2018 Price Submission
Context – Our business

• Long history of customer involvement in setting prices and service expectations
• Separate cost and price structures to avoid cross-subsidy between customer groups
• Mix of service (e.g. water delivery) and regulatory (e.g. licence compliance) functions
• Revenue cap (plus some tariffs)
• Low RAB + ageing assets = increasing prices to maintain service
Context – Our strategy

- Early in Water Plan 3, we set a new corporate strategy.
- This led us to set some ambitious goals – and to get to work on achieving them …

<table>
<thead>
<tr>
<th>Goal (20 year)</th>
<th>Achieved (5 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced operating costs</td>
<td>20% (below WP3)</td>
</tr>
<tr>
<td>Reduced capital expenditure</td>
<td>25% (below WP3)</td>
</tr>
<tr>
<td>Reduced cost of modernisation</td>
<td>30%</td>
</tr>
<tr>
<td>External funding for modernisation</td>
<td>50% or more</td>
</tr>
<tr>
<td>New “once-off” revenue</td>
<td>$20m</td>
</tr>
<tr>
<td>New recurrent revenue</td>
<td>20%</td>
</tr>
<tr>
<td>Price change (relative to 2013)</td>
<td>&lt;10% increase</td>
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- This coupled with the removal of the renewal annuity, use of fund balances during Water Plan 3 has allowed us to fund major capital works without significant price change.
Outcomes

• Licence holders (over 80% of our customers)
  • Annual price reductions of 2.3%
  • Also absorbed licence renewal fees
  • Investment in automated meter reading and customer portal to provide better access to information and transactions

• MID
  • $50m investment in MID modernisation, with no price increase
  • Improved system efficiency, meaning more water for production
  • Improved flow rates and order lead-time

• WID
  • $12m investment in WID modernisation, with no price increase
  • Improved system efficiency, meaning more water for production
  • Avoid service degradation

• BMID
  • $5m investment in BMID, with price below 2013/14 level for 4 out of 5 years (following price drops over WP3)
  • Improved system efficiency, meaning more water for production
  • Avoid service degradation
Engagement

• On-going
  • CCCs
  • Field staff
  • Board engagement (CCC meetings, stakeholder dinners, site tours)
  • Customer First Team
  • Regular surveys, feedback, face to face engagement

• Targeted
  • Offer to all customers to be involved, and preference for how – around 500 responses
    • Most preferred email & hardcopy
  • Survey (email & hardcopy) – around 120 responses
    • What are we doing well / where do we need to improve
    • Suggested improvements and willingness to pay
    • Most important aspects of service
  • Regional workshops and phone interviews
    • Willingness to pay for specific proposals
## Specific initiatives

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taking a more active role in water trading</td>
<td>• Included increased water trading within outcome measures</td>
</tr>
<tr>
<td></td>
<td>• Deliver by refocussing priorities within existing resources</td>
</tr>
<tr>
<td>MID high-use outlet modernisation</td>
<td>• Capital plan includes $1m to upgrade the 25 highest use outlets</td>
</tr>
<tr>
<td>MID Lifeblood earthmoving program</td>
<td>• Operating expenditure proposal provides $140k of additional maintenance per year</td>
</tr>
<tr>
<td>Maintenance management application</td>
<td>• No specific provision</td>
</tr>
<tr>
<td></td>
<td>• Implement through our planned customer portal and asset management system</td>
</tr>
<tr>
<td>WID &amp; BMID water security Project Manager</td>
<td>• $150k within operating expenditure to cover a project manager for one year</td>
</tr>
<tr>
<td>Customer portal</td>
<td>• $1m within capital expenditure program to implement this system</td>
</tr>
<tr>
<td>MID2030 Phase 2</td>
<td>• $10.6m within capital expenditure program as a contribution towards this project</td>
</tr>
</tbody>
</table>
PREMO - Why are we “advanced”?  

• Effectiveness of ongoing engagement  
• Price drop for over 80% of customers  
• Returning WP3 savings to customers through modernisation  
• Service improvements  
• Tighter price control (5% maximum impact in setting annual prices)