



5 May 2020

Marcus Crudden  
Director, Price Monitoring and Regulation  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
MELBOURNE VIC 3000

Dear Marcus

### Goulburn-Murray Water – Pricing Submission 2020-2024

Thank you for the opportunity to provide a further response related to the submission from Mr Dudley Bryant in relation to the Essential Services Commission draft decision.

In Mr Bryant's submission there are six key points noted. A summary of the submission is provided in **bold** and Goulburn-Murray Water's (GMW) response to each is then provided in turn.

- 1. Concern over consultation:** GMW's consultation in relation our pricing submission was multi-faceted. This included over 1,000 face to face conversations, an online hub, 26 drop-in days across GMW's operating area, 18 customer workshops (including a two day summit) and a three day forum with statistically representative customer participation. GMW regularly utilised internal subject matter experts to support this engagement. This includes the referenced public drop-in session where GMW staff members from both Murray Valley and Shepparton were in attendance to provide local expertise.
- 2. Level of support for Broken Creek leaving Murray Valley:** It should be noted that GMW is proposing a uniform delivery charge for all Gravity Irrigation Areas. This is the proposal that GMW's consultation, and subsequent customer feedback, has been based on.
- 3. GMW Submission lodged with ESC prior to combined meeting of Murray Valley WSC and Broken Creek Customers:** Whilst the submission from GMW had been lodged when a joint meeting of the Murray Valley Water Services Committee and several Broken Creek customers occurred, the continued engagement remained relevant as the Pricing Submission process does not conclude with GMW's submission. GMW customers have the benefit of reviewing the ESC's draft decision and providing further feedback. The information provided by GMW at this meeting was to support customer understanding of our tariff proposals.
- 4. Achieving proposed cost savings:** GMW has undertaken an extensive process through our Transformation program to identify efficiency opportunities. As a result we have achieved a landmark reduction in our revenue requirement of approximately \$60m over the pricing period. This will result in a 10% reduction in fees for most customers. Part of this process was to complete internal benchmarking exercises to identify comparative

costs for undertaking similar functions across our Irrigation Areas. This identified greater opportunity to reduce costs in Shepparton. The benefit of this is now proposed to be passed on to customers. GMW collects and monitors expenditure by activity in a range of ways, including through our asset management system. This data and ongoing monitoring will allow us to ensure that we operate within our allocated budgets and revenue limits.

5. **Calculating modernisation savings:** The savings attributed to Modernisation (and outlined in our Pricing Submission) across all Irrigation Areas has contributed to the calculation of GMW's revenue requirement and is included in the consideration of uniform pricing.
6. **Aither Review:** Aither, as part of their independent audit of GMW's pricing submission, conducted an expenditure review. This review was designed to assess the reasonableness of GMW's operating expenditure forecasts. Aither concluded that on balance 'the assumptions underpinning the forecast controllable operating expenditure for the upcoming regulatory period to be reasonable', this included the \$5.4m benefit attributed to modernisation.

The submission further raises concerns about which Irrigation Area Broken Creek customers may be aligned to in the future if tariff structures are to change from that proposed. Forecasting future tariff outcomes, which would be subject to their own consultation requirements, is not feasible and would purely be based on speculation. GMW is proposing a uniform delivery charge which means that Broken Creek customers will pay the same fees as all other Irrigation Area customers.

GMW would also like to take this opportunity to correct a statement made at the ESC's public forum held on 16 April 2020. During this forum a query was raised regarding a potential conflict of interest relating to a Senior Manager who was said to own land in the Shepparton Irrigation Area. GMW has followed up on this query and can confirm that the information raised on the day was inaccurate. Therefore GMW can confirm that there is no conflict of interest (real or perceived) in regards to our Pricing Submission.

If you have any further queries in regards to GMW's submission please contact Michael Gomez General Manager Business & Finance on (03) 5826 3580 or email: [Michael.Gomez@gmwater.com.au](mailto:Michael.Gomez@gmwater.com.au).

Yours sincerely



**Charmaine Quick**  
**MANAGING DIRECTOR**