

1 December 2022

ESC Consultation Team
Essential Services Commission
By email: water@esc.vic.gov.au

Dear Consultation Team,

**Submission: Essential Services Commission Water Price Review 2023-2028 – Coliban Water
New Customer Contributions (NCCs)**

The Urban Development Institute of Australia, Victoria (UDIA Victoria) welcomes the opportunity to respond to the Essential Services Commission's (ESC) proposed Water Price Review from 2023-2028 and the requirements of the New Customer Contributions (NCCs).

UDIA Victoria is the peak body representing the urban development industry. UDIA Victoria is a non-profit advocacy, research and educational organisation supported by a membership of land use and property development organisations, across the private sector and Victoria's public service. The Northern Victoria Chapter represents landowners, developers, consultants, and contractors who collaborate directly with several regional councils and water authorities. Together we drive industry discussion and debate as well as inform all levels of government to achieve successful planning, infrastructure, affordability, and environmental outcomes.

UDIA Victoria members are not just customers of water authorities but are partners in creating infrastructure to required standards while providing valuable assets for ongoing management. UDIA consults with water authorities throughout Victoria and seeks to be an active partner in pricing consideration and submissions. UDIA Victoria has sought to actively participate in Coliban's 2023 Pricing Submission process and has noted several areas of concern with the current proposal that is yet to be addressed. Specifically in relation to the level and extent of consultation and engagement around NCCs. In support of our members, we provide the following summary of the broader industry perspective.

Consultation

We understand that Coliban Water conducted extensive community consultations in preparation for their Pricing Submission 2023 (PS23). Engagement with industry was, by contrast, limited and late rather than consultative. Industry members attended a Coliban Water Land Development information session held on 21 June 2022, where the PS23 was presented via a PowerPoint presentation, on the understanding that Coliban Water would consider subsequent feedback provided by industry and then re-engage for further discussion. Follow-up was sought by industry and a second online discussion took place on 4 August 2022, after which a survey of options was distributed.

To date, industry has been shown Coliban's intentions but has not been provided with any detail on the underlying assumptions, plans or calculations that drive the intended pricing strategy. The process conducted by Coliban Water has not been consultative but a belated effort to inform industry of decisions already made.

The consultation undertaken with the industry has not matched the extent and depth of consultation

undertaken with the public (refer to Table 26 p30), and yet the industry is expected to fund potentially more than a 200 per cent increase in contributions. Detailed information needs to be made available and further consultation is required prior to the substantial change being imposed on the industry.

We do not agree with Coliban Water's adopted PREMO ratings for Engagement and Management components – 'advanced' and 'standard' respectively.

Further detail required

We refer to the Guidance document from the ESC for the water price review (including NCC) commencing on 1 July 2023 (attached). The document specifically addresses NCCs in Section 3.21 (page 59), including guidance and assessment criteria. The document outlines the information that must be provided with water business pricing submissions and the principles of assessment. Our request for detailed information from Coliban Water has been based on the requirements outlined in this documentation.

A substantial NCC increase is proposed (approximately 200 per cent), with a significant financial contribution assigned to growth and expected to be funded by the development industry under the NCCs (in the order of \$100 million). The proportional increase is well beyond the 'reasonable' level supported by public consultation, and, as such, it is a reasonable expectation that the industry would be given a greater level of detailed information to review and consider, to establish the fairness of such a substantial change.

Industry has previously accepted NCC price increases as falling within a reasonable definition of 'moderate.' However, the 2023 Pricing Submission proposes a significant increase and justification has not been provided.

We therefore seek ESC direction on the requirement for Coliban Water to provide, and publicly disclose, details of the inputs, assumptions and methodology adopted, and the calculations made in arriving at the:

- The maximum prices sought for sewer and water NCCs, respectively.
- The concession of up to \$1,500 per lot in the sewer NCC proposed to compensate for the installation of pumping stations.
- An explanation of where and which assets are included/covered, and the rationale for decisions to include some assets but not others (pump stations included, but rising mains are excluded).

UDIA Victoria accepts the importance of funding relevant defined NCC projects in the catchment. However, we have significant reservations about nominating or agreeing to any of the NCC options, due to the low level of confidence in transparency and a lack of information on the basis and calculation of the charges to be levied. The development industry expects accountability for the determination of the NCC charges it is expected to pay.

Development Contributions Plan comparison

Industry expectation is that Coliban Water should provide a level of detail similar to that involved in

Development Contributions Plan (DCP) preparation, at a comparative level of transparency, consultation, and consideration in the formation and calculation of the NCC charges. In a DCP, all projects within the estimated budget are listed, justified, estimated, and a percentage contribution weighted according to its demands resulting from the growth of the catchment. This cost is distributed across the catchment or developable area (just like an NCC).

However, industry has only been provided with high-level summary figures presented by Coliban Water without a documented list of projects, augmentation plans, costs, estimated timing/triggers, or their nominated contribution weighting to growth.

We note Coliban Water's acknowledgement in PS23 that 'the third driver is a perceived lack of transparency in the rationale and calculation for current NCCs. Developer feedback has consistently highlighted that the provision of more information would enhance the understandability of the NCC approach' (p103).

Example calculations required

UDIA Victoria requests that the specific policy, and example calculations showing how the policy would be applied in different scenarios, be provided to industry to assist in understanding the approach to the calculations.

Comparison with Barwon Water Pricing Submission

UDIA Victoria has reviewed and considered a range of water authority Pricing Submissions. In our view, the Barwon Water Pricing Submission would be a useful benchmark for water pricing submissions in general. Assessment of the PREMO rating model might be undertaken against the Barwon Water submission, and then other submissions compared.

For example, the Coliban Water submission does not provide qualitative and quantitative identification of the catchments and projects which are included in the NCCs, whereas the Barwon Water Pricing Submission does provide this information (refer to Table 2 in section 5(e)). Similarly, detailed information has been sought by industry from Coliban Water but has not been forthcoming.

If the Barwon Water Pricing Submission is acceptable against the PREMO model, then this would indicate that other submissions not meeting the same standard should not be endorsed in their current form.

Apportionment of costs

Industry has concerns around the relatively low-growth townships of Axedale (cost not specified) and Castlemaine (approximately \$28 million) and the high apportionment of those costs. These costs will be mostly borne by developments in the Bendigo catchment where most of the Coliban Water region's growth will occur and NCCs will be collected.

It is difficult to comment in the absence of sufficient information, however, it appears there is a substantial apportionment of Castlemaine projects towards Castlemaine's growth that is not reflective of historical or forecasted growth in Castlemaine.

Exclusion of necessary infrastructure

We note that NCCs have allowances for Sewer Pump Stations (SPS) but exclude all SPS rising mains.

SPS rises from an integral part of any SPS and can be a substantial cost of the SPS. The “exclusion of shared SPS rising mains policy” from NCCs will be borne fully by the pioneer developers, which is an inequitable approach. The consideration for a Works in Kind (WIK) approach to developer-funded assets against the NCC charges should be included. WIK allowances would offset NCC contributions until parity is achieved between the WIK value and NCC amount.

Next Steps

UDIA Victoria asks that the concerns expressed in this letter be taken into consideration when reviewing the current proposal. We seek two steps to resolve concerns:

- ESC to require Coliban to provide transparent information as agreed at the last industry online session (4 August 2022), in a format that can be reviewed by industry participants; and
- Coliban engage with industry as required under the Water Price Review Guidance Paper, to reach mutually understood outcomes

We trust this feedback will be taken into consideration and we look forward to further engagement with Coliban Water and guidance from ESC to ensure a successful consultation process between all parties.

Contact

Should you wish to discuss any of the matters raised in this response, please contact me at matthew@udiavic.com.au.

Yours faithfully

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