

6 May 2024

Marcus Crudden  
Director, Price Monitoring and Regulation  
Essential Services Commission  
Level 8, 570 Bourke Street  
MELBOURNE VIC 3000

Dear Marcus

## **Goulburn-Murray Water Response to ESC Draft Decision**

Goulburn-Murray Water (GMW) welcomes the Essential Services Commission (ESC) draft decision on our 2024-28 price submission for the four-year period commencing 1 July 2024. The decision recognises that GMW has committed to efficiencies to minimise prices and deliver sustainable water services meeting the needs of our customers and stakeholders as efficiently as possible. This enables GMW to pass on an average price decrease of 0.1%(real) for typical customer bills across the regulatory period.

GMW is pleased that the ESC has supported the key aspects of GMW's submission, including:

- \$480.3m revenue requirement allowing GMW to deliver on its customer service commitments (an increase from GMW's proposed revenue requirement of \$474.2m due to updated estimates on cost of debt and long term inflation)
- demand forecasts
- continuation of a revenue cap form of price control
- key tariff reforms proposed for bulk water and drainage
- rated GMW as Standard under the PREMO framework in line with GMW's self-rating.

We appreciate the opportunity to provide additional information for the proposed tariffs for service point fees for unmetered customers. The draft decision:

- required GMW to recalculate its service point fees for unmetered diverters and domestic and stock customers considering EGIS' findings and recommendations on monitoring and surveillance and deeming costs
- suggested actual cost data be collected over the medium to longer term, which will provide greater accuracy
- requested a review of the tariff name for service point fees or tariff description applying to unmetered diverters and domestic and stock customers
- review proposed prices with updated estimates of cost of debt and long-term inflation.

The additional information provided as part of this submission seeks to address these matters to enable the ESC to further consider GMW's pricing submission.

### **Diversions unmetered service point fees**

As requested, GMW has recalculated the unmetered service point fee based on revised assumptions. To clarify the assumptions a matrix of activities (see Table 1 in appendix) was created based on discussions with diversion inspectors and management to better capture the

tasks performed by Diversions Operations and associated costs (Table 2, appendix). This additional analysis has confirmed that the prices GMW proposed for unmetered diverters and domestic and stock customers' service point fees in its price submission are appropriate. Further information about the two main categories of costs included in the calculation of service point fees is below:

### **1. Monitoring & surveillance**

Monitoring and surveillance activities, which are a component of diversions inspectors' duties, include:

- compliance and monitoring to ensure instream and other priority needs are met
- compliance and monitoring with licensed take and use conditions
- compliance and monitoring with licensed works operations conditions
- compliance and monitoring of unauthorised activity.

Table 3 in the appendix provides cost assumptions. During the 2024-28 regulatory period, GMW will review the estimation methods used and seek to improve our quantification of costs of use estimation (see *Improvements over the medium term*, below).

### **2. Estimating water use**

Use is estimated for unmetered customers across GMW when no meter is installed. Different estimation methods are available, with preference given to the method most suitable for the specific circumstances. For unmetered diversions customers:

- the deeming method, involving a small meter fleet to establish representative use estimates, is preferred for estimating use for unmetered domestic and stock service points
- the area-depth method, which estimates use based on crop type and area irrigated, is preferred for estimating use for unmetered irrigation service points.

Costs for each method reflect the differences in approaches. During the 2024-28 regulatory period, GMW will review the estimation methods used and seek to improve our quantification of costs of use estimation (see *Improvements over the medium term*, below).

### **Review of tariff names for diversions**

GMW has reviewed the tariff names for diversions and considered several options. Based on this review, GMW proposes that the tariff names not be changed because:

- they were introduced as an outcome of a significant and widely consulted tariff review process a decade ago
- we consider that change now and without the opportunity for wider consultation would create more confusion with diversion customers as the unmetered service point fee and access fee terminology is well accepted by the majority.

Instead, there will be a targeted communication campaign for unregulated customers, including further information provided via annual accounts, customer newsletters and the GMW website to improve clarity and understanding about the diversions tariff.

### **Improvements over the medium term**

GMW is actively looking to improve our collection of data over the medium term and develop a more robust methodology for attributing costs to diversion activities. We will challenge and test our assumptions. We will increase transparency with our customers as part of the campaign to improve

their understanding about the diversion services GMW provides and tariffs used to recover the costs.

GMW will commence this work at the start of the 2024-28 regulatory period and form a customer reference group with our diversion customers. GMW will seek to incorporate its improved understanding of costs and their attribution to the different diversion tariff elements as soon as possible. If there is a material difference GMW will address the changes during the 2024-28 regulatory period via the Annual Price Review process instead of waiting for the next regulatory period.

### **Conclusion**

GMW will provide a revised financial template incorporating updated cost of debt by 7 May 2024.

We thank ESC for its draft decision and look forward to receiving your final determination.

If you have any further queries regarding GMW's response please contact Michael Gomez, General Manager Business & Finance on [REDACTED] or email: [Michael.Gomez@gmwater.com.au](mailto:Michael.Gomez@gmwater.com.au).

Yours sincerely,

[REDACTED]

Charmaine Quick  
MANAGING DIRECTOR

[REDACTED]

Diane James  
CHAIR

# APPENDIX

Table 1: Matrix of Diversions Operations unregulated streams activities

Activity	Group		Unregulated (Metered)		Unregulated (Unmetered)		Unregulated Domestic & Stock		Unregulated Private Right		Unregulated Registration Licenses		Currently exempt from fees		Activity/Cost Vs Season			Activity performed				
	Labour Effort	Cost to deliver	Labour Effort	Cost to deliver	Labour Effort	Cost to deliver	Labour Effort	Cost to deliver	Labour Effort	Cost to deliver	Labour Effort	Cost to deliver	Dry	Average	Wet	Water user	Water non-user	Saving if not performed (Sml Med, Lge)				
Service Point Fee	Accuracy validations and record maintenance	Yes	H	H	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	↔	↔	↔	Y	Y	N/A
	Meter asset replacement	Yes	H	H	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	↔	↔	↔	Y	R	Sml
	Component replacements	Yes	H	M	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	↔	↔	↑	Y	R	Sml
	Routine maintenance inspections (ITP's & Validations)	Yes	H	H	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	↔	↔	↑	Y	Y	N/A
	Compliance and monitoring to ensure instream and other priority needs are met	Yes	M	M	Yes	M	M	Yes	L	L	Yes	L	L	No	N/A	N/A	↑	↔	↓	Y	Y	Sml
	Entering usage/deeming	Yes	L	L	Yes	L	L	Yes	L	L	No	N/A	N/A	No	N/A	N/A	↔	↔	↔	Y	Y	N/A
	Reading the meter	Yes	H	H	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	↔	↔	↓	Y	Y	N/A
	Compliance and monitoring with licensed works operations conditions	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	↑	↔	↔	Y	Y	Lge
	Compliance and monitoring with licensed take and use conditions	Yes	M	L	Yes	M	L	Yes	L	L	Yes	L	L	Yes	L	L	↔	↔	↔	Y	Y	N/A
	Compliance and monitoring of unauthorised activity	Yes	M	L	Yes	M	L	Yes	L	L	Yes	L	L	Yes	L	L	↔	↔	↔	Y	Y	N/A
Access Fee	Investigate/resolve unauthorised works	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	↑	↔	↔	Y	Y	N/A
	Investigate/resolve interference	Yes	L	L	Yes	L	L	Yes	M	M	Yes	M	M	Yes	M	M	↑	↔	↓	Y	N	Sml
	Compliance investigations (illegal diversions)	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	↑	↔	↔	Y	Y	N/A
	Developing policies (water trading etc)	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	↔	↔	↔	Y	Y	N/A
	Water ordering/planning	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	↑	↔	↓	Y	Y	N/A
	Maintenance of our water ordering system IPM	Yes	L	L	Yes	L	L	Yes	L	L	No	N/A	N/A	No	N/A	N/A	↔	↔	↔	Y	Y	N/A
	Investigating issues relating to access	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	Yes	M	M	↑	↔	↓	Y	N	Sml
	Reporting stream status to DEECA	Yes	L	L	Yes	L	L	Yes	L	L	Yes	L	L	Yes	L	L	↔	↔	↔	Y	Y	N/A
	Enforcement & compliance of rosters/suspensions	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	↑	↔	↓	Y	Y	N/A
	Ensure compliance with BE obligations	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	No	N/A	N/A	↔	↔	↔	Y	Y	N/A
	Managing / Implementing rosters & restrictions	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	↑	↔	↓	Y	Y	N/A
	Undertaking streamflow assessments	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	Yes	H	H	↑	↔	↔	Y	Y	N/A

Table 2: Diversions Operations activities and costs

Diversions Activities	%	Labour	Vehicle	Total
<b>Total</b>	<b>100%</b>	<b>2,026,947</b>	<b>214,064</b>	<b>2,241,011</b>
Unmetered Service Points	21%	447,602	48,474	496,076
Metered Service Points	41%	850,919	88,171	939,090
Access	14%	252,889	29,275	282,164
Fees for Service	24%	475,537	48,144	523,681
	<b>100%</b>	<b>2,026,947</b>	<b>214,064</b>	<b>2,241,011</b>

Table 3: Diversions Operations unmetered service point activities

Diversions Activities	Labour split %	Labour \$s	Vehicle \$s	Total	\$s per Service Point
<b>Unmetered Service Point Fees</b>	<b>21%</b>	<b>447,602</b>	<b>48,474</b>	<b>496,076</b>	<b>\$76</b>
<b>Monitoring &amp; Surveillance</b>					
<i>Compliance and monitoring to ensure instream and other priority needs are met</i>	3%	61,810	6,695	68,505	\$11
<i>Compliance and monitoring with licensed take and use conditions</i>	4%	85,258	9,233	94,491	\$14
<i>Compliance and monitoring with licensed works operations conditions</i>	4%	85,258	9,233	94,491	\$14
<i>Compliance and monitoring of unauthorised activity</i>	4%	85,258	9,233	94,491	\$14
<b>Estimating Water Use</b>					
<i>Estimating Use</i>	6%	130,018	14,080	144,098	\$23
	<b>21%</b>				<b>\$76</b>

Note: tables include rounding