

19/04/2021

RM/21/6896

Michael Wandmaker  
Managing Director  
Melbourne Water

Dear Michael

As you may be aware, we received an email from Melbourne Water staff seeking clarification in relation to an aspect of the commission's draft decision dated 17 March 2021 for Melbourne Water's price review. Commission staff provided a response to Melbourne Water on its query on 9 April 2021. For transparency, I have included the response we provided to Melbourne Water below and confirm the commission will make this letter public on our website as of today:

Thanks for seeking clarification on statements made in the Essential Services Commission 2021, Melbourne Water Draft Decision: 2021 water price review, 17 March (draft decision) about our approach to assessing and finally deciding Melbourne Water's PREMO rating.

As you are aware, this is a draft decision and Melbourne Water (and any other interested party) can respond to any matter in the decision.

As you have correctly identified, the commission's PREMO framework outlined in its Water Pricing Framework and Approach – Final paper, October 2016 (framework paper) and its Melbourne Water 2021 water price review Guidance Paper, 13 November 2019 (guidance paper) does allow Melbourne Water to clarify and justify its original PREMO rating on limited grounds. Specifically, the framework paper states that it can be done by providing additional information to clarify or support that rating or to demonstrate that the Commission's draft decision was in error. However, Melbourne Water is not permitted to rebid its PREMO rating (i.e. it cannot resubmit its substantive proposal or move away from its original substantive proposal). This is consistent with the framework paper which states that Melbourne Water may not seek to improve its rating with an alternate proposal, or seek to revise its submission with a lower rating to match the commission's rating assessment.

Footnote 15 and the text that you refer to on page 78 of the draft decision is not intended to propose any departure from the framework paper and guidance paper. Melbourne Water is accordingly entitled to respond to the commission's draft decision about Melbourne Water's

proposed PREMO rating consistent with the framework paper and guidance paper. The commission will have regard to this before releasing its final decision.

I trust this clarifies matters for you. Please feel free to call me if you have any further queries.

Please do not hesitate to contact me if you would like to discuss this matter further.

Yours sincerely



**Kate Symons**  
Chairperson

