

6 October 2006

Mr Sean Crees  
Director Regulation, Water  
Essential Services Commission  
2nd Floor, 35 Spring Street  
MELBOURNE VIC 3000

Dear Sean,

**RE: 2008 Water Price Review – Guidance on Water Plans**

Gippsland Water would like to thank you for the opportunity to provide written comments on the Commission's 2008 Water Price Review Guidance on Water Plans. Our comments are outlined in the attached document.

If you would like to discuss any of these comments or any other related concerns, please don't hesitate to contact our Trudy Coulter, Analyst Strategic Planning on (03) 5177 4631.

Yours sincerely

Tony Staley  
**GENERAL MANAGER FINANCE & REGULATION**

**Enc.**



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## GIPPSLAND WATER'S COMMENTS - 2008 WATER PRICE REVIEW GUIDANCE ON WATER PLANS

Section	Reference	Comment
1.3	<b>The Water Plan &amp; financial templates</b> – The templates will not necessarily contain all of the detailed cost information required by the Commission. . . .	<ul style="list-style-type: none"> <li>• Gippsland Water (GW) is seeking further clarification on the level of detail required over and above the information contained within the draft templates.</li> </ul>
1.4	<b>Consultation on approach</b>	<ul style="list-style-type: none"> <li>• GW welcomes further consultation on the issues identified by the Commission. The length of the regulatory period has a significant impact and the sooner this is resolved the better for all concerned.</li> </ul>
3.3	<b>Actual capital expenditure associated with the delivery of outcomes</b> – This section of the Water Plan should outline actual capital expenditure . . . provide information to support that expenditure.	<ul style="list-style-type: none"> <li>• GW is seeking clarification on the type and detail of information the Commission require.</li> </ul>
4.3.2	<b>Core service standards</b> – The Water Plan should clearly: - indicate how the business proposes to address and mitigate against the occurrence of outlier events.	<ul style="list-style-type: none"> <li>• GW is seeking further clarification on the underlying meaning and what the Commission are looking for in regards to the point identified.</li> </ul>
5.4.3	<b>Weighted average cost of capital</b> – In early 2007 the Commission intends to release an indicative WACC which businesses may wish to use when preparing their Draft Water Plans.	<ul style="list-style-type: none"> <li>• GW feel that this is a positive move on behalf of the Commission.</li> </ul>
7.1.4	<b>Tariff proposals</b> – In regard to tradewaste proposals. . . accompanied with the discussion outlined in Box 7.1.	<ul style="list-style-type: none"> <li>• GW are seeking clarification of the content of discussion outlined in Box 7.1, as we are unable to find this.</li> </ul>
7.4.1	<b>Changes in legislative obligations</b> – the impact on costs is greater than 5 per cent of the business's total revenue.	<ul style="list-style-type: none"> <li>• GW feel that this is too high if the 5% is calculated on total revenue for the full regulatory period, particularly if the regulatory period is for five years.</li> </ul>
	<b>General Comment</b> – Future Assumptions for both capital and operational expenditure.	<ul style="list-style-type: none"> <li>• What expectation does the Commission have on the level of detail required for the future assumptions? (that is the next five years that extend beyond the proposed regulatory period)</li> </ul>