

Our Ref: DOC25/35302

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

11 November 2025

Dear Marcus,

North East Water's submission on the Draft New Customer Contributions Framework

North East Water welcomes the opportunity to provide feedback on the Essential Services Commission's (ESC) draft New Customer Contributions (NCC) Framework. As a regional Victorian water corporation embracing the challenges and opportunities of growth, we are committed to ensuring that our approach across our service region is equitable, transparent, and sustainable.

North East Water provides water and wastewater services to more than 120,000 people across 39 towns in north-eastern Victoria. Our diverse service region includes rapidly growing centres, regional cities, and smaller rural communities, each facing unique challenges related to infrastructure investment and population growth. Through our extensive program of master planning and considered capital investment plans we are well placed to balance our complex drivers of infrastructure and our commitment to the Victorian Government's housing targets in our region.

General support for the draft framework and key objectives

We commend the ESC's efforts to review and update the NCC framework to better reflect the needs of both customers and water businesses. North East Water generally supports the objectives of the draft framework, particularly its focus on ensuring fairness for both existing and new customers and improving transparency and consistency across the sector.

We believe that the NCC framework should allow flexibility to accommodate the differing circumstances of regional and metro water businesses. It is our view that the objective *to send signals to connection applicants about the costs of developing in different locations*, is problematic to achieve in practice in some regional contexts as cost reflective NCCs can result in barriers to development in some towns. Whilst we strongly support transparency and consistency, we urge care against complexity in regional contexts where the overall volume of growth is relatively small by comparison to metro areas and particularly in monitoring compliance and tracking performance to avoid excessive administrative burden.

KEY ISSUES AND RECOMMENDATIONS

1. Clarity on standard NCCs

We support the retention of flexible NCC pricing principles and the provision for standard NCCs. While we recognise that negotiated NCCs are the default under the *Water Act 1989*, it is important that the framework allows for flexibility to accommodate the differing circumstances of regional and metro water businesses. Regional utilities such as North East Water often face higher per-customer infrastructure costs. The cost to service growth varies materially across towns in our service area where population densities are low, infrastructure needs differ and a number of systems are not interconnected.

In our Price Submission 2026-2031 (1 October 2025) we have proposed a uniform standard NCC across our region. During the preparation of our price submission, we undertook an extensive review of our approach to NCCs, including consultation with developers and customers about preferences for location-based NCCs. Whilst we support location-based NCCs where there is strong justification, there are practical limitations in our geographic context which limit our ability to use NCCs to send signals about the costs of development in different locations. Our initial modelling for our current price submission identified a wide range in NCCs which if implemented would introduce a barrier to development in some towns and Council areas. Although there was support from developers and customers in our region for location-based NCCs, these stakeholders did not wish to see an approach that resulted in adverse outcomes for our smaller towns and communities. As a result of further consultation, there was a clear preference for uniform standard NCCs to provide the best outcome for developers and all our customers.

To help inform our approach to NCCs, we have forecast growth rates and infrastructure requirements for all towns experiencing growth in our region. We believe that a rigorous and transparent planning and investment prioritisation process is essential to providing the clarity and level of certainty that developers in our region are seeking.

2. Minimum information disclosures

North East Water supports the minimum disclosures requirements, specifically a connection policy with standardised definitions for gifted and shared assets. We look forward to working with the ESC and industry stakeholders to further explore funding arrangements as they may relate to pioneer developments, and the information water businesses must provide as part of price submissions to support standard NCCs.

3. Empowering water businesses

North East Water looks forward to the ESC providing illustrative working models and model user guides. We believe these will further assist water businesses to provide transparency to developers and should be designed to promote simplicity.

Alternate NCC models should be supported where they align with the NCC principles, the objectives can be demonstrated, and where their use can improve transparency and reduce ambiguity.

4. Encouraging advanced practice through links to PREMO

North East Water supports strengthening links between PREMO and NCC administration. We have undertaken extensive engagement with developers, customers and other stakeholders to inform our current price submission and will maintain ongoing engagement with these groups. We believe there is benefit in the ESC providing more details in future guidance papers as to how water businesses will be expected to consider NCCs in their PREMO assessment, however we expect that this should not introduce complexity. We support the application of the PREMO approach to NCC administration and to encourage more transparency and accountability from water businesses in the development of capital investment programs, including the proposed timing of infrastructure for enabling growth.

5. Monitoring NCC implementation

North East Water strongly support transparency and consistency; however, we urge care against unnecessary complexity in regional contexts to avoid excessive administrative burden. We question whether there is any benefit to the proposed monitoring regime for regional water businesses or the developers that operate in our region.

Yours faithfully,

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