



29/07/2022

RM/22/16735

Mr Anthony Couroupis
Managing Director
Lower Murray Water
741-759 Fourteenth Street
Mildura, VIC 3500

Dear Anthony,

Variation to guidance paper issued by the Essential Services Commission in respect of Lower Murray Water's rural infrastructure services

I refer to correspondence between the Essential Services Commission and you on 23 May 2022 and 17 June 2022 relating to the application of the P element of PREMO to Lower Murray Water's rural infrastructure services.

In October 2021, we released a guidance paper for Lower Murray Water's 2023 price review in accordance with the Water Industry Regulatory Order 2014 (WIRO) (the guidance).¹ The guidance noted that, subject to legislation change, we intended it would apply to tariffs pertaining to rural infrastructure services that were regulated under the Commonwealth Water Charge Rules 2010 (at the time of the guidance).² That legislation has now passed. As a result, Lower Murray Water's price review, including for its rural infrastructure services, will be conducted under the guidance.

The guidance currently requires water businesses, including Lower Murray Water, to conduct a self-assessment under each of the elements of the PREMO framework. The purpose of this letter is to notify Lower Murray Water of our decision to vary the guidance so that the "Performance" (P) element of PREMO does not apply in relation to Lower Murray Water's rural infrastructure services.

¹ Essential Services Commission 2021, 2023 water price review: Guidance paper, 26 October 2021.

² Essential Services Commission, 2023 water price review, Guidance paper, 26 October 2021, page 1

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This will be the first time that Lower Murray Water's rural infrastructure services have been assessed under the PREMO framework. Our approach with all water businesses that have been assessed for the first time under the PREMO framework has been to limit the overall rating of that business to the four REMO elements. Accordingly, in establishing its rating for the P element, Lower Murray Water should only consider the performance of its urban business.

We understand that Lower Murray Water proposed a set of Outcomes and commitments in its 2018 price submission relating to rural infrastructure services and is currently tracking and reporting on performance against them. Despite this variation to the guidance, we expect to receive information in relation to the prior performance of Lower Murray Water in relation to the Outcomes specified in its 2018 price submission relating to rural infrastructure services, to the extent that this information is relevant to other aspects of the REMO assessment.

Attachment 1 outlines the ways in which we have varied the guidance as it applies to Lower Murray Water's rural infrastructure services.

Should you have any questions or comments regarding this additional guidance, in the first instance I suggest you contact Chris Hutchins, Project Manager – Water Price Monitoring and Regulation on (03) 9032 1354 or via chris.hutchins@esc.vic.gov.au.

Yours sincerely



Kate Symons
Chairperson

Attachment 1

The table below identifies the ways in which the Essential Services Commission has varied the 2023 water price review guidance as it applies to Lower Murray Water’s rural infrastructure services.

Topic	Reference to section in guidance	Variation
<ul style="list-style-type: none"> • Water pricing framework and approach 	<ul style="list-style-type: none"> • 1.3 	<ul style="list-style-type: none"> • The paragraph beginning “<i>The 2023 water price review will be the second time</i>” can be disregarded.
<ul style="list-style-type: none"> • PREMO guiding questions 	<ul style="list-style-type: none"> • Section 3.14.1, Table 3.3 	<ul style="list-style-type: none"> • Guiding questions in this table in relation to the Performance element need only consider Lower Murray Water’s urban business.
<ul style="list-style-type: none"> • PREMO Assessment tool 	<ul style="list-style-type: none"> • Appendix E 	<ul style="list-style-type: none"> • Matters relating to the Performance element in this need only apply to Lower Murray Water’s urban business, except to the extent they may be relevant to other aspects of the PREMO assessment.