

# Welcome to the Essential Services Commission's public forum on our draft decision





# Essential Services Commission public forum

Goulburn-Murray Water  
draft decision 2024

23 April 2024



# Acknowledgement of country

I would like to acknowledge the Traditional Owners of all of the lands wherever you are today.

I would also like to acknowledge the Victorian Traditional Owners of the land and waters of the service area of Goulburn-Murray Water.

I would like to pay my respects to their Elders, past and present, and extend that respect to all Aboriginal people here today.

Barring Djinang artwork by Jade Kennedy. Reproduced with permission.



# Housekeeping

A reminder this public forum is being recorded. This means:

- any statement or comment you make or question you ask will be **included in the recording**
- for online participants, any question you ask using the **'Q & A chat'** function, will be **read out along with your name** and will be included in the recording.
- For verbal comments, please use the **'raise your hand'** function and you will be invited to unmute your microphone, turn on your camera, say your name and organisation.
- If you are calling in via phone, please say your name and location prior to speaking.
- If you want to make a written public statement, please submit via <https://engage.vic.gov.au/ESC-water-price-review-2024>

# Agenda

- Summary of our role in water price regulation

**Rebecca Billings**  
Commissioner, Essential Services Commission

- How we assessed the price submission and our draft decision

**Angeline Bilas**  
Project Manager Water Pricing Team, Essential Services Commission

- Goulburn-Murray Water's response to our draft decision

**Charmaine Quick**  
Managing Director, Goulburn-Murray Water

Questions from attendees

# About the Essential Services Commission

**Our purpose is to promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.**

We regulate Victoria's energy, water and transport sectors, and oversee the Fair Go Rates system. We also administer the Victorian Energy Upgrades program.

We have been regulating water prices around 20 years.

For the water sector we:

- approve prices and service standards
- monitor and report on performance
- issue water industry standards.

# Goulburn-Murray Water price review process

We assess Goulburn-Murray Water's price submission to ensure it:

- complies with the requirements of the Water Industry Regulatory Order
- meets the requirements in our guidance, including:
  - our expectations on the overall approach
  - application of our incentive (PREMO) framework, where the returns earned are linked to the level of ambition in the price submission
- complies with relevant criteria in the *Water Industry Act 1994* and the *Essential Services Commission Act 2001*.

# Goulburn-Murray Water price review process

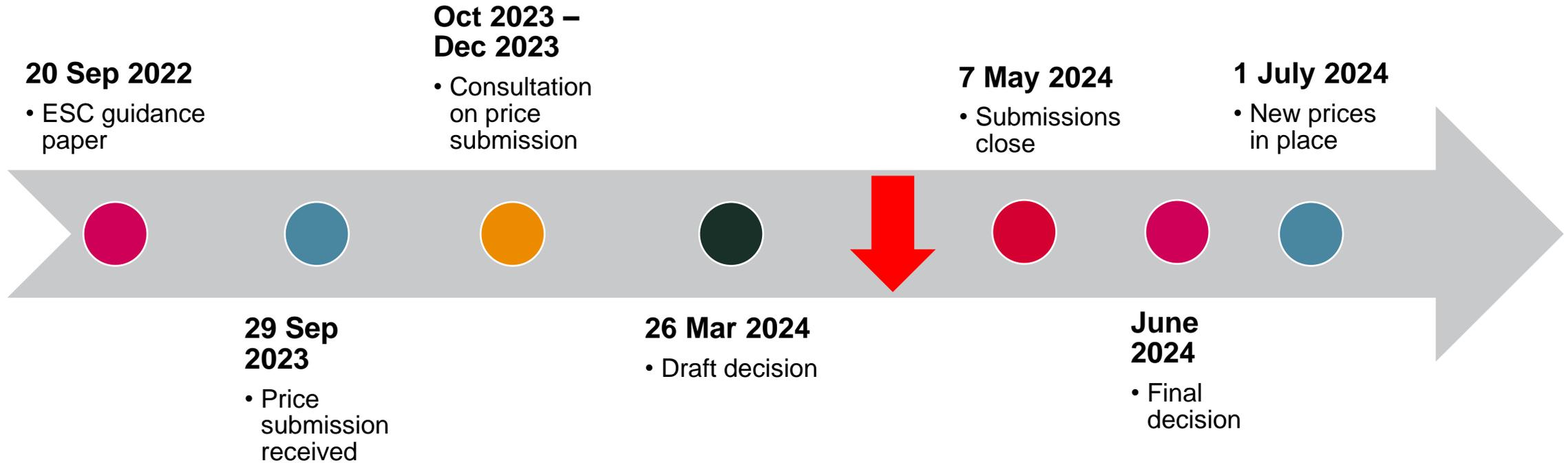
It is up to Goulburn-Murray Water to propose prices and services consistent with the order, guidance and relevant legislation.

## **Essential Services Commission's draft decision**

Our draft decision indicates what we propose to approve (or not approve), and key tariff reforms proposed by Goulburn-Murray Water.

It also allows Goulburn-Murray Water– and other stakeholders – to respond before we make our final decision and price determination.

# Goulburn-Murray Water price review process



# We assessed Goulburn-Murray Water's proposals and the reasons for them

We did this by:

- looking at engagement and how Goulburn-Murray Water used feedback
- testing expenditure and demand forecasts
- verifying the supporting assumptions and data
- evaluating how Goulburn-Murray Water managed risk and its performance
- reviewing opex and capex costing and timing assumptions to ensure they were reasonable.

We also obtained advice from expert consultants where appropriate.

# Summary of our draft decision

- Accepts 4-year pricing period
- Prices decreasing in real terms for majority of customers over the 4-year period
- Proposes to accept many elements of the price submission including:
  - a new ‘socially responsible’ outcome for customers which will deliver environmental and cultural outcomes that matter to Traditional Owners and communities
  - tariff reforms to move bulk water pricing from a basin to a two-system pricing approach
  - proposal to simplify tariffs for surface and sub-surface drainage, to make them more cost reflective and easier for customers to understand
  - investment to improve IT security to ensure its systems and data remain secure
- Proposes to not accept proposed tariffs for service point fees for unmetered customers.
- Adopts a revenue requirement of \$480.3 million over a four-year period, slightly higher than proposed, due to our update to the long-term inflation estimate.

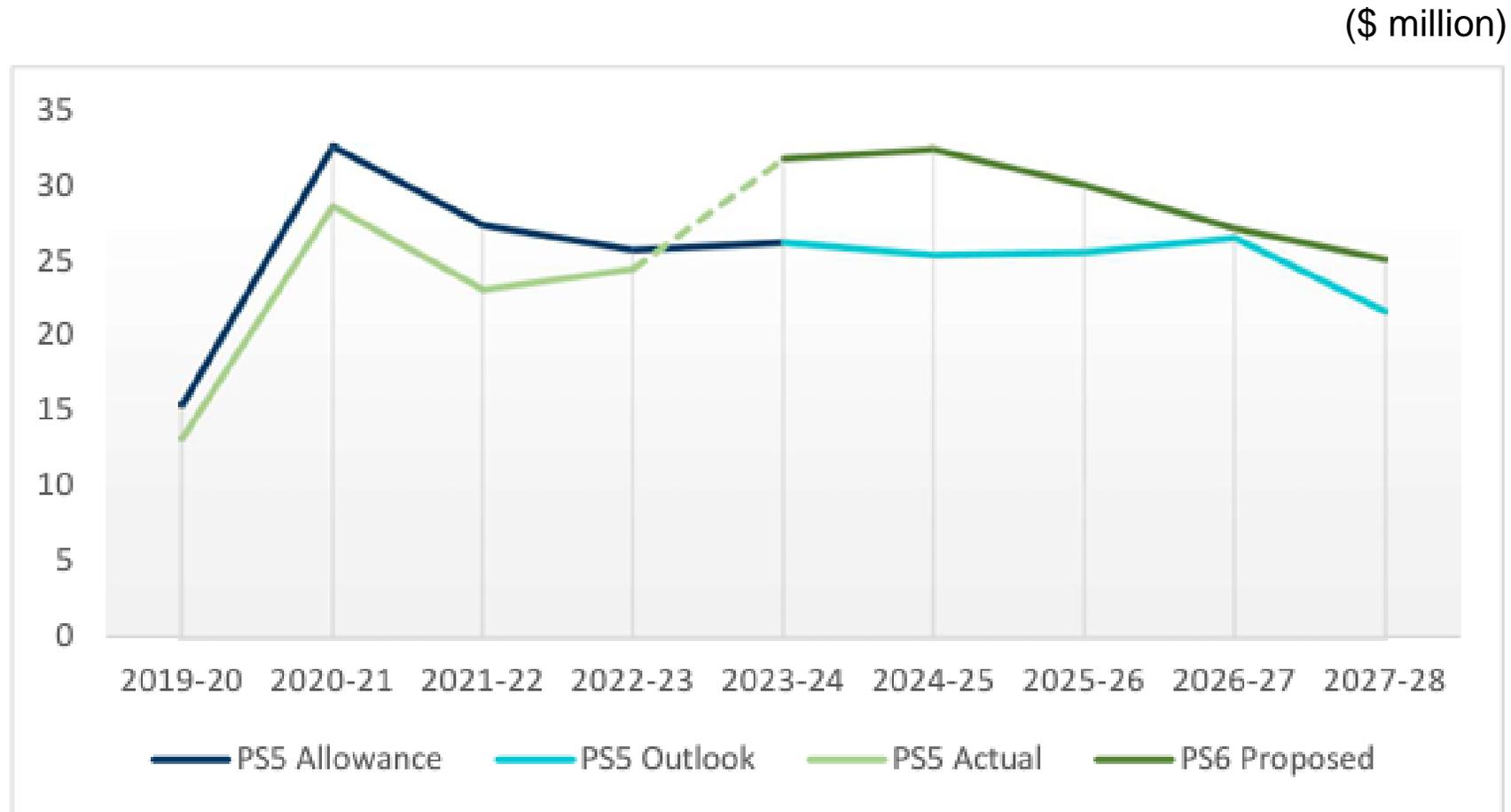
# Estimated annual bills for a medium size irrigation customer

	2023-24 (current)	2024-25 (first year of next period)	2027-28 (final year of next period)
<u>Shepparton</u>	\$7,801	\$7,833	\$7,741
Central Goulburn	\$7,585	\$7,624	\$7,583
Rochester	\$7,525	\$7,579	\$7,583
Loddon Valley	\$7,699	\$7,693	\$7,441
Murray Valley	\$7,773	\$7,830	\$7,847
<u>Torrumbary</u>	\$7,428	\$7,499	\$7,547

# Goulburn-Murray Water expenditure forecasts 2024–28

<b>4-year total</b>	<b>Proposed</b>	<b>Our proposed adjustments</b>	<b>Draft decision (\$ million)</b>
Operating expenditure	371.54	0.10	371.64
Capital expenditure	114.64	0.00	114.64

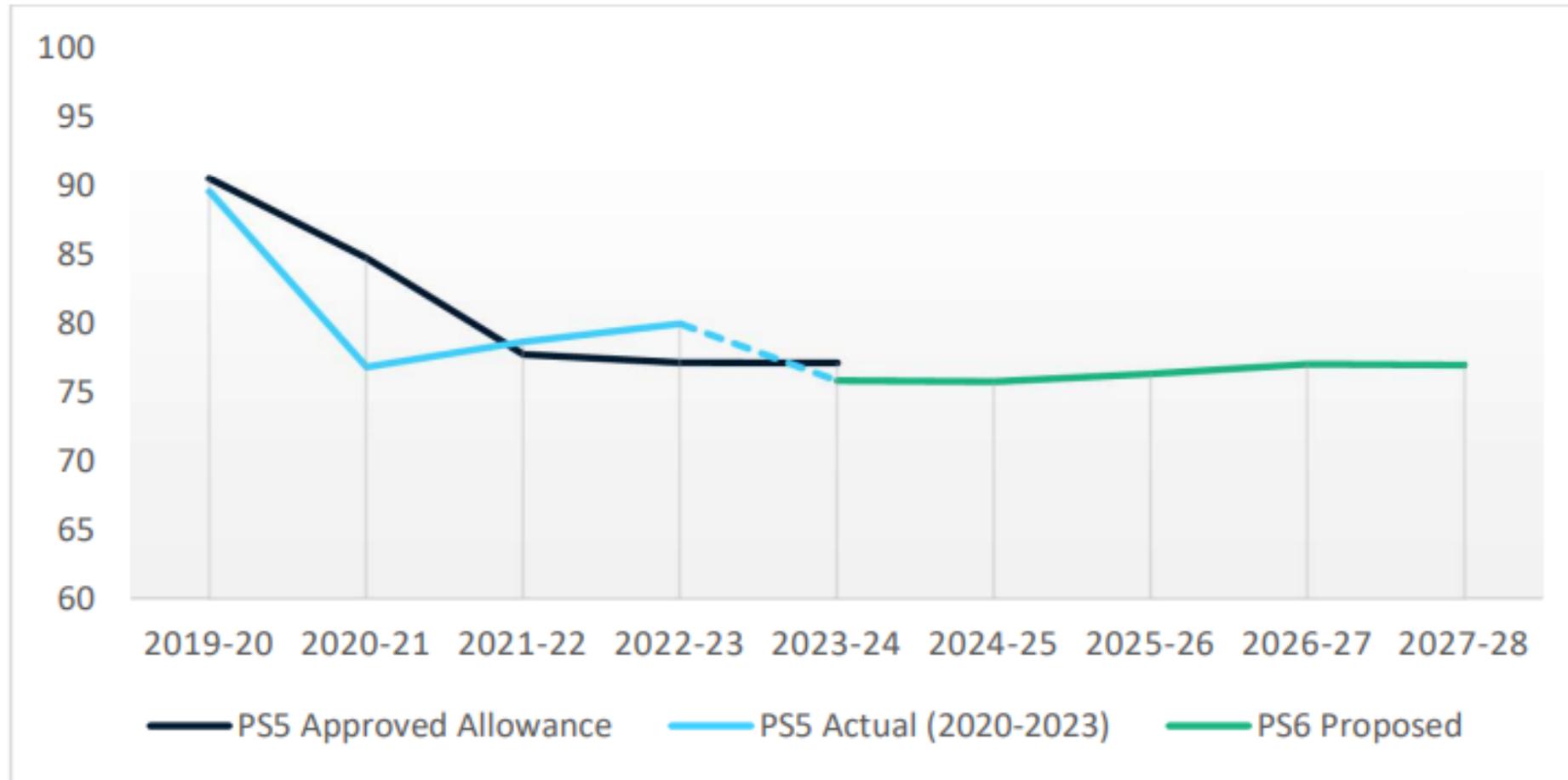
# Goulburn-Murray Water forecast capital expenditure 2024–28



Source: FTI Consulting, Goulburn-Murray Water 2024 Price Review Model

# Goulburn-Murray Water forecast controllable operating expenditure 2024–28

(\$ million)



Source: FTI Consulting, WATER BUSINESS 2023 Price Review Model

# We propose to accept a 'Standard' PREMO price submission rating

- The price submission provided clear justification for its proposals.
- Goulburn-Murray Water did not have a set of Outcomes established under the PREMO framework from a previous review to assess delivery against those outcomes.
- However, we consider that Goulburn-Murray Water, in its price submission, demonstrated an ambition to act prudently to achieve the lowest cost in delivering outcomes for its customers.
- It proposed efficiency measures that allows it to keep its forecast expenditure low.
- Its engagement program was inclusive and diverse. It also gave customers an opportunity to participate and to provide feedback on the prices and services that affect them.
- Its proposed outcome measures and targets were developed in consultation with its customers and are supported by customers. They provide overall improvement in customer value.

# Our draft decision means...

- Prices are likely to decrease, for majority of customers, in real terms before inflation (noting inflation will be added to 2024-25 prices and bills). This also depends on how Goulburn-Murray Water responds to our draft decision.
- Goulburn-Murray Water will continue to deliver on environmental, cultural and recreational outcomes that matter to its customers, Traditional Owners and communities

# SLIDES FROM GOULBURN-MURRAY WATER

- Presentation by Charmaine Quick, Managing Director

# PRICING SUBMISSION 2024-28

GOULBURN-MURRAY WATER

April 2024



Excellence



Honesty



Accountability



Courage



Caring

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# Acknowledgement

Goulburn-Murray Water respectfully acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners and custodians of the land and water on which all Australians rely.

We pay our respects to their Elders past, present and future, as Traditional Owners and the custodians of the land and water on which we rely and operate.



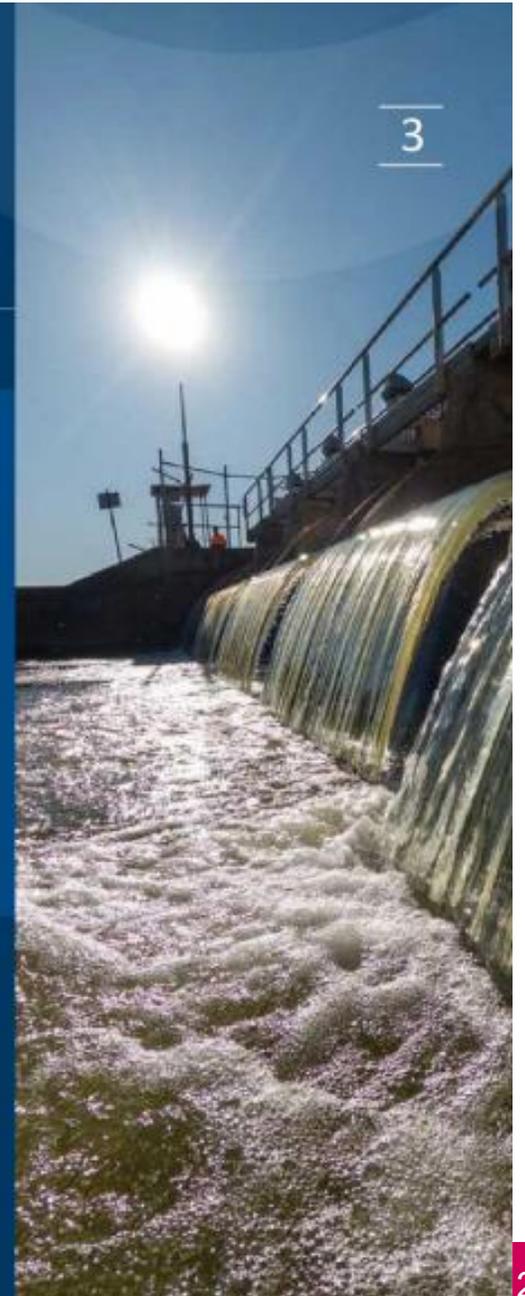


# Key Messages

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- Average price decrease of 0.1% (real) on typical customer bills across the regulatory period
- Our most extensive engagement process
- Customer prices are still lower than they were 10 years ago and we continue to pass on decreases
- Prudent and efficient investments to ensure we maintain our service levels
- Five refreshed outcomes plus one additional (Socially Responsible)
- Continue to listen to our customers and simplify our tariffs (e.g. drainage tariff and system pricing)

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# Our most extensive engagement we have ever performed



## How We Engaged With Our Customers

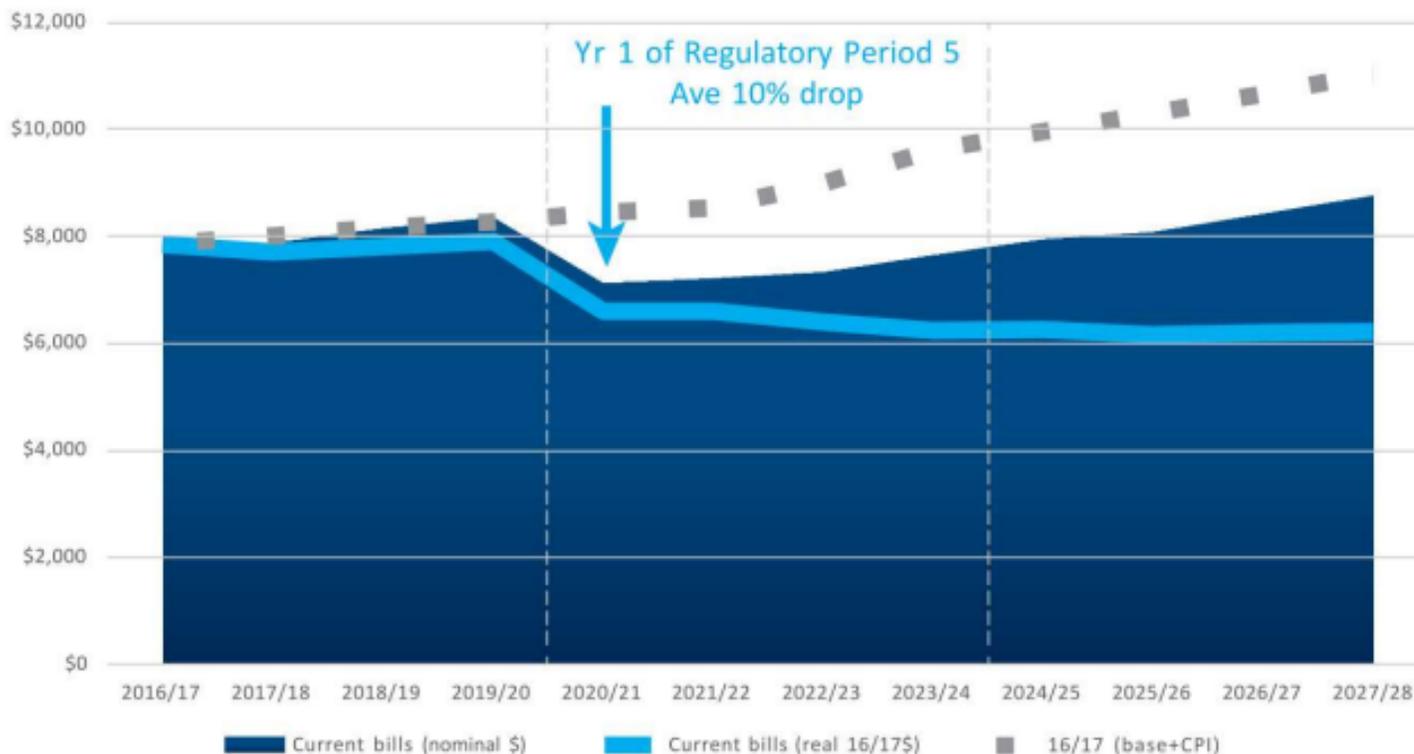


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# Customer prices are still lower than they were 10 years ago, and we continue to pass on decreases

Medium Typical Gravity Customer bills  
(100ML usage)



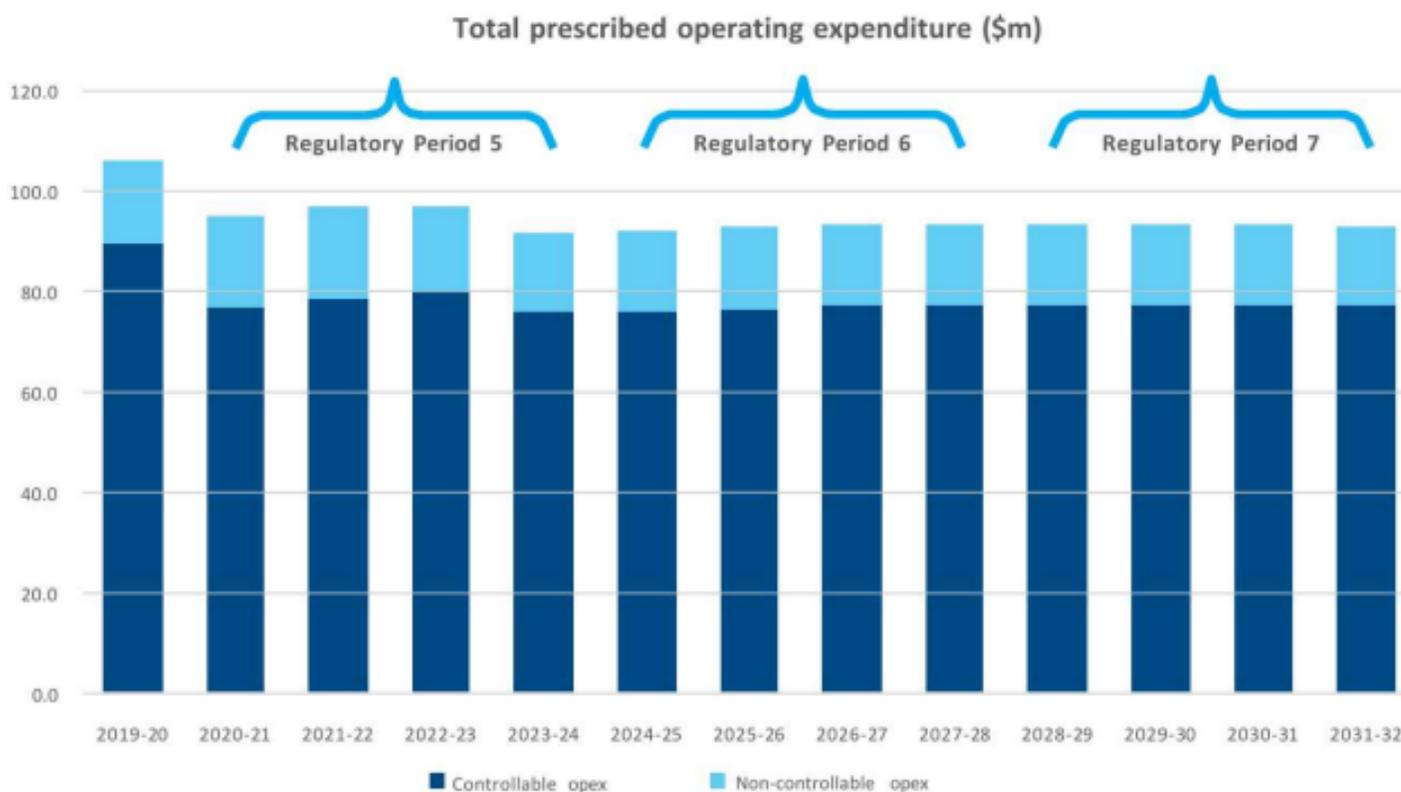
### KEY POINTS

- 3.1% real decrease in 22-23
- 1.5% real decrease in 23-24

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# We continue to control our operating expenditure



## KEY POINTS

- Continue to focus on controlling our operating expenditure
- Total controllable operating expenditure in regulatory period 6 is forecasted to reduce by \$3.7m
- Savings are offsetting any additional operating requirements (e.g. maintenance, insurance and cyber security)
- Absorbing contract cost above CPI

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# Our capital investment continues to grow due to dam safety works and the increase in ageing assets

Total capex by service category



## KEY POINTS

- Projects have been strategically phased to optimise resources and deliverability
- GMW absorbing risk of aging assets in next regulatory period, while we complete a strategic review of some services with customers
- Uncertain projects have been excluded and scheduled for the subsequent regulatory periods
- \$137.9m forecast for next regulatory period
- 5% above the projected capital in current regulatory period

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# Response to ESC Draft Determination

ESC Review	GMW Response
Approve GMW revenue requirement with an adjustment to the long-term inflation forecast from 3.5% to 3%	GMW accepts this change and will update its prices in the final determination with an update to our cost of debt
GMW to recalculate its proposed service point fees for unmetered customers, noting that we suggest actual cost data to be collected over the medium to longer term	GMW will provide further information to the ESC on the deeming method and surveillance cost relating to this fee. GMW will also provide a methodology to improve how it will collect information to increase cost reflectivity.
Consider review of its tariff name for service point fees or description to unmetered diverters and domestic and stock customers	GMW is reviewing the name of the service point fee tariff for unmetered diverters.



## Next Steps

- GMW intends to review proposed prices in response to the draft decision following the release of March quarter consumer price index (CPI) and cost of debt released on 23rd April 2024
- GMW will provide additional information with our response to support the calculation of the unmetered service point fee

# Q & A

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# Thank you for joining us today

**Submissions on our draft decision are due by 7 May 2024**

- You can provide written submissions or feedback via the Engage Victoria website:

<https://engage.vic.gov.au/ESC-water-price-review-2024>

