



Water price regulation 101

2028 water price review

October 2026



Legislation and history

In 2014, the Victorian Government reviewed and revised the **Water Industry Regulatory Order** (WIRO). The changes allowed the Commission greater discretion to decide on the manner, approach and method (the pricing approach) used to deliver efficient pricing and service outcomes for Victorian water and sewerage customers.

The Water Industry Regulatory Order – p.45 Victorian Government Gazette

This change led to our review of the water pricing framework which culminated in the development of our PREMO framework in 2016, first applied to the 2018 price review. The 2028 water price review will be the third under PREMO for 16 water businesses.

Key WIRO 2014 requirements

The WIRO is made under the Water Industry Act 1994

It provides the framework for economic regulation by the commission for services provided by the regulated water industry, specifies the prescribed services for which the commission has power to regulate prices.

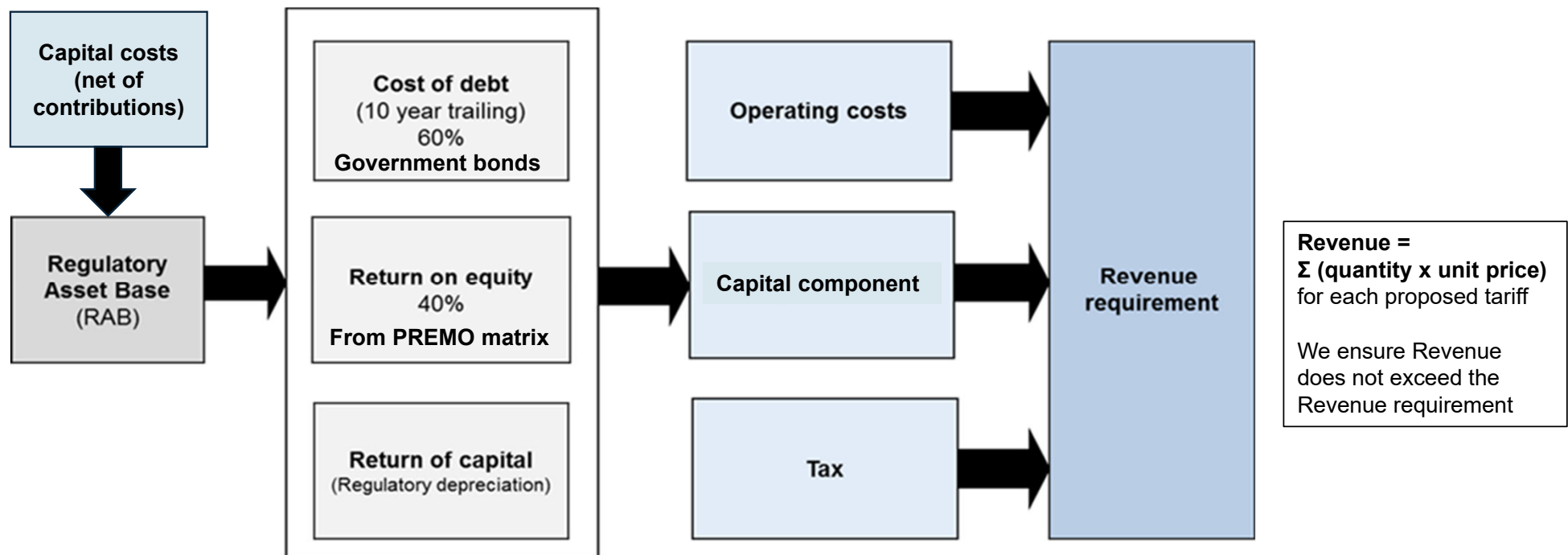
Specifics of price regulation:

- Set term of **regulatory period** (CI 9)
- Make a **price determination** which sets maximum prices, or manner in which prices are calculated (CI 10)
- **Matters to have regard to** – including pricing principles (CI 11)
- Commission must adopt an **approach and methodology** consistent with ESC Act and WIRO (CI 12)
- Provide **guidance** following consultation with the regulated entity (CI 13), including:
 - Manner, approach and methodology, timing and process, price submission due date
 - Matters to be addressed in **price submission**, and information requirements
- Commission may **approve** proposed prices OR **specify** prices (only if price submission does not comply with guidance or have adequate regards for the specified matters, or if not submitted (CI 14)
- Commission may require further **information** (CI 15)
- Commission must issue a **draft decision** including reasoning, consult and consider submissions received, before making a **price determination** (CI 16)

Our pricing approach

- We approve prices to provide sufficient revenue to deliver against customer expectations, and meet policy and regulatory obligations.
- We use a standard 'building blocks' regulatory pricing model:
 - Input costs and assumptions to calculate the required revenue to deliver customer services for each year of the regulatory period
 - Demand forecast and proposed tariff structure to determine unit prices
- Our financial model allows businesses to set out all the inputs and proposed outputs for ready evaluation by us
- The price submission explains these inputs and outputs
- Our assessment process effectively confirms the revenue requirement and the maximum prices to be charged for each service
- Our PREMO framework is an incentive overlay – prudent and efficient inputs to deliver 'best offer' prices

Building block model



Financial model

The financial model template complements water business's price submissions and is used by us to assess proposed outcomes, revenue forecasts, prices, as well as information on non-prescribed services.

- completed model is provided to us at the same time as the price submission
- we publish the submitted model on our website

The model is set in real dollars (1 Jan 2028), it includes:

- approved benchmarks from last price review (inflated to current dollars)
- previous period data reflects audited regulatory accounts