



City West Water™

# PRICE SUBMISSION AT A GLANCE

**2018**

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# Our 2018 Price Submission

Our vision is to be an exceptional service provider that puts customers first and benefits the community.

**We exist because people and places need water and sewerage services, and we are committed to delivering the services our customers value efficiently and at an affordable price.**

## What's in this document

This document takes a high level look at what we've included in our 2018 Price Submission to the Essential Services Commission.

Customers' values and preferences were fundamental in shaping our submission for the next five years, from 1 July 2018 to 30 June 2023.

Our 2018 Price Submission proposes:

- key customer outcomes we plan to deliver over the next five years and the actions we will take to achieve them
- our service standards
- the revenue we need to deliver services
- prices we plan to charge customers to pay for the services we deliver
- our tariff structure.

## Our focus on efficient, affordable services

We are pleased to put forward a submission that builds on the efficiencies we've achieved over the past five years, to propose real price reductions to our customers.

We are committed to delivering services efficiently to our household and business customers. We are proud to propose the following price reductions:

- average residential price reduction of 12.6%
- overall non-residential price reduction (including trade waste) of 6.2%
  - overall non-residential price reduction (water and sewer only) of 6.0%
  - overall trade waste price reduction of 7.2%

## The Essential Services Commission's review

City West Water, along with other Victorian water corporations, submitted its 2018 Price Submission to the Essential Services Commission (ESC) on Friday 29 September 2017.

The ESC will undertake a public consultation process on the Victorian water corporations' price submissions, including CWW's, from October 2017.

All customers are invited to have their say on our submission as part of the ESC's consultation process. The ESC will consider public comments alongside its own regulatory review before it makes its final determination on the service standards, prices and tariff structure we can put in place from 1 July 2018.

For more information visit [esc.vic.gov.au/water](http://esc.vic.gov.au/water)

# What we do and who we serve

We are one of three Victorian Government owned retail water businesses in metropolitan Melbourne.

We provide drinking water, sewerage, trade waste and recycled water services to customers in Melbourne's central business district, inner and western suburbs. This includes Brimbank, Hobsons Bay, Maribyrnong, Melbourne (north of the Yarra River), Moonee Valley, Wyndham, Yarra and parts of Melton and Hume.

**430,000+**  
properties

over one million residential and nearly 40,000 non-residential customers

**130+**

cultural groups.  
Over one third speak a language other than English at home

**100+**  
billion

litres of drinking water to our customers per year

**94%**

of sewage transferred to Melbourne Water's Western Treatment Plant at Werribee.

**\$1.7 billion**

of infrastructure across a service area of more than 700km<sup>2</sup>

**4,785 kms**

of water supply mains and 4,239 kilometres of sewage transfer mains

**7**

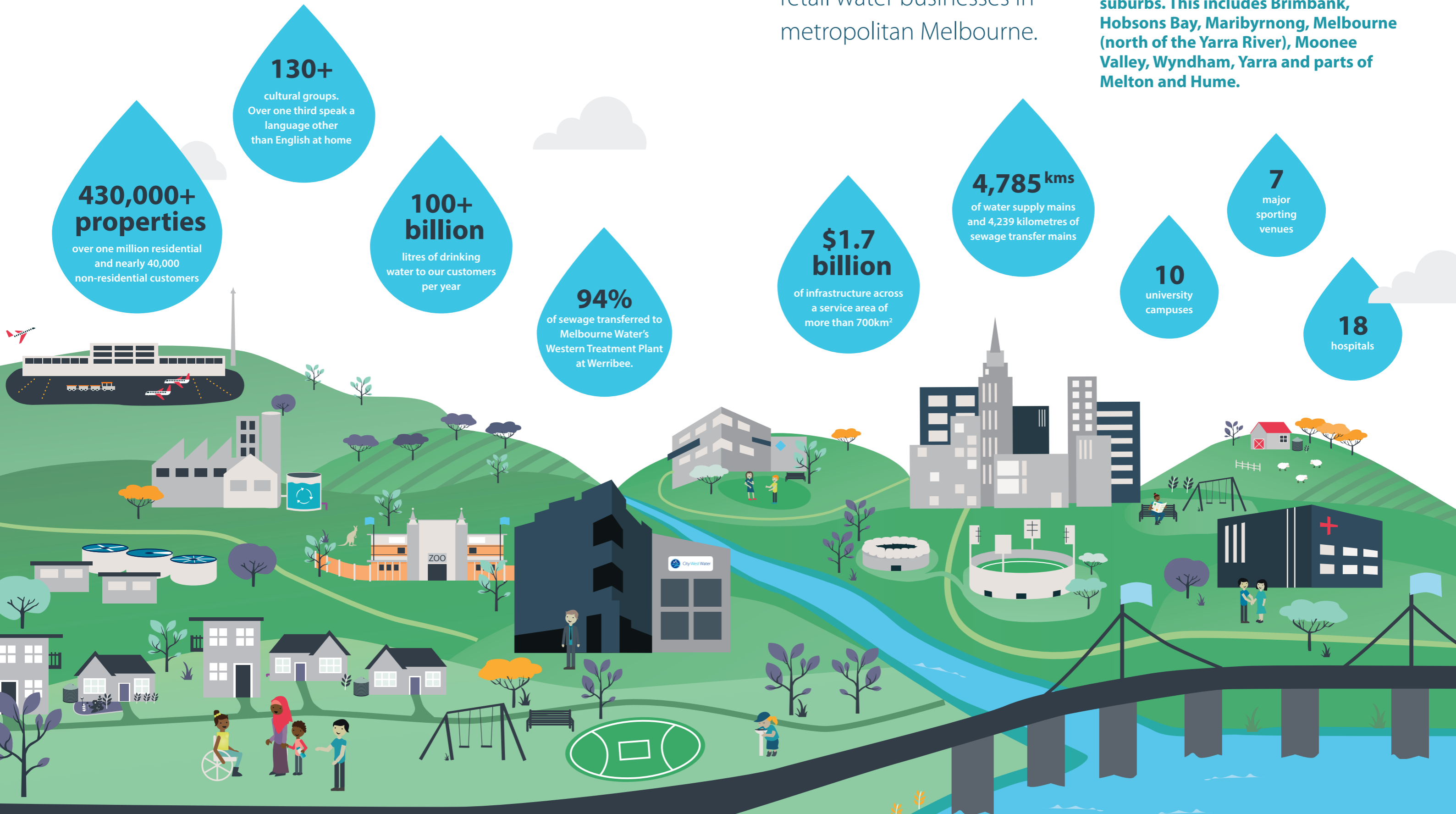
major sporting venues

**10**

university campuses

**18**

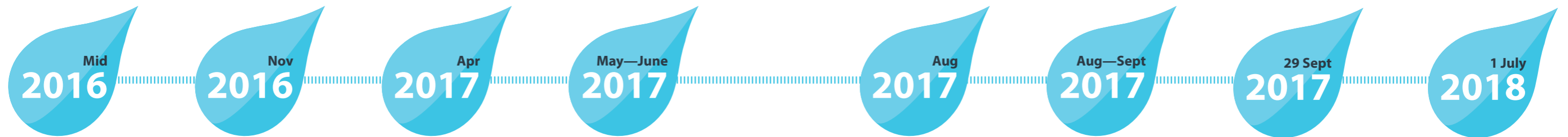
hospitals



# Conversations with customers

Understanding what matters most to our customers, and what you want and expect from us, is an ongoing journey, one we are dedicated to taking with you.

**Over the past year we have been talking to customers to understand what's most important about the services we deliver and what we can do better to meet customers' expectations.**



- Started review of services and prices.
- Understood customer views from ongoing research programs.

- Co-creation workshop with customers to identify which service aspects to focus on to provide the best possible outcomes to customers.
- Convened Customer Committee to provide consistent customer voice throughout engagement process.
- Commenced in-depth exploration into what customers value about the services we deliver and what standards of service they expect.

- Tested different values and standards of service with broader customers, based on what we heard.

- Understood customers' views on different ways we could charge for services.
- Developed proposed service outcomes and standards of service incorporating customer and stakeholder feedback.

- Customers and stakeholders had the opportunity to provide feedback on what City West Water proposes to deliver over the next five years.

- Finalised price submission, incorporating customer and stakeholder feedback.

- Submitted pricing submission to the independent regulator – the Essential Services Commission – who will determine the prices City West Water will charge for services from 1 July 2018.

- New service levels and prices take effect.

# What we asked...

We asked customers about their experiences with our services and their views and preferences for how we approach:

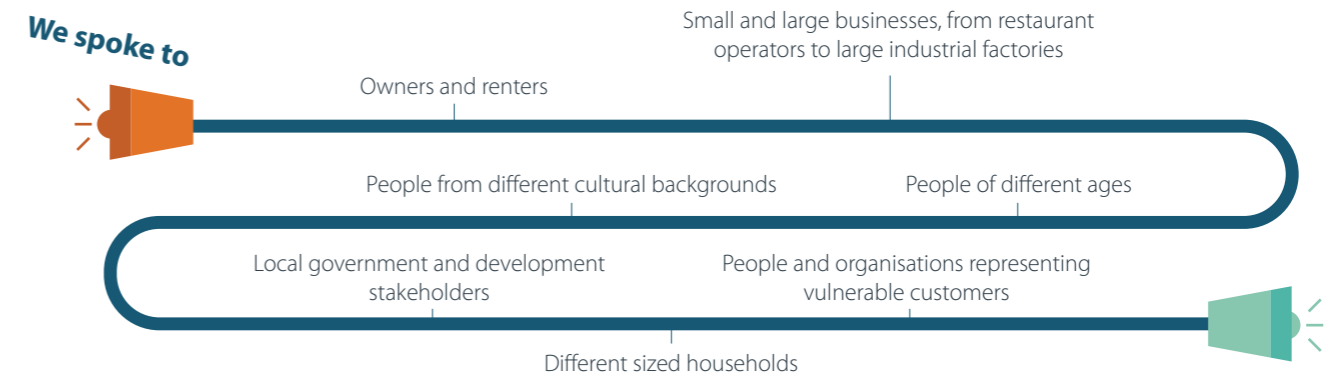


# What we heard...



## Engagement

- 2,200+** Residential and non-residential customers engaged
- Co-creation workshop with **8** customers
- 10** residential focus groups, including **2** with culturally and linguistically diverse communities
- 300+** conversations at shopping centre and community festival pop-ups
- 856** Your Say website visits
- 42** quick poll responses
- 38** ideas shared
- 1009** online Customer Value and **695** Price Structure surveys
- Price structure forum with **42** customers
- 2** business workshops with **30** customers in total
- 4** meetings with the Customer Committee
- Interviews:
  - 16** businesses • **6** councils
  - 6** community groups
  - 6** vulnerable customer advocacy groups
  - 8** industry advocacy organisations



# Delivering the services our customers value

As part of our commitment to be an exceptional service provider that puts customers first and benefits the community, we are driven to deliver services our customers want and value, now and into the future.

We propose to do this by taking action under the following key customer outcome areas:

1. Services to homes and businesses are safe, reliable and efficiently delivered.
2. Customer service is accessible and enquiries are promptly resolved.
3. Billing and payment options are efficient and convenient.
4. Customers in hardship are supported.
5. The whole of the water cycle is managed in an environmentally sustainable way.
6. City West Water is a valued partner in servicing a growing Melbourne.
7. Bills are affordable and charges for services are fair.

These outcome areas and resulting actions were driven by what we heard from our customers during our engagement over the past year.

Some actions are a continuation of the work we already do, while others are new and will be implemented over the regulatory period.



# Outcome 1 Services to homes and businesses are safe, reliable and efficiently delivered

We aim to provide safe and reliable water and sewerage services to customers, and fix network faults quickly and efficiently, while minimising impacts to customers.

Our customers deserve an assurance that:

- when they turn on a tap in the kitchen or bathroom, that water is safe for drinking and will flow at a reasonable pressure
- when they flush a toilet, let the plug out of a sink or have a shower, their wastewater will disappear seamlessly into the sewer
- if something does go wrong with either their water supply or wastewater disposal, the problem is attended to and resolved in a timely and efficient manner.

## Actions we will take

We propose to take the following actions to deliver this outcome:

- Continue to provide safe, clean drinking water by maintaining our operational practices and working closely with our bulk water provider, Melbourne Water.
- Continue preventative maintenance and network renewal programs to maintain the service reliability that customers expect.
- Amend our Guaranteed Service Level Scheme, including Guaranteed Service Level events, levels and rebates, to reflect customers' expectations of reliability. More information is available on pages 14 and 15.
- Continue to prioritise planned and responsive works for critical sites like hospitals and the CBD.
- Maintain the current accepted response and service restoration time targets – on average, water network faults fixed in around 2 hours 40 minutes and sewer blockages cleared in around 2 hours 10 minutes, following notification.
- Provide notifications and live updates on planned and unplanned works via our website, social media and/or SMS.

## Major capital projects and programs over the next five years

- **\$137.7m** for water main and infrastructure renewals to ensure water service reliability
- **\$71.6m** sewer main and infrastructure renewal program to ensure sewerage service reliability
- **\$17.9m** to maintain the essential information technology capabilities that underpin the provision of our services

# How our performance can be measured

We propose the following performance measures and targets:

## Drinking water quality



Compliance with drinking water quality standards  
**100%**

Customer satisfaction score on water quality via Customer Satisfaction Surveys  
\*based on a five year performance average  
**91%**

Water quality complaints per 1000 customers  
**0.7**

## Water and recycled water service reliability

Unplanned water supply interruptions restored within five hours  
**99%**

Average time taken (from notification) to restore unplanned water supply interruption  
**120 minutes**

Planned water supply interruptions restored within five hours  
**97%**

Customers experiencing more than 5 (i.e. 6+) unplanned water supply interruptions in a year  
**0**

Customers experiencing more than 3 (i.e. 4+) unplanned water supply interruptions in a year  
**86**

Minimum water flow rates  
\*different sized pipes (eg. 20mm, 25mm etc.) provide different water flow capacity. We aim to provide different water flow rates according to the size of the pipe.  
**20mm: 20 L/min**  
**25mm: 35 L/min**  
**32mm: 60 L/min**  
**40mm: 90 L/min**  
**50mm: 160 L/min**

## Sewerage service reliability

While we have a rigorous proactive maintenance and renewal schedule for our sewerage system, because of the size of the network leaks and spills do occur from time to time. When this happens, we respond as quickly as possible to minimise the impact as much as we can.

We also have a number of Guaranteed Service Levels (GSLs) in place around the performance of the sewerage network. These are outlined on page 15.

Customers experiencing more than 3 (i.e. 4+) sewer blockages in a year  
**10**

Sewer blockages restored within five hours  
**98%**

Average time (from notification) to rectify blockage/spill (main and House Connection Branch),  
**124 minutes**

Sewer spills contained within five hours of notification  
**100%**

Sewer spills within a house, that are a result of a failure in our pipes  
**13**

Sewer spills within a house, that are a result of a failure in our pipes, not contained within one hour of notification  
**0%**

# Guaranteed Service Levels Scheme

We recognise the vital role our services play in the lives of our customers and strive to meet customers' expectations of the quality and delivery of those services.

Our Guaranteed Service Levels (GSL) set a pre-determined level of service we endeavour to deliver to our customers and are set out in our customer charter.

Under our Guaranteed Service Level Scheme, if a residential customer experiences a level of service less than a GSL, we apply an automatic rebate to the customer's account.

Following consultation with our customers, we propose to:

- continue all seven existing GSLs around network reliability (see table)
- significantly increase the rebate for existing GSLs
- introduce four new GSLs.

## New GSLs

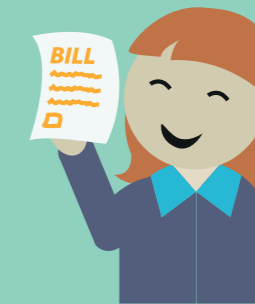
In response to what customers told us through the engagement process, we are proposing to introduce four new GSLs:

- No more than three unplanned water supply interruptions within any 12 month period.
  - This GSL reflects the higher value residential customers place on water network reliability.
- Failure to give at least two business days' notice of a planned water supply interruption.
  - This GSL is in keeping with our policy for notification of planned works and responds to customers' feedback that not being aware of planned interruptions can be a source of frustration. This GSL will not apply to unplanned interruptions.
- No planned water supply interruptions during peak hours (5am-9am and 5pm-11pm).
  - This GSL resulted from residential feedback that having water service availability during busy times of the day was highly valued.
- Sewage spill in a house, caused by CWW or a failure of CWW's system(s).
  - This GSL is in keeping with customer feedback that a sewage spill in a home due to our system is unacceptable.

# Proposed GSLs and rebates

This table outlines the GSLs and rebates proposed in our 2018 Price Submission.

The proposed rebate is based on our view of the value customers place on relevant services, as informed by what we heard from customers during the engagement process.



We apply rebates to residential customers' bills automatically when they experience a level of service less than a GSL.

Guaranteed Service Level (GSL)	Existing or new GSL	Current GSL rebate	Proposed GSL rebate from 1 July 2018
Unplanned water supply interruption not restored within five hours of notification	Existing	\$50	\$100
No more than three unplanned water supply interruptions within any 12 month period	New	NA	\$100
No more than five unplanned water supply interruptions within any 12 month period	Existing	\$50	\$200
No more than three sewer blockages within any 12 month period	Existing	\$50	\$100
Failure to give at least two business days' notice of a planned water supply interruption	New	NA	\$75
No planned water supply interruptions during peak hours (5am to 9am and 5pm to 11pm)	New	NA	\$50
Sewer blockages not restored within five hours of notification	Existing	\$50	\$75
Sewage spill not contained within five hours of notification	Existing	\$50	\$75
Sewage spill in a house, caused by the business or a failure of the business' system(s)	New	NA	\$1,000
Sewage spill in a house, caused by the business or a failure of the business' system(s), not contained within one hour of notification	Existing	\$1,000	\$3,000
Restricting the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours (as defined by the ESC) to contact the customer and provide information about help that is available if the customer is experiencing difficulty paying.*	Existing	\$300	\$300

\*The percentage of customers placed on restricted water each year is very low. Customers are only restricted following a comprehensive process that is regulated by the Essential Services Commission, and where there is a long history of outstanding bills and refusal to pay. We will never restrict a customer's water supply because they are unable to pay their bill.



## Outcome 2 Customer service is accessible and enquiries are promptly resolved

We strive to provide exceptional customer service and are driven to be accessible and easy to deal with.

Our customer base is diverse and includes people of all ages, genders, cultural backgrounds, languages, socio-economic standings and technological abilities.

We are committed to providing services that are accessible and timely, with the highest levels of customer service, while encompassing and catering for this diversity.

### Actions we will take

Over the next regulatory period, we propose to take the following actions to deliver this outcome:

- Make contacting our customer call centre more convenient by:
  - extending opening hours
  - providing a call back service
  - offering live web chat
  - striving to resolve enquiries on the first call whenever possible.
- Provide a front desk service for face-to-face enquiries.
- Provide online services so customers can perform a range of transactions themselves, at times that suit them.
- Implement a non residential account contact line and team that specialise in servicing these customers.
- Develop a separate customer charter for business customers that focusses on issues that matter most to them.
- Investigate the potential for digital metering so customers can access near real-time information about their water usage, including faster identification of customer-side leaks.
- Provide notifications and live updates on planned and unplanned works via our website, social media and/or SMS.

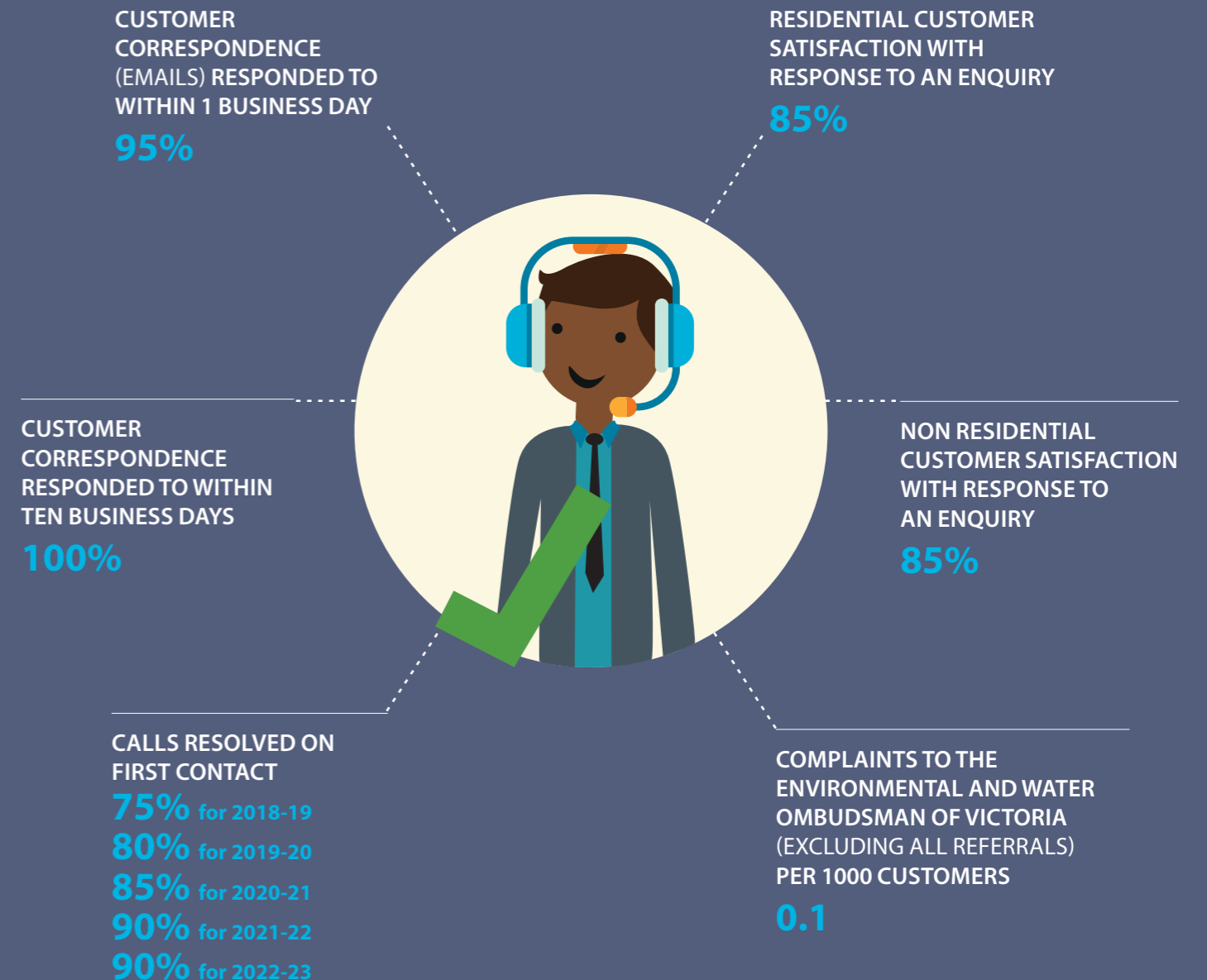
### Major capital projects and programs over the next five years

- **\$7.2m** for a program of works to renew and improve components of our customer records management and customer data systems, enabling an enhanced customer service experience.
- **\$8.1m** for a program of works to improve our customer data security systems.

## How our performance can be measured

While we are focussed on providing the highest levels of customer service, we recognise that some enquiries and requests are complex, and in some instances, may take time to resolve or be outside of what we are able to resolve. Our proposed performance targets reflect a desire to improve customers' satisfaction with our response to enquiries and complaints.

We propose the following performance measures and targets:



# Outcome 3 Billing and payment options are efficient and convenient

We aim to provide billing options that meet our customers' needs.

We commit to providing:

- simple, accurate and timely billing
- convenient options for how customers receive and pay bills.

## Actions we will take

We propose to take the following actions to deliver this outcome:

- Continue to offer to install remote reading devices for inaccessible meters to reduce the number of estimated meter reads.
- Continue to work with our meter reading contractor to drive down the number of estimated reads.
- Work with our partners to provide more information on the services funded by other authorities' charges (Parks Victoria's Parks Charge and Melbourne Water's Waterways and Drainage Charge), where CWW is the billing agent.
- Support Parks Victoria as it considers changing the Parks Charge to a quarterly fee instead of yearly.
- Provide online services so customers can perform a range of transactions themselves, at times that suit them.
- Investigate options for consolidating bills across multiple sites and accounts.
- Continue to simplify and streamline trade waste pricing and billing processes.

## How our performance can be measured

We propose the following performance measures and targets:

Payment issue complaints per 1000 customers	<b>1.2</b>
Estimated meter reads used for billing (proportion of total reads)	<b>equal to or less than 3% for 2018-19</b>
	<b>equal to or less than 2% for 2019-2023</b>
Customers with registered online accounts (proportion of all accounts)	<b>10% for 2019-20</b>
	<b>20% for 2020-21</b>
	<b>25% for 2021-22</b>
	<b>30% for 2022-23</b>

## Major capital projects and programs over the next five years

- **\$15m** to replace our end of life billing system with a modern billing system capable of delivering improved customer outcomes.
- **\$7.2m** for a program of works to renew and improve components of our customer records management and customer data systems, enabling an enhanced customer service experience.
- **\$8.1m** for a program of works to improve our customer data security systems.
- **\$2.2m** to replace ageing water meters to ensure accurate meter reads and billing.

# Outcome 4 Customers in hardship are supported

We aim to support customers and employees experiencing hardship, vulnerability or the impacts of family violence. We will do all we can to ensure they are aware of and can access the support services available to them.

We understand that customers can sometimes find it hard to pay their water bill for various reasons and also recognise the impacts that family violence (in all its forms) may have on our customers.

We also recognise that a water leak on a customer's property may place a customer in financial hardship. We wish to avoid this, and are proposing to implement a new tariff for water lost due to leaks that will mitigate the impacts on the impacted customer.

## Actions we will take

We propose to take the following actions to deliver this outcome:

- Continue to implement initiatives and programs to support customers or employees who may be affected by family violence (including specialised training for front line staff and managers).
- Maintain current hardship processes including referrals, payment plans and water efficiency assistance programs including Water Assist.
- Explore other best-practice programs and initiatives to support customers experiencing, or at risk of, hardship.
- Maintain programs to take all reasonable efforts to determine that a customer is not in hardship prior to restricting their supply or non-payment.
- For customers with a verified and fixed leak, charge the wholesale cost of water for the estimated volume of water lost due to the leak.

## How our performance can be measured

We propose the following performance measures and targets:

Customers on instalment plans (per 1000 customers)	<b>65</b>
Residential customers receiving Hardship Grants (per 1000 customers)	<b>1.2</b>
Number of customers taking up Water Assist	<b>200</b>
Prior to restriction being applied, CWW has undertaken reasonable endeavours to ensure customer is not in hardship	<b>100%</b>

## Leakage tariff

The leakage tariff will be set at the wholesale cost of water and will apply to the estimated volume of water lost due to the leak.

The tariff will apply to residential customers only, who have experienced a leak and had this verified and fixed by a licensed plumber.

The new tariff will mitigate the financial burden of leaks on impacted customers.

## Water Assist Program

The Water Assist Program is a residential water efficiency audit, appliance retrofit and advice program that aims to assist vulnerable customers to reduce their water usage to make their water accounts more affordable.

Depending on the needs of each individual customer, up to \$600 of products and services can be provided per property. Water Assist has provided support to 1066 customers to date and aims to assist 200 during 2017-18.

The Department of Environment, Land, Water and Planning (DELWP) currently support the program, enabling a greater number of customers to benefit.



# Outcome 5 The whole of the water cycle is managed in an environmentally sustainable way

We aim to responsibly manage our valuable water resources for the benefit of current and future generations.

We commit to:

- carefully considering and mitigating the environmental impacts of providing water and sewerage services
- ensuring adequate water supplies are available now and into the future
- protecting the health of the community by ensuring sewage and trade waste is safely managed as treated effluent and that:
  - effluent meets all required environmental standards
  - recycled water is safe and fit-for-purpose
  - recovered biosolids are responsibly recycled
  - remnants of the treatment process that need to be sent to land fill are minimised
- being a valued partner of all water cycle stakeholders, which includes delivering the commitments in our Reconciliation Action Plan and incorporating Traditional Owners and Aboriginal values in our water cycle planning processes.

## Actions we will take

We propose to take the following actions to deliver this outcome:

### Future water resources

- Implement our Urban Water Strategy actions to best utilise all available water supplies when appropriate, including City West Water's recycled water facilities and along with Melbourne's metropolitan water corporations providing advice on the use of the Victorian Desalination Plant, to balance supply and demand for water.
- Continuously review our recycled water investment plans to determine what provides best customer value.
- Take actions to economically limit the amount of water lost from the network due to leakages.
- Continue to work closely with our bulk water provider, Melbourne Water, other metropolitan water retailers and the Victorian State Government to understand and work to meet Melbourne's future water needs.

### Using water efficiently

- Implement a user pays water efficiency assistance program available to all customers to help them find ways to save water.
- Continue to provide and support water efficiency programs – e.g. the toilet replacement program, showerhead exchange program and Target 155.
- Deliver water efficiency programs and education to schools and the community.
- Continue to provide customers with education and advice on how to be water efficient in their homes and businesses.
- Provide a mechanism to compare water usage between similar businesses.
- Investigate technology options for digital metering so customers can better understand their water usage and more quickly identify leaks.

# How our performance can be measured

We propose the following performance measures and targets:

## Future water resources



Water lost from the network (% of total water supplied) - this includes water lost due to leaks and bursts, and unmetered firefighting water. We strive to respond to and rectify leaks and bursts as quickly as possible to minimise water lost and undertake water main renewal works across our service area to replace ageing infrastructure.

**9.3%**

Water storage levels remain at or above 40% (in November) as per the water outlook zones in our Urban Water Strategy

**at or above 40%**

## Safe treatment and disposal of sewage



Emergency relief structures compliant with requirement to not spill in dry weather  
\* *Emergency relief structures are outlets in the sewerage system that are designed to overflow when the system exceeds its capacity to stop sewage spilling into people's homes.*

**100%**

Compliance with the Environmental Protection Authority's discharge licence requirements for our sewage treatment plant

**100%**

## Climate change



Reduce greenhouse gas emissions by **80% by 2025**

## Liveability – our role in urban greening



Stormwater partnerships

- 7 for 2018-19**
- 7 for 2019-20**
- 8 for 2020-21**
- 8 for 2021-22**
- 9 for 2022-23**

## Safe treatment and disposal of sewage

- Continue to meet the Environment Protection Authority's discharge licence commitments for our treatment plants and sewer network performance.
- Explore innovative ways to utilise valuable resources from sewer and sewage treatment processes, continuing to move from a 'waste treatment and disposal' to a 'resource recovery' approach.
- Work with industrial customers to explore ways to extract value from waste that is not suitable for disposal through sewers.

## Climate change

- Work towards progressively reducing our greenhouse gas emissions and a pathway to being carbon neutral by 2030, including undertaking a \$2 million solar energy program to install solar panels at key City West Water sites.
- Explore opportunities to partner with councils and industry in achieving greenhouse gas savings.

## Liveability – our role in urban greening

- Develop partnerships with local governments, Melbourne Water and the private sector to extend/increase the number of our stormwater harvesting sites.
- Establish a stormwater fund to support local governments in delivering local stormwater schemes.
- Continue to advocate for a greener, more liveable west through leading programs such as Greening the West.

## Urban Water Strategy

All metropolitan water retailers have an Urban Water Strategy that guides the delivery of water supply and sewerage services for the next 50 years. It sets out our approach to delivering reliable, efficient, safe and environmentally responsible water and sewerage services for our customers now and into the future. To find out more about City West Water's Urban Water Strategy visit [citywestwater.com.au/urbanwaterstrategy](http://citywestwater.com.au/urbanwaterstrategy)

# Outcome 6 CWW is a valued partner in servicing a growing Melbourne

To meet the needs of Melbourne’s rapid growth, we aim to work collaboratively with stakeholders in the development community to ensure waste and sewerage services are delivered in a timely and efficient manner.

As a service provider for some of Melbourne’s fastest growing areas, we have a responsibility to support Greater Melbourne’s growth and future liveability through:

- rolling out new water and sewerage services in growth areas and existing residential areas
- delivering new and amended water and sewerage services to an ever-changing commercial and industrial customer base

## Actions we will take

We propose to take the following actions to deliver this outcome:

- Continue to consult on the timing of developments when preparing our network servicing plans that outline the timing of water and sewerage infrastructure into new areas.
- Move more transactions online and automate transactions where possible, while continuing to provide access to CWW expertise.
- Provide processing time commitments for key plumbing and land development services, working to reduce turnaround times wherever possible.
- Continue to work, and improve relationships and communications, with councils to better serve our customers.
- Continue to play a leadership role in standardising and streamlining plumbing requirements to improve compliance and consistency in plumbing standards across the industry.
- Implement priority service arrangements.
- Explore when connections and technical services representatives are available to receive calls and assess applications.

## Major capital projects and programs over the next five years

- **\$89.3m** to extend sewerage networks to service growth in Melbourne’s West.
- **\$40.5m** to connect new properties to water mains and where applicable, fire services, and procure and install water meters to new properties.
- **\$40.1m** to augment sewerage infrastructure in Melbourne’s CBD (Spencer Street and Lonsdale Street) to cater for growth in inner Melbourne.
- **\$26.3m** to extend water networks to service growth in Melbourne’s West.

# How our performance can be measured

We propose the following performance measures and targets:



95% OF STANDARD\* PLUMBING APPLICATIONS COMPLETED WITHIN  $x$  BUSINESS DAYS

- $x = 10$  for 2018-19
- $x = 10$  for 2019-20
- $x = 5$  for 2020-21
- $x = 5$  for 2021-22
- $x = 5$  for 2022-23



95% OF PRESSURE AND FLOW INFORMATION APPLICATIONS PROCESSED WITHIN  $x$  BUSINESS DAYS

- $x = 10$  for 2018-19
- $x = 10$  for 2019-20
- $x = 5$  for 2020-21
- $x = 5$  for 2021-22
- $x = 5$  for 2022-23



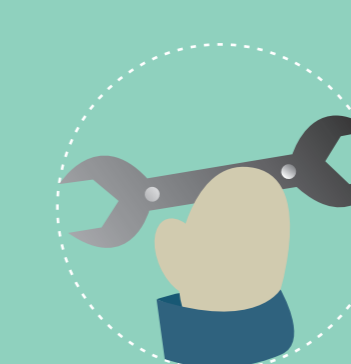
95% OF ASSET INFORMATION APPLICATIONS PROCESSED WITHIN  $x$  BUSINESS DAYS

- $x = 10$  for 2018-19
- $x = 10$  for 2019-20
- $x = 2$  for 2020-21
- $x = 2$  for 2021-22
- $x = 2$  for 2022-23



95% OF NEW CUSTOMER CONTRIBUTION APPLICATIONS PROCESSED WITHIN  $x$  BUSINESS DAYS

$x = 45$



95% OF STANDARD\* 20MM NEW METER SUPPLY AND ASSEMBLY INSTALLED WITHIN  $x$  BUSINESS DAYS OF APPLICATION

$x = 10$

\*‘Standard’ means a single residential development where all CWW assets are available for connection and customer has provided all requested information.

# Customer preferences we were unable to address

Our approach to the development of our 2018 Price Submission was underpinned by our customers' values and preferences, and every effort was made to incorporate our customers' feedback into the submission.

However, we needed to take into account at times competing customer priorities and the practical considerations of running a business that delivers essential services. As such, despite our best efforts we were not able to accommodate all customer preferences.

A summary of the preferences we could not accommodate, and our rationale for taking a different direction, is provided in the below table.

Outcome area	Customer preference	CWW rationale for taking a different direction
<b>Outcome 1: Services to homes and businesses are safe, reliable and efficiently delivered</b>	As soon as a customer experiences a loss of water or low water pressure, they consider it to be a service disruption.	To remove subjectivity around definition of a service disruption, CWW proposes to retain the ESC definition that an interruption is a "total loss of water supply".  We are, however, proposing new service levels informed by customer engagement, including a new GSL that customers should not experience <i>more than three unplanned water interruptions in any 12 month period</i> , reflecting the higher value residential customers place on water network reliability.
	<ul style="list-style-type: none"> <li>Some non residential customers did not find universal GSLs relevant, with some customers indicating a desire for individually negotiated GSLs.</li> <li>Non residential customers indicated a desire for some form of negotiated GSL in the event of a disruption that impacts their operations.</li> </ul>	<p>Negotiating individual standards is impractical given the integrated nature of the network – i.e. network services cannot be differentiated for customers connected to the same pipeline.</p> <p>In the case of non residential customers, while we will take all reasonable steps to ensure continuity of supply, business insurance arrangements should cover any supply disruption that impacts their operations.</p> <p>Providing non-residential customers with the support they need is a key priority. We will continue to provide key customers with dedicated business relationship managers and propose to establish a dedicated business enquiry line and customer charter.</p>

<b>Outcome 3: Billing and payment options are efficient and convenient</b>	Customers were interested in bill smoothing and monthly billing to improve bill certainty and assist with budgeting.	Accurate monthly billing would require monthly meter reading. We consider monthly meter reading for the entire meter fleet to be cost prohibitive. CWW will explore options for digital metering that may allow us to meet this request in the future.
	Some customers were interested in discounts for pay-on-time and eBilling.	We heard that some customers would like discounts for eBilling and we also heard that it was unfair for customers to pay more for retaining paper bills.  Our view is that customers' preferences for pay-on-time discounts are driven by their experiences in the contestable energy market where very large discounts are offered. As a regulated entity, CWW is not able to offer such large discounts and CWW considers the discounts it could offer would be so small that administrative costs would exceed benefits.  We will continue our focus on running our business as efficiently as possible and passing savings on to customers, as demonstrated through our proposed 12.6% average residential price reduction and 6% non-residential price reduction for 2018-19.
	Some non residential customers indicated a desire for a volume discount on water.	We consulted on non residential tariff structures and found strong support to maintain current structures.
	Some councils indicated a desire for alternative rates for irrigation, rather than non residential rates.	We propose to retain the current non residential tariff structures for all council usage. CWW believes it is fairer that the beneficiaries of irrigation contribute to this service rather than the broader customer base.
<b>Outcome 4: Customers in hardship are supported</b>	<ul style="list-style-type: none"> <li>Non residential customers preferred a slight reduction in hardship services.</li> <li>Non residential customers preferred CWW maintain the current level of support provided to customers experiencing a leak.</li> </ul>	<p>CWW notes the difference of views between non residential and residential customers regarding management of hardship programs. Through efficiencies and reallocation of resources, we can afford (and intend) to:</p> <ul style="list-style-type: none"> <li>maintain current hardship services and increase support to customers in hardship</li> <li>while also reducing prices for both residential and non residential customers.</li> </ul>
	<b>Outcome 5: The whole of the water cycle is managed in an environmentally sustainable way</b>	
<i>Future water resources</i>	Customers preferred recycled water to be provided at a cheaper price than drinking water. There is a perception that recycled water is of lesser quality than drinking water and an assumption that using recycled water will save money.	<p>CWW will continue to apply discounts to recycled water by:</p> <ul style="list-style-type: none"> <li>limiting the residential recycled water prices to the step 1 rate for residential drinking water</li> <li>setting the non residential recycled water price to 85% of the non residential customer drinking price.</li> </ul> <p>During the next regulatory period CWW will be looking at options to partner with councils to jointly invest in new stormwater schemes and to leverage existing grants and funding opportunities.</p>
<i>Using water efficiently</i>	Some customers indicated CWW needs to address the speed with which network leaks are repaired – customers felt CWW takes too long given customers' water saving efforts.	<p>CWW will be providing real time information on the status of faults and leaks over the coming years.</p> <p>However, we will continue to optimise our response to leaks based on priority order (ie. the size and location of leaks), which may involve some leaks being fixed on a timescale longer than some customer would prefer.</p>
<i>Liveability</i>	Councils indicated a desire for stormwater harvesting schemes to be provided at a discounted rate.	CWW will be looking at options to partner with councils to jointly invest in new stormwater schemes.

# The cost to deliver services

Delivering high quality services efficiently and keeping bills affordable is our top priority.

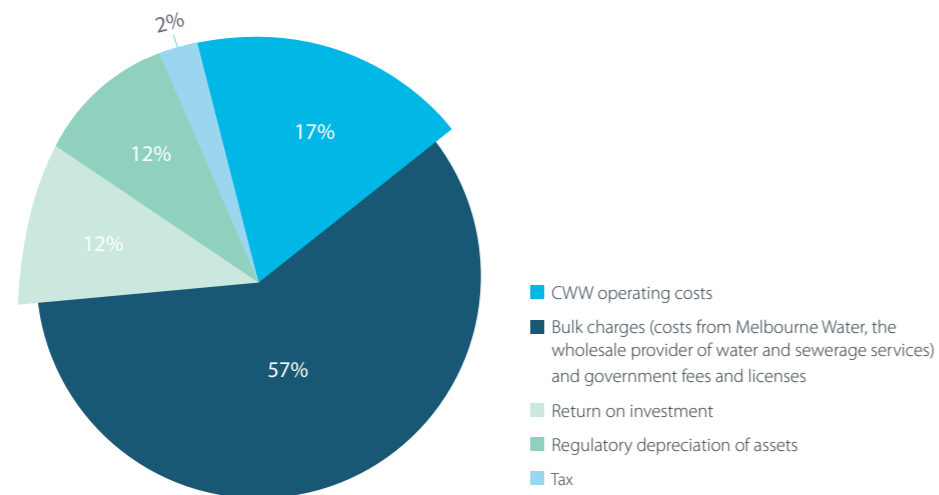
When determining what it costs to deliver services to customers, we take a number of things into consideration:

- What customers want and expect from us, including levels of service
- What water and sewerage infrastructure we need to build, and when, to provide services to new areas
- Our regulatory requirements, including meeting drinking water standards, sewage discharge regulations and the security of customers' data.

We propose the following annual revenue to pay for the costs of delivering services to customers

	2018-19	2019-20	2020-21	2021-22	2022-23
Total revenue requirement	\$648.2m	\$646.1m	\$638.3m	\$641.1m	\$624.8m

Our revenue requirement for the next regulatory period is made up of the following components:



# Prices of water and sewerage services

Our 2018 Price Submission builds on the efficiencies we've achieved over the past five years to propose real price reductions to our customers.

We are committed to delivering services efficiently to our household and business customers. We are proud to propose the following price reductions:

- average residential price reduction of 12.6%
- overall non-residential price reduction (including trade waste) of 6.2%
  - overall non-residential price reduction (water and sewer only) of 6.0%
  - overall trade waste price reduction of 7.2%

The following tables outline the proposed residential and non-residential prices for 2018/19. City West Water's prices for subsequent years will be limited to inflation.

	Units	2017-18	2018-19	Price change
<b>Proposed residential prices:</b>				
<b>Residential water tariff</b>				
Water network fee	\$/year	\$231.20	\$226.88	-1.9%
Water usage fee				
Price step 1: first 440 litres of water used per day	\$/kilolitre	\$2.4440	\$2.4440	0.0%
Price step 2: water usage above 440 and up to 880 litres per day	\$/kilolitre	\$2.8766	\$2.8766	0.0%
Price step 3*: water usage above 880 litres per day	\$/kilolitre	\$4.2744	\$2.8766*	-32.7%
<b>Residential sewerage tariff</b>				
Sewerage network fee	\$/year	\$256.56	\$251.76	-1.9%
Sewage disposal fee	\$/kilolitre	\$1.8805	\$0.8500	-54.8%
<b>Residential recycled water tariff</b>				
Recycled water network fee	\$/year	\$30.54	\$29.97	-1.9%
Recycled water usage fee	\$/kilolitre	\$2.4440	\$2.4440	0.0%

\*we are proposing to move from three price steps for residential water usage to two price steps.

## Proposed non-residential prices:

<b>Non residential water tariff</b>				
Water network fee	\$/year	\$336.76	\$330.46	-1.9%
Water usage fee	\$/kilolitre	\$2.7186	\$2.5486	-6.3%
<b>Non residential sewerage tariff</b>				
Sewerage network fee	\$/year	\$453.08	\$444.61	-1.9%
Sewage disposal fee	\$/kilolitre	\$1.8294	\$1.6750	-8.4%
<b>Non residential recycled water tariff</b>				
Recycled water usage fee	\$/kilolitre	\$2.3849	\$2.1663	-9.2%

## Proposed trade waste prices:

Trade waste disposal volume	\$/kilolitre	\$0.9776	\$0.8000	-18.2%
Biochemical oxygen demand	\$/kilo	\$0.9954	\$0.9768	-1.9%
Suspended solids	\$/kilo	\$0.5393	\$0.5292	-1.9%
Nitrogen	\$/kilo	\$1.9155	\$1.8797	-1.9%
Total dissolved solids	\$/kilo	\$0.0195	\$0.0191	-1.9%

## Maintaining the savings from the Government Water Rebate

We are proposing to convert the savings we've made from funding the Government Water Rebate into permanent lower water and lower sewerage prices for all customers from 2018-19, so all of our customers can benefit from lower prices.

# Changes to the tariff structure

A tariff structure that reflects our customers' priorities and is fair for all is of utmost importance.

Our tariff structure sets out the way we bill customers for the services we deliver.

We engaged customers, stakeholders and consumer advocacy groups on our tariff structure to understand views on the existing and alternative structures.

As a result, our tariff structure will remain largely the same - customers' bills will continue to consist of fixed service charges and variable usage charges.

We are proposing two key changes to the tariff structure for this regulatory period:

- Moving from three price steps for residential water usage to two price steps.
- Re-introducing a network fee for private fire services.

## Residential water usage tariff

Our existing residential water tariff structure has three price steps for water usage. The more water residential customers use, the higher price they pay for additional usage.

We are proposing to move from three price steps for residential water usage to two price steps.

This change will support customers potentially at risk of financial hardship and is expected to come into effect from 1 July 2018.

This proposal balances:

- Findings of our analysis of customers' water usage patterns that indicate the current third price step can unreasonably impact customers at risk of financial hardship.
- Feedback from consumer advocacy groups that the third price step can significantly impact large families who have fewer opportunities to influence their water consumption.
- Customer feedback that they value:
  - the opportunity to control their bills
  - being rewarded for efficient water usage
  - water as a precious resource and feel the tariff structure should send a water conservation message
- The Essential Services Commission's pricing principles for efficient tariff structures.

## Private fire services network fee

City West Water provides some customer sites with private fire service connections to our water mains to deliver fire-fighting water. In these circumstances, customers are able to minimise their private costs for fire-fighting infrastructure.

In response to changes in our responsibilities under the Water Regulations 2014, we are proposing to re-introduce a network fee for private fire services of \$100 per year from 1 July 2019.

Re-introduction of the fee will pay for costs associated with:

- building and maintaining larger infrastructure at customer sites with private fire services in order to maintain required pressure
- maintaining connections into the water main which City West Water is newly responsible for
- programs to identify unmetered water use through private fire services.

Re-introduction of the fee will also bring us into line with industry standard and other metropolitan Melbourne water businesses.

## Future changes to trade waste tariffs

We are also considering and investigating two changes to trade waste prices:

- review and amendment of the inorganic total dissolved solids (ITDS) load fee with a potential move to a 'sodium' load fee
- review and amendment of the 'biochemical oxygen demand' load fee to 'chemical oxygen demand' load fee

However, we do not yet have sufficient information to propose amended tariffs or fee levels in our submission. A joint program of investigations among metropolitan Melbourne water businesses will be implemented. A proposal to amend the trade waste tariff structure will be put forward at the time of Melbourne Water's 2021 price review.

# What this means for customers' bills

Our 2018 Price Submission proposes lower water and lower sewerage prices for all customers.

The final customer outcome we are committed to delivering is having bills that are affordable and charges for services that are fair.

We are pleased to be able to provide all customers with price reductions by:

- reducing the number of price steps for residential water usage
- permanently locking in the savings achieved from the Government Water Rebate as lower water and lower sewerage prices
- implementing ongoing efficiency measures.

How much your bill changes will depend on how much water you use and whether or not you have been receiving the Government Water Rebate.

	Usage (kL per year)	2017-18 bill (\$17-18)	2018-19 bill (\$17-18)	\$ change (excluding inflation)
<b>Owner occupier – low user</b>	90	\$732	\$755	\$23
<b>Owner occupier – average user</b>	155	\$983	\$957	-\$26
<b>Owner occupier – high user</b>	350	\$1,860	\$1,635	-\$225
<b>Tenant – low user</b>	90	\$244	\$276	\$32
<b>Tenant – average user</b>	145	\$456	\$446	-\$10
<b>Tenant – large user</b>	350	\$1,372	\$1,156	-\$216
<b>Small business</b>	200	\$1,226	\$1,181	-\$45
<b>Medium business</b>	500	\$5,155	\$4,831	-\$324
<b>Large trade waste business</b>	100,000	\$44,440	\$41,336	-\$3,104

# What happens now?

## **City West Water, along with other Victorian water corporations, submitted its 2018 Price Submission to the Essential Services Commission (ESC) on Friday 29 September 2017.**

The ESC will undertake a public consultation process on the Victorian water corporations' price submissions, including CWW's, from October 2017.

They will consider public comments alongside their own regulatory review, before they make their final determination on the service standards, prices and tariff structure we can put in place for the next five years, from 1 July 2018 to 30 June 2023.

Visit [esc.vic.gov.au/water](http://esc.vic.gov.au/water) for details of the public consultation process and to provide your feedback.

As a business that puts our customers first and strives to be an exceptional service provider, we also welcome your feedback directly. While any feedback provided to us directly will not be part of the ESC's consultation process, it will be used to improve our services for the future.

Tell us what you think about our submission, our services, what you think we do well or what you think we could improve on via:

- [yoursaycww.com.au/2018prices](http://yoursaycww.com.au/2018prices)
- email to [yoursay@citywestwater.com.au](mailto:yoursay@citywestwater.com.au)
- phone on 131 691.

This is another opportunity for customers, the community and stakeholders to provide feedback on the services, service levels and prices we are proposing for the next five years.

## Thank you

We would like to sincerely thank our customers for contributing their time to provide their views on the services we deliver to households, businesses and the community across Melbourne's CBD, inner city and the growing west.

Your contribution has been fundamental in ensuring we had customers' preferences and values front of mind throughout the development of our 2018 Price Submission.

We are committed to our vision of being an exceptional service provider that puts customers first and benefits the community. We look forward to continuing to serve our customers and to deliver services you want and value, at an affordable price, now and into the future.