



PIPELINE TARIFF AND PRODUCTS

The Wimmera Mallee Pipeline Project (WMPP) has significantly changed the way that rural customers traditionally receiving a channel supply will be serviced and charged.

As part of this change, GWMWater has worked closely with its customer committees to develop a range of pipeline products and associated tariffs for rural customers serviced from a piped water supply system.

These tariffs and water products were considered by the Essential Services Commission (ESC) as part of the 2008 Water Price Review and the subsequent Rural Tariff Review. The tariffs and supply arrangements that were approved as part of these reviews are described in this Fact Sheet and are effective from 1 July 2009 to 30 June 2010.

There are three components to the rural pipeline tariff:

1. Meter Charge (primary or standard as applicable)
2. Capacity Charge
3. Volumetric Charge

A detailed explanation of these various tariff components outlined in the following table, is provided in the following pages:

Tariff Component	Charge
Capacity Charge (per kL) – standard water allowance	\$0.6980
Minimum Capacity Charge – 100 kL minimum standard water allowance	\$69.80
First Step Usage Charge (per kL) – consumption within combined allowances	\$0.80
Second Step Usage Charge (per kL) – consumption over first step and within 125%	\$0.80
Excess Usage Charge (per kL) – consumption over 125% of combined allowances	\$0.80
Primary Meter Charge (per Meter)	\$244.95
Standard Meter Charge (per Meter)	\$122.45

The GWMWater 2008-2013 Water Plan did propose higher charges for the second step and the excess charge. In response to a request from the ESC to provide greater clarity around the relationship of these charges to the sale of growth water, a two year moratorium has been implemented on these tariffs.

DOMESTIC AND STOCK WATER PRODUCT

This product will be applied to all rural domestic and stock (D&S) customers supplied by the Wimmera Mallee Pipeline. The new D&S product is based on a **standard water allowance** of 2.5 kL per hectare and an additional **primary allowance** of 730 kL per rural household. Customers with a landholding of less than 40 hectares will receive a minimum standard water allowance of 100 kL (non-tradeable), plus the primary allowance (if applicable).

CAPACITY CHARGE (FIXED CHARGE)

The **capacity charge** represents the share of the pipeline infrastructure that a rural enterprise can potentially utilise within the system. The capacity charge is based on the **standard water allowance** of 2.5 kL per hectare.

The annual fixed capacity charge for the **standard water allowance** is \$0.6980 per kL.

There is no **capacity charge** on the **primary allowance** of 730 kL, but the volumetric charge of \$0.80 per kL for water used applies.

For example, the **capacity charge** for a rural enterprise with 1,220 hectares and a residential household would be as follows:

Capacity Charge Descriptions	Indicative annual fixed capacity charge
Standard Allowance = 1,220 hectares x 2.5 kL = 3,050 kL x \$0.6980 per kL	\$ 2,128.90
Primary Allowance = 730 kL or 0.73 ML x \$0 per kL	\$ 0
Total Water Available = 3,780 kL or 3.78 kL	\$ 2,128.90

Customers with an existing Supply-by-Agreement allocation will be able to transfer this water allowance across at 100%. Any vacant land that does not have a standard water connection to the WMPP will be charged based on the minimum allowance of 100 kL (\$69.80)

METER CHARGE (FIXED CHARGE)

The **meter charge** is used to recover the cost of meter reading, billing costs, meter repairs and replacement. All **meter charges** are based on provision of a standard 20mm meter at the property boundary.

The **standard meter charge** will apply for a meter that does not supply a household. Meters that service a household will incur a **primary meter charge** as the **primary allowance** does not incur a **capacity charge**.

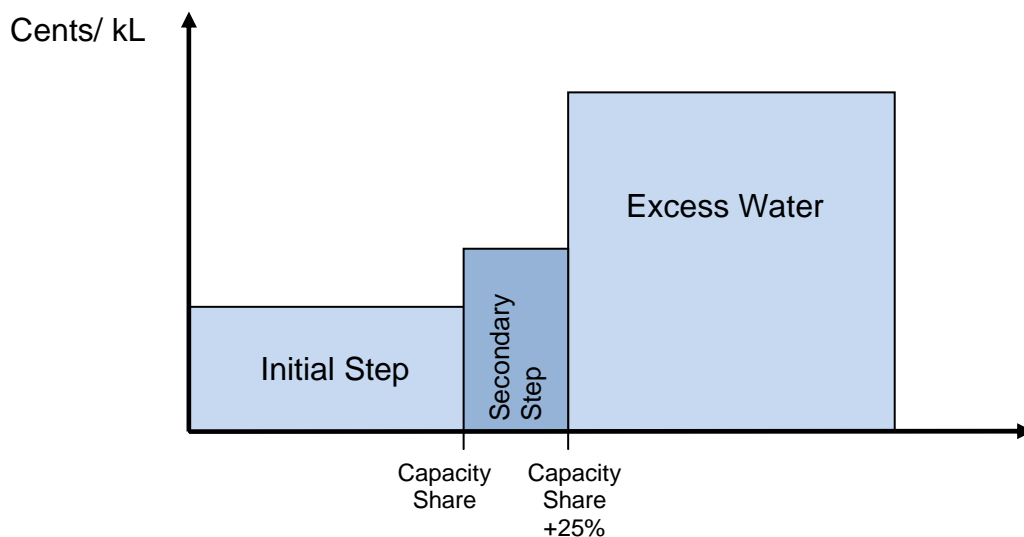
Meter Type	Description	Annual fixed charge per meter
Standard Meter	Does not provide a household or include the 730 kL household allowance	\$ 122.45
Primary Meter	Includes the additional 730 kL household allowance	\$ 244.95

VOLUMETRIC RATE

The volumetric tariff is at a flat rate of 80 cents per kilolitre. Under the current tariff proposal all consumption will be charged at this rate for the first two years after connection. This will allow customers some time to better understand their water consumption patterns.

Description	Indicative volumetric rate (c/ kL)
Initial Step – Consumption up to total water allowance	\$0.80
Secondary Step – Consumption between 100% and 125% of total water allowance	\$0.80
Excess Rate – Consumption over 125% of total water allowance	\$0.80

Subject to regulatory approval, it is intended to introduce a stepped **volumetric rate** from 1 July 2011 which has three components. These components are to be based on a customer's annual consumption compared to their total water allowance. The secondary and excess water step is aimed at providing a mechanism to access **growth water** (refer below). The step tariff will apply after the first two years of the customer being connected to the pipeline.



It is intended to phase out the second volumetric step within five years as customers gain a greater understanding of their water consumption requirements.

GROWTH WATER

The steps in the tariff have been designed to provide a signal for customers that their consumption exceeds their standard allowance of 2.5 kL per hectare (plus the 730 kL primary allowance, if applicable).

The ESC has deferred its decision in relation to the rural pipeline tariff as it applies to growth water and the proposed introduction of stepped and excess allowances. Any tariff proposals relating to the access to and sale of growth water will be the subject of a subsequent proposal to the ESC by GMMWater.

In the interim, customer access to water will be managed by the implementation of water restrictions as required.

ALLOWANCES

The difference between a primary allowance and a standard allowance is:

- a primary allowance contributes to the total amount of water available to a rural pipeline customer. Under the current tariff it is envisaged the 730 kL household allowance will permanently vest with GMMWater.
- a standard allowance also contributes to the total amount of water available to a rural pipeline customer. It is proposed under GMMWater's tariff proposal that the 2.5 kL per hectare will vest with the customer. Subject to the establishment of a water market this standard water allowance will be able to be traded either permanently or temporarily in the future. The introduction of tradable water allowances will be the subject of further consideration by GMMWater in consultation with Department of Sustainability and Environment as part of the development of the Western Sustainable Water Supply Strategy.

The outcome will form the basis of the GMMWater 2010-2013 tariff proposal to the ESC.

WATER BILL CALCULATOR

A water bill calculator has been developed to assist rural customers in determining their annual water usage and to provide a comparison of future water charges to their existing account.

The calculator is available through the GMMWater website at www.gmmwater.org.au or on CD by calling our Customer Contact Centre on 1300 659 961 and one of our staff will be happy to assist.

ANNUAL INCREASES

The overall price increases to apply until the end of 2013 have already been approved by the ESC. Specific price increases as they apply to individual customer groups will be the subject of annual proposals by GMMWater for consideration by the ESC.

Where there are any significant changes to the tariff structure, the annual increase in any customer's bill will be capped to ensure that no customer bill will increase by more than 50 per cent in any given year after adjusting for the volume of water used.

DIVISION FOUR CUSTOMERS

Customers classified as Division Four customers under the previous channel tariff (have not received a channel supply from GMMWater but are within the GMMWater service area) who inform GMMWater that they do not intend to take a pipeline water supply will have their fixed charges set at zero until they commit to becoming a pipeline customer.



FREQUENTLY ASKED QUESTIONS

METER CHARGE

What is the difference between a primary meter and a standard meter?

A primary meter services a household and has the benefit of providing an additional primary allowance of 730 kL that is not subject to the capacity charge.

Does the meter charge(s) include the cost of water used?

No. All water used will be charged at the volumetric rate of \$0.80 per kL.

Can I have my other rural enterprises operating off one primary meter without getting another standard meter?

Yes, provided all on-farm storage requirements are satisfied. The key difference with this connection is you are getting an extra 730 kL for the house, in addition to the standard allowance. If this isn't used fully for the house then it provides extra allowance for your other rural activities.

Can I have more than one household serviced by a primary meter?

Yes, but you only receive one allowance of 730 kL per primary meter. You would be better off connecting this additional house to another primary meter and receive the extra 730 kL that would not be subject to the capacity charge

If I have a second house can I connect it to one of my standard meters?

Yes, but you would not receive the 730 kL primary allowance for the second house, which is not subject to the capacity charge.

What charges are associated with a new primary connection?

A New Customer Contribution will apply for new residential customers connecting to the system, which will entitle these customers to an upfront 730 kL primary water allowance out of the growth water pool. The New Customer Contribution Charge will not be charged to existing customers converting from a channel system.

CAPACITY CHARGE

Isn't the capacity charge just a defacto area charge?

While the initial allowance of 2.5 kL per hectare is based on land size, as greater volumes of growth water are purchased or traded the capacity charge will become more reflective of where capacity is actually required within the pipeline system.

Where did the 2.5 kL/hectare come from?

This is based on the WMPP Business Case which was developed on historic water use profiles and after extensive consultation with customers. It is considered generous for the Grampians system as it is based on 1992 stocking rates. It is also generous for the Murray system as the average historic consumption on the Northern Mallee Pipeline is 1.6 kL per hectare including intensive industry.

What if the initial allowance of 2.5 kL per hectare is not enough?

In the majority of cases the allowance will be enough, but if you are a high water user you may need to purchase an additional allowance from the growth water pool. Customers will be able to access growth water subject to water resource availability that will be regulated by the Rural Restriction By Law. This will apply until a framework for the release of growth water is agreed and the pricing implications approved by the ESC.

Will there be sufficient capacity in the WMPP to upsize my business to an intensive industry?

Intensive users throughout the current channel system have been identified and their consumption requirements reflected in the design. The design will provide enough capacity to meet their existing and futures needs and also the needs of potential new industries to the area.

Are the primary and standard water allowances recorded against a property or farming enterprise?

The primary and standard water allowances are recorded against an individual property, but they are merged together within the water bill to provide a total entitlement to water for the rural enterprise. This enables the total entitlement to be compared against the total volume consumed across the rural enterprise, giving the customer the flexibility to use their total entitlement across their whole enterprise, staying within the first volumetric tariff step.

Some constraints may apply where the rural enterprise overlaps different supply zones of the pipeline network.

Can I merge my primary and standard allowances from both the Grampians and Murray supply systems?

No, these are considered separate supply areas.

VOLUMETRIC QUESTIONS

Why have a second step in the volumetric tariff?

To ensure that former channel supplied customers understand their consumption patterns on the pipeline, a two year period from the time of connection has been allowed for the standard volumetric charge to be applied. It is proposed that the introduction of the stepped and excess charge will be effective from 1 July 2011 and will apply after the first two years of the customer being connected to the pipeline. These charges will be the subject of independent review and approval by the ESC.

How will the excess volumetric rate be determined?

The excess volumetric rate includes the initial volumetric rate in addition to a temporary capacity charge and a cost to cover the temporary use of growth water. The aim of this rate is that any customer consistently consuming within the excess volumetric rate would be better off purchasing an additional standard water allowance from the growth water pool.

The principles that underpin the calculation of the secondary and excess charges remain the subject of further consideration by the ESC.

RELATED FACT SHEETS

- > Growth Water Sales – Wimmera Mallee Pipeline (currently being updated)
- > Growth Water Sales – River Murray (currently under development)
- > Water Trading

Reviewed January 2010