Response to Recommendations

GROWTH AND COMPLIANCE

1. How should North East Water balance growth, compliance and affordability to be fair to current and future customers?

Your recommendation	What we heard	What we propose to do
1. Increase customer bills to support capital investment, between 4.92% to 5.87% representing a $250-$300 million investment.	The deliberative forum supports investing in critical infrastructure to enable growth and (environmental and health) compliance in our region. The cumulative year on year price impact of the proposed capital expenditure program was understood by the forum. Management also communicated that the price range recommended excluded any additional operational costs that would be required for the price period and which would be included in the final proposed price increase. The view was that this should not be deferred to the next price period. The forum made the link between growth and compliance and was concerned about the environment. They believe their communities will reap the benefits of growth, including economic, social and cultural impacts.	**Outcome: Sustainable Practices & Local Community** We will implement your recommendation in full. We have proposed a capital expenditure program of $250.24 million and additional OPEX required to run the business which results in a 5.25% annual price increase. This is subject to board and regulatory approval. We have also recognised a further $44 million of growth related projects and that if these projects were required to support continued growth that this expenditure would likely be incurred but not recovered from customers until the next regulatory period. **Outputs:** • Improve environmental compliance performance through the delivery of key capital investment projects as identified in our approved PS5 capital program. • Delivery of top 10 capital projects consistent with delivery timeframes and total project costs as set out in the price submission.

Response to Recommendations

Your recommendation	What we heard	What we propose to do
2. North East Water will continue to actively negotiate with developers to ensure fair contributions are paid to support growth and development.	The deliberative forum wants to ensure there is a fair distribution of costs for growth and development between developers and existing customers.	**Outcome: Local Community** We will implement your recommendation in full. Our NCC charges will be designed so that the sharing of costs is appropriately distributed between existing customers and developers. North East Water will also continue to engage and negotiate charges with developers where there may be developments that are bought forward or are out of sequence. This may involve a negotiated developer contribution and/or a contribution by North East Water to appropriately upsize reticulation that provides for future development.

2. What factors should North East Water consider when deciding where to provide new water and wastewater services, so that new houses and industry can be built?

Your recommendation	What we heard	What we propose to do
1. Investigate locational-based New Customer Contributions, and take into account geographical and environmental constraints, as well as community considerations. North East Water considers the needs of smaller communities as well as the financial benefit in growth corridors.	The deliberative forum wants signals provided in relation to the costs to develop in different areas of our region. The forum also wanted to ensure that development needs are considered in communities that sit outside of our major centres.	**Outcome: Local Community** We will implement your recommendation in full. We have undertaken the modelling of locational based NCCs and are proposing to introduce them subject to further engagement with developers and approval from the Essential Services Commission. This would result in a change to our existing standardised NCCs to more accurately reflect the cost of development in our four major centres (Wodonga, Wangaratta, Benalla and Yarrawonga) and smaller towns. The proposed revised NCCs will be presented to our next Developer Forum on June 19, 2025. The capital expenditure prioritisation framework will continue to be applied in relation to where investments take place which considers not only growth but compliance obligations.