C/18/1790

29/01/2018

Consumer Action Law Centre
Level 6, 179 Queen Street
Melbourne
Victoria 3000

Dear Mr Brody,

**Guidance for Western Water 2018 price review**

Please find attached guidance for Western Water’s 2018 price review. Thank you for taking the time to provide feedback on the draft guidance. You raised several points for consideration.

**Alignment of price reviews**

You noted a number of benefits arising from holding price reviews for all water corporations at the same time (noting Western Water’s next review after 2018 would occur in 2020, if we allowed them a two year pricing period – that is out of sequence from most other water corporations).

We agree there is merit in aligning price reviews. However, our approach is to provide each water corporation with flexibility to propose a pricing period that suits them and their customers. So in addition to Western Water’s 2020 review, other price reviews in the future may not occur at the same time. We consider this flexibility can be provided without diminishing transparency and consistency of our price decisions.

**The costs of an additional price review**

You raised concerns about the costs of Western Water’s 2020 price review being passed through to customers. We have allowed Western Water a two year pricing period on the basis that they will undertake an internal review to address challenges associated with strong growth, and customer affordability. We consider allowing for this review will be in the interests of its customers. It should also help to inform its price submission for the period after 2020, helping to minimise the costs of the review.

**Demand management**

You also suggested Western Water include a comprehensive demand management program in their price submission. Demand management programs are a business responsibility, and may be considered by Western Water in preparing their price submission. Our review will consider Western Water’s approach to demand forecasting and its funding arrangements for any program related to demand management.

**Tariff structures**

You suggested Western Water explore alternatives to their current inclining block tariff for residential water users. Given tariff structures may be explored or influenced by Western Water’s internal business review, we believe the nature and timing of tariff reforms should be considered following the 2018-2020 period.

Thank you again for your submission. While many of the issues you raise are about the regulatory process, they are also relevant to the operational decisions of the water corporation. I would therefore encourage CALC to engage with Western Water on these matters.

Should you wish to discuss any of the matters explored in this response, I can be contacted on 9032 1316. Alternatively, your staff may contact Dean Wickenton, Senior Regulatory Manager – Water, on 9032 1386.

Yours sincerely,

Dr Ron Ben-David

Chairperson