



Level 37, 2 Lonsdale St
Melbourne 3000, Australia
Telephone +61 3 9032 1300
 +61 1300 664 969
Facsimile +61 3 9032 1303

2013-18 WATER PRICE REVIEW

DRAFT DECISION VOLUME II:
GIPPSLAND WATER

MARCH 2013

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GIPPSLAND WATER

1. Purpose of volume II of the draft decision

The Commission is required to issue a draft decision that proposes either to:

- (a) approve all of the prices which a regulated entity may charge for prescribed services, or the manner in which such prices are to be calculated or otherwise determined, as set out in the regulated entity's Water Plan, until the commencement of the next regulatory period or
- (b) refuse to give the approval referred to above and specifies the reasons for the Commission's proposed refusal (which may include suggested amendments to, or action to be taken in respect of, the Water Plan that, if adopted or taken, may result in the Commission giving that approval) and the date by which a regulated entity must resubmit a revised Water Plan or undertake such action as to ensure compliance.

This volume of the draft decision summarises for each business the suggested amendments or actions that if adopted or taken may result in the Commission giving its approval to the relevant business's proposed prices or the manner in which such prices are to be calculated or otherwise determined. The main reasons for suggested amendments or actions are summarised. More detailed reasons for the Commission's suggested amendments are outlined in volume I of the draft decision.

2. Actions to be taken in response to this draft decision

In response to this draft decision, Gippsland Water should by 2 May 2013 resubmit:

- (a) its proposed schedule of tariffs to apply for each year of the regulatory period commencing 1 July 2013 that reflects:
 - i. the revised revenue requirement set out in table 2
 - ii. the revised demand forecasts set out in tables 11–17 and
 - iii. any changes to tariff structure suggested by the Commission.
- (b) the service standards to apply over the regulatory period consistent with any revisions suggested by the Commission set out in table 1.
- (c) the New Customer Contribution Charges (NCC) consistent with the specific actions required by the Commission set out in section 16.
- (d) pass through mechanisms to apply over the regulatory period consistent with any revisions suggested by the Commission.

If a business does not submit a revised schedule of tariffs and/or the service standards to apply, or otherwise make a submission as to why it has not adopted the Commission's suggested amendments by the due date, the Commission will specify the prices, or manner in which prices are to be calculated or otherwise determined and the service standards to apply for the regulatory period 2013-14 to 2017-18 as part of its final determination.

3. Service standards

The Commission proposes to approve each of the service standards proposed in Gippsland Water's Water Plan.

Table 1 Approved service standards

<i>Service standard</i>	<i>Draft decision – service standards</i>					
	<i>5yr Avg 2008-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Water						
Unplanned water supply interruptions (per 100km)	18.01	19.5	19.5	19.5	19.5	19.5
Average time taken to attend bursts and leaks (priority 1) (minutes)	31.2	35	35	35	35	35
Average time taken to attend bursts and leaks (priority 2) (minutes)	144.84	138	138	138	138	138
Average time taken to attend bursts and leaks (priority 3) (minutes)	1659.73	2000	2000	2000	2000	2000
Unplanned water supply interruptions restored within 5 hours (per cent) - proposed	98.25	98	98	98	98	98
Planned water supply interruptions restored within 5 hours (per cent)	97.45	90	90	90	90	90
Average unplanned customer minutes off water supply (minutes)	8.82	10.8	10.8	10.8	10.8	10.8
Average planned customer minutes off water supply (minutes)	13.39	12	12	12	12	12

<i>Service standard</i>	<i>Draft decision – service standards</i>					
	<i>5yr Avg 2008-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Average frequency of unplanned water supply interruptions (number)	0.11	0.12	0.12	0.12	0.12	0.12
Average frequency of planned water supply interruptions (number)	0.09	0.08	0.08	0.08	0.08	0.08
Average duration of unplanned water supply interruptions (minutes)	80.08	90	90	90	90	90
Average duration of planned water supply interruptions (minutes)	149.83	150	150	150	150	150
Number of customers experiencing 5 unplanned water supply interruptions in the year (number)	2	0	0	0	0	0
Unaccounted for water (per cent)	10.6	12	12	12	12	12
Sewerage						
Sewerage blockages (per 100km)	15.21	18	18	18	18	18
Average time to attend sewer spills and blockages (minutes)	115.35	40	40	40	40	40
Average time to rectify a sewer blockage (minutes)	94.24	95	95	95	95	95
Spills contained within 5 hours (per cent)	90.63	98	98	98	98	98
Customers receiving 3 sewer blockages in the year (number)	0	0	0	0	0	0
Customer Service						
Complaints to EWOV (per 1000 customers)	No audit data available	0.08	0.08	0.08	0.08	0.08
Telephone calls answered within 30 seconds (per cent)	No audit data available	84	84	84	84	84

Note Data rounded to two decimal places.

4. Guaranteed service level scheme

Gippsland Water has not proposed to introduce a GSL scheme in the forthcoming period. Gippsland Water is required to propose a GSL scheme before the Commission approves its water plan. At a minimum Gippsland Water's proposal must include GSLs for:

- sewer spills in a house contained within one hour of notification
- unplanned water interruptions restored within five hours of notification.

5. Revenue requirement

The Commission has adopted the following assumptions in relation to the revenue required over the regulatory period.

Table 2 **Breakdown of revenue requirement implied by ESC draft decision**
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Operating expenditure	71.2	70.7	71.0	70.4	70.4
Return on existing assets	22.5	22.0	21.4	20.8	20.2
Return on new investments	0.9	3.0	5.1	6.4	7.7
Regulatory depreciation	11.6	12.7	13.8	14.7	15.6
Total	106.2	108.4	111.3	112.4	113.9

6. Rolled forward regulatory asset base

The regulatory asset base as at 1 July 2007 will be rolled forward to reflect approved actual capital expenditure net of customer contributions (new customer and shareholder contributions) and disposals for the 2007-08 to 2011-12 period less any approved allowance for regulatory depreciation. The rolled forward values are shown in table 4.

The Commission has excluded \$41.6m from Gippsland Water's regulatory asset base to represent the amount the Gippsland Water Factory has exceeded the 2008 Determination forecasts.

Table 3 Updated regulatory asset base
\$m 2012-13

	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
Opening RAB	249.5	328.0	412.3	433.9	469.0
<i>Plus</i> Gross Capital expenditure	128.0	94.5	36.4	50.6	40.0
<i>Less</i> Government contributions	0.0	0.0	0.4	2.0	0.0
<i>Less</i> Customer contributions	1.5	1.3	3.7	2.2	2.6
<i>Less</i> Proceeds from disposals	0.5	0.4	0.7	0.6	0.6
<i>Less</i> Regulatory depreciation	12.1	8.5	9.9	10.8	11.7
Closing RAB	328.0	412.3	433.9	469.0	452.6

The regulatory asset base as at 1 July 2012 will be rolled forward to reflect approved estimates of capital expenditure net of customer contributions (new customer and shareholder contributions) and disposals for the 2012-13 to 2017-18 period less any approved allowance for regulatory depreciation.

The Commission has adopted the following assumptions in relation to regulatory asset base over the regulatory period:

Table 4 Rolled forward regulatory asset base
\$m 2012-13

	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Opening RAB	452.6	485.5	511.0	552.1	574.9	585.1
<i>Plus</i> Gross Capital expenditure	51.0	41.2	54.7	38.0	26.0	33.5
<i>Less</i> Government contributions	0.0	3.4	0.0	0.0	0.0	0.0
<i>Less</i> Customer contributions	4.6	0.0	0.0	0.0	0.0	0.0
<i>Less</i> Proceeds from disposals	0.6	0.8	0.9	1.4	1.1	0.9
<i>Less</i> Regulatory depreciation	12.8	11.6	12.7	13.8	14.7	15.6
Closing RAB	485.5	511.0	552.1	574.9	585.1	602.2

7. Weighted average cost of capital

The Commission has adopted a weighted average cost of capital (WACC) of 4.7 per cent for all water businesses. The table below outlines the individual components for the WACC.

Table 5 Real post-tax WACC

<i>Real risk free rate</i>	<i>Equity beta</i>	<i>Market risk premium</i>	<i>Debt margin</i>	<i>Financing structure (gearing)</i>	<i>Franking credit value</i>	<i>WACC</i>
<i>per cent</i>	<i>β</i>	<i>per cent</i>	<i>per cent</i>	<i>per cent</i>	<i>γ</i>	<i>per cent</i>
0.679 – 1.023	0.65	6.0%	3.03% – 4.53%	60%	0.5	4.7%

8. Operating expenditure

The Commission has made the following assumptions about operating expenditure forecasts over the regulatory period:

Table 6 Proposed and approved operating expenditure assumptions
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Proposed operating expenditure	71.8	71.7	72.6	72.6	73.1
Revisions and adjustments	-0.6	-1.1	-1.6	-2.2	-2.6
Draft decision – operating expenditure	71.2	70.7	71.0	70.4	70.4

The Commission's assumptions reflect the following adjustments to Gippsland Water's proposed operating expenditure forecasts:

Table 7 Adjustments to operating expenditure
\$m 2012-13

<i>Expenditure item</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Labour	-0.46	-0.95	-1.46	-2.03	-2.50
Defined benefits superannuation costs	0.46	0.45	0.44	0.43	0.42
Payments to Southern Rural Water	-0.02	-0.02	-0.02	-0.02	-0.02
Other items	-0.30	-0.29	-0.27	-0.30	-0.27
Environment Contribution	-0.17	-0.18	-0.19	-0.20	-0.20
Licence fees	-0.10	-0.08	-0.08	-0.08	-0.06
Total	-0.59	-1.07	-1.58	-2.20	-2.64

- (a) Adjustments reflect changes to wage rates. In addition, costs associated with career progression outcomes of 1.15 per cent per year have been removed because it is not consistent with the new wage policy (section 4.2.1 of Deloitte's expenditure report).
- (b) Adjustments reflect recovery of \$4.7 million defined benefit superannuation payments to be made to Vision Super in 2013 (section 4.2.4 of Deloitte's expenditure report).
- (c) Adjustments reflect updated estimates of bulk costs including slightly higher recreation facilities costs and lower storage fees to be paid to Southern Rural Water (section 4.2.8 of Deloitte's expenditure report).
- (d) Adjustments reflect Gippsland Water's revised cost estimates which Deloitte considered reasonable (section 4.2.9 of Deloitte's expenditure report).
- (e) Adjustments reflect recent advice from the Department of Sustainability and Environment on environmental contribution for the next regulatory period (chapter 6 of volume I of this draft decision).
- (f) Adjustments reflect recent advice from the Department of Health and Environment Protection Authority on their respective licence fees for the next regulatory period (chapter 6 of volume I of this draft decision)

9. Capital expenditure

The Commission has made the following assumptions about capital expenditure forecasts over the regulatory period:

Table 8 Proposed and approved capital expenditure assumptions
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Proposed capital expenditure	41.6	54.9	38.1	34.7	33.6
Draft decision – capital expenditure	41.2	54.7	38.0	26.0	33.5

The Commission's assumptions reflect the following adjustments to Gippsland Water's proposed capital expenditure forecasts:

Table 9 Adjustments to capital expenditure
\$m 2012-13

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Regional outfall system renewal program	-0.08	-0.08	-0.08	-0.08	-0.08
Warragul - Moe water supply interconnect stage two	-0.34	0.00	0.00	-8.60	0.00
Gippsland Water Factory (GWF) membrane replacement works	0.04	-0.11	-0.01	-0.01	-0.01
Total	-0.39	-0.20	-0.10	-8.70	-0.10

- (a) Regional outfall sewer (ROS) renewal program – Deloitte recommended spreading expenditure to replace the majority of 90 kilometre ROS fence over the next regulatory period and WP4 (section 5.5 of Deloitte's expenditure report).
- (b) Warragul-Moe water supply interconnect (stage two) – Deloitte considered Gippsland Water's submissions but still believed extending the current agreement with Melbourne's water retailers for contingency supply is likely to be the most efficient outcome for customers, rather than building this proposed project. Deloitte recommended removing the proposed expenditure (section 5.6 of Deloitte's expenditure report).

- (c) GWF membrane replacement works – Deloitte recalculated the proposed expenditure to reflect the recent information received from Gippsland Water’s consultants about timing and cost estimates (section 5.11 of Deloitte’s expenditure report).

Gippsland Water has identified the following key capital projects to be undertaken during the regulatory period.

Table 10 Key capital projects

	<i>Expected completion date</i>
Loch sport sewerage scheme	2016-17
Shared assets – wastewater program	2013-14 to 2017-18
Regional outfall system renewal program	2013-14 to 2017-18
SCADA asset upgrade program	2013-14 to 2017-18
Water reticulation system renewals program	2013-14 to 2017-18
Water treatment plant enhancements	2013-14 to 2017-18
Wastewater reticulation system renewals program	2013-14 to 2017-18
GFW membrane replacement works	2013-14 to 2017-18
GFW minor improvement works	2013-14 to 2017-18
Sale water treatment plant upgrade	2014-15
Warragul-Hazel Creek trunk sewer (stage three)	2014-15

10. Demand forecasts

- (a) The Commission has made the following assumptions about demand for various services over the regulatory period.
- (b) The Commission has adjusted proposed demand forecasts where indicated.

Table 11 Number of water connections

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Residential					
Proposed connections	60 259	61 334	62 409	63 484	64 559
Draft decision – connections	60 259	61 334	62 409	63 484	64 559
Non-residential					
Proposed connections	5 795	5 816	5 837	5 858	5 879
Draft decision – connections	5 795	5 816	5 837	5 858	5 879
Proposed – total connections	66 053	67 149	68 245	69 341	70 437
Draft decision – total connections	66 053	67 149	68 245	69 341	70 437

Table 12 Number of sewerage connections

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Residential					
Proposed connections	52 170	53 364	55 033	56 822	58 031
Draft decision – connections	52 170	53 364	55 033	56 822	58 031
Non-residential					
Proposed connections	5 005	5 026	5 047	5 068	5 089
Draft decision – connections	5 005	5 026	5 047	5 068	5 089
Proposed – total connections	57 174	58 389	60 079	61 889	63 119
Draft decision – total connections	57 174	58 389	60 079	61 889	63 119

Table 13 **Residential water consumption**
ML

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Proposed average consumption (kL)	172	171	169	168	166
Draft decision – average consumption (kL)	177	177	177	177	177
Proposed total residential consumption	10 378	10 469	10 559	10 646	10 731
Draft decision – total residential consumption	10 670	10 853	11 035	11 217	11 399

For residential and non-residential volumes Gippsland Water based its forecasts on adjustments to the 2011-12 year with a 2 per cent annual decline extrapolated forward. Frontier Economics did not agree with this approach because it was not a sufficiently robust demand forecasting method (see Frontier Economics' report).

Gippsland Water did not agree with Frontier Economics' recommendations in its draft report. The Commission has reviewed Gippsland Water's concerns with Frontier Economics' advice and the Commission agrees with Frontier Economics' assessment that Gippsland Water's modelling techniques were not sufficiently robust and its methodology and approach were beneath the standards of other businesses. The Commission has discussed Gippsland Water's concerns with Frontier Economics and it is satisfied that Frontier Economics has adequately assessed Gippsland Water's forecasts. The Commission can undertake independent demand modelling after the draft decision if concerns remain.

On this basis the Commission proposes to revise Gippsland Water's residential water volumes.

Table 14 **Non-residential water consumption**
ML

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Proposed non-residential consumption	2 045	2 021	1 997	1 974	1 951
Draft decision – non-residential consumption	2 092	2 099	2 107	2 115	2 122

For the reasons outlined above, the Commission proposes to revise Gippsland Water's non-residential water and sewage volumes.

Table 15 Total water consumption
ML

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Proposed total consumption	12 423	12 490	12 556	12 620	12 682
Draft decision – total consumption	12 762	12 952	13 142	13 332	13 522

Table 16 Non-residential volumetric sewage
KL

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Proposed total consumption	701 991	693 831	685 757	677 769	669 867
Draft decision – total consumption	815 773	818 754	821 735	824 717	827 698

Table 17 Trade waste connections

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Proposed – connections	836	836	836	836	836
Draft decision – connections	841	846	851	856	861

Frontier Economics disagreed with Gippsland Water's assumption forecast trade waste customer numbers would remain stable and recommended increasing their connections numbers. For the reasons outlined above, the Commission proposes to revise Gippsland Water's trade waste connections forecast.

11. Form of price control

The Commission proposes to approve a hybrid form of price control, whereby:

- (a) it approves price caps for Gippsland Water and
- (b) this businesses may propose to move to a tariff basket at the time of the annual price review within the period.

Where a business proposes to transfer to a hybrid form of price control during the next regulatory period, and where that proposal results in a material tariff change, the Commission proposes to require the business to consult with customers. The determinations will require water businesses to provide evidence of customer consultation (including customer consultative committees) and a statement about customer impacts and how the business will address those impacts.

12. Retail water tariffs

- (a) The Commission proposes to approve Gippsland Water's proposed retail water tariff structure.

13. Retail sewerage tariffs

- (a) The Commission proposes to approve Gippsland Water's proposed retail sewerage tariff structure.

14. Trade waste charges

- (a) The Commission proposes to approve the trade waste tariffs proposed by Gippsland Water.
- (b) The Commission requires Gippsland Water to continue to include the Commission's trade waste pricing principles in its tariff schedules. Gippsland Water is required to use the pricing principles when determining trade waste charges for customers to whom scheduled prices do not apply.

15. Recycled water

- (a) The Commission is proposing to approve Gippsland Water's proposed pricing principles on the basis that they are consistent with the principles below.
- (b) The Commission considers that Gippsland Water should set its recycled water prices according to a set of principles that ensure that prices:
 - i. have regard to the price of any substitutes and customers' willingness to pay
 - ii. cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand)
 - iii. include a variable component.

- (c) Where a business does not propose to fully recover the costs associated with recycled water, it must demonstrate to the Commission that:
- i. it has assessed the costs and benefits of pursuing the recycled water project
 - ii. it has clearly identified the basis on which any revenue shortfall is to be recovered
 - iii. if the revenue shortfall is to be recovered from non-recycled water customers, either that the project is required by 'specified obligations' or that there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

16. New Customer contributions

Table 18 New customer contributions charges
\$ 2012-13 per lot

Water	To be recalculated
Sewerage	To be recalculated

Subject to Gippsland Water amending its NCC proposal consistent with the specific actions required by the Commission described below, the Commission proposes to approve the manner in which Gippsland Water's NCC charges are determined.

The Commission requires Gippsland Water to:

- (a) Resubmit its calculations for NCC charges with zero value. The Commission will reassess these proposals following submission.
 - i. Take into account Sinclair Knight Merz (SKM) findings associated to apportionment of Water Plan 2 capital costs and variable operating costs relating to the Gippsland Water Factory.
 - ii. The NCC model included full project costs of Water Plan 2 capital projects which is unreasonable. Project costs should be reduced to take into account NCC that have already been received from connections to these assets in Water Plan 2. Or the project costs should be reduced by the extent to which capacity in these assets is used up to the beginning of the third regulatory period
- (b) It would be reasonable to include some proportion of the variable operating costs associated with the Gippsland Water Factory
- (c) Assess how they can improve the cost reflectivity of its NCC proposal and to present options on offering more location specific NCC. If the option is a uniform or combined NCC then the water business must demonstrate that

there is little material difference between NCC calculated for specific locations or services.

- (d) Confirm that all NCC charges have been calculated in accordance the core pricing principles.
- (e) Improve the transparency of its NCC proposal by providing maps to show the boundaries around the areas (or towns) within which standard NCC apply. Or define any threshold that must be met in order for an NCC to be levied.
- (f) Clearly describe the circumstances (i.e. eligibility criteria) under which NCC will negotiated and confirm that it will apply the core pricing principles when such NCC are negotiated.
- (g) Consult with other water businesses to develop a best practice negotiating framework.
- (h) Consult with other regional water businesses to propose a common water industry timeframe to estimate capital costs.
- (i) Consult with stakeholders following the draft decision
- (j) Make other modelling adjustments:
 - i. Update calculations of standard NCC with any expenditure adjustments arising from the draft decision
 - ii. Update calculations of standard NCC with any demand adjustments arising from the draft decision
 - iii. Review NCC calculations and only include tax rates in the model only for the years the business expects to pay tax
 - iv. Update calculations of standard NCC with the Commission's draft decision on the Weighted Average Cost of Capital (WACC).
 - v. Resubmit a forecast of NCC revenue for each service for each year of the third regulatory period, following changes made in accordance with the above.

17. Miscellaneous charges

- (a) The Commission proposes to approve the miscellaneous services fees and charges proposed by Gippsland Water.
- (b) In response to this draft decision, Gippsland Water is required to submit:
 - (i) definitions and proposed charges for connection fees, information fees and meter reading fees, if these are not already included in its core set of miscellaneous services.

- (ii) if proposing any miscellaneous charges for developers:
 - o the name all charges relating to developers
 - o explain how these charges relate to NCCs
 - o define the services that will be provided for these charges.

18. Reopening prices

For the third regulatory period, the Commission proposes to approve an uncertain and unforeseen events mechanism that sets out a process for a reopening of price determinations to account for events that were uncertain or unforeseen at the time of the price review, which the businesses could not control or effectively manage such as:

- (a) unsustainable or unwarranted differences between actual and forecast demand level
- (b) changes in legislative and other government imposed obligations
- (c) catastrophic events (such as fire, earthquake or act of terrorism).

Key features of the mechanism are:

- (d) A water business (by application to the Commission) or the Commission may initiate a reopening.
- (e) Prices can either be raised or reduced as a result of an uncertain or unforeseen event.
- (f) An adjustment to prices may be implemented by the Commission at any time within a regulatory period (and not only on 1 July in any year), or at the end of the regulatory period.
- (g) There will be no nominal thresholds for applications (based on differences between forecast and actual outcomes for expenditure, revenue and demand). However in applying to reopen a decision, the water business will need to demonstrate it does not have the financial resources or operational capacity to manage its exposure.
- (h) The Commission proposes to reserve the discretion to limit the reopening of a determination to a single event, rather than the full suite of factors influencing business costs and revenues where:
 - i. the impact of an uncertain and unforeseen event on business costs or revenues is material, and
 - ii. the effects of which can be isolated with certainty

The Commission will only approve a mid-period price adjustment proposed by a water business, when it is satisfied:

- (i) the event is clearly outside the business's control and not predictable with any confidence
- (j) the business has exhausted all opportunities within its control to mitigate against the circumstances in which it finds itself, including demonstrable reprioritisation of its operating and capital expenditure programs
- (k) customers are not unduly exposed to risk or price fluctuations
- (l) the impact of the event is material, clearly observable and verifiable, and
- (m) the net impact on costs or revenue of all changes that occurred during the period being considered is significant (except in cases where the Commission identifies a material event for which the effects can be isolated).

In determining whether a mid-period price adjustment is appropriate the Commission will focus on the business's ability to absorb the impacts of any event on costs or revenues, with particular emphasis on the business' viability ratios.

Pass through events

Gippsland Water proposed to pass through any unanticipated increase in the price of chemicals and other goods and services caused by the carbon tax. The Commission proposes not to approve Gippsland Water's proposed pass through event.