

30 October 2024



Our Ref: 180/015/058

The Water Team, RMaR  
Essential Services Commission  
Level 8, 570 Bourke Street  
MELBOURNE VIC 3000

Dear Water Team

## REVIEW OF NEW CUSTOMER CONTRIBUTIONS – LMW SUBMISSION

Please find below Lower Murray Water (LMW) response to the review of new customer contributions consultation paper, including our perspective on the key issues identified within the paper.

1. *What are your perspectives on the matters identified by the commission at the 2023 water price review? Are there other matters we should consider?*

i) *Unjustified cost attribution*

LMW believes that clear guidance regarding the assets eligible for inclusion, such as sunk costs and the acquisition of additional bulk water entitlements, along with the necessary documentation to support assumptions, would be beneficial. LMW incorporates the recovery of sunk costs within the NCC model, which has been historically accepted in prior pricing submissions. However, these same sunk costs underwent scrutiny during the 2023 review. Clarification on the expected supporting documentation would greatly assist LMW in preparing future submissions.

ii) *A preference for standard pricing*

LMW advocates for standardised pricing throughout its service region. Growth rates have been consistent and relatively uniform among the larger regional centres of Mildura, Robinvale, Swan Hill, and Kerang. Development opportunities are well understood, and infrastructure requirements to support this growth can be effectively planned in advance. Local developers have expressed their support for standardised pricing across the LMW service region, as it promotes equality and prevents any single area from being perceived as more advantageous for development than others.

iii) *Negotiating framework requirements inadequately met*

LMW's negotiating framework adheres to ESC guidance and is publicly accessible to developers. Given that development fronts within the LMW service region are clearly defined and growth rates remain relatively consistent, development tends to proceed in an orderly fashion. As a result, projects typically occur in areas where standard NCCs apply, and the need for negotiated NCCs has been minimal. To help developers better understand the scenarios in which negotiated NCCs may be relevant, the commission could develop guidance papers that include examples of what constitutes non-standard development.



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**LOWER MURRAY  
WATER**

*iv) Engagement issues*

Clarity regarding fit-for-purpose engagement is essential. In LMW's service region, there are few repeat or large-scale developers; often, it is the original landowners who are developing their own land. This situation complicates consultation with the developer community, as it can be challenging to identify developers who have not yet initiated formal planning applications. LMW strives to engage with developers as soon as we become aware of their intent to develop, however broad-based consultation on specific topics, such as proposed NCC increases, can be challenging.

*v) Uncertainty around gifted or reticulated assets*

LMW has not received any concerns from developers regarding uncertainty about which assets will be considered gifted, and which will be provided by LMW as reticulated assets. We are not aware of any instances in which developers within LMW's service region have raised such issues with the Commission.

*vi) Timing of development and development servicing plans*

LMW acknowledges that development servicing plans provide developers with valuable information regarding the timing and sequencing of expansions to our water and sewer networks. These plans enable developers to make informed decisions about the timing of their projects and clarify where standard NCCs apply.

*vii) Guidance for new customer contributions*

LMW has experienced staff turnover, resulting in a loss of corporate knowledge among key personnel involved in NCCs. To address this, facilitated workshops on the framework and requirements for supporting documentation would be beneficial. Additionally, updated guidance materials and case studies would also be valuable resources.

**2. What changes should the commission consider in terms of the guidance we provide water businesses on new customer contributions?**

The Commission should consider implementing several changes to enhance the guidance provided to water businesses regarding new customer contributions.

First, additional guidance on the inclusion of items such as sunk costs or purchases of bulk water entitlement is essential for LMW needs. Clear definitions and examples of what constitutes sunk costs, along with expectations for supporting documentation, would significantly aid LMW in preparing future submissions. This clarity would help to ensure that all parties have a consistent understanding of the criteria involved, thereby streamlining the submission process. Allowing authorities to provide early submissions or documentation/position papers for the items mentioned above and seek early approval for methodology changes would also assist with gaining early insight into NCC price movements, thus allowing for clearer communication with customers.

Second, the Commission could benefit from hosting workshops and forums prior to the compiling of submissions. These events would be invaluable for new staff and would facilitate knowledge sharing among current personnel. By fostering an environment of collaboration and learning, water businesses can better navigate the complexities of new customer contributions, leading to more effective and informed submissions.

Overall, these changes would provide the necessary support and clarity that water businesses need to effectively engage with the Commission on new customer contributions.



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3. *How do you think the commission can support connection applicants and water businesses in their engagement on new customer contributions?*

The Commission can support connection applicants and water businesses in their engagement on new customer contributions by providing clear guidance on the expected level of engagement that considers the unique characteristics of LMW's service region. Given that there are few repeat or large-scale developers, and that development is often carried out by original landowners, it is essential to establish clarity around fit-for-purpose engagement strategies.



LMW strives to engage with developers as soon as we become aware of their intent to develop, however broad-based consultation on specific topics, such as proposed NCC increases, can be challenging. To enhance individual consultation, the Commission could encourage connection applicants to reach out to LMW as soon as they begin contemplating development.

This proactive approach would facilitate timely communication, ensuring that applicants receive the information and support they need throughout the development process. By fostering early engagement, the Commission can help streamline interactions between connection applicants and water businesses, ultimately leading to more effective and efficient outcomes.

4. *Are there any other issues or information we should consider during our review, having regards to the commission's role in new customer contributions?*

LMW does not have any additional issues or information to raise during this review concerning the Commission's role in new customer contributions. We believe the current framework, combined with the suggested enhancements regarding guidance on sunk costs, maintenance of standardised pricing and the organisation of workshops and guidance materials, adequately addresses our needs and concerns. We appreciate the Commission's ongoing support and look forward to continued collaboration on this important matter.

5. *What are your views on a change in terminology from our current use of 'new customer contributions' to an alternative such as 'developer charges'?*

LMW believes that the term "new customer contribution" accurately encompasses the fees and charges associated with various scenarios, including instances where a new connection applicant may not be directly involved in development. For example, this term is relevant in cases where a water main extension allows for the connection of an existing premises.

Yours Sincerely

*Stuart Mensch*

Stuart Mensch (Oct 30, 2024 11:52 GMT+11)

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