



# 2018 Price Submission

# Context – Our business

- Long history of customer involvement in setting prices and service expectations
- Separate cost and price structures to avoid cross-subsidy between customer groups
- Mix of service (e.g. water delivery) and regulatory (e.g. licence compliance) functions
- Revenue cap (plus some tariffs)
- Low RAB + ageing assets = increasing prices to maintain service

# Context – Our strategy

- Early in Water Plan 3, we set a new corporate strategy.
- This led us to set some ambitious goals – and to get to work on achieving them ...

	Goal (20 year)	Achieved (5 years)
Reduced operating costs	20% (below WP3)	8.5%
Reduced capital expenditure	25% (below WP3)	15%
Reduced cost of modernisation	30%	27%
External funding for modernisation	50% or more	At least 1/3rd
New “once-off” revenue	\$20m	\$6m
New recurrent revenue	20%	4%
Price change (relative to 2013)	<10% increase	-17% to +5%

- This coupled with the removal of the renewal annuity, use of fund balances during Water Plan 3 has allowed us to fund major capital works without significant price change

# Outcomes

- Licence holders (over 80% of our customers)
  - Annual price reductions of 2.3%
  - Also absorbed licence renewal fees
  - Investment in automated meter reading and customer portal to provide better access to information and transactions
- MID
  - \$50m investment in MID modernisation, with no price increase
  - Improved system efficiency, meaning more water for production
  - Improved flow rates and order lead-time
- WID
  - \$12m investment in WID modernisation, with no price increase
  - Improved system efficiency, meaning more water for production
  - Avoid service degradation
- BMID
  - \$5m investment in BMID, with price below 2013/14 level for 4 out of 5 years (following price drops over WP3)
  - Improved system efficiency, meaning more water for production
  - Avoid service degradation

# Engagement

- On-going
  - CCCs
  - Field staff
  - Board engagement (CCC meetings, stakeholder dinners, site tours)
  - Customer First Team
  - Regular surveys, feedback, face to face engagement
- Targeted
  - Offer to all customers to be involved, and preference for how – around 500 responses
    - Most preferred email & hardcopy
  - Survey (email & hardcopy) – around 120 responses
    - What are we doing well / where do we need to improve
    - Suggested improvements and willingness to pay
    - Most important aspects of service
  - Regional workshops and phone interviews
    - Willingness to pay for specific proposals

# Specific initiatives

Proposal	Decision
Taking a more active role in water trading	<ul style="list-style-type: none"><li>• Included increased water trading within outcome measures</li><li>• Deliver by refocussing priorities within existing resources</li></ul>
MID high-use outlet modernisation	<ul style="list-style-type: none"><li>• Capital plan includes \$1m to upgrade the 25 highest use outlets</li></ul>
MID Lifeblood earthmoving program	<ul style="list-style-type: none"><li>• Operating expenditure proposal provides \$140k of additional maintenance per year</li></ul>
Maintenance management application	<ul style="list-style-type: none"><li>• No specific provision</li><li>• Implement through our planned customer portal and asset management system</li></ul>
WID & BMID water security Project Manager	<ul style="list-style-type: none"><li>• \$150k within operating expenditure to cover a project manager for one year</li></ul>
Customer portal	<ul style="list-style-type: none"><li>• \$1m within capital expenditure program to implement this system</li></ul>
MID2030 Phase 2	<ul style="list-style-type: none"><li>• \$10.6m within capital expenditure program as a contribution towards this project</li></ul>

# PREMO - Why are we “advanced”?

- Effectiveness of ongoing engagement
- Price drop for over 80% of customers
- Returning WP3 savings to customers through modernisation
- Service improvements
- Tighter price control (5% maximum impact in setting annual prices)