

2016 Price Review

Update to Melbourne Water's 2016 Price Submission

Melbourne Water has notified the Essential Services Commission of a change to its 2016 Price Submission. This impacts the total revenue Melbourne Water intends to collect over the next 5 years, and therefore the prices it charges.

Notification of change to Melbourne Water's 2016 Price Submission

Background

Melbourne Water provided the Essential Services Commission (ESC) with its 2016 Price Submission on 30 October 2015. This submission sets out the services we plan to provide over the next five years and the investments needed to provide these services. The ESC is currently undertaking a review of our submission and will authorise prices we can charge from 1 July 2016.

Melbourne Water, while owned by the State Government, acts as a corporatised entity and faces tax obligations like any other businesses. The tax Melbourne Water pays is administered by the Australian Tax Office.

The ESC includes an allowance for tax expense when setting prices.

Following our submission, the Australian Tax Office advised Melbourne Water of a change in the tax treatment of our assets and therefore the tax we will need to pay. As a result Melbourne Water has notified the ESC of a change to our 2016 Price Submission. Melbourne Water is now seeking around \$7M per annum to meet our tax obligations.

Impact of the change

Melbourne Water's wholesale water and sewerage prices are now expected to reduce by 9.0% (before inflation) on average in 2016-17, rather than the proposed 9.2% (before inflation). This will not impact the residential Waterways and Drainage Charge. This change remains a proposal which is subject to ESC review.