

May 6th 2024

**Submission to the
Essential Services Commission**

In relation

To

Goulburn Murray Water Pricing Submission

2024-2028

And Draft Decision of ESC

Focus: Unregulated Domestic & Stock Water Users

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Dear Sirs/Madams

Thank you for the opportunity to submit a range of responses to the ESC Draft Decision
“Goulburn-Murray Water 2024 Water Price Review 26 March 2024”

As Unregulated Domestic and Stock license holders we seek a pricing outcome that fully reflects the circumstances and nature of our take and use situations taking into full account that ‘no service’ is received from GMW in relation to those service points. This also means that no cost is associated with such locations.

GMW have submitted a pricing proposal 2024-2028 to ESC that has ignored the extensive UDS customer engagement on the above issue and failed to proactively respond to meeting their own outcomes to reflect the UDS realities presented to them. Further the specific pricing guidelines detailed by ESC to GMW on the issues canvased by UDS have been ignored.

In fact, GMW have been dismissive of the very circumstances and transparency on costs repeatedly raised in meetings, surveys and complaints and letters. Instead GMW have promoted a range of outcomes that have no application to UDS and in particular, “Fair Pricing” is unable to be substantiated by GMW to UDS customers.

Previous and current pricing reviews have revealed an organization that has been remiss or unable (or unwilling) to provide transparent and available data that justify or substantiate costs for the level of pricing tariffs imposed for UDS customers.¹

Instead, a continued deeming and cross subsidy single pricing model has been maintained at “the cost” to UDS, namely a tariff imposed for “no service” at the Service or Access point. Definitions for such a Service Point “do not fit” for UDS and by the very nature of the definition there should not have been a charge imposed. However, GMW have continued to group UDS in the Diverters class of user within three groups. Here such a definition may have relevance for some of those other users.

Moreover, GMW have continued to include into their tariff for UDS a “charge” for travel and time to inspect or monitor or ensure compliance by users. Other than a possible visit on license renewal (15 year) there are no such inspections. Further reinforcing the unsavory use of assumption and deeming and unjustified or unquantified assumption for an annual Service Point charge.

Additionally, a Corporate Overhead of 21% is imposed. No data or justification as to why or what this provides to UDS customers. This was investigated by Aither in the 2020-2024 review of GMW pricing yet the reviewer was unable to reveal the reasons nor rationale for a such a charge to UDS. In fact, the charge has to be taken at “face value.”²

Further a charge for metering support and meter validation is concerning when UDS users are unmetered and have no relevance to regulation of water or stream flows as they are water sourcing from unregulated options.³ Most of which are located in Crown forests and subject to intermittent flow and are not potable. All infrastructure is provided by the user.

Of further concern is that the upper leadership, Chair and Board of GMW have endorsed a pricing review that has once again ignored the realities on the ground and within the organization that have been repeatedly and extensively raised throughout the pricing engagement period by UDS customers.

We thank ESC for adopting the following in their draft response:

Our draft decision does not accept Goulburn-Murray water’s proposed tariffs for service point fees for unmetered customers as we consider they are not cost reflective and do not meet the requirements of our guidance. We require Goulburn-Murray Water to recalculate its proposed

¹ *There are several cost components that rely on assumptions that haven’t been clearly defined. In this case, no assessment can be made about the validity of fee. The initiative taken by GMW in the current regulatory period to simplify and align service point fees across its business is considered to have merit for unmetered diversions however it can bring potential issues when the substantiating data relies on a large pool of representative operating expenditure and supporting assumptions:*

It has been noted that GMW’s current process for determination of service point fees relies on a range of assumptions to derive each price.

Aither review of GMW pricing 2020-2024

² We note that the unit rates, number of units and their frequency have been taken at face value and Aither has been unable to validate or test this information provided by GMW.

³ See pricing table below as the indicator– revealed by Aither Review 2020-2024

service point fees for unmetered customers after considering our draft decision, noting that we suggest actual cost data to be collected over the medium to longer term, which will provide greater accuracy.

We submit the “assumptions” have not changed for pricing 2024-2028 and remain flawed.

Deeming and cross subsidy continues to be a feature yet repeatedly works against GMW’s promotion of providing “better customer value”

Diversions - Unmetered service points (6472 service points):

A summary of GMW’s assumptions and 15-year average equivalent costs for unmetered diversions service points is provided in Table 14.

Table 14: 15-year average equivalent value, Diversions - Unmetered service points

Activity	Application of operating costs to service	15-year average equivalent value (AEV), 4% discount rate
Annual Site Inspection and surveillance		\$81
Deeming		\$39
Metering Support		\$3.09
Meter Validation	Meter validation costs have been provided as costs over 5 years and only apply to 10% of service points	\$3.57 (\$17.86 every 5 years)
Total		\$126.66
Corporate overhead (21% of operating expenditure)		\$26.60
Total cost per service point (\$2019/20)		\$153.26
Total cost per service point (\$2023/24)		\$165.97

Review of GMW customer fees and service point fees

Table 16: Comparison of unmetered diversions and gravity irrigation domestic & stock service point fees

Activity	Annual Equivalent Cost (\$2019/20)		Comments
	Gravity	Diversion	
Annual Site Inspection and surveillance	\$59	\$74	Higher travel costs for diversions due to higher labour inputs and larger travel distances
Deeming	\$36	\$36	
Metering support	\$3	\$3	
Battery maintenance	\$2		
Meter validation	\$3	\$3	
Solar panel maintenance	\$4		
Operating expenditure subtotal	\$107	\$116	
Corporate O/H	\$22	\$24	Corporate Overhead applied at 21% to Opex subtotal
Subtotal	\$129	\$140	
Capex recovery (Regulatory Depreciation + ROA)	\$0	\$0	
Total	\$129	\$140	
GMW Pricing	\$132		Equivalent to \$145 in 2023/24

The table demonstrates the inclusion of “Annual Site Inspection and Surveillance” which does not occur for UDS within Diversions (but [Possibly] once in 15 years on license renewal application) Higher travel costs and labor is a untruth for UDS . No meters and no support of any kind.

Under section 32(1) of the Essential Services Commission Act 2001 (the ESC Act), the ESC “may regulate prescribed prices for or in respect of prescribed goods and services supplied by or within a regulated industry”. Under the WI Act, the WIRO prescribes certain services in the “regulated water industry” for the purposes of this provision. (See also Attachment B, DELWP Response to ACCC on Prudence and Efficiency in Victoria’s Regulatory Framework, p 2.)

GMW is a water corporation established under Part 6 of the Water Act 1989 (Vic). 26 Under section 4A of the WI Act, GMW is defined as a Rural Water Authority which comes under the definition of a ‘regulated entity’.

Prices:

The WIRO allows the ESCV to regulate standards, conditions and prices in respect of any services provided by a regulated entity that are ‘in connection with’ the supply of water to other regulated entities or any other person; and the use and extraction of river water (for example, ‘surface water’). Clauses 7(a) and 7(b) of the WIRO prescribe the following services in respect of which the ESCV has the power to regulate both ‘standards and conditions of service and supply’ and ‘prices’⁴

- ‘retail water services’ which means ‘a service provided by a regulated entity in connection with the provision of a supply of water to a person other than a regulated entity’
- ‘storage operator and bulk water services’, which means ‘a service provided by a regulated entity in connection with the provision of a supply of water to a regulated entity’
- ‘diversion services’, which means ‘a service provided by a regulated entity in connection with the management, extraction or use of groundwater or surface water’. The ACCC considers that these prescribed services are broad and cover the service

The ESCV is empowered to regulate these infrastructure charges but is also required to do so under the WIRO.

⁴ Section 4D of the WI Act states that the WIRO may ‘specify which goods or services made, produced or supplied by or within the regulated water industry are to be prescribed goods and services in respect of which the [ESCV] has the power to regulate prices (2a)’ and may ‘declare which goods or services made, produced or supplied by or within the regulated water industry are to be declared goods and services in respect of which the [ESCV] has the power to regulate market conduct (2f).’

Paragraph 10 of the WIRO requires the ESCV to ‘make a price determination which determines the maximum prices that a regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated’.⁵ (our emphasis)

In performing its functions and exercising its powers, the ESCV’s overarching objective is ‘to promote the long-term interests of Victorian consumers’; in doing so, the ESCV must ‘have regard to the price, quality and reliability of essential services’.⁶

For UDS customers there is no reliable supply, the water quality is non potable and pricing charged by GMW is “not fair pricing” when there is no annual service provision/inspection nor infrastructure provided, no water regulation or meter cost and the tariff model is based on unquantifiable assumptions, and unknown and unproven costs and does nothing to eliminate deeming or cross subsidy within the class of user.

In short, provides no meaningful value for the pricing to the UDS customer.

We submit that ESC has sound and legislated grounds based on previously called for and received submissions and survey and forum and the content and issues identified in this current submission, to abolish a Service Point fee for UDS customers for the current pricing review period 2024-2028. That is set a maximum annual price for UDS and direct GMW to adopt accordingly.

When considering Clause 11 below the support for such an approach is further evident.

Clause 11 of the WIRO43 provides that when making a price determination, the ESCV must also have regard to matters relevantly including the following pricing principles: that the prices that a regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated, should:

- enable customers or potential customers of the regulated entity to easily understand the prices charged by the regulated entity for prescribed services or the manner in which such prices are calculated, determined or otherwise regulated;
- provide signals about the efficient costs of providing prescribed services to customers (either collectively or to an individual customer or class of customers) while avoiding price shocks where possible; and
- take into account the interests of customers of the regulated entity, including low income and vulnerable customers.⁷

⁵ Paragraph 10(a) of the WIRO states ‘before the commencement of a regulatory period, the Commission must make a price determination which determines the maximum prices that a regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated, during the regulatory period’

⁶ Victorian legislation, Essential Services Commission Act 2001, section 8, accessed on 5 April 2022.

⁷ Victoria State Government, WIRO, clause 11(d), accessed on 5 April 2022

The ACCC considers that the ESCV's framework under State law will require it to assess the prudence and efficiency of GMW's costs consistently with rule 29(2)(b) on the basis of the following considerations. Specifically, under State law, the ESCV must have regard to 'the efficient costs of producing or supplying regulated goods or services and of complying with relevant legislation and relevant health, safety, environmental and social legislation applying to the regulated industry'.

The ACCC considers that, in so doing, the ESCV will assess the costs incurred by the operator in complying with all relevant regulatory and legislative obligations and that the ESCV must have regard to 'price, quality and reliability of essential services', allowing for the desired quantity and quality of services.

Victoria's rural water customers will benefit from the ESC undertaking price determinations for Basin charges in its own right under a single Victorian framework. The ESC's experience of setting prices, including for services in the Basin, will ensure continuity. It will also use the experience gained through the application of its PREMO framework to deliver value and meaningful engagement with customers.⁸

GMW have not:

*Provided for or responded to Unregulated Domestic & Stock (UD&S) users ongoing concerns that they are not receiving *"value for money for services received."*

*Revealed in their pricing submission to ESC the range, and focus of customer complaints received concerning their single pricing model and how for Unregulated Domestic & Stock customers there is **No "Value for Money"** as no services are received by this customer group. Merely said - *"Across the two-year engagement program, more than 1400 pieces of feedback were received. 440 survey responses."*

Victoria's regulatory pricing framework maintains the national principle of cost-reflective pricing and is consistent with National Water Initiative (NWI) pricing principles including for best practice economic regulation⁹

While recognising ESC in this pricing review have requested that GMW in the medium to longer term are to provide reliable and reflective cost data for providing service to the users within the Diverters class, we submit that such a request for UDS cannot be substantiated by GMW when in fact there is no "on the ground" service provided, yet currently fees are charged and deeming remains.

The Commonwealth regulatory framework under the Water Charge Rules 2010 is similar to the Victorian regulatory framework administered by the ESC; particularly in regard to its emphasis on prudent and efficient expenditure and pursuing transparency around publication of tariffs. However, the Victorian framework also incorporates PREMO (Performance, Risk, Engagement, Management, Outcomes) which lays greater emphasis on customer engagement to inform the outcomes to be delivered (supporting allocative efficiency and prudence assessments). It also includes stronger accountability mechanisms for water corporations to deliver and report on their service commitments. The ESC's assessment of a water corporation's expenditure takes into account proposed customer outcomes (as well as policy and regulatory obligations such as

⁸ Submission to ACCC by DWELP on Victoria's Part 6 Operators 24/1/2022

⁹ Submission to ACCC by DWELP on Victoria's Part 6 Operators 24/1/2022

environmental and health standards), providing a link between customer preferences revealed through engagement, the outcomes to be delivered by the corporation and the expenditure that is ultimately reflected in the revenue requirement and prices.

Furthermore, PREMO provides the regulated water industry with greater incentives for pursuing ambition in its pricing proposals. This refers to the extent that a water corporation has challenged itself to meet all of its statutory and regulatory objectives with a strong focus on efficient delivery (against benchmarks), appropriate management and allocation of risks, effective customer engagement, while delivering the outcomes and prices customers value.¹⁰

GMW, we further submit, has failed to meet or respond to the above regulatory framework for UDS customers by ignoring the extensive customer feedback, survey, letters and face to face engagement. It has ignored and refused to deliver “outcomes and prices that these customers value” but merely dismissed the 3000 plus customers as a small group of Upper Ovens customers who will be unhappy with them not making any downward change to UDS pricing that reflects an aim of providing better customer value or to meet their own outcome of “Fair pricing” for this user group.

Historically UDS customers have born the brunt of repeated price increases to the effect that since 2013 annualized UDS price tariffs have increased 10% pa. GMW has provided no substantiation for such price shocks and as revealed have developed a single pricing model to the detriment and customer value of UDS take and use license holders.

The table below reveals these realities:

GMW Fees since 2013.xlsx Done

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Item												
Service Fee	180.00	185.00	90.00	100.00	110.00	110.00	120.00	120.00	119.00			
Customer Fee										130.00	130.00	130
Water Register										13.62	13.91	14.46
Water Delivery Fee	44.60	46.40										
Service Point Fee			100.00									
Small Service Point				100.00	100.00							
Service Point Unmetered						100.00	110.00	120.00	144.00	145.00	145.00	145.00
Access Fee 2.00ML			36.70	16.30	11.65	7.50	4.10					
Access Fee Service Point				60.00	85.00	115.00	135.00	160.00	76.00	77.00	79.00	83.00
Resource Management Fee			5.75	5.85	6.20	6.70	6.70	6.75	5.90	6.00	6.12	6.46
Licence Fee Annualised over 14 years @\$700										50.00	50.00	50.00
Total	224.60	231.40	232.45	282.15	312.85	339.20	375.80	406.75	344.90	421.62	424.03	428.92
Increase \$		6.80	1.05	49.70	30.70	26.35	36.60	30.95	-61.85	76.72	2.41	4.89
			0%	21%	11%	8%	11%	8%	-15%	22%	1%	1%
Increase \$ since 2013			1.05	50.75	81.45	107.80	144.40	175.35	113.50	190.22	192.63	197.52
			0.45%	21.93%	35.20%	46.59%	62.40%	75.78%	49.05%	82.20%	83.25%	85.36%

¹⁰ Submission to ACCC by DWELP on Victoria’s Part 6 Operators 24/1/2022

Diversion service means a service provided by a regulated entity in connection with the management, extraction or use of groundwater or surface water;

Price determinations (a) Before the commencement of a regulatory period, the Commission must make a price determination which determines the maximum prices that a regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated, during the regulatory period.¹¹

Approach for making a price determination

- (a) In making a price determination the Commission may either
- (b) : (i) approve the maximum prices the regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated, as proposed by the regulated entity in its price submission;
- (c) or (ii) specify the maximum prices the regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated**

b) The Commission may only specify the maximum prices, or the manner in which prices are to be calculated, determined or otherwise regulated, if:

(i) the price submission of the regulated entity does not, in the Commission's opinion, comply with the guidance provided by the Commission under clause 13

or have adequate regard for the matters specified in clause 11;

Auditing - The Commission has the function of carrying out audits in relation to: (a) the compliance of regulated entities with the standards and conditions of service and supply specified by the Commission in any Code, or set out in their price submission, and the systems and processes established by the regulated entity to ensure such compliance; (b) the reliability and quality of information reported by regulated entities to the Commission and the conformity of that information with any specification issued by the Commission;

We submit that ESC must independently meet the requirements of the above for Service Point Fees. That is, GMW have not complied with the guidance given by ESC regarding the pricing submission for UDS Service Point tariffs. Rather they have maintained a position contrary to their own customers engagement and repeated feedback including the relevance of a Service Point and Access Fee definition that does "not fit" for UDS customers.

Consequently, we maintain that it is ESC that is to determine and specify the maximum fee that GMW may impose on UDS for Service Points. We maintain that based on the evidence presented to ESC in this submission and those many previously received that the fee should be zero as there is no Service to UDS customers for the current annual fee.

¹¹ WATER INDUSTRY ACT 1994 WATER INDUSTRY REGULATORY ORDER 2014 ORDER IN COUNCIL

For GMW to change the definition of Service Point to “suit” the retention of such a charge to UDS is bloody minded and would only support the deeming and cross subsidy single pricing model in place and the unrealistic assumptions attached particularly “an annual site visit/travel time etc.” “metering support” and corporate overheads, all of which have no relevance to the UDS situation and on the ground realities.¹²

Overlooked by ESC is the nonrelevance of the Access Fee imposed on UDS customers. These customers have nothing to do with water allocations, rosters, restrictions and water ordering. They are applicable to irrigators and commercial users. For GMW to verbalize to EGIS the reviewer, without any substantiated data to support the Access Fee definition for UDS customers is atrocious and disappointing.

The definition of Access Fee requires ESC attention in direction to GMW and charges controlled by ESC under their legislative powers rather than be taken once again at “face value” to prop up GMW revenue streams. UDS customers in this respect continue to be subsidizing fees set for those customers the Access Fee actually applies to.

Unfortunately, with the current GMW 2024-2028 pricing submission and the previous no auditing by ESC of these realities has once again occurred for UDS.

Reviews by EGIS and Aither and others have continued to criticize GMW for lack of data to form a complete “view” and test the pricing imposed. The unrealistic continued use by GMW of assumption has only promoted deeming and “unfair” pricing for UDS customers.

ESC has the power to challenge compliance by GMW and audit the reliability and quality of the continual hidden (or just not undertaken) yet to be revealed information on costs.

Sadly, GMW are still maintaining a position of retention of service fees to UDS despite the exposure and weakness of available data, untruths and deeming and assumption that is not reflective of the realities of no service to UDS. We urge ESC to take over control and set the pricing as it is empowered to, based on the legislation and the very apparent list of Outcomes promoted by GMW but unattainable for UDS customers. There is no improvement of “customer value” for UDS customers. Prices “have not” and are not lower than they were 10 years ago for UDS.¹³

¹² *Access Fee recovers the costs of ensuring water is accessed in line with management rules and plans. This includes the management of allocations, rosters, restrictions and water ordering. This fee is payable by customers with a surface water license.*

Service Point Fee – Diversions Applicable to Surface Water and Groundwater Diverters. These cover the costs of compliance, monitoring, measuring use and, where installed, maintaining meters at each diversion site: • Service Point Fee – Unmetered refers to service points that do not have a meter installed, or are used only for domestic and stock purposes. GMW Pricing table

¹³ Charmain Quick – Managing Director of GMW -Shepparton presentation April 23 2024
“Customer Prices are still lower than they were 10 years ago and we continue to pass on decreases”

The untrue statement of Charmaine Quick claiming UDS are still paying the same as we did in 2016 is refuted. Managing Director Quick stated that the fees for UDS at \$349 currently and was the same in 2015/16. The real figures are 2015/16 \$282 which was a 22% increase from the previous year. The current bill for UDS is \$430. For the MD of GMW to make such a statement in a public forum sitting next to a Commissioner of ESC has one wondering who ESC are listening to. It is hoped that ESC, are now listening to the consumer.

We submit that the pricing submission of GMW and endorsed by the Board, is in fact not reasonably based, nor completely accurate in all material respects when analyzing the fees charged to UDS customers. To remain inactive rather than proactive on the above matters ESC could be viewed as promoting a bias toward GMW. Previous reviewers have, such as Aither complained that they have had to accept cost data and associated assumptions at “face value” from GMW and “time” to, delve further or receive extra information has not been favorable prior to the closing timelines.

We seek the support of ESC and its legislative responsibilities to ensure the above scenario is avoided for the 2024 -2028 pricing submission and the GMW pricing ball just does not once again go through to the keeper.

PREMO:

Understanding that this is the first year of Premo standards for GMW – it remains alarming that a Standard Rating has been allocated by GMW and supported by ESC to the pricing submission.

Particularly given the negative customer sentiment given concerning “Fair Pricing: and its relationship to the level off fees charged for “No Service” to UDS customers.

In fact, there has been no transparent and credible evidence provided by GMW to justify such a self- rating when viewing the situation of UDS customers.

The guiding questions for these customers only support a **BASIC** rating:

Performance: UDS customers do not get what they pay for. There is no delivery of value to these customers. UDS customers are “not happy” with non- receipt of value and paying for services charged that are unable to be delivered to these customers.

A name change of the current charge will still camouflage that no service is received for the “no change” in fees under the current GMW proposal.

Management: The price submission has not addressed all matters set out in the ESC Guidance Paper – In fact ESC are offering a “second chance” to GMW with the cut off date of May 7th for response yet have accepted a Standard Premo Self Rating prior?

There are errors and omissions of significant concern to UDS.

Despite repeated requests for GMW to do so – the organization has not been transparent in providing information to the commission on UDS stakeholder views.

Outcomes: The promoted list of Outcomes have no direct relevance to UDS customers in terms of Fair Pricing and others. To promote as such, GMW have not shown any evidence that the proposed outcomes do take into account the views, concerns, and priorities of UDS customers. Yet again GMW camouflages these views to the reviewer or

“GMW will provide the deeming method and surveillance cost to this fee”

ESC or moreover has completely ignored them. Again, to do so represents a reduction in customer value. There are no deliverables for UDS customers.

The outcomes do not represent UDS customer preferences and priorities as repeatedly submitted through engagement and “the status quo” has been once again imposed by GMW without justification or any sense of proactive response.

There is in fact no explanation or justification as to why the proposed outcomes remain inconsistent with UDS customer preferences and priorities.

Appendix A – Approach for making a price determination

Excerpt from Water Industry Regulatory Order 2014.WIRO clause 14

- a) In making a price determination the Commission may either:
 - i. approve the maximum prices the regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated, as proposed by the regulated entity in its price submission; or
 - ii. specify the maximum prices the regulated entity may charge for prescribed services, or the manner in which the regulated entity's prices are to be calculated, determined or otherwise regulated.
- b) The Commission may only specify the maximum prices, or the manner in which prices are to be calculated, determined or otherwise regulated, if:
 - i. the price submission of the regulated entity does not, in the Commission's opinion, comply with the guidance provided by the Commission under clause 13 or have adequate regard for the matters specified in clause 11; or
 - ii. the regulated entity failed to submit a price submission to the Commission within the time period specified for this by the Commission.

All of the reasons for Access and Service point fees are related to regulated managed water systems. UDS water systems are not managed. No GMW infrastructure upstream.

We need GMW and ESC to uncouple D&S and/or unregulated license holders from Commercial irrigators and others so we have our own pricing structure based on fair and reasonable costs of service delivery and license renewal. We need an open and transparent review of the cost of this sector to GMW as a not for profit, organization.

In summary:

In the cover letter to ESC from the GMW board, the statement “*Providing customer value is at the core of Goulburn-Murray Water’s 2024 Price Submission.*” Is an untruth for Unregulated Domestic and Stock customers.

Many costs provided in the high-level assessment were “taken at face value” due to the limited detail provided. In particular, a large proportion of the cost information for remote operate service points were unable to be reviewed.

There are several cost components that rely on assumptions that haven’t been clearly defined. In this case, no assessment can be made about the validity of fee.

GMW’s current process for determination of service point fees relies on a range of assumptions to derive each price. Deeming in the current model remains to work against providing better customer value for UDS customers.

There is no single source of truth for the data used for determining fees and charges.

ESC has the legislative powers and justification to impose the considered maximum fee for Service Points for UDS customers.

GMW have promoted a customer engagement platform that has ignored what UDS customers’ want, or value most, on the basis that Diversion customers (which includes irrigators and commercial) users are “happy”¹⁴ “Fair pricing” and the “best value” does not apply.

GMW cannot ensure a “*reliable supply of water,*” to all UD&S users, as these users source water from groundwater soaks, springs from mountain gullies, gully runoff and unregulated creeks. All of which are mostly intermittent flows and water availability, if any, can depend on seasonal circumstances.

GMW refuses to recognize in their pricing submission to ESC, that their own single pricing fees for Service/Access Points for UD&S which provide no direct service to the user are unjustified.

ESC must adopt its legislative direction to change the pricing model of GMW for UD&S users to reflect a pricing that does not include Service Point charges for what are identified to be GMW fees for no on the ground service.

The extent of engagement has been promoted, yet no acknowledgement of the direct complaints received regarding pricing for Unregulated Domestic & Stock users has been mentioned or revealed.

¹⁴ Executive Summary: “*We have delivered a prudent and efficient price submission that provides the best value for customers.*”

The foundations of this price submission, for the four-year regulatory period, are built on an understanding of customers’ needs and values.

Engagement revealed that customer expectations still largely align with existing customer outcomes around fair pricing...

Service Point fees are being charged when this customer group does not receive service for the location of water take points. Such fees are allocated to these customers on a “deeming,” pricing approach. All of which substantiates that Unregulated Domestic and Stock customers are cross subsidizing the cost-of-service points to Irrigators and Commercial users in the same -Diversions – user class

GMW in their pricing submission to ESC. is far from “*fit for purpose*”¹⁵ as it only supports cross subsidizing of other classes of customer

Water taken is for showering, drinking, garden use and toileting, yet remains non potable. If no service is received from GMW to provide or regulate or maintain water in soaks, gullies, springs, the majority of which is in Crown Lands far from stream and creeks, then customers are indeed “*paying more than they need to.*”

There is no on the ground use of GMW infrastructure by UD&S as they provide all their own infrastructure, from piping to tank to house and responsibly manage and repair and remove and mitigate incidents that may affect a reliable water supply.

UDS customers at many times have no water to access. Pricing does not “*fairly reflect the true use of services*”¹⁶ as once again there is no service provision for Service Points yet fees remain imposed on same.

GMW Outcome 6 – Socially Responsible cannot be achieved for UD&S –

*We will ensure we can provide secure, reliable and fit-for-purpose water supply.*¹⁷

Given the above-described realities of non-potable water, unreliable flows and supply and the users provision of all infrastructure, Outcome 6 is unattainable by GMW for Unregulated Domestic & Stock users particularly by the very nature of the water sourcing by users.

There is no “*customer value*”,

For UDS customers GMW have not followed the ESC Guidance Paper for Regulatory Period 6.

*We are seeking to put forward our best offer for customers*¹⁸

Based on all of the above the proposed pricing for Service Points for UD&S is NOT a “*best offer*” to our customer type.

There is no capital expenditure associated with Service Points for UD&S. The no delivery volume (costs) charged to and for irrigators and commercial users, impacts on the domestic and stock water users on unregulated sources. Climate changes and very dry years cannot be supported by GMW for UD&S users.

Site visits by GMW staff are not annual visits, the core of the definition or justification of an annual Service Point charge.

These reasons, deeming approaches and the nonservice claimed and a charge applied for a Service Point, all substantiate that the GMW Service Point annual charge MUST be removed by ESC for UD&S water users holding a take and use water license.

¹⁵ DG Consulting Report on pricing and costs for GMW 2023

What is GMW's Service Point Fee? *Covers the cost of managing compliance against water entitlements, monitoring, measuring use, and where installed, maintaining meters and related infrastructure.*¹⁹

*"A service point connects customer properties to GMW assets in an irrigation or water supply district. The demand forecasts for service points used in this price submission are based on the number and type of service points held by customers over Regulatory Period 6."*²⁰

The definition is not "a fit" for the UD&S user, and GMW have not shown, nor demonstrated or justified that there are costs associated with UD&S users maintaining, repairing and providing all their own infrastructure. That is the user incurs the costs of maintaining a water supply NOT GMW.

A change in definition of Service Point and retaining a charge, cannot avoid the contradiction of a fee imposed for no service to UDS.

The Service Point charge is again then applied as a deemed amount to support GMW's own single pricing model. The UD&S user may have NO ACCESS to water for Domestic use as the supply has disappeared underground from the take and use site.

The use of assumption and consequent deeming to set pricing for all small diversion customers is cross subsidizing the revenue needs of GMW and disadvantaging the Unregulated Domestic & Stock user by charging for service never, nor capable of being received. There has been no tariff reform for such unwarranted Service Point charges.

*No changes are proposed for diversion tariffs as they remain aligned with ESC pricing principles and reflect the outcomes from extensive customer engagement with the wider diversions customer base.*²¹

Such a statement from Goulburn-Murray Water demonstrates it used engagement methodologies that elicit views that are representative of the diversions (irrigators and commercial users) customer base. UDS are not represented in survey or complaints received.

To use reasoning that ESC pricing principles support no change in pricing is arrogant and contrary to the purpose of the very ESC pricing review currently being undertaken and the subject of this submission to ESC.

GMW have not been proactive on addressing the real principles that support the no charge for services that are not received by UD&S license holders.

Where outcomes proposed (*No changes are proposed for diversion tariffs*) are not consistent with customer views, Goulburn-Murray Water has not provided reasonable, let alone substantiated justification.

There are fundamental differences in costs for service provision for diversion customers compared to the small UD&S water user having an entitlement of 2mg/l on their license.

The key principles of cost-reflectivity, administrative simplicity, ease of understanding and customer support are not addressed in the current 2024 -2028 single tariff or system pricing for UDS customers.

¹⁹ *Review of GMW customer fees and service point fees. A summary of findings by Aither and DG Consulting June 2023*

²⁰ GMW price submission page 72

²¹ Prices Tariff Structures – page 78 – pricing submission

Other than an administrative cost for license, record keeping and water register etc. there is no justification for Access and Service Point charges that do not “fit” for the Unregulated Domestic & Stock water user.

It once again “provides a sustainable revenue stream” only to GMW with no customer preference for such a charge and with no onsite visitation from GMW on the annual charge that is to incorporate “monitoring and compliance.” It cannot pass any reasonable test for “fair pricing” or provision of a service. Achievement of GMW Outcomes fail for UDS customers

ESC is encouraged to fully audit such fees prior to making a final determination. For GMW to do so in the 2024-2028 pricing submission to ESC on the basis of “fit for purpose” and for any changes to pricing structures as considered having no “intrinsic value” is baseless for the customer who are overcharged for a defined service they are not receiving.

“PREMO includes incentives for each water business to put forward its best offer to customers and deliver the outcomes its customers value most.”²² Given the above, the 3000 or more small UD&S customers have not received a “best offer” in fact no offer at all– what UD&S users have repeatedly put forward as valuing most- has been ignored.

ESC has asked GMW to:

Provide the following information in relation to diversion tariffs that are payable by domestic and stock users:

– details about how the relevant tariff classes have been established (including whether and how all customers within the relevant tariff class receive the same services); and information that demonstrates that prices charged to all types of users in each relevant tariff class reflect an efficient cost of providing the relevant services to customers in that tariff class²³

We maintain that the ESC principles and WIRO have not been achieved by GMW in the Pricing Submission to ESC for Unregulated Domestic & Stock users who remain in a Diversions Class that includes irrigators and commercial water users.

The statement to ESC for Unregulated Domestic & Stock service points is misleading and in fact untrue.

It creates a wrongful impression of the costs associated with Service Points for unregulated Domestic & Stock users. As these users provide all their own infrastructure and service to same. “The ownership, infrastructure configuration, and funding of domestic and stock service points is similar for gravity and diversion, except the remoteness of diversions service points means that unit travel costs (labor and vehicles) are higher for diversion service points”²⁴

ESC must re review their initial 2020 acceptance of what now for 2024-2028 is revealed as the flawed single pricing model of GMW for UD&S users if the integrity of stated outcomes and principles for customers and value are to be realized and legislative responsibilities upheld..

Under ESC guidelines: “We require the price submission to propose prices that seek to reduce and minimize cross-subsidies” GMW have failed to do so.

²² Water Price Review ESC

²³ ESC Guidance to GMW 3.19.2

²⁴ Charmaine Quick Managing Director GMW to Marcus Crudden Director, ESC Pricing & Regulation April 24 2020

No physical visits to properties, nor any service received from GMW, and UD&S users have no meters with their 2mgl licensed entitlement which is to be used for domestic and stock purposes and to maintain a small garden.

For UD&S no on the ground service is given from GMW. The claim and submission in this pricing round to ESC of *“an annual monitoring and compliance visit”* to users cannot be achieved in reality, does not happen and remains an unreasonable impost or tax on users. No data from GMW or to ESC has proven the above to be false.

By treating *all service points the same way across all customer groups and recover the average cost of operating and maintaining each type of service point at the individual service point level*²⁵ GMW has reinforced they are raising a revenue stream from UD&S users.

Rosters, deeming and water restrictions all have no bearing on Unregulated small Domestic & stock customers.

A deeming charge cannot be supported by ESC based on the reality of no service point inspections or assistance of any sort?

the category of meter validation cannot be included as a cost for unmetered UD&S customers?

Goulburn-Murray Water has not been transparent in providing information to the Commission on stakeholder views or other information or assessments that are relevant to the assessment of the proposed diverters pricing for UD&S users. As such GMW has contravened this guiding principle set by the ESC.

There is no attestation or evidence from GMW that the Service Point and Access fees are justified for UD&S other than to say and quote from a consultant report that they (charges) are considered *“fit for purpose”*

GMW’s price submission in relation to charges 2024-2028 for Unregulated Domestic and Stock users classed in the Diversions Group is *“not reasonably based, complete and accurate in all material respects.”*

Likewise for the UD&S users, the price submission does not satisfy *the requirements of the 2024 water price review guidance paper issued by the Essential Services Commission in all material respects.*

*The objective of the Commission is to promote the long-term interests of Victorian consumers [s 8(1), ESC Act] without derogating from that objective. The Commission must in seeking to achieve the objective have regard to the price, quality and reliability of essential services [s 8(2), ESC Act]*²⁶

²⁵ Understanding your account GMW - Service Point Fees

²⁶ Essential Services Commission 2024 Goulburn-Murray Water price review: guidance paper – page 68 In the ESC review of GMW pricing 2022 pricing submission, Aither²⁶ as the appointed reviewer by ESC declared they could not determine or separate the ambiguity of the GMW single pricing model and impacts on Unregulated Domestic & Stock as it was a single pricing and “costs” were averaged across all users.

In Summary of analysis 5.11 Aither stated *“it was difficult to assess the underlying costs for the service point fees based on the information provided by GMW. While a 15year cost profile for*

Aither's Final Report 2020 exposed GMW in charging for services never received. A fact we have continually described and remains throughout this current pricing submission to ESC and which demands proactive responses. *"We note that GMW's qualitative list of activities did not specify an annual inspection test procedure being undertaken for unmetered service points."*

In Table 23 – Aither Report ²⁷-. *we note GMW did not provide the quantitative assumptions used to arrive at its specified deeming costs for unmetered service points, rather providing a qualitative description of the activities undertaken to deem usage."*

We submit that in this round of pricing review 2024-2028, ESC must ensure that the reviewer can validate any adjustments and audit the accuracy of GMW's service point costing specifically for UD&S information when requested, while still meeting the guiding principles directed from ESC to GMW for the pricing submission.

*"The commission noted that where differences in costs for different customers remain, it expected GMW to clearly articulate the basis for any differences in tariffs and charges for its customers."*²⁸ GMW have failed to do so

UD&S users do not generate the high costs that GMW are seeking approval to recover in the pricing charges, except for administration, sending out of bills water register maintenance etc.. UD&S manage all their own facilities and there is no delivery from GMW of physical service.

The objective *"of promoting the long-term interests of Victorian consumers"*²⁹ is not promoted for the many reasons already listed,

Alarming, UD&S fees have risen by over 80% since 2013 So, while UD&S have endured ongoing fee increases, other types of customers have received fee reductions.

UD&S are not serviced and the water supply is unreliable and when supply ceases, GMW cannot do anything to fix the problem.

The adopted approach from GMW of *"treating all service points the same way across all customer groups and recovering the average cost of operating and maintaining each type of service point at the individual service point level ...has the aim of recovering some corporate overheads through the service point fees andD&S service points are similar across all user groups"*³⁰ does not fit the GMW's own promoted outcomes of *"Fair Pricing"* and the reality of the nature and role that GMW does not play in ensuring a *"reliable water supply"* for Unregulated Domestic & Stock users who undertake all infrastructure and works on flow rates at their point of take and use.

ESC through Premo incentives, is not promoting *"better customer value"* in its assessment of GMW pricing. In this regard ESC has the ability and the use of the Water Industry Regulatory Order (WIRO) to *"use discretion to specify maximum prices, or the manner in which prices are to*

*GMID service points was provided, adjustments were made to the costs with limited justification as to the reasoning and level of those adjustments."*²⁶

²⁷ *Review of GMW customer fees and service point fees. A summary of findings by Aither 2020*

²⁸ ESC review of GMW Prices Tariff -Final- Jan 2016

²⁹ ESC Act 2001

³⁰ Page 101 of 138 – Document Number A3692405

be calculated, determined or otherwise regulated, “ for Unregulated Domestic & Stock Water users. We urge such an approach to be adopted in the ESC review of pricing.

By ESC fully addressing the above matters and the many already outlined in the pricing review of GMW pricing for 2024-2028, ESC would be in performing its functions and exercising its powers, meet the objective of the Commission towards promoting “*the long-term interests of Victorian Consumers s8(1) ESC Act*”.

ESC in seeking to achieve the interest of consumers must have regard to “*the price, quality and reliability of essential services (s8(2),ESC Act*”. Yet in this respect the Unregulated Domestic & Stock Water User have no assistance or service from GMW in respect of infrastructure, or the quality and reliability of water flows. However, the user continues to be charged current fees that cannot ensure a regular or reliable water supply or its quality for household purposes.

How can a figure for Service Point and Access Fee be determined for this pricing period and even be considered by ESC when it has been revealed that such a charge has historically and still is based on “all customers” with deeming and cross subsidy and no knowledge or data revealed of the individual cost to each of the user groups by GMW – because they can’t and in the case of UDS won’t even try.

“GMW provided a tariff calculation model for the Service Point tariff, which was a more complex calculation as it includes all customers and various combinations of customer attributes. Our emphasis)³¹

EGIS HAS NOT shown or found or revealed that tariff classes payable by UDS are in any way different to all users in the Diverters class and particularly made no mention of the differing “service level” received by such users.

In the case of UDS “no service” is received but an “across the board” charge imposed regardless. As such how can it be revealed in the above assessment by Egis, that there is in fact an efficient cost of providing service to UDS when again “no service” is received and GMW have “grouped” all users which conveniently maintains a historical revenue stream (3.0m dollars as revealed in the report.) All contrary to the legislated guidance for ESC and the significant customer engagement and submissions given to GMW prior to their pricing to ESC for 2024-2028.

³¹ Egis Assessment Report on GMW pricing to ESC 2024

The Service Point Fee levied by GMW recovers the cost of compliance, monitoring, measuring use and, where installed, maintaining meters at each diversion site.

The Service Point Fee is levied on a service point basis for the following three categories:

- *Domestic and stock;*
- *Local operate; and*
- *Remote operate.*

The Service Point Fee is applicable to surface water and groundwater diverters.

An estimated \$3.0 million per year in revenue is recovered by GMW via the Service Point Fee from the Diverters customer group.

GMW has assumed an “Annual Inspection for each site’ - This is known by UDS to not and in many cases has never occurred, yet the Service Point fee continues to reflect the “cost” of this non visitation. As previously pointed out in submission to ESC such a reality would mean for 3000 plus UDS users a visit of 10 per day for 365 days of the year. A wildly unrealistic assumption on the part of GMW in their non transparent data provided and statements made to ESC and Egis and glaringly contrary to the spirit of customer feedback, engagement and “fair pricing”

In short, it is unreasonable for a charge to be made that is unrelated to entitlements.

No charge to UDS should be based on assumption that is not clearly justified or supported by the realities on the ground.

Also, the Customer Fee is inappropriate for UDS as we don't incur the costs that large customers incur. (more cross subsidization)

The opportunity to rectify the above imbalances with GMW’s single pricing model and assumptive pricing approaches as submitted to ESC, and direct the maximum prices to be imposed, is supported and substantiated by legislation and all of the above matters.

GMW have been provided with many opportunities to justify the fees being charged to UDS and cannot. Fees charged are based heavily on assumptions, deeming and averaging. This flies in the face of what is expected by customer groups and regulations. ESC, are encouraged to investigate fully the service provider claims and our detailed consumer concerns.

In the past, ESC investigations are “high level”, “rely on lack of data from GMW” and are “constrained by time”, all resulting in ill-informed decisions. We seek a fully informed decision on tariff pricing from ESC so as to avoid the past realities that have promoted disadvantage to UDS customers.

We invite ESC to physically visit a range of the situations and circumstances of UDS customers from the signatories below. This to be facilitated shortly after submission receipt in order to gain “a view” of the above described and the on the ground circumstances of these take and use customers and how disparate they are from what GMW imposes fees for, yet does not provide services to support, maintain, regulate water flows or quality nor any infrastructure.

Thank you for the opportunity to provide and respond to the ESC Review of the GMW Pricing Submission 2024 -2028.

Yours sincerely

Rod Hall	[REDACTED]	Porepukah	3740
Including the signatories of: :			
Cameron & Jan Reid	[REDACTED]	Porepukah	3740
Angus Swann	[REDACTED]	Porepukah	3740
Ian Roy	[REDACTED]	Wandiligong	3744
Chris Maud	[REDACTED]	Mudgegonga	4737
Diane & Bill Skahill	[REDACTED]	Freeburgh	3741
Garry & Olga Meyland	[REDACTED]	Porepukah	3740

Paula Hall	[REDACTED]	Porepunkah	3740
Dennis & Kaye Pangrazio	[REDACTED]	Buckland	3741
Ken Sibley	[REDACTED]	Boweya	3675
Jean Rossi	[REDACTED]	Woods Point	3723
Susan Cook	[REDACTED]	Towong	3707
Marco Casagrande	[REDACTED]	Myrtleford	3737
Andrew Bennett	[REDACTED]	Wandiligong	3744
Ann Jelinek	[REDACTED]	Taggerty	3714
Glenn Nicoll	[REDACTED]	Whorouly	3677
Brian & Jan Fleming	[REDACTED]	Harrietville	3741
Lyndy U'Ren	[REDACTED]	Kevington	3723
Judie Holroyd	[REDACTED]	Freeburgh	3741
John Wymond	[REDACTED]	Wandiligong	3744

Signatories and locations can be published.