

The Essential Services Commission

The Essential Services Commission is the independent economic regulator of the Victorian Water Industry. The ESC periodically assesses prices put forward by water businesses in a three to five year Water Plan. The Price Review is undertaken according to legislation set out in the "Water Industry Regulatory Order" (or WIRO). The WIRO sets out the principles for the Commission to take into account when assessing tariff structures.

ESC Review of Water Plans

Last year Melbourne's water businesses submitted Water Plans which set out the costs facing the businesses over the next four years and the prices they proposed charging customers over that period. Having assessed those proposals the Commission has made a Draft Decision. The Decision includes amendments to the assumed costs to run and expand the network over the period. The ESC has also suggested that businesses re-think their approach to tariff structures.

Businesses proposed tariff strategy

The businesses proposed large price rises over the period. The price rises were linked to expenditure on augmentation and renewal projects including work to secure water supply for the future. Their proposal was to increase fixed and variable water and sewerage charges uniformly to recover the extra revenue, with a review of tariffs in 2013. The ESC has suggested that the tariff balance could be refined during the period to collect the required revenue while more closely reflecting the underlying costs driving the increases. The WIRO requires that prices provide appropriate signals to customers about the costs to the business of providing services.

Typical household bills

A typical household bill is composed of fixed and usage-based charges for both water and sewerage. Variable water charges are based on an "Inclining Block" structure where the price is higher at certain levels of consumption. Variable sewerage charges are based on the proportion of your metered water usage that is assumed to be discharged to the sewer.

In response to the Water Plans, a number of public submissions supported a greater emphasis on variable water charges as an incentive for people to save water and match cost drivers. Under the Commission's Draft Decision, variable water charges would increase more than fixed charges, with variable sewerage charges rising the least. The impact on the typical total bill would not be significant, as the different rises would average out across the separate elements.

Next stage of the process

Businesses must address the Commission's recommendations on tariff rebalancing in their response to the Draft Decision.

How to get involved

The Commission's Draft Decision is open for consultation until 19 May. A stakeholder forum to gather feedback will be held in mid-May. More information, including material from past price reviews can be found on the Commission's website www.esc.vic.gov.au. Customers and interested parties are encouraged to participate in the price review by making submissions. Written submissions can be sent by email to water@esc.vic.gov.au or posted to Water Price Review, Essential Services Commission, 2/35 Spring Street, Melbourne 3000.

Split between water and sewerage in retailers' proposals

