



Proposed prices and services for 2018-2023

Community feedback report



Delivering greater value for our customers

Our 2018 Price Submission sets out our plan to deliver greater value of our customers. It explains:

- The outcomes we will deliver;
- The key actions we will take, including our capital and operating expenditure to provide services and meet our regulatory obligations;
- The proposed prices you will pay in return.

One thing is clear, Barwon Water's 2018 Price Submission has come at the right time.

Your expectations are changing when it comes to what you value about water and sewerage services, and what you expect in the future.

You said you want us to deliver reliable and secure water supplies, timely and innovative services, a healthier environment for all, knowledge and partnerships with the community and affordability for all customers.

Our 2018 Price Submission is our plan to deliver what you've asked for. Our services will be modern and efficient, innovative, future-focused and importantly, our prices and bills will remain affordable.

Your input has been fundamental in shaping our 2018 Price Submission.

This report provides a snapshot of your thoughts about the proposed services and prices that we tested with you in July 2017 and how we have responded to your feedback.

We would like to thank the 2018 Price Submission Community Panel, the Barwon Water customer and environmental consultative committees and everyone who attended focus groups, completed surveys or commented on our proposals for your considered and thoughtful contributions.

Our 2018 Price Submission has been finalised in light of your feedback and sent to the independent economic regulator, the Essential Services Commission. The Commission will use our submission to determine Barwon Water's new prices, which will take effect from July 1, 2018.



What we heard

Our 2018 Price Submission reflects what our customers and community told us about our proposed services and prices during July, 2017.

Our customers and community responded with enthusiasm to our request for feedback. Collectively, our customers and community generated feedback through **1260 online surveys** and more than **1500 visits** to our Your Say at Barwon Water site to review our proposed prices and services.

The majority of our customers are supportive of the outcomes and the actions we propose to deliver and the prices customers will pay for services. Below is the percentage breakdown of customer comfort levels regarding the outcomes we propose to deliver:

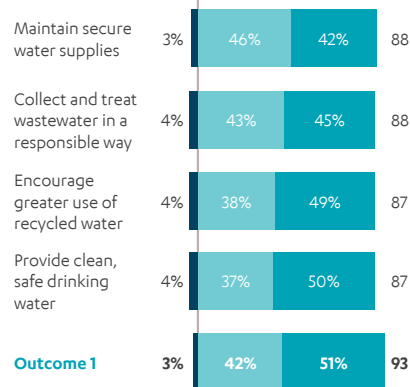
- A reliable, secure water future for our region – 93%
- Timely and innovative services for our customers – 90%
- A healthier environment for all – 88%
- Stronger partnerships with our community – 81%
- Bills that are as low as possible for all of our customers – 88%

There is a high level of comfort for all five proposed outcomes amongst Barwon Water customers.

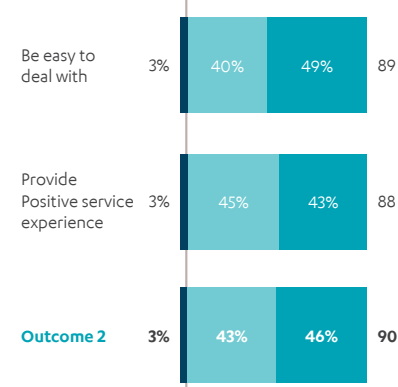
Customers are most comfortable with Outcome 1, (A reliable, secure water future for our region) which they consider to be Barwon water's core business, and Outcome 2 (Timely, innovative services for our customers)

Customers are least comfortable with Outcome 4 (Stronger partnerships with our community), but over four in five customers (81%) are still comfortable with it.

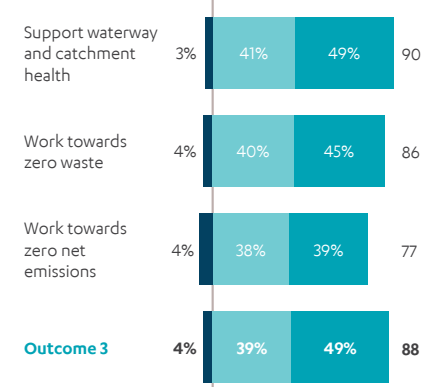
Outcome 1: A reliable, secure water future for our region



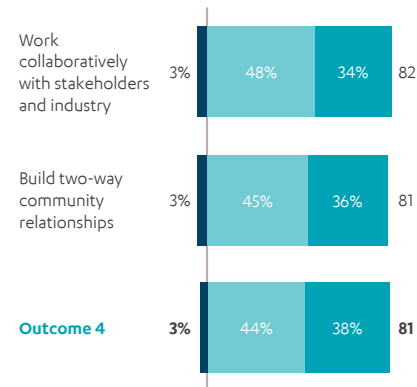
Outcome 2: Timely, innovative services for our customers



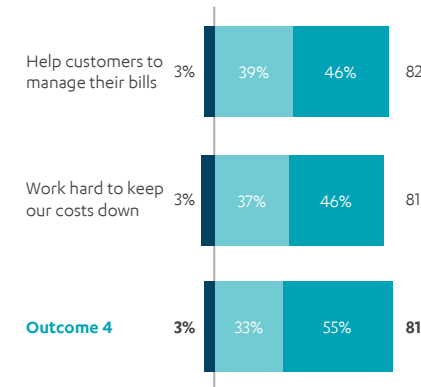
Outcome 3: A healthier environment for all



Outcome 4: Stronger partnerships with our community

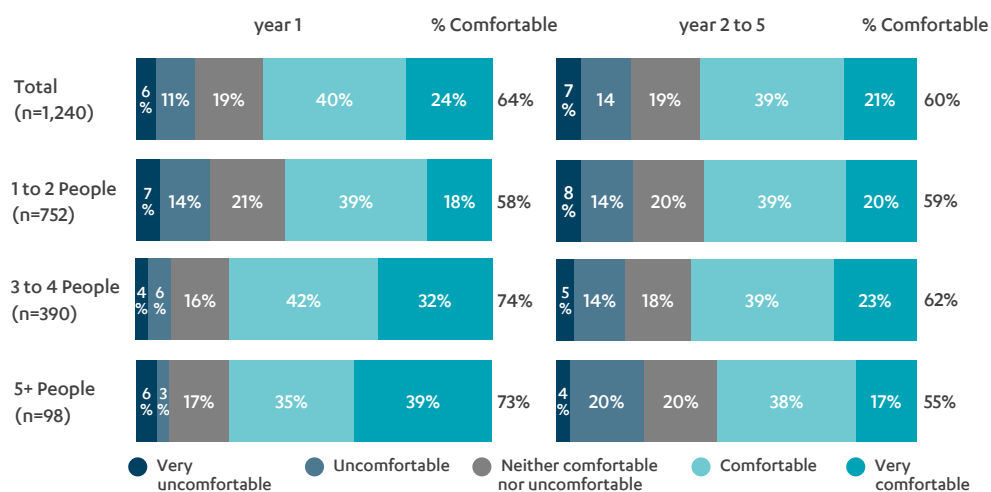


Outcome 5: Bills that are as low as possible for all of our customers

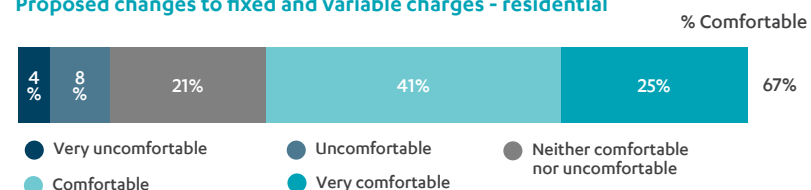


More than half of our customers that responded were comfortable with the proposed changes to their bills over the five years of the 2018 Price Submission.

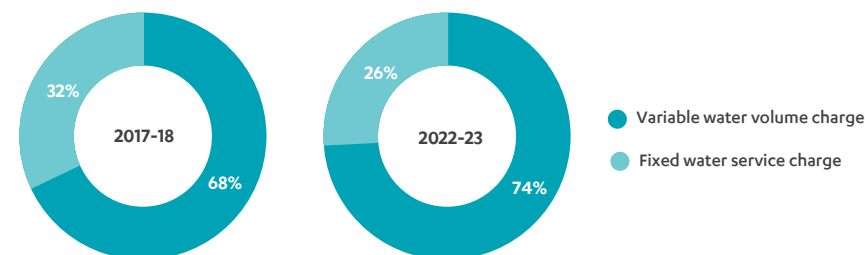
In particular, customers were happy and comfortable with the proposed change to the variable and fixed water charges for residential customers to give greater control over their water and sewerage bills.



Proposed changes to fixed and variable charges - residential



Charts presented to customers in survey as context: Fixed water service and water volume charges as a proportion of your bill



Our 2018 Price Submission Community Panel also re-convened to discuss the proposal and broader community feedback to this.

The panel spent a day deliberating their original recommendations, the proposal and latest community feedback. The panel confirmed their support for the proposal and highlighted how the proposal supported their collective views. The panel where necessary has aligned broader community feedback sourced through the online survey to their final recommendations.

Final statement on the process by the panel...

As members of the Community representation panel, we provide you with the report from our final day of deliberations, in response to the Barwon Water community Consultation (Our proposed services and prices for 2018-2023). This is a culmination of a series of workshops, over a series of days, to prepare for this final report. We have had the opportunity to review all of the Barwon Water background information, original panel work, online discussions, and the EY Sweeney report on the community consultation research. We also received submissions from Barwon Water explaining the process undertaken in preparation and implementation of the survey, and an extrapolation of the results. We can provide assurances that as a panel we have been supported by the facilitators in reaching conclusions that we believe are representative of our collective views. The net result is that we support the context of the proposed price submission as put forward by Barwon Water, as it also supports our views, and where necessary we have provided supportive commentary for our recommendations.

We commend the report to the Essential Services Commission, for their approval.

What has changed

We have changed five aspects of our 2018 Price Submission in light of the feedback provided by our customers and community:

1. We changed the titles of two outcomes to better reflect community views

Overwhelming, customers told us they were comfortable with the outcomes we propose to deliver. However, our Community Panel noted we used slightly different words to describe some of the outcomes they had recommended. We renamed two of the five outcomes to clarify that we mean the same thing as our Community Panel.

What we originally proposed	What our 2018 Price Submission proposes	What this means for customers
<p>We said we would deliver:</p> <ul style="list-style-type: none"> • A reliable, secure water future for our region • Timely, innovative services for our customers • A healthier environment for all • Stronger partnerships with our community • Bills that are as low as possible for all our customers 	<p>We have updated the titles of the last two of these five outcomes to better reflect the recommendations of our Community Panel. The revised outcome titles are:</p> <ul style="list-style-type: none"> • Deeper knowledge and partnerships with our community • Affordability for all our customers <p>There is no change to the actions we proposed in July to deliver each of these outcomes.</p>	<p>Our outcomes are more meaningful for our customers.</p>

2. We decided to provide more financial assistance to tenants

Tenants told us they were far less comfortable about proposed bill impacts than owner-occupiers, as their bills were poised to increase more than owner-occupiers. We decided to extend our proposed Transitional Rebate Adjustment so that it applies to all tenants over the next five years.

What we originally proposed	What our 2018 Price Submission proposes	What this means for customers
<p>We said we would provide a Transitional Rebate Adjustment of \$5 as a credit on quarterly bills during 2018-19 (\$20 over the year) to tenants who use less than 50kL of water per quarter.</p> <p>The aim of the Transitional Rebate Adjustment was to help offset bill increases facing tenants as we move from current lump sum rebate arrangements to a fair and equitable pricing structure that gives residential customers greater control over their bills, by rebalancing fixed and variable water charges</p>	<p>We have extended our Transitional Rebate Adjustment so that:</p> <ul style="list-style-type: none"> • It is available to all tenants, rather than just tenants who use less than 50KL of water per quarter; • It helps to offset bill increases over the next five years, rather than in just 2018-19. <p>The Transitional Rebate Adjustment will be set at the following amounts (excluding inflation):</p> <ul style="list-style-type: none"> • \$20 in 2018-19; • \$32 in 2019-20; • \$36 in 2020-21; • \$40 in 2021-22; and • \$43 in 2022-23. 	<p>In 2018-19, average residential tenant and owner-occupier bills will both remain the same as in 2017-18 (excluding inflation). By 2022-23, tenant bills will increase by \$37 (excluding inflation), which is the same bill increase as for an average owner-occupier. Our decision to extend our Transitional Rebate Adjustment reduces the bill increase proposed for tenants in 2022-23 from \$80 to \$37, which is more than half.</p>

3. We gave more thought to how we will track our progress in delivering outcomes

Customer levels of comfort about the outcomes we proposed to deliver were so high that we strengthened our performance measures and targets to ensure these were meaningful for our customers and delivered on the outcomes they have asked for.

What we originally proposed	What our 2018 Price Submission proposes	What this means for customers
<p>We outlined a range of performance measures and targets to track our progress in delivering outcomes.</p> <p>For example, we set a target of 90% to answer telephone calls to our Customer Centre within 30 seconds.</p>	<p>We have overhauled our performance monitoring framework so that we are setting against and measuring the right targets, to ensure we are delivering our outcomes.</p> <p>For example, we have introduced a “Customer Service Index” which will allow us to monitor our performance across the multiple channels through which our customers interact with us, not just telephone.</p>	<p>The performance measures we have set ensure we are monitoring our performance against the things that matter to our customers.</p> <p>The targets set mean customers will continue to receive our current high standards of performance in core service areas as well as improved performance in areas customer said were important, including reducing carbon emissions and increasing recycled water use.</p>
<p>We said that we would publicly report each year on our progress in delivering outcomes, using the performance measures and targets we proposed.</p>	<p>Not only will we report on our progress annually, but we will return up to \$11.5 million to customers at the end of the five-year pricing period if we fail to meet our targets against our four high-level performance measures.</p> <p>These performance measures include – achieving high standards of water and sewerage system performance; achieving high standards of customer service; increasing the amount of recycled water put to productive use and reducing our carbon emissions.</p>	<p>You will benefit from either lower prices (or other outcomes, if you prefer) in the next five year price period if we fail to deliver what we have promised.</p>

4. We sought independent review of our expenditure and proposals

Whilst the majority of customers were comfortable with proposed bill impacts, we couldn’t ignore that some people were uncomfortable. To that end, we wanted to ensure our costs and proposals were as efficient and cost effective as possible.

What we originally proposed	What our 2018 Price Submission proposes	What this means for customers
<p>We provided capital cost estimates for the major projects we expect to complete over the five year price period.</p>	<p>We have updated capital cost estimates and excluded some projects where scope or costs are too uncertain, based on findings of an independent review completed by Inside Infrastructure.</p>	<p>You will only pay for projects where scope and costs are sufficiently certain, as capital forecasts upon which our prices will be calculated reflect best possible estimates.</p>
<p>We showed how our capital and operating expenditure will contribute to delivering each of the five outcomes you asked for.</p>	<p>We have updated these estimates to better reflect what we propose to spend against each outcome.</p> <p>We have also shown how these expenditure profiles have changed from last five year period so you can see how we are changing our expenditure profiles in response to what you’ve asked for.</p>	<p>You will not pay any more, but we are giving you a clearer picture of where we are directing our expenditure.</p>

5. We spoke with key business customers and developed proposals in response to their specific needs

Early conversations with Class C recycled water and trade waste customers and property developers suggested these key groups wanted us to have targeted discussions about the details of our proposals that were relevant to them. We came up with proposals that respond to their specific needs.

What we originally proposed	What our 2018 Price Submission proposes	What this means for customers
<p>Our current approach to New Customer Contributions is that we just have one.</p>	<p>We will have separate New Customer Contributions for greenfield (new developments) and infill (redevelopment in existing areas) developments.</p>	<p>Property developers will pay prices that reflect the nature of the infrastructure required to service their developments. Developments in existing areas where infrastructure already exists will be cheaper than new developments where new infrastructure will have to be built.</p>
<p>Our current approach to Class C recycled water charges is one price.</p>	<p>We will offer a “take or pay” option, where Class C recycled water customers can access a nominated amount of recycled water at a cheaper price, to incentivise greater use of recycled water. We will also offer “gate prices”, so that different prices of Class C recycled water will be offered depending on the treatment costs of the wastewater plant where the Class C recycled water is produced.</p>	<p>Class C recycled water customers can benefit from cheaper prices.</p>

At a glance

Our 2018 Price Submission has been finalised in light of your feedback and sent to the independent economic regulator, the Essential Services Commission. The Commission will use our submission to determine Barwon Water's new prices.

Key elements of our submission are shown overleaf. Our submission can be viewed in full at www.yoursay.barwonwater.vic.gov.au or www.esc.vic.gov.au.

The Commission will decide in mid-December, 2017 whether or not to "fast-track" submissions. If a submission is "fast-tracked" draft prices will be published on the Commission's website at this time, for public consultation. Fast-tracked submissions will have final prices announced in mid-May, 2018.

If a submission is not "fast-tracked", draft prices will be published in mid-March, 2018 for public consultation, with final prices announced in mid-June, 2018.

New prices will take effect from July 1, 2018.

The tables and graphs below show what you will pay over the next five years, compared to recent years.

Residential customer prices from 2018 to 2023

Charge	Description	Price 2017/18	Price 2018/19	Price 2019/20	Price 2020/21	Price 2021/22	Price 2022/23
Water Volume	Charge varies depending on how much water you use. Your water meter measures this.	\$2.2591 per kilolitre	\$1.8840 per kilolitre	\$1.9715 per kilolitre	\$2.0630 per kilolitre	\$2.1588 per kilolitre	\$2.2591 per kilolitre
Water Service	Charge is fixed and the same every quarter regardless of how much water you use.	\$42.93 per quarter	\$37.93 per quarter	\$36.71 per quarter	\$35.43 per quarter	\$33.98 per quarter	\$32.24 per quarter
Sewerage Service	Charge is fixed and the same every quarter regardless of how much sewerage you discharge. There is no metering.	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter	\$138.27 per quarter
Class A recycled water	If you are in Armstrong's Creek or Torquay North, you may have the option to access Class A recycled water via a second 'purple' pipe. Charge varies depending on how much recycled water you use, which is metered separately to your other water use.	\$1.8072 per kilolitre (80 percent of the water volume charge)	\$1.8072 per kilolitre (70 percent of the water volume charge)	\$1.3800 per kilolitre	\$1.4441 per kilolitre	\$1.5112 per kilolitre	\$1.5814 per kilolitre

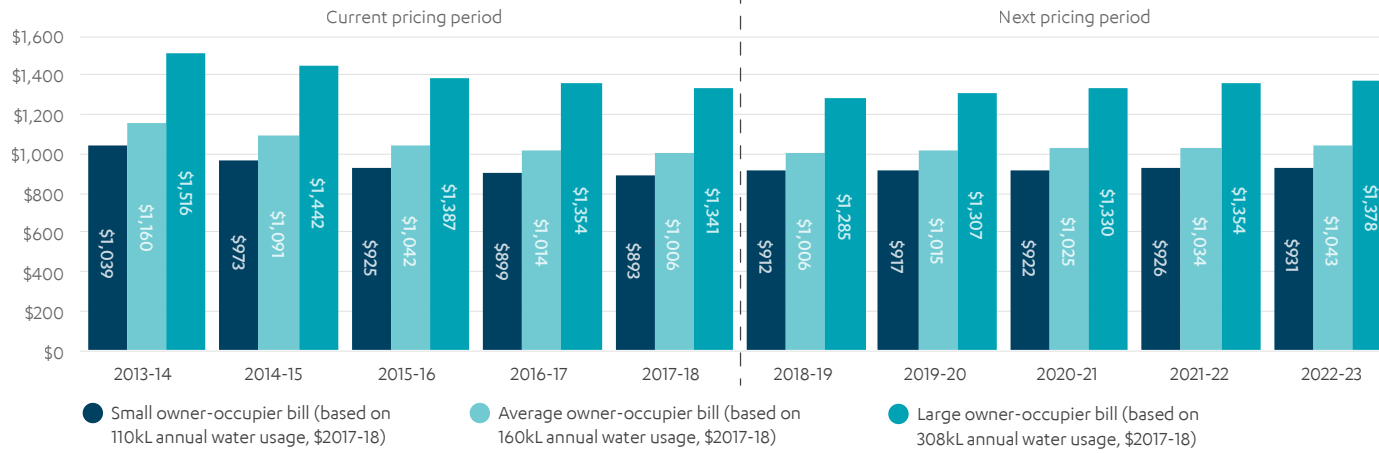
Charges in table exclude inflation and are shown in today's dollars (2017/18)

Non-residential customer prices from 2018 to 2023

Charge	Description	Price 2017/18	Price 2018/19	Price 2019/20	Price 2020/21	Price 2021/22	Price 2022/23
Water Volume	Charge varies depending on how much water you use. Your water meter measures this.	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre	\$2.2591 per kilolitre
Water Service	Charge is fixed and the same every quarter regardless of how much water you use.	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter	\$42.92 per quarter
Sewerage Volume	Charge varies, based on a percentage of the amount of water used (depending on the business type). There is no metering.	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre	\$1.8775 per kilolitre
Sewerage Service	Charge is fixed and the same every quarter regardless of how much sewerage you discharge. There is no metering.	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter	\$83.66 per quarter

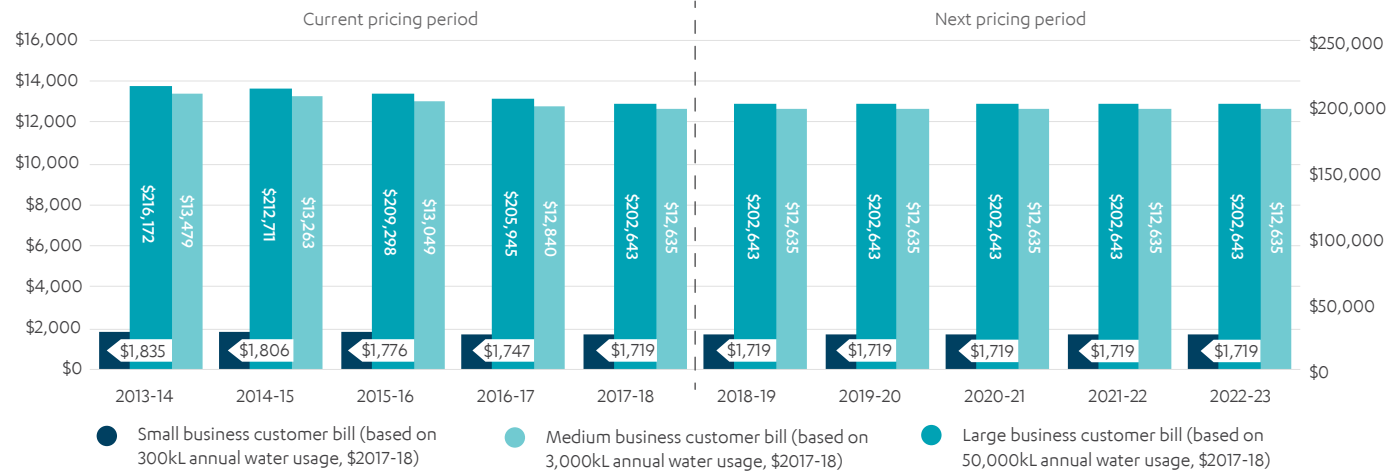
Charges in table exclude inflation and are shown in today's dollars (2017/18)

Average residential customer bill (for small, medium and large water users)








These amounts are rounded.

Average non-residential customer bill (small, medium and large water user)



The table below explains what we will deliver for the prices that you will pay.

What we will deliver	What this means for you
 A reliable, secure water future for our region	<ul style="list-style-type: none"> • 100% of customers will receive safe drinking water that meets E. coli, turbidity and disinfection by-products standards • 100% of wastewater that we discharge to the environment will comply with EPA licence conditions • 100% of the water we take from the environment will continue to comply with legislative conditions • Additional 1,000 ML of recycled water put to productive use in our region • We will not run out of water in a drought, and we will plan for restrictions to be imposed no more than 5% of the time
 Timely, innovative services for our customers	<ul style="list-style-type: none"> • 96.5% of customers who have an unplanned water supply interruption will have their water back on in 5 hours or less • 85% of customers who have a planned water supply interruption will have their water back on in 5 hours or less • No more than 1 customer will have more than 5 unplanned water supply interruptions per year • No more than 1 customer will have more than 2 sewer spills per year • At least 85% of customers will be satisfied with quality of drinking water they receive and very few customers will complain about the quality of drinking water they receive (no more than 3 in 1,000 customers will complain to us, no more than 6.5 in 10,000 customers will complain to Energy and Water Ombudsman Victoria) • More customers will receive their bills by email and be notified by SMS, if they want • You will have a positive experience if and when you deal with us, for example, when you ring our Customer Call Centre
 A healthier environment for all	<ul style="list-style-type: none"> • Your water, sewerage and recycled water services will have a reduced impact on the environment, because: <ul style="list-style-type: none"> • The amount of carbon emissions we generate will reduce from 42,986 tCO₂ to 28,742 tCO₂ • We will increase our use of renewable energy from 0% to 43% • We will increase the amount of industrial waste we recycle and the energy we capture from our waste • We will continue to reuse 100% of biosolids mass we generate • We will keep water losses within our system at 9%
 Deeper knowledge and partnerships with our community	<ul style="list-style-type: none"> • You will be able to partner with us to save water through water efficiency programs • There will be new community or green open spaces created by us for you to enjoy • You will benefit from new high value partnerships and jobs in our region • Our organisation will better reflect the community we serve
 Affordability for all our customers	<ul style="list-style-type: none"> • Prices you pay us will be set for the next five years • You will benefit from up to \$11.5 million in revenue being returned to customers if we fail to meet our targets • More vulnerable customers will be engaged and supported by us through our hardship payment plans, such as via our “Arrange and Save” program to support them in paying their bills

For further information on the price submission, please contact Barwon Water on 1300 656 007 or email: info@barwonwater.vic.gov.au