

29 November 2024

Gerard Brody
Chairperson
Essential Services Commission
Wurundjeri Country
Level 8, 570 Bourke Street
Melbourne, Victoria

By email: water@esc.vic.gov.au

Dear Gerard

R.E: Yarra Valley Water's Feedback on Review of New Customer Contributions Consultation Paper

Thank you for the opportunity to provide feedback on the consultation paper of the Review of New Customer Contributions dated 15 August 2024.

We are strongly supportive of the existing principles-based approach regarding New Customer Contributions, which aims to:

- send signals to developers about the costs of developing in different locations
- share the costs and benefits of growth between new and existing customers
- administer new customer contributions in a transparent way.

We understand the main focus of the Commission's consultation paper is to address implementation issues that arose during the 2023 price review, including:

- Insufficient justification of costs allocated
- Variation in approach to the including of costs related to assets, including use of 'sunk' costs
- Proposals of common pricing over relatively large areas even where costs may differ markedly within the area
- Lack of transparency provided to stakeholders.

Feedback Summary

Our view is that the New Customer Contributions framework developed in 2013 has been an effective approach for YVW to share the costs and benefits across existing and new customers.

We welcome training for new staff at the beginning of the 2028 price review process to ensure understanding of the New Customer Contributions guiding principles and modelling methods.

We are supportive of common standard NCC charges across metropolitan Melbourne. Over the last 30 years average consumption per household has fallen from 240 kL to 145 kL per property. This fall in demand has created capacity in many areas of the network and it is our view that existing customers should share in this benefit. In areas of the network where there are constraints, such as growth areas, NCC charges also need to reflect the costs of providing the increased capacity.

We appreciate the opportunity to contribute to this review and would be happy to discuss our feedback and any other matters further with your team prior to the release of the guidance for 2028 water price review scheduled in mid-2026.

If you require further information please contact Brett Mathieson, Divisional Manager Regulation, Planning and Water Resources Strategy on [REDACTED]

Yours sincerely



Pat McCafferty
Managing Director

Contact us

 Enquiries 1300 304 688

Faults and Emergencies 13 27 62 (24hr)

 enquiry@yvw.com.au

 yvw.com.au

 25 Lucknow Street
Mitcham, Victoria 3132

For language assistance

العربية 1300 914 361

廣東話 1300 921 362

Ελληνικά 1300 931 364

普通话 1300 927 363

For all other languages call our translation service on **03 9046 4173**

 TTY Voice Calls 133 677

 Speak and Listen 1300 555 727

Yarra Valley Water – consultation on the Essential Service Commission’s Review of New Customer Contributions

Our responses to the consultation questions within the Engage Victoria portal are outlined here.

Perspectives on matters identified in 2023 price review process

It is our understanding that a number of implementation issues arose for the ESC during the 2023 price review.

YVW’s view on some of these issues include:

- Where there is capacity in sunk assets, it is YVW’s belief that new customer contributions should take into account the utilisation of that spare capacity. Our customers over the last 20 years have reduced their average annual usage from approximately 240kL to 145kL per property. This has created capacity in the system for new developments and customers to connect without the need to upsize our network. It is our belief that the existing customer base should share in this benefit through an appropriate standard NCC charge. We believe that the best approach for the long-term interest of our customers is to apply the net incremental approach to future costs, and net average costs to historical costs.
- Timing to reach cost reflectivity - each price period we will continue to assess our NCC prices to balance developer and new customer impacts with the transition to cost reflective prices in the Urban Growth Boundary. In the 2023 price review, YVW has committed to a real 5% annual increase for standard NCCs, and a nominal increase of 10% in 2023-24 and 2024-25, followed by real increases of 10% per annum for Urban Growth Boundary NCCs.

Changes to guidance (i.e level of prescription of guidance)

- In proposing NCCs, we take into account existing and forecast capital works and changes in Government policy, and consider the extent of any price impacts on both new and existing customers.
- We support in the lead up to each price submission the ESC offering training on NCCs, including guiding principles and modelling methods.
- We would also appreciate the ESC providing guidance on any documentation required to support NCCs.

How the commission can support connection applicants in their engagement on NCCs

- We engage with developers on an ongoing basis, including the Urban Development Institute of Australia.
- We know the importance of keeping the turnaround times for developers’ applications short to support development activity. We respond to simple (1-3 lot) development applications within 25 business days and for complex (upwards of 4 lots) within 10 weeks after all plans and required information is provided.
- We would be happy to explore with the ESC opportunities to improve engagement with connection applicants.

Views on change in terminology from 'NCCs' to 'developer charges'

- Our view is that the term 'New Customer Contributions' is associated with water and sewer infrastructure, and suggest this term continue to be used.

Views on the use of standard and negotiated NCCs

- YVW primarily uses standard NCCs, we are aware of very few negotiated NCCs where development occurred outside the Urban Growth Boundary. We have not received material feedback from customers on our implementation of standard charges.

Are there other issues or information that should be considered?

- For simplicity, it is our view that a common infill New Customer Contribution across metropolitan Melbourne is appropriate, except for specific areas that have significant capacity constraints such as growth areas.
- Regarding pioneer schemes, we had difficulties in the past in locating the original developer. We recognise, based on our experience, that similar concepts have occasionally been implemented through a consortium of developers who have reached a mutual position.