

Melbourne Water – Outcomes – 2021–2026

In this document, the water business provides a summary report of its actual performance against each of its outcome commitments for the 2021-22 reporting year. The business has given itself a “traffic light” rating (green = met target, red = not met, yellow = close or largely met) for its performance on each measure, outcome and an overall rating. The business has provided its own comments about its performance on each outcome and overall.

Summary table

Outcome	21-22	22-23	23-24	24-25	25-26
1. Access to safe and reliable water and sewerage services	Green				
2. Melbourne’s environment, rivers, creeks and bays are protected and Melbourne Water’s greenhouse gas emissions are minimised	Green				
3. Melbourne remains liveable as it deals with the impacts of climate change and population growth	Green				
4. Melburnians are empowered to support the design and delivery of service outcomes	Yellow				
5. Easy, respectful, responsive and transparent customer service	Red				
6. Bills kept as low as possible	Yellow				
Overall	Yellow				

Business comments

Traffic light rating: Green = met target, Red = not met, Yellow = close or largely met

We consider that our overall performance in 2021-22 has been close or largely met, on the following basis:

1. A significant majority of our Customer Outcome measures met or exceeded target performance;
2. For *Outcome 6 Bills kept as low as possible*, two out of three targets were met and the other is a cumulative (progressive) result which we believe we can reach over the remainder of the regulatory reporting period; and
3. For *Outcome 5 Easy, respectful, responsive and transparent customer service*, we recognise that our target customer satisfaction levels were not achieved. We remain focussed on ensuring we achieve our customer outcomes and lift performance to achieve these targets. Whilst it will take time to deliver on, we have customer focus programs and actions in place to address shortcomings and improve our results in both the short and long term.

In respect of our PREMO commitments, the majority of our Customer Outcome measures have been met for year one of the regulatory reporting period. Overall this is a positive start for the five year period, and represents good value for customers. However we recognise that some of our measures we have not met, or only partially met. The contributing reasons include challenges delivering significant capital expenditure programs, the setting of ambitious improvement targets that take time to achieve, and some external factors beyond our control.

The relevant Outcome sections of this report provides more detail on our results and what are we doing to improve performance in 2022-23 and beyond.

Outcome 1: Access to safe and reliable water and sewerage services

Output	Unit		19-20	20-21	21-22	22-23	23-24	24-25	25-26
a Number of Safe Drinking Water Act non-compliances (water sampling and audit)	No.	Target	–	–	0	0	0	0	0
		Actual	0	0	0				
b Percentage of time compliant with retail water company pressure requirements (cumulative across the year)	Percentage	Target	–	–	99.9%	99.9%	99.9%	99.9%	99.9%
		Actual	99.9%	99.9%	100.0%				
c Number of sewerage transfer system spills due to system failure	No.	Target	–	–	0	0	0	0	0
		Actual	1	0	0				

Overall outcome 1 performance for the regulatory period so far:



Business comment

Traffic light rating: **Green** = met target, **Red** = not met, **Yellow** = close or largely met

We consider that our performance target for this overall outcome in 2021-22 has been met.

- a. Target met. There have been no exceedances of the Safe Drinking Water Act water quality parameters for 2021-22.

Melbourne Water has a thorough and externally certified risk management plan to ensure water quality is maintained and delivered to high standards, including regular reporting and customer engagement.

After the completion of significant detailed reviews across the water quality risk management system, continuous improvement programs have been introduced including development of a joint action plan with the retail water businesses and regulator.

- b. Target met. Compliance with retail water businesses pressure requirements across 2021-22.


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There were however some low pressure issues reported during peak periods at Somerville Road pump station. These issues were of short duration, and so did not prevent us from meeting the overall 2021-22 measure. Melbourne Water is actively working with South East Water to develop a proposal to resolve this recurring issue.

- c. Target met. No sewerage system spills occurring in 2021-22 due to system failures.

Outcome 2: Melbourne’s environment, rivers, creeks and bays are protected and Melbourne Water’s greenhouse gas emissions are minimised

Output	Unit		19-20	20-21	21-22	22-23	23-24	24-25	25-26
a Percentage of 10 specified river sites rated as high or very high (as indicated by the macroinvertebrate health index (LUMaR) for each site)	Percentage	Target	–	–	100%	100%	100%	100%	100%
		Actual	100%	100%	100%				
b Number of non-compliances with EPA Licence conditions for the Western and Eastern Treatment Plants	No.	Target	–	–	0	0	0	0	0
		Actual	0	0	0				
c Percentage of biosolids (dry tonnes) from the Western Treatment Plant beneficially reused	Percentage	Target	–	–	≥40%	≥40%	≥40%	≥40%	≥40%
		Actual	44.3%	61.3%	350.7%				
d Net amount of greenhouse gas emissions (CO ₂ e) produced* +-	Met / not met Kilotonne of CO ₂ e	Target	–	–	On track	On track	On track	<204.38	<204.38
		Actual	514	495	On track				

Overall outcome 2 performance for the regulatory period so far: 

Business comment

Traffic light rating: **Green** = met target, **Red** = not met, **Yellow** = close or largely met

We consider that our performance target for this overall outcome in 2021-22 has been met.

- a. Target met. We continue to focus waterway health both now and in the future by protecting headwater streams, delivering vegetation programs, managing urban stormwater and progressing environmental flows. Other areas of focus include wetland protection and fish passage and deer management. As part of the mid-term evaluation of the Healthy Waterways Strategy, we are also taking a closer look at the macroinvertebrate data as a measure for waterway health and exploring the trends and drivers to enhance our future approach where possible.
- b. Target met. Both Eastern Treatment Plant (ETP) and Western Treatment Plant (WTP) achieved compliance with EPA discharge licence for 2021-22.

Extreme wet weather events that result in high inflows to the plants continue to challenge our compliance with this measure. We have maintained compliance through several of these events in recent years. Climate change is likely to increase the frequency of these events and is a challenge that we will have to plan for, respond and adapt to.

While not part of the EPA discharge licence, WTP has exceeded the maximum total nitrogen discharge limit stipulated in the Environment Reference Standard and Port Phillip Bay Environmental Management Plan (3,100 tonnes as a 3-year moving average). Our capital program over this price period includes projects designed to increase nitrogen removal at WTP.

- c. Target met. The result in 2021-22 significantly outperformed the target. Achieving greater than 100% reuse of annual biosolids production enabled Melbourne Water to reduce the amount of biosolids generated in previous years currently being stored at WTP. This outcome was achieved through good planning, high customer demand and dry weather maximising biosolids transported to reuse farms.
- d. Target met (on track). In the Climate Change Act 2017, the Victorian Government has committed to a long-term target of net-zero emissions by 2050. Melbourne Water and the water retailer businesses are required to examine a pathway to net zero emissions by 2030 and are required to pledge an interim reduction target of 50% by 2025. In line with this pledge, our current target is 204,380 tonnes CO₂-e by 1 July 2025, and the business sets annual targets as part of our Corporate Plan. In 2021-22 we met our Corporate Plan target.

Outcome 3: Melbourne remains liveable as it deals with the impacts of climate change and population growth

Output	Unit		19-20	20-21	21-22	22-23	23-24	24-25	25-26
a Average estimated flood damages reduced as a result of Melbourne Water's: <ul style="list-style-type: none"> capital solutions program flood planning overlay introduction program education and awareness program 	Million \$2021(real) cumulative	Target	-	-	\$21	\$42	\$63	\$109	\$155
		Actual	NA	NA	\$22.7				
b Percentage of projects (from specified programs) completed that customers believe delivered a benefit to the community (as indicated by post project surveys where at least two thirds of respondents agreed a benefit was delivered)	Percentage	Target	-	-	100%	100%	100%	100%	100%
		Actual	NA	NA	100%				

Overall outcome 3 performance for the regulatory period so far:



Business comment

Traffic light rating: **Green** = met target, **Red** = not met, **Yellow** = close or largely met

We consider that our performance target for this overall outcome in 2021-22 has been met.

- a. Target met through eligible land use planning programs. Our Flood Risk Reduction program currently has a strong pipeline of works planned which are projected to achieve the cumulative target over the regulatory period.
- b. Target met as no individual projects were scheduled to be completed in 2021-22 and program on track.

A program was developed during 2021-22 that outlines expected project commencement and completion dates and will be updated annually or as program schedules change. The first project is currently due to be completed (open to the public) by the end of 2022-23.

Outcome 4: Melburnians are empowered to support the design and delivery of service outcomes

Output	Unit		19-20	20-21	21-22	22-23	23-24	24-25	25-26
a Percentage of the community surveyed with a moderate or better level of water literacy (as indicated by scoring 5 or above out of 11 in the annual Water Issues Survey)	Percentage of survey respondents	Target	–	–	≥75%	≥75%	≥75%	≥75%	≥75%
		Actual	69%	70%	82%				
b Number of successful grant applications within the waterways and drainage incentives program	No.	Target	–	–	830	830	830	830	830
		Actual	830	830	768				
c Number of projects funded within the waterways and drainage incentives program	No.	Target	–	–	1,000	1,000	1,000	1,000	1,000
		Actual	1,000	1,000	838				

Overall outcome 4 performance for the regulatory period so far:



Business comment

Traffic light rating: **Green** = met target, **Red** = not met, **Yellow** = close or largely met

For those targets we have not achieved in 2021-22 for this particular outcome, we consider >80% relative performance to translate to close or largely met (yellow traffic light). This is in line with the assessment criteria tested and established by our Waterways and Drainage Investment Plan. Consequently, we have considered <80% translate to the target not met (red traffic light).

On balance, we consider that our performance target for this overall outcome in 2021-22 has been largely met. Despite the targets for the incentives programs not being set as cumulative, we have confidence that the program can catch up over the remainder of the regulatory period.

- a. Target met. Our 2019-20 benchmark was the annual Water Issues survey data (n=2000), setting a benchmark performance of 69% and a future target of moderate or higher water literacy of $\geq 75\%$. Tracking this score via a quarterly Brand Tracking survey (n=400 per quarter), we have seen performance increase to 82%, significantly above target.
- b&c. Targets close or largely met. These targets were developed using historical participation in the Melbourne Water grants program prior to our new incentives program being in place. Even with lower than target successful grant applications and projects, 99% of budget was allocated to successful projects.

It is evident when looking at the second quarter activity in particular, that the extended Melbourne COVID lockdown period¹ had an impact on the number of grants distributed. We understand that over 2021-22 some customers and partners have not submitted applications due to COVID related impacts, such as their own competing priorities and restrictions in movement limiting access to sites. For larger organisations, some of their existing projects have been running behind due to COVID restrictions or illness so they have not been able to complete their projects and submit new applications.


In addition we experienced a temporary slowing of our end-to-end assessment process during the second quarter due to the launch of our new incentives system. The transition required us to pause the issuing of grants for approximately five weeks. Concurrently, users were unfamiliar with the new incentives system, and together these drivers impacted the number of projects reaching approval stage.

However, during 2021-22 we increased active participation in Melbourne Water's Incentives Program by rolling out a significant amount of communications to stakeholders across various platforms promoting the incentives program. Therefore despite missing the 2021-22 target, we are confident that our future targets remain achievable.

¹ COVID lockdown period in Melbourne, from August 2021 through to the end of October 2021, as well as the Christmas period. Total of 80 days of lockdown.

Outcome 5: Easy, respectful, responsive and transparent customer service

Output	Unit		19-20	20-21	21-22	22-23	23-24	24-25	25-26
a Customers surveyed as satisfied with Melbourne Water’s water service	Average score out of 0 to 10	Target	–	–	7.9	8.0	8.1	8.2	8.3
		Actual	7.7	7.7	7.1				
b Customers surveyed as satisfied with Melbourne Water’s sewerage service	Average score out of 0 to 10	Target	–	–	7.9	8.0	8.1	8.2	8.3
		Actual	7.7	7.9	7.1				
c Customers surveyed as satisfied with Melbourne Water’s waterways service	Average score out of 0 to 10	Target	–	–	6.8	7.0	7.2	7.4	7.5
		Actual	6.4	6.6	6.6				
d Customers surveyed as satisfied with Melbourne Water’s drainage service	Average score out of 0 to 10	Target	–	–	6.5	6.6	6.6	6.7	6.8
		Actual	6.2	6.4	5.5				

Overall outcome 5 performance for the regulatory period so far: 

Business comment

Traffic light rating: Green = met target, Red = not met, Yellow = close or largely met

For those targets we have not achieved in 2021-22 for this particular outcome, we have considered an increase in performance above our 2019-20 benchmark position to translate to close or largely met (yellow traffic light) given it demonstrates that our performance has shown an overall improvement. Consequently, we considered a decrease on the 2019-20 benchmark to translate to the target not met (red traffic light).

On balance, we consider that our performance target for this overall outcome in 2021-22 has not been met. While this is disappointing, we will continue to use these results to inform our ongoing customer engagement initiatives and improve our customers’ satisfaction. Our Customer Improvement Planning process is currently being designed to be more targeted to address shortcomings and known pain points for our customers.

Over the past year we have matured our approach to measuring and tracking customer satisfaction by service (CSAT) to provide a deeper understanding of a broad range of customer experiences and can use this information to adapt to changing customer expectations.

a&b. Water and sewerage

The Retail Water Corporations are the primary customers that access our water and sewerage services and they are the key influencers of overall satisfaction scores. Key areas of feedback for improvement include working in true partnership, collaborating and addressing challenges as a water sector and understanding impacts on end use customers. In response, we have put in place collaborative forums with the metropolitan Retailers, commenced a review of the Bulk Supply agreements (BSAs) and have shared implementation responsibilities of the Greater Melbourne Urban Water System Strategy (GMUWSS). This reflects our commitment under the PREMO model to work collaboratively, engage with and make decisions in true partnership with our customers.

c. Waterways

We deliver our waterways services directly to our Local Government, engaged community groups and members of our community. Key areas of feedback impacting their satisfaction with this service included the need for improved communication, transparency and accountability, in particular taking ownership of issues. The ongoing Melbourne Urban Stormwater Institutional Arrangements (MUSIA) project and implementation of the new Flood Strategy will over time resolve long standing issues that are important to our customers around roles/responsibilities, address accountability and provide greater levels of transparency in the services we deliver. In addition, work is underway to improve our operational service performance to meet customer and community expectations and agreed service levels.

d. Drainage

We deliver drainage services directly to Local Government, Developers and members of our community. Consistent feedback on pain points for this service relate to responsiveness, open communication and willingness to collaborate to deliver outcomes. Ongoing work to address these issues includes increased resourcing and realignment of service offerings in our Development Services function to manage increasing demand as a result of unprecedented development. We are also improving the way we utilise our digital channels to communicate to our customers, with regular updates to our Developer and via our website. We are improving the consistency of service levels by standardising our service offering and implementing performance indicators that measure our service delivery performance.

Despite not meeting our 2021-22 target, we are committed to achieving outcomes for our customers that will improve their satisfaction with our services. In 2022-23 we are committed to address these issues in two ways:

- By improving the way we take on board customer feedback and actively committing to deal with issues that can improve operational performance in the immediate future
- By initiating a sustained approach across the business that will shift our culture to be more customer centric and embed a continuous improvement of customer experience. This includes uplift of our customer capability as part of our enterprise wide learning and development program.

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Through this two speed approach, we expect to see our customer satisfaction results improve over time and more closely align with the future targets for the water, sewerage and waterways services. We acknowledge our performance for the drainage service is a key risk as current performance is well below target. Achievement of targets for this service will continue to be challenging in the short term and may not be met until the latter half of the current regulatory period.

Outcome 6: Bills are kept as low as possible

Output	Unit		19-20	20-21	21-22	22-23	23-24	24-25	25-26
a Net savings in operating expenditure identified through new efficiency projects	\$2021 (real)	Target	–	–	>\$500k	>\$500k	>\$500k	>\$500k	>\$500k
		Actual	NA	NA	\$700k				
b Percentage difference between actual operating expenditure and the operating expenditure allowance as set out in the 2021 price determination (excluding one off or unusual expenditure, new obligations and any changes to uncontrollable operating expenditure)	Percentage	Target	–	–	<±5%	<±5%	<±5%	<±5%	<±5%
		Actual	NA	NA	+1.2%				
c Percentage difference between actual cumulative capital expenditure and the cumulative capital expenditure allowance as set out in the 2021 price determination	Percentage	Target	–	–	<±2%	<±2%	<±2%	<±2%	<±2%
		Actual	NA	NA	-25.5%				

Overall outcome 6 performance for the regulatory period so far:



Business comment

Traffic light rating: **Green** = met target, **Red** = not met, **Yellow** = close or largely met

On balance, we consider that our performance target for this overall outcome in 2021-22 is closely or largely met. While our performance in relation to capital expenditure is well below target this year, the overarching target is cumulative over the five year period, and we have confidence that the program can catch up by the end of 2025-26. We also recognise that operating expenditure is the most impactful regulatory building block that influences customer prices, and those targets have been met.

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Melbourne Water stands by our commitment to keep bills as low as possible, and recognises that customer affordability challenges are very real. Upward pressure on household budgets driven by increased inflation and interest rates is intensifying the challenge, and we understand our critical role in supporting customer affordability.

- a. Target met. Net savings of \$700k have been achieved in 2021-22 through contract negotiations (\$444k), process efficiencies (\$187k) and insourcing versus outsourcing decisions (\$69k).
- b. Target met. Operating expenditures for 2021-22 are within target, but slightly higher than the approved allowance. Non-controllable operating costs were higher than expected (\$6.7 million). Controllable operating costs were also higher than expected, but largely consist of one-off expenditures in 2021-22 such as:
 - Change in accounting treatment of Software as a Service (SaaS) cloud based technology costs, causing an adjustment from operating expenditure to capital expenditure
 - Transition costs to a new maintenance provider, of which it is expected that maintenance efficiencies will be realised in future years
 - Provisions for costs associated with operating model review
 - Remediation costs at ETP and WTP following EPA audits and notices

In addition, the costs of settling legal matters is also increasing and has contributed to the slightly higher than approved operating expenditures allowance for 2021-22.

- c. Target not met. Our capital expenditure has had a slow start to the regulatory period, with the majority of 2021-22 underspend being driven by the following Top 15 projects of the regulatory period:
 - WTP 55E Activated Sludge Plant Upgrade (now referred to as “5 West”)
 - Hobson’s Bay Main Sewer Yarra Crossing Duplication
 - Maribyrnong Main Sewer Augmentation
 - Yan Yean to Bald Hill Pipeline

The original forecasts for these projects comprised 90% of the total Top 15 project expenditures for 2021-22 (or \$162.2m in \$Real2021 terms). The complexity and size of these projects caused delays to our planned start dates. The time required for tender evaluations and permit approvals had been underestimated, for example. These are learnings that we will apply to future planning and forecast development for large and complex projects. These projects remain on schedule for completion this regulatory period.

The lumpy nature of our five year capital investment means that only a small number of changes or delays to the program can cause large variances to the year by year plan. Given the 2021-22 underspend was largely caused by a small number of projects, we have confidence that the overall capital investment program can catch up over the remainder of the regulatory period.