

Water price review 2018

Submission received through Engage Victoria

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Water business: Yarra Valley Water

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From 6 December 2017, we began accepting submissions on our 2018 water price review via Engage Victoria (www.engage.vic.gov.au). On this website, people were given the option to send us general feedback or respond to a set of questions we provided.

1. What do you think of the prices proposed by the water business?

I have had and continue to have frustration at the increasing ratio of fixed costs compared to variable on my bill. I note in reading the draft submission that a significant % of the costs incurred by Yarra Valley Water are classed as 'non-controllable' each year (like \$550m with only \$180m odd controllable). This then passes the focus to Melbourne Water and their sewerage service charges. As a householder and someone keen on being a responsible steward of my environment, I have installed 11,500 litres of tank water, plumbed in my laundry and lower floor toilet, and rarely use any mains water on my garden or lawn. However, each year the % of variable costs (usage) on my water bill become a lower and lower % of the total cost. This means no reward or economic incentive to reduce consumption. I am being slowly strangled by the fixed costs of my utilities, whilst installing solar, running an efficient hydronic heating system, refusing to install an upper floor aircon etc etc. The only way that I can 'win' is go off-grid, off-mains, and burn firewood all winter (a very unclimate friendly option). The variable water prices are way too low, the stepped variable price system comes in way too high. Change the incentives and make statement to households to manage DEMAND. Population is growing, the cost of desal. plants and infrastructure is prohibitive. Make using water a very painful financial exercise. The new norm will become household using 200 litres per day, more water tanks installed for gardens, and changed expectations about what constitutes conscionable usage..

2. What do you think of the proposed outcomes?

The proposed outcome is just confirming the status quo. I am amused by the concept of a revenue requirement. What about a revenue requirement but with shared efficiency incentives. Eg if households reduce water consumption by 10%, then the deal is that they benefit 5% and the water retailer (and Melb Water) are 'rewarded' (or penalised?) by 5% in that they do not get the revenue 'required' and have to cut costs. A bit like a parent telling a child that they will contribute 50% of

the costs of a car up to an amount of \$5000. So if the child saves \$200, then they get a \$400 car. If they save \$2500, then they get \$2500 kicked in and buy a \$5000 car. You cannot have an essential services system where I just add up all my costs and pass them onto the consumer for cost recovery, plus a reasonable ROI. Look at what happened with electricity. A complete shambles. Gold plated infrastructure that is likely forever under-utilised as electricity demand continues to fall (since 2009 and not predicted by anyone). What happens if water consumption falls? Same scenario, or does the government/Melbourne water just take a haircut?.

3. Are there any other customer outcomes or issues we should consider?

Yes, as above, economic incentives to reduce water consumption. \$600 of my bill is fixed, \$600 is variable. I recall reading that the \$100 rebate cessation was resolved by adding it as a fixed portion of my bill (so my bill goes from \$500 fixed to \$600 fixed). This is the wrong approach and is a political one. Sell the fact to households that their bills will increase, but only if they don't use less water by \$100 per year. Even better, as suggested above, make the savings 50:50 between the household and the retailer. Each lose \$50, one by not reducing water, and the other by not being more efficient with resources and people..

4. What do you think of the proposed guaranteed service levels?

I think they are risky in that the electricity sector has realised that the GSL's significantly increased expenditure in poles and wires such that the incremental cost of maintaining the higher service levels was astronomical. Eg changing a service by 0.5% might add 10% to the cost. ie it is hugely elastic with regards to cost. One needs to weigh up the costs and benefits and decide on a balance between economic cost and the risks to life and limb of not making that investment. Not the whole investment, but those incremental steps that are taken to ensure the service level improvement, which may be quite large. I'm all for access and equity, but at some point on the cost curve we have to say `no'..

5. Do you have any comments on the proposed major projects?

I am deeply suspicious of the decision-making for some of the projects. Eg Dandenong Creek is being `un-piped' near my house. What this means is that the prior decision to put it underground in Bayswater is being reversed - the pipes are being dug up and the creek is now `free'. What price this cost, compared to the aesthetic/environmental benefits? I ride my bike to work and happily saw a breakfast being held for residents to celebrate the new `water catchment ponds' that are appearing along the creek. They catch the storm-water, fill to a certain level, then release into the creek. I have lived near the creek for 20 years, and the highest it got was touching some back fences on one part of the creek. The flood risks are known but are maybe a once in 50 year issue. Do we need every free space beside the river to be dug up and turned into storm-water catching/cleaning dams? What a big waste of money. As a community we cannot afford this [expletive removed]. There are other things we could do (like infrastructure we do not have), rather

than digging up creeks, and building catchments near houses to retard flood levels. This is what Melb Water is spending their money on, who are cross-charging YVW, who are then charging me.

6. Is there anything else we should consider as part of our price review process?

The low growth in real wages (almost zero) and the increasing cost in utilities that were privatised in the 1990s for a one time lump sum, and then price deregulated in 2005 under the misnomer of 'competition'. What you have is a manufacturer (Melb Water) and a distributor/retailer (YVW) who are all just spending money, knowing that this little business is a 'cost plus' one, with the odd frown from the ESC. We are in a brave new world of low interest rates, low wages, poor employment tenure, and rising uncontrollable costs. What I can control is my water usage, one of the few things I can influence to lower my household costs. However, your fixed/variable pricing model has moved from 20:80 to 30:70 to 40:60. I think my new bill once July 1 2018 comes around is 50:50. I lose, the environment loses, Melb Water and the retailers maintain their revenue requirement. The economic model is wrong, the incentives are wrong. If there even was a resource whose use transcends socio-economic imperatives, water is it. Shorter showers are an option for Toorak, as well as Melton. High fixed costs are regressive - the poor pay more than the rich as a % of their income. Lower the fixed costs, increase the usage costs, and realign the incentives.