

9 May 2018

2018 Water Price Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000
Sent via email: water@esc.vic.gov.au

To whom it may concern,

RE: UDIA Victoria, Northern Chapter Submission: Water Price Review Process, Coliban Water Draft Decision

The Urban Development Institute of Australia (UDIA), Northern Victoria Chapter thanks you for the opportunity to make a submission to the Essential Service Commission (ESC) water price review process. UDIA is the peak industry body for the urban development sector, representing over 320 member companies in Victoria alone. The Northern Victoria Chapter represents landowners, developers, consultants and contractors who work directly with a number of regional councils and water authorities. Together we drive industry discussion and debate and inform all levels of government to achieve successful planning, infrastructure, affordability and environmental outcomes.

We refer to our initial submission regarding Coliban Water's proposed water pricing strategy, our meeting at ESC and the most recent meeting between UDIA, ESC and Coliban Water in Bendigo.

While we acknowledge the need to maintain ongoing dialogue with Coliban Water on a number of matters raised in our initial submission, this submission to the ESC is in relation to the content of the proposed water pricing strategy, with specific reference to the requirements of the ESC's *New Customer Contributions Explanatory Note*. UDIA commends the ESC on the provision of this document, which has been useful in providing clarification on where the Coliban Water pricing submission should provide additional information, in order to give industry an acceptable level of confidence in what's been proposed for the five-year period at hand.

According to the *New Customer Contributions Explanatory Note*:¹

Reasonable industry practice will see water businesses prepare and publish:

- *Development servicing plans (updated from time to time) that show the water business's forecast timing and sequencing of infrastructure that will be required to service new customers*
- *Negotiation protocols (including references to the pricing principles and dispute resolution details)*
- *Explanations of where and when Standard NCCs apply, and circumstances in which a developer or water business may introduce a Negotiated NCC.*

The above excerpt outlines a critical level of detail that should be included in any water pricing strategy. However, from our discussions with Coliban, it remains unclear the extent to which this information exists, is available to the public, or whether it was a consideration in developing their water pricing submission.

As outlined in the above excerpt, the water pricing plan should include current development servicing and augmentation plans that demonstrate timing and sequencing of all infrastructure that will be required for servicing new customers. Our concerns regarding NCCs arise from lack of detailed information as to how they are calculated and how or where development servicing is to be rolled out over the five-year period.

¹ ESC New Customer Contributions Explanatory Note, December 2012, Recommendation 1.5, pages 3-4

Further, the Coliban Water pricing submission details the top 10 investments that Coliban proposes to make, however we note that the total amounts to only \$64.69 million, whereas total expenditure is cited as \$141.930 million.² UDIA therefore recommends that Coliban Water detail proposed investment of the full expenditure amount, embodying development servicing, argumentation, timing and sequencing plans.

According to the *New Customer Contributions Explanatory Note*:³

Standard NCC

For most water businesses, the Commission approved Standard NCC that will apply for connections in areas where infrastructure requirements and growth rates are relatively well known. The purpose of Standard NCC is to reduce the administrative burden as well as improve the timeliness and predictability of costs faced by developers. Each water business publishes on its website details of its current approved Standard NCC, together with underpinning assumptions (such as timing, infrastructure provision, meter size), and maps showing where they apply.

Negotiated NCC

In situations where Standard NCCs are not fair and reasonable or where a new connection is outside the areas designated as eligible for Standard NCCs, the NCC framework allows water businesses and developers to negotiate site-specific arrangements that reflect the NCC pricing principles.

Referring to the above definitions, we expect that the Coliban Water pricing submission, and indeed any water business pricing plan, should define what is included in a standard NCC for both water and sewer, and how it is calculated.

Additionally, it must be noted that while we do not object to the innovation model, there must be greater information provided to understand the basis of the charges, and where that model is going to apply. We therefore seek to have these details included in the water pricing plan for Coliban Water.

As the peak body for the urban development industry, UDIA Victoria thanks you for engaging with us. We encourage the ESC to seriously consider the above comments and recommendations, particularly in context of State Government's clear interest in regional areas taking on some of Victoria's projected population growth, and recognising affordability as one of the key attractors for people choosing to live regionally. Water infrastructure pricing plays a key role in maintaining affordability, and in regional areas there is the added opportunity to explore and test innovative solutions in close and co-operative consultation with the development industry.

Please do not hesitate to contact me to discuss the above in greater detail.

Yours sincerely,



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² Coliban Water Pricing Submission 2018, pages 135-136

³ ESC New Customer Contributions Explanatory Note, December 2012, Recommendation 1.3, page 3