



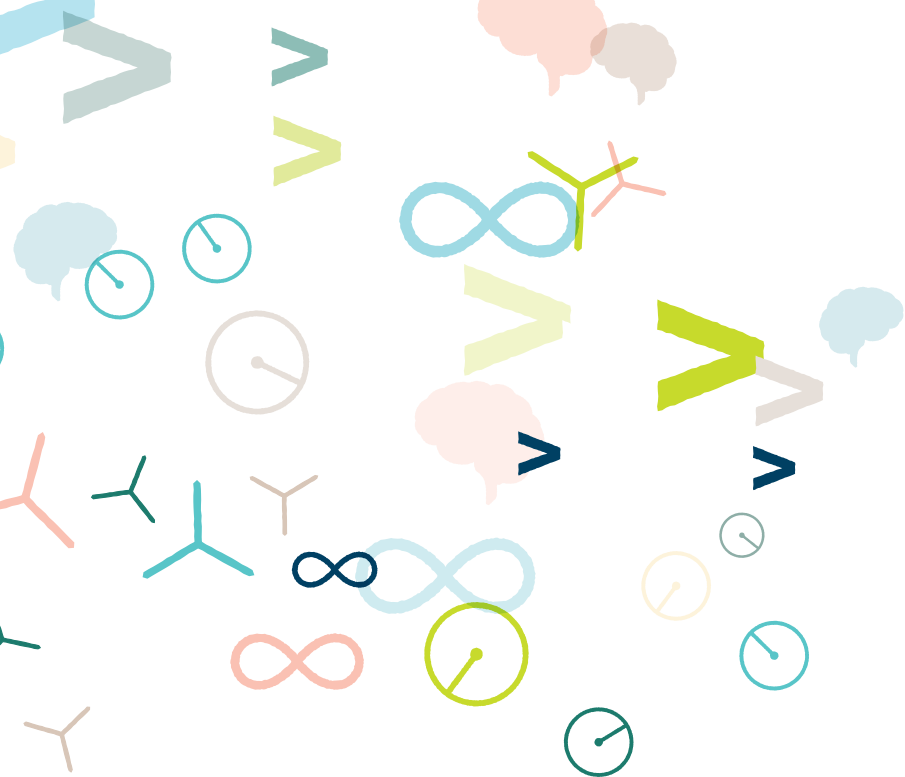
Our proposed services and prices for 2018-2023





Barwon Water proudly acknowledges the Traditional Owners and custodians of the land on which we work and live, and pays respect to their Elders past and present. Barwon Water recognises and values the continuing rich culture and the contribution of Aboriginal people and communities to the Victorian community.





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Setting prices and services for the future

Barwon Water is a proud part of a dynamic and vibrant region. Our community's future is bright and we are excited about playing a leadership role in enhancing our region's prosperity.

We are committed to delivering value for our community and keeping water prices affordable so you can enjoy the benefits that water creates in our liveable region.

This document outlines our proposed services and prices from 2018 - 2023.

It explains the outcomes we are seeking to achieve, the key actions we intend to take and the proposed prices you will pay in return.

The document has been shaped by your views. Together, you spent more than 1,450 hours over 18 months sharing your ideas and suggestions with us. We thank you for your time and enthusiasm.

We are now checking in to ensure we have accurately captured what we heard and what you said. Your views will inform our final 2018 Price Submission, which we will hand to the independent regulator, the Essential Services Commission, on September 29, 2017. The commission will use this to determine Barwon Water's new prices, which will take effect on July 1, 2018.

Our future

The Geelong region has a proud past and an exciting future. As a major regional organisation we will play a stronger role in leading our region's prosperity, through:

Strategic Partnerships

We will work even more closely and collaboratively with our community including schools, local government, sporting groups, community organisations, Aboriginal groups, businesses and industries to achieve common goals.

Zero Net Emissions

By 2030 we will have completed major investments in our infrastructure to run our operations on renewable energy and low emission technologies.

Zero Waste

By 2030 we will capture and re-use all wastewater, biosolids, gases and other wastes and use these for productive high value purposes. We will also continuously improve the efficiency of our business processes.

Entrepreneurship

We will work with industry and community partners to help build and grow businesses, skills and jobs and play an active role in building a prosperous, sustainable region.

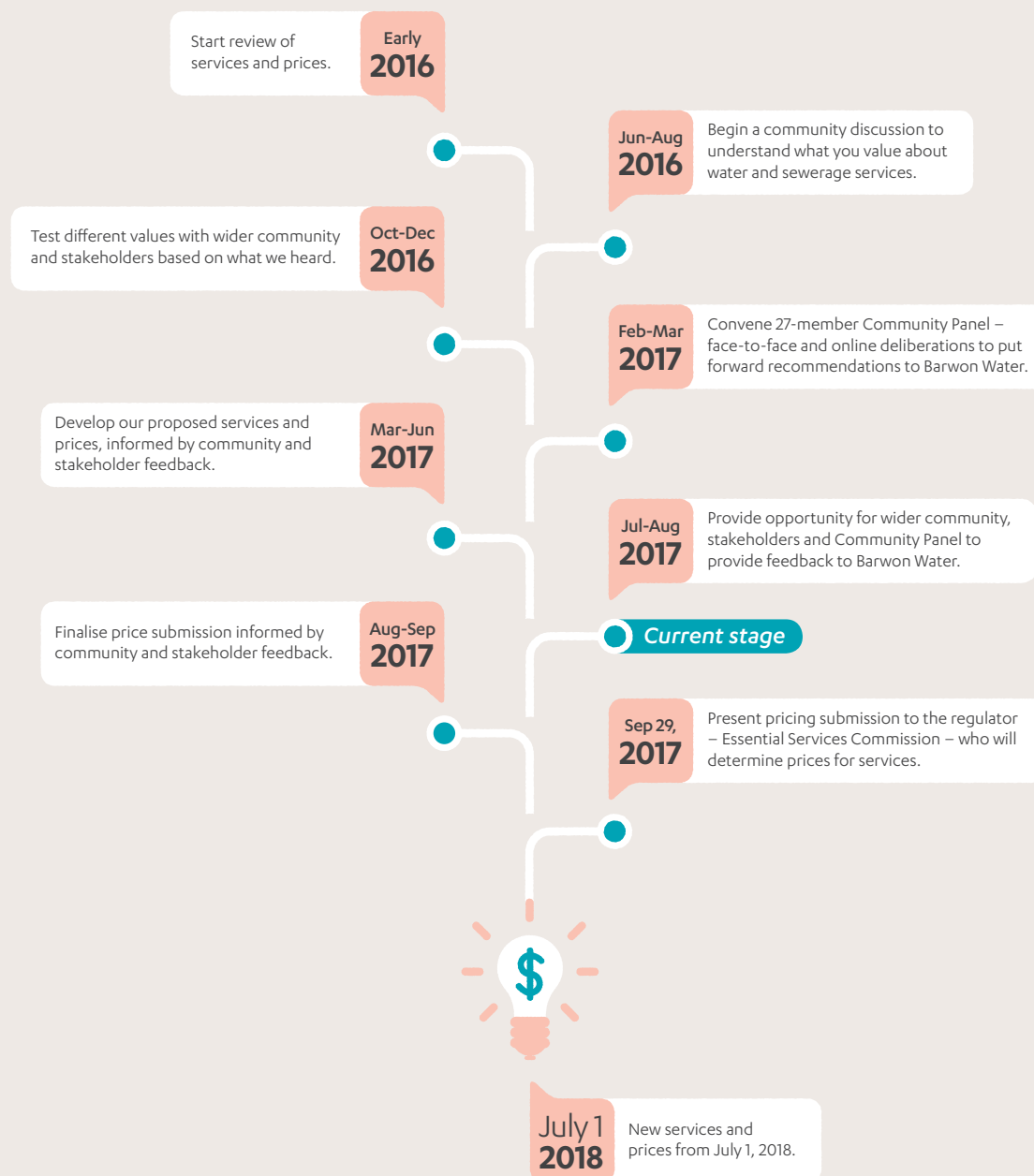
High Performance

We will continually strive to live our values, improve our efficiency and outcomes and be an organisation that is highly valued by our customers, community and staff.

Listening to our customers and the community

In early 2016, we began seeking feedback from the community on our services and the prices customers were prepared to pay.

Here is the engagement timeline we followed to ensure customers and the community had the opportunity to consider, discuss and form opinions on new prices for services over the next five years.



We have been listening as you have generously shared with us your values, expectations and needs. People from right across our region had valuable input.

We spoke with people from different household sizes, renters and owners, old and young alike, the tech-savvy and those of you who prefer a face to face chat. We also heard from people running and working with different businesses and groups looking out for the social welfare of others. Traditional Owners and custodians and Aboriginal people also told us about the important values of water and connection to Country.

Barwon Water is particularly grateful to the 27 members of the Community Panel. These members of the regional community volunteered their time to participate in meetings and online deliberations during February and March this year. They considered everything you told us and used this as the basis for a raft of recommendations to Barwon Water.

Despite the diversity of your views, you share a common and positive set of values and expectations.

Core to this is keeping costs down while ensuring the environmental and financial sustainability of our special region for future generations in which to live, work and play. You share a strong willingness to use innovation and we heard your desire for more knowledge and the ability to manage your own water use. You see a prosperous future underpinned by reliable water services. These common values and expectations were at the heart of the recommendations from the Community Panel.





Changing to meet challenges

We are facing significant and rapid change at global, national and local scales.

With change comes opportunities and challenges for households, businesses and communities. Barwon Water understands this may influence the types of services you want and value in the future.

Some of these challenges and drivers for change include:

Climate change impacts pose risks to water and sewerage services in terms of rainfall, temperature, water use and increased threat from fire, flood and sea level rise. The water industry is a significant contributor of emissions, accounting for 24% of the Victorian Government's entities' emissions profile in 2014/15.

Our region is growing rapidly, with population expected to double to more than half a million by 2050. Households will be smaller and denser, with fewer people and lower water use per home. Accommodating this growth while enhancing liveability within our region, will require new infrastructure and careful planning.

At the same time, our region is undergoing **economic transformation** from an industrial base to a service driven economy across education, health and tourism, as well as niche, high-value exports in intensive agriculture and new manufacturing.

Rapid advancements in technology are revolutionising the way we live, work and play. The use of in-home real time information (such as water use data) and self-service technologies will lead to more choice and control for consumers. Future technology will include robots that can repair and replace pipes and new materials that are stronger, lighter and cheaper.

Community expectations will change over time, particularly around efficient use of our finite resources, turning waste into resources and affording higher levels of protection of our environment.

Together, these factors will create opportunities and the need for more efficient service delivery.

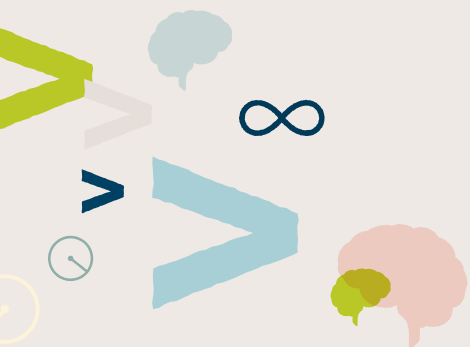
What we propose to deliver

Based on what our customers told us, Barwon Water is rethinking the services we provide and how these can contribute to achieving five key outcomes you told us were important.

The tables on the following pages explain:

- How our proposed outcomes were shaped by what you ask of us.
- The key actions we propose to take to deliver these outcomes.
- How our proposed actions were shaped by the preferences of our Community Panel, together with the regulatory and legislative outcomes that were outside the realm of influence of the panel.
- How we propose to track our progress.
- How much money we propose to spend.

Further details on our proposed response to each of the Community Panel's 15 preferences is provided in Appendix 1.





Outcome 1

A reliable, secure water future for our region

What we heard

You want us to maintain the reliability of our water and sewerage services to ensure a secure future.

- More than 90% of customers support Barwon Water's approach to providing water security.
- Between 80 to 90% of customers are unwilling to pay more to decrease the duration or number of water supply interruptions experienced by about 1,150 customers annually.
- Almost 40% of customers would pay more to decrease the number of sewer spills experienced by about 175 customers annually.
- The taste/look/smell of water is the most important aspect of Barwon Water's service, but around 80% of customers are satisfied with this.
- "We can manage it [planned water service interruption] as long as we're given prior notice." (Apollo Bay group)
- "You better make sure that the quality is the number one priority. So, people feel good about drinking it." (Lorne group)
- "I run a gardening business and none of my clients would dare water their lawn regularly as they'd get a lecture from me." (Outer Geelong group)
- "Gotta just go with it. Accept it. I'm happy to have more restrictions all year round." (Colac group)

Community Panel Outcome

"Provide technologically up-to-date water and sewerage services ... Reliable both now and into the long-term future (i.e. 50 years)" (Community Panel – Outcome No. 5)

Key actions we propose to take

Provide clean, safe drinking water:

- Build new infrastructure and upgrade existing infrastructure to support regional growth. For example:
 - Build new water infrastructure to service new developments at Armstrong Creek, Torquay and Spring Creek, such as Stage 5 of the Torquay high level water feeder main (\$4 million).
- Manage the repair and replacement of aging infrastructure by using innovative, risk-based software developed by the CSIRO (Pipeline Asset Risk Management System). For example:
 - Water reticulation main renewal program (\$15.8 million).
- Augment existing infrastructure to improve water reliability. For example:
 - Upgrade clear water storage capacity at Colac and Moorabool Water Treatment Plants to maintain supply in the event of treatment plant outages (\$5.4 million and \$5.6 million)
 - Dam safety upgrades program (\$6 million)
- Water channel rehabilitation program (\$6.5 million).

Treat wastewater in a compliant manner:

- Build new infrastructure and upgrade existing infrastructure to support regional growth. For example:
 - Upgrade the Colac Water Reclamation Plant to cater for expansion of key Colac industries, such as the Colac Water Reclamation Plant balance tank (\$5.2 million) and sludge dewatering upgrade (\$4.7 million).
- Manage the repair and replacement of aging infrastructure by using innovative, risk-based software developed in-house (Sewer Infrastructure Management System). For example:
 - Main sewer lining program (\$11 million)
 - Sewer reticulation renewal program (\$21 million).

Encourage greater use of recycled water:

- Partner with industry to find more productive uses for recycled water
- Subsidise the cost of Class A recycled water to encourage its use by setting its \$/kL price at 30% less than drinking water (Community panel – Preference # 14)
- Undertake an education program to change community perceptions about using recycled water (Community Panel – Preference #14)

Maintain secure water supplies:

- Pay our fair share of the costs of Melbourne's water supply system, excluding the Victorian Desalination Project, so that the water security benefits of being connected to Melbourne via the Victorian Water Grid can be shared from Geelong to Colac to Aireys Inlet
- Explore options with our community for maintaining a secure water supply for Apollo Bay as it grows

- Work within existing legislative processes to redesign permanent water restrictions (Community Panel – Preference #9)
- Redesign our residential water tariff structure to provide financial incentives to save water (Community Panel – Preference #13)
- Raise awareness of permanent water savings measures and encourage use of water efficient appliances under an expanded 'water efficiency and literacy program' (Community Panel – Preference #1)

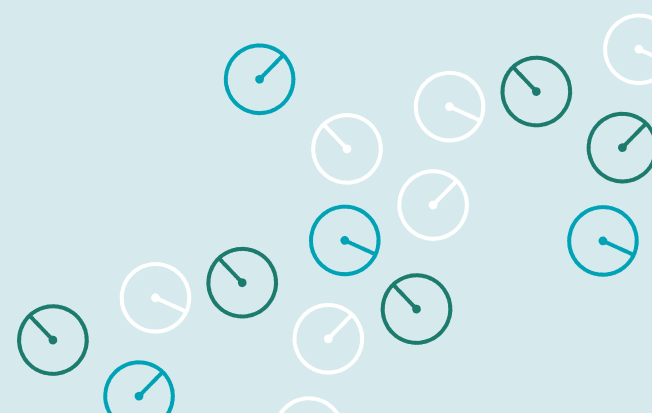
How we propose to track our progress

- Percentage of population receiving water meeting E.coli standards (target = 100%)
- Percentage of population receiving drinking water meeting turbidity standards (target = 100%)
- Percentage of population receiving drinking water meeting disinfection by-products standards (target = 100%)
- Compliance with EPA licence parameters (target = 100%)
- Percentage of wastewater that is recycled (target = 25% by 2022/23)
- Compliance with water security statement "Barwon Water will not run out of water in a drought. We may need to be on water restrictions in a dry period, but we plan for this to occur less than 5 percent of the time" (target = 100%)

What we propose to spend

Operating: \$226 million

Capital: \$303.4 million



Outcome 2

Timely, innovative services for our customers

What we heard

You want us to provide timely services that make the most of innovation and technology so that customers have more choice and flexibility.

- 75 to 90% of customers would use at least one online service but choice is paramount.
- More than six in 10 customers are likely to pay for a digital water meter.
- “If you phone goes off with a text, you check it. Everyone checks their text messages” (Torquay group)
- “It would be ideal if, when you ring, they can help you straightaway or can give you a timeframe for when it will be resolved. They don’t just fob you off” (Outer Geelong group)
- “Put me through to a person who has the authority to answer my questions when I call, rather than move me from person to person” (Survey respondent)
- “I am old school. I still want a letter in the mail” (Torquay group)

Community Panel Outcome

Work in partnership with customers to use innovation to encourage water efficiency. Stay at the forefront of technological advances to maintain and improve existing systems and infrastructure. (Community Panel – Outcome No. 1).

Key actions we propose to take

Provide a positive service experience:

- Investigate any spike in water quality complaints and rectify the cause, if it is our responsibility.
- Minimise the impact of planned and unplanned water supply interruptions by keeping customers informed and restoring supply within five hours (Community Panel – Preference #10).
- Provide prompt and effective response in the event of a problem with our water or sewerage infrastructure, including clean up support services and ex-gratia payments.
- Implement a new payment regime to customers adversely impacted by a problem with our sewerage infrastructure (Community Panel – Preference #11).
- Make automatic payments to customers who receive a level of service below these guaranteed levels:
 - No more than five unplanned water supply interruptions in the year = \$80
 - No more than three unplanned sewerage service interruptions in the year = \$80
 - No more than two sewer spills in a year = \$613.

Be easy to deal with:

- Encourage uptake of digital technology by customers on a cost-effective basis (Community Panel – Preference #12). For example:
 - Commence the transition to digital water meters, starting with a trial project at Colac
 - Provide digital self-service options for common customer interactions via a more interactive website.
- Maintain options to easily talk with us in person (front desk at new Ryrie Street head office) or by phone (locally based, personal Customer Call Centre).

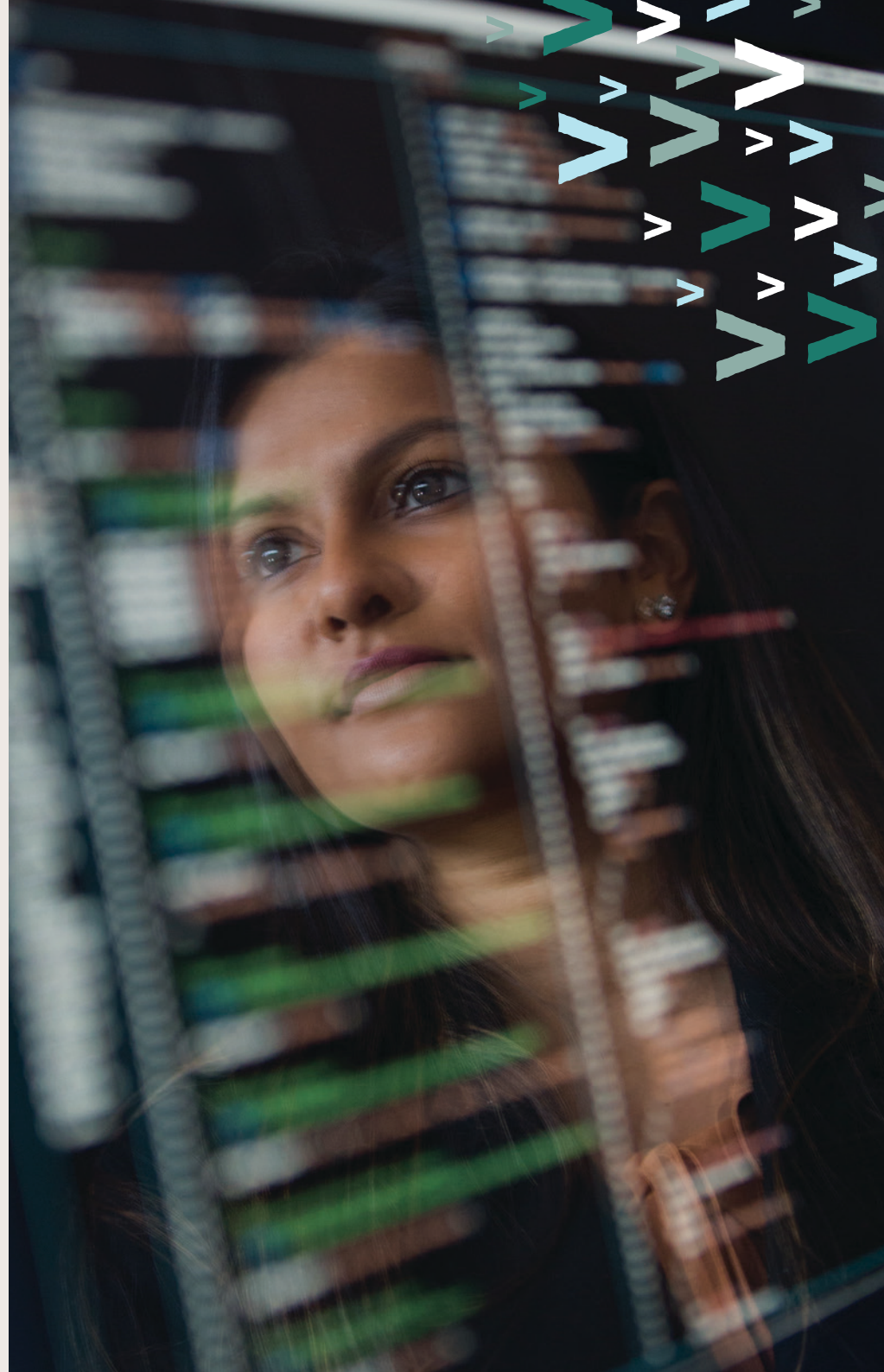
How we propose to track our progress

- Customers who experience an unplanned water supply interruption have their water back on within 5 hours (target = 96.5%).
- Customers who experience a planned water supply interruption have their water back on within 5 hours (target = 85%).
- Number of customers who experience more than five unplanned water supply interruptions in the year (target = 1).
- Number of customers who experience more than two sewer spills in a year (target = 1).
- Customer satisfaction with the quality of drinking water supplied, via biannual Customer Perceptions Survey (target = 85%).
- Number of water quality complaints (target = 3 per 1,000 customers).
- Number of complaints to Energy Water Ombudsman Victoria (target = 0.65 per 1,000 customers).
- Telephone calls to Customer Call Centre answered within 30 seconds (target = 90% of all calls)
- Net Promoter Score on calls to Customer Call Centre (target = 80%).

What we propose to spend

Operating: \$258 million

Capital: \$3.4 million



Outcome 3

A healthier environment for all

What we heard

You want us to continue to improve our environmental and financial sustainability, including using green energy.

- More than 60% of customers are willing to pay for Barwon Water to switch to 100% renewable energy
- 2 in 3 customers are willing to help fund projects that deliver environmental and community benefits, such as using non-drinking water on public green open spaces.
- “Invest in environmentally friendly or sustainable infrastructure” (Your Say respondent)
- “Invest in water saving and catchment initiatives ... where possible, utilise renewable energy for pumps, buildings and offices” (Your Say respondent)

Community Panel Outcome

“Deliver (water) services ... in an environmentally and financially sustainable manner, meeting the community needs toward 2025 and over the next 50 years.”
(Community Panel – Outcome No. 3)

Key actions we propose to take

Work towards zero net emissions:

- Make significant progress toward our goal of 100% renewable energy by 2025 (Community Panel – Preference #6). For example:
 - Build a new 1MW solar plant at Black Rock (Stage 2 = \$3.7 million)
 - Build on-site renewable energy generation on pump stations
 - Build a shared investment with other Victorian water corporations in grid-based renewable energy solutions (e.g. large-scale windfarm or solar plant) (Stage 1 = \$9.2 million)
 - Build a shared investment with other G21 regional partners in a solar plant (\$4.6 million),
- Develop and implement a One Planet Living action plan to reduce emissions



Work towards zero waste:

- Deliver integrated water cycle management solutions for our community, by building strategic partnerships (Community Panel – Preference #4)
- Encourage greater use of recycled water (see Outcome 1)
- Develop and implement a One Planet Living action plan to reduce waste

Support waterway and catchment health:

- Invest in better waterway and catchment health outcomes for the Barwon River and the Moorabool River (Community Panel – Preference #7)
- Support local community waterway and catchment health projects through ‘Landcare’, ‘Riverhealth’ and ‘Waterwatch’ programs
- Support sustainable water management across the State by increasing our environmental contribution to the Victorian Government

How we propose to track our progress

- Progress towards goal of 100% renewable energy by 2025 (target = 43% by 2022/23)
- Renewable energy generated (target = 13,770 MWh by 2022/23)
- Reduction in emissions (target = 14,185 tCO₂e by 2022/23)
- Biosolid mass reused (target = 100%)
- Volume of “unaccounted for” water (target = 9.0%)
- Compliance with Bulk Entitlement and Licence conditions (target = 100%)
- Compliance with One Planet Living action plan (target = 100%)

What we propose to spend

Operating: \$24 million

Capital: \$25.5 million

Outcome 4

Stronger partnerships with our community

What we heard

You want us to increase our focus on sharing knowledge with customers, stakeholders and the broader public about water efficiency and usage.

- About 8 in 10 customers support programs that encourage customers to use less water.
- More than 60% of customers are willing to help fund these water efficiency programs.
- More than 60% of customers are willing to pay extra on their bills to help vulnerable customers
- "Education on water saving measures needs to be ongoing. It goes off people's radars when we get lots of rain." (Outer Geelong group)
- "Continue to find ways to improve water conservation and pass that information on to the customer." (Survey respondent)

Community Panel Outcome

"(Ensure) whole community is more informed and educated on the complexities of harvesting and processing water; different ways to save and use water efficiently and effectively; and new water technologies available to them."

(Community Panel – Outcome No. 4)

Key actions we propose to take

Build two-way community relationships:

- Build genuine partnerships with Traditional Owners and custodians and Aboriginal people to incorporate their values in our water management practices. (Community Panel – Preference #3).
- Support education programs in 74 schools and at community events. (Community Panel – Preference #2)
- Invest in an expanded 'water efficiency and literacy' program across our community. (Community Panel – Preference #2)
- Enhance and encourage recreational opportunities within our service area, including the Aqueduct Park project to create a new community park on the Barwon River. (Community Panel - Preference #5).

Work collaboratively with stakeholders and industry:

- Work with other agencies, especially local councils, on joint initiatives and projects to deliver better value to local communities.
- Bring a new focus on smart business practices that support regional economic growth, through research and industry partnerships. (Community Panel – Preference #8)

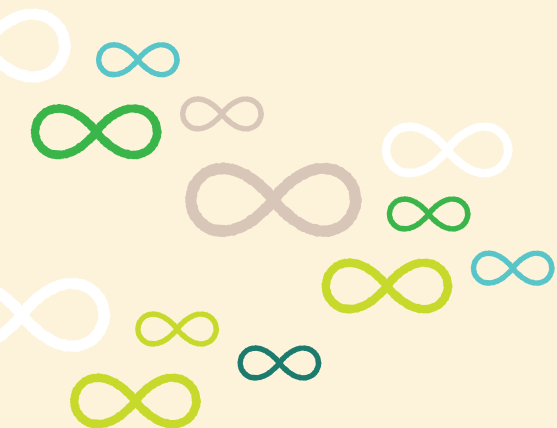
How we propose to track our progress

- Community measure of “value and trust” in Barwon Water, via biannual customer perception survey. (target = high rating).
- Reduction in residential per capita water usage (target = between 1% to 10% by 2022/23).
- Number of schools at which education programs were supported (target = 74).
- New community or green open space provided (target = 66 hectares).

What we propose to spend

Operating: \$15 million

Capital: \$1.7 million



Outcome 5

Bills that are as low as possible for all of our customers

What we heard

Keep our services affordable. Recent price reductions have been appreciated and you want a focus on affordability to continue to underpin all of our decisions.

- About half of customers who suggested an improvement to Barwon Water's services asked us to lower fees or offer discounts.
- 74% of residential customers support the idea of a greater percentage of their water bill being a volume based charge.
- "Water access is a right, not a luxury." (Inner Geelong group)
- "I like the idea of truly paying for what you use. It would make people more socially conscious of water waste." (Torquay group)
- "From my perspective, the attempt to use water wisely is not rewarded because the service charges keep increasing and I think "Why bother using less water!!" (Your Say respondent)

Community Panel Outcome

"Implement a fair and equitable pricing structure that takes into account different circumstances – i.e. smaller households, lower socioeconomic groups ... and the needs of commercial customers." (Community Panel – Outcome No. 2)

Key actions we propose to take

Work hard to keep our costs down:

- Implement a strong capital works program maximising local suppliers and ensuring efficient delivery (\$334 million over the next five years, compared to \$425 million over the past five years).
- Set ourselves a target to achieve more than \$19 million of cost savings and operating efficiencies over the next five years, as part of our commitment to continual improvement (including our own productivity).
- Implement a price cap, meaning maximum prices will be set for the next five years providing certainty for customers.
- Make adjustments to our regulatory financial model so that the costs of our assets are shared across the generations that will benefit from them.
- Manage our finances prudently and responsibly to avoid the need for significant debt or price rises in future.





Help customers to manage their bills:

- Give residential customers greater control over their bills by reducing water service charges by 25%. (Community Panel – Preference #13)
- Provide even more assistance and support to vulnerable customers that may have difficulty paying bills. (Community Panel – Preference #1)
- Maintain our current approach for determining sewerage charges. (Community Panel – Preference #15)
- Make automatic payment of \$367 if we restrict a customer's water supply or take legal action before making reasonable efforts to contact and provide information about services available for customers experiencing difficulties paying their bills.
- Keep bills stable, certain and low for non-residential customers. (Community Panel – Preference #13)

How we propose to track our progress

- Cost savings and operating efficiencies generated (target = \$3.8 million per annum).
- Expenditure against capital works program (target = on budget).
- Number of customers supported through Barwon Water's debt forgiveness program "Arrange and Save" (target = 1,500).

What we propose to spend

We will focus on affordability in all that we do.

What you propose you will pay



How our costs are changing

Barwon Water's costs are increasing by more than \$17 million a year, so we can:

- Deliver what our customers and the community recommended, including action on climate change (\$1.4 million per year)
- Ensure water security by paying our fair share of costs of being linked to the Victorian Water Grid (\$8 million per year)
- Support sustainable water management across the state by paying an increased environmental contribution levy to the Victorian Government (\$1.4 million per year)
- Provide labour and other resources to deliver services that we are legislatively required to do (\$6.4 million per year).

Barwon Water has worked hard and we will continue to work hard to identify efficiencies to minimise increases in our charges. Our key actions are described under Outcome 5. For example, we will:

- Implement a well-planned capital works program, ensuring efficient and effective delivery. This program will cost \$334 million over the next five years, which is 20 per cent less than the \$425 million spent over the past five years.
- Set ourselves a target to achieve more than \$19 million of cost savings and operating efficiencies over the next five years.

Our proposed revenue requirement of \$962 million for 2018/19 to 2022/23 reflects these cost pressures and cost savings.

It represents the total amount of revenue Barwon Water need to recover over this five year period to deliver the community outcomes and the obligations we need to meet. It has been calculated using the methodology set by the Essential Services Commission.

Key changes between our proposed revenue requirement, and that approved by the commission for the previous five years, include:

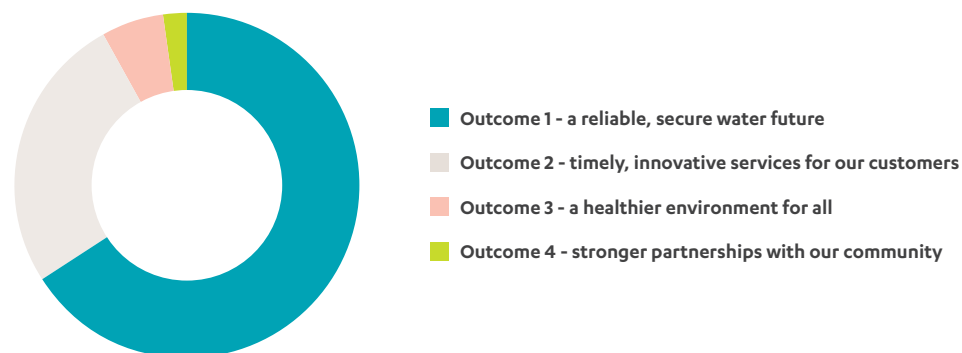
- We have a different mix of capital projects, for example, a reduced focus on projects to support new residential developments (in line with local council plans for growth) while initiating new projects to meet our renewable energy targets.
- We have some significant new operating costs, but these will be largely offset by new targets for achieving efficiencies in our business operations.

The diagram below shows how our proposed revenue requirement will contribute to four of the outcomes you asked us to deliver.

The fifth outcome, relating to affordability, will be a focus across all that we do.

For further details on our proposed revenue requirement, and how this is used to calculate prices, please refer to Appendix 2.

Where will your money go?



What it means for residential bills

You told us that you want your home bills to remain affordable.

We are proud that average residential bills have gone down every year for the past five years, excluding inflation.

Average home bills in 2017/18 will be lower than 2016/17 and \$154 less than they were in 2013/14, excluding inflation.

We are proposing to keep these bills low over the next five years, beginning in 2018/19 with bills around the same level as 2017/18, excluding inflation. Average bills will then gradually rise by 0.9 per cent or an average of \$9 per year until 2022/23, excluding inflation.

These increases beginning in 2019/2020 are a direct result of our costs rising by more than \$17 million a year. However, we are committed to minimising bill impacts on customers and not passing these costs onto customers in full. To achieve this, we are setting new targets for achieving efficiencies in our business.

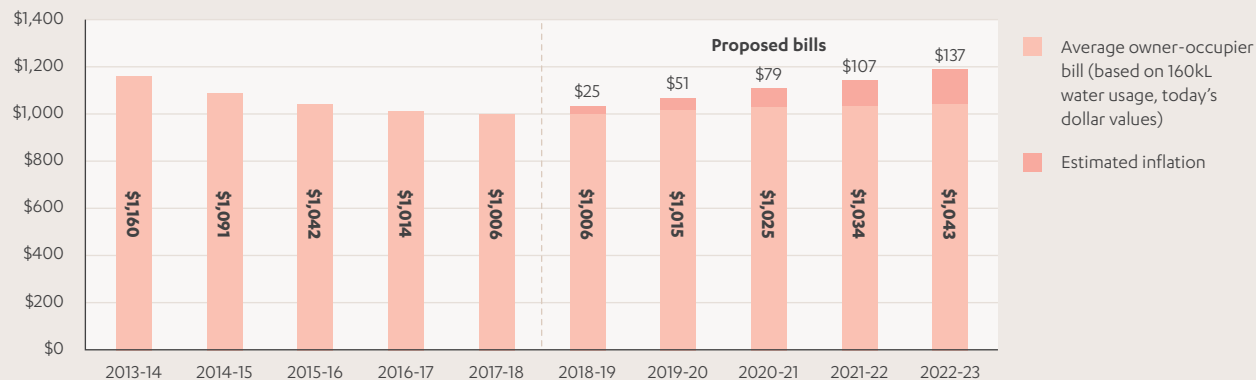
We know it is important for us to remain focussed on affordability because we all live in a world where inflation and market forces continues to drive up everyday prices.

The graph below shows how proposed increases to average home bills will keep pace with estimated inflation. We are being transparent about the effect of inflation to help you in planning your household budgets over the next five years.

We are excited to be able to deliver the outcomes you want while keeping our costs and your bills down.

Importantly, your bills will depend on how much water you use. The bills shown here are based on average homes in our region – that is, homes of 2-4 people who use about 160 kL of water each year and pay all fixed service charges. The different charges that make up your bill are explained on page 24.

Average owner-occupier bill



Inflation is estimated at 2.5% per annum but could be more or less and will only be passed on at the level determined by the Australian Bureau of Statistics.

Victorian Government Water Rebate

For the past four years, Barwon Water has made cost savings to fund a Victorian Government Water Rebate on the first quarterly bill of the financial year. The rebate was provided to residential customers who paid the water volume charge.

Landlords and non-residential customers did not receive the rebate.

From 2018/19 onwards, Barwon Water will maintain the cost savings made to fund the rebate, but will pass these savings through as lower water prices. This means that customer bills will remain stable and as low as possible.

What it means for non-residential bills

You told us you want your business bills to stay stable, certain and low.

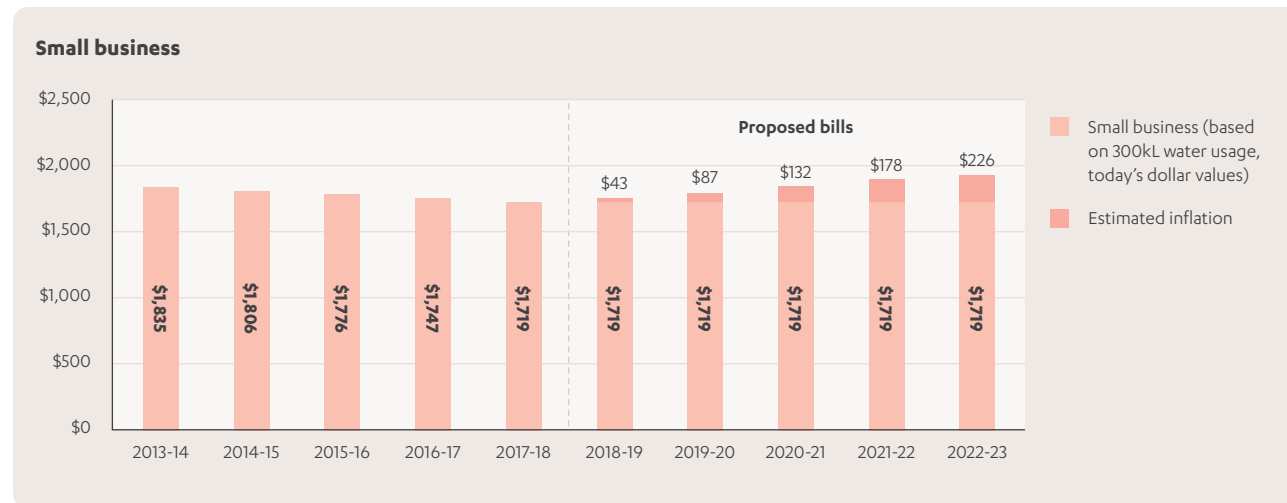
We are proposing to keep business bills steady over the next five years, excluding inflation. Your business bill will only increase if you use more water or more of the other services we provide.

Business bills will remain steady while home bills will increase slightly. This is because we are proposing to fairly share across all customers the benefit of cost savings made by Barwon Water to fund the Victorian Government Water Rebate to homes over the past four years.

The graphs below show how estimated inflation will increase bills for a typical small, medium and large business. We are being transparent about the effect of inflation to help you in planning your business budgets over the next five years.

We are proud that by keeping bills stable, certain and low for businesses, we can play a leading role in enhancing the economic prosperity of our region.

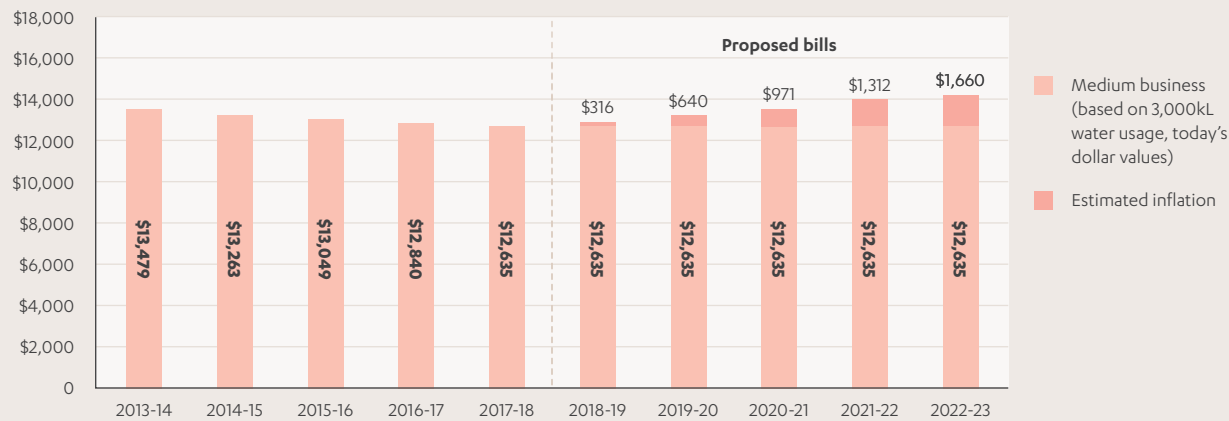
Your bill depends on how much water you use. The bills shown here are based on annual water use for average small (300 kL), medium (3,000 kL) and large (50,000 kL) businesses, plus fixed service charges. The different charges that make up your bill are explained on page 24.



Inflation is estimated at 2.5% per annum but could be more or less and will only be passed on at the level determined by the Australian Bureau of Statistics.



Medium business



Inflation is estimated at 2.5% per annum but could be more or less and will only be passed on at the level determined by the Australian Bureau of Statistics.

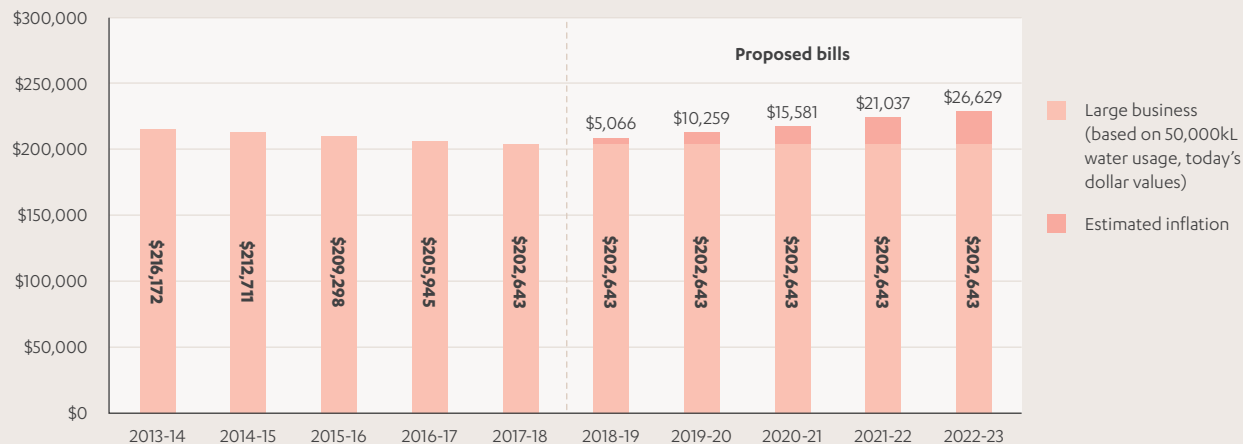
Inflation

Inflation is sometimes referred to as CPI, or Consumer Price Index. It is a measure of the prices paid by households for goods and services.

A simple way to think about CPI is to imagine a large basket filled with goods and services such as food, clothes, medical items, furniture, school fees and cars. If you purchased that same basket every year, the total price of the basket would change. CPI is the measure of those changes to the price over time. If CPI is 2.5 percent, it means there has been a 2.5 percent increase in the price of the basket over the year.

In our everyday lives, we all pay CPI increases. But the Essential Services Commission hands down its final price decision for water businesses without adding CPI. This can be confusing as it means the final price you pay will differ a little from the prices approved by the commission.

Large business



Inflation is estimated at 2.5% per annum but could be more or less and will only be passed on at the level determined by the Australian Bureau of Statistics.

What it means for residential prices

You asked to have greater control over your bills, by paying more for the water you use and less for fixed charges.

Our proposed new water charges gradually introduce this change over the next five years.

Both the water volume charge and water service charge will reduce in 2018/19 as we transition from the annual Victorian Government Water Rebate to lower water charges. These reductions mean average residential bills in 2018/19 will remain the same as 2017/18 excluding inflation.

From 2019/20 onwards, the water volume charge will gradually rise so that it returns to the same level as in 2017/18 and the water service charge will reduce by 25 per cent, excluding inflation. This is because our costs are increasing but we are committed to minimising price impacts on customers and not passing these costs onto customers in full.

Our proposed new water charges mean that:

- Changes will be introduced gradually, to give customers time to adjust as we transition from the annual Victorian Government Water Rebate to lower water charges and to identify opportunities to save money by saving water
- In five years time, 74 per cent of average home water bills will relate to the volume of water you use (rather than 68 per cent under current charges), giving you greater control over your home bills
- In five years time, homes and businesses will pay the same water volume charge as we fairly share benefits of the savings we made to fund the annual Victorian Government Water Rebate.

Our proposed new recycled water charges are lower because you asked us to make recycled water even cheaper for those who have access to it, so that we can further encourage its use. This is consistent with our longer term goal of zero waste.

Our proposed new sewerage charges remain a fixed charge because you told us you were happy with that approach.

Charge	Description	Price 2017/18	Price 2018/19	Price 2019/20	Price 2020/21	Price 2021/22	Price 2022/23
Water volume	Charge varies depending on how much water you use. Your water meter measures this.	2.2591 per kilolitre	\$1.8840 per kilolitre	\$1.9715 per kilolitre	\$2.0630 per kilolitre	\$2.1588 per kilolitre	\$2.2591 per kilolitre
Water service	Charge is fixed and the same every quarter regardless of how much water you use.	\$42.93 per quarter	\$37.93 per quarter	\$36.71 per quarter	\$35.43 per quarter	\$33.98 per quarter	\$32.24 per quarter
Sewerage service	Charge is fixed and the same every quarter regardless of how much sewerage you discharge. There is no metering.	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter
Class A recycled water	If you are in Armstrong's Creek or Torquay North, you may have the option to access Class A recycled water via a second 'purple' pipe. Charge varies depending on how much recycled water you use, which is metered separately to your other water use.	\$1.8072 per kilolitre (80 percent of the water volume charge)	\$1.3188 per kilolitre (70 percent of the water volume charge)	\$1.3800 per kilolitre	\$1.4441 per kilolitre	\$1.5112 per kilolitre	\$1.5814 per kilolitre

Charges in table exclude inflation and are shown in today's dollars (2017/18).

What it means for non-residential prices

You told us it was important that the cost of our services remained stable.

So the mix of fixed charges and volume charges for water and sewerage services will remain unchanged.

Charges will also remain the same as in 2017/18, excluding inflation, as we fairly share benefits of the savings we made to fund the annual Victorian Government Water Rebate across all customers.

Some businesses may incur additional charges for other services such as trade waste, Class C recycled water and new connections to our infrastructure. Further details will be discussed with these customers.

Charge	Description	Price 2017/18	Price 2018/19	Price 2019/20	Price 2020/21	Price 2021/22	Price 2022/23
Water volume	Charge varies depending on how much water you use. Your water meter measures this.	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre
Water service	Charge is fixed and the same every quarter regardless of how much water you use.	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter
Sewage volume	Charge varies, based on a percentage of the amount of water used (depending on the business type). There is no metering.	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre
Sewerage service	Charge is fixed and the same every quarter regardless of how much sewerage you discharge. There is no metering.	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter

Charges in table exclude inflation and are shown in today's dollars (2017/18).



Timeframes

We invite you to tell us what you think of the outcomes we plan to deliver, the actions we intend to take and the prices we propose you to pay in return.

During July, 2017, you can make a submission on this proposal, leave a comment or idea or complete a survey.

Please visit www.yoursay.barwonwater.vic.gov.au/2018pricesubmission to find out how you can get involved and help shape future prices and services.

Consultation is open from July 1, 2017 to July 23, 2017.

We will reconvene our Community Panel for a final time on August 5, 2017 to consider your views and to feedback on the proposed outcomes, action and prices.

We will finalise our 2018 Price Submission in response to this community feedback before submitting it to the Essential Services Commission on September 29, 2017, for review and approval.

We will make a copy of the submission publicly available together with an explanation of what, - if anything - has changed from this proposal.

New prices will come into effect on July 1, 2018 for the next five years. We will publicly report on our progress in delivering outcomes, using the measures set out in this proposal, each year.



APPENDIX 1:

Our proposed response to community panel preferences

This appendix explains how the services we provide will change to reflect the 15 preferences in the Community Panel Report. It also shows the impact of each of these preferences on average residential water bills (customers using 160 kilolitres of water each year).

A guide to understanding this table is set out to the right.

Note that we have used four categories to describe our change in services, to help resolve some of the confusion around the category of “Same” – some of the preferences of the Community Panel were categorised “Same”.

But you wanted us to do things differently, so we have categorised these preferences as “Change Focus” instead.



Change focus

What this means

The service will have a revised focus with no change to level of effort and spending



Same

What this means

The service will remain the same with no change to level of effort and spending



More

What this means

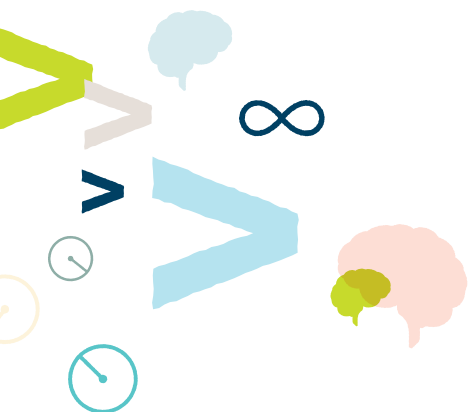
The service will have an increased focus with more effort and spending









Less






What this means





The service will have a decreased focus with less effort and spending













Preference	What you said	What we propose to do	What you will pay
1. Helping customers to save water and pay bills	 Same <p>Currently Barwon Water provides a substantial amount of assistance to help customers save water and pay bills. However, additional support information could be included on customers' bills, such as:</p> <ul style="list-style-type: none"> → Options available for assistance with paying bills; and → Water saving tips and helping people understand their water use. 	 More <p>We propose to spend an additional \$500,000 per annum on initiatives to support vulnerable customers that may have difficulty paying their bills:</p> <p>Expanded "Arrange and Save" program: (additional \$250,000 per annum)</p> <ul style="list-style-type: none"> → Sustained advertising campaign around our "Arrange and Save" program at a cost of \$50,000 per annum – this program of debt forgiveness (after four consecutive payments under a payment plan, the fifth payment is forgiven) can be offered to any vulnerable customer → Additional resource to proactively target and find vulnerable customers to go on "Arrange and Save" program at a cost of \$100,000 per annum → Double allowable expenditure on debt forgiveness through "Arrange and Save" program at an additional cost of \$100,000 per annum <p>New community support measures: (additional \$250,000 per annum)</p> <ul style="list-style-type: none"> → Fund a financial counsellor to work in Diversitat / Bethany etc, at a cost of \$100,000 per annum → Expand hardship water savings assistance program, at a cost of \$150,000 per annum <p>This assistance is aimed at helping vulnerable customers, particularly tenants as we shift away from the Victorian Government Water Rebate to lower water prices.</p> <ul style="list-style-type: none"> → Barwon Water will maintain the cost savings made to fund the rebate, but will pass these savings through as lower water prices. This means that customer bills will remain stable and as low as possible. → The \$50-\$90 rebate has been provided annually since 2014/15 but only applied to residential customers who pay a volumetric component on their bill (meaning owner/occupiers and tenants received the rebate, but landlords and non-residential customers did not). → To fairly share the benefit of our savings across all customers, we propose to reduce both the water volume charge and the water service charge. We will also provide a Transitional Rebate Adjustment of up to \$20 in 2018/19 to support tenants as we shift from the annual Victorian Government Water Rebate to lower water charges. → We held a workshop in May 2017 with members of our Customer and Environmental Consultative Committees to explore the impacts of different water charge options (including increasing water volume charge by 10% - see Preference #13) on different customer groups. There was overwhelming concern from workshop participants about the potential impacts on tenants and large families, since these represent the vast majority of our vulnerable customers. All workshop participants were in support of this proposed additional assistance. 	+ \$2.50





Preference	What you said	What we propose to do	What you will pay
2. Supporting the community	 More <ul style="list-style-type: none"> → Barwon Water customers indicated they would like increased education around water saving (Community Consultation Report 2017 p.81) → Barwon Water's proposed education programs costing approximately \$500,000 per year (as outlined in the Additional Information for Community Panel paper) supports the feedback provided by customers for the need to increase water saving education. → An estimated additional \$2.50 per year (per household bill) would cover this cost. → This ongoing spending on education could lead to reduction in usage costs to customers. → Both items above support Outcomes 1 and 4. 	 More <p>We propose to spend an additional \$500,000 per annum on an expanded 'water efficiency and literacy' program, which includes:</p> <ul style="list-style-type: none"> → Community Water Literacy and Efficiency Program → Schools Water Efficiency Program → Community Rebate (in home water efficiency) Program (Vulnerable Customers) <p>Business Advice and Assistance Program</p>	+ \$2.50
3. Recognising Aboriginal values of water	 Same <p>The panel supports the current level as Barwon Water expenditure is adequate but needs to be redirected into specific local collaborative projects with Aboriginal representatives such as the Painkalac Reservoir project at Aireys Inlet.</p>	 Change focus <p>We propose to continue to spend about \$150,000 per annum on recognising Aboriginal values of water, with an emphasis on specific local collaborative projects. We will continue to shift our effort from achieving compliance with the requirements of the Aboriginal Heritage Act 2006 to recognising the cultural value that water has for Aboriginal people and ensuring these values are incorporated in water planning and management.</p> <p>Key to this will be to build a strong relationship with local Aboriginal communities by working together and building skills within Barwon Water to facilitate increased participation by Aboriginal people in water planning and management.</p> <p>We do not have any specific projects incorporated into our five-year capital works program but we will look for opportunities to enhance Aboriginal values wherever we can in the projects we do complete. Further, if new projects are identified through our partnerships with local Aboriginal communities, we will fund these by finding further efficiencies or reallocating funds. For example, in 2017, we redirected our support of the Geelong Football Club by proudly sponsoring the Cats in the Community "Closing the Gap" program, which encourages cultural connection with the aim of empowering Aboriginal young people from the Barwon region.</p>	\$0.00





Preference	What you said	What we propose to do	What you will pay
4. Creating a liveable community	 Same <p>A liveable community is a community that waters recreational spaces with recycled water, uses stormwater, creates community projects to improve public spaces, thus creating a desirable place to live.</p> <p>Barwon Water's role in this is to engage and deliver healthy urban landscapes and places, effective wastewater management and healthy and valued waterways.</p> <p>The intent is to continue to support liveable communities through existing projects and strengthened relations with current stakeholders with the same current financial contributions from Barwon Water. The funding to support these projects is a shared responsibility, between Barwon Water, local and state government.</p>	 Same <p>We propose to continue our current effort and expenditure to deliver integrated water cycle management solutions for our community.</p> <p>This will include building strategic partnerships with our customers, industry, community, agencies (including local and state government) and internally across our organisation to identify, plan and deliver outcomes from high value opportunities and initiatives.</p>	\$0.00
5. Providing recreational opportunities	 Same <p>Recreational Opportunities are a range of recreational activities that include waterways, some reservoirs and landholdings that include fishing, bushwalking, bird-watching, bike riding and sightseeing.</p> <p>The intent is to continue to provide these opportunities at the current level of development with the same current level of financial commitment.</p>	 More or  Change focus <p>We propose to continue to spend about \$100,000 per annum on enhancing and encouraging recreational opportunities at suitable locations within Barwon Water's service area, such as Painkalac Reservoir, Wurdee Boluc Reservoir, West Barwon Reservoir, Bostock Reservoir and Stoney Creek Reservoir.</p> <p>We also propose to spend about \$1,700,000 on the Aqueduct Park project, which will create a new 66-hectare community park on the Barwon River around the heritage-listed Barwon River Ovoid Sewer Aqueduct. A survey of over 400 interested community members in March 2017 demonstrated strong community support for the proposed park.</p>	\$0.00

Preference	What you said	What we propose to do	What you will pay
6. Acting on climate change	 More <p>We support the additional expenditure to deliver the board's goal of 100% renewable energy by 2025.</p> <ul style="list-style-type: none"> → This represents a cost of \$2.90 per year per customer in 2018 moving to \$4.70 per customer per year in 2023. → This results in a projected saving per year per customer of \$0.50 in 2028, \$3.70 in 2033 and \$7.00 in 2038. → One byproduct of this is that this 100% renewable energy will reduce Class A water by 20% (Currently \$650 / ML, saving \$130 / ML). 	 More <p>We propose to spend an additional \$25 million on key projects to implement Barwon Water's Climate Change Mitigation Plan, which provides a roadmap for a long term reduction in Barwon Water's carbon footprint (includes switch to 100% renewable energy by 2025):</p> <ul style="list-style-type: none"> → New 1MW solar plant at Black Rock → On-site renewable energy generation on pump stations → Shared investment with other Victorian water corporations in grid-based renewable energy solutions (e.g. large-scale windfarm or solar plant) → Shared investment with other G21 regional partners in a solar plant <p>Core to our plan is our committed effort to climate change action by achieving zero emissions through our operations and systems by 2030. This will be further supported by aiming for a goal of zero waste, driving us to optimise the benefits of our resources to help grow the regional economy and continuously improve our organisational processes and practices.</p>	+ \$2.90
7. Protecting the environment	 More <p>Our recommendation is to increase spending on enhancing the natural environment and to "act locally but think globally" in line with increased population growth and subsequent environmental pressures. To place emphasis on local revegetation and weed control programmes on Barwon Water land to help increase wildlife habitat in our region. Our emphasis is local rather than meeting Barwon Water standards of Climate Change objectives.</p>	 More <p>We propose to spend an additional \$112,500 per annum on investing in better waterway and catchment health outcomes for the Barwon River and the Moorabool River, which is the most flow-stressed river in Victoria.</p> <p>We are likely to spend this money by partnering with local catchment management authorities or other agencies. For example, a partnership with the Corangamite Catchment Management Authority will help to deliver a long-term riparian works program on the Moorabool River, as part of the state-wide Rivers 2040 project. The Rivers 2040 concept is an approach to river restoration that involves setting a long-term vision with a timetable and costing of river works and recovery.</p> <p>Investing in partnerships is likely to deliver greater environmental and river health benefits than local revegetation and weed control programmes on Barwon Water land, since we largely own land around reservoirs and other infrastructure rather than rivers.</p>	+ \$0.56

Preference	What you said	What we propose to do	What you will pay
8. Supporting regional economic growth	 Same <p>Currently there are no funds directly allocated to this, however, sourcing of local tradespeople and suppliers indirectly benefits the local economy, which is in line with the current Barwon Water policy (70% of Infrastructure using local trades).</p> <p>Any new initiatives presented to Barwon Water would be supported on merit.</p> <p>We support Barwon Water’s current policy commitments and recommend it stays the same while:</p> <ul style="list-style-type: none"> → Sourcing local tradespeople and suppliers where possible → Partnering proactively with emerging and established businesses in the region → Supporting programs which tackles joblessness 	 Change focus <p>We propose to reallocate our resources to bring a new focus on smart business practices that support regional economic growth, on a cost-effective basis, by creating a new Managerial position and team to focus on “Partnership and Innovation” and by encouraging all areas of our business to maximise their contributions to regional prosperity.</p>	\$0.00
9. Water security	 Same <p>We recommend more stringent permanent water restrictions with economic incentives for efficient use. Other measures may include odd/even days for watering, hand held watering and time parameters during daylight savings.</p> <p>We would like Barwon Water to encourage the use of water saving and harvesting devices, such as tanks, timing devices and instant water heating into the future.</p>	 Change focus <p>We propose to reallocate our resources to work within existing legislative processes to redesign permanent water restrictions and redesign our residential water tariff structure to provide financial incentives to save water (see Preference #13).</p> <p>We also propose to ensure the money we spend to implement our expanded ‘water efficiency and literacy program’ (see Preference #1) includes raising awareness of current permanent water saving measures and encouraging use of water efficient appliance.</p>	\$0.00

Preference	What you said	What we propose to do	What you will pay
10. Duration and number of water supply interruptions	Unplanned –  Same Everything to stay the same - Barwon Water customers surveyed for the Community Consultation Report understand how difficult it is to predict the disruption, or reduce the duration of the disruption.	Unplanned –  Same We propose to continue our current effort and expenditure on unplanned water supply interruptions, which aims to restore supply within 5 hours and for a single customer to experience no more than 5 interruptions within a 12-month period. Guaranteed service level payments will remain the same.	\$0.00
	Planned –  Less A vast majority of customers were unwilling to pay extra on their bills to lower the time spent without water during a planned outage. Increase the service time to 5.5 hours for a planned outage - less cost - saves min \$1.70 Send people a reminder that the service will be off and will stay off longer a day or 2 in advance. Guaranteed Service Level payments to remain the same.	Planned –  Same We propose to continue our current effort and expenditure on planned water supply interruptions. We are unable to change our target response time for planned water supply interruptions from 5 hours to 5.5 hours, without impacting target response times for unplanned water supply interruptions and sewer incidents. All of our incident responses are managed via contract with external service providers Programmed Facilities Management (PFM). Our estimated savings in changing response times could only be realised by reducing the number of PFM crews, which would likely impact all target response times not just planned water supply interruptions. We propose to continue to provide written and SMS notice/update re status of all service interruptions. We will also continue our efforts to expand our database of customer mobile phone numbers to enable more customers to access SMS option.	\$0.00
11. Number of sewer spills	 More The panel believes that money could be better spent on other programs rather than focussing on reducing the number of people impacted by sewerage spills from 150 to 1 per year. However, each customer affected should be compensated for every type of spill that is the fault of Barwon Water (reimbursement amount should vary according to type of failure). One third of all customers consider sewerage spills the most important aspect of Barwon Water’s services - Community consultation report, pg 27.	 More We propose to spend up to an additional \$175,000 per annum to allow payment of a “sewer incident credit” on the next bill of any customer affected by a sewer incident. Sewer incidents can range from a minor splash or “blow back”, to an inundation, to a major spill. The value of the payment made will be reflective of the severity of the incident. We also propose to continue our current effort and expenditure (including ex-gratia payments) on remediation and clean up in the event of a sewer spill or inundation.	+\$0.88

Preference	What you said	What we propose to do	What you will pay
12. Customer service	 Same <p>The panel believes there is a need for more/new effort and initiative toward Customer Service overall with a view to encouraging and rewarding customers who join the digital economy and participate in the digital platform/social media via Barwon Water's website, mobile apps, e-mail account statements and social media pages.</p>	 Change focus <p>We propose to bring a more entrepreneurial mindset to our business, by driving a culture of innovation so that we are proactively identifying and exploring new commercial and community opportunities that harness water resources for the best possible regional outcomes.</p> <p>We do not have any specific projects incorporated into our five-year capital works program to improve digital service offerings to customers. However, we may undertake projects in the next five years that encourage uptake of digital technology by customers, such as the roll out of digital meters or the upgrade of our online customer experience, where there is a demonstrated business case for doing so, i.e. price-neutral to customers. If necessary, such projects would be funded in the short-term by finding further efficiencies, reallocating funds or increasing our debt.</p>	\$0.00
13. Increase the water volume charge and decrease the water service (fixed) charge	 More <p>Increase of 10% to \$2.4819 p/kl on water volume, and decrease in fixed service charge to \$135 this leads to:</p> <ul style="list-style-type: none"> → save \$11 pa for average small households (110 kl/pa) → none on average households (160 kl/pa) → and \$33 pa for average larger households (310 kl/pa) <p>Outcome 2 speaks of reduced average cost to households using lower volume of water.</p> <p>Even though this calls for 10% increase on volume charge the end result is cost neutral to Barwon Water.</p>	 More <p>We propose to give residential customers greater control over home bills.</p> <p>Our proposed new water charges gradually introduce this change over the next five years.</p> <p>Both the water volume charge and water service charge will reduce in 2018/19 as we transition from the annual Victorian Government Water Rebate to lower water charges. These reductions mean average home bills in 2018/19 will remain at the same level as in 2017/18 excluding inflation.</p> <p>From 2018/19 onwards, the water volume charge will gradually rise so that it returns to the same level as in 2017/18 and the water service charge will reduce by 25 percent, excluding inflation.</p> <p>Our proposed new water charges mean that 74 percent of average home water bills will relate to the volume of water you use, rather than 68 percent under current prices.</p> <p>We believe our proposed new water charges delivers the intent of the community panel's recommendations but avoids potential adverse impacts on financially vulnerable customers, particularly tenants. In particular, we believe our proposal delivers against the community panel's outcome of a "fair and equitable pricing structure that takes into account different circumstances".</p> <p>We propose to maintain the same water charges for non-residential customers as current. This means residential and non-residential customers will pay the same \$/kL price for water by the end of the five-year price period. But non-residential customers won't receive a 25 percent reduction in their water service charges.</p>	\$0.00

Preference	What you said	What we propose to do	What you will pay
14. Class A recycled water charge	 More <p>Investment in recycled water encourages increased use, and reduction of demand on potable water.</p> <p>Focus on investing in the process of optimising the recycling of water to reduce the future cost and improve effectiveness of distribution for a positive impact on water resources.</p> <p>Invest money into education to change community perceptions around using recycled water for various purposes (including drinking).</p> <p>Increasing the discount for customers using recycled water from 20% to 30% would cost the average customer \$1 per annum.</p>	 More <p>We propose to subsidise the cost of Class A recycled water to encourage its use by setting its \$/kL price at 30% less than drinking water, and recovering the shortfall through price of drinking water from other supplies.</p> <p>We also propose to spend an additional \$100,000 per annum on an education program to change community perceptions about using recycled water for various purposes, including drinking in the long-term future.</p>	+ \$1.50
15. Sewerage charges	 Same <p>Recommended level of charge to remain the “same and fixed for residential customers” and remain the “same and variable for commercial customers”</p> <p>To accommodate new technologies and innovation as available and costed by Barwon Water in accordance with the positive response to sewerage services via the customer satisfaction survey at 92% on page 79 on the community consultation report.</p>	 Same <p>We propose to continue to use our current methodology for determining fixed sewerage charges for residential customers and variable sewerage charge for non-residential customers.</p>	\$0.00
TOTAL			+ \$10.84

APPENDIX 2:

How prices are calculated

Prices are calculated based on a methodology set by the Essential Services Commission.

First, the forecast revenue required for a water business to deliver on its service outcomes and obligations over the regulatory period is determined. The form of price control chosen by the water business then specifies how this revenue is to be translated into customer prices, based on the forecast demand for the services provided by the water business.

The commission provides each water business with a financial model, which reflects its methodology for calculating prices. All water businesses must complete this financial model and submit it to the Commission for assessment, along with its price submission. A summary of the key inputs and outputs from Barwon Water's proposed financial model are provided below.

Did you know?

The role of the Essential Services Commission

The Essential Services Commission acts as an independent “umpire” to regulate providers of essential services such as water, gas, electricity, ports and rail freight. The commission aims to ensure prices are fair and reasonable for customers.

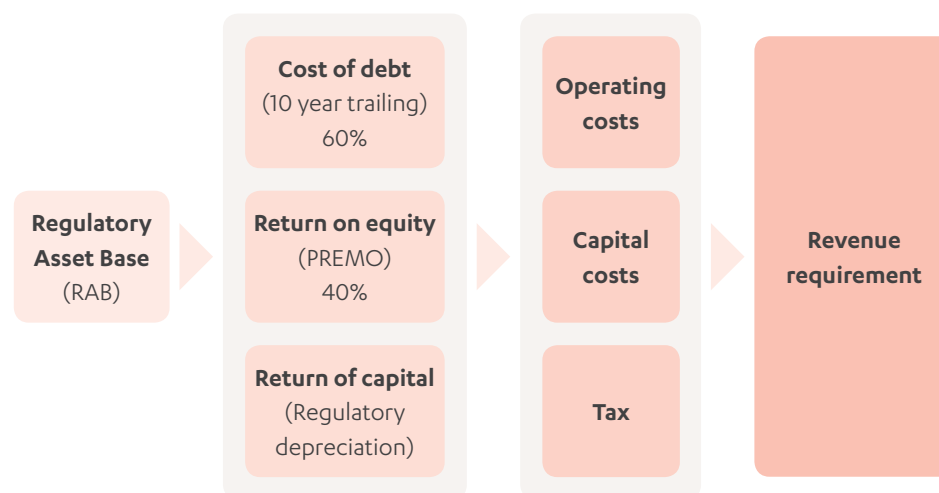
This is important for providers of water and sewerage services, like Barwon Water, because customers do not have a choice about who provides these services.

The commission's key role is to determine the maximum prices a water corporation can charge its customers. They do this by assessing a price submission (like a business plan) to see what outcomes will be delivered to customers in return for the prices they pay and whether this reflects what customers value most.

The commission's pricing powers and functions for Victoria's water industry are governed by a legislative instrument called the *Water Industry Regulatory Order 2014*, which sits within the broader context of the *Water Industry Act 1994* (Vic) and the *Essential Services Commission Act 2001* (Vic).

Revenue requirement

The commission uses a “building block” methodology to determine the revenue requirement. It involves a series of steps, as shown in the diagram below. An explanation of how each of these steps have been applied to calculate Barwon Water's proposed prices is provided below.



Step 1 – Choose a regulatory period

Barwon Water proposes a 5 year regulatory period from July 1, 2018 to July 1, 2023.

Step 2 – Establish an efficient benchmark level of forecast operating expenditure for the next regulatory period

Barwon Water's forecast operating expenditure from 2018/19 to 2022/23 is outlined in Outcomes 1 to 4.

Step 3 – Establish an efficient benchmark level of forecast capital expenditure for the next regulatory period

Barwon Water's forecast capital expenditure from 2018/19 to 2022/23 is outlined in Outcomes 1 to 4.

Step 4 – Roll forward the regulatory asset base from the previous regulatory period

Barwon Water's forecast opening regulatory asset base at the commencement of the regulatory period (i.e. July 1, 2018) has been calculated using the methodology set by the commission.

Step 5 – Apply a rate of return to the regulatory asset base

A regulatory rate of return has been applied to Barwon Water's forecast opening regulatory asset base using the methodology set by the commission.

Step 6 – Establish a return of capital through a regulatory depreciation allowance

A return of capital expenditure (regulatory depreciation) has been estimated based on reasonable assumptions about asset life and utilisation.

Step 7 – Establish a benchmark tax allowance

An estimate of the corporate income tax to be paid, less the imputation credits that would be received by a hypothetical private investor in the water business, has been calculated using a formula set by the commission.

Price control mechanism

Barwon Water proposes the same form of price control for its services as in previous regulatory periods, namely:

- A price cap for residential water and sewerage services, based on a two-part water tariff comprising a fixed charge and a volumetric component to recover the portion of Barwon Water's revenue requirement that relates to the provision of residential water services and a one-part sewerage tariff comprising a fixed component to recover the portion of Barwon Water's revenue requirement that relates to the provision of residential sewerage services.
- A price cap for non-residential water and sewerage services, based on a two-part water tariff comprising a fixed charge and a volumetric component to recover the portion of Barwon Water's revenue requirement that relates to the provision of non-residential water services and a two-part sewerage tariff comprising a fixed charge and a volumetric component to recover the portion of Barwon Water's revenue requirement that relates to the provision of non-residential sewerage services.

Demand

Barwon Water's metered water demand for the 5 year regulatory forecast has been forecast based on median climate scenarios and population growth forecasts provided by the Victorian Government.

2018/19	32535 ML
2019/20	33148 ML
2020/21	33533 ML
2021/22	34022 ML
2022/23	34530 ML

