

GIPPSLAND WATER

NEW CUSTOMER CONTRIBUTIONS NEGOTIATING FRAMEWORK

1 Application of Negotiating Framework

This Negotiating Framework forms part of Gippsland Water's proposed water plan for the 2013 - 2018 water plan period.

2 Purpose

This Negotiating Framework:

- sets out procedural and information requirements relevant to services to which a New Customer Contribution (NCC) may apply;
- requires Gippsland Water and the Connection Applicant to negotiate in good faith to agree the price, terms and conditions of the services to be provided; and
- enables the Connection Applicant to understand the reasons for a decision made by Gippsland Water.

The requirements set out in this Negotiating Framework are in addition to any requirements or obligations contained in, or imposed by, the Water Act 1989, the Water Industry Act 1994, the Planning and Environment Act 1987, the Subdivision Act 1988; any subordinate regulation or instrument under the described legislation and the Developer Works Deed ("Regulatory Instruments").

In the case of inconsistency between the Regulatory Instruments and this Negotiating Framework, the relevant Regulatory Instruments will prevail.

This Negotiating Framework does not alter the rights (if applicable) of the Connection Applicant to seek a review of a decision of Gippsland Water in the Victorian Civil and Administrative Tribunal.

3 Who this Negotiating Framework applies to

This Negotiating Framework applies to Gippsland Water in dealing with the Connection Applicant.

It applies to Gippsland Water in responding to any requests from the Connection Applicant in relation to the Application.

4 No obligation to provide service, good faith obligation

Nothing in this Negotiating Framework imposes an obligation on Gippsland Water to allow the Connection Applicant to connect to Gippsland Water's works or provide services to the Connection Applicant.

Gippsland Water can:

- consent to an Application;
- consent to an Application subject to any terms and conditions that Gippsland Water thinks fit; or
- refuse its consent to an Application;

In considering an Application, Gippsland Water and the Connection Applicant must negotiate in good faith the price, terms and conditions for services sought by the Connection Applicant.

5 Reticulation Assets

When seeking consent to connect to Gippsland Water's works, the Connection Applicant must provide all the Reticulation Assets necessary to service any new lot or separate occupancy (including any assets that need to be located in road reserves or in other properties), and allow the development to connect to Gippsland Water's works.

Reticulation Assets are to be fully funded by the Connection Applicant and vested to Gippsland Water.

Gippsland Water may require the Connection Applicant to upsize the Reticulation Assets in order to provide a "whole of catchment" solution to allow for future development. Any requirement to upsize the Reticulation Assets will be based on the most cost efficient, whole of life servicing solution required by Gippsland Water's design criteria.

Upsizing refers to an increase in the size of the Reticulation Assets. Any incremental costs associated with upsizing the Works shall be agreed between Gippsland Water and the Connection Applicant. Gippsland Water will reimburse the agreed upsizing costs upon Completion of the Works.

Upsizing does not include changes to depth or alignment of Reticulation Assets required by Gippsland Water to achieve the most cost efficient whole of life servicing solution. Any such changes are to be fully funded by the Connection Applicant.

6 Shared Assets

When seeking consent to connect to Gippsland Water's works, the Connection Applicant must provide all the Shared Assets necessary to service any new lot or separate occupancy (including any assets that need to be located in road reserves or in other properties), and allow the development to connect to Gippsland Water's works.

Shared Assets are to be fully funded by the Connection Applicant and vested to Gippsland Water.

Gippsland Water will reimburse the Connection Applicant, in accordance with the Negotiated NCC. Reimbursement will occur upon Completion of the Works.

7 Payment of Gippsland Water's costs

All developments of land requiring new or upgraded connection to Gippsland Water's works will incur a range of fees and/or charges payable to Gippsland Water.

Fees and charges levied by Gippsland Water are subject to approval processes under the Water Act 1989, and/or as approved by the Essential Services Commission. Details about current fees and charges can be found on Gippsland Water's website.

8 Standard NCC or Negotiated NCC

A Standard NCC will be applicable for any Application to connect to Gippsland Water's works. A Standard NCC applies for any new lot or separate occupancy that can be separately serviced by Gippsland Water's works.

A Negotiated NCC may arise where an Application involves the construction of new or the modification of existing, Shared Assets. A Negotiated NCC will consist of both the Standard NCC and any financing costs for bring-forward works associated with the Application, subject to the Regulatory Instruments in place at that time. Any financing costs will be determined from Gippsland Water's Infrastructure Sequencing Plan.

9 Pricing principles

Gippsland Water's Standard NCC and its Negotiated NCC will be based on the following pricing principles:

- a) have regard to the incremental infrastructure and associated costs in one or more of the statutory cost categories attributable to a given connection;
- b) have regard to the incremental future revenues that will be earned from customers at that connection; and
- c) be greater than the avoidable cost of that connection and less than the standalone cost of that connection.

In setting New Customer Contributions Gippsland Water will also comply with:

- a) the regulatory principles set out in clause 14 of the Water Industry Regulatory Order 2012; and
- b) any specific pricing principles approved by the Essential Services Commission as part of Gippsland Water's water plan applying at the relevant time.

10 Application process and timeframes

The Application process and timeframes are presented below at Table 1. Gippsland Water and the Connection Applicant must use their reasonable endeavours to comply with the Application process and timeframes at Table 1.

The Application process and timeframes will be likely to differ for a Standard NCC and a Negotiated NCC.

The parties may agree to vary or extend the timeframes at Table 1. The terms of such an agreement must be expressed and recorded in writing.

Table 1 – Application process and timeframes			
Step	Actions	Timing Standard NCC (business days from Application date)	Timing Negotiated NCC (business days from Application date)
1	<p>Application</p> <p>Connection Applicant makes Application to Gippsland Water, with applicable fee. An Application must include sufficient information to enable Gippsland Water to assess the Application and determine the service requirements and costing for the connection.</p>	Application date	Application date
2	<p>Negotiation meeting</p> <p>Parties to discuss and to agree to:</p> <ul style="list-style-type: none"> • the nature of the services required; • any further information to be provided by the Connection Applicant (eg additional designs and modelling); • notification and consultation with other external persons potentially affected; and • the type of NCC applicable to the development. 	+ 15 (if required)	+ 15
3	<p>Provision of additional information</p> <p>Connection Applicant to provide additional information to Gippsland Water, as applicable.</p>	+ 20 (if required)	+ 35
4	<p>Provision of further addition information</p> <p>If required Gippsland Water may request the Connection Application to provide further additional information.</p>	As required	As required
5	<p>Parties finalise negotiations</p> <p>The parties finalise negotiations, including:</p> <ul style="list-style-type: none"> • terms and conditions; and • applicable charges and/or fees. 	+ 35	+ 90

Table 1 – Application process and timeframes			
Step	Actions	Timing Standard NCC (business days from Application date)	Timing Negotiated NCC (business days from Application date)
6	<p>Gippsland Water decision</p> <p>Gippsland Water to notify the Connection Applicant of either its:</p> <ul style="list-style-type: none"> - refusal to allow service (which is unlikely); or - offer to consent, detailing terms and conditions. 	+ 45	+ 120
7	<p>Agreement</p> <p>The parties finalise negotiations in the form of a Developer Works Deed.</p>	After step 6	After step 6

11 Provision of information by Connection Applicant

Gippsland Water requires the Connection Applicant to provide sufficient information to enable Gippsland Water to assess the Application and determine the service requirements and costing for the development.

Where a Shared Asset is required, Gippsland Water requires the Connection Applicant to provide sufficient information to Gippsland Water to assess the estimated cost of the Shared Asset.

The level of information required by Gippsland Water and the detail of its response may vary depending on the particulars of the development, including its size and complexity.

12 Consultation with affected parties

If Gippsland Water is either legally obligated or considers that persons other than the Connection Applicant may be affected by proposed Works, then:

- a) subject to legal confidentiality requirements, Gippsland Water may notify and/or consult with those persons in relation to the Application; and
- b) the parties must allow sufficient time for reasonable notice and/or consultation with affected parties to occur, in which case the Application process and timeframes at Table 1 may change.

13 Dispute resolution

In the event of a dispute between parties, Gippsland Water will attempt to resolve the matter by negotiation including if appropriate, alternative dispute resolution processes.

The Connection Applicant may request (and Gippsland Water must provide) a statement of reasons for any decision, in accordance with the Victorian Civil and Administrative Act 1998.

The Connection Applicant has various rights to seek a review in the Victorian Civil and Administrative Tribunal (“**VCAT**”) of the requirements of Gippsland Water, including the New Customer Contribution applied. These review rights, including various time lines, rights and processes are set out in the Water Act 1989, Planning & Environment Act 1987, Subdivision Act 1988 and the Victorian Civil and Administrative Act 1998.

Details of such processes can be obtained from VCAT:

Victorian Civil and Administrative Tribunal
55 King Street
MELBOURNE VIC 3000

Ph: (03) 9628 9777
Website: www.vcat.vic.gov.au

14 Withdrawal of Application

The Connection Applicant may elect not to continue with its Application and may withdraw the Application by giving Gippsland Water written notice of its decision to do so.

15 Giving notices

The address for correspondence and notices to Gippsland Water is:

Gippsland Water
Attention: Manager, Property Services
Hazelwood Road; or PO Box 348
Traralgon, Victoria 3844

16 Definitions

In this Negotiating Framework:

“**Application**” means the servicing request to Gippsland Water for details of the price, terms and conditions of services to be provided.

“Associated Assets” are deemed to be Reticulation Assets and include, but are not limited to:

- Water pump stations (where the pump discharges into water mains of 150mm or less in diameter);
- Pressure reducing valves (where connected to water mains of 150mm or less in diameter);
- Water tanks” (where the outlet main is 150mm or less in diameter); and
- Sewer pump stations and/or emergency storages (where the gravity sewer inlet to the sewer pump station is 225mm or less in diameter) and rising mains from those sewer pump stations.

“Completion” means completion of the Works required as agreed between the Connection Applicant and Gippsland Water.

“Connection Applicant” means the owner of the land for which connection is required or an authorised agent of the Owner, making the Application on behalf of the owner.

“Developer Works Deed” means any written agreement entered into between the Connection Applicant and Gippsland Water relating to the price, terms and conditions upon which Works are to be completed and services may be provided.

“Gippsland Water” means the Central Gippsland Region Water Corporation established pursuant to Part 6 of the Water Act 1989.

“Infrastructure Sequencing Plan” means a plan setting out Gippsland Water’s expectations for the timing of construction of future Shared Asset infrastructure in all larger towns within Gippsland Water’s region.

“Negotiated NCC” means a negotiated New Customer Contribution, derived from any specific pricing principles approved by the Essential Services Commission applying at the relevant time.

“Reticulation Assets” means

- A water main that is 150mm or less in diameter; or
- A sewerage main that is 225mm or less in diameter, and
- All associated assets that relate to these sized assets.

“Shared Assets” means infrastructure assets required by a Connection Applicant to connect to Gippsland Water’s works that are larger than Reticulation Assets.

“Standard NCC” means a standard New Customer Contribution.

“Works” means the various works (potentially including Reticulation Assets, Shared Assets and Associated Assets) to be undertaken by the Connection Applicant.