



30th June 2015

Water Team – Pricing Framework Review
Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE VIC 3000

**South Gippsland Water submission in response to ESC Review of Water Pricing Approach
consultation paper April 2015**

Thank you for the opportunity to provide a response and assist in shaping the future pricing model for the Victorian Water Industry.

As a smaller water corporation, South Gippsland Water does not have a regulatory section, relying on generalist staff and consulting expertise as appropriate. While we have limited capacity to comment on the technical merits of which regulatory model could best serve the industry, we have a number of comments for consideration in the development of such model.

Firstly, South Gippsland Water supports the submission made by VicWater, in particular the observation of structural differences and diversity between water businesses.

By illustration, South Gippsland Water provides secure water and wastewater services to over 20,500 households and businesses across approximately 4,000 square kilometres. The service area includes 22 towns, the base population is approximately 29,200 a figure that may increase in peak holiday periods by as much as 100%. This involves maintenance of a diverse and devolved suite of 10 separate water and 14 separate waste water systems, including service provision to many small towns over a wide geographic area.

The above contrasts significantly with some other Victorian water corporations that may operate single water supply systems and a very different set of wastewater solutions. Some Victorian Water Corporations sit in high growth areas compared to slow and sometimes declining population areas, with the same level of regulatory & compliance requirements.

In addition, South Gippsland Water points out that the asset conditions and their remaining lives of water businesses will vary significantly and that this will need to be recognised in whatever pricing approach is decided upon.

Finally, South Gippsland Water notes that while the building blocks approach has influenced individual businesses prices and debt over the 3 Water Plans, a number of businesses revenue requirements still largely relate to the prices, and therefore the Regulatory Asset Bases, that they commenced regulation with.

As mentioned, South Gippsland Water supports the VicWater submission and looks forward to participating in the process moving forward.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Justin Wightman', with a long, sweeping horizontal flourish extending to the right.

Justin Wightman

GM Corporate Services