OUR PRICE SUBMISSION
A presentation to the Essential Services Commission October 2017

“We believe that through our deep customer engagement and research over the past two years, we have found the ‘sweet spot’ between price and service that delivers the greatest value to our customers”
WE ARE YARRA VALLEY WATER

OUR PURPOSE IS TO PROVIDE EXEMPLARY WATER AND SANITATION SERVICES THAT CONTRIBUTE TO THE HEALTH AND WELLBEING OF CURRENT AND FUTURE GENERATIONS.

2020 STRATEGY

WE PROVIDE EXEMPLARY SERVICE
WE WORK IN HARMONY WITH THE ENVIRONMENT
WE SUPPORT THRIVING COMMUNITIES
THE WAY WE WORK ENABLES EXTRAORDINARY PERFORMANCE
WE ARE SAFE
WE MAKE EVERY CENT COUNT
The Jury was challenged to answer the remit…

“We need to find a balance between price and service which is fair for everyone. How should we do this?”
JURY’S VIEW OF “FAIR FOR EVERYONE”

- **Equitable** (in terms of price impact and service access)
- **Representative** (consideration given to all groups)
- **Transparent and visible** (in relation to information and pricing)
- **Affordable** (affordable service and support for those who can’t)
- **Flexible and Responsive** (provides choice and responds to differing needs)
- **Consistent service standards** (for customers within the same service area)
- **Sustainable over the long-term** (reinvestment)
UNDERLYING THEMES

1. Assist vulnerable customers
2. Ensure drinking water supply for the future
3. Target efficiency and research to reduce costs
4. Protect the environment
5. Use of communication and education to enhance the achievement of the objectives
Customers have told us …

- Small annual bill changes are better than a single large change
- I don’t want a price increase
- I value increased service levels over a bill decrease

TYPICAL RESIDENTIAL BILL IN REAL TERMS* OVER TIME

* Adjusted to remove the effect of inflation

- 2013-18 regulatory period
- 2018-23 regulatory period

Bill (in 2013/14 dollars)
ALL SEGMENTS HAVE A BILL REDUCTION

150 KILOLITRES TYPICAL
ANNUAL WATER USAGE

<table>
<thead>
<tr>
<th></th>
<th>2017-18</th>
<th>2018-19</th>
<th>2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant</td>
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</tr>
<tr>
<td>real $</td>
<td>$524</td>
<td>$512</td>
<td>$498</td>
</tr>
<tr>
<td>nominal $</td>
<td>$524</td>
<td>$524</td>
<td>$558</td>
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<tr>
<td>Landlord</td>
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<tr>
<td>real $</td>
<td>$535</td>
<td>$535</td>
<td>$508</td>
</tr>
<tr>
<td>nominal $</td>
<td>$535</td>
<td>$535</td>
<td>$569</td>
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<tr>
<td>Owner occupier</td>
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<tr>
<td>real $</td>
<td>$1,059</td>
<td>$1,035</td>
<td>$1,008</td>
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<tr>
<td>nominal $</td>
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<td>Water only owner occupier</td>
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<tr>
<td>real $</td>
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<td>$467</td>
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<tr>
<td>nominal $</td>
<td>$477</td>
<td>$477</td>
<td>$508</td>
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<tr>
<td>Business</td>
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<tr>
<td>real $</td>
<td>$2,123</td>
<td>$2,075</td>
<td>$2,016</td>
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<tr>
<td>nominal $</td>
<td>$2,123</td>
<td>$2,123</td>
<td>$2,258</td>
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Less $100 government water rebate
Total 2017-18 bill $1,059

Annual Bill ($)
WHAT CUSTOMERS EXPECT AND VALUE

As a customer, I expect...

- water that is safe to drink
- water and sewerage services that I can rely on
- fast response and effective restoration of my service when it is interrupted

As a customer, I value...

- support for customers having difficulty paying their bill
- saving water now so it's available in the future
- modern, flexible service and advice that suits my needs
- looking after the environment
MEASURES BACKED BY COMMITMENT

OUTCOME

SANI-DRINKING WATER

ON-SPOT, RELIABLE WATER & SEWERAGE SERVICES

TIMELY RESPONSE & RESTORATION

FAIR ACCESS, & ASSISTANCE FOR ALL

WATER AVAILABILITY & CONSERVATION

MODERN, FLEXIBLE SERVICE

CARE FOR & PROTECT THE ENVIRONMENT

MEASURE

Compliance with Safe Drinking Water Regulations

% of customers who experience 3 or more unexpected water or sewerage service interruptions in 12 months

% of customers whose service has been restored within four hours

% of customers who have accessed our services, believe that YWW helps customers experiencing difficulty paying for their water and sewerage services.

Total water usage by 2023 (litres/person/per day)

% of customers who say they are satisfied with their most recent interaction

% reduction in emissions by 2023

TARGET

100%

<1% of customers

>91%

>89% of customers

<210

>86%

>53.4%

OUR PROMISE

• Report our performance
• Where we don’t meet our target, we will return $1.5M per outcome to customers through price reductions in the following year
MAINTAINING POSITION ON FRONTIER – 2.5% OPEX EFFICIENCY

- $5.9M reduction in 2016-17 baseline
- Absorbing $14.5M of increased electricity and labour costs
- Additional $2.2M pa to support vulnerable customer segments and water conservation
PRUDENT & EFFICIENT CAPITAL INVESTMENT

$1,186M program to maintain service

- 14% efficiencies for ongoing programs
- 21% reduction in growth forecasts
- excluding $117M of possible capital works due to significant project uncertainty
- no additional costs other than $27M to reduce network water losses

Independent review and approach:

- top 10 projects using Monte-Carlo and cost curve analysis
- prudence and efficiency review
- best practice optimisation and prioritisation model
MANAGED RISK TO LOWER CUSTOMER BILLS

- ambitious operating expenditure and capital expenditure efficiencies
- minimal expenditure where there is uncertainty around the timing, scope, costs or benefits of a project
- continue with a revenue cap to manage demand uncertainty and avoid large scissor effects

We will decrease prices if:
- we do not meet our outcome targets
- if we defer any of our top 10 capital projects
**WE HAVE ADDRESSED THE GUIDANCE AND PUT CUSTOMERS AT THE CORE OF THE SUBMISSION**

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Outcome</th>
<th>Management</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading</td>
<td>Advanced</td>
<td>Leading</td>
<td>Leading</td>
</tr>
<tr>
<td>• A complete engagement process with customers and stakeholders to gain the insights which led to the development of our outcomes and outputs</td>
<td>• Outcomes reflect the voice of the customer, distinguishing between what they expect and value</td>
<td>• A comprehensive approach to enable the Board attestation</td>
<td>• Ambitious expenditure targets and efficiencies</td>
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<td></td>
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<td>• Strong commitment to the delivery of customer outcomes</td>
<td>• Limit impact of $100 government rebate removal</td>
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<td>• Open and transparent reporting framework</td>
<td>• 2.5% annual operating cost saving in addition to existing efficiency level</td>
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<tr>
<td></td>
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<td>• $117 million of capex not passed on due to uncertainty</td>
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WE ARE PROPOSING AN ‘ADVANCED’ SELF RATING OF OUR SUBMISSION WHICH OPTIMISES VALUE FOR CUSTOMERS IN TERMS OF ‘WHAT THEY GET’ AND ‘WHAT THEY PAY’