

SOUTH EAST WATER

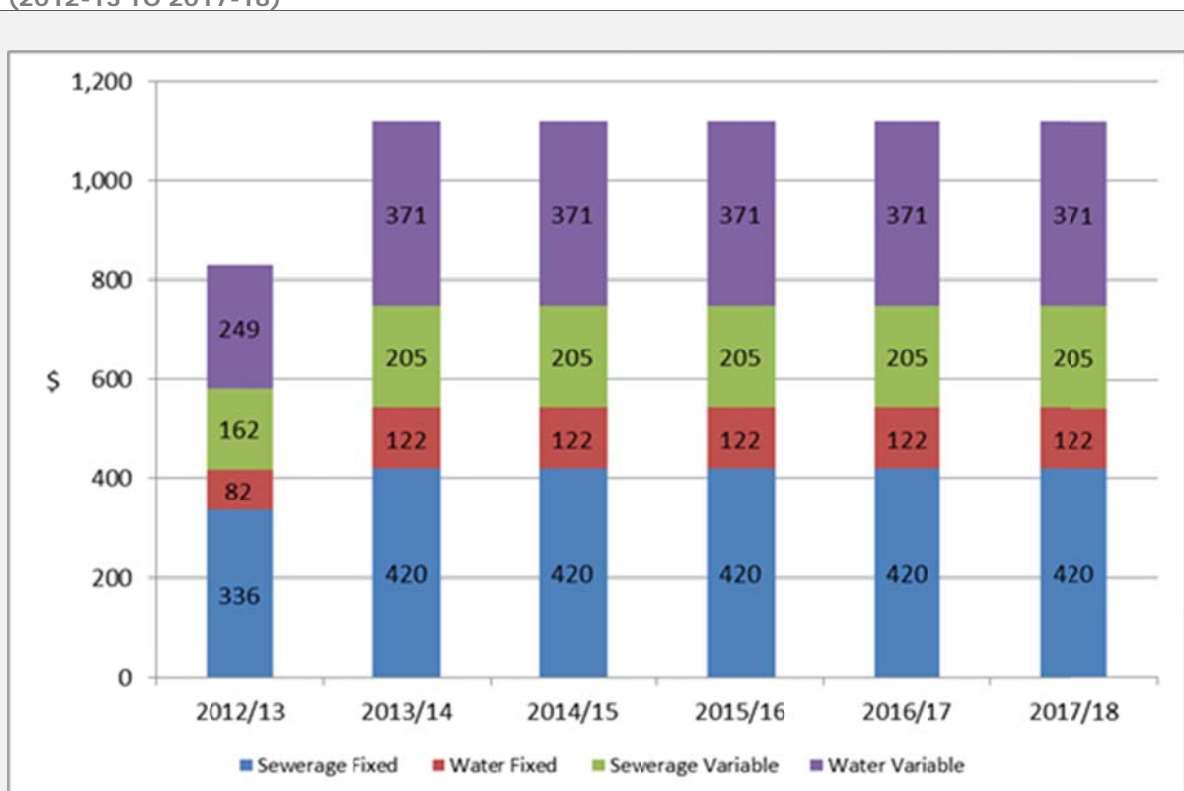
SUMMARY OF 2013-18 WATER PLAN

South East Water provides water, sewerage and recycled water services to approximately 656 000 customers in Melbourne's south eastern suburbs including the Mornington Peninsula. It sources water from Melbourne Water.

KEY OUTCOMES

- The annual water and sewerage bill for an indicative residential owner occupier is estimated to increase from \$829 in 2012/13 to \$1 118 in 2017/18.
- SEW proposes to retain the three tier inclining block tariff for residential customers.
- SEW proposes a sewer backlog program to connect unsewered properties to the sewerage network and replace ageing and failing septic tanks.
- SEW proposes to simplify its sewerage disposal charge for residential customers including by removing seasonal factors.
- SEW's largest proposed projects are: to replace ageing and failing septic tanks in Dromana Portsea (\$185.6m); and renewal of water mains (\$61m) and sewer mains (\$33.6m).
- Introduction of d factor to deal with variable desalination payments.

INDICATIVE ANNUAL HOUSEHOLD BILL, OWNER OCCUPIER
(2012-13 TO 2017-18)



Note: Household tenants pay only the variable water and sewerage charges. Annual household bills are calculated using 2011-12 average customer consumption of 139kL per annum. Note that water businesses may have used a different assumption for average customer consumption in developing their Water Plans.

PROPOSED PRICING STRUCTURES

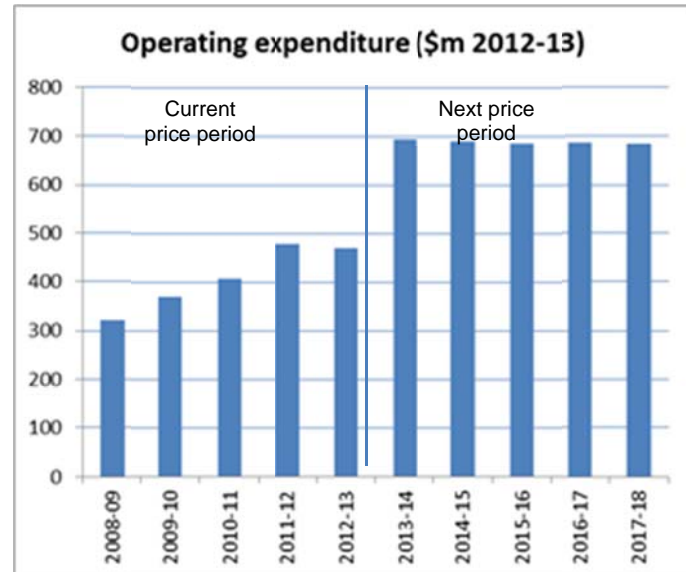
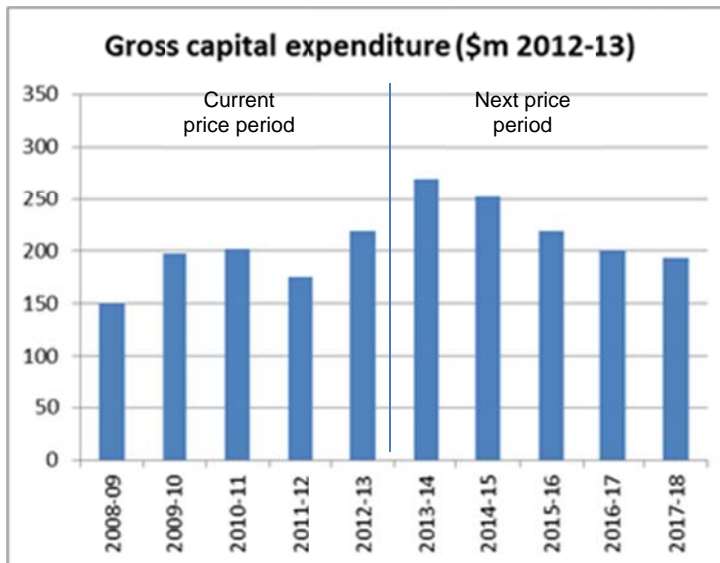
- Water - for residential customers, retain the three tier inclining block tariff. For non residential customers, the price of water will be fixed at the second tier price.
- Sewerage - for residential customers, retain the variable sewage disposal charge but simplify by removing seasonal factors. For non-residential customers, continue to apply the sewage disposal charge based on customer's proportion of water discharged, or the industry average discharge.
- Trade waste - fixed charges proposed to be based on a risk ranking for customers rather than on the volume of trade waste as is currently the case. There is also a variable charge.
- Recycled water - set recycled water usage charge at 85 per cent of the first tier of the water usage charge with no real price increase after that. For non residential customers, the Commission's pricing principles apply.
- Form of price control - weighted average price cap (tariff basket).
- Customer tariff choice - there are no proposals for customer choice in the Water Plan.

KEY PROJECTS FROM THE WATER PLAN

	Reason	Forecast cost (\$m 2012-13)
Dromana – Portsea backlog scheme	The scheme replaces ageing and failing septic tanks, resulting in improvements to public health and the environment.	185.6
Construction and fit out of new office	Gain efficiencies through centralising operations, as South East Water currently operates out of three locations.	78.3
Water mains renewal program	Reduce the risk of unplanned water interruptions affecting customers.	61.0
Sewer mains renewal program	Reduce the risk of sewage spills to the environment and the risk of adversely impacting customer service levels.	33.6
Boneo treatment plant capacity upgrade	An expansion of the sludge drying capacity is required by 2014–15 with duplication of the activated sludge plant and tertiary treatment plant required by 2016–17 to meet growth in the region.	47.5
Mt Martha treatment plant – long term sludge upgrade	Capacity upgrade works required for the sludge drying system to improve plant efficiency and meet expected growth.	22.0
Cranbourne recycled water tank	To provide Cranbourne recycled water customers with water security.	12.8

PROPOSED EXPENDITURE

- Total **capital expenditure** forecast is \$1.1b, up from \$0.94b estimated capital expenditure for the current price period. Total **operating expenditure** forecast is \$3.4b, around 68 per cent higher than the estimated \$2.0b for the current regulatory period.



BREAKDOWN OF PROPOSED REVENUE (\$M 2012-13)

	2013-14	2014-15	2015-16	2016-17	2017-18
Operating expenditure	695.18	691.45	686.70	686.09	685.24
Return on assets	141.25	150.57	158.12	164.17	169.48
Depreciation	43.62	51.80	59.42	65.13	68.61
Tax Liability	5.85	8.30	9.61	9.72	10.16
TOTAL	885.91	902.12	913.86	925.12	933.49

PROPOSED SERVICE STANDARDS

	Actual average 2007-08 to 2011-12	Proposed average 2013-14 to 2017-18
Water		
Unplanned water supply interruptions (per 100km)	27.5	27.5
Average time taken to attend bursts and leaks (priority 1)	35.6	36.0
Average time taken to attend bursts and leaks (priority 2)	92.2	92.0
Average time taken to attend bursts and leaks (priority 3)	266.3	264.0
Unplanned water supply interruptions restored within 5 hours (per cent)	99.6%	99.4%
Planned water supply interruptions restored within 5 hours (per cent)	80.1%	80.1%
Average unplanned customer minutes off water supply	16.5	16.6
Average planned customer minutes off water supply	6.0	5.9
Average duration of unplanned water supply interruptions (minutes)	86.5	86.6
Average duration of planned water supply interruptions (minutes)	179.6	179.2
Number of customers experiencing more than 5 unplanned water supply interruptions in the year	178.8	167.0
Unaccounted for water	10.9%	10.4%
Sewerage		
Sewerage blockages (per 100km)	18.9	18.8
Average time to attend sewer spills and blockages (minutes)	12.8	47.0
Average time to rectify a sewer blockage (minutes)	37.8	137.1
Spills contained within 5 hours (per cent)	99.6%	100.0%
Customers receiving more than 3 sewer blockages in the year	1.2	0.0
Customer service		
Telephone calls answered within 30 seconds (Accounts Line) (% of Calls)	94.9%	82.7%

Note that water businesses may have used a different time period for estimating actual average outcomes in their Water Plans due to data availability.

PROPOSED GUARANTEED SERVICE LEVELS

GSL Measure	Customer rebate for breach of GSL (\$)
No more than 5 unplanned water supply interruptions in a 12-month period	50
A delay of more than five hours to restore supply in an unplanned water supply interruption (the interruption time commences when the water supply is lost and ends when supply is fully restored). No rebate will be given for an interruption to the water supply when South East Water is not responsible for the interruption	50
No more than 3 sewerage interruptions within any 12-month period	50
A delay of more than 4 hours to restore service in the event of a sewerage service interruption. This does not include interruptions from customers' own pipe works	50
Sewerage spill on a customers' property caused by a failure in South	1000

East Water's sewer system and takes longer than five hours to contain	
Failure to contain a sewer spill on a customer's premises within one hour that is caused by South East Water. This does not apply if the spill was caused by a blockage in the property connection branch due to the action of the occupier, or a failure of a customers' overflow relief gully	1000
No more than 3 sewerage interruptions within any 12-month period	100
Sewerage interruptions restored within 4 hours	100
Sewer spills contained within 4 hours	1 000
Sewer spills in house contained within 1 hour of notification	1 000
Restricting the supply of, or taking legal action against, a residential customer prior to taking reasonable endeavour (as defined by the Essential Services Commission) to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying	300

CUSTOMER CONSULTATION

- Letters to key customers inviting them to comment on the draft Water Plan.
- Advertising in local newspapers.
- Survey of residential customers to determine customer preferences.
- Interviews with customers and stakeholders.
- Workshops with South East Water Customer Advisory Committee to test key proposals.
- Focus groups with representative residential customers to test tariff and price path preferences.

ISSUES IDENTIFIED BY THE COMMISSION FOR FURTHER INVESTIGATION

- Rises in energy costs higher than other metropolitan water businesses.
- Rises in chemical costs higher than other metropolitan water businesses.
- Alternative price paths.
- Absence of customer choice.
- Continuation of inclining block tariffs and sewerage variable charge.

More information: View South East Water's Water Plan at www.esc.vic.gov.au