



Victoria's new water pricing framework

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Chairperson

Essential Services Commission

(Victoria)

ACCC Conference

27-28 July 2017



PERFORMANCE

RISK

ENGAGEMENT

MANAGEMENT

OUTCOMES

Water Authorities self-assessment

Leading

Advanced

Standard

Basic

Water Authorities self-assessment

Leading

Advanced

Standard

Basic



5.3

4.9

4.5

4.1

Water Authorities self-assessment

ESC assessment of submission

	Leading	Advanced	Standard	Basic
Leading	5.3			
Advanced		4.9		
Standard			4.5	
Basic				4.1

Water Authorities self-assessment

ESC assessment of submission

	Leading	Advanced	Standard	Basic
Leading	5.3			
Advanced		4.9		
Standard			4.5	
Basic				4.1

Water Authorities self-assessment

ESC assessment of submission

	Leading	Advanced	Standard	Basic
Leading	5.3	[Grey shaded area]		
Advanced	4.7	4.9	[Grey shaded area]	
Standard	4.1	4.3	4.5	[Grey shaded area]
Basic	[Red shaded area]		3.9	4.1

This very simple matrix (of only 8 numbers),
embeds five powerful **incentive mechanisms**.

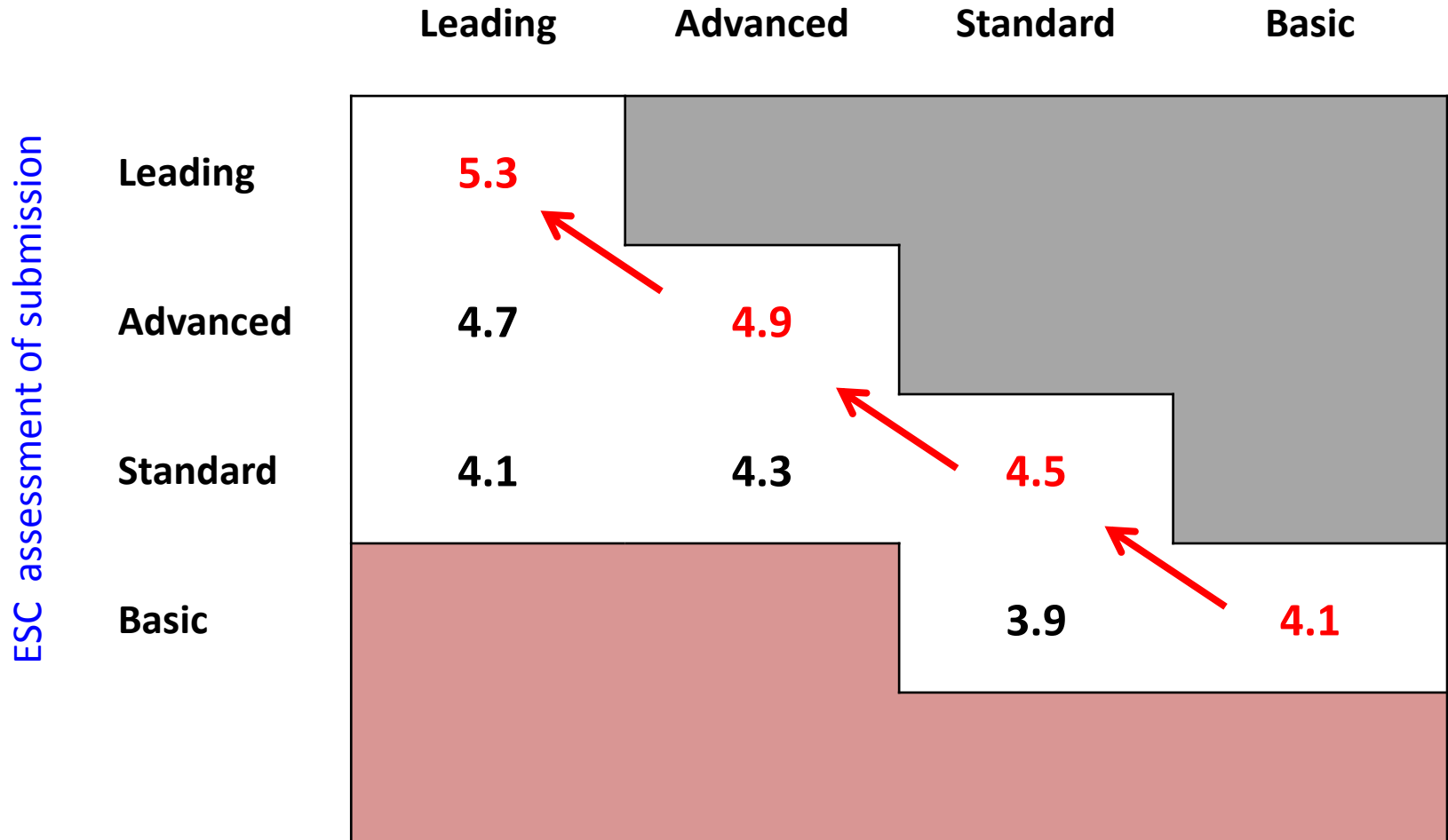
1st incentive => Submit BEST & FINAL PROPOSAL

Water Authorities self-assessment

		Leading	Advanced	Standard	Basic
ESC assessment of submission	Leading	5.3	Grey zone signifies ESC will not rate a submission more highly than proposed by the water business		
	Advanced	4.7	4.9	Grey zone signifies ESC will not rate a submission more highly than proposed by the water business	
	Standard	4.1	4.3	4.5	Grey zone signifies ESC will not rate a submission more highly than proposed by the water business
	Basic	Red zone signifies ESC will not rate a submission more highly than proposed by the water business		3.9	4.1

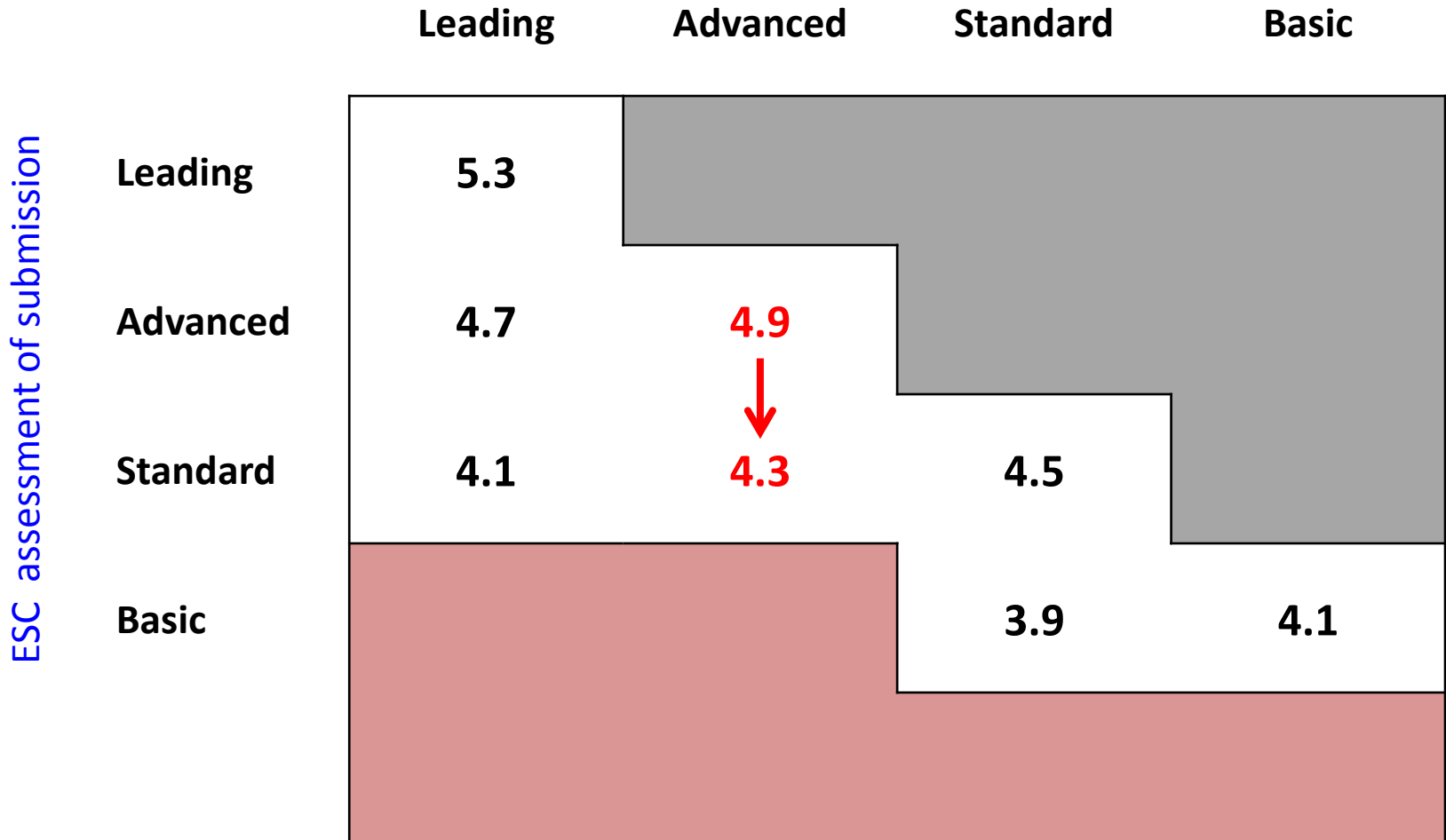
2nd incentive => Reward AMBITION

Water Authorities self-assessment



3rd incentive => be ACCURATE & HONEST

Water Authorities self-assessment



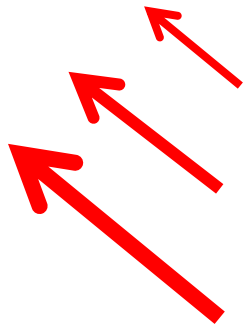
5th incentive => DON'T STUFF IT UP

Water Authorities self-assessment

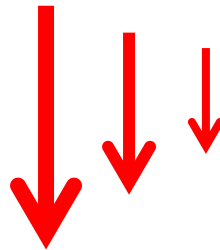
		Leading	Advanced	Standard	Basic
ESC assessment of submission	Leading	5.3	[Grey shaded area]		
	Advanced	4.7			
	Standard	4.1	4.3	4.5	[Grey shaded area]
	Basic	[Red shaded area]		3.9	

The "red zone"

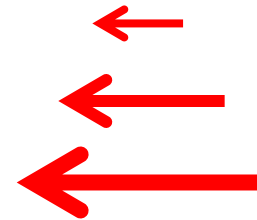
Each of these incentives can be dialled up or down



Ambition



Accuracy



Anti-bluffing



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