

Presentation to ESC Commissioners and Executive 2026 Price Submission

8 October 2025

With

- Stephen Brown, Chair
- Jo Murdoch, Managing Director
- Nicholas Moore, General Manager Corporate Strategy and Performance
- Misty Howard, Manager Governance, Risk and Communications



Acknowledgment

In the spirit of reconciliation, North East Water acknowledges the Traditional Owners of Country throughout north-east Victoria, and the lands we are meeting on today, and their connections to Land, Water, Sky and Community.

We pay our respects to their Elders past and present and to all Aboriginal and Torres Strait Islander people with us today.



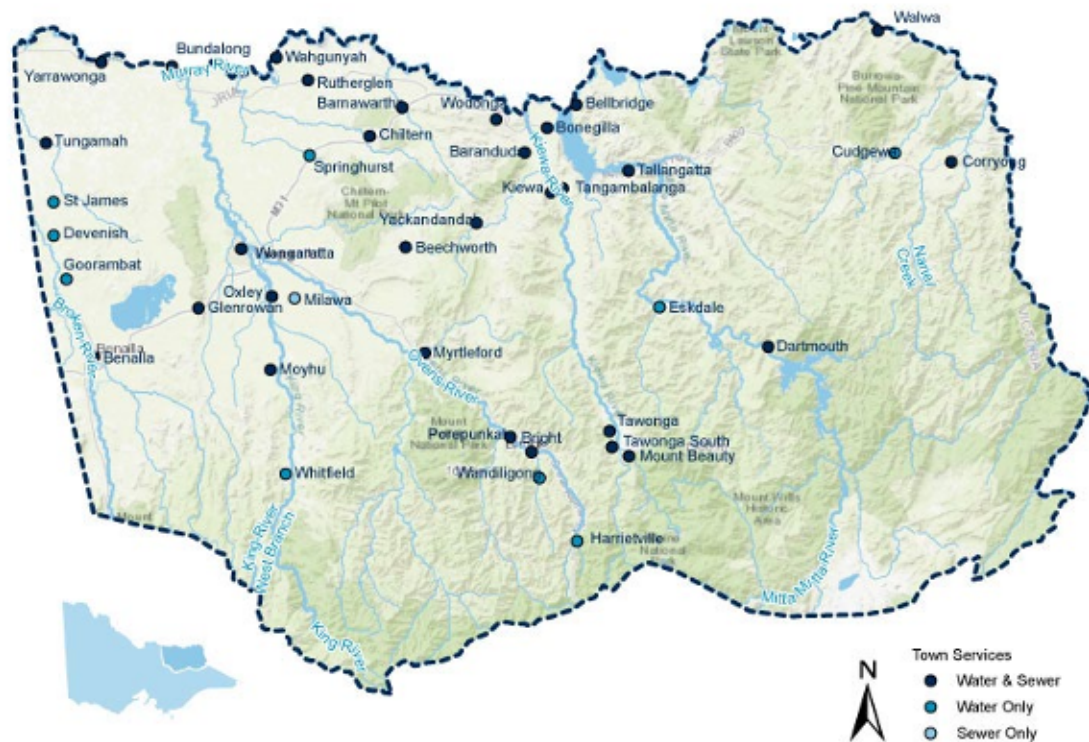
Photo credit: Bun-gam bra-watha Homeland by artist Mick Bogie, a proud **Wiradjuri** man who grew up in Corowa and now lives in Wodonga with family. This image depicts the front cover of North East Water's 2023 Innovate RAP.

Message from the Chair

- Customer-led submission
- Open and transparent in our engagement
- Well prepared and ready to deliver
- Now is the time to invest for our customers
- We're focused on continued efficiency, providing value for our customers and supporting people experiencing vulnerability



About North East Water



- 20,000 km² region, 39 towns or cities, 121,000+ people served
- \$1.6B assets – 21 water and 22 wastewater treatment plants
- Our services are critical to public health, economic growth, food security and environmental protection.
- We also
 - Provide recycled water to parks, golf courses, schools etc
 - Plan and construct infrastructure for secure, reliable services
 - Provide dedicated support to customers in hardship
 - Proudly support Traditional Owner self determination, embedding cultural knowledge and practice into our business
 - Partner and collaborate with key stakeholders
 - At the forefront of climate action, reducing emissions and responding proactively to climate emergencies
- Underpinned by our commitment to regular, ongoing and genuine customer and community engagement.

Key challenge – critical infrastructure



- Masterplanning for 15 growth townships shows \$1 billion + investment required over next 10-15 years to meet:
 - Water and wastewater security in a drying climate
 - Growth (incl Vic housing targets - 34% increase by 2051)
 - Increased health, environmental, cyber and security compliance
 - Climate change – adaptation, mitigation, resilience
- We're **proactive, planned and solutions focussed**:
 - Investing \$380M in critical infrastructure in PS4 above \$180M benchmark
 - Proposing another \$279.7M infrastructure in PS5 (providing capacity for an est 9,000 + new house connections and 500 jobs across region).
 - Integrating circular economy, climate adaptation and Integrated Water Management where possible.
 - Transformed our business to structure, support and equip organisation to plan and deliver increased capital program

What's important to our customers & community

Through our engagement we heard clearly that our customers:

- want us to be reliable, responsive, sustainable, local and fairly priced
- lives are impacted by housing shortages and cost of living and that we have a role to play in responsibly addressing these
- expect us to reduce impacts to the environment
- require us to plan and deliver for current and future generations
- want to see infrastructure investments in both large cities and small towns, and for developers to pay their fair share
- support helping customers who are experiencing financial hardship

Our engagement highlighted the tension between the need for significant investment in critical infrastructure while also doing everything we can to continue to keep bills low and to support vulnerable customers.



Feedback has shaped our 5 Customer Commitments (outcomes)



What we heard:	Themes (proposed Customer Outcome)
• Keep prices and services fair and equitable for all • Support customers experiencing financial difficulties • Make it easy for vulnerable customers to access our support program • Educate the community on ways to save water and reduce bills • The cost of living and affordable housing are a concern.	FAIR PRICES
• Minimise our impacts to environment • Reduce sewer spills • Prioritise our environmental compliance obligations • Work with Traditional Owners to achieve positive outcomes for Country.	SUSTAINABLE PRACTICES
• Provide clean, safe water • Ensure there is enough water for the future • Keep the water flowing • Reduce sewer blockages.	RELIABLE SYSTEMS
• Fix things promptly • Communicate interruptions, including expected duration • Spend money to fix pipes so there are fewer interruptions • Provide a seamless customer experience.	RESPONSIVE SERVICES
• Employ locals • Plan for growth, but ensure its done in a sustainable manner • Invest more in infrastructure • Developers should be contributing fairly • Small towns should not be left behind or disadvantaged.	LOCAL COMMUNITY

Our Performance

Looking *back* on 8 years (2018-26)

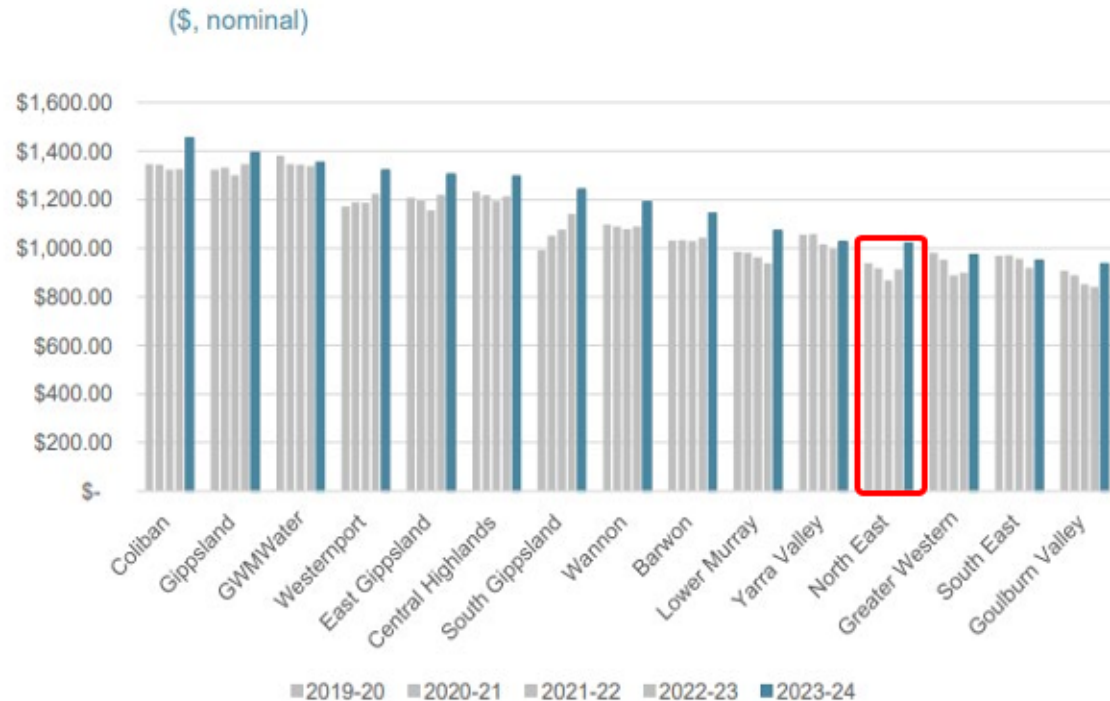
Significant value delivered for customers

- Met or largely met 11 of 13 outputs
- Maintained lowest or 2nd lowest bill in regional Vic (and nationally)
- Controllable opex 15.3% or \$57.5M above benchmark – or average 1.9% a year over the 8 years
- 6 of 10 major capital projects completed or on track, remainder reprioritised and deferred
- \$380M capex- 111% above \$179.91M benchmark
- Customer perception - consistently above the state average
- Given the longer regulatory period – a Midpoint review conducted in 2021, ESC acknowledged that conditions had changed markedly and NEW was on track with key outcomes continuing to be delivered and managing the business within its current prices.
- Our efficiency program - 'Project \$1 Million' - has reduced controllable opex per connection from \$1,045 per connection in 2022-23 to \$1,005 in 2024-25 and is forecast to reduce to \$946 by June 2026.
- Introduced lessons learned culture to continuously improve



Above: \$83.38M Wodonga wastewater treatment plant upgrade funded in PS4 currently on contract budget and schedule to be completed before June 30 2026 demonstrating capability to deliver major capital infrastructure projects. This upgrade increases capacity for residential and industry growth to 2045 and significantly reduces emissions (towards net zero by 2035) and energy and waste costs. It also lays the foundation for future circular economy innovations such as recycled water, oxygen reuse, biogas and heat transfer with neighbouring industry.

Our bills – looking back, looking forward



- Our average customer bills have been the lowest or second lowest of all Victorian regional water corporations for over a decade.
- In 2023-24 our average customer bill (200 kL per household) was:
 - 2nd lowest Vic regional avg bill (\$222.95 or 18% less than avg).
 - 2nd lowest nationally for 'large' water corps* (\$501 or 49% less than avg typical bill).
 - Over 8 years our bills have increased 0.45% annually (excluding CPI).
 - From 2013-2025 we saw 37.3% increase in inflation however NEW's avg bill only increased by 20.6% in the same period.
- We're entering a new phase - price increases are required to fund the critical services and infrastructure our communities need and want.
- Represents different type of value to customers – value in the form of infrastructure to support housing, environment, climate resilience.

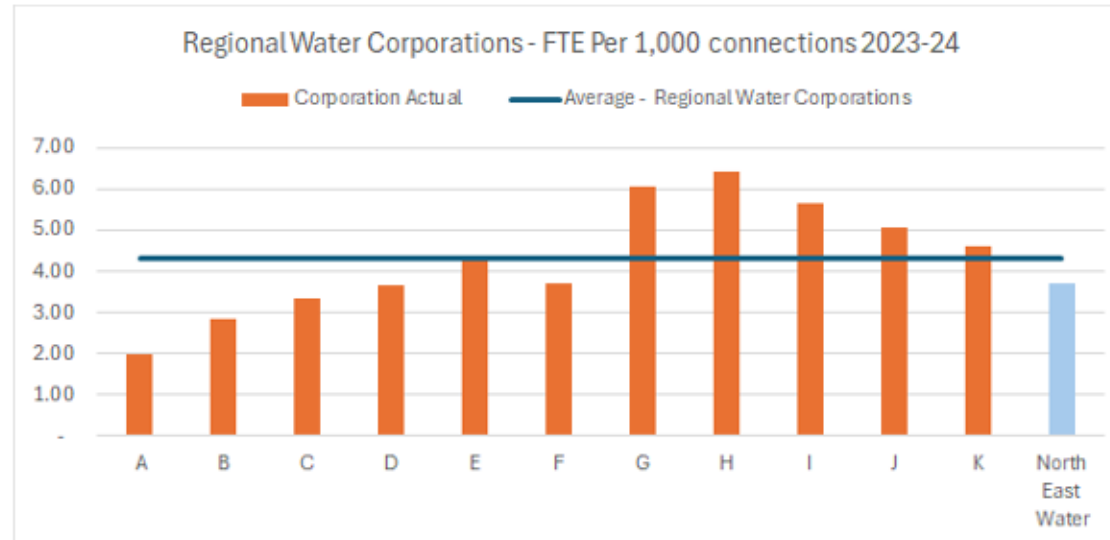
Material changes - OPEX

Opex increases – 15.3% or 1.9% per year

- Labour costs
- Software licencing costs
- Energy costs
- Wastewater and biosolids management
- Meter reading
- Insurance premiums
- Customer support

Example: Labour

- 2018 price determination did not include any allowance for additional FTE. NEW assumed risk
- For comparison, avg FTE growth for regional urban water corps for 2018-19 to 2023-24 was 20.6% compared NEW's FTE growth of 17.5%.
- NEW's FTE per 1000 connections is 3.71 compared to regional urban avg of 4.33 per 1000 connections



Material changes - CAPEX

Capex increases – 111% above benchmark

- ESC capex allowance was \$179.91 million.
- We expect actual capex delivered to be \$380.23 million or 111% above the allowance
- Includes \$58.73 million on PS4 ringfenced investments by 2025-26.
- 6 of top 10 capex projects complete,
- Of 4 deferred, other investments for those towns/cities – delivering value
- Implementation of a new billing system to replace a 20-year-old legacy system (\$18.92 million)



- Growth & Vic housing targets – 34% increase
- Human health and environmental compliance
- Increased construction costs post covid
- Wodonga WWTP variation – long history

Customer Engagement and Outcomes

Engagement - self assessed as Advanced

- Our six-step engagement framework (below) was built on the ongoing engagement North East Water has conducted since 2018. This ensured our approach was authentic, that the engagement delivered was early and broad, and provided for a deeper deliberation in the later stages.
- Our Board decided on a participation level of Collaborate, which allowed customers and stakeholders to not only have a role in setting the engagement agenda but also provide advice and recommendations in a deliberative forum.
- We engaged over 6,800 people or approximately 12% of our customer base. Our engagement was earlier, commencing with Strategy 2040 and broad and deep.
- Our engagement approach has been supported by a comprehensive communications plan



Outcomes - Advanced

- Outcomes reflect customer preferences and priorities and have been linked to engagement insights
- The number of outputs have been increased from 13 in 2018-26 to 17 for this price period holding us to a greater level of accountability
- Of our original 13 outputs, five have been carried over, one has been modified and seven have been removed. We have added 11 new outputs and when baselined against 2023-24 and 2024-25 customer value is enhanced by improvements in seven outputs.
- We will annually report back to our customers by introducing a new forum to check in with customers on our progress as well as communication including a community webinar, website and social media.



FAIR PRICES

Fair prices, value for money and increased customer support



SUSTAINABLE PRACTICES

Minimise our impact on the environment and contribute to sustainable environmental health



RELIABLE SYSTEMS

Clean, safe water and more resilient systems



RESPONSIVE SERVICES

Timely responses and a seamless customer experience



LOCAL COMMUNITY

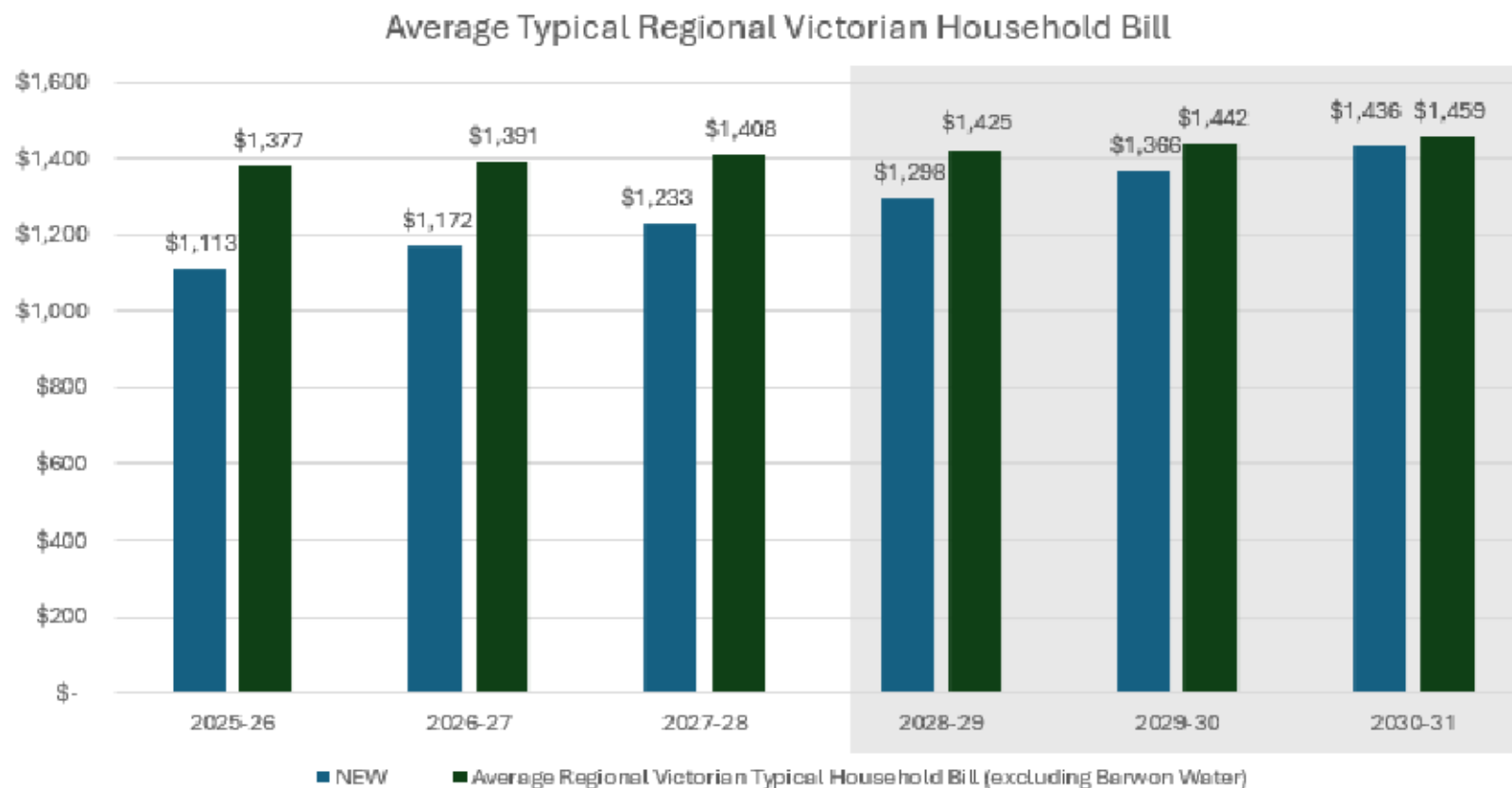
Local people and local partnerships to achieve positive outcomes for customers



Bill outcomes and other key proposals

Average bills

- Average customer bills to rise 5.25% each year (not including inflation). In the first year, this would add \$61 to the average owner/occupier's bill. Over five years this is a total increase of \$339 for a typical household using 194 kilolitres of water per year. This price path is inline with what our deliberative forum recommended.



Average bills

- Owner occupier average annual increase of 5.53%
- Tenant average annual increase of 2.1%

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Owner Occupier – 194kL	\$1,096.64	\$1,157.86	\$1,222.22	\$1,289.86	\$1,360.94	\$1,435.62
Change \$		\$61.22	\$64.36	\$67.64	\$71.08	\$74.68
Tenant – 175kL	\$508.72	\$519.37	\$530.24	\$541.33	\$552.56	\$564.22
Change \$		\$10.65	\$10.87	\$11.10	\$11.33	\$11.56

Average bills

- Large water household average annual increase of 4.8%
- Small business annual increase of 3.2%

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Large water using household - 300kL	\$1,404.78	\$1,472.45	\$1,543.39	\$1,617.75	\$1,695.69	\$1,777.38
Change \$		\$67.67	\$70.94	\$74.36	\$77.94	\$81.69
Small Business – 1,050kL	\$3,974.76	\$4,106.83	\$4,234.32	\$4,366.70	\$4,504.18	\$4,646.97
Change \$		\$132.07	\$127.49	\$132.38	\$137.48	\$142.79

Our commitment to keeping bills fair

- Our average customer bill will remain **at or below the** average for regional Victorian water corporations.
- Should we over-recover revenue through demand in the first year, we will consider a price freeze on the volumetric tariff and/or divert these funds to additional bulk water purchase
- Increasing support for customers experiencing hardship.
- Rebalancing our volumetric water tariffs by 3% per year or 15% by year 5, to better support tenants, large households and small businesses, while also encouraging water conservation in a changing climate.
- Committing to an efficiency rate of 1.46%, equating to \$2.13 million in savings over five years. This exceeds the industry benchmark of a standard submission of 1.17% set in the 2023 water price reviews.
- Ongoing and genuine engagement with our customers and community



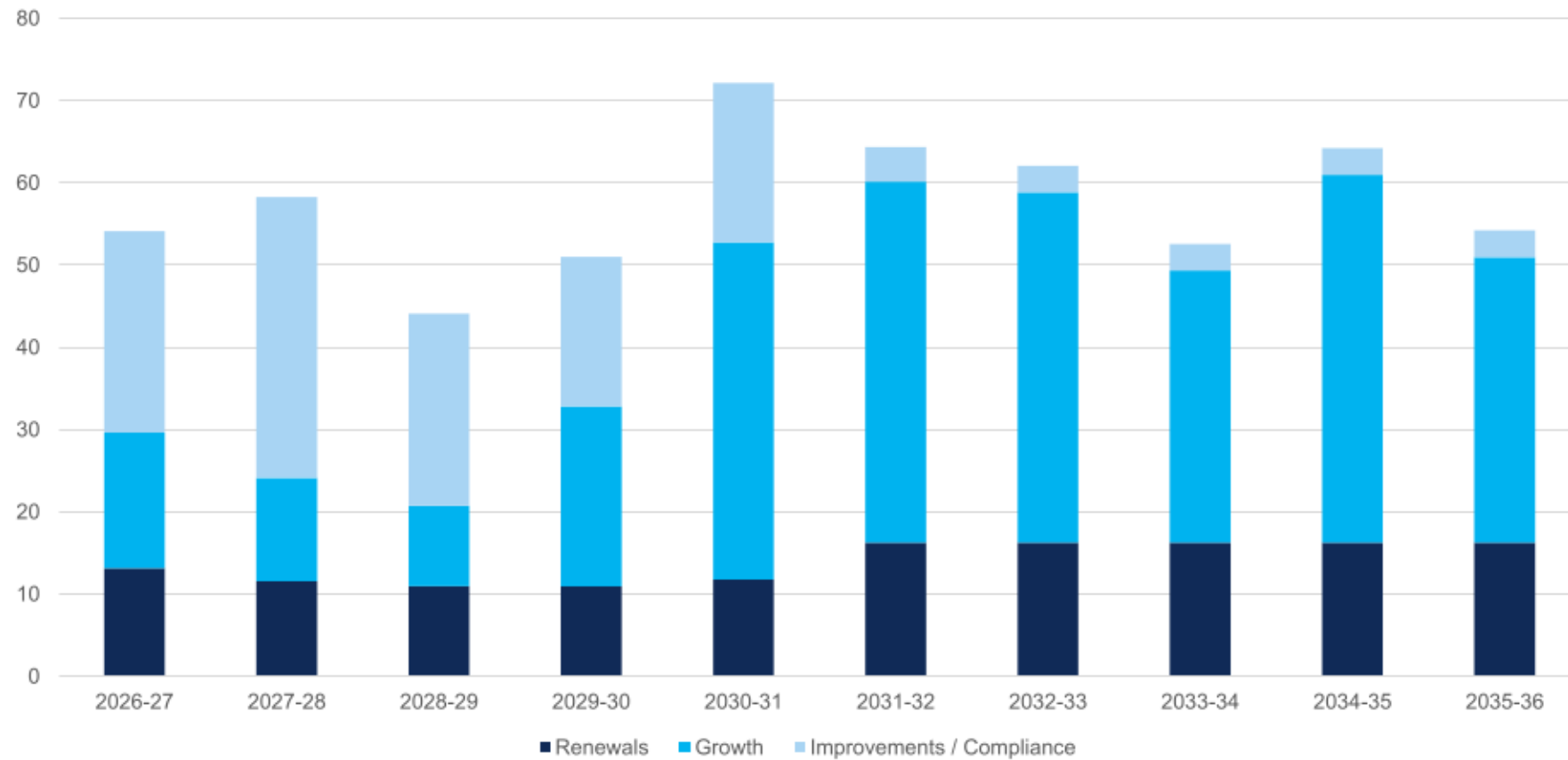
Customer Support commitments

- We propose to double funding from \$200,000 to \$400,000 a year for our customer support programs
- Additional staff to administer the increased support services
- Implementation of our new Customer Support Fair Practice Plan developed following significant engagement with customers with lived experience of vulnerability and support agencies.
- Customer Outcomes to track performance against key support measures.

These additional supports will help over 1,000 customers a year directly through our Community Rebate Program, leak rebates and other supports, and will assist thousands of customers to access their federal concessions and grants.



Capital expenditure (\$'million, 01/01/26)



Proposed major capital projects

responding to growth and compliance

Proposed \$279.7M capital program to address the critical infrastructure and technology needed for growth and housing, health and environmental compliance and climate resilience. This investment will enable capacity for over 9,300 new house connections and industry growth and create 500 jobs.

Major projects represent 59% of the program

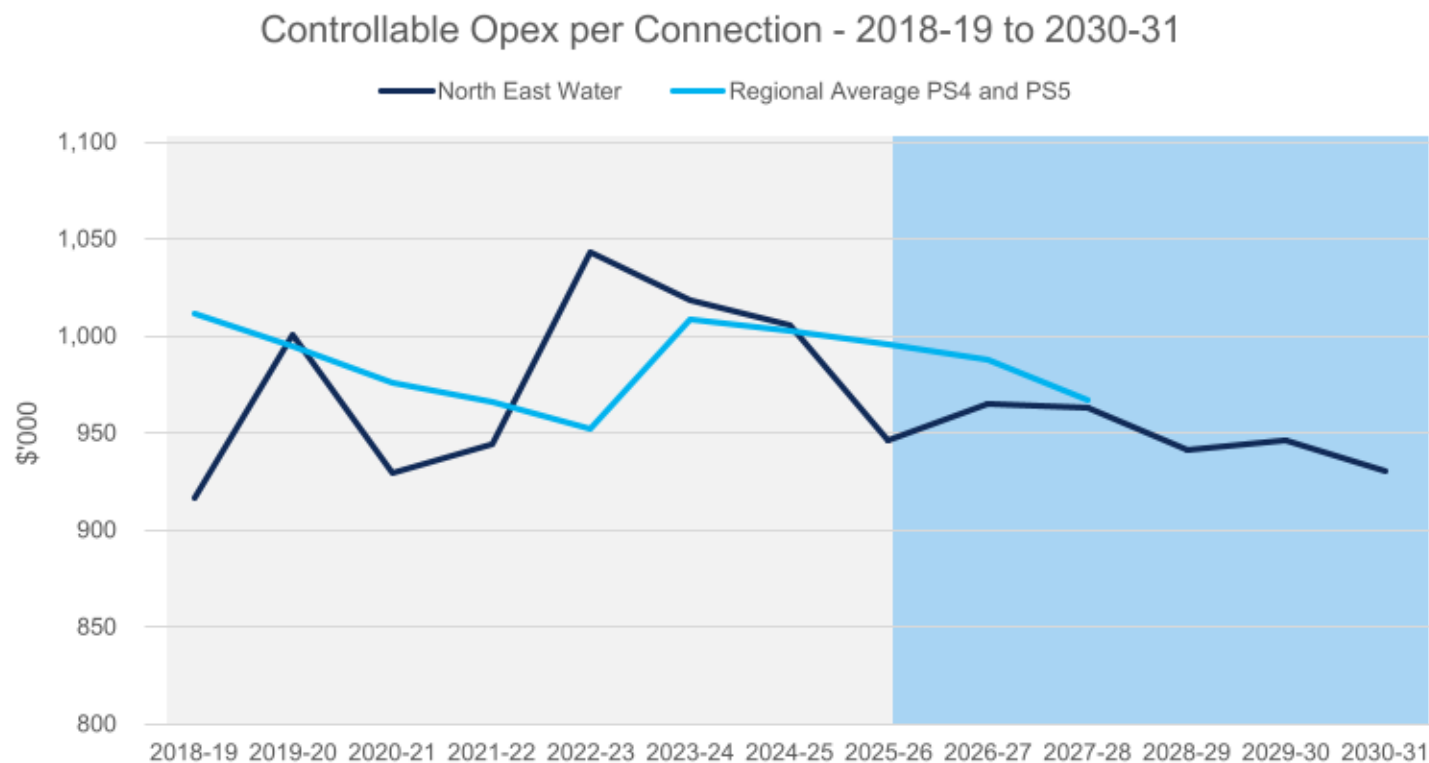
Top 10 Major Projects plus renewals	Estimated cost	Driver
Wodonga trunk sewer (more in PS6 required)	\$33.56 million	Growth & compliance
Wodonga Leneva water and wastewater reticulation	\$27.87 million	Growth
Bright wastewater treatment plant upgrade	\$20.14 million	Compliance & growth
Kiewa Tangambalanga system upgrade (stage 2 only 155 lots)	\$15.87 million	Growth
Rutherglen wastewater treatment plant upgrade and reuse water irrigation	\$10.78 million	Compliance & growth
Wangaratta water treatment plant upgrade	\$19.35 million	Renewal & Compliance
Beechworth wastewater treatment plant upgrade	\$16.45 million	Compliance & growth
Yarrowonga Clear Water Storage and Water Treatment Plant Renewal and UV installation	\$10.15 million	Growth & compliance
Benalla wastewater treatment plant upgrade	\$5.75 million	Compliance & growth
Wodonga-South Bandiana SPS	\$5.31 million	Growth & compliance
Total	\$165.23 million	



Above: All three stages of the Wodonga trunk sewer main replacement must be completed over the next 3 price submissions otherwise growth and housing will be restricted in growth corridors such as Baranduda Leneva and South Bandiana. Total estimated costs \$204.82 million

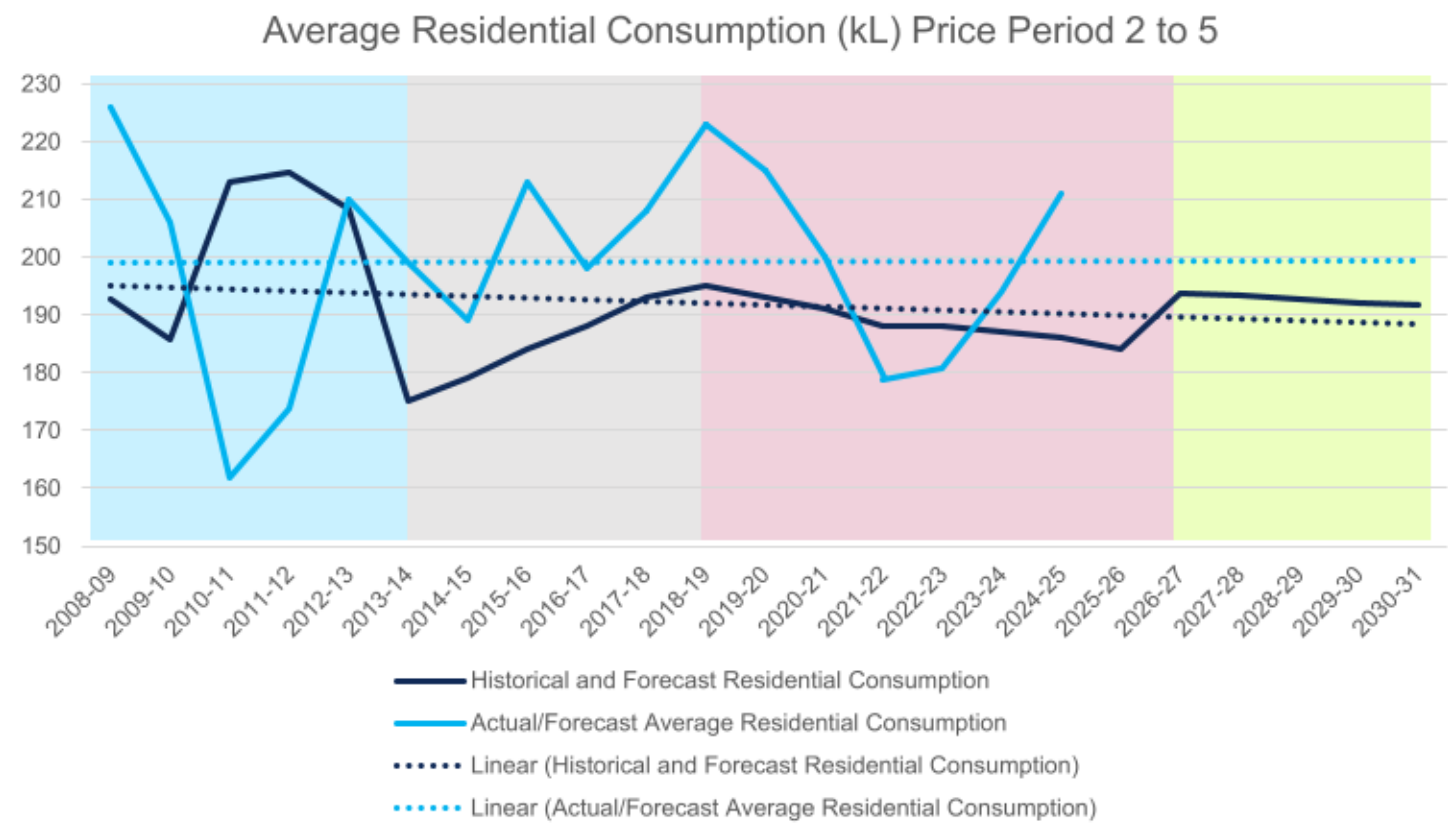
Operating expenditure (\$'million, 01/01/26)

- Total Controllable operating expenditure per connection will decrease from \$965.38 in 2026-27 to \$930.74 by 2030-31
- Proposed operating costs efficiency improvement rate of CPI minus 1.46% per annum



Demand

Lower temperatures and high rainfall experienced in the summer months can have a material impact on our demand profile which can fluctuate up to 25% in any given year. As such, we ran three sets of forecasts based on temperature and rainfall assumptions for the period 2024-25 and 2035-35.



In considering our demand profile we accept the risk of lower consumption presented in the lowest demand scenario and adopted the BAU model which is based on the regression modelling of the temperature and rainfall conditions which we observed between 2010 and 2023-24.

This profile also represents a higher demand profile than the 'hot and dry' scenario adopted in the 2018 price period.

Risk

Risk Based decisions have been made in relation to the following areas to ensure risk is not being transferred to customers disproportionately

- Length of Regulatory period
- Uncertainty around major capital projects
- Connection Growth
- Price Control Mechanism
- Climate Change
- Electricity
- Efficiency
- Outputs and GSL's
- Tax allowance

Thank you and
Questions?

