



22 April 2016

Dr Ron Ben-David
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Dear Dr Ben-David

VFF Submission – Essential Service Commission G-MW water price review draft decision

The VFF welcomes the opportunity to provide a submission to the Essential Service Commission Goulburn-Murray Water (G-MW) water price review draft decision.

The VFF is a key voice for Victorian irrigators and rural communities. The VFF represent over 6000 farm businesses across Victoria, including strong representation within the Goulburn-Murray Irrigation District (GMID). VFF members are G-MW water users, fee payers and Water Services Committee representatives. Our members are directly impacted by the G-MW pricing structure. This submission is built on feedback received from our members.

This VFF submission is based on these same principles reflected in our November 2015 submission to the ESC; any changes to G-MW pricing must promote transparency, uniform aspects of the Infrastructure Access Fee should be separated and the reset process of the G-MW Connections project should be taken into account.

The VFF believes that where there are acceptable consistencies across districts a common price may be appropriate for individual services e.g. service points, meter costs or where infrastructure has been fully modernised to a consistent standard. The VFF has considered the G-MW proposal against these criteria.

In its submission, G-MW proposed to make uniform its Infrastructure Access Fee and Infrastructure Use Fee across the six irrigation districts. In its draft decision the ESC stated that G-MW's cost structures would be sufficient to justify uniform fees for up to five of the districts. The draft decision states that if G-MW makes no alternative proposal it will approve the continuing use of the current G-MW fee structure.

The VFF is opposed to G-MW's proposed uniform fee structure applied over any combination of the districts. The VFF believes that the proposed fees to be covered do not adequately satisfy the ACCC's "user pays" principles nor would they promote transparency within the G-MW pricing framework.

The reset of the G-MW Connections project must also be considered in the pricing review. The project delivery model that the Connections Project Control Group (PCG) will recommend through

the reset process is yet to be determined. This will have a significant impact on the physical nature of the GMID and thus impact upon infrastructure related fees.

The VFF believe that two reasonable options exist:

- 1- Maintain the current fee structure until the finalisation of the G-MW Connections project or until certainty exists regarding the model of delivery for the project, or
- 2- Charge a common fee incorporating the Regulated Asset Base (RAB), capital expenditure and repayment of past debt out of the Infrastructure Access Fee and a separate district specific fee for all other charges. This would mean that each water user would receive two bills. One common bill consisting of the Regulated Asset Base (RAB), capital expenditure and repayment of past debt, and, one system specific bill consisting of all other relevant fees and charges.

Proposal two provides greater transparency of what constitutes the Infrastructure Access Fee, works towards a common pricing system by creating a common charge for truly common fees and provides flexibility for the pricing system to reflect any changes that may result from the reset of the G-MW Connections project.

The VFF reiterates that it does not support the implementation of G-MW's common pricing model in any of the G-MW districts. If this is the proposal provided by G-MW to the ESC the VFF would recommend option 1 - retaining the current fee structure.

For enquiries about this submission please contact Luke Hooke, Policy Adviser – Water on 03 9207 5522.



Mr Richard Anderson
Water Council Chair
Victorian Farmers Federation