



6 May 2008

Mr. S Crees
Director of Regulation (Water)
Essential Services Commission
Level 2, 35 Spring Street
MELBOURNE VIC 3000

Dear Mr. Crees,

RE: 2008 Water Price Review,
WANNON WATER WATER PLANS
2008-2013 — DRAFT DECISION

The following submissions are made in respect to the Essential Services Commission's (ESC) Draft Decision on Wannon Water's Water Plan 2008-2013. Warrnambool Cheese and Butter Factory Holdings Ltd (WCBF) make these submissions with particular regard to water purchase pricing, trade waste volume charges and the introduction of a trade waste salt charge.

Non Potable Water Supply Costs

As a customer of Wannon Water, WCBF welcomes the strategic approach by Wannon Water to move to a "User Pays" pricing principal that will ensure a long term sustainable water supply for all. WCBF, as an environmentally responsible company, continually strives for ways to improve its environmental performance. Currently 35% of all water used by WCBF is re-cycled water and with current capital projects, this number will increase to approximately 45% by July 2009.

Wannon Water state in their Water Plan;

"An outcome from all consultation undertaken, including that for the Water Demand Supply Strategy, is that there is general acceptance that water prices should increase, and that an increase of 20% is not unreasonable where it is justified"

In your Draft Decision Volume II Wannon Water, Section 13 (b)

Wannon Water is proposing a significant restructuring of tariffs towards variable charges resulting in large price increases for some customers. Wannon Water should provide further information on its proposals for mitigating customer impacts, particularly with regard to non-residential customers and tenants.

WCBF is concerned that Wannon Water has not made a formal proposal to WCBF for mitigating the impact of the proposed price increases, where they are greater than that stated in their Water Plan.

WARRNAMBOOL CHEESE AND BUTTER FACTORY COMPANY HOLDINGS LIMITED

5331 GREAT OCEAN ROAD, ALLANSFORD VICTORIA 3277 AUSTRALIA

TELEPHONE: (03) 5563 2100 FACSIMILE: (03) 5563 2156 WEBSITE: www.wcbf.com.au

ACN 071 945 232 ABN 15 071 945 232

Trade Waste Charges

WCBF manufactures a wide variety of dairy products on its Allansford site. Through the manufacture of these products WCBF produces waste streams which undergo Primary, Secondary and Tertiary treatment prior to discharge to the sewer.

Under the Water Plan, Wannon Water will implement a new policy from 1 July, 2008, for the management of trade waste.

In your document;

2008 Water Price Review, Regional and Rural Businesses
Water Plans 2008-2013 — DRAFT DECISION
MARCH 2008

The WIRO requires businesses to take the interests of customers into account when proposing prices. This includes not exposing customers to any unnecessary price shocks. The Commission is of the view that an approach which attempts to minimise large price shocks to customers is most likely to be in the best interests of customers.

WCBF would like the ESC to be aware that Wannon Water's new policy greatly increases WCBF's volume charge. Consultation has occurred and WCBF supports Wannon Water's requirement to recover the costs related to the volume, however, no formal proposal has been received that attempts to minimise the large price shock, as is required under the WIRO (Water Industry Regulatory Order).

Wannon Water is also proposing to introduce an incentive charge for Total Dissolved Salts (TDS) under its new Trade Waste policy. WCBF strongly disagrees with Wannon Water's proposal of a salt charge and supports the ESC on its comment in the "Draft Decision";

The Commission proposes, at this stage, not to approve Wannon Water's proposed salt charge for trade waste customers without evidence that the allocation of costs complies with the trade waste pricing principles.

As a dairy manufacturing facility, any salt charge that requires trade waste to be treated beyond that required by regulatory authorities (Environmental Protection Authority) for ocean outfall will have an impact on our business.

WCBF has an ongoing commitment to be an environmentally responsible company, which understands and supports the transition process Wannon Water is undertaking. If you require further information or would like any further discussions on the matters outlined above, please contact Stephen Cook or myself.

Yours sincerely



Neil Kearney
Chief Executive Officer / Managing Director