

# 2023 VICTORIAN WATER PRICE REVIEW



**SUMMARY OF PRICE SUBMISSIONS – 5 OCTOBER 2022**

# CONTENTS

	Page
<b>Introduction</b>	2
<ul style="list-style-type: none"><li>• Background</li><li>• Purpose</li><li>• Use of our analysis</li></ul>	
<b>Summary Findings</b>	4
<ul style="list-style-type: none"><li>• Financial forecast observations</li><li>• Proposed prices and bills</li><li>• Proposed PREMO ratings</li></ul>	

## **Important Notice**

### **Inherent Limitations**

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by Utilities Regulation Advisory, or the information and documentation used for this paper, that was released for public consultation, on the Essential Services Commission of Victoria's website.

Utilities Regulation Advisory has indicated within this paper the sources of the information provided. We have not sought to independently verify those sources.

The findings in this paper have been formed on the above basis.

### **Third Party Reliance**

This paper is solely for the purpose set out in the Purpose Section, and is not to be used for any other purpose or distributed to any other party without Utilities Regulation Advisory's prior written consent.

Neither Utilities Regulation Advisory nor any member or employee of Utilities Regulation Advisory undertakes responsibility arising in any way from reliance placed by a third party on this paper. Any reliance placed is that party's sole responsibility.

# INTRODUCTION



## Background

14 Victorian water corporations lodged their price submissions with the Essential Services Commission of Victoria (the ESC) by 30 September 2022, detailing their proposed prices for the 2023-28 regulatory period. The 14 corporations included:

- Barwon Water;
- Central Highlands Water;
- Coliban Water;
- East Gippsland Water;
- Gippsland Water;
- Goulburn Valley Water;
- Grampians Wimmera Mallee Water;
- Lower Murray Water;
- South East Water;
- South Gippsland Water;
- Southern Rural Water;
- Wannon Water;
- Westernport Water; and
- Yarra Valley Water.

Goulburn Murray Water, Greater Western Water, Melbourne Water and North East Water do not form part of this price review.

Each of the corporation's submissions and supporting financial templates can be found on the ESC's website ([link](#)).

This is the second time these submissions have been lodged under the PREMO assessment framework (the detail of which can be found at the following [link](#)), the first being five years earlier in September 2017 ([link](#)).

Each of the corporations are required to deliver submissions that address each of the requirements of the ESC's Guidance Paper ([link](#)).

## Purpose

The purpose of this document is to summarise key proposals and elements of the 2023 price submissions (PS23), and include some quantitative analysis of the key trends observed across all submissions. This includes observations regarding:

- Forecast operating expenditure;
- Forecast capital expenditure;
- RAB values;
- Forecast revenue;
- The proposed price path;
- Average bills for an owner occupier; and
- PREMO self-assessments.

URA has documented and compared the proposals from the 2023 price submissions against the proposals from the 2018 price submissions (PS18).

## Use of our analysis

URA has only compared the proposals contained in the price submissions, and supporting financial templates. It has not taken into account the ESC's 2018 draft and/or final decisions.

All data used was taken from the financial templates that support the price submissions (as published on the ESC's website), and is in \$2022-23. For the 2018 price submissions, which were in \$2017-18, URA has escalated these figures using the March Quarter (all groups, all cities) Consumer Price Index, released by the Australian Bureau of Statistics.

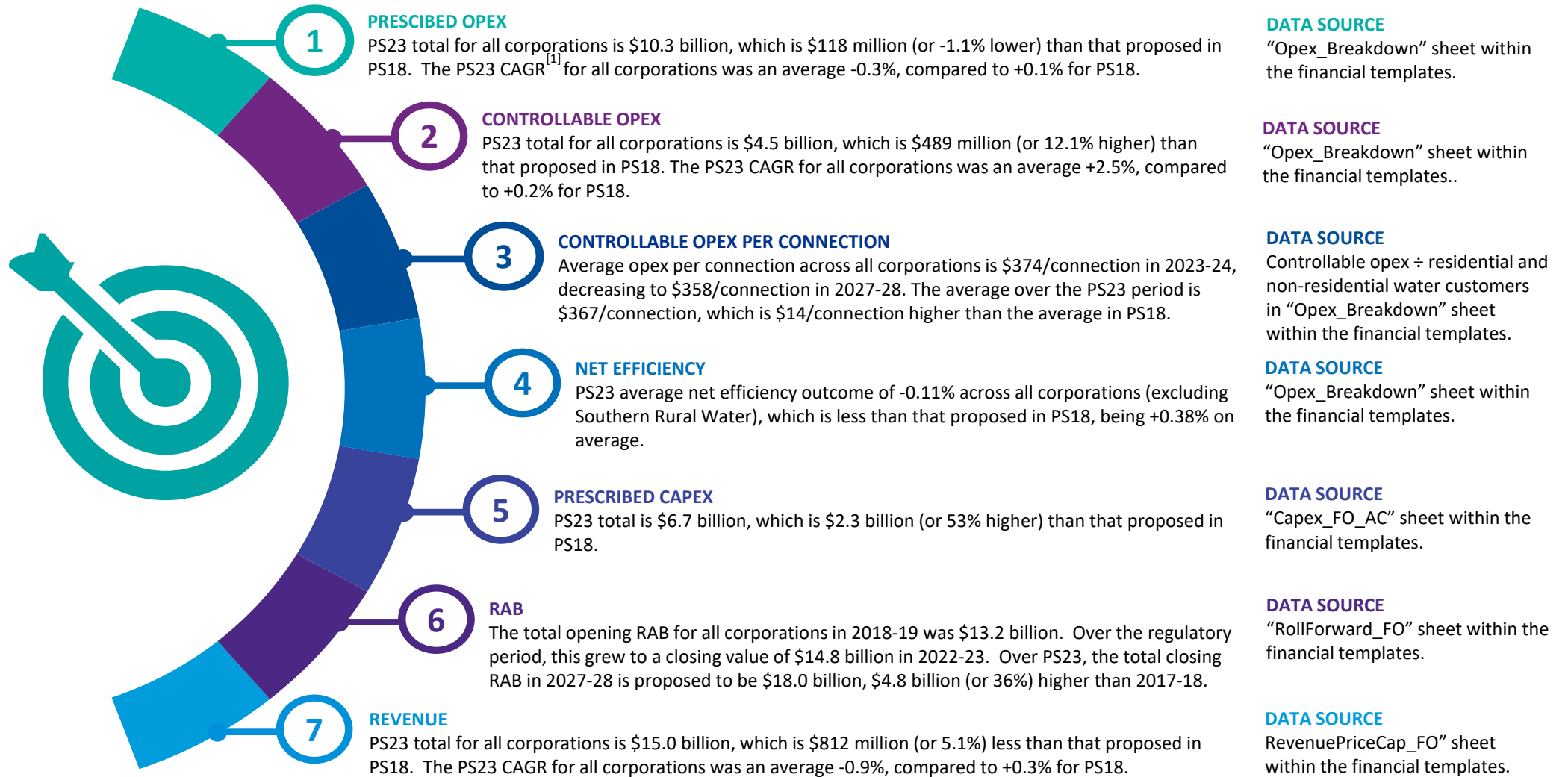
URA has not sought to validate the data contained within the submissions, and/or the supporting financial templates. All observations are factual in nature, and do not seek to comment on the quality of the proposals, the value proposition being presented, nor its alignment with the ESC's regulatory and PREMO frameworks.

URA has excluded City West Water and Western Water's 2018 price submissions as these corporations no longer exist. They have been merged to form Greater Western Water, who will lodge a submission in September 2023.

# SUMMARY FINDINGS



# FINANCIAL FORECAST OBSERVATIONS



[1] – CAGR = Compound Annual Growth Rate

# PROPOSED PRICES AND BILLS

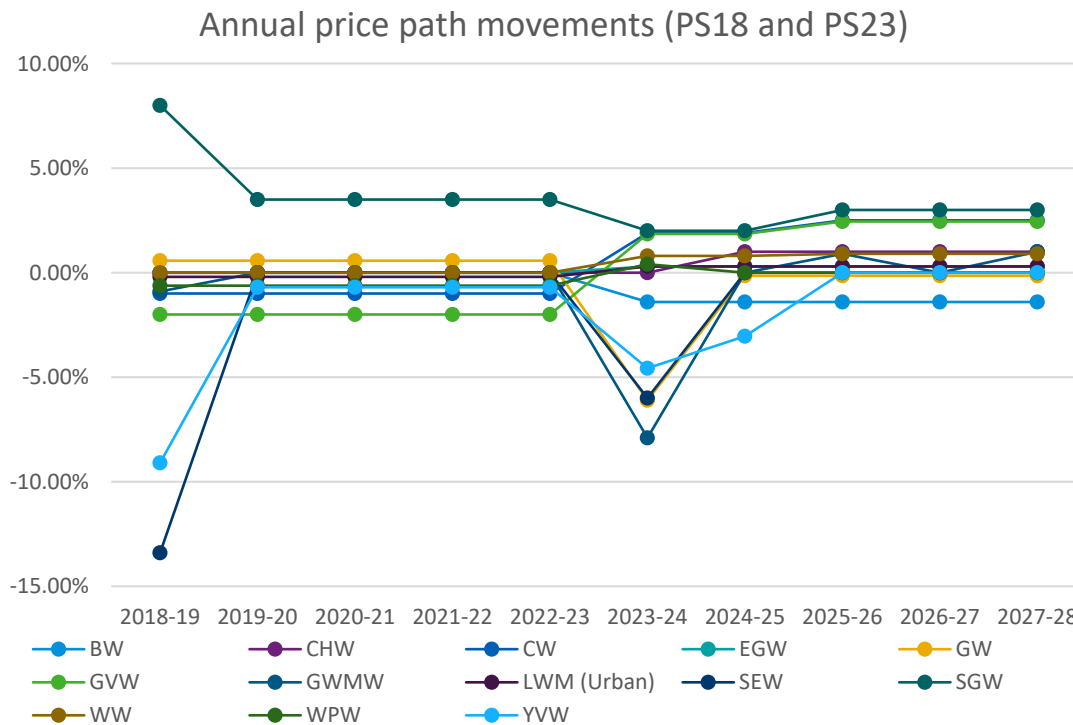
## Price Path Observations

Within the PS23 submissions, five business proposed real price reductions, as compared to seven during PS18.

Based on a simple arithmetic average, the average annual price paths for:

- PS18 were -1.43% in 2018-19, and -0.03% per annum thereafter; and
- PS23 are -1.42% in 2023-24, +0.27% in 2024-25, +0.75% for 2025-26, +0.68% for 2026-27 and +0.76% for 2027-28.

Data Source: Each corporation’s written price submission.



## Total Household Bill Maximim Observations

The average bill by the end of the PS23 period is forecast to be \$1,195 across all corporations, which is broadly consistent (\$11 higher) with than average bill 10 years ago (2017-18).

Southern Rural Water has been excluded as they are a rural water provider, and do not service end use customers.

Data source: “Household Bill” sheet in the financial templates

Water corporation	2017-18	2022-23	2027-28
Barwon Water	\$1,086	\$1,076	\$1,003
Central Highlands Water	\$1,300	\$1,232	\$1,272
Coliban Water	\$1,378	\$1,367	\$1,529
East Gippsland Water	\$1,210	\$1,238	\$1,256
Gippsland Water	\$1,326	\$1,363	\$1,272
Goulburn Valley Water	\$921	\$890	\$1,151
Grampians Wimmera Mallee Water	\$1,395	\$1,404	\$1,307
Lower Murray Water (urban)	\$1,074	\$1,018	\$1,033
South East Water	\$1,119	\$967	\$908
South Gippsland Water	\$1,031	\$1,153	\$1,311
Wannon Water	\$1,242	\$1,106	\$1,154
Westernport Water	\$1,148	\$1,227	\$1,230
Yarra Valley Water	\$1,160	\$1,034	\$956

# PROPOSED PREMO RATINGS

## Observations

During the PS23, six corporations proposed higher than ‘Standard’ overall PREMO ratings, as compared to eight in PS18 (which included one ‘Leading’ rating). For each of the PREMO elements:

- Performance – For PS23, five corporations rated themselves higher than standard;
- Risk - For PS23, five corporations rated themselves higher than standard, compared with nine in PS18;
- Engagement – For PS23, 9 corporations rated themselves higher than standard, compared with 12 in PS18;
- Management – For PS23, four corporations rated themselves higher than standard, compared with nine in PS18; and
- Outcomes - For PS23, eight corporations rated themselves higher than standard, compared with nine in PS18.

The data table adjacent excludes Goulburn Valley Water from the PS23 ratings, as the ratings for the individual PREMO elements are not contained within their submission. All PREMO ratings are sourced from the submissions.

Water corporation	PS18	PS23
Barwon Water	Advanced	Advanced
Central Highlands Water	Advanced	Standard
Coliban Water	Advanced	Standard
East Gippsland Water	Standard	Standard
Gippsland Water	Standard	Advanced
Goulburn Valley Water	Leading	Advanced
Grampians Wimmera Mallee Water	Advanced	Advanced
Lower Murray Water (urban)	Standard	Standard
South East Water	Advanced	Advanced
South Gippsland Water	Standard	Standard
Southern Rural Water	Advanced	Standard
Wannon Water	Standard	Standard
Westernport Water	Standard	Standard
Yarra Valley Water	Advanced	Advanced

PREMO Element	Rating	PS18 No of ratings	PS23 No of ratings
Performance	Leading	-	0
	Advanced	-	5
	Standard	-	8
	Basic	-	0
Risk	Leading	2	1
	Advanced	7	4
	Standard	5	8
	Basic	0	0
Engagement	Leading	5	5
	Advanced	7	4
	Standard	2	4
	Basic	0	0
Management	Leading	3	0
	Advanced	6	4
	Standard	5	9
	Basic	0	0
Outcomes	Leading	1	0
	Advanced	8	8
	Standard	5	5
	Basic	0	0





Tim White, Executive Director  
M: +61 408 066 960  
E: [twhite@uradvisory.com.au](mailto:twhite@uradvisory.com.au)  
W: [www.uradvisory.com.au](http://www.uradvisory.com.au)



Mark Fitzgibbon, Director  
M: +61 419 225 304  
E: [mfitzgibbon@uradvisory.com.au](mailto:mfitzgibbon@uradvisory.com.au)  
W: [www.uradvisory.com.au](http://www.uradvisory.com.au)



Courtney Rogers, Senior Manager  
M: +61 413 060 916  
E: [crogers@uradvisory.com.au](mailto:crogers@uradvisory.com.au)  
W: [www.uradvisory.com.au](http://www.uradvisory.com.au)

