

Lower Murray Water Determination

1 July 2023 – 30 June 2028

23 June 2023

Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

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Contents

1. General	1
1.1 Introduction	1
1.2 Application	1
1.3 Effective period	2
1.4 Modification of time periods	2
1.5 Summary and structure	2
1.6 Definitions and interpretation	2
1.7 Annexure A	3
2. Price control	4
2.1 General principles	4
2.2 Ancillary matters	4
2.3 Annual adjustment of prices	5
2.4 Price changes during a billing period	10
2.5 Reporting requirements	11
3. Uncertain or unforeseen events	12
3.1 General principles	12
3.2 Considerations by the commission	12
3.3 Procedure	14
4. Material error or unintended consequences	16
5. Adjustment to Schedule 2 and Schedule 3 – pass through of changed prices for storage operator and bulk water services (Goulburn-Murray Water Corporation)	17
Schedule 1 – Definitions and interpretation	18
A Definitions	18
B Interpretation	19
Schedule 2 – Prices (prescribed services for urban water users)	21
Schedule 3 – Prices (services to users other than urban water users)	25
Schedule 4 – Calculation of revenue cap tariff revenue for each regulatory year	30
Schedule 5 – Application of prices	31
Schedule 6 – Pricing principles	33
Schedule 7 – Adjustment to Schedule 2 – changes in costs associated with annual updates to the trailing average cost of debt	38
Schedule 7A – Adjustment to prices	38
Schedule 7B – Prices	39
Annexure A	44

1. General

1.1 Introduction

- (a) Clause 14 of the **WIRO** requires the commission to either:
 - (i) approve the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated, as proposed by the **regulated entity** in its price submission (as defined in the **WIRO**); or
 - (ii) specify the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated.
- (b) On 21 June 2023, the commission made its decision in respect of the prices which **Lower Murray Water** may charge for **prescribed services** during the regulatory period.
- (c) This Determination is made by the commission under section 33 of the **ESC Act**, pursuant to clauses 10 and 14 of the **WIRO**.
- (d) The purposes for the making of this Determination are to:
 - (i) give effect to the decision of the commission referred to in clause 1.1(b);
 - (ii) specify the maximum prices which **Lower Murray Water** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated, determined or otherwise regulated;
 - (iii) facilitate the achievement of the commission's objectives in the **ESC Act** and the **WI Act**; and
 - (iv) reflect the requirements of the **WIRO**.
- (e) The reasons for the making of this Determination are as set out in the decision of the commission made on 21 June 2023.

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 or 1 July 2023, and subject to clause 1.3(b), has effect until the date on which it is amended or revoked by a later determination or 30 June 2028.

(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 2028, 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*** from 1 July 2028 to the day before 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 to 5 provide for the circumstances in which prices may be adjusted or amended during the ***regulatory period*** other 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

- (a) For convenience, Annexure A to this Determination summarises 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, determined or otherwise regulated.
- (b) Full details of these assumptions are contained in the commission's decision in which it has set out its reasons for this Determination.
- (c) 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** specified or deemed to be included in Schedule 2 and Schedule 3 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) Contracts

Where **Lower Murray Water** has entered into a contract which relates to the provision of **prescribed services** prior to 1 July 2023 (a **relevant contract**), **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**.

(b) Dispute Resolution

Any dispute 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

Lower Murray Water must publish a list of its current prices and pricing principles for **prescribed services**, and all relevant supporting information that it has 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 list 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.

(d) 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, clause 2.3(c)(iii) and Schedule 7, the scheduled prices in Schedule 2 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formulas in clause 2.3(c)(i) and Schedule 7, 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 and Schedule 7, 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**. 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 weighted average price movement that would otherwise have applied under this Determination as calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \sum_{j=1}^m p_{t,ij} * q_{t-2,ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1,ij} * q_{t-2,ij}} \geq \frac{\sum_{i=1}^n \sum_{j=1}^m \hat{p}_{t,ij} * q_{t-2,ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1,ij} * q_{t-2,ij}}, i = 1, 2, \dots, n \text{ and } j = 1, 2, \dots, m$$

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 component j of tariff i determined in accordance with Schedule 2 where the **revised tariff schedule** is not applied

$\hat{p}_{t,ij}$ is the proposed tariff for component j or tariff i determined in accordance with Schedule 2 where the **revised tariff schedule is applied** and excludes commission approved pass-throughs

$q_{t-2,ij}$ 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** $t-2$

- (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 2023, PPM_t will be set equal to zero for the purpose of adjusting prices in accordance with the following formula for regulatory years commencing on or after 1 July 2023 until the date on which this determination is amended or revoked by a later determination:

$$p_t = p_{t-1} \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t)$$

where:

p_t is the price component for **regulatory year** 't'

p_{t-1} is the price component for **regulatory year** 't-1'

$\frac{CPI_t}{CPI_{t-1}}$ 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.

- (iii) An increase in tariffs in Schedule 2 in a **regulatory year** must not exceed the weighted average of all Schedule 2 price increases in that **regulatory year** by more than 10 per cent in real terms

(d) Schedule 3: Formula

- (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 formula with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:

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

$$cap_t = R_t^{det} \times \frac{CPI_t}{CPI_{base}} + \left(cap_{t-1} - \sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-1}^{ij} \right) \times \frac{CPI_t}{CPI_{t-1}} \times (1 + RRR_t^{adj})$$

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 R_t^{det} 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
- R_t^{det} are the revenues determined to be received by **Lower Murray Water** (for **regulatory year** ' t ') in **regulatory year** ' t ' dollars from revenue cap services
- p_{t-1}^{ij} is the actual tariff component j of tariff i for **regulatory year** $t-1$

Continued next page

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

$\frac{CPI_t}{CPI_{t-1}}$ 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

CPI_{base} is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter in year 2023 equal to 132.6

RRR_t^{adj} is the required adjustment for change in the regulatory rate of return (for **regulatory year** 't') in **regulatory year** 't' dollars

- (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 2023, the regulatory requirement for **regulatory year** t " R_{t-1}^{det} " will be set equal to " $(R_{t-1}^{det} \times \frac{CPI_t}{CPI_{t-1}})$ " for the purpose of adjusting prices in accordance with the formula in clause 2.3(d)(i) for **regulatory years** commencing on or after 1 July 2023 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 weighted average of all scheduled price increases in that **regulatory year** by more than 10 per cent in real terms

(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 clause 2.3(a) and 2.3(b) to apply in that subsequent **regulatory year** (the **revised scheduled prices**) to the commission for approval, together with sufficient information to enable the commission to assess whether the proposed prices comply with this Determination.
- (ii) The commission will approve the **revised scheduled prices** if it considers that they have been calculated in accordance with the formula set out in clause 2.3(c)(i) and 2.3(d)(i).
- (iii) The commission will be deemed to have approved the **revised scheduled prices** if it has not provided notice under clause 2.3(e)(iv) to **Lower Murray Water** within 20 **business days** from the date of its receipt of the **revised scheduled prices**.
- (iv) If the commission does not approve the **revised scheduled 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 scheduled prices**.

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 contract for **prescribed services** which is renewed, renegotiated or entered into during the **regulatory period (new contract)** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 6 relate, **Lower Murray Water** must on request by the commission, 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. Uncertain or unforeseen events

3.1 General principles

- (a) **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, Schedule 3 to reflect increased or decreased costs incurred by **Lower Murray Water** and/or increased or decreased revenue received by **Lower Murray 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 **Lower Murray Water** makes an application under clause 3.1(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 on its own initiative, and in its sole discretion, initiate its own process to amend this Determination and/or adjust the schedule of prices in Schedule 2 or Schedule 3 to reflect increased or decreased costs incurred by **Lower Murray Water** and/or increased or decreased revenue received by **Lower Murray Water** as a result of events which were uncertain or unforeseen at the time this Determination was made. Such a process may only be initiated if the commission identifies an event or events which it, in its sole discretion, considers has had or may have a material impact on **Lower Murray Water's** operating and/or capital expenditure and/or revenue.
- (d) The commission may only adjust prices in response to an **uncertain events application**, or a process initiated by the commission under clause 3.1(c), 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 and that such action takes into account the interests of customers. The commission may limit an adjustment to only some events or a single event.

3.2 Considerations by the commission

(a) Examples of uncertain or unforeseen events

Examples of potential uncertain or unforeseen events include, but are not limited to:

- (i) actual licence fees or contributions payable by **Lower Murray Water** during a **regulatory year** in 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**; or
- (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 2017* (Vic) or relevant regulations or orders or other statutory instruments made under any of them;
 - (B) any licence issued pursuant to any of the Acts referred to in clause 3.2(a)(iv)(A);
 - (C) any tax imposed by or payable directly or indirectly to any government or public authority in the Commonwealth of Australia (including **GST**) but excluding:
 - (1) penalties and interest for late payment of any tax; and/or
 - (2) any tax that replaces any of the taxes referred to in (C), where tax includes any rate, duty, charge or other like or analogous impost.
 - (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** or a process initiated by the commission under clause 3.1(c), 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**; and/or
- (v) reflect inefficient expenditure by **Lower Murray Water**.

(c) Dispute resolution

Any dispute as to whether a matter should be taken into account by the commission under this clause 3 will be determined by the commission in its absolute discretion.

3.3 Procedure

(a) Application information for *Lower Murray Water*

- (i) An ***uncertain events application*** 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 3.3(a)(i)(B); and
 - (D) details of the proposed action to be taken by the commission under clause 3.3(b).
- (ii) The commission may request ***Lower Murray Water*** to provide any additional information specified by the commission in connection with an ***uncertain events application***. ***Lower Murray Water*** is obliged to provide the requested information.

(b) Commission processes

- (i) The commission may in its sole discretion decide the steps, timing of and processes to be followed in relation to an ***uncertain events application*** or a process initiated by it under clause 3.1(c).
- (ii) The commission may in its sole discretion decide the nature and extent of stakeholder consultation it will undertake in relation to such an ***uncertain events application*** or process.
- (iii) The commission will advise ***Lower Murray Water*** of the matters in clause 3.3(b)(i) and clause 3.3(b)(ii) in writing and publish details of this on its website.
- (iv) In most cases, an amendment of this Determination and/or adjustment of the scheduled prices in Schedule 2 and Schedule 3 and/or the revenue requirements in Schedule 4, will be undertaken in accordance with the commission's standard consultation process for price determinations, including the issue of a draft decision and an invitation for interested parties to

make submissions to the commission in relation to the draft decision, as set out in clause 16(a) and (b) of the **WIRO**.

- (v) In some limited circumstances, the commission may amend this Determination and/or adjust the scheduled prices in Schedule 2 and Schedule 3 requirements in Schedule 4, without or with only limited consultation. This will be the case where there is urgency that justifies the commission moving quickly, as set out in clause 16(c) of the **WIRO**. In these circumstances, the commission will provide its reasons for proceeding with the amendment without consultation (or with a modified consultation process).
- (vi) The commission may request **Lower Murray Water** to provide information to the commission required for any purposes of an uncertain events application or the process initiated by the commission under clause 3.1(c). **Lower Murray Water** is obliged to provide the requested information to the commission.

(c) Action by the commission

If the commission is satisfied of the matters set out in clause 3.1(d) in respect of an **uncertain events application** or a process initiated by the commission under clause 3.1(c), the commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 and Schedule 3 (and make any consequential adjustments to Annexure A) 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** or any process initiated by the commission under clause 3.1(c) 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**.

(d) Effective date of amendment or adjustment

A determination made by the commission under this clause 3 to amend this Determination takes effect from the date on which notice of its making is published in the Government Gazette or any later date of commencement as may be specified in the determination.

4. Material error or unintended consequences

(a) Where the commission is satisfied that in any material respect:

- (i) this Determination or any information relied upon in the making of this Determination contains an error, deficiency or miscalculation;
- (ii) any information on which this Determination was based was false or misleading in a material respect; or
- (iii) 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 adjust the scheduled prices in Schedule 2 and Schedule 3, provided that it is satisfied that such amendment and/or price adjustment takes into account the interests of customers.

(b) In most cases, an amendment will be undertaken in accordance with the commission's standard consultation process for price determinations, including the issue of a draft decision and an invitation for interested parties to make submissions to the commission in relation to the draft decision, as set out in clause 16(a) and (b) of the WIRO.

(c) In some limited circumstances, the commission may amend this Determination without further consultation, or with only limited consultation. This will be the case where an amendment is not sufficiently material to warrant a full consultation process, or where there is urgency that justifies the commission moving quickly, as set out in clause 16(c) of the WIRO. In these circumstances, the commission will provide its reasons for proceeding with the amendment without consultation (or with a modified consultation process).

(d) A determination made by the commission under this clause 4 to amend this Determination takes effect from the date on which notice of its making is published in the Government Gazette or any later date of commencement as may be specified in the determination.

5. Adjustment to Schedule 2 and Schedule 3 – pass through of changed prices for storage operator and bulk water services (Goulburn-Murray Water Corporation)

- (a) Where the commission:
- (i) makes a price determination for storage operator and bulk water services (as defined in the **WIRO**) provided to **Lower Murray Water** by Melbourne Water Corporation or Goulburn-Murray Water Corporation for some or all of the **regulatory period**; and
 - (ii) declares that such price determination provides for different prices to be charged to **Lower Murray Water** from those assumed by the commission in the making of this Determination,

the commission may decide to specify a price adjustment and/or a mechanism for making a price adjustment to scheduled prices in Schedule 2 and Schedule 3 to take into account the impact this has for the commission's assumptions made for storage operator and bulk water service prices in making this Determination, provided that it is satisfied that such amendment and/or price adjustment takes or will take into account the interests of customers.

- (b) If the commission exercises its discretion under clause 5(a), the commission will also specify the relevant regulatory year/s for which the price adjustment and/or a mechanism for making a price adjustment to storage operator and bulk water service prices specified in Schedule 2 and Schedule 3, is to be applied.
- (c) **Lower Murray Water** is obliged, in any proposal for an annual adjustment to prices made to the commission under clause 2.3, to propose an adjustment to storage operator and bulk water service prices specified in Schedule 2 and Schedule 3, that is consistent with the price adjustment and/or price adjustment mechanism specified by the commission under clause 5(a).
- (d) The adjustment procedure and outcomes of that procedure specified in clause 2.3(e) will apply to the proposals made by **Lower Murray Water** under clause 5(c).

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.

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).

Lower Murray Water means Lower Murray Water Corporation (trading as Lower Murray Water (ABN 18 475 808 826)

miscellaneous services means services that are provided in direct connection with **prescribed services**, 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.

NCC means a new customer contribution levied by **Lower Murray Water** under section 268 of the *Water Act 1989* (Vic).

next regulatory period means the period commencing on 1 July 2028 and ending on a date specified by the commission.

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

RAB means regulatory asset base.

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

regulatory period means the period commencing on 1 July 2023 and ending on 30 June 2028.

regulatory year means each period of twelve months commencing on 1 July and ending on 30 June.

Statement of Obligations means an applicable statement of obligations made under section 4I(2) of the *Water Industry Act 1994* (Vic).

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

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

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

WIRO means the Water Industry Regulatory Order 2014 in force 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 for urban water users)

This schedule should be read in conjunction with Schedule 3, Schedule 4 and Schedule 5. Variable water, sewerage, recycled water and trade waste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
WATER					
2.1 Water – Availability – Domestic & Non-domestic (per annum)					
20mm	232.07	0.6%	0.6%	0.6%	0.6%
25mm	360.28	0.6%	0.6%	0.6%	0.6%
32mm	590.29	0.6%	0.6%	0.6%	0.6%
40mm	922.78	0.6%	0.6%	0.6%	0.6%
50mm	1,441.24	0.6%	0.6%	0.6%	0.6%
65mm	2,436.84	0.6%	0.6%	0.6%	0.6%
80mm	3,689.73	0.6%	0.6%	0.6%	0.6%
100mm	5,767.75	0.6%	0.6%	0.6%	0.6%
150mm	12,971.77	0.6%	0.6%	0.6%	0.6%
2.2 Usage – Domestic (per kL)					
First Tier	0.5038	0.6%	0.6%	0.6%	0.6%
Second Tier	0.9171	0.6%	0.6%	0.6%	0.6%
Third Tier	1.1790	0.6%	0.6%	0.6%	0.6%
2.3 Usage – Non Domestic					
Volumetric (per kL)	0.9171	0.6%	0.6%	0.6%	0.6%

Continued next page

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
SEWERAGE					
2.5 Sewerage – Domestic & Non-domestic					
Availability (per annum)	547.86	0.6%	0.6%	0.6%	0.6%
2.6 Trade Waste					
Minor Trade Waste (Unit Charge)	76.21	0.6%	0.6%	0.6%	0.6%
Miscellaneous Minor Trade Waste Flow Charge* (per kL)	1.0082				
Septic Tank Effluent Disposal* (per kL)	7.1383	0.0%	0.0%	0.0%	0.0%
Trade Waste Establishment Fees* (per ML)	5,047.84				
MISCELLANEOUS CHARGES					
2.7 Urban					
Subdivision Processing Fee – Water/Sewerage (per lot)	21.40	0.0%	0.0%	0.0%	0.0%
Subdivision Processing Fee – Overall* (per lot)	45.16	0.0%	0.0%	0.0%	0.0%
Tappings (per tapping)					
Be– 20mm	456.40	0.00%	0.00%	0.00%	0.00%
– 25mm	684.60	0.00%	0.00%	0.00%	0.00%
– 32mm	1,217.10	0.00%	0.00%	0.00%	0.00%
– 40mm	1,369.40	0.00%	0.00%	0.00%	0.00%
Inspection fee (additional to tapping) (per inspection)	75.90	0.00%	0.00%	0.00%	0.00%
Special meter read (per read)	52.40	0.00%	0.00%	0.00%	0.00%

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Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
MISCELLANEOUS CHARGES (continued)					
2.7 Urban (continued)					
New connections (per connection)					
– standard residential	167.10	0.00%	0.00%	0.00%	0.00%
– non-standard residential	228.10	0.00%	0.00%	0.00%	0.00%
– small industrial commercial	228.10	0.00%	0.00%	0.00%	0.00%
– large industrial commercial	456.40	0.00%	0.00%	0.00%	0.00%
Fire service Tappings (100 dia AC/UPVC) (per tapping)					
– 25mm	360.60	0.00%	0.00%	0.00%	0.00%
– 32mm	473.30	0.00%	0.00%	0.00%	0.00%
– 40mm	543.40	0.00%	0.00%	0.00%	0.00%
Fire service Tappings (150 dia AC/UPVC) (per tapping)					
– 25mm	367.70	0.00%	0.00%	0.00%	0.00%
– 32mm	486.40	0.00%	0.00%	0.00%	0.00%
– 40mm	548.10	0.00%	0.00%	0.00%	0.00%
Information statement fee (per statement)	104.90	0.00%	0.00%	0.00%	0.00%
Non-core miscellaneous services	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost

Continued next page

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
MISCELLANEOUS CHARGES (continued)					
2.8 New Customer Contributions					
Water (per lot)					
Category one charge – Lot size <= 750 sq m	2,246.30	0.0%	0.0%	0.0%	0.0%
Category one charge – Lot size > 750 sq m	4,492.60	0.0%	0.0%	0.0%	0.0%
Sewer (per lot)					
Category one charge – Lot size <= 750 sq m	1,536.19	0.0%	0.0%	0.0%	0.0%
Category one charge – Lot size > 750 sq m	3,072.39	0.0%	0.0%	0.0%	0.0%

As set out in clause 1.1(d) of this Determination, the role of the Commission in making this Determination is limited to determining the maximum prices that **Lower Murray Water** may charge for **prescribed services** during the **regulatory period**, or the manner in which such prices are to be calculated, determined or otherwise regulated.

It is the role of **Lower Murray Water** to set a tariff for **prescribed services** in accordance with the **Water Act** and to ensure the tariff complies with this Determination. The commission does not have a role in hearing disputes about individual billing issues that users may have.

Schedule 3 – Prices (services to users other than urban water users)

This schedule should be read in conjunction with Schedule 2, Schedule 4 and Schedule 5. All charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

Tariff and Price Component	Unit	Price
(1 July 2023)		
Irrigation		
3.1 Mildura Irrigation		
Delivery Share Fee	Per DS	656.62
Metered Water Usage Fee	Per ML	63.97
GMW Entitlement Storage Fee Murray Basin HR*	Per ML/Ent	11.75
GMW Entitlement Storage Fee Murray Basin LR*	Per ML/Ent	4.31
GMW Entitlement Storage Fee Goulburn Basin HR*	Per ML/Ent	10.59
GMW Entitlement Storage Fee Goulburn Basin LR*	Per ML/Ent	4.84
GMW Above Entitlement Storage Fee Murray Basin*	Per ML	4.61
GMW Above Entitlement Storage Fee Goulburn Basin*	Per ML	4.37
DELWP Water Share Fee*	Per Share	14.18
Service Charge	Per Ass	100.00
Casual User Fee	Per DS	656.62
3.2 Mildura Irrigation Garden		
Unmetered Domestic and Stock Charge	Per Cust	556.59
Service Charge	Per Ass	100.00
3.3 Mildura High Pressure Irrigation		
Delivery Share Fee	Per DS	1058.59
Metered Water Usage Fee	Per ML	94.25
GMW Entitlement Storage Fee Murray Basin HR*	Per ML/Ent	11.75

Continued next page

Tariff and Price Component	Unit	Price
(1 July 2023)		
Irrigation (continued)		
3.3 Mildura High Pressure Irrigation (continued)		
GMW Entitlement Storage Fee Murray Basin LR*	Per ML/Ent	4.31
GMW Entitlement Storage Fee Goulburn Basin HR*	Per ML/Ent	10.59
GMW Entitlement Storage Fee Goulburn Basin LR*	Per ML/Ent	4.84
GMW Above Entitlement Storage Fee Murray Basin*	Per ML	4.61
GMW Above Entitlement Storage Fee Goulburn Basin*	Per ML	4.37
DELWP Water Share Fee*	Per Share	14.18
Service Charge	Per Ass	100.00
Casual User Fee	Per DS	1058.59
3.4 Merbein Irrigation		
Delivery Share Fee	Per DS	434.86
Metered Water Usage Fee	Per ML	51.80
GMW Entitlement Storage Fee Murray Basin HR*	Per ML/Ent	11.75
GMW Entitlement Storage Fee Murray Basin LR*	Per ML/Ent	4.31
GMW Entitlement Storage Fee Goulburn Basin HR*	Per ML/Ent	10.59
GMW Entitlement Storage Fee Goulburn Basin LR*	Per ML/Ent	4.84
GMW Above Entitlement Storage Fee Murray Basin*	Per ML	4.61
GMW Above Entitlement Storage Fee Goulburn Basin*	Per ML	4.37
DELWP Water Share Fee*	Per Share	14.18
Service Charge	Per Ass	100.00
Casual User Fee	Per DS	434.86
3.5 Merbein Irrigation Garden		
Unmetered Domestic and Stock Charge	Per Cust	556.59
Service Charge	Per Ass	100.00

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Tariff and Price Component	Unit	Price
(1 July 2023)		
Irrigation (continued)		
3.6 Red Cliffs Irrigation		
Delivery Share Fee	Per DS	448.50
Metered Water Usage Fee	Per ML	55.02
GMW Entitlement Storage Fee Murray Basin HR*	Per ML/Ent	11.75
GMW Entitlement Storage Fee Murray Basin LR*	Per ML/Ent	4.31
GMW Entitlement Storage Fee Goulburn Basin HR*	Per ML/Ent	10.59
GMW Entitlement Storage Fee Goulburn Basin LR*	Per ML/Ent	4.84
GMW Above Entitlement Storage Fee Murray Basin*	Per ML	4.61
GMW Above Entitlement Storage Fee Goulburn Basin*	Per ML	4.37
DELWP Water Share Fee*	Per Share	14.18
Service Charge	Per Ass	100.00
Casual User Fee	Per DS	448.50
3.7 Red Cliffs Irrigation Garden		
Unmetered Domestic and Stock Charge	Per Cust	556.59
Service Charge	Per Ass	100.00
3.8 Robinvale Irrigation		
Delivery Share Fee	Per DS	994.47
Metered Water Usage Fee	Per ML	91.52
GMW Entitlement Storage Fee Murray Basin HR*	Per ML/Ent	11.75
GMW Entitlement Storage Fee Murray Basin LR*	Per ML/Ent	4.31
GMW Entitlement Storage Fee Goulburn Basin HR*	Per ML/Ent	10.59
GMW Entitlement Storage Fee Goulburn Basin LR*	Per ML/Ent	4.84
GMW Above Entitlement Storage Fee Murray Basin*	Per ML	4.61
GMW Above Entitlement Storage Fee Goulburn Basin*	Per ML	4.37
DELWP Water Share Fee*	Per Share	14.18
Service Charge	Per Ass	100.00
Casual User Fee	Per DS	994.47

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Schedule 3 – Prices (services to users other than urban water users)

Tariff and Price Component	Unit	Price
(1 July 2023)		
Irrigation (continued)		
3.9 Robinvale Irrigation Garden		
Unmetered Domestic and Stock Charge	Per Cust	556.59
Service Charge	Per Ass	100.00
Drainage		
3.10 Mildura Drainage		
Property Drainage Fee – Division 1	Per DS	63.91
3.11 Merbein Drainage		
Property Drainage Fee – Division 1	Per DS	97.95
Property Drainage Fee – Division 4	Per DS	27.26
3.12 Red Cliffs Drainage		
Property Drainage Fee – Division 1	Per DS	97.98
Property Drainage Fee – Division 2	Per DS	78.21
Property Drainage Fee – Division 4	Per DS	24.95
3.13 Robinvale Drainage		
Property Drainage Fee – Division 1	Per DS	94.46
Stock & Domestic		
3.14 Millewa Rural (Irrigation)		
Delivery Charge	Per kL	0.1505
Service Charge	Per Ass	100.00
Rural Access – House	Per Connection	585.39
Rural Access – Scrubland	Per ha	0.60
Rural Access – Stock Area	Per ha	2.46
3.15 Millewa Urban (Irrigation)		
Delivery Charge	Per kL	0.7722
Service Charge	Per Ass	100.00
Urban Access – No Offtake	Per Connection	293.10
Urban Access – Offtake	Per Connection	586.03

Continued next page

Schedule 3 – Prices (services to users other than urban water users)

Tariff and Price Component	Unit	Price
		(1 July 2023)
3.16 Other Stock & Domestic (Irrigation)		
Connection Charge (Pipeline)	Per Connection	365.54
Delivery (Pipeline)	Per ML	452.1274
Service Charge	Per Ass	100.00
Licensing		
3.17 Diversions (Irrigation)		
Domestic and Stock Registration	Per Licence	170.14
Operational Fee	Per ML/AUL	2.97
GMW Entitlement Storage Fee Murray Basin HR*	Per ML/Ent	11.75
GMW Entitlement Storage Fee Murray Basin LR*	Per ML/Ent	4.31
GMW Entitlement Storage Fee Goulburn Basin HR*	Per ML/Ent	10.59
GMW Entitlement Storage Fee Goulburn Basin LR*	Per ML/Ent	4.84
GMW Above Entitlement Storage Fee Murray Basin*	Per ML	4.61
GMW Above Entitlement Storage Fee Goulburn Basin*	Per ML	4.37
DELWP Water Share Fee*	Per Share	14.18
Service Charge	Per Ass	100.00
Lake Cullulleraine Diversion Fee	Per ML	15.37
3.18 Other Drainage Schemes		
Nangiloc-Colignan – Operating Rate	Per AUL	3.55
Boundary Bend – O&M	Per AUL	3.55
Bumbang – O&M	Per AUL	3.55
Tol Tol – O&M	Per AUL	3.55
3.19 Miscellaneous Fees and Charges		Actual cost

Schedule 4 – Calculation of revenue cap tariff revenue for each regulatory year

This schedule should be read in conjunction with clause 2.3(d) and Schedule 2 and Schedule 3.

1.2 Benchmark determined tariff revenue

\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Determined revenue	23.86	23.44	23.18	22.87	22.61

Note: excludes pass through costs

Schedule 5 – Application of prices

5.1 Urban water usage – domestic customers

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

	1 Apr – 30 Sept	1 Oct – 31 Mar
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:

Customer class	Application formula
Residential (Domestic)	
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 (Non-domestic)	
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

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Customer class	Application formula
Non-residential (Non-domestic) (continued)	
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.

5.6 Rural drainage services – divisions

Drainage divisions are categorised as:

Drainage divisions	
Division 1	Full rate. Greater than two thirds capable of being drained directly into Lower Murray Water's system.
Division 2	Three quarter rate. Between half and two thirds capable of being drained directly into Lower Murray Water's system.
Division 3	Half rate. Between quarter and half capable of being drained directly into Lower Murray Water's system.
Division 4	Quarter rate. Less than one quarter capable of being drained directly into Lower Murray Water'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)	Section 158(i) of the <i>Water Act 1989</i> states that any person may apply to Lower Murray Water for an information statement in relation to any land that is within a district of the Lower Murray Water or its area of interest. These are requested as part of the sale of properties for information Lower Murray Water 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. Lower Murray Water 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 Lower Murray Water '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 Lower Murray Water '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.

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Miscellaneous service	Definition
Tappings 20mm Meter	This fee covers the installation of a tapping band and ferrule to Lower Murray Water system. The plumber is required to excavate around Lower Murray Water 's main with adequate clearance to enable Lower Murray Water 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 Lower Murray Water 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 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 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.

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:

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

where:

r estimated pre-tax regulatory rate of return

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

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 6 relates.

Schedule 7 – Adjustment to Schedule 2 – changes in costs associated with annual updates to the trailing average cost of debt

If in any **regulatory year** Condition A apply (per Schedule 7B below), the formula set out in clause 2.3(c) is not applicable to the extent it relates to the prices listed in Schedule 7A. The prices in Schedule 7A are specified under items 2.1, 2.2, 2.3, 2.5 and 2.6 of Schedule 2.

Instead, the prices in Schedule 7A will be adjusted in accordance with the formulas (as applicable) provided in Schedule 7B, with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**.

Lower Murray Water must comply with any guidance issued by the commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 2, 3 and 6 relates.

Schedule 7A – Adjustment to prices

Tariffs	Condition A (Annual cost of debt update)
2.1 Water - Availability - Domestic & Non-domestic service charge	X
2.2 Usage - Domestic	X
2.3 Usage – Non Domestic	X
2.5 Sewerage – Domestic & Non-domestic	X
2.6 Trade Waste – Minor Trade Waste	

Schedule 7 – Adjustment to Schedule 2 – changes in costs associated with annual updates to the trailing average cost of debt

Schedule 7B – Prices

Condition A – Annual cost of debt update

Condition A will apply when the trailing average cost of debt in any **regulatory year** 't' changes in that year. The adjustment is calculated as per formula 4 below.

The difference in the forecast and actual regulatory rate of return in any **regulatory year** 't' is multiplied by the average of the **RAB** to determine the change in **Lower Murray Water's** total expected return. The **RAB** is set out in Table 7 and Table 8 of Annexure A.

The trailing average cost of debt adjustment will be apportioned across the tariffs listed in Schedule 7A.

Formula 1: Determining the nominal cost of debt

$$CoD_t^{nominal} = \sum_{i=t-10}^{t-1} \frac{CoD_i^{nominal}}{10}$$

$CoD_t^{nominal}$	Is equal to the simple average of the 10 years up to (but not inclusive of) regulatory year 't' of: <ul style="list-style-type: none">- The historical nominal cost of debt series outlined in Table 1 of Annexure A and <ul style="list-style-type: none">- RBA Table F3 – Non-financial corporate BBB-rated bonds – Yield – 10-year target tenor [Series ID FNFYBBB10M] from 1 April to 31 March before the start of regulatory year 't' (e.g. 1 April 2022 to 31 March 2023 in relation to 2023-24)
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Formula 2: Determining the real cost of debt

$$CoD_t^{real} = \frac{(1 + CoD_t^{nominal})}{(1 + \pi^{det})} - 1$$

π^{det}	Is the inflation factor which is equal to 3.5% for all regulatory years (unless updated in accordance with Note 1 below, in which case it is equal to the updated amount set by the commission)
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Formula 2 outlines the process for converting the trailing average cost of debt from nominal to real using the Fisher equation.

Schedule 7 – Adjustment to Schedule 2 – changes in costs associated with annual updates to the trailing average cost of debt

Note 1: If inflation (measured by the Australian Bureau of Statistics Consumer Price Index – all groups) falls below 2.5 per cent in 2026-27, we will update the inflation factor (π^{det}) using a five year averaging period; the updated inflation factor will be used for any necessary adjustment of the Scheduled prices in Schedule 2 and Schedule 3.

Formula 3: Determining the real regulatory rate of return

$$RRR_t^{real} = 0.4 \times CoE_t^{real} + 0.6 \times CoD_t^{real}$$

RRR_t^{real}	Is the post-tax ‘vanilla’ regulatory rate of return in real terms for regulatory year ‘t’ rounded to two decimal places, i.e. 4.347% is rounded to 4.35%
CoE_t^{real}	Is the real cost of equity which is equal to 4.5 % for 2023-24 to 2027-28

Formula 4: Trailing average cost of debt adjustment

$$CDA_t^j = (RRR_t^{act} - RRR_t^{det}) \times \left(\frac{RAB_{opening,t}^{det} + RAB_{closing,t}^{det}}{2} \right) \times \frac{CPI_t}{CPI_{base}} \times \frac{\alpha_t^j \times q_{j,t}^{det}}{\sum_{j=1,n}^{t=t} (\alpha_t^j \times q_{j,t}^{det})} \times \frac{1}{q_{j,t}^{det}}$$

CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j, based on tariff j’s relative share of total revenues. Total revenues refer to the sum of all revenue received across the tariffs listed in Schedule 7A to which the cost of debt adjustment will apply
RRR_t^{act}	Is the actual calculated real post tax ‘vanilla’ regulatory rate of return in regulatory year ‘t’
RRR_t^{det}	Is the determination real post tax ‘vanilla’ regulatory rate of return in regulatory year ‘t’
$RAB_{opening,t}^{det}$	Is the determination opening RAB in regulatory year ‘t’
$RAB_{closing,t}^{det}$	Is the determination closing RAB in regulatory year ‘t’
CPI_t	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) 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 (6401.0 - Table 8) for the March Quarter in year 2023 equal to 132.6.

Continued next page

Schedule 7 – Adjustment to Schedule 2 – changes in costs associated with annual updates to the trailing average cost of debt

Formula 4: Trailing average cost of debt adjustment (continued)

α_t^j	Is the price for tariff j at regulatory year 't' before the cost of debt adjustment where:
$\alpha_t^j = p_{t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j)$	
p_{t-1}^j	Is the price for tariff j in regulatory year 't-1'
$q_{j,t}^{det}$	Is the determination quantity for tariff j in regulatory year 't'
$\sum_{j=1,n}^{t=t} (\alpha_t^j \times q_{j,t}^{det})$	Is the sum of all revenue received across the tariffs listed in Schedule 7A to which the cost of debt adjustment will apply

Formula 4 outlines the process for calculating the adjustment to prices outlined in Schedule 7A to reflect the new cost of debt. This is done in two steps. The first step is to calculate the change in the revenue requirement by multiplying the adjustment to the rate of return, to reflect the updated cost of debt, by the average regulatory asset base.

The second step is to apply the change in the revenue requirement proportionally to tariff j, based on tariff j's relative share of total revenues. Total revenues are defined as the sum of all revenues received across the tariffs listed in Schedule 7A to which the cost of debt adjustment will apply.

Formula 5: Schedule 7A tariffs

$$p_{WS,t}^j = p_{t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j) + CDA_t^j$$

$p_t^{j,COD}$	Is the price for tariff j at regulatory year 't' that accounts for the changes in Lower Murray Water's trailing average cost of debt . The cost of debt adjustment will apply to the tariffs listed in Schedule 7A
p_{t-1}^j	Is the price for or tariff j in regulatory year 't-1'
CPI_t	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.06 - Table 8) for the March Quarter immediately preceding the start of the relevant regulatory year
PPM_t^j	The prescribed price movement for the price component for tariff j in regulatory year 't' as per the determination
CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j, based on tariff j's relative share of total revenues as outlined in formula 4. Total revenues refer to the sum of all revenue received across the tariffs listed in Schedule 7A to which the cost of debt adjustment will apply.

Schedule 7 – Adjustment to Schedule 2 – changes in costs associated with annual updates to the trailing average cost of debt

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



Date: 26 June, 2023

A handwritten signature in blue ink, appearing to be "Kate Symons", written over a horizontal line.

Kate Symons
Chairperson

Annexure A

Table 1 Historical cost of debt (nominal) – urban and rural

Per cent

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Cost of debt	7.05%	5.36%	5.27%	4.91%	4.53%	4.61%	3.31%	3.05%	3.75%	6.76%

Table 2 Forecast real regulatory rate of return – urban and rural

Per cent

	2023-24	2024-25	2025-26	2026-27	2027-28
Regulatory rate of return	2.43%	2.41%	2.49%	2.58%	2.69%

Table 3 Benchmark revenue requirement - urban

\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Operating expenditure	29.5	29.6	29.7	30.1	29.5
Return on assets	5.0	5.2	5.6	5.9	6.3
Regulatory depreciation	10.5	11.1	9.7	9.7	9.5
Adjustments from last period	-	-	-	-	-
Non-prescribed revenue offset of revenue requirement	-1.1	-1.1	-1.1	-1.1	-1.1
Tax allowance	-	-	-	-	-
Total	43.9	44.8	43.9	44.7	44.2

Table 4 Benchmark revenue requirement - rural
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Operating expenditure	20.4	20.4	20.9	21.2	20.8
Return on assets	2.8	2.9	3.1	3.3	3.6
Regulatory depreciation	3.3	3.6	3.8	3.9	4.1
Adjustments from last period	-	-	-	-	-
Non-prescribed revenue offset of revenue requirement	-	-	-	-	-
Tax allowance	-	-	-	-	-
Total	26.6	26.9	27.8	28.4	28.4

Table 5 Closing regulatory asset base - urban
\$m 2022-23

	2017-18	2018-19	2019-20	2020-21	2021-22
Opening RAB at 1 July	173.8	179.2	184.4	186.2	184.3
<i>Plus</i> Gross capital expenditure	17.9	17.7	13.8	11.9	24.4
<i>Less</i> Government contributions	-	-	-	-	-
<i>Less</i> Customer contributions	3.6	3.2	2.4	4.1	2.0
<i>Less</i> Proceeds from disposals	0.5	0.2	0.2	0.1	0.2
<i>Less</i> Regulatory depreciation	8.4	9.1	9.5	9.6	9.8
Closing RAB at 30 June	179.2	184.4	186.2	184.3	196.6

Table 6 Closing regulatory asset base - rural
\$m 2022-23

	2017-18	2018-19	2019-20	2020-21	2021-22
Opening RAB at 1 July	94.8	96.4	101.9	103.1	105.2
<i>Plus</i> Gross capital expenditure	7.9	13.8	12.9	5.5	8.3
<i>Less</i> Government contributions	2.4	0.9	3.4	-	-
<i>Less</i> Customer contributions	0.3	0.3	5.1	0.5	1.8
<i>Less</i> Proceeds from disposals	0.4	4.6	0.5	0.1	0.2
<i>Less</i> Regulatory depreciation	3.2	2.5	2.7	2.8	2.9
Closing RAB at 30 June	96.4	101.9	103.1	105.2	108.7

Table 7 Forecast regulatory asset base - urban
\$m 2022-23

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Opening RAB at 1 July	196.6	202.1	210.2	221.0	227.0	232.8
<i>Plus</i> Gross capital expenditure	17.5	20.7	23.8	17.6	17.2	15.4
<i>Less</i> Government contributions	-	-	-	-	-	-
<i>Less</i> Customer contributions	1.7	1.5	1.5	1.5	1.5	1.5
<i>Less</i> Proceeds from disposals	0.3	0.5	0.4	0.4	0.2	0.3
<i>Less</i> Regulatory depreciation	10.1	10.5	11.1	9.7	9.7	9.5
Closing RAB at 30 June	202.1	210.2	221.0	227.0	232.8	236.9

Table 8 Forecast regulatory asset base - rural
\$m 2022-23

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Opening RAB at 1 July	108.7	114.2	117.4	121.8	125.6	130.6
<i>Plus</i> Gross capital expenditure	11.1	9.1	8.5	8.1	9.3	8.4
<i>Less</i> Government contributions	-	-	-	-	-	-
<i>Less</i> Customer contributions	2.1	0.2	0.2	0.2	0.2	0.2
<i>Less</i> Proceeds from disposals	0.4	2.4	0.4	0.3	0.2	0.2
<i>Less</i> Regulatory depreciation	3.1	3.3	3.6	3.8	3.9	4.1
Closing RAB at 30 June	114.2	117.4	121.8	125.6	130.6	134.5

Table 9 Approved licence fee and environmental contribution assumptions - urban
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Essential Services Commission licence fee	0.0	0.0	0.0	0.0	0.0
Department of Health and Human Services licence fee	0.0	0.0	0.0	0.0	0.0
Environment Protection Authority licence fee	-	-	-	-	-
Environmental contribution	1.7	1.7	1.6	1.6	1.5

Table 10 Approved licence fee and environmental contribution assumptions - rural
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Essential Services Commission licence fee	0.0	0.0	0.0	0.0	0.0
Department of Health licence fee	-	-	-	-	-
Environment Protection Authority licence fee	-	-	-	-	-
Environmental contribution	0.5	0.4	0.4	0.4	0.4

Table 11 Bulk water purchases - urban
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Bulk water purchases	0.7	0.7	0.7	0.7	0.7

Table 12 Bulk water purchases - rural
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Bulk water purchases	3.0	3.1	3.1	3.2	3.2

Table 13 Demand forecast - urban

	2023-24	2024-25	2025-26	2026-27	2027-28
Water assessments (no.)					
Residential	32,322	32,677	33,037	33,400	33,767
Non-residential	4,171	4,218	4,264	4,311	4,359
Total	36,493	36,895	37,301	37,711	38,126
Sewerage assessments (no.)					
Residential	28,339	28,651	28,966	29,284	29,607
Non-residential	3,393	3,430	3,467	3,506	3,544
Total	31,732	32,081	32,433	32,790	33,151
Billable water consumption (ML)					
Residential	15,469	15,610	15,752	15,896	16,042
Non-residential	4,562	4,612	4,663	4,714	4,766
Total	20,031	20,222	20,415	20,610	20,808

Table 14 Major capital projects - urban

Project	Expected start date	Expected completion date
Water Mains Upgrade in Mildura	2024-25	2027-28
New 10ML Treated Water Storage and Pump Station upgrade at 14th Street Mildura (Stage 1)	2024-25	2025-26
Improving level of service (Pressure) in Red Cliffs Water Distribution	2023-24	2025-26
New Swan Hill water treatment plan (Stage 1)	2026-27	2027-28
Wet Weather Storage for the Koorlong Wastewater Treatment Plant	2024-25	2026-27
Koorlong Sewer Rising Main Duplication (Planning & Design)	2026-27	2027-28
Customer Relationship Management, Portal Phase 2 (additional process design & NextGen service catalogue Portal)	2023-24	2025-26
Asset Management Improvement - Fixed Asset Implementation & Value Study Initiatives	2023-24	2027-28

Table 15 Major capital projects - rural

Project	Expected start date	Expected completion date
Robinvale – Decommission selected section of redundant channel (rubbish dumping/ongoing operating expenditure)	2023-24	2027-28
Robinvale – Decommission and seal the old suction	2026-27	2026-27
Robinvale – Decommission the old PS (main and relift) and rising main	2026-27	2027-28
Customer Relationship Management, Portal Phase 2 (additional process design & NextGen service catalogue Portal)	2023-24	2025-26
Asset Management Improvement – Fixed Asset Implementation & Value Study Initiatives	2023-24	2027-28