



Media Release

40 Casey Street (PO Box 165) Tatura Victoria 3616
Telephone (03) 5833 5500 Facsimile (03) 5833 5501

Release Date: 16 April 2007

Fairer pricing for bulk water supplies

As part of its ongoing program of tariff reforms, G-MW has announced that it will move to reduce cross subsidies for the cost of bulk water. This will mean that in future all customers will pay the actual cost for harvesting and storing the water in reservoirs that supplies customers water entitlements.

At present, G-MW pools together its share of the costs for operating storages in the Goulburn, Loddon, Campaspe, Broken and Bullarook basins to produce one average bulk water price for the Goulburn system. A similar process is used to pool and average costs for storages on the Murray, Ovens and King basins to create a Murray system price.

G-MW Chairman Don Cummins said "system pricing results in significant cross subsidies between low cost basins and high cost basins. As part of G-MW's ongoing program of tariff reform, we have been progressively working to reduce cross subsidies and ensure that water prices share the costs to operate, maintain and replace water supply systems between the customers who use these systems in a fair way".

G-MW engaged expert independent consultants to review its pricing policies in 2005. This resulted in a number of recommendations for changes to pricing for delivery services in irrigation areas which have now been implemented with widespread support from customers. This review also recommended that G-MW should move from system pricing for bulk water to pricing based on the actual cost in each basin.

Mr Cummins commented "our review of pricing policies identified bulk water pricing as an issue, and the Board has considered this matter in detail. Given the large amounts of money that need to be invested in upgrading storages and making them more efficient, it is important that customers understand the real costs of bulk water supply in different areas and that we make sound decisions about these major investments. Moving to basin pricing results in fairer pricing and will help ensure we make the best possible decisions in future."

Mr Cummins said "this will be a major change for some areas, and we will be developing transition plans to progressively implement this change across G-MW. One of the triggers for change will be proposals for major capital investments in particular basins. The decommissioning of Lake Mokoan requires decisions on major capital works and purchase of entitlements. It is important that customers understand the likely future costs for bulk water, so we will be discussing these changes in the Broken valley first. Further information will be provided to Broken valley customers in the near future."

Media Contact: **Russell Cooper**
Position: Chief Executive
Telephone: 03 5833 5511