Price Submission 2026-2031

1 October 2025

North East Water

newater.com.au

First Nations Acknowledgement

In the spirit of reconciliation, North East Water acknowledges the Traditional Owners of Country throughout north-east Victoria and their connections to Land, Water, Sky and community. We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander people.

We acknowledge the continued cultural, social and spiritual connections that First Nations people have with the Lands and Waters and recognise that these groups have cared for and protected them for thousands of generations.

We have seven Aboriginal communities in our service region, including the two Registered Aboriginal Parties of Yorta Yorta and Taungurung. We also have relationships with the Duduroa Dhargal, Dhudhuroa Waywurru, Dalka Warra Mittung, Bangerang and Jaithmathang communities.

We remain committed to working in partnership with local First Nations people to ensure their ongoing contribution to the future of the water management landscape while maintaining their cultural and spiritual connections.

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FOREWORD

OUR SUBMISSION – AT A GLANCE

Our Commitment to Customers

Our price submission delivers five key customer outcomes (commitments) supported by 17 outputs (measures of success). These reflect the expectations and priorities we heard from our customers and community during our engagement for this price submission.

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

Looking back – Our past performance and customer value provided

- PREMO assessed – Advanced
- Regulatory period – 8 years (2018-26)
- Strong performance against 6 customer outcomes – we met or largely met 11 of 13 outputs
- Guided by long term master planning, at the end of year 8 we will have delivered a record $380 million in capital expenditure, proactively responding to growth and compliance risks and increased costs for construction, and demonstrating our ability to deliver large capital programs
- Maintained 2nd lowest typical bill in regional Victoria and nationally for "large" water corporations[1]
- Annual price increase of 0.45% before inflation. Freeze on fixed charges in first four years
- Extensive, transparent and genuine engagement with customers
- Strong consistent customer sentiment for Trust, Reputation, Value and Satisfaction
- Average regional connection growth rate for 7-year period just under 1.5% – some areas as high as 7%
- Midpoint review in 2021 showed we were on track to deliver our customer outcomes and commitments, and highlighted a need for increased investment in infrastructure
- Managing impacts from growth, climate, compliance and natural disasters we worked hard through transformation and efficiency programs to contain controllable operating expenditure to 15.3% or an average 1.9% per year over the expenditure benchmark
- 5-year internal transformation program delivered to structure, support and equip North East Water to not only deliver for "today" but be "future ready" for the challenges and opportunities ahead

Looking forward – The next five years and commitments to customer value

- PREMO self-assessed – Standard (very confident)
- Regulatory period – 5 years (2026-2031)
- 5 customer outcomes and 17 outputs
- $279.7M capital investment program which will provide capacity for an estimated 9,000+ new house connections and an estimated 500 jobs across the region
- Commitment to average bills always remaining 'on par or below' the Victorian regional utility average
- 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 to us
- 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 entitlement purchases
- Increasing our Customer Support fund to $400,000 a year to provide bill relief to more than 1,000 customers experiencing financial difficulty (each year) and to help thousands more apply their concession to their water bill
- Rebalancing our volumetric water tariffs by 3% per year or 15% by year 5, which will better support tenants, large households and small businesses, while also encouraging water conservation in a changing climate
- Committing to an operational efficiency rate of 1.46% or $2.13 million over 5 years
- Reducing controllable operating expenditure costs per connection from $966 to $931 by 2030-31
- Increasing New Customer (developer) Contributions from $3,545.88 to $4,017.39 to support growth and development
- Balancing Risk in an uncertain operating environment
- Continued ongoing focus on transforming our business to deliver for "today" and be future ready for "tomorrow"
- All underpinned by ongoing and genuine engagement with our customers, community and key stakeholders

[1] Bureau of Meteorology (BOM) National Performance Report 2023-24 www.bom.gov.au/water/npr

MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR

On behalf of North East Water, thank you to the thousands of customers and community members who have helped shape and influence this price submission.

They told us that they want North East Water to be **reliable, responsive, sustainable, local** and **fairly priced**. We also heard that housing shortages, cost of living and caring for the environment are very important to them. We've worked hard to responsibly address their feedback in our price submission.

In doing so, we recognise that it's important for us to not just solve the issues of today but also look to the future and ensure our business is well prepared, resilient and sustainable.

This means a proactive approach to growth and housing, compliance and regulation, climate change, supporting customers experiencing financial difficulty, ageing infrastructure, cyber security, costs of goods and services and more. It means continuing to partner, collaborate, engage and communicate with our customers, communities and key stakeholders.

For over a decade North East Water has maintained some of the lowest water bills in Victoria. We've achieved this through careful management and organisational transformation of culture, strategy and business practice.

With our communities growing and climate changing, we're now entering a new phase requiring our prices to increase to reflect the water and wastewater infrastructure investments required for our region.

Our commitment to customers however is that our bills will **always remain on par, or below** the average bills for regional Victorian water corporations during this price plan.

In return, customers will receive significant value. We'll invest $279.7 million in critical infrastructure to enhance water security and wastewater performance, providing capacity for over 9,000 new house connections and future industrial growth. This will create jobs, requiring around 500 planning and construction workers.

We'll improve environmental compliance at our wastewater facilities, enhance customer experience through technology, strengthen data and infrastructure security, and continue building climate resilience.

We're also committed to innovation and partnering with industry on initiatives to reduce energy and waste costs, cut emissions and create future revenue streams aligned to our core business.

We proposing to double our customer hardship fund, supporting over 1,000 customers experiencing difficulty paying their bill every year.

We're also rebalancing water tariffs to ease the burden on tenants, large families and small businesses, while continuing to reward water conservation.

Our board and management have placed great emphasis on our business putting its best offer forward in this price submission so that our customers receive maximum value, that our expenditure is prudent and efficient, and that we're appropriately managing risk.

We will be holding North East Water to account with regular and transparent public reporting on how it is meeting its commitment to customers.

We're looking forward to continuing to engage with our customers and communities as we deliver on our customer commitments and the value outlined in this submission.

BOARD ATTESTATION STATEMENT

The directors of North East Water having made such reasonable inquiries of management as we considered necessary (or having satisfied ourselves that we have no query), attest that, to the best of our knowledge, for the purpose of proposing prices for the Essential Services Commission's 2026 North East Water price review:

- Information and documentation provided in the price submission and relied upon to support North East Water's price submission is reasonably based, complete and accurate in material respects
- Financial and demand forecasts are North East Water's best estimates, and supporting information is available to justify the assumptions and methodologies used
- The price submission satisfies the requirements of the 2026 North East Water price review guidance paper issued by the Essential Services Commission in all material respects.

Stephen Brown
Chair

Jo Murdoch
Managing Director

CUSTOMER AND COMMUNITY ADVISORY GROUP – LETTER OF SUPPORT

I am writing in my capacity as Chair of North East Water's (NEW's) Customer and Community Advisory Group (CCAG) to express our strong support for NEW's customer and community engagement efforts as part of its 2026 Price Submission.

The CCAG represents NEW's diverse customer base, providing informed input into the corporation's planning and delivery of water and wastewater services. The group of 14 members is made up of residents and consumers, reflecting a broad range of social, economic and environmental perspectives, along with varied professional expertise. We meet quarterly to contribute to NEW's strategic planning and community engagement initiatives.

Since our inception in 2023, we have been actively involved in NEW's price submission engagement process. Throughout this time, we have received comprehensive documentation and participated in briefings and presentations delivered by NEW's executive team and key engagement staff.

It is our view that NEW has implemented a sound and robust engagement program, particularly in the following areas:

- In line with IAP2's Spectrum of Public Participation, the engagement combined educational tools — such as webinars and a bill simulator to inform participants — with consultative and deliberative methods like online surveys, town pop-ups, focus groups and forums to gather input and build shared understanding.
- Representation of customers and communities from across the service region, including those with lived experience of vulnerability, Traditional Owners and First Nations organisations, developers, major customers, and other key stakeholders.
- Transparent and genuine involvement of the CCAG, with regular updates and active participation from the Managing Director who shared the challenges faced in delivering this program of work.

On behalf of the CCAG, I am pleased to offer this letter of support for NEW's engagement program as part of its 2026 Price Submission.

Yours sincerely,

Ash Gill
Chair, Customer and Community Advisory Group

Executive summary

HIGHLIGHTS

- Introduction
- Submission built on customer engagement
- Customer outcomes
- Looking back – over a decade of low bills, great value for customers
- Looking forward – proposed future pricing, continued value
- Rebalancing water volumetric tariffs – a fairer approach
- Customer care – supporting vulnerable customers
- Major infrastructure investment
- Managing risk and operating costs
- Financial projections
- PREMO self-assessment

EXECUTIVE SUMMARY

INTRODUCTION

Our Price Submission 5 (PS5) details the water and wastewater services North East Water proposes to deliver, the investments we'll make, and the prices customers will pay from 1 July 2026 to 30 June 2031. It also details our performance against what we said we'd deliver for our customers and community in our current price plan which ends 30 June 2026.

Our submission aims to balance keeping bills fair with the urgent need to invest in critical water and wastewater infrastructure for housing and industry growth, human health, community well-being, environmental compliance and climate resilience.

It responds to the reality of rising costs to meet new and increasing state and national regulations which are designed to improve the safety and quality of life for the community and improve environmental outcomes.

It also reflects the increased costs to operate in a changing and complex environment impacted by climate emergencies as was experienced with the 2019-20 bushfires, La Nina wet weather, and now a potential pre-drought period.

SUBMISSION BUILT ON CUSTOMER ENGAGEMENT

Our customer led process to develop this price submission has seen us engage with thousands of customers, community members, regional leaders and key stakeholders over many years to understand what is important to them. Our Chair, Managing Director, Board of Directors, Executive, Senior Leaders and staff have all played an integral role in this engagement helping us to have a clear understanding of the aspirations, preferences and needs of our customers and community.

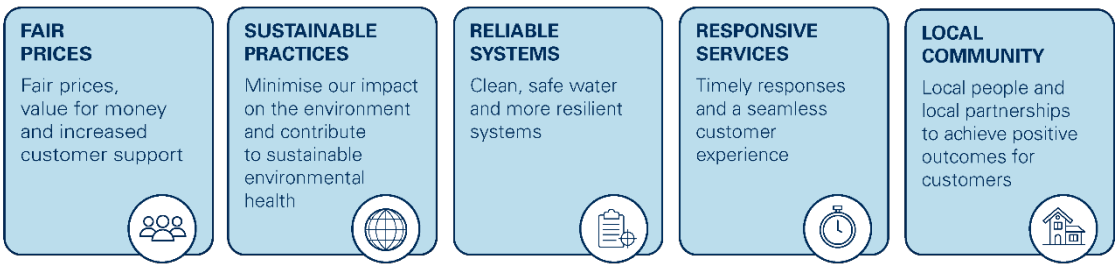
We implemented a six-stage engagement program through which we heard that our customers:

- value services that are reliable, responsive, sustainable, local and fairly priced
- lives are impacted by housing shortages and cost of living
- 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
- support developers contributing their fair share to the cost of growth
- support helping customers experiencing financial difficulty paying their bills

This feedback has directly informed the Customer Outcomes and value in this price submission.

CUSTOMER OUTCOMES

We'll be accountable for our performance through five key Customer Outcomes aligned to what we heard during our engagement.



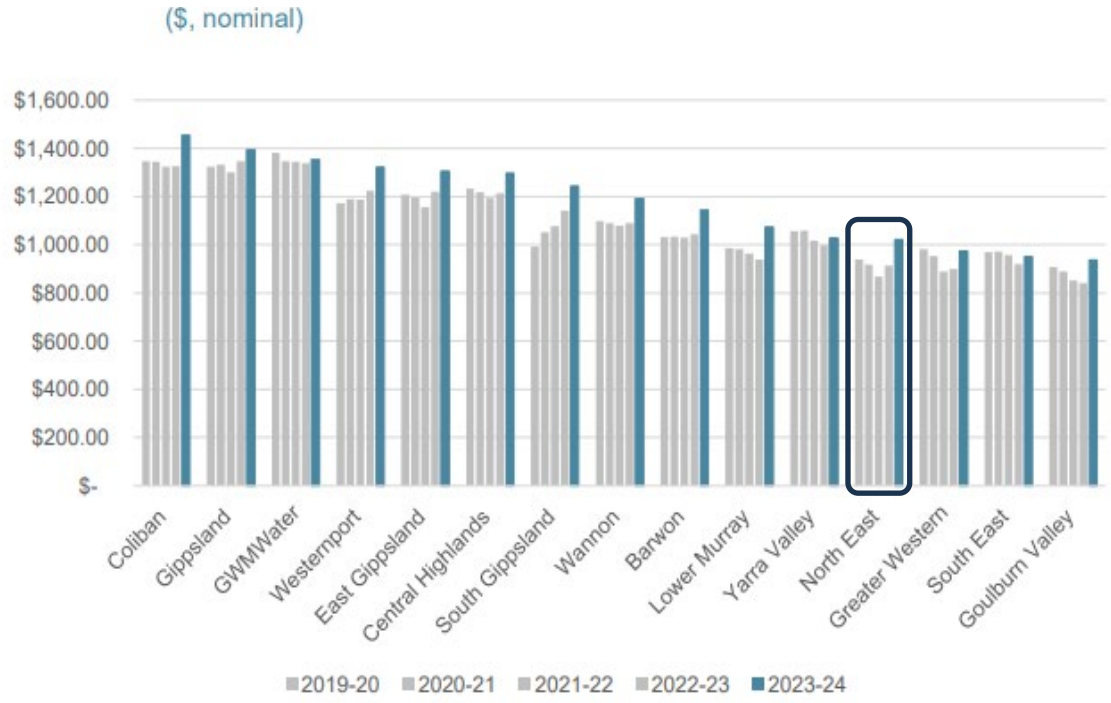
While we have refined and reduced our Customer Outcomes from six (in our current price plan) to five going forward, we're increasing our measurable Outputs from 13 to 17 in this submission. We sought advice from our Deliberative Forum participants and Customer and Community Advisory Committee, and via our Customer Summary public process, before finalising these Outcomes and Outputs.

LOOKING BACK – A DECADE OF LOW BILLS, GREAT VALUE FOR CUSTOMERS

North East Water has historically had one of the lowest average bills for Victorian regional water corporations and nationally for large water corporations.

Over the past 12 years, our bills have increased by less than the Consumer Price Index (CPI) with our typical household bill increasing by 20.6% compared to CPI of 37.4%. In 2023-24 our average bill was the second lowest of all Victorian regional water corporations and $223 less than the average regional bill. Nationally, we ranked second lowest in the category of large water corporations in the Bureau Meteorology (BOM) National Water Performance Report 2023-24, and $501 less than the typical national average bill.[1]

Graph 1 – Typical household bills including inflation, owner occupiers (2023-24 ESC Performance Report)



LOOKING FORWARD – PROPOSED FUTURE PRICING, CONTINUED VALUE

A variable climate, growing population, rising costs and cost-of-living pressures create a challenging environment for this pricing proposal.

We recognise that while there is never an ideal time for price increases, the current national economic climate enables us to make this change responsibly and sustainably. We also recognise from what we heard through our customer engagement, that there is a need to invest significantly in critical infrastructure while also keeping bills fair and continuing to support our most vulnerable customers. Balancing these priorities is central to our submission.

We are proposing an annual 5.25% price increase before inflation. This equates to the average water bill increasing by $61 in year 1 and $339 over the life of the five-year price period.

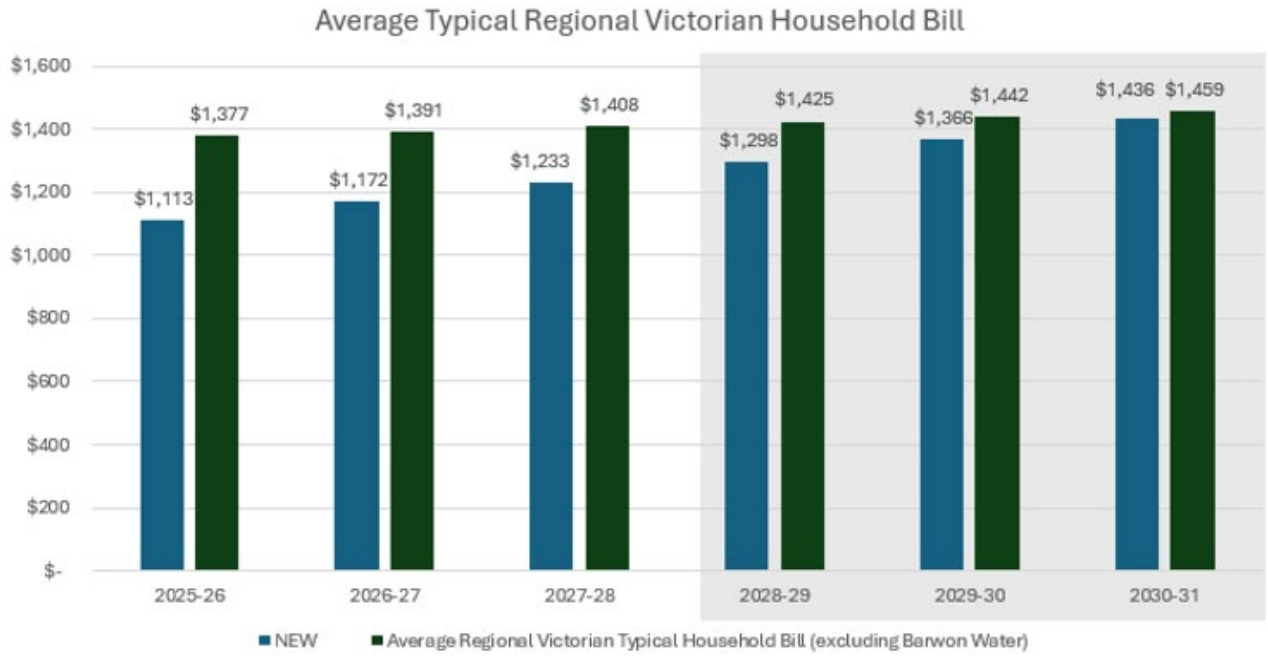
A table outlining our proposed price path for our different types of customers is available on page 13.

[1] *Bureau Meteorology (BOM) National Water Performance Report 2023-24: www.bom.gov.au/water/npr/

We were open and transparent about a proposed price increase when we issued our Customer Summary seeking feedback as part of the 'closing the loop' stage of our engagement program. Even with this price increase, North East Water's average water bill by year five will remain below the average bill for Victorian regional water corporations based on their current price paths.

Graph 2 below illustrates this. Our commitment to customers in this price submission is that our average bills will always remain *on par with, or below* the Victorian regional average bill for the full five years of this price submission.

Graph 2 – Proposed household bills including inflation, owner occupiers



REBALANCING WATER VOLUMETRIC TARIFFS – A FAIRER APPROACH

We're rebalancing (reducing) our volumetric water tariffs by 3% per year for five years (total 15%) while increasing fixed charges by the same amount. This rebalancing is a direct result of a recommendation from our deliberative forum, who we asked to consider the fairest balance between fixed and variable costs on bills. We believe this will better support tenants (who will receive an annual increase of 2.1%), large households and small businesses, while continuing to encourage water conservation.

CUSTOMER CARE – SUPPORTING VULNERABLE CUSTOMERS

In 2024 and 2025 we engaged with more than 20 support agencies and 15 customers with lived experience of hardship. Their feedback helped shape and inform this price submission as well as the development of our Strategy 2040 and Customer Care Fair Practice Plan.

During this engagement we heard some of the biggest issues and challenges being faced by vulnerable customers are cost of living, housing shortages, communication about our services, the need for more funding to support people in need, impacts of climate change, increased frequency of natural disasters on low socio-economic communities, and the prevalence of family violence across our region.

Our price submission responds directly to this feedback. We're proposing to double our annual customer support fund from $200,000 to $400,000 to proactively help over 1,000 customers each year through dedicated initiatives. We'll support thousands more to apply their government concessions to their water bill. We will also implement our new Customer Care Fair Practice Plan which aims to guide how we support customers who are experiencing hardship and our efforts to continually improve what we do.

Table 1 – Average customer bill - $2025-26

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Owner Occupier – 194kL	$1,097	$1,158	$1,222	$1,290	$1,361	$1,436
Change $	-	$61	$64	$68	$71	$75
Owner Occupier with Concession – 194kL	$725	$786	$850	$918	$989	$1,064
Change $	-	$61	$64	$68	$71	$75
Tenant – 175kL	$509	$519	$530	$541	$553	$564
Change $	-	$10	$11	$11	$11	$11
Tenant with Concession –175 kL	$323	$333	$344	$355	$367	$378
Change $	-	$10	$11	$11	$12	$11
Concession household – 125kL	$524	$581	$641	$704	$771	$841
Change $	-	$57	$60	$63	$67	$70
Small water using household – 135kL	$925	$983	$1,043	$1,107	$1,175	$1,245
Change $	-	$58	$60	$64	$68	$70
Large water using household – 300 kL	$1,405	$1,472	$1,543	$1,618	$1,696	$1,777
Change $	-	$67	$71	$75	$78	$81
Small business – 1,050 kL	$3,975	$4,107	$4,234	$4,367	$4,504	$4,647
Change $	-	$132	$127	$133	$137	$143

MAJOR INFRASTRUCTURE INVESTMENT

Our forward planning shows we need to invest at least $1 billion within the next 10 to 15 years to upgrade and expand critical infrastructure across our region. This is urgently needed to ensure reliable water and wastewater services can support population growth and meet increased standards for health, environmental protection and cybersecurity. It will also help us plan and adapt to the impacts of climate change.

We're proposing a $279.7 million capital program over the next five years. This funding will deliver projects that improve water and wastewater security, provide capacity for over 9,000 new housing connections, support an estimated 500 jobs in planning, design and construction and improve environmental outcomes, customer experience and climate resilience.

A lack of investment now will slow housing development, impact the environment, reduce service reliability and lead to higher bills later on. Further investment will likely be required in future price periods to meet the infrastructure requirements of the region.

Our forward planning and capital expenditure program has been informed by our 'all systems' reviews, a three-year robust master planning program with our professional engineering service partners (GHD, Stantec and SMEC) and a capital prioritisation process to determine our risks associated with growth, compliance and renewals. We have also engaged with the Environment Protection Authority (EPA), Department of Health (DoH), local government and developers to build this program.

We have been open and transparent in developing our capital program having had community webinars outlining the master planning and proposed capital program for each of our seven local government areas, price submission surveys and in person briefings with local government (both Councillors and senior officers). We've also had four Developer Forums to bring developers on the journey with us including seeking feedback on master planning, the capital program and new customer contributions.

Through our transformation program we have been systematically building the structure, skills and capability to deliver large capital programs and in 2024-25 we successfully delivered over $80 million in capital projects.

MANAGING RISKS AND OPERATING COSTS

Delivering services to a small customer base with 21 wastewater and 22 water treatment plants spread over 20,000 square kilometres, provides economies of scale challenges. We have absorbed significant cost increases during the last regulatory period around critical key areas that presented an unacceptable risk to our customers and the corporation, including strategic planning and capital delivery, cybersecurity and security of critical infrastructure, a new billing system, procurement, emissions reduction, health and safety for employees and customers, increased customer support and debt management. Where we can, we will not transfer unacceptable risk to our customers.

Our controllable operating costs per connection will decrease from $1,005 per connection in 2024-25 to $931 per connection by 2030-31 or a reduction of 3.7% over the PS5 period with total prescribed operating expenditure of $307 million.

We propose new operating costs that address our ability to continue to deliver excellent customer service and to address core maintenance requirements. There will continue to be uncertainty around key input costs including chemicals and energy costs. We are also addressing risks by implementing our digital, data and cyber strategies and providing increased support for vulnerable customers.

FINANCIAL PROJECTIONS

Due to our historically low debt base leading into the 2018 price period, North East Water was able to undertake additional critical capital investments above our benchmark expenditure. We recognise that this was a necessary measure during the current regulatory period, and we would not be in a position to incur significant capital expenditure above benchmark in this upcoming price period.

In formulating our capital expenditure program for this period, we have been careful to consider a number of key cash and borrowing related financial sustainability indicators consistent with ESC financial indicator benchmarks. Our capital program has been prioritised based on individual project risks over a 10-year period while also considering our future financial sustainability with the associated impact of debt serving costs to ensure we have sufficient cash flows from operations to fund our capital expenditure program.

Financial sustainability ratios can be reviewed in the financial model at the "Indicators_FO" worksheet.

All primary and secondary financial indicators meet the ESC benchmarks under the actual test. Under the notional test, and with the exception of the Internal financing ratio and (NFFO)/Net debt % indicator in 2026-27, the remaining years align with the benchmark financial indicators.

PREMO SELF-ASSESSMENT

We have carefully considered our PREMO self-assessment. Our overall assessment applied to this price period against the PREMO incentive mechanism is that of 'Standard' (very confident). Refer to Part 12 and Appendix 2 for the detailed assessment.

About us

HIGHLIGHTS

- Our service region
- Our operating environment
- Business transformation
- Strategic focus – Strategy 2040

ABOUT US

OUR SERVICE REGION

North East Water provides essential water and sewer services to around 121,000 people across 39 towns in north-east Victoria. Our 20,000 square kilometre service region incorporates seven local government areas. While most of our customers are residential, we also service major industries and commercial businesses. To deliver these services, we manage 21 water treatment plants and 22 wastewater treatment plants. We provide recycled water, untreated water and standpipe access to our communities. We also maintain, upgrade and plan the infrastructure needed to service our communities.

OUR OPERATING ENVIRONMENT

Victoria's north east region is growing, our climate is changing and technology is rapidly advancing. It has been 8 years since our last price submission and the changes to our operating environment since 2017-18 have been material.

In 2019-20 our region experienced the 'Black Summer' bushfires which significantly impacted our services and communities. The pandemic followed, together with 3 years of La Nina weather where we experienced increased storms and rainfall. We've now transitioned into a hotter drier period.

We have seen a notable increase in regional migration and interest in the north east region since 2018 accelerated by the pandemic, contributing to population growth alongside natural increases. New Victorian housing targets requiring a 34% increase in housing across the region by 2051, coupled with increased drinking water quality and environmental compliance regulations, has placed significant pressure on our ageing infrastructure.

We've also seen increased regulations for customer support and protection, health and safety, cyber security, security of critical infrastructure, renewable energy, emissions reductions, procurement and First Nations engagement and obligations – as well as costs of goods and services increasing. We have proactively managed these costs through business transformation, innovation and efficiencies.

BUSINESS TRANSFORMATION

Over the past four years, we've systematically implemented the 'Investing in our Future Together Transformation program' aimed at structuring, supporting and equipping North East Water to meet the challenges and opportunities of today *and* the future. This program focuses on transforming culture, strategy and business practice to build the skills and capabilities we need to be future ready, to increase efficiencies and innovation, improve statutory compliance, improve project delivery and increase customer trust and satisfaction. Some examples of this program leading to improvements are that we:

- Uplifted our capital planning and delivery capability by improving program governance, restructuring work groups, recruiting new skills and capabilities to complement existing ones, introducing an engineering services panel, undertaking masterplans for growth areas, and developing a new capital prioritisation framework and an annual all systems review program.
- Introduced an Enterprise Portfolio Management Office (EPMO) improving project and program management and tracking cost, schedule, benefits, risk, change and lessons learned.
- Introduced 'Project $1 Million' which includes board oversight as part of our Quarterly Corporate Scorecard. This initiative resulted in achieving over $1.25 million in efficiencies and savings each year from 2022-23 – a discipline we'll continue into the next regulatory period.
- Initiated 'Project reNEWable' to meet our renewable and emissions legislative obligations.
- Developed new digital strategies and significantly increased cyber security capability.
- Undertook workforce planning to inform future resource needs.

See supporting document – North East Water's Transformation Program.

STRATEGIC FOCUS – STRATEGY 2040

A key outcome of our transformation program and a foundation for this price submission was the development of our corporate strategy, Strategy 2040. In 2023-24 we sought the views of Traditional Owner and First Nations communities, regional leaders, our Customer and Community Advisory Group, vulnerable customers, support agencies, major customers and developers for this important strategy.

Strategy 2040 outlines our vision for a **healthy environment, thriving communities and prosperous region** and our core purpose which is to deliver safe, sustainable water and wastewater solutions to our communities. **'**Healthy environment' is purposely at the start of our vision. Through our engagement for Strategy 2040 we heard from First Nations voices that if we *don't* have a healthy environment, we *won't* have thriving communities or a prosperous region.

Feedback from the Strategy 2040 engagement formed part of the 'Build Foundations' engagement stage for this price submission. The Customer Outcomes in Strategy 2040 currently reflect our 2018-26 price plan commitments and will be updated with the 2026-31 Customer Outcomes once this price submission is approved.

Examples of how Strategy 2040 ambitions are aligned and / or integrated with our price submission are in supporting documents – Alignment with Strategy 2040. You can see an outline of our Strategy 2040 on the next page or read more on our website here.

Our Strategic Intent – Strategy 2040

Our Vision
Healthy environment, thriving communities, prosperous region

Our Purpose
To deliver safe, sustainable water and wastewater solutions for our communities

Our Customer Outcomes

Affordable | Reliable | Local | Responsive | Efficient | Sustainable

Our Ambitions

Healthy Environment
- Climate action
- Circular economy
- Environmental stewardship

Thriving Communities
- Customer experience
- Cultural connection
- Community trust and value

Prosperous Region
- Robust and reliable services
- Infrastructure planning
- Regional leadership

Our Enablers

People
- Health and safety
- Diversity and inclusion
- Leadership
- Governance
- Culture and capability

Partnerships
- First Nations groups
- Key stakeholders
- Industry
- Major customers
- Government

Innovation
- Financial sustainability
- Digital and technology
- Risk management
- Asset management

Our Mindsets

Accountability | Commitment | Consistency | Cooperation | Empathy

Supporting documents

- DOC25/29861: North East Water's Transformation Program
- T1/0054: Strategy 2040 – Investing in our future together
- DOC25/29989: Alignment with Strategy 2040
- DOC25/30581: Example Reporting – EPMO Status Report June 2025
- DOC25/30671: Project $1m – History and Context

Part one — Performance

HIGHLIGHTS

Key points

1. OUR PERFORMANCE FROM 2018-26

Key points

- North East Water demonstrated strong performance for our Customer Outcomes, with 11 of our 13 Customer Outputs met or largely met for the 7-year period to 2024-25.
- We consistently rated in the top third of the sector for the ESC's trust, satisfaction, reputation and value metrics.
- We have maintained the second lowest typical Victorian regional urban residential bill throughout this price period.
- We maintained our revenues to within 1.3% of benchmark.
- We worked hard through transformation and efficiency programs to contain controllable operating expenditure to 15.3% or an average 1.9% per year over the expenditure benchmark.
- By the end of year 8 we will have delivered a record $380 million in capital expenditure, proactively responding to growth and compliance risks and increased costs for construction.
- **We rate our 'Performance' element of PREMO as 'Standard'.**

1.1 INTRODUCTION

Our 2018 submission – *a Victorian-first eight years* – set ambitious, customer-forward targets that had our communities front of mind. Consistent with our commitment to collaborative decision-making, we conducted lengthy and broad engagement with our customers, and the 2018 submission reflected their expectations and ambitions. We proposed and maintained a price increase of less than 0.45% with no increase in fixed charges until year 5 (2022-23) of the current eight-year period. This provided the price certainty our customers sought and proposed a modest capital program of $179.91 million ($2025-26).

This period has not been without its challenges. The back-to-back crises of local bushfires and a global pandemic forced us to re-evaluate our priorities and revisit our commitments. Supply chain issues, rising costs, unexpected growth in the regional cities and three consecutive La Nina events pushed us to demonstrate our agility and resilience in ensuring service continuity and prioritising customer needs.

While these pressures have changed our expenditure profiles compared to those expected in our 2018 Price Submission, our strategic responses have ensured we have delivered strong customer value consistent with our customer outcomes.

1.2 PERFORMANCE AGAINST CUSTOMER OUTCOMES

Our customer outcomes were originally developed in consultation with the community in 2014. We later found them to still hold true during our 2018-26 price submission engagement and they were further validated by the PS4 Deliberative Forum. The outcomes valued by our customers were:

1. Affordable Prices
2. Reliable Services
3. Responsive Services
4. Efficient Systems
5. Local Focus
6. Sustainable Region

To drive performance against these outcomes for our customers, we committed to 13 performance targets (outputs). We have measured and reported on these 13 outputs for the past seven years, generating 91 data points to review our 2018-26 performance.

Table 2 – Performance outcomes in the 2018-26 regulatory period

Outcome	Target	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Result
Outcome 1: Affordable Prices									
Fair Prices – Residential customers pay their bill within the required 30 days (% of customers)	>80%	80.1%	80.4%	79.2%	80.4%	N/A	80.7%	82.0%	
Customer Support – number of residential customers being restricted (no. of customers)	224 - 186	160	76	0	0	0	0	0	
Outcome 2: Reliable Services									
Number of Safe Drinking Water Act non-complainces (water sampling and audit)	0	1.00	1.00	0	0	0	0	0	
Resilient Systems - Number of unplanned water supply interruptions per 100km (no. per 100km)	<14	12.7	14.7	11.8	12.3	11.1	13	15	
Outcome 3: Responsive Services									
Timely Response - Average duration of unplanned water supply interruptions (minutes)	≤100	96.10	91.60	80.40	84.40	95.50	95.70	105.90	
Inclusive Decisions – Customers are satisfied with NEW in engagement and community inclusion (% of survey responses of "very satisfied", "satisfied", "neither satisfied nor dissatisfied")	>90	90.8%	91.3%	90.2%	85.7%	87.9%	86.1%	88.0%	
Outcome 4: Efficient Systems									
Asset Stewardship - Sewer mains blockages (no. per 100km)	<12	10.6	10.6	10.9	10.1	9.6	7.8	11.1	
Non-revenue water (as a percentage of total water delivered)	<10%	13.5%	13.5%	14.3%	12.7%	13.0%	14.9%	13.5%	
Outcome 5: Local									
Local People – Customers are satisfied with NEW staff local knowledge, employment and location. (% of survey responses of "very satisfied" or "satisfied")	>80%	80.3%	84.4%	85.1%	84.2%	85.0%	85.1%	84.4%	
Education and Awareness – Customers are satisfied with NEW educating and informing them about water conservation and sustainability. (% of survey responses of "very satisfied", "satisfied", "neither satisfied nor dissatisfied")	>90%	88.0%	88.2%	88.3%	88.9%	89.4%	88.3%	88.7%	
Outcome 6: Sustainable Region									
A Smaller Footprint – Compliance with EPA Licenses (percentage compliance against key parameters across all licenses)	100%	95%	92%	94%	87%	84%	87%	91%	
A Smaller Footprint – Total carbon emission (Tonnes CO2e)	36,314 - 19,817	33,905	32,614	32,197	31,607	30,935	23,383	19,817	
Enhanced livability – Customers are satisfied in NEW is ensuring water security for future drought responses. (% of survey responses of "very satisfied", "satisfied", "neither satisfied nor dissatisfied")	>90%	91.7%	90.7%	92.4%	92.0%	94.1%	92.1%	93.4%	

Across the seven years, we are proud that we **met or largely met** 11 of 13 outputs. To ensure transparency and accountability of our performance against these outputs for our customers, we published a six-monthly 'report card' along with our annual performance results on our website, including notification on the front page of the website and social media. In 2025 we also commenced biannual community webinars to share the results. Our performance results were reported to the board every quarter for visibility and oversight.

1.2.1 Outcome 1: Affordable Prices

We met our overall performance for our Affordable Prices outcome.

Throughout the term of our regulatory period, North East Water maintained its ranking as one of Victoria's most affordable water bills. To measure our success with maintaining affordable tariffs, we determined to assess the number of customers who paid their bill on time.

Our average score for the seven-year period to 2024-25 was 80.5%, slightly above the target of 80%. We met our target in five of the seven years, narrowly missing target in 2020-21 (at 79.2%), and in 2022-23, due to the implementation of a new billing system, we were unable to rigorously verify the data (and as such, rated the measure amber).

Our second measure was a year-on-year stepped reduction in the number of residential customer connections restricted. In March 2020, to better support customers during the COVID-19 pandemic, we ceased all restrictions and legal actions. We diverted our resources to early intervention, proactively engaging with customers whose accounts were in arrears, and we increased our hardship budget to support more customers experiencing financial difficulty. We also continued to provide and promote a range of options to customers including payment arrangements, help accessing the Utility Relief Grant Scheme, leak rebates and the Community Rebate program. As such, this measure was met each year.

1.2.2 Outcome 2: Reliable Services

We met our overall performance for our Reliable Services outcome.

Our customers want their drinking water to be safe and their systems to be reliable. To measure this, we set a target of 100% compliance with the *Safe Drinking Water Act 2003*, which we achieved every year of the regulatory period. This was confirmed each year through comprehensive and regular testing and verification of water quality, for example collecting over 71,000 data points in 2024-25 to ensure the consistent delivery of safe drinking water to our customers.

Our second measure – the number of unplanned water supply interruptions per 100 km – achieved an average score of 12.94 for the seven-year period to 2024-25 against a target of less than 14 interruptions per year. This was achieved in all but two years, narrowly exceeding the target by 0.7 in 2019-20 and 1.0 in 2024-25. In response, we have continued to invest in new plant and equipment and undertaken significant water main renewals to improve water service outage rates and outage times.

1.2.3 Outcome 3: Responsive Services

We met our overall performance for our Responsive Services outcome.

During the regulatory period, we introduced a dedicated reticulations team to ensure timely responses to unplanned water supply interruptions, with a target of less than 100 minutes. The average score for the seven-year period to 2024-25 was 92.8 minutes, significantly less than the target. This target was met each year except 2024-25 due to an increase in interruptions combined with some longer and more complex repairs. The more complex repairs, combined with drying ground conditions following three consecutive years of La Nina events causing the earth surrounding reticulation pipes to move, has resulted in an uptick in average interruption times.

The second target measured the level of satisfaction from customers that we have engaged with them and the community on the issues that affect them. The average score for the seven-year period to 2024-25 was 89%, slightly less than the 90% target. North East Water has an established approach to engagement based on the model developed by the International Association for Public Participation (IAP2), and with a stretch target of greater than 90% satisfaction, we exceeded this target in the first three years and narrowly missed it in the last four (with scores of 85.7%, 87.9%, 86.1% and 88.0% respectively).

1.2.4 Outcome 4: Efficient Systems

We have met one of the two output measures.

Measuring the efficiency of our systems is done firstly through the number of sewer main blockages per 100km (with a target of less than 12 per 100km). Not only has this target consistently been green but showed a steady decrease (improvement) due to our vigorous sewer relining program throughout the regulatory period.

The second measure – reducing non-revenue water to less than 10% – has not been as successful with an average score of 14% non-revenue water. Despite our efforts during the regulatory period (including repairs to ageing water storage tanks, utilising in-house leak detection equipment, and global data analysis), we've been unable to meet the target due to the unique soil conditions in the Alpine areas. The reticulation systems in the towns of Mount Beauty and Bright have a combination of high pressure and highly disturbed soils from gold mining. It has taken some time to recognise and install zoned metering to identify where the losses are occurring. We are now in a stronger position to get closer to the 10% best practice benchmark which remains a focus for us.

In 2024, we developed a new water loss action plan which includes employing data analytics to pinpoint high-loss towns and target our efforts, collaborating with external consultants to review our strategy and recommend concrete improvements, and networking with other authorities to share best practices.

1.2.5 Outcome 5: Local Focus

We met our Local Focus outcome.

As a regional water corporation, our local knowledge is highly valued by our customers and their satisfaction with North East Water's staff knowledge of our diverse locales was established as a key measure. The average score for the seven-year period to 2024-25 was 84% and has exceeded the target of greater than 80% since the beginning of the regulatory period.

We also measure customer satisfaction with regards to our community education efforts on water conservation and sustainability. With a stretch target of greater than 90%, the average score for the seven-year period to 2024-25 was 89%, narrowly missing the target.

1.2.6 Outcome 6: Sustainable Region

We have largely met our Sustainable Region outcome.

In developing the success measures for a Sustainable Region, we opted for three individual targets.

The first was our compliance with EPA licences, setting a stretch target of 100% by the end of the regulatory period. Despite staged investment projects at Bright, Myrtleford and Wangaratta that have significantly improved the water quality being discharged to nearby rivers, three consecutive years of La Nina (escalating wet weather discharges from 2021-22 to 2023-24), the introduction of the new *Environment Protection Act* and an increase in knowledge concerning groundwater impacts for our wastewater treatment plant sites, have led to us not reaching the target of 100% compliance. Our master planning has also shown that increased capital investment is needed to reduce non-compliance. The average score for the seven-year period to 2024-25 sits at 90%. We remain committed to working towards this in the next regulatory period and the additional major capital improvement projects in Beechworth, Bright and Rutherglen will further address our compliance.

The second measure – reducing our carbon footprint – was set in line with the targets and timelines of our Emissions Reduction Pledge (2017). As projects were reprioritised due to supply chain issues during the pandemic, our year-on-year emissions reduction targets no longer aligned with our 2017 timelines. Despite that, due to the surrender of Large-scale Generation Certificates (LGCs), the 2024-25 target of 19,817 tCO2-e was achieved.

Our third and final target measures customer confidence in our ability to ensure water security for future drought responses. Our average score for the seven-year period to 2024-25 of 92% exceeded our target of greater than 90%.

1.3 OUR PERFORMANCE ON CUSTOMER PERCEPTIONS

North East Water places a lot of focus on building trust and confidence with our customers and community. We report the results of the ESC's quarterly customer perception survey through our corporate scorecard to the board and also in customer reporting to the People and Culture committee. We have also incorporated these same measures into our own Customer Research and Brand Survey.

1.3.1 ESC customer perception survey results

Of the 28 ESC surveys and 112 metrics (for Trust, Value, Reputation and Satisfaction) from September 2018 through to June 2025 we achieved the following results:

Table 3 – ESC customer perception survey results

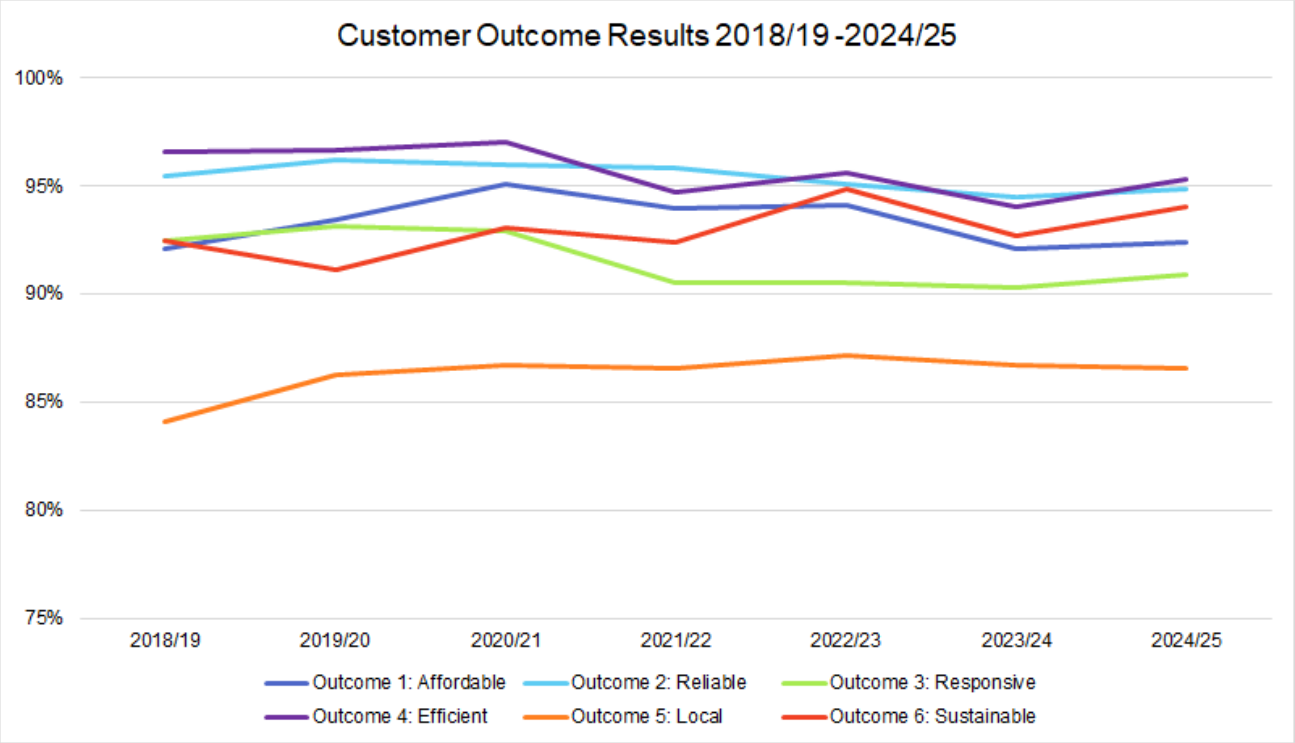
Measure	All 2018-22 results 112 metrics	First half PS4 Sept 2018 to Jan 2022 60 metrics	Second half PS4 June 2022 - June 2025 52 metrics
Average results (NEW compared to Sector	6.6 NEW 6.4 Sector	6.6 NEW 6.5 Sector	6.6 NEW 6.3 Sector
% above or equal to Vic average	80%	75%	88%
Ranking top third	54%	35%	75%
Ranking 1, 2 or 3	22%	10%	40%

The results show a marked improvement over the eight years even with the challenges of Covid, growth, a new billing system and external weather events. On multiple occasions we ranked first or second. Refer supporting analysis (DOC25/30439).

1.3.2 Customer Research Program

To enable comprehensive, consistent and longitudinal measurement of customer sentiment, *newfocus* also undertakes annual surveys for North East Water reaching approximately 2000 customers annually across a range of groups: residential, commercial, major trade waste and developers. The survey approach has remained the same across the current price period to assist us in reviewing any change over time. The results are used for internal and external reporting requirements, to identify opportunities for improvement, and to inform our ESC Outcomes Performance Report and the Corporate Scorecard.

Graph 3 – Key 'Customer Outcome' results for 2024-25



1.4 REMAINING CUSTOMER FOCUSSED OVER 8 YEARS

Across the entire price period, North East Water placed special emphasis on communicating and engaging with our customers, community and key stakeholders to ensure openness and transparency about our performance, to better understand what was important to them and to prepare for our next price plan. Some examples of this are featured below.

1.4.1 2021 Midpoint Review

ESC engagement

Acknowledging the longer regulatory period, our board remained committed to engaging with our customers and conducted a midpoint review in 2021. The ESC requested that the midpoint review address opportunities with low interest rates on borrowings, falling wholesale energy prices and low wage cost, along with the impacts of climate change. The ESC also understood the difficulty in determining whether the high growth being experienced in the region was short or long term and that to service growth the capital spend would increase. The Commission decided that North East Water was to continue operating under the determination to 30 June 2026; that is, for the full eight-year period as approved at the 2018 water price review. The key reasons for the ESC making this decision are summarised in their comments below.

North East Water is tracking well on its outcome and service commitments. Key outcomes have been delivered despite unexpected changes in its operating environment (noted below). As outlined in its outcome reporting to the commission, North East Water has met the commitments it set for itself in relation to affordable prices, reliability and responsive services.

North East Water's financial position remains strong. While North East Water's expenditure is higher than expected (mainly needed to respond to unexpected strong population growth in its region, and the response to bushfires), revenues are also higher. Key indicators of its financial position including interest cover, remain strong. The financial indicators demonstrate North East Water's capacity to fund its revised works program without a substantial impact on its financial viability.

Conditions have changed markedly since North East Water's 2018 determination, but key outcomes continue to be delivered, and the business is managing this within its current prices. Since the determination, North East Water has faced significant challenges. Nevertheless, North East Water notes a key finding of its recent engagement is that customers are satisfied with its performance and customer outcome priorities.

Midpoint customer engagement

From March to May 2021, North East Water consulted the community about its Price Determination Midpoint Review and Urban Water Strategy 2022. The engagement program included an online survey with 106 respondents, workshops with 27 participants across five communities and an independently facilitated day long forum with 28 participants.

Through this process customer feedback was sought on our Customer Outcomes framework, performance against our outcomes, planning for growth and infrastructure, water security and supporting disadvantaged customers.

There was clear support for North East Water to move forward on infrastructure in anticipation of continued growth and customers expressed their willingness to pay more for increases in security of supply and maintaining of service levels (the forum indicated support for an increase to their annual water bill of up to $50 if it underpinned a preparedness for growth in the future).

Though North East Water has always had a proactive hardship program to protect the most vulnerable customers, the pandemic (and the 2019-20 bushfires) saw a rise in customers seeking financial support for the first time. Recognising the increase in financial hardship, there was overwhelming support to growing current services equivalent to approximately $2 per year per customer. There was, however, the proviso that the uptake was monitored and that the need was real.

Midpoint stakeholder engagement

Given the extended regulatory period, and in line with the regulator's expectations, it was important that North East Water meet with its key stakeholders to gauge their level of comfort with North East Water's operating performance, and their level of support for the corporation to continue its eight-year determination. It also afforded us the opportunity to seek insights into any proposed strategic changes in their own environments that may impact over the eight-year period. Our board met with the ESC, Department of Environment, Land, Water and Planning, the Department of Health, and the Environment Protection Authority to discuss North East Water's midpoint review and the anticipated challenges for the remainder of the regulatory period.

Strengthened customer research program

Our customer research program has been ongoing for over 10 years and demonstrates the strong, relationship we have with customers. In 2018, we aligned the program with our 2018-26 customer outcomes and outputs, increasing the number of people we surveyed by 800, to a total of 2000 per year. We have been measuring the corporation's performance in delivering upon its outcomes to customers, with the data from the survey not only informing our regulatory reporting but also providing good evidence of customer values. The survey results, which are reported to the board and executive, have also:

- Helped guide us to continually improve our services for our customers.
- Provided inputs into key PS5 foundational documents such as Strategy 2040 and the Customer Care Fair Practice Plan
- Informed the development of this price submission

1.4.2 Ongoing key stakeholder engagement throughout PS4

Throughout PS4 our board regularly led engagement with regional leaders and key stakeholders inviting them to share their priorities and challenges and discuss opportunities to collaborate.

We also shared with them transparently how the corporation was responding to the major challenges of ageing infrastructure, growth, environmental compliance, water security, climate change and more. We had Ministerial visits, Strategic Partners' Days, roundtable discussions, workshops and more.

Other examples of how we stayed customer focussed through the 2018-2026 price period were, we:

- Established a Customer and Community Advisory Group to seek feedback, share ideas and represent community interest on customer issues, services, prices, major projects, customer experience, environmental issues, climate change and sustainability, policies and strategies.
- Engaged with and built relationships with the Traditional Owner and First Nations communities to understand what was important to them.
- Engaged with 15 customers with lived experience of vulnerability and 21 customer support. agencies to understand what was important to them and how we might improve our support.
- Commenced biannual forums for developers, consultants and local government professionals.
- Met regularly with our seven local governments to discuss priorities, master planning, capital investments, Strategy 2040 and planning for our next price submission.
- Engaged regularly with major customers about their priorities and opportunities for collaboration.
- Built the 'Have Your Say' website to make it easier for customers to engage with us.
- Recorded 20 community webinars on a range of topics that have had a combined 2,186 views.
- Undertook dedicated communication and engagement, including with Traditional Owners, for key capital projects (i.e. Mt Beauty raw water offtake, Bright upgrade, West Wodonga upgrade).

Feedback from these planned engagements informed the development of our corporate Strategy 2040 and became the foundations of our draft price submission, informing our targeted engagement plan which is outlined in detail in Part Two of this submission.

1.5 MANAGING OPERATIONAL EXPENDITURE

1.5.1 Operating allowances in 2018-26

The 2018 ESC price determination approved a total of $411.1 million operating expenditure allowance across the 2018-26 period (refer Table 4). Over the eight-year period, we have worked hard through transformation and efficiency programs to responsibly manage our expenditure in a significantly changed operating environment. This has enabled us to contain our controllable operating expenditure above the allowance to 15.4% or $57.8 million. This is equivalent to a 1.9% average above benchmark per year.

In 2022 we introduced 'Project $1 Million' to identify a minimum of $1 million in operational efficiencies. This was increased to $1.13 million in 2024-25. This measure is included in our Board Corporate Scorecard, promoting a culture of finding efficiencies in the way we work. Following this initiative our controllable opex per connection has reduced in the last 3 financial years from $1,045 per connection in 2022-23 to $1,005 in 2024-25 and is forecast to reduce to $946 by June 2026.

1.5.2 Material variances

Material variances from our 2018-26 price determination included:

- $28.60 million or 15.8% increase in labour costs. Operations labour expected to be $8.4 million or 13% above benchmark. Administrative labour $20.2 million or 17% above benchmark at PS4 end.
- $7.06 million increase or 78% in software license fees associated with upgrades to the cloud for our finance system and the introduction of a new billing system.
- $9.53 million or 30% increase in energy costs following timing changes for two major renewable energy projects at our West Wodonga Wastewater treatment plant.
- $6.60 million or 33% in wastewater and biosolids management costs above benchmark.
- $3.70 million in increased costs for a meter reading contract, meter replacements and an increase in insurance premiums.
- $1.67 million in additional support to customers including with hardship grants and leak rebates.
- With the implementation of the billing system, we saw some initial billing delays greater than 4 months resulting in bill waivers of greater than $0.5 million since the go live date.

Table 4 – Operating expenditure allowance 2018-26 ($2025-26)

Prescribed Operating Expenditure $2025-26	2018-19 $ mill	2019-20 $ mill	2020-21 $ mill	2021-22 $ mill	2022-23 $ mill	2023-24 $ mill	2024-25 $ mill	2025-26 $ mill	Total
2018 Price Determination Benchmark allowance									
Controllable opex	47.47	47.45	46.79	46.06	47.11	46.47	46.59	46.67	374.61
Non-controllable opex	4.53	4.51	4.50	4.50	4.52	4.57	4.64	4.72	36.49
Total Benchmark allowance	**52.00**	**51.96**	**51.30**	**50.56**	**51.64**	**51.04**	**51.23**	**51.39**	**411.10**
2018-19 to 2024-25 Actuals & 2025-26 Forecast									
Controllable opex	48.04	53.26	50.41	52.17	58.14	57.48	57.61	54.99	432.10
Non-controllable opex	4.65	4.69	5.17	5.14	4.84	4.57	4.73	3.99	37.79
Total Actual & Forecast	**52.70**	**57.96**	**55.58**	**57.32**	**62.97**	**62.04**	**62.34**	**58.99**	**469.89**
Variation to benchmark allowance $	**0.69**	**6.00**	**4.28**	**6.76**	**11.34**	**11.00**	**11.11**	**7.60**	**58.79**
Variation to benchmark allowance %	**1.3%**	**11.5%**	**8.4%**	**13.4%**	**22.0%**	**21.6%**	**21.7%**	**14.8%**	**14.3%**
Less non-controllable variances									
Environmental Contribution	-	0.03	0.60	0.63	0.52	0.30	0.39	0.32	2.80
Licence Fees	0.04	0.02	0.03	0.08	- 0.06	- 0.04	0.05	0.03	0.15
External bulk water charges	- 0.02	- 0.01	- 0.10	- 0.14	- 0.24	- 0.35	- 0.43	- 1.14	- 2.43
Other non-controllable	0.11	0.14	0.12	0.07	0.09	0.08	0.08	0.08	0.78
Total non-controllable variances	**0.13**	**0.18**	**0.67**	**0.65**	**0.32**	**- 0.00**	**0.09**	**- 0.72**	**1.30**
Controllable $ variance	**0.57**	**5.82**	**3.62**	**6.12**	**11.02**	**11.01**	**11.02**	**8.32**	**57.49**
Controllable % variance	**1.2%**	**12.3%**	**7.7%**	**13.3%**	**23.4%**	**23.7%**	**23.7%**	**17.8%**	**15.3%**

1.5.3 Labour requirements

North East Water's workforce increased by 17% or 31.26 FTE above the benchmark over the eight-year regulatory period rising from 185.9 full time equivalent (FTE) human resources in 2017-18, to 217.1 FTE in 2024-25.

Table 5 – Summary of FTE increases over the 8-year period

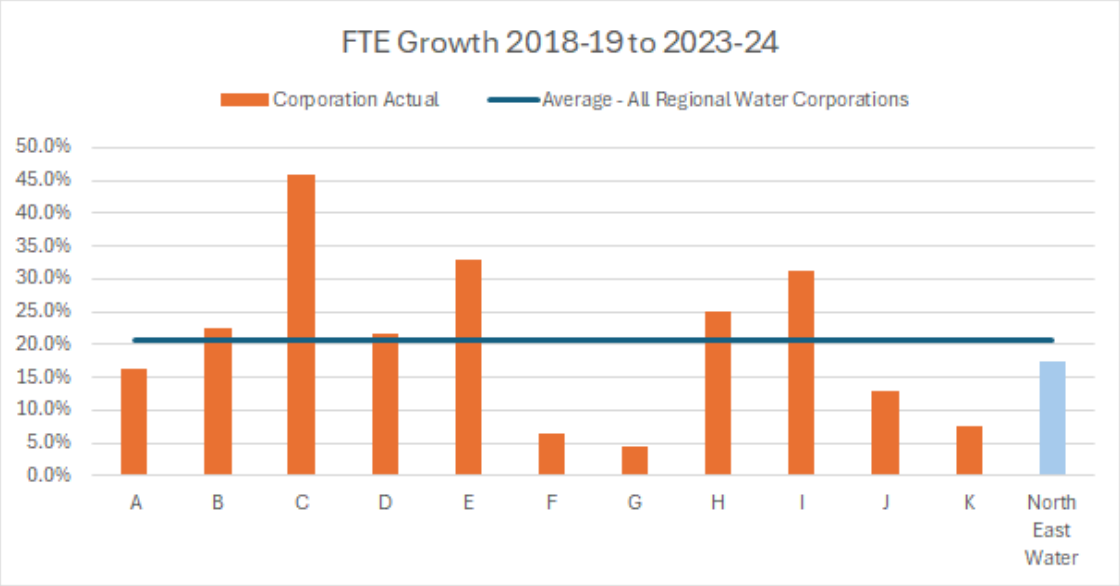
Group / function	Increase	Reason / Benefit
Planning and Infrastructure	+6.9 FTE	To respond to an increased capital expenditure program and strengthening our strategic asset management program in response to benchmarking results.
Operations (outdoor)	+5.09 FTE	To respond to higher than anticipated growth, increased compliance work processes, ageing assets exposed to more frequent climate extremes and the expanding capital program.
Operations admin (indoor)	+2.81 FTE	To respond to higher than anticipated growth, increased regulatory compliance management and reporting, ageing assets exposed to more frequent climate extremes and an expanding asset maintenance inventory.
Customer and Culture	+5.09 FTE	To respond to increased customer workloads resulting from growth above benchmark, new billing system, increased support for vulnerable customers, aged debt. Increased focus on physical and psychological health, safety and wellbeing.
ICT / Digital and Business Transformation	+8.1 FTE	Responding to increased focus on cyber security, security of critical infrastructure, major upgrades (including billing system, TechOne to cloud)
Corporate Strategy and Performance	+1.8 FTE	Responding to increased corporate risk and strategy regulation and reporting (i.e. SOCI, capital procurement, Strategy 2040, PS5 regulation).
Directors	+2 FTE	Appointed by the Minister for Water.

Other	-0.53 FTE	Other FTE movements
Total	+ 31.26 FTE	

For important context, our 2018 price determination did not include any allowance for additional FTE. Instead, North East Water assumed the risk of any additional FTE that might be required over the eight years. Our 2018-26 operating allowance included a growth factor of 1.24% and an efficiency factor of 1.2%. During this period, we have seen actual connection growth exceed our benchmark connection growth resulting in an increase in staff across customer service, property services and operations.

For comparison purposes, average FTE growth for regional urban water corporations for the period 2018-19 to 2023-24 was 20.6% compared to North East Water's FTE growth for the same period of 17.5%.

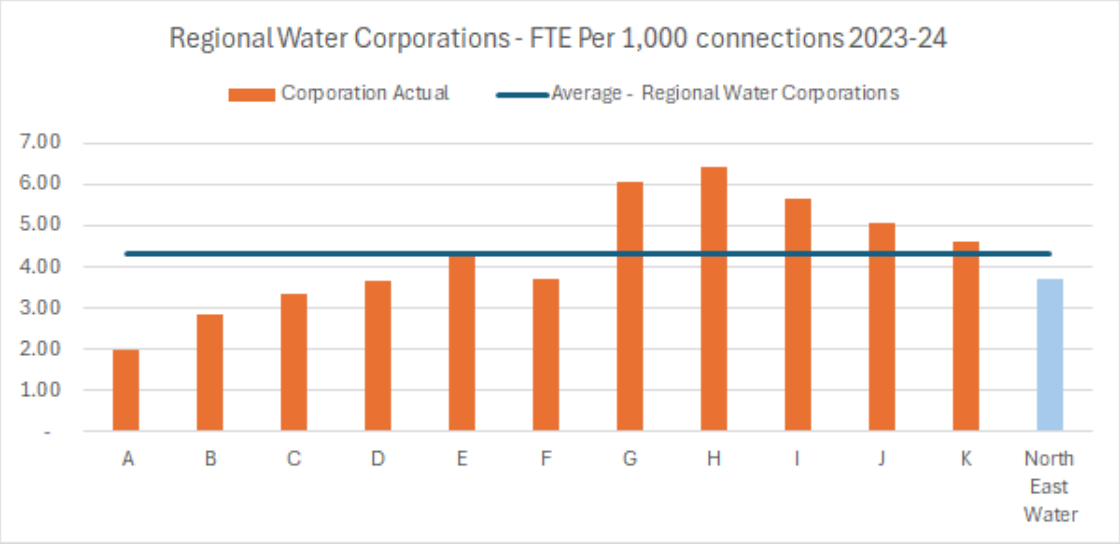
Graph 4 – FTE Growth 2018-19 to 2023-24 (source: Regional Water Corporation Annual reports 2018-19 to 2023-24)



While FTE growth is an important consideration for benchmarking purposes it does not consider the relative size of each business or what the starting FTE position was and what other factors are driving any increases for individual Water Corporations.

FTE per 1,000 connections is provided below and provides a more relative comparison between Water Corporations. North East Water's FTE per 1,000 connections is 3.71 compared to the regional urban average of 4.33 per 1,000 connections.

Graph 5 – FTE per 1,000 connections (source: regional water corporation's Annual Reports)



There were many extraordinary events between 2018 and 2026 that the business could not have expected to have foreseen including the pandemic, La Nina, higher than forecast growth, input and construction costs increases above inflation, skills shortages and new and emerging compliance regulations which were not in place when prices were set.

Throughout this time the safety of our staff and our communities was paramount. We monitored the physical and psychological safety of our staff via many avenues including the annual People Matter Survey, quarterly Pulse Surveys, workforce readiness programs, Corporate Scorecard and safety meetings, and performance data. What was obvious was that from 2020 there was a build-up of additional pressure on our workforce with many employees reporting high workloads and elevated stress as a result of the convergence of unforeseen events and risks in our volatile and changing operating environment.

Among the events that placed unforeseen strain on our human resources were:

- New regulatory obligations which had impacts on resourcing including the EPA General Environmental Duty in 2021, National Cabinet Covid Hardship Principles in 2020, emissions reduction legislation in 2022, increased data and cyber security, security of critical infrastructure compliance, increased procurement requirements, Victorian housing targets and more.
- The 2019-20 Black Summer bushfires which devasted 220,000 hectares across the Upper Murray catchment caused unprecedented water quality issues placing pressure on teams. Blue Green Algae, which attributed to the elevated nutrient levels in the water after the fires, continued across the Northeast catchment for several years requiring increased operational response to treat the impacted source water and undertake ongoing sampling and monitoring.
- The unpredictable global pandemic starting in 2020 created complexities associated with quickly transitioning to remote work for administrative services and managing outdoor operational services to ensure the safety of staff while ensuring no impact to water and wastewater services for our customers. At the same time we were planning for a major billing system upgrade.
- An unexpected by-product of the pandemic was the influx in regional growth. The perfect storm of an economic downturn, comparatively favourable land values, and the viability of working from home has resulted in a spike of residential developments and a quickly exhausted property market. While our major centres of Wodonga, Wangaratta, Benalla and Yarrawonga continued to expand, we also saw higher growth rates in our satellite townships.
- A rare three consecutive years of a La Nina global weather event with record breaking rainfall, storms and floods in our region which placed pressure on our people to manage the impacts on our wastewater systems to reduce and contain environmental non-compliance.

Labour case studies – our response to resourcing pressures

Investing in Our Future Program

In September 2022, as part of our transformation program, we undertook an organisational redesign which saw 11 new FTE roles purposely added to be more efficient and meet critical gaps in compliance in the areas of wastewater management, emissions reduction, procurement, cyber security, planning, capital delivery, digital and data, operations and safety and wellbeing. The development and delivery of North East Water's 'Investing In *Your* Future Leadership Program' in 2024 ensured that our combined Executive, Managers and Coordinators learnt new skills to better equip them to lead their teams into the future. In 2025 we are running the leadership program again – this time for Emerging Leaders. Career Manager, North East Water's performance review and professional development process introduced in 2023, also identifies staff training requirements, capability needs and skill development. Our existing induction program is also being continually updated to ensure foundational contemporary learning. The recent addition of AI modules into the induction program is a good example of this. Additionally, workforce readiness reviews have been conducted in three operational areas to ensure they are resourced and equipped to manage our future state.

Customers and Culture

Post Covid and with the implementation of our new billing system in October 2022 we increased the number of customer contact and support staff from 24 to 29. The additional five were on fixed term contracts to support us through the implementation and post go live period, with these roles ending in December 2024. During this period, we experienced increased customer calls related to bill queries and bills greater than 120 days (as a direct result of the transition to a new system), as well as an increase in aged debt and requests for customer support post-Covid.

Digital Services

Over the eight-year price period, our resources for digital and technology services increased by 8.1 FTE to manage transition to cloud services, the new billing system, compliance with digital data and privacy standards and ensuring physical and online security from cyber threats. We repurposed a number of roles into this team, including creating a new General Manager role to provide senior leadership of this important business function, opportunity and risk.

Operations

In 2022 we undertook an independent review of the structure and performance of our Operations group to ensure it was equipped to meet the challenges of growth, increasing regulation and the impacts of a changing climate. Successive workshops and a time in motion study showed the group required 14 more FTE to provide safe and effective coverage across our 20,000 square kilometre service region and that as a minimum, three new operators were urgently needed for coverage and safety. These three roles were subsequently provided for as part of the organisational redesign in 2022-23 and they were deployed to a new dedicated Mechanical Maintenance team which not only reduced the strain on the outdoor operations staff overall but also lowered the costs of our sewer pump stations from $1.23 million in 2022-23 to $0.95 million in 2024-25. Most notably, the team delivered substantial cost savings across the business by reducing our reliance on external contractors. In the first nine months of the 2023-24 financial year, the team delivered $0.62 million in savings. For 2024-25, this saving was $0.67 million.

A further 2.6 FTE were later added into the reticulation team to bring the total increase for operations to 5.6 FTE (or 8%) in the regulatory period. In parallel, this group underwent its first restructure in 20 years which moved us from having 'generalist teams' to teams with focussed disciplines of water treatment, mechanical wastewater, lagoons wastewater treatment, and reticulation services. This saw a marked improvement in the way we managed our environmental compliance and water treatment.

Enterprise Programs and Procurement

Historically our capital procurement and goods and services procurement functions were in separate parts of the business. In 2023, knowing that our capital program was growing and compliance increasing, we consolidated our procurement functions to achieve economies of scale, increased governance and improved training and compliance. At the same time, we wanted to improve the way we managed major projects. We recruited a new Manager role to lead the consolidation of this vital function establishing the Enterprise Programs and Procurement team and a new EPMO function.

Other impacts to labour budgets

More generally, wage and salary oncosts have also resulted in an increase in our labour expenditure:

- Superannuation guarantee contribution increases from 9.5% in 2018 to 12.0% from 1 July 2025 in line with legislation.
- Workcover insurance on-cost increased from 1.10% ($287k) of salary and wages in 2024-25 to 1.55% ($418k) in 2025-26 in line with an increase in insurance premiums. The 2024-25 premium was $399k
- Payroll Tax increased by 2.21% including additional levies of 0.5% each for the Victorian Government COVID-19 Debt Surcharge and Mental Health Surcharge.

With a larger capital expenditure program, in 2024-25 we moved to capitalise internal project labour which is more reflective of our project costs and consistent with the treatment of consultancy support to deliver our capital expenditure requirements. This reduced the amount of operational expenditure recovered from customers in 2024-25 by $1.075 million.

Table 6 – Labour costs (excludes non-prescribed services) ($2025-26)

$m	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	22.62	22.63	22.64	22.64	22.64	22.65	22.66	22.66	**181.15**
Actual/forecast	23.28	25.41	24.84	25.35	26.65	27.81	27.78	28.63	**209.75**
Variation $	0.65	2.78	2.20	2.70	4.01	5.16	5.12	5.97	**28.60**
Variation %	2.9%	12.3%	9.7%	11.9%	17.7%	22.85	22.6%	26.3%	**15.8%**

1.5.4 Software license fees

Software license fees are expected to be $7.06 million or 78% over expenditure benchmark for the period as outlined in Table 7. These increases are associated with the implementation of a new cloud based billing system in October 2022 and an uplift to the cloud for our financial information system in April 2024. The 2018 submission allowance only provided for a continuation of the software licence fees at the time based on on-premises software solutions for our billing system and finance system.

North East Water utilised Gentrack as its billing system for over 20 years, with the last update installed in 2009. As an unsupported legacy system, it presented a critical risk for the corporation requiring action. Though the software attempted to maintain its currency, it was designed and built at a time when the internet was still in its infancy, social media was still some time off, and smartphones were yet to be designed. The annual licencing costs prior to the upgrade to the new billing system was $114,000.

Following an extensive evaluation process, the Aptumo on Salesforce solution put forward by Echo Managed Services was selected in 2020. Besides the key license fees for the Salesforce and Aptumo system making up 80% of total licence fees, there were a further eight systems requiring integrations which has taken total license fees associated with the billing system to $0.97 million per annum.

In addition, our financial information system was upgraded to the cloud in April 2024. This was required by the vendor to enable continued support and was also required before the move to the new version of the software in 2024-25. Prior to this upgrade the annual license fees were less than $300,000. The move to cloud has more than doubled our annual licence fees.

Table 7 – Actual/forecast software licence costs compared to ESC allowance ($2025-26)

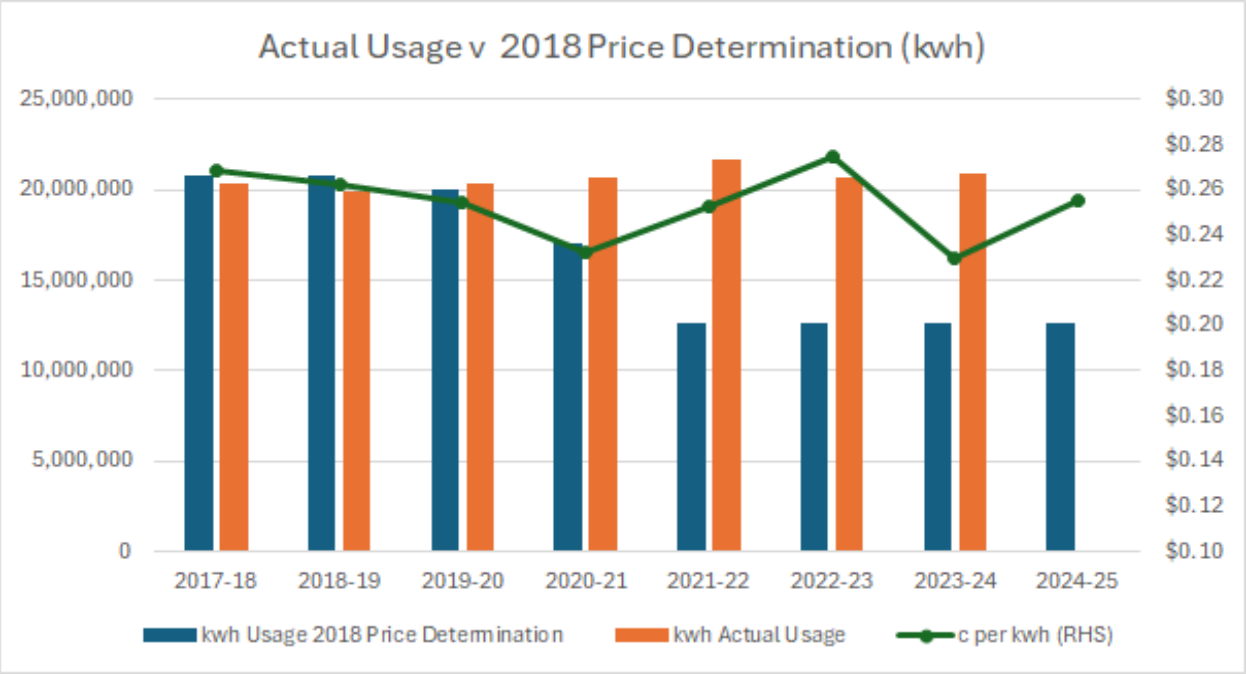
$m	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	**9.12**
Actual/forecast	1.36	1.44	1.40	1.44	2.17	2.77	2.76	2.84	**16.18**
Variation $	**0.22**	**0.30**	**0.26**	**0.30**	**1.03**	**1.63**	**1.62**	**1.70**	**7.06**

1.5.5 Energy

Total grid energy purchases are $8.95 million (or 29%) above benchmark. Our energy forecasts included in the 2018 price submission assumed the West Wodonga wastewater treatment plant (WWTP) capacity and emission upgrade would be commissioned in 2021-22 and reduce our energy consumption by 3,039 MWh per year for the five-year period as shown as the first step change reduction in energy usage in the graph below. Due to timing changes associated with this major project including Ministerial approval, the project will not be commissioned until early 2026 which has resulted in additional grid energy purchases of approximately 13,679 MWh over the 5-year period which would have otherwise been generated onsite and behind the meter.

North East Water also installed a 3MW solar field at its West Wodonga WWTP in 2022-23 which was originally planned for commissioning in 2021-22 shown as the second step reduction in energy usage in the graph below. This project was commissioned in April 2023 and resulted in additional grid energy purchases compared to forecast. Despite this, we have seen a reduction in grid energy purchases of 4,618 MWh over the 2-year period to June 2025 which has enabled us to lower our average total grid energy purchases for the seven years to 20.65 GWh per annum which compares favourably to our 2017-18 base year usage of 20.9 GWH. Despite the delivery of a larger capital program, North East Water has been able to effectively maintain its energy usage without material increases as shown in the graph below.

Graph 6 – Total grid purchased energy usage and cost 2018-19 to 2023-24



North East Water transitioned to the SEC state purchase contract from 1 July 2025 for the purchase of energy which includes the West Wodonga WWTP and other large market sites.

Table 8 – Actual/forecast energy costs compared to ESC allowance ($2025-26)

$m	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	5.42	4.97	4.09	3.11	3.99	3.24	3.24	3.23	31.29
Actual/forecast	5.20	4.97	4.63	5.14	5.90	4.70	5.35	4.36	40.26
Variation $	**(0.22)**	**0.00**	**0.54**	**2.03**	**1.91**	**1.46**	**2.10**	**1.13**	**8.95**

1.6 CAPITAL ALLOWANCE PERFORMANCE (2025-26)

Our ESC capital expenditure allowance was $179.91 million as shown in the table 9 below. We expect actual capital expenditure to be $380.23 million or 111% above the allowance for the 8 years.

As part of our 2018 price submission and due to uncertainty about timing, scope and cost we identified $60.47 million ($2025-26) of ringfenced investments which we would only seek to recover from customers in the next regulatory period should they be incurred. This approach to uncertainty supported our rating of 'Advanced' for the 'Risk' element of PREMO. On review of these projects many have been completed or are underway and scheduled to be completed by 2025-26. Approximately $58.73 million has been spent or will be spent on ringfenced investments by 2025-26.

Table 9 – Capital allowance 2018-26 ($2025-26)

Capital Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Price Determination Allowance	20.36	26.41	28.50	32.28	20.55	19.68	18.16	13.97	179.91
Actual/forecast	17.85	29.56	30.75	50.95*	38.55*	45.53*	81.63*	85.39**	380.23
Variation	(2.51)	3.15	2.25	18.66	18.00	25.85	63.47	71.43	200.32

*Includes SaaS costs for implementation of new billing system and master planning costs from 2022-23 – refer table 10 below

** for the purposes of calculating the RAB and the revenue requirement in the ESC financial template, we are proposing to accept the ESC approved benchmark expenditure of $13.97 million. Our capital expenditure program for 2025-26 is reflecting $85.4 million which is indicative of our actual spend and performance for the 8-year period.

Capitalising expense items

We are proposing to capitalise two significant statutory operating expense items that have been incurred over the current regulatory period. For the customer billing system, $16.24 million of the project total $18.9 million was treated as operating expenditure due to the change in accounting standards during 2021. Traditionally, customisation and implementation costs for IT systems could be capitalised, however this changed in 2021.

For our long-term master planning project initiated in 2022-23, a total of $9.84 million will be incurred over the regulatory period. These infrastructure planning costs are not considered capital in nature for accounting purposes as they are not directly attributable to tangible assets.

From a regulatory perspective, we consider these items to provide long term benefits to our customers and should be accounted for accordingly in this price submission. We propose that both of these items are amortised over a 10-year period.

Both of these projects are detailed below with further information regarding the business need and cost driver behind these.

Table 10 – Capitalisation of operating expenditure ($2025-26)

Capital Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
SaaS Costs (billing system)	-	-	-	13.28	2.95	-	-	-	16.24
Master Planning	-	-	-	-	3.53	4.53	1.49	0.30	9.84
Total	**-**	**-**	**-**	**13.28**	**6.48**	**4.53**	**1.49**	**0.30**	**26.08**

1.6.1 Growth

North East Water's increased capital investment during 2018-2026 was necessary to respond to growth and compliance pressures across the region including from housing targets, increased development activity and feedback from local government, developers, regulators, regional leaders, industry bodies and customers, as evidenced in our engagement.

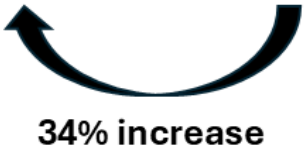
Our PS4 investment provided some capacity in our systems to support the Victorian Housing Targets. Meeting the housing targets will require a 34% increase in the number of new houses built each year to 2051 – over and above the annual average number of lots created from 2019-24 shown below.

Figure 1 – Victorian housing targets for the seven local government areas serviced by NEW

Victorian Housing Targets to 2051

Council	New homes required by 2051	New homes required (average per year)	NEW lots created (yearly average 2019-2024)#
Alpine	1,250	46	55
Benalla	1,700	63	78
Indigo	3,100	115	77
Moira*	4,500	167	177
Towong	550	20	3
Wangaratta	6,000	222	160
Wodonga	15,200	563	341
Total	**32,300**	**1,196**	**890**

*Moira Shire includes growth areas outside of NEW area of operations
Measured as Statement of Compliance issued

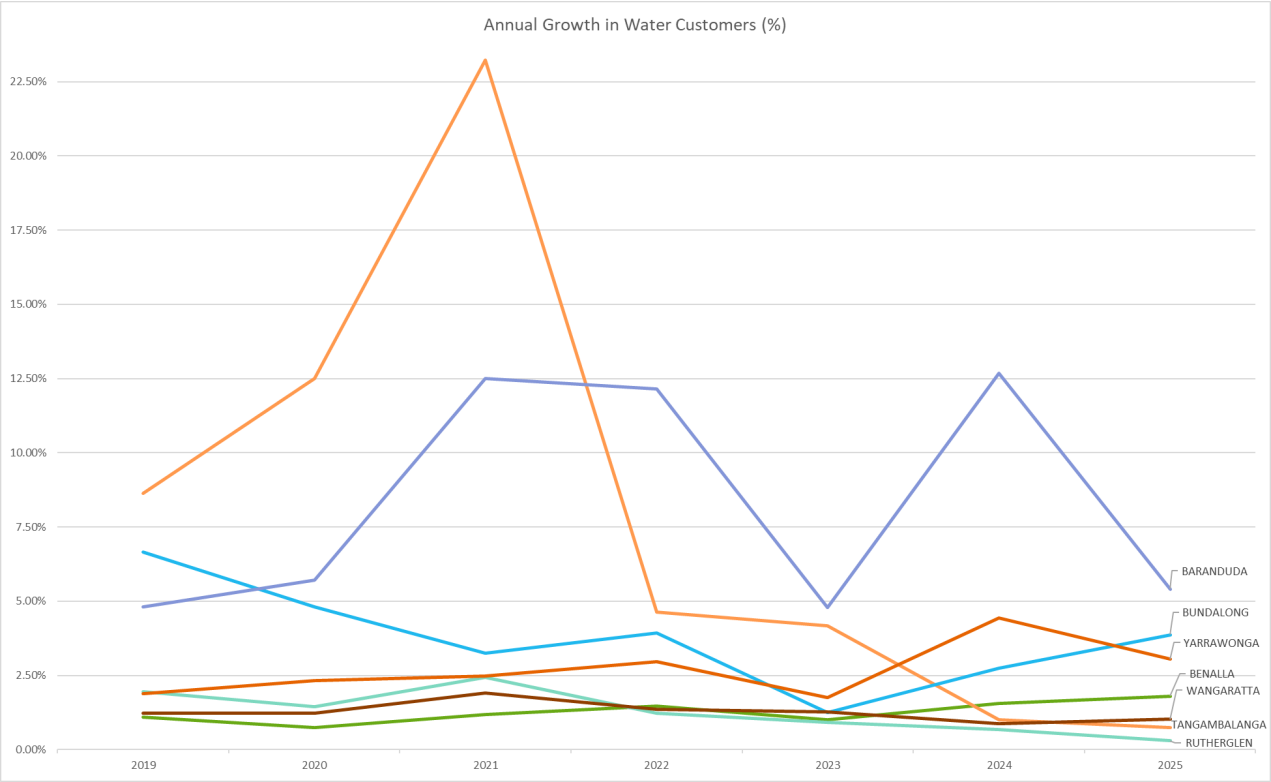


34% increase

During our 2018-26 price period, North East Water experienced an increase in development applications, including a 1.96% increase in new customer connections in 2020-21. While this is a region-wide view, it doesn't tell the full story because:

- 15 of the 39 townships we service experienced annualised growth of more than 1% during the period 2018-19 to 2024-25. Graph 7 shows the annual growth rates across 7 of these townships: Baranduda, Benalla, Bundalong, Rutherglen, Tangambalanga, Wangaratta and Yarrawonga. Local government and developers argue that growth could have been higher in some areas if critical enabling water and waste water infrastructure was available.

Graph 7 – Annual growth in water customers (%)



- Annual growth in Baranduda (Wodonga's major growth corridor) was more than 12% in 2020-21, 2021-22 and 2023-24. Growth slowed to under 5% in 2022-23 and again in 2024-25 with developers and council arguing that a contributing factor is that the critical enabling infrastructure has not kept pace, causing a timing lag. New infrastructure investments are planned for the 2026-2031 price period for the Baranduda Leneva growth corridor which is expected to house up to 6,037 new dwellings in the next 20 years.
- In Benalla growth has remained relatively steady over the period with a low of 0.73% in 2019-20 and a peak of 1.81% in 2024-25.
- In Bundalong and Yarrawonga growth has been relatively strong with peaks up to 6.65%.
- In Rutherglen growth peaked at 2.44% in 2020-21 but has slowed to just 0.30% in 2024-25. North East Water currently has a limit on larger subdivisions in Rutherglen until upgrades are completed at the wastewater treatment plant, after which growth is expected to significantly increase.
- In Tangambalanga, water connection growth peaked at over 23% in 2021 following the completion of major subdivisions but reduced to just 0.74% in 2025. North East Water was unable to approve any further subdivisions because the system was at capacity. The developers and Indigo Shire Council have said they want development to occur. North East Water expects significant growth in connections once the next stages of water and sewer infrastructure are complete.

- In Wangaratta, growth was nearly 2% in 2020-21 but dropped to just under 1% in 2024-25 while developers paused major subdivisions until North East Water's short-medium term infrastructure solutions were constructed allowing development to resume, demonstrating the lead and lag timing for planning and construction of critical infrastructure and connections. North East Water anticipates growth to resume in Wangaratta in line with forecasts.
- In a number of towns where the systems are nearing capacity, we have imposed restrictions on approvals of larger subdivisions, only approving 5 lots or less (and in some cases 2 lots) until our systems are able to accommodate extra connections. Examples of this are Rutherglen-Wahgunyah, Beechworth, Bright-Porepunkah, Mount Beauty, Tawonga and Tawonga South and Yackandandah. Our engagement identified housing shortages as a major issue. We know that water and wastewater infrastructure is critical to maintaining housing supply. In some areas the pace of growth has been impacted by this issue together with market forces.

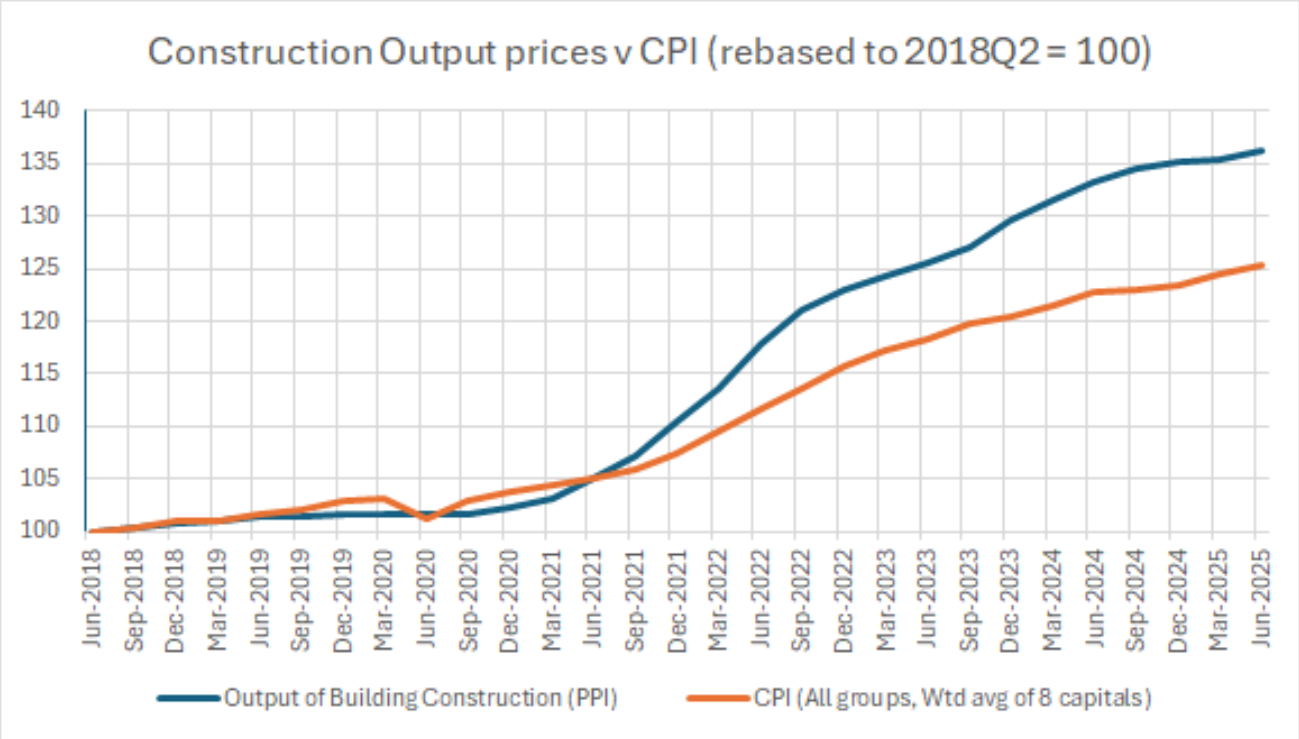
1.6.2 Environmental compliance

Growth impacts combined with recent changes to environmental regulations and drinking water quality guidelines have necessitated a higher-than-forecast capital investment to ensure compliance and safeguard public health. Total compliance and improvement projects were $143.4 million over the eight-year period, compared to the 2018 allowance of $77.6 million. As part of our commitment to providing safe and sustainable drinking water, we have had to allocate additional resources to meet the updated standards. These changes, driven by evolving environmental policies and heightened awareness of water quality issues, require us to invest in advanced treatment technologies, monitoring systems, and infrastructure upgrades.

1.6.3 Other impacts

We have seen an unprecedented increase in construction costs over this period as a result of pandemic related issues and along with limited suppliers in our regional setting that can deliver large projects, has meant that some planned projects have cost more than anticipated and/or have been delayed or deferred. The graph below shows construction cost inflation has generally outpaced CPI inflation over much of the last 5-7 years after the COVID-19 disruption period (supply chain issues, material shortages, labour constraints). Since around 2022-23, inflation in construction costs was very high (double digit in some quarters), much higher than CPI in those same periods.

Graph 8 – Construction output prices v inflation June 2018 - June 2025 (Source - Producer Price Index, Australian Bureau of Statistics)



In some cases where a project was deferred, we have still provided value to the local community by investing in other critical infrastructure in that town that emerged as a greater priority during the price period. Throughout the entire period, customers continued to receive quality and reliable water and wastewater services, and growth was supported in many towns across our region.

Our capital prioritisation is guided by our board-approved capital projects prioritisation process, which scores each project against a range of criteria, and those that score highest deliver maximum value to customers and are scheduled for construction earlier. In developing our prioritisation process we engaged with key stakeholders including the EPA and local government.

1.6.4 Major variations to the capital program

Wodonga Wastewater Treatment Plant (WWTP) capacity and emissions reduction

This project was originally estimated at $13.41 million. After receiving the 2018 price determination however, we were approached by Regional Development Victoria and our major trade waste customers to consider an option to accept additional trade waste loads which could be used as a feedstock to create greater benefits for all parties. We accepted, and as a result, the project scope was expanded to include a significant increase in load capacity that the upgraded wastewater treatment facilities would need to cater for. Also during this time, in 2023, revised Ministerial Statement of Obligations required North East Water to be 100% renewable by 2025 and net zero emissions by 2035. We also had new growth projections for Wodonga showing the municipality projected to double in population by 2050 which would not have been possible with our existing ‘at capacity’ aerobic lagoons. To achieve all these outcomes, covered anaerobic lagoons along with a post anaerobic treatment membrane bioreactor are being built to service the increased trade waste stream, provide additional treatment capacity to maintain compliance with the site’s EPA licence, allow housing growth to 2045 and meet our renewable and emissions regulatory obligations.

The approved Treasury business case of $50.9 million was accepted by the Minister in September 2021. Tendered prices for this project came in $32.48 million higher for a total of $83.38 million. This project is currently under construction and will be completed in the first half of 2026. It is being delivered to the contract budget and schedule.

Table 11 – Wodonga WWTP capacity and emissions reduction (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	0.67	4.96	7.11	0.67	-	-	-	-	13.41
Actual/ Forecast	0.02	0.05	0.37	0.65	0.34	7.28	33.28	37.35	79.35

We are proud that this site is also attracting attention for its proximity to, and the circular economy opportunities with neighbouring industry.

In 2024 we sold a parcel of land adjacent to the WWTP to the Australian Gas Infrastructure Group which is in the process of building Australia's largest renewable hydrogen production facility. Our WWTP upgrade has provided the circular economy foundation for exploring commercial arrangements to provide future recycled water and biomethane to the hydrogen plant, heated recycled water to nearby industry and for us to purchase oxygen for our own aeration processes. Local providers Wodonga TAFE and LaTrobe University are interested in educational opportunities, and we have been working with Duduroa Dhargal Aboriginal Corporation on the cultural heritage precinct. Councils and local Landcare groups are interested in opportunities for this site to potentially house our region's first biochar plant in the future to turn waste into value added products.

Implementation of a new billing system

North East Water utilised Gentrack as its billing system for over 20 years, with the last update installed in 2009. An initial $2.1 million budget was identified as part of the 2013-2018 price period as a prudent and efficient cost signal for customers that a new billing system would be required during the current regulatory period (2018-26). At the time of preparing the Price Submission for the current regulatory period, the total cost of a new billing system could not be accurately forecast as the solution was yet to be identified. Rather than exposing our customers to bill impacts of a circa $10 million estimated project cost, the approach taken was to signal the need and have a future price period reflect the actual cost of this project.

A number of complexities associated with data migration, the number of interfaces required, and the configuration of a new billing engine resulted in a delay in the project go live date. The total project cost, including internal labour, was $18.92 million ($2025-26).

Table 12 – Customer billing system (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	-	-	-	-	-	-	-	-	-
Actual/ Forecast	0.01	0.21	3.80	11.41	3.34	0.14	-	-	18.92

Wangaratta WWTP upgrade stage 1 and 2

This project needed to be completed during the 2018-26 period due to clear evidence of poor asset integrity leading to negative environmental impact. This occurred against the backdrop of changing environmental regulations which hastened the need for this to be addressed. Wangaratta is a priority growth town with a significant housing shortage and this alleviated capacity constraints at the WWTP.

Table 13 – Wangaratta WWTP upgrade stage 1 and 2 (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	-	-	-	-	-	-	-	-	-
Actual/ Forecast	0.18	7.81	1.59	-	-	-	-	-	9.57

Wodonga-Leneva water

The main growth corridor for our region, this high priority growth area is laid out in the Wodonga Council's Leneva and Baranduda Precinct Structure Plan and supports delivery of the Victorian Housing Targets. The 'do nothing' approach was not considered acceptable due to the persistent rate of growth and meeting stakeholders' expectations including state government, council, community and developers who all expect North East Water to continue to invest to support affordable housing development.

Table 14 – Wodonga-Leneva water (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	-	-	-	-	-	-	-	-	-
Actual/ Forecast	-	-	-	-	2.43	0.97	0.43	1.00	4.84

Wodonga Water Treatment Plant (WTP) chemical upgrade

This project includes a chemical systems upgrade at the Wodonga WTP at Huon Hill, our region's largest WTP. Since the 2019-20 bushfires, the catchment water quality has deteriorated and now requires continual powdered activated carbon (PAC) dosing to achieve the target water quality. Along with the PAC, this included aluminium sulphate (alum) and sodium hypochlorite (hypo) storage, transfer, dosing and auxiliary systems. An upgrade of chemical storage and dosing systems was required to replace the existing coagulant system to meet increased water variability due to climate change and to augment the existing PAC facility.

Table 15 – Wodonga WTP chemical upgrade (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	-	-	-	-	-	-	-	-	-
Actual/ Forecast	-	-	-	-	0.08	0.20	2.01	3.00	5.29

Beechworth WWTP upgrade stage 1

The primary driver for this project is the inability to comply with EPA licence requirements. Increases in inflows to the plant in recent years have placed a growing strain on the hydraulic and treatment capacity of the plant which already is unable to treat wastewater to a suitable standard. This increase in flow has further increased odour impact to neighbours, non-routine discharges, and difficulties meeting all performance targets. Improvements to the sewer system which previously resulted in a Pollution Abatement Notice from the EPA for spills into the National Park, have resulted in the increased flows to the plant.

Table 16 – Beechworth WWTP upgrade stage 1 (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	-	-	-	-	-	-	-	-	-
Actual/ Forecast	-	-	-	-	0.27	0.15	0.08	1.14	1.63

Wodonga South Bandiana Sewer Pump Station (SPS)

The existing Whytes Road SPS is already at capacity and cannot meet current or future development needs and therefore a new pump station is required. Albury Wodonga Military Area (AWMA) operated by the Department of Defence is also planning to consolidate military operations at the South Bandiana Barracks which has been flagged as a major development. In 2023, we commenced early engagement with the Department of Defence to discuss their infrastructure contributions for this project. In February 2025 North East Water and Department of Defence executed an Infrastructure Deed which required Defence to pay a contribution amount of $3.43 million on 31 March 2025. In April 2025, the sewer pump station site was acquired from the Bandiana Industrial Estate.

Table 17 – Wodonga South Bandiana SPS (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	-	-	-	-	-	-	-	-	-
Actual/ Forecast	-	-	-	-	0.03	0.37	0.48	4.64	5.52

Master planning and professional engineering services

It became evident during the pandemic that the volume of people moving into the region was placing existing infrastructure assets under stress. A number of systems had reached capacity limits well ahead of previous strategic planning predictions. To facilitate the accelerated growth, a different approach to planning was required that focused on the long-term considerations for uncertainty by enabling complex decision-making though generating infrastructure options (rather than a single static option). Updated master plans were required that documented current system constraints and optimisation opportunities to enable growth and provide system relief.

To meet these objectives from a resourcing perspective, we required additional engineering capability to collaborate on planning, problem definition and solutions. Working alongside our existing in-house resources, we contracted three professional engineering partners (SMEC, Stantec and GHD) over a three-year period. The board's Transformational and Major Projects Committee played a key role in monitoring the status and progress of the PES arrangements as part of its standing agenda. This arrangement helped us prioritise and guide our system plans and capital investment program contributing toward a regional view. Master planning has informed our capital program for this price submission.

Table 18 – Master planning and professional engineering services (millions, $2026)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ESC allowance	-	-	-	-	-	-	-	-	-
Actual/ Forecast	-	-	-	-	3.52	4.53	1.49	0.30	9.84

1.6.5 2018-26 Ring-fenced projects

As part of the PS4 submission, we identified $47 million ($2025-26: $60.5 million) of projects that may be pursued outside the approved capital allowance of $141 million ($2025-26 $179.9 million) but were not priced for customers to pay for. A summary of these projects is provided below:

Table 19 – Summary of ring-fenced projects not priced in PS4($2025-26)

Ring-fenced projects	Identified project expenditure	Actual Expenditure
Water projects	18.15	19.61
Wastewater projects	25.74	31.52
Corporate projects	16.58	7.60
Total	**60.47**	**58.73**

Significant projects that have been completed include:

- Oxley, Moyhu and Walwa clear water storage expansion $4.18 million
- Wodonga Leneva water and wastewater trunk main infrastructure $9.54 million
- Wodonga South Bandiana SPS $5.52 million
- Wangaratta wastewater treatment plant stage 2 upgrade $9.40 million
- Strategic land acquisitions $4.18 million
- Benalla wastewater treatment plant upgrade $2.71 million

1.6.6 Delivery of our top 10 capital projects

The table below shows the status of our top 10 major projects for 2018-26. In summary six projects are complete or scheduled to be completed by June 30, 2026. Of the four projects that were deferred to future price periods, we have invested in other more critical infrastructure priorities in those cities/towns, in most cases more investment than what was originally committed, providing value to those local communities.

Table 20 – Delivery of our top 10 capital projects

Project	Specification	Status
Beechworth wastewater system upgrade	Completed in 2023-24, the Beechworth wastewater system upgrade included the construction of a sewer pump station and 4.3km of transfer, along with an upgrade to the wastewater treatment plant, to improve environmental and public health outcomes.	Completed
Wodonga Wastewater Treatment Plant (WWTP) capacity & emissions reduction	This project entails the expansion of the Wodonga WWTP through the construction of anaerobic/ post anaerobic treatment processes and associated systems to receive trade waste flows. This significant project, being delivered to the contract budget and schedule, is scheduled for completion in 2025-26. It is essential for reducing North East Water's greenhouse gas emissions and increasing capacity to accommodate the rapid housing and industrial growth of the city.	On schedule for completion 2025-26
Wodonga Wastewater Treatment Plant (WWTP) major upgrade	Prior to the WWTP expansion project (above) this project improved the efficiency and performance of the existing plant including improved sludge dewatering, new pump stations, chemical dosing upgrades, UV disinfection upgrades, an electrical works upgrade, security and access improvements, screening and inlet works improvements.	Completed
Region-wide digital business sustainability	A suite of projects was delivered, that was designed to improve the customer experience and automate complex business processes, the largest of which was the implementation of a new billing system.	Completed

Project	Specification	Status
	Completed in 2023, the billing system and related customer relationship platform mitigated a critical risk of a previous legacy billing system and replaced it with modern digital services for our customers. In 2024-25 we also successfully upgraded our TechOne finance system, migrating to the cloud mitigating the risks of an unsupported system going forward.	
Wodonga Wastewater Treatment Plant (WWTP) solar power	Construction of the 3MW solar farm at the Wodonga WWTP was completed in 2023. The 7,000 panels supply approximately 40% of the energy requirements for that WWTP and reduce our emissions by roughly 4,500 tCO2-e. The system includes solar tracking for improved power generation and assists in meeting our statutory commitment to 100% electricity generated by renewables as well as zero net emissions by June 2035.	Completed
Region-wide information and communications technology infrastructure	A range of robust, secure and supported hardware and software upgrades, to ensure continuity of service and a seamless transition for staff working from home.	Completed
Benalla water distribution upgrade	Distribution improvements were initially proposed to improve supply to residential developments in the south and commercial developments to the north of Benalla. As growth slowed in both these areas, the project funding was absorbed into strategic master planning for Benalla to ensure we were planning for the right long-term solutions for the city. Utilising the scoring mechanism of our capital project prioritisation process, the original project remained a low priority and was deferred through the regulatory period. Although the original $4.3M project was deferred, we did undertake other work in Benalla valued at $6.2M (same comments as above), which included renewal of the raw water pipeline, and water network system upgrades at Devenish and Goorambat (both towns within the Benalla LGA).	Deferred
Benalla Wastewater Treatment Plant (WWTP) upgrade	A compliance and capacity upgrade was reprioritised and a fraction of the funding was used for 50-year master planning for Benalla, and utilised to purchase land adjacent to the existing WWTP site. This land will be utilised as part the discharge of treated wastewater to land requirement, and therefore supports the plant's expansion. Stage 1 of the proposed WWTP upgrade is now scheduled to be completed in PS5.	Deferred
Wodonga sewerage transfer capacity	Initially proposed as an upgrade to the pump station and a new rising main, master planning for Wodonga determined this was the sub-optimal solution to address capacity issues. A trunk main bypassing the pump station leading directly to the WWTP has been determined the best option, with work scheduled to begin on this significant project in 2029. A portion of the allocated funds has been used on infrastructure planning and preliminary design for these works.	Deferred
Wangaratta water distribution	This project aimed to improve water distribution by building a new trunk main. Following network master planning, an alternative solution was identified and several distribution network improvements have been completed instead, including a pump station upgrade, main upsizing and main extension. This project has been delivered *in part* and remaining components deferred due to other reprioritised investments in Wangaratta which totalled over $33 million to address critical growth and environmental compliance issues.	Partially delivered

1.7 REVENUE ALLOWANCE FOR 2018-26

The table below shows that we under recovered revenue of $8.25 million or 1.3% for the period.

Table 21 – Revenue Allowances $2025-26

Revenue Requirement	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Price Determination Allowance	76.30	77.20	78.09	79.06	79.87	80.84	81.86	82.81	636.01
Actual/forecast	78.77	77.36	76.25	73.81	75.88	79.98	83.64	82.08	627.76
Variation $	2.47	0.16	(1.84)	(5.24)	(3.99)	(0.85)	1.76	(0.72)	(8.25)
Variation %	3.2%	0.2%	-2.4%	-6.6%	-5.0%	-1.1%	2.2%	(0.9%)	(1.3%)

From a volumetric sales perspective North East Water is expected to over-recover volumetric revenue by $9.9 million or 3% across the regulatory period after a strong water sales year in 2018-19 and again in 2024-25. The 2021-22 and 2022-23 years resulted in significant under recovery due to the extended La Nina period.

From a fixed charges perspective however, we under-recovered revenue of $16.32 million or 6% despite an increase in the number of connections. This was due to the reduction in the cost of debt for the first four years of the PS4 period which saw flat prices in fixed tariffs.

1.8 WHAT WE LEARNED IN PS4 AND APPLIED FOR PS5

North East Water pursued an eight-year price period which provided great price certainty for our customers with annual price increases of 0.45% (plus inflation) with a year-on-year reduction in real operational expenditure profile. Due to our low borrowing position at the time, this has allowed the additional and necessary capital expenditure to support growth and compliance to be financed in the short term.

Reflecting on our performance, a number of material changes have impacted the way we do business, particularly the material increases in costs of construction and increases in stakeholder and customers' expectations which have occurred over the eight-year period. We have reflected on what we have done well and what we could do better**.**

In considering what we have done well, we have delivered our core services with the second lowest regional bill in Victoria, while meeting new or increased regulatory compliance obligations.

We also implemented a significant internal transformation program to structure, support and equip the corporation to manage the challenges and risks of our changing operating environment for both today and the future (see supporting documents – North East Water's Transformation Program).

Despite the many positives, our lessons learned culture shows we can continue to improve in the following areas.

Lesson 1: Invest in infrastructure planning to increase certainty around future capital investment

Prior to and in the early years of PS4, we have been able to, for the most part, facilitate the levels of anticipated growth with available capacity in existing systems and networks. However, during PS4 we began to receive higher numbers of development applications, for example the level of growth-related enquiries in Wodonga-Leneva, Wangaratta and Rutherglen exceeded previous forecasts.

Several projects planned for PS4 increased significantly in scope after the price determination which led to increased capital spend. This was primarily because further project planning, risk and condition assessments and site investigation revealed more challenges than originally anticipated. Or in some cases, a significantly different scope of works (such as upgrading a lagoon to a mechanical plant).

North East Water has learned this lesson and from 2022 invested in master plans for the 15 township systems experiencing growth and compliance issues. These master plans thoroughly assess the existing water and wastewater infrastructure, provide growth forecasts, and lay out staged infrastructure investment options across the next 50 years to service current and future populations as well as meet compliance and service delivery obligations. As part of this we engaged extensively with local government, developers and key regional stakeholders.

Lesson 2: Planning and delivery structure

We also learned that while our original organisational structure prior to 2022 was able to deliver small capital programs, it was not structured, supported or equipped to scale up to a program of $50 to $80 million in any one year. Our engineers were planning, designing and constructing projects all at once. We needed a more advanced structure as well as additional skilled and qualified leaders in key roles.

In response, as part of our transformation program we appointed a new General Manager Planning and Infrastructure and management team with significant experience delivering large capital programs, managing urban growth and engaging with key stakeholders such as local government and developers.

We undertook a workforce readiness program to determine the best structure for the Planning and Infrastructure group and the resources required to build skills and capability. The new structure ensured we had three dedicated teams – Infrastructure Strategy and Planning, Capital Delivery, and Urban Growth. This meant we now have a team doing the strategic planning, approvals and prioritisation well in advance of any given year so that the Capital Delivery team can get on with building the infrastructure, and that we always have projects ready to commence if needed.

Lesson 3: Invest in understanding our asset base to inform targeted renewals and asset management

During PS4 some assets deteriorated to the point where renewals or replacements were required that had not been planned. This accounted for some budget increases in the top 10 projects and the major programs (renewals). Our focus on asset management planning includes:

- Independent expert analysis into our asset management framework and approach
- Industry benchmarking through WSAA Asset Management Customer Value project
- Development of a new Strategic Asset Management Plan with an organisation-wide governance structure to oversee its delivery roadmap
- Development of Asset Class Plans, informed by PARMS modelling (water mains), to inform the quantum of renewals investment and where it’s best targeted within the current asset base.

This more comprehensive approach means that North East Water has a robust proposed investment in renewals for PS5 and will continue to target the renewals that deliver maximum value.

Lesson 4: Strengthen governance oversight to ensure capital projects achieve strategic outcomes

The following improvements in governance and oversight have been put in place to strengthen alignment of the capital projects with the strategic outcomes of the business:

- Stronger governance oversight of capital delivery and assurance for high-value projects
- Benefits realisation
- Continuous learning culture
- Uplift project management capability
- Ongoing review and ownership of the Project Management Framework.

Lesson 5: De-risking procurement and construction contract management

Based on lessons learnt from challenges encountered during PS4, the following has been put in place in the planning and delivery of infrastructure projects to contribute to a positive outcome:

- Preliminary design work is conducted to enhance cross-departmental collaboration and improve outcomes at later project stages
- Extensive stakeholder consultation including finalising regulatory approvals prior to tendering
- Tendering occurs at the functional design stage to reduce uncertainty and prevent delays during detailed design and construction
- Asset condition assessments are thorough, especially for concrete structures, and specifying products in documentation are carefully considered due to potential liability issues
- Robust commissioning planning to support smoother alignment of expectations and increase likelihood of success.

Lesson 6: Delivering major technology projects

We learned that delivering major technology projects, especially the introduction of our new billing system, are very complex, resource intensive and high-risk initiatives. Even with clear outcomes, defined solutions and robust project management there were a number of lessons learned which we have now incorporated into a new corporate lessons learned register. For example, our contingency budget, testing rounds and go live funding for after care support were insufficient.

It would also have been beneficial to have had more senior leadership experience in major technology platforms, stakeholder engagement and contract negotiation from the start. We subsequently appointed a new General Manager Digital and Business Transformation in January 2023 who helped transition the new billing system across our business, reducing errors and improving vendor management as well as overseeing other successful technology projects such as the Technology One and Windows 11 upgrades.

Lesson 7: Post-Covid mindset

We've seen some significant shifts in the way we work post covid, and this is continuing to evolve. At North East Water there has been a greater focus on wellbeing and work life balance. Our employees increasingly expect us to support wellbeing through flexibility, Employee Assistance Programs (EAP), manageable workloads and psychological safety. There has been a real integration between work and life in general. There's also been a heightened expectation of leadership and organisational culture. Staff expect us to proactively address uncertainty. We've also seen a normalisation of digital use, with employees more comfortable using tech tools. With the tight labour market post-Covid, our geographical position in the state, and the ongoing unforeseen events (i.e. fires, Covid, La Nina, growth), North East Water has had to work hard to attract and retain staff through improvements to our culture, systems and processes.

Some of the ways we have done this have been to:

- Appoint a dedicated Wellbeing Officer, Employee Support Officers and a Wellbeing Committee
- Implement a leadership program for all levels of leaders and emerging leaders in 2024-25
- Introduce an ongoing program of 'dynamics' (improving how we work together) and 'mechanics' (what we are doing) to help teams collaborate, set goals and improve how they work together to deliver real and tangible benefits for customers
- Introduce a Career Manager program (for KPIs and professional development) and Ways of Working (WoW) plans for all staff
- Pursue gender equality at all levels of the business and reducing the gender pay gap
- Develop a Belonging Plan promoting diversity, equity and inclusion.

Lesson 8: Environmental compliance

The Operations Workforce Readiness review identified that with the legislative change of the *Environment Protection Act 2017* and the introduction of a General Environmental Duty (GED), stronger preventive processes needed to be put in place. The GED emphasises the preventing of harm to human health and the environment rather than managing after the fact. This requires specialist skills to manage water and wastewater treatment plants, as opposed to staff who maintain and repair our water and wastewater networks.

This improvement along with the introduction of individual site risk management and monitoring plans (RMMPs) for each wastewater treatment plant now aligns with strict procedures in the Australian Drinking Water Guidelines on critical control point limits. These limits are set out in the RMMPs that include appropriate trained and competent staff to respond to these triggers.

The introduction of improved online monitoring in wastewater treatment processes and dedicated staff to respond to limit controls, are now resulting in improved compliance at these sites while informing capital investments into non confirming treatment barriers.

Supporting documents

- DOC25/30188: Growth Update – Board Paper August 2021
- DOC25/30189: North East Water – Midpoint Review
- DOC25/30190: Response from ESC – Midpoint Review
- DOC25/29861: North East Water's Transformation Program Summary
- DOC25/30459: Workforce Readiness Structure Data – Presentation (Operations)
- DOC25/30461: Leadership Program 2024 – Summary
- DOC25/30462: Planning and Infrastructure Workforce Readiness – Final Recommendations – Nov 2024
- DOC25/30439: ESC Customer Perception Survey Analysis
- DOC25/30671: Project $1m – History and Context

Part two — Engagement

HIGHLIGHTS

Key points

2. ENGAGEMENT

Key points

- We have proudly implemented a unique, adaptive and disciplined six-stage engagement program that built on the deep, ongoing engagement we have conducted since 2018.
- We have engaged over 6,800 people, or 12% of our customer base.
- We used universal and inclusive techniques to ensure our engagement activities were accessible to everyone.
- Both our Customer and Community Advisory Group and Critical Friends Group monitored and endorsed our engagement approach.
- Our engagement challenge was *'*Our communities are growing, and our climate is changing. How do we work together to plan for the future so we can continue to provide safe, reliable, sustainable and affordable services for now and generations to come?'
- We gave a deliberative forum a 'collaborate' level of influence on issues of material impact to the corporation, including tariff structure, hardship support, growth and compliance, and water and wastewater systems.
- **We rate our 'Engagement' element of PREMO as 'Advanced'.**

2.1 DEVELOPING OUR ENGAGEMENT PROGRAM

North East Water is committed to listening to and understanding the priorities of our customers and what's important to them.

Our Price Submission 2026 Engagement Plan was designed to 'engage and collaborate with our customers, communities and key stakeholders in meaningful dialogue to ensure their voices are heard and their values and preferences for our water and wastewater services are understood'.

Our six-step engagement framework 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 12% of our customer base. Our engagement was earlier, broader and deeper than our 'Leading' engagement, as assessed by the ESC, for the 2018 price submission.

We specifically sought to engage with customers we don't often hear from, including customers experiencing financial vulnerability and First Nations customers. Our engagement for these groups was tailored to be sensitive and appropriate to their needs. Their views were highlighted in the Engagement Report and shared with the deliberative forum, and we encouraged the forum participants to consider the different customer groups when developing their recommendations.

Our engagement approach was supported by a comprehensive communications plan. We used a variety of communication channels, including social media, bill inserts, webinars and email to extend reach, drive awareness and attract customers and stakeholders to our dedicated online engagement website (Price submission | Have Your Say North East Water) where they were able to find information and updates, nominate for participation in engagement activities and provide feedback.

Our Engagement Plan was reviewed by both the Customer and Community Advisory Group and the Critical Friends Group and approved by our board.

2.2 DESIGNING A UNIVERSAL AND INCLUSIVE ENGAGEMENT PROGRAM

Our engagement program was guided by the ESC's 10 principles for universal consumer engagement.

We engaged early with stakeholders who told us how best to engage the groups they represent. We spoke to 20 customer support agencies representing customers experiencing vulnerability.

We removed barriers to participation and used a range of techniques (both online and face-to-face) to provide all customers with equitable opportunity to engage.

We conducted sensitive and appropriate engagement with our vulnerable and First Nations customers, choosing to meet them one-on-one rather than in groups.

We ensured our engagement reflected community diversity by targeting special customer cohorts for focus groups, hosting pop-up kiosks in 17 towns across our region, and interviewing representatives of the Regional Disability Advocacy Service, Albury Wodonga Ethnic Communities Council and Elders Rights Advocacy in the Activation stage.

Appendix 3 details how we applied the 10 principles to ensure our engagement was universal and inclusive. Our program was also independently reviewed to ensure it met these principles and remained nimble enough to address any shortfalls when they arose.

2.3 CRITICAL FRIENDS GROUP

A Critical Friends Group (CFG) was established during the Activation stage of our engagement program. The purpose of the CFG was to constructively challenge North East Water on the design and implementation of price submission customer engagement activities, and use of customer insights in decision-making; and assure customers, the community, stakeholders and the ESC of the quality of engagement work and integration of customer insights into the pricing proposal.

The members of the CFG were selected for their background and experience in advocacy and support for both the interests of North East Water's customers and their communities, and the sustainability and prosperity of the North East region. Members included a representative of the development community, a local government CEO, a First Nations Elder, the Chair of the Customer and Community Advisory Group, the CEO of a community support agency and the acting CEO of an Aboriginal support agency. The different perspectives of this group ensured that our engagement was inclusive, universal and accessible, and that everyone can have their say.

The CFG met five times to review the engagement plan and comment on its transparency and authenticity. Throughout the engagement program, the group:

- Reviewed each stage of the engagement and provided feedback and advice on the proposed engagement activities and methods
- Provided advice on techniques to boost participation, particularly hard to reach cohorts
- Reviewed the findings of each stage
- Were observers of four out of five days of the deliberative forum
- Endorsed our price submission (see Appendix 7).

2.4 CUSTOMER AND COMMUNITY ADVISORY GROUP

The Customer and Community Advisory Group (CCAG) was established in 2023, during our Build Foundations stage. The group consists of 15 members and meets four times per year.

The purpose of the CCAG is to broadly represent North East Water's customer and community base and provide input to North East Water's strategic planning and delivery of water, wastewater and recycled water services.

The advisory group has provided valuable community insights into our price submission engagement program, including the following:

- Co-designed North East Water's engagement principles
- Reviewed outcomes from the Customer Care Fair Practice Plan engagement program and provided feedback
- Reviewed the Price Submission Engagement Plan and provided feedback
- Provided advice on potential participants and how to engage them
- Reviewed and provided feedback on the Customer Outcomes
- Tested the bill simulator prior to it going live
- Reviewed findings of each stage of the engagement.
- The independent chair observed four out of five days of the deliberative forum
- Endorsed our price submission (see Appendix 7).

2.5 OUR ENGAGEMENT APPROACH

Our engagement has been ongoing since 2018. This continuous engagement journey has ensured that our engagement for the price submission was early, broad and deep.

North East Water has used a multi-stage approach to engagement for our price submission. Each stage informed the next, and the engagement agenda was shaped as the process evolved. This approach ensured that all customers were given a reasonable and fair opportunity to participate, and engagement occurred on matters that customers and other key stakeholders identified as important to them.

2.5.1 Stages of engagement

Stage	Summary
Early Engagement 2018- 2022	Our comprehensive customer research program has been running over 10 years and demonstrates the strong, ongoing relationship we have with our customers. The program is conducted independently by *newfocus* on behalf of North East Water. In **2018** we aligned our research program with the Customer Outcomes and Outputs from price submission 2018-26. We have been measuring the corporation's performance in delivering upon its outcomes to customers, with the data from the survey not only informing our regulatory reporting but also providing good evidence of customer values. We survey approximately 2,000 customers per year and the results are reviewed by the board. In **2021**, we conducted a midpoint review of our current price submission. This included an online survey, five town workshops and a customer forum with 28 participants. During this engagement we tested the Customer Outcomes, reported on our progress against our price submission outcomes and targets, and asked participants how we could do things differently. We also asked participants how North East Water should respond to growth, the level of investment they would support, water security and supporting customers in financial hardship. In **2022**, we commenced a dedicated five-year internal transformation program called 'Investing in Our Future Together' which involved engaging with employees and key stakeholders on the key challenges and opportunities facing customers and the region and structuring, supporting and equipping the organisation to be proactive and solutions focussed to these challenges. Our board held 4 roundtable discussions across the region with key stakeholders and regional leaders to share priorities and challenges and discuss opportunities to collaborate. In addition to the above engagement programs, we also conducted targeted engagement with communities, local governments and developers around capital works projects.

Stage 1: Build Foundations April 2023 – May 2024	We established the Customer and Community Advisory Group, engaged with Traditional Owners and local First Nations groups, commenced developer forums, held key stakeholder meetings and engaged with staff, community and stakeholders for the development of Strategy 2040. Most importantly, we led a considered engagement program with vulnerable customers, customer support agencies and local government development units to discuss opportunities to improve how we support our vulnerable customers. This engagement was deemed an important first step to our dedicated price submission engagement as we recognised the challenges facing our communities and the impact of any proposed price increases. The feedback from this engagement provided evidence to endorse our decision to increase support for customers experiencing financial vulnerability and resulted in the development of the Customer Care Fair Practice Plan, which outlines how we can improve and extend the support we provide.
Stage 2: Activation May – July 2024	We interviewed external (sophisticated) stakeholders to provide an opportunity to influence the form and content of the engagement. A draft organisational engagement agenda was developed at this stage, with input from across the organisation. A Critical Friends Group was also established to review, monitor and provide feedback on North East Water's proposed engagement program.
Stage 3: Exploration July – Sept 2024	We explored customer values and were able to develop a customer agenda of interests, concerns and priorities, using a range of universal and inclusive techniques, including focus groups, online survey and pop-up kiosks across 17 towns. We reviewed over 4,700 responses from customers who participated in our annual customer research program over the past four years. We tested and revised our Customer Outcomes and blended our organisational agenda with the customer agenda to confirm an engagement agenda to take forward into the next stage.
Stage 4: Valuation Sept – Nov 2024	We assessed customer's willingness to pay for the experiences they value in multiple ways, including a (quantitative) bill simulator, (qualitative) priorities survey and focus groups. Three topics were selected to take to the deliberation stage, based on customer interest, organisational interest and high willingness to pay, indicated from the feedback in this stage.
Stage 5: Deliberation Nov 2024 – Apr 2025	We held meetings with Traditional Owners and First Nations customers to understand their views, and surveyed local government, major customers and key stakeholders. Following this engagement, we conducted a deliberative forum over five sessions. North East Water used an independent third-party engagement provider to recruit and facilitate the forum. Participants were asked to consider three topics identified from the previous stages. They were provided with an Engagement Report that included background information and the feedback of the previous stages to enable them to make informed choices around service levels and expenditure priorities.
Stage 6: Confirmation Apr – Aug 2025	We closed the loop with customers to provide assurance that our plans addressed their interests, concerns and priorities. This stage involved a recall day with the deliberative forum, where North East Water demonstrated how we will implement their recommendations. We met with key stakeholders including all seven local governments, Traditional Owners and First Nations customers, the Customer and Community Advisory Group, the CEOs of customer support agencies and business groups to provide an overview of our plans. We provided a 'Customer Summary' to participants of our engagement program, including our Deliberative Forum participants, asking them for feedback. We direct emailed over 2,000 randomly selected customers offering them the opportunity to provide feedback on our draft submission. We conducted a community webinar outlining our proposals. And we ran a traditional and social media campaign to promote the draft price submission to the general public.

The table overleaf provides details on the activities conducted at each stage. Further information is also available in the corresponding stage reports and the PS5 Final Engagement Report (see Supporting Documentation).

Table 22 – Engagement activities by stage

Stage 1: Build Foundations	Stage 2: Activation	Stage 3: Exploration	Stage 4: Valuation	Stage 5: Deliberation	Stage 6: Confirmation
Customer & Community Advisory Group (CCAG) meeting Independent Aboriginal delegate and Elders in Residence appointed Developer Forum x 2 (**66** participants) Regional Leaders Forum x **15** participants Board key stakeholder meetings **x 40 participants** 1:1 Interviews with customers experiencing financial difficulties x **15** Customer support agencies surveys x **12** Workshop with **11** customer support agencies Board roundtable with **7** support agency CEOs Council briefings regular, ongoing x **7 councils** Key stakeholder briefings – Minister (MO), DEECA, ESC, EPA, DoH Key capital project engagement throughout all stages	External Stakeholder Interviews x **10** Internal workshops x **23** participants Critical Friends Group meeting CCAG meeting x **2** NEW Board Workshop NEW Executive Team Workshop Local Government briefings (regular and ongoing) x **7 councils** Key stakeholder briefings – MO, DEECA, ESC, EPA, DoH	Review of Customer Research Program x **4,718** participants Price Submission project webpage launch – **4,100** views Pop Up Kiosks x **17** towns Customer Expectations Survey x **217** respondents Webinar Series – Get to know North East Water – **363** participants: **1,047** on-demand views Focus Groups x **5** (**27** participants) Social media posts x **60** CCAG meeting NEW Board Workshop NEW Executive Team Workshop Local Government briefings (regular and ongoing) x **7 councils** Key stakeholder briefings – MO, DEECA, ESC, EPA, DoH	Bill Simulator x **636** respondents Priorities Survey x **1,140** respondents Focus Groups x **5** (**33** participants) Webinar Series – Regional Master Planning – **60** participants; **700** on demand views Developer Forum – **32** participants Critical Friends Group meeting CCAG meeting NEW Board Workshop Local Government Local Government briefings (regular and ongoing) x **7 councils** Key stakeholder briefings – MO, DEECA, ESC, EPA, DoH	Key Stakeholder Survey – **24** respondents (council, major customers & key stakeholders) 1:1 Interviews with Traditional Owners & First Nations customers x **7** Deliberative Forum x **30** participants (4.5 days) Critical Friends Group meeting CCAG meeting NEW Board Workshop Local Government briefings (regular and ongoing) x **7 councils** Key stakeholder briefings – MO, DEECA, ESC, EPA, DoH	Deliberative Forum Recall Day x **19** participants Developer Forum x **32** participants Critical Friends Group meeting CCAG meeting Meetings with CEOs, customer support agencies x **7** Meetings with Traditional Owners and First Nations customers x **6** Customer Summary emailed to over **2,000** customers Public Consultation period **– 13** respondents Community Webinar – 2 participants; **14** on demand views Local Government briefings (regular and ongoing) x **7 councils** Key stakeholder briefings – MO, DEECA, ESC, EPA, DoH

2.6 WHO WE ENGAGED WITH

In accordance with the ESC's principles of universal and inclusive engagement, we designed our engagement program with all customers in mind, and with enough flexibility to ensure the perspectives, needs and requirements of individuals or groups could be incorporated and addressed.

Throughout the six stages, we engaged with a broad cross section of our community, including:

- Local Governments
- Key regional stakeholders including regional development and business advocacy groups
- Customer support agencies representing vulnerable people
- Customers experiencing vulnerability
- Traditional Owners and First Nations people
- Customer and Community Advisory Group
- Multicultural, elder, disability, women's health, family health and family violence advocacy groups
- Major customers
- Developers
- Younger customers
- Older customers
- Newly arrived customers
- Customers living with a disability
- Renters
- Small and large households
- Small and medium businesses
- Pensioners

We placed an additional focus on inclusive and effective engagement practices that supported the participation of First Nations people and customers experiencing vulnerability.

2.6.1 People experiencing vulnerability

We recognise the importance of engaging with customers whose vulnerability might be compounded as a result of the outcomes of this price submission. Between December 2023 and May 2024, we engaged 15 customers with lived experience of vulnerability, and 20 community support and service agencies, as well as our Customer and Community Advisory Group.

We learned through engagement and research that there are significant differences in population demographics, as well as economic and social indicators, between the north-east communities we serve and broader Victoria.

What we heard

At the board roundtable with support agency CEOs, we heard that the biggest issues and challenges were:

- Housing shortages – a multi-layered challenge that includes the availability and costs of rentals, costs to build new homes, accommodation waitlists, housing in rural areas and lack of sufficient housing stock
- Cost of living – bills, how much people are paying, utility debt, flow on effect to small business and employment security, impacts on children
- Communication and engagement – with vulnerable communities (migrant, disability) about supports available, safe to drink tap water, water and financial literacy levels
- More funding to support people/demand on service provision
- Climate change impacts on low socio-economic communities, increasing frequency of natural disasters
- Family violence impacts.

More generally with customers with lived experience and support agency practitioners we heard that our customers and support agencies like what we do, and like how we do it, but they don't always seek us out in ways that we might expect.

We heard about the impacts of bill shock, digital and financial literacy challenges, isolation and visibility roadblocks, the persistence of family and domestic violence, growing costs of living concerns, housing affordability, homelessness and higher utility debts.

Our agencies told us they want practical actions, plain language reforms, collaboration and data integration that helps people at risk of vulnerability deal with barriers and manage bill pressures.

And we heard from support agencies that people at risk of vulnerability don't always know what support we provide. They want collaboration, communication and connection in an environment where conditions and impacts of daily life are uneven.

Our Customer Care Fair Practice Plan was developed from this engagement and incorporates the feedback we heard from our customers and stakeholders. It aims to ensure our services are safe, inclusive and accessible to customers of all circumstances and abilities, particularly those experiencing vulnerability.

> '… I think it's super important to make sure you're looking after vulnerable customers. …I think it should be a higher priority. Everyone deserves to have the same level of service. If it gets to the point that it's too expensive for some people, then there needs to be a way to manage that so they're still getting what they need water-wise'. ***– First Nations customer***

During the 'close the loop' stage of our engagement, the Managing Director, General Manager Customer and Culture, and Coordinator Customer Care met individually with the seven CEOs or their representatives of support agencies who had attended the original roundtable with the board. The purpose was to share with them the outcomes of our engagement and how what we heard had been incorporated into Strategy 2040, the Customer Care Fair Practice Plan and this Price Submission. We received a very positive response from each of them.

We also heard, for example, from the Albury Wodonga Ethnic Communities Council, that building migrant communities trust in tap water could reduce their reliance on purchasing bottled water, saving them money.

Further detail on the engagement activities conducted can be found in the Customer Care Fair Practice Plan and the PS5 Final Engagement Report.

2.6.2 First Nations people

There are seven Aboriginal communities in our service region, including two Registered Aboriginal Parties – the Yorta Yorta Nation Aboriginal Corporation and Taungurung Land and Waters Council (TLaWC). The communities of Duduroa Dhargal, Dhudhuroa Waywurru, Dalka Warra Mittung, Bangerang and Jaithmathang are also heavily represented in our service region.

North East Water has worked closely with First Nations communities during the regulatory period on a variety of projects. This includes completion of three Reconciliation Actions Plans (RAPs), developing and sponsoring a biennial First Nations Art Prize, delivery of cultural awareness training and providing letters of support to two successful grant applications for Aboriginal Water Policy Officer roles. in our region.

We initiated the now state-wide Independent Aboriginal Board Delegate Program and also appointed two Elders-in-Residence. We engaged with Duduroa Dhargal on the cultural heritage precinct for the West Wodonga wastewater treatment plant upgrade and supported them to pump environmental water into Ryans Lagoon. We also assisted Bangerang to pump environmental water into the Mullinmur Wetland and have engaged with TLaWC on a number of projects including our Bright wastewater treatment plant upgrade under their Land Use Activity Agreement.

As part of our dedicated price submission engagement, we interviewed four customers identifying as Aboriginal or Torres Strait Islander people, two leaders from TLaWC, the Chief Executive Officer and Business Manager from (the Aboriginal Community Controlled Organisation) Albury Wodonga Aboriginal Health Service, the Chief Operating Officer of Junction Support Services' and leading practitioners from the Centre Against Violence.

What we heard

We heard that a higher proportion of First Nations people live in rented housing with traditionally bigger households. We heard that compliance should be a priority to achieve environmental outcomes for Country. They favour infrastructure investment and residential development in larger towns where more families live. They also noted that customer support is critical, and that we need to ensure information on our support options is reaching them.

Traditional Owners and First Nations people want us to invest for the future. They want quality water for communities and improved waterways health and wastewater infrastructure On-Country. They support ways of doing things that build sustainability.

They see measured, reasoned growth that seeds affordability as a way to better housing in communities where they live and work. For those who rent, a higher fixed service charge could help keep bills reasonable, too, especially for bigger households using more water.

They seek a role in knowing and sharing water-wise and bill-saving information, and that customer support is available when it's needed.

During the 'closing the loop' stage, we met with three customers identifying as Aboriginal or Torres Strait Islander people, two leaders from TLaWC and the chief executive and business manager from Albury Wodonga Aboriginal Health Service. We heard support for our price submission particularly our focus on reducing environmental impact and circular economy, balancing investment across both large and small towns, not disadvantaging smaller towns, our proposal to employ an Aboriginal Strategy and Policy Officer, our proposed increased support for vulnerable customers and rebalancing of water variable tariffs.

Regarding the balancing of tariffs an interesting perspective was put forward by an Elder that landlords expect tenants to keep their gardens in good condition which costs tenants money. The landlord will ultimately reap the capital gains of a well-kept property, so it is considered appropriate that they pay a fairer share of the bill.

Another suggestion we heard was could we explore opportunities for cultural water allocations to help reduce bills for First Nations communities. We think this idea has merit and will explore with First Nations people the opportunity in our next price period.

We have received several supportive submissions from Traditional Owner and First Nations groups which can be viewed in Appendix 7.

> 'If we're yarning with someone who understands where we're coming from, that's going to help enormously. It's not just about the bill.' ***– Anne Burns, Taungurung Land and Waters Council***

Appendix 4 provides further detail on our engagement with local government, major customers and key stakeholders. For more information on developer engagement, please go to part 11 - New Customer Contributions.

2.7 HOW WE DECIDED THE TOPICS FOR CUSTOMER ENGAGEMENT

Our six-step engagement framework provided a logical flow for our price submission engagement. Each stage was informed by the previous stage, and the engagement agenda was whittled down as the process evolved.

The Build Foundations stage informed the Activation stage which generated a consolidated list of (internal) topic areas, their size, key questions, and appetite for public participation, known as the organisational engagement agenda.

This process started with a list of 37 items for potential engagement identified by the business through a series of workshops with management. A workshop was then conducted with the Executive Leadership Team (ELT) where they were asked to consider two essential questions:

1. What is the potential impact of this item?
2. How much of a say should customers have on this question?

From here, we were able to consolidate this list down to 23 items prioritised based on their potential bill impact and the organisation's appetite for having customers participate in the decision.

In the Exploration stage, a customer agenda of interests, concerns and priorities was developed, using a range of universal and inclusive techniques. Nineteen customer expectations were identified, and we were able to align these with both our Strategy 2040 ambitions and our Customer Outcomes, which we also tested.

Table 23 – Alignment of Strategy 2040, Customer Outcomes and Expectations

Strategy 2040 Ambition	Customer Outcome	Customer Expectation
Healthy Environment	Sustainable Practices	Be sustainable. This includes waterways AND carbon
		Communicate your sustainability
		Minimise non-revenue water
Thriving Communities	Fair Prices	Be affordable for all
		Prices should reflect quality
		Help customers to monitor their usage
		Prices should incentivise customers to save water
	Reliable Systems	Clean and safe water that looks, tastes and smells great
		Minimise sewer blockages
		Keep the water flowing
		Adequate and consistent water pressure
		Meter readings must be accurate
	Responsive Services	Fix things promptly
		Tell us the progress of fixing interruptions
		Follow up and follow through
		The billing experience must be seamless and easy
Prosperous Region	Local Community	Plan for future growth
		Employ locals
		Communicate plans for the future (mainly how you are enabling growth)

The organisational agenda was then blended with the customer agenda to produce an engagement agenda. This consolidated list of topics was then workshopped with executive to determine which topics to take forward into the Valuation stage.

The key topics listed below were chosen based on their impact on the bill, organisational appetite for customer participation, and customer interest.

- Appropriate pace of growth
- Water system performance
- Wastewater system performance
- Customer experience (digital technologies)
- Fixed: variable balance (tariffs)
- Funding innovation
- Water security
- Vulnerable customer support
- Customer outcomes

We then tested the above topics during the Valuation stage, using a bill simulator, priorities survey and focus groups. We also surveyed local government, key stakeholders and major customers, and met with Traditional Owners and First Nation customers to understand their views. We heard from over 1,800 customers during this stage.

Topics selected for deeper engagement in the Deliberation stage were those that demonstrated high customer interest, organisational interest and/or a high willingness to pay in the feedback from previous stages.

Further information on the key findings can be found in the corresponding stage reports or the PS5 Final Engagement Report (see Supporting Documents).

2.8 THE DELIBERATIVE FORUM

The deepest stage of our engagement was Deliberation. Recruited by our independent third-party engagement provider (Insync) to reflect the diversity of our community, this offered all customers equal access to decision makers and a genuine opportunity to influence outcomes.

We were clear in outlining the challenge we face and sought feedback from the forum to address:

Our communities are growing, and our climate is changing.

How do we work together to plan for the future so we can continue to provide safe, reliable, sustainable and affordable services for now and generations to come?

Our engagement promise to the deliberative forum was: ‘We will incorporate your advice and recommendations into the submission to the maximum extent possible, and we will provide reasons where we are unable to do so.’ (IAP2 Spectrum of Participation – Collaborate).

The topics considered by the forum were those that did the most to answer the overarching challenge. A great deal of pre-work was done to whittle down these issues so that customers effectively shaped the agenda. The criteria were:

- The interests, concerns and priorities of customers
- Topics which were not regulated, so that the amount of the investment by the corporation could change in response to customer preferences
- Issues where the solution wasn’t obvious to the corporation
- Issues where there was a demonstrated customer willingness to pay
- Issues that would have material impact on bills.

The three topics were:

1. How North East Water balances fixed and volumetric charges on bills
2. How North East Water balances investment in growth and compliance with affordability
3. Should North East Water raise, lower or keep our current service standards for water and wastewater systems

Participants of the deliberative forum were provided with a guidebook and an engagement report prior to the first session. The engagement report provided a deeper understanding of customer interests, concerns and priorities (findings from the broader engagement), as well as North East Water's approach to water and sewerage services and was prepared by North East Water and Insync. A bill impact ready reckoner was provided to help participants understand, for a range of revenue requirement, the impact on an average bill for different types of customers. Guest contributors were invited to present to the forum and summaries of engagements with Local Government, major customers, key stakeholders and Traditional Owners and First Nations customers were also provided.

We went to significant effort to be transparent with the deliberative forum about the baseline bill increases we are faced with. Briefings were held all four days that described the price impacts of different decisions on different customer groups (average residential customer, tenants and concession card holders). The cumulative 5-year bill impacts based on the lowest (5.07% year-on-year) and highest (6.3% year-on-year) recommendation scenarios were presented. We wanted to be sure that participants understood the cumulative impact on bills and felt that the best way to achieve this was to demonstrate the increase each year rather than simply providing the percentage increase. Participants were then given an opportunity to modify their recommendations.

Customers in the deliberative forum considered both the economic cost benefit analysis and the financial cost benefit analysis of their recommendations. They were aware that although they would be impacted by the increased bills, they would also benefit from the economic, social and cultural impacts that growth will bring. Overall, customers on the deliberative forum thought broadly for the good of the whole community.

The deliberative forum met five times. For each of the three topics described above, we devised a small number of open-ended questions.

2.8.1 Deliberative forum recommendations

The deliberative forum made 22 recommendations in response. The table below shows these recommendations.

Table 24 – Deliberative forum recommendations

Topic: Tariffs

Question	Recommendation
The fairest balance between fixed and variable costs on bills needs to take many factors into account. What should North East Water prioritise when setting its tariffs?	We support the extra cost for hardship. Proposed hardship increase is implemented.
	We support raising fixed tariffs and decreasing variable tariffs to ensure water security in the face of greater climate volatility, renewal and replacement of infrastructure, and ensuring that the increase considers the needs of all customers including renters, large families and the vulnerable.

How should North East Water address the fact that some customers/towns cost more to service than others?	Maintain 3-tier water tariff structure as is.
	Maintain wastewater tariff structure as is.
	More transparency from North East Water regarding different tariffs for different areas e.g. in the form of a pie chart on the bill and listed on the website with clear links.
We are looking at the appropriate level of support to help our customers experiencing financial difficulty or family violence. What should North East Water consider when providing support to its customers?	Implement the use of technology such as e-meters to assist customers in managing and reducing their use before they need access to the customer support program.
	Continued support and education should be provided for customers in accessing the customer support services provided by North East Water, through relevant and future-identified channels.
	Additional funding towards the customer support program at approximately double the current capacity should be factored into costs and should be included with the breakdown of the bill.

Topic: Growth and compliance

Question	Recommendation
How should North East Water balance growth, compliance and affordability to be fair to current and future customers?	Increase customer bills to support capital investment, between 4.92% to 5.87% representing a $250-$300 million investment.
	North East Water will continue to actively negotiate with developers to ensure fair contributions are paid to support growth and development.
What factors should North East Water consider when deciding where to provide new water and wastewater services, so that new houses and industry can be built?	Investigate locational-based new customer contributions, and take into account geographical and environmental constraints, as well as community considerations. North East Water considers the needs of smaller communities as well as the financial benefit in growth corridors.

Topic: Water and wastewater Systems

Question	Recommendation
Customers tend to prefer fewer outages, planned rather than unplanned outages, quick response and a quick resumption of service. Customers also want affordable bills. Considering the needs of future as well as current customers, which customer preferences should we prioritise when we plan our services?	Priority 1 category: That this level remains the same.
	Priority 2 category: That rectification times are improved by 10% reduction each successive year. That response time is increased from time of fault registration to be within a 60-minute target.
	Priority 3 category: That response time changes to 480 minutes from time of registered fault. That rectification time changes to 80% completion within two weeks, balance with three weeks

The reliability of our water system is a result of how much money we invest in it. Balancing human, environmental and cost considerations, should North East Water raise, lower or keep the current service standards?	Refer to Topic Question #1 *(above)* (previous recommendation for Topic Question #2a deleted due to duplication).
The reliability of our wastewater system is a result of how much money we invest in it. Balancing human, environmental and cost considerations, should North East Water raise, lower or keep the current service standards?	That the service standard #16 [average time taken to attend sewer spills and blockages] target time from fault registration is increased to 60 minutes.
	That the service standard #17 [average time taken to rectify a sewer blockage] target time from fault registration is increased to 150 minutes.
	That service standards #15 [sewer blockages per 100kms], #18 [sewer spills contained within five hours] and #19 [customers receiving more than three sewer blockages in the year] remain the same.
	That capital expenditure is prioritised by greatest need over the next 5-years.
How should we communicate with affected customers during outages?	SMS for planned and unplanned outages, based on response times with regular updates.
	Continue signage at current levels in affected areas. Refer customers to website regarding current outages.
	Review definition of 'vulnerable' with Critical Friends' Group or appropriate experts.
	North East Water should review the cost benefit of extended support hours.

2.8.2 Deliberative forum 'Recall Day'

We reconvened the deliberative forum participants for a recall day in June 2025. Here, we demonstrated how we will implement their recommendations to the maximum extent possible. Our full responses to the recommendations can be found in Appendix 6.

There were two recommendations we were only able to partially implement. At the recall day, we provided detailed explanations as to why we were unable to implement in full and proposed alternative solutions to ensure that the intent of the recommendation remained. The two recommendations we can partially implement are:

- *Priority 2 category: That rectification times are improved by 10% reduction each successive year. That response time is increased from time of fault registration to be within a 60-minute target.*
- *SMS for planned and unplanned outages, based on response times with regular updates.*

At the recall day, all participants in attendance agreed that North East Water had kept its promise to incorporate their advice and recommendations into the submission to the maximum extent possible and provided reasons where we are unable to do so.

Further information on the deliberative forum, including composition, the engagement process and overview of the proceedings can be found in the Deliberation Outcomes Report and Recall Day Summary Report.

2.9 WHAT OUR CUSTOMERS TOLD US

In addition to the recommendations from the deliberative forum, we have summarised the key themes we heard throughout the engagement and aligned them with our Customer Outcomes (see below).

Table 25 – Key themes from engagement

What we heard: Key Themes	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. *"We want you to have a system that helps people. Having water in your house is important. We expect utilities to look after people who can be a pay check away from being unable to afford their water bill." (Taungurung Lands and Waters Council)*	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. *"Want to reduce the level of impact on the environment. Rainfall is unpredictable." (large household focus group participant)*	Sustainable Practices
• Provide clean, safe water • Ensure there is enough water for the future • Keep the water flowing • Reduce sewer blockages. *"Reliable water and sewerage are very important." (priorities survey respondent)*	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. *"It's better to be preventative. I'd rather fix it now than have to pay way more down the line when it all breaks." (focus group participant)*	Responsive Services
• Employ locals • Plan for growth, but ensure it's done in a sustainable manner • Invest more in infrastructure • Developers should be contributing fairly • Small towns should not be left behind or disadvantaged. *"With any form of growth, someone has to pay. To be able to provide the service of clean, safe water in the long term, we all have to pay." (renter - focus group participant)*	Local Community

More information on how the feedback has influenced our plans can be found in Appendix 5 – How engagement influenced our price submission – The Golden Thread.

2.10 CUSTOMER SENTIMENT

Results from the ESC's customer perception survey and our own annual customer research program shows our customers and community have a high level of trust in us. Refer Part 1 - Performance.

2.11 BOARD ENGAGEMENT

Our board of directors have been active participants in the engagement journey. This includes reviewing and approving the Price Submission 5 Engagement Plan, participating in 5 price submission workshops, receiving regular engagement updates at both the People and Culture Committee and board meetings, observing the deliberative forum, participating in key stakeholder workshops and attending developer forums. They also met with three deliberative forum participants to hear about the deliberative forum process.

Supporting documents

- DOC25/29191: Price Submission 5 Engagement Plan
- DOC25/26429: Build Foundations Stage Report
- DOC25/26431: Activation Briefing Note
- DOC25/26433: Exploration Stage Report
- DOC25/26437: Deliberative Forum Engagement Report January 2025
- DOC25/26448: Deliberation Outcomes Report April 2025
- DOC25/26424: Customer Care Fair Practice Plan
- DOC25/26421: Midpoint Review Final Report (June 2021)
- Stakeholder Feedback Reports:
    - DOC25/26523: Key Stakeholders
    - DOC25/26525: Traditional Owners and First Nations Customers
    - DOC25/26527: Local Government
    - DOC25/26526: Major Customers
- DOC25/26441: Critical Friends Group Terms of Reference and Membership
- DOC25/26457: Recall Day Summary Report
- DOC25/26455: Response to Recommendations
- DOC25/26462: Customer Summary (July 2025)
- DOC25/30432: Price Submission 5 Final Engagement Report (August 2025)

Part three — Outcomes

HIGHLIGHTS

Key points

3. OUTCOMES

Key points

- Five Customer Outcomes shaped and influenced by what we heard in our engagement
- Increase in the number of Outputs from 13 to 17 for PS5
- One additional GSL
- Commitment to annual reporting
- Communicated as part of our Customer Summary during the 'close the loop' stage.
- Support for the outcomes referenced in public submissions.
- **We rate our 'Outcome' element of PREMO as 'Advanced'.**

3.1 CONSIDERING THE VIEWS, CONCERNS AND PRIORITIES OF CUSTOMERS

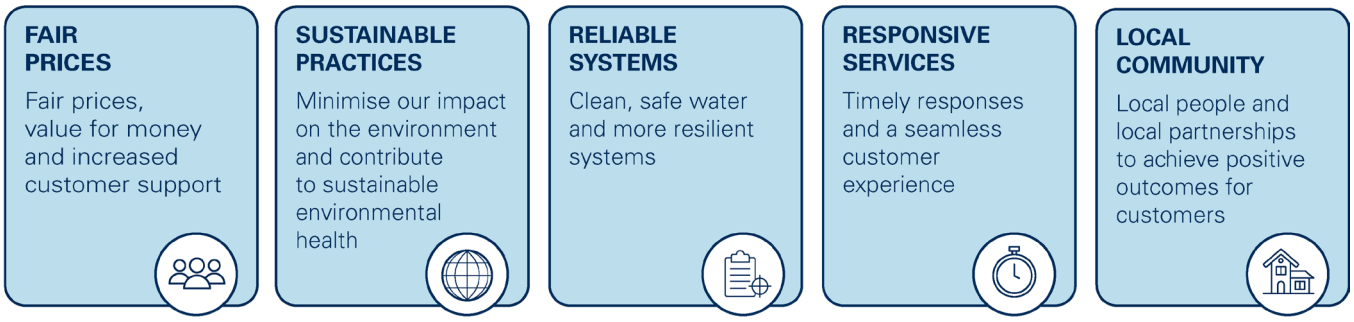
We have been monitoring our Customer Outcomes via our Customer Research Program since 2018. At the commencement of the price submission engagement, we reviewed the last four years of feedback from the program to uncover the extent of support for the current Customer Outcomes and experiences. This review found that the current Outcomes were still strongly supported and required only minor adjustments and confirmation.

We then tested a revised version of the Outcomes with the community in the Exploration stage, via town pop-up visits, an online survey, focus groups and our Customer and Community Advisory Group.

We heard during our earlier engagements that 'Affordable' Prices can mean different things to different people and we tested several versions through this process before ultimately settling on Fair Prices. We also heard that Efficient Systems and the associated description ('improved asset stewardship and continuous improvement') did not resonate with customers and could easily be blended into Reliable Systems or Responsive Services.

We were able to consolidate the feedback we heard to establish five Customer Outcomes and align them with our 19 customer expectations (see engagement chapter). We continued to test these outcomes throughout the remaining stages of the engagement program.

We developed new descriptions for each outcome to reflect the feedback we heard, the customer expectations and Strategy 2040.



3.2 MEASURES OF SUCCESS (OUTPUTS)

Following a review of our 13 customer outputs from 2018, the results of our customer research program and the feedback we heard from our engagement, we have developed a new set of 17 customer outputs and performance targets. 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 that reflect what our customers told us. Appendix 5 shows the alignment between our customer outputs and our engagement.

Our assessment of baseline performance in 2023-24 and 2024-25 shows that customer value will be enhanced by improvements in performance for seven outputs, we will maintain our high levels of performance for six outputs and monitor new levels of performance for the remaining four outputs.

3.3 MONITORING OUR PERFORMANCE AND REPORTING TO OUR CUSTOMERS

North East Water will report performance to our customers using a number of tools.

We will continue to produce an annual customer outcomes performance report and a half-yearly summary in a customer-friendly format. This report, along with the annual ESC Outcomes Report, will be published on our website and promoted via traditional and social media.

For the upcoming price submission period, we will establish a customer panel, which will meet annually to consider our performance against our customer commitments (outcomes).

We will continue to conduct our annual customer research program, which informs a number of the measures in our customer outcomes. Our customer research program has been running for over 10 years and provides important insights into the experiences our customers value and their perceptions of North East Water.

We will build on our engagement approach over the next five years and continue regular meetings and briefings with key stakeholders including local government, developers and major customers. We will engage regularly with customers with 'lived experience of hardship' and customer support agencies to ensure our Customer Care Fair Practice Plan remains relevant and is supporting vulnerable customers. And our Customer and Community Advisory Group, which meets four times per year, will continue to play an important role in providing valuable advice, insights and feedback on North East Water's services, strategies and plans.

Internally, North East Water will produce a quarterly ESC Outcomes Report for the executive and board. In addition to our annual performance reporting, our proposed GSL scheme addresses underperformance by compensating customers (or communities) where service levels are not met.

3.4 OUTCOME: FAIR PRICES

3.4.1 What we heard from our customers

Customers are concerned with the cost of living. They have an expectation that prices should be fair and equitable for all and should reflect quality. They acknowledge the value and importance of our customer support program to assist people who are experiencing financial difficulty and recommend that we build greater awareness and understanding of these initiatives with our customers.

First Nations customers want us to consider the needs of large households that cannot reduce their water usage and customers experiencing financial difficulties would like certainty in their bills.

3.4.2 Key projects and activities proposed

- A commitment to customers is that our average bill will remain on par or below the Victorian regional average for the full five years of this price submission demonstrating fair pricing.
- Rebalance our tariff structure, to reduce the water variable component and increase the fixed component. We propose to implement this gradually, reducing the variable water tariff and increasing the fixed water tariff by 3% each year to a total of 15% at the end of the price period. This will reduce the tariff imbalance for tenants, large households and small businesses, while still providing customers with appropriate price signals as incentives to conserve water. It also provides more secure revenue in a changing climate.
- Increase our customer support program by doubling the financial support available from $200,000 a year to $400,000 a year (total $2 million over 5 years) to ensure there is adequate support available for customers who are experiencing hardship and impacted by our price increases.

- Improve access to our customer support program through a targeted education and communication program.
- Implementation of our Customer Care Fair Practice Plan, focusing on four key objectives to ensure our services are safe, inclusive and accessible to customers of all circumstances and abilities, particularly those experiencing financial hardship. This includes a dedicated safety-by-design program to ensure our policies, systems and processes are designed to protect our customers and community, particularly those at risk of domestic and family violence.
- Engage regularly with customers with 'lived experience of hardship' and customer support agencies to ensure our Customer Care Fair Practice Plan remains relevant and is supporting vulnerable customers.
- Collaborate with Traditional Owners and First Nations communities to explore opportunities to provide bill relief for First Nations customers, including how cultural water allocations may be used.
- Promote tap water as a safe and inexpensive alternative to bottled water to help customers save money and reduce environmental impacts.

Table 26 – Measures of success (outputs) – Fair Prices

Measure	Method	Benchmark results		Targets				
		2023-24	2024-25	2026-27	2027-28	2028-29	2029-30	2030-31
Fair Prices – North East Water's average water bill always remains below or on par with the Victorian water corporation regional average	Avg regional bill	NEW: $1,040 Regional average: $1,217	NEW: $1,080 Regional average: $1,328	≤Avg regional bill	≤Avg regional bill	≤Avg regional bill	≤Avg regional bill	≤Avg regional bill
Customer Support – Customers in the support program who report the program has helped them with payment difficulties (survey response of 'yes' or 'no')	% customers surveyed *(Customer Support Program)*	New	New	≥90%	≥90%	≥90%	≥90%	≥90%
Value for Money – Customers believe they receive value for money from the services North East Water provides (survey response 'very satisfied' and 'satisfied')	% customers surveyed *(Customer Research Program)*	65%	65%	≥70%	≥70%	≥70%	≥70%	≥70%
Customer Support - Percentage of customers surveyed who are aware of our customer support program (survey response 'very satisfied' and 'satisfied')	% customers surveyed *(Customer Research Program)*	79%	79%	>80%	>81%	>82%	>83%	>85%

3.5 OUTCOME: SUSTAINABLE PRACTICES

3.5.1 What we heard from our customers

Customers want us to minimise our impact on the environment, with 64% of respondents in the bill simulator supporting an increase in spending to manage environmental compliance. They understand the impacts of extreme weather events and increasingly variable rainfall. They want us to look after our rivers and consider sustainability in our water and wastewater management practices.

Sustainability and environmental compliance are a priority for our Traditional Owners and First Nations customers. It was also important to Local Government, major customers and key stakeholders.

3.5.2 Key projects and activities proposed

- Upgrades to the Bright Wastewater Treatment Plant's discharge methods to achieve EPA General Environmental Duty compliance ($20.14M)
- Upgrades to the Rutherglen Wastewater Treatment Plant to both address capacity and operational constraints as well as meeting EPA General Environmental Duty compliance ($10.78M)
- Upgrades to the Beechworth Wastewater Treatment Plant's discharge methods to achieve EPA General Environmental Duty compliance ($16.45M)
- Upgrades at the Benalla Wastewater Treatment Plant to achieve EPA General Environmental Duty compliance and support growth ($5.75M)
- Meet our greenhouse gas emissions targets through a portfolio of emission reduction strategies including wind, solar, biogas production, biochar and carbon sequestration
- Continued support for Traditional Owner and First Nations' community environmental water projects for example, Ryans Lagoon and Mullinmur Billabong.
- Commitment to engage with Traditional Owners and First Nations communities on capital projects in their footprint.
- Progress innovative circular economy projects that reduce waste and energy costs, are cost neutral or generate new revenue options to help keep downward pressure on bills such as biosolids to biochar, oxygen reuse, and heat transfer to industry.

Table 27 – Measures of success (outputs) – Sustainable Practices

Measure	Method	Benchmark results		Targets				
		2023-24	2024-25	2026-27	2027-28	2028-29	2029-30	2030-31
Environmental Leadership – number of non-compliances with EPA licence(s).	Number of environmental non-compliances	27	16	≤14	≤13	≤10	≤10	≤9
Smaller footprint – Reducing greenhouse gas emissions to achieve our annual target towards net zero emissions by 2035	Tonnes CO2-e	23,383	19,817	12,000	10,000	10,000	5,000	5,000

3.6 OUTCOME: RELIABLE SYSTEMS

3.6.1 What we heard from our customers

Clean, safe water is a priority for our customers. The reliability of our water and wastewater systems is essential for a thriving community and our customers told us reliability, along with fair prices is the most important outcome to them.

They want us to plan for future growth to ensure we have secure and sustainable water and wastewater services.

3.6.2 Key projects and activities proposed

- Our above and below ground renewals program will continue, with $25.93M spent on wastewater pipelines and a further $26.08M on water pipelines.
- Improved water security and water quality for Yarrawonga with a new clear water storage and upgrade to the water treatment plant ($10.15M)
- Increasing capacity at the Wangaratta Faithfull St Water Treatment Plant to ensure appropriate water security redundancy and reliability is in place ($19.50M)
- Construction of new clear water storage at Porepunkah to increase security of supply for the township
- Installation of ultraviolet treatment technology at Yarrawonga, Yackandandah, Harrietville and Bright water treatment plants to ensure delivery of safe drinking water in the face of growth, climate change and changing catchments ($3.5 million)
- We will increase education and awareness of the role we all play in water conservation and efficiency, especially in towns where water security is a priority
- Our 50-year Urban Water Strategy will be finalised to ensure a reliable water supply for our communities. The strategy identifies potential water shortfalls and explores solutions to meet future demand.
- Continuation of recycled water schemes across our region including Rutherglen, Wodonga, Wangaratta and Corryong.

Table 28 – Measures of success (outputs) – Reliable Systems

Measure	Method	Benchmark results		Targets				
		2023-24	2024-25	2026-27	2027-28	2028-29	2029-30	2030-31
Clean safe water – Boil water notices caused by a failure in our system	Number	0	0	0	0	0	0	0
Clean safe water – number of non-compliances with the Safe Drinking Water Regulations	Number	0	0	0	0	0	0	0
Climate action – Customer satisfaction that NEW is taking steps to ensure we have enough water in the future (Survey	% of survey responses	66%	64%	≥65%	≥65%	≥65%	≥65%	≥65%

response of "very satisfied" and "satisfied")	*(Customer Research Program)*							
Resilient Systems – Number of unplanned water supply interruptions per 100 km	Number per 100km	13	15	≤14	≤14	≤14	≤14	≤14

3.7 OUTCOME: RESPONSIVE SERVICES

3.7.1 What we heard from our customers

Customers told us they expect us to keep the water flowing, fix things promptly and update them during an interruption. They want fewer water interruptions, and to be informed about them beforehand. They prefer planned to unplanned interruptions and want a quick resumption of service.

3.7.2 Key projects and activities proposed

- A new sewer pump station and rising main is required in South Bandiana along with gravity sewer infrastructure to service proposed development needs now and into the future ($5.31M).
- We will continue to review our master planning given Wodonga's population is forecast to double by the year 2060.
- Improve the way we communicate with customers during planned and unplanned water and wastewater interruptions with more up to date projected resumption of service notifications.
- We will place a higher focus on water leaks in the street and improve notification of repairs.
- Implement a 'digital contact centre' to enable customers to interact with us via methods other than phone, such as SMS, email, social media and smart forms.
- A trial to install approximately 2350 digital meters across our network, approximately 4% of our customers, to provide real-time water usage data and improved leak detection capabilities ($0.71M).
- Improve technology for our field teams to allow them faster response to faults and emergencies.
- Implement a customer portal to allow customers to better manage their account and billing data, view water usage, report faults, ask questions and learn about water conservation.
- Make it easier for developers both large and small to do business with us. We'll introduce an online portal to submit and track the progress of applications.
- We'll publish an annual growth servicing plan with the locations and timing of key water and sewer infrastructure and the availability of new connections to our systems. We'll also streamline asset standards and work with larger developers to identify innovative ways to deliver key infrastructure to enable growth.

Table 29 – Measures of success (outputs) – Responsive Services

Measure	Method	Benchmark results		Targets				
		2023-24	2024-25	2026-27	2027-28	2028-29	2029-30	2030-31
Timely responses – Planned and unplanned water supply interruptions restored within 5 hours	% interruptions	95.8%	93.5%	≥98%	≥98%	≥98%	≥98%	≥98%

Seamless customer experience – percentage of customers who believe we are easy to deal with (Service Evaluation Survey respondents)	% of survey responses *(Customer Research Program)*	New	New	≥80%	≥80%	≥80%	≥80%	≥80%
Timely Response – average time to rectify all sewer blockages within 150 minutes.	%	344 mins	128 mins	≤150 mins	≤150 mins	≤150 mins	≤150 mins	≤150 mins
Timely Response – 80% of priority 3 and service connections repairs (water) are completed within 2 weeks, with the balance repaired within 3 weeks	%	95.9%	94.4%	100%	100%	100%	100%	100%
Seamless customer experience – Affected customers receive notification prior to a **planned** interruption via our website and SMS as per our Customer Charter (for customers that have provided these details)	% of customers	New	New	100%	100%	100%	100%	100%

3.8 OUTCOME: LOCAL COMMUNITY

3.8.1 What we heard from our customers

Planning for future growth is a priority for our customers; not only to ensure we have enough water in the future, but also to address the affordable housing shortage in our region. Customers believe growth should be managed in a way that supports both economic development and community values in both large and small towns. There was strong support from customers that developers should be contributing their fair share towards growth.

Key stakeholders want to partner with us to pursue opportunities in circular economy, integrated water management and environmental outcomes, and customer support agencies want to partner with us to achieve positive outcomes for vulnerable customers.

3.8.2 Key projects and activities proposed

- Commencing the upsizing and replacement of the existing West Wodonga transfer main that is at capacity and nearing the end of its service life from the Forrest Mars Avenue sewage pump station to the West Wodonga WWTP. The pipeline is critical to the Wodonga wastewater network, conveying approximately 95% of the region's total wastewater volume ($33.6M). Complete replacement of the main is proposed to be undertaken over three successive price submissions.
- Wodonga-Leneva water and wastewater upgrades to address capacity limitations and mitigate environmental risks within the Wodonga-Leneva water and wastewater network ($27.87M).
- Significant upgrades to the Kiewa-Tangambalanga water and wastewater systems to meet current and future demand ($15.87M)

- Partnering with local government to explore innovative opportunities for a regional waste solution that is cost neutral turning our growing biosolids waste stockpile and council organic waste into a value-add biochar.
- Continued developer and Local Government forums to ensure we maintain a collaborative approach to planning for future growth.
- Increased employment and procurement opportunities for First Nations people including through a new Aboriginal Strategy and Partnerships role and continuing our Elders in Residence and Independent Aboriginal Delegate programs.
- We will also continue our corporate partnership with Kinaway (Victorian Chamber of Commerce for First Nations owned businesses) to identify contracting opportunities within our supply chain for First Nation owned businesses and decrease the challenges faced by these businesses when tendering for government work.
- Provide employment for 227.2 full time equivalent positions across the business (excluding non-executive Directors). This represents an increase of 9.1% or 19 full time positions to manage the increased requirements associated with maintaining service standards, compliance and climate change.

Table 30 – Measures of success (outputs) – Local Community

Measure	Method	Benchmark results		Targets				
		2023-24	2024-25	2026-27	2027-28	2028-29	2029-30	2030-31
Local People – Customer satisfaction with NEW staff local knowledge, employment and location. (Survey response of "very satisfied" or "satisfied")	% of survey responses *(Customer Research Program)*	79.2%	79.0%	≥80%	≥80%	≥80%	≥80%	≥80%
Collaboration – Key stakeholders from local government, customer support agencies and business believe that collaborating with North East Water is achieving positive outcomes for the community	% of survey responses *(sample of stakeholders to be surveyed annually – 'regional stakeholder survey')*	New	New	≥70%	≥72%	≥75%	≥78%	≥80%

3.9 SERVICE STANDARDS

The Deliberative Forum considered the water and sewer service standards on Day 3. Prior to this, we asked the community questions during the Valuation Stage to better understand their expectations on interruptions and spills and their willingness to pay for improved services. This feedback was then passed on to the participants of the deliberative forum to consider during their deliberations.

The deliberative forum made recommendations on eight service standards, seven of which North East Water has committed to implementing in full, and one partial implementation. Participants of the forum believed increasing response times would allow for better planning, which would then flow through to improved rectification times, ultimately leading to better outcomes for customers.

Table 31 – Service Standards 2018-26 performance and 2026-31 targets

Service Standard	Price period 2018-26		Price submission 2026-31				
	Target	Number of years achieved	2026-27	2027-28	2028-29	2029-30	2030-31
Water							
Minimum water pressure or flow rate a customer should receive (kPa or min/L)	10 min/L	7/7	10 min/L	10 min/L	10 min/L	10 min/L	10 min/L
Average time taken to attend bursts and leaks (priority 1) (minutes)	≤30	3/7	≤30	≤30	≤30	≤30	≤30
Average time taken to attend bursts and leaks (priority 2) (minutes)	≤30	4/7	≤60	≤60	≤60	≤60	≤60
Average time taken to attend bursts and leaks (priority 3) (minutes)	≤240	4/7	≤480	≤480	≤480	≤480	≤480
Average duration of unplanned water supply interruptions (minutes)	≤100	3/7	≤100	≤98	≤95	≤93	≤90
Average duration of planned water supply interruptions (minutes)	≤95	5/7	≤95	≤95	≤95	≤95	≤95
Maximum number of unplanned water supply interruptions a customer may experience in any 12-month period	5	7/7	5	5	5	5	5
Sewer							
Average time to attend sewer spills and blockages (minutes)	≤30	0/7	≤60	≤60	≤60	≤60	≤60
Average time to rectify a sewer blockage (minutes)	≤140	3/7	≤150	≤150	≤150	≤150	≤150
Maximum time taken to contain a sewer spill (minutes)	300	1/7	300	300	300	300	300
Maximum number of sewer blockages a customer may experience in any 12-month period	3	4/7	3	3	3	3	3

3.10 GUARANTEED SERVICE LEVELS

Our guaranteed service levels (GSLs) are a mechanism for compensating customers who receive a level of service that does not meet ours and the communities' expectations.

They remain an important way of holding ourselves to account and are a commitment by North East Water to its customers. Customer engagement and feedback throughout our engagement program confirmed that the three existing GSLs remain relevant. We heard that customers:

- Prefer planned to unplanned interruptions and to keep the water flowing. Almost half the bill simulator respondents want us to spend more money to reduce water supply interruptions.
- Expect us to minimise sewer blockages and fix things promptly.
- Want us to support customers experiencing financial hardship.

We will therefore maintain these three GSLs and have adjusted (increased) the payments to reflect movements in the Consumer Price Index since 2018.

Two additional GSLs were proposed to the deliberative forum. The deliberative forum supported the second proposed GSL for when the corporation causes a sewer spill and it is not contained within 5 hours. Participants agreed the payment amount was to be determined by the corporation (up to a maximum of $5,000) and used to support a community catchment improvement project, in the community impacted by the spill.

The first one, fixing priority 3 service connection leaks within 2 weeks of notification, was not supported by the participants of the forum, as it could not adequately be decided on who should receive the payment. Given this was an existing output, participants felt that a GSL was not warranted.

Table 32 – Guaranteed service levels (GSLs) 2026-31

Customer Outcome	Service Area	Proposed guaranteed service level
Reliable Systems	Water supply reliability	If there are more than 5 unplanned water supply interruptions to a customer's property in any 12-month period, we will pay that customer **$65**.
Responsive Services	Sewerage service reliability	If we don't contain a sewer spill in a house within 1 hour of notification (caused by the business or a failure of the business' system), we will pay that customer **$1,275**.
Fair Prices	Payment difficulty information disclosure guarantee	If we restrict the water supply or take legal action against a residential customer prior to making reasonable efforts to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying, we will pay that customer **$385**.
Responsive Services	Sewerage service responsiveness	If we don't contain a sewer spill within 5 hours of notification (caused by an asset failure and reportable to the EPA), we'll make a donation to a community catchment project of up to **$5,000**.[2]

[2] In the community impacted by the spill

Supporting documents

- DOC25/30191: 2024-25 ESC Outcomes report
- DOC25/30192: Price Submission 4 – September 2017
- DOC25/27219: How engagement influenced our Price Submission – The Golden Thread

Part four — Risk

HIGHLIGHTS

Key points

4. RISK

Key points

- Undertaken an extensive risk allocation process with our board and executive to ensure that the party best able to manage risk is allocated to the party best able to absorb risk.
- Key demand risks remain with the Corporation for growth and volumetric sales including the continuation of a price cap
- Higher opex efficiency rate proposed than that used for standard submissions during the 2023 regulatory process
- Increased a more comprehensive set of customer outputs including an additional GSL
- Returning to 5-year regulatory period
- **We rate our 'Risk' element of PREMO as 'Standard'.**

4.1 HOW WE MANAGE RISK FOR CUSTOMERS

Our enterprise risk management framework is consistent with the Australian/New Zealand Risk Management Standard (AS/NZS 31000) and the requirements of the Victorian Government Risk Management Framework (VGRMF). Risk is embedded in the corporation's management and formally communicated through our Risk Management Framework (see supporting documents).

The board's Risk Permissions and the corporation's Mindsets set the tone for the risk culture at North East Water. The board's risk appetite is detailed in the Risk Permissions statements and is reviewed annually by the board's Opportunity and Risk Committee. These statements provide North East Water with the required direction via a five-point scale to inform the business of areas that they can and cannot take risks in order to pursue business objectives at all levels. The board, through the Opportunity and Risk Committee is also responsible for the review of the upper and lower tolerances of our Corporate Level Risks which sit below our Enterprise level risks. Emerging risks are also provided to our board at each meeting.

Our executive meet twice a year to review our corporate level risk ratings, residual risk and existing or required treatment plans. A project risk categorisation is also undertaken for all projects which sets out the required level of project management competency, engagement requirements and the type of risk assessment required.

Other ways we manage risk are:

- Risk is monitored for our major programs of work through our Enterprise Portfolio Management Office (EPMO). Includes Business Transformation, Digital (data and cyber) Strategies, Capital Delivery, Price Submission and Emissions Reduction.
- We manage the risks of climate change through our Climate Adaptation and Resilience Plan (CARP), Urban Water Strategy, and construction of infrastructure to perform under future climate risk.
- Implementation of a Strategic Asset Management Framework including the development of an Asset Management Improvement Plan (Roadmap) following benchmarking of our asset management maturity in 2024.
- We have introduced an All Systems Review process, a master planning program, new Capital Prioritisation Framework, Capital Program Steering Committee and a 'Towns at Capacity' process to manage and monitor the risks associated with growth and compliance.
- We engage regularly with local government and developers to manage risks associated with growth and compliance.
- We developed Strategy 2040 to ensure we manage the risk of future challenges and opportunities.

4.2 HOW WE APPLIED OUR RISK MANAGEMENT FRAMEWORK TO PS5

Strategy 2040 identified the following drivers for change that influence our risk environment:

- Climate volatility
- Population growth
- Customer and community needs and expectations
- Cultural recognition and diversity
- Technology advancement
- Financial sustainability

In developing this price submission, we have made sure that we have assessed the impact of our existing operating environment which has included the costs and benefits of an eight-year regulatory period in our future operating environment.

We undertook a robust process including an executive and a board workshop that assessed the potential impacts of different risk sharing arrangements between customers and the business across various components of the building block or pricing calculations (i.e. demand). This was undertaken with consideration of risks consistent with those outlined in the ESC's Guidance Paper including:

- Inflow risk
- Demand forecasting risk
- Operational risks
- Construction risks
- Regulatory and policy risks
- Financial risks
- Business risks.

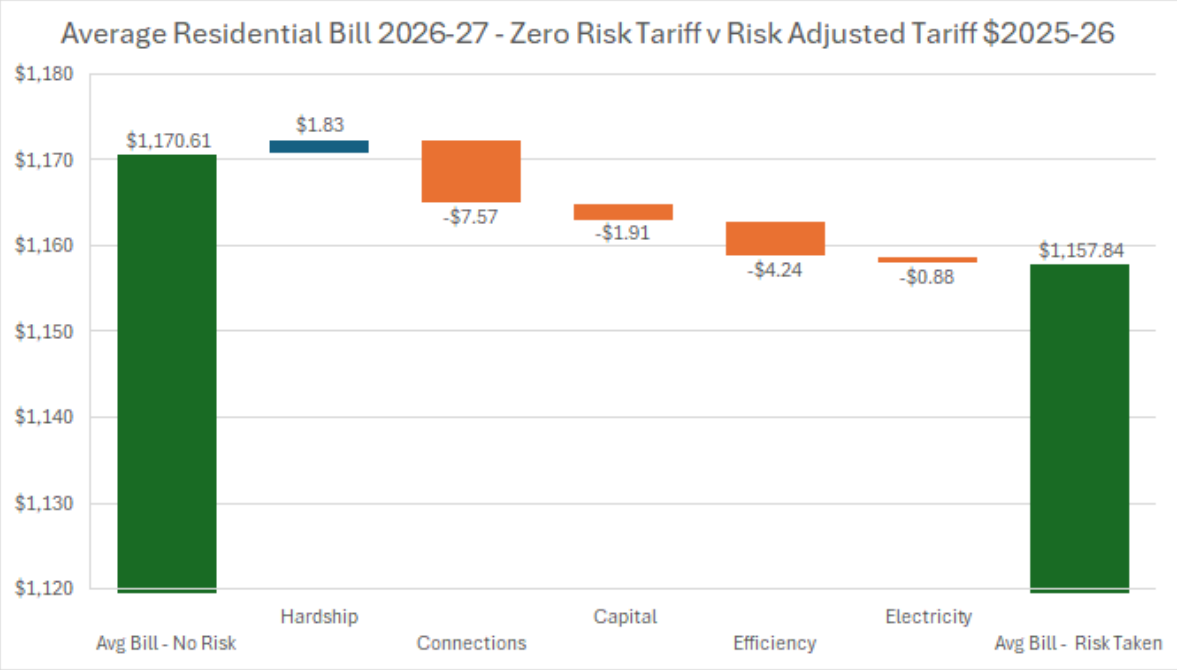
A risk strategy for the price submission was developed by North East Water through the following steps:

- Identifying the risk allocation in the current PS4 period between North East Water and its customers for each element of the risk strategies framework. In other word, are we bearing the risk, are customers bearing the risk or is the risk being shared? This provided a simple qualitative assessment of the current risk profile adopted by North East Water. For example, North East Water's current determination is set for an eight-year regulatory period which means that the business is currently bearing the risk on behalf of customers.
- For each of the framework elements, we identified whether the current risk allocation remained appropriate or needed to be adjusted to reflect engagement with customers and/or our current operating environment.
- North East Water's management and board participated in a several risk trade-off workshops to determine risk appetite for each of the framework elements. The objective was to ensure that there was no inappropriate risk transfer to customer prices. This informed a final position that was used as the basis for identifying the appropriate risk allocation for each of the framework elements and for the development of North East Water's 2026 price submission.

The outcome of this risk assessment is set out in this section, including the impact of our decisions on customer prices.

In assessing key risks, we identified a number of strategic pricing decisions that will provide a fairer outcome in relation to pricing for our customers. The impact of various decisions to ensure a fairer outcome for customers. The results of this including the impact on the average annual residential bill is shown in the graph below.

Graph 9 – Impact of risk and pricing decisions



4.3 OUR SHARING OF RISK

Key risks to customer prices and service levels have been identified for the 2026 regulatory period consistent with the Guidance to ensure risk is not being transferred to customers disproportionately.

4.4 LENGTH OF REGULATORY PERIOD

As part of the 2018 price submission, North East Water carried a greater proportion of risk in relation to the length of the regulatory period. The length of the regulatory period provided longer price certainty for customers, but this also presented challenges associated with maintaining a declining year on year expenditure profile, maintaining the capital expenditure program and being exposed to wet and cool summers and the associated impact on volumetric revenue. We proposed and maintained a price increase of less than 0.45% with no increase in fixed charges until year 5 (2022-23) of the current eight-year period. This provided the price certainty our customers sought and proposed a modest capital program of $146 million.

We were able to absorb the majority of these risks due to the low debt levels (total debt of $21.25 million 1 July 2018) with the ability to also absorb shocks in relation to sales and expenditure profiles. The pandemic could not be foreseen and resulted in material changes to construction, material and chemical costs. This has required us to critically review the length of the proposed regulatory period with a summary of key risks provided below:

- Revenue recovery – Potential under recovery of revenue due to mismatch between demand projections and climate and or customer behaviour.
- Capital delivery – Impact on delivery profile should growth forecasts and compliance requirements change materially, and technology and or customer preference change from that submitted.
- External disruption – Pandemic and change in the administrative environment as a result of changes in policy, government direction or regulation.
- A return to a 5-year period will better protect our customers from price shocks due to any material changes in input costs that can occur over a longer period.

- Out of Step with industry – Although the eight-year period has put us out of step with the water industry, this additional time also provided us with the ability to undertake our master planning process used to inform the capital program.

4.5 DEMAND

In reviewing our demand profile, we have considered our tariff structure (51% of current total bill is variable) and applied a baseline average demand profile scenario. Due to the hotter drier climate of the north east region, North East Water's average residential usage is typically in the top four in the state and for 2023-24 was 194kL per household (compared to the state average of 151kL). Due to extended dry conditions in March and April of 2025 our average residential consumption per household jumped to 211kL which was our highest consumption since 2019-20.

Demand fluctuations occur frequently with two out of five years generally characterised by wet and cool summers. This was evidenced by the La Nina event which started in 2020 and lasted until 2023 resulting in cooler daytime temperatures and summer rainfall above average conditions. Average residential consumption per household dropped to 179 kl and 181 kL for 2021-22 and 2022-23. The volatility of our demand profile means that we will apply the following scenarios.

- We will under recover volumetric revenue should we see wet and cool summers as experienced in 2021-22 and 2022-23.
- Should North East Water over-recover on demand in the first year we will consider a price freeze on the volumetric tariff and/or divert these funds to additional bulk entitlement purchases.

4.6 UNCERTAINTY AROUND MAJOR CAPITAL PROJECTS

Upgrades to the Beechworth and Bright wastewater treatment plants are required to ensure their discharge methods achieve EPA General Environmental Duty compliance. Based on recent consultation with the EPA, there is significant uncertainty as to whether an additional filtration treatment step will be required. This is based on the EPA's current interpretation of relevant legislation in relation to discharging treatment effluent to a nearby waterway.

The cost associated with this risk is estimated to be an additional $1.5M - $4.0M for Beechworth WWTP and $1.0 to $3.5 million for Bright WWTP. Due to the current high level of uncertainty, North East Water has elected not to include this amount in the current project cost estimate.

The Yackandandah Water Treatment plant is not currently included in our price submission. An upgrade is required which is estimated at $3 million. The upgrade involves a tertiary treatment process (DAF – Dissolved Air Floatation) providing additional treatment to treat the wastewater to be able to more reliably meet waterway discharge requirements. The plant experiences high algae loading which places a strain on the plant's treatment capacity due to solids loading and creates taste and odour compounds with the potential to cause aesthetic issues. A concept design was developed in 2025 for interim upgrades to address these issues to ensure suitable plant operation over the next 15 years. The capital cost estimate for this upgrade is $3 million. It is noted that this upgrade will not resolve the water resource constraints associated with the longer-term Yackandandah water supply system. This project is not currently included in PS5.

The Wodonga Wastewater Transfer Capacity stage 1 project is considered critical to the future sustainability of Wodonga and the broader Wodonga Council community, the existing transfer main to the West Wodonga Wastewater Treatment Plant has reached end of life with some sections nearing capacity. This pipeline conveys approximately 95% of the region's total wastewater volume. $33.56 million is forecast for price submission 5, with another $166.44 million forecast across Price Submissions 6 and 7.

Depending on the growth rates occurring in Wodonga, $26.44 million currently earmarked for Price Period 6 (currently allocated in Year 1 of PS6 and part of stage 1 construction for this project) may need to be bought forward. The exclusion of these four projects equates to $1.91 per customer per annum.

In addition to the above projects, North East Water has been working over a number of years with Wangaratta Council and a developer to generate an innovative integrated water management solution to provide public benefit and amenity at the same time as alleviating housing shortage. The proposed solution involves construction of a recycled water plant to service a new housing estate of 250 lots, with spare capacity equivalent to 100 lots, to relieve existing constraints in Wangaratta's sewerage system. This asset once completed will be transferred to North East Water who will also take on the day-to-day operations of this plant.

Recycled water will be used to irrigate the sports fields in the nearby public park precinct, and Cathedral College ovals and school grounds. This will provide public amenity to sports fields that are otherwise irrigated with potable water (in the case of the College) and not irrigated (in the case of the public park). The proposal also includes a solar array to supply energy to the plant, to align with the net zero emissions goals of North East Water.

The planning scheme amendment and subdivision permit application have been recommended by a planning panel, supported by council and submitted to the Minister for approval in mid-2025. There is uncertainty around the timing and outcome of the ministerial approval, therefore there is uncertainty about whether this project will be completed and become operational within the PS5 period. Due to the uncertainty around timing and operational costs North East Water has not proposed to pass on costs to customers for the PS5 period.

4.7 MITIGATING RISKS THROUGH INNOVATIVE BUSINESS PRACTICES

Innovation is one of our key enablers to support our Strategy 2040. We are planning ahead to ensure innovation is leading intergenerational solutions to ageing assets and climate change. North East Water is leading a number of innovative partnership opportunities particularly where we can leverage circular economy opportunities. These opportunities will only be entered into that are aligned to our core business, demonstrate potential to be cost neutral or reduce waste and costs, or result in significant efficiencies.

We will continue to pursue opportunities for grant funding or co-contributions to progress these opportunities. Examples include partnering with local government to progress a biochar trial for a potential regional solution to turning biosolid and organics waste into a valuable product, and collaborating with the Australian Gas Infrastructure Group and local industry to explore circular economy opportunities for recycled water, biogas, oxygen reuse and heat transfer.

We're also advancing Integrated Water Management (IWM) solutions to reduce reliance on climate-dependent sources and boost water security, liveability and environmental health.

4.8 CLIMATE CHANGE

Global temperatures are warming and we're experiencing increased frequency of extreme weather events. The impacts to our region will be felt more acutely ahead particularly with regard to water security, human health and wellbeing, and healthy waterways and Country. North East Water continues to focus on climate mitigation and adaption, delivering tangible results across emissions reductions, renewable energy and climate resilience. Significant reductions in scope 2 emissions have been achieved through the West Wodonga solar farm and a wind power purchase agreement, with North East Water meeting its legislated 100% renewable energy supply target on 1 July 2025.

As part of our commitment to ongoing climate adaption we annually review our Climate Adaption and Resilience Plan (CARP) that is reported through to our board and has a strong focus on drought preparedness. The action plans from the CARP are incorporated into our all systems review for prioritisation into our 5-year capital program. Not all gaps are capital in nature with a process of each gap being identified to be Failsafe (Capital program investment) or Safe to Fail (contingency plan).

If a contingency plan can fill the gap and still deliver our services as per our agreed levels of service then it will have a lower prioritisation score.

Capital expenditure on failsafe projects vary and are dependent on the project. For the **Wodonga Offtake Levee project, completed in 2024-25** added cost to meet climate adaptation risks equated to about 25 cents in the dollar. The cost of the pump station to meet growth demands was $9.4 million with $2.1 million added to the project after updated flood mapping identified that the pump station was in a flood zone. This entire investment is aimed at providing resilience to more extreme rainfall events leading to flooding.

The current upgrade of the **Wodonga Water Treatment Plant chemical dosing system** will improve resilience to blue-green algae outbreaks and post fire water quality impacts, such as elevated iron and manganese levels in the Murray River downstream of the Hume Weir.

The **Porepunkah – Security of Supply** project is also an example of a project identified through the CARP review that exposes the corporation to climate extremes and a possible loss of service. The Porepunkah drinking water network services approximately 1,000 residential customers and is supplied by a 3km transfer pipeline from the nearby township of Bright. The Bright-Porepunkah area is expected to grow significantly over the next 15 years and there is significant tourism during summer when water consumption is at its highest. These is a need to establish additional water storage in order to ensure that supply continues to be maintained during peak consumption periods in the future. A new $2Million clear water storage is planned to be constructed in northern Porepunkah to increase operational storage and ensure that supply to Porepunkah can be maintained if a repair to the transfer main is required.

4.9 CONNECTION GROWTH

Our connection growth rates directly impact on the tariffs customers pay.

We have assumed 1.46% growth for residential and non-residential customers which is higher than the 2018-2026 price period and higher than that forecast used by Victoria in the Future (VIF2023) of approximately 0.85% per annum and taken on the risk that this does not result in a revenue shortfall.

The review of our connection growth has been externally verified in conjunction with our demand forecasts to ensure that we have not applied an overly conservative approach to revenue recovery.

Adopting a higher connection growth forecast results compared to VIF leads to $3.6 million of required revenue that does not have to be recovered from customers over the 5-year period. The tariff impact is $7.57 per customer per annum.

4.10 PRICE CONTROL MECHANISM

We propose to continue with a price cap form of price control which means our customers are not bearing the risk of revenue shortfall during the regulatory period and that this form of price control provides customers with greater price certainty.

4.11 OPERATING EXPENDITURE – ELECTRICITY

We have 56 large market that consume greater than 40 Mega Watt Hours (MWh) annually with total annual consumption of approximately 18,200 MWh. These sites are broken down into three contracts:

- 34 sites are under the electricity State Purchase Contact (SPC) with the SEC from 1 July 2025 to 30 June 2028, including our West Wodonga Wastewater treatment plant which includes a 3MW solar power plant with surplus energy exported under SEC Fixed Prices.
- 22 sites are under contract with Flow Power with the Ararat Wind PPA until December 2027. Similar arrangement forecast from 2028 onwards based on futures pricing.

These sites account for approximately 85% of North East Water's annual electricity usage. We also have 249 small market sites on the SPC with AGL. The major components of these bills are the peak and off-peak bundled energy and network tariffs (all c/kWh), and a daily supply charge.

Expected electricity load growth is an important element in determining future costs. Electricity consumption varies year on year depending on weather conditions. Over the last 12 months the warmer/dryer summer months clearly result in higher consumption with a 20 – 30% increase in overall power usage in these months compared to cooler / wetter months and there has been a steady 1-2% increase each year with a more significant increase in 2024 (factoring in the electricity used behind the meter at West Wodonga from the new solar farm).

We partnered with Smartpower to provide our energy forecasts in relation to the 22 sites under contract with Flow Power which are subject to spot price. Fortunately, in the short term Flowpower have provided certainty over what the market believes prices will be through the ASX (out to 2028) and offers that they observed in real life tenders to 2030.

After 2028 there is significant pricing uncertainty in the market due to the impending retirement of large coal fired generators at that time, and potential delays in large new projects such as Snowy Hydro 2 and Battery of the Nation slated to replace some of the retiring plant.

Post-2030 Smartpower have used Levelised Cost of Electricity (LCOE) data by CSIRO in 'GenCost 2024-25' for new 'variable renewable generation' based on 90% VRE in NEM 2030 of $105.5 per MWh.

Smartpower also applied a 40% capacity factor on top of the CSIRO $105.5 LCOE figure to better reflect what they believe retail prices to end users would be. This also assumes national 2030 target of 82% renewable power is achieved and no Federal or State Government subsidies are applied to redistribute costs from users to taxpayers.

Given the uncertainty of electricity forecasting and in the interest of customers we have elected not to apply the 40% capacity factor in year 5. This will save customers around $400,000 in year 5 or $0.88 per customer per annum.

4.12 CUSTOMERS EXPERIENCING VULNERABILITY

Nearly one third of North East Water customers have an active concession card. In addition, our tenants (approximately 11,700) represent the largest cohort in our debt category of greater than 90 days, so we are acutely aware of the need to increase support to these customers. Our aged debt profile has steadily increased post COVID and so has our need to support vulnerable customers.

The rebalancing of our volumetric and fixed charges will see a reduction in the proposed price increase of 5.25% to just over 2% annual increase for our tenant group. In addition, and consistent with the recommendation from our deliberative forum we are proposing to double our financial support offered to our customers experiencing hardship. The impact on customers is an additional $1.83 per customer per annum.

4.13 EFFICIENCY

We are proposing an efficiency rate of 1.46% which is consistent with our customer growth rate. This equates to a net efficiency of 0.0% which is also consistent with our 2018 submission for the 2018-26 price review. This efficiency rate is above the average rate of 1.17% used for the 2023 price reviews based on a 'Standard' rating. Applying an efficiency rate of 1.17% would result in an additional $2.13 million to be included in our forecast operating expenditure. The total benefit to customers of adopting an efficiency factor equivalent to our growth rate means we are sharing this risk with customers. This equates to a decrease of $4.24 on the average customer bill.

North East Waters net efficiency rate of 0% is higher than all but one of the standard submissions for the 2024-2028 price period as outlined in Table 33.

Table 33 – PREMO net efficiency analysis

Water Corporation	PREMO Rating	Growth	Efficiency	Net Efficiency
Lower Murray Water	Standard	1.1	1.08	-0.03
Central Highlands Water	Standard	2.2	1.00	-1.20
East Gippsland Water	Standard	1.48	1.00	-0.48
Coliban Water	Standard	1.9	1.40	-0.50
Goulburn Valley Water	Standard	1.5	1.00	-0.50
South Gippsland Water	Standard	1.6	1.40	-0.20
Wannon Water	Standard	0.74	1.00	0.26
Westernport Water	Standard	1.92	1.50	-0.50

4.14 OUTPUTS AND GUARANTEED SERVICE LEVELS

We used our customer insights to develop a more comprehensive set of outputs based on what our customers value (see Part 3). This has resulted in an additional four outputs compared to our 2018-2026 price period which includes improvements in performance for a substantial number (compared to recent performance) without imposing further costs to customers meaning we are more accountable than ever before.

Along with our two reliability GSLs around water and sewer and the third with regard to restricting services, our 2026-31 submission also includes one additional GSL.

Sewer spill that is caused by us or our systems not contained within 5 hours of notification.

The new GSL has been introduced at no cost to the customer, and we are assuming the full cost risks associated with not meeting these new GSLs. We estimate based on our performance in the current period that we would see an additional payment up to $5,000 (based on 1 spill) of payments made to customers in the form of new GSLs.

4.15 TAX ALLOWANCE

North East Water is subject to the NTER tax equivalent regime and currently has tax losses of $13 million at 30 June 2025. Under the existing treatment of gifted assets, we could be in a tax payable position by 2030-31. Should this occur we propose to absorb any tax payable and not pass this onto our customers.

Supporting documents

- DOC25/30194: Board Risk Permissions (Tier 1)
- DOC25/30193: Risk Management Framework (Tier 2)
- DOC25/30199: Victoria In Future December 2023 – Total Population

Part five — Management's framework for delivering our best offer

HIGHLIGHTS

Key points

5. MANAGEMENT'S FRAMEWORK FOR DELIVERING OUR BEST OFFER

Key points

- We have committed to a cost efficiency rate of 1.46%, higher than our previous price period and the average 'standard' efficiency rate of 1.17% used in the 2023 price period.
- Maturing capital planning process including all systems reviews and master planning has enabled better understanding of our future capital expenditure needs and has also enabled us to deliver higher levels of capital expenditure.
- A reduction in controllable costs per connection over the regulatory period.
- Introduction of the Enterprise Portfolio Management Office (EPMO) to overseas business critical programs including the price submission with reporting oversight through to the Transformation and Major Projects Committee.
- Monthly engagement with the ESC on key aspects of the submission for over 12 months leading up to the submission ensuring a no surprises approach.
- We will establish a customer panel, which will meet annually to consider our performance against our customer commitments (outcomes).
- A high level of Executive oversight as part of weekly standing Executive Agendas and strong governance oversight by board in relation to key elements of the price submission to enable key decisions
- **We rate our 'Management' element of PREMO as 'Standard'**

5.1 GOOD PRACTICE PROJECT GOVERNANCE AND PLANNING FOR THIS PRICE SUBMISSION

Commencing in 2021 with the mid-point review which identified the need for a larger capital expenditure program to support growth, we have also undertaken the following

- Development of project plan, project team roles and establishment of Project Control Group.
- Monthly board strategic workshops including tariff modelling, PREMO and demand, tariff strategy, service standards and GSLs.
- Price submission accountability embedded into board and MD KPIs.
- Price submission project governance and reporting is overseen by the Enterprise Portfolio Management Office monitoring scope, objectives, budget, benefits, risk, schedule.
- Customer Outcomes performance reporting to board.
- External regulatory advisors have provided strategic advice over the development of our submission including providing independent assurance for the capital program.
- Internal auditor review of asset management, contract management, master planning and capital governance.
- Guest speakers invited to present to board on their learnings from the 2023 price submissions including the Managing Directors of Barwon Water, Gippsland Water, Coliban Water and Goulburn Valley Water.
- Guest speakers on delivering large capital programs presented to our board and executive including the Managing Director of Melbourne Water (and the above water corporation MDs).
- Price submission included as a weekly Executive Meeting agenda item.
- Continued engagement through community webinars, council briefings and many other avenues.

5.2 REGULAR ENGAGEMENT WITH REGULATORS

North East Water has held regular meetings with the ESC and DEECA over the last 12 months to ensure a 'no surprises' approach. This included monthly updates on our engagement approach and other updates including key elements of our price submission. Further to this we briefed the Minister's adviser on multiple occasions, including before we issued the Customer Summary, and received encouraging feedback.

We have also met with the Environment Protection Authority (EPA) and Department of Health (DoH) on multiple occasions. In terms of the EPA, we sought feedback from the EPA's CEO and regional office on the development of our Capital Prioritisation process. We also sought feedback from both the EPA and DoH on our proposed capital program and sent the Customer Summary for feedback. We also met with the Department of Transport and Planning to brief them on our proposed price submission.

5.3 OUR BOARD ASSURANCE FRAMEWORK

Our board was engaged from early in the submission process, through a series of dedicated price submission workshops, where the board considered:

- Economic regulatory process
- Monthly engagement updates
- Capital expenditure reviews
- Service standards
- Demand and growth forecasts
- Length of regulatory period and price control mechanism
- Tariff Policy and customer price impacts
- Risks to the submission including PREMO review

Board members were actively engaged in key customer engagements including the deliberative forums, developer forums, the Customer and Community Reference Group and briefing local members of parliament with the Managing Director.

The board provided direction and advice and made decisions on strategic matters throughout the process which shaped this submission. These decisions were endorsed through formal board meetings.

The board also dedicated time at two consecutive annual director development days (March 2024 and 2025) to upskilling themselves on the PREMO framework and key requirements of our price submission. At the 2025 director development day they invited three members of the Deliberative Forum to meet and share their reflections on the deliberative process and outcomes. This enabled them to hear firsthand from participants.

5.4 A CUSTOMER-LED SUBMISSION

As outlined in detail in Part 2, deep, genuine, regular and ongoing engagement with our customers and community underpins our 2026-31 price submission. Refer page 49.

5.5 MANAGEMENT AND IDENTIFICATION OF RISKS

In developing this price submission, we assessed the impact of our existing operating environment which included the costs and benefits of an eight-year regulatory period.

We then undertook a robust risk assessment process that weighed the potential impacts of different risk sharing arrangements between customers and the business across various components of the pricing calculations. This was undertaken with consideration to the risks ranging from inflow and demand to regulatory and financial.

Management and our board participated in a several risk trade-off workshops to determine risk appetite for each of the framework elements. The objective was to ensure that there was no inappropriate risk transfer to customer prices. This informed a final position that was used as the basis for identifying the appropriate risk allocation for each of the framework elements and for the development of our 2026 price submission. The outcome of this risk assessment, including the impact of our decisions on customer prices, is outlined in Part 4.

5.6 DEVELOPMENT OF TAILORED OPEX STEP CHANGE SUMMARY DOCUMENTS

Step change summary documents were prepared to justify necessary expenditure increases or decreases from the baseline operational expenditure. These items include expenditure relating to labour, water and wastewater chemicals for treatment and maintenance, continued investment into our digital and business innovation strategy and extending our hardship support for customers. An extensive prioritisation process was undertaken to ensure prudency and efficiency. More detail on these can be found in Part 6.

5.7 DEVELOPMENT OF TAILORED PROJECT SYNOPSIS DOCUMENTS

To support the regulatory review, we developed project synopses for each of our major projects and programs. These synopses provide the detail required by the ESC Guidance Paper in the ESC's assessment of prudency and efficiency including the driver, scope, timing and cost estimates, as well as risk assessments, procurement and delivery approach historical analysis.

The major project synopses were also independently reviewed by Marsden Jacobs for the prudency and efficiency of forecasts. This included a gap analysis assessment of North East Water's draft capital expenditure forecasts.

Cost estimates for the top 10 major projects were developed in partnership with our professional engineering services partners and based on a 50% probability (P50) that the actual cost will be at or below the estimated value. To develop a P50 estimate, we began with a detailed bottom-up estimate, incorporating scope, quantities, and unit rates. Unit rates were benchmarked against reference projects to ensure they reflected current market conditions and comparable scope elements. Risk and uncertainty were then assessed through structured risk identification and allocation processes.

Rather than relying on risk analysis simulations, we applied informed judgement and historical data to allocate risk contingencies to individual cost elements or project phases. These allocations are based on the likelihood and potential impact of known risks, as well as lessons learned from comparable projects.

More detail can be found in Part 7.

5.8 THE GOLDEN THREADS

Our engagement plan was designed to engage and collaborate with our customers, communities and key stakeholders in meaningful dialogue to ensure their voices are heard and their values and preferences for our water and wastewater services are understood. We have demonstrated this by:

- Using a six-stage approach to engagement where each stage informed the next, and the engagement agenda was shaped as the process evolved. This approach ensured that all customers were given a reasonable and fair opportunity to participate, and engagement occurred on matters that customers and other key stakeholders identified as important to them
- Reviewing our Customer Outcomes and updating them to reflect the feedback we heard throughout the engagement
- Using a deliberative forum to collaborate with customers on solutions to our challenges

- Committing to implementing the deliberative forum's recommendations to the maximum extent possible and provide reasons where we are unable to do so (20 recommendations in full, 2 recommendations partial – see Appendix 6).
- Developing customer outputs and targets that:
    - directly reflect the commitments we made to address customer preferences revealed through the engagement (see Appendix 5 - How our engagement influenced the price submission – The Golden Thread)
    - are measurable
- Proposing performance monitoring where we will report to customers and gain insights into customer views on our performance at least annually.

5.9 PEER REVIEW TO SUPPORT BOARD ASSURANCE

A number of external parties have been engaged to assist with the preparation of this price submission.

Utilities Regulation Australia (URA) was contracted to provided regulatory and project support and undertook our demand modelling. We also used external parties to review our capital expenditure prioritisation framework, project synopses and costings for our major projects and programs, and an energy consultant to provide our forecast electricity expenditure.

The following independent assurance for key components of this price submission have been obtained:

- Marsden Jacobs (review of capital prioritisation and review of top 10 capital project and renewal synopsis documents)
- Utilities Regulation Advisory (URA) (regulatory advice, new customer contributions and demand forecasting)
- Insync (customer and community engagement support)
- Professional engineering services (PES) partners (strategic master planning)
- RSM (internal audit of capital program)
- Smart Power (electricity forecasting)
- newfocus Market Research & Social Research (customer perception 2,000 customers surveyed a year).
- Customer and Community Advisory Group
- Critical Friends Group
- Independently facilitated deliberative forum

Supporting documents

- DOC25/30180: Price Submission Project Plan
- DOC25/30181: Engagement with Essential Services Commission
- DOC25/30182: Governance Framework (Tier 1/0018)
- DOC25/26462: Customer Summary July 2025
- DOC25/30315: Extract of Board Meeting minutes – October 2024
- DOC25/30314: Extract of Board Meeting minutes – April 2025
- DOC25/30153: Marsden Jacobs 2026 Price Submission Major Projects & Programs Review

Part six — Operating expenditure

HIGHLIGHTS

Key points

6. OPERATING EXPENDITURE

Key points

- Our controllable operating expenditure per connection will decrease by 3.7% over the five-year period.
- New operating expenditure is linked to outcomes and or regulatory requirements
- Proposed operating costs efficiency improvement rate of CPI minus 1.46% per annum.

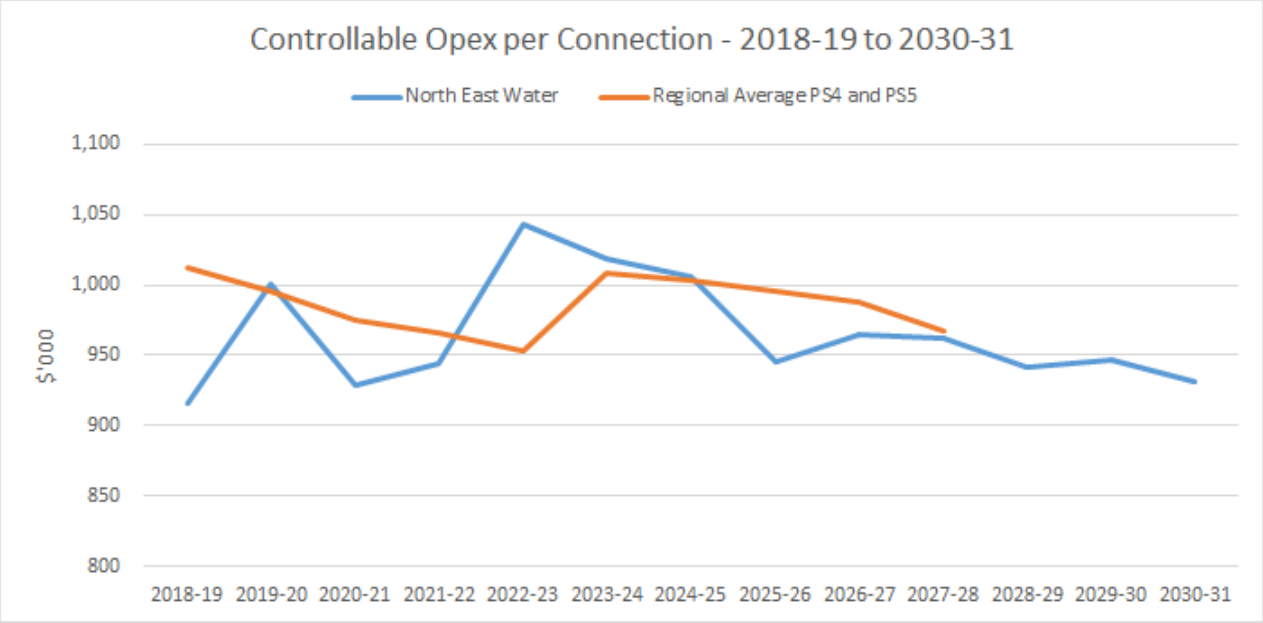
6.1 INTRODUCTION

The operating expenditure included in this submission is both prudent and efficient, and required consideration of customer outcomes, strategy requirements and regulatory obligations.

Controllable operating expenditure per water connection decreases by 3.7% during the pricing period which is reflective of our conservative approach bearing risk on behalf of customers. Total controllable expenditure per connection will reduce from $965.38 in 2026-27 to $930.74 by 2030-31.

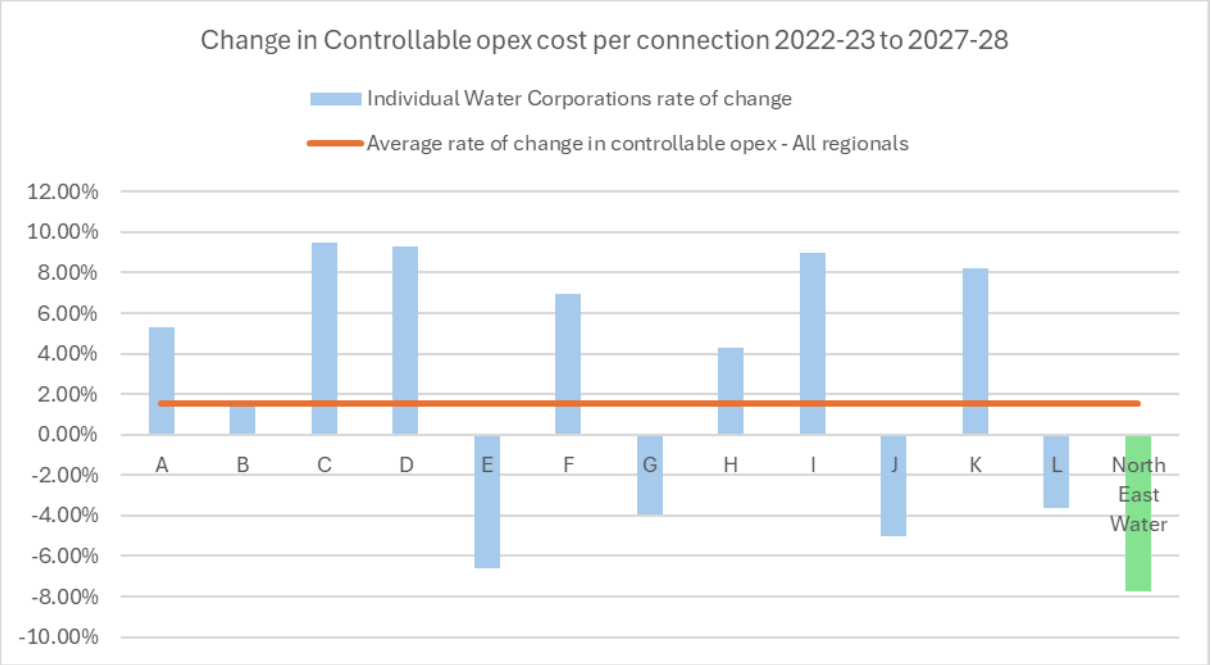
For comparison purposes, the average controllable opex per connection based on the 2023 price submissions for regional water corporations (restated to $2025-26) reduces from $1,008.92 in 2023-24 to $967.23 by 2027-28. This is marginally above North East Water's proposed controllable opex per connection in 2027-28 of $962.23 per connection.

Graph 10 – Controllable operating expenditure per connection 2018-19 – 2030-31



To further demonstrate our commitment to operating expenditure efficiency, the graph below demonstrates our actual and proposed rate of change in our operating cost per connection from 2022-23 to 2026-27 and compares to the regional urban average from the 2023 price submissions (unadjusted) for the same period. North East Water's proposed reduction in controllable opex per connection over this period of 7.7% compares favourably to the regional urban average increase in opex per connection of 1.53%.

Graph 11 – Change in controllable operating expenditure per connection 2018-19 – 2030-31



The increased operating expenditure demonstrated in graph 10 above for 2022-23 is attributed to the following items:

- Water and wastewater treatment costs including chemicals of $0.71 million. Significant cost increases associated with transportation of chemicals post Covid were experienced in 2022-23, along with increased dosage rates required for treatment of algal blooms as a result of the bushfires.
- Water sampling and analysis costs of $0.24 million attributed additional sampling required in response to algal bloom testing.
- Wastewater treatment plant biosolids and dewatering management costs of $0.92 million for the Bright and Beechworth wastewater treatment plants. This was an increase on the average annual spend of approximately $0.5 million.
- Electricity costs of $0.73 million increase on the prior year due to high electricity wholesale prices experienced in July to September 2022.
- Increased operational maintenance costs of $0.91 million on prior year including Yarrawonga water tower repairs, CCTV sewer mains inspections to reduce spills, Baranduda high level tanks assessment and repairs and critical water main repairs in Yackandandah due to a land slip.
- Increase in Software as a Service (SaaS) licence and maintenance fees of $0.73 million after the implementation of the customer billing system.

During the current period, we have embedded our internal efficiency program known as Project $1 Million. Initiated in 2022-23, it has contributed to the favourable decline in controllable operating costs per connection identified in graph 11 above. Most notably, the introduction of the specialised Mechanical Maintenance team has contributed to a net saving of $0.59 million over 2023-24 and 2024-25. The implementation of this team that consists of specialised fitters and turners has reduced the reliance on external contractors, with a large focus now on preventative maintenance of mechanical assets.

Additionally, $0.84 million in savings across the three years can be contributed to administrative expenditure deferral or avoidance including items such as subscriptions, conferences, software licensing renewals, reduction in postage due to take up of electronic billing and corporate uniforms.

From an operations perspective, annual programs of work that could be deferred or undertaken more efficiently without an impact on customers service standards or regulatory requirements included root cutting and foaming, odour control and CCTV inspections.

These operational efficiency savings have contributed $0.74 million in savings across the prior three years. From a labour perspective, periods of position vacancies creates an efficiency absorbed by the business with a total of $1.70 million recognised over the last three years.

6.2 OUR APPROACH TO FORECASTING OPERATING EXPENDITURE

In developing our operating expenditure forecast for the 2026-31 regulatory period, we adopted the ESC's base step trend forecasting approach. To do this, we completed the following sequential steps:

- Adopted the most recent year of actual operating expenditure (2024-25) as our base year
- Excluded non-recurring expenditure
- Applied a growth factor of 1.46% per annum
- Applied an efficiency target of 1.46% per annum
- Identified any further baseline adjustments to account for necessary material new expenditure to maintain existing services and/or driven by exogenous factors (e.g. new obligations and regulations) and one-off events.

This process resulted in total forecast prescribed operating expenditure of $307 million for the 2026-31 regulatory period. This includes $18.7 million in non-controllable expenditure including environmental contribution levy, bulk water charges and licence fees. Tables 34 and 35 summarise our operational expenditure by our three main expenditure categories – water, wastewater and non-controllable over the 2018-26 and 2026-31 periods. On an average annual basis, our expenditure for each category over the 2026-31 regulatory period is broadly consistent with the level of expenditure for each of these categories through the 2018-26 regulatory period, except for the water category which is forecast to increase 12% on an average annual basis. An explanation of this is detailed in the Baseline Adjustments section below.

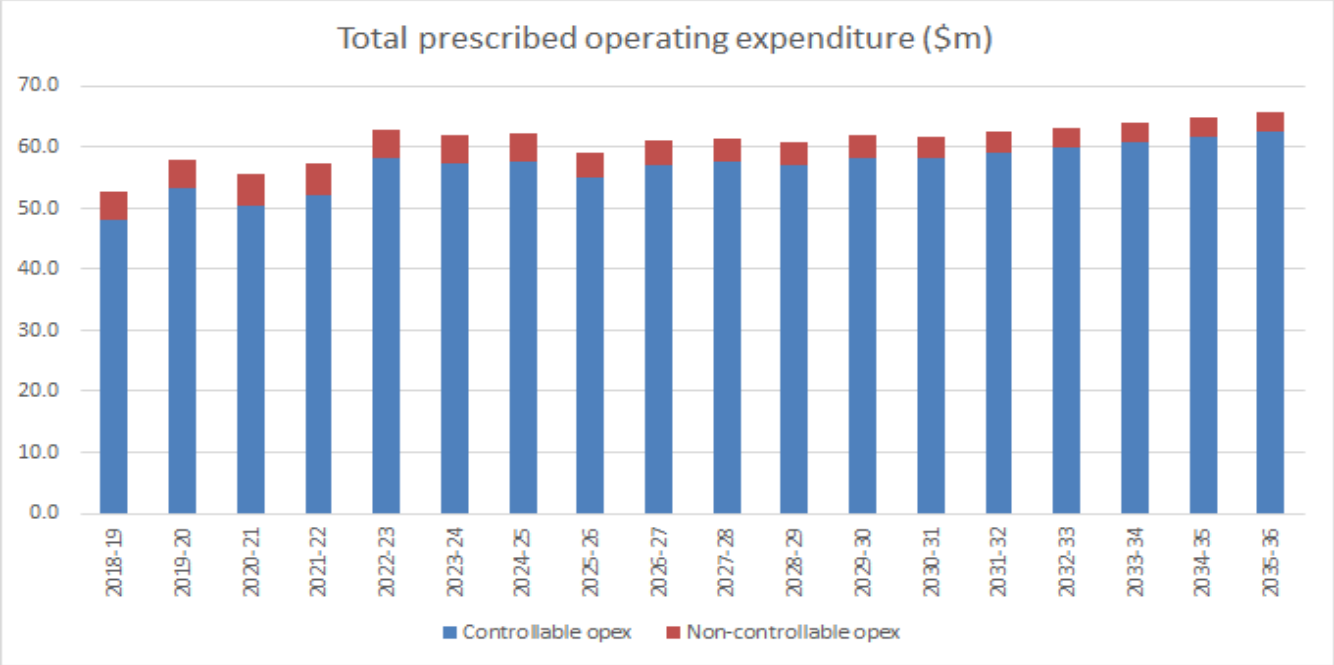
Table 34 – Total prescribed operating expenditure over 2018-26 ($2025-26)

$m	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Water	28.29	29.04	28.55	29.87	33.53	34.08	34.48	32.31	**250.15**
Wastewater	19.75	24.22	21.86	22.30	24.60	23.40	23.12	22.69	**181.95**
Non-controllable	4.65	4.69	5.17	5.14	4.84	4.57	4.73	3.99	**37.79**
Total prescribed	**52.70**	**57.96**	**55.58**	**57.32**	**62.97**	**62.04**	**62.34**	**58.99**	**469.89**

Table 35 – Total prescribed operating expenditure over 2026-31 ($2025-26)

$m	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Water	33.48	34.29	33.76	34.62	34.69	**170.84**
Wastewater	23.45	23.46	23.47	23.48	23.49	**117.34**
Non-controllable	3.90	3.82	3.73	3.65	3.57	**18.67**
Total prescribed	**60.83**	**61.56**	**60.95**	**61.75**	**61.75**	**306.85**

Graph 12 – Total prescribed operating expenditure



6.3 ESTABLISHING THE BASE YEAR

Our baseline controllable operating expenditure was established from actual prescribed opex for 2024-25. This data reconciles and is consistent with our audited regulatory accounts. From this we removed non-controllable, one-off and non-recurring expenditure that will not occur in future years.

The following is a summary of adjustments made for non-recurring expenditure.

6.3.1 Price submission 5 consultants

A total of $0.68 million has been removed from the baseline year that relates to consultants engaged to assist with the price submission process. Specific pieces of work undertaken include engagement (including the facilitation of the deliberative forum), electricity price forecasting for the corporation's large and small market electricity sites, water consumption demand and customer connections modelling, an independent review of the proposed capital expenditure program and overall project management and consulting services.

6.3.2 EA 'patience in bargaining' payment - 2023-24 period

A total of $0.37 million has been removed from the baseline year that relates to the 2023-24 portion of the patience in bargaining payment that will be made as part of the current EA negotiations. The patience in bargaining payment will apply from the end of the current enterprise agreement (1 September 2023) until the in-principal date of the new agreement, which will occur during 2025-26. As the patience in bargaining payment covers multiple financial years, it is prudent to remove the 2023-24 portion that will make up this payment.

6.3.3 Expenditure transfers from capital program to operating expenditure for accounting purposes

A total of $2.15 million has been removed from the baseline year that relates to expenditure incurred and budgeted for under the capital expenditure program and later transferred to operating expenditure as major maintenance for accounting purposes. This expenditure is considered one off in nature.

6.3.4 Customer hardship assistance correction

A total of $0.18 million for hardship program assistance has been removed from the baseline year. This correction represents expenditure in excess of budget for 2024-25. We are proposing a step change to our total customer hardship assistance program, as outlined in the Baseline Adjustments section below.

6.3.5 Baseline year electricity

Total electricity costs for the Corporation of $5.3 million has been removed from the baseline year to avoid doubling up on the growth factor of 1.46% applied within the model. The independent electricity forecast model has an inbuilt growth factor of 1% and has been added back into controllable operating expenditure as a baseline adjustment.

Table 36 – Establishing the base year ($2025-26)

$m	2024-25
Baseline year – total prescribed opex in 2024-25	**62.34**
Less non-controllable expenditure items incurred in 2024-25	
External bulk water charges	1.09
Licence fees	0.28
Environmental contribution	3.27
Other non-controllable	0.08
Baseline year – total controllable opex in 2024-25	**57.61**
Adjustments for non-recurring expenditure items incurred in 2024-25 and any efficiency savings to be realised from 2024-25	
Price Submission 5 consultants	0.68
EA backpay for 2023-24 period	0.37
Capital program expenditure transfers	2.15
Customer hardship assistance	0.18
Electricity costs	5.30
Adjusted baseline controllable opex (Actual)	**48.94**

When compared with our approved 2024-25 total controllable operating expenditure of $46.59 million ($2025-26) in our 2018-26 determination, we have an increase of $2.35 million or 5% for our adjusted baseline controllable operating expenditure. It should be noted that this includes $5.3 million for baseline electricity expenditure which has been removed as noted above and subsequently added back in from 2026-27 as a baseline adjustment. If this was included in the base year, we would have an increase of $7.65 million compared to the approved allowance for 2024-25. This increase can be attributed to the following material items that are a direct increase/decrease above baseline, or were not included in the baseline:

- **$5.12 million increase for labour.** The 2018 determination allowed for 185.9 FTEs across the 2018-26 regulatory period. Actual FTE has increased to 217.1 to 30 June 2025, an increase of 31 FTE across the period. During this period, the corporation has experienced many factors, both internal and external that has driven this required increase in FTE including growth, compliance, regulation and the corporation's transformational journey to be future ready. Refer to our Performance section for further information on labour.
- **$2.10 million increase for electricity costs.** Actual expenditure was $5.3 million compared to the baseline allowance of $3.2 million. The 2018 final determination included a reduction in total KWh in line with our emission reductions pledge at the time associated with several key

initiatives. One of these initiatives relates to the Wodonga wastewater treatment capacity and emissions reductions project which is now scheduled to be completed in early 2026. The original completion date included in the final determination was 2021 and has contributed to the increase in electricity costs compared to the baseline.

- **$1.62 million increase for software licencing and support maintenance renewals.** The recent trend to shift software solutions to the cloud has resulted in significant costs increases from vendors in relation to ongoing licensing and maintenance costs. Technology One, for example, had an annual maintenance support renewal of $0.33 million in 2018-19 ($2025-26) for on-premises support, compared to $0.86 million in 2024-25 ($2025-26) for Software as a Service or cloud support. During the regulatory period, the corporation also implemented a new customer billing system, which saw an increase from $0.15 million in 2018-19 ($2025-26) from the original software solution to $0.73 million in 2024-25 ($2025-26) for ongoing Software as a Service maintenance and support costs.
- **$0.27 million increase for insurance premiums.** Insurance premiums realised significant upward pressure on the back of Covid and the following increasing inflationary period from 2022. North East Water places insurance on a collaborative basis with the collective Victorian Water Sector.
- **$0.38 million increase for meter reading.** Meter reading costs cost per read have over doubled from the final determination baseline year. An additional 6,500 new properties have also been added to our meter reading network as well as special meter readings for change of ownerships.
- **$0.74 million reduction in consultancy costs** compared to the allowance is attributed to the removal of $0.68 million of price submission consultancy costs from the baseline year as non-recurring expenditure. Other consulting items were within budget.
- **$0.21 million reduction in administration staff training costs** have been realised, largely due to the adoption of online training services which have been more easily accessed since Covid. These efficiencies have reduced the requirement for travel and accommodation expenses and contributed to the reduction.

6.4 SETTING THE BASELINE

6.4.1 Growth

We have applied a compounding annual growth rate of 1.46% to our 2024-25 baseline controllable operating expenditure. This is based on independent external customer demand modelling. This has been chosen together with an equivalent efficiency factor which has removed any growth allowance from our baseline. This has allowed us to focus on our opex step changes from a flat baseline. In the case of electricity costs which includes a growth component, we have removed these costs from the base year and added the costs back into the forecasts as a step change to avoid double-counting for any growth impacts. The electricity cost forecasts include a growth factor of 1% per annum.

6.4.2 Efficiency

We are proposing to apply an annual efficiency factor of 1.46% to baseline controllable operating expenditure. This is above the ‘Standard’ rating for the management element of PREMO and will offset the proposed operating expenditure growth forecast, resulting in zero operating expenditure growth across the 5-year period. We are targeting this level of efficiency despite the challenges posed by climate change, growth and ageing assets.

6.5 BASELINE ADJUSTMENTS

For the 2026-31 regulatory period we have identified the following adjustments that need to be made to our base step trend estimates. Table 37 outlines each of the baseline adjustments. Additional documentation for each of these items is available as outlined in the Supporting Documents table at the end of Part 6.

Table 37 – Baseline adjustments ($2025-26)

$m	2026-27	2027-28	2028-29	2029-30	2030-31	Total
1. Labour	1.31	1.78	1.78	1.87	1.87	8.61
2. West Wodonga WWTP	0.61	0.61	0.61	0.61	0.61	3.07
3. Operations maintenance services	0.46	0.48	0.51	0.54	0.54	2.53
4. RHQ maintenance	0.20	0.25	-	-	-	0.45
5. Customer hardship assistance	0.20	0.20	0.20	0.20	0.20	1.00
6. Digital & Business Transformation	0.43	0.66	0.57	0.57	0.77	3.00
7. Infrastructure Planning and Assets	0.30	0.30	(0.02)	0.08	0.08	0.73
8. Infrastructure Strategy & Liveability	0.10	0.15	0.15	-	0.15	0.55
9. Water sampling and analysis	0.10	0.10	0.10	0.10	0.10	0.52
10. Chemicals	0.14	0.17	0.19	0.22	0.24	0.96
11. Price Submission 6	-	-	-	0.60	-	0.60
12. Enterprise Programs and Procurement	0.14	0.18	0.11	0.02	0.02	0.48
13. Operational vehicle running costs	0.04	0.05	0.05	0.06	0.06	0.25
14. Insurance	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.75)
Total (excluding energy)	**3.89**	**4.79**	**4.11**	**4.72**	**4.50**	**22.01**
15. Energy	4.10	4.02	4.18	4.44	4.74	21.47
Total (including energy)	**7.99**	**8.81**	**8.28**	**9.16**	**9.24**	**43.48**

6.5.1 Labour

A total of 19 additional new positions has been identified, offset by a reduction in three roles with a net step change increase of $8.8 million required across the regulatory period. These positions have been identified through internal resource planning and represent current gaps in meeting critical compliance risks and Strategy 2040 ambitions and allow for customer growth to maintain service standards, with five positions identified for operational based teams including water treatment and incident response. Additionally, a position has been identified to help deliver the proposed increased level of customer support in response to the proposed increased tariffs. These positions have been offset by a reduction of one Manager and two electrical staff roles which will be capitalised from 2025-26 onwards.

These roles are summarised below with opex step change documents prepared for each new position included in the supporting documentation.

Table 38 – Summary of proposed resourcing

Position Title	FTE	Start	Driver
Mechanical Wastewater Treatment Operators - West Wodonga WWTP	2	2026-27	The West Wodonga WWTP upgrade change management plan has identified the need for this resource to support new treatment processes to the site including Covered Anaerobic Lagoons, FOG Digestion, Biogas collection and conditioning, Heat recovery and energy production. The addition of these treatment processes will require additional operations and maintenance staffing to ensure these assets are adequately operated, maintained and performance is optimised. This FTE will also be required to maintain and operate the Beechworth, Bright and Wahgunyah WWTP upgrades when they come online during PS5.
Industrial Controls Technician - West Wodonga WWTP	1	2026-27	The West Wodonga WWTP upgrade change management plan has identified the need for this resource following the upgrade to the West Wodonga wastewater treatment plant to manage the new Bioreactor and additional electrical components at this plant.
Mechanical Maintenance Technician – West Wodonga WWTP	1	2026-27	The West Wodonga WWTP upgrade change management plan has identified the need for this resource following the upgrade to the West Wodonga wastewater treatment plant to ensure the new Bioreactor and additional mechanical assets at this plant are serviced and maintained according to OEM specifications and statutory requirements.
Operator Reticulation Wodonga	1	2027-28	This role was identified in the Operations workforce readiness program. To meet current growth demands, service standards and ensure the health and safety of our workforce. Wodonga has seen the highest growth of new homes per year in our catchment area with our Wodonga team responding to almost twice the number of work requests compared to our next closest town
Operator Reticulation Myrtleford	1	2029-30	This role was identified in the Operations workforce readiness program. It will help to meet service standards and improve reticulation, reliability of reticulation systems and reduce callouts. Mt Beauty is a remote town which is serviced by the operational team in Myrtleford, which has a high failure rate that leads to extended repair times and failure to meet our customer standards
Operator Water Treatment and Quality	1	2026-27	This role was identified in the Operations workforce readiness program. Existing water treatment operations staff are at capacity undertaking current tasks to produce safe drinking water, which leaves no capacity to take on the additional tasks brought about by the new Drinking Water Regulations and changes to the ADWG. This position will deliver safe drinking water by meeting legislation and associated regulations and ensure we meet increase compliance.
Operator Lagoons Wastewater	1	2026-27	This role was identified in the Operations workforce readiness program. It will provide additional support to the Lagoons team which was identified through workforce readiness as being one FTE below a sustainable level to

Position Title	FTE	Start	Driver
			manage 18 sites across the region. Lagoon wastewater treatment sites rely heavily on operator attendance to complete manual tasks to remain compliant.
Aboriginal Strategy and Partnerships Officer	1	2026-27	North East Water has two Traditional Owner groups and five First Nations communities in its service area. *Water is Life* policy lays out new ways water corporations are expected to engage with Traditional Owners. There is also an additional requirement to partner with Traditional Owners in the exposure draft Statement of Obligations (General) that DEECA circulated during 2025. New Treaty legislation announced in September 2025 will also require dedicated focus from North East Water. North East Water has managed engagement with Traditional Owners and First Nations groups through multiple roles. The increasing legislative requirements now requires a permanent role to ensure we are positioned to fulfil our obligations and to continue to build strong relationships with our Traditional Owner and First Nations communities.
Customer Care Officer – Hardship	1	2026-27	This role will support our vulnerable customers as we double our hardship support program, which aligns with the feedback from the deliberative forum. We are already experiencing an increase in demand on our services for hardship support. We are proposing water price increases in the next price submission, and we anticipate that this will have an impact on our customer base. Additional customer care support ensures our most vulnerable customers are provided with all the supports that North East Water can provide.
Customer Care Officer – Senior Debt Recovery	1	2026-27	This new role will strengthen our debt recovery practices and provide leadership to prioritise and coordinate key focus areas including identifying customers who are likely to default and implement preventive measures. This role will also be the liaison between North East Water and our credit agency.
System Integration Architect	1	2026-27	With the growth of cloud based platforms, we have an increased need to integrate business applications and data management that is achieved through system integration architecture. This role will further support the data enabled culture under our Digital Strategies and Strategy 2040.
Financial and Regulatory Accountant	1	2026-27	Six years ago, the finance team consisted of 6.20 FTE, with an additional part time Financial Accountant. The Senior Accountant position is 0.79 FTE and holds the sole responsibility for maintaining the Corporation's fixed asset register and replacement of Corporation fleet. The daily impact on the requirement of this position has increased significantly over the last 2 years and is a direct correlation to the size and volume of individual projects in the capital program. The second area of responsibility proposed for this position is an element of more formal regulatory accounting. In preparing of the accounting and financial data required to compile the current pricing model, it has become evident that more regular and timely record keeping specific to the regulatory framework is required.
Procurement Specialist	1	2027-28	Support the organisation to manage the significantly increasing capital works program and number of operational procurements to ensure the organisation achieves value for money as required under government policy. This position will also ensure the organisation is compliant with all policy and legislative requirements, noting there will

Position Title	FTE	Start	Driver
			be additional compliance monitoring and reporting as NEW will become a reporting entity under the *Modern Slavery Act (Cth)* within PS5. In addition, the increase in project values will result in an increase in monitoring and compliance across the Social Procurement Framework, Local Jobs First Policy, Supplier Code of Conduct and Fair Jobs Code.
Enterprise Program Management Officer	1	2026-27	An Enterprise Program Management Office (EPMO) was established in 2024 with minimal resourcing, this has enabled the scope of the EPMO to be determined, and for a project management maturity assessment to be initiated. This resource will focus on: • implementation of a digital project and program management solution, as per current audit action • standardised key performance indicators and metrics • standard application of the Projects Gate process • accurate project reporting at all levels to inform the executive and board on performance, identifying trends and emerging risks at the enterprise level • efficient resource utilisation across teams
Team Leader Infrastructure Planning	1	2026-27	This role was identified as critical in the Planning and Infrastructure workforce readiness program. The role will support the planning and delivery of alternate water solutions that support liveability, environmental sustainability and economic resilience. Coordinated infrastructure planning ensures effective engagement with stakeholders, such as Local Government, to support planning application approvals. This supports the region to meet the government's housing targets.
Strategic Projects Officer	1	2027-28	This role was identified as critical in the Planning and Infrastructure workforce readiness program. New policies and requirements relating to Planning and Infrastructure that the business needs to investigate and respond to include: • Use of purified recycled water as an option in long-term water planning (in Urban Water Strategy draft guidelines issued by DEECA in April 2025) • Circular economy, including the application of Recycled First policy to the water sector with application to construction projects over $20 million (announced by DEECA staff to water corporations in May 2025) • DEECA water sector's Emissions Transition Plan (circulated to NEW for comment in December 2024) • Nature capital positive (committed in NEW Strategy 2040 and is also in a federal government plan) • Emerging sustainability reporting/ESG requirements such as the Taskforce on Nature-Related Climate Disclosures and Scope 3 Emissions Reduction (which do not yet apply to our business but will do over time, and are dominated by infrastructure construction).
Governance and Records Team Leader	1	2026-27	This new role will provide coordination and supervision of the records team. Assist with processing the increased number of FOI Requests and privacy matters. Manage the corporate bookshelf and ensure it remains current. Develop & drive implementation of records management initiatives (including any initiated out of the data management review). Ensure our records management practices continue to be compliant with the *Public Records*

Position Title	FTE	Start	Driver
			Act and the *Privacy and Data Protection Act*. Assist with the development, review and updating of policies and procedures across the governance and records management function. This will provide management capacity to focus on strategic matters, address gaps and allow more time for oversight of the governance, risk, records and communications teams
Development Assurance Officer	1	2026-27	We are committed to meeting our obligations to provide services to meet the Victorian government's housing targets. With NEW needing to process more planning permit referrals, more enquiries from potential developers, and oversee the construction and handover of more developer delivered infrastructure, this role will play a quality assurance and servicing role.
Step change reduction – Manager Infrastructure Planning	-1	2025-26	Not replaced, additional team leader position included above.
Step change reduction - Electricians	-2	2025-26	Roles capitalised from 2025-26 to support capital expenditure program

6.5.2 West Wodonga WWTP capacity and emissions reduction upgrade

Once constructed and operational, the new covered anaerobic lagoon process will significantly change the chemical usage and the mechanical maintenance of the plant, requiring a step change of $3.1 million across the regulatory period. Additional resourcing will also be required, which has been captured under the labour component above separately.

6.5.3 Operations maintenance services

An uplift in our operations maintenance services driven by ageing assets, regulatory changes and new significant capital investment has been identified, with a step change of $2.53 million across the five-year regulatory period. Limited funding to proactively maintain assets has resulted in a legacy run-to-fail approach for many asset classes such as pumps, sewer pump stations, clear water storages and sewer manholes. While significant improvement in this space has been achieved over recent years, notably with the implementation of the inhouse mechanical maintenance team, there is still a large portion of work to undertake including:

- Sewer wet well repairs and protective coating to prevent further deterioration caused by H2S gas attack and tree root intrusion
- Dam repairs and maintenance including stabilisation earth walls, repairs to structures and pipework
- Clear water storage cleaning of sediment built up and rust, a current gap in our safe drinking water management
- Clear water storage repairs including repairs to hatches, access ladders, roofs and vermin control

6.5.4 Regional Headquarters maintenance

Our regional headquarters is approaching 15 years of age and requires two large pieces of maintenance to ensure an inhabitable work environment for staff and visitors and that meets building code requirements. This work includes a major maintenance overhaul to the heating and cooling system and floorplan layout improvements to accommodate increased staffing levels.

6.5.5 Hardship support

In response to proposed increases in tariffs and a recommendation from the deliberate forum, the annual hardship support program is proposed to increase from $200,000 in the base year to $400,000 each year over the 5-year regulatory period. This represents a step increase of $1.0 million across the five-year period.

6.5.6 Digital & Business Transformation licencing costs

Continued investment into our Digital Master Plan will result in a step change of $3.00 million across the regulatory period, related to ongoing licensing and support expenditure for these items. Specifically, these programs aim to strengthen our cybersecurity compliance obligations and provide continued improvement capability expansion in our customer billing system platform.

6.5.7 Infrastructure Planning & Assets

The asset planning functions include stewardship of the Asset Management System, Asset Strategy, Dam Safety Management System, Asset Data and long-term asset renewal planning. The ongoing requirements for the majority of these functions are covered under the 2024-25 baseline operating expenditure with the exception of dam safety. The ongoing baseline allowance of $0.19 million per year is insufficient to meet our Dam Safety obligations under the Statement of Obligations (Water Industry Act 1994), with a step change of $0.73 million across the regulatory period required. This will include specific risk assessment and safety reviews for 2 of our major dams.

6.5.8 Infrastructure Strategy & Liveability Planning

Long-term infrastructure planning includes development of the 50-year Urban Water Strategy, which is a requirement under the Statement of Obligations. It also includes the related drought infrastructure strategic planning to address the critical water security issues we already know we have in certain towns in our region. A step change of $0.55 million across the regulatory period is applied to address these planning requirements.

6.5.9 Water sampling and analysis

A step change of $0.54 million above the baseline year across the five-year regulatory period is required as a direct result of new Safe Drinking Water (SDW) Regulations and increased monitoring of PFAS not currently undertaken. The SDW Regulations will come into effect from 1 July 2025, requiring additional sampling on parameters that we currently don't analyse for items such as aesthetics, taste and odour.

6.5.10 Chemicals

A step change of $0.96 million above the baseline year across the regulatory period is required for chemicals. Alum is the largest component of water and wastewater treatment for coagulation of organic and mineral colloids and represents 41% of our total chemical spend. Due to supply constraint issues, significant price increases have been realised over recent years and will again continue to increase in 2025-26, with a 15% increase above 2024-25. This increase accounts for $0.92 million. The secondary driver for the cost increase in water treatment chemical costs related to two additional water treatment plants coming online with powdered activated carbon, not accounted for in the baseline year.

It is expected that the new safe drinking water regulations will have a material impact on dosing of powdered activated carbon to manage taste and odour events resulting from algal blooms and naturally occurring benthic organisms. However, due to the uncertainty of the occurrence and reactive nature of this (typically driven by customer complaints), the cost to achieve this has been removed and will be taken on by the business.

6.5.11 Price submission 6

A step change of $0.60 million for resources to plan and manage the price submission 6 process is required for 2028-29 and is consistent with expenditure incurred for the current price submission. Expenditure incurred during 2024-25 has been removed as non-recurring expenditure.

6.5.12 Enterprise Programs and Procurement

A step change of $0.48 million for the Corporation's Enterprise Program and Procurement function is required across the regulatory period. North East Water is a mandated agency under the Victorian Government Purchasing Board and the Ministerial Directions for Public Construction Procurement. The expenditure required under the step change will see a maturing of our procurement processes across the procurement life cycle to ensure compliance with the policies and directions as well as an uplift in our project and program management. North East Water also recently triggered the Modern Slavery reporting threshold which will require specialist reporting software to comply with our reporting obligations.

6.5.13 Operational vehicle running costs

A step increase of $0.25 million is proposed for operational vehicle running costs not accounted for in the baseline year. Seven additional operations-based positions are proposed across the regulatory period, each of which will require an operational vehicle. Running costs include fuel, insurance and general maintenance.

6.5.14 Insurance

A step reduction of $0.15 million below the 2024-25 baseline has been identified as part of the 2025-26 insurance renewal program. In March 2025, the Victorian Water Corporation's appointed Lockton on a three-year broking contract. The collective purchasing agreement resulted in an overall reduction of $0.15 million compared to the baseline year.

6.5.15 Energy

Total energy costs are forecast to be $21.47 million across the regulatory period. Electricity costs will see a step reduction across the first four years compared to our baseline year of $5.3 million. This is driven by a reduction in grid purchased electricity as a result of the West Wodonga biogas combined heat and power generator. Year five results in a sharp step increase, driven by an increase in forecast wholesale energy rates. However, despite the sharp increase in the fifth year, total costs are still lower than that in the base year.

It is also important to note that the efficiencies realised from energy costs are in addition to the efficiencies to be realised from the application of the efficiency factor.

6.6 NON-CONTROLLABLE OPERATING COSTS

For the 2026-31 regulatory period we have forecast non-controllable operating costs as outlined in Table 39 below. These costs relate to bulk water charges, licence fees, the environmental contribution and other non-controllable costs relating to other licence fees other than ESC, Department of Health and EPA costs.

Table 39 – Non-controllable operating costs ($2025-26)

$m	2026-27	2027-28	2028-29	2029-30	2030-31	Total
External bulk water charges	0.46	0.46	0.46	0.46	0.46	**2.28**
Licence fees	0.26	0.26	0.26	0.26	0.26	**1.32**
Environmental contribution	3.10	3.02	2.93	2.85	2.77	**14.67**
Other non-controllable	0.08	0.08	0.08	0.08	0.08	**0.4**
Total	**3.90**	**3.82**	**3.73**	**3.65**	**3.57**	**18.67**

External bulk water charges provided by Goulburn Murray Water will significantly reduce from 2025-26, in line with their recent price determination to shift from basin pricing to system-based pricing. This particularly impacts the Ovens and King based systems.

Supporting documents

OPEX Step Change Documents

- DOC25/27479: Chemicals
- DOC25/27475: Customer Hardship Assistance
- DOC25/27478: Enterprise Programs and Procurement
- DOC25/16003: Infrastructure and Asset Planning – Dam Safety
- DOC25/16711: Infrastructure Strategy & Liveability
- DOC25/27437: Maintenance Services
- DOC25/30339: Operational Vehicle Running Costs
- DOC25/27436: Regional Headquarters Maintenance
- DOC25/27434: Water Sampling and Analysis
- DOC25/23476: West Wodonga WWTP Upgrade – Maintenance & Chemical Costs
- DOC25/27433: Smart Power – Price Submission Electricity Pricing Forecast
- DOC25/27432: Electricity Forecast Model

Resourcing Business Cases

- DOC25/24479: Aboriginal Strategy and Partnerships Officer
- DOC25/27429: Customer Care Consultant – Hardship
- DOC25/26422: Development Assurance Officer
- DOC25/27430: EPMO Officer
- DOC25/27431: Financial Advisor and Regulatory Accountant
- DOC25/27016: Governance and Records Team Leader
- DOC25/24307: Operator Lagoons Wastewater
- DOC25/23216: Operator Myrtleford Reticulation
- DOC25/23217: Operator Water Treatment and Quality
- DOC25/23215: Operators Wodonga Reticulation
- DOC25/30011: West Wodonga WWTP – Operators and Maintenance
- DOC25/28100: Procurement Specialist
- DOC25/28148: Senior Debt Recovery Officer
- DOC25/23221: Strategic Projects Officer
- DOC25/23219: System Integration Architect
- DOC25/23220: Team Leader Infrastructure Planning
- DOC25/26253: Change Management Plan – West Wodonga WWTP

Part seven — Forecast capital expenditure

HIGHLIGHTS

7. FORECAST CAPITAL EXPENDITURE

Key points

- Capital program of $279.7 million, or $56 million per annum, slightly above the forecast average 2018-26 spend ($47.5 million)
- Top 10 projects account for $165 million or 59% of our capital expenditure
- Total Renewals account for $58.5 million, or 21% of our capital expenditure
- Aligned with the Australian Standard for Asset Management – ISO 55000 standards
- Strong customer support including a recommendation from the deliberative forum (April 2025) that North East Water should increase customer bills between 4.92% to 5.87% to support capital investment of $250 million to $300 million.
- Capital program based on a board-endorsed capital investment planning and prioritisation process connecting master planning, systems planning and risk management.
- Environmental projects based on an agreed pathway with the EPA will move us closer to 100% environmental compliance.
- Growth projects that will provide capacity for over 9,000 new housing connections which aligns to the State Government target of 32,300 new homes in the north east region by 2051.
- Capability to deliver with enhanced infrastructure planning and delivery teams.

7.1 INTRODUCTION

North East Water is proposing to invest $279.7 million in gross capital expenditure over the five-year regulatory period, excluding customer contributions, to deliver on the outcomes and commitments in our proposal. On an average annual basis, this is approximately on par with the forecast capital expenditure incurred during the 2018-26 regulatory period.

Our service area is large and complex, spanning 39 towns covering approximately 20,000 square kilometres. Our five-year capital program is split between projects catering for growth ($101.7 million, or 36% of the program) in the priority growth areas of Wodonga, Wangaratta, and Yarrawonga, and improvements and compliance upgrades ($119.7 million, or 43% of the program) including environmental compliance projects at the Bright, Beechworth, Benalla, and Rutherglen Wastewater Treatment Plants. A further $58.50 million or 21% of the program focuses on renewals (infrastructure and corporate fleet) to ensure reliable services.

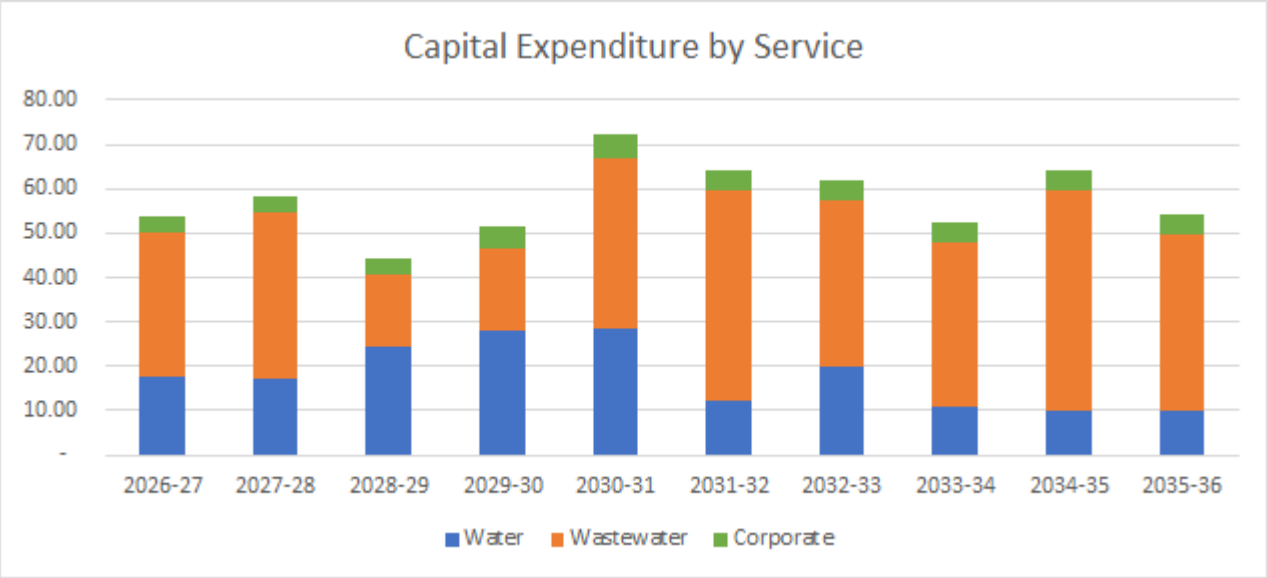
These augmentations, upgrades and renewals aim to maintain or improve services and ensure compliance with legal and regulatory requirements over this regulatory period.

This section discusses the process we undertook to put together the most prudent and efficient capital expenditure forecast to deliver the outcomes our customers have told us they want and value. It also sets out our key investments and the processes we undertook to ensure our best offer was well-informed and ensures value for money for our customers.

7.2 FORECAST CAPITAL EXPENDITURE 2026-36

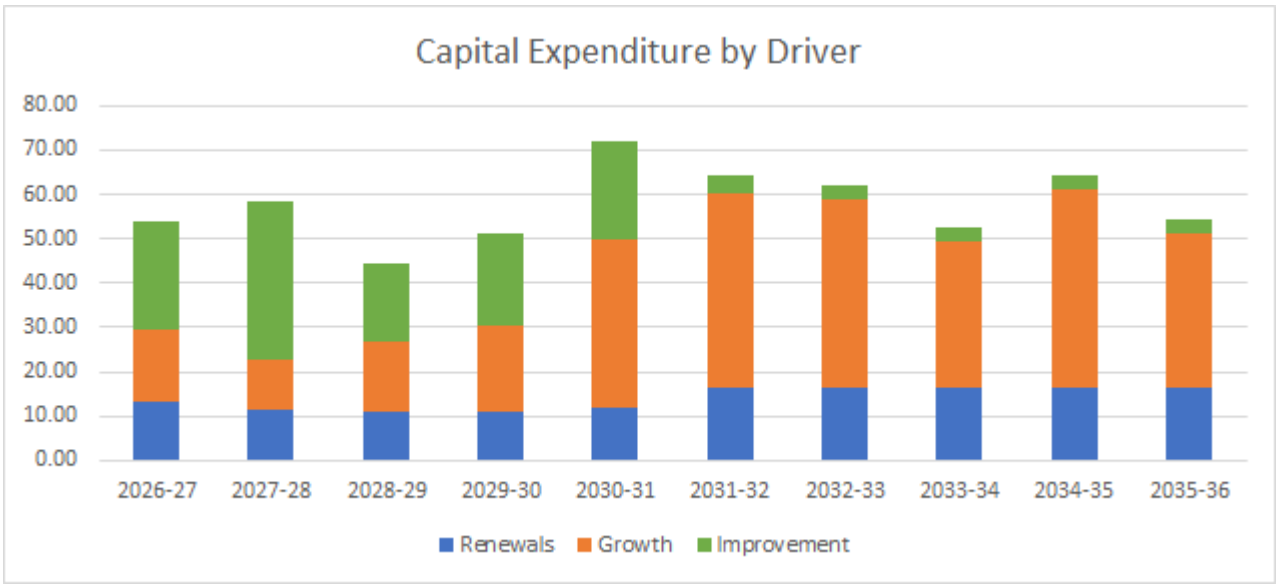
To deliver our customer outcomes in the next regulatory period – and meet the needs of growth, renewal, compliance and improvements – we plan to invest $279.7 million over the five years. A further $297.5 million is forecast in the subsequent regulatory period 2031-36 as shown in Graph 13.

Graph 13 – Capital expenditure ($M) 2026-36 by service ($2025-26)



Graph 14 below summarises our forecast capital expenditure by driver for the period 2026-36. As shown, growth and improvements/compliance projects are evenly split over the 2026-31 regulatory period at 36% and 43% respectively, with the program being frontloaded with priority projects to addresses legacy compliance issues that circumvents the need for priority spending in the subsequent years. Greater detail is provided further in this section.

Graph 14 – Capital expenditure ($M) 2026-36 by driver ($2025-26)



7.3 OUR APPROACH TO LONG-TERM INFRASTRUCTURE PLANNING

Our regional master planning program comprises 15 infrastructure master plans covering our towns and regional cities experiencing growth. Each master plan is a forward-looking strategy outlining water and sewer services for these communities over the next 50 years. Developed over the past three years, these plans summarise current water and wastewater systems, forecast future population growth, outline planned investments, and provide a guide to capital investment for future price submissions.

We worked closely with the seven local governments in our service area to develop 50-year growth forecasts that align with existing council regional growth strategies and township structure plans, with an emphasis on meeting the Victorian Government's new housing targets.

Our medium and long-term capital program is guided by these infrastructure master plans and has strongly influenced this price submission. These plans are designed to help us understand and plan the future infrastructure needs of our systems, ensuring water security and wastewater compliance, and fostering improved social and environmental outcomes for our region. They build on other strategies such as the Urban Water Strategy and North East Water's Strategy 2040.

These plans are pivotal in supporting the wellbeing, prosperity and sustainability of our region. By carefully planning infrastructure improvements, we balance various factors such as economic, environmental, social, and cultural considerations. This approach is essential for the sustained growth and development of our communities and guide investments in this and future price submissions.

A summary of each infrastructure master plan was presented to the public via a series of webinars, one for each of the seven LGA's (refer supporting documents). Over 200 attendees including developers, consultants, local government officers and customers attended our webinar series (and a further 500+ viewed the recordings later online).

We also presented these directly to each local government (officers and Councillors) and had them available at our developer forum, welcoming feedback.

The regional master planning program remain live documents that are regularly reviewed and updated in response to changes in growth, asset condition, operations, customer expectations and regulations.

7.4 OUR APPROACH TO ASSET MANAGEMENT

North East Water's renewals forecasting and expenditure planning is in line with the Victorian Government's Asset Management Accountability Framework (AMAF) and is aligned with the Australian Standard for Asset Management – ISO 55000 standards. We are committed to whole of life management of our physical assets to balance the benefits, cost, risk and functionality of those assets to deliver value and meet the service needs of present and future customers.

To inform our four main renewals programs (water, wastewater, above and below-ground), North East Water has developed asset class plans which identify a bottom-up level of renewal investment prudent to maintain existing customer service levels and adequately manage North East Waters risk exposure. Each asset class plan uses the best available data which is detailed within each asset class plan.

To inform our renewal programs, North East Water conducted a thorough analysis of options with regards to our business objectives using Investment Logic Mapping. This includes mapping the expected business benefits and optimal cost for each option. This exercise also identified the KPIs that relate to each of the identified benefits

7.5 OUR APPROACH TO CAPITAL PLANNING AND GOVERNANCE

7.5.1 Capital project prioritisation

As noted earlier, our infrastructure master plans look at the long-term infrastructure needs for water and wastewater and identify the capital projects to be delivered across the 50-year period. All projects for the first 10 years were put on a long list for the capital projects prioritisation process, and those that scored highest in the prioritisation process for delivering the greatest community benefits were scheduled for earlier delivery.

Each project has a business case that demonstrates the business need and alignment with our corporate objectives and strategies. Though the majority of the proposed capital projects originate from the master plans, some originate from other parts of the business such as repairs to address current operational challenges, ongoing renewals, or digital and information technology investments.

Parallel to the capital project business cases, a risk assessment is conducted for each water and wastewater *system* (an 'all-systems review') that examines how well the current infrastructure and operations in the town system are functioning. The higher the system's risk score, the more challenges are being faced in that town. The all-systems review is updated annually to account for changes such as infrastructure condition, impacts from growth, customer service, and regulatory requirements.

All projects are then prioritised by score and those with the highest score are scheduled for earlier investment, and those that fall outside the capital expenditure budget are deferred.

Notwithstanding the prioritisation process, the board reserves the right to include projects in the annual capital projects program that are considered mandatory and therefore bypass the prioritisation process. Projects that may be considered compulsory include but are not limited to:

- Contractual commitment that is in place for construction (i.e. a formal contract has been executed)
- Legal compliance (e.g. legislation, or an enforceable undertaking, dictates that we would breaching the law if the project does not proceed)
- Risk mitigation: the project is managing a current business service or matter associated with a zero-risk appetite (e.g. provision of safe drinking water to existing customers)
- Asset failure: an unexpected asset failure requires an urgent renewal or up-grade to ensure core service delivery.

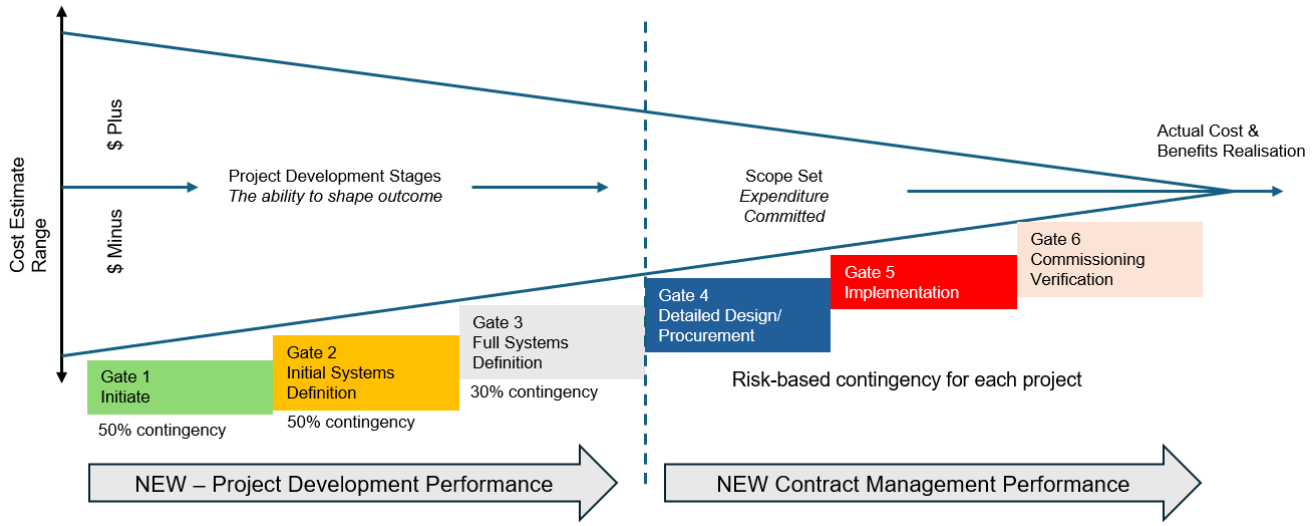
While prioritisation is used to guide investment priorities, determination from the board and executive also play a role in selecting the final program and may consider other factors such as reputation, as well as balancing investment across North East Water's service area.

7.5.2 Cost estimation

Cost estimates for the top 10 major projects have been developed in partnership with our Professional Engineering Services (PES) partners SMEC, GHD and Stantec, based on a 50% probability (P50) that the actual cost will be at or below the estimated value. To develop a P50 estimate, North East Water starts with a detailed bottom-up estimate, incorporating scope, quantities, and unit rates. Unit rates have been benchmarked against reference projects to ensure they reflect current market conditions and comparable scope elements. Risk and uncertainty are then assessed through structured risk identification and allocation processes.

North East Water's capital cost estimation includes larger contingencies gates 1 and 2, typically 50%, and reduced contingency at gate 3. From gate 4 on, the specific, risk-based contingency amount is tailored to each project and its specific circumstance.

Figure 2 – Capital Project Cost Estimation



The contingency allowances are consistent with the expectations of the Victorian Department of Treasury and Finance (DTF) High Value High Risk (HVHR) Framework for projects at the early design and planning stage, where the level of design definition and cost estimation accuracy remains at a preliminary level (typically -30% to +50%). This reflects a higher degree of uncertainty around scope, procurement, market conditions, and site-specific risks. The contingency is allocated as a risk mitigation measure, aligned with good practice in public investment management. It helps ensure that projects remain financially resilient as they move through the lifecycle, with sufficient flexibility to respond to design evolution, unforeseen conditions, and other external variables, without requiring significant scope change or funding variation requests later in the process.

A typical contingency allowance at gate 3 is 30%, however the contingencies differ project by project, because North East Water applies informed judgement and historical data to allocate risk contingencies to individual cost elements or project phases. These allocations are based on the likelihood and potential impact of known risks, as well as lessons learned from comparable projects. It also reflects the level of complexity with the specific project. The resulting contingency estimate represents a midpoint that reasonably accounts for foreseeable risks, providing a sound basis for decision-making, regulatory review, and capital planning.

To provide assurance regarding the level of investment in the region-wide asset renewals program (water and wastewater, above and below ground), North East Water undertook an independent renewal modelling exercise and high-level renewal gap analysis (Ibrahimi, 2024). To then confirm and determine the appropriate level of investment, North East Water engaged Investment Logic Mapping (ILM) specialists Optias to inform a strategic options assessment.

North East Water and Optias used a variety of techniques and activities to identify, scope and define the solution. The process continues with identifying the benefits, which are weighted based on their value to the organization or customers and supported by key performance indicators (KPIs). Negative impacts are also considered. Risks, including significant factors that might affect benefit delivery, are identified, along with interdependencies that need to be in place for success. Finally, all factors are considered to rank the response options, leading to an overall assessment and recommendation on how the renewal investment should proceed.

7.6 PROCUREMENT AND DELIVERY STRATEGIES

North East Water employs a flexible approach to developing its procurement and delivery strategies. Factors that inform the development of the strategy include:

- The complexity and risk profile of the project
- Lessons learned from previous procurements
- Opportunities for bundling of works or services to gain the benefits of economies of scale and generate efficiencies
- Consideration of market conditions to determine accepted practices and opportunities for innovation
- Use of standard Functions Requirements Specifications for consistency and efficiency.

North East Water complies with the request for tender thresholds as per the Ministerial Directions for Public Construction (Ministerial Directions) for construction-related services. In addition, we may elect to initiate a procurement by issuing an expression of interest (EOI) to the market prior to conducting a selective tender with short-listed proponents. In circumstances where there is complexity or innovation, early contractor engagement is considered.

Requests for Information (RFI) are used to engage with suppliers at the market research stage of the procurement lifecycle to inform us of the depth of supplier pools and to determine what commercial arrangements will be of interest to the market. North East Water has explored initiatives to expand supplier engagement; we worked with the Industry Capability Network (ICN) to develop a Gateway page to profile upcoming projects and seek interest in upcoming panel arrangements. The Gateway page was launched at a public event in partnership with ICN.

To inform decisions on the optimum procurement delivery model for the capital works program North East Water engaged Stantec Australia Pty Ltd to undertake an independent options assessment. This included analysis of the challenges and benefits to various models including Framework/Panel arrangement, Partnership, Managing Partner and Alliance. On consideration of the forecasted capital expenditure, it was determined that framework arrangements would provide the most benefit to the business. For the delivery of North East Water's asset renewal programs, project management services and capital works project planning services, a category management approach is to be used to further expand the use of panels of suppliers. The panels will provide efficiencies as supplier capability, safety practices and capped pricing mechanisms will be assured through the longer-term head agreements, allowing for quicker request for tender processes to be undertaken.

Risks of project/program overruns and delays are managed by North East Water through internal processes and at the contract level. North East Water's internal processes include:

- Financial reporting to the Board Transformation and Major Projects Committee three times a year
- Quarterly presentations to executive on the budget position
- Program status and risk reporting via the EPMO status reporting process three times a year.
- Capital Program Steering Group meets monthly with exceptions or risk reported to executive

Contract management practices are in place to ensure that all variations are appropriately approved and where necessary, additional funding has been secured. This includes sign-off on project change notices by contractors and internal financial delegates. These documents track all variations including financial, timing and scope changes. Payments are managed through North East Water's finance software which ensures that payments are consistent with contract schedules and approved variations.

7.7 DEVELOPMENT OF TAILORED PROJECT SYNOPSIS DOCUMENTS

To support the regulatory review, we developed project and program synopsis documents for each of our major projects and programs (refer list of supporting documents at the end of the section).

These synopses provide the detail required by the ESC Guidance Paper in the ESC's assessment of prudency and efficiency. These include:

- Driver
- Scope
- Timing
- Customer
- Options considered
- Cost estimates
- Risk assessment
- Procurement and delivery approach
- Efficiencies
- Historical analysis of costs of programs.

The major project and program synopsis documents have been reviewed by Marsden Jacobs (May 2025). The focus of the Marsden Jacobs review was to consider the prudency and efficiency of forecasts and meeting the ESC requirements and a review of our capital prioritisation process. This included a gap analysis assessment of North East Water's draft capital expenditure forecasts.

7.8 DEVELOPING OUR BEST OFFER

Our best offer has been informed by a range of processes and practices that are aimed at ensuring value for money for its customers. This process included an extensive review by Marsden Jacobs of the major project synopsis and asset renewal program documents.

Cost estimates for major projects and programs are developed to a P50 exceedance probability to balance the delivery of benefits to customers with the need for reasonable contingency allocations to manage project risk and uncertainty. Detailed bottom-up project cost estimates are benchmarked against comparable projects and rates to ensure they reflect current market conditions. These estimates are developed and/or reviewed by our PES partners who have access to a large volume of cost information from recent infrastructure projects delivered across Australia.

Risk and uncertainty are assessed through structured risk identification and allocation processes, including the use of historical data to allocate risk contingencies where appropriate. Project budget contingency allowances are allocated to accommodate risk and uncertainties such as changes in population forecasts, climate change, and market conditions. A contingency allowance is adopted for projects at the early design and planning stage in accordance with DTF High Value High Risk (HVHR) Guidelines. This allowance may be reduced as the project progresses and there is a greater degree of scope definition and risk quantification.

Business cases are developed for each project that demonstrate the business need and alignment with corporate objectives. A robust capital prioritisation process is undertaken which involves scoring each project against criteria aligned with Strategy 2040 ambitions and informed by extensive consultation with customers and key stakeholders. Scenario analyses are undertaken where required to verify which set of projects should be priorities (such as when there are numerous sets of interdependent projects that must all be delivered in order to achieve the full benefits for customers). The prioritised projects are then scheduled to be delivered sooner in order to maximise the benefits delivered.

For projects identified as high value and/or high risk, project change boards and project steering committees are established to ensure scope changes are identified and managed appropriately.

7.9 OUR CAPITAL FORECAST

To deliver on our customer outcomes during 2026-31, we propose to spend $279.7 million (excluding customer contributions) across the period to:

- Maintain services to customers (renewals)
- Expand services (growth)
- Improve or upgrade services (improvements)
- Comply with legislative or regulatory obligations (compliance).

The average annual capital expenditure for the 2026-31 regulatory period is $56 million, higher than the average annual spend through 2018-26 ($47.5 million). As part of our transformation program, we have been building the skills, capability and capacity of the organisation to deliver large capital programs. Demonstrating this, we delivered a $81.64 million capital program in 2024-25.

The table below summarises our actual and forecast capital expenditure by service for the period 2018-2031.

Table 40 – Capital expenditure 2018-36 by service ($2025-26)

	PS4							
$m	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Water	7.03	12.46	13.76	13.71	10.71	11.82	17.76	22.25
Wastewater	7.14	12.23	8.81	22.16	17.45	23.66	58.92	59.00
Corporate	3.69	4.87	8.18	15.08	10.39	10.05	4.97	4.14
Total	**17.85**	**29.56**	**30.75**	**50.95**	**38.55**	**45.53**	**81.64**	**85.39**

	PS5					PS6				
$m	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**2033-34**	**2034-35**	**2035-36**
Water	17.87	17.58	24.69	25.96	25.49	12.04	19.94	11.04	10.04	10.04
Wastewater	32.43	37.57	16.39	20.74	41.45	47.83	37.65	37.02	49.65	39.65
Corporate	3.82	3.13	3.04	4.34	5.23	4.51	4.51	4.51	4.56	4.56
Total	**54.12**	**58.28**	**44.13**	**51.03**	**72.17**	**64.38**	**62.10**	**52.57**	**64.25**	**54.25**

7.9.1 Capital forecast by driver

The table below summarises our actual and forecast capital expenditure by driver for the period 2018-2036. As shown, growth and improvements/compliance account for the majority of our proposed capital expenditure forecast for the 2026-31 regulatory period (36% and 43% respectively), with renewals making up the remaining 21%.

Table 41 – Capital expenditure 2018-33 by driver ($2025-26)

	PS4							
$m	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Renewals	6.97	8.42	6.81	6.95	6.44	13.48	14.21	13.58
Growth	0.81	5.68	2.21	10.74	13.26	21.36	54.13	51.81
Improvement/ compliance	10.07	15.47	21.73	33.27	18.85	10.69	13.29	20.00
Total	**17.85**	**29.56**	**30.75**	**50.95**	**38.55**	**45.53**	**81.64**	**85.39**

	PS5					PS6				
$m	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**2033-34**	**2034-35**	**2035-36**
Renewals	13.19	11.58	10.99	10.96	11.79	16.30	16.30	16.30	16.30	16.30
Growth	16.48	12.56	9.75	21.90	40.99	43.87	42.59	33.06	44.69	34.69
Improvement/ compliance	24.45	34.14	23.39	18.18	19.38	4.21	3.21	3.21	3.26	3.26
Total	**54.12**	**58.28**	**44.13**	**51.03**	**72.17**	**64.38**	**62.10**	**52.57**	**64.25**	**54.25**

7.10 RENEWALS

On an average annual basis, investments in capital renewals for the 2026-31 regulatory period have increased to $11.7 million per annum compared to $9.6 million per annum over the 2018-26 period.

This level of renewal is driven by:

- Maintaining current levels of service to our customers
- An improved understanding of the condition of our asset portfolio
- An improved understanding of the risks associated with the wastewater above-ground portfolio
- Individual renewal projects identified as part of the recent master planning process or condition assessments.

To ensure a prudent and efficient approach to our renewals programs, we conducted a thorough analysis of options for each of the region-wide asset renewal programs, aligning with our business objectives using Investment Logic Mapping (ILM). North East Water engaged the services of ILM specialists Optias to inform a strategic options assessment.

Creating an ILM, along with a benefit management plan and strategic investment analysis, aligns with the Victorian Department of Treasury and Finance's (DTF) Investment Management Standard (IMS). This structured approach ensures a clear definition of the problem, identification of benefits, and development of effective solutions.

The ILM process ensures that investments are thoroughly planned and managed and aligned with the DTF's strategic investment approach. This method enhances the likelihood of achieving desired outcomes, provides transparency, and ensures accountability throughout the investment lifecycle.

The grounding principles of this process include:

- Pooling knowledge through informed discussions with subject matter experts
- Depicting the 'investment story' on a single page using accessible language and concept
- Clearly defining benefits that align with the organisation's desired outcomes.

Contributing factors to the increase in spend include the rising cost of capital works, materials and labour. Additionally, we have committed to improved asset management and therefore have increased the number of asset inspections and thus have uncovered more urgent renewals than was originally anticipated for this price submission.

We are investing in these renewals to reduce failures and downtime, extended asset life, enhance performance and safety, and achieve long-term cost savings – all of which contribute to greater reliability and customer satisfaction.

This increased level of investment reflects our consistent approach to enhancing asset reliability and performance. This sustained investment underscores our dedication to maintaining and improving our infrastructure, ensuring long-term service excellence and operational resilience.

7.11 GROWTH

Average annual investment in growth-related infrastructure is projected at $20.3 million per annum during the 2026-31 regulatory period, compared with $19.9 million per annum across the 2018-26 period. This expenditure is underpinned by two primary drivers: increased development activity in emerging growth areas and the need to augment existing systems nearing capacity constraints.

A significant proportion of the growth-driven investment relates to servicing greenfield developments in areas requiring new or expanded trunk infrastructure. A key example is the Baranduda-Leneva growth corridor in Wodonga, where over 15,000 new homes are anticipated over the next 30 years. To support this expansion, major projects include:

- Wodonga–Leneva water and wastewater upgrades ($27.87 million)
- Wodonga sewerage transfer capacity expansion ($33.56 million)
- South Bandiana sewage pump station ($5.31 million)
- Kiewa–Tangambalanga system upgrade ($15.87 million)

In parallel, several investments are required to address capacity limitations in existing infrastructure, ensuring continued reliability and service levels across the network. These include:

- Porepunkah clear water storage ($2.00 million)
- Yarrawonga clear water storage ($2.42 million)
- Region-wide trunk main infrastructure enhancements ($1.50 million)

These investments are critical to supporting regional growth, maintaining service reliability, and ensuring the long-term resilience of water and wastewater services in the face of increasing demand.

7.12 IMPROVEMENT AND COMPLIANCE

On an average annual basis, investment in improvement and compliance initiatives is forecast to increase to $24 million per annum over the 2026–31 regulatory period, from $19.9 million per annum during the 2018–26 period. This increase primarily reflects the tapering of improvement and compliance investment activity in the latter years of the price submission period.

Notably, the front end of the 2026-31 period is characterised by a concentrated investment profile, with the average annual expenditure in the first two years projected at $29.2 million**.** This reflects the delivery of several key projects early in the period that respond to identified regulatory obligations and asset performance requirements. The stepped nature of the investment profile ensures that critical compliance and service enhancement activities are prioritised while maintaining affordability for customers over the longer term.

This is driven by:

- Introduction of the General Environmental Duty under the *Environment Protection Act*, which has resulted in the need to upgrade some of our wastewater treatment plants including Beechworth ($16.45 million), Benalla ($5.75 million), Bright ($20.14 million) and Rutherglen ($10.78 million).
- Improvements to water treatment plants, such as installation of new UV units, to close gaps in health-based targets. Projects include Bright WTP UV ($220k), Harrietville WTP UV ($60k), Mount Beauty clear water storage ($3.69 million), Tallangatta clear water storage ($3.0 million), Wangaratta WTP upgrade ($19.35 million), Wodonga WTP Chemical Upgrade ($1.5 million), Yackandandah UV ($300k), Yarrawonga WTP ($7.73 million).

7.13 CAPITAL FORECAST BY CAPITAL TYPE

The table below shows the forecast capital expenditure by project type. Our major projects comprise 59% of our capital expenditure of the $279.7 million capital expenditure forecast. These major projects are summarised below.

Capital programs account for approximately 28%, and other capital expenditure accounts for the remaining 13%.

Table 42 – Capital forecast by capital type ($2025-26)

$m	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Top 10 major projects	23.67	38.37	29.40	29.84	43.95	**165.23**
Capital programs/allocations	17.05	14.86	14.23	14.76	15.91	**76.80**
Other capital expenditure	13.41	5.05	0.50	6.44	12.30	**37.70**
Total	**54.12**	**58.28**	**44.13**	**51.03**	**72.17**	**279.73**

7.14 MAJOR PROJECTS

An overview of each of our top 10 projects by cost is outlined on the following pages, including their drivers, link to outcomes, estimated cost, timing and completion dates.

Each top 10 project includes a forecast of how the project will contribute towards the Victorian Government housing targets. Some infrastructure is being constructed that will support a larger number of lots than what is listed for PS5. That is because they are long life assets that are sized for ultimate development, which will occur beyond PS5 (such as a clear water storage, or a trunk water main and trunk sewer mains). Only the number of lots expected to connect within the PS5 is shown. The expenditure in PS5 is what provides the additional 'capacity' for the additional lots, and/or the project is being delivered over both PS5 and PS6, and the additional lots have been attributed to PS5.

PROJECT: Wodonga Wastewater Transfer Capacity

Cost: $33.56 million – PS5 Investment
Total cost of project is $205 million

Cost driver: Growth

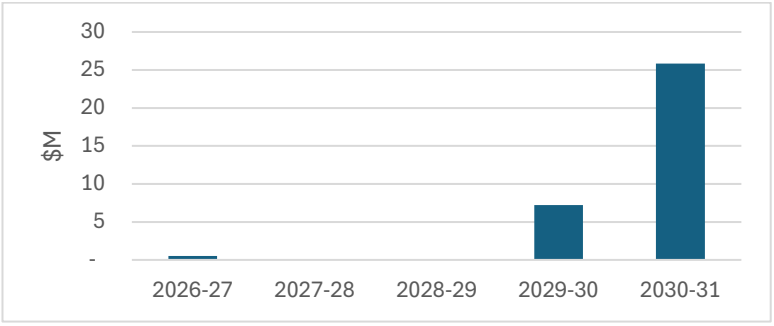
Service category: Wastewater

Start date: 2021-22

Finish date: 2037-38

Description: Upsize and replace the existing transfer main that is at capacity and nearing end of its service life. Supporting an additional 2,000 housing lots by 2031.

Synopsis: DOC24/40854



Customer outcomes alignment:

- Local community – local people and local partnerships to achieve positive outcomes for customers.

Project objectives:

- Increase reticulation capacity to accommodate growth in the Wodonga area
- Improve infrastructure reliability
- Reduce risk of spills to mitigate environmental risks associated with capacity limitations and infrastructure failure.

Overview and scope: Upsize and replace the existing transfer main that is at capacity and nearing the end of its service life from Forrest Mars Avenue sewage pump station (SPS01) to the West Wodonga Wastewater Treatment Plant (WWTP). The pipeline is critical to the Wodonga wastewater network, conveying approximately 95% of the region's total wastewater volume. The project includes replacement of 5.3 kilometres of gravity sewer main, replacement of inlet pump station at the WWTP and decommissioning of sewage pump station (SPS01) Wodonga. The project is critical to supporting Wodonga's State Government housing targets and will provide capacity to support an additional 40,000 connections across the asset life and is critical to achieving the target of 15,200 new homes in Wodonga by 2051. We estimate that this level of investment (together with the Wodonga-Leneva Water and Wastewater Upgrades) will provide capacity for an additional 2,000 housing connections in Wodonga by the end of PS5.

PROJECT: Wodonga-Leneva Water and Wastewater Upgrades

Cost: $27.87 million – PS5 Investment
Total cost of project is $65.9 million

Cost driver: Growth

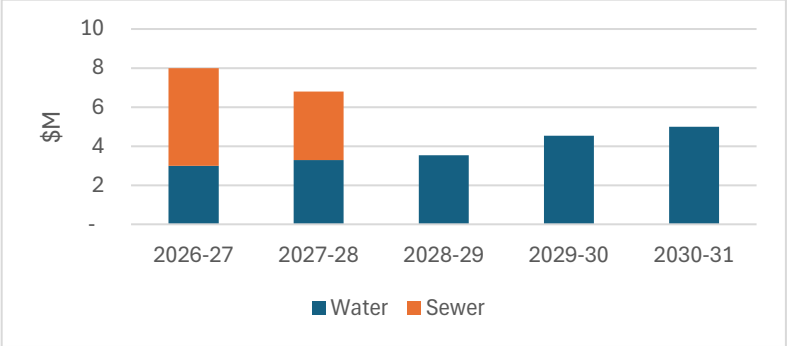
Service category: Water and Wastewater

Start date: 2022-23

Finish date: 2033-34

Description: Critical infrastructure improvements to support short-term growth and lay the foundation for long-term expansion. Supporting an additional 2,000 housing lots by 2031.

Synopsis: DOC24/41265



Customer outcomes alignment:

- Reliable Systems - clean, safe water and more resilient systems
- Local community - local people and local partnerships to achieve positive outcomes for customers

Project objectives:

- Increase reticulation capacity to accommodate current and future growth
- Enhance the reliability and efficiency of the water and wastewater networks
- Expand wastewater treatment and reuse systems to meet future demand while maintaining environmental compliance

Overview and scope: Upgrades to address capacity limitations and mitigate environmental risks within the Wodonga-Leneva water and wastewater network. This will include a 6ML clear water storage, a water pump station upgrade in

Bandiana, upsizing of water mains, spine wastewater gravity sewer, tertiary UV system replacement and reuse system expansion at the wastewater treatment plant. We estimate that this level of investment (together with the West Wodonga Wastewater Transfer Capacity project) will provide capacity for an additional 2,000 housing connections in Wodonga.

PROJECT: Bright Wastewater Treatment Plant Upgrade

Cost: $20.14 million – PS5 Investment
Total cost of project is $20.81 million

Cost driver: Improvements/ Compliance

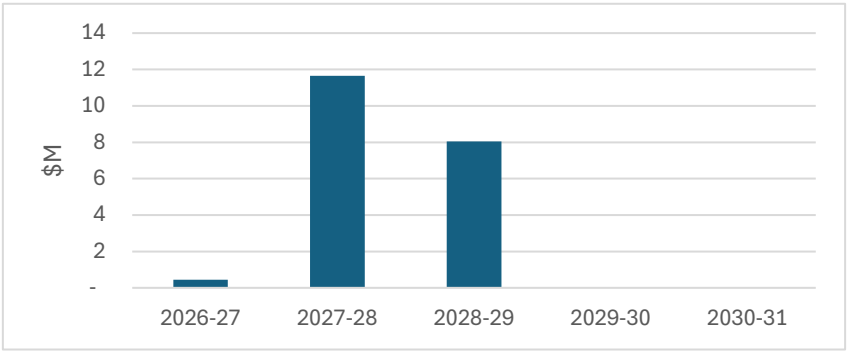
Service category: Wastewater

Start date: 2024-25

Finish date: 2028-29

Description: Upgrades to achieve EPA General Environmental Duty compliance.

Synopsis: DOC24/40858



Customer outcomes alignment:

- Sustainable Practices - minimise our impact on the environment and contribute to sustainable environmental health
- Reliable Systems - clean, safe water and more resilient systems.

Project objectives:

- Deliver plant augmentations to maintain compliance with the discharge licence
- Maintain ability to service customers.
- Provide capacity to enable future growth

Overview and scope:
Upgrades to the wastewater treatment plant include activated sludge treatment with intermittently decanted aerated lagoons, along with a pipeline to the river downstream of Feathertop Winery offtake. Although growth is not the primary driver for this project, we estimate that this level of investment will provide capacity for an additional 350 housing connections in Bright-Porepunkah.

PROJECT: Wangaratta Faithfull St Water Treatment Plant Upgrade

Cost: $19.35 million – PS5 Investment
Total cost of project is $19.5 million

Cost driver: Improvements/ Compliance

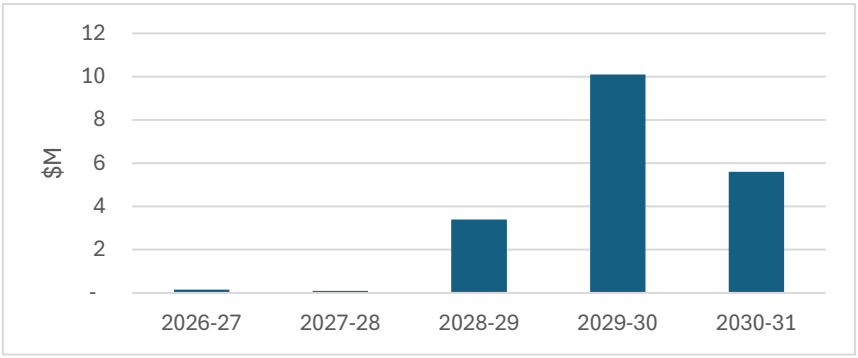
Service category: Water

Start date: 2025-26

Finish date: 2030-31

Description: Renewing critical infrastructure at the Wangaratta Faithfull Street Water Treatment Plant to ensure appropriate water security redundancy and reliability is in place.

Synopsis: DOC24/40851



Customer outcomes alignment:

- Reliable Systems - clean, safe water and more resilient systems
- Local community – local people and local partnerships to achieve positive outcomes for customers

Project objectives:

- To deliver a staged investment in WTP augmentations to maintain compliance and capacity as growth is applied
- Maintains our ability to service customers.

Overview and scope:

Project entails a clear water well and clear water storage bypass works and WTP service life extension including remediation of concrete, replacement of raw water pumps, installing inline mixer and replacing main switchboard. We will also upgrade clarifiers, replace the chlorinator and upgrade the FAS chemical dosing. Although growth is not the primary driver for this project, we estimate that this level of investment will provide capacity for an additional 2,900 housing lots in Wangaratta.

PROJECT: Kiewa-Tangambalanga System Upgrade

Cost: $15.87 million – PS5 Investment
Total cost of project is $17.36 million

Cost driver: Growth

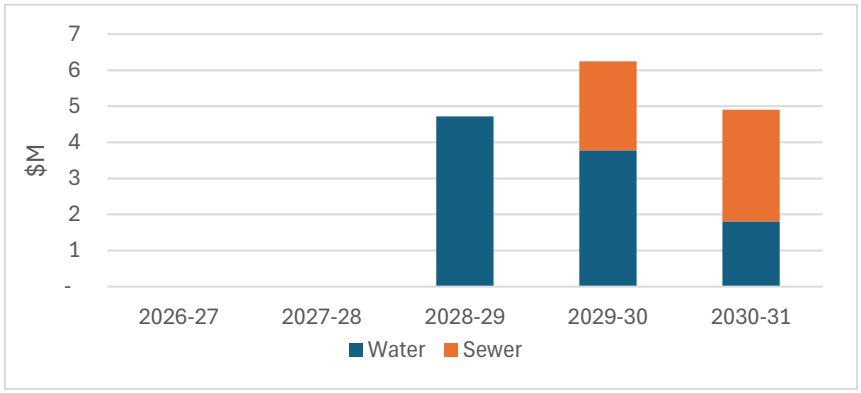
Service category: Water and Wastewater

Start date: 2021-22

Finish date: 2030-31

Description: Upgrades to the Kiewa-Tangambalanga water and wastewater systems to meet current and future demand. Supporting an additional 155 housing lots by 2031.

Synopsis: DOC24/40853



Customer outcomes alignment:

- Reliable Systems - clean, safe water and more resilient systems
- Local community – local people and local partnerships to achieve positive outcomes for customers

Project objectives:

- Increase reticulation capacity to accommodate current and future growth
- Maintain compliance and capacity as growth is applied
- Enhance the reliability and efficiency of the water and wastewater networks.

Overview and scope:
Significant upgrades are needed to the Kiewa-Tangambalanga water system including a new water pump station at Baranduda and replacing ageing water pipes in Kiewa and Tangambalanga. The wastewater system also requires expansion including upgrading the sewer pump stations in Kiewa and Tangambalanga and constructing another in Kiewa North. The project will also include an upgrade of the main sewer pipe. We estimate that this level of investment will provide capacity for an additional 155 housing connections in Kiewa and Tangambalanga.

PROJECT: Rutherglen Wastewater Treatment Plant and Reuse Upgrades

Cost: $10.78 million – PS5 Investment
(note $5 million of this project cost will be contributed under National Water Grid fund grant)
Total cost of project is $12.62 million

Cost driver: Improvements/ Compliance

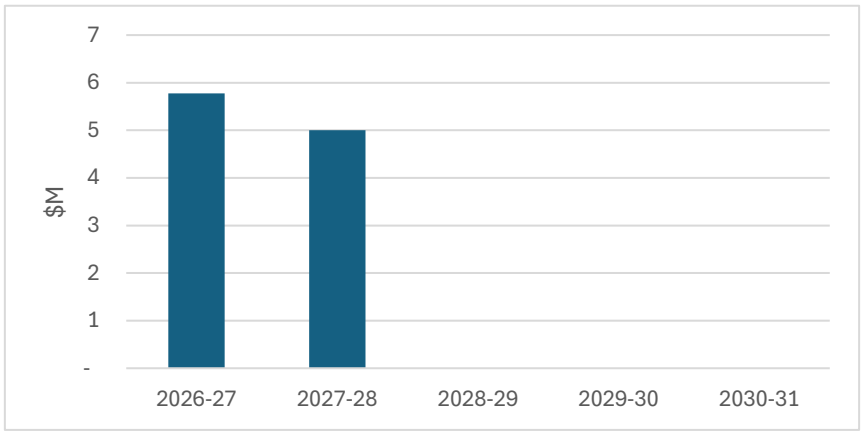
Service category: Wastewater

Start date: 2022-23

Finish date: 2027-28

Description: Upgrades to the wastewater treatment plant (WWTP) to address capacity and operational constraints.

Synopsis: DOC24/41079



Customer outcomes alignment:

- Sustainable Practices - minimise our impact on the environment and contribute to sustainable environmental health

- Reliable Systems - clean, safe water and more resilient systems
- Local community – local people and local partnerships to achieve positive outcomes for customers

Project objectives:

- Allow discharge to meet compliance with the discharge licence
- Increase wastewater treatment capacity to support housing growth in the region
- Upgrade of recycled water to Class B will enable more water reuse.

Overview and scope:
Current discharge at the WWTP does not meet EPA standards and improvements are needed in the tertiary treatment of wastewater to enable discharge to the river and reuse by a broader range of users. This upgrade will include a chlorination booster, new pipework, electrical upgrades and construction of new DAF plant to meet Class B requirements.
The project also includes construction of a 320ML winter storage, a 2.7ML in-town tank and 6.3km of pipeline to third party users in Rutherglen. Although growth is not the primary driver for this project, we estimate that this level of investment will provide capacity for an additional 500 housing connections in Rutherglen.

PROJECT: Yarrawonga Clear Water Storage, WTP Renewal & UV Installation

Cost: $10.15 million – PS5 Investment
Total cost of project is $10.55 million

Cost driver: Improvements/ Compliance

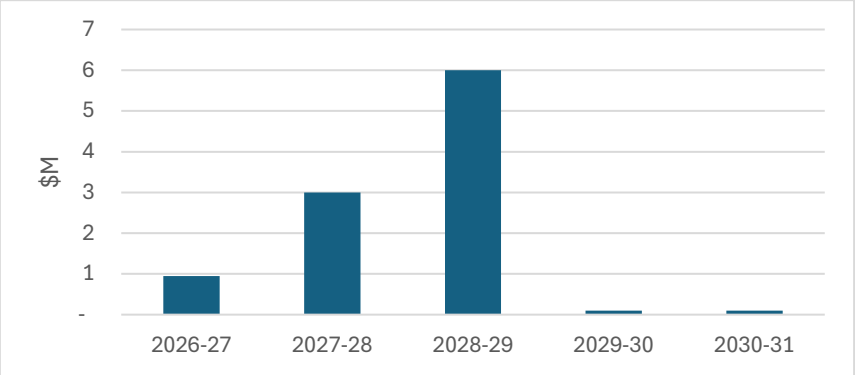
Service category: Water

Start date: 2025-26

Finish date: 2030-31

Description: Upgrade to the water treatment system to provide the appropriate level of service capacity and pressure.

Synopsis: DOC25/7561



Customer outcomes alignment:

- Reliable Systems - clean, safe water and more resilient systems
- Local community – local people and local partnerships to achieve positive outcomes for customers

Project objectives:

- Improve infrastructure capacity
- Avoid low pressure and storage deficits in the water network
- Improve water quality
- Enable growth by increasing clear water storage capacity at the WTP.

Overview and scope:
The upgrade to the water treatment system includes installing UV treatment at the WTP, constructing a 5ML clear water storage and associated pipework, and upgrades to treatment plant including backwash, chemical delivery.
Although growth is not the primary driver for this project, we estimate that this level of investment will provide capacity for an additional 2000 housing connections in Yarrawonga.

PROJECT: Beechworth Wastewater Treatment Plant Upgrade

Cost: $16.45 million – PS5 Investment
Total cost of project is $18.04 million

Cost driver: Improvements/ Compliance

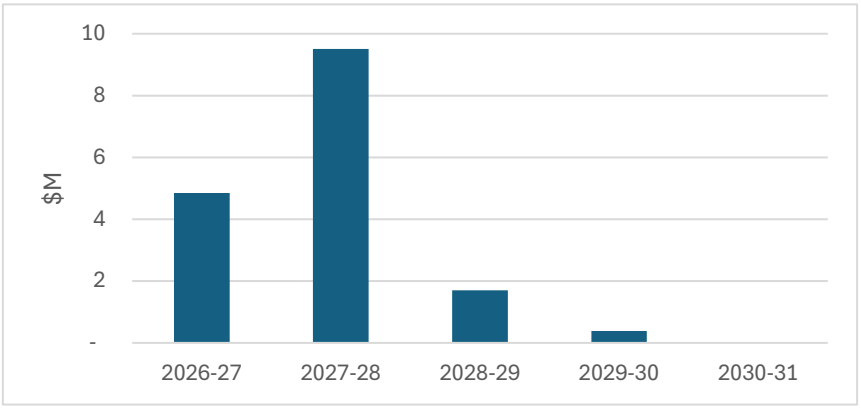
Service category: Wastewater

Start date: 2022-23

Finish date: 2029-30

Description: Upgrades to the Beechworth Wastewater Treatment Plant's discharge methods to achieve EPA General Environmental Duty compliance.

Synopsis: DOC24/41078



Customer outcomes alignment:

- Sustainable Practices - minimise our impact on the environment and contribute to sustainable environmental health
- Reliable Systems - clean, safe water and more resilient systems
- Local community – local people and local partnerships to achieve positive outcomes for customers

Project objectives:

- Maintain compliance with the discharge licence
- Reduce the risk of odour impacts to neighbours
- Increase treatment capacity and support housing growth in the region.

Overview and scope:
Upgrades at the WWTP will include construction of new biological nutrient removal (activated sludge) plant, inlet works (including screening), UV disinfection system and refurbishment of primary lagoon with liner. It will also entail repairs to the primary lagoon embankment, a new aerobic digestor with permanent mechanical sludge dewatering, upsized discharge pipeline and decommissioning of maturation lagoon and CAS plant. Although growth is not the primary driver for this project, we estimate that this level of investment will provide capacity for an additional 300 housing connections in Beechworth.

PROJECT: Benalla Wastewater Treatment Plant Upgrade – Stage 1

Cost: $5.75 million – PS5 Investment
Total cost of project is $5.85 million

Cost driver: Improvements/ Compliance

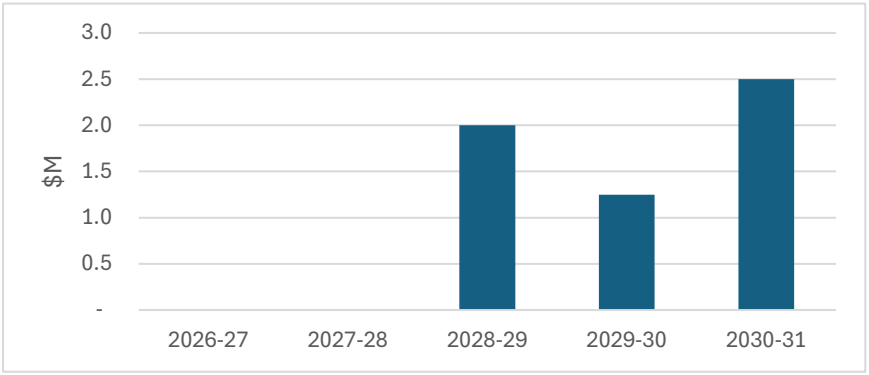
Service category: Wastewater

Start date: 2025-26

Finish date: 2030-31

Description: Upgrades to the Benalla Wastewater Treatment Plant to meet compliance and increase treatment capacity.

Synopsis: DOC24/7558



Customer outcomes alignment:

- Sustainable Practices - minimise our impact on the environment and contribute to sustainable environmental health
- Reliable Systems - clean, safe water and more resilient systems
- Local community – local people and local partnerships to achieve positive outcomes for customers

Project objectives:

- Maintain environmental compliance
- Maintain ability to service customers and reduce the risk of disruption of service
- Increase wastewater treatment capacity and support housing growth in the region.

Overview and scope:
The Benalla WWTP is currently non-compliant with the containment standard and has inadequate treatment capacity to support future growth. The upgrade will include construction of a new 60ML facultative lagoon, a new 60ML maturation lagoon, and construction of ancillary lagoons. Although growth is not the primary driver for this project, we estimate that this level of investment will provide capacity for an additional 500 housing connections in Benalla.

PROJECT: Wodonga South Bandiana Sewer Pump Station

Cost: $5.31 million – PS5 Investment
Total cost of project is $9.95 million

Cost driver: Growth

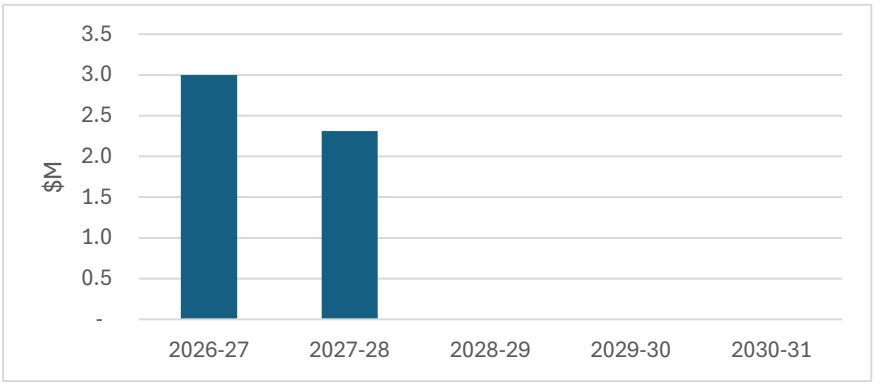
Service category: Wastewater

Start date: 2023-24

Finish date: 2027-28

Description: A sewer pump station and rising main is required in South Bandiana along with gravity sewer infrastructure to service growth. Supporting an additional 2,000 housing lots by 2031.

Synopsis: DOC25/11983



Customer outcomes alignment:
- Sustainable Practices - minimise our impact on the environment and contribute to sustainable environmental health
- Local community – local people and local partnerships to achieve positive outcomes for customers

Project objectives:
- Maintain customer service levels
- Increase wastewater capacity and support housing growth in the region
- Improve the reliability of the system
- Reduce the risk of sewerage spills.

Overview and scope:
A new sewer pump station and rising main is required in South Bandiana along with gravity sewer infrastructure to service proposed development needs now and into the future. We will construct two gravity sewers, a 66L/s sewer pump station, install a sewer pump station rising main and decommission the Whytes Road sewer pump station. We estimate that this level of investment (together with the other Wodonga major projects) will provide capacity for an additional 2000 housing connections in Wodonga area by the end of PS5.

7.15 CAPITAL PROGRAMS AND OTHER CAPITAL EXPENDITURE

Capital programs account for approximately $77 million or 27% or of the capital expenditure forecast and are predominantly comprised of renewals. The remaining 13% or $37.7 million is largely small-scale improvements to treatment process at our water treatment plants. Both are outlined in the table below.

Table 43 – Capital programs and other capital expenditure 2026-31 ($2025-26)

Capital program	Cost $M	Service	Asset type	Customer outcome	Regulatory cost driver
Bulk water purchases	4.70	Water	Water	Reliable Systems Local Community	Growth
Land purchases	0.25	Wastewater	Land	Sustainable Practices Local Community	Growth
Water network renewal program	26.08	Water	Water mains	Reliable Systems	Renewal
Sewer network renewal program	25.93	Wastewater	Sewer mains	Reliable Systems	Renewal
Water facility reliability program	0.50	Water	Pipelines, Treatment Plant, Network	Reliable Systems Responsive Services	Improvement/ Compliance
Wastewater facility reliability program	0.50	Wastewater	Pipelines, Treatment Plant, Network	Reliable Systems Responsive Services	Improvement/ Compliance
IT	2.51	Corporate	IT	Reliable Systems	Improvement/ Compliance
Digital meters	0.71	Water	IT	Reliable Systems Responsive Services	Improvement/ Compliance
Safety program	0.60	Corporate	Corporate		Improvement/ Compliance
Fleet and facility	7.79	Corporate	Corporate	Responsive Services	Improvement/ Compliance
Master Planning	1.50	Corporate	Corporate	Reliable Systems	Growth
Other projects - water	21.59	Water	Headworks, Treatment Plant, Network	Sustainable Practices Reliable Systems Local Community	Improvement/ Compliance, Growth
Other projects - wastewater	14.79	Wastewater	Treatment Plant, Network	Sustainable Practices Reliable Systems Local Community	Improvement/ Compliance, Growth

7.16 CAPACITY TO DELIVER

Several post-implementation project reviews and audits identified a number of improvement opportunities, and the following initiatives were implemented over the current regulatory period to ensure the successful delivery of our capital program:

- Planned increase in the use of supplier panels of suitably qualified and verified suppliers with capped rates to provide efficiencies and value for money
- Proactive industry engagement for high risk and high value projects
- A capital prioritisation process that provides clear direction for project planning and resource assessment
- A digital transformation roadmap that focuses on digital literacy to enable project managers to use technology more effectively to deliver projects and manage delivery at a program level.

Midway through our current regulatory period, a centralised procurement team for the business was created which has allowed us to develop a strategic procurement function and expand the services and expertise offered. There has been an uplift in training offered on procurement processes including contract management, and procurement processes now include more sophisticated procurement options to be explored such as panels and taking larger bundled packages of work to tender.

In 2024-25, the Planning and Infrastructure team completed a workforce readiness initiative designed to increase planning capability, efficiency and focus, and our ability to respond to changing regulatory environment, changing climate and increased urban growth. As a result, the previous split between east and west capital delivery was replaced at a functional level with one combined delivery function with a new Capital Project Management Office allowing for greater clarity and efficiency in project delivery. Planning functions were also integrated into a new infrastructure planning function to allow for an increased focus with a dedicated team for planning.

A new urban growth function was also created, with an integrated property information and development team to maximise efficiency and effectiveness and improve customer experience, providing a one-stop shop for developers and customers. The planning and delivery functions are now guided by a new infrastructure strategy team with a stronger focus on infrastructure strategy, a dedicated grants function to assist with finding external funding for capital expenditure projects where available.

In addition, an Enterprise Portfolio Management Office was established in 2023, to improve program management practices across the business. This function provides reporting to the Transformation and Major Projects committee to highlight program trends and opportunities for enhanced performance. The function is responsible for facilitating the Project Management Working Group, whose remit is to explore continuous improvement opportunities through maturity assessments and broader industry engagement.

North East Water delivered a capital program of $380 million in the last regulatory period (2018-26) and is well positioned to deliver the 2026-31 program.

7.17 NET CAPITAL EXPENDITURE

Forecast customer contributions have been derived from our estimates of income to be earned from New Customer Contribution charges from July 2026. Forecast estimates for proceeds from disposals have been derived from vehicle and major plant sales based on budget and historic data. Table 44 summarises the forecast of these items and details net capital expenditure across the 2026-31 regulatory period.

Table 44 – Net capital expenditure 2026-31 ($2025-26)

Net capital expenditure	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Total gross capital expenditure	54.12	58.28	44.13	51.03	72.17	279.73
Total government contributions	1.00	3.10	0.41	-	-	4.50
Total customer contributions	4.32	4.38	4.45	4.51	4.58	22.24
Net capital expenditure	**48.81**	**50.80**	**39.28**	**46.52**	**67.58**	**252.99**
Gifted assets	6.70	6.70	6.70	6.70	6.70	33.50
Proceeds from disposals	0.50	0.50	0.50	0.50	0.50	2.50

7.18 TRIALS, PILOTS AND EXPLORATION WORKS

Digital meters

North East Water is in the process of commencing a pilot which will follow a trial for digital meters in PS5. An amount of $1 million was included in the current regulatory period for Years 7 and 8, however has been deferred to prioritise billing system funding and stability. An amount of $0.71 million has been identified for the next regulatory period. By focussing on the trial we can demonstrate prudency by testing benefits and risks before any wider rollout.

The digital meters pilot phase includes the roll out of 200 meters which will also establish the software updates required to our billing system and IOT platform costs per year. We understand that a careful approach is required in the event of significant customer leak detection and the impact on staff resourcing and billing before a trial is commenced.

The implementation of digital meters was a recommendation of the deliberative forum '*to assist customers in managing and reducing their use before they need access to the customer support program*'. Our response initially proposed to install 14,000 devices, approximately 25% of customers. Whilst we are still proposing to implement this recommendation, we have scaled back the number of devices. Pending the success of the pilot we will trial the installation of 2,350 meters or approximately 4% of our existing customers.

The roll out of digital meters aims to improve leak detection, provide customers with real-time usage data, and foster water conservation through better data analytics and customer notifications.

Biochar trial

In partnership with the Intelligent Water Network, Gippsland Water and the Rural City of Wangaratta, North East Water launched a pilot biochar trial to explore the pyrolysis of various biosolids stockpiles.

The primary objective of the trial was to determine which organic feedstocks – combinations of biosolids, green waste, lucerne hay, and woody biomass – possess sufficient calorific value to sustain the high temperatures required for pyrolysis. This process is critical for the effective destruction of contaminants of emerging concern (CECs), including PFOA, PFAS, and microplastics. The trial is also considered the least cost of disposal method to remove a contaminated legacy biomass stockpile.

The pilot assessed the feasibility of converting North East Water's biosolids and other organic materials into biochar while also evaluating the emissions profile and quality of the resulting product. Feedstocks included lucerne hay sourced from North East Water-operated farms and green waste biomass from Council's composting facility.

The trial focused on identifying the most efficient and environmentally sustainable feedstock blend to produce high-quality biochar with minimal emissions. The results were highly encouraging, providing a clear understanding of the optimal conditions needed to achieve complete contaminant destruction.

These findings now inform the development of a business case for a full-scale pyrolysis unit. This future facility could process North East Water's 90,000 tonnes of stockpiled biosolids, along with regional councils' green waste, to produce a clean, effective biochar product suitable for agricultural use or carbon emissions reduction. This may also reduce future biomass legacy disposal costs. North East Water has not priced costs associated with the potential capital solution which may also provide unregulated revenue opportunities and will also be dependent on funding arrangements prior to proceeding.

Circular economy trials

The co-location of Australian Gas Infrastructure Group's (AGIG) Murray Valley Hydrogen production plant at West Wodonga provides North East Water an opportunity to explore several circular economy outcomes that have the potential to reduce operational costs and increase plant efficiencies.

These outcomes could include:

- Injection of Biomethane from the West Wodonga anaerobic digestion into the gas grid via AGIG's gas grid connection
- Reuse of waste oxygen from the production of hydrogen into the wastewater treatment process offsetting energy
- The supply of recycled purified water for the production of hydrogen
- Collection and sale of Carbon Dioxide
- The reuse of heat from the production of hydrogen to reduce drying times for biosolids

Business cases and support funding will be generated over the next 5 years to better understand the return on investment for these projects.

Supporting documents

Asset Management Policy & Procedures

- DOC25/30638: Strategic Asset Management Plan
- DOC25/30642: Capital Program Governance and Assurance Framework
- DOC25/30656: Procurement Policy
- DOC25/30732: Manual - Capital Projects Prioritisation Process
- DOC25/30643: Manual - Project and Program Management - Project Management
- DOC25/30646: Manual- Program and Project Management - Capital Investment Program
- DOC25/30733: Procedure – Construction Project Review Gates
- DOC25/30648: Procedure – Project Management – Systems Engineering
- DOC25/30652: Procedure – Project Risk Categorisation

State Government Housing Targets

- DOC25/30736: NEW Capital Investment PS5 to Support Housing Targets – September 2025

Major Top 10 Project Synopses

- DOC25/30543: Wodonga Wastewater Transfer Capacity - Stage 1
- DOC25/30577: Wodonga – Leneva Water and Wastewater Upgrades
- DOC25/30579: Bright Wastewater Treatment Plant Upgrade
- DOC25/30546: Wangaratta Faithfull St Water Treatment Plant Upgrade
- DOC25/30551: Kiewa/Tangambalanga System Upgrade
- DOC25/30568: Rutherglen Wastewater Treatment Plant and Reuse Upgrades
- DOC25/30572: Yarrawonga Clear Water Storage, Water Treatment Plant Renewal & UV Installation
- DOC25/30564: Beechworth Wastewater Treatment Plant Upgrade
- DOC25/30560: Benalla Wastewater Treatment Plant Upgrade – Stage 1
- DOC25/30516: Wodonga South Bandiana Sewer Pump Station

Program Synopses

- DOC25/6850: Water Assets Below Ground
- DOC25/8683: Wastewater Assets Below Ground
- DOC25/10964: Wastewater Assets Above Ground
- DOC25/10965: Water Assets Above Ground
- DOC25/24966: Digital Investment

PS4 Performance Review

- DOC25/10877: NEW PS4 2018-2016 Capital Expenditure Performance Review

Master Planning & Growth Webinar Presentations (Regional Master Planning Program | Have Your Say North East Water)

- DOC25/30739: Master Planning and Growth
- DOC25/30742: City of Wodonga
- DOC25/30744: Indigo Shire
- DOC25/30747: Towong Shire
- DOC25/37048: Alpine Shire
- DOC25/30750: Benalla Rural City
- DOC25/30752: Moira Shire
- DOC25/30753: Rural City of Wangaratta

Part eight — Demand and growth

HIGHLIGHTS

Key points

8. DEMAND AND GROWTH

Key points

- Total connection growth including commercial and industrial customers will increase by 1.46% each year increasing from 56,458 connections in 2023-24 to 62,502 connections by 2030-31.
- Residential connections are forecast to grow at an average annual rate of 1.45%. Connections will increase from 51,284 in 2023-24 to 56,737 by 2030-31.
- Average residential consumption is forecast to be 193 kL per household for the five-year period, commencing at 194 kL in 2026-27 and reducing slightly to 192 kL by 2030-31, this is consistent with the 5-year average residential household consumption to 2023-24 of 194kL.

8.1 INTRODUCTION

Robust demand forecasts are a key component of our pricing submission under the PREMO framework. Ensuring that the forecasts are as accurate as possible is a primary mechanism for reducing regulatory risk and promoting regulatory outcomes that maximise technical, allocative and dynamic efficiency.

The quality of demand forecasts has a direct impact on our ability to recover sufficient revenue particularly given our high percentage of volumetric revenue (approximately 51%) of our total average residential bill.

The ultimate objective of demand forecasting is to generate the most reliable estimates of customer growth and service delivery over the forthcoming regulatory or planning period. The more reliable the demand estimates, the more informed will be the choices we can make about expenditure and prices.

8.2 HOW WE FORECAST CONNECTIONS GROWTH

Future connections are extrapolated based on the past trends of each town in each tariff schedule. Relying solely on Victoria in the Future (VIF) forecasts would have resulted in a significant reduction in connection growth with six of our seven local government areas forecasting less than 1% average annual growth.

Key assumptions include:

- Average annual compounding growth rates for each town from 2009-10 to 2024-25.
- The growth rates are then applied to 2024-25 connection numbers to extrapolate out over the course of the regulatory period
- Extrapolations are undertaken annually
- Connections are based on the number of meters since fixed charges are levied per meter
- The count of connections excludes NEW-owned properties.
- There is no (or only trivial amounts) of vacant land forecast from 2023-24
- Growth in each tariff group was allocated to a meter size based on the meter count as at February 2025.

8.3 OUR CONNECTIONS FORECAST

Our proposed connections for residential and non-residential customers are outlined in the table below. Connections for residential customers are forecast to grow by 1.46% per annum over the period 2026-27 to 2030-31. Wastewater connections growth is consistent with water connections growth.

Table 45 – Forecast water connections 2026-36

$M	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Commercial	4,932	5,004	5,077	5,151	5,226	5,303	5,381	5,460	5,541	5,620
Industrial	517	524	532	540	547	555	564	572	580	589
Residential	53,530	54,312	55,104	55,909	56,728	57,558	58,405	59,265	60,139	61,025
Total Connections	**58,977**	**59,838**	**60,711**	**61,598**	**62,500**	**63,415**	**64,348**	**65,295**	**66,258**	**67,235**

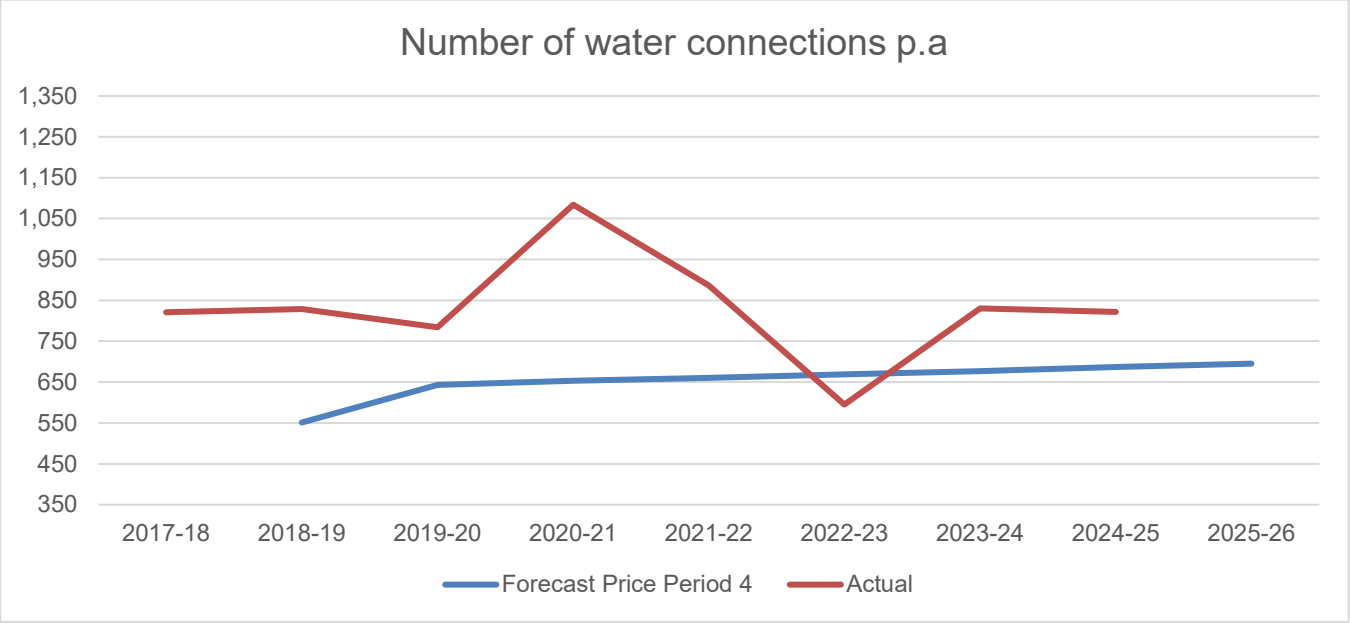
Table 46 – Forecast wastewater connections 2026-36

$M	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Commercial	3,604	3,635	3,665	3,696	3,727	3,759	3,791	3,823	3,856	3,890
Industrial	443	445	447	450	452	454	556	558	560	563
Residential	49,816	50,578	51,356	52,151	52,963	53,792	54,639	55,505	56,390	57,294
Total Connections	**53,864**	**54,658**	**55,469**	**56,297**	**57,142**	**58,005**	**58,886**	**59,787**	**60,706**	**61,646**

Our forecasts include a 0.23% increase in our average annual growth rate compared to the 2018 price determination. This is due mainly to a surge in new connections in 2020-21 and 2021-22 in some of our larger centres with total new connections of 1,096 in 2020-21 with a more reduced level of growth occurring from 2022-23 onwards.

Graph 15 compares our actual connection growth with our historical growth forecasts.

Graph 15 – Actual and forecast connections growth



8.4 HOW WE FORECAST CONSUMPTION

North East Water engaged Utilities Regulation Advisory (URA) to develop the corporation's demand forecasts. The engagement uses the same approach to forecasting consumption and connections that were developed for our 2018 price submission demand forecasts.

The modelling approach consisted of two stages: the first is an econometric estimation of the demand parameters of the demand for water. The second stage consists of applying those parameters to forecast consumption between 2024-25 and 2035-36.

The forecasts were based on monthly data between August 2009 to February 2025. This period covered both the extended drought of the 2000s and 2010s as well as the more recent return to normal years.

North East Water supplied:

- Monthly consumption data for each customer serviced for each town serviced
- Customer classes (residential, industrial, commercial and major)
- Connection numbers by customer class and meter size.

URA augmented data for:

- Daily temperature and rainfall from the Bureau of Meteorology
- Historical population data at the state and LGA level from the Australian Bureau of Statistics
- Historical gross state product (Victoria) from the Australian Bureau of Statistics
- Forecast gross state product growth rates from the Victorian Government
- Forecast Victoria in the Future population data from the Victorian Government.

Lower temperatures and high rainfall experienced in the summer months can have a material impact on demand. As such, we ran three sets of forecasts (baseline, sequence 1 and sequence 2) for each of residential, commercial, industrial and major customers (temperature and rainfall) assumptions.

- **Business as usual** – this scenario is based on regressions of the temperature and rainfall conditions which were observed between 2010 and 2024, and for which there was not any long - term climate change.
- **Sequence 1** – this scenario represents a hypothetical 10-year sequence of six hot and dry years, three normal years, and one cool and wet year over the period 2026-27 and 2035-36.
- **Sequence 2** – this scenario represents a hypothetical 10-year sequence of one hot and dry year, three normal years, and six cool and wet years over the period 2026-27 and 2035-36.

North East Water propose to adopt the business as usual scenario. In considering this we accept the risk of lower consumption presented in Sequence 2 while also noting that this scenario represents a higher demand profile than the 'hot and dry' scenario adopted in the 2013 price period.

8.5 OUR CONSUMPTION FORECAST

Our proposed water consumption for residential and non-residential customers is outlined in Table 47. Our volumetric demand for residential and non-residential customers is forecast to grow by 1.18% and 0.55% per annum over the 5-year regulatory period.

Table 47 – Consumption forecasts MLs

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Residential	10,382	10,504	10,628	10,753	10,881	11,011	11,143	11,276	11,412	11,550
Major Customers	1,554	1,556	1,559	1,562	1,565	1,568	1,571	1,574	1,577	1,580
Commercial	2,967	2,988	3,009	3,031	3,052	3,074	3,096	3,118	3,140	3,163
Industrial	300	302	305	308	310	313	316	318	321	324
Total Consumption	**15,203**	**15,351**	**15,501**	**15,654**	**15,809**	**15,966**	**16,125**	**16,286**	**16,450**	**16,616**

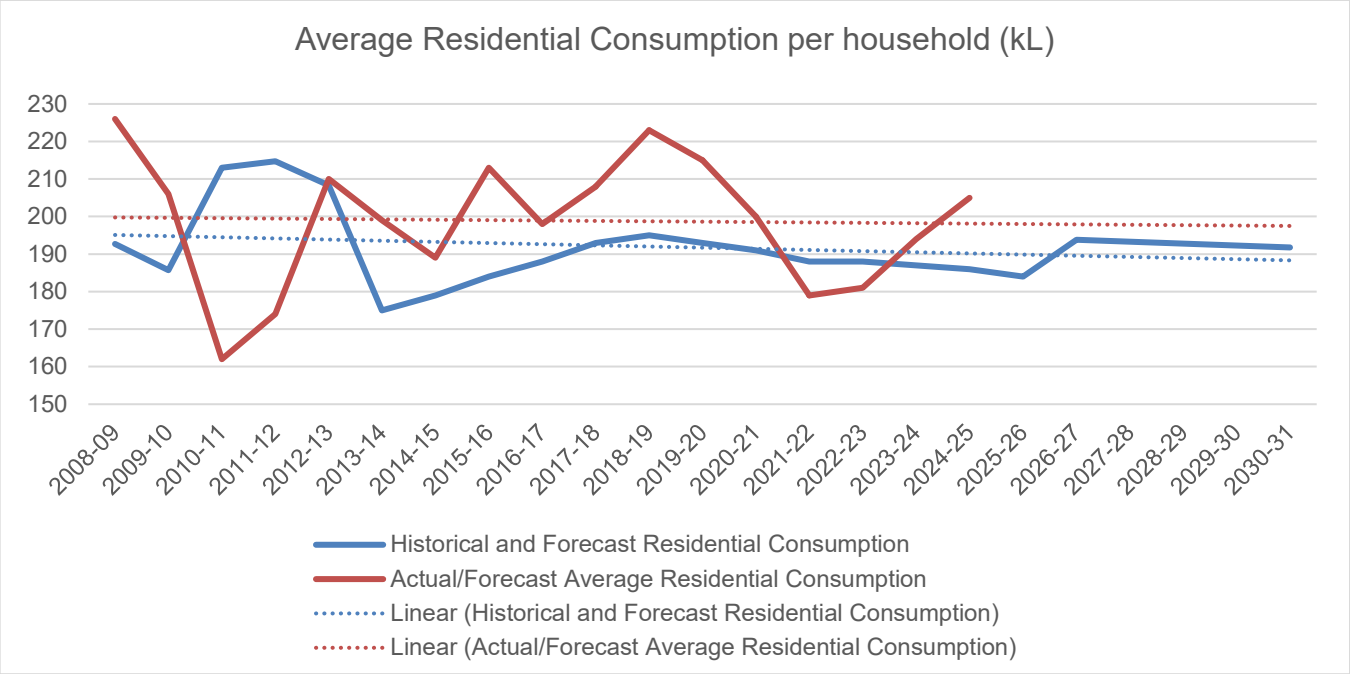
Our forecast average residential consumption is consistent with 2023-24 actual consumption and the 5-year average actual consumption per household to 2023-24.

Table 48 – Average residential consumption (kL)

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Average Residential Consumption	194	193	193	192	192	191	191	190	190	189

Graph 16 below shows the difficulty in forecasting demand. Since 2008-09 average residential demand has fluctuated from 226kL per household to 162kL per household. Despite material fluctuations in demand within each regulatory period and increases in our volumetric tariff, average residential consumption has remained fairly constant over the last 17 years sitting just below 200kL per household.

Graph 16 – Historical and forecast actual consumption



8.6 MAJOR CUSTOMER WATER CONSUMPTION

We service a range of major trade waste customers from major petfood manufacturers, rendering and breweries. We provide these customers with potable water and trade waste services that flow directly to our wastewater treatment plant. These customers represent only 10% of our total water usage. Over the years these customers have become more efficient in their operations, resulting in a reduction in water usage supplied to major customers. We contacted our major customers to assess their water needs for the 2026-2031 price period and there has been no material change to water consumption applied.

8.7 OUR TRADE WASTE DISCHARGE FORECASTS

With the exception of major trade waste customers, we do not individually meter wastewater discharges from any other customer group. Wastewater discharges for major trade waste customers are measured through individual flow meters placed at each site. Sampling is undertaken on a bimonthly basis with samples assessed by an independent laboratory to determine the chemical load and strength of the trade waste discharged and subsequently treated at our receiving wastewater treatment plant. Trade waste volumes account for approximately 7% of our total revenue.

North East Water is not proposing to change its tariff structure for major trade waste customers however they will be subject to the same 5.25% annual price increases as other customers. North East Water seeks to reserve the option to either add additional trade waste parameter charges or vary existing charges, where the impact of an additional customer's waste composition materially affects the operational performance or the cost to operate the plant to which the waste is being discharged.

We expect an uplift in trade waste loads from 2026-27 following the upgrade of our wastewater treatment plant in Wodonga which is expected to be operational in some capacity by June 2026.

Table 49 – Industrial trade waste volume and load forecasts 2026-31

	2026-27	2027-28	2028-29	2029-30	2030-31
Volume (kL)	1,062,185	1,062,185	1,062,185	1,062,185	1,062,185
Chemical Oxygen Demand (kg)	4,607,134	4,607,134	4,607,134	4,607,134	4,607,134
Suspended Solids (kg)	1,936,619	1,936,619	1,936,619	1,936,619	1,936,619
Total Kjeldahl Nitrogen (lg)	225,551	225,551	225,551	225,551	225,551
Total Phosphorus (kg)	40,085	40,085	40,085	40,085	40,085
Total Dissolved Solids (kg)	1,747,674	1,747,674	1,747,674	1,747,674	1,747,674
Oil and Grease (kg)	427,026	427,026	427,026	427,026	427,026
Ammonia (kg)	55,135	55,135	55,135	55,135	55,135
Sodium (kg)	356,718	356,718	356,718	356,718	356,718
Total Oxidised Sulphur (kg)	40,339	40,339	40,339	40,339	40,339

Additional information that is classified as either sensitive or protected commercial information has been provided directly to the ESC as part of our submission for assessment of this item.

Supporting documents

- DOC25/17280: URA – Demand and Connection Forecasts
- DOC25/30316: Commercial in Confidence Trade Waste Discharge Forecasts

Part nine — Required revenue

HIGHLIGHTS

Key points

9. REQUIRED REVENUE

Key points:

- Revenue requirement is $506.4 million over the 2026-31 regulatory period
- Our return on assets is based on a standard PREMO rating
- Our opening regulatory asset base (RAB) is expected to be $512.6 million 1 July 2026
- We propose a zero-tax allowance in this price period based on our carry forward loss position

9.1 OUR FORECAST REVENUE

Our revenue requirement reflects the costs we need to recover through prices. It includes:

- Return on assets (regulatory asset base x regulatory rate of return)
- Regulatory depreciation of new and existing assets
- Operating expenditure
- Tax liability.

To deliver the outcomes proposed in this price submission, the forecast revenue requirement for the 2026-31 regulatory period is $506.4 million, broken down across the following building blocks as shown in Table 50 below.

Table 50 – Revenue requirement 2026-31 ($2025-26)

Revenue requirement	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Operating expenditure	60.83	61.56	60.95	61.75	61.75	306.85
Return on assets	14.80	15.94	17.05	18.03	19.86	85.69
Regulatory depreciation	19.91	21.31	22.84	23.99	25.87	113.92
Tax liability	-	-	-	-	-	-
Total revenue requirement	**95.54**	**98.82**	**100.85**	**103.77**	**107.48**	**506.45**

On an average annual basis, this is a 27% increase on our prescribed revenue allowance for the 2018-26 period of $79.5 million per annum.

Our forecast revenue requirement for the sixth regulatory period (2031-36) is $615.09 million as detailed in the table below.

Table 51 – Revenue requirement 2031-36 ($2025-26)

Revenue requirement	2031-32	2032-33	2033-34	2034-35	2035-36	Total
Operating expenditure	62.53	63.32	64.13	64.95	65.78	320.70
Return on assets	22.14	23.94	24.33	24.77	25.49	120.67
Regulatory depreciation	28.11	29.63	30.93	31.93	33.39	153.99

Tax liability	3.77	3.86	3.97	4.01	4.111	19.72
Total revenue requirement	**116.55**	**120.75**	**123.36**	**125.66**	**128.77**	**615.09**

9.2 FORECAST REGULATORY ASSET BASE

The return on assets and regulatory depreciation is dependent on the Regulatory Asset Base (RAB). The forecast opening RAB value for 2026-27 is based on actual (to 2024-25) and forecast (2025-26) capital expenditure, government and customer capital contributions (including NCCs) and proceeds from asset disposals (less regulatory depreciation to 2025-26).

The table below outlines our closing RAB as at 30 June 2025, our forecast opening RAB for the beginning of the next regulatory period and our year-on-year RAB forecast for the 2026-31 regulatory period.

Table 52 – Forecast regulatory asset base 2026-31 ($2025-26)

Regulatory Asset Base (RAB)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Opening RAB	454.19	516.37	512.60	541.00	569.99	585.93	607.95
Plus capital expenditure	81.63	13.97	54.12	58.28	44.13	51.03	72.17
Less government contributions	1.35	-	1.00	3.10	0.41	-	-
Less customer contributions	4.39	3.50	4.32	4.38	4.45	4.51	4.58
Less proceeds from disposals	0.03	0.50	0.50	0.50	0.50	0.50	0.50
Less regulatory depreciation	13.69	13.74	19.91	21.31	22.84	23.99	25.87
Closing RAB	**516.37**	**512.60**	**541.00**	**569.99**	**585.93**	**607.95**	**649.17**

We are forecasting capital expenditure to increase in the sixth regulatory period from $279.7 million in the 2026-31 period, to $297.5 million in 2031-36. Over this period the value of the RAB is projected to increase to $766.2 million by June 2036 as shown in Table 53 below.

Forecast estimates for customer contributions have been derived from our estimates of income to be earned from New Customer Contribution charges from July 2026.

Forecast estimates for proceeds from disposals predominantly related to the changeover of our motor fleet and have been derived from historical averages.

The capital expenditure program included in this pricing period does not include any provision for government contributions outside of what is already known and committed to.

Table 53 – Forecast regulatory asset base 2031-36 ($2025-26)

Regulatory Asset Base (RAB)	2031-32	2032-33	2033-34	2034-35	2035-36
Opening RAB	649.17	680.28	707.52	723.85	750.78
Plus capital expenditure	64.38	62.10	52.57	64.25	54.25
Less government contributions	-	-	-	-	-
Less customer contributions	4.66	4.73	4.81	4.88	4.96
Less proceeds from disposals	0.50	0.50	0.50	0.50	0.50
Less regulatory depreciation	28.11	29.63	30.93	31.93	33.39
Closing RAB	**680.28**	**707.52**	**723.85**	**750.78**	**766.18**

Gifted assets across regulatory periods five and six are shown in the table below which have not been included within the RAB.

Table 54 – Forecast gifted assets 2026-36 ($2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Gifted assets	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70

9.3 RETURN ON ASSETS

The return on assets is calculated by applying a regulatory rate of return to the regulatory asset base. The regulatory rate of return comprises two components:

- A return on equity
- A cost of debt.

9.4 RETURN ON EQUITY

We are proposing a **'standard'** rating for this price submission. This allows a real return on equity of 4.1%.

9.5 COST OF DEBT

The benchmark cost of debt has been determined using the ESC's 10-year trailing average approach to cost of debt, current at the time of preparing this submission.

9.6 REGULATORY DEPRECIATION

A straight-line depreciation approach for our asset classes has been utilised in determining the regulatory depreciation of our assets. Regulatory depreciation is calculated from the date an asset enters into service.

Table 55 – Economic useful live of asset classes

Asset class	Useful life (years)
Computer software	5
Motor vehicles	5
Office equipment	10
Plant and equipment	10
Treatment plants	40
Pump stations	50
Reservoirs and storages	50
Reticulation network	80

Table 56 below outlines our forecast regulatory depreciation for the 2026-31 regulatory period.

Table 56 – Forecast regulatory depreciation 2026-31 ($2025-26)

Regulatory depreciation	2026-27	2027-28	2028-29	2029-30	2030-31
Existing assets	19.29	19.29	19.29	19.29	19.29
New assets	0.62	2.02	3.55	4.70	6.58
Total	**19.91**	**21.31**	**22.84**	**23.99**	**25.87**

9.7 PRIOR PERIOD ADJUSTMENTS

Nil.

9.8 TAX ALLOWANCE

The ESC model allows us to recoup a portion of payments under the National Tax Equivalent (NTER) regime. In May 2025 the Australian Taxation Office (ATO) issued a tailored compliance engagement (TCE) arrangement letter to the participating Water Corporations in relation to the tax treatment of gifted assets and that the proposed tax treatment and the amendment approach in relation to the historical tax position of the Victorian water corporations disclosed in the relevant NTER returns represents a low risk. This indicates that the ATO would accept that gifted assets could be excluded from future tax revenue.

Given that we are currently carrying forward tax losses, it is likely that the restatement of past tax revenue would also increase our carry forward tax losses and delay our tax payable position further. We propose that no tax payments will be made during the next regulatory period. In making this proposal, the risk of tax payments having to be made during the period will fall directly on the business, not the customer.

9.9 FORM OF PRICE CONTROL AND ADJUSTING PRICES

We propose to keep our existing price cap form of price control.

We also propose to continue with the existing price adjustment mechanisms.

Annual cost of debt adjustments will apply to all fixed water and wastewater charges in this regulatory period.

9.10 LENGTH OF REGULATORY PERIOD

We are proposing a five-year regulatory period for this price submission.

9.11 REVENUE NOT COLLECTED

We continue to see an increase in the number of customers on instalment plans (2,511 as at 30 June 2025). The increased cost of living is putting pressure on our aged debtors where the proportion of aged debt over 60 days as a percentage of revenue has increased from 2.39% in June 2022 to 4.9% in June 2025.

In addition to the increase in aged debt, during the three-year period from October 2022 to June 2025 North East Water did not bill approximately $0.71 million of customer bills due to bills not being issued in the 120-day period in accordance with the updated Water Industry Standard – Urban Customer Service. North East Water will take the risk of billing write offs associated with any delays in the PS5 period.

9.12 NON-PRESCRIBED REVENUE

Non-prescribed revenue sources consist of income from our farming enterprise, temporary water sales, investment interest and other fees and charges. Forward projections for revenue sources are based on historical averages and are assumed to remain constant over the regulatory period. The operating and capital expenditures and revenues generated by these non-prescribed activities are excluded from the expenditures and revenues outlined in this Price Submission, consistent with our regulatory accounting statement treatment.

Supporting documents

- Financial Model
- DOC25/29630: ATO Tailored Compliance Engagement Arrangement

Part ten — Prices and tariff structures

HIGHLIGHTS

Key points

10. PRICES AND TARIFF STRUCTURES

Key Points:

- No change to existing tariff loadings for our water and wastewater fixed charges.
- Volumetric charges to reduce by 3% year on year before the application of the proposed annual price increase, with the revenue offset to be applied evenly to fixed water and wastewater charges.
- No change to the individual price cap approach to our current tariff structures

10.1 OUR TARIFF STRATEGY AND PRINCIPLES

North East Water's tariffs represent our vision for the pricing of its regulated services. It demonstrates our commitment to the gradual implementation of cost-reflective pricing through:

- The reduction in levels of cross-subsidy
- Balancing revenue risk with the need to provide customers with price incentives to conserve water
- Transparent reporting of cross-subsidies where their removal would have significant negative social implications
- Ensuring communities are fully informed about the costs of providing a new service
- Providing appropriate cost signals to customers.

In setting our tariffs we adhere to a number of pricing principles relating to water and wastewater charges, trade waste charges, miscellaneous fees and charges and non-serviced towns. These principles are outlined below.

10.1.1 Pricing principles for the water volumetric tariff

We will set a water volumetric tariff that reflects:

- A single water volumetric tariff to be adopted and be applicable to all customers except those very large industrial customers who also maintain a major trade waste agreement and are charged a separate volumetric tariff relating to their discharges
- The tariff mix of fixed and variable revenue would remain consistent across the regulatory period
- The water volumetric tariff reform acknowledged that the recovery of costs from water tariffs and wastewater tariffs would no longer be individually linked to the cost associated with the service provision.

10.1.2 Pricing principles for the water and wastewater fixed service tariff

In setting the water fixed service tariffs for this price submission, we propose to continue to differentiate pricing in smaller systems to improve the cost reflective price signals. This will see one of three tariff categories applied to each individual town based on that town's ability to recover the cost of providing that service.

Recognising the increasing interconnectedness of infrastructure serving communities across the region, the cost recovery tariff loading categories will be reviewed for each price submission. These reviews consider the capital invested, operating costs and growth in customer numbers to inform and initiate changes to the tariff loading.

10.1.3 Pricing principles for trade waste charges

We currently have two categories of trade waste customers being commercial (such as takeaway shops, service stations and other service operations), and industrial (entities including but not limited to abattoirs, pet food manufacturing and timber processing).

Commercial customers receive a fixed charge for each device on their site and industrial customers pay volume and load-based fees for all trade waste discharged from their site.

10.1.4 Pricing principles for miscellaneous fees and charges

Miscellaneous charges cover a wide spectrum of services ranging from water tapping fees to connect a new house to the reticulation network through to charges for the corporation to receive trucked waste from septic tanks into our wastewater treatment plants.

The ESCs approach to regulating these charges is to determine the number of fees and charges that contribute 80% of miscellaneous revenue. It is our view that all other charges should be based on cost recovery principles.

10.1.5 Pricing principles for newly serviced towns

The pricing for new towns requires a flexible approach that acknowledges the full cost of service delivery and places the appropriate value on the social and environmental benefits involved in such projects.

We will implement pricing for these towns on a system-by-system basis, as part of the community's choice regarding service level options. A modified building block model is used to communicate the full cost recovery pricing. This information is then considered against the avoidable incremental operating costs, affordability considerations and the scale of environmental or public health gains.

This acknowledges that in most cases the size of the system proposed, where there is insufficient economy of scale, would exclude it from proceeding on a purely commercial basis.

Each individual scheme will be assessed on its merits and the following pricing principles will apply unless this formula fails to recover at least the direct operating costs of any new scheme. The minimum tariffs will be set to at least recover the direct operating costs of a new scheme and to derive a positive cash flow, inclusive of borrowing costs, within a 15–20-year timeframe.

All such new schemes will be reviewed after 10 years of operation to assess the financial performance of the scheme. The review will give consideration to the appropriateness of the removal of charges on vacant land, and opportunities to reduce the (loading applicable to) fixed charge. Subsequent reviews will form part of each regulatory submission.

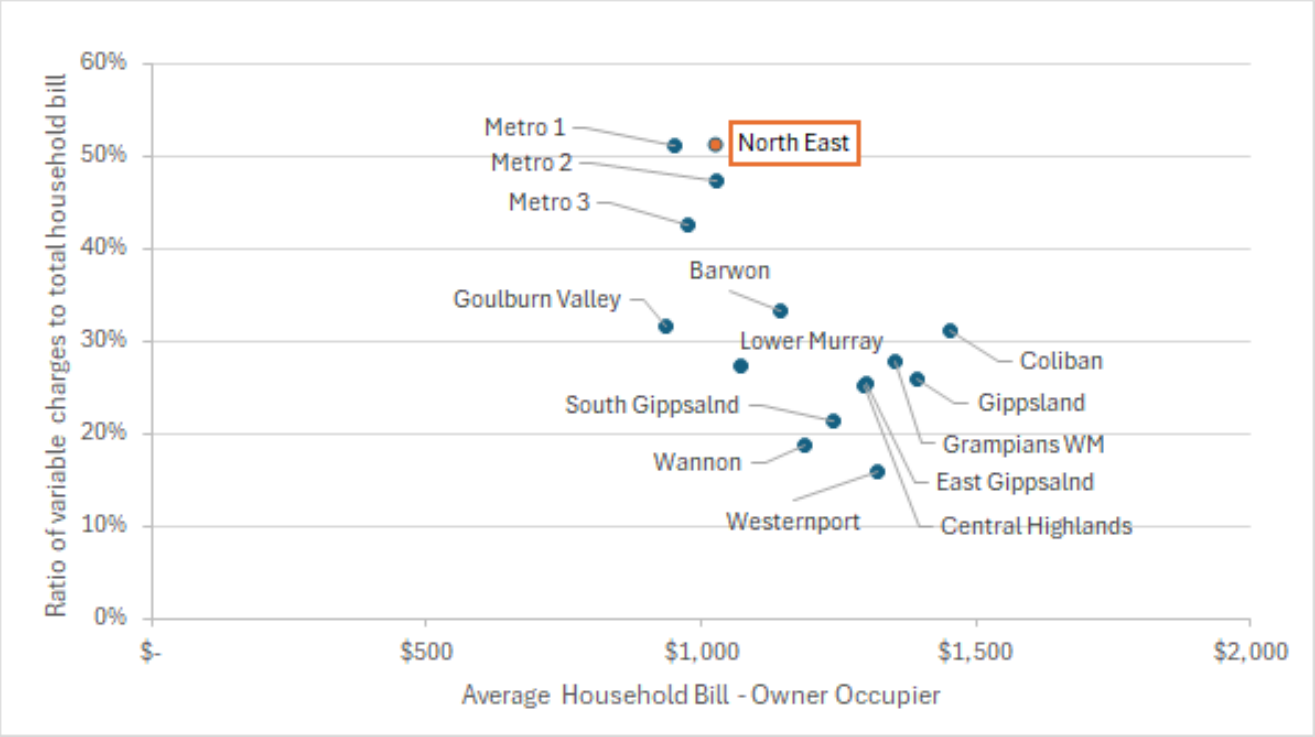
10.2 HOW CUSTOMERS HAVE INFLUENCED THE TARIFF STRUCTURES

Through our consultation process we asked customers some specific questions around our tariff structure. The deliberative forum was asked the following two questions:

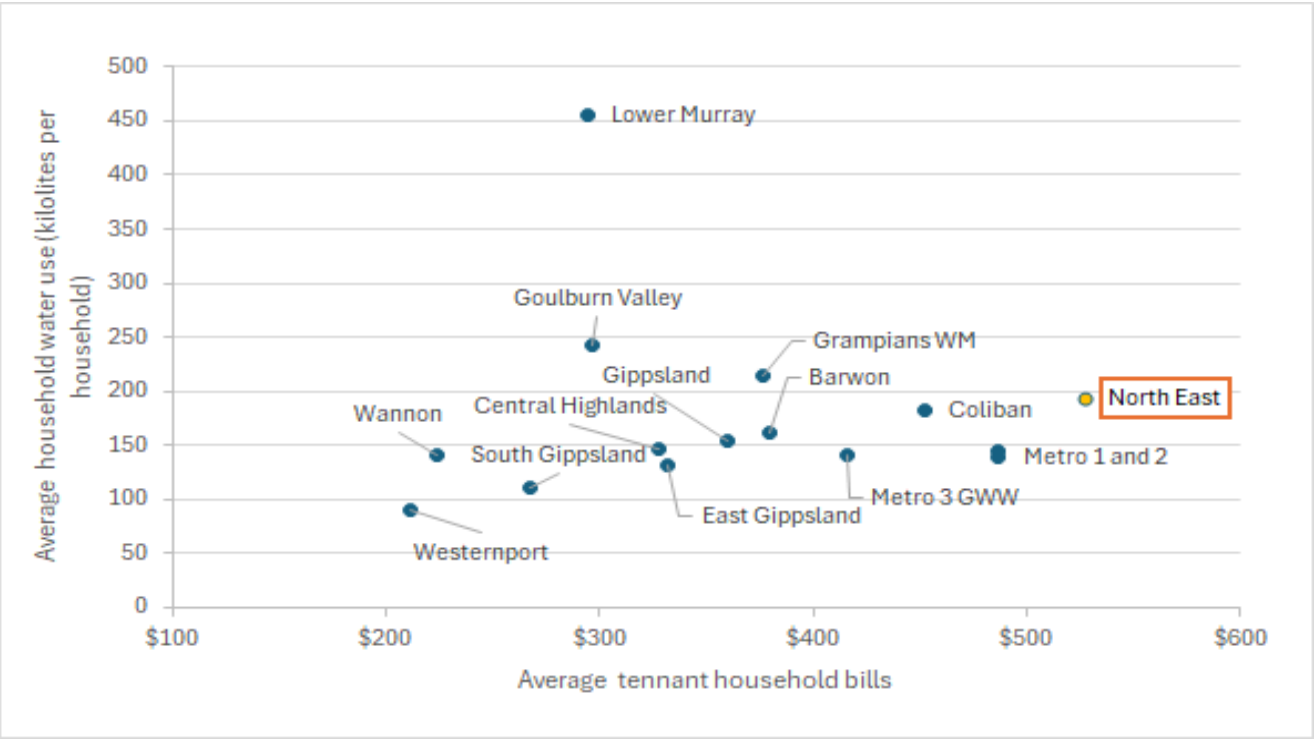
1. The fairest balance between fixed and variable costs on bills needs to take many factors into account. What should North East Water prioritise when setting its tariffs?
2. How should North East Water address the fact that some customers/towns costs more to service than others. when setting its tariffs?

In relation to **question one**, the deliberative forum participants were shown the following graphs to understand the composition of our bills based on an average residential customer and a tenant.

Graph 17 – Ratio of variable charges to total household bill 2023-24[3]



Graph 18 – Average household water use to tenant household bill by water corporation[3]



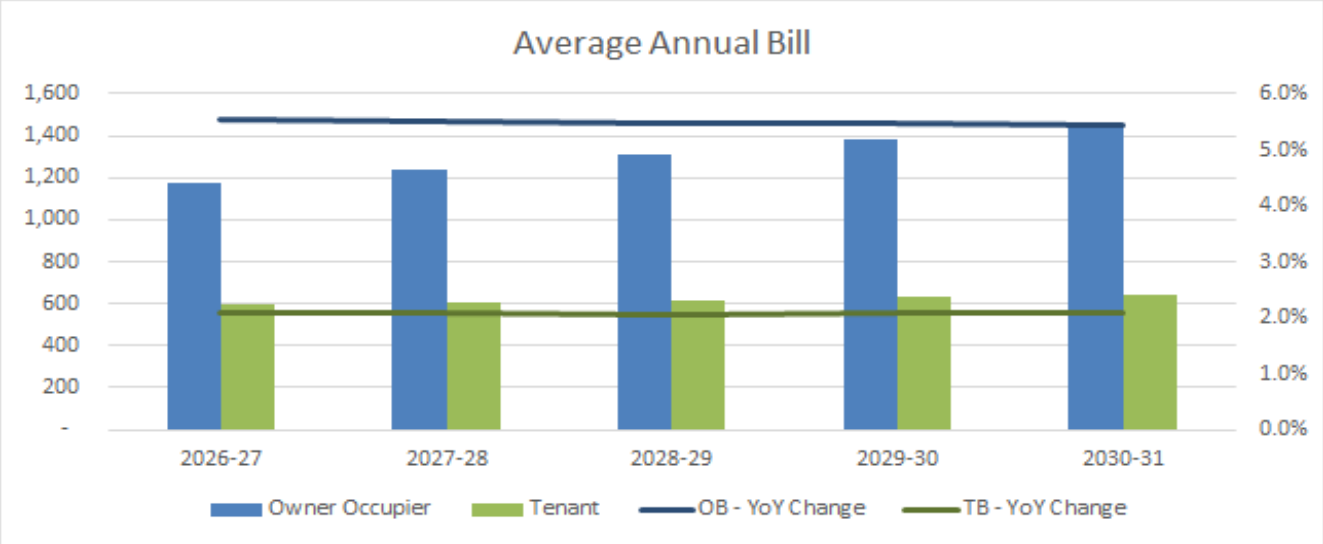
[3] Essential Services Commission Water Performance Report 2023-24

Both graphs show the impact of North East Water being one of the first water corporations to undertake volumetric reform with 65% of its water bill variable and 35% fixed. This has resulted in tenants paying the highest average bill in Victoria due with North East water having one of the highest volumetric tariffs in the state. The deliberative forum asked the corporation to consider inclining block tariffs as a measure to reduce the impact on low water users. When the impact of this was shown on large households the panel recommended the continuation of a single volumetric tariff.

Significant fluctuations in our demand profile can occur and our climate is becoming more volatile which is impacting our demand profile. In PS3 average residential demand dropped by 21% from 206kl per household in 2009-10 to 162kL per household in 2010-11. In the current regulatory period average residential usage dropped by 11% in 2020-21 from 200kL per household to 179 kL per household in 2021-22. Although we have largely managed these revenue fluctuations our high volumetric tariff continues to support our tariff principles to promote efficient use of water through appropriate price signals, the impact is being felt by our vulnerable customers including tenants and large families. As a result, the deliberative forum recommended raising fixed tariffs and decreasing variable tariffs. In response to this recommendation North East Water propose a year on year 3% reduction in the volumetric tariff and that this be spread evenly across our fixed water and wastewater charges.

In relation to **question two**, the deliberative forum asked management to return on day four to show the impacts of uniform fixed tariffs applied to all towns in our service area. This showed an increase in our larger towns average bill (before any prices increases) and a reduction in our other smaller town average bills. Given this would increase the existing level of cross subsidy to the smaller towns that is already in place, the panel recommended no change to the existing tariff loadings that are currently applicable to water and wastewater fixed charges.

Graph 19 – Average annual bills ($2025-26)



10.3 WATER TARIFFS

10.3.1 Water volumetric tariffs

The following table outlines the forecast volumetric price path over the 2026-31 period. The tariff structure is consistent with that applied over the current regulatory period which includes a single water volumetric tariff applied to all of North East Water's customers except for those very large industrial customers.

Consistent with engagement with our customers we are proposing an average year on year increase of 2.1% to the water volumetric tariff. This incorporates a 3% reduction year on year in line with the deliberative forum recommendation with the remaining charges up to 5.25% to be spread across fixed water and wastewater charges.

Table 57 – Water volumetric tariff pricing ($2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Water volumetric tariff	$2.9069	$2.9677	$3.0299	$3.0933	$3.1580	$3.2241
Water volumetric tariff – major customers	$1.1598	$1.2207	$1.2848	$1.3522	$1.4232	$1.4979

10.3.2 Water fixed tariffs

We will continue to apply the following tariff loading categories as outlined in Table 58 below.

Table 58 – Proposed tariff loadings – Water ($2025-26)

Town	Cost Recovery Tariff Loading
Baranduda, Benalla, Wangaratta, Wodonga, Yarrawonga, Kiewa, Tangambalanga	Base level tariff
Beechworth, Bright, Myrtleford, Porepunkah, Rutherglen, Wahgunyah, Wandiligong	Base level tariff plus 10%
Barnawartha, Bellbridge, Bundalong, Chiltern, Corryong, Devenish, Dartmouth, Glenrowan, Goorambat, Harrietville, Cudgewa, Moyhu, Mt Beauty, Oxley, Tungamah, Springhurst, St James, Tallangatta, Tawonga, Tawonga South, Whitfield, Walwa, Yackandandah	Base level tariff plus 20%

The following table outlines the forecast water fixed service tariff price path for the next regulatory period. Consistent with our engagement with our deliberative panel we are proposing a 5.25% increase plus half of the distribution of volumetric revenue associated with the 3% reduction each year to the water fixed tariff.

Table 59 – Water fixed tariff pricing based on 20mm meter ($2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Base	$247.21	$270.41	$294.97	$320.96	$348.45	$377.53
Base plus 10%	$271.93	$297.46	$324.47	$353.06	$383.30	$415.28
Base plus 20%	$296.65	$324.50	$353.97	$385.15	$418.14	$453.03

10.4 WASTEWATER TARIFFS

10.4.1 Wastewater fixed tariffs

We will continue to apply the following tariff loading categories as outlined in Table 60 below. Consistent with our engagement with our deliberative panel we are proposing a 5.25% increase plus half of the distribution of volumetric revenue associated with the 3% reduction each year to the water fixed tariff.

Table 60 – Proposed tariff loadings – Wastewater ($2025-26)

Town	Cost recovery tariff loading
Baranduda, Benalla, Wangaratta, Wodonga, Yarrawonga, Kiewa, Tangambalanga	Base level tariff
Beechworth, Bright, Bundalong, Chiltern, Myrtleford, Porepunkah, Rutherglen, Wahgunyah	Base level tariff plus 20%
Bellbridge, Corryong, Dartmouth, Mt Beauty, Tallangatta, Tawonga, Tawonga South, Yackandandah, Barnawartha	Base level tariff plus 40%
Glenrowan, Moyhu*, Milawa, Oxley, Tungamah, Walwa	New small town schemes – higher base level plus up to 50%

*Non connected properties attract a 50% rate

Table 61 below outlines the forecast wastewater fixed service tariff price path for the next regulatory period.

Table 61 – Wastewater fixed tariff pricing ($2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Base	285.47	$311.69	$339.44	$368.79	$399.82	$432.61
Base plus 20%	342.54	$374.03	$407.33	$442.55	$479.78	$519.13
Base plus 40%	399.66	$436.37	$475.21	$516.31	$559.75	$605.65
Walwa	528.39	$556.13	$585.33	$616.06	$648.40	$682.44
Oxley, Milawa, Glenrowan, Tungamah, Moyhu*	668.68	$700.42	$737.19	$775.89	$816.63	$859.50

*Non connected properties attract a 50% rate

10.5 TRADE WASTE TARIFFS

Tables 62 and 63 outline the forecast trade waste charges price path for the next regulatory period. The tariff structure is consistent with that applied over the current regulatory period which includes commercial customers receiving a fixed charge for each device on their site and industrial customers paying volume and load-based fees for all trade waste discharged from their site.

Table 62 – Commercial trade waste pricing ($2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Category 2	$611.78	$643.90	$677.70	$713.28	$750.73	$790.14
Category 3	$402.86	$424.01	$446.27	$469.70	$494.36	$520.31
Category 4	$189.96	$199.93	$210.43	$221.48	$233.10	$245.34

Table 63 – Industrial trade waste pricing per unit ($2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Trade waste per unit (per kg)						
Volume	$1.8520	$1.9492	$2.0516	$2.1593	$2.2726	$2.3919
Chemical Oxygen Demand	$0.5288	$0.5566	$0.5858	$0.6165	$0.6489	$0.6830
Suspended Solids	$0.1428	$0.1503	$0.1582	$0.1665	$0.1752	$0.1844
Total Kjeldahl Nitrogen	$1.7267	$1.8174	$1.9128	$2.0132	$2.1189	$2.2301
Total Phosphorus	$21.0054	$22.1082	$23.2689	$24.4905	$25.7762	$27.1295
Trade waste charges when limit exceeded (per kg)						
Total Dissolved Solids	$0.1428	$0.1503	$0.1582	$0.1665	$0.1752	$0.1844
Oil and Grease	$0.1428	$0.1503	$0.1582	$0.1665	$0.1752	$0.1844
Ammonia	$0.1428	$0.1503	$0.1582	$0.1665	$0.1752	$0.1844
Sodium	$0.1428	$0.1503	$0.1582	$0.1665	$0.1752	$0.1844
Total Oxidised Sulphur	$0.9749	$1.0261	$1.0800	$1.1366	$1.1963	$1.2591
pH	$199.1124	$209.5658	$220.5680	$232.1478	$244.3356	$257.1632

10.6 MISCELLANEOUS FEES AND CHARGES

In addition to providing water and wastewater services, we also provide miscellaneous services as prescribed under the WIRO. These charges cover a wide range of services ranging from water tapping fees to connect a new house to the reticulation network through to charges for the corporation to recover trucked waste from septic tanks into our wastewater treatment plants.

It is North East Water's view that all other charges should be based on cost recovery principles with annual increases subject to CPI only. This submission maintains the adopted pricing principles as per our 2018-26 determination.

We undertook a review of our miscellaneous fees and charges to validate this cost recovery assumption, which resulted in an increase in several charges including the build over easement application fee, pressure pump maintenance fee and wastewater disconnection fee. We are also proposing to consolidate water tapping fees for fire services into our water tapping fee group for meter sizes between 20mm and 225mm.

A full list of these miscellaneous fees and charges is in Appendix 1.

Major core miscellaneous charges include:

- Water connection fees
- Wastewater connection fees
- Property information statement charges
- Septic charges
- Backflow prevention annual fee
- Fire service charge

Table 64 summarises our core miscellaneous revenue sources and prices for next regulatory period.

Table 64 – Core miscellaneous fees and charges ($2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Water Connection Fees (20mm service)	$256.27	$256.27	$256.27	$256.27	$256.27	$256.27
Wastewater Connection Fees	$241.18	$241.18	$241.18	$241.18	$241.18	$241.18
Property Information Statement Fees	$75.21	$75.21	$75.21	$75.21	$75.21	$75.21
Septic Charges (per kL)	$37.54	$37.54	$37.54	$37.54	$37.54	$37.54
Backflow prevention device annual fee	$82.86	$225.00	$225.00	$225.00	$225.00	$225.00
Fire Service Charge	$118.81	$118.81	$118.81	$118.81	$118.81	$118.81

Part eleven — New customer contributions

HIGHLIGHTS

11. NEW CUSTOMER CONTRIBUTIONS

11.1 INTRODUCTION

The current New Customer Contributions (NCC) framework has been in place for two regulatory pricing periods. Over this time, there has been significant changes in the profile of development across the towns serviced by North East Water. Substantial subdivisions have been completed in Wodonga, Wangaratta, Tangambalanga and Yarrawonga and strong migration to the region has seen average annual growth in new connections of 1.57%. Change is also being driven by the Victorian Housing Targets which require in excess of a 30% increase in available housing across our seven local government areas by 2051 with most significant increases to occur in the municipalities of Wodonga, Wangaratta, Moira (Yarrawonga) and Indigo.

To manage the risks related to these changes, North East Water has undertaken an extensive review of its current NCC framework. The review considered alternative approaches to estimating the cost base for NCCs, such as the Average Incremental Cost (AIC) developed by VicWater in the PREMO 2023 price review.

Based on ESC guidance and advice, North East Water will use the ESC's Net Cash Flow (NCF) approach to calculating NCCs. We will also continue to apply a uniform water and wastewater NCC consistent with feedback provided by developers in our region. The table below outlines our proposed water and wastewater NCCs over the next regulatory period.

Table 64 – NCCs using the NCF model ($2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Water (per lot)	$1,063.77	$0.00	$0.00	$0.00	$0.00	$0.00
Wastewater (per lot)	$2,482.11	$4,017.39	$4,017.39	$4,017.39	$4,017.39	$4,017.39

11.2 VICWATER 2023 REVIEW

North East Water has faced significant growth in connections in recent years. This growth has been distributed unevenly across the towns and systems that we service. It is also important to note that there is a high level of uncertainty around the forward profile of the growth boom we are currently facing.

North East Water participated in the VicWater 2023 NCC reform process which considered alternative approaches to the ESC's NCF method. These alternatives were aimed at:

- signalling to developers the efficient costs associated with their location and timing decisions
- managing the uncertainty surrounding future growth
- establish a transparent pricing methodology that would better meet the principles of the WIRO and was consistent with customer expectations.

The VicWater review addressed a number of challenges under the current approach including:

- the inclusion of sunk assets which make it difficult for NCCs to signal to developers which systems have capacity to absorb growth
- the complexity of the NCF calculation approach which leads to difficulties in explaining the rationale for NCCs to customers
- the asymmetric treatment of incremental costs and revenues, with incremental capital costs being confined to growth related expenditure (excluding replacement, renewal and the bulk of existing assets). Incremental revenues on the other hand, incorporate revenues associated with the recovery of these excluded costs. There is a natural concern that this asymmetry systemically restrains NCC outcomes.

The VicWater 2023 NCC reform resulted in the ESC approving AIC based NCCs for five regional water businesses, two of which were fast tracked, in the PREMO 2023 price review.

11.2.1 NCC modelling

In developing our price submission, we have considered both AIC and NCF approaches. We modelled NCC's over a 20-year period for both approaches. This included consideration of locational based NCC's that was focused on our major growth areas including Wodonga, Yarrawonga, Wangaratta, Benalla and Tangambalanga.

For the NCF approach the model included the following assumptions:

- **Incremental capital expenditure**: The data used to determine NCCs is consistent with NEW's proposed capital program and aligns with the ESC's regulatory accounts definition of both regulated capital expenditure and capital expenditure growth driver. NEW made the following assumptions in apportioning growth-related costs:
    - Where capex is shared (i.e. have multiple cost drivers), these expenditures were apportioned to growth on a project-by-project basis based on the following:
        - Water and wastewater reticulation network
            - If the infrastructure is new (i.e. not replacing/upsizing existing infrastructure) then 100% was attributed to growth
            - If the infrastructure is existing and is replacement/renewal with no change in size identified than 0% was attributed to growth
            - If the infrastructure is existing, the replacement/renewal is larger in size and the asset is reaching end of operational life then a percentage less than 50% was attributed to growth as the primary driver is condition related. The percentage attributed depended on how close the asset was to end of life and expected growth in the town (i.e. if limited growth is expected to occur in the town than this would result in a lower percentage attributed to growth).
        - Water and wastewater treatment plant
            - If the master plan identified that an expansion or capacity upgrade was required whether that was for new or existing infrastructure, then 100% was attributed to growth
            - If it is identified that new infrastructure is required to improve the treatment process, then 50% or less was attributed to growth. The percentage attributed depended on the forecast operational life of the asset and expected growth in the town (i.e. if limited growth is expected to occur in the town than this would result in a lower percentage attributed to growth).
            - If the infrastructure is existing, and the driver was identified as condition, or compliance and condition, typically a 0% growth was attributed as most assets are short life assets and more akin to a renewal. The percentage was larger than zero if it is a longer life asset and would not go above 50%.
    - Our assumption is that all growth capex services both new and existing customers, thus growth capex is apportioned based on the cumulative number of new customers as a proportion of all customers at the end of the 20-year period.
- **Sunk assets**: Sunk growth assets from 2018-19 to 2025-26 have been included in the NCC calculation. In determining sunk growth assets North East Water has made the following assumptions:
    - Where capex is shared (i.e. have multiple cost drivers), these expenditures were apportioned to growth on a project-by-project basis consistent with the approach adopted for forecast growth capex.
    - For each sunk asset commissioned during the current regulatory period, North East Water has determined the capacity left for new customers from 2026-27 onwards. For projects where the primary driver was growth related (50% or greater), future capacity

was largely determined based on the commissioning date of the asset and the length of the asset's life. For example, if the asset had a useful life of 50 years and had been commissioned for 2 years, 96% capacity for future customers was deemed to be unused. For some projects, the number of new connections that the project could enable was used as a proxy to determine future capacity, based on the number of known new connections related to that system or asset since commissioning.
    - Each sunk asset has been depreciated on a straight-line basis consistent with the approach adopted in the ESC's financial template.
- **Incremental operating expenditure:** North East Water multiplied controllable opex per connection with the number of cumulative new connections for each year from 2026-27 to 2045-46 to determine the incremental growth opex. The average controllable opex per connection over PS5 and PS6 (2026-27 to 2035-36) has been used as the basis for extrapolating out the controllable opex per connection from 2036-37 to 2045-46. The controllable opex data for the first 10 years of the NCC forecast period is consistent with the data within the ESC financial template.
- **Incremental revenue:** We multiplied revenue per connection with the number of cumulative new connections for each year from 2026-27 to 2045-46 to determine the incremental growth revenue. Prices were assumed to remain constant beyond 2035-36. The revenue data for the first 10 years of the NCC forecast period is consistent with the data within the ESC financial template.
- **Incremental bulk water charges:** North East Water multiplied bulk water charges per connection with the number of cumulative new connections served by Goulburn Murray Water for each year from 2026-27 to 2045-46 to determine the incremental bulk water charges. We assumed that the bulk water charges will remain constant over the forecast 20-year period.
- **Connections:** Our NCCs are based on residential and non-residential connections consistent with that assumed in PS5 for pricing purposes. Our NCCs for non-residential customers are converted to an equivalent residential connection to reflect the higher demand placed on North East Water networks by these customers. For water this is based on meter size while for wastewater this is based on the number of plumbing fixture units contained within the development. The factors that are applied for converting non-residential connections into equivalent residential connections have been incorporated into the connections forecast.
- **Tax allowance:** The NCC tax allowance is consistent with the tax allowance proposal in the ESC financial template. As we are proposing that we will not be in a tax paying position through the 2026-31 regulatory period, no allowance has been included in the NCC calculations.
- **Inflation:** We have assumed a 2.9% inflation assumption from 2026-27 to 2030-31 consistent with the ESC financial template. From 2031-32 onwards we have assumed a 2.5% inflation assumption consistent with the RBA long term average.
- **Discount factor:** The real rate of return from 2026-27 to 2030-31 is consistent with those outlined in the ESC financial template, however the real rate of return from 2031-32 to 2035-36 has been updated to reflect the 2.5% inflation forecast outlined above. The real rate of return in 2035-36 has been extrapolated forward and used as the basis for forecasting the rate of return from 2036-37 onwards. The real rate of return has been converted to a nominal rate of return based on the inflation assumptions identified above.

Since the PREMO 2023 price review, the ESC has partially undertaken a broad-based review of NCCs, during which it has clearly expressed a preference for the NCF approach over the AIC approach. This preference aligns with the position outlined in the ESC's guidance paper for North East Water and has been reaffirmed throughout our engagement during the development of this price submission.

Given this preference, North East Water will continue to adopt the NCF approach to calculating its NCCs, noting that the difference in NCC outcomes between the different costing approaches is driven by a strong pricing assumption (which includes a 5.25% per annum price increase over the next regulatory period) that generates a materially large residual value in the ESC's cashflow model.

It must also be noted that North East Water also modelled NCCs based on a 30-year forecast and compared the outcomes based on the 20-year period. The results showed that the modelled NCC's based on the uniform pricing approach and by location were lower than the modelled NCC's generated using the 20-year forecast. The uniform NCCs from the 30-year model were also lower than the combined uniform water and wastewater NCCs that North East Water currently charges. Given the results and the significant uncertainty associated with forecasting capex from years 21 to 30, we have decided to continue using the 20-year model consistent with our approach during the 2018 price review.

11.3 FEEDBACK FROM STAKEHOLDER ENGAGEMENT

Since November 2023 we have hosted four developer forums, with over 30 developers, their consultants and Local Government representatives attending each session. We established a developer portal on the Have Your Say engagement website, ensuring all information presented at the sessions was available online to view and refer back to.

The first forum introduced economic regulation, the price submission process and new customer contributions (NCCs).

The second session, held in May 2024, focused on Strategy 2040, master planning, the changing face of regulation and a deeper dive into New Customer Contributions (NCCs), including a presentation from the Utilities Regulation Advisory (URA). There was a panel discussion held at the end with guests including the Deputy Chair of the North East Water Board, the director of URA, and the director of a civil engineering firm who works closely with land developers. The focus of the third forum in November 2024 was to understand the preferences of the development community on matters relevant to the upcoming 2026 price submission. The Chair of North East Water opened the forum, before management provided a detailed briefing on our master plans and 10-year capital program for enabling land development in various population centres. Following this, an independently facilitated workshop was held where participants provided their opinions on a set of key questions around servicing growth and NCCs.

The various ideas were then put to the test. Participants were asked to upvote or downvote ideas they agreed or disagreed with. This provided a sense of the amount of support each idea enjoyed.

More information on the developer forum held in November 2024, and the feedback we heard from developers can be found in the Developer Forum Final Report.

The development community views were included in the Engagement Report provided to the deliberative forum. Additionally, on day two, when growth and compliance was considered, we invited two developers (one large, one small) and two council representatives (one large, one small) to provide their views to the deliberative forum and answer their questions.

At the fourth developer forum held in June 2025, North East Water presented a number of topics, including how we are addressing their feedback from the previous forum; the capital program including the top 10 major projects proposed for the price submission and infrastructure sequencing plans; the deliberative forum recommendations – specifically those related to growth, compliance and tariffs, and the impacts of those recommendations on bills; and modelling for both location-based NCCs and uniform NCCs for the five largest growth areas in our region.

11.3.1 What we heard

Developers want certainty in planning, transparency in prioritisation and alignment with council growth plans. They would like to see infrastructure sequencing plans and clear investment timing. They understand the tension that exists between the need to send price signals to the development community and the need to support development around the region.

At the November 2024 forum, developers were supportive of location-based NCCs, at a town or catchment level rather than local government area. They did however express caution of not escalating costs in small towns so that it stifles development.

At the June 2025 forum, when shown the modelling for location-based NCCs and uniform NCCs, developers indicated a preference for uniform NCCs. The modelling for location based and uniform NCCs were presented to developers based on the AIC approach. Developers indicated a preference for uniform NCCs based on results that showed that some towns (e.g. Tangambalanga) had calculated NCCs that were significantly larger. Whilst the results from the NCF approach were not presented to developers at the forum we note that similarly there are large wastewater NCCs for some towns.

While developers were open to location based NCCs, they also indicated that this should not escalate costs in smaller towns that would stifle development. North East Water has also received written feedback that supported the continuation of uniform pricing.

Developer 1

"A range of scenarios were presented to the development forums on how the NCC's could be calculated. While there is some logic in a user pay system for the NCCs it is likely to have some perverse outcomes by capping development in smaller areas. The land values are highest in the major development areas and yet the highest charges would likely result in the lower population areas. This would likely freeze development in some locations for very little broad benefit.

There seemed to be some consensus among developers working in different locations that a standardised NCC was less problematic for our region".

Developer 2

"…our organisation's stance is to support a standardised NCC figure for all areas, not different NCC's for different towns/LGA's/areas. The different-NCC model will make development cost-prohibitive and discourage development in these areas, at a time when development costs in general are at a higher-than-before figure and the state and federal governments need housing targets met.

We also believe that it would be unfair that development would be inadvertently discouraged in these areas just because works were required to support development now and other areas in the past have had their upgrades paid for using the lower standardised NCC model."

All attendees of the June 2025 forum were sent a post-event survey, asking them if they agreed with North East Water's proposed approach to continue with a single NCC for the region rather than adopt a location-based NCC. Whilst only 5 people responded, all five indicated their preference for a uniform NCC.

> *"Although we find ourselves in a period of adversity regarding servicing, maintaining, and upgrading infrastructure across the North East Water network – it is encouraging to see that we have a proactive and pragmatic plan moving forward.*
>
> *While there are still challenges ahead – there are also many opportunities, and I look forward to continuing to support your team in any way I can to not only achieve better outcomes for North East Water, or developers – but for our communities in general".*
>
> **– Developer**

11.4 IMPLEMENTATION

Transitional arrangements were considered and canvassed with developers. Based on the feedback provided through consultation with developers, no transition period is being proposed. Therefore, the proposed timing of the development process where the charge is levied is 1 July 2026.

Supporting documents

- DOC25/26531: Developer Forum Final Report (November 2024)
- DOC25/28975: Growth Servicing Plan 2025-31
- DOC25/30787: New Customer Contributions Guidelines and Negotiation Framework
- DOC25/30786: New Customer Contributions - NCF Financial Model

Part twelve — PREMO assessment

HIGHLIGHTS

12. PREMO ASSESSMENT

12.1 SCORING METHODOLOGY

Each of the 5 performance elements covered in this self-assessment has been scored using the ESC Scoring Methodology as provided in the Guidance paper. Using the scoring system outlined for each element, we have given equal rating to all five elements – Performance, Risk, Engagement, Management and Outcomes for establishing the overall PREMO rating.

We have allocated a score against all the guiding questions listed in the PREMO assessment tool which we consider as the most appropriate guide to determine our self-assessment which is also consistent with the approach adopted by the majority of Water Corporations as part of the 2023 submission process.

Each guiding question is scored, the particular element totalled and then averaged based on the number of guiding questions to determine the score for each element. The same approach is used to determine the overall PREMO rating.

12.2 OVERALL PREMO SCORE

The overall PREMO score using the ESC ‘s methodology is 2.5 or Standard (very confident) and is summarised in Table 67 below. The detailed PREMO Assessment is included in Appendix 2.

Table 65 – Overall PREMO Self-Assessment

PREMO element	Score (1-4)	Ranking
Performance	2.00	Standard (satisfied)
Risk	2.00	Standard (satisfied)
Engagement	3.39	Advanced (confident)
Management	2.35	Standard (confident)
Outcomes	2.75	Advanced (reasonably confident)
Overall	**12.49/5 = 2.50**	**Standard (very confident)**

Part thirteen — Appendices

1. Tariff schedule
2. Detailed PREMO assessments
3. Universal and inclusive engagement program
4. Engagement with key stakeholders
5. How engagement influenced our price submission – The Golden Thread
6. North East Water's response to recommendations
7. Letters of support

13. APPENDICES

APPENDIX 1: TARIFF SCHEDULE

Tariff and price component	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Average price path p.a
Water – volumetric charges (per kL)							
Water usage - all	2.9069	2.9677	3.0299	3.0933	3.1580	3.2241	2.09%
Water usage - Major customers	1.1598	1.2207	1.2848	1.3522	1.4232	1.4979	5.25%
Water – fixed service charges (per annum)							
Wangaratta, Yarrawonga, Benalla, Wodonga, Baranduda, Kiewa, Tangambalanga							
20mm connection	247.21	270.41	294.97	320.96	348.45	377.53	8.84%
20mm connection – Eskdale*	370.82	405.62	442.46	481.44	522.68	566.29	8.84%
25mm connection	387.20	417.75	450.05	484.18	520.24	558.33	7.60%
32mm connection	635.43	679.02	725.03	773.59	824.85	878.93	6.70%
40mm connection	993.76	1,056.16	1,121.97	1,191.37	1,264.56	1,341.73	6.19%
50mm connection	1,553.66	1,645.45	1,742.20	1,844.17	1,951.63	2,064.87	5.85%
80mm connection	3,980.02	4,199.20	4,430.02	4,673.09	4,929.07	5,198.63	5.49%
100mm connection	6,219.66	6,556.42	6,910.99	7,284.32	7,677.39	8,091.23	5.40%
150mm connection	13,996.25	14,741.28	15,525.56	16,351.15	17,220.23	18,135.07	5.32%
200mm connection	24,883.60	26,200.21	27,586.09	29,044.86	30,580.36	32,196.61	5.29%
250mm connection	38,881.48	40,932.98	43,092.33	45,365.18	47,757.49	50,275.54	5.27%
300mm connection	55,990.07	58,939.77	62,044.47	65,312.31	68,751.85	72,372.10	5.27%
*Fixed charges for Eskdale are calculated on a 50% loading above the standard fixed charge rate. Any increase in meter size, for this system, will be charged on the same basis.							
Bright, Rutherglen, Wahgunyah, Beechworth, Myrtleford, Porepunkah, Wandiligong							
20mm connection	271.94	297.46	324.47	353.06	383.30	415.28	8.84%
25mm connection	425.93	459.53	495.05	532.59	572.26	614.16	7.60%
32mm connection	698.97	746.92	797.53	850.95	907.33	966.83	6.70%
40mm connection	1,093.17	1,161.77	1,234.17	1,310.51	1,391.02	1,475.91	6.19%
50mm connection	1,709.04	1,810.00	1,916.42	2,028.59	2,146.79	2,271.36	5.85%
80mm connection	4,378.00	4,619.12	4,873.02	5,140.40	5,421.98	5,718.49	5.49%
100mm connection	6,841.62	7,212.06	7,602.09	8,012.75	8,445.13	8,900.36	5.40%
150mm connection	15,395.90	16,215.41	17,078.11	17,986.27	18,942.25	19,948.58	5.32%
200mm connection	27,371.96	28,820.24	30,344.70	31,949.35	33,638.39	35,416.27	5.29%

Tariff and price component	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Average price path p.a
250mm connection	42,769.62	45,026.28	47,401.56	49,901.69	52,533.24	55,303.09	5.27%
300mm connection	61,589.07	64,833.75	8,248.92	71,843.54	75,627.03	79,609.31	5.27%
Barnawartha, Bundalong, Mt Beauty, Tawonga, Tawonga South, Chiltern, Tallangatta, Corryong, Yackandandah, Devenish, Oxley, Moyhu, Tungamah, Harrietville, Glenrowan, Springhurst, Dartmouth, St James, Goorambat, Whitfield, Walwa, Bellbridge, Cudgewa							
20mm connection	296.66	324.50	353.97	385.15	418.14	453.03	8.84%
25mm connection	464.61	501.30	540.06	581.01	624.28	670.00	7.60%
32mm connection	762.52	814.82	870.03	928.31	989.82	1,054.72	6.70%
40mm connection	1,192.57	1,267.39	1,346.36	1,429.65	1,517.47	1,610.08	6.19%
50mm connection	1,864.40	1,974.54	2,090.64	2,213.00	2,341.95	2,477.84	5.85%
80mm connection	4,776.00	5,039.04	5,316.02	5,607.71	5,914.89	6,238.36	5.49%
100mm connection	7,463.60	7,867.70	8,293.19	8,741.18	9,212.87	9,709.48	5.40%
150mm connection	16,795.50	17,689.53	18,630.67	19,621.38	20,664.27	21,762.09	5.32%
200mm connection	29,860.32	31,440.26	33,103.31	34,853.83	36,696.43	38,635.93	5.29%
250mm connection	46,657.77	49,119.58	51,710.79	54,438.21	57,308.99	60,330.65	5.27%
300mm connection	67,188.08	70,727.73	74,453.37	78,374.77	82,502.22	86,846.52	5.27%
Wastewater fixed service charges (per annum)							
Wangaratta, Yarrawonga, Benalla, Wodonga, Baranduda, Kiewa, Tangambalanga	285.47	311.69	339.44	368.79	399.82	432.61	8.67%
Bright, Rutherglen, Wahgunyah, Beechworth, Myrtleford, Porepunkah, Bundalong, Chiltern	342.54	374.03	407.33	442.55	479.78	519.13	8.67%
Mt Beauty, Tawonga, Tawonga South, Tallangatta, Corryong, Yackandandah, Bellbridge, Dartmouth, Barnawartha	399.66	436.37	475.21	516.31	559.75	605.65	8.67%
Oxley, Milawa, Tungamah, Glenrowan, Moyhu	668.68	700.42	737.19	775.89	816.63	859.50	5.15%
Oxley, Milawa, Tungamah, Glenrowan, Moyhu (not connected)	334.34	350.21	368.59	387.95	408.31	429.75	5.15%
Walwa	528.39	556.13	585.33	616.06	648.40	682.44	5.25%

Tariff and price component	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Average price path p.a
Category 1 industrial trade waste charges per unit (per kg)							
Volume	1.8520	1.9492	2.0516	2.1593	2.2726	2.3919	5.25%
Chemical Oxygen Demand	0.5288	0.5566	0.5858	0.6165	0.6489	0.6830	5.25%
Suspended Solids	0.1428	0.1503	0.1582	0.1665	0.1752	0.1844	5.25%
Total Kjeldahl Nitrogen	1.7267	1.8174	1.9128	2.0132	2.1189	2.2301	5.25%
Total Phosphorus	21.0054	22.1082	23.2689	24.4905	25.7762	27.1295	5.25%
Category 1 industrial trade waste charges when limit exceeded (per kg)							
Total Dissolved Solids	0.1428	0.1503	0.1582	0.1665	0.1752	0.1844	5.25%
Oil and Grease	0.1428	0.1503	0.1582	0.1665	0.1752	0.1844	5.25%
Ammonia	0.1428	0.1503	0.1582	0.1665	0.1752	0.1844	5.25%
Sodium	0.1428	0.1503	0.1582	0.1665	0.1752	0.1844	5.25%
Total Oxidised Sulphur	0.9749	1.0261	1.0800	1.1366	1.1963	1.2591	5.25%
pH	199.11	209.57	220.57	232.15	244.34	257.16	5.25%
Commercial trade waste charges							
Commercial trade waste Category 2	611.78	643.90	677.70	713.28	750.73	790.14	5.25%
Commercial trade waste Category 3	402.86	424.01	446.27	469.70	494.36	520.31	5.25%
Commercial trade waste Category 4	189.96	199.93	210.43	221.48	233.10	245.34	5.25%
Customer contributions							
Water (per lot)	1,063.77	0.00	0.00	0.00	0.00	0.00	0.0%
Wastewater (per lot)	2,482.11	4,017.39	4,017.39	4,017.39	4,017.39	4,017.39	0.0%
Core miscellaneous fees and charges							
Information statements	75.21	75.21	75.21	75.21	75.21	75.21	0.0%
Special meter readings – tenants	37.59	37.59	37.59	37.59	37.59	37.59	0.0%
Septic disposal charge (per kL)	37.54	37.54	37.54	37.54	37.54	37.54	0.0%
Septic disposal charge – portable	30.08	30.08	30.08	30.08	30.08	30.08	0.0%
New wastewater connection – standard residential	241.18	241.18	241.18	241.18	241.18	241.18	0.0%
New wastewater connection – other	316.74	316.74	316.74	316.74	316.74	316.74	0.0%

Tariff and price component	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Average price path p.a
Wastewater connection alterations	210.93	210.93	210.93	210.93	210.93	210.93	0.0%
Miscellaneous fees and charges							
Replacement of galvanised iron property service pipe*	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	-
*Maximum charge	757.20	757.20	757.20	757.20	757.20	757.20	0.0%
Special meter readings – other	75.41	37.59	37.59	37.59	37.59	37.59	0.0%
Water meter testing (per test)	384.82	At Cost	At Cost	At Cost	At Cost	At Cost	0.0%
Fire service charge (per lot)	118.81	118.81	118.81	118.81	118.81	118.81	0.0%
Fire service information – pressure est	301.53	301.53	301.53	301.53	301.53	301.53	0.0%
Private fire service annual inspection fee	75.41	75.41	75.41	75.41	75.41	75.41	0.0%
Build over easement fee	82.86	225.00	225.00	225.00	225.00	225.00	0.0%
Amendment to approved build over easement fee	41.43	75.00	75.00	75.00	75.00	75.00	0.0%
Sealing fire hose taps (per tap)	76.41	76.41	76.41	76.41	76.41	76.41	0.0%
Standpipe water sales – admin charge	35.74	35.74	35.74	35.74	35.74	35.74	0.0%
Standpipe water sales – Potable (per kL)	3.9741	3.9741	3.9741	3.9741	3.9741	3.9741	0.0%
Standpipe water sales – Reuse (per kL)	1.9869	1.9869	1.9869	1.9869	1.9869	1.9869	0.0%
Non potable water volumetric – all (per kL)	2.2536	2.2536	2.2536	2.2536	2.2536	2.2536	0.0%
Dishonoured payment charge	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	0.0%
Restriction charge – business hours install and remove device	76.17	228.35	228.35	228.35	228.35	228.35	0.0%
Restriction charge – after hours	244.25	-	-	-	-	-	0.0%
Backflow prevention device application fee	210.93	210.93	210.93	210.93	210.93	210.93	0.0%
Backflow prevention device annual fee	90.24	90.24	90.24	90.24	90.24	90.24	0.0%
Test prior advice notice (mandatory inspection fee)	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	0.0%
Alter existing sewer asset fee	379.15	375.00	375.00	375.00	375.00	375.00	0.0%

Tariff and price component	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Average price path p.a
Wastewater disconnection	60.20	195.00	195.00	195.00	195.00	195.00	0.0%
Amendment to approved wastewater connection	44.96	75.00	75.00	75.00	75.00	75.00	0.0%
Pressure sewer pump maintenance fee (Inc GST)	93.42	130.00	130.00	130.00	130.00	130.00	0.0%
Water tapping fee (including fire service)							
20mm service	90.43	130.00	130.00	130.00	130.00	130.00	0.0%
25mm service	105.39	195.00	195.00	195.00	195.00	195.00	0.0%
32mm service	120.49	260.00	260.00	260.00	260.00	260.00	0.0%
40mm service	135.49	260.00	260.00	260.00	260.00	260.00	0.0%
50mm service	150.60	260.00	260.00	260.00	260.00	260.00	0.0%
80mm service	603.25	660.00	660.00	660.00	660.00	660.00	0.0%
100mm service	754.05	660.00	660.00	660.00	660.00	660.00	0.0%
150mm service	904.82	660.00	660.00	660.00	660.00	660.00	0.0%
225mm service	1055.59	660.00	660.00	660.00	660.00	660.00	0.0%
Water tapping fee for all AC main 80mm and above – additional charge	-	700.00	700.00	700.00	700.00	700.00	0.0%
Water tapping fee - fire service							
20mm service – fire service	90.43	-	-	-	-	-	-
25mm service – fire service	105.39	-	-	-	-	-	-
32mm service – fire service	120.49	-	-	-	-	-	-
40mm service – fire service	135.49	-	-	-	-	-	-
50mm service – fire service	150.60	-	-	-	-	-	-
80mm service – fire service	150.60	-	-	-	-	-	-
100mm service – fire service	150.60	-	-	-	-	-	-
150mm service – fire service	150.60	-	-	-	-	-	-
225mm service – fire service	150.60	-	-	-	-	-	-
Water meter connection fee							
20mm service	256.27	256.27	256.27	256.27	256.27	256.27	0.0%
25mm service	452.36	452.36	452.36	452.36	452.36	452.36	0.0%
32mm service	904.82	904.82	904.82	904.82	904.82	904.82	0.0%
40mm service	1,281.91	1,281.91	1,281.91	1,281.91	1,281.91	1,281.91	0.0%

Tariff and price component	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Average price path p.a
50mm service	3,016.40	3,016.40	3,016.40	3,016.40	3,016.40	3,016.40	0.0%
80mm service	3,921.14	3,921.14	3,921.14	3,921.14	3,921.14	3,921.14	0.0%
100mm service	5,052.21	5,052.21	5,052.21	5,052.21	5,052.21	5,052.21	0.0%
150mm service	5,429.44	5,429.44	5,429.44	5,429.44	5,429.44	5,429.44	0.0%
225mm service	8,672.33	8,672.33	8,672.33	8,672.33	8,672.33	8,672.33	0.0%
Water disconnection fee – All services	150.60	150.60	150.60	150.60	150.60	150.60	0.0%
Water main connection fee (developments)							
100mm connection	888.08	888.08	888.08	888.08	888.08	888.08	0.0%
150mm connection	1,013.56	1,013.56	1,013.56	1,013.56	1,013.56	1,013.56	0.0%
200mm connection	1,136.18	1,136.18	1,136.18	1,136.18	1,136.18	1,136.18	0.0%
225mm connection	1,257.53	1,257.53	1,257.53	1,257.53	1,257.53	1,257.53	0.0%
300mm connection	1,384.56	1,384.56	1,384.56	1,384.56	1,384.56	1,384.56	0.0%
375mm connection	1,508.75	1,508.75	1,508.75	1,508.75	1,508.75	1,508.75	0.0%
450mm connection	1,632.89	1,632.89	1,632.89	1,632.89	1,632.89	1,632.89	0.0%
500mm connection	1,756.87	1,756.87	1,756.87	1,756.87	1,756.87	1,756.87	0.0%
Water main connection fee all AC mains – additional charge	-	1,360.00	1,360.00	1,360.00	1,360.00	1,360.00	0.0%

APPENDIX 2: PREMO DETAILED ASSESSMENT

PREMO summary – Performance

Aspect	Score	Comment
To what extent has North East Water demonstrated delivery of its customer outcomes commitment over the current regulatory period? Did its customers get what they paid for?	**2.25**	North East Water has had strong performance results across the 7 years of our price period. To June 30 2025, we met or largely met 11 of the 13 customer outputs. Two of the measures which were considered as stretch targets – water losses of less than 10% and compliance with EPA Licences of 100% - will not be achieved. While some of our major capital projects have been deferred due to re-prioritisation, we are confident that we have delivered value to our customers and maintained service levels despite the impact of coronavirus and other extreme natural events such as bushfires, three years of a La Nina weather event and now, pre-drought conditions.
How does actual operating expenditure across the current period compare with North East Water's established benchmark allowance, and to what extent has North East Water rationalised any discrepancies?	**1.75**	We expect that our controllable operating expenditure for the eight-year period will be 15.3% above benchmark (or 1.91% per year. The business has faced a range of cost pressures over this period due to high inflation, the impacts of COVID, increased costs of complying with regulatory requirements, significant customer growth in some regions and devastating floods in parts of Victoria. A number of new or increased regulatory compliance obligations were also introduced over the eight-year period which has required investment in additional FTE to support both the new obligations and business critical risks. These include cyber security, procurement, the General Environmental Duty, renewable and emissions reduction compliance, housing targets and Water is Life. Higher energy costs than forecast were incurred due to timing changes associated with two major renewable energy projects and there has been a material increase in software licencing costs associated with the replacement of our 20-year-old billing system and the move to cloud services for our finance system. We have provided a detailed reconciliation of these movements in Part 1.
How does actual capital expenditure across the current period compare with North East Water's established benchmark allowance, and to what extent has North East Water rationalised any discrepancies?	**1.75**	North East Water's capital expenditure has increased materially due to a combination of cost increases above inflation, increases in compliance and higher than forecast growth, changes in scope on a number of projects and several new projects completed or forecast to be completed by 2025-26. At the time of lodging our 2018 submission we also identified $60.5 million of ring-fenced investments which we would continue to pursue in the current period. We will have spent $58.7 million on these projects by the end of this regulatory period. We forecast capital expenditure will be over the 2018-26 regulatory period benchmark by $200.3 million or 111% higher than forecast (projected total of $179.91 million compared to forecast total $380.23 million).

Aspect	Score	Comment
		Our midpoint review undertaken in 2021 highlighted the increase in capital expenditure required had increased to $227 million. Following and after this we undertook a 3-year master planning process, all systems review and significant key stakeholder engagement which has required further capital expenditure to be prioritised to support growth and meet compliance obligations. A change in scope and cost increases for our major wastewater treatment facility in Wodonga was moved to the last two years of the current period and has resulted in additional material costs (post COVID) to address additional capacity and emission requirements. Regular engagements with key stakeholders and local councils have occurred to highlight the increased level of capital expenditure required during this period.
To what extent does customer sentiment demonstrate satisfaction in North East Water's performance over the current regulatory period? Are customers happy with the value they receive from North East Water?	**2.25**	Customers have consistently rated North East Water above average in value for money, trust, reputation and overall performance through the ESC's annual customer perception monitoring. Our own customer surveys, which are constructed independently show strong results across all four metrics of satisfaction, value for money, trust and reputation.
Total	**8.00/4** **= 2.00**	Standard (satisfied)

PREMO summary – Engagement

Aspect	Score	Comment
To what extent has North East Water justified how the form of engagement suits the content of consultation, as well as the circumstances facing the water business and its customers and other key stakeholders?	**3.50**	North East Water commenced engagement early with customers experiencing vulnerability, using sensitive and appropriate methods to understand their needs and concerns. During the Activation stage we interviewed 10 external stakeholders, including a First Nations customer, to provide an opportunity to influence the form and content of the engagement. We used a range of engagement techniques in the early stages with a focus on qualitative feedback, including pop up kiosks, online surveys and focus groups. Customers' feedback from this stage helped set the engagement agenda. We refined these methods in the later stages, using multiple techniques, including a bill simulator, priorities survey and focus groups to increase confidence that customers priorities had been properly understood. The bill simulator provided quantitative data to assess customers willingness to pay; the priorities survey measured trade-offs and was more accessible and inclusive; and the focus groups gave us descriptive insight about the reasoning behind people's choices. We interviewed Traditional Owners and First Nations customers, using sensitive conversational techniques, to hear first-hand their insights. We used in-depth surveys to reach major customers and local government. We designed a deliberative forum that allowed a 'Collaborate' level of influence, and we asked the participants to provide advice on the capital program, which has the largest impact to bills. We employed an independent consultant to assist with the engagement activities, including the facilitation of the deliberative forum, ensuring our engagement methods did not have any power imbalances.
To what extent has North East Water demonstrated that it provided appropriate instruction and information to participants about the purpose, form and content of the customer engagement?	**3.50**	The purpose of each engagement activity was explained to participants at the start of each activity, whether that be an online survey, focus group, stakeholder meeting or deliberative forum. We used universal and inclusive principles in the design and delivery of our engagement. We provided multiple and diverse opportunities to participate. We developed a priorities survey using simpler English to complement the more complex bill simulator. We asked our CCAG to test the bill simulator before it went live. We provided an engagement report to the deliberative forum that gave detailed information on the three topics to be considered, and the feedback we had heard to date. We set a challenge for the deliberative forum and explained this at the orientation evening. We were clear in our promise to collaborate. We referred back to the challenge and promise at each session. We were transparent with the deliberative forum on the baseline bill increases we are faced with and demonstrated the cumulative bill impacts resulting from their recommendations. We asked respondents of the priorities survey and bill simulator whether the information was loaded and leading, and we conducted pre- and post-event surveys with the deliberative forum participants.
To what extent has North East Water demonstrated that the	**3.25**	We gave our customers significant influence on material matters facing the corporation, including our capital expenditure program, hardship support, tariff structure and service levels.

matters it has engaged on are those that have the most influence on the services provided to customers and prices charged?		We heard during the Build Foundations stage what was important to customers and stakeholders. We engaged early in the Activation stage with sophisticated stakeholders who had a material influence on our plans. We asked customers what they value in the Exploration stage, effectively setting the customer agenda. During the Valuation stage we assessed customer's willingness to pay for the experiences they value. We narrowed down the matters to take to the deliberative forum based on customer interest, organisational interest and high willingness to pay. We asked our deliberative forum to consider how we should balance growth, compliance and affordability and their recommendation was to increase bills to allow for capital expenditure program between $250-and $300 million. This recommendation had the biggest impact on bills.
To what extent has North East Water explained how it decided when to carry out its engagement?	**3.25**	Our six-step engagement framework built on the ongoing engagement North East Water has conducted since 2018. Each stage informed the next, and the engagement agenda was shaped as the process evolved. Our Build Foundations stage, conducted during 2022, 2023 and 2024 was critical to the development of the targeted price submission engagement plan. This approach ensured that all customers were given a reasonable and fair opportunity to participate, and engagement occurred on matters that customers and other key stakeholders identified as important to them.
To what extent has North East Water demonstrated how its engagement with customers has influenced its submission?	**3.50**	All key customer insights have been considered in this price submission, with our customer outcomes and outputs directly reflecting these insights. As per our engagement promise to 'collaborate', we will fully implement 21 of 23 recommendations from our deliberative forum and partially implement the remaining two. Forum participants confirmed we had met our promise to implement their recommendations to the maximum extent possible and explain reasons where we are unable to do so. Both the independently chaired Customer & Community Advisory Group and the Critical Friends Group supported the deliberative forum confirmation and endorsed the draft price submission.
To what extent has North East Water demonstrated that its engagement was inclusive of consumers experiencing vulnerability?	**3.50**	We recognised the importance of engaging with customers whose vulnerability might be exacerbated because of the outcomes of this price submission. We undertook a targeted engagement program early and continued to seek their voices out throughout the price submission engagement. Their feedback was given special prominence in the engagement report provided to the deliberative forum. As a result of this targeted engagement, we have developed the Customer Care Fair Practice Plan which outlines how North East Water can improve and extend the support we provide over the next price period.
To what extent has North East Water demonstrated that its engagement was inclusive of First Nations people?	**3.25**	Our engagement with Traditional Owners and First Nations customers has been built on existing relationships established over several years. We met with these stakeholders and customers individually to hear their feedback, which was then given special prominence throughout the engagement report provided to the deliberative forum.
Total	**23.75/7 = 3.39**	**Advanced (confident)**

PREMO summary – Outcomes

Aspect	Score	Comment
Has North East Water provided evidence that the outcomes proposed have taken into account the views, concerns and priorities of customers?	**2.75**	Our proposed outcomes reflect customer preferences and priorities and have been linked to engagement insights. Although we have reduced the number of outcomes from six to five, the number of outputs has been increased from 13 in 2018-26 to 17 for this price period holding us to a greater level of accountability. Demonstrating transparency, we presented these proposed outcomes to our Deliberative Forum, our Customer and Community Advisory Group, key regional stakeholders including Traditional owners and First Nations customers, local government, developers and customer support agencies and business groups. We also clearly explained the proposed Customer Outcomes in our public Customer Summary and on our website.
Has North East Water provided sufficient explanation of how the outcomes it has proposed align to the forecast expenditure requested?	**2.25**	New capital and operating expenditure are aligned to outcomes. The majority of outputs do not result in additional new expenditure.
Has North East Water proposed outputs to support each of its outcomes, which are measurable, robust and deliverable?	**3.00**	Outputs have been assessed internally with opportunity for feedback provided to our deliberative forum.
Has North East Water provided evidence that the outputs it has proposed are reasonable measures of performance against stated outcomes?	**3.00**	Outputs have been baselined based on prior performance. We have proposed in most cases stretch targets for existing measures and have introduced a number of new measures, which will allow us to track our performance against our outcomes which are clearly defined.
Has North East Water demonstrated a process to measure performance against each outcome and to inform customers?	**2.75**	We will produce an annual customer report and a six-monthly summary, distributed on our website and via traditional and social media channels. We will establish a customer panel which will meet annually to consider our performance against our outcomes and outputs. Our customer research program will also continue.
Total	**13.75/5 =2.75**	**Advanced (Reasonably confident)**

PREMO summary – Risk

Aspect	Score	Comment
To what extent has North East Water demonstrated a robust process for identifying risk, and how it has decided who should bear these risks? i.e such that customers are not paying more than they need to.	**2.00**	Our enterprise risk management framework is consistent with the Australian/New Zealand Risk Management Standard (AS/NZS 31000) and the requirements of the Victorian Government Risk Management Framework (VGRMF). NEW undertook a robust process including an executive and a board workshop that assessed the potential impacts of different risk sharing arrangements between customers and the business across various components of the building block or pricing calculations (i.e. demand). We have identified the following risks which risk sharing arrangements are proposed. • Length of regulatory period • Demand • Connection growth • Price control mechanism • Cost Efficiency rate • Customers experiencing vulnerability • Electricity forecasting • Climate change • Uncertainty around major capital projects • Mitigating risks through innovative business practices • Outputs and Guaranteed Service Level's • Tax Allowance
To what extent does the proposed guaranteed service level (GSL) scheme provide incentives for North East Water to be accountable for the quality of services delivered, and provide incentives to deliver valued services efficiently?	**2.00**	We have three existing GSL's and have proposed one new GSL with the support of our deliberative forum with no additional cost to customers.
Total	**4.0/2 = 2.0**	**Standard (Satisfied)**

PREMO summary – Management

Aspect	Score	Comment
To what extent has North East Water demonstrated how its proposed prices reflect only prudent and efficient expenditure?	**2.25**	Prices reflect prudent and efficient expenditure achieved through a robust expenditure forecasting process for capital and operating expenditure Controllable operating expenditure per water connection decreases by 1.6% over the pricing period, driven by programs to reduce regulatory risk and maintain service levels
To what extent has North East Water justified its commitment to cost efficiency or productivity improvements?	**2.25**	Multiple and independent measures have been used to support major expenditure categories including our capital expenditure program and operating expenditure items including electricity. We have provided an opex efficiency forecast rate of 1.46% which is higher than the average rate of a "standard" rated business at the 2023 water price review. (approx. 1.2%).
To what extent has North East Water justified or provided assurance about the quality of the submission, including the quality of supporting information on forecast costs or projects?	**2.25**	The development of this price submission has been a collaboration between independent expert consultants and internal subject matter experts with executive oversight. Our major capital expenditure projects have business cases which have been externally reviewed including supporting costing information. Our volumetric revenue and demand forecasts have been externally validated. Independent and external validation of our electricity forecasts. Our final submission will be independently reviewed for quality assurance.
To what extent has North East Water provided evidence that there is senior level, including board level, ownership and commitment to its submission and its outcomes?	**2.50**	The board has fully owned the development of the Price Submission since the adoption of Strategy 2040 which has been used to inform the price submission. They have been actively involved through strategic discussions, key stakeholder roundtables and meetings, forums for developers and regional leaders, meeting with the CEOs of customer support agencies and the deliberative forum. For the latter, Directors not only attended the deliberative forum but also invited three participants to meet with the full board and share their experiences. In particular our Chair and Managing Director played an active role in the Deliberative engagement process. Senior executives have also led key engagement activities including specifically with local government, developers, customer support agencies and vulnerable customers and business groups. Both the board and senior executives were involved in workshops for our customer outcomes, capital works program, operating expenditure including resource planning, tariff policy and overall project management of the proposal.
To what extent has North East Water	**2.50**	There are many examples of this:

demonstrated its price submission is an ‘open book’?		We have always been open and transparent with the ESC, DEECA, Minister’s Office, key regional stakeholders and customers about the challenges facing North East Water particularly in relation to our increased capital expenditure and the need for potential future price increases to fund this. We have invited the ESC in October 2024 and May 2025 to speak to our board and update them on our challenges around growth and also to seek guidance around the central issues integral to our submission. There were numerous other occasions where our board met with the ESC Executive Director and senior staff, for example our Key Stakeholder Meeting in Melbourne in August 2022 and in early 2024 when the ESC visited Wodonga. At these meetings we were open and transparent about the infrastructure challenges facing North East Water. Our proposed capital program was the subject of 8 community webinars, developer forums and dedicated local government briefings. We have also held monthly meetings with the ESC and DEECA to keep them informed of our progress to ensure there are ‘no surprises’ associated with our submission. We issued a Customer Summary of our draft price submission showing transparency of proposed opex and capital expenditure, prices and support for vulnerable customers. We have been open to feedback at all stages to help strengthen our price submission.
Total	**11.75/5 = 2.35**	**Standard (confident)**

APPENDIX 3: UNIVERSAL AND INCLUSIVE ENGAGEMENT PROGRAM

ESC's 10 principles for universal and inclusive engagement and North East Water's corresponding actions.

Principle	How it was applied
Be inclusive	• We removed barriers to participation to provide all customers with equitable opportunity to participate by: – Providing a variety of face-to-face and online opportunities to engage – Providing a translation tool for the top 10 languages on our Have Your Say engagement platform – Providing technology support and devices for online sessions of the deliberative forum – Offering childcare reimbursements – Providing travel reimbursements for customers to attend in-person sessions – Ensuring all venues were fully accessible – Organised carpooling for participants of the deliberative forum – Providing a parent's room and a prayer room for the deliberative forum – Identifying technology champions in the deliberative forum who could capture notes and help articulate the small group discussions during the online sessions. • We engaged early with customers with lived experience of vulnerability, and with stakeholders representing groups who are at risk of vulnerability to understand how best to engage with these groups and to develop our first Customer Care Fair Practice Plan as a foundational plan for our price submission. • We conducted sensitive and appropriate engagement with our vulnerable and First Nations customers, meeting with them one-on-one rather than in group settings.
Collaborate and co-design with consumers	• We engaged early with sophisticated stakeholders who had a material influence on our plans. We asked them how best to engage with the customer groups they represent. • We asked our Customer and Community Advisory Group (CCAG) and our Critical Friends Group (CFG) to review and provide feedback on our Engagement Plan • We asked customers what they value in the Exploration stage, effectively setting the customer agenda • We asked our CCAG and CFG to provide input at each stage of engagement, including who we should be engaging and how to reach those customer groups • The CCAG reviewed and provided feedback on our Customer Outcomes and the bill simulator prior to it going live • The deliberative forum was a collaborative process between participants and North East Water • We asked the deliberative forum to nominate stakeholders they'd like to hear from. This included local government representatives and developers, along with North East Water staff who were subject matter experts.
Treat engagement as an ongoing process based on relationships	• North East Water's engagement process is ongoing. We regularly engage with customers, community and stakeholders on capital projects, our annual customer research program, biannual developer forums, and our Customer and Community Advisory Group (meets four times per year). Further: – We have established ongoing relationships with Traditional Owner groups within out footprint and have engaged with First Nations communities, meeting with them regularly to discuss strategic opportunities and gain their insights on a range of matters. Our Elders-in-Residence Program has also allowed us to gain valuable insights and guidance via our 2 knowledge sharers. – We have developed relationships with customer support agencies and continue to meet with them to discuss opportunities to improve support for customers experiencing vulnerability – We regularly meet with local government and other stakeholders

	– We regularly meet with our major (industrial) customers and used these meetings to discuss their future plans and how they might impact the next price submission period – In 2021 we ran our midpoint review of our 2018 price submission, along with the engagement for our Urban Water Strategy.
Have a clear purpose	• The remit was set early and encapsulated North East Water's challenge: 'Our communities are growing, and our climate is changing. How do we work together to plan for the future so we can continue to provide safe, reliable, sustainable and affordable services for now and generations to come?' • The outputs required for each stage of the engagement were clearly understood and articulated within the engagement plan. The purpose of each engagement activity was explained to participants at the start of each activity.
Reflect community diversity	• We conducted 17 town pop-ups across our region, and combined face-to-face with online tools to ensure customers were geographically represented • We held one-on-one interviews with 15 customers experiencing vulnerability and engaged separately with 20 customer support agencies representing Aboriginal health, ethnic communities, regional foodshare, faith-based agencies, local health services, social and affordable housing, domestic and family violence, community health, disability services, youth and family services, women's health and council community services. • Our board met with the Executive Officers of seven customer support agencies for a round table discussion to ensure they heard what was important to vulnerable communities. • Flexibility in our engagement approach ensured that we were able to meet face-to-face and capture the voices of Traditional Owners and First Nations customers, rather than online surveys or focus groups. • We interviewed representatives of the Regional Disability Advocacy Service, Albury Wodonga Ethnic Communities Council and Elders Rights Advocacy in the Activation stage to understand their community, its interests and needs, and forwarded opportunities for participation to them to share with their networks • We targeted special customer groups for our focus groups including older people, younger people, renters, customer experiencing financial difficulty, newly arrived customers and customers living with disability • We recruited a panel for the deliberative forum that reflected the diversity of North East Water's customer base
Invest in engagement	• We had 38 employees participate directly in engagement for the price submission – 14 staff, 13 managers, all 6 general managers and 5 directors. We conducted all staff briefings to enable staff to say informed. • We employed an independent engagement consultant to assist with the implementation of the engagement plan and provide unbiased facilitation and advice, also ensuring there were no power imbalances • We paid participants for their time in the focus groups and the deliberative forum and reimbursed them for their travel expenditure. We also offered to pay for childcare to enable participants to attend the deliberative forum • Our Communications and Engagement Team dedicated a significant amount of their time to working on the price submission engagement. • Our board received information and updates on the engagement program at every board meeting. • Many of our board directors attended the Deliberative forum as observers. The board also invited three representatives of the Deliberative Forum to meet them at their March development day to hear about the process and outcomes.
Be transparent and offer genuine involvement	• We promoted opportunities to participate in engagement activities through social media, our website and direct email to our customers • The deliberative forum allowed customers a genuine opportunity to influence outcomes

	• Feedback from each stage of the engagement influenced the next stage • We closed the loop with our participants including a recall day with the deliberative forum. • We produced a Customer Summary, conducted webinars and ran traditional and social media to invite feedback during the closing the loop stage. • We were transparent at all times about the challenges being faced with regards to growth and compliance, how feedback had shaped the draft submission and what we were proposing.
Show respect for individuals, their knowledge and expertise	• We provided multiple and diverse opportunities to participate • We used respectful language in all engagement methods • We sought and reviewed feedback at each engagement activity.
Use methods that are universal and flexible	• We designed an engagement program that considered all customers • We offered multiple ways for participants to engage with us • We conducted sensitive and appropriate engagement for our customers experiencing vulnerability and First Nations customers • Created psychologically safe spaces in the preambles for focus groups and deliberative forum • Ran activities on different days and times (weekdays, weekends and nights) • Asked potential and actual participants of the deliberative forum what support they needed to participate • Ensured we had a parent's room and a prayer room available for participants of the deliberative forum.
Reflect, adapt, improve.	• Only 7% of respondents in the priorities survey and 8% in the bill simulator felt the survey was 'loaded and leading'. These results are lower than average for a study of this type • Participants of the deliberative forum were sent a pre-event survey to complete before the orientation event, and a post-event survey after the final session • Participants were also asked to complete an evaluation poll after days one, two and three. On each occasion, we reviewed the feedback and adjusted our plans accordingly • We allowed time for the deliberative forum to change their recommendation for Question 1 on tariffs at the last session • We allowed time for questions and feedback in our focus groups and deliberative forum. We provided an opportunity on the online and paper surveys for further feedback and comments (open text). • Taking on board feedback from all stages of the engagement we developed and published a Customer Summary of our price submission and proactively invited feedback from customers and community. In this document we were open and transparent about what was being proposed and how the engagement had informed the draft summary. We also presented the proposals to all seven councils, our developer forum and a business group. The feedback from this "closing the loop" engagement was provided to our board.

APPENDIX 4: ENGAGEMENT WITH KEY STAKEHOLDERS

North East Water also engaged with key stakeholders, including local government, major customers and key stakeholders. Details on this engagement are provided below.

Local Government

There are seven local governments that operate across our 20,000 square kilometre region. These are Wodonga City Council, the Rural Cities of Wangaratta and Benalla and the shire councils of Indigo, Alpine, Towong and Moira.

We have had regular and ongoing engagement with our seven local governments since 2022. Their views and feedback have contributed along the way to our master planning program, the development of our capital program, Strategy 2040 and this price submission.

Ways in which we engaged were:

- Invited CEOs and Mayors to a regional leaders' forum, roundtables with board
- Meetings between North East Water's MD and Chair with Council's CEO and Mayor
- Briefings with Councillors and Executive officers
- Quarterly meetings between planning departments (and more if needed)
- Inviting local government to our Developer Forums
- Participating with local government in the North East Integrated Water Management forum
- Engaging with local government for specific capital projects ie Mt Beauty raw water offtake, Wodonga WWTP upgrade, Bellbridge WWTP upgrade
- Recording live a community webinar for each of the 7 municipalities outlining our challenges and opportunities, master planning process, capital investments in PS4 and proposed investments in PS5 – being very transparent about the level of investments in PS4 and PS5.
- Sending them an online survey to complete with questions specific to the price submission, including the topics to be further explored at the deliberative forum.

What we heard

We heard from local government that:

- North East Water should increase investment at a rate aligned with Victoria's Housing Targets and local councils' strategic plans
- Developers should pay costs for growth-related infrastructure
- Environmental compliance should be top of mind
- Customer support is important
- Explore partnerships and grant opportunities where possible to help fund improved water security and sustainable water and wastewater opportunities

During the 'closing the loop' stage of our engagement, we wrote to each local government with a copy of our Customer Summary inviting feedback. We also briefed all seven councils (both Councillors and Executive) on what was being proposed.

Testimony to the level of engagement we have done with councils is that we have received supporting submissions from all seven councils. In one submission though it was raised that there is a need for capital investment in the township of Yackandandah and that this is not in the 10-year capital program. We have taken this feedback on board and will commence the planning and design for the upgrade of the Yackandandah WWTP and if funding becomes available (due to changing priorities) we can look to bring this project into the capital program for either PS5 or PS6.

"Indigo Shire Council is focused on balancing the needs of the environment, provision for growth, and of course, the ongoing demands of household affordability. It was pleasing to see that your price submission also aims to balance these needs…. considers that the overall position appears to be an appropriate balance between urgently needed infrastructure upgrades and managing the financial impact to customers to remain under the state average." *Indigo Shire CEO*

"The proposed infrastructure investment is vital to ensuring our region can sustainably accommodate future growth...The submission also demonstrates a balanced approach to affordability and equity" *Wangaratta City CEO*

Major customers and key stakeholders

We regularly engage with our major customers and key stakeholders, via board stakeholder briefings, regional leaders forums, meetings with our MD and regular catch-ups with staff.

North East Water has 32 major (industrial) customers, who use our water and discharge wastewater in large volumes. We invited all major customers to complete an online survey that asked for their feedback on the topics that would be considered by the deliberative forum. We had 9 major customers complete the survey.

We also asked our key stakeholders to complete the survey. We had 9 stakeholders in community health, women's health, energy solutions, catchment management, land care, disability services, regional development and business and community advocacy provide feedback.

What we heard

Major customers told us:

- They want us to develop circular economy solutions in our communities
- They think its important that we help customers with bill difficulties
- Most want increased investment to support growth in our cities and small towns, with developers sharing the cost
- We should invest to achieve environmental compliance and communicate the environmental, community and cost-saving benefits to all customers.

Key stakeholders told us:

- It's important to maintain support programs for vulnerable customers
- They want us to pursue integrated water management solutions as a priority
- Infrastructure investment in the region's small towns should be flexible enough and 'efficiently scalable' to respond to housing demand
- We should triage investment to deliver the most effective environmental compliance as a priority.

During the 'closing the loop' stage, we wrote to each of the participating stakeholders and major customers with a copy of our Customer Summary inviting feedback. We also presented our 'Customer Summary' to Business Wodonga, the peak business representative body in Wodonga.

APPENDIX 5: HOW ENGAGEMENT INFLUENCED OUR PRICE SUBMISSION – 'THE GOLDEN THREAD'

What we heard from customers, community and stakeholders during engagement for Strategy 2040 (S2040), Customer Care Fair Practice Plan (CCFPP) and Price Submission 5 (PS5).

Strategy 2040 Ambition	Outcome	Proposed PS5 Output	Unit	Alignment to Community Engagement Feedback	Alignment to Regulation
Healthy Environment	**Sustainable Practices** *Minimise our impact on the environment and contribute to sustainable environmental health*	**a) Environmental Leadership –** number of non-compliances with EPA licence(s)	Number of environmental non-compliances	• Deliberative (Delib) Forum Recommendation: Growth & Compliance Q1 • Customer Expectation: *be sustainable. This includes waterways AND carbon.* • Bill Simulator: 64% of respondents want NEW to increase spending to minimise impacts to the environment • Traditional Owners & First Nations Customers consider environmental compliance and caring for Country important	EPA Act – General Environmental Duty Letter of Expectations (LOE5) Resilient and Liveable Cities and Towns (Environmental Statutory Obligations) ESC Price Submission Guidance paper – mandatory output
		b) Smaller footprint - Reducing greenhouse gas emissions to achieve our annual target towards net zero emissions by 2035	Tonnes CO2-e	• Customer Expectation: *be sustainable. This includes waterways AND carbon.*	Statement of Obligations – Emissions Reduction Letter of Expectations (LOE1) – Climate Change and Energy (Emissions Reductions)
Thriving Communities	**Fair Prices** *Fair prices, value for money and increased customer support*	**a) Fair prices** – North East Water's average water bill remains below, or on par, with the Victorian water corporation regional average	Avg Regional Bill	• Priorities Survey – Fair Prices rated the most important outcome to customers. • Customer Expectation: *Be affordable for all* • Strategy 2040 (S2040) and Customer Care Fair Practice Plan (CCFPP) – cost of living is a concern	

Strategy 2040 Ambition	Outcome	Proposed PS5 Output	Unit	Alignment to Community Engagement Feedback	Alignment to Regulation
		b) Customer Support – Percentage of customers surveyed in the support program who report the program has helped them with payment difficulties (survey response of 'yes' or 'no')	% customers surveyed *(Customer Support Program)*	• Delib Forum Recommendation: Tariffs Q3.2 • Priorities Survey - 79% respondents agreed it was important to help people experiencing financial difficulty. • Customer Expectation: *Be affordable for all* • CCFPP – customers experiencing financial difficulties value our assistance through the support program • Key stakeholders (e.g LGAs, Traditional Owners) expect us to help vulnerable customers	ESC Water Industry Standards – offer payment assistance Letter of Expectations (LOE2) – Customer, Community and Engagement (Bills and Support) Letter of Expectations 'area of interest' – customer protection
		c) Value for Money – customers believe they receive value for money from the services North East Water provides	% customers surveyed *(Customer Research Program)*	• Priorities Survey – Fair Prices rated the most important outcome to customers. • Customer Expectation: *prices should reflect quality*	ESC PREMO Framework
		d) Customer Support - Percentage of customers surveyed who are aware of our customer support program.	% customers surveyed *(Customer Research Program)*	• Delib Forum Recommendation: Tariffs Q3.2 • Priorities Survey - 79% respondents agreed it was important to help people experiencing financial difficulty. • CCFPP – increase awareness of programs we offer	ESC Water Industry Standards – provide information on programs available to customers who are having payment difficulties
	Reliable Systems *Clean, safe water and more resilient systems*	**a) Clean safe water** – Boil water notices caused by a failure in our system.	Number	• Customer expectation: *clean and safe water that looks, tastes and smells great.*	Safe Drinking Water Act
		b) Clean safe water – number of non-compliance with the Safe Drinking Water Regulations	Number	• Customer expectation: *clean and safe water that looks, tastes and smells great.*	Safe Drinking Water Act

Strategy 2040 Ambition	Outcome	Proposed PS5 Output	Unit	Alignment to Community Engagement Feedback	Alignment to Regulation
					ESC Price Submission Guidance paper – mandatory output
		c) Climate action – Customer satisfaction that NEW is taking steps to ensure we have enough water in the future (Survey response of "very satisfied" and "satisfied")	% of survey responses *(Customer Research Program)*	• Priorities Survey – customers are worried about water security in the future • Customer expectation: *keep the water flowing*	Statement of Obligations – Urban Water Strategy Letter of Expectations (LOE5) Resilient and Liveable Cities and Towns
		d) Resilient Systems – Number of unplanned water supply interruptions per 100 km	Number per 100km	• Delib Forum Minority Report – planned outages preferred to unplanned • Customer expectation: *keep the water flowing*	Letter of Expectations (LOE5) Resilient and Liveable Cities and Towns (Water efficiency)
	Responsive Services *Timely responses and a seamless customer experience*	**a) Timely responses** - Planned and unplanned water supply interruptions restored within 5 hours	% interruptions	• Delib Forum Minority report – quick resumption of service • Customer Expectation: *fix things promptly*	Letter of Expectations (LOE5) Resilient and Liveable Cities and Towns (Water efficiency)
		b) Seamless customer experience – percentage of customers who believe we are easy to deal with (Service Evaluation Survey respondents)	% of survey responses *(Customer Research Program)*	• Customer Expectation: *follow up and follow through*; and *the billing experience must be seamless and easy*	
		c) Timely Response – we will rectify all sewer blockages within 150 minutes.	%	• Delib Forum Recommendation: Wastewater Q2b.2 – increase to 150min • Customer Expectation: *fix things promptly* and *minimise sewer blockages*	ESC – Water Industry Standards – service standards
		d) Timely Response – 80% of priority 3 and	%	• Delib Forum Recommendation: Water Recommendation Q1.2	

Strategy 2040 Ambition	Outcome	Proposed PS5 Output	Unit	Alignment to Community Engagement Feedback	Alignment to Regulation
		service connections repairs (water) are completed within 2 weeks, with the balance repaired within 3 weeks		• Customer Expectation: *fix things promptly*	
		e) Seamless customer experience - Affected customers receive notification prior to a **planned** interruption via our website and SMS as per our Customer Charter (for customers that have provided these details)	% of customers	• Delib Forum Recommendation: Water Systems Q3 • Priorities Survey – over 90% preferred SMS • Priorities survey – almost 80% of respondents preferred to be notified of an interruption. • Customer Expectation – *tell us the progress of fixing interruptions.*	
Prosperous Region	**Local Community** *Local people and local partnerships to achieve positive outcomes for customers*	**a) Local People** – Customer satisfaction with NEW staff local knowledge, employment and location. (Survey response of "very satisfied" or "satisfied")	% of survey responses *(Customer Research Program)*	• Customer Expectation: *employ locals*	
		b) Collaboration – Key stakeholders from local government, customer support agencies and business believe that collaborating with North East Water is achieving positive outcomes for the community	% of survey responses *(sample of stakeholders to be surveyed annually – 'regional stakeholder survey')*	Key stakeholders, including major customers, LGAs and Traditional Owners told us they value partnerships with NEW to pursue opportunities including circular economy, integrated water management and environmental outcomes (S2040, PS5). Customer support agencies also told us they'd like to partner with us to achieve positive outcomes for vulnerable customers (CCFPP)	

Response to Recommendations

TARIFFS

1. The fairest balance between fixed and variable costs on bills needs to take many factors into account. What should North East Water prioritise when setting its tariffs?

Your recommendation	What we heard	What we propose to do
1. We support the extra cost for hardship. Proposed hardship increase is implemented.	The deliberative forum believes supporting customers who are experiencing financial difficulties is important and want to see us increase this support over the next five years.	**Outcome: Fair Prices** We will implement your recommendation in full. See our detailed response in recommendation 3.3.
2. We support raising fixed tariffs and decreasing variable tariffs to: ensure water security in the face of greater climate volatility, renewal and replacement of infrastructure, and ensuring that the increase considers the needs of all customers including renters, large families and the vulnerable.	The deliberative forum considered the needs of our vulnerable customers who are most impacted by the current tariff structure. They believe a rebalance will support those customers who need it the most. They also believe that increasing the fixed and reducing the variable tariffs will provide greater revenue certainty in the face of an increasingly variable climate, which can result in material demand fluctuations in our region.	**Outcome: Fair Prices** We will implement your recommendation in full. We will rebalance our existing fixed and volumetric charge. The total amount of money we collect will not change. We will propose in our draft submission to reduce the volumetric charge for water by 3% each year resulting in a 15% reduction by year 5. At the same time we will increase the fixed charges for water and wastewater by 3% each year resulting in a 15% increase by year 5. This transition will ensure we are smoothing the price path to avoid bill shock for our customers. This is subject to approval from our Board on 24 June 2025.

Response to Recommendations

2. How should North East Water address the fact that some customers/ towns cost more to service than others?

Your recommendation	What we heard	What we propose to do
1. Maintain 3-tier water tariff structure as is.	The deliberative forum supports larger towns continuing to subsidise smaller towns via the 3-tier water tariff structure to ensure small communities are not disadvantaged. This is similar to what we heard in earlier engagements.	**Outcome: Fair Prices** We will implement your recommendation in full. North East Water will maintain its existing 3-tier water tariff structure.
2. Maintain wastewater tariff structure as is.	The deliberative forum supported larger towns continuing to subsidise smaller towns via the x-tier wastewater tariff structure, to ensure small communities are not disadvantaged.	**Outcome: Fair Prices** We will implement your recommendation in full. North East Water will maintain the existing wastewater tariff structure.
3. More transparency from North East Water regarding different tariffs for different areas e.g. in the form of a pie chart on the bill and listed on the website with clear links.	Whilst the deliberative forum believes larger towns should continue to subsidise smaller towns, they also want to see the tariff structure clearly communicated so our customers are aware of the subsidization and why it exists.	**Outcome: Fair Prices** We will implement your recommendation in full. North East Water will investigate ways to communicate the different tariffs structures, including information on our bills and website.

Response to Recommendations

3. We are looking at an appropriate level of support to help our customers experiencing financial difficulty or family violence. What should North East consider when providing support to its customers?

Your recommendation	What we heard	What we propose to do
1. Implement the use of technology such as e-meters to assist customers in managing and reducing their use before they need access to the customer support program.	The deliberative forum would like to see the implementation of technology that will help customers to manage their water usage and have more control over their water bill, effectively reducing the need to access the customer support program.	**Outcome: Fair Prices** We will implement your recommendation in full. Management has developed a prudent approach to delivering e-meters for our customers over the next price period. We propose to install 14,000 devices across our network, approximately 25% of our customers. This will be at a cost of approximately $2.7m CAPEX and a subsequent $0.5m OPEX over the five year period to support the ongoing maintenance and connectivity of these devices. The savings from the reduced physical meter reads are approximately $144,000 over the five years.
2. Continued support and education should be provided for customers in accessing the customer support services provided by North East Water, through relevant and future-identified channels.	The deliberative forum believes that communication and education around our customer support program, including how to reduce water bills and how to access assistance through the program, is important.	**Outcome: Fair Prices** We will implement your recommendation in full. We will increase our communication and education of our customer support program. Our Customer Care Fair Practice Plan, developed following extensive engagement with support agencies and customers with lived experience of hardship, focuses strongly on communication, engagement and education provision to our community. The implementation of this plan will take place over the next regulatory period and will achieve this recommendation. We will monitor its success through surveying our customers, the results of which will inform the two measurable outputs on the next page.

Response to Recommendations

Your recommendation	What we heard	What we propose to do
		Outputs: Percentage of customers in the support program who report they agree or strongly agree the program has helped them with payment difficulties (target ≥80%). Percentage of customers surveyed who are aware of our customer support program (target increasing from 81% to 85% over the five year period).
3. Additional funding towards the customer support program at approximately double the current capacity should be factored into costs and should be included with the breakdown of the bill.	Our customers and communities believe supporting people who are experiencing financial difficulties is important, and want to see us increase this support over the next five years.	**Outcome: Fair Prices** We will implement your recommendation in full. We will increase the funding available for our hardship program from $200,000 to $400,000 per year. Our new Customer Care Fair Practice Plan will guide how we use these funds to help customers. The estimated bill impact is an increase of approx. $3.49 per connection per year based on 57,296 connections (approx. $17.45 over 5 years). We will also investigate ways to communicate this on our bills.

Response to Recommendations

GROWTH AND COMPLIANCE

1. How should North East Water balance growth, compliance and affordability to be fair to current and future customers?

Your recommendation	What we heard	What we propose to do
1. Increase customer bills to support capital investment, between 4.92% to 5.87% representing a $250-$300 million investment.	The deliberative forum supports investing in critical infrastructure to enable growth and (environmental and health) compliance in our region. The cumulative year on year price impact of the proposed capital expenditure program was understood by the forum. Management also communicated that the price range recommended excluded any additional operational costs that would be required for the price period and which would be included in the final proposed price increase. The view was that this should not be deferred to the next price period. The forum made the link between growth and compliance and was concerned about the environment. They believe their communities will reap the benefits of growth, including economic, social and cultural impacts.	**Outcome: Sustainable Practices & Local Community** We will implement your recommendation in full. We have proposed a capital expenditure program of $250.24 million and additional OPEX required to run the business which results in a 5.25% annual price increase. This is subject to board and regulatory approval. We have also recognised a further $44 million of growth related projects and that if these projects were required to support continued growth that this expenditure would likely be incurred but not recovered from customers until the next regulatory period. **Outputs:** • Improve environmental compliance performance through the delivery of key capital investment projects as identified in our approved PS5 capital program. • Delivery of top 10 capital projects consistent with delivery timeframes and total project costs as set out in the price submission.

Response to Recommendations

Your recommendation	What we heard	What we propose to do
2. North East Water will continue to actively negotiate with developers to ensure fair contributions are paid to support growth and development.	The deliberative forum wants to ensure there is a fair distribution of costs for growth and development between developers and existing customers.	**Outcome: Local Community** We will implement your recommendation in full. Our NCC charges will be designed so that the sharing of costs is appropriately distributed between existing customers and developers. North East Water will also continue to engage and negotiate charges with developers where there may be developments that are bought forward or are out of sequence. This may involve a negotiated developer contribution and/or a contribution by North East Water to appropriately upsize reticulation that provides for future development.

2. What factors should North East Water consider when deciding where to provide new water and wastewater services, so that new houses and industry can be built?

Your recommendation	What we heard	What we propose to do
1. Investigate locational-based New Customer Contributions, and take into account geographical and environmental constraints, as well as community considerations. North East Water considers the needs of smaller communities as well as the financial benefit in growth corridors.	The deliberative forum wants signals provided in relation to the costs to develop in different areas of our region. The forum also wanted to ensure that development needs are considered in communities that sit outside of our major centres.	**Outcome: Local Community** We will implement your recommendation in full. We have undertaken the modelling of locational based NCCs and are proposing to introduce them subject to further engagement with developers and approval from the Essential Services Commission. This would result in a change to our existing standardised NCCs to more accurately reflect the cost of development in our four major centres (Wodonga, Wangaratta, Benalla and Yarrawonga) and smaller towns. The proposed revised NCCs will be presented to our next Developer Forum on June 19, 2025. The capital expenditure prioritisation framework will continue to be applied in relation to where investments take place which considers not only growth but compliance obligations.

Response to Recommendations

WATER AND WASTEWATER SYSTEMS

Q1. Customers tend to prefer fewer outages, planned rather than unplanned outages, quick response and a quick resumption of service. Customers also want affordable bills. Considering the needs of future as well as current customers, which customer preferences should we prioritise when we plan our services?

Your recommendation	What we heard	What we propose to do
1. Priority 1 category: That this level remains the same.	The deliberative forum agreed that priority 1 bursts and leaks are critical and the response time should reflect this.	**Outcome: Responsive Services** We will implement your recommendation in full.
2. Priority 2 category: That rectification times are improved by 10% reduction each successive year. That response time is increased from time of fault registration to be within a 60-minute target.	The deliberative forum values better planning to respond to mains breaks and believes that increasing the average time taken to attend will allow for this. This is then supported by a reduction in repair times, a direct result of better planning, ultimately leading to a better outcome for customers.	**Outcome: Responsive Services** We will partially implement this recommendation which addresses two existing service standards (3 and 11). Service Standard 3 - average time taken to attend bursts and leaks (priority 2)(minutes) will be increased from 30 to 60 minutes (implemented in full). Regarding the rectification time reducing by 10% each successive year, this aligns with Service Standard 11 (average duration of unplanned water supply interruptions (minutes). This target is currently 100 minutes. We have met this target 6 out of 6 years. If we were to reduce this time by 10% each year, by year 5 this would be 59 minutes. Only one Victorian water corporation hit this target once in the 5-year reporting period. We could attempt to achieve this, but to do so would be expensive for our customers, especially those in financial hardship. We would need extra crews with a minimum of 4 staff around our region and new depots in 3 towns to achieve a 59-minute target. Labour costs and additional running costs of 3 new depots result in an extra $4.2 million in OPEX over 5 years, adding $2.41 to the average residential bill in addition to the proposed price increase. This does not factor in the capital costs associated with the purchase of new vehicles or re-instatement and setup of more depots. We propose to reduce the target by 10% over the five years (2% each year), down to 90 minutes in Year 5. Whilst this target will be difficult to achieve, we think we can do so within our current spending, meaning that customers will get better service for no additional cost. We believe our proposal meets the intent of this recommendation.

Response to Recommendations

Your recommendation	What we heard	What we propose to do
3. Priority 3 category: That response time changes to 480 minutes from time of registered fault. That rectification time changes to 80% completion within two weeks, balance with three weeks	The deliberative forum acknowledged that level 3 bursts and leaks were not time critical. They increased the response time to ensure staff can prioritise and adequately respond to all events in a safe manner. They believe these bursts and leaks should still be attended to in a timely way, and the reduction in rectification times reflect this.	**Outcome: Responsive Services** We will implement your recommendation in full. Service Standard 4 – average time taken to attend bursts and leaks (priority 3)(minutes) will be increased from 240 minutes (4 hours) to 480 minutes (8 hours). In regards to the rectification time, we have established two mechanisms to hold ourselves to account to this recommendation. **Output:** 80% of all priority 3 repairs are completed within 2 weeks, with the balance within 3 weeks (target 100%). **GSL:** If we don't resolve a Priority 3 leak within 2 weeks from when we are notified, we will pay the affected customers $25 each.

2a. The reliability of our water system is a result of how much money we invest in it. Balancing human, environmental and cost considerations, should North East Water raise, lower or keep the current service standards?

Your recommendation	What we heard	What we propose to do
1. Refer to Question 1 (previous recommendation for Question 2a deleted due to duplication).	The deliberative forum responded to this question in recommendation in topic question 1.	**N/A**

Response to Recommendations

2b. The reliability of our wastewater system is a result of how much money we invest in it. Balancing human, environmental and cost considerations, should North East Water raise, lower or keep the current service standards?

Your recommendation	What we heard	What we propose to do
1. That the service standard #16 target time from fault registration is increased to 60 minutes.	The deliberative forum values better planning to respond to sewer spills and blockages and believe that increasing the average time taken to attend will allow for this.	**Outcome: Responsive Services** We will implement your recommendation in full.
2. That the service standard #17 target time from fault registration is increased to 150 minutes.	The deliberative forum acknowledged the current performance and determined that the existing target was unachievable.	**Outcome: Responsive Services** We will implement your recommendation in full and to ensure we remain accountable have made this recommendation a Customer Output. **Output: Timely Response** We will rectify all sewer blockages within 150 minutes.
3. That service standards #15, #18 and #19 remain the same.	The deliberative forum believed North East Water was performing well in these standards and there was no need to change these service standards.	**Outcome: Responsive Services** We will implement your recommendation in full.
4. That CAPEX is prioritised by greatest need over the next 5-years.	The deliberative forum wants assurance that North East Water is delivering projects that are prioritised by need, not by location.	**Outcome: Responsive Services** We will implement your recommendation in full and believe the current capital prioritisation methodology adequately considers this.

Response to Recommendations

3. How should we communicate with affected customers during outages?

Your recommendation	What we heard	What we propose to do
1. SMS for planned and unplanned outages, based on response times with regular updates.	The deliberative forum values communication during an outage. Their suggestion to use SMS reflects the results of the Priorities Survey, where over 90% of respondents preferred SMS to be notified of an interruption.	**Outcome: Responsive Services** We will partially implement your recommendation. We will ensure SMS notifications for all planned interruptions, and have developed a measurable Output for this: • Affected customers receive a minimum 5 days notification prior to a planned interruption via our website and SMS (for customers that have provided these details). Regarding unplanned interruptions, we are currently unable to send SMS notifications after hours. However, we commit to reviewing technology options to enable this to occur. We expect that we will have this technology operational by year 3 of the price submission. We therefore are only able to partially implement your recommendation.
2. Continue signage at current levels in affected areas. Refer customers to website regarding current outages.	Customers want confidence that we a) know a leak exists, and b) are doing something about it. The deliberative forum has recommended we continue with the existing signage but include wording that refers customers to our website for further information.	**Outcome: Responsive Services** We will implement your recommendation in full and will look to update our existing signage with a reference to our website.
3. Review definition of 'vulnerable' with Critical Friends' Group or appropriate experts.	The deliberative forum considered customers who require water for a specific health need and the impact to them that an outage presents. They want North East Water to review the types of customers who fit this definition to ensure all customers remain safe in an outage.	**Outcome: Responsive Services** We will implement your recommendation in full. Section 12 of the ESC Water Industry Standards defines 'special needs' customers as "customers who require water for the operation of a life-support machine; or other special needs that may be affected by planned and unplanned outages which must be assessed on a case-by-case basis by the water business". We will continue to explore this definition with other key stakeholders and appropriate experts including the Department of Health.

Response to Recommendations

Your recommendation	What we heard	What we propose to do
4. North East Water should review the cost benefit of extended support hours.	Customers want to be informed of all interruptions, and the deliberative forum has asked North East Water to investigate improved communications, including after hours, delivered in the most cost-efficient way.	**Outcome: Responsive Services** We will implement your recommendation in full. We acknowledge that improved communications regarding interruptions is highly valued by the community and commit to reviewing the most cost-effective way of implementing a communications system for out-of-hours notifications. Noting that this review may take some time, we suggest our progress be reported back annually to the community for us to remain accountable to this commitment.

Stephen Brown and Jo Murdoch
Chair and Managing Director
North East Water
83 Thomas Mitchell Drive
Wodonga, Victoria 3690

26 August 2025

Dear Stephen and Jo,

Critical Friends Group letter of support

I am writing in my capacity as Chair of North East Water's (NEW's) Critical Friends Group to express our strong support for the engagement process undertaken by NEW as part of the 2026-31 Price Submission.

We note that, particularly during the recall day session, strong rapport and trust had been established among participants, enabling open, honest and insightful feedback. It was clear that the objective of achieving meaningful customer engagement was met, with the process demonstrating both high quality and depth of participation.

Sufficient time was allocated to allow for broad and representative community engagement across diverse cohorts, communities and regional locations. This ensured that a wide range of perspectives were captured and valued.

One of the most powerful outcomes was the affirmation of the strong community spirit within our regional areas. A key example was the willingness of participants to support the idea of paying more for water services if it meant helping vulnerable members of the community, while also addressing future growth needs.

Participants felt safe to share their views and, importantly, to reconsider their positions throughout the process — even in large group settings. It was evident that they understood the significance of their contributions and the potential impact of their decisions on NEW, its customers, stakeholders, and the broader community. Many demonstrated a commendable ability to look beyond personal circumstances and financial considerations to engage with issues such as water infrastructure, housing, support for vulnerable customers and the long-term sustainability of NEW.

Overall, the feedback from critical friends and deliberative forum group participants affirms that NEW's engagement process was authentic, inclusive and community centred. This was particularly evident in the organisation's efforts to include cultural engagement.

We commend NEW for its commitment to genuine engagement and for placing community voices at the centre of its planning and decision-making.

On behalf of the Critical Friends Group, I am pleased to offer this letter of support for NEW's engagement program as part of its 2026-31 Price Submission.

Yours sincerely,

Felicity Williams

Felicity Williams
Chair – North East Water Critical Friends Group

Signature: 

Email: fwilliams@umfc.com.au

Stephen Brown and Jo Murdoch
Chair and Managing Director
North East Water
83 Thomas Mitchell Drive
Wodonga, Victoria

01 August 2025

Dear Stephen and Jo

Customer and Community Advisory Group letter of support

I am writing in my capacity as Chair of North East Water's (NEW's) Customer and Community Advisory Group (CCAG) to express our strong support for NEW's customer and community engagement efforts as part of its 2026 Price Submission.

The CCAG represents NEW's diverse customer base, providing informed input into the corporation's planning and delivery of water and wastewater services. The group of 14 members is made up of residents and consumers, reflecting a broad range of social, economic and environmental perspectives, along with varied professional expertise. We meet quarterly to contribute to NEW's strategic planning and community engagement initiatives.

Since our inception in 2023, we have been actively involved in NEW's price submission engagement process. Throughout this time, we have received comprehensive documentation and participated in briefings and presentations delivered by NEW's executive team and key engagement staff.

It is our view that NEW has implemented a sound and robust engagement program, particularly in the following areas:

- In line with IAP2's Spectrum of Public Participation, the engagement combined educational tools — such as webinars and a bill simulator to inform participants — with consultative and deliberative methods like online surveys, town pop-ups, focus groups and forums to gather input and build shared understanding.
- Representation of customers and communities from across the service region, including those with lived experience of vulnerability, Traditional Owners and First Nations organisations, developers, major customers, and other key stakeholders.
- Transparent and genuine involvement of the CCAG, with regular updates and active participation from the Managing Director who shared the challenges faced in delivering this program of work.

On behalf of the CCAG, I am pleased to offer this letter of support for NEW's engagement program as part of its 2026 Price Submission.

Yours sincerely,

Ash Gill
Chair
North East Water Customer and Community Advisory Group

File No: 25/6954
Reference No: REC25/11928

5 August 2025

Jo Murdoch
Managing Director
North East Water
83 Thomas Mitchell Drive
WODONGA VIC 3690

Via Email: rweddall@newater.com.au

Dear Jo

RE: NORTH EAST WATER 2026-2031 PRICE SUBMISSION

Thank you for providing Indigo Shire Council with your *2026-31 Price Submission Customer Summary* document for our review.

Indigo Shie Council is focussed on balancing the needs of the environment, provision for growth, and of course the ongoing demands of household affordability. It was pleasing to see that your price submission also aims to balance these needs.

Council particularly notes, and supports the following:

- There is a significant program of capital works planned for Indigo Shire, and the broader region. Notable sections are:
    - "Upgrades to the Rutherglen wastewater treatment plant to both address capacity and operational constraints as well as meeting EPA General Environmental Duty compliance ($10.8 million)".
    - "Upgrades to the Beechworth wastewater treatment plant to achieve EPA General Environmental Duty compliance ($15.4 million)".
    - "Installation of ultra violet treatment technology at Yarrawonga, Yackandandah, Harrietville and Bright water treatment plants to ensure delivery of safe drinking water in the face of growth, climate change and changing catchments ($3.5 million)".
    - "Significant upgrades to the Kiewa-Tangambalanga water and wastewater systems to meet current and future housing demand ($15.8 million)".

- "We need to invest at least $1 billion within the next 10 to 15 years to upgrade and expand critical infrastructure across our region. This is urgently needed to ensure reliable water and wastewater services can support population growth and meet increased standards for health, environmental protection and cybersecurity. It will also help us plan and adapt to the impacts of climate change. We're proposing significant capital infrastructure investments in our 2026–31 price submission, which will be a strong step forward towards proactively addressing this challenge. A lack of investment now will slow housing development, impact the environment, reduce service reliability and lead to higher bills later on. Further investment will likely be required in future price periods to meet the infrastructure requirements of the region."
- "All of this has been positioning North East Water to deliver the infrastructure our region needs to address the growth, housing and compliance challenges our customers have told us are important to them."

- Initiatives to further support growth in the shire, including:
  - Making it easier for developers both large and small to do business with us. We'll introduce an online portal to submit and track the progress of applications. We'll publish an annual growth servicing plan with the locations and timing of key water and sewer infrastructure and the availability of new connections to our systems. We'll also streamline asset standards and work with larger developers to identify innovative ways to deliver key infrastructure to enable growth.
  - Continued developer and Local Government forums to ensure we maintain a collaborative approach to planning for future growth.

This support for current and future residents/businesses in Indigo Shire is welcome by Council, and continues the work to address some of the long-standing supply issues in the shire. Council encourages North East Water to commence these new upgrades as a matter of high priority, as well as making plans to finalise the last stage of the Tangambalanga upgrades as soon as possible.

Council welcomes the continued strong focus on environment and compliance, as well as the collaborative approach to councils, and continuation of the excellent working relationships that N.E.W. has with Indigo Shire Council.

One area that was not identified for upgrade is Yackandandah. This township continues to experience high demand that will need to be met through new residential areas and/or infill. Development is currently constrained by N.E.W., and Council encourages N.E.W. to work toward upgrading services to meet the current and future demand.

As expected, the provision of significant infrastructure has resulted in a proposed increase in rates for the next pricing period. Council has concerns about any increases beyond CPI and this Council has worked hard to achieve the annual rate cap, despite rapidly increasing prices and additional legislative/community requirements. In this context the proposed "5.25% price increase each year for the next five years (not including inflation charges)" is disappointing, but not unexpected for this level of proposed investment.

Council notes that, even with this proposed increase, N.E.W. has calculated that “by year five, our projected average bill of $1,436 will remain below the expected regional Victorian average of $1,459 by 203”. It is also comforting to see that N.E.W. has committed to “an efficiency rate of 1.46%, equating to $1.97 million in savings over five years. This exceeds the industry benchmark of a standard submission of 1.2% set in the 2023 water price reviews”.

Council remains focussed on household affordability, particularly for vulnerable members of the community, and is pleased to read that N.E.W. will be “doubling our hardship fund to $2 million over five years and increasing resources to administer this vital support, ensuring we can better assist customers experiencing financial difficulty.”

Indigo Shire Council considers that the overall position appears to be an appropriate balance between urgently needed infrastructure upgrades, and managing the financial impact to customers to remain under the state average.

In closing I would like to congratulate N.E.W. on the significant community engagement program undertaken for this Price Submission. This rigorous deliberative process provides comfort that this pricing submission has been well considered and that community views have been a strong part of the process.

We look forward to seeing the infrastructure program roll out.

Yours sincerely

TREVOR IERINO
CHIEF EXECUTIVE OFFICER

15 August 2025

Rural City of Wangaratta

North East Water
Managing Director
Jo Murdoch
PO Box 863
WODONGA VIC 3689

Via email: jmurdoch@newater.com.au
CC email: rweddall@newater.com.au

Dear Jo,

Subject: Support for North East Water's 2026–2031 Price Submission

On behalf of the Rural City of Wangaratta, I write to express our strong support for North East Water's 2026–2031 Price Submission and the proposed $250 million investment in critical water and wastewater infrastructure across north-east Victoria.

The proposed infrastructure investment is vital to ensuring our region can sustainably accommodate future growth. In Wangaratta alone, we anticipate significant increases in housing development over the coming years. The Victorian State Government's Housing Target for the Rural City of Wangaratta is 6000 additional homes by 2051. To meet this target and average of 222 new homes would need to be developed annually, significantly more than previously expected based on historical trends. Without timely upgrades to water and sewage systems, this growth will be constrained, impacting housing availability, economic development, and community wellbeing.

We are particularly encouraged by the inclusion of the $19.5 million upgrade to the Wangaratta Water Treatment Plant.

This project is essential to maintaining compliance with Australian drinking water standards and ensuring reliable service for our growing population. Additionally, the broader infrastructure program will support over 9,000 new housing connections and create an estimated 500 jobs in planning and construction.

During the current 2018–2026 price period, North East Water will invest a total of $39.2 million in capital projects aimed at enhancing water and wastewater services throughout the region. Notable undertakings include a $5 million system upgrade, $9.4 million Wastewater Treatment Plant (WWTP) Upgrade Stage 2, $4 million dedicated to Gravity Sewer Mains, and $3.5 million for the Salisbury St South Sewage Pump Station (SPS) and Detention Tanks, among other important initiatives, and another $22.85 million in the 2026-31 period.

The submission also demonstrates a balanced approach to affordability and equity. The proposed average annual bill increase of 5.25%—equating to just $1.17 per week for a typical household—remains below the projected regional Victorian average by 2031.

The doubling of the Customer Support Fund to $2 million over five years is a welcome measure to assist vulnerable households.

We urge the Essential Services Commission to consider the long-term benefits of this proposal—not only in terms of infrastructure resilience and environmental compliance, but also in enabling sustainable growth and prosperity for Wangaratta and the wider region.

Yours sincerely

Brendan McGrath
Chief Executive Officer

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CITY OF WODONGA VIC

104 Hovell St, Wodonga, VIC 3690
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2 September 2025

Dear Jo,

I am pleased to provide this letter of support for the North East Water (NEW) Price Submission 2026-2031 (PS5) on behalf of Wodonga City Council.

Wodonga City Council acknowledges the extensive customer and stakeholder engagement undertaken by NEW in preparing this submission. We recognise the importance of ensuring water services remain local, reliable, responsive, sustainable, and fairly priced, and we share the community's concerns around housing affordability, cost of living pressures, and environmental sustainability.

We note the outcomes of the Customer Deliberative Forum and understand the rationale behind the proposed annual price increases of between 4.92% and 5.87%, which aim to support investment in critical infrastructure. These projects particularly those that enhance water and wastewater security, enable housing growth, and improve environmental outcomes are aligned with Council's strategic priorities.

In particular we acknowledge the significance of the Wodonga to Leneva water and sewer main upgrades and the Wodonga sewer transfer capacity project. These initiatives are important to supporting future growth in Wodonga and the broader region.

Council is supportive of the direction outlined in the Price Submission and recognises the importance of the proposed investments in meeting the needs of our growing community. We look forward to continuing our close partnership with NEW to help deliver these outcomes and ensure long-term value for residents across the region.

We also value the ongoing collaboration between senior officers from NEW and Wodonga City Council, including regular meetings to discuss infrastructure and growth planning. Council has appreciated the opportunity to contribute to the development of the Wodonga City Master Plan and the identification of priority projects.

Thank you again for the opportunity to provide input. We look forward to continuing to work together to deliver the key projects that will support our community into the future.

Yours sincerely

Matt Hyde
Chief Executive Officer

ALPINE SHIRE COUNCIL

2 Churchill Avenue,
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ABN 14 821 390 281

03 5755 0555
info@alpineshire.vic.gov.au
www.alpineshire.vic.gov.au

Reference: WJ:SN
24 September 2025

Jo Murdoch
Managing Director
North East Water
PO Box 863 Wodonga Vic 3690

Dear Jo,

Submission to North East Water's Price Submission

Thank you for your engagement with Alpine Shire Council in relation to North East Water's 2026-2031 Price Submission Customer Summary.

Shaping the future with Plan for Victoria 2017-2050 provides guidance around how more homes will be created near transport, job opportunities and essential services in vibrant liveable and sustainable suburbs, town and regions over the next 30 years will be set out.

The housing target set by the Victorian Government for Alpine Shire is 1,700 dwellings by 2051.

Council adopted its Land Development Statement adopted in August 2024, which provides Council with an integrated plan for accommodating and guiding future population and employment demands in the municipality to 2041 and beyond in four of its service towns to address and encourage greater housing diversity to be accommodated.

Following the Covid-19 pandemic, Alpine experienced a significant migration from inner city Melbourne to regional Victoria, driven by factors such as improved lifestyle, the ability to work remotely and seeking housing affordability. This movement also created pressures on housing affordability and local services within regional areas, highlighting a complex demographic shift.

Council has a strong working relationship with North East Water (NEW) and we will continue to foster a good relationship to enable our communities can grow and prosper together.

However, without support and investment of critical infrastructure services such as potable water and wastewater security, to support housing connections future development cannot progress.

Council is aware that NEW are currently at capacity and constraint for potable water and wastewater treatments across three towns as aging infrastructure has reached capacity which is causing delays in planning approvals and added cost to the consumer.

To allow for future growth and development, Council understands and supports the pricing increase proposed by NEW. The added investment will allow for future structure planning, support new development and upgrades to essential infrastructure to allow for more connections.

With communities continuing to grow and evolve, good stakeholder relationships are critical to being initiative-taking and delivering for our communities.

Council is in support of NEWs proposal for a price increase.

If you would like any further information, please contact Will Jeremy, Chief Executive Officer, by email ceo@alpineshire.vic.gov.au or by calling 03 5755 0555.

Yours sincerely,

Cr Sarah Nicholas
Mayor

Enquiries: Tracey Beaton – Executive Coordinator
03 5760 2600

Our Ref: DOC-1536132109-1009

PO Box 227, Benalla, Vic 3671

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ABN 42 379 380 529

24 September 2025

Jo Murdoch
Managing Director
North East Water
jmurdoch@newater.com.au

Support for North East Water Pricing Submission

Benalla Rural City Council acknowledges the importance of North East Water's pricing submission in ensuring the delivery of essential water and sewer services across our region.

Given the high level of social disadvantage in some sections of Benalla Rural City, Council is committed to supporting a pricing framework that both minimises impacts on our community but enables the timely upgrades and renewals necessary to meet future growing demand.

Benalla is entering a period of significant growth, with major investment opportunities in our industrial precinct and planned housing developments. These projects are critical to driving economic development, supporting business and industry expansion, and addressing housing supply. Achieving these outcomes will be contingent on the availability of reliable, modern, and sustainable water and sewer infrastructure and services.

Council supports North East Water's position that additional Federal and Victorian Government financial assistance is required to fund critical infrastructure upgrades and renewals. Such investment will ensure the cost burden does not fall disproportionately on local communities while enabling the delivery of the water and sewer services essential to economic growth and regional prosperity.

We look forward to continuing our collaboration with North East Water and government partners to secure the investment required to deliver the services and infrastructure that will underpin Benalla Rural City's future.

Yours sincerely

Peter Keane
Chief Executive Officer

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towongshire

Reference: 2.16.2

25 September 2025

Ms Jo Murdoch
Managing Director
North East Water
PO Box 863
Wodonga VIC 3689

Via email: jmurdoch@newater.com.au;

Dear Jo,

Letter of support – Price Submission 2026-2031

On behalf of Towong Shire Council, I am pleased to provide this letter of support for North East Water's (NEW) Price Submission 2026-2031.

Over the past 12 months NEW has undertaken extensive and comprehensive customer and stakeholder engagement which has highlighted that customers and stakeholders want North East Water to be local, reliable, responsive, sustainable and fairly priced.

We understand the need for, and support, the price increase of between 4.92% and 5.87% each year as recommended by the Customer Deliberative Forum. We understand this will enable NEW to invest $250 to $300 million in critical infrastructure over the next five years to deliver essential projects that boost water and wastewater security, thereby supporting the capacity for the construction of over 9,000 new homes in the region, creating 500 jobs, improving environmental outcomes and strengthening climate resilience.

The investment in Towong Shire, which includes the Tallangatta Clear Water Storage ($2 million), Corryong dam safety upgrade ($400,000) and Tallangatta Estate growth contribution ($750,000), is strongly supported and we encourage continued investment in the small communities throughout the region to enable growth and sustainability of these small but vital communities.

We look forward to working in partnership with NEW and continuing our quarterly senior officer meetings to discuss infrastructure and growth planning with a view to achieving the best possible outcomes for the residents and ratepayers of Towong Shire.

If any further information is required in relation to Council's support for NEW's Price Submission 2026-2031 please do not hesitate to contact me at juliana.phelps@towong.vic.gov.au.

Yours sincerely,

Juliana Phelps
Chief Executive Officer

Ref: F3320

24 September 2025

Jo Murdoch
Managing Director
North East Water
Via email: jmurdoch@newater.com.au

Dear Jo

Re: Moira Shire Council support for North East Water (NEW) Price Submission 2026-2031

On behalf of Moira Shire Council, I am pleased to provide this letter of support for North East Water's Price Submission 2026-2031 (PS5).

We would like to commend NEW's extensive and comprehensive customer and stake-holder engagement. We have seen the evidence that customers want North East Water to be local, reliable, responsive, sustainable and fairly priced. We've also share customer's concerns about the need for more and affordable housing, the cost of living and caring for the environment.

We particularly note the outcomes of NEW's Customer Deliberative Forum and we also support reasonable price increases which will enable NEW to invest between $250M to $300M in critical infrastructure over the next five years. This funding will deliver essential projects that boost water and wastewater security, support the capacity for the construction of over 9,000 new homes, create 500 jobs, improve environmental outcomes and strengthen climate resilience.

We also strongly support the investment in Moira Shire which includes;

- Yarrawonga Clear Water Storage and Water Treatment Upgrade ($10.15 million); and
- Yarrawonga South Rd Sewer Pump Station Upgrade ($5.41 million).

We would like to acknowledge the initiative you have introduced that sees regular meetings between senior officers from NEW and Moira Shire to discuss infrastructure and growth planning.

To conclude we are pleased to support NEW's Price Submission 2026-2031 and look forward to continuing to work in partnership with NEW to deliver the key projects.
Yours sincerely

Matthew Morgan
Chief Executive Officer

September 3, 2025

To Jo Murdoch - Managing Director,

I am writing this letter on behalf of the Taungurung Land and Waters Council (TLaWC) in support of North East Water's (NEW) Price Submission.

TLaWC's Land Use Activity Agreement (LUAA) team regularly meets with the NEW team to discuss LUAA related matters, showing both inclusiveness and openness in improving First Nations engagement and understanding. Caring for Country and environmental compliance is a foundational focus for TLaWC and the Taungurung people, shared by NEW in their initiatives and approach to water.

Following this ongoing engagement and consultation, NEW incorporated TLaWC's feedback into their Submission, demonstrating respectful co-operation with Traditional Owners in the process.

As part of their submission, NEW have stated that there will be an appointment of an Aboriginal Strategy and Partnerships position. This role will be instrumental in furthering their commitment in accordance with NEW's Reconciliation Action Plan.

TLaWC strongly supports NEW's submission and will continue to work with their team into the future. If you require anything further to support this initiative, please contact me on mburns@tlawc.com.au

Matthew Burns

CEO
Taungurung Land and Waters Council

Taungurung Land & Waters Council
www.taungurung.com.au

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Duduroa Dhargal
Aboriginal Corporation
ICN: 9269 **ABN:** 77 660 014 339

Monday 18th August, 2025

Essential Services Commission
Level 8, 570 Bourke Street, Melbourne, VIC, 3000

Re: Support for North East Water's 2026–31 Price Submission

Dear Commissioners,

On behalf of Duduroa Dhargal Aboriginal Corporation, I am writing to express our support for North East Water's 2026–31 Price Submission.

Engagement

We commend North East Water for its inclusive and genuine approach to engagement throughout the submission process. Importantly, North East Water actively sought out and listened to the voices of First Nations customers and communities, ensuring that our perspectives were valued and respected. We felt that our feedback was heard, and we can see evidence that it has been meaningfully incorporated into the proposals. This has built trust and confidence in North East Water's commitment to working alongside community.

Proposals and Outcomes

We are pleased to see a strong emphasis on projects that will reduce environmental impacts to Country, including initiatives aligned with the circular economy and sustainability. These are important steps in protecting and caring for land and water resources for current and future generations.

We also welcome the balance of investment across both small and large towns within the region. By ensuring that smaller towns are not disadvantaged, North East Water demonstrates fairness and a genuine commitment to equitable service delivery.

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In particular, we support:

- Progressing North East Water's innovative circular economies project. A project which aims to reduce it's environmental impact through the way in which North East Water's treatment facilities operate. Turning biosolids into an environmentally safe biochar, which can then be reused and has multiple environmental benefits (such as improving soil fertility, enhancing soil water retention and reducing need for chemical fertilisers and the potential of that water run-off into waterways.)
- Upgrades to wastewater treatment facilities in Wodonga/Leneva & Kiewa/Tangambalanga which will assist in reducing the impact of wastewater on local waterways within Duduroa Country.
- Creating employment opportunities for 231 full-time positions, across the business. It's great to see local businesses creating employment opportunities for local people, particularly when providing a service to community.

Conclusion

Overall, we believe that North East Water's proposals strike the right balance between affordability, environmental responsibility, and service equity. We are proud to support their price submission and look forward to continuing to work together to achieve positive outcomes for Country and community.

Yours sincerely,

Beau Murray – Secretary
Duduroa Dhargal Aboriginal Corporation

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Albury Wodonga
Aboriginal Health Service

Date: 10/09/2025

To Whom It May Concern,

Re: Support for NEW's Price Submission

On behalf of the Albury Wodonga Aboriginal Health Service (AWAHS), I am pleased to provide this letter of support for North East Water's (NEW) price submission.

AWAHS has been actively engaged with NEW throughout its consultation process. We commend NEW for its inclusive approach, particularly in ensuring that the voices of Aboriginal & Torres Strait Islander customers were heard and respected. Our feedback was not only welcomed but meaningfully incorporated into NEW's proposals, reflecting a genuine commitment to co-design and cultural responsiveness.

We are particularly supportive of several key initiatives outlined in NEW's customer summary:

- **Expansion of the Customer Support Program**: This initiative will provide much-needed assistance to vulnerable customers, including many within our community, helping to ensure equitable access to essential water services, a significant and critical part of our culture.
- **Tariff Rebalancing**: The proposal to rebalance fixed and volumetric pricing will benefit Aboriginal & Torres Strait Islander peoples, accommodating larger households and tenants, which aligns with the living arrangements of many of our families and supports affordability.
- **Capital Investment in Growth Projects**: We support NEW's investment in infrastructure that will enable sustainable housing growth, addressing a critical need for increased housing availability in our region.
- **Environmental Impact:** NEW's commitment to reducing environmental impact through its targeted capital investments, is aligned with our values and the importance of caring for Country.

AWAHS appreciates NEW's ongoing efforts to engage with our community and to deliver services that are fair, sustainable, and inclusive. We look forward to continuing our partnership and supporting initiatives that benefit all customers, especially those who are most vulnerable.

Albury Wodonga Aboriginal Health Service
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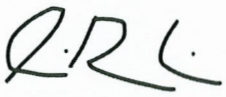
Yours sincerely,



Caine Raudino
Office Manager
Albury Wodonga Aboriginal Health Service (AWAHS)

gateway health

People living well

Stephen Brown
Chair
North East Water
83 Thomas Mitchell Drive
Wodonga VIC 3690

19 September 2025

Dear Stephen,

Re: Support for North East Water's Regulatory Price Submission 2026 to 2031

I am writing on behalf of Gateway Health to express our support for North East Water's 2026 to 2031 regulatory price submission.

Gateway Health provides community health and wellbeing services to thousands of individuals, families and communities across North East Victoria and parts of Southern New South Wales. As a not-for-profit, values-based organisation, we are dedicated to improving outcomes for those at the highest risk of poor health. We support people across all stages of life, from childhood and parenting through adulthood and older age.

Access to safe, reliable, and affordable water and sewerage services is fundamental to health. Our primary health care work demonstrates that water availability and quality directly impact hygiene, nutrition, chronic disease management, and overall wellbeing. For example, adequate water supply supports safe food preparation, reduces the risk of infection, and allows people to manage conditions such as diabetes and kidney disease. Access to reliable sewerage services prevents environmental contamination, reduces the spread of disease, and contributes to healthier living conditions. Inadequate access to these services can exacerbate health inequalities, particularly for priority populations, including those experiencing financial hardship, large families, or tenancy challenges. Ensuring equitable access to water supports the social determinants of health and improves quality of life for the communities we serve.

We commend North East Water for the extensive and genuine engagement it has undertaken over many years in preparing its submission. Our organisation has valued the opportunity to contribute on behalf of the vulnerable communities we serve. North East Water's approach to consultation has been inclusive, comprehensive and responsive. We were invited to participate in multiple workshops, surveys and interviews, and we were particularly appreciative of the visit from senior staff in July this year. This direct engagement demonstrated how feedback from our communities has shaped the Customer Care Fair Practice Plan, Strategy 2040 and the proposed price submission. Importantly, it showed that the perspectives of customers most in need were heard and taken seriously.

gateway health

People living well

We support the proposed customer outcomes, which emphasise services that are fairly priced, local, reliable, responsive and sustainable. These outcomes align closely with Gateway Health's mission and the needs of the people we work with every day.

1. **Fair prices:** We recognise the balance between affordability and investment in essential infrastructure. We particularly welcome the proposal to double the hardship fund, which will provide vital relief for thousands of customers in financial difficulty, including many of our clients. The rebalancing of tariffs to better support tenants and large families is also a sensible measure that will help ease pressures on groups often most affected by cost-of-living challenges.
2. **Sustainable practices:** Protecting the environment and working with Traditional Owners to achieve positive outcomes for Country is essential for long-term community health. Sustainable water and sewerage services safeguard the health of current and future generations.
3. **Reliable systems:** Access to safe, clean and reliable water is a cornerstone of community health. Planned capital investment to support over 9,000 new housing connections will not only provide capacity for growth but also help address the pressing need for affordable housing in the region.
4. **Responsive services:** We welcome North East Water's commitments to timely communication and customer care, as outlined in the Customer Care Fair Practice Plan. Continuous improvement in customer experience will help vulnerable households access support more easily and avoid compounding financial and health stresses.
5. **Local community:** By employing locals and investing in infrastructure across the region, North East Water is ensuring that no towns are left behind and that growth is supported in a fair and sustainable way.

In our view, the initiatives contained in this submission will have direct, positive impacts on the social determinants of health for our communities. They will help reduce inequities, support people experiencing financial hardship, and create conditions for healthier lives. Reliable water and sewerage services are not only a utility issue; they are a health issue. Investments in these services directly support the primary health care work we undertake every day, contributing to safer, healthier, and more resilient communities.

We thank North East Water for its leadership in the region and its commitment to fairness, affordability and sustainability. We look forward to seeing the proposed initiatives implemented in the years ahead and to continuing our strong partnership in supporting the health and wellbeing of our communities.

Yours sincerely,

Trent Dean
Chief Executive Officer
Gateway Health

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Stephen Brown
Chair
Managing Director
North East Water
83 Thomas Mitchell Drive
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September 30, 2025

Dear Stephen and Jo,
On behalf of Business Wodonga, I would like to extend our appreciation to North East Water (NEW) for engaging with our organisation in the development of its 2026 Price Submission.

We feel this has been a transparent and inclusive process, with North East Water genuinely seeking community and business views. Business Wodonga has appreciated the opportunity to participate in two dedicated briefings, and we have been invited on numerous occasions to provide feedback through board forums, regional leader forums and other engagement activities. This level of consultation has been both thorough and respectful of our role in the region.

Business Wodonga is North East Victoria's premier business networking, support and representation organisation. We are currently the fourth largest Chamber of Commerce in Victoria. We work with nearly 7,000 employers & employees across the region.

We have reviewed North East Water's Customer Summary of its price submission, and we support the significant investment in water and wastewater infrastructure to enable over 9000 new housing connections and job creation. This is incredibly important for our region's future — housing for business owners and employees, and jobs that will assist to strengthen our local economy.

We understand that prices are proposed to increase by 5.25% per annum and that this is necessary to fund the investment in infrastructure and services needed to support housing, growth and compliance along with ongoing high quality water. We also acknowledge that NEW has had some of the lowest water prices in regional Victoria for over a decade and that they have made a commitment to staying at or below the regional average which is considered fair.

More housing in our region is desperately needed and I hear from many in the business community that one of the roadblocks to growth in the past has been a lack of available water and wastewater infrastructure. I know North East Water has been doing a lot of work through its masterplans and engaging with developers, councils and business to understand what infrastructure is needed, prioritise it and consider funding options and I commend them for being proactive in planning for the future.

Business Wodonga also supports the increase in funding for customer support, particularly if it allows small businesses to access assistance when struggling to pay their water bills.

The rebalancing of tariffs seems a fair approach, as it will help reduce the impact of the 5.25% price increase for small businesses and create a fairer distribution between fixed and variable water charges. We welcome North East Water continuing its developer and local government forums, which have been instrumental in planning for the future. The introduction of a developer portal to submit and track applications will be a valuable tool for developers within our business community.

Business Wodonga also supports North East Water's role as a major employer in our region, and we value its reputation as a trusted and respected business.

Business WODONGA

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We endorse the five customer outcomes outlined in the submission, all of which are important to our members. Furthermore, we support North East Water's continued leadership in innovative circular economy initiatives like what is occurring at the West Wodonga resource recovery hub — reducing waste and energy costs, lowering emissions and supporting regional growth.

In summary, Business Wodonga is pleased to support North East Water's price submission and commends the organisation for its commitment to genuine engagement, regional development and environmental sustainability.

Yours sincerely,

Graham Jenkin
CEO Business Wodonga


North East Water