

# Water Plan 2013–18

## Background information fact sheet

### Introduction

South East Water is one of Melbourne's three government-owned retail water companies. We provide essential water, sewerage and recycled water services to more than 1.6 million people in Melbourne's south east.

Our Water Plan for delivering safe and reliable water and sewerage services, includes our proposed service standards, prices and tariff structures from 1 July 2013 to 30 June 2018. For more information about our Water Plan, visit [southeastwater.com.au/waterplan](http://southeastwater.com.au/waterplan).

### What is the Water Plan?

The Water Plan explores the service standards we will deliver to customers, the expected demand for water and sewerage services and the investments we need to make to support our increasing population (50 per cent population growth expected by 2050). It also looks at the cost of running our business, the prices we need to charge, and a tariff structure that is fair, easy to understand and reflects actual costs.

### What will the Water Plan mean for you?

While no one wants prices to rise, there are changes that will lead to a substantial price increase in the plan's first year.

Our Water Plan recommends a one off increase in an average customer's bill of 33.6 per cent in 2013–14, before inflation. This means that an average<sup>1</sup> household bill will increase from \$16 to \$22 a week in the plan's first year.

Prices will only increase by inflation for the remaining four years of the Water Plan period.

### Why are prices set to increase?

The increase is largely due to the fixed costs associated with the Victorian Desalination Plant.

South East Water's capital expenditure, which is necessary for maintaining our service levels, comprises only 2.7 per cent of the price increase, while we have actually decreased our controllable operating expenses by 0.9 per cent to help offset the price increase.

### Was there an option to smooth the price increase?

Smoothing the price increase over five years was an option, however this would have been more expensive for customers overall. Customers' bills would be over \$230 more spread over the five years. We also need to pay for costs when we incur them and in 2013–14, there are significant costs associated with the completion of the Victorian Desalination Plant.

### Community engagement

We developed the Water Plan in consultation with our customers, the broader community and other stakeholders. Their views and feedback have been an important part of the process, particularly around several key proposals that impact on our customers. These proposals aim for tariffs to be more fair, consistent, easier to understand and better reflect the actual cost of providing services.



## Support for key proposals

Where possible, water prices pay for water services and sewerage prices pay for sewerage services, rather than the costs being spread across the two services	✓
Maintaining a tiered pricing model for variable residential water charges	✓
Ensuring service charges apply equitably to all dwellings	✓
Simplifying the residential sewage disposal charge (SDC)	✓
Discounting the residential recycled water usage charge compared to drinking water	✓
Making annual trade waste, backlog and other charges more cost reflective.	✓

The proposed tariff structure changes will not increase our revenue. They will simply ensure all customers pay for the services they receive and reduce subsidies between customer groups.

### Customer support

We understand that price changes will affect our customers, particularly those on low or fixed incomes. We are strengthening our South East Water Assist program to support customers who may experience financial difficulty.

This includes:

- offering customers choice in timing of payments, for example, monthly rather than quarterly
- greater payment flexibility, including offering alternative payment schedules and the opportunity to request bill extensions
- stronger partnerships with community and social service organisations
- increasing access to free independent financial counselling for eligible customers
- leading and participating in an industry and community customer support taskforce.

## Water Plan timeline

May 2012	Draft Water Plan was released
August 2012	Addendum updated the proposed price paths
October 2012	Final Water Plan lodged with the independent regulator, the Essential Services Commission (ESC) for review and further consultation
March 2013	ESC draft decision
June 2013	ESC final price determination
1 July 2013	New prices take effect