2018 Price Submission
Presentation to the Essential Services Commission
At a glance

- Comprehensive communication and engagement
- Customer-driven outcomes
- Higher cost efficiency targets
- Less risk to customers
- Lower bills
- Ongoing accountability
- Commitment to deliver
- Clear and transparent justification
Our Customer Engagement Program

Analysis, feedback and reporting cycle

Customer Engagement Council (Nov 2016 – present)

Aug – Oct 2016
Understanding customer value
• Information audit and working groups
• 6 stakeholder interviews
• Online survey
• Online community
1,552 customers

Nov 2016 – Jul 2017
Developing outcomes and initiatives
• 25 focus groups
• 20 interviews
• Online community
243 customers

Apr – Jun 2017
Testing prioritisation and willingness to pay
• 6 customer testing sessions
• Online bill simulator
3,797 customers

Jun – Aug 2017
Co-creating value and measuring performance
• 2 focus groups
• 5 co-creation sessions
48 customers

Aug - Sept 2017
Validating outcomes and initiatives
• Online community
55 customers

2018 Price Submission

‘Have your say’ program (Nov 2016 – present)
Customer Outcome 1

What our customers say
The number one priority for our customers is that we continue to reliably deliver fundamental services and get them right: supplying safe, high-quality drinking water and safely removing and treating sewage.

Get the basics right, always

→ Safe and clear water
→ Reliable water supply
→ Sewage taken away and treated safely

<table>
<thead>
<tr>
<th>Output measures</th>
<th>Current performance</th>
<th>2022-23 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage compliance with drinking water and recycled water standards</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of water quality complaints per 100 customers</td>
<td>0.18</td>
<td>0.18</td>
</tr>
<tr>
<td>Number of customers receiving greater than 5 unplanned water supply interruptions</td>
<td>532</td>
<td>532</td>
</tr>
<tr>
<td>Number of customers receiving 3 or more sewerage blockages</td>
<td>17</td>
<td>17</td>
</tr>
</tbody>
</table>
Customer Outcome 2

Warn me, inform me

What our customers say
Whether a supply or service interruption is planned or unplanned, warnings and proactive notifications aren’t just highly valued – they’re expected.

→ Keeping customers informed and in control
→ Rectifying interruptions to minimise disruption
→ Reducing disruption in peak times
→ Understanding individual needs and impacts

Output measures

<table>
<thead>
<tr>
<th>Percentage of customers notified per unplanned interruptions (for customers who have given us email/mobile details)</th>
<th>Current performance</th>
<th>2022-23 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>80%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average duration of unplanned water supply interruptions</th>
<th>Current performance</th>
<th>2022-23 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>88 minutes</td>
<td>88 minutes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of customers impacted by unplanned water supply interruption in peak times</th>
<th>Current performance</th>
<th>2022-23 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.1%</td>
<td>27.6%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of planned water interruptions restored within notification period</th>
<th>Current performance</th>
<th>2022-23 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>98%</td>
<td>98%</td>
<td></td>
</tr>
</tbody>
</table>
Customer Outcome 3

What our customers say
Customers want costs kept down and assurance that our services and charges are fair and affordable. They expect us to drive efficiency through digitisation and provide the levels of bill certainty, control, rewards and incentive they receive from other providers outside the water sector.

→ Provide greater bill certainty and control
→ Keep costs down
→ Digitisation to deliver customer benefits
→ Awareness and access for those in need

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<tr>
<th>Output measures</th>
<th>Current performance</th>
<th>2022-23 Target</th>
</tr>
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<tbody>
<tr>
<td>Operating cost per property</td>
<td>$161</td>
<td>$147</td>
</tr>
<tr>
<td>Number of customers supported by South East Water Assist program</td>
<td>4,557</td>
<td>7,147</td>
</tr>
<tr>
<td>Average level of debt upon entry to South East Water Assist program</td>
<td>$925</td>
<td>$800</td>
</tr>
</tbody>
</table>
What our customers say
Customers are unwilling to pay more for better experiences; they simply expect them as good business practice. They want issues easily resolved the first time and for us to better understand their individual needs to enhance service delivery. Better communication to improve awareness of who we are and what we do is strongly supported.

Customer Outcome 4

→ Improve first contact resolution and reduce effort
→ Increase choice, awareness and value perceptions
→ Better understand individual needs

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<th>Output measures</th>
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<th>2022-23 Target</th>
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<tr>
<td>Customer satisfaction – rating of 6 or above out of 10</td>
<td>81%</td>
<td>85%</td>
</tr>
<tr>
<td>Value for money - rating of 6 or above out of 10</td>
<td>New measure</td>
<td>Committed to develop target by 2018-19</td>
</tr>
<tr>
<td>Total complaints per 100 customers</td>
<td>0.43</td>
<td>0.37</td>
</tr>
</tbody>
</table>
What our customers say
They seek reassurance about future water supply and have confidence in our ability to help shape a more sustainable Melbourne. They support expansion and use of recycled water and our carbon emissions reduction targets.

Customer Outcome 5
Support my community, protect our environment

→ Reduce our carbon emissions
→ Minimise sewage spills to the environment
→ Create a water efficient community

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<th>Output measures</th>
<th>Current performance</th>
<th>2022-23 Target</th>
</tr>
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<tbody>
<tr>
<td>Total net CO₂ emissions</td>
<td>41,774</td>
<td>29,690</td>
</tr>
<tr>
<td>Number of significant sewage spills (dry weather)</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Percentage of customers in greenfield areas receiving recycled water</td>
<td>47%</td>
<td>77%</td>
</tr>
<tr>
<td>Volume of alternative water as a percentage of total water used in designated greenfield areas</td>
<td>12%</td>
<td>20%</td>
</tr>
</tbody>
</table>
Demand forecasts

Baseline bulk water demand (forecast and actual)

- Residential consumption
- Business consumption
- Non-revenue water
Demand forecasts

Forecast new residential connections

- New residential connections (VIF2016)
- New residential connections (Spatial Economics)
Operating expenditure forecasts

Controllable operating expenditure – current period outcomes and forecasts

![Operating expenditure forecasts chart](chart.png)

- Blue: Operations and maintenance
- Orange: GSL payments
- Red: Treatment
- Grey: Corporate
- Light grey: Customer service and billing
- Green: 2013 Price Determination

FINANCIAL YEAR

$MILLION

- 2013-14
- 2014-15
- 2015-16
- 2016-17
- 2017-18
- 2018-19
- 2019-20
- 2020-21
- 2021-22
- 2022-23
Capital expenditure forecasts

Capital Expenditure program by project type

![Chart showing capital expenditure forecasts](chart.png)

- Other capital
- Key program
- Major capital project (2018–23)
Reducing water usage charges from three to two steps to balance affordability for large households while also still providing some reward for saving water.

- Retaining business customer water usage charged at the second step.
- Reducing the amount of the SDC charge for residential customers to 50 per cent of the current rate.
- Reducing recycled water usage charges to 80 per cent of step 1 of the drinking water price and removing the annual service charge.
### Prices and customer impacts

- Prices on average are forecast to be reduced by 13.4% in 2018-19


<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Usage (kL)</th>
<th>2017-18 bill $</th>
<th>2018-19 bill $</th>
<th>$ change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupier – small user (apartment w/ 1-2 occupants)</td>
<td>90</td>
<td>$772</td>
<td>$756</td>
<td>-$16</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Owner occupier – average user (detached dwelling w/ 3 occupants)</td>
<td>150</td>
<td>$1,017</td>
<td>$943</td>
<td>-$74</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Owner occupier – large user (5 occupants; small garden)</td>
<td>350</td>
<td>$1,959</td>
<td>$1,688</td>
<td>-$271</td>
<td>-13.8%</td>
</tr>
<tr>
<td>Tenant – small user (apartment w/ 1-2 occupants)</td>
<td>90</td>
<td>$267</td>
<td>$279</td>
<td>$13</td>
<td>4.7%</td>
</tr>
<tr>
<td>Tenant – average user (detached dwelling w/ 2 occupants)</td>
<td>112</td>
<td>$356</td>
<td>$348</td>
<td>-$9</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Tenant – large user (5 occupants; small garden)</td>
<td>350</td>
<td>$1,454</td>
<td>$1,211</td>
<td>-$243</td>
<td>-16.7%</td>
</tr>
<tr>
<td>Average business customer</td>
<td>460</td>
<td>$2,845</td>
<td>$2,685</td>
<td>-$160</td>
<td>-5.6%</td>
</tr>
</tbody>
</table>
# PREMO self-assessment

<table>
<thead>
<tr>
<th>Overall rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADVANCED</td>
<td>This self-assessment rating is based on:</td>
</tr>
</tbody>
</table>

- **Outcomes**: Alignment of our proposed outcomes, outputs and programs to meet customer expectations and with targets that are either ahead or are being maintained at an above-industry average performance level.

- **Management**: Material cost efficiency built into operating and capital expenditure forecasts.

- **Engagement**: Comprehensive engagement program with a strong alignment of customer preferences to the submission’s outcomes.

- **Risk**: Approach to setting demand, OPEX and CAPEX that significantly allocates risk to South East Water to lower prices for customers.
Thank you

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