

Westernport 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.

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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 in 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 **Westernport 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 **Westernport 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 **Westernport Water** and its successors and assigns in respect of the business carried on by **Westernport 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 ***Westernport 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 ***Westernport Water***, extend or reduce the time by which, or the period within which, ***Westernport 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 **Westernport 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

Westernport 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 **Westernport 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**, **Westernport 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 **Westernport Water** has entered into a contract which relates to the provision of **prescribed services** prior to 1 July 2023 (a **relevant contract**), **Westernport 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

Westernport 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

Westernport 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**, **Westernport 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 **Westernport 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 **Westernport Water** (including a statement of its reasons);
 - (B) may request **Westernport Water** to provide any additional information specified by the commission;
 - (C) will take any additional information provided by **Westernport 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 **Westernport 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

Westernport 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) **Westernport 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 **Westernport Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Westernport 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, **Westernport 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 **Westernport 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 **Westernport 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, **Westernport 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) **Westernport 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 **Westernport 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 **Westernport 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 **Westernport 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 **Westernport 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 **Westernport 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 **Westernport 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 **Westernport 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) **Westernport 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) **Westernport 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) **Westernport 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 **Westernport 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 **Westernport Water** within 40 **business days** from the date of its receipt of **Westernport 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) **Westernport 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 **Westernport Water** and/or increased or decreased revenue received by **Westernport 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 **Westernport Water** makes an application under clause 4.1(a), **Westernport 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 **Westernport Water** and/or increased or decreased revenue received by **Westernport 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 **Westernport 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 **Westernport 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 **Westernport 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 **Westernport 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 Westernport Water's control;
- (ii) were or should have been known by **Westernport Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **Westernport Water**;
- (iv) should be or should have been planned for or managed by **Westernport Water**; and/or
- (v) reflect inefficient expenditure by **Westernport 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 *Westernport 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 ***Westernport Water*** to provide any additional information specified by the commission in connection with an ***uncertain events application***. ***Westernport 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 ***Westernport 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 **Westernport 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). **Westernport 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 **Westernport 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 (Melbourne 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 **Westernport Water** by Melbourne Water Corporation or 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 **Westernport 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) **Westernport 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 **Westernport Water** under clause (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.

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 **Westernport 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).

Westernport Water means Westernport Region Water Corporation trading as Westernport Water (ABN 63 759 106 755).

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 and Schedule 5. Variable water and recycled water charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places.

Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
1.1 Water Fixed Service Charge (per annum)					
Residential Water Access Charge	429.79	0.0%	0.0%	0.0%	0.0%
Residential Connected Vacant Land Water Access Charge	429.79	0.0%	0.0%	0.0%	0.0%
Unconnected Vacant Land Water Access Charge	214.87	0.0%	0.0%	0.0%	0.0%
Non-Residential 20mm	429.79	0.0%	0.0%	0.0%	0.0%
Non-Residential 25mm	773.66	0.0%	0.0%	0.0%	0.0%
Non-Residential 32mm	1461.73	0.0%	0.0%	0.0%	0.0%
Non-Residential 40mm	2665.39	0.0%	0.0%	0.0%	0.0%
Non-Residential 50mm	4772.00	0.0%	0.0%	0.0%	0.0%
Non-Residential 65mm	9988.39	0.0%	0.0%	0.0%	0.0%
Non-Residential 80mm	16465.87	0.0%	0.0%	0.0%	0.0%
Non-Residential 100mm	29621.49	0.0%	0.0%	0.0%	0.0%
Non-Residential 150mm	68271.86	0.0%	0.0%	0.0%	0.0%
1.2 Water Usage Charge (per kL)					
Residential Variable Charge	2.3465	0.0%	0.0%	0.0%	0.0%
Non-Residential Variable Charge	2.3465	0.0%	0.0%	0.0%	0.0%
Standpipe Variable Charge	3.8027	0.0%	0.0%	0.0%	0.0%

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Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
1.3 Sewerage Fixed Charge (per annum)					
Residential Sewer Access Charge	680.35	0.0%	0.0%	0.0%	0.0%
Unconnected Vacant Land Sewer Access Charge	340.76	0.0%	0.0%	0.0%	0.0%
Non-residential Sewer Access Charge	680.35	0.0%	0.0%	0.0%	0.0%
Non-residential Sewer Access Charge (> 2 cisterns) (per cistern)	251.26	0.0%	0.0%	0.0%	0.0%
1.4 Reticulated Recycled Water (Class A)					
Residential Recycled Water Access Charge (per annum)	31.98	0.0%	0.0%	0.0%	0.0%
Non-Residential Recycled Water Access Charge (per annum)	31.98	0.0%	0.0%	0.0%	0.0%
Residential Recycled Water Usage Charge (per kL)	1.2803	0.0%	0.0%	0.0%	0.0%
Commercial Recycled Water Usage up to 5ML (per kL)	0.6226	0.0%	0.0%	0.0%	0.0%
Commercial Recycled Water Usage 5ML+ (per kL)	0.5117	0.0%	0.0%	0.0%	0.0%
1.5 Customer Contribution (per lot)					
Water (per lot)	1212.78	0.0%	0.0%	0.0%	0.0%
Sewer (per lot)	1522.72	0.0%	0.0%	0.0%	0.0%
1.6 Miscellaneous Fees and charges					
Information statement – standard	61.62	0.0%	0.0%	0.0%	0.0%
Information statement – priority	123.31	0.0%	0.0%	0.0%	0.0%
Special meter read	70.38	0.0%	0.0%	0.0%	0.0%

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Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
1.6 Miscellaneous Fees and charges (continued)					
Removal of Restriction Fee (per removal)	76.82	0.0%	0.0%	0.0%	0.0%
Build Over permit application (per application)	136.98	0.0%	0.0%	0.0%	0.0%
Pressure flow information statement (per test)	211.46	0.0%	0.0%	0.0%	0.0%
Testing water meters (per test) smaller than 32 mm	97.62	0.0%	0.0%	0.0%	0.0%
Water Disconnection / Plug Up Fees 20mm to 50mm	139.52	0.0%	0.0%	0.0%	0.0%
Water Connection Fees					
Standard 20mm Dry Tapping	320.95	0.0%	0.0%	0.0%	0.0%
Standard 20mm Wet Tapping	404.72	0.0%	0.0%	0.0%	0.0%
25mm – fittings supplied by Westernport Water	586.25	0.0%	0.0%	0.0%	0.0%
32mm – fittings supplied by Westernport Water	1326.26	0.0%	0.0%	0.0%	0.0%
40mm – fittings supplied by Westernport Water	1745.19	0.0%	0.0%	0.0%	0.0%
50mm (plus cost of fittings)	2792.59	0.0%	0.0%	0.0%	0.0%
80mm (plus cost of fittings)	3630.36	0.0%	0.0%	0.0%	0.0%
100mm (plus cost of fittings)	4677.61	0.0%	0.0%	0.0%	0.0%
150mm (plus cost of fittings)	5026.70	0.0%	0.0%	0.0%	0.0%
250mm (plus cost of fittings)	7651.24	0.0%	0.0%	0.0%	0.0%
Wastewater Connection					
Standard residential (including plan and as constructed)	223.25	0.0%	0.0%	0.0%	0.0%
Standard commercial (including plan and as constructed)	292.96	0.0%	0.0%	0.0%	0.0%
Standard residential (connection fee only)	139.58	0.0%	0.0%	0.0%	0.0%

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Tariff and Price Component	Price	PPM	PPM	PPM	PPM
	(1 July 2023)	Year 2	Year 3	Year 4	Year 5
Wastewater Connection (continued)					
Standard commercial (connection fee only - per connection)	209.27	0.0%	0.0%	0.0%	0.0%
Residential Other – (connection fee only - per connection)	209.27	0.0%	0.0%	0.0%	0.0%
Industrial/commercial other – (initial connection fee only)	418.74	0.0%	0.0%	0.0%	0.0%
Plan of sewer connection (per A4 page)	41.77	0.0%	0.0%	0.0%	0.0%
As constructed drawing (per A4 page)	41.77	0.0%	0.0%	0.0%	0.0%
Private Fire Service					
Information fee	279.14	0.0%	0.0%	0.0%	0.0%
Annual fee for inspection (per annum)	69.71	0.0%	0.0%	0.0%	0.0%
Sealing fire hose tap (per seal)	69.71	0.0%	0.0%	0.0%	0.0%
plus charge for each additional tap	6.79	0.0%	0.0%	0.0%	0.0%
Resealing fire hose taps (per reseal)	279.14	0.0%	0.0%	0.0%	0.0%
plus charge for each additional tap	6.79	0.0%	0.0%	0.0%	0.0%
1.7 Non-Core Miscellaneous Services					
Replacement of galvanised iron property service pipe	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Testing water meter 32 mm or larger	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Water Quality Test (per test)	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Water disconnection / plug up fee larger than 50 mm	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Dishonoured payment fee	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Cutting in to sewer fee	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost

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 **Westernport 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 **Westernport 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 Miscellaneous fees and charges

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

Miscellaneous service	Definition
Standard 20mm dry tapping	The cost includes the provision of the meter and stop tap to be installed by the plumber, the administration of setting up the account for the new meter, inspection of the meter to ensure it accords with the standards and all future maintenance of the meter.
Standard 20mm wet tapping	The cost includes the provision of the meter, tapping band, ball valve, elbow and stop tap to be installed by the plumber, the actual tapping of the water main by Westernport Water personnel, the administration of setting up the account for the new meter, inspection of the meter to ensure it accords with the standards and all future maintenance of the meter.
25mm – fittings supplied by Westernport Water	The cost includes the provision of the meter, tapping band, ball valve, elbow and stop tap to be installed by the plumber, the actual tapping of the water main by Westernport Water personnel where Westernport Water have the appropriate equipment, contractor's costs for larger sizes, the administration of setting up the account for the new meter, inspection of the meter to ensure it accords with the standards and all future maintenance of the meter. The cost of fittings is to cover the actual cost of the fittings required for the different sized water mains throughout the reticulation system.
Water disconnection/ plug up fees – 20mm to 50mm	This fee is to inspect the removal of all fittings and to ensure the tapping is completely sealed so no water leaks from the disused tapping.
Water disconnection/ plug up fees – larger than 50mm	This fee is to cover the actual cost of the fittings (blank ends or repair clamps) required for the different sized water mains throughout the reticulation system.
Plan of sewer connection (per A4 page)	This fee is for the production of a plan that shows the location of the point of connection for Westernport Water's wastewater system. It provides the depth, chainage and off set data required for connection.
Consent to connect – standard residential	This fee covers the processing of an application and payment for connection to Westernport Water's wastewater system for a standard house connection. It also includes lodging the application with the Plumbing Industry Commission and the updating and maintenance of customer details held within corporate systems such as billing and document management.

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Miscellaneous service	Definition
Consent to connect – residential other	As per above and also includes the assessment of the building plans by Westernport Water's Assets department to determine any requirements for additional sewer connection points to Westernport Water's system or the adequacy of any proposed private wastewater system within a larger/multi-unit development.
Consent to connect – industrial/commercial	This fee covers the processing of an application and payment for connection to Westernport Water's wastewater system for a standard commercial connection and also includes the assessment of the building plans by Westernport Water's Assets department to determine any requirements for additional sewer connection points to Westernport Water's system.
Consent to connect – industrial/commercial other	This fee covers the processing of an application and payment for connection to Westernport Water's wastewater system for a non-standard commercial connection and also includes the assessment of the building plans by Westernport Water's Assets department to determine any requirements for additional sewer connection points to Westernport Water's system.
As constructed drawing (per A4 page)	This is an administration fee to cover the entry and maintenance of data (supplied by the plumber post connection to Westernport Water's wastewater system) in Westernport Water's corporate systems including asset management, GIS and document management.
Assessment of application (per assessment)	This fee is for the time and administration in assessing an application for backflow prevention on a water service in a commercial or industrial application according to the AS3500 Plumbers Code.
Annual agreement renewal fee (per annum)	This is the annual fee for testable backflow devices to ensure that the owners have had the backflow prevention device tested as per AS3500 Plumbers Code. This fee is to cover receipt and recording of test certificate and reminder letters to owners to have the device tested.
Information fee	This fee is for additional information required for the installation of a private fire service as required by the CFA for commercial or industrial developments. This fee would cover expert staff advice on the installation of the fire service and any additional advice to gain acceptance by the CFA for the fire service.
Annual inspection fee	This is the annual inspection fee to inspect private fire services to ensure they have not been used for private use. Fire services are sealed by plastic or wire and lead seals to ensure fire hoses or reels are not used for internal water supply as this service is generally not metered.
Sealing fire hose tap (per seal)	This is the initial fee for inspection and sealing of a fire service once the service is newly installed.
Resealing fire hose tap	This fee is for a new inspection and to reseal the fire service if it is discovered that illegal water use has occurred with the fire service.

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Miscellaneous service	Definition
Per additional tap fee	This fee is to seal additional taps or outlets while initially sealing or resealing the fire service. First tap or outlet is included in sealing and resealing fee but there may be multiple outlets on major installations. Cost is to cover the time and seals used.
Water quality	This fee is charged when a customer requests testing of their non mains water supply. It involves the taking of a sample from the customer's supply (by Westernport Water personnel) and couriering of the sample to a NATA accredited laboratory in Melbourne for testing and subsequent reporting back to the customer.
Water meters smaller than 32mm	This fee is charged upon a customer request for pressure and/or calibration testing of the meter at the customer's premises. A staff member attends the premises, conducts the test, prepares a report for the customer and records the results on the customer's file within Westernport Water's document management system.
Information statement – standard (each)	<p>This fee is charged for the processing and production of the information statement. The statement contains details of:</p> <ul style="list-style-type: none"> • charges affecting the property annually and per period, for example: <ul style="list-style-type: none"> – Melbourne Water – sewer – water fixed and usage – recycled water fixed and usage – trade waste fixed and usage – fees attached for legal action or restriction – schemes • connected meters and the date the meter was last read • any relevant information in relation to the property (e.g. prime file, recycled water zone) <p>A copy of asset locations is attached to the information statement. This application has a 5-day limit on processing and returning to customer.</p>
Information statement – priority (each)	A priority Information Statement is produced as per the standard Information Statement as above but has a guaranteed 24-hour turnaround time.
Pressure flow statement – per test (each)	This is to provide written pressure and flow information on the water supply system so consultants can design the water supply or fire services to developments. The test may be completed on site by using testing equipment or provided from calibrated computer models of the water supply system. This cost is to cover time and set up of equipment or calibration and upgrades to the computer model.

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Miscellaneous service	Definition
Account and usage history (in excess of 3 years)	This is to provide an account statement for the customer (and to process payment) for the account summary for the period required by the customer. It is produced from Westernport Water's billing system and includes data such as brought forward balance by billing period, the current charges for that billing period (broken down by charge type), any additional charges (for example interest or restrictor removal fees) and the total outstanding per period and a total for the period required.
Special meter reading (per reading)	This fee is for the processing of the special meter reading application. A meter reader attends the property and takes the read which is entered into the billing system. An administration officer calculates the read and produces a special meter reading document. The special meter reading document contains any outstanding balances, current balance, totals and details of the reading.
Restrictor removal (each)	This fee is charged when a restrictor is fitted to the property following non-payment of a debt (and in accordance with the requirement of the commission's Customer Service Code). This fee is to cover the cost of a staff member attending the property to remove the restrictor from the meter. This involves earthing the pipes either side of the meter, detaching the meter from the tapping pipe, removing the restrictor and reattaching the meter to the tapping pipe. The flow is then checked to ensure that it is operating correctly by attaching a flow tester to a garden tap and measuring how much water is coming through the pipe per minute.
Galvanised iron property service pipe replacement	Old services from water main to meter where the material used was galvanised iron are to be replaced with longer lasting material. The galvanised iron was a cheaper and shorter lasting alternative for owners when owners provided the maintenance for the main to meter. As Westernport Water now provides for all future maintenance for this main to meter a contribution from the owner for the substandard pipework is required.

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 **Westernport 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 **Westernport Water** or pursuant to other government policies that apply to **Westernport 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

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

- makes clear to potential developers which assets a developer will be responsible for providing and gifting, and which will be provided by **Westernport Water**;
- confirms that negotiation of any non-standard connection and associated charges will be undertaken in accordance with **Westernport 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

Westernport 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 Melbourne Water bulk water services and annual updates to the trailing average cost of debt

If in any **regulatory year** Condition A and/or Condition B and/or Condition C apply (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 and 1.3 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**.

Westernport 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)	Condition B (Melbourne Water bulk water headworks cost change)	Condition C (Melbourne Water bulk water transfer cost change)
1.1 Water fixed service charge	X	X	
1.2 Water usage charge	X		X
1.3 Sewerage fixed charge	X		

Schedule 5 – Adjustment for costs associated with Melbourne Water bulk water services and 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 **Westernport 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 Melbourne Water bulk water services and 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

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

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

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Schedule 5 – Adjustment for costs associated with Melbourne Water bulk water services and 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.

Condition B – Melbourne Water bulk water headworks cost change

Condition B will apply when the bulk water headworks costs from the Greater Yarra System – Thomson River in any **regulatory year** 't' differ from forecast in that year. The changes in costs will be calculated in accordance with formula 5 and apply to the tariffs listed in Schedule 5A.

Condition C – Melbourne Water bulk water transfer cost change

Condition C will apply when the bulk water transfer costs from the Greater Yarra System – Thomson River in any **regulatory year** 't' differ from forecast in that year if there is a transfer of water from **Melbourne Water's** system. The changes in costs will be calculated in accordance with formula 6 and apply to the tariffs listed in Schedule 5A.

Schedule 5 – Adjustment for costs associated with Melbourne Water bulk water services and annual updates to the trailing average cost of debt

Formula 5: Water fixed service charge

$$p_{WF,t}^j = p_{WF,t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j) + GYS_t^{fixed\ adj} + CDA_t^j$$

$p_{WF,t}^j$	Is the water fixed service charge for tariff j at regulatory year 't' that accounts for changes in Melbourne Water bulk water headworks costs (for example, from changes in Melbourne Water's cost of debt), and Westernport Water's cost of debt adjustment
$p_{WF,t-1}^j$	Is the water fixed service charge 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	Is the prescribed price movement for the price component of tariff j in regulatory year 't' as per the determination
$GYS_t^{fixed\ adj}$	$GYS_t^{fixed\ adj} = FPT_t \times \frac{\alpha_{WF,t}^j \times q_{WF,t}^{j,det}}{\sum_j^n (\alpha_{WF,t}^j \times q_{WF,t}^{j,det})} \times \frac{1}{q_{WF,t}^{j,det}}$ <p>Is the adjustment to the water fixed service charge for tariff j ($p_{WF,t}^j$) from changes to Melbourne Water's bulk water headworks costs (FPT_t) as a proportion of the total water service revenue $\sum_j^n (\alpha_{WF,t}^j \times q_{WF,t}^{j,det})$</p>
FPT_t	Is the total amount of expenditure to be passed through (either positive or negative) in regulatory year 't' on the water fixed service charges to account for changes in Melbourne Water's Greater Yarra System – Thomson River bulk water headworks costs
$\alpha_{WF,t}^j$	Is the water fixed service charge for tariff j in regulatory year 't' before the bulk water headworks cost and cost of debt adjustments where: $\alpha_{WF,t}^j = p_{WF,t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j)$
$q_{WF,t}^{j,det}$	Is the determination quantity for tariff j in regulatory year 't'

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Formula 5: Water fixed service charge (continued)

$\sum_j^n (\alpha_{WF,t}^j \times q_{WF,t}^{j,det})$	Is the sum of all revenue received across water fixed service charges in regulatory year 't'
CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j in regulatory year 't' , based on tariff j's relative share of total revenues, as outlined in formula 4

Formula 6: Water usage charge

$$p_{WV,t}^j = p_{WV,t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j) + 0.5 \times GYS_t^{variable\ adj} + CDA_t^j$$

$p_{WV,t}^j$	Is the water usage charge for tariff j at regulatory year 't' that accounts for changes in Melbourne Water bulk water transfer costs (for example, from changes in Melbourne Water's cost of debt), and Westernport Water's cost of debt adjustment
$p_{WV,t-1}^j$	Is the water usage charge 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	Is the prescribed price movement for the price component of tariff j in regulatory year 't' as per the determination
$GYS_t^{variable\ adj}$	$GYS_t^{variable\ adj} = VPT_t \times \frac{\alpha_{WV,t}^j \times q_{WV,t}^{j,det}}{\sum_j^n (\alpha_{WV,t}^j \times q_{WV,t}^{j,det})} \times \frac{1}{q_{WV,t}^{j,det}}$ <p>Is the adjustment to the water usage charge for tariff j ($p_{WV,t}^j$) from changes to Melbourne Water's bulk water transfer costs VPT_t (due to a transfer of water from Melbourne Water's system) as a proportion of the total water service revenue $\sum_j^n (\alpha_{WV,t}^j \times q_{WV,t}^{j,det})$</p>
VPT_t	Is the total amount of expenditure to be passed through in regulatory year 't' on the water usage charge as a result of changes in Melbourne Water's bulk water transfer costs (due to a transfer of water from Melbourne Water's system)

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Schedule 5 – Adjustment for costs associated with Melbourne Water bulk water services and annual updates to the trailing average cost of debt

Formula 6: Water usage charge (continued)

$\alpha_{WV,t}^j$	Is the water usage charge for tariff j in regulatory year 't' before the bulk water transfer cost and cost of debt adjustments where: $\alpha_{WV,t}^j = p_{WV,t-1}^j \times \frac{CPI_t}{CPI_{t-1}} \times (1 + PPM_t^j)$
$q_{WV,t}^{j, det}$	Is the determination quantity for tariff j in regulatory year 't'
$\sum_j^n (\alpha_{WV,t}^j \times q_{WV,t}^{j, det})$	Is the sum of all revenue received across water usage charges in regulatory year 't'
CDA_t^j	Is the trailing average cost of debt adjustment applied proportionally to tariff j in regulatory year 't', based on tariff j's relative share of total revenues, as outlined in formula 4

Formula 7: Sewerage fixed charge

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

$p_{SF,t}^j$	Is the sewerage fixed charge for tariff j at regulatory year 't' that accounts for the cost of debt adjustment
$p_{SF,t-1}^j$	Is the sewerage fixed charge 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	Is the prescribed price movement for the price component of 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 in regulatory year 't', based on tariff j's relative share of total revenues, as outlined in formula 4

**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, consisting of a large, stylized initial 'K' followed by a long horizontal stroke.

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	18.7	18.8	18.7	18.9	18.7
Return on assets	3.6	3.7	3.9	4.1	4.3
Regulatory depreciation	4.0	4.2	4.6	5.1	6.0
Tax allowance	0.1	0.1	0.1	0.2	0.4
Total	26.4	26.9	27.3	28.3	29.5

Table 4 Closing regulatory asset base

\$m 2022-23

	2017-18	2018-19	2019-20	2020-21	2021-22
Opening RAB at 1 July	131.3	132.3	133.6	136.6	142.6
<i>Plus</i> Gross capital expenditure	5.2	5.2	7.2	10.0	8.8
<i>Less</i> Government contributions	-	-	-	-	-
<i>Less</i> Customer contributions	1.0	1.1	1.2	0.7	0.6
<i>Less</i> Proceeds from disposals	0.3	0.1	0.2	0.2	0.4
<i>Less</i> Regulatory depreciation	2.9	2.6	2.8	3.1	3.4
Closing RAB at 30 June	132.3	133.6	136.6	142.6	146.9

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	146.9	146.4	152.4	155.2	158.4	162.0
<i>Plus</i> Gross capital expenditure	4.0	11.0	8.1	8.8	9.6	4.8
<i>Less</i> Government contributions	-	-	-	-	-	-
<i>Less</i> Customer contributions	0.7	1.0	1.0	1.0	0.9	0.9
<i>Less</i> Proceeds from disposals	0.1	0.1	0.1	0.1	0.1	0.1
<i>Less</i> Regulatory depreciation	3.7	4.0	4.2	4.6	5.1	6.0
Closing RAB at 30 June	146.4	152.4	155.2	158.4	162.0	159.7

Table 6 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	0.0	0.0	0.0	0.0	0.0
Department of Health licence fee	0.0	0.0	0.0	0.0	0.0
Environment Protection Authority licence fee	0.0	0.0	0.0	0.0	0.0
Environmental contribution	1.0	1.0	1.0	0.9	0.9

Table 7 Bulk water purchases
\$m 2022-23

	2023-24	2024-25	2025-26	2026-27	2027-28
Bulk water purchases	0.4	0.4	0.4	0.4	0.5

Table 8 Demand forecast

	2023-24	2024-25	2025-26	2026-27	2027-28
Water assessments (no.)					
Residential	19,305	19,703	20,111	20,478	20,852
Non-residential	1,158	1,170	1,182	1,195	1,208
Total	20,463	20,873	21,293	21,673	22,060
Sewerage assessments (no.)					
Residential	18,268	18,644	19,028	19,373	19,725
Non-residential	673	681	689	697	705
Total	18,941	19,325	19,717	20,070	20,430
Billable water consumption (ML)					
Residential	1,588	1,624	1,662	1,696	1,730
Non-residential	830	844	855	867	881
Total	2,418	2,468	2,517	2,563	2,611

Note: Total values for water assessments and sewerage assessments do not match the totals in the financial model. This is due to the growth rate not being applied to vacant land charges and connections greater than 50mm in Westernport Water’s forecast values, which are used in this table.

Table 9 Major capital projects

Project	Expected start date	Expected completion date
Recycled Water Wetland Storage	2023-24	2027-28
Water Quality Continuous Improvement Program – Stage 2	2023-24	2026-27
Bio-Gas Waste to Energy	2023-24	2025-26
Renewable Energy Generation	2025-26	2026-27
Wastewater Systems Future	2023-24	2026-27
Cowes Wastewater Treatment Plant Upgrade – Master Plan Upgrades – Stage 3	2023-24	2024-25
Asset Management Information System Upgrade	2023-24	2024-25
Treatment Plant Energy Efficiency Project	2023-24	2024-25
Sustainable Reuse and Afforestation	2023-24	2024-25
King Road Wastewater Treatment Plant Pump Station Upgrade	2023-24	2023-24