



**LOWER MURRAY
WATER**

**2023-28 Price
Submission (PS5)
Urban and Rural**

**ESC Presentation
27 October 2022**

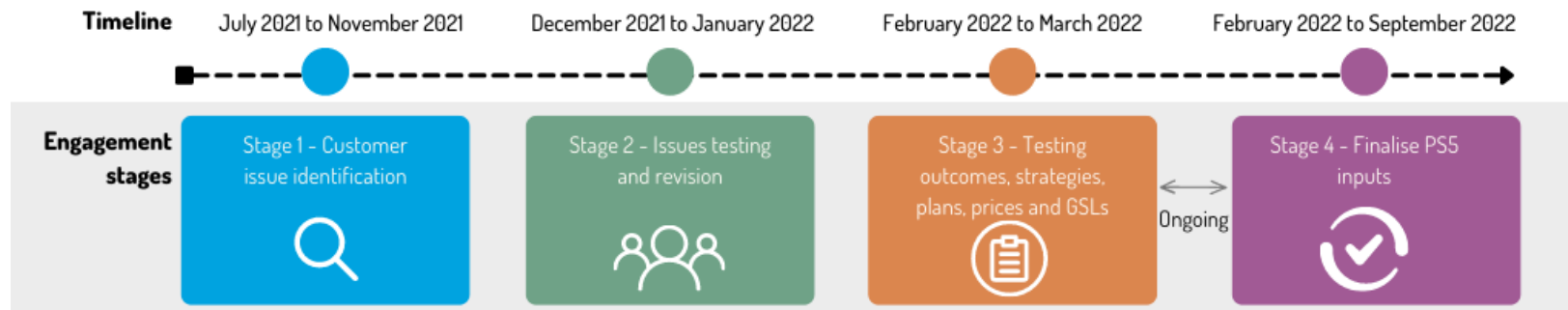


1. Key Strategic Issues for LMW over 2023-28 Period

- One integrated business delivering to urban and rural customers
- Managing climate change impacts, especially maintaining water security and meeting water quality expectations with poorer raw water quality (both urban and rural)
- Delivering the Victorian Murray Floodplain Restoration Project (VMFRP) and the Water Efficiency Project (WEP) with government and agency partners
- Engaging further with customers and community on progress and status, and tariff review for urban services
- Providing increased and ongoing support for customers in hardship
- Digital transformation and cyber security to manage risk, improve customer service (including digital metering) drive efficiency improvements
- Long term financial sustainability for the rural business component
- Capital program management and delivery under volatile market conditions
- Managing resources and costs to deliver efficiency improvements

2. Customer Engagement

- Accelerated and adaptive customer engagement using;
 - Existing Strategic Advisory Committee and Customer Service
 - Advisory Committees for rural
 - Urban Deliberative Panel
- Specific attention to First Nations people and vulnerable customers, as well as all key stakeholder groups
- Four-stage process engagement process aligned with development of PS5



3. Approach to Price Submission Development

- Diagnostic review in mid-2021 to evaluate LMW's implementation of PS4, and its preparedness for PS5 preparation
- Building board ownership through progressive papers on price path development and specific matters for decision throughout PS5 development
- Consideration of:
 - risk management and allocation in developing all material assumptions and making decisions
 - taking on considerable risk on behalf of customers related to
 - i. Demand
 - ii. electricity costs
 - iii. capital forecast
 - iv. revenue from water sales
- Robust processes to support attestation and PREMO self-assessment through executive verification, and internal and external review



4. Price Submission Snapshot

- Proposed PREMO rating – Standard
- Typically ‘confident’ to ‘very confident’ Standard
- Regulatory period 5 years

PREMO Element	Self-Assessment Element Rating			
PERFORMANCE				
RISK				
ENGAGEMENT	LEADING	ADVANCED	2.25 DARD	BASIC
MANAGEMENT				
OUTCOMES				

- Financial position sustainable at a whole-of-business level. ESC templates show shortfalls for some rural financial indicators, as rural business is supported on cashflow by urban business
- Consistent approach to customer outcomes, tailored to urban and rural customers

Agreed Customer Outcomes - Urban	Agreed Customer Outcomes - Rural
1. Services provide customers value for money.	1. Services provide customers value for money.
2. Provide customers reliable and safe drinking water.	2. Provide customers water when they need it
3. Provide customers reliable sewerage services.	
4. Provide customer service avenues that are responsive to resolve requests and enquiries.	3. Provide customer service avenues that are responsive to resolve requests and enquiries.
5. Service our communities in a socially responsible and environmentally sustainable manner.	4. Service our communities in a socially responsible and environmentally sustainable manner.

5. Urban Customer Prices

- No change to current price structures:
 - Tariff basket form of price control, typically applied equally across all components of the tariff basket
 - Postage stamp pricing across all urban districts
 - Tiered 3-level volumetric residential tariffs, with non-residential at Tier 2
- Annual bill impact is CPI + 0.3%, which maintains one of the lowest urban prices across Victorian water corporations

Urban Service – Owner Occupier	PS4 2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Total Reference Owner Occupier* Customer Bill	\$1,017.71	\$1,020.81	\$1,023.91	\$1,027.02	\$1,030.15	\$1,033.28
Annual Bill Impact \$		\$3.10	\$3.10	\$3.11	\$3.12	\$3.13
Annual Bill Impact %		0.30%	0.30%	0.30%	0.30%	0.30%

6. Rural Customer Prices

- Proposed price structures consistent with current period, but with removal of PS4 price adjustment mechanism for electricity costs
 - Revenue cap form of price control.
 - Locational pricing by district and service
- Pass-through costs for G-MW bulk water charges and Delivery Share Entity fees
- Annual bill impacts range from CPI – 6.42% to CPI + 1.27%, depending on specific district factors relating to cost base, growth and utilisation, and investment requirements

