

Securing Victoria's future water supplies involves a multi-billion dollar investment to boost supplies. Details of the actions, investments and timing are as follows.

Investment and pricing

The significant costs associated with providing more water for Melbourne will be paid for by the Melbourne water companies and passed on to customers through water charges. This is consistent with current practice, and with water pricing policy under the National Water Initiative.

Securing future supplies for Victoria, along with continued investment to upgrade water infrastructure, will put increasing pressure on water prices. The Essential Services Commission (ESC), the State's independent pricing regulator, will determine the new water prices to cover the cost of the future supply projects for the next pricing period from 1 July 2008 to 2013. The water companies will release their draft pricing proposals in July/August and submit their final proposals to the ESC later this year. Prices will be set by the ESC in the first half of 2008.

The Government expects the price increases to be significant. It is likely that the average Melbourne water bill will double (in real terms) by 2012. Melbourne water bills are currently low compared to other Australian cities and major Victorian regional centres.

This will reinforce to water users the true value of water, and will support continued efforts to save water. A program of concessions on bills for water users is already in place. This program provides benefits to around a third of all Victorian households. The water concessions regime will be reviewed before the new prices come into effect.

Investing in the Water Grid

The costs associated with regional water projects will be paid for by regional water authorities and passed on to customers through water charges. However, regional customers may also need support to limit the price impacts of major connections to the new Grid. The State has already funded major contributions to the Wimmera-Mallee pipeline, the Gippsland Water Factory and the Goldfields Superpipe. Consistent with these decisions, the State will commit \$10 million to the Hamilton-Grampians Interconnector and \$20 million to the Melbourne-Geelong Interconnector.

Investing in irrigation modernisation

Irrigation modernisation will provide benefits for irrigators, the environment, households and industries. The Victorian contribution to the first stage of the Food Bowl Modernisation Project is \$1 billion, with State Government funding of \$600 million, along with contributions from associated water authorities. The Government will consider setting up a purpose-built body to oversee the delivery of the project.

Table 5.1 Typical water and sewerage bills in 2005/06 compared with other cities

Adelaide	\$720
Brisbane	\$627
Canberra	\$747
Darwin	\$725
Sydney	\$694
Perth	\$750
Melbourne	\$473

Source: National Water Commission and Water Services Association of Australia, National Performance Report 2005-06

Desalination

Work will begin on the desalination plant immediately in order to supply water to Melbourne by the end of 2011. Significant work has already been carried out to develop the desalination proposal. First steps involve finalising design, gaining approvals, acquiring land, and reserving the pipe route.

A decision on delivery arrangements regarding whether the project will be delivered and operated by the private or public sector will be made in the second half of 2007, prior to tendering for construction of the project in 2008.

Food Bowl Modernisation Project

The Food Bowl Modernisation Project Steering Committee will be established later in 2007. It will guide the further development of the project.

The full modernisation project will take up to eight years. The first savings will be available from 2010 for Melbourne.

Sugarloaf Interconnector

Work will begin immediately to develop the Sugarloaf Interconnector linking the Goulburn River to Sugarloaf Reservoir in the Melbourne system. Tenders will be issued in 2008. The pipe will transfer an average of 75 GL per annum and will begin delivering water in the first half of 2010. Work to upgrade treatment plant capacity at Sugarloaf Reservoir will commence in the same timeframe.

Figure 5.1 Desalination

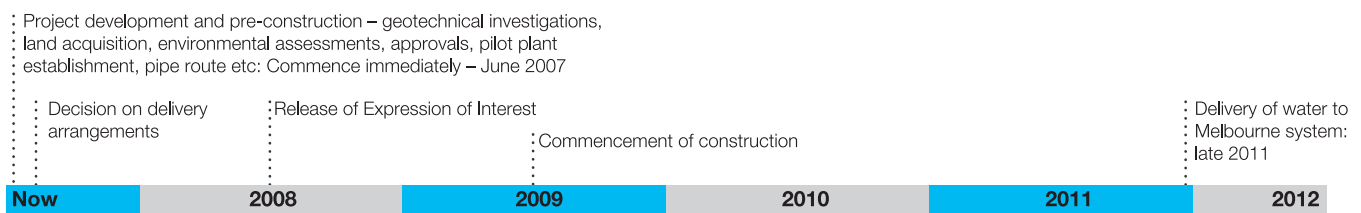


Figure 5.2 Food Bowl Modernisation Project



Figure 5.3 Sugarloaf Interconnector

