



# Questions and Answers

## Tariff increases

### 2011-2012

28 June 2011

#### How much are tariffs increasing this new financial year?

Gippsland Water's tariffs for both water and wastewater will increase by 4.3% plus Consumer Price Index (CPI) on 1 July 2011 (a total of 7.77% including CPI).

This increase was originally reviewed and approved by the Essential Services Commission (ESC) in 2008 as part of our Water Plan 2008-2013 which was extensively publicised.

The 2011-2012 tariffs were again reviewed and approved by the ESC this June.

#### What are the price changes?

For an average residential customer the increases are:

	Two services		Water only	
	2010-11	2011-12	2010-11	2011-12
<b>WATER</b>	\$	\$	\$	\$
Service Charge	144.87	156.12	144.87	156.12
Usage per kilolitre	1.6754	1.8056	1.6754	1.8056
Average consumption 179 kilolitres	299.89	323.20	299.89	323.20
<b>WASTEWATER</b>				
Service Charge	681.44	734.43		
Total Charges (annual)	1126.20	1213.75	444.76	479.32
% increase above 2009-10 (including inflation)		7.77%		7.77%

**A typical household with both services, and average consumption, will see an increase in their bill of approximately:**

- \$88 a year; or
- \$1.68 a week; or
- \$29 per bill.

## What has caused this increase?

The tariff increases outlined in Gippsland Water's five year Water Plan 2008-2013 are a result of significant capital investment to improve service reliability and customer services, and an increase in operational expenditure.

There have been several factors that have contributed to the increase in water and wastewater service charges. These include:

- Security of supply
- Legislative requirements
- Increase in operational expenditure
- An increased expectation in service delivery across the water industry.

## What are the concession amounts in 2011-2012?

\$270.20 if connected to water and wastewater

\$135.10 if connected to one service only

## Has the construction of the desalination plant at Wonthaggi contributed to the increase in tariffs?

No. The desalination plant does not form a part of the supply system for Gippsland Water and has no impact on our tariffs.

## Are tariffs increasing because the Gippsland Water Factory is over budget?

No. The tariff increases for 2011-12 were approved by the Essential Services Commission in June 2008 after extensive community consultation.

Of the \$232 million capital works budget in Water Plan 2008-2013, \$52 million was for the Gippsland Water Factory. The majority of the project was already funded in Water Plan 2005-2007.

**Although the cost of the Gippsland Water Factory has increased, this will have no further impact on customers' bills, as the increase will be absorbed into Gippsland Water's budget for 2008-2013. Customers can rest assured there will be no change to this approved tariff structure.**

## How much is the Gippsland Water Factory contributing to the tariff increases over the 2008-2013 Water Plan period?

Of the \$232 million capital works budget in Water Plan 2008-2013, \$52 million was for Gippsland Water Factory. The majority of the project was already funded in Water Plan 2005-2007.

## What is the main charge in my water bill?

Although referred to as a 'water' bill, most Gippsland Water residential bills charge for two different services; water AND wastewater.

Of the two fixed service charges, the wastewater availability charge is by far the largest component of residential bills - \$734.43 for an average customer, compared to just \$156.12 for the water availability service charge (for a standard home).

Providing a good wastewater treatment service is fundamental to essential public health outcomes and core to Gippsland Water's business. Transporting and treating wastewater in a safe manner that also ensures that we continue to meet our obligations to protect the environment costs the organisation significantly more than the cost of harvesting, treating and transporting domestic drinking water.

## **Can I influence the amount of my water bill?**

Yes. There are two charges for domestic water supply; a service charge and a usage charge.

While the service charge is fixed at \$156.12, the usage charge is based on the amount of water consumed by a household. This is calculated at a rate of \$1.8056 per 1000 litres of water used.

Of the two charges, the fixed service charge contributes, on average, about 32 per cent to the overall water charge, while the usage charge makes up 68 per cent. Therefore, customers have the ability to reduce a significant part of their overall water charge by reducing the amount of water they use.

## **What benefits will customers receive from the increase in tariffs?**

Gippsland Water customers will benefit from capital works projects and maintenance planned to take place between 2008 and 2013. These projects and works will introduce improved water and wastewater services across Gippsland Water's service area.

The capital expenditure approved for the region for the five year period (2008-2013) is \$232 million.

The Gippsland Water Factory was the major capital works project undertaken during this timeframe, but is by no means the only project.

Capital works projects planned to take place over the five year period include:

- Mains, sewers, water treatment plants and wastewater treatment plants.
- Conservation, recycling, augmentation and interconnection projects.

## **How were customers notified of the tariff increases?**

This year's tariffs have been communicated through public notices in local papers outlining the charges for the new financial year. Customers will also receive a notice regarding the new tariffs in their first bill after 1 July.

## **How were the tariffs decided?**

The tariffs were set through a process called a water plan. The Water Plan 2008-2013 outlines Gippsland Water's service outcomes and obligations, operational and capital expenditure and the proposed tariffs for the five year period from 2008-2013.

The Water Plan is subject to extensive customer and stakeholder consultation, independent review and regulatory determination to ensure that the services and prices proposed are acceptable and reasonable for these groups.

Water Plan 2008-2013 specifically addresses:

- Proposed service outcomes and obligations.
- Operational and capital expenditure required to deliver those outcomes/obligations.
- Proposed tariffs required to generate sufficient revenue to fund those outcomes for the regulatory period.

## **Why does Gippsland Water have a water plan (budget)?**

Gippsland Water needs to develop a water plan as part of the Statement of Obligations, issued by the Minister for Water under the Water Industry Act 1994.

A water plan must outline Gippsland Water's proposed operational and capital expenditure, other key issues and its tariffs for a five year period. This plan is independently reviewed by the Essential Services Commission.

## Was the community consulted following the release of the draft of Water Plan 2008-2013?

- Yes, Gippsland Water held a series of six community information sessions across its service area throughout August 2007. These were advertised in local newspapers.
- Gippsland Water offered many opportunities for customers to have their say regarding the content of the draft water plan and invited public comment from 31 July until 14 September 2007.
- Customers were encouraged to complete public comment forms which were made available at Gippsland Water's offices, on the website and were mailed out to customers on request.
- A survey was delivered to mail boxes across Gippsland Water's service area which gave customers the chance to have their say about the tariff structures.
- Several media releases were issued to all local media to notify customers and the community about the release of the draft and the public consultation period.

## What is the Essential Services Commission?

The Essential Services Commission (ESC) is Victoria's independent economic regulator of prescribed essential utility services supplied by the electricity, gas, ports, grain handling and rail freight industries.

The ESC is also responsible for:

- The regulation of Victoria's water and sewerage services.
- The regulation of prices and service standards of 20 businesses supplying water, sewerage and related services to residential, industrial and commercial, and irrigation customers throughout Victoria.
- The approval of each water business' water plan before it is implemented.

## When was Water Plan 2008-2013 released?

The draft Water Plan 2008-2013 was released on 31 July 2007, followed by a six-week public comment period until 14 September.

Gippsland Water then submitted its final Water Plan 2008-2013 incorporating the feedback received during the consultation process to the Essential Services Commission in October 2007. It was formally approved by the ESC on 20 June 2008.

## Why do major customers take 70% of the water, but don't contribute 70% of the total revenue?

Residential customers	Major industrial customers
Gippsland Water treats 30% of its raw water to meet the Victorian Government's Safe Drinking Water Act and supplies it to 65,000 residential customers to use for drinking water.	Gippsland Water supplies the remaining 70% of its raw water directly to several major industrial customers to use in industrial operations. The water is not treated by Gippsland Water in any way.
Gippsland Water's 65,000 residential customers receive treated water that is taken from 15 different sources including streams and rivers and transported through a network of 17 water	Major industrial customers are supplied raw untreated water through a single, gravity-fed pipeline that comes from a single water storage.

treatment plants, 48 pump stations and 2,019 kilometres of pipes.	
Gippsland Water's 65,000 residential customers need highly treated drinking water that meets the Victorian Government's Safe Drinking Water Act and must be free of E coli and chemical contaminants.	Major customers are supplied with a lower grade of water that does not have to meet the Victorian Government's Safe Drinking Water Act and does not require treatment.
The cost to provide this treated water and distribute across the reticulation system to 65,000 residential customers is paid for by these customers.	The cost to provide raw untreated water and basic wastewater services to these major industrial customers is paid for by these major industrial customers.

### **What if I can't afford to pay my water bills?**

Gippsland Water customers are encouraged to contact our customer assistance centre on 1800 066 401. Our customer care officers will work with you to help you understand the range of payment options and support programs available.

We have a financial hardship management plan, as well as a range of alternate payment options available to suit a customer's capacity to pay.

Payment options include various installment payment plans where customers can opt to pay their bills in smaller amounts more frequently.

Through our financial hardship management program, we can also refer customers to government assistance programs (including the Utility Relief Grant Scheme) and non-cost independent financial counselors to help customers meet their financial obligations.

### **Where can I get more information about the water plan?**

A full copy of the Water Plan 2008-2013 can be viewed at [www.gippswater.com.au](http://www.gippswater.com.au) under About Us > Governance.

The Essential Services Commission website – [www.esc.vic.gov.au](http://www.esc.vic.gov.au) provides details relating to its approval process and submissions received from interested parties.