

27/02/2026

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

Dear Marcus,

Melbourne Water welcomes the opportunity to provide further information on how we are actively engaging with the development sector on Development Services Schemes (DSS), how DSS rates are communicated to the sector and how DSS considerations have been incorporated into our 2026 Price Submission.

Firstly, we would like to thank the development sector for their valuable feedback and ongoing collaboration with us – as demonstrated through groups like the Urban Planning and Development Strategic Collaboration Group (UPD SCG). We are committed to ensuring the voice of the sector is appropriately reflected in our decisions and delivery of services. It has been encouraging to see the developer customer satisfaction score increase over recent years and we look forward to continuing to improve how we support the sector.

Melbourne Water ABN 81 945 386 953  
990 La Trobe Street Docklands VIC 3008  
PO Box 4342 Melbourne VIC 3001 Australia  
TTY 131 722 F +61 3 9679 7099  
melbournewater.com.au  
Printed on 100% recycled paper



## **Communication of DSS rates and use of an 'average' for the submission**

Melbourne Water maintains 121 active DSS, each with its own specific rates and costing. We have a strong focus on clearly communicating scheme prices – including through direct communications and via our [website](#) (which includes both price schedules, an interactive calculator for applicants to engage with scheme costs, and a subscription option for updates to scheme costs and reviews).

We want scheme cost information to be as relevant and accessible as possible, and we will continue to seek feedback as part of our ongoing improvement program for this service.

Regarding the presentation of an average rate in the price submission document, this is solely for convenience in presentation of forecast costs and revenues across the service. Consistent with ESC guidance, the price submission is written for an ESC audience, and is not intended as a communication tool for presenting prevailing price rates to users. Individual scheme rates are provided via direct communication with affected parties and our website.

Presentation of an average rate in the price submission does not affect the way the individual DSS charges are calculated, applied or communicated.

## **Supporting housing supply: temporary drainage arrangements**

Melbourne Water is committed to supporting housing growth and affordability, and we recognise that drainage infrastructure can influence both the costs and timing of development. We are committed to working with all stakeholders to progress the delivery of ultimate drainage solutions as soon as possible.

However, we note that current regulatory and policy settings do not enable Melbourne Water to roll out large-scale ultimate drainage solutions across privately owned land that is not actively being developed. This is a complex issue and we are working with the sector, Government and other stakeholders to identify and explore potential reform opportunities.

Our objective is to facilitate drainage development that provides the lowest community cost, long-term solutions, and meets technical design standards and policy requirements. Where practical, we support developers in utilising temporary drainage arrangements to enable their (upstream) development to occur, when downstream drainage assets on yet-to-be-developed private land have not been built.

We acknowledge these temporary solutions can add costs to the proponent's cost of development and we will work to keep finding ways to optimise these solutions. However, Melbourne Water's support to consider such temporary drainage arrangements can help unlock land for development sooner rather than waiting for privately held downstream land to be developed.

## **Variation in rates between schemes**

Reflective of the variables in setting a DSS rate, variation in rates exists between schemes. The factors that influence the setting of DSS rates have been consistently shared with the industry (construction costs, environmental considerations, geology, topography, historical land use etc). We appreciate the development sector's keen interest in understanding how change in the factors over time influences scheme costs and we are committed to providing greater transparency, including through our annual rate reviews and engineering reviews.

By way of background, Melbourne Water uses two sets of principles relevant to this issue:

- (i) principles agreed with developers to define the boundaries of each drainage service scheme, and
- (ii) pricing principles codified by the ESC used to set rates for each drainage service scheme.

Scheme rates are set to balance income and expenditure over the life of each scheme. Different rates between schemes reflect the unique characteristics and infrastructure needs of each. We undertake scheme reviews in accordance with established governance and regulatory requirements to ensure rates remain appropriate and cost-reflective. This is a significant part of our ongoing communications and engagement with the sector, and was a strong focus across 2025 as we developed Outcomes and commitments for the 2026 Price Submission.

Our recent engagement with the sector identified a preference for maintaining the current DSS model for the 2026 Price Submission, and making a commitment to review the principles used to establish schemes. This includes consideration of aggregating schemes, and how scheme costs and subsequent rates are apportioned across schemes. We note there are different views in the sector on this matter and as such, we have established a Melbourne Water facilitated industry working group to progress this work with the sector, in line with the commitment we made in the 2026 Price Submission. This work has commenced and will continue in 2026.

## Transparency and focus on service improvement

Melbourne Water is committed to ongoing engagement, greater transparency and responsiveness to sector needs and concerns.

Reflecting this, in 2023 we established the Urban Planning and Development Strategic Collaboration Group (UPD SCG). The UDP SCG is a Melbourne Water sponsored forum, which brings together key industry, local government and government organisations to address urban planning and water-cycle challenges, supporting sustainable water supply, flood resilience, and healthy catchments. The UPD SGG has five active working groups with strong representation and attendance from across the development sector:

1. **Land Use and Planning Working Group:** aims to address and influence unlocking land access challenges including considerations of timing and sequencing of asset delivery under Drainage Plans and Precinct Structure Plans.
2. **Technical Working Group:** aims to understand and optimise the management of afflux and identify opportunities to standardise input into policy reviews.
3. **Process and Timelines Working Group:** seeks to drive improvements in customer service, communications, and application assessment processes including articulation of service levels and performance measures.
4. **Planning and Climate Resilient City Working Group:** seeks to identify emerging trends and areas for consideration of reform across the sector to facilitate timely sustainable development.
5. **Pricing Principles Working Group:** focused on refreshing the principles that guide the Drainage Service Scheme.

All matters raised in recent correspondence to the Commission are currently under active consideration by Melbourne Water, the UPD SGC and its working groups. These have also informed commitments made in the 2026 Price Submission – including a dedicated Outcome (Outcome 4: Urban drainage and flood resilience). We have recently discussed with the UPD SCG the proposed areas of focus for 2026, which include an action Plan for Ultimate Infrastructure, a New Developer Charter, a Review of the DSS Principles and the finalisation of the 2026 Water Price Review. We are progressing these areas of focus in parallel with maintaining our development application processing within service standards.

We will continue to engage deeply with the sector, including through the UPD SGC and direct customer engagement, to ensure the processes and decisions

adopted by Melbourne Water appropriately reflect industry needs. While there is more work to do, we believe our collaboration is working well, and we are pleased that our developer customer satisfaction scores and developer reputation ratings continue to improve.

We welcome the opportunity to discuss these matters further with the Essential Services Commission and the sector, through the price submission review process and in our ongoing engagement.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Brace', written in a cursive style.

**Chris Brace**

Executive General Manager, Service Futures  
Melbourne Water