a prescribed volumetric potable water service 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**.

(A) Formula:

$$P_{RV_{k,t}} = \left[P_{RV_{k,t}}^{det} \times \frac{CPI_t}{CPI_{base}} \right] + \left[\frac{1}{1000} \times \left(P_{HV,t} - P_{HV,t}^{det} \times \frac{CPI_t}{CPI_{base}} \right) \times \frac{1}{(1 - NRev)} \right]$$

Where:

- P is the price component for **regulatory year t**
- det refers to base case prices per the Schedule 2 in the respective businesses determination, in real January 2014 dollars
- RV **City West Water's** retail volumetric (RV) tariff
- k is each water volumetric tariff (*i.e.* the three residential tiers, non-residential, common)
- 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
- CPI_{base} 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 2013
- HV is Melbourne Water's headworks volumetric price applicable to **City West Water**
- NRev CWW's non-revenue water percentage: 9.3% of all bulk purchases from Melbourne Water

And:

$P_{RV,k,t}$	is the price cap for City West Water's retail volumetric tariff k , in regulatory year t
$P_{RV,k,t}^{det}$	is the Schedule 2.2 price for City West Water's retail volumetric tariff k in regulatory year t
$P_{HV,t}$	is the Melbourne Water's price for City West Water headworks volumetric tariff applicable in regulatory year t .
$P_{HV,t}^{det}$	is the base case Melbourne Water headworks variable price for City West Water in real January 2014 prices per Melbourne Water's Final Determination 2013.

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

Date: 26 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	4.8

Table 2 **Benchmark revenue requirement**
\$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	447.8	455.1	457.1	457.9	459.5
Return on existing assets	67.1	65.2	63.6	62.1	60.8
Return on new investments	3.6	9.3	12.9	16.8	21.0
Regulatory depreciation	38.0	45.3	49.7	51.7	53.9
Adjustments from last period	(3.6)				
Tax liability	5.4	4.7	2.9	1.7	4.3
Total	558.6	579.6	586.2	590.3	599.5

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

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
Opening RAB	1 074.0	1 125.0	1 240.4	1 316.1
<i>Plus</i> Gross capital expenditure	90.7	166.5	128.7	147.2
<i>Less</i> Government contributions	0.0	5.5	3.8	3.2
<i>Less</i> Customer contributions	14.8	17.1	18.2	17.0
<i>Less</i> Proceeds from disposals	0.0	0.0	0.5	0.1
<i>Less</i> Regulatory depreciation	25.0	28.4	30.4	29.1
Closing RAB	1 125.0	1 240.4	1 316.1	1 413.9

Table 4 **Rolled forward regulatory asset base**
\$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	1 413.9	1 511.8	1 629.6	1 678.4	1 720.6	1 787.3
<i>Plus</i> Gross capital expenditure	146.72	185.3	117.4	108.7	136.9	130.4
<i>Less</i> Government contributions	0.0	4.0	0.0	0.0	0.0	0.0
<i>Less</i> Customer contributions	15.9	15.9	16.1	16.8	18.4	18.8
<i>Less</i> Proceeds from disposals	0.9	9.7	7.1	0.0	0.0	0.0
<i>Less</i> Regulatory depreciation	32.0	38.0	45.3	49.7	51.7	53.9
Closing RAB	1 511.8	1 629.6	1 678.4	1 720.6	1 787.3	1 845.0

Table 5 **Approved licence fee and environmental contribution assumptions**
\$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	0.40	0.40	0.40	0.42	0.48
Department of Human Services licence fee	0.12	0.12	0.12	0.12	0.12
Environment Protection Authority licence fee	0.07	0.07	0.07	0.07	0.07
Environmental contribution	18.10	17.61	17.13	16.67	16.22

Table 6 **Bulk water and sewerage 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	332.42	334.54	335.96	337.66	337.76

Table 7 **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	349 008	358 808	368 258	377 358	386 358
Non-residential	34 157	35 218	36 242	37 228	38 203
Total	383 165	394 026	404 500	414 586	424 561
Sewerage assessments (no.)					
Residential	347 850	357 650	367 100	376 200	385 200
Non-residential	32 630	33 691	34 715	35 701	36 676
Total	380 481	391 342	401 816	411 902	421 877
Billable water consumption (ML)					
Residential	51 880	53 387	54 473	55 495	56 503
Non-residential	36 062	36 278	36 248	34 271	31 858
Total	87 942	89 665	90 721	89 766	88 361

Table 8 **Key capital projects and programs**

Projects	<i>Expected completion date</i>
Office relocation	2013-14
Program Arrow	2014-15
Stormwater projects	2016-17
Aquifer storage and recovery	2017-18
Programs	
Network renewals	Ongoing
Networks compliance	Ongoing
Growth areas – integrated supply	Ongoing
Growth areas – sewerage	Ongoing

Table 9 **Indicative desalination water order adjustments – cents per kilolitre**

<i>Water order (GL)</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
0	0	0	0	0	0
50	7	7	7	7	7
75	11	11	11	11	11
100	17	17	17	17	17
125	24	24	24	24	24
150	31	31	31	31	31