

Our reference: A33522978

Your reference: Essential Services Commission | Review of new customer contributions: consultation paper  
Enquiries to: Denis Musaefendic

19 November 2024

Marcus Crudden  
Director, Price Monitoring and Regulation  
Essential Services Commission  
Level 8, 570 Bourke Street  
Melbourne Victoria 3000

Dear Marcus,

**Re: Feedback to 2024 NCC consultation paper**

Thank you for the opportunity to provide feedback on the New Customer Contributions (NCC) review consultation paper in August 2024. We echo the sentiment from the Commission and broader water industry that an effective NCC pricing framework plays a key role in facilitating servicing growth, maintaining high quality and affordable services for our customers as well as the financial sustainability of water businesses.

In principle we agree with the key highlighted challenges and support the recommendations outlined in the consultation paper. In addition, the following points elaborate on our views regarding a number of aspects of the framework.

- We support geographic based NCCs where there is a compelling reason such as geographical, network or a service characteristic of an area that justifies the additional complexity and administration of a specific NCC.

For example, we explored the potential for geographic based standard NCCs for major future growth areas ahead of Price Submission 2023, however, the geographically interconnected service infrastructure would have resulted in complex and sensitive assumptions to attribute costs which may have resulted in disputes and complexity to communicate to developers and customers.

We do however have a single geographical NCC where the charge was negotiated with the developer of the Fyansford growth area to ensure that critical assets could be funded and delivered without affecting the timing of the development. This is an example where flexibility in the framework was a success and should remain.



- We are familiar with the Commission's model of Net Incremental Cost (NIC) and are open to using a different approach where the costs can be thoroughly justified. We went into a lot of detail for our Price Submission 2023, detailing costs and revenue in the NIC model and in our supporting document which were both published on the Commission's website. This work highlighted the high sensitivity of this model to underlying assumptions, including general tariffs.
- We acknowledge and support the importance of being transparent in our NCC approach with our customers during each price review by publishing our 'NCC Application of the ESC's New Customer Contributions framework 2023-2028 Pricing Period' on our website. This detailed document outlines the framework, integration with the land development process, application of the framework (such as reticulation (or gifted) asset definition, contribution to retic assets etc) and negotiating framework including infrastructure sequencing plans.

We look forward to working with you and your team on this as part of the 2023 Price Review Guidance development and look forward to future engagement.

Yours sincerely,

A handwritten signature in black ink that reads "Laura Kendall".

**Laura Kendall**

General Manager Customers, Community & Strategy