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Overview

Our water plan outlines our proposed prices, investment and service standards for the 2013–18 period. It is developed in consultation with our customers and the broader community, but will be subject to independent review and approval by the Essential Services Commission (ESC).

The ESC’s primary role as the independent regulator is to promote the long term interests of Victorian consumers by regulating the prices and service standards we deliver.

South East Water is seeking feedback on our draft water plan, prior to a final submission to the ESC in September 2012. After the ESC receives our final water plan it will undertake a formal review process, in which it will assess whether our proposed service levels and price outcomes are appropriate. Based on this assessment it will release a draft decision in early 2013 and, after further consultation, will publish its final decision for the 2013–18 period, in May 2013.

In developing the draft water plan, we have focused on minimising the costs we can directly control, maintaining high levels of service and performance, and balancing the impact any increases will have on our customers.

In the 2013–18 period, we are proposing a one-off price increase of 21.7 per cent in 2013 with no increases scheduled in the following four years (excluding inflation).

This increase is largely driven by the outstanding fixed costs associated with the Victorian desalination project, a correction for low water demands and an increase in the Environmental Contribution paid to Government. Each of these factors and the impacts our operating and capital expenditure are discussed in more detail in section 9.

Minimising South East Water’s costs while striving to maintain performance

Our leadership in operational performance, cost efficiency and customer service compared to other similar sized Australian water utilities has been highlighted by a number of benchmarking reports, namely one by the National Water Commission. South East Water is rated as a leader among the metropolitan water utilities, specifically in customer responsiveness, water and sewer service network reliability and drinking water quality.

We are committing to maintaining these high levels of performance in the 2013–18 period. This is because our research has shown our customers are not seeking higher levels of performance. Conversely, there would need to be dramatic reductions in our performance to customers before there would be any meaningful reduction in prices.

Minimising our operating costs has been a specific focus for us recently – we are on track to reduce our controllable operating costs by approximately 4 per cent from 2010 to 2012. Our focus on minimising our costs means that our controllable operating costs only contribute 0.4 per cent to the price increase. Our controllable costs are critical to our performance as they allow us to operate and maintain 18,000 kilometres of pipelines and pump stations, our local sewage treatment plants and support our customers.

While our capital expenditure is vital to our ability to maintain our high levels of service and cater for the growth of our network, it only comprises a small percentage (2.3 per cent) of the price increase. Our capital investments include:

> proactively upgrading approximately 54 kilometres per annum of aging critical water and sewerage infrastructure to reduce risks of major service disruptions
> upgrades to our sewerage treatment plants to ensure we meet the demands of the growing population and continue to protect the environment
> the connection of approximately 6,500 customers with failing septic tanks to the sewerage network, resulting in significant benefits for public health and the environment
> providing additional water and sewer capacity and system extensions in order to service new developments in our growth corridors and inner city in-fill areas
> expanding our water recycling schemes as part of the long term plan for sustainable management of our water supplies.
Our customers
We understand that no one wants prices to increase and we are working hard to minimise the impacts of any increases across customer groups and ensure impacts are balanced as evenly as possible.

We are always listening to our customers’ feedback and welcome their input on a range of potential changes that we believe will balance the impacts, including:

- simplifying our drinking water pricing structure from three tiers to two, which will be more equitable to large families while still providing customers with an incentive to be water efficient
- introducing water and sewerage service charges for all customers who receive the benefit of those services. Currently, approximately 3 per cent of our customers do not pay a service charge, which is effectively subsidised by the rest of the customer base
- moving from a volume-based trade waste charge to a risk-based one which will reflect the actual costs we are charged by Melbourne Water
- passing on the merchant fee to customers who pay their bill by credit card.

It is important to note that these changes will not increase our revenue. Instead, they will simply ensure all customers pay for the services they receive and one customer group is not subsidising another.

In order to support customers who are in financial difficulty, we will continue to offer our South East Water Assist program, which provides a range of services to support customers experiencing financial difficulties.
Section 1
South East Water

South East Water is one of three Government owned retail water companies in Melbourne. We provide water, sewerage and recycled water services to meet the needs of 1.5 million people living and working in Melbourne’s south east — from Port Melbourne to Portsea and from Parkdale to some 30 kilometres east of Pakenham (refer Figure 1).

We purchase approximately 340 million litres per day of high quality drinking water from the wholesaler, Melbourne Water, and distribute the water to our customers through a secure, closed network which includes 8,831 kilometres of pipelines and storages. We also collect the sewage and trade waste from our customers’ homes and businesses through another 8,438 kilometres of sewer pipes, transferring the majority of the wastewater to Melbourne Water’s Eastern Treatment Plant. The remainder is treated at one of our eight regional water recycling plants. As part of sustainable management of Melbourne’s water supplies, we also supply over six million litres of recycled water each year, as well as providing support to our customers so they can have flexibility in use, without wasting water.

Figure 1 – South East Water’s service area
1.1 Strategic direction

At South East Water, our vision is Healthy Water for Life. Our fundamental purpose (mission) is to deliver water and sewerage services that our customers value.

These vision and mission statements were introduced in early 2012 as part of a new strategic framework that emphasises value, efficiency and innovation. It encompasses four strategic focus areas – assets, customers, employees and sustainability – the goals of which are outlined below.

**Assets**
Manage our assets to meet customer needs, optimise long term value, and protect the environment, our community and our people.

**Employees**
Develop a safe and high performing culture and provide the tools, processes and programs to ensure our people reach their full potential.

**Customers**
Ensure we deliver the best customer experience, efficiently.

**Sustainability**
Drive industry leading customer value for money through efficient service delivery and increase community liveability and environmental benefits from these services.
Section 2
The draft water plan

The purpose of this draft water plan is to inform our customers and stakeholders of the proposed levels of service we will deliver over the next five years and the prices required to deliver them. We are also seeking feedback on a number of aspects proposed in this draft which will be used to inform our final water plan.

In September 2012, our final water plan will be provided to the Essential Services Commission (ESC) for consideration and made available to the public. The ESC’s primary role as the independent regulator is to promote the long term interests of Victorian consumers by regulating the prices and service standards we deliver. As described in the Overview section, the ESC will release its final decision in May 2013.

In this document, we have described in more detail:

> the high levels of service we will deliver to customers
> operating costs of running our water and sewerage network and treatment plants
> programs to maintain our water and sewerage networks and cater for expected customer growth
> charges we expect to receive from Melbourne Water, which are expected to increase largely due to additional Victorian Desalination Plant fixed costs
> expectations for future customer water usage
> proposed changes to our charges that will balance the impact of increases between our customer groups, including for residential water and recycled water usage charges, sewage disposal charges and trade waste charges
> prices for water and sewerage services.

All prices in this document are expressed in ‘1 January 2013’ dollars. This means that the effect of inflation is excluded from prices, making them easier to compare over the five year period.

Other helpful documents are available at www.southeastwater.com.au/waterplan or by calling 131 694.

They are:

> background information fact sheet – a summary of what our water plan is, the process of developing it and how prices are set
> information for residential customers – a summary of the proposed changes that will impact residential customers
> information for non-residential customers – a summary of the proposed changes that will impact non-residential customers
> information for recycled water customers – a summary of the proposed changes that will impact recycled water residential customers.

2.1 We want your feedback

We are seeking your feedback on the whole draft water plan but we would also like feedback on a number of specific aspects, which are outlined below:

> The proposed set of service standard targets for 2013–18 – section 3
> The proposed set of additional service standards for 2013–18 – section 3
> The potential introduction of a credit card fee surcharge for credit card payments – section 4
> The proposed approach to water efficiency in the 2013–18 period – section 4
> The proposed approach to calculating new customer contributions – section 7
> Whether the ‘brought forward charges’ should be based on the exact number of years a development is ahead of South East Water’s construction plans – section 7
> The proposed review of the standard backlog charge – section 7
> Our proposal to calculate and charge early connection fees for backlog customers where early connection is available – section 7
> Our proposal to move to a two tiered pricing model for the residential water volumetric charge – section 8
> Our proposal to charge all dwellings service charges and to phase this in over a four year period
> On the proposed simplification of the residential sewage disposal charge – section 8
> The preferred approach to the residential recycled water usage charge – section 8
> Moving the annual trade waste charges from volume based to risk rank based – section 8
> Whether it is preferable that trade waste customers who generate waste containing inorganic total dissolved solids (inorganic TDS) bear the costs of this directly. If so, is a charge of up to five cents per kilogram sufficient enough to encourage a change in behaviour? – section 8
> Removing the sulphur charge for the 2013–18 period – section 8
> The proposed changes to fire service charges for the 2013–18 period – section 8
> Our proposed approach to adjust water and sewerage prices to better reflect the actual costs of each product – section 9.

In order for us to incorporate your feedback into our final water plan for submission to the ESC at the end of September, we would appreciate your written responses by 20 July 2012.
Section 3
Serving our customers

At South East Water, we work hard to provide our customers and community with high service levels. We strive to be the service provider that our customers value and to deliver the best customer experience, efficiently.

We measure this level of service through a number of service standards that are focussed on minimising the duration and frequency of water supply interruptions, minimising sewage blockages and sewage spills, and maintaining our high standards of customer service including the responsiveness of our customer contact centres.

In the 2009–13 period to date, we have exceeded the majority of our ESC approved customer service targets, and benchmarking shows we are amongst the best performing of the water utilities in Australia, specifically in areas of customer responsiveness, water and sewer service network reliability and drinking water quality.

3.1 Research and engagement

We are committed to seeking and receiving feedback from our customers and the community about our draft water plan. We will take this feedback into account when we deliver our final water plan to the ESC in September.

In developing this draft plan, we have consulted with our customers at various stages throughout the process to date, including discussions with our Customer Advisory Committee and Recycled Water Customer Committees, customer representative groups and individual customers.

The engagement process has specifically related to the key elements that impact customers, including our proposed tariff structure changes and service levels, the accelerated backlog program and water resource planning. We will continue to engage with customer groups and customers more broadly to seek feedback on the proposals in this draft water plan.

As part of understanding customer preferences for the 2013–18 pricing period, we also undertook an extensive program of market research (including focus groups, willingness to pay surveys and choice modelling). The survey, involving 400 residential and 86 non-residential South East Water customers, tested their willingness to pay for investment to:

> increase the treatment and reuse of wastewater
> increase the treatment and reuse of stormwater
> reduce greenhouse gas emissions
> reduce frequency of water supply interruptions
> reduce duration of water supply interruptions
> reduce frequency of sewage spillages
> expand water efficiency programs and education services.

The results highlighted that:

> overall, customers showed an average level of willingness to pay of 50 per cent for each initiative. This indicates that – in simple terms – as many customers are willing to pay as are not willing to pay for the majority of the initiatives
> those customers who indicated a higher willingness to pay across all initiatives (55 per cent), showed a stronger preference for increasing the treatment and reuse of recycled water and stormwater
> customers are willing to pay for the continuation of recycled water programs and support further investigation into alternative water supply options.

Based on these results, South East Water has concluded that there is not a significant willingness to pay for increased service levels, such as reduced duration and frequency of water and sewerage interruptions.

Some customers indicated a preference for reducing service levels to gain significant bill reductions, however significant reductions in performance are required to achieve small reduction in prices.

We have also undertaken research about water efficiency which is discussed in more detail in section 4.1.3.

3.2 Core service standards

The ESC has proposed default core service standards for South East Water, with targets based on our performance over the last five years. However, it is recognised that this may not be appropriate in all instances and adjustments to targets may need to be made to account for changes in the operating environment.

We have therefore taken our five year historical average as the starting point for developing our core service standard targets for the 2013–18 pricing period and reviewed them taking into account:

> changes in our operating environment
> our customers’ willingness to pay for changes in service levels
> the trade-off between cost and customer service levels
> alignment with customer feedback.

We are not proposing to increase performance targets above the current performance because benchmarking demonstrates we are already one of the highest performing water companies against those targets. Our research also shows customers are not prepared to pay extra to increase performance. However, we will continue to challenge ourselves to find cost effective ways to increase performance, such as advanced monitoring of our drinking water networks.
The following table compares actual performance with the targets set in the 2009–13 price determination, and outlines South East Water’s proposed service standard targets for the 2013–18 pricing period. It also provides an explanation for those service standards where we are proposing a different target to the five year average of actual performance. These targets include:

> unplanned water supply interruptions restored within five hours (per cent)
> planned water supply interruptions restored within five hours (per cent)
> customers experiencing more than five unplanned water supply interruptions per annum (number)
> average time to attend spills and blockages
> complaints to EWOV (per 1,000 customers)
> telephone calls answered within 30 seconds (per cent).

**Table 3–1 Proposed service standard targets**

<table>
<thead>
<tr>
<th>Service standard - Core</th>
<th>2009–13 price determination</th>
<th>5 year average</th>
<th>Proposed target</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unplanned water supply interruptions restored within five hours (per cent)</td>
<td>99.6</td>
<td>99.7</td>
<td>99.4</td>
<td>Interruption times are expected to increase because of the need to meet increased safety regulations (such as working under power lines) and additional traffic management requirements. The cost to meet the five year average does not justify the small benefit customers would receive.</td>
</tr>
<tr>
<td>Unplanned water supply interruptions (per 100km)</td>
<td>31.2</td>
<td>28.3</td>
<td>28.3</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Average time to attend burst &amp; leaks (priority 1) (minutes)</td>
<td>40.0</td>
<td>36.2</td>
<td>36.0</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Average time to attend burst &amp; leaks (priority 2) (minutes)</td>
<td>120.0</td>
<td>94.7</td>
<td>95.0</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Average time to attend burst &amp; leaks (priority 3) (minutes)</td>
<td>550.0</td>
<td>277.2</td>
<td>277.0</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Planned water supply interruptions restored within five hours (per cent)</td>
<td>78.5</td>
<td>77.4</td>
<td>75.5</td>
<td>South East Water focuses on minimising the number of interruption customers face, by combining multiple jobs into one supply interruption. This means the duration of interruptions can be longer, but overall there is less customer disruption.</td>
</tr>
<tr>
<td>Average unplanned customer minutes off water supply (minutes)</td>
<td>17.6</td>
<td>16.8</td>
<td>16.8</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance</td>
</tr>
<tr>
<td>Average planned customer minutes off water supply (minutes)</td>
<td>7.7</td>
<td>6.4</td>
<td>6.4</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance</td>
</tr>
<tr>
<td>Average frequency of unplanned water supply interruptions</td>
<td>0.21</td>
<td>0.19</td>
<td>0.19</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance</td>
</tr>
<tr>
<td>Average frequency of planned water supply interruptions per customer</td>
<td>0.04</td>
<td>0.03</td>
<td>0.03</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance</td>
</tr>
</tbody>
</table>
### Table 3–1  Proposed service standard targets cont.

<table>
<thead>
<tr>
<th>Service standard - Core</th>
<th>2009–13 price determination</th>
<th>5 year average</th>
<th>Proposed target</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average duration of unplanned water supply interruptions (minutes)</td>
<td>87.8</td>
<td>86.2</td>
<td>86.2</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Average duration of planned water supply interruptions (minutes)</td>
<td>205.6</td>
<td>186.8</td>
<td>186.8</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Customers experiencing more than five unplanned water supply interruptions per annum (number)</td>
<td>209</td>
<td>127</td>
<td>150</td>
<td>This target comprises a small number of events and the annual results are highly variable. Therefore a three year average of 150 is proposed as the additional cost of meeting the five year average would be greater than the small benefit customers would receive.</td>
</tr>
<tr>
<td>Unaccounted for water (per cent)</td>
<td>9.5</td>
<td>10.6</td>
<td>10.6</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Sewer blockages (per 100km)</td>
<td>21.3</td>
<td>21.0</td>
<td>21.0</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Average time to attend spills and blockages (minutes)</td>
<td>48.3</td>
<td>47.5</td>
<td>48.0</td>
<td>Although we are currently meeting this target, we consider that the additional cost to deliver consistent with historical performance would be greater than the small benefit customers would receive. Worsening traffic congestion in high growth corridors in our service area is the key factor.</td>
</tr>
<tr>
<td>Average time taken to rectify blockages (minutes)</td>
<td>161</td>
<td>143</td>
<td>143</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Sewer spills contained within five hours (per cent)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Customers receiving more than three sewer blockages (number)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>We expect to continue delivering a high level of service consistent with our historical performance.</td>
</tr>
<tr>
<td>Complaints to EWOV (per 1,000 customers)</td>
<td>0.16</td>
<td>0.22</td>
<td>0.35</td>
<td>While South East Water’s EWOV case numbers are relatively low, compared to other utilities, they have steadily increased over the past few years, and are not expected to decrease over the 2013–18 period. However, we believe our increased focus on listening to our customers, providing the best customer experience and delivering value will help mitigate the increase in EWOV complaints.</td>
</tr>
<tr>
<td>Telephone calls answered within 30 seconds (per cent)</td>
<td>94.0</td>
<td>95.2</td>
<td>91.0</td>
<td>Our customers are seeking a variety of ways to engage with South East Water (e.g. website, email, social media), which will require a reallocation of resources. We are also focusing on first call resolution and increased call quality during the 2013–18 period.</td>
</tr>
</tbody>
</table>
### 3.3 Additional service standards

In addition to the core service standards set by the ESC, we will also be setting some additional service standards and outputs for the 2013–18 pricing period. These service standards reflect identified customer demands, and are relevant to the delivery of our key programs and obligations in 2013–18. These are outlined in the table below.

#### Table 3–2 Proposed additional services standards (2013–18)

<table>
<thead>
<tr>
<th>Service standard</th>
<th>2009–13 target</th>
<th>5 year average</th>
<th>Proposed target for 2013–18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with drinking water quality regulations (per cent)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Sewer backlog connections (number)</td>
<td>900*</td>
<td>955</td>
<td>1400</td>
</tr>
<tr>
<td>Compliance with environment discharge licence requirement (per cent)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Sewer odour complaints (per 1000 customers)</td>
<td>50</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Sewer spills (per 100 km)</td>
<td>7.5</td>
<td>6.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Account enquiries answered within 30 seconds (per cent)</td>
<td>93.0</td>
<td>94.5</td>
<td>90.0</td>
</tr>
<tr>
<td>Systems fault calls answered within 30 seconds</td>
<td>96.0</td>
<td>97.0</td>
<td>96.0</td>
</tr>
</tbody>
</table>

* 2012–13 service standard target

### 3.4 Guaranteed service levels

Guaranteed Service Level (GSL) payments are financial payments that we make to any customer who experiences service levels below defined thresholds. South East Water proposes to continue to offer our current GSL scheme as follows:

A $50 rebate will be given where a customer experiences:

- more than five unplanned water supply interruptions in any 12 month period
- more than three sewerage interruptions during any 12 month period
- an unplanned water supply interruption and we take longer than five hours to restore supply (the interruption time commences when the water supply is lost and ends when supply is fully restored).

No rebate will be given for an interruption to the water supply where we are not responsible for the interruption.

A $300 rebate will be given:

- where we restrict the water supply of, or take legal action against, a residential customer prior to taking reasonable endeavours (as defined by the ESC) to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying.

A $1,000 rebate will be given:

- where there is a sewer spill on your property caused by a failure in our sewer and we take longer than five hours to contain it
- where we fail to contain a sewage spill within your premises, which is caused by a failure in our system, within one hour. This does not apply if the spill was caused by a blockage in the property connection branch due to the actions of the occupier or a failure of your overflow relief gully.
3.5 Hardship program

We understand that price increases can cause financial difficulties. We will continue to offer our South East Water Assist program, which provides a range of services to support customers experiencing financial difficulties. This program offers assistance as follows:

- The Utility Relief Grant Scheme, through the Department of Human Services, provides financial assistance to customers unable to pay their bill due to temporary financial issues.
- We fund targeted water efficiency audits and support appliance retrofits to help customers save money through improve water efficiency.
- Full and partial debt waivers can be provided to customers in dire financial circumstances through our Hardship Relief Fund.
- Payment plans and extensions of payment times can be organised.

We are also currently working with local councils to introduce a community care program that will provide important early intervention, referral and assistance to customers with multiple debt issues. The program will feature public forums that provide information and resources across a range of topics, such as budgeting and water efficiency.

**Good Shepherd Youth and Family Service**

We established a partnership in 2002 with the Good Shepherd Youth and Family service. They are a non-profit welfare organisation offering a range of services that support the disadvantaged in the community. In 2010–2011 alone, we funded three financial counsellors to assist 2,500 customers in need.

South East Water customers who are experiencing financial hardship have access to free independent financial counselling through this program.

A number of Good Shepherd Youth and Family Service staff are dedicated to working with our customers and they also provide training and support for our staff who work with customers experiencing financial difficulties.
Section 4
Operating expenditure

South East Water is committed to minimising our controllable costs to deliver more efficient outcomes for customers.

The key components of South East Water’s controllable costs include the day to day costs of running our water and sewerage network and treatment plants (maintenance, electricity and labour).

Operating expenditure that South East Water does not control includes:

> Melbourne Water’s bulk charges to South East Water for collection and treatment of drinking water and treatment of sewage
> an environmental contribution made to the Government
> other licence fees and charges.

The following chart provides a breakdown of our current total operating expenditure.

Figure 4.1 – Breakdown of total operating expenditure in 2011–12
The following sections outline the proposed key changes to our controllable and non-controllable operating expenditure for 2013–18.

4.1 South East Water controllable operating expenditure

Our controllable operating expenditure largely comprises operations and maintenance expenditure for water, sewerage and recycled water services, customer services and billing and corporate costs.

For the purposes of this draft water plan, we have used our expected expenditure for 2011–12 as the basis of our forecasts. We consider this to be an efficient level of expenditure to base our forecasts on, given the strong focus we have given to driving efficiencies in the current period – we are on track to reduce our operating expenditure levels in 2011–12 by approximately 4 per cent from 2009–10 levels. We have then undertaken an assessment for 2013–18 to identify areas where further efficiencies can be achieved to reduce operating expenditure and also areas where additional costs may be required to meet new obligations or external cost changes.

We have also reflected the impact of expected customer growth and applied a one per cent per year productivity improvement to our controllable expenditure.

The following section outlines the key changes in South East Water’s controllable forecast operating expenditure for the 2013–18 pricing period.

4.1.1 Electricity

Our electricity costs make up approximately two per cent of our controllable operating expenditure, and are driven by the running of our treatments plants, water and sewerage pump stations, and offices. In forecasting our electricity costs during this period, we have factored in electricity prices that are expected to increase by 2012–13 by approximately 40 per cent, largely due to the introduction of the carbon price. During 2013–18, an increase in the level of treatment of sewage to deliver recycled water is expected to raise our energy use at our treatment plants by approximately three per cent per annum.

4.1.2 Customer service and billing

Customer service and billing costs make up approximately 18 per cent of South East Water’s controllable operating expenditure. Our customers pay bills through a variety of channels including Australia Post, BPAY, and credit card and direct debit payments.

For some of these, we are charged a processing fee (which is a percentage of the total bill), which we do not currently pass on directly to those customers. Effectively, all customers cover the cost of the processing fees.

From 2013, we are proposing that we will pass these processing fees directly on to customers. This will encourage our customers to consider paying by less costly payment channels such as direct debit.

This fee will not increase South East Water’s revenue; rather it will simply mean that those customers who pay by credit card will cover the merchant fees and other customers will not cross subsidise them.

4.1.3 Water efficiency

During the prolonged period of low rainfall and heavy water restrictions, South East Water, along with the broader water industry, had a strong focus on demand management and had a number of programs to support this, including water appliance retrofit programs (such as water efficient showerheads), widespread communication campaigns and a number of targeted programs for residential and non-residential customers. With water storages recovering, our focus has shifted to providing customers with flexibility while supporting them to maintain sensible water use through the provision of water efficiency information.

South East Water’s customer research in the past year has indicated that a large percentage of our residential customer base remains committed to saving water. In terms of business customers, 41 per cent were engaged, valued water and were interested in assistance from South East Water.

Industry investigations have also concluded that maintaining a modest level of water efficiency investment and customer support would provide the lowest cost and most sustainable long term management of Melbourne’s water supplies.

We therefore plan to continue to deliver a core set of water efficiency programs, primarily targeted at water efficiency research and customer support through information and engagement. This approach minimises the cost of the efficiency program and therefore bills, but still provides significant customer support.
### 4.2 Environmental contribution

South East Water currently makes an annual environmental contribution to the Department of Sustainability and Environment. This contribution funds initiatives to promote the sustainable management of water, and addresses adverse water-related environmental impacts.

The Department of Sustainability and Environment has advised that the environmental contribution (until 30 June 2016) will be based on five per cent of a water business’s 2010–11 water and sewerage revenue. For South East Water, this will result in a 70 per cent increase in the environmental contribution in the 2013–18 pricing period.

### 4.3 Melbourne Water Bulk charges

Bulk charges paid to Melbourne Water currently comprise approximately 75 per cent of our total operating expenditure. For the 2013–18 pricing period, Melbourne Water is forecasting a significant increase in its bulk charges, largely due to the additional costs of the Victorian Desalination Plant (VDP) that have yet to be factored into prices.

The VDP is being delivered by the State Government as a Public Private Partnership. Melbourne Water has entered into an agreement with the State Government in relation to its obligations for the VDP. There are two parts to the desalination costs: capacity, which is a fixed charge, and the cost of a water order which is a variable charge. By the end of 2013–14, the fixed component will be fully included in our prices. If storages drop and we need to order water from the desalination plant in any year, prices will increase by a small percentage in that year to pay for the actual water ordered (refer to 4.3.1 for further detail).

The increase in costs are due to the fact that prices in the current period were set on a projection of costs for the desalination plant, which were made prior to the final agreement made on the VDP. Since then, the Premier and Minister for Water announced ongoing VDP costs would be higher than originally anticipated.

Melbourne Water’s charges have been allocated between the metropolitan retailers based on the volumes of water and sewage services that each retailer has forecast it will require in the 2013–18 period. This reflects the actual costs each retail business places on Melbourne Water’s system. In the 2013–18 period, we are expecting significant population growth in our region, which will increase the amount of sewage we send to the Eastern Treatment Plant. Given this, and the additional costs directly attributable to the upgrades at the Eastern Treatment Plant, we will incur additional bulk water charges from Melbourne Water (compared to other water retailers).

### 4.3.1 Ordering water from the desalination plant - annual price adjustment

Part of our bulk water charges from Melbourne Water are the variable costs of ordering water from the Victorian Desalination Plant.

Melbourne Water has developed its water plan on the basis of a default 0 GL order of water from the desalination plant. If Melbourne Water does purchase water from the desalination plant, we are proposing that Melbourne Water be able to pass these costs on to South East Water and the other water retailers and their customers through an annual price adjustment. This will ensure that customers only pay for water that is actually ordered and required. A process to determine whether water from the desalination plant is required is undertaken on an annual basis, and is based on water storage levels and therefore supply risks.

As outlined in table 4.1, the water order could vary each year from 0 GL to 150 GL, which may result in an increase of up to 5.8 per cent in customer bills. For example, an order of 50 GL of water from the plant will result in a price increase of approximately 1.4 per cent, and an average customer’s bill would increase by an additional $12 per annum. If the water order is reduced by 50 GL in the following year, then prices will decrease by 1.4 per cent.

#### Table 4—1

<table>
<thead>
<tr>
<th>Order of water</th>
<th>Percentage price increase</th>
<th>Indicative annual bill increase for average customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 GL</td>
<td>1.4%</td>
<td>$12</td>
</tr>
<tr>
<td>75 GL</td>
<td>2.1%</td>
<td>$20</td>
</tr>
<tr>
<td>100 GL</td>
<td>3.2%</td>
<td>$29</td>
</tr>
<tr>
<td>125 GL</td>
<td>4.4%</td>
<td>$41</td>
</tr>
<tr>
<td>150 GL</td>
<td>5.8%</td>
<td>$53</td>
</tr>
</tbody>
</table>
4.4 Total operating expenditure summary

The following chart outlines South East Water’s total operating expenditure forecast for the 2013–18 period, showing that bulk charges comprise the largest component. It also shows the significant increase expected in bulk charges, and increase in the environmental contribution from 2013–14 onwards, as discussed in section 4.2 and 4.3. It also shows that South East Water’s controllable expenditure forecast is expected to remain relatively flat, with some small increases in electricity and customer billing costs.

Figure 4.1 – Actual and forecast operating expenditure for 2013–18 ($million)
In determining our capital expenditure program for 2013–18, we consider our customers’ expectations for service levels (as discussed in section 3) while ensuring we are delivering the most efficient outcomes through long term 25 year planning.

Our proposed capital expenditure largely consists of programs to provide water and sewerage systems to new development areas, ensure reliable services across our water, sewerage and recycled water networks, and expand our recycled water programs. To determine the capital expenditure program required to meet these requirements, we have assessed the needs of our water and sewerage networks, and treatment plants for the long term as well as for the 2013–18 period. The following section outlines our proposed capital expenditure under each key activity area.

5.1  

5.1.1  Capacity

The objective of the program is to ensure South East Water’s system has sufficient capacity to deliver water to customers to satisfy their needs, while extending the service for new customers. Figure 5-1 shows the areas that South East Water plans to invest in to meet the expected growth over the 2013–18 period. Major expenditure areas in the coming years will be Officer, Clyde, Cranbourne and Dandenong. These works will enable new customers to be connected to the water supply system without compromising our high standards to existing customers.

Figure 5-1 – Major growth areas for the 2013–18 period
5.1.2 Reliability
The overall reliability of our water supply system is measured by the frequency of unplanned customer interruptions and we ensure we deliver high service levels through our renewals program. Each year in the 2013–18 period, we will renew around 34 kilometres of reticulation assets and upgrade other critical assets to maintain our current service levels.

5.1.3 Quality
At South East Water, we are committed to providing our customers and community with a reliable source of high quality drinking water. Our water quality complaint numbers remain low and no significant new capital investment is required to maintain our high performance levels. Therefore, our water quality works is a small component of total capital expenditure and consists of remote monitoring to provide real-time water quality information.

5.1.4 Water meters
Our water meter program is driven by growth in customer numbers and the replacement of aging meters to ensure accuracy. This program involves the installation and replacement of approximately 40,000 meters per year, which will also assist in the identification of water leakage and other system losses.

5.2 Sewerage

5.2.1 Capacity
The primary objective of the program is to ensure there is sufficient capacity in the sewerage system to safely collect and transfer sewage to treatment and recycling or disposal systems, without risking the health of the community or environment. The sewerage network is designed with extra capacity to cater for stormwater that enters the system during wet weather and can accommodate a one-in-five year rainfall event.\(^1\)

The majority of the sewerage capacity program is driven by population growth (similar to the water program) in the Clyde, Officer, Cranbourne and Dandenong areas.

5.2.2 Reliability
South East Water’s sewer reliability program ensures that we provide a reliable collection system for sewage, without excessive levels of service disruption for customers, and we transfer the sewage to treatment plants without significant environmental or social impact. The reliability of the sewerage system is measured over the long-term by the frequency of blockages and sewage spills, and by the degree of compliance of sewage treatment plants with their Environment Protection Authority (EPA) licence conditions.

Major programs forecast for the 2013–18 period include:

> a reticulation renewal program to reduce the risk of failure of concrete sewers and a branch sewer renewal program which targets major critical assets with high consequences of failure
> investment in improving sewer rising mains, which is generally confined to the Mornington Peninsula area, to reduce the risk of spills
> mechanical and electrical renewals at pump stations and at facilities associated with sewage treatment plants.

5.2.3 Sewage treatment plant program
South East Water owns and operates nine treatment facilities, all of which treat sewage, with the exception of a pilot stormwater treatment facility at Troups Creek, Narre Warren. The sewage treatment plants have a principal KPI of maintaining 100 per cent compliance with their EPA Waste Discharge Licences. Five of the plants are operating at capacity and any growth in flows or loads on these plants or changes in licence conditions could cause an issue. The proposed upgrades to the plants are driven by:

> population growth – we need to upgrade our Boneo, Mt Martha, Koo Wee Rup and Lang Lang treatment plants so they have sufficient capacity to cater for population growth
> reliability – we need to ensure structural integrity, planned equipment replacement and maintenance to avoid failures
> the environment – completion of upgrades at our plants will help meet the State Government objective to provide Class A water in Melbourne Water’s South Eastern Outfall to enable future recycling opportunities. It will also help ensure Melbourne Water can meet the commitments to the EPA for discharge from the South Eastern Outfall to the ocean.

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\(^1\) EPA, (2011), Water Plan 3 Guidance, Publication 1406.1
5.2.4 Sewer backlog program

South East Water has a sewer backlog sewerage program to connect unsewered properties to the sewerage network. The scheme replaces aging and failing septic tanks, resulting in significant improvements to public health and the environment.

South East Water’s program was developed to deliver sewerage connection to identified areas over a 20 year period. This program was developed in conjunction with local councils to ensure that priority was given to areas where the greatest environmental benefit could be gained.

Due to high demand for connection to the sewerage system in the areas of Portsea and Sorrento, there is an opportunity to accelerate part of the conventional rollout. This will involve constructing the pipeline network through the Mornington Peninsula area over a three year period rather than over 13 years, while actual household connections would be undertaken over the conventional roll-out period. Constructing the reticulation network in a short period of time is expected to achieve cost efficiencies through productivity, management and administration cost savings.

South East Water is also proposing to offer early connections on a user pays basis. This is an opportunity to reduce the amount that South East Water’s wider customer base subsidises the sewer backlog program in these areas. Please refer to section 7 for further details.

5.3 Recycled water

South East Water’s recycled water program is driven by Government policies to replace drinking water with recycled water for uses such as toilet flushing and garden watering. To minimise the cost of delivering recycled water and to maximise economies of scale, we have mandated the installation of recycled water networks in land development areas where a source of recycled water is readily available. During the 2013–18 period, we will further investigate the inclusion of treated stormwater into the recycled water network following the outcomes of our innovative stormwater harvesting trial in Troups Creek, Narre Warren.

5.4 Corporate

Corporate capital expenditure relates primarily to information technology, land and buildings and vehicle purchases. We are forecasting ongoing expenditure in information technology, including replacing and upgrading equipment, customer system initiatives and asset management initiatives.

South East Water has also introduced a policy of purchasing company vehicles in the current period because we have found it to be more cost effective than leasing. Therefore, we have forecast a small amount of capital expenditure for vehicle purchases.

5.4.1 Office accommodation

South East Water currently operates out of three separate office locations. The lease on the head office building at Heatherton will cease in May 2015 by which time it will have been occupied for 17 years. Establishing a new location that houses all of our staff is a more cost effective option than continuing to lease our three offices. This is part of our commitment to minimising any cost impacts on our customers.

Similarly, the most cost effective long-term solution is for South East Water to purchase land and build our office. The proposed approach to new office accommodation will not have any impact on customer bills as the cost will be offset by the elimination of lease costs from the existing buildings and the sale of surplus land.
5.5 Total capital expenditure

The following chart outlines South East Water’s total capital expenditure for the 2013–18 period. We note that there is a higher level of capital expenditure forecast in the first two years of the pricing period primarily due to the proposed expenditure on sewerage works which comprise approximately 60 per cent, including accelerating the sewer backlog program. Corporate expenditure in the first two years also includes expenditure for the proposed construction of a new office building. However, expenditure for these activities will be offset by early backlog connection charges and the sale of surplus land. Other expenditure, as outlined above, is required for the ongoing water and sewerage mains renewal programs and to cater for the growth of our network.

Figure 5-2 – Total capital expenditure forecast for 2013–18 ($Millions)
Section 6
Demand forecasts

6.1 Background
It is necessary for South East Water to forecast volumes of water, sewage, trade waste and recycled water that our customers will use in order to ensure we collect the appropriate revenue levels. Our prices are calculated by spreading our costs across expected water and sewage volumes (e.g. revenue equals price multiplied by quantity).

Melbourne Water also uses the forecasts to develop estimates of bulk water and sewage volumes and allocate its costs amongst the three metropolitan water businesses.

The demand forecasting process for 2013–18 has been complex as it has been necessary to consider:
- an increasing uptake of water efficient appliances
- the significant one-off price increase in 2013–14
- customers’ outdoor water use with the expected return from water restrictions to permanent water saving rules.

The following section outlines the approach South East Water has taken in developing its demand forecasts for 2013–18.

6.2 Water demand forecasts
To forecast water demand, South East Water makes estimates for all types of household and business use, including both indoor and outdoor. Forecasts also take into account expected water that gets lost before reaching our customers, expected recycled water use, efficient appliance uptake rates and how customers respond to price changes and water restrictions. For the 2013–18 pricing period, South East Water is not forecasting any periods of water restrictions, due to the recent return to average rainfall patterns and investments in alternative water supplies, such as the Victorian Desalination Plant and South East Water’s recycled water networks.

6.2.1 Assumptions about water use inside the house
In order for us to forecast how much water is used inside the house, it is necessary to make assumptions about how customers use their showers, clothes washers, toilets, dishwashers and taps. The difference between water used inside and outside the house is important as it is assumed that water used inside the house is disposed to the sewerage system. Assumptions are also made about the impact of water efficiency programs, permanent behaviour change and the expected ongoing replacement of older, inefficient water using appliances (such as single flush toilets).

The findings of a recent study we undertook have helped us to revise key assumptions about water use inside the house, including reductions in average duration and flow of shower and tap usage.

6.2.2 Outdoor use following restrictions
Outdoor residential use consists of lawn and garden watering, car washing, and pool water use. The period of sustained water restrictions that Melbourne faced between 2005 and 2012 has changed both the community’s approach to outdoor water use and the efficiency of outdoor water use on lawns and gardens (e.g. replacement of spray garden water systems with drip garden water systems). However, the extent to which customers will return to pre-restrictions outdoor water use patterns has been difficult to forecast given the short amount of time since significant water restrictions have been eased.

To further understand how customers’ behaviour may change, the four metropolitan water businesses engaged Deloitte to assess the change in consumption following easing of the water restrictions across other comparable Australian cities, including Sydney, Canberra and Adelaide. This study found a move from stage 3 water restrictions to permanent water savings rules resulted in an increase in residential water use of approximately three per cent. South East Water has factored the outcomes of this study into our assumptions about outdoor use.

6.2.3 Non-residential water demand forecasts
South East Water forecasts the water volumes of our non-residential customers on the historical demand per property, per annum. Growth in the non-residential sector is expected to be principally in the areas of services, education, light manufacturing, commercial areas and parks and gardens in residential growth areas. We have also found a declining trend in actual non-residential demand per property of approximately 6 per cent per annum over the past three years, which has been factored into the forecasts for the 2013–18 period.

6.3 Sewerage forecasts

To forecast our bulk sewage flows, we estimate the residential and non-residential sewage flows billed to our customers, and trade waste flows.

Sewage flows vary between customers. For example, homes, parks and gardens, commercial customers, and trade waste customers all have different discharge patterns and are billed according to their expected discharge.

Included in the forecast of bulk sewerage is an allowance for unbilled flows to the sewer. This largely includes inflow and infiltration of groundwater and stormwater that travels into the system. Inflow and infiltration increases in wet weather events, as occurred in 2010–11, when high rainfall caused a significant increase in total sewage flows. Melbourne currently has relatively low rates of inflow and infiltration by international standards.

6.4 Customer growth

South East Water’s population forecasts used to set prices for the current period were based on the 2008 Victoria in Future report published by the Department of Planning and Community Development in 2008. We believe that the report provides a sound basis for forecasting customer growth for the 2013–18 period. Based on the report, we have assumed that our customer numbers will grow by an average of 11,000 per annum. The final water plan submitted to the ESC in September 2012 will be updated with forecasts from the 2012 Victoria in the Future report.

6.5 Actual and forecast water and sewage demand

The following chart compares bulk water and sewage volumes in the current pricing period against the volumes that were forecast and used to set prices in 2009. It shows that actual water consumption was significantly below the forecast, as a result of:

- higher than average rainfall due to La Nina weather events in 2010–11 and 2011–12
- significant take-up of high efficiency water products
- demand not returning to pre-restriction levels as a result of customers permanently changing their behaviour, particularly in the garden.

Bulk sewage volumes spiked in 2010–11 due to the high number of wet weather events that resulted in large volumes of stormwater and groundwater infiltrating the sewerage system. However, figure 6.1 shows, sewer volumes are expected to flatten out under normal weather conditions.

The chart also outlines the volumes of bulk water and sewage that we forecast for the 2013–18 pricing period. Growth in water demand is partially offset by the expected continued uptake of water efficient appliances, increasing availability and use of recycled water and customers’ response to the expected price increase in 2013–14.

Figure 6-1 – Actual and forecast bulk water and sewage volumes
Section 7
New customer contributions

7.1 New customer contributions

Currently, new customer contributions (NCC) are charged to ensure that new customers contribute to the costs of the major infrastructure required to connect them to the water, sewerage and recycled water networks. Smaller assets installed to connect new customers to the network are funded by developers.

South East Water is currently participating in a working group with the Essential Services Commission (ESC) to review the NCC framework for the 2013-18 pricing period, with a view to resolving the methodology that will be included the final water plan in September.

Current situation

At present, new customers are charged a contribution fee, which is based on their potential impact on the water, sewerage or recycled water network. That is, smaller than average blocks pay a smaller fee and larger than average blocks pay a higher fee. Customers who have recycled water connected pay a contribution for recycled water, but pay a reduced drinking water contribution. For the purpose of this draft water plan, South East Water has forecast the collection of NCCs based on the current NCC framework and methodology. While this approach is simple to administer and, to some degree, reflects the impact customers have on the system, the charges will often not reflect actual costs to supply these new customers. Therefore, the remainder of South East Water’s customers subsidise a larger proportion of connection costs for new developments.

As a result, South East Water is assessing some alternative options for the calculation of new customer contributions for the next pricing period, taking into account the following objectives:

- Efficiency
- Equity
- Consistency
- Transparency
- Accountability

One option being considered is based on a model used by the Western Australian water industry. This model aims to reflect the actual cost of supplying the network to new areas. It can broadly be described as dividing the cost of building large ‘shared’ assets by the forecast number of new customers in a set time period. For South East Water, this approach would be applied for each service (water, sewerage and recycled water) and we would implement it on the basis of specific areas (i.e. charges would be individually determined for particular growth areas and major urban renewal zones). We consider that this scheme would allow us to achieve the right balance between what new customers pay and what is subsidised by all other customers. However, there may be some customer impacts where the proposed approach will result in higher than the current NCC charges.

As mentioned, there is currently a distinction between the assets provided by South East Water and the assets provided by developers. We are proposing to retain the long term industry practice of developers paying for, or providing, water assets less than 150 mm in diameter and sewer assets less than 225mm in diameter. We believe that this approach provides clarity for all parties, is simple in terms of administration and is a reasonable way to share costs.

7.2 Connections ahead of schedule

7.2.1 ‘Brought forward charges’

A ‘brought forward charge’ is applied when a customer seeks to bring forward the construction of assets earlier than when we had planned to construct them. The customer is charged the cost associated with building the asset earlier to ensure the remainder of the customer base is not disadvantaged. This charge is based on the cost of South East Water borrowing the money to fund the necessary works.

At present, these charges are calculated based on the number of years the asset construction is ahead of schedule. There are three categories:

- Less than five years
- Six to 15 years
- Greater than 16 years

We are proposing that the charge should be based on the exact number of years that the development is ahead of schedule. This ensures that customers whose developments are near the transition points in the above ranges (e.g. six years) do not pay more than necessary.

7.3 Backlog sewerage program

As outlined in section 5.2, South East Water has a backlog sewerage program to connect unsewered properties to the sewerage network. The scheme replaces aging and failing septic tanks, resulting in significant improvements to public health and the environment. The following outlines the proposed changes to the charges for sewerage customers.
7.3.1 Standard backlog charge

At present, customers who connect to the sewerage system for the first time as part of the backlog sewer scheme are charged a standard $500 contribution, which they pay over five years (i.e. $25 per quarterly bill). This charge has not changed since the 1990s. We are currently looking to revise this charge to better reflect the actual costs of the connection. The new charge would better balance the financial impact on sewer backlog customers and the financial impact on the rest of the customer base, which is currently funding the shortfall based on the environmental benefits the program provides. In accordance with advice from the government, this approach is expected to be aligned with the standard NCCs approach (outlined in section 7.1), with the final fee set in accordance with the new customer contribution for sewerage.

7.3.2 Brought forward backlog charge

Currently, it is possible for customers to get connected to the sewerage system ahead of the scheduled sewer backlog program (by paying the ‘bought forward charge’ associated with delivering the assets ahead of schedule as described in section 7.2.1 above). As outlined in Section 5.2, South East Water now has an increased demand for sewerage connection, ahead of schedule, from customers in the Portsea and Sorrento areas. Therefore, we are proposing to rollout a significant program, offering early connections to customers in these areas on the basis that they will pay for the additional costs associated with accelerating the sewer backlog program.

This approach provides a better outcome for all customers as there are cost efficiencies that will be gained from delivering the required infrastructure in a shortened timeframe.

Connecting to the backlog sewerage is optional for customers, and there would be no compulsion for customers who are offered early connection to take it up. Customers would be charged a customised fee based on the number of years away their connection would be under the standard program. It is expected that costs could range from approximately $6,000 to $15,000 depending on when customers are scheduled for connection under the sewer backlog program.
Section 8  Tariff structures

South East Water currently charges customers through a combination of fixed and variable charges for our water and sewerage services. This combination allows us to recover our costs, a large proportion of which are fixed. This reflects the significant amount of infrastructure required to deliver water and sewerage services, including 18,000 kilometres of pipes and pumps. The variable (or usage charges) are aimed to provide signals to customers about the future costs of meeting water demand, and currently are typically about 50 per cent of the total water and sewerage bill. Variable costs also provide the opportunity for customers to see the benefits of water efficiency activities reflected in their bill.

For the 2013–18 period, South East Water has reviewed its standard tariff structures with a key focus on:

- making our charges easier for customers to understand
- improving the balance of customer impacts, e.g. customers that receive a similar service should receive similar charges
- removing any inconsistencies in current tariffs
- making the charges more reflective of the actual cost of providing the service.

This review has also taken into account government policy, the ESC’s tariff assessment principles, and customer and stakeholder feedback.

8.1 Water usage charges

The current situation

- Drinking water is currently charged using a three tier pricing model. The tiered system is designed to encourage water conservation as customers pay a progressively higher unit price in the second and third tiers. This was considered particularly important when Melbourne was experiencing lower than average rainfall.

Table 1: Water usage charges 2012–13

<table>
<thead>
<tr>
<th>Tier</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier one (for the first 440 litres of water used per day)</td>
<td>$1.92 per kilolitre</td>
</tr>
<tr>
<td>Tier two (for water usage above 440 and up to 880 litres per day)</td>
<td>$2.33 per kilolitre</td>
</tr>
<tr>
<td>Tier three (for water usage above 880 litres per day)</td>
<td>$3.78 per kilolitre</td>
</tr>
</tbody>
</table>

What’s not working?

- From customer research, it is not clear if the three tier pricing model has been an effective way of encouraging customers to be water efficient.
- Higher volume users (such as large families) can be charged at the third tier and can be disadvantaged as the tiers apply on a ‘per household’ basis regardless of the number of people in the household. Large, financially stressed households can have limited capacity to invest in water efficient appliances to reduce water use.
- It is not reflective of actual costs incurred to supply the water and therefore some customers pay less than, and some pay more than, the actual cost to supply water.
## What’s being proposed?

**2013–18**

> To simplify our drinking water pricing model (the water usage charge) from three tiers to two.

This will:

> be easier for customers to understand
> better demonstrate to customers the actual cost of the water
> balance the customer impact of variable charges, in being more equitable to large families.

### Alternatives

> Moving to a single tiered model (for simplicity) or retaining the existing three tiered model (to potentially provide stronger water efficiency incentives) are both alternatives.

> Potential options for 2013–14 are as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single tier model</strong></td>
<td></td>
</tr>
<tr>
<td>All water used</td>
<td>$3.00 per kilolitre</td>
</tr>
<tr>
<td><strong>Two tier model</strong></td>
<td></td>
</tr>
<tr>
<td>Tier one (for the first 440 litres of water used per day)</td>
<td>$2.60 per kilolitre</td>
</tr>
<tr>
<td>Tier two (for water usage above 440 litres per day)</td>
<td>$3.50 per kilolitre</td>
</tr>
<tr>
<td><strong>Three tier model</strong></td>
<td></td>
</tr>
<tr>
<td>Tier one (for the first 440 litres of water used per day)</td>
<td>$2.60 per kilolitre</td>
</tr>
<tr>
<td>Tier two (for water usage above 440 and up to 880 litres per day)</td>
<td>$3.22 per kilolitre</td>
</tr>
<tr>
<td>Tier three (for water usage above 880 litres per day)</td>
<td>$5.22 per kilolitre</td>
</tr>
</tbody>
</table>

### Non-residential customers

> Non-residential customers are currently charged a flat water usage charge, which is set at the same price as the second residential tier. We are proposing to retain this approach for the 2013–18 pricing period for non-residential customers.
### 8.2 Water and sewerage service charges

#### The current situation
> Currently, South East Water collects water and sewerage service charges from residential and non-residential customers on the basis of the title of their property. Customers who are on a single title or strata title pay a service charge for each dwelling.

> There are a small number of dwellings (approximately 3 per cent of South East Water’s customer base) whose land is on shared titles (such as apartments, units and other multi-dwelling properties) and they only pay one service charge for all dwellings on that title.

#### What’s not working?
> All residential customers receive the same benefits from the availability of a water supply service to their property, however not all pay for it.

> Most customers who own properties in multi-dwelling blocks pay a service charge, but some customers whose unit or flat is not on its own title do not.

> Therefore customer prices are higher for those customers that pay service charges, to subsidise those who don’t.

#### What’s being proposed?

**2013—18**

> We are proposing a common water service charge for all residential properties, billed to the property owner.

> We understand that customers who will receive water and sewerage service charges for the first time will be impacted by this change. Therefore, South East Water is proposing to introduce this service charge over four years in 25 per cent increments from 2014 onwards.

> By 2018, it is proposed that each property will pay an annual water service charge of $119 and a sewerage service charge of $413.

> This does not actually increase South East Water’s revenue. It simply spreads the charges evenly across all customers, minimising other price increases.
### 8.3 Sewage disposal charge

**The current situation**
> The sewage disposal charge (SDC) covers the safe collection, treatment and disposal of sewage. Sewage is wastewater from areas of your property like the toilet, kitchen, laundry and bathroom.

> It is different from the sewerage service charge which provides customers with access to the sewerage system itself.

> It is not possible to meter the amount of sewage disposed of. Instead, the charge is based on the amount of water supplied to your property minus a percentage of water that we estimate is used outside in your garden or for other purposes that do not find their way to the sewerage system.

> The SDC charge is also currently adjusted to reflect higher outdoor usage in warmer months (when a lower proportion of water consumed flows into the sewerage system) and lower outdoor use in cooler months. It is also adjusted for customers with high water consumption, who can demonstrate that their discharge is actually different.

**What’s not working?**
> The current formula is difficult for customers to understand and needs to be adjusted to reflect the current consumption patterns of Melburnians who, overall, are using less water in their gardens.

**What’s being proposed?**

2013–18

> For residential customers, we are proposing a flat discharge factor across the whole year and for all levels of consumption. The discharge factor will average 80 per cent, with specific rates for houses (75 per cent) which can discharge more water into their gardens, and units and flats (85 per cent) which have limited or no ability to discharge water outside.

> Customers will find bills easier to understand but this approach will not change the bill amount for most customers.

**Alternative option**

> Alternatively, we could retain our current approach to calculating the SDC and adjust seasonal fluctuations to reflect more current consumption patterns.

**Recycled water customers**

> The sewage disposal charge will be the same as for all other residential properties. While recycled water customers generally discharge less drinking water to the sewer, they do discharge recycled water to sewer, through internally plumbed appliances such as toilets.

**Non-residential customers**

> We will continue to apply the sewage disposal charge to reflect each customer’s proportion of water discharged to the sewer or that of their industry average.
### 8.4 Recycled water usage charge

| The current situation | > The use of recycled water is not subject to water restrictions and, unlike drinking water, there is only one pricing tier.  
|                       | > This is currently the same price as that of the lowest tier for drinking water. |

| What’s not working?   | > Feedback from recycled water customers tells us that the recent easing of water restrictions has reduced the value they place on recycled water, as previous benefits (such as watering the garden and lawn) are now available to all customers.  
|                       | > We need to provide our recycled water customers with an appropriate incentive to use recycled water, thereby reducing our reliance on drinking water for non-drinking water purposes which benefits everyone.  
|                       | > There is a relatively high cost for delivering recycled water to homes and businesses through a network of ‘purple pipes’ and the charges to individual recycled water customers do not reflect the full cost of supply. Reducing the price of recycled water increases the cross subsidy from all other customers. |

| What’s being proposed? | 2013–14 | > The recycled water usage charge will be set at 85 per cent of the first step of the water usage charge. It is estimated that it will cost approximately $2.21 per kilolitre compared to $2.60 (the price of the first tier). We believe this provides a reasonable balance between providing recycled water customers with an incentive to use water, and the subsidy that the remaining customer base would need to pay for. |

|                       | 2014–15 onwards | > From 2014–15, we are considering breaking the link between the recycled water and drinking water charges and developing a new price for recycled water that is independent of the drinking water price. |
8.5 Annual trade waste charges

The current situation
Annual trade waste charges for non-residential customers are based on the volume of waste that is discharged by a trade waste customer.

What’s not working?
This method is not reflective of the costs that South East Water incurs to ensure effective management of trade waste. These costs are directly related to the level of risk associated with a customer’s waste, rather than the volume of waste.

What’s being proposed?
2013–18
We are proposing that the annual trade waste fixed charges are based on a risk ranking for each trade waste customer rather than the volume of trade waste.

This change will provide a better incentive for customers to manage the quality of their trade waste and to ensure that low risk customers are not subsidising high risk customers.

Below is a table showing typical customer types, their typical contaminants and the risk ranking that would apply, where one is the highest risk and five is the lowest risk:

<table>
<thead>
<tr>
<th>Risk ranking</th>
<th>Typical industry type</th>
<th>Typical contaminants discharged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Abattoir</td>
<td>Ammonia, salts, sulphide, suspended solids</td>
</tr>
<tr>
<td></td>
<td>Poultry processing</td>
<td>Ammonia, salts, proteins, temperature</td>
</tr>
<tr>
<td>2</td>
<td>Food manufacturer</td>
<td>Ammonia, salts, organics, suspended solids</td>
</tr>
<tr>
<td></td>
<td>Textile manufacturer</td>
<td>Ammonia, salts, colour, sulphides</td>
</tr>
<tr>
<td>3</td>
<td>Metal finisher</td>
<td>Heavy metals, suspended solids, acids</td>
</tr>
<tr>
<td></td>
<td>Small cheese manufacturer</td>
<td>Salts, suspended solids, ammonia</td>
</tr>
<tr>
<td>4</td>
<td>Radiator repairer</td>
<td>Salts, suspended solids, ammonia</td>
</tr>
<tr>
<td></td>
<td>X ray centre</td>
<td>pH, silver</td>
</tr>
<tr>
<td>5</td>
<td>Cafe/restaurants</td>
<td>Grease, oils, fats</td>
</tr>
<tr>
<td></td>
<td>Service stations</td>
<td>Petrol, oil</td>
</tr>
</tbody>
</table>

We are also proposing to remove our current food waste annual charges and for those customers to move onto the standard annual trade waste charges.
8.6  Inorganic total dissolved solids charge

**The current situation**
- Research is being undertaken to review the status of inorganic total dissolved solids (TDS), or salt, in trade waste as a critical pollutant at both of Melbourne’s key sewage treatment plants.
- Excess salt can impact the ability to recycle waste for use as recycled water.
- As a result, Melbourne Water currently charges South East Water for each tonne of inorganic TDS that is discharged by our customers.
- Currently, South East Water does not pass this charge on to customers as the potential price (less than five cents per kilogram) is unlikely to change customer behavior and would increase administrative costs. We also believe that salt levels can be managed through direct customer engagement.

**What’s not working?**
- South East Water has previously committed to giving further consideration to the introduction of an inorganic TDS charge for trade waste customers.

**What’s being proposed?**

2013—14
- Before determining any specific direction in relation to inorganic TDS, South East Water would like to receive feedback from customers.

8.7  Sulphur charge

**The current situation**
- South East Water currently charges trade waste customers per kilogram of sulphur they discharge into the sewer network. This charge was introduced to ensure that South East Water’s sewer network is not damaged (corroded) by excess sulphur in customers’ waste.

**What’s not working?**
- Recent research has shown that South East Water has relatively low rates of corrosion and other pollutants are potentially having a greater impact.

**What’s being proposed?**

2013—14
- We are proposing to remove the sulphur charge.

8.8  Fire service charges

**The current situation**
- We believe that customers who have a fire sprinkler system (or a fire service) receive the same benefits as those who have a standard water service.

**What’s not working?**
- At present customers are not paying for metered water used through their fire service systems. This may include usage for fire service testing and other non-fire fighting purposes, such as hosing down surfaces.
- Customers need to be encouraged to use this water efficiently.

**What’s being proposed?**

2013—18
- We are proposing that customers with a fire service pay the same charge for their fire service as for their water service.
- We are also proposing to charge customers for metered water from fire services that is used for non-fire fighting purposes – the rate will be the same as for non residential water.
8.9 Transition of tariff structure changes

By correcting some inequities within our current tariff structures, and reducing cross subsidies between customers, there is potential for the changes to affect particular groups of customers. Given this, we are proposing to phase in some of the changes over a number of years. The following tables outline the proposed phasing in for residential and non-residential customers over the 2013–18 pricing period.

Table 8–1 Transition of residential tariff structure changes

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and sewerage service charges based on connection</td>
<td>No change</td>
<td>25 per cent of total for customers incurring this charge for the first time</td>
<td>50 per cent total for customers incurring this charge for the first time</td>
<td>75 per cent total for customers incurring this charge for the first time</td>
<td>100 per cent total for customers incurring this charge for the first time</td>
</tr>
<tr>
<td>Water usage charge</td>
<td>Two tiers</td>
<td>Two tiers</td>
<td>Two tiers</td>
<td>Two tiers</td>
<td>Two tiers</td>
</tr>
<tr>
<td>Sewage disposal charge</td>
<td>Simplify charge</td>
<td>Simplify charge</td>
<td>Simplify charge</td>
<td>Simplify charge</td>
<td>Simplify charge</td>
</tr>
<tr>
<td>Recycled water variable charge</td>
<td>85 per cent of tier one drinking water charge</td>
<td>Options to be assessed</td>
<td>Options to be assessed</td>
<td>Options to be assessed</td>
<td>Options to be assessed</td>
</tr>
</tbody>
</table>
Table 8–2  Transition of non-residential tariff structure changes

<table>
<thead>
<tr>
<th>Changes to...</th>
<th>2013—14</th>
<th>2014—15</th>
<th>2015—16</th>
<th>2016—17</th>
<th>2017—18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and sewerage service charges based on connection</td>
<td>No change</td>
<td>25 per cent of total for customers incurring this charge for the first time</td>
<td>50 per cent total for customers incurring this charge for the first time</td>
<td>75 per cent total for customers incurring this charge for the first time</td>
<td>100 per cent total for customers incurring this charge for the first time</td>
</tr>
<tr>
<td>Water usage charge</td>
<td>Usage charge aligned with residential tier two</td>
<td>Usage charge aligned with residential tier two</td>
<td>Usage charge aligned with residential tier two</td>
<td>Usage charge aligned with residential tier two</td>
<td>Usage charge aligned with residential tier two</td>
</tr>
<tr>
<td>Trade waste charges</td>
<td>Risk rank trade waste annual fixed charges</td>
<td>Risk rank trade waste annual fixed charges</td>
<td>Risk rank trade waste annual fixed charges</td>
<td>Risk rank trade waste annual fixed charges</td>
<td>Risk rank trade waste annual fixed charges</td>
</tr>
<tr>
<td>Trade waste charges</td>
<td>Remove sulphur charge</td>
<td>Remove sulphur charge</td>
<td>Remove sulphur charge</td>
<td>Remove sulphur charge</td>
<td>Remove sulphur charge</td>
</tr>
<tr>
<td>Fire service charges</td>
<td>Introduce volumetric charge for fire service usage (metered customers)</td>
<td>Introduce volumetric charge for fire service usage (metered customers)</td>
<td>Introduce volumetric charge for fire service usage (metered customers)</td>
<td>Introduce volumetric charge for fire service usage (metered customers)</td>
<td>Introduce volumetric charge for fire service usage (metered customers)</td>
</tr>
</tbody>
</table>
Section 9
Prices and customer impacts

South East Water understands that no one wants prices to increase and we have been working hard to control the costs that we can. This has been demonstrated by reducing our costs by approximately 4 per cent from 2009–10 to 2011–12.

Based on our assumptions for operating expenditure, capital expenditure, bulk charges and demand forecasts, South East Water is proposing a one-off price increase in 2013–14 of 21.7 per cent, with any further price increases only reflecting CPI and the cost of any water ordered from the desalination plant. Figure 9.1 provides the breakdown of the proposed 2013–14 price increase.

Melbourne Water’s bulk charges are the major contributor to the 2013–14 price increase, largely due to costs associated with the Victorian Desalination Plant (10.1 per cent). It has been assumed, for setting prices in this draft water plan, that no water will be ordered from the desalination plant. However, as outlined in section 4.3, it is proposed that prices be annually adjusted to reflect the costs associated with the actual desalinated water order for that year.

Other contributors to the price increase include:

- a one-off adjustment to address the difference between our costs and required revenues in 2012–13, and an adjustment for lower forecast demand used to set prices for 2013–18, compared with the high demand assumptions used to set prices for the current period
- the 70 per cent increase in the environmental contribution paid to the Department of Sustainability and Environment – see section 4.2 for further explanation
- South East Water’s proposed new capital expenditure (2.3 per cent) and controllable operating expenditure (0.4 per cent), which is the smallest contributor.

![Figure 9-1 – Breakdown of the proposed price increase in 2013–14](image-url)
9.1 Cost reflective tariffs

In the current pricing period, South East Water’s price increases differed across our water and sewerage tariffs to reflect the different costs associated with each product. We are proposing over the 2013–18 pricing period that prices will be further adjusted to reflect the different costs of supplying our water and sewerage services. This will provide our customers with a better understanding of our actual costs and allow them to change their behaviour accordingly, including changing to more efficient appliances or changing production processes. However, we acknowledge that placing a higher increase on water prices will impact on our water-only customers, though their bill will not increase as much as an average water and sewerage customer.

As outlined in table 9.1 below, the proposed average price increase across water and sewerage services is 21.7 per cent in 2013–14. To better reflect the actual costs of water and sewerage services over the 2013–18 period, we are proposing that water tariffs will increase by approximately 36 per cent, while sewerage prices will increase by approximately 12 per cent. An average customer would see a small benefit in their bill under the proposed approach.

Table 9–1
Proposed approach to allocating the 2013–14 price change across water and sewerage

<table>
<thead>
<tr>
<th>2013–14 price change</th>
<th>Water</th>
<th>Sewerage</th>
<th>Average bill (145kL)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposed approach - price increases across water and sewerage to reflect costs</strong></td>
<td>36 per cent</td>
<td>12 per cent</td>
<td>$1,123</td>
</tr>
<tr>
<td><strong>Alternative approach - same price increase across water and sewerage</strong></td>
<td>21.7 per cent</td>
<td>21.7 per cent</td>
<td>$1,139</td>
</tr>
</tbody>
</table>
9.2 Proposed water and sewerage tariffs

The following tables outline our proposed tariffs for the 2013–18 pricing period. Specifically, the proposed tariffs reflect:

- A one-off price increase in 2013–14 followed by no real price changes from 2014–15 onwards (excluding CPI)
- A small price increase on residential and non-residential sewerage charges to reflect a small increase in sewerage costs
- A large price increase on water tariffs in line with the increased water costs, largely associated with the desalination plant
- The residential recycled water variable charge set to 85 per cent of the first tier in 2013–14
- A move from three tiers to two tiers for the residential variable charge from 2013–14
- An alignment of the fire service charges with the non-residential water service charge
- The introduction of a risk-ranked trade waste charges in 2013–14
- A 0 per cent real price increase on other trade waste charges
- Removal of the sulphur and food waste charges.

Table 9–2
Proposed residential water and sewerage tariffs 2012–13 to 2017–18

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water service charge</td>
<td>$87.11</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
</tr>
<tr>
<td>Water service charge (transition for properties incurring this charge for the first time)</td>
<td>$0.00</td>
<td>$29.67</td>
<td>$59.34</td>
<td>$89.02</td>
<td>$118.69</td>
<td></td>
</tr>
<tr>
<td>Sewage service charge</td>
<td>$368.27</td>
<td>$412.46</td>
<td>$412.46</td>
<td>$412.46</td>
<td>$412.46</td>
<td>$412.46</td>
</tr>
<tr>
<td>Sewage service charge (transition for properties incurring this charge for the first time)</td>
<td>$0.00</td>
<td>$103.12</td>
<td>$206.23</td>
<td>$309.35</td>
<td>$412.46</td>
<td></td>
</tr>
<tr>
<td>Variable water charge (water – kL)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier one (0–440 litres/day)</td>
<td>$1.92</td>
<td>$2.60</td>
<td>$2.60</td>
<td>$2.60</td>
<td>$2.60</td>
<td>$2.60</td>
</tr>
<tr>
<td>Tier two (440–880 litres/day)</td>
<td>$2.33</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
</tr>
<tr>
<td>Tier three (&gt;880 litres/day)</td>
<td>$3.78</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
</tr>
<tr>
<td>Sewage disposal charge</td>
<td>$1.81</td>
<td>$1.93</td>
<td>$1.93</td>
<td>$1.93</td>
<td>$1.93</td>
<td>$1.93</td>
</tr>
<tr>
<td>Recycled water charge</td>
<td>$1.83</td>
<td>$2.21</td>
<td>$2.21</td>
<td>$2.21</td>
<td>$2.21</td>
<td>$2.21</td>
</tr>
</tbody>
</table>
Table 9—3
Proposed non-residential water and sewerage tariffs 2012—13 to 2017—18

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water service charge</td>
<td>$87.11</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
</tr>
<tr>
<td>Sewage service charge</td>
<td>$437.36</td>
<td>$489.84</td>
<td>$489.84</td>
<td>$489.84</td>
<td>$489.84</td>
<td>$489.84</td>
</tr>
<tr>
<td>Fire service charge</td>
<td>$61.92</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
<td>$118.69</td>
</tr>
<tr>
<td>Water usage charge (water – kL)</td>
<td>$2.33</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
<td>$3.50</td>
</tr>
<tr>
<td>Sewage disposal charge</td>
<td>$1.81</td>
<td>$1.93</td>
<td>$1.93</td>
<td>$1.93</td>
<td>$1.93</td>
<td>$1.93</td>
</tr>
</tbody>
</table>

Table 9—4
Proposed non-residential water trade waste tariffs 2012—13 to 2017—18

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual agreement fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk rank category 5</td>
<td>NA</td>
<td>$375.00</td>
<td>$375.00</td>
<td>$375.00</td>
<td>$375.00</td>
<td>$375.00</td>
</tr>
<tr>
<td>Risk rank category 4</td>
<td>NA</td>
<td>$2,150.00</td>
<td>$2,150.00</td>
<td>$2,150.00</td>
<td>$2,150.00</td>
<td>$2,150.00</td>
</tr>
<tr>
<td>Risk rank category 3</td>
<td>NA</td>
<td>$4,300.00</td>
<td>$4,300.00</td>
<td>$4,300.00</td>
<td>$4,300.00</td>
<td>$4,300.00</td>
</tr>
<tr>
<td>Risk rank category 2</td>
<td>NA</td>
<td>$6,450.00</td>
<td>$6,450.00</td>
<td>$6,450.00</td>
<td>$6,450.00</td>
<td>$6,450.00</td>
</tr>
<tr>
<td>Risk rank category 1</td>
<td>NA</td>
<td>$12,900.00</td>
<td>$12,900.00</td>
<td>$12,900.00</td>
<td>$12,900.00</td>
<td>$12,900.00</td>
</tr>
<tr>
<td>Volume of trade Waste (kL)</td>
<td>$0.94</td>
<td>$0.94</td>
<td>$0.94</td>
<td>$0.94</td>
<td>$0.94</td>
<td>$0.94</td>
</tr>
<tr>
<td>BOD (kg)</td>
<td>$0.89</td>
<td>$0.89</td>
<td>$0.89</td>
<td>$0.89</td>
<td>$0.89</td>
<td>$0.89</td>
</tr>
<tr>
<td>SS (kg)</td>
<td>$0.50</td>
<td>$0.50</td>
<td>$0.50</td>
<td>$0.50</td>
<td>$0.50</td>
<td>$0.50</td>
</tr>
<tr>
<td>TKN (kg)</td>
<td>$1.95</td>
<td>$1.95</td>
<td>$1.95</td>
<td>$1.95</td>
<td>$1.95</td>
<td>$1.95</td>
</tr>
</tbody>
</table>
9.3 Other miscellaneous fees and charges

In addition to our water and sewerage charges, South East Water has a number of other fees and charges that are regulated by the ESC. We have undertaken a review of these charges to ensure they reflect the actual cost of providing these services. The following table outlines the key set of proposed major miscellaneous charges. All other fees and charges remain consistent with current prices.

Table 9–5 Miscellaneous fees and charges

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20 mm meter + delivery and installation</td>
<td>$93.00</td>
<td>$89.00</td>
<td>$89.00</td>
<td>$89.00</td>
<td>$89.00</td>
<td>$89.00</td>
</tr>
<tr>
<td>20 mm service connection to mains up to 300 mm</td>
<td>$320.00</td>
<td>$325.00</td>
<td>$325.00</td>
<td>$325.00</td>
<td>$325.00</td>
<td>$325.00</td>
</tr>
<tr>
<td>Removal and testing of water meters</td>
<td>$118.00</td>
<td>$115.00</td>
<td>$115.00</td>
<td>$115.00</td>
<td>$115.00</td>
<td>$115.00</td>
</tr>
<tr>
<td>Application fee for connection of single residential property to water and/or sewer</td>
<td>$45.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
</tr>
<tr>
<td>Plan showing sewer location within a property</td>
<td>$20.00</td>
<td>$25.00</td>
<td>$25.00</td>
<td>$25.00</td>
<td>$25.00</td>
<td>$25.00</td>
</tr>
<tr>
<td>Backlog connection charge</td>
<td>$500.00</td>
<td>See section 7.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Statements - all forms of lodgements (includes Melbourne Water share)</td>
<td>$19.00</td>
<td>$23.00</td>
<td>$23.00</td>
<td>$23.00</td>
<td>$23.00</td>
<td>$23.00</td>
</tr>
<tr>
<td>Restoration of supply at the meter</td>
<td>$70.00</td>
<td>$85.00</td>
<td>$85.00</td>
<td>$85.00</td>
<td>$85.00</td>
<td>$85.00</td>
</tr>
<tr>
<td>Application fee to build over South East Water asset or easement</td>
<td>$49.00</td>
<td>$60.00</td>
<td>$60.00</td>
<td>$60.00</td>
<td>$60.00</td>
<td>$60.00</td>
</tr>
<tr>
<td>Application fee – non works</td>
<td>$183.00</td>
<td>$183.00</td>
<td>$183.00</td>
<td>$183.00</td>
<td>$183.00</td>
<td>$183.00</td>
</tr>
<tr>
<td>Non-core miscellaneous services</td>
<td>Actual cost</td>
<td>Actual cost</td>
<td>Actual cost</td>
<td>Actual cost</td>
<td>Actual cost</td>
<td>Actual cost</td>
</tr>
</tbody>
</table>
9.4 Customer impacts

Based on the price increase and tariff structure changes outlined above, the following tables outline customer impacts for a sample of typical customers. An average customer will see a 21.7 per cent (excluding CPI) increase in their bill in 2013–14. This means that an average household bill (145kL) will increase from $923 to $1,123 per annum or from $17 to $22 per week.

If there is an order of 50 GL of water from the desalination plant, then the average household bill will increase by approximately $12 from $1,123 to $1,135 per annum.

Table 9–6 Annual customer bills from 2012–13

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person</td>
<td>56 kL</td>
<td>$635</td>
<td>$768</td>
<td>21.1%</td>
</tr>
<tr>
<td>Couple living in a unit</td>
<td>80 kL</td>
<td>$712</td>
<td>$870</td>
<td>22.1%</td>
</tr>
<tr>
<td>Average customer</td>
<td>145 kL</td>
<td>$923</td>
<td>$1,123</td>
<td>21.7%</td>
</tr>
<tr>
<td>Two adults, two children with a small garden</td>
<td>230 kL</td>
<td>$1,204</td>
<td>$1,505</td>
<td>24.9%</td>
</tr>
<tr>
<td>Two adults, two children with a small garden – water only</td>
<td>230 kL</td>
<td>$558</td>
<td>$780</td>
<td>39.7%</td>
</tr>
<tr>
<td>Family who rents</td>
<td>230 kL</td>
<td>$769</td>
<td>$994</td>
<td>29.2%</td>
</tr>
<tr>
<td>Large water user</td>
<td>410 kL</td>
<td>$2,008</td>
<td>$2,415</td>
<td>20.3%</td>
</tr>
<tr>
<td>Large water user – water only</td>
<td>410 kL</td>
<td>$1,124</td>
<td>$1,409</td>
<td>25.4%</td>
</tr>
</tbody>
</table>

Note: For those customers with concession cards, the impact may vary according to the concession provided by the Department of Human Services. Currently the concession would reduce bills by a maximum of $277.
## Table 9–7  Annual customer bills in 2017–18

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