PERFORMANCE OF VICTORIAN URBAN WATER AND SEWERAGE BUSINESSES 2013-14

INDUSTRY SUMMARY

December 2014
OVERVIEW OF VICTORIAN WATER INDUSTRY

This industry summary forms part of the suite of documents the Essential Services Commission released for its 2013-14 urban water performance report. It highlights several key issues the Commission considers to be important in 2013-14.

The Commission regulates the prices and service standards of water businesses, approving prices to recover the expenditure required to efficiently operate, maintain and expand the water and sewerage networks to meet customers’ needs.

Victoria’s 16 urban water businesses service 2.5 million customers using 46 300 kilometres of water mains and 36 800 kilometres of sewer main.

In 2013-14, Victorian water businesses generally maintained or improved service levels. Water quality was high and water service reliability improved slightly, environmental performance was steady and customer service levels remained high with fewer customer complaints received by businesses.

Based on the data in this year’s performance report, and a separate review of the metropolitan businesses’ hardship measures, we believe water businesses have improved their ability to identify and provide support to their customers in financial difficulty. Water businesses appeared to better differentiate customers who were unable to pay their bills from those customers who are unwilling to pay their bills. This was particularly evident for the metropolitan businesses, and allowed a more tailored approach with greater support for those in need of assistance. Tougher actions were focussed on recalcitrant customers including measures such as water supply restrictions and legal action.

As reported below, many capital works projects were delayed or deferred in 2013-14. It is only one year since the businesses identified these projects as important for
implementation during the 2013–18 pricing period. While some rescheduling or reprioritisation of projects is expected as a normal part of running a water business, the number of projects affected is concerning. The Commission will continue to monitor and report on major project delivery over the period. We expect the rescheduling of project delivery will not produce a decline in service delivery standards, and that businesses will meet their service commitments. Further, if we find that project delays and deferrals are producing material windfall financial benefits for water businesses, we will consider whether their approved maximum prices need to be revisited in future years.

FIGURE 1  VICTORIAN WATER BUSINESSES 2013-14
CONSUMPTION

Consumption patterns differ throughout the state for a number of reasons including climate, demographics and any water restrictions in place. Average annual household water consumption across Victoria fell 2 per cent from 163 kilolitres in 2012-13 to 160 kilolitres in 2013-14.

- Metropolitan annual consumption fell slightly from 152 kilolitres to 150 kilolitres.
- Regional annual consumption fell from 194 kilolitres per year to 187 kilolitres.

Overall, the average household consumption levels for most businesses either stayed steady or decreased slightly compared to the previous year. Traditionally the highest consumption has been in the drier and hotter north of the state, with Lower Murray Water again recording the highest average use. The lowest consumption was in areas with seasonal population variability, such as Westernport Water (figure 2).

Average consumption appears to have settled at a level slightly higher than during the drought (when restrictions were imposed), but well below historic levels before the drought when it was over 200 kilolitres per household.
HOUSEHOLD BILLS

Average annual household bills\(^1\) were higher in 2013-14 than in 2012-13 for most water businesses, although six regional businesses had average bills lower than last year and another two recorded increases less than inflation. Metropolitan businesses reported the largest increases, primarily because prices now reflect the full desalination

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\(^1\) The Commission uses each business’s average household consumption to calculate an indicative average household bill for water and sewerage services. This figure includes both the fixed and variable water and sewerage charges.
plant contract costs following the metropolitan price freeze in 2012-13. The average household bills for owner occupiers ranged across businesses from $869 (Goulburn Valley Water) to $1262 (GWMWater), with a statewide weighted average of $1088 (figure 3). Differences in the calculated bills can be attributed to a number of factors: the cost to service different regions, sources of water and the average volume of water used.

FIGURE 3  OWNER OCCUPIERS — AVERAGE HOUSEHOLD BILLS 2013-14 ($, nominal)
Average household bills for tenants, who are not billed fixed charges, ranged from $143 (Westernport Water, which has a high proportion of fixed charges to account for a low permanent customer base, and low average household consumption) to $635 (Yarra Valley Water) in 2013-14.

FINANCIAL ASSISTANCE AND DEALING WITH HARDSHIP

Businesses can assist their customers experiencing financial hardship and address payment difficulties in several ways. Approaches vary across businesses, and may change from year to year as business strategies change.

Generally water businesses have increased their support of customers experiencing payment difficulties, as measured across a range of activities.

In 2013-14, 12 of the 16 urban water businesses increased the number of residential customers on instalment plans. The overall rate across all water businesses increased from 6.3 per 100 customers in 2012-13 to 7.7 in 2013-14 (figure 4).

The number of hardship grants approved by water businesses rose to 18 065 in 2013-14, from 14 416 in 2012-13. The number of Utility Relief Grants approved by the government increased by 43 per cent from 4412 in 2012-13 to 6309 in 2013-14, and government concessions also increased.

In its last price decision, the Commission allowed an additional $5.25 million for the metropolitan water businesses, including Western Water, to assist their customers with the significant price increase from July 2013. The Commission has released a separate report evaluating the effectiveness of this financial hardship allowance. Based on the early trends in the data available, we are satisfied the businesses have targeted this money towards improving their hardship programs, and they are generally treating their customers experiencing hardship well. This report is available on the Commission’s website.

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PAYMENT MANAGEMENT

As water businesses worked harder to identify customers in financial hardship, they also identified more nonpaying customers considered able to pay. Both Yarra Valley Water and South East Water claimed they could better differentiate those who face financial difficulty in paying their bills from those who won’t pay but are able to do so. This allowed them to take a stronger stance against recalcitrant nonpaying customers, resulting in more water supply restrictions and legal actions against these customers. Together these two businesses accounted for the vast majority of increased actions against these customers in 2013-14.

The number of residential customers whose water supply was restricted for nonpayment rose by 36 per cent, from 2439 in 2012-13 to 3319 in 2013-14 (0.13 per cent of a total 2.3 million residential customers). Sixty per cent of the additional 880 restrictions were for Yarra Valley Water customers and 27 per cent for South East Water customers. This increase also included more customers on concession (up from
465 to 587). Over the same period, the number of nonresidential customers whose water supply was restricted rose 38 per cent.

Water businesses may take legal action as a last measure to recover unpaid bills. Legal actions against residential customers increased by 40 per cent from 811 in 2012-13 to 1135 in 2013-14, with 287 of the additional 324 (almost 90 per cent) being Yarra Valley Water customers. The average debt level before initiating legal proceedings increased by 56 per cent to $2027, and is well above the regulated minimum of $200.

**CUSTOMER COMPLAINTS**

In 2013-14, the water businesses received 13 492 complaints, a 26 per cent decrease from the 18 202 complaints received in 2012-13. This result equates to a rate of 0.54 complaints per 100 customers across the state, down from 0.74 in 2012-13. (There was a large increase in complaints from metropolitan customers in 2011-12 and 2012-13 due to customer concerns about the overcollection of funds to pay for the desalination plant, although completion of the plant had been delayed.) The 2013-14 complaint rate is similar to the 0.57 complaints per 100 customers observed in 2010-11.

In 2013-14, the Energy and Water Ombudsman (Victoria) (EWOV) received 2559 complaints and 67 enquiries about the metropolitan and regional urban water businesses, up 16 per cent from 2198 complaints and 64 enquiries in 2012-13. The number of cases EWOV received regarding water businesses was only 3.5 per cent of the number dealing with energy retailers.3

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3 In 2013-14, EWOV received 54 496 complaints and 664 enquiries for electricity retailers, and 19 833 complaints and 204 enquiries for gas retailers.
WATER NETWORK RELIABILITY

Overall reliability of a water supply network is measured by customer minutes off supply. Businesses can seek to improve overall reliability through a number of strategies such as reducing the frequency of interruptions, reducing the number of customers affected with each interruption event or by targeting the duration of interruptions. In practice, businesses are likely to pursue a combination of these approaches.

Statewide, the average customer minutes off supply improved slightly from 30 minutes in 2012-13 to 29 minutes in 2013-14 (figure 5). The rate of interruptions to water supply also improved slightly to 37.5 interruptions per 100 kilometres of water main in 2013-14, from 37.9 interruptions in 2012-13.

FIGURE 5 STATEWIDE AVERAGE CUSTOMER MINUTES OFF SUPPLY 2013-14 (minutes)
SEWERAGE NETWORK RELIABILITY

A sewer blockage is a partial or total obstruction of a sewer main that impedes sewage flow. This includes all trunk and reticulation main blockages, but excludes blockages in the individual service connection branch and property drain.

The rate of sewer blockages deteriorated from 19.3 blockages per 100 kilometres of sewer main in 2012-13 to 21.6 in 2013-14. The rate of sewer spills also deteriorated, from 9.8 per 100 kilometres of sewer main in 2012-13 to 11.5 in 2013-14. However these changes are consistent with a hotter and drier summer in 2013-14 with increased tree root intrusion into the sewers.

FIGURE 6  SEWER BLOCKAGES 2013-14
(per 100 kilometres of sewer main)
WATER QUALITY

Safe, good quality drinking water is essential for community health and wellbeing. One of the core functions of the urban water businesses is delivering water that is safe to drink.

In Victoria, the governance framework for the supply of safe drinking water is set out in the *Safe Drinking Water Act 2003* and the *Safe Drinking Water Regulations 2005*.

Fifteen of the 16 urban water businesses delivered water that met *E. coli* bacteriological requirements set out in the *Safe Drinking Water Regulations 2005*. Coliban Water recorded a noncompliance in one of its smaller towns.

All urban businesses delivered water that met the turbidity requirements set out in the *Safe Drinking Water Regulations*.

Water quality complaints fell from a rate of 0.29 complaints per 100 customers in 2012-13 to 0.26 in 2013-14, with decreases across most water businesses.

ENVIRONMENT

Water businesses treated 475 500 megalitres of sewage in 2013-14. This result was a 1 per cent decrease from the 2012-13 volume of 479 500 megalitres. The proportion of tertiary treated sewage in Victoria increased to 40 per cent, from 13 per cent in 2011-12 and 35 per cent in 2012-13, reflecting the first full year of operation since the upgrade of Melbourne Water’s Eastern Treatment Plant.

The proportion of total effluent produced in Victoria that was reused remained steady at 20 per cent in 2013-14. Total effluent reuse was 90 600 megalitres in 2013-14.

Victorian urban water businesses reported 738 700 tonnes of total net carbon dioxide equivalent (*CO₂*-e) emissions in 2013-14, a 3 per cent reduction from the 765 300 tonnes reported in 2012-13.
MAJOR PROJECTS

In 2013-14 the Victorian urban water industry spent $919 million on capital works: $402 million on water and $517 million on sewerage.

During the 2013–18 price review process, businesses were required to separately identify their key capital expenditure projects scheduled for completion during the period, to distinguish them from the many minor projects making up their capital investment programs. The Commission identified 100 of these major projects to be scheduled in the businesses’ pricing determinations for monitoring through the annual performance reporting process. Project costs impact prices in accordance with the scheduled timelines. Twelve projects were completed on time, with another 49 proceeding on schedule. By contrast, 21 projects encountered delays that will affect the completion time, and 18 projects were deferred (12 of these into the next pricing period from 2018).

Of these 100 projects, 16 were scheduled for completion in 2013-14 with nine completed, six delayed, one deferred, and three additional projects completed ahead of schedule.

In addition to these 100 scheduled projects, businesses carried 15 major projects over from the 2008–13 pricing period. Six were completed in 2013-14, six more are on schedule, two were delayed and one was deferred.

The Commission acknowledges that project schedules need to change with changing circumstances, but expects businesses will continue to meet their service level commitments, and will monitor that this is indeed the case.