

14 October 2021

Kate Symons
Commissioner and Chairperson
Essential Services Commission
Level 8, 570 Bourke St
MELBOURNE VIC 3000

Via email: [REDACTED]

Dear Ms Symons,

PRICE DETERMINATION 12 MONTH EXTENSION REQUEST

On behalf of the Greater Western Water's Board of Directors, this letter represents our formal request for a 12-month extension to the current City West Water and Western Water determinations to 30 June 2024. This application is made under Clause 1.3b of the City West Water 2018 and Western Water 2020 Determinations.

Extending the existing Price Determinations by 12 months will enable Greater Western Water to deliver the long-term benefits of integration and greater value to customers.

Greater Western Water was formed on 1 July 2021 through the integration of City West Water and Western Water. This is a new era for the delivery of water services across Melbourne's outer-western region. Greater Western Water brings together the best of both water businesses to enhance customer service, water security and provide more affordable and valued services for our growing communities, with an expected 100,000 new customers over the next 10 years

Through integration, we intend to deliver short to medium term bill stability and reduce the expected average bills charged to all customers by 2028. This comes at a time when many households and businesses are facing financial pressures.

A 12-month extension to the existing determinations enables us to develop a greater level of understanding of the unique circumstances of integration, and how we can deliver long-term benefits to our customers. With additional time, we can:

- Build knowledge of networks and systems, providing greater opportunity to optimise these assets as an integrated business before making commitments in a Price Submission.
- Properly consider how integrated costs may impact future tariffs while considering ways to streamline and simplify tariffs.

- Create long term value for customers while building resilience in the business from integration and connect our decision to our corporate plan.

We also consider that the proposed 12-month extension will assist the Commission in the assessment of our proposed expenditure by shifting the base year to ensure the costs of the integrated business are better understood.

The extension will allow Greater Western Water to undertake more informed engagement with our customers.

An additional 12 months will ensure that our customer and community engagement with our customers will be informed by our deeper level of understanding of the integrated business. Customers will benefit from an engagement program underpinned by our integrated asset strategy that captures the efficient costs across the integrated service area, made possible by the proposed extension.

We will provide customers with bill stability and affordability under the proposed 12-month extension.

Consistent with the objectives of integration and the Minister's expectations, GWW is committed to delivering high-value and affordable services for our customers as we transition tariffs across our region.

We will continue to deliver on this commitment through a nominal only price change in 2023-24 before tariff basket adjustments and prescribed pass-through mechanisms. This will ensure customers receive bill stability and value through the 12-month extension window as we work to ensure customers receive the maximum benefits from integration in the long-term, while not being made worse off in the short-term.

The tariff basket mechanism will continue to be used for small incremental re-balancing of prices. This will create a meaningful reference point for tariff optimisation across the two pricing zones. It will ensure that we can deliver efficient and affordable long-term pricing that caters for the provision of high-quality services in our growing region that customers value, as per the Minister for Water's announcement on 29 October 2020.

Greater Western Water's Board of Directors requests the ESC's consideration of our price determination extension.

We seek the commission's consideration and evaluation of our request for a 12-month extension to our existing determinations. Should you or your team have any questions, please contact myself or our Strategy and Regulation Manager, Jessica Saigar ([REDACTED]).

Yours sincerely,



DAVID MIDDLETON
Chair
Greater Western Water