

Price Submission 2023-28

Presentation to the Essential Services Commission

Angeleen Jenkins BOARD CHAIR

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**CENTRAL
HIGHLANDS
WATER**

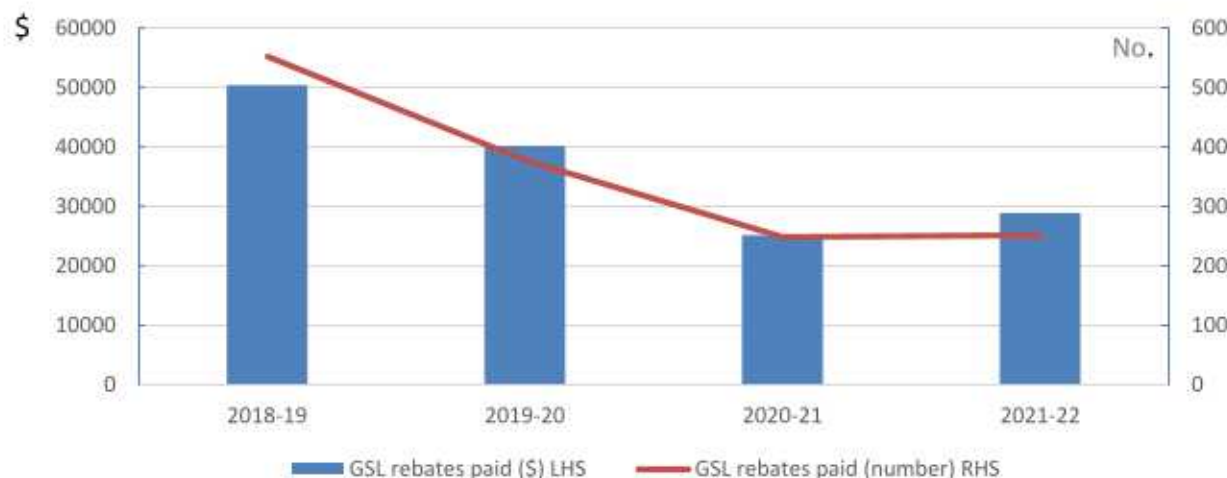
18 October 2022

PR18 Performance – Value delivered. PREMO: ‘Advanced’

Outcomes - met majority of commitments over past 4 years

Outcome	18-19	19-20	20-21	21-22	22-23
1. Better customer experience	Yellow	Red	Yellow	Yellow	Grey
2. Safe clean drinking water that tastes great	Green	Green	Green	Green	Grey
3. Reliable and sustainable water and sewer systems	Yellow	Yellow	Yellow	Yellow	Grey
4. More efficient water use	Green	Green	Yellow	Green	Grey
5. Increased value for money	Green	Green	Green	Green	Grey
Overall	Green	Green	Yellow	Green	Grey

Guaranteed Service Levels - customer rebates paid decreased by approx. 50%



Capex

- 7 major projects completed, 3 ongoing
- \$158 million spend is 8% above 2018 Price Determination

Opex – adjusted controlled Opex

- Exceeded 2021-22 benchmark year by 10%
- But exceeded benchmark only by 6% on a per connection basis due to above-trend growth

Prices

- Increased at or below CPI

ESC robocall results – rolling 12 month average

Survey parameter	Feb 2019	August 2022	Increase (%)*
Value for money	5.2	5.8	11.5%
Reputation in the community	5.8	6.4	10.3%
Level of trust	5.7	6.3	10.5%
Overall satisfaction	5.8	6.3	8.6%

* CHW outperformance of sector by average 2.9%

PR23 – Our 5-year value proposition. PREMO: ‘Standard’



Outcomes:

- Customer Care
- Equity
- Sustainability



Outputs:

14 new and improved services



Increase GSL customer rebates by at least 50%



100% renewable electricity in use by 2025



Doubling greenhouse gas reductions to 55% from 2011-16 baseline



Capex increased by 62% to \$256 million to fund customer priorities and support rising regional growth rates



Reforming New Customer Contributions from \$1,504 to \$8,000 per lot and phased in



Proposed price increases of less than 1% p.a. on average (excluding CPI): \$50 increase for homeowner, \$13 increase for residential tenant



Doubling our support to vulnerable customers to \$2.5 million over the 5-year period.

Multi-dimensional customer/community/stakeholder approach



COMMUNITY CONVERSATIONS
CUSTOMER SURVEY



DISCUSSIONS WITH STAFF
CUSTOMER ADVISORY PANEL
WORKSHOPS WITH KEY STAKEHOLDERS



DELIBERATIVE ASSEMBLY

Deliberative Assembly – detailed discussions/trade-offs

Members of the Deliberative Assembly were representative of the community



Person with a disability 10

Carer for a person with a disability 3

ATSI 1

LGBTIQ+ 4

CALD 6



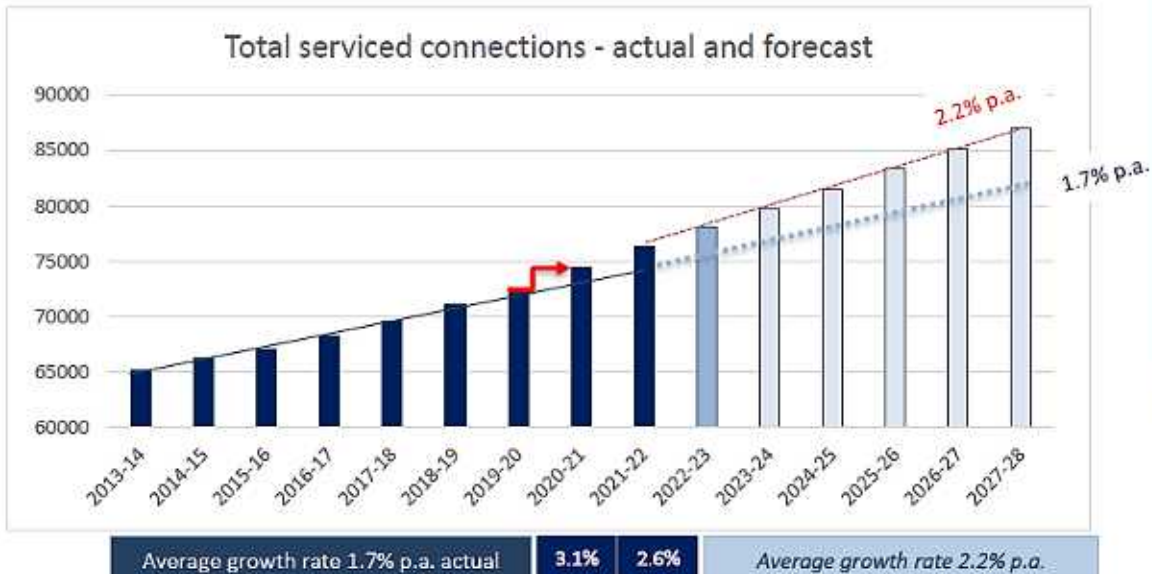
Concession card holders 17



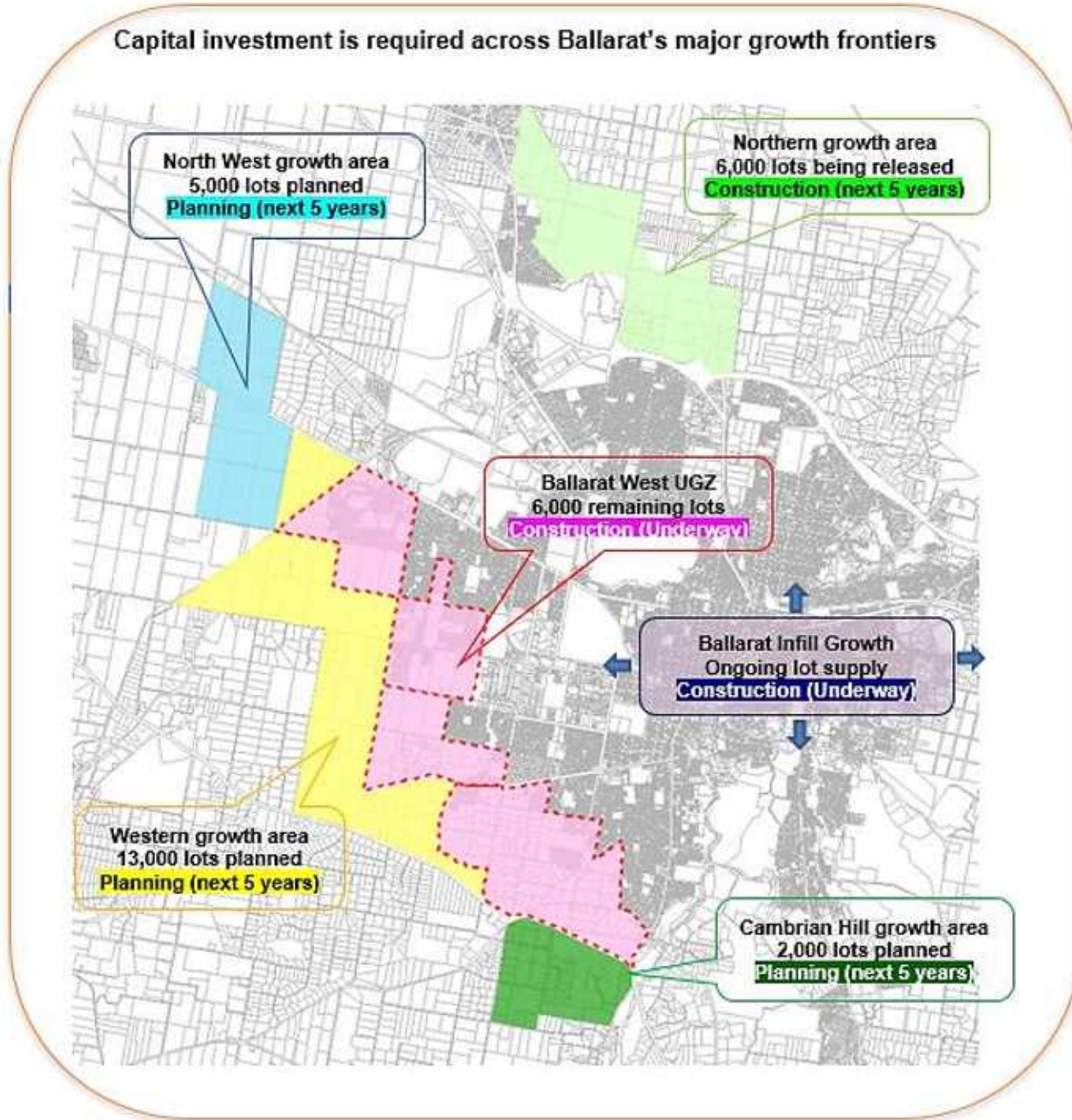
Recruitment and stratification undertaken by Deliberately Engaging

PR23 Key drivers

- COVID-19 pandemic impacts across all parts of the business
- Increasing cost pressures beyond CPI across many critical goods and services
- Rapid and sustained escalation in population growth pressures
- Require 15 years capacity of serviceable lots, Ballarat only has 7-9 years of capacity
- 32,000 lots planned for development in Ballarat
- Overall 30% increase in growth rate from 1.7% p.a. to 2.2% p.a.



Capital investment is required across Ballarat's major growth frontiers



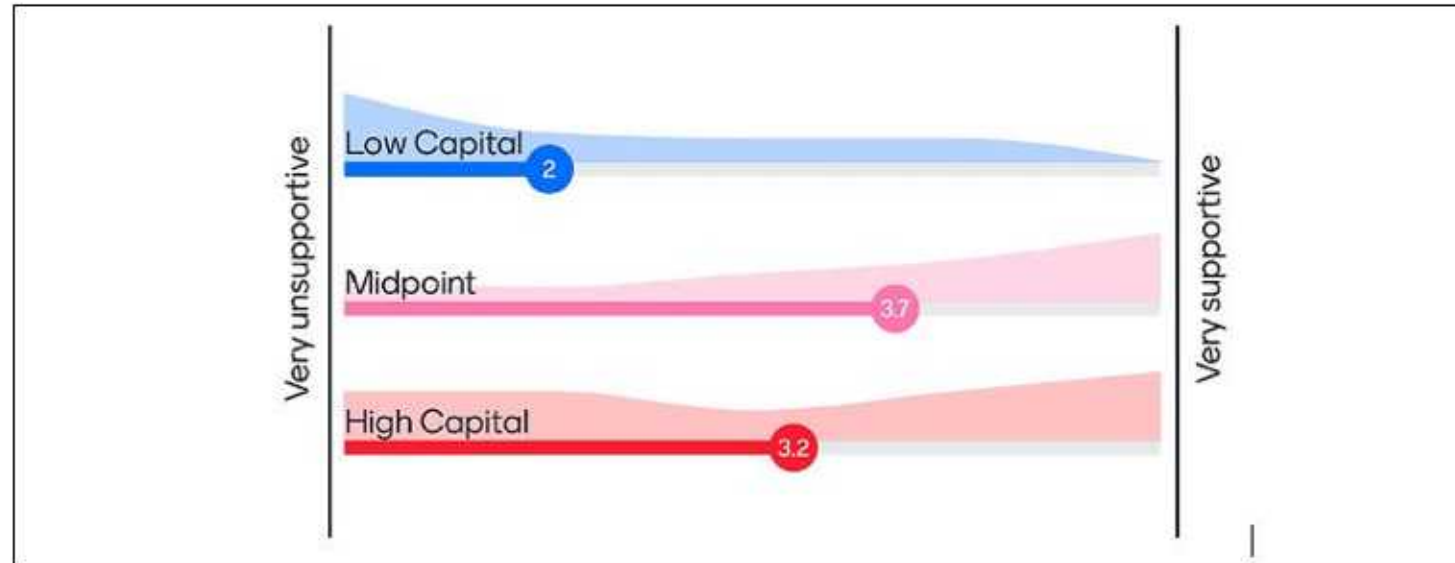
PR23 Capital expenditure and price pathway

- Capital expenditure to increase by 62% from the current period to \$256 million, with 45% spent on projects supporting regional growth

Summary of pricing scenarios as discussed with the Deliberative Assembly

Assumption	Low Capital	Midpoint	High Capital
Capital Investment	\$208m	\$255m	\$308m
Debt	\$150m	\$195m	\$250m
Interest p.a.	\$10m	\$13.5m	\$16m
Tariff	CPI	CPI / CPI +1%	CPI +1%

Deliberative Assembly level of support for pricing scenarios (5-point scale)



New Customer Contributions reform – Funding regional growth

- Objective is to reduce cross-subsidies between existing and new customers and send efficient pricing signals to developers.
- Adopted AIC model (Average Incremental Cost)
- Extensive engagement with local and state Developer community – their feedback incorporated as follows:
 - NCCs to increase from \$1,504 per lot to \$8,000* per lot (in New Growth Zones), and to be *phased in*.
 - Propose a *lower differential rate* for Existing Growth Zones/Infill development.



Discussing the proposed changes with local Developers 30 May 2022

Development area	2023-24	2024-25*	2025-26	2026-27	2027-28
New growth zones					
Water	3,000.00	3,535.00	4,040.00	4,080.40	4,121.20
Wastewater	3,000.00	3,535.00	4,040.00	4,080.40	4,121.20
Existing growth zones and infill					
Water	1,300.00	1,641.25	1,969.50	2,297.75	2,626.00
Wastewater	1,300.00	1,641.25	1,969.50	2,297.75	2,626.00

* Table incorporates proposed 1.0% p.a. price increase from 2024-25

3 Outcomes / 14 Outputs / 22 Targets



Customer Care

- First call resolution
- Net Positive Score
- More frequent billing
- Priority GSL's – leaking water service/clean drinking water
- GSL rebates increase



Equity

- Funding regional growth
- Water quality focus for Raglan, Amphitheatre and Redbank
- Support for vulnerable customers
- Impact of vulnerable customer support programs
- Traditional Owner partnerships



Sustainability

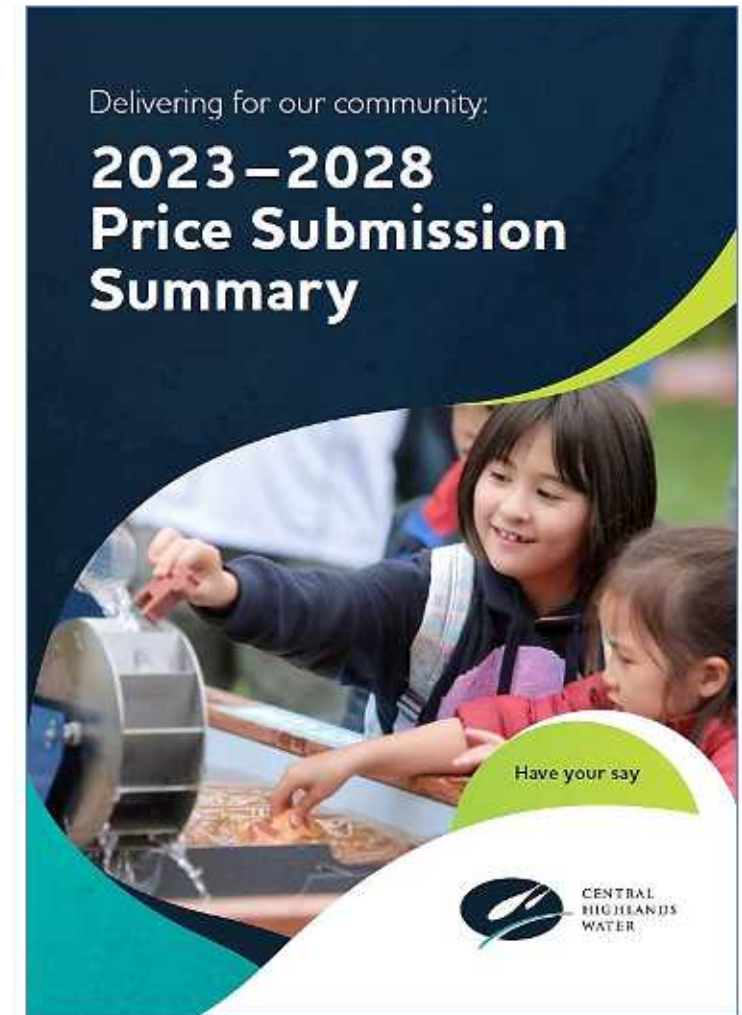
- Renewable energy
- Greenhouse gas emissions
- Recycled water
- Water efficiency

Prices – the first real price increase beyond CPI for 10 years

Proposed price increases (%) – excluding CPI

	2023-24	2024-25	2025-26	2026-27	2027-28
Price increase (%)	0.0	1.0	1.0	1.0	1.0

- Zero price increase for the first year, followed by price increases of 1.0% for each of the following 4 years (excluding CPI)
- Average annual homeowner/occupier bill to increase by \$50 over 5 years from \$1,231 to \$1,281 (excluding CPI) – based on 150 kL water consumption p.a.
- Average annual residential tenant bill to increase by \$13 over 5 years from \$313 to \$326 (excluding CPI) – based on 150 kL water consumption p.a.
- Support for vulnerable customers to double to \$2.5 million over 5 years.



Summary document promoted for public comment

mid-August to mid-September 2022

Summary / discussion

- Central Highlands Water Board extensively engaged over a 12-month period
- PR23 briefing sessions held every Board meeting since October 2021
- Board active participation in scenario analysis and trade-off decisions
- Special Board meeting held 19 August 2022 to consider in detail the New Customer Contributions reform, with assistance from specialist firm Utilities Regulation Advisory (URA)
- Confident we have listened and acted on our customer feedback and Deliberative Assembly preferences
- The Price Submission follows the ESC Guidance Paper section headings
- DELWP has been briefed on our proposal
- Price Submission independently assessed by URA
- The Board endorsed this Price Submission at the meeting held 24 August 2022

