

Coliban Water Determination

1 July 2023 – 30 June 2028

23 June 2023

Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

An appropriate citation for this paper is:

Essential Services Commission 2023, Coliban Water Determination: 1 July 2023 – 30 June 2028, 23 June

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1. General

1.1 Introduction

- (a) Clause 14 of the **WIRO** requires the commission to either:
 - (i) approve the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated, as proposed by the **regulated entity** in its price submission (as defined by the **WIRO**); or
 - (ii) specify the maximum prices the **regulated entity** may charge for **prescribed services** or the manner in which the **regulated entity's** prices are to be calculated, determined or otherwise regulated.
- (b) On 21 June 2023, the commission made its decision in respect of the prices which **Coliban Water** may charge for **prescribed services** during the regulatory period.
- (c) This Determination is made by the commission under section 33 of the **ESC Act**, pursuant to clauses 10 and 14 of the **WIRO**.
- (d) The purposes for the making of this Determination are to:
 - (i) give effect to the decision of the commission referred to in clause 1.1(b);
 - (ii) specify the maximum prices which **Coliban Water** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated, determined or otherwise regulated;
 - (iii) facilitate the achievement of the commission's objectives in the **ESC Act** and the **WI Act**; and
 - (iv) reflect the requirements of the **WIRO**.
- (e) The reasons for the making of this Determination are as set out in the decision of the commission made on 21 June 2023.

1.2 Application

This Determination applies to **Coliban Water** and its successors and assigns in respect of the business carried on by **Coliban Water** at the date of this Determination.

1.3 Effective period

(a) Term

This Determination takes effect on the later of the date on which notice of its making is published in the Government Gazette or 1 July 2023, and subject to clause 1.3(b), has effect until the date on which it is amended or revoked by a later determination or 30 June 2028.

(b) Next regulatory period

Subject to clause 2.3(b)(ii), if the commission has not made a determination in respect of the prices to apply in the ***next regulatory period*** on or before 30 June 2028, the prices or the manner in which such prices are to be calculated or otherwise determined as set out in this Determination will continue to apply in respect of ***prescribed services*** provided by ***Coliban Water*** from 1 July 2028 to the day before the date on which the determination for the ***next regulatory period*** comes into effect.

1.4 Modification of time periods

The commission may, by notice to ***Coliban Water***, extend or reduce the time by which, or the period within which, ***Coliban Water*** or the commission must comply with an obligation under this Determination.

1.5 Summary and structure

Clause 2 of this Determination specifies the prices which will apply to ***prescribed services*** during the ***regulatory period*** and sets out the procedure and formula according to which prices may be adjusted during the ***regulatory period*** on an annual basis. Clauses 3 to 6 provide for the circumstances in which prices may be adjusted or amended during the ***regulatory period*** other than in accordance with clause 2.

1.6 Definitions and interpretation

In this Determination, unless the contrary intention appears:

- (a)** words and phrases in bold italics have the meanings given to them in part A of Schedule 1 (or, where only used within a clause, the meaning given upon their first use); and
- (b)** the rules of interpretation in part B of Schedule 1 will apply.

1.7 Annexure A

- (a)** For convenience, Annexure A to this Determination summarises the assumptions underpinning the prices to apply to ***Coliban Water*** during the ***regulatory period*** or the manner in which such prices are to be calculated, determined or otherwise regulated.
- (b)** Full details of these assumptions are contained in the commission's decision in which it has set out its reasons for this Determination.
- (c)** For the avoidance of doubt, Annexure A does not form part of this Determination.

2. Price control

2.1 General principles

Subject to this Determination:

(a) Scheduled prices

Coliban Water must not charge more than:

- (i) the scheduled prices in Schedule 2, during the first **regulatory year**; and
- (ii) the amounts determined in accordance with clause 2.3, during each subsequent **regulatory year**,

in respect of those **prescribed services** to which the scheduled prices in Schedule 2 relate.

(b) Application principles

The application principles in Schedule 3 will apply to the prices charged by **Coliban Water** in respect of **prescribed services** specified or deemed to be included in Schedule 2 during the **regulatory period**.

(c) Pricing principles

During the **regulatory period**, **Coliban Water** must apply the pricing principles in Schedule 4 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 4 relate.

2.2 Ancillary matters

(a) Contracts

Where **Coliban Water** has entered into a contract which relates to the provision of **prescribed services** prior to 1 July 2023 (a **relevant contract**), **Coliban Water** may charge the prices for **prescribed services** which are set out in that **relevant contract** until its expiration, termination or a periodic review of the prices set out in the contract. Once a **relevant contract** has expired or been terminated or the prices in a **relevant contract** have been subject to a periodic review, the scheduled prices in Schedule 2 (as adjusted in accordance with this Determination) or the prices determined in accordance with the pricing principles in Schedule 4 will apply for the remainder of the **regulatory period**.

(b) Dispute Resolution

Any dispute as to whether a price has been set in accordance with this Determination will be determined by the commission on the basis of the commission's interpretation of this Determination.

(c) Publication

Coliban Water must publish a list of its current prices and pricing principles for **prescribed services**, and all relevant supporting information that it has relied upon to apply the prices or pricing principles, on its website at all times during the **regulatory period** and must provide a written copy of the list to its customers on request. The list must clearly indicate in respect of each price, the amount determined in accordance with this Determination, the amount of **GST** payable and the total price.

(d) GST

Coliban Water will not be considered to be in contravention of this Determination if a price charged by it for a **prescribed service** exceeds the amount determined in accordance with clause 2 only by reason of the levying of a charge on account of **GST**.

2.3 Annual adjustment of prices

(a) Adjustment

- (i) Subject to Schedule 2 and Schedule 5 the scheduled prices in Schedule 2 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formulas in clause 2.3(b)(i) and Schedule 5, and the procedure in clause 2.3(c), and will apply to the **prescribed services** to which the scheduled prices in Schedule 2 relate in that **regulatory year**.

(b) Formula

- (i) Subject to Schedule 2 and Schedule 5 each price for the **prescribed services** referred to in clause 2.3(a) will be adjusted in accordance with the following formula with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:

$$p_t = p_{t-1} \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t)$$

where:

p_t is the price component for **regulatory year** 't'

p_{t-1} is the price component for **regulatory year** 't-1'

$\frac{CPI_t}{CPI_{t-1}}$ for the particular **regulatory year** is:
the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the start of the relevant **regulatory year**

divided by

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the March quarter referred to above

PPM_t is the prescribed price movement for the price component for **regulatory year** t determined in accordance with Schedule 2.

- (ii) If the commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2028, PPM_t will be set to zero for the purpose of adjusting prices in accordance with the formula in clause 2.3(b)(i) and formulas in Schedule 5 for **regulatory years** commencing on or after 1 July 2028 until the date on which this Determination is amended or is revoked by a later determination.

(c) Adjustment procedure

- (i) At least 30 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period**, **Coliban Water** must submit its proposed prices for the **prescribed services** referred to in clause 2.3(a) to apply in that subsequent **regulatory year** (the **revised scheduled prices**) to the commission for approval, together with sufficient information to enable the commission to assess whether the proposed prices comply with this Determination.
- (ii) The commission will approve the **revised scheduled prices** if it considers that they have been calculated in accordance with the formula set out in clause 2.3(b)(i).
- (iii) The commission will be deemed to have approved the **revised scheduled prices** if it has not provided notice under clause 2.3(c)(iv) to **Coliban Water** within 20 **business days** from the date of its receipt of the **revised scheduled prices**.

- (iv) If the commission does not approve the **revised scheduled prices**, the commission:
 - (A) will provide notice to **Coliban Water** (including a statement of its reasons);
 - (B) may request **Coliban Water** to provide any additional information specified by the commission;
 - (C) will take any additional information provided by **Coliban Water** into account; and
 - (D) will determine the **revised scheduled prices**.

2.4 Price changes during a billing period

(a) Application of this clause

This clause 2.4 applies where **Coliban Water** issues an invoice in respect of a billing period during which a change to any price for a **prescribed service** comes into effect in accordance with this Determination.

(b) Method of charging

Coliban Water must not charge the prices determined in accordance with this Determination in respect of any part of a billing period prior to the effective date of the change but may charge for **prescribed services** in respect of the periods before and after the effective date of the change at the prices applicable for each of those periods on a pro-rata basis.

2.5 Reporting requirements

- (a) **Coliban Water** must make available to the commission all information reasonably requested by the commission from time to time for the purpose of enabling it to confirm that **Coliban Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Coliban Water** enters into a contract for **prescribed services** which is renewed, renegotiated or entered into during the **regulatory period (new contract)** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 4 relate, **Coliban Water** must, on request by the commission, provide the commission with a notice specifying:
 - (i) details of the **new contract**; and
 - (ii) information which demonstrates the way in which the prices in the **new contract** reflect the relevant pricing principles.

- (c) Without limiting clause 2.5(a), if **Coliban Water** proposes to stop providing a **prescribed service** or refuses to provide a **prescribed service** to a customer, or potential customer, during the **regulatory period**, it must:
- (i) in the case of a proposal to stop providing a **prescribed service**, provide a notice to the commission stating the nature of the **prescribed service** which it proposes to stop providing and the reason why it proposes to stop providing the **prescribed service**. This notice must be provided at least 30 **business days** prior to the date upon which **Coliban Water** proposes to stop providing the **prescribed service**; and
 - (ii) in the case of a refusal to provide a **prescribed service** to a customer, or potential customer, **Coliban Water** must provide a notice to the commission within 5 **business days** of the refusal, stating the nature of the **prescribed service** and the reason for the refusal.

3. Amendment of Schedule 2 – change to tariff basket form of price control

(a) Amendment

- (i) **Coliban Water** may apply to the commission in accordance with this clause 3 and Schedule 5 for the amendment of the prescribed price movements and/or price components included in Schedule 2 for the following **regulatory year** (the **next regulatory year**) and all subsequent **regulatory years** remaining in the **regulatory period** (the **revised tariff schedule**).
- (ii) The average price movement for the **next regulatory year** and for each subsequent **regulatory year** in the **regulatory period** determined in accordance with the **revised tariff schedule** must not exceed the weighted average price movement that would otherwise have applied under this Determination as calculated in accordance with the following formula

$$\frac{\sum_{i=1}^n \sum_{j=1}^m p_{t,ij} * q_{t-2,ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1,ij} * q_{t-2,ij}} \geq \frac{\sum_{i=1}^n \sum_{j=1}^m \hat{p}_{t,ij} * q_{t-2,ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1,ij} * q_{t-2,ij}}, i = 1, 2, \dots, n \text{ and } j = 1, 2, \dots, m$$

where **Coliban Water** has n tariff categories, which each have up to m tariff components, and where, for each **regulatory year** t for which the calculation is undertaken:

p_{t-1}^{ij} is the tariff charged in **regulatory year** $t-1$ for component j of tariff i

p_t^{ij} is the proposed tariff for component j of tariff i determined in accordance with Schedule 2 where the **revised tariff schedule** is not applied

$\hat{p}_{t,ij}$ is the proposed tariff for component j or tariff i determined in accordance with Schedule 2 where the revised tariff schedule is applied and excludes commission approved pass-throughs

q_{t-2}^{ij} is the quantity of component j of tariff i that was sold in **regulatory year** $t-2$, or, if an actual quantity is not available, either an estimate of the quantity of component j of tariff i that would have been sold in **regulatory year** $t-2$ or a forecast of the quantity of component j of tariff i that is expected to be sold in **regulatory year** $t-2$

(b) Amendment procedure

- (i) An application by **Coliban Water** under this clause 3 must be received by the commission at least 80 **business days** prior to the commencement of the **next regulatory year** and must be accompanied by the following information:
- (A)
- (1) a clearly articulated new tariff strategy in relation to the **revised tariff schedule** that is consistent with clause 11 of the **WIRO** (the **revised tariff strategy**); or
 - (2) an explanation of how the **revised tariff schedule** is consistent with the current tariff strategy for **Coliban Water** approved by the commission in connection with this Determination (**the current tariff strategy**);
- (B) a **revised tariff schedule** that specifies proposed prices for the **next regulatory year** and prescribed price movements for each subsequent **regulatory year** in the **regulatory period** that is consistent with the **revised tariff strategy** or the **current tariff strategy**, as the case may be, and complies with clause 3(a)(ii);
- (C) a statement setting out evidence demonstrating that **Coliban Water** has provided information to its customers explaining the **revised tariff schedule** and how it relates to the **revised tariff strategy** or the **current tariff strategy**, as the case may be, and has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
- (D) a statement setting out the customer impacts resulting from the **revised tariff schedule** and actions proposed by **Coliban Water** to address these customer impacts; and
- (E) an explanation of the calculation of the relevant quantities " q_{t-2}^{ij} ", including whether and why it is reasonable.
- (ii) The commission may approve the **revised tariff schedule** submitted by **Coliban Water** under this clause 3 if it is satisfied that:
- (A) the **revised tariff strategy** (if applicable) is consistent with clause 11 of the **WIRO**;
 - (B) the **revised tariff schedule** is consistent with the **revised tariff strategy** or the **current tariff strategy** for **Coliban Water**, as the case may be;
 - (C) the price movements calculated in accordance with the **revised tariff schedule** comply with clause 3(a)(ii);

- (D) **Coliban Water** has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
 - (E) **Coliban Water** has effectively addressed customer impacts resulting from the **revised tariff schedule**;
 - (F) the basis for calculating the relevant quantities " q_{t-2}^{ij} " is reasonable; and
 - (G) **Coliban Water** has provided all of the information required under clause 3(b)(i)(A)-(E).
- (iii) In determining whether it will approve the **revised tariff schedule**, the commission may request **Coliban Water** to provide any additional information specified by the commission and/or to resubmit any of the matters in clause 3(b)(i)(A)-(E).
 - (iv) The commission will be deemed to have not approved a **revised tariff schedule** if it has not provided notice to **Coliban Water** within 40 **business days** from the date of its receipt of **Coliban Water's** application under this clause 3.
 - (v) An approved **revised tariff schedule** will be taken to amend Schedule 2 to the extent of any inconsistency.

4. Uncertain or unforeseen events

4.1 General principles

- (a) **Coliban Water** may apply to the commission for the amendment of this Determination and/or the adjustment of the scheduled prices in Schedule 2 to reflect increased or decreased costs incurred by **Coliban Water** and/or increased or decreased revenue received by **Coliban Water** as a result of events which were uncertain or unforeseen at the time this Determination was made (an **uncertain events application**).
- (b) Whether or not **Coliban Water** makes an application under clause 4.1(a), **Coliban Water** must promptly notify the commission upon becoming aware of an event which could form part or all of the basis of an application.
- (c) The commission may on its own initiative, and in its sole discretion, initiate its own process to amend this Determination and/or adjust the schedule of prices in Schedule 2 to reflect increased or decreased costs incurred by **Coliban Water** and/or increased or decreased revenue received by **Coliban Water** as a result of events which were uncertain or unforeseen at the time this Determination was made. Such a process may only be initiated if the commission identifies an event or events which it, in its sole discretion, considers has had or may have a material impact on **Coliban Water's** operating and/or capital expenditure and/or revenue.
- (d) The commission may only adjust prices in response to an **uncertain events application**, or a process initiated by the commission under clause 4.1(c), where the commission is satisfied that such action is necessary or desirable to take account of events that were uncertain or unforeseen at the time of making this Determination and that such action takes into account the interests of customers. The commission may limit an adjustment to only some events or a single event.

4.2 Considerations by the commission

(a) Examples of uncertain or unforeseen events

Examples of potential uncertain or unforeseen events include, but are not limited to:

- (i) actual licence fees or contributions payable by **Coliban Water** during a **regulatory year** in the **regulatory period** under section 51 of the *Safe Drinking Water Act 2003* (Vic), section 55 of the *Environment Protection Act 2017* (Vic) and section 4H(2) of the **WI Act** which differ from the forecast licence fees or contributions set out in Annexure A for that **regulatory year**;
- (ii) changes in the timing or scope of expenditure by **Coliban Water** on major capital projects;

- (iii) instances where the commission is satisfied that there is a material difference between the forecast demand levels set out in Annexure A and actual demand levels for **Coliban Water** in one or more **regulatory years** during the **regulatory period**; or
- (iv) a change in or to any of the following:
 - (A) the **WI Act**, the *Water Act 1989* (Vic), the *Safe Drinking Water Act 2003* (Vic), the *State Owned Enterprises Act 1992* (Vic) and the *Environment Protection Act 2017* (Vic) or relevant regulations or orders or other statutory instruments made under any of them;
 - (B) any licence issued pursuant to any of the Acts referred to in clause 4.2(a)(iv)(A);
 - (C) any tax imposed by or payable directly or indirectly to any government or public authority in the Commonwealth of Australia (including **GST**) but excluding:
 - (1) penalties and interest for late payment of any tax; and/or
 - (2) any tax that replaces any of the taxes referred to in (C), where tax includes any rate, duty, charge or other like or analogous impost.
 - (D) the **Statement of Obligations**; or
 - (E) the introduction or cessation of a statutory carbon price or tax or a national emissions trading scheme or other scheme relating to the reduction of greenhouse gas emissions.

(b) Exclusions

In considering an **uncertain events application** or a process initiated by the commission under clause 4.1(c), the commission will not take into account matters that:

- (i) are or should be within Coliban Water's control;
- (ii) were or should have been known by **Coliban Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **Coliban Water**;
- (iv) should be or should have been planned for or managed by **Coliban Water**; and/or
- (v) reflect inefficient expenditure by **Coliban Water**.

(c) Dispute resolution

Any dispute as to whether a matter should be taken into account by the commission under this clause 4 will be determined by the commission in its absolute discretion.

4.3 Procedure

(a) Application information for *Coliban Water*

- (i) An ***uncertain events application*** must be accompanied by a statement setting out:
 - (A) the details of each relevant uncertain or unforeseen event;
 - (B) the amount and timing of any increase or decrease in operating and/or capital expenditure associated with the relevant event during the ***regulatory period*** and/or the amount and timing of any increase or decrease in revenue associated with the relevant event during the ***regulatory period***;
 - (C) the basis for calculating the increase or decrease in operating and/or capital expenditure and/or revenue referred to in clause 4.3(a)(i)(B); and
 - (D) details of the proposed action to be taken by the commission under clause 4.3(b).
- (ii) The commission may request ***Coliban Water*** to provide any additional information specified by the commission in connection with an ***uncertain events application***. ***Coliban Water*** is obliged to provide the requested information.

(b) Commission processes

- (i) The commission may in its sole discretion decide the steps, timing of and processes to be followed in relation to an ***uncertain events application*** or a process initiated by it under clause 4.1(c).
- (ii) The commission may in its sole discretion decide the nature and extent of stakeholder consultation it will undertake in relation to such an ***uncertain events application*** or process.
- (iii) The commission will advise ***Coliban Water*** of the matters in clause 4.3(b)(i) and clause 4.3(b)(ii) in writing and publish details of this on its website.
- (iv) In most cases, an amendment of this Determination and/or adjustment of the scheduled prices in Schedule 2, will be undertaken in accordance with the commission's standard consultation process for price determinations, including the issue of a draft decision and an invitation for interested parties to make submissions to the commission in relation to the draft decision, as set out in clause 16(a) and (b) of the ***WIRO***.

- (v) In some limited circumstances, the commission may amend this Determination and/or adjust the scheduled prices in Schedule 2 without or with only limited consultation. This will be the case where there is urgency that justifies the commission moving quickly, as set out in clause 16(c) of the **WIRO**. In these circumstances, the commission will provide its reasons for proceeding with the amendment without consultation (or with a modified consultation process).
- (vi) The commission may request **Coliban Water** to provide information to the commission required for any purposes of an uncertain events application or the process initiated by the commission under clause 4.1(c). **Coliban Water** is obliged to provide the requested information to the commission.

(c) Action by the commission

If the commission is satisfied of the matters set out in clause 4.1(d) in respect of an **uncertain events application** or a process initiated by the commission under clause 4.1(c), the commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 (and make any consequential adjustments to Annexure A) with effect from a date and in a manner decided by the commission (in respect of one or more events) at a time decided by the commission; or
- (ii) take the **uncertain events application** or any process initiated by the commission under clause 4.1(c) into account in making its determination in respect of the prices which **Coliban Water** may charge for **prescribed services** in the **next regulatory period**.

(d) Effective date of amendment or adjustment

A determination made by the commission under this clause 4 to amend this Determination takes effect from the date on which notice of its making is published in the Government Gazette or any later date of commencement as may be specified in the determination.

5. Material error or unintended consequences

- (a)** Where the commission is satisfied that in any material respect:
- (i) this Determination or any information relied upon in the making of this Determination contains an error, deficiency or miscalculation;
 - (ii) any information on which this Determination was based was false or misleading in a material respect; or
 - (iii) such amendment or adjustment is necessary or desirable to avoid an unintended consequence of this Determination,

the commission may decide to amend this Determination and/or adjust the scheduled prices in Schedule 2, provided that it is satisfied that such amendment and/or price adjustment takes into account the interests of customers.

- (b)** In most cases, an amendment will be undertaken in accordance with the commission's standard consultation process for price determinations, including the issue of a draft decision and an invitation for interested parties to make submissions to the commission in relation to the draft decision, as set out in clause 16(a) and (b) of the WIRO.
- (c)** In some limited circumstances, the commission may amend this Determination without further consultation, or with only limited consultation. This will be the case where an amendment is not sufficiently material to warrant a full consultation process, or where there is urgency that justifies the commission moving quickly, as set out in clause 16(c) of the WIRO. In these circumstances, the commission will provide its reasons for proceeding with the amendment without consultation (or with a modified consultation process).
- (d)** A determination made by the commission under this clause 5 to amend this Determination takes effect from the date on which notice of its making is published in the Government Gazette or any later date of commencement as may be specified in the determination.

6. Adjustment to Schedule 2 – pass through of changed prices for storage operator and bulk water services (Goulburn-Murray Rural Water Corporation)

(a) Where the commission:

- (i) makes a price determination for storage operator and bulk water services (as defined in the *WIRO*) provided to **Coliban Water** by Goulburn-Murray Rural Water Corporation for some or all of the **regulatory period**; and
- (ii) declares that such price determination provides for different prices to be charged to **Coliban Water** from those assumed by the commission in the making of this Determination,

the commission may decide to specify a price adjustment and/or a mechanism for making a price adjustment to scheduled prices in Schedule 2 to take into account the impact this has for the commission's assumptions made for storage operator and bulk water service prices in making this Determination, provided that it is satisfied that such amendment and/or price adjustment takes or will take into account the interests of customers.

- (b) If the commission exercises its discretion under clause 6(a), the commission will also specify the relevant regulatory year/s for which the price adjustment and/or a mechanism for making a price adjustment to prices specified in Schedule 2 for storage operator and bulk water service.
- (c) **Coliban Water** is obliged, in any proposal for an annual adjustment to prices made to the commission under clause 2.3, to propose an adjustment mechanism for storage operator and bulk water service prices to applicable prices in Schedule 2, that is consistent with the price adjustment and/or price adjustment mechanism specified by the commission under clause 2.3(a).
- (d) The adjustment procedure and outcomes of that procedure specified in clause 2.3(c) will apply to the proposals made by **Coliban Water** under clause 6(c).

Schedule 1 – Definitions and interpretation

A Definitions

business day means a day on which banks are open for general banking business in Melbourne, not being a Saturday or a Sunday.

Coliban Water means Coliban Region Water Corporation (trading as Coliban Water (ABN 96 549 082 360)

ESC Act means the *Essential Services Commission Act 2001* (Vic).

GST has the meaning given in section 195-1 of the *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

miscellaneous services means services that are provided in direct connection with **prescribed services**, prices in respect of which are either included in Schedule 2 or determined in accordance with the relevant pricing principles in Schedule 4.

NCC means a new customer contribution levied by **Coliban Water** under section 268 of the *Water Act 1989* (Vic).

next regulatory period means the period commencing on 1 July 2028 and ending on a date specified by the commission.

prescribed services has the meaning given in the **WIRO** and includes **miscellaneous services**.

RAB means regulatory asset base.

regulated entity has the meaning given in the **WIRO**.

regulatory period means the period commencing on 1 July 2023 and ending on 30 June 2028.

regulatory year means each period of twelve months commencing on 1 July and ending on 30 June.

Statement of Obligations means an applicable statement of obligations made under section 4I(2) of the *Water Industry Act 1994* (Vic).

Water Act means the *Water Act 1989* (Vic).

WI Act means the *Water Industry Act 1994* (Vic).

WIRO means the Water Industry Regulatory Order 2014 in force as at the date of this Determination.

B Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (d) A reference to a clause or schedule is a reference to a clause of or schedule to this document.
- (e) A reference to a determination, agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (f) A reference to an Act, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (g) If a period of time is specified and commences on a given day or on a day of an act or event, the period of time is to be calculated inclusive of that day.
- (h) Any “notice” to be given or matter to be “notified” must be in writing.
- (i) The symbol ‘ Σ ’ requires a summation to be performed over the range of variables specified in respect of the algebraic terms specified.
- (j) All data which is utilised in calculations made under this Determination will be utilised to the accuracy, in terms of the number of decimal places, to which it is given.
- (k) A fixed price, charge or fee determined in accordance with this Determination is to be rounded down and specified to two decimal places.
- (l) A volumetric price, charge or fee determined in accordance with this Determination is to be rounded down and specified to four decimal places.
- (m) When a calculation is required under this document:
 - (i) **regulatory year** ‘t’ is the **regulatory year** in respect of which the calculation is being made;
 - (ii) **regulatory year** ‘t-1’ is the **regulatory year** immediately preceding **regulatory year** ‘t’;
 - (iii) **regulatory year** ‘t-2’ is the **regulatory year** immediately preceding **regulatory year** ‘t-1’.

Schedule 2 – Prices

This schedule should be read in conjunction with Schedule 3, Schedule 4, Schedule 5 and Schedule 6. Variable water, sewerage, recycled water and trade waste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

Tariff and Price Component	Price (1 July 2023)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
1.1 Water Volume Charges (per kL)					
Treated	2.4700	2.5%	2.5%	2.5%	2.5%
Untreated	1.2348	2.5%	2.5%	2.5%	2.5%
Recycled	1.8549	2.5%	2.5%	2.5%	2.5%
1.2 Urban Water Access Fees* (per annum)					
20mm Meter or Less	250.24	2.5%	2.5%	2.5%	2.5%
25mm Meter	391.02	2.5%	2.5%	2.5%	2.5%
32mm Meter	640.66	2.5%	2.5%	2.5%	2.5%
40mm Meter	1001.07	2.5%	2.5%	2.5%	2.5%
50mm Meter	1564.19	2.5%	2.5%	2.5%	2.5%
80mm Meter	4004.36	2.5%	2.5%	2.5%	2.5%
100mm Meter	6256.82	2.5%	2.5%	2.5%	2.5%
150mm Meter	14077.87	2.5%	2.5%	2.5%	2.5%
*Non-residential recycled Water Access Fee is based on 50% of the Urban Water Access Fee.					
*Urban Untreated Water Access Fee is based on 50% of the Urban Water Access Fee.					
*Residential Recycled 20 mm Meter or less Access Fee is \$0.00 from 2018-19.					
1.3 Fire Services Access Fees (per annum)					
32mm Meter	61.57	2.5%	2.5%	2.5%	2.5%
40mm Meter	92.37	2.5%	2.5%	2.5%	2.5%
50mm Meter	132.76	2.5%	2.5%	2.5%	2.5%
80mm Meter	317.39	2.5%	2.5%	2.5%	2.5%
100mm Meter	495.97	2.5%	2.5%	2.5%	2.5%
150mm Meter	1042.28	2.5%	2.5%	2.5%	2.5%

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Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
1.4 Sewer Fees					
Sewer Access Fee (per annum)	752.04	2.5%	2.5%	2.5%	2.5%
STED Sewer Rebate (Elmore only)	618.96	2.5%	2.5%	2.5%	2.5%
Sewer Volume Charge (per kL) (non-residential only)*	1.0718	2.5%	2.5%	2.5%	2.5%
<i>*Applies to discharges in excess of 0.63 kL per day (equivalent to 230kL per year) in any given billing period.</i>					
2.1 Rural Charges – Unmodernised					
Volume Charge (per kL)	0.2804	-1.2%	0.0%	0.0%	0.0%
Excess Usage (per kL)	3.5889	-1.2%	0.0%	0.0%	0.0%
Infrastructure Charge (per ML entitlement)	177.67	-1.2%	0.0%	0.0%	0.0%
Access Charges (per annum)					
Unmodernised Pipeline	918.15	-1.2%	0.0%	0.0%	0.0%
Channel	515.99	-1.2%	0.0%	0.0%	0.0%
Channel – Single Shared Outlet	412.78	-1.2%	0.0%	0.0%	0.0%
Storage Access	114.39	-1.2%	0.0%	0.0%	0.0%
Outlet Fees (per additional outlet)	29.49	-1.2%	0.0%	0.0%	0.0%
Rural Transfer Admin Fee (per transfer)	68.72	-1.2%	0.0%	0.0%	0.0%
2.2 Rural Charges – Modernised Pipeline					
Volume Charge (per kL)	0.2804	-1.2%	0.0%	0.0%	0.0%
Excess Usage (per kL)	3.5889	-1.2%	0.0%	0.0%	0.0%
Infrastructure Charge – modernised (per ML entitlement)	266.87	-1.2%	0.0%	0.0%	0.0%
Modernised Headworks Component	26.67	-1.2%	0.0%	0.0%	0.0%
Modernised Network Component	240.19	-1.2%	0.0%	0.0%	0.0%

Continued next page

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
2.2 Rural Charges – Modernised Pipeline (continued)					
Termination Fee (per ML entitlement)	2401.93	-1.2%	0.0%	0.0%	0.0%
Rural Transfer Admin Fee (per transfer)	68.72	-1.2%	0.0%	0.0%	0.0%
Modernised Rural Access Charges (per annum)					
20mm Meter or less	245.04	-1.2%	0.0%	0.0%	0.0%
25mm Meter	382.89	-1.2%	0.0%	0.0%	0.0%
32mm Meter	627.35	-1.2%	0.0%	0.0%	0.0%
40mm Meter	980.27	-1.2%	0.0%	0.0%	0.0%
50mm Meter	1531.68	-1.2%	0.0%	0.0%	0.0%
80mm Meter or greater	3921.13	-1.2%	0.0%	0.0%	0.0%
3.1 Major Trade Waste Charges					
Access Fee (per annum)	In accordance with pricing principles	In accordance with pricing principles	In accordance with pricing principles	In accordance with pricing principles	In accordance with pricing principles
Volume Charge (per kL)	1.0718	2.5%	2.5%	2.5%	2.5%
Quality Parameters (per kg)					
COD	0.4365	2.5%	2.5%	2.5%	2.5%
P	3.5781	2.5%	2.5%	2.5%	2.5%
SS	0.9324	2.5%	2.5%	2.5%	2.5%
TDS	0.0277	2.5%	2.5%	2.5%	2.5%
TKN	1.8506	2.5%	2.5%	2.5%	2.5%
Sampling	Actual Cost				
Non-compliance charges					
pH contravention charge (per kL discharge):					
pH < 6.0	0.2140	2.5%	2.5%	2.5%	2.5%
pH > 10.0	0.0535	2.5%	2.5%	2.5%	2.5%

Continued next page

Tariff and Price Component	Price (1 July 2023)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
3.2 Minor and Medium Trade Waste Charges					
Minor Trade Waste (per annum)	176.38	2.5%	2.5%	2.5%	2.5%
Medium Trade Waste (per annum)	176.38	2.5%	2.5%	2.5%	2.5%
Non-compliance charges					
Contravention fee (failure to clean or repair) per incident	620.73	2.5%	2.5%	2.5%	2.5%
Asset protection fee (no pre-treatment) per annum	941.79	2.5%	2.5%	2.5%	2.5%
Unlawful discharge fee per incident	299.66	2.5%	2.5%	2.5%	2.5%
Agreed no asset fee per annum	128.43	2.5%	2.5%	2.5%	2.5%
4.1 New Customer Contributions (per lot)					
Water	2298.82	20.0%	20.0%	16.3%	0.0%
Water – Small Lot Infill *	1915.69	0.0%	0.0%	0.0%	0.0%
Sewer	2298.82	20.0%	20.0%	20.0%	20.0%
Sewer – Small Lot Infill *	1915.69	0.0%	0.0%	0.0%	0.0%
Sewer – Discounted (minimum charge)	693.50	66.2%	47.8%	38.9%	33.6%
Recycled Water	1149.41	20.0%	14.5%	0.0%	0.0%
Pressure sewer systems	at cost + 10%				
Sewer Growth Capital Expenditure Guarantee Rebate	Calculated in accordance with Schedule 6				
<i>* Eligibility criteria for small lot infill NCCs: each lot created is less than 450sqm; no more than two new created lots from an existing lot; excludes major greenfield areas: Bagshot, Huntly, Maiden Gully, Marong or Strathfieldsaye; no unserviced lot created.</i>					
5.1 Water meters					
Supply, installation and connection of new meter	Actual cost + 10%				

Continue next page

Tariff and Price Component	Price (1 July 2023)	PPM Year 2	PPM Year 3	PPM Year 4	PPM Year 5
5.2 Core Miscellaneous Services					
Project Management					
Per development	782.66	2.5%	2.5%	2.5%	2.5%
Per development (optional fast tracking)	1174.01	2.5%	2.5%	2.5%	2.5%
Per lot	104.62	2.5%	2.5%	2.5%	2.5%
Per lot (optional fast tracking)	156.94	2.5%	2.5%	2.5%	2.5%
Practical Completion	282.26	2.5%	2.5%	2.5%	2.5%
Other services fees					
Application fee	84.15	2.5%	2.5%	2.5%	2.5%
<i>New water or recycled connection, building, renovation or demolition applications, amendments to water or sewer connection</i>					
Recycled Connection Inspection Fee	312.16	2.5%	2.5%	2.5%	2.5%
Mains Extension Plan Resubmission Fee	225.83	2.5%	2.5%	2.5%	2.5%
Repeat Site Inspection Fee	225.83	2.5%	2.5%	2.5%	2.5%
Consent to Erect a Structure (Build Over)	351.72	2.5%	2.5%	2.5%	2.5%
Miscellaneous					
Special Meter Reading Fee (manual read)	21.80	2.5%	2.5%	2.5%	2.5%
Special Meter Reading Fee (digital meter)	0.00	0.0%	0.0%	0.0%	0.0%
Information Statement	32.76	2.5%	2.5%	2.5%	2.5%
Restrictor Action Fee	119.54	2.5%	2.5%	2.5%	2.5%
Standpipes/water carting (per kL)					
Treated water	2.4700	2.5%	2.5%	2.5%	2.5%
Untreated water	1.2348	2.5%	2.5%	2.5%	2.5%
Recycled water	1.8549	2.5%	2.5%	2.5%	2.5%

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Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
5.2 Core Miscellaneous Services (continued)					
Special testing					
Hydrant Flow and Pressure Test Field Information	278.97	2.5%	2.5%	2.5%	2.5%
Standard Pressure Information	120.61	2.5%	2.5%	2.5%	2.5%
Other services					
Meter test (per test)	Actual cost				
Debt collection recovery	Actual cost				
Fire plugs (all sizes)	Actual cost + 10%				
Fire services - sealing	Actual cost + 10%				
Fire services - resealing	Actual cost + 10%				
Shutdowns and repairs	Actual cost + 10%				
Damage to assets (per occasion)	Actual cost + 10%				
Cut ins - large diameter mains	Actual cost + 10%				
5.3 Non-Core Miscellaneous Services					
Various Non-Core Miscellaneous	In accordance with pricing principles				

As set out in clause 1.1(d) of this Determination, the role of the Commission in making this Determination is limited to determining the maximum prices that **Coliban Water** may charge for **prescribed services** during the **regulatory period**, or the manner in which such prices are to be calculated, determined or otherwise regulated.

It is the role of **Coliban Water** to set a tariff for **prescribed services** in accordance with the **Water Act** and to ensure the tariff complies with this Determination. The commission does not have a role in hearing disputes about individual billing issues that users may have.

Schedule 3 – Application of prices

3.1 Urban water volume charge

The table below indicates the allocation of towns to districts for the purposes of applying the water volume charge. Note that urban water volume charges in Central Districts and Northern Districts will be the same from 2019-20.

District	Towns
Treated supply	All urban water that is supplied treated.
Untreated supply	All urban water that is supplied untreated. Towns include Borung, Dingee, Elmore (untreated), Goornong (untreated), Jarklin, Kyneton (untreated), Macorna, Mitiamo, Mysia and Wychitella.

3.2 Sewer volume charge

Only non-residential customers are subject to the sewer volume charge on discharges in excess of 0.63kL per day in any given billing period (230kL per annum). The volume charge calculation is as follows:

$$MAX \left[(water\ consumption_{kL} \times discharge\ factor - \left(230 \times \frac{days_{BILL}}{days_{FY}} \right)) \times price_{kL}, 0 \right]$$

Where:

water consumption_{kL} is total volume of water consumed in billing period (kL)

discharge factor is the percentage of water consumption assumed to be discharged to sewer for the relevant industry (see Table 3.3 below)

days_{BILL} is the number of days in the current billing period

days_{FY} is the number of days in the current calendar year (normally 365, 366 in a leap year)

price_{kL} is the volumetric sewer price (kL)

Note: this formula gives the MAXIMUM value of the calculated charge or \$0.00 if negative.

Where this calculation results in a negative (occurring when a customer's sewer volume is less than the allowable volume in a period) the applicable charge becomes \$0.00.

Major Trade Waste customers are not eligible for the free sewer discharge allowance.

3.3 Industry discharge factors

Description	%	Definition	%
Airfield	50	Office	95
Bakery	25	Panel Beating	95
Bank/Financial Institution	95	Plant Nursery	25
Bowling Club	25	Police station and dwelling	75
Building	95	Post Office	95
Café/Restaurant	95	Pottery	25
Caravan Park	50	Poultry Shed	50
Car Park	95	Pre School	50
Car Yard	75	Private Hospital	75
Cemetery	25	Office	95
Church	75	Quarry	25
Court House	95	Racecourse/Stables	50
Dairy	95	Railway Station	75
Dental Clinic	95	Recreational Club	95
Depot	95	Recreation Centre	95
Factory	95	Recreation Reserve – Facilities	25
Farm including house	65	Recreation Reserve – No Facilities	0
Fire Station	75	Restaurant	95
Funeral Director	95	Retail Store	95
Golf Course	25	School – Large Non Discharge Usage	15
Guest House	75	School – Normal Discharge Usage	50
Hall	95	School – Zero Non Discharge Usage	75
Health Centre	95	Service Station	95

Continued next page

Description	%	Definition	%
Hospital	75	Shed	95
Hotel – Large Non Discharge Usage	35	Shop	95
Hotel – Normal Discharge Usage	95	Shop and Dwelling	75
Ice Skating Rink	75	Shop and Factory	95
Industrial Land	0	Special Accommodation	75
Infant Welfare	50	Squash Courts	95
Information Centre – Tourist	95	Standpipe	0
Jail	75	Swimming Pool	50
Kennels	75	Telephone Exchange	95
Laboratory	95	Tennis Courts	95
Laundry/Dry Cleaner	95	Theatre	95
Lawn Tennis Courts	25	Timber Yard	95
Library	95	Tip	95
Median Strip	0	Toilet	95
Medical Rooms	95	Trade Waste	(by agreement)
Mining Lease	0	Unspecified	95
Mining Treatment	25	Veterinary Clinic	75
Motel – Normal Discharge Usage	75	Warehouse	95
Motel – Large Non Discharge Usage	40	Winery	25
Municipal Office	95	Workshop	95
Nursing Home	75	Youth Club	95

3.4 Miscellaneous fees and charges

The following table sets out the definitions of the miscellaneous charges contained in Schedule 2.

Miscellaneous service	Definition
Project management fee (per project)	Fee for the management of developer works. Applied on a per project basis.
Fast track project management fee (per project)	Fee for the management of developer works completed within priority period. Applied on a per project basis.
Project management fee (per lot)	Fee for the management of developer works. Applied on a per lot basis.
Fast track project management fee (per lot)	Fee for the management of developer works completed within priority period. Applied on a per lot basis.
Water & sewer plan amendment fee	Fee for the management of adjustments to on site water and sewer assets.
Mains extension plan resubmission fee	Fee for resubmission of an amended mains extension plan for approval.
Property connection application	Fee for administering the lodgement and management of land development applications and associated works.
Repeat site inspection fee	Fee for additional site inspections to ensure compliance (per inspection).
Fast track practical completion	Fee for site inspection at practical completion to ensure completion within 2 business days.
Recycled connection inspection fee	Fee for assessing compliance to ensure that cross connection does not occur.
Special meter reading fee	Fee to conduct a meter read at a customer's request.
Information statements	Provision of information statements on the transfer of properties.
Consent to erect a structure (build over)	Fee for assessing an application and issuing consent for any structure to be constructed on an easement or within 1 metre of Coliban Water assets.

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Miscellaneous service	Definition
Hydrant flow and pressure test field information	Fee for undertaking in-field testing of hydrant flow or pressure and providing test results information.
Standard pressure information	Fee for providing information on pressure from system data.
Restrictor action fee	Fee for installation of restrictor device due to non-payment of debt.

Schedule 4 – Pricing principles

4.1 Recycled water pricing principles

Recycled water prices should be set so as to:

- have regard to the price of any substitutes and customers' willingness to pay;
- cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand); and
- include a variable component.

Where **Coliban Water** does not propose to fully recover the costs associated with recycled water, it must demonstrate to the commission that:

- it has assessed the costs and benefits of pursuing the recycled water project;
- it has clearly identified the basis on which any revenue shortfall is to be recovered; and
- if the revenue shortfall is to be recovered from non-recycled water customers, either the project is required under the Statement of Obligations which applies to **Coliban Water** or pursuant to other government policies that apply to **Coliban Water** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

4.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 do not apply because the nature of the service provided to a particular customer (including, in the case of trade waste customers, the volume or load of waste treated) is unique, prices must be set as follows:

- variable prices (including, in the case of trade waste customers, load-based charges) should reflect the long run marginal cost of providing services (including, in the case of trade waste customers, trade waste transfer, treatment and disposal);
- the total revenue received from each customer should be greater than the cost that would be avoided from ceasing to serve that customer, and (subject to meeting avoidable cost) less than the stand alone cost of providing the service to the customer in the most efficient manner;
- the methodology used to allocate common and fixed costs to that customer should be clearly articulated and be consistent with any guidance provided by the commission;
- prices should reflect reasonable assumptions regarding the customer's demand for services (including, in the case of trade waste customers, the volume and strength of trade waste anticipated to be produced by that customer);

- depreciation rates and rates of return used to determine prices should be consistent with those adopted by the commission for the purposes of making this Determination;
- customers should be provided with full details of the manner in which prices have been calculated and any new, renewed or renegotiated contractual agreements with customers should indicate that the prices to apply are subject to any Determination made by the commission;
- where applying these principles results in significant changes to prices or tariff structures, arrangements for phasing in the changes may be considered and any transitional arrangements should be clearly articulated.

4.3 Pricing principles for NCC

Core pricing principles

NCC, including standard or negotiated **NCC**, will be calculated by applying the following core **NCC** pricing principles.

Standard and negotiated **NCC** will:

- have regard to the incremental infrastructure and associated costs in one or more of the statutory cost categories attributable to a given connection;
- have regard to the incremental future revenues that will be earned from customers at that connection;
- be greater than the avoidable cost of that connection and less than the standalone cost of that connection.

Notes:

1. Given that **NCC** are to be based on the net incremental cost of connection (ie incremental costs net of incremental benefits), in this context, the costs referred to in the efficient pricing bound are the net costs, specifically the avoidable net cost of connection and standalone net cost of connection.
2. Where the connection arrangement requires assets to be gifted, the value of gifted assets will be excluded for the purpose of calculating net costs.
3. Incremental costs may include financing costs associated with constructing an asset sooner than planned.

NCC application

NCC are applied on a per lot basis and may be levied on any connection of a new customer that is separately titled or is, or can be, individually metered.

Incremental financing costs

Incremental financing costs (IFC) should be calculated using this formula:

$$\text{IFC} = \left(1 - \left[\frac{1}{(1+r)^n}\right]\right) \times \text{cost of capital being provided sooner than planned}$$

where:

r estimated pre-tax regulatory rate of return

n the number of years the asset is required sooner than planned.

Gifted Assets

Coliban Water can require developers to provide and gift to **Coliban Water** specified assets as a condition of connection, provided that **Coliban Water**:

- makes clear to potential developers which assets a developer will be responsible for providing and gifting, and which will be provided by **Coliban Water**;
- confirms that negotiation of any non-standard connection and associated charges will be undertaken in accordance with **Coliban Water**'s published negotiating framework; and
- the value of gifted assets will be excluded for the purposes of calculating net costs.

4.4 Pricing principles for *miscellaneous services* not included in Schedule 2

Prices for **miscellaneous services** must be set according to actual cost calculated on the basis of the aggregate of:

- direct third party or contractor invoice cost;
- direct marginal internal costs, including labour, materials and transport costs; and
- a fair contribution to overheads.

For bank dishonour, debt collection and legal fees, the third party costs must be charged directly to the customer with no contribution for internal costs or a contribution to overheads.

4.5 Guidelines

Coliban Water must comply with any guidelines issued by the commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 4 relates.

Schedule 5 – Adjustment to Schedule 2 – changes in costs associated with annual updates to the trailing average cost of debt

If in any **regulatory year** Condition A applies (per Schedule 5B below), the formula set out in clause 2.3(b) is not applicable to the extent it relates to the prices listed in Schedule 5A. The prices in Schedule 5A are specified under items 1.1, 1.2, 1.4, 2.1, 2.2 and 3.1 of Schedule 2.

Instead, the prices in Schedule 5A will be adjusted in accordance with the formulas (as applicable) provided in Schedule 5B, with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**.

Coliban Water must comply with any guidance issued by the commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 2 and 4 relates.

Schedule 5A – Adjustment to prices

Tariffs	Condition A (Annual cost of debt update)
1.1 Water Volume Charges	X
1.2 Urban Water Access Fees	X
1.4 Sewer Fees	X
2.1 Rural Charges (Unmodernised)	X
2.2 Rural Charges (Modernised) – Volume Charge, Excess Usage Charge, Access Charges (all), Infrastructure Charge	X
3.1 Major Trade Waste Charges	X

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

Schedule 5B – Prices

Condition A – Annual cost of debt update

Condition A will apply when the trailing average cost of debt in any **regulatory year** 't' changes in that year. The adjustment is calculated as per formula 4 below.

The difference in the forecast and actual regulatory rate of return in any **regulatory year** 't' is multiplied by the average of the **RAB** to determine the change in **Coliban Water's** total expected return. The **RAB** is set out in Table 5 of Annexure A.

The trailing average cost of debt adjustment will be apportioned across the tariffs listed in Schedule 5A.

Formula 1: Determining the nominal cost of debt

$$CoD_t^{nominal} = \sum_{i=t-10}^{t-1} \frac{CoD_i^{nominal}}{10}$$

$CoD_t^{nominal}$	Is equal to the simple average of the 10 years up to (but not inclusive of) regulatory year 't' of: <ul style="list-style-type: none">- The historical nominal cost of debt series outlined in Table 1 of Annexure A and <ul style="list-style-type: none">- RBA Table F3 – Non-financial corporate BBB-rated bonds – Yield – 10-year target tenor [Series ID FNFYBBB10M] from 1 April to 31 March before the start of regulatory year 't' (e.g. 1 April 2022 to 31 March 2023 in relation to 2023-24)
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Formula 2: Determining the real cost of debt

$$CoD_t^{real} = \frac{(1 + CoD_t^{nominal})}{(1 + \pi^{det})} - 1$$

π^{det}	Is the inflation factor which is equal to 3.5% for all regulatory years (unless updated in accordance with Note 1 below, in which case it is equal to the updated amount set by the commission)
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Formula 2 outlines the process for converting the trailing average cost of debt from nominal to real using the Fisher equation.

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

Note 1: If inflation (measured by the Australian Bureau of Statistics Consumer Price Index – all groups) falls below 2.5 per cent in 2026-27, we will update the inflation factor (π^{det}) using a five year averaging period; the updated inflation factor will be used for any necessary adjustment of the Scheduled prices in Schedule 2.

Formula 3: Determining the real regulatory rate of return

$$RRR_t^{real} = 0.4 \times CoE_t^{real} + 0.6 \times CoD_t^{real}$$

RRR_t^{real}	Is the post-tax ‘vanilla’ regulatory rate of return in real terms for regulatory year ‘t’ rounded to two decimal places, i.e. 4.347% is rounded to 4.35%
CoE_t^{real}	Is the real cost of equity which is equal to 4.1% for 2023-24 to 2027-28

Formula 4: Trailing average cost of debt adjustment

$$CDA_t^j = (RRR_t^{act} - RRR_t^{det}) \times \left(\frac{RAB_{opening,t}^{det} + RAB_{closing,t}^{det}}{2} \right) \times \frac{CPI_t}{CPI_{base}} \times \frac{\alpha_t^j \times q_{j,t}^{det}}{\sum_{j=1,n} (\alpha_t^j \times q_{j,t}^{det})} \times \frac{1}{q_{j,t}^{det}}$$

CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j, based on tariff j’s relative share of total revenues. Total revenues refer to the sum of all revenue received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply
RRR_t^{act}	Is the actual calculated real post tax ‘vanilla’ regulatory rate of return in regulatory year ‘t’
RRR_t^{det}	Is the determination real post tax ‘vanilla’ regulatory rate of return in regulatory year ‘t’
$RAB_{opening,t}^{det}$	Is the determination opening RAB in regulatory year ‘t’
$RAB_{closing,t}^{det}$	Is the determination closing RAB in regulatory year ‘t’
CPI_t	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter immediately preceding the start of the relevant regulatory year
CPI_{base}	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter in year 2023 equal to 132.6.

Continued next page

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

Formula 4: Trailing average cost of debt adjustment (continued)

α_t^j	Is the price for tariff j at regulatory year 't' before the cost of debt adjustment where:
$\alpha_t^j = p_{t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j)$	
p_{t-1}^j	Is the price for tariff j in regulatory year 't-1'
$q_{j,t}^{det}$	Is the determination quantity for tariff j in regulatory year 't'
$\sum_{j=1,n}^{t=t} (\alpha_t^j \times q_{j,t}^{det})$	Is the sum of all revenue received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply

Formula 4 outlines the process for calculating the adjustment to prices outlined in Schedule 5A to reflect the new cost of debt. This is done in two steps. The first step is to calculate the change in the revenue requirement by multiplying the adjustment to the rate of return, to reflect the updated cost of debt, by the average regulatory asset base.

The second step is to apply the change in the revenue requirement proportionally to tariff j, based on tariff j's relative share of total revenues. Total revenues are defined as the sum of all revenues received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply.

Formula 5: Schedule 5A tariffs

$$p_t^{j,COD} = p_{t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j) + CDA_t^j$$

$p_t^{j,COD}$	Is the price for tariff j at regulatory year 't' that accounts for the cost of debt adjustment. The cost of debt adjustment will apply to the tariffs listed in Schedule 5A
p_{t-1}^j	Is the price for tariff j in regulatory year 't-1'
CPI_t	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter immediately preceding the start of the relevant regulatory year
PPM_t^j	The prescribed price movement for the price component for tariff j in regulatory year 't' as per the determination
CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j, based on tariff j's relative share of total revenues as outlined in formula 4. Total revenues refer to the sum of all revenue received across the tariffs listed in Schedule 5A to which the cost of debt adjustment will apply.

Schedule 5 – Adjustment for costs associated with annual updates to the trailing average cost of debt

Schedule 6 – Application of the Sewer Growth Capital Expenditure Guarantee

The Sewer Growth Capital Expenditure Guarantee (SGCE Guarantee) will apply in any **regulatory year** t where SGCE in all prior years of the regulatory period is less than the amounts listed in Table 6 of Annexure A. The level of the rebate is calculated in Formula 1.

Where the SGCE Guarantee condition is met, a rebate to certain **NCC** charges will apply in **regulatory year** t. The SGCE Guarantee provides for a rebate but not an adjustment in approved **NCC** charges listed in Schedule 2. The condition is outlined in Formula 2.

Schedule 6A Scope of the SGCE Guarantee

4.1 New Customer Contributions (per lot) (From Schedule 2)	SGCE Applies	SGCE does not apply
Water		X
Water – Small Lot Infill		X
Sewer	X	
Sewer – Small Lot Infill		X
Sewer – Discounted	X	
Recycled Water		X

Formula 1: Level of SGCE to apply

This formula calculates the level of the SGCE Rebate to apply if the condition stipulated in Formula 2 is met.

$$SGCER_t^j = 0.2 \times NCCp_t^j, \text{ rounded up to the nearest cent.}$$

$SGCER_t^j$	The level of the Sewer Growth Capital Expenditure Guarantee rebate to apply in regulatory year t for NCC tariff type j as listed in table 6A above where the Sewer Growth Capital Expenditure Guarantee applies.
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$NCCp_t^j$	The approved level of NCCs calculated in accordance with this determination for NCC tariff type j in regulatory year t.
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Formula 2: Condition for whether the SGCE Rebate will apply in any regulatory year

This formula is the condition that must be met for the SGCE Rebate to apply in regulatory year t.

$$\sum_{i=1}^{t-1} SGCE_i \times \frac{CPI_{t-1}}{CPI_i} < SGCE_{t-1} \times \frac{CPI_{t-1}}{CPI_{base}}$$

$SGCE_i$	The value of Sewer Growth Capital Expenditure in year i.
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$SGCE_{t-1}$	The trigger level for the Sewer Growth Capital Expenditure Rebate as outlined in Table 6 of Annexure A
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CPI_t	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 - Table 8) for the March Quarter immediately preceding the start of the relevant regulatory year
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CPI_{base}	Is the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics (6401.0 for the March Quarter in year 2022 equal to 123.9
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**The Common Seal of the
Essential Services
Commission** was affixed to
this Determination with the
authority of the commission.



Date: 26 June, 2023

A handwritten signature in blue ink, appearing to read "Kate Symons".

Kate Symons
Chairperson

Annexure A

Table 1 Historical cost of debt (nominal)

Per cent

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Cost of debt	7.05%	5.36%	5.27%	4.91%	4.53%	4.61%	3.31%	3.05%	3.75%	6.76%

Table 2 Forecast real regulatory rate of return

Per cent

	2023-24	2024-25	2025-26	2026-27	2027-28
Regulatory rate of return	2.43%	2.41%	2.49%	2.58%	2.69%

Table 3 Benchmark revenue requirement

\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Operating expenditure	88.8	88.3	87.7	87.9	88.3
Return on assets	15.0	16.0	17.9	19.9	22.0
Regulatory depreciation	34.9	36.6	38.3	42.0	44.5
Total	138.7	140.9	143.8	149.8	154.9

Table 4 Closing regulatory asset base

\$m 2022-23

	2017-18	2018-19	2019-20	2020-21	2021-22
Opening RAB at 1 July	539.8	552.8	549.5	553.5	558.0
<i>Plus</i> Gross capital expenditure	40.0	40.5	48.6	48.5	62.5
<i>Less</i> Government contributions	0.7	-	-	-	2.6
<i>Less</i> Customer contributions	3.9	4.8	3.3	3.7	4.1
<i>Less</i> Proceeds from disposals	3.2	3.6	4.9	2.6	1.4
<i>Less</i> Regulatory depreciation	19.3	35.4	36.5	37.7	38.9
Closing RAB at 30 June	552.8	549.5	553.5	558.0	573.5

Table 5 Forecast regulatory asset base
\$m 2022-23

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Opening RAB at 1 July	573.5	596.5	639.1	690.3	745.3	798.0
<i>Plus</i> Gross capital expenditure	71.6	88.0	99.5	106.4	109.4	103.1
<i>Less</i> Government contributions	1.3	-	-	-	-	-
<i>Less</i> Customer contributions	5.3	8.3	9.5	11.0	12.5	13.8
<i>Less</i> Proceeds from disposals	1.7	2.2	2.2	2.2	2.2	2.2
<i>Less</i> Regulatory depreciation	40.3	34.9	36.6	38.3	42.0	44.5
Closing RAB at 30 June	596.5	639.1	690.3	745.3	798.0	840.7

Table 6 Sewer Growth Capital Expenditure Guarantee triggers, cumulative
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Sewer Growth Capital Expenditure	7.47	16.27	25.67	34.58	NA

Table 7 Approved licence fee and environmental contribution assumptions
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Essential Services Commission licence fee	0.1	0.1	0.1	0.1	0.1
Department of Health licence fee	0.0	0.0	0.0	0.0	0.0
Environment Protection Authority licence fee	0.2	0.2	0.2	0.2	0.2
Environmental contribution	5.5	5.4	5.2	5.0	4.8

Table 8 Bulk water purchases
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Bulk water purchases	2.3	2.4	2.4	2.4	2.4

Table 9 Demand forecast

	2023-24	2024-25	2025-26	2026-27	2027-28
Water assessments (no.)					
Residential	75,932	77,440	78,979	80,548	82,146
Non-residential	7,213	7,284	7,355	7,427	7,500
Total	83,145	84,724	86,334	87,975	89,646
Sewerage assessments (no.)					
Residential	69,812	71,193	72,601	74,037	75,500
Non-residential	6,093	6,154	6,216	6,278	6,341
Total	75,905	77,347	78,817	80,315	81,841
Billable water consumption (ML)					
Residential	14,567	14,843	15,125	15,413	15,705
Non-residential	6,521	6,580	6,639	6,698	6,758
Total	21,088	21,423	21,764	22,111	22,463

Table 10 Major capital projects

Project	Expected start date	Expected completion date
Bendigo Water Reclamation Plant Sludge Handling Upgrade	2021-22	2026-27
Bendigo Water Reclamation Plant Upgrades & Tertiary Filter Expansion	2024-25	2030-31
Bendigo Water Reclamation Plant Recycled Water Factory Upgrade	2025-26	2028-29
Castlemaine Water Reclamation Plant Upgrades	2023-24	2030-31
Cohuna Water Reclamation Plant Capacity Increase	2025-26	2028-29
Bendigo Trunk & Outfall Sewer Growth & Compliance Upgrade	2023-24	2029-30
West Bendigo Sewer Growth & Compliance	2022-23	2028-29
Trentham Water Treatment Plant Capacity Upgrade	2024-25	2027-28
Goornong Treated Water Supply Upgrade	2023-24	2029-30
Bendigo, Castlemaine and Kyneton Water Treatment Plant Water Quality Upgrades	2022-23	2025-26