

>>>> New Customer Contributions Proposal summary

Pricing Submission 2023-2028



New Customer Contributions



Our proposal

Coliban Water is planning to increase capital expenditure in the 2023-2028 pricing period. Growth Capital Expenditure (GCE) is also set to increase significantly compared to historical expenditure.

In Bendigo, the primary water supply point is located at Sandhurst Reservoir, and the main receival point for sewage is at Epsom.

It is efficient to provide water and sewer services to a city in a valley centred around the Bendigo Creek – natural gravity is sufficient for the optimal provision of both water and sewer services.

However, in recent years the Bendigo Creek valley has become increasingly full and little large-scale residential development remains.

Development is occurring to the north (Huntly), east (Strathfieldsaye East) and west (Maiden Gully and Marong). As growth radiates outwards, we incur capital costs for asset upsizing right along the networks, as well as upgrades at storages and treatment facilities. Required pump stations also add to operating costs and carbon emissions.

During the last five years, the towns of Echuca, Castlemaine, Kyneton and Trentham have growth in response to COVID-19 and the implementation of strategic growth plans in these towns. This is necessitating upgrades to treatment facilities.

As a result, we're proposing to increase the level of New Customer Contributions (NCCs). As the level of GCE increases, it becomes more unsustainable to pass these costs onto existing customers.

This is a theme we received strong feedback on during the extensive customer engagement that shaped our 2023-2028 Price Submission.

The proposed levels of NCCs have been shaped by engagement completed with the development community.

This has included one-on-one discussions with key staff and face-to-face, online and hybrid meetings.

We started with a survey about engagement preferences and key issues, and then conducted a series of meetings and surveys. Feedback from this process allowed us to refine options for our NCC proposal.

Through the engagement process, we will for the first time have all shared pump stations now included within NCCs. Furthermore, any developer that needs to build their own sewer pump station to service their own development will receive a partial rebate on their sewer NCCs, up to a maximum of \$1,500 per lot .



Engagement timeline



-  **Pre-engagement survey**
On 4 August 2021 we sent out a preliminary survey to help us design and develop content for future conversations with the land development community including identifying what the key issues are.
-  **Land Development workshop**
On 23 November 2021 we held a forum with developers and consultants to share information and had some great discussions and received some valuable feedback.
-  **Vicwater research project**
Between October 2021 & April 2022, VicWater led a project to look at an industry wide approach to calculating New Customer Contribution's.
-  **Developer information sessions**
Between 21 - 23 June 2022, we held information sessions with developers to discuss what the outcomes of the VicWater research will mean for pricing and service.
-  **Post information session survey**
On 19 July 2022 we sent a survey to everyone to get feedback from people who couldn't attend the information sessions.
-  **Additional information session**
on 4 August 2022 we held an additional session to discuss options for how New Customer Contributions could be calculated and charged.
-  **Options survey**
On 4 August 2022 we distributed a survey for key developers to vote on preferred option for New Customer Contributions, as agreed at the additional information session.
-  **Information pack**
On 14 September 2022 we provided a pack containing additional information, and sought further input on part of our final position to developers.
-  **Close the loop**
We will let you know when our Pricing Submission 2023 - 2028 has been submitted and approved by the Essential Services Commission.



Proposed NCCs for Price Submission 2023 (PS23)



The proposed level of Sewer NCCs is:

(excluding inflation)	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Sewer NCC – standard	\$1,789	\$2,147	\$2,576	\$3,091	\$3,710	\$4,452
Sewer NCC – discounted (min)	NA	\$647	\$1,076	\$1,591	\$2,210	\$2,952

As discussed during previous consultation, the sewer NCC will be subject to an increase of 20% per annum. It has been agreed that shared sewer pump stations will be fully funded by Coliban Water with the cost being recouped through these NCCs.

(excluding inflation)	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Base Case Proposed	\$1,789	\$1,968	\$2,165	\$2,381	\$2,619	\$2,881
Developer Preferred Option including link-ups	\$1,789	\$2,147	\$2,361	\$2,598	\$2,857	\$3,143

We were proposing a water NCC with increases of 10% per annum plus inflation. Through engagement with the development community, provision for additional items was requested to within the standard NCC. Specifically, this was additional funding to recover the cost of Coliban Water funding water main link-ups where these resulted from legacy issues.

These do not replace the requirement for developers to fund those required within new developments to comply with relevant codes. This increased the base NCC and was unanimously supported in the survey provided.

Continuing the current approach, Recycled Water NCC will continue to be set at a level of 50% of the Water NCC.

As previously noted, the proposed levels of NCCs are less than the actual 'full cost' that is implied by a direct application of the modelled values. In response to developer feedback, we have chosen to 'phase in' increases in NCCs, rather than apply more significant increases overnight from 1 July 2023.

Growth Capital Expenditure (GCE) Guarantee - Sewer

While the NCCs outlined will partially fund the enhanced capital program, the majority of the program will still continue to be debt funded and paid for by existing customers.

We recognise with the increased NCC levels we also have an increased responsibility to provide assets that service growth – now and in the future. Therefore, we are seeking feedback on the implementation of a **GCE Guarantee** for sewer services.

We have proposed to spend the following levels of capital expenditure related to sewer growth:

Base Case Plus Rebate	2023-24	2024-25	2025-26	2026-27	2027-28
Sewer GCE	\$7.7m	\$9.0m	\$9.7m	\$10.1m	\$10.6m

For each year, we can calculate the proposed period-to-date capital expenditure:

Base Case Plus Rebate	2023-24 (only)	2023-24 to 2024-25	2023-24 to 2025-26	2023-24 to 2026-27	2023-24 to 2027-28
Sewer GCE	\$7.7m	\$16.7m	\$26.4m	\$36.5m	\$47.1m



For example, our proposed 2022-23 sewer GCE is \$7.7 million (in real terms) based on current forecasts. Our proposal is that if we underspend on our GCE by 10% or more (delivering less than 90% of GCE), we will provide a matching rebate to NCCs of 10% in the following year.

We believe this provides a greater reflection of NCC cost for the capital delivery each year.

The following table outlines how the GSE Guarantee approach would work:

2023-24	NCCs will be \$2,147 (no rebate) OR as low as \$647 (full private pump station rebate)				
2024-25	If Sewer GCE	In 23-24	<90% proposed GCE	(\$6.9m)	We will rebate 2024-25 Sewer NCCs by 10%
2025-26	If Sewer GCE	In 23-24 and 24-25	<90% proposed GCE	(\$15.0m)	We will rebate 2025-26 Sewer NCCs by 10%
2026-27	If Sewer GCE	From 23-24 to 25-26	<90% proposed GCE	(\$23.8m)	We will rebate 2026-27 Sewer NCCs by 10%
2027-28	If Sewer GCE	From 23-24 to 26-27	<90% proposed GCE	(\$33.0m)	We will rebate 2027-28 Sewer NCCs by 10%
2028-29	To be proposed in our Price Submission 2028.				

Key capital projects

The key capital projects that have been costed and included in the PS23 pricing period are listed below.

There are a range of reasons these projects have been selected as part of our capital delivery portfolio for the next five years, with *catering for growth* a key driver. These projects have been fully factored into the proposed New Customer Contributions (NCCs).

Further to the feedback received from the development community, we have outlined the growth component of these projects to help provide a better understanding of how the NCCs have been calculated.

Where the primary driver for the project is growth, the full cost of the project has been included in the NCC calculation. Examples include the Axedale WRP, and water pipe upgrades in Marong and Maiden Gully.

The exception to this is the Trentham WTP. In response to developer feedback, we acknowledge the community will benefit from the provision of a newer treatment plant and, therefore, only a proportion of the costs have been assigned to the NCC.

Where there are multiple drivers for upgrades, the majority of the cost is assigned to the community. Based on previous analysis, an upper limit of 30% of the cost has been assigned to these projects.

In order to reflect the influence of growth, the percentage adopted is proportional to the growth rate in the relevant area. In those areas where the growth is less than 1% per annum, no growth upgrade has been applied to project.

For planning purposes, the long-term rate of growth is generally applied. This is calculated over twenty years. The short-term growth rates are included overleaf. They reflect the changes associated with the current pandemic and the strategic growth projects undertaken by local governments.



The following shows the rate of growth in the towns where major works are occurring:

Town	Water Growth Rate		Sewer Growth Rate	
	Long-term	Short-term	Long-term	Short-term
Axedale	2.8%	5.8%	3.5%	6.8%
Bendigo	2.2%	1.7%	2.3%	2.2%
Castlemaine (incl Harcourt)	1.4%	1.8%	2.8%	2.3%
Kyneton	1.8%	1.7%	3.0%	2.2%
Trentham	3.4%	3.7%	4.0%	4.9%
Echuca	1.8%	1.4%	1.9%	1.7%
Cohuna	1.0%	1.3%	0.7%	1.1%
Goornong	1.1%	2.0%	NA	NA

The following shows major works for the proposed level of capital expenditure broken down by both regulatory period (2023-2028 or 2028+) and growth component:

Town	Total Capital Expenditure		Growth component	
	2023-2028 (PS23)	2028+ (PS28)	2023-2028 (PS23)	2028+ (PS28)
Axedale WRP	\$1m	-	\$1m	-
Bendigo WRP	\$78m	\$66m	\$23m	\$35m
Bendigo sewage network	\$48m	\$78m	\$11m	\$41m
Bendigo WTP	\$5m	\$41m	\$2m	\$35m
Bendigo water network	\$11m	\$29m	\$7m	\$8m
Castlemaine WRP	\$34m	\$22m	\$5m	\$2m
Castlemaine sewer network	\$11m	\$1m	\$2m	\$0m
Castlemaine WTP	\$1m	\$10m	\$1m	\$10m
Kyneton sewer network	\$8m	\$5m	\$1m	\$0m
Kyneton WTP	\$0.1m	\$3m	\$0.1m	\$3m
Goornong WTP	\$14m	\$3m	\$1m	\$1m
Echuca/Cohuna WTPs	\$13m	-	\$2m	-
Trentham WTP	\$15m	\$1m	\$5m	-

Delivery of specific projects may be subject to delays in delivery. When overall capital expenditure is less than the GCE threshold (90%), the GCE Guarantee will apply. Note, other works will occur across our network in response to growth and other drivers each year.

Axedale Water Reclamation Plant upgrade

These works will involve a new reuse system and lagoon upgrades to cater for a greater number of customers in this network.

Bendigo Water Reclamation Plant upgrades

This is a significant upgrade to our wastewater treatment capacity and facilities that will be delivered over the PS23 and PS28 pricing periods. A total project cost of \$144 million will be spent in upgrades to treatment assets, odour omissions and sludge processing. This is a critical project to cater for growth.

Bendigo Sewage Network upgrades

The large sewer collection mains across Bendigo urgently require upgrades. These upgrades will be delivered over two pricing periods (PS23 and PS28). All upgrades are a result of ongoing growth in Bendigo, in particular Marong, Maiden Gully, Strathfieldsaye and Huntly, as well as trunk mains to cater for the ongoing growth in areas such as Golden Square.

Bendigo Water Treatment Plant upgrade



To continue to support growth and meet demand on our water treatment plant, the membranes that treat drinking water for the Bendigo region need to be duplicated. The design component for this project will be delivered this pricing period, with the works scheduled for PS28.

Bendigo Water Network upgrades

Water supply networks are currently being expanded across major growth fronts in Huntly, Strathfieldsaye and Maiden Gully/Marong. This will continue for ten years (PS23 and PS28). In PS23 we will complete the upgrade and expansion of the Maiden Gully/Marong network. Further investments in Huntly and Strathfieldsaye will follow in PS28.

Castlemaine Water Reclamation Plant upgrade

The Castlemaine Water Reclamation Plant is at capacity and urgently requires upgrading to meet growth and compliance at the site.

Castlemaine Sewage Network upgrades

The large sewer mains across Castlemaine require upgrades as a result of growth and compliance. Upgrades in this price period will focus on Campbell's Creek, Chewton and Newstead.

Castlemaine Water Treatment Plant upgrade

To continue to support growth and meet the growing demand on our water treatment plant, the membranes that treat drinking water for the Castlemaine region need to be duplicated. The design component for this project will be delivered this pricing period, with the works scheduled for PS28.

Kyneton Sewage Network upgrades

The large sewer mains and pump stations across the Kyneton network require upgrading as a result of growth within the township, and satellite towns like Trentham.

Kyneton Water Treatment Plant upgrade

To continue to support growth and meet the growing demand on our water treatment plant, the membranes that treat drinking water for the Kyneton region need to be duplicated. The design component for this project will be delivered this pricing period, with the works scheduled for PS28.

Goornong Water Treatment Plant upgrade

To support growth and continue to provide safe drinking water, the Goornong Water Treatment Plant will be augmented with a supply from Bendigo. This project is driven by both the condition of the treatment plant and the growth in the area. The proposed pipeline from Bendigo will enable the long-term growth of this community.

Echuca and Cohuna Water Treatment Plant upgrades

Both the Cohuna and Echuca Water Treatment Plants require upgrades to accommodate continued growth in the area.

Cohuna will need a completely new treatment plant in the coming decade. However, works in the next five years will focus on the expansion of the plant's ability to meet demand and improve water quality.

Similarly, works in Echuca will improve water quality but are also designed to assist in meeting the demands of the expanding community.

Trentham Water Treatment Plant upgrade

To support the growing community of Trentham, the water treatment plant needs to be more than 50% larger than its current capacity.



Your feedback:

Please complete the following survey by 5pm on Tuesday 20 September

Group and individual feedback from the developer community, along with consultation with customers more broadly, has informed the Price Submission process.

We have firmed our position on the following points outlined in this document:

- The level of NCCs
- Linking of NCCs to overall growth capital expenditure (we need to ensure flexibility to serve developers even if it occurs differently to what's currently planned).
- The Inclusion of sewer rising mains within NCCs when these need upsizing or are part of shared sewer pump stations.

We now need you feedback on the following:

1. Regardless of NCC levels, do you support our approach of rebating NCCs where we do not spend sufficient Growth Capital Expenditure (GCE Guarantee)?
2. Should we use a different figure other than 10% for the rebate? For example, we would consider an approach where we provide a 20% rebate of sewer NCCs where we spend less than 80% of our proposed Growth Capital Expenditure.
3. We will be receiving feedback on this approach until 5pm on Tuesday 20 September. Once this is received we will be finalising our proposal for submission to the Essential Services Commission by the end of September 2022.

[Complete the survey](#)
[CLICK HERE](#)





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