

## 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 2022--23 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	Green	Grey	Grey	Grey
2. Melbourne’s environment, rivers, creeks and bays are protected and Melbourne Water’s greenhouse gas emissions are minimised	Green	Green	Grey	Grey	Grey
3. Melbourne remains liveable as it deals with the impacts of climate change and population growth	Green	Green	Grey	Grey	Grey
4. Melburnians are empowered to support the design and delivery of service outcomes	Yellow	Green	Grey	Grey	Grey
5. Easy, respectful, responsive and transparent customer service	Red	Red	Grey	Grey	Grey
6. Bills kept as low as possible	Yellow	Yellow	Grey	Grey	Grey
<b>Overall</b>	Yellow	Yellow	Grey	Grey	Grey

## Business comments

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

We consider that our overall performance in 2022-23 has been close or largely met, on the following basis:

1. A 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 are focussed on lifting our performance to achieve these targets. Melbourne Water have initiated customer focus programs and actions that seek to address shortcomings and improve our results in both the short and long term. We are also encouraged by a modest year-on-year improvement, for three out of the four targets.

In respect of our PREMO commitments, the majority of our Customer Outcome measures have been met for year two of the regulatory reporting period. Overall, this is consistent and positive progress 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 2023-24 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	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%	99.9%			
c Number of sewerage transfer system spills due to system failure	No.	Target	–	–	0	0	0	0	0
		Actual	1	0	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 2022-23 has been met.

- a. Target met. There have been no exceedances of the Safe Drinking Water Act water quality parameters for 2022-23.
- b. Target met. Compliance achieved with the retail water businesses pressure requirements across 2022-23.

Pressure issues were reported at Preston, Lyrebird Avenue (Warburton) and Somerville in July 2022, January 2023 and June 2023 respectively. No customer impact was experienced from these events and no direct complaints were received through Yarra Valley Water or South East Water for the relevant events. These events are not classified as a GSL breach as pressures were marginally below the limit.

After the completion of detailed reviews with Yarra Valley Water, modifications have been made to the pressure reducing valve arrangement at Warburton. In the case of the Preston event, this is related to an isolated failure of an individual pressure switch; these are broadly found across the water supply network and highly reliable. The Somerville event relates to an area of the network that is being progressively renewed and rationalised to enhance reliability via a strategy in conjunction with South East Water.

- c. Target met. No sewerage system spills occurred in 2022-23 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%	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	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%	351%	179%			
d Net amount of greenhouse gas emissions (CO <sub>2</sub> e) produced*-- +-	Met / not met Kilotonne of CO <sub>2</sub> e	Target	–	–	On track	On track	On track	<204.38	<204.38
		Actual	514	495	On track	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 2022-23 has been met.

- a. Target met. The targeted rivers sites were assessed and rated on average as very high river health condition.
- b. Target met. Both Eastern Treatment Plant (ETP) and Western Treatment Plant (WTP) achieved compliance with EPA discharge licence within the agreed treatable parameters for 2022-23. The treatable parameters included for this KPI are ammonia, suspended solids (SS) and biochemical oxygen demand (BOD).

Outside of the agreed treatable parameters, ETP and WTP each have 1 non-compliance against EPA license requirements.

### Eastern Treatment Plant (ETP) – 1 non-compliance

Severe weather and flooding events occurred in October 2022 which resulted parts of the sewerage system operating beyond capacity, and impacted our ability to fully treat sewage at ETP. To avoid uncontrollable spills, partially treated water was discharged to the environment at Boags Rocks (near Gunnamatta Beach) and Port Philip Bay. As a result, we did not meet the discharge licence limit for the element copper from one test sample.

While the spill did not have a material impact on water quality, the community were advised to not swim around the area of discharge during the event as precaution.

### Western Treatment Plant (WTP) – 1 non-compliance

In January 2023, Melbourne Water notified the Environmental Protection Authority (EPA) to advise that WTP had exceeded the 3-year rolling average limit of 3,100 tonnes for Total Nitrogen (TN) discharge to Port Philip Bay. In 2022-23, approximately 3,553 tonnes of nitrogen (3-year rolling average) was discharged from WTP.

Nitrogen discharge levels are a known issue that will be significantly improved with the commissioning of the 5 West Nitrogen Reduction Plant at WTP in 2025, which will support reducing the nitrogen loads discharge to the bay and maintain a healthy marine ecosystem.

- c. Target met. For the second year running, the result in 2022-23 significantly outperformed the target with 179% or 29,359 dry tonnes reused from current and previous year's stockpile. Achieving greater than 100% reuse of annual biosolids production enabled Melbourne Water to reduce the amount of biosolids generated in previous years, that is currently being stored at WTP. This outcome was achieved through 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 CO<sub>2</sub>-e by 1 July 2025, and the business sets annual targets as part of our Corporate Plan. In 2022-23 we met our Corporate Plan target of 480,000 tonnes.

### 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"> <li>capital solutions program</li> <li>flood planning overlay introduction program</li> <li>education and awareness program</li> </ul>	Million \$2021(real) cumulative	Target	–	–	\$21	\$42	\$63	\$109	\$155
		Actual	NA	NA	\$22.7	\$125.2			
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%	N/A			

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 2022-23 has been met.

- a. Target met. We have exceeded the target in 2022-23 due to the large volume of planning referrals through the eligible land use planning referral programs. Our 2022-23 achievements can be summarised as follows:
  - Land use planning advice
    - o 841 building and planning permits for development cases responded to, exceeding the annual target of 150 permits
    - o The increase in permits compared to last year was driven by a more accurate and improved referral process
  - Education and awareness program
    - o 6,703 engagements, exceeding the 4,500 target



- b.** Target is not reportable in 2022-23. This target relies on the results of post project surveys. One project was completed this year, but the survey results not available in time for 2022-23 reporting. The survey results for this project will carry forward to 2023-24 reporting.

We progressed our program to increase public use of our land as open green space in 2022-23, by completing a multi-use platform upgrade at Werribee Park. The platform provides the community recreational water access to the lower Werribee River.

However, community benefit was not able to be measured in 2022-23 due to the primary bridge access route to the platform being closed for flood recovery. Primary access is expected to open to public at the end of 2023 and until then we are unable to undertake a qualitative assessment. The survey on public benefit of the platform is anticipated to be conducted in 2023-24 and results will be included in the next performance report.

The 2023-24 land activation program currently outlines five projects focusing on access for water recreation and open green spaces. Community benefit will be measured as these projects are completed and are made available for public access.

**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%	80%			
b Number of successful grant applications within the waterways and drainage incentives program	No.	Target	–	–	830	830	830	830	830
		Actual	830	830	768	877			
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	1032			

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).

We consider that our performance target for this overall outcome in 2022-23 has been met.

a. Target met. We have seen performance increase to 82% in 2021-22 and maintained in 2022-23 at 80%, significantly above target.

**b&c.** Targets met. We have achieved our incentive target for both applications and projects in 2022-23.

In 2021-22, our performance on grants uptake were slightly lower than target in due to the impacts of extended COVID lockdown and the initial roll out of our new incentive system. We have implemented critical actions to address these challenges, such as streamlining the grants financial and contract processes, enhancing our incentive systems to a more customer friendly portal and allocating resources to review and process a backlog of applications resulting in us achieving our 2022-23 targets.

### 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	7.2			
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	7.3			
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	6.1			
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	6.1			

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 2022-23 for this particular outcome, we have considered an increase in performance above our 2021-22 performance 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 2021-22 performance to translate to the target not met (red traffic light).

On balance, we consider that our performance target for this overall outcome in 2022-23 has not been met.

We continue to progress 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. Water & sewerage CSAT scores have remained relatively consistent throughout 2022-23, with a slight improvement on the 2021-22 score of 7.1 respectively.

We have broadened our suite of data points used in our CSAT program which now gives our internal teams a more holistic sense of where we are meeting customer expectations and where we need to improve. This includes better leveraging internal data sources as 'real-time' predictors of customer metrics which can help to deliver more timely actions when required.

Customer Improvement Plans are in train to help drive actions that address customer pain points raised by our customer segments. Strong cross-organisational governance and oversight will ensure that outcomes can be delivered to see Melbourne Water reach our targets by the end of the regulatory period. The signing of The Accord (a collaborative agreement between Melbourne Water, Greater Western Water, Barwon Water, Yarra Valley Water and South East Water) represents a significant step in solidifying the relationships we have with the retailers and recognition of these collaborative practices was evidenced through feedback received this year.

Going forward, more 'on ground' evidence is required to demonstrate that we have Melburnians (their end customers') needs in mind as a priority when working together.

**c. Waterways**

We deliver our waterways services directly to our local government, engaged community groups and members of our community. Full year performance sits under what was achieved in 2021-22.

Waterways was the only one of our four services to see CSAT results fall in the past 12 months. Despite this, the improvement in scores collected throughout the second half of this year suggests that our customers are seeing improvements in our service delivery. Driving the positive direction is the ongoing and improving relationships that Melbourne Water staff deliver. This said, the ability for customers (local government customers in particular) to contact the right person within Melbourne Water if a relationship isn't already established is one that needs to be addressed. Additionally, seeking out and driving collaborative actions for mutual benefit to council and MW is called on, and planning is underway to develop a formal approach for this.

#### d. Drainage

We deliver drainage services directly to local government, developers and members of our community. We have seen an increase in our full year performance compared to 2021-22 results.

The drainage CSAT score has improved most across all services in the past 12 months, and a contributor to this is the improved response timeframes in our application responses and faster communication whilst cases are open. Timeliness was outlined as a key action point in the Drainage Customer Improvement Plan which was put into action in the latter part of 2022-23. As a result of a clear action to improve, operational performance in complying with stated timeframes is improving and CSAT scores for development applications are reflecting this positive progress. Whilst improvements are being made, we realise that ongoing consistency and continued improvement in this space will drive long term satisfaction. Another area of focus to help address our timeliness is streamlining contact with case officers related to specific cases and ensuring that our staffing resources (which have increased in the past 12 months) are empowered in their decision-making authority.

Whilst still falling short of our targets, improvement over the past 12 months for three of the four services demonstrates our ongoing commitment to meeting the outcomes for our customers. In 2023-24 we are committed to continue our commitments and address these issues in these ways:

- Enhanced Customer Improvement Plans dedicated to each service, backed by strong governance to drive accountability for the measures which are put in place to address the most important customer pain points
- Ongoing roll out of internal Customer Reset activities which are designed to drive cultural, operational and strategic changes that directly benefit our customers.

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 over 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	\$1620k			
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%	+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%	-27.3%			

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 2022-23 is closely or largely met. While our performance in relation to capital expenditure is well below the cumulative target this year, the overarching target is cumulative over the five-year period, and we still 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.

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 \$1,620k have been achieved in 2022-23 through negotiated savings from procurement (\$350k) and energy efficiencies from Cardinia hydroelectric generation (\$1,270k).
- b. Target met. Operating expenditures for 2022-23 are again within target, but slightly higher than the approved allowance.

Non-controllable operating costs were higher than expected (\$4.4 million or 0.8%).

Controllable operating costs were higher than expected (\$8.0 million or 2.0%), and largely due to delayed delivery of capital projects that intended to realise net operating expenditure benefits (\$8.4 million) in 2022-23. Our ETP and Winneke solar farms were commissioned in March/April 2023 and new hydroelectric assets at O'Shannassy Reservoir Outlet and Upper Yarra conduit are still under construction. Both the solar farms and new hydroelectric assets were originally forecasted to be operational for the entire 2022-23 financial year. These projects will deliver ongoing operating expenditure reductions once fully commissioned.

New obligations and one-off events reported in 2022-23 included the following, but are excluded from the target measurement:

- Change in accounting treatment of Software as a Service (SaaS) cloud-based technology costs, causing an adjustment from operating expenditure to capital expenditure
  - Response to flooding and rain events
  - Building a Better Melbourne Water operating model implementation
- c. Target not met. The cumulative spend by the end of 2022-23 is 27.3% below the Price Determination.

Our capital expenditure has had a slow start to the regulatory period. This result has primarily been driven by a small number of high-value, high complexity projects. The complexity and size of these projects caused delays for a range of reasons such as obtaining approvals or by optimising designs to reduce the impact of construction cost escalation. These are learnings that we are applying to future planning and forecast development for our large and complex projects.

Some high-value, high complexity project examples include:



- *WTP 55E Activated Sludge Plant Upgrade* (now referred to as “5 West Nutrient Removal Plant”). Approval of this project was delayed as a result of project cost escalations. Construction was also delayed by above average wet weather in late 2022.
- *Yan Yean to Bald Hill Pipeline*. Construction works have been delayed due to an extended Cultural Heritage Management Plan (CHMP) review and approval process.
- *Hobson's Bay Main Sewer Yarra Crossing Duplication*. Construction was delayed due to an extended procurement and contract award process.
- *Port Melbourne Pump Station Renewal*. This project was delayed as a result of extended investigations.

Although underspent to date, we are actively managing our capital program. We expect to demonstrate improved performance for the remaining three years of the regulatory period.