

**December 12<sup>th</sup> 2023**

**Submission to the  
Essential Services Commission**

**In relation**

**To**

**Goulburn Murray Water Pricing Submission  
2024-2028**

**Focus: Unregulated Domestic & Stock Water Users**

**Essential Services Commission,**

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**Melbourne Victoria 3000**

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**Submission Contact: On behalf of submission signatories and all Unregulated Domestic & Stock Water Users within the GMW region.**

**Rod Hall**

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## Customer Surveys and Have Your Say at GMW

GMW have been proactive in advertising customer opportunities to provide input and feedback on their current pricing (and for pricing 2024-2028 periods). Mainly from survey links and Have Your Say on the GMW website.

Within this framework GMW have promoted:



Dear valued customer,

Goulburn-Murray Water (GMW) is conducting research to better understand its customers' views on its performance, and identify areas for improvement and priorities for the future.

The survey will consist of a few short questions relating to:

- value for money for services received
- GMW's reputation in the community
- trust in GMW, and
- overall satisfaction with GMW as a provider.

The results will be used to inform and drive changes to GMW services, communications, consultation, engagement and identify further improvements to our service delivery.

To support GMW with this project and to provide you with reassurance of the anonymity of your responses, GMW has engaged **Newfocus**, an independent national market and social research agency, to administer this survey on its behalf. All research is conducted within the Australian Privacy Principles and is completely confidential.

**The survey should take about 3-5 minutes to complete.**

To access the survey, simply following the link below:

<https://surveys.newfocus.com.au/?ID=20>

**Still**

**have**

**questions?**

If you have any questions regarding the authenticity of this research please contact GMW via email at [communications@gmwater.com.au](mailto:communications@gmwater.com.au) or call 1800 013 357.

If you have any questions about this research or any technical matters related to the survey newfocus at [admin@newfocus.com.au](mailto:admin@newfocus.com.au).

Yours

sincerely,

Kurt

Smith

Research Manager



Despite all this, and opportunities to input via “YourSay@GMW” Complaints portal and other:

**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.*

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.<sup>1</sup>



Survey progression 56% - Page 9

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All Items must be rated

Using a scale where 1 = Poor up to 10 = Excellent, please rate Goulburn-Murray Water on...

	1 - Poor	2	3	4	5	6	7	8	9	10 - Excellent	Don't know / can't say
Delivering value for money for the services you receive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Goulburn-Murray Water's reputation in the community	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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<sup>1</sup> Our Ref: A4728097  
28 September 2023

Goulburn-Murray Water worked with its customers to develop six outcomes, with targets to track its performance. Goulburn-Murray Water's outcome commitments to its customers are:

- Promise 1: Reliable supply
- Promise 2: Credible business
- Promise 3: Fair pricing
- Promise 4: Efficient operations
- Promise 5: Responsive services
- Promise 6: Socially responsible<sup>2</sup>

Promise 3 for Unregulated Domestic and Stock customers cannot be realized as they receive “no service” for the pricing charged.

An Example of a customer complaint sent to GMW is below— yet no data on the many known Unregulated Domestic & Stock complaints forwarded to GMW nor any positive action on these complaints has been received.

Despite written request to make public the complaint information, GMW have been more than dismissive of such a request.

Promise 1. 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.

UD&S users provide their own pipe and all maintenance, all for only getting a dribble of dirty water out the end for much of the year. This is water needed for firefighting, to keep a small green area as a fire break, to wash clothes and flush the toilet with, it's not drinking water yet many rely on it for such.

GMW have presented a pricing submission to the ESC incorporating Unregulated Domestic & Stock users, that is far from any resemblance to reality, and does not justify inflicting unreasonable charges on to these very users.

Added to the GMW costs for UD&S users through Service Point and Access Fee charges are:

The transfer of water entitlement application downstream from the situation to GMW - \$1975.00

The purchase/water trade of a 2mglitre entitlement from an existing water holder or water broker, -currently \$1500plus/megalitre - \$3000.00 total

The purchase from GMW of a 15 year Take & Use license and Works License to take and use water \$700. Also, the annual service/access fees etc. proposed at \$400 appx./year

The cost of all infrastructure – piping, fittings, trenching, storage tanks and pumps as required.

All appx \$10,000-15,000 to install.

Yet GMW refuse to recognize in their 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.

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<sup>2</sup> Snapshot of Goulburn-Murray Water's price submission provided by ESC

Access and Service fees have no relationship to UD&S water situations on an unregulated domestic and stock entitlement.

**The following elements of this submission to ESC will strive to clearly and substantially demonstrate this very fact.**

**Consequently, we seek the ESC 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.**

September 19, 2023

Hello G-MW people.

**Re: Account Problems. Protest of Account - \*\*\*\*\* and question about fees.**

I just paid my annual account for the next period.

I need it noted that I am protesting about the fees for  
**Service point** – no service provided for my “Service Point”, and  
**Access fee** – not applicable.

1. Could you please explain in an understandable way why these fees are being charged and what services are being provided to customers on unserved properties?
2. I also ask you to please explain the ever-increasing **Water Register Entitlement Fee**? It seems odd that this fee recently introduced is being charged for a license holder with a 15-year term with no changes or trading in the 15-year period. I know your answer is that DEECA charge you and that you are just passing it on. But surely as our representative to DEECA you could pursue having this annual record keep charge to become more realistic.
3. Could you also explain why the **Customer Fee** is so high please? Surely low maintenance customers such as Unregulated Domestic and Stock Diversions do not deserve such a high fee. We never ring up and complain of no water, we don't trade and \$130 to send out an account once a year is extremely high.

Our account has grown so much over the last several years to the point where we are paying \$430 per year and endured increases far and above CPI and yet no services or input to our water supply by G-MW have been provided in that time.

Thankyou,  
(name withheld)

**Complaints:** No GMW data has been provided in this round of the pricing submission.  
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.

HOW: please email directly NOW [ComplaintsMgtSys@gmwater.com.au](mailto:ComplaintsMgtSys@gmwater.com.au), or use the GMW complaint system [MyGMW portal](#), opens in a new window

Phone - call us on free call [1800 013 357](tel:1800013357)

Mail: Write to us and/or complete our web-based complaints form and post to:  
Customer Service Centre  
Goulburn-Murray Water  
PO Box 165  
Tatura VIC 3616

### GMW Pricing Submission 2024 -2028

- Executive Summary: *"We have delivered a prudent and efficient price submission that provides the best value for customers."*<sup>3</sup>  
*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...*

*Through engagement with customers, six outcomes were revised and a new outcome developed that our customers will receive during Regulatory Period 6 (2024-28).*

*They are:*

- *Reliable Supply*
- *Credible Business*
- *Fair Pricing*
- *Efficient Operations*
- *Responsive Services*
- *Socially Responsible (NEW)*

*Some customers may see higher typical bill increases in diversions, pumped irrigation and water supply districts to recover the higher costs of Service Point fees and to undertake essential maintenance ensuring service needs are met. A summary of the impact of this price submission on average customers' bills is attached as Appendix 1.*

#### ESC GUIDING QUESTION

To what extent has GMW demonstrated a robust process for identifying risk, and how it has decided who should bear these risks? That is, customers are not paying more than they need to.

In all of the above, GMW have not established that Unregulated Domestic & Stock customers (within Diversions category) are not paying too much. In fact, *"fair pricing"* has been ignored for this customer group, *"the best value"* is not received, Service Point fees are being charged when this customer group does not receive service for the

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<sup>3</sup> GMW Executive Summary – Pricing Submission 2024-2028

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

This process of charging fees for Service points not serviced, is far from “fair” or “best value” for customers. It certainly does not reflect what UD&S customers value let alone their needs.

Deeming has not been revealed as the support structure for the single pricing model of GMW in their pricing submission to ESC. Such a structure is far from “fit for purpose”<sup>4</sup> as it only supports cross subsidizing of other classes of customer and provides no “best value” or fairness to those water users relying on unregulated domestic and stock licenses.

To substantiate a pricing submission to ESC on a point of “fairness and “value for money” for the unregulated domestic and stock water user is unconscionable. More so when the 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.” Deeming charges for Service Points remains “unfair” for the class of user and contradicts the promotion by GMW of Outcome 3.

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. They are at the whim of the seasons and may at many times have no water to access. Deer wallows, wombats, fallen trees, mud, broken or squashed piping all foul or compromise the same supply. As such, “Fair Pricing” as a GMW objective is not achieved in the current pricing submission nor does the pricing “fairly reflect the true use of services”<sup>5</sup> as once again there is no service provision for Service Points yet fees remain imposed on same.



The above also reveals the stark reality that GMW outcome 6 – Socially Responsible cannot be achieved for UD&S - **What this outcome means for customers:**

- We will ensure we can provide secure, reliable and fit-for-purpose water supply.<sup>6</sup>

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.

<sup>4</sup> DG Consulting Report on pricing and costs for GMW 2023

<sup>5</sup> Figure 4: GMW's Proposed Outcomes

<sup>6</sup> Pricing Submission page 44



It becomes just one other promotion like “customer value”, that makes glossy the GMW pricing submission, but is far removed from the realities once investigated.

## Managing uncertainty

*We have followed the ESC Guidance Paper and developed a forecast reflecting prudent and efficient expenditure for Regulatory Period 6.*

*We have progressed business transformation and maintained focus to deliver financial sustainably. We continue to look for efficiencies to reduce our ongoing costs of running the business, seeking to put forward our best offer for customers and have avoided overly conservative cost estimates.<sup>7</sup>*

The proposed pricing for Service Points for UD&S is NOT a “best offer” to our customer type. Despite demonstrating that there is no service received on Service Points, GMW have maintained a “will not move” stance on the fees charged for no service received.

## GMW promote a Service Point as: Service Points

**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.<sup>8</sup>*

*“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.”<sup>9</sup>*

This repeated literature definition from GMW does not fit Unregulated Domestic & Stock users placed in the Diversions class.

If the definition is not “a fit” for the UD&S user, then 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.

The Service Point charge is again then applied as a deemed amount to support GMW’s own single pricing model. In short, it is all too hard to separate the UD&S users out of diversions despite their own principles of “fairness”, “best offer for customers”, and providing “fit for purpose water supply”. The latter being non potable when the licensee accesses the groundwater source be it a spring, soak, or unregulated flow.

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 are not supported in the GMW resource model runs for UD&S users.

In fact, in such scenarios 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.

**A GMW Service Point charge in these conditions and for the many reasons already developed, cannot be substantiated by GMW in their Pricing submission to ESC. In fact, MUST be removed.**

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<sup>7</sup> GMW pricing submission page 57 Underline our emphasis.

<sup>8</sup> *Review of GMW customer fees and service point fees. A summary of findings by Aither and DG Consulting June 2023*

<sup>9</sup> GMW price submission page 72

GMW have scant record and have shown no understanding of the many location types, challenges and Crown Land forested locations that Unregulated Domestic & Stock users source their water for living.

Site visits by GMW staff have in the majority of license holders never occurred, with some holding licenses for 20 years plus. If they have, they are not annual visits, the core of the definition or justification of an annual Service Point charge.

This reason, 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 from billing for UD&S water users holding a take and use water license.

## *Diversions Services*

*Diversion customers include those who pump water directly from regulated and unregulated rivers, streams and creeks, and groundwater. There are no variable charges for diversions customers.*

*A steady state assumption for the number of diversion service points has been made for Regulatory Period 6<sup>10</sup>.*

Again, with UD&S customers included in Diversions and little GMW knowledge of the water take situation at the license 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.

*“The tariff and prices for unregulated diversions have been reviewed in response to requests from a small group of customers and in accordance with ESC Guidance Paper.*

*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.<sup>11</sup>*

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. It has not provided any opportunity in surveys or “your say” online for UD&S, as all questions related to the metered or commercial/irrigation diverter.

The above statement from GMW to support their retention of a single pricing model and not separate UD&S users for the Diversions class is an untruth. The “small” group of water users referred to was and is represented by a team of 5-10 UD&S license holders. The representation covers 300 plus license holders in the region. This has also spread to the regions of Corryong, Tallangatta, Benalla, to name a few. However all up there are 3000 plus licensed Unregulated Domestic & Stock Water users. Far from a small group whose opinions and pricing concerns have been non represented in survey. Certainly not reflective of no change in pricing.

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.

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<sup>10</sup> GMW price submission page 74

<sup>11</sup> Prices Tariff Structures – page 78 – pricing submission

Further, to suggest “no change” because “they remain aligned with ESC pricing principles” is alarming, particularly when the above all demonstrate that the principles of “fair” deeming, and assumption are all being used to justify a charge for no service received.

To then further support a GMW no change in pricing because a “wider diversions customer base,” read into as irrigators and commercial users, did not support such a change is a weak and glossed over reasoning for not having been proactive on addressing the real principles that support the no charge for services not received by UD&S license holders.

This approach does not meet the undertaking of engagement in a way that gives UD&S customers a strong voice or helps to overcome power imbalances when Water Services Committees are represented by Commercial or Irrigation diverters and again to use GMW’s own words, “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.”<sup>12</sup>

Further, in this instance 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 2mgl 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 UD&S users, let alone the principle of equity for these users. In short if you are not receiving a service at your Service Point why are you being charged an annual fee unless it is to prop up or cross subsidize the commercial and Irrigation user and their related charges.

GMW have now made significant movement to charge users for metered Service Points as they have them replaced to meet metering standards. A 5 million dollar saving over the period of transition. Yet this expenditure saving has not been considered for allocation to UD&S fees to minimize or remove them for Service Points despite encouraging GMW to do so.

The following from DG consulting and included in the GMW pricing to ESC warrants significant discussion.<sup>13</sup>

## UNREGULATED DIVERSION SERVICE

### Customer Fee and Service Point fees

**CURRENT STATE:** Following extensive customer engagement, on 1 July 2014 GMW commenced implementation of significant reforms to tariffs for regulated and unregulated surface water and groundwater diversion customers. The main impact of the changes was a re-distribution between small and larger users to better reflect the costs of service provision. Initially, a four-year transition was proposed by us and approved by the ESC. This was later extended to six years and completed in 2019/20.

During development of Price Submission 2020, the ESC received representation from a small group of unregulated diverters. In response, the ESC appointed auditors to review our proposal, which was then approved.

Since then, the same customers have requested we review the terms of their licences. We did so with the result being an extension from five years to 15 years, resulting in savings of approximately \$1400 per customer over the 15-year period. As part of that process, we undertook a review their tariffs as part of this price submission. The customers subsequently and separately approached the ESC, and the ESC responded by including requirements in its Guidance Paper as discussed above.

<sup>12</sup> Prices Tariff Structures – page 78 – pricing submission

<sup>13</sup> Page 85 GMW pricing submission to ESC 2024 - 2028

We appointed external consultants to bring independence to the process. The review found that our tariffs and pricing method for service point fees is currently fit-for-purpose, however it is noted that the process does rely on a range of assumptions to derive each process. It was suggested that fees should be separated out and separately priced (for diversion and irrigation district customers), though noted that separately priced doesn't mean different prices. Separate fees for diversions and irrigation district customer groups would allow for flexibility of cost drivers for each group change in future.

The review heard suggestions that diversions domestic and stock (D&S) customers should be treated differently to diversions unmetered irrigation customers in relation to Service Point fees, however it was determined that separating D&S from unmetered irrigation in diversions is not considered to have any intrinsic merit.

The review also found that the underlying costs and assumptions associated with determining the Customer Fee are considered reasonable and aligned to the fee being levied.

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**PROPOSAL:** No change proposed.

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**PRICING PRINCIPLES:** This tariff is consistent with pricing principles of sustainable revenue and customer focus. The current tariff and service offering ensures an economically sustainable revenue stream over Regulatory Period 6 and takes into consideration customer preferences and needs in relation to service standards and services levels, price path stability and the costs of implementing the tariff offering, including administration costs.

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**CUSTOMER IMPACT:** A small number of customers predominantly from the Upper Ovens and nearby streams will be dissatisfied with the no change proposal but there is no foreseen impact on other customers.

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**CUSTOMER ENGAGEMENT:** We have engaged extensively with Upper Ovens customers and with Water Services Committees. Little feedback has been received from the wider diversions customer base.

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GMW's use of a consultant report to help support and retain a fee structure that has been demonstrated to be unreasonable but retained on the basis of a revenue stream that provides funds for no identifiable service to the UD&S, nor substantiated costs for such a ghost service, is unconscionable.

Supporting the separation of UD&S users from Unregulated Irrigators in the Diversions Class will reveal the true profile of the 3000 plus UD&S users and provide a balance for the 2mglitre allowance on license holders that is "not" to be used for irrigation/commercial purposes.

There mere definition from GMW for what is a Service Point Fee?<sup>14</sup> *"Covers the cost of managing compliance against water entitlements, monitoring, measuring use and where installed, maintaining meters and related infrastructure"* Is not a fit for purpose definition for UD&S water users.

UD&S users are not relevant in this regard and costs are not justified for the user by the very nature of their water source and own infrastructure. A pricing for same is "unreasonable"

This becomes more evident when GMW cannot, have not or will not, reveal or determine the individual cost to a UD&S user for Access and a Service Point. Instead claims of no impact on 3000 plus UD&S customers are made to justify the status quo. There is no service offering to these users.

In fact, we maintain that other than an administrative cost for license, record keeping and water register etc. that 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

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<sup>14</sup> Report Summary - Review of GMW customer Fees and Service Point Fees -GMW 2023

is to incorporate “*monitoring and compliance.*” It cannot pass any reasonable test for “fair pricing” or provision of a service. Achievement of GMW Outcome 3 fails.

We submit that GMW has not demonstrated the costs associated with these fees in a transparent and credible manner and ESC is encouraged to forensically examine how such fees are considered justifiable or reasonable. 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 structures as considered having no “*intrinsic value*” is baseless for the customer who are overcharged for a defined service they are not receiving.

In short: UD&S customers provide no cost to GMW for such fees.

UD&S users are placed in the Diversions class where Irrigators and commercial users have relevance for the defined fees.

Ongoing Access and Service Point charges to small Unregulated Domestic & Stock water users is and continues to significantly cross subsidize the GMW pricing model that includes and services commercial and irrigation users. Also to obviously maintain a revenue stream for GMW at the “cost” of customer value.

Unregulated Domestic and Stock water users should be classed as a separate customer type in order to create a “*fair*” pricing. This indeed is a deontological ethic that GMW must embrace and considered a “*value on its own*” to those customers currently affected by the “*unfair*” pricing model in place.

*“PREMO includes incentives for each water business to put forward its best offer to customers and deliver the outcomes its customers value most.”*<sup>15</sup> Given the above, the 3000 or more small UD&S customers have not received a “*best offer*” in fact no offer at all (other than a 2% GMW saving passed on in fees). – 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 class*<sup>16</sup>

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 establishment of a single pricing model does not “*fit*” for UD&S who are charged an annual Service Fee for no direct services. In short UD&S do not “*receive the same service*” as Diverters within the pricing model 2024-2028 proposed by GMW.

In Attachment A -*Additional Service Point Fee Cost Information to ESC April 24 2020*<sup>17</sup> it was revealed GMW maintain 3,872 Diversions Domestic & Stock service points with purported

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<sup>15</sup> Water Price Review ESC

<sup>16</sup> ESC Guidance to GMW 3.19.2

<sup>17</sup> Charmaine Quick Managing Director GMW to Marcus Crudden Director, ESC Pricing & Regulation April 24 2020

Service Point visits of once per year (based on the Service Point definition and to achieve monitoring and compliance) as a charge within the costing. The following alarming reality has gone through to the keeper with ESC in approving fees. Likewise, it is raised here because the proposed fees are near the same for 2024-2028 which includes an annual inspection fee.

Again, how can ESC approve such a scheme that cannot be justified on the basis that GMW with 3,872 UD&S (assumed individual) Service Points would have to undertake appx. 74 property visits per week for 52 weeks of the year under the annual inspection service fee charging per customer? With so many known properties never having received any visitation of “*monitoring and compliance*” let alone all infrastructure provided by the owner, ESC must support the removal of this unreasonable and unattainable reality of Service Point charging in the pricing submission for Unregulated Domestic & Stock license holders.

The same misleading statement to ESC for Unregulated Domestic & Stock service points 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 (labour and vehicles) are higher for diversion service points*”<sup>18</sup>

If an efficient cost of providing relevant services is the justification for a Service Point Fee to all users in the Diversions tariff class, then this promotes deeming or continued and ongoing cross subsidizing from UD&S to support a pricing model that is flawed and against the very principles that are to form the building block of tariff reform.

With 3000 and more UD&S users in the Diversion Class that take and use water for their natural domestic right, ESC must ensure that these very concerns are addressed and not hidden within a single pricing model because anything else is seen as “*too hard*” or props up revenue streams used for capex concerns. ESC may well have to 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.

We submit, GMW have not or are unable for Unregulated Domestic & Stock users to “*provide data and supporting information that describes how proposed tariffs are consistent with providing signals about the efficient cost of delivering services*”<sup>53</sup> <sup>19</sup>

There is no cost information breakdown for UD&S. High impact cross subsidizing is very apparent in the charge for no service for UD&S users. In fact, there has been no attempt by GMW in this pricing submission to address or explore the ESC guideline 53 “*We require the price submission to propose prices that seek to reduce and minimize cross-subsidies*”

In fact, no one knows what the real cost is, as GMW have refused to reveal the cost-of-Service Points and the components that cost for an annual fee to UD&S water users.

With no physical visits to properties, nor any service received from GMW, it remains bewildering that GMW have not listened to customers and the overcharging associated in order to cross

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<sup>18</sup> Charmaine Quick Managing Director GMW to Marcus Crudden Director, ESC Pricing & Regulation April 24 2020

<sup>19</sup> 53 We require the price submission to propose prices that seek to reduce and minimize cross-subsidies. The extent to which this may be achieved will depend on a range of factors, including how well any adverse customer impacts may be managed. These issues will need to be explored in the price submission.... ESC Guidelines to GMW 2023

subsidize other user types or maintain their own perceived revenue streams. They have utilized funds raised from Service Point fees to provide meter funding -opex and replacement -capex. 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.

There is no cost reflectivity; Prices charged do not reflect the costs of providing the service as 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 which forms a large part of the Service Point costing, 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.

This does not achieve the GMW proposed Outcome 3 of Fair Pricing. “ we need prices that fairly reflect the true use of services and infrastructure by all water users”...<sup>20</sup> There is no value in this outcome for UD&S water users. All promoting a culture of dissatisfied customers.

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*<sup>21</sup> GMW has reinforced they are raising a revenue stream from UD&S users that is “not fit for purpose” for the user.

In short, the above issue has not been explored or supported in the GMW submission to ESC rather categorized as “fit for purpose”

Unregulated water users do not have GMW infrastructure that need services or accessing, as UD&S do everything themselves. Rosters, deeming and water restrictions all have no bearing on Unregulated small Domestic & stock customers.

GMW - How can ESC support a fee structure that purports an “Annual Inspection fee “ when such an inspection does not happen? Nor is there any accompanying data that shows how many inspections annually are completed for UD&S. As such “higher travel costs and higher labour rates over larger distances” is a furphy in the pricing for UD&S.

The costs as such are far from transparent but in fact inflated and unreasonable and do not reflect the real “non” cost for service charges claimed but no service provided under the guise of annual inspection in particular. There is no equitable outcome on this basis for UD&S who remain classed in the Diversions category of water user and no commonality of cost for the user.

How can a deeming charge be supported by ESC based on the reality of no service point inspections or assistance of any sort?

How can the category of meter validation be included as a cost for unmetered UD&S customers?

How can the non-response, or no proactive reduction or removal of charges for UD&S meet the ESC guidelines of “minimizing cross-subsidies”

For GMW to adopt and utilize a consultant comment that there is “no intrinsic value” in either separating the UD&S user within Diversions or removing or drastically reducing Service Point

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<sup>20</sup> Delivering For Our Region and Our Future – Key Elements of GMW’s proposed pricing submission 2024-28 - page 3

<sup>21</sup> Understanding your account GMW - Service Point Fees

fees is astonishing. It is viewed as purely propping up a cross – subsidy fee model that needs full and transparent exploration.

Together with a revealing of:

How many Service Point visits as defined in the designated role of annual inspection to ensure compliance etc. in the definition of Service Point costs are actually conducted on an annual basis of UD&S users.? That is those that are unmetered.

While revealing the number of complaints received by GMW, the organization has not revealed the breakdown of the said complaints. We submit that there are significant written letters and emailed and online comments made to GMW complaining about the charging of a Service Point fee for no service sent by UD&S water users.

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.

Goulburn-Murray Water has proposed degradation in customer outcomes, not justified or supported by customer feedback. This represents a “*reduction in customer value.*’ GMW has adopted “*a small group of users*” statement as insignificant in addressing the on the ground concerns of wide ranging UD&S users and the unjustified pricing purely on the basis that “*pricing principles reflect the outcomes from extensive customer engagement with the wider diversions customer base.*”<sup>22</sup> Had GMW adopted questions in their engagement specifically for UD&S and related Service fees, the 3000 plus users would have had the opportunity to express and influence pricing that reflects the non-value for money charged to the users.

As such the GMW outcomes proposed and pricing tariff, do not clearly reflect UD&S customer preferences and priorities revealed through engagement.

GMW include glowing information on the range, extent and various types and totals for customer engagement leading into the new pricing submission to ESC. However, for the UD&S user is the reality that for online surveys from GMW they did not address or consulted the specific UD&S user type – i.e. nothing on “*unregulated*” all options were for Diversions, that supported the larger scale water user that is metered and/or receives water allocations. By not having separated Unregulated Domestic and Stock there was no coherence in surveys for the user other than large diversions types. As such the data publicized is skewed and real customer responses have been omitted.

ESC must request a breakdown and evidence of customer complaints and or concerns on pricing, be they survey, email, letter or online platforms received by GMW for specifically UD&S users. This will, we submit, reflect and substantiate the true nature of user complaints and concerns and widen the understanding of the number seeking “*better customer value*” from the unreasonable pricing and no value for money charges in service point fees levied by GMW.

If not known or not revealed to ESC and no supporting evidence is available, then how can this justify the charging of a Service Point fee particularly when it is known amongst the UD&S community that they have never received the annual visit that is detailed by GMW to make a significant cost within the Service Point fee.

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<sup>22</sup> Prices Tariff Structures – page 78 – pricing submission



The angst remains amongst customers that they are being charged for a service and stated annual inspection never received, yet costed by GMW to maintain revenue streams. 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”

As such 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.*

Users receive no benefits for the fee charged for Service Points as they maintain and provide all their own infrastructure, obtain non potable water, and personally deal with intermittent water flows that in drier years can disappear. Yet a cost or charge is imposed on the user. This defies [s4C(a), WI Act]

*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]<sup>23</sup>*

In the ESC review of GMW pricing 2022 pricing submission, Aither<sup>24</sup> 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.

The non receipt of service yet still charged as an “averaged” price charge to others (e.g. meter reads, replacement etc.) including irrigators and commercial users, is not applicable to Unregulated Domestic & Stock. GMW is spreading irrigation type operating and management costs that UD&S do not create yet UD&S are cross subsidizing GMW with fees and charges for services the license holders do not receive and GMW is not able to practically deliver.

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 GMID service points was provided, adjustments were made to the costs with limited justification as to the reasoning and level of those adjustments.”<sup>25</sup>

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.”

We submit that in this round of pricing review 2024-2028, ESC must ensure that the reviewer can validate any adjustments and can confirm the accuracy of GMW’s service point costing

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<sup>23</sup> Essential Services Commission 2024 Goulburn-Murray Water price review: guidance paper – page 68

<sup>24</sup> Aither/Final Report 312020 Goulburn Murray Water Price Review

<sup>25</sup> Aither -2020 GMW Price Review of proposed tariff reform – Final Report

specifically for UD&S information when requested, while still meeting the guiding principles directed from ESC to GMW for the pricing submission.

Likewise, the corporate overhead cost allocation (assuming 21% based on the 2020 pricing submission,) remains to service points for UD&S users, it is not cost reflective because operating and maintenance activities for unmetered service points do not apply and thereby should not attract corporate overheads.

*“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.”<sup>26</sup>*

We submit in this pricing 2024-2028 GMW has failed to do so in meeting its obligations to ESC and provide value to UD&S customers. To analyze the extent to which GMW’s tariffs and charges recover the actual cost incurred in the delivery of specific services (as detailed in ESC guidance paper) we submit 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 should not be used as the platform to support averaging for irrigators and commercial users or corporate Opex. 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”<sup>27</sup>* is not promoted for the many reasons already listed, in fact they make UD&S license holders feel hard done by and financially penalized and unfairly charged for service they will never obtain at their groundwater source.

One weakness of GMW’s submission to ESC is that service point labour (and travel) costs are allocated (averaged) across all districts and users of the same user class- namely Diversions. The cost is incurred from a district user-based activity and not a centralized business wide activity. By averaging a districts costs based on user type, implies reliable data does not exist that would enable the identification of how costs are incurred in the relevant district and user type profile.

Thereby it remains that UD&S users continue to pay for a service that has no value to them as it in fact is nonexistent, or never received annually to their class of user type. The single pricing model as such remains flawed and cannot meet the principles or outcomes that GMW in fact promotes. Nor can it pass the expected rigor of the ESC review on a number of fronts.

GMW has not in this pricing review for UD&S adopted the opportunity to introduce a rebalancing or reduction or removal of pricing charges. Despite a 12m dollar declared saving from 2020 -2024 period and knowing funds would be available to rebalance in other areas.

Alarmingly, UD&S fees have risen by over 80% since 2013 and yet GMW costs have only increased by around 17% and revenue risen by 5% for a similar period. 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. GMW’s only role in the case of UD&S users is to ensure we have a license and location of take and use and don’t use water commercially.

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<sup>26</sup> ESC review of GMW Prices Tariff -Final- Jan 2016

<sup>27</sup> ESC Act 2001

These require visitation that does not occur after licensing and certainly annual charges for a service point that is to include (non undertaken) annual monitoring, charged out as labour and travel cost, do not reflect this minimal role.

The single pricing model proposed in the GMW pricing submission to ESC 2024-28 is irrelevant for UD&S users as it does significantly cross subsidize large diverter users and provides for corporate capital cost that the UD&S receives no benefit from. The published definitions of Access and Service Fees are irrelevant for UD&S users as they do not “fit” this type of user.

We encourage ESC to fully and carefully analyze the GMW pricing submission and break down the components to determine the real nature of just how Unregulated Domestic & Stock Water users have been represented in relation to fees and charges. The charging of fees “for no service” and just how the principal outcome of “Fair Pricing”<sup>28</sup> cannot be attained under the current GMW Pricing submission for Unregulated Domestic & Stock water users when benchmarked against the non-provision of any service level for Service Points.

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 and ....D&S service points are similar across all user groups”<sup>29</sup> 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.

To emphasize once again, Aither as the appointed reviewer of GMW pricing 2022 submission by the ESC declared they “could not determine or separate the ambiguity of the GMW single pricing model and impacts on Unregulated Domestic & Stock users as it was a single pricing and “costs” were averages across all user types.”<sup>30</sup> Importantly this meant that Aither could not meet its objective or brief to report or recommend to ESC on tariffs for Unregulated Domestic & Stock users or that the tariffs were justified.

We submit that on the basis of no service to the access points, maintenance or works by GMW, they remain in the domain of the license holder by the very nature of their location (usually forested crown land) and the access and service point fees are non-justified.

The fees are a reflection of GMW spreading irrigation type operating and management costs of regions that Unregulated Domestic and Stock license holders do not create. As such these users are not only significantly cross subsidizing GMW with the fees charged but they are dumping their overheads and management cost onto Unregulated Domestic& Stock users for services the holders do not and will not receive.

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<sup>28</sup> “We need prices that fairly reflect the true use of services and infrastructure by all water users... Outcomes GMW 2024-2028 Pricing Submission

<sup>29</sup> Page 101 of 138 – Document Number A3692405

<sup>30</sup> Aither Final Report 312020 Goulburn Murray Water Price Review:Tariff Reform the cost information to account for various factors.....”As with the adjustments to the 15 year cost profile, these adjustments were generally hardcoded within the spreadsheet with only limited justification for the level of the adjustments. We note that following the adjustments made by GMW, the overall cost for each of the equivalent service points across each service is the same. Considering the lack of evidence to justify the level of adjustments that were made to the costs, this raises concerns as to the robustness of these adjustments”

In Table 23 – Aither Report as previously cited- it detailed that *GMW did not provide separate cost estimates for surface water and ground water diversions service points. In addition to the issues we have raised in Section 5.5. 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 2024-2028 GMW has once again provided no information that can enable one to assess the underlying costs for Service Point Fees. No justification or reasoning has been shown. Importantly the Service Point fees is promoted/defined by GMW as including an annual inspection test for monitoring and compliance.... ESC must request data that shows:

Validation of the number of Service points for UD&S within the Diversions class of user.

How many said Service Point annual inspections were conducted for UD&S situations.

What is the total cost of these declared (real) inspections based on labour rates and travel distances.

21% Corporate overheads have been applied to the service point fees for Unregulated Domestic & Stock users, GMW to quantify how is this reasonable when in fact no service points receive any support for infrastructure and are located within unregulated flow locations including springs, soaks and runoff.

To not have or request such information, or for GMW to be not able to provide it, means that 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 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.

We submit that there is no transparent or apparent customer value given to the group identified as Unregulated Domestic & Stock water users under the Premo incentives. As such ESC should investigate why GMW will not treat Unregulated Domestic & Stock Water Users as a separate user class to Unregulated Irrigators and commercial users within the Diverters class. A un quantified statement of *“no intrinsic value”* from GMW remains of significant concern for an organization that is averaging service costs across user types who receive nothing for the cost levied and thereby supporting revenue streams with no shown justification for doing so.

By ESC 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”*.

We submit GMW has not shown separately how Unregulated Domestic & Stock users are treated or cost justified in the pricing submission. There is no shown improvement in customer value (other than the 2% treatment gained from removing the pay earlier discount to customers) and as such does not reflect the customer engagement feedback from the user type and their placing pricing as a number one issue.

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 fees that cannot ensure a regular or reliable water supply or its quality for household purposes.

The opportunity to fully review, address and rectify the above imbalances for Unregulated Domestic & Stock users with GMW’s single pricing model and assumptive pricing approaches as submitted to ESC, is supported and substantiated by all the above matters and descriptions as outlined.

The GMW price submission and pricing approach adopted does not clearly and succinctly identify and explain how its proposal provides demonstrated value for money for the thousands of Unregulated Domestic & Stock water user customers and it has not reflected but negatively impinged on what customers in this user class value most.

Thank you for the opportunity to provide and respond to our submission to ESC concerning the GMW Pricing Submission 2024 -2028.

Yours sincerely

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Signatories and locations can be published.