24 November 2025

ABN: 14 127 712 976

Director – Price Monitoring and Regulation Division
Essential Services Commission
Level 8 / 570 Bourke Street
MELBOURNE VIC 3000

Dear Marcus,

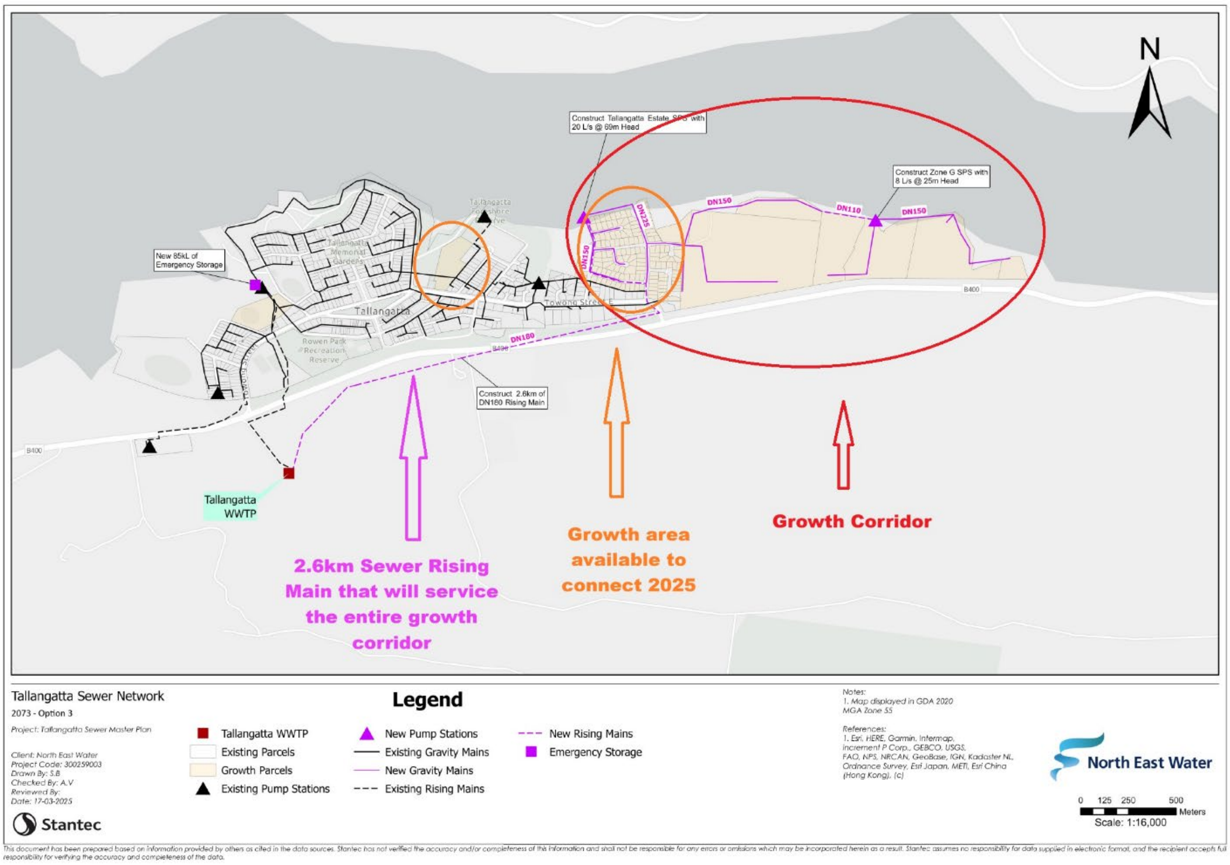
Re: Submission to the Essential Services Commission regarding the North East Water (NEW) Price Submission 2026-2031 in both the Tallangatta and Kiewa - Tangambalanga Service Areas

Further to our review of the NEW Price Submission 2026-2031, we provide an overview of the current growth situation in Tallangatta and follow up with questions relative to the current submission.

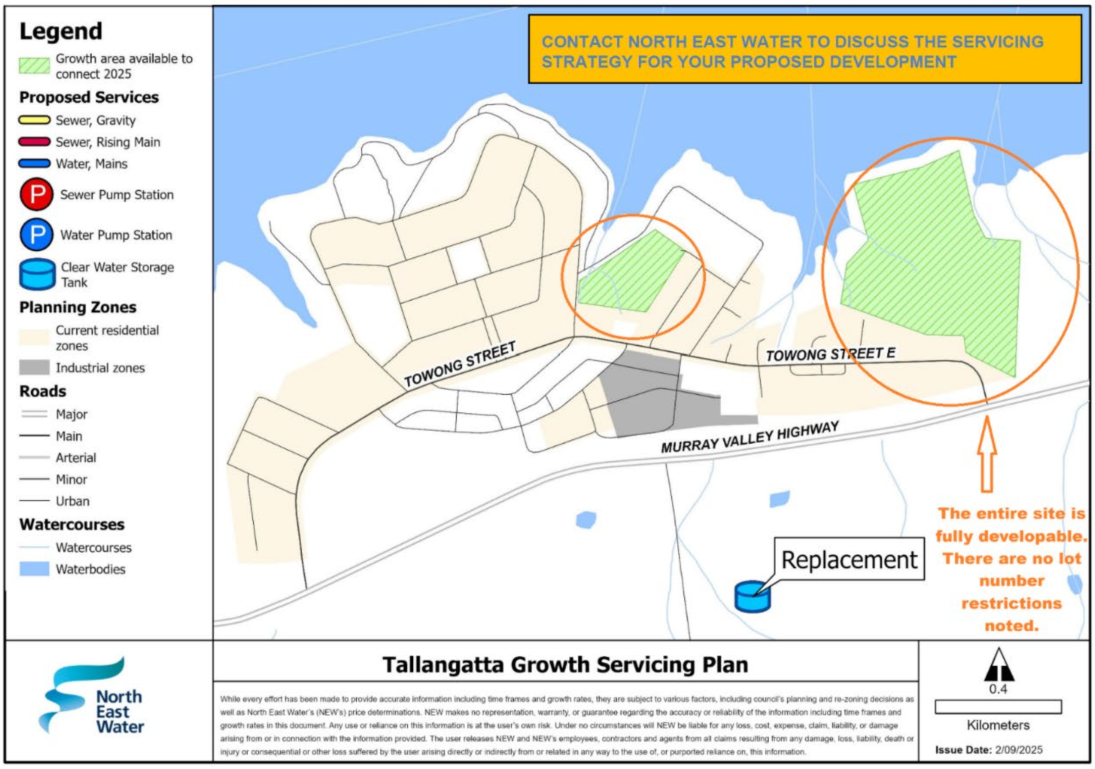
<u>Tallangatta Network</u>

- At present there are 29 lots that can be serviced by the current system.
- The *Tallangatta Wastewater Network Infrastructure Plan – July 2024* shows three options for necessary Network Infrastructure Augmentation. NEW's preferred option to provide capacity for growth within the network is shown below. The report notes that these works should occur in 2028.

NEW Tallangatta Wastewater Network Infrastructure Plan - July 2024



TALLANGATTA GROWTH SERVICING PLAN



North East Water Page 29

The above extract is included in the NEW's Growth Servicing Plan, attached to the Price Submission. It shows the areas within Tallangatta that are able to be developed. There are no noted restrictions, as is the case in other service areas such as Bright, Kiewa-Tangambalanga and Rutherglen – comments shown below. However, in order for the noted areas to be developed (more specifically the Towong Street E site) the sewer rising main network augmentation works shown in the above Sewer Network Option 3 plan must be constructed by 2028, in line with the NEW commissioned Stantec's report.

NORTH EAST WATER IS CURRENTLY ONLY ABLE TO APPROVE SUBDIVISIONS OF 5 LOTS OR LESS

THE WWTP UPGRADE IS FORECAST TO BE COMPLETE DURING 2028-29

NORTH EAST WATER IS CURRENTLY UNABLE TO APPROVE SUBDIVISIONS OF ANY SIZE

THE SYSTEM UPGRADES ARE FORECAST TO BE COMPLETE DURING 2029-30

NORTH EAST WATER IS CURRENTLY ONLY ABLE TO APPROVE SUBDIVISIONS OF 5 LOTS OR LESS

THE WWTP UPGRADE IS FORECAST TO BE COMPLETED DURING 2027-28

The only works that were clearly noted in the 2026-2031 Price Submission relative to Tallangatta is a $3 million expense relative to the Clear Water Storage.

- Clear Water Storage (CWS) - The construction of a new CWS in Tallangatta is required to enable the current CWS to be remediated. However, the Infrastructure Plan states that the CWS is not required until Stage 4 (2048–2073), meaning it is not an immediate or near-term investment priority.

  We don't believe that the costs for either the new CWS / repairs to the existing CWS or duplication should fall within the NCC calculation. It is either compliance or asset renewal, all of which fall outside the NCC framework.

  NEW have confirmed this in an email dated 13 October 2025, which states:

  "The proposed Tallangatta Clear Water Storage is driven by compliance (health-based targets) rather than growth."

Questions / comments relative to the NEW Price Submission 2026-2031:

1. NCC's are paid by developers to fund growth related assets, not compliance or asset renewal assets.
2. If a developer is to pay Standard NCC's within the Tallangatta service area – what growth related expenses are included in the current pricing submission that relate to the Tallangatta service area?
3. How can a standard NCC be justified in Tallangatta if there are little to no expenses in the Price Submission relative to growth?
4. Wouldn't a negotiated NCC be more appropriate?
5. Why does the Price Submission include a Growth Servicing Plan that states the development parcel on Towong Street East is fully serviceable by 2025, when no explicit capital allocation has been made for Tallangatta wastewater augmentation works and NEW has separately confirmed that only 29 lots can be serviced without augmentation?
6. Why does the 2026–2031 Price Submission contain no explicit capital allocation for the Tallangatta wastewater augmentation works, specifically the 2.6km sewer rising main (SRM) noted in the Tallangatta Sewer Network above? The 2028 augmentation works must be included in the price submission for the Growth Servicing Plan to be accurate and reliable.
7. The only reference to a growth asset in the submission is a $750,000 "contribution" mentioned in external correspondence from the CEO of Towong Shire's support letter, rather than a full funding provision within the Price Submission itself.
8. Clarify why the $750,000 is treated as a partial contribution rather than full funding, given that the SRM is a network augmentation asset and under the ESC framework and pricing principles, network augmentation assets must be fully funded by NEW (via NCCs or capital program)?
9. Provide the basis on which NEW determined that only a "contribution" is required.
10. If the network augmentation works aren't undertaken in the 2026-2031 period then a stage 2 hold point will occur.

11. Why under this Price Submission are assumptions being made that developers are directly funding clearly defined network assets either outside the NCC framework or in addition to paying NCCs?

12. Why does the Price Submission include a $3 million Clear Water Storage project allowance, when the letter from Towong Shire references $2 million?

13. Why is the Clear Water Storage Project included when the Stantec Infrastructure Plan shows it is not needed until 2048–2073. Why isn't the $3 million being used for the 2.6km SRM instead, which is an immediate requirement to solve current network deficiencies and facilitate growth and is noted as a 2028 required upgrade?

14. Based on the below and other ESC guidance documents, the sewer rising main shown in the NEW Sewer Network Augmentation documents is not a "reticulated asset" but a "shared asset". Therefore, a *fully funded* capital allowance for its construction needs to be made via either the Standard NCC's or a Negotiated NCC, not as a single developer funded asset over and above that of NCC's.

Essential Services Commission – New Customer Contributions Case Studies June 2011

2.4 Shared assets (upsizing)

Background

A developer who owns land known as development 1, wishes to commence on ground works. The developer approaches the water business for conditions. The water business advises that a 150 mm water main is needed to service the development. The water business classifies the asset as a reticulation asset (based on the size guidance in the determinations) and as such requests the developer to provide it.

The developer believes that the asset is not a reticulation asset and has been planned with a view to serve future developments (2 and 3) as well.

The water business and developer are unable to resolve their differences and the developer raises the issue with the Commission.

Commission interpretation

The Commission seeks to establish whether the asset is shared (serves more than one development) or reticulation (serves one development).

Number of developments served

The Commission seeks to clarify whether developments 1, 2 and 3 are separate developments or are parts of one large development.

The developer advises that developments 1, 2 and 3 are owned separately and each owner will apply to the water business separately to connect to the business's network. Therefore there are three separate developments.

Most cost efficient servicing solution

The Commission asks the water business for its most cost efficient design criteria for a development (development 1) of this size and location. The water business responds that a 100 mm diameter water main meets its most cost efficient servicing solution for a development of this size and location.

The Commission asks the water business whether the 150 mm water main has been planned to serve future developments. The water business responds that the asset has been upsized from 100 mm to 150 mm to serve future developments 2 and 3 as well.

Conclusion

The Commission concludes that the asset is shared. This is because the asset has been upsized from the most cost efficient servicing solution that would serve development 1 alone, to serve future developments (2 and 3) as well.

- Water businesses have two options to ensure that the asset's costs are shared across those who connect to it: (the second is typically used for pioneer developments)

Price Review: Regional Urban Water Businesses Final Decision June 2013 (pages 185&186)

- the regulatory asset base option, whereby:
  - the initial connection applicant pays their required capacity share of the asset through the calculation of their NCC
  - any remaining share of the asset's costs (when the asset has been efficiently pre-built to service future growth) would default to recovery through the RAB and prescribed retail tariffs
  - the NCC calculation for any subsequent connections would include their capacity share of the asset's cost, and the resulting NCCs revenue would be deducted from the water business' RAB
- the reimbursement option, which would involve the water business charging foundation connection(s) an upfront NCC to recover the full asset cost, with provision to reimburse those connections when subsequent connections start to use the asset.

Kiewa- Tangambalanga

The current and future service delivered to the residents must reflect the actual needs of modern households. The current guaranteed minimum flow rate of just 10 L/min, as outlined in NEW's Customer Charter (Price Submission p 73), falls well short of what is needed for a functional and contemporary standard of living.

Requests relating to the Price Submission 2026-2031:

- Review whether the proposed works will deliver flow rates that meet contemporary expectations rather than outdated minimums;
- Require NEW to demonstrate that the entire area will achieve acceptable service outcomes, not just technical compliance;
- Revise the service standard benchmarks across all pipe sizes, especially given that NEW's approved minimum flow rates (10 L/min for 20mm and 60 L/min for 50mm) are significantly lower than those adopted by other Victorian authorities.

(Extract Price Submission page 73 – Customer Charter Flow Rate Commitment)

Table 31 – Service Standards 2018-26 performance and 2026-31 targets

Service Standard	Price period 2018-26		Price submission 2026-31				
	Target	Number of years achieved	2026-27	2027-28	2028-29	2029-30	2030-31
Water							
Minimum water pressure or flow rate a customer should receive (kPa or min/L)	10 min/L	7/7	10 min/L	10 min/L	10 min/L	10 min/L	10 min/L

Based on industry plumbing guidelines (AS/NZS 3500.1.2003), a minimum flow rate of 10 litres per minute for a 20mm pipe is not sufficient for modern households, which typically require 20–25 L/min to function effectively, especially when multiple taps or appliances operate at once.

Modern homes use multiple water-dependent fixtures; showers, washing machines, dishwashers, irrigation systems, often simultaneously during peak times. A 10 L/min flow rate is fundamentally inadequate for such usage. Many appliances require 7–10 L/min just to operate, meaning two or more running at once causes pressure drops, appliance issues and poor performance. This does not meet the expectations of a modern household where simultaneous water use is standard.

Common issues reported within Tangambalanga and Kiewa include:

- Burnt-out whitegoods due to low inlet pressure
- Inability to fill baths or use multiple showers simultaneously
- Water flow dropping to near zero when neighbours are using water
- Garden irrigation systems failing to operate effectively

These are not isolated incidents, they are frequent, ongoing and affect basic daily living.

General Comments

Page 152 of the Price Submission indicates a $0 New Customer Contribution for water. Given that both sunk growth assets from the current pricing period and proposed expenditure for 2026–2031 are incorporated into the NCC calculation, it is unclear how a $0 per lot charge has been justified.

We understand North East Water and its Board take pride in maintaining one of the lowest typical bills across regional Victoria and nationally among large water corporations. However, we are concerned this focus on low bills may be to the detriment of necessary investment in water and sewer infrastructure required to support growth and current services.

NEW highlights that bills have increased by less than CPI over the past 12 years. Yet in many of the towns within its service area, infrastructure is underperforming, outdated or unable to meet modern standards and growth projections. In the context of rising costs in other essential services, such as electricity, customers increasingly prioritise service reliability over marginal savings. Many would prefer to pay slightly more if it meant access to reliable, fit-for-purpose infrastructure that supports new housing and development.

Importantly, letters of support included in the Price Submission, such as from Alpine Shire and others clearly acknowledge the region's growth potential and explicitly urge that investment must keep pace with development. These statements reinforce the need for infrastructure planning and funding that genuinely reflects local demand and supports the achievement of the Victorian Government's housing targets.

We respectfully request that the ESC fully investigate the feedback and questions we have raised in relation to both Tallangatta and Kiewa–Tangambalanga and ensure the 2026–2031 Pricing Submission includes the necessary amendments to remove growth constraints and deliver the level of service required by both new and existing customers.

We acknowledge and support NEW's continued financial investment across its service area, but emphasise that this must be accompanied by clear, minimum service standards and equitable investment across all communities, particularly in growing satellite townships that risk being left behind due to underinvestment.

We would welcome the opportunity to discuss these matters further at your convenience.

Kind Regards,

[redacted]

Jenny Stern

Director

JMP Developments Pty Ltd

[redacted]