

Essential Services Commission'

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2024 Water Price Review

Essential Services Commission

Level 8, 570 Bourke Street

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July 18th 2022

Re: 2024 Goulburn-Murray Water price review Draft guidance paper 21 June 2022

Dear Sirs/ Madams

We write as designated representatives of Unregulated Domestic and Stock water users, particularly for users who do not use water for commercial purposes, only for essential household use across the state of Victoria.

We are seeking your inclusion of the elements of our commentary below in the final ESC draft requiring GMW to consider their obligations under the upcoming 2024 pricing review for customers.

Significantly we submit that the Draft ESC guidelines directed at the obligations of GMW to meet and address various aspects of customer satisfaction and pricing value fall short for addressing the specific user group of Unregulated Domestic and Stock Water Users who do not use water for commercial purposes, only for essential household use:

Namely: This is Goulburn Murray Water's first price review under the PREMO incentive framework. 1 PREMO incentives provide up-front rewards for ambitious proposals delivering better customer value. Goulburn-Murray Water is ultimately accountable for delivering on its commitment.

1. Historically and currently GMW cannot meet better customer value for Unregulated Domestic & Stock Users as such a group is "hidden" in the category of Diverters, which is modelled by GMW to address the needs and interests of Irrigators and other commercial users in this group.
2. Namely fees and charges for Unregulated Domestic & Stock Water users are, we submit subsidising the customer value for Irrigators.
3. Consequently, the ESC Draft pricing Review guidelines to GMW must address this disparity and fees charged for no access or infrastructure service by GMW.
4. GMW must be directed in the guidelines to show the customer value given to the group identified as Unregulated Domestic and Stock water users under the Premo incentives.
5. In order for GMW to receive such incentives under the pricing review ESC must consider Unregulated Domestic and Stock and particularly non commercial users as a separate pricing group of water user.

6. Historically, Unregulated Domestic and Stock users have experienced an 84 percent (84%) or ten percent (10% annualised) price increase for charges detailed as Access and Service Fees since 2013.
7. Such fees have been hidden within the Diverter charges that is dominated by Irrigators and other commercial users. Unregulated Domestic & Stock users have not in the past or under the current ESC pricing approvals received *“better customer value”*
8. Consequently, ESC guidelines to GMW must include the above considerations for GMW’s accountability toward delivering on its commitment for *“better customer value”* and a *better offer* to Unregulated Domestic and Stock Water Users.
9. In this respect we ask that ESC specifies to GMW in the 2024 pricing guidelines that GMW treat Unregulated Domestic & Stock Water Users as a separate user class due to the ability of ESC and the use of the Water Industry Regulatory Order 2014 (WIRO) affording ESC to *use discretion to specify maximum prices, or the manner in which prices are to be calculated, determined or otherwise regulated* for Unregulated Domestic and Stock Water Users.
10. We submit such separate pricing approach is further supported by: *In April 2022, the Australian Competition and Consumer Commission (ACCC) announced its decision that Goulburn-Murray Water will cease to be a Part 6 operator under rule 23 of the WCR after 30 June 2024. 6 Goulburn-Murray Water’s current regulatory period runs from 1 July 2020 to 30 June 2024. Accordingly, from 1 July 2024 we will regulate prices for Goulburn-Murray Water’s infrastructure-related services under the WIRO.*

In this respect GMW provides no infrastructure services for Unregulated Domestic and Stock Water Users. Such users at their own cost, provide all installation, maintenance, service and repair and access to their infrastructure and water supply. Much of which is sourced from Crown Lands through springs or soaks and continued user works to ensure the quality of groundwater.

Such water is frequently fouled by forest rains creating mud and sludge, the feral deer pest creating wallows, bushfire threats, wombat burrows in water gullies, fallen forest trees impacting pipelines installed by the user and so much more. Moreover, in drier years the groundwater flows cease and no guarantee of supply is provided from GMW yet fees and charges remain imposed. Namely fees are charged for no service or fees for access which is wholly the responsibility of the user in the Unregulated Domestic & Stock situation.

While recognising there is a role of GMW regulating water flows in drier years to ensure supply to users, such work is irrelevant to Unregulated D&S users sourcing poor quality water from Crown forested lands. Regulation of stream flows as a cost to GMW is not applicable to Unregulated Domestic and Stock users.

As such GMW infrastructure charges are grouped into the Diverters class (into which Unregulated Domestic and Stock users are included) which is dominated by irrigators who rely on GMW infrastructure to source water to pump, gravity use and irrigate.

11. The above further supports the exclusion of Unregulated Domestic & Stock users from the Diverters group and identified and treated as a distinct separate class of water user in the 2024 pricing review. As such we submit that ESC should adopt in the pricing guidelines to GMW such an approach and methodology to assess a price submission and to make a balanced and accurate price determination for the regulatory period.
12. Currently GMW does not ensure that regulatory decision making and regulatory processes have regard to any differences between the operating environments of regulated entities [s 4C(b), WI Act
13. That is, diverters pricing, (read irrigators/commercial users), and GMW's public definition of Service Fees and Access Fees does not "fit" or does not apply by their definition to Unregulated Domestic and Stock Water Users. This group, which is being charged fees by GMW based on GMW published definitions, receive no such services. Such fees as a consequence, are purely charges that are subsidising the cost of delivering service and infrastructure to Irrigator/Commercial user diverters.
14. By not addressing the above matters in the draft review of pricing guidelines 2024 for GMW, we submit that ESC would be in performing its functions and exercising its powers, NOT meeting the objective of the Commission towards promoting the longterm interests of Victorian consumers [s 8(1), ESC Act].
15. Here also the water is used by Unregulated Domestic & Stock customers purely for domestic reasons, ie: not commercial reasons, paying commercial fees and yet the water is not even potable.
16. The Commission in seeking to achieve the objective MUST have regard to the price, quality and reliability of essential services [s 8(2), ESC Act. In this respect the Unregulated Domestic and Stock Water Users have no assistance or service from GMW in respect of the quality and reliability of water flows, yet continue to be charged fees that cannot ensure a regular water supply or its quality for household purposes.
17. The above once again supports the stance that GMW must be directed in the guidelines to show separately how Unregulated Domestic and Stock Water users will be treated in relation to the 2024 pricing review. This would promote GMW to show that the outcomes proposed reflect a very significant improvement in customer value delivered and the outcomes proposed have been prioritised by Goulburn-Murray Water in terms of importance to Unregulated Domestic & Stock customers as revealed through their own customer engagement and placing pricing as a number one issue.
18. This would also assist in terms of outcomes, the level of confidence with which Goulburn-Murray Water or the Commission considers that an element of PREMO meets a particular ambition rating.
19. We submit that by including guidelines that ensure the separation of groups in the diverter class of water user ie; Unregulated Domestic & Stock and Irrigator/Commercial, ESC can then support GMW in its requirement within the pricing guidelines to:

describe in its price submission how the business might adapt its outcomes, output measures and targets to respond to changing customer preferences, (as detailed above and through GMW customer engagement sessions) including the above ongoing preferences and identified disparities and to develop a business model that addresses these concerns.

Further supporting a separation of user class within the Diverters category of water user, under the current realities of fees being charged for no service to Unregulated Domestic and Stock users, GMW cannot choose to implement a Guaranteed Service Level -GSL- as identified by the main service priorities and concerns of Unregulated Domestic and Stock customers as informed by Goulburn-Murray Water's customer engagement.

Consequently, under the current pricing structure or within the ESC guidelines there are no incentives for Goulburn-Murray Water to provide efficient service levels to such customers (as their definition of Access and Service fees is addressed to irrigators and other commercial users) and as such impacts GMW's ability to meet PREMO standards for outcomes for the Unregulated Domestic and Stock user group.

We note the ability in the ESC pricing review guidelines for GMW where it cannot provide a guaranteed level of service it is to provide a customer rebate. However the guidelines fail to stipulate that if GMW cannot provide a service for which it is charging a fee(s) that such fees must be abandoned or a full rebate provided. This must be addressed in the pricing guidelines from ESC.

In this respect the guidelines from ESC provide support to GMW to identify in its price submission any tariffs (such as those access and service fees for Unregulated Domestic & Stock users) that it proposes to exempt from the rebalancing constraint of +10%. and in effect could dismiss as charges for such users.

20. We submit that the pricing tariff principles structure as listed in table 3.15 of ESC pricing guidelines does not include or reflect the unique class of Unregulated Domestic and Stock user. Particularly for those that use water only for domestic, non-commercial purposes. Namely these users are included in the Diverters class that is dominated by Irrigators/Commercial users. ESC has also focused on volumetric charges in the table and thereby irrigators or volume charged users. The current tariff assessment principles in table 3.15 when benchmarked against (say) a new or adjusted tariff for Unregulated Domestic and Stock users does not allow for any proposed new tariff or structure for this user group from GMW. Ie; the table in its current form with a focus on volumetric charges does not allow for benchmark tariff change for Unregulated Domestic & Stock users.

21. We support the inclusion in the pricing guidelines that GMW if and when and where changes are proposed, Goulburn-Murray Water will need to provide evidence to demonstrate that the amended tariff structure better satisfies clause 11 of the WIRO than the existing structure.
22. The outcomes proposed by GMW can then reflect a significant improvement in customer value delivered. This might be demonstrated by significant improvements in pricing levels that are deemed as an outcome that matters most to customers.
 Here also The Minister has delegated under the Water Act 1989 (Vic) to GMW, under the instrument of delegation dated Dec 13 2019, the ability to determine fees for the issuing and varying of water use or works licences. Such an ability can be supported by ESC in the pricing review guidelines 2024, by directing GMW to reassess customer value for Unregulated Domestic & Stock water users due to the obvious and apparent charging of service and access fees in the first instance, that by their very definition, do not deliver any customer value to such users.
23. In this respect Goulburn-Murray Water’s price submission *must clearly and succinctly identify and explain how its proposal demonstrates value for money for the thousands of Unregulated Domestic and Stock Water user customers — that is, what outcomes will be delivered to customers in return for the prices they pay, and how this reflects what customers value most.*
 As such, direction to GMW from the ESC guidelines for the 2024 pricing review must request that Unregulated Domestic and Stock water users be identified separate and distinct from Irrigators in the Diverters water user group.
24. To not do so supports inequality and subsidising in any future pricing review.
 We submit by adopting the points sectioned above, ESC will facilitate a review consistent with the WIRO and will focus on those matters having a material impact on the prices 3,000 or more, Unregulated Domestic and Stock licence holding customers pay for the services they in fact do not receive.

Thank you for the opportunity to provide input and considered feedback to ESC guidelines on the lead into the upcoming GMW 2024 pricing review.

Yours Sincerely

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On behalf of Unregulated Domestic and Stock water users.

(Note: If this is to become a public document, please remove email contacts of proponents)