

Return of unrequired desalination payments to customers



August 2013 progress report

The Essential Services Commission is responsible for monitoring the return of unrequired desalination payments by the metropolitan water businesses and Western Water. This report provides information regarding the impacts of the price freeze on customers in the period from July 2012 to June 2013. All dollar values in this report are in nominal terms (that is, they have not been adjusted to remove the effect of inflation)

How much unrequired funds were collected?

We estimate businesses must return \$299 million to customers based on updated water usage over 2012-13. This amount includes \$24 million of interest.

The estimate of the amount that needs to be returned will vary depending on water use and actual desalination costs. In our last report we estimated the amount to be returned

How much has been returned?

The water retailers estimate that the price freeze lowered customers' bills by \$47 million in the period from April to June 2013. This is approximately the same amount that was returned over the period from January to March 2013.

In addition to the price freeze in 2012-13, businesses began providing rebates to customers from February 2013. These rebates have continued to provide an earlier return of funds to customers.

The water retailers returned \$63 million through a rebate on bills in the period from April to June 2013 (compared with \$36 million over the period February to March 2013).

The amount returned to customers over the period from April to June 2013 through the price freeze and rebates was \$110 million.

How much more needs to be returned?

We estimate an additional \$34 million must still be returned to customers. Based on information provided by the water businesses:

- an estimated \$13 million will be returned through the 2012-13 price freeze. Over the current quarter, most customers will receive bills for at least some water use in 2012-13, due to the billing cycles of the businesses.
- a further \$8 million will be returned to customers via an adjustment to prices from 1 July 2013. This adjustment was factored into the Commission's

was \$297 million. The increase is due to actual desalination costs being slightly lower than forecast.

For further information on the calculation of the estimate, please see the Commission's *Opinion Report – Return of Additional Desalination Payments* on the Commission's website.

Over the 12 months to June 2013, the water retailers returned \$266 million to customers. This includes around \$85,000 returned to customers through special circumstances payments.

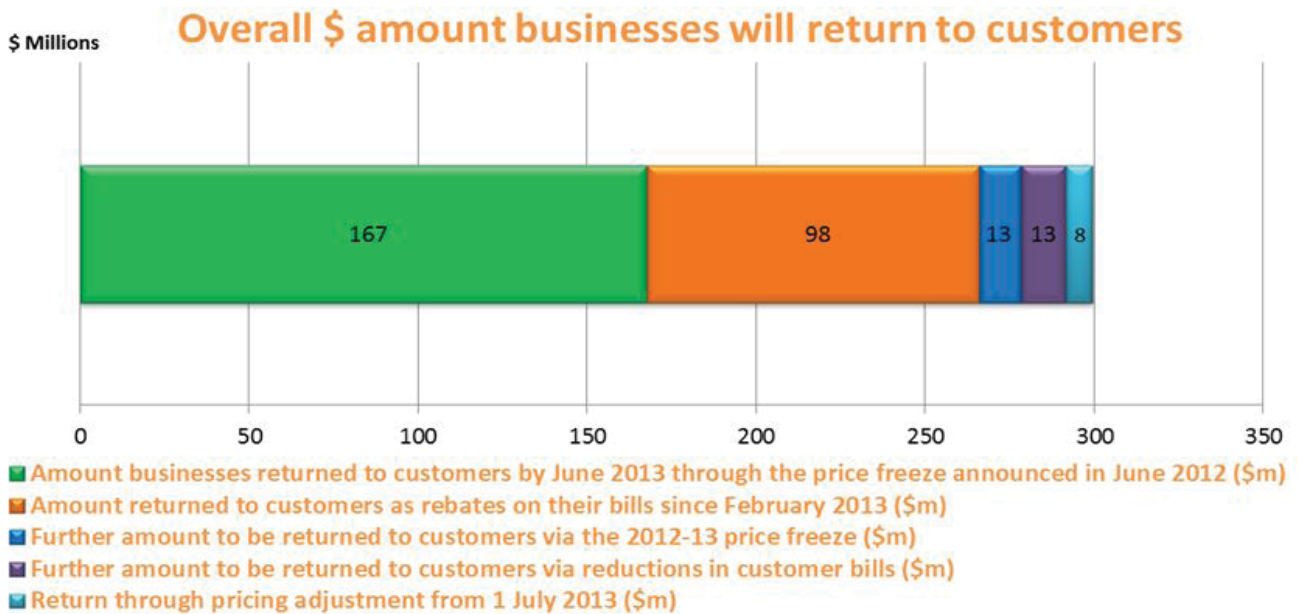
Special circumstance payments are made to customers who contributed in the past to desalination payments, but no longer receive a water bill and so do not benefit from the price freeze.

The total amount returned to customers by each business over the 12 months to June 2013 ranges from \$8 million for Western Water to \$101 million for Yarra Valley Water. The variation between businesses is mainly due to differences in customer numbers and Western Water's access to other sources of water (other than the Melbourne supply system).

final decision on prices released on 25 June 2013.

- an estimated \$13 million will be returned through other reductions in customer bills such as rebates and special circumstance payments.

The Commission will shortly commence a detailed audit of the businesses' procedures and processes to ensure that all unrequired desalination payments have been returned, including an adjustment for interest. We expect to complete and release the findings of these audits in October.



More information and feedback?

Customers can get more information on the return of unrequired desalination payments from their water retailer.

City West Water: Website: www.citywestwater.com.au
Phone: 131691

South East Water: Website: www.southeastwater.com.au
Phone: 131694

Yarra Valley Water: Website: www.yvw.com.au
Phone: 131721

Western Water: Website: www.westernwater.com.au
Phone: 1300 650 425

Media queries: Amanda Clark on 9032 1324 or
0411 117 297

We welcome any feedback on this progress report — you can send comments to water@esc.vic.gov.au.

Essential Services Commission
Level 37/2 Lonsdale Street
Melbourne Vic 3000
9032 1300

www.esc.vic.gov.au