



Our ref: MG Estates NCC Preliminary Review
Your ref: 1277910
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Chairperson,
Essential Services Commission
Level 8
570 Bourke Street
MELBOURNE VIC 3000

22 July 2025

Dear Commissioners

**MG ESTATES PTY LTD SUBMISSION: ESSENTIAL SERVICES COMMISSION (ESC)
REVIEW OF NEW CUSTOMER CONTRIBUTIONS (NCCs) PRELIMINARY COMMENTS PAPER**

The submission is being made by MG Estates Pty Ltd (MGE) in response to the Essential Services Commission's (ESC) Review of New Customer Contributions (NCCs)-Report on interested parties' feedback.

MGE proposes to develop land located at 244 Edwards Road, Maiden Gully (land) by, amongst other things, a staged subdivision of the land into 1,380 lots (development). The development is authorised by a planning permit AM/798/2017/A (and plans, endorsed under that permit) issued by the Greater Bendigo City Council.

I understand the initial responses to submissions are:

- Workshops with water business to discuss industry best practice on NCC engagement.
- Publishing of Development Servicing Plans including delivery sequence and identification of developer funded works.
- Specify information that must be provided in a negotiating framework including sequencing or strategic servicing plans, service charging models, applicable pricing principles and the negotiation process.
- Establish characteristics that would qualify a development as a standard NCC and outline circumstances where a standard NCC would not apply and where a negotiated NCC would apply.
- Specify that negotiations must be undertaken in good faith.
- Additional consultation on the value of annual comparative reporting of NCC reporting.
- Additional workshops to enhance water sector knowledge of the NCC process.
- Provision of case studies to clarify definitions of reticulated and shared assets.
- Additional guidance on costs and their allocation including addressing costs by service, location and attribution use of sunk costs and taxes on gifted assets. The response also indicates that the developer should only pay for the minimum servicing solution for a development, encouragement of both parties to negotiate financing costs under an approved framework where a developer is required to provide assets with excess capacity. Additionally, establish that parties agree upfront on any portion of the financing cost the water business can reimburse the developer when subsequent developments connect, including how the rebate can get to the developer in due course within a good faith negotiation process.
- Seeking to maintain efficient pricing bands to address cross-subsidisation and provide additional guidance on cost allocation to reduce over usage of standard NCCs.
- Incremental revenue and costs forecasts should include justified time horizons and consider factors such as customer connection tenure, development staging strategies, asset lifespans, demand predictability and the practicality of long-term forecasting.
- Workshops to discuss NCC costing and modelling including expected basin documentation.

The original MGE submission outlined twelve (12) recommendations that the NCC framework should include. These recommendations are as follows:

1. A statement that Negotiated NCCs are the default basis of calculating NCCs, and Standard NCCs will apply for administrative ease in some cases. For example, Coliban Water might decide that any subdivision of less than “X” lots will be required to pay a Standard NCC.
2. A statement that it is a land owner or developer’s right to seek a Negotiated NCC, not for it to be at the sole discretion of Coliban Water.
3. Removal of an error – the current framework states Negotiated NCCs apply in addition to Standard NCCs, whereas our understanding of the Commission’s material is that it is one or the other.
4. Dispute resolution - better practice might be to offer a disaffected land owner or developer an escalation process before referral to VCAT. This might be a) referral to more senior officers within the organisations of both parties and b) referral to a mutually agreed independent arbiter. A choice of one or both or neither of these processes could save both parties time and money.
5. Provide a link to a public copy of Coliban Water’s long-term (20+ years) strategic servicing plans that are consistent with the latest planning schemes and precinct plans, to assist with identification and timing of back-bone infrastructure and sequential versus leap-frog development.
6. A statement on guiding pricing principles that are to be used, those being soundly based on Water Law, Planning Law, VCAT precedents and the Water Industry Regulatory Order. This should include any principles for the consideration of infrastructure other than pipes, such as pumping stations, re-treatment facilities, rising mains, pressure reduction, network monitoring equipment etc. In particular:
 - a. What are “reticulation” assets for which a developer is responsible? Pipe size alone should not be the sole criterion as there are pipe depth and onsite versus offsite issues to consider as well as non-pipe infrastructure.
 - b. What are “headworks/tail works” assets and how are costs apportioned to existing customers and future customers? Together with treatment plants, consideration needs to be given to back-bone infrastructure such as balancing tanks, transfer water mains, main and trunk sewers, and rising mains.
 - c. What are “shared” assets and how are costs apportioned to existing customers and future customers?
7. Inclusion of a statement on how reimbursements will be administered.
8. Inclusion of a statement on how the cost of assets are apportioned to growth when there are multiple drivers. Also how costs allocated to growth are further apportioned to new customers (as opposed to climate change, for example). (We note that the Board of Coliban Water has endorsed some cost allocation principles, so these should be included in the published framework).
9. Inclusion of a statement on the treatment of sunk costs and any conditions precedent for their inclusion in any NCCs applied. This should include a statement on how Coliban Water will ensure fair treatment between developers and between pricing periods.

10. Inclusion of a statement on the calculation of net revenues and net costs included in NCC calculations, and how any postage stamp pricing of service and usage charges is accommodated.
11. Inclusion of a statement on the treatment and explicit exposure of any geographic cross-subsidies and who pays (new customers only or the whole customer base).
12. Inclusion of a statement on the treatment of the uncertainty inherent in these inputs and calculations how the uncertainty will be accommodated.

I believe that most of these recommendations have been adopted by the ESC or are to be addressed in workshops in August and September 2025. We would appreciate an opportunity to discuss these comments and the draft responses in a workshop.

I hope this letter is clear. Please do not hesitate to contact me on [REDACTED] if you wish to discuss any aspect further.

Yours sincerely
For and on behalf of

[REDACTED]

[REDACTED]
Town Planner

[REDACTED]