

Welcome to the Essential Services Commission's public forum on our draft decision





Essential Services Commission online public forum

Westernport Water
draft decision 2023

16 February 2023



Acknowledgement of country

I would like to acknowledge the Traditional Owners of all of the lands wherever you are today. I would also like to acknowledge the traditional owners of the land of the service area of Westernport Water.

I would also like to pay my respects to their Elders, past and present, and extend that respect to all Aboriginal people here today.

Barring Djinang artwork by Jade Kennedy.
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Agenda

- Summary of our role in water price regulation

Sitesh Bhojani
Commissioner, Essential Services Commission

- How we assessed the price submission and our draft decision

Dean Wickenton
Senior Regulatory Manager, Essential Services Commission

- Westernport Water's response to our draft decision

Dona Tantirimudalige
Director, Westernport Water

- Questions from attendees

About the Essential Services Commission

Our purpose is to promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.

We regulate Victoria's energy, water and transport sectors, and oversee the Fair Go Rates system. We also administer the Victorian Energy Upgrades program.

We have been regulating water prices more than 20 years.

For the water sector we:

- approve prices and service standards
- monitor and report on performance
- administer customer service codes.

Westernport Water price review process

We assess Westernport Water's price submission to ensure it:

- complies with the requirements of the Water Industry Regulatory Order
- meets the requirements in our guidance, including:
 - our expectations on the overall approach
 - application of our incentive (PREMO) framework, where the returns earned are linked to the level of ambition in the price submission
- complies with relevant criteria in the *Water Industry Act 1994* and the *Essential Services Commission Act 2001*.

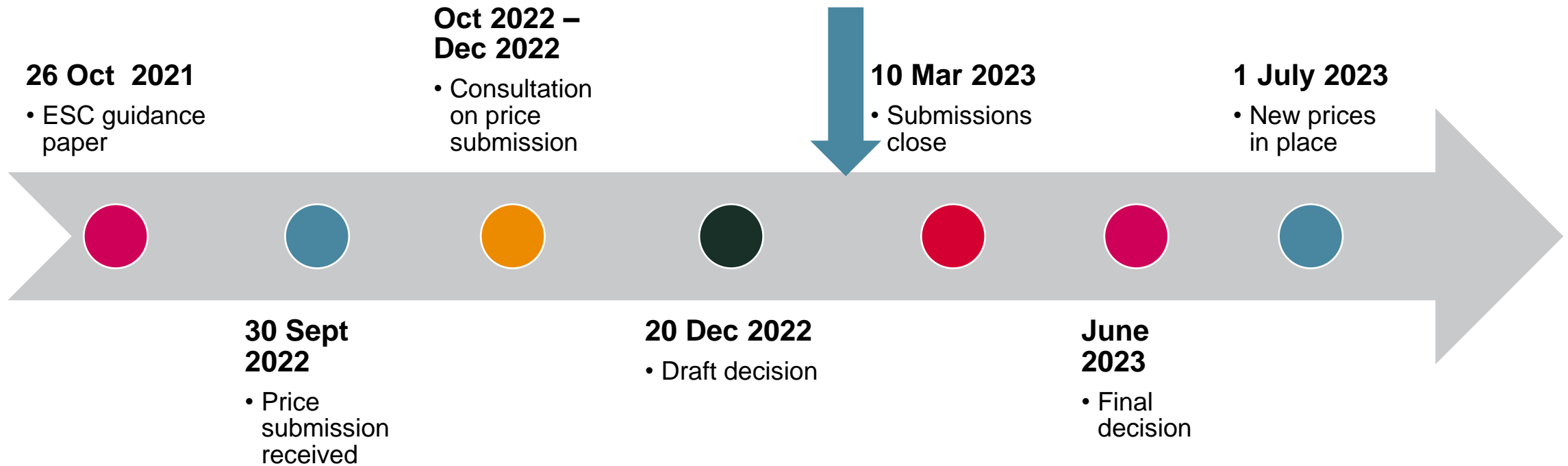
Westernport Water price review process

It is up to Westernport Water to propose prices and services consistent with the order, guidance and relevant legislation.

Essential Services Commission's draft decision

Our draft decision indicates what we propose to approve (or not approve), and allows Westernport Water – and other stakeholders – to respond before we make our final decision and price determination.

Westernport Water price review process



We assessed Westernport Water's proposals and the reasons for them

We did this by:

- looking at engagement and how Westernport Water used feedback
- testing expenditure and demand forecasts
- verifying the supporting assumptions and data
- evaluating how Westernport Water managed risk and its performance
- reviewing opex and capex costing and timing assumptions to ensure they were reasonable

We also obtained advice from expert consultants where appropriate.

Summary of our draft decision

- Accepts 5-year pricing period (prices slightly increasing in real terms over the 5-year period)*
- Proposes to accept many elements of the price submission including:
 - the tariff structure (to reduce its fixed water service charge by 2% and increase variable water charges by up to 3.8%)
 - price cap form of price control
 - investment to target water quality improvement and reduce its environmental impact.
- Adopts a revenue requirement of \$137.7 million over a five-year period.

*We will add inflation to year 1 prices prior to publishing on 1 July 2023.

Estimated annual water and sewerage bills

Table A Estimated typical water and sewerage bills (\$2022-23)

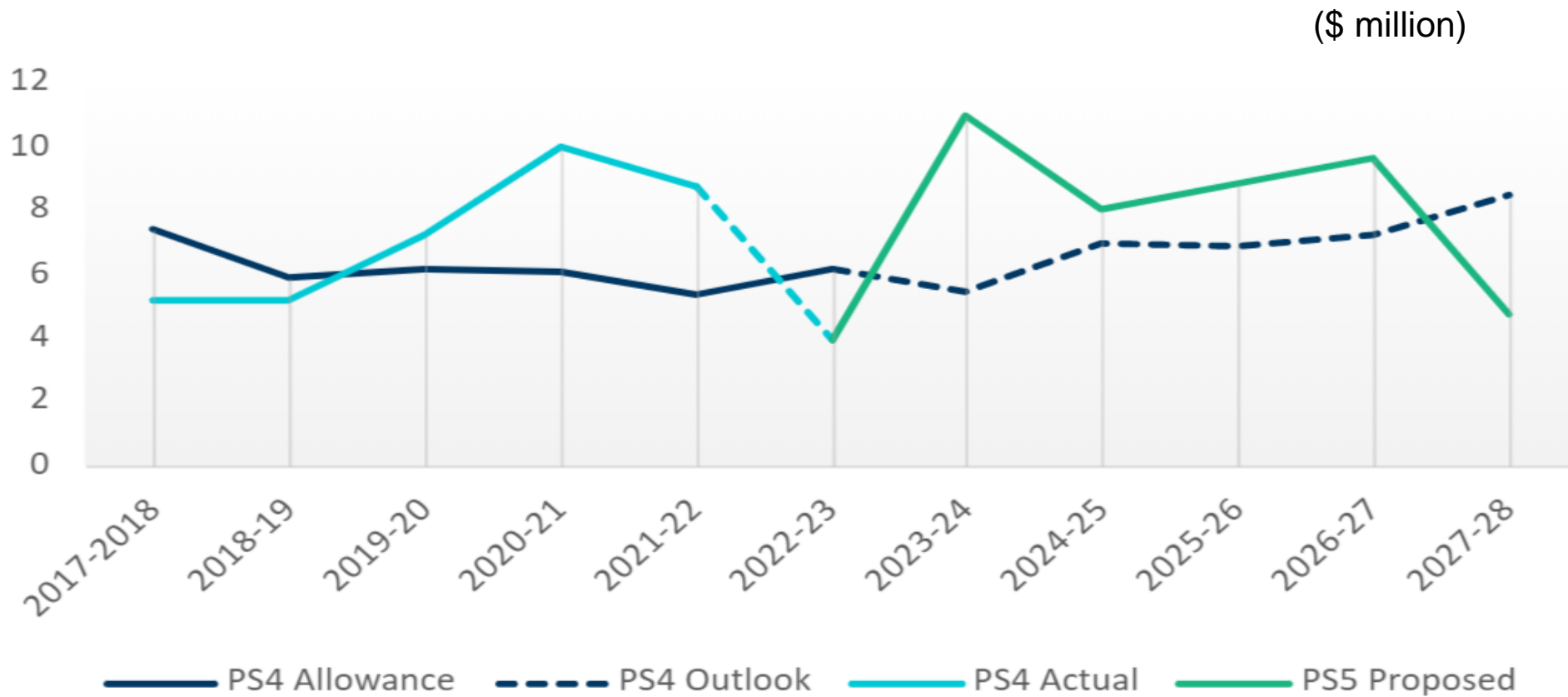
	Average consumption (kL p.a.)	2022-23 (current)	2023-24	2027-28
Residential – owner occupier	88	\$1,227	\$1,230	\$1,230
Residential – tenant	88	\$186	\$193	\$193
Non-residential (small)	500	\$2,096	\$2,134	\$2,134
Non-residential (medium)	651	\$2,415	\$2,465	\$2,465
Non-residential (large)	1,200	\$3,574	\$3,668	\$3,668

As noted earlier, Westernport Water’s prices will rise slightly in real terms from 2023-24, noting inflation will be added for our final decision and determination. Recent data suggests inflation will remain relatively high (i.e. likely to be material to bills)

Westernport Water's expenditure forecasts 2022–23

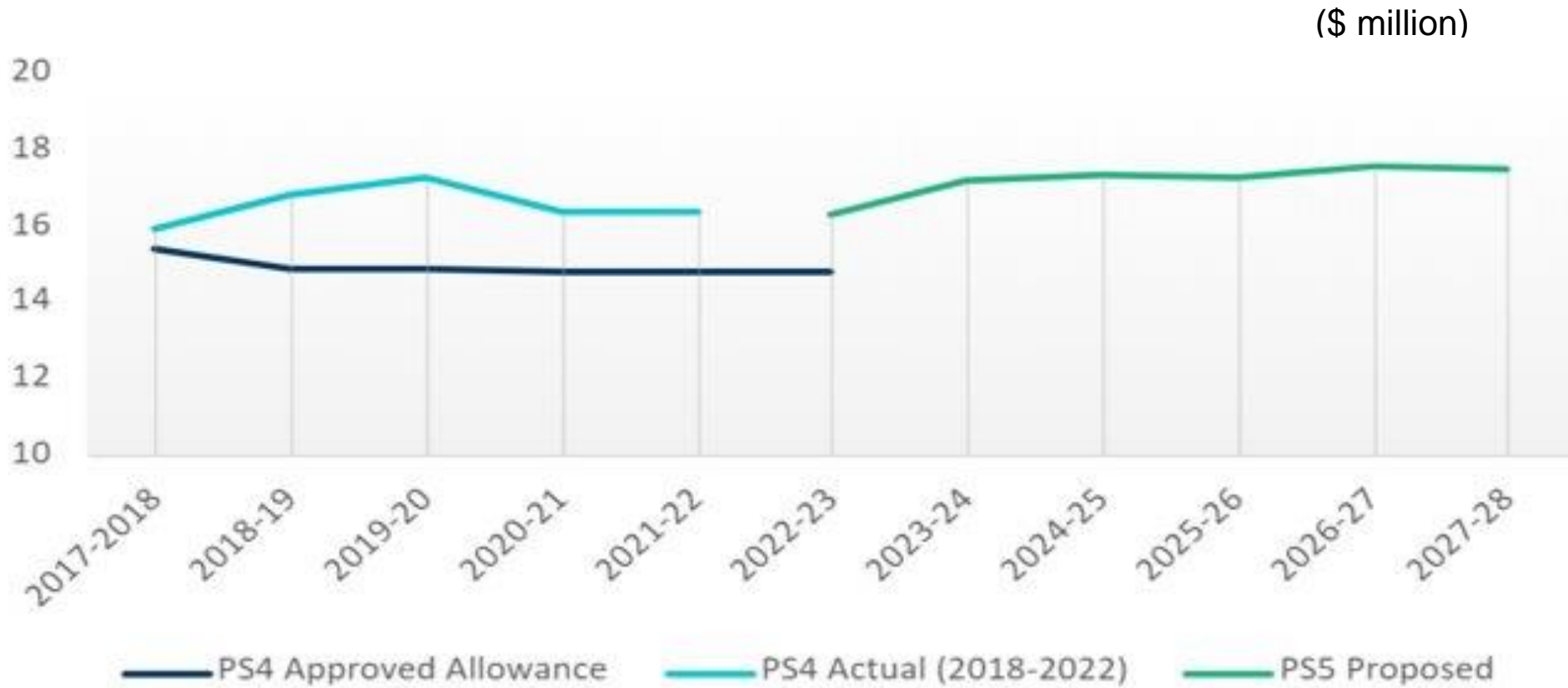
5-year total	Proposed	Our proposed adjustments	Draft decision (\$ million)
Operating expenditure	94.8	0	94.8
Capital expenditure	42.3	0	42.3

Westernport Water forecast capital expenditure 2022–23



Source: FTI Consulting, Westernport Water 2023 Price Review Model, 3 January 2023

Westernport Water forecast operating expenditure 2022–23



Source: FTI Consulting, Westernport Water 2023 Price Review Model, 3 January 2023

We propose to accept a 'Standard' PREMO price submission rating

- The price submission provided clear justification for its proposals.
- We consider that Westernport Water met expectations for delivery against its outcome commitments for the current regulatory period.
- Its engagement program gave customers a fair opportunity to participate and to provide feedback on the prices and services that affect them. Its engagement was inclusive.
- Its proposed outcome measures and targets were developed in consultation with its customers and are supported by customers. They provide overall improvement in customer value.
- It has chosen to accept risk on behalf of customers in some areas. These include demand forecasts, approach to capital planning, and increasing the variable charge component in bills.

Our draft decision means...

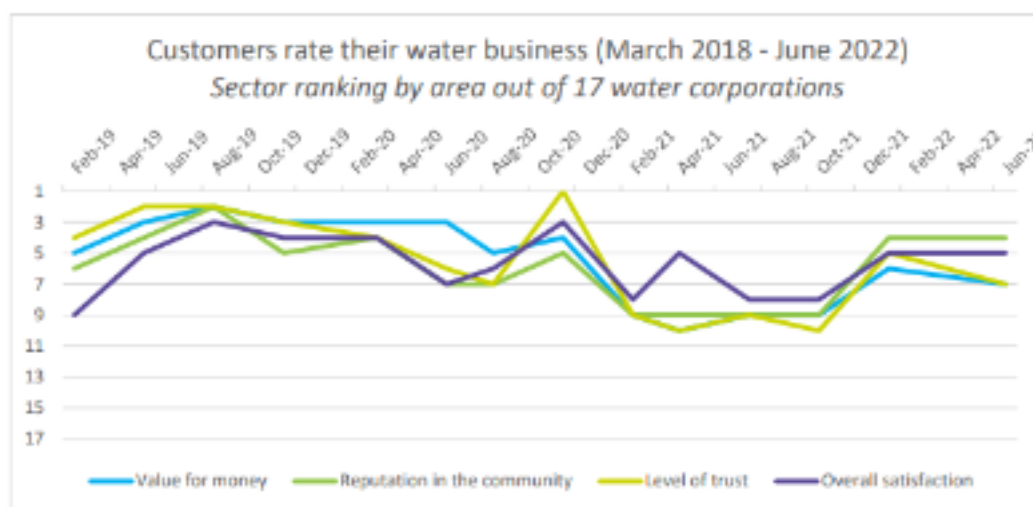
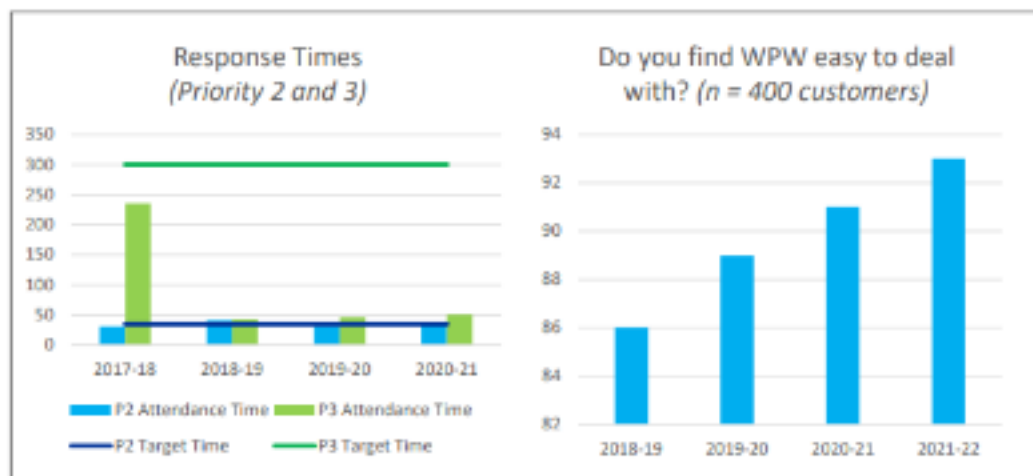
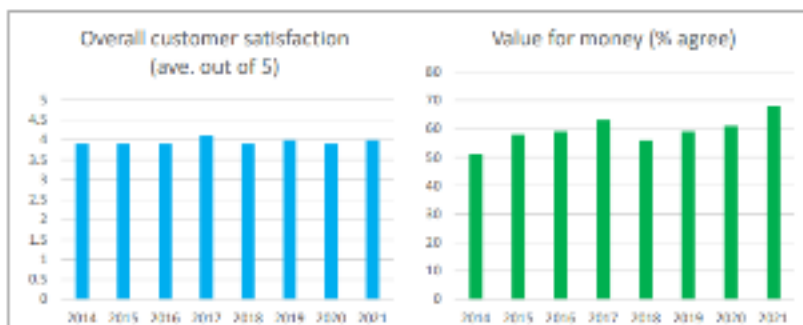
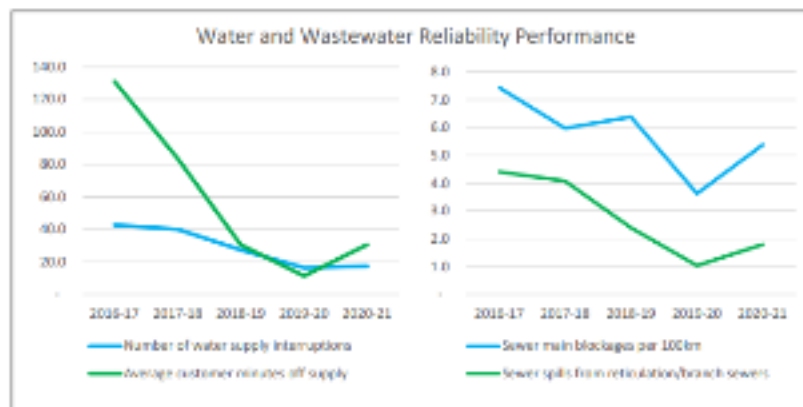
- Prices will rise slightly in real terms before inflation (noting inflation will be added to 2023-24 prices and bills)
- Customers will continue to receive high-quality drinking water, safe treatment and disposal of sewage, and new investment in waterways and drainage
- Westernport Water will continue to reduce its environmental footprint and respond to climate change

Draft Decision Response

Dona Tantirimudalige
Managing Director



We will build on our strong performance



We accept all preliminary findings



- The draft decision reflects the priorities that have been identified across extensive customer engagement, which included surveys, community events, focus groups and hardship interviews
- 1 in every 20 customers participated in our engagement.
- We have sought to keep bills affordable. Tenants will continue to have the cheapest average household bills in Victoria. Average bills for owner occupiers will increase by \$3 in year one only (excluding CPI).
- The Commission's independent review of controllable operating expenditure found our plan to be prudent and efficient, responding to growth in a responsible manner.
- Our \$42M capital program responds to calls from customers to take climate action now by dramatically reducing greenhouse gas emissions and investing \$20M to reduce environmental impacts.
- Customer value will increase with performance uplift in key investment areas, including reduced carbon emissions and improved drinking water satisfaction.





Q & A

Housekeeping

- A reminder this public forum is being recorded. This means:
 - any statement or comment you make or question you ask will be [included in the recording](#)
 - any question you ask using the ‘[chat](#)’ function, will be [read out along with your name](#) and will be included in the recording.
- For verbal comments, please use the ‘[raise your hand](#)’ function and you will be invited to unmute your microphone, turn on your camera, say your name and organisation.
- If you are calling in via phone, please say your name and location prior to speaking.
- Staff from the commission include Marcus Crudden, Director Pricing, Sitesh Bhojani, Commissioner and Dean Wickenton, Senior Regulatory Manager.
- From Westernport Water we are joined by Donna Tantirimudalige, Managing Director.
- If you want to make a written public statement, please submit via engage.vic.gov.au

Thank you for joining us today

Submissions on our draft decision are due by 10 March 2023

- You can provide written submissions or feedback via the Engage Victoria website:
<https://engage.vic.gov.au/water-price-review-2023>
- You can also contact us by email: water@esc.vic.gov.au

