



**WESTERNPORT**  
WATER™

# PRICE SUBMISSION 2018-23

ESSENTIAL SERVICES COMMISSION



OCTOBER 2017

# OUR APPROACH

- ▶ Genuine and authentic customer engagement from our people
- ▶ Used price review process to build:
  - Understanding and capacity within our organisation
  - Trust within the community
- ▶ Used external expertise to validate assumptions and ‘pressure-test’ approach
- ▶ Ensured Board was provided with key decision points every step of the way to shape submission in accordance with customer priorities.



 **Ian K McFarland** Wow, what a great organisation, very impressed by the small, dedicated and professional team, who work there, and the unique challenges they face in providing their service.  
Like · Reply · Message · 14 mins

 **Westernport Water** Thanks for the feedback Ian! We appreciate the time taken out of your day to contribute to our workshops.

 **Neroli Raff** I went to the Cowes meeting last week and thought it was time well spent. I liked learning the finer details of the water business. Turning on the tap is now a more informed experience.  
Like · Reply · Message · 2 · 22 hrs

 **Westernport Water** Hi Neroli, thanks for your kind words and feedback! We are happy to hear that you were able to take so much out of the workshop.

# OUR BEST OFFER

- ▶ Prices are proposed to remain stable (0.62% reduction in first year, excluding CPI)
- ▶ Proposed average annual operating efficiency of 2.63%
- ▶ Increased focus on renewals – 56% of program (\$14.8m)
- ▶ Largest customer engagement program in our history
- ▶ Introduction of performance-based rebate scheme, improved GSL scheme
- ▶ Independently reviewed by KPMG against ESC Guidance Paper.



# ENGAGEMENT



- ▶ Over 1,000 customers (5%) participated over four stages
- ▶ Customers sought greater affordability, improved water quality, investment in the environment, and sustained performance through a focus on renewal activity
- ▶ Feedback has influenced key decisions:
  - Reduced fees and charges, water supply interruptions, greenhouse gas emissions, and water quality complaints
  - Increased drinking water satisfaction, effluent reuse, and GSL payments.



# OUTCOMES



- ▶ Reliable Water and Wastewater Services
  - ▶ Better Tasting Water
  - ▶ Affordable and Responsive Services
  - ▶ A More Sustainable Community
- 
- *Three performance targets for each outcome*
  - *Performance rebate applicable for customers in the event targets are missed (2023-24)*
  - *Rebate ranges from \$5 - \$20 per customer depending on number of failed targets.*

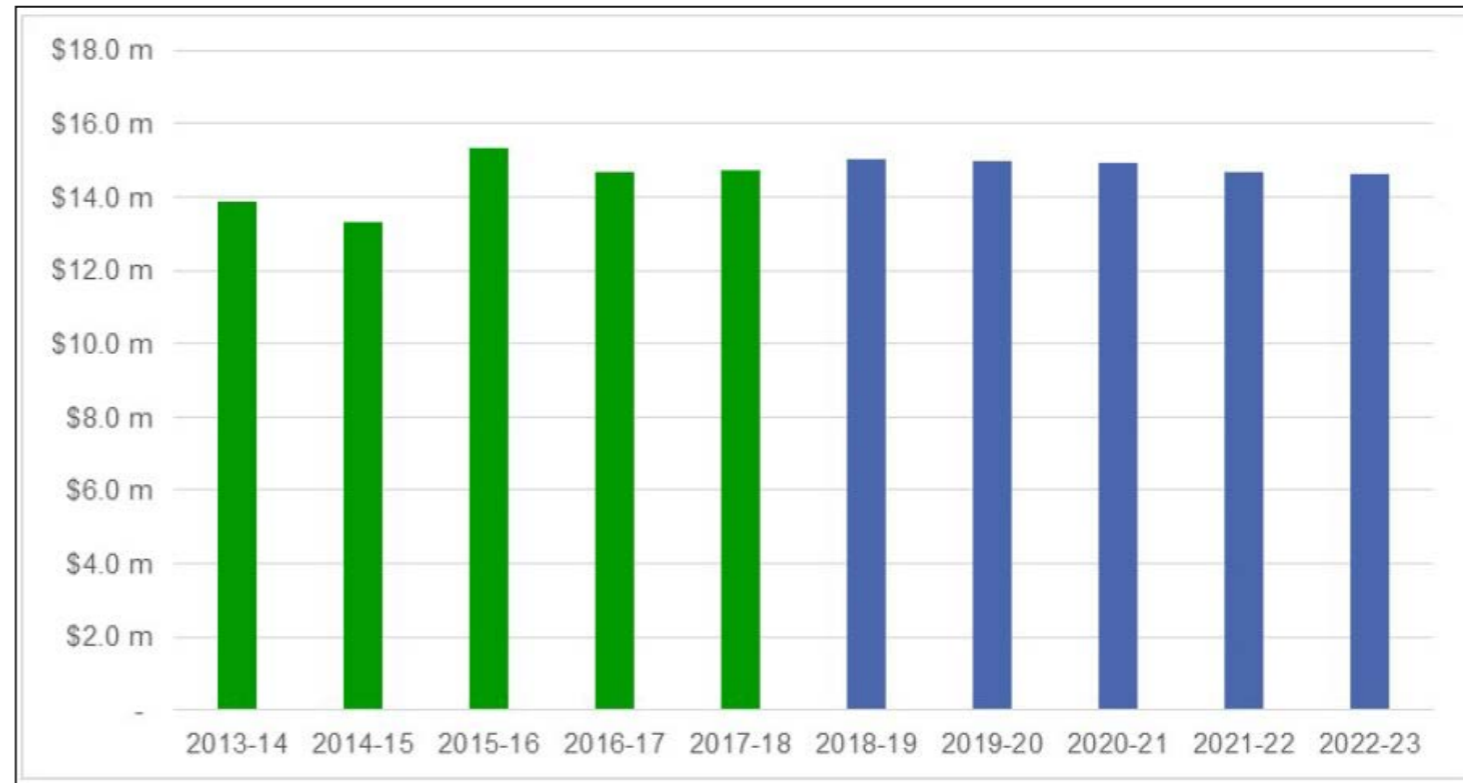


# OPEX

▶ 2.63% average annual operating efficiency, driven by \$250,000 per annum saving in operational expenditure anticipated from realising procurement opportunities and reducing:

- ❑ Contactor expenditure
- ❑ Preventative maintenance
- ❑ Electricity expenditure.

**Operational Expenditure 2013-23 (\$real2018)**



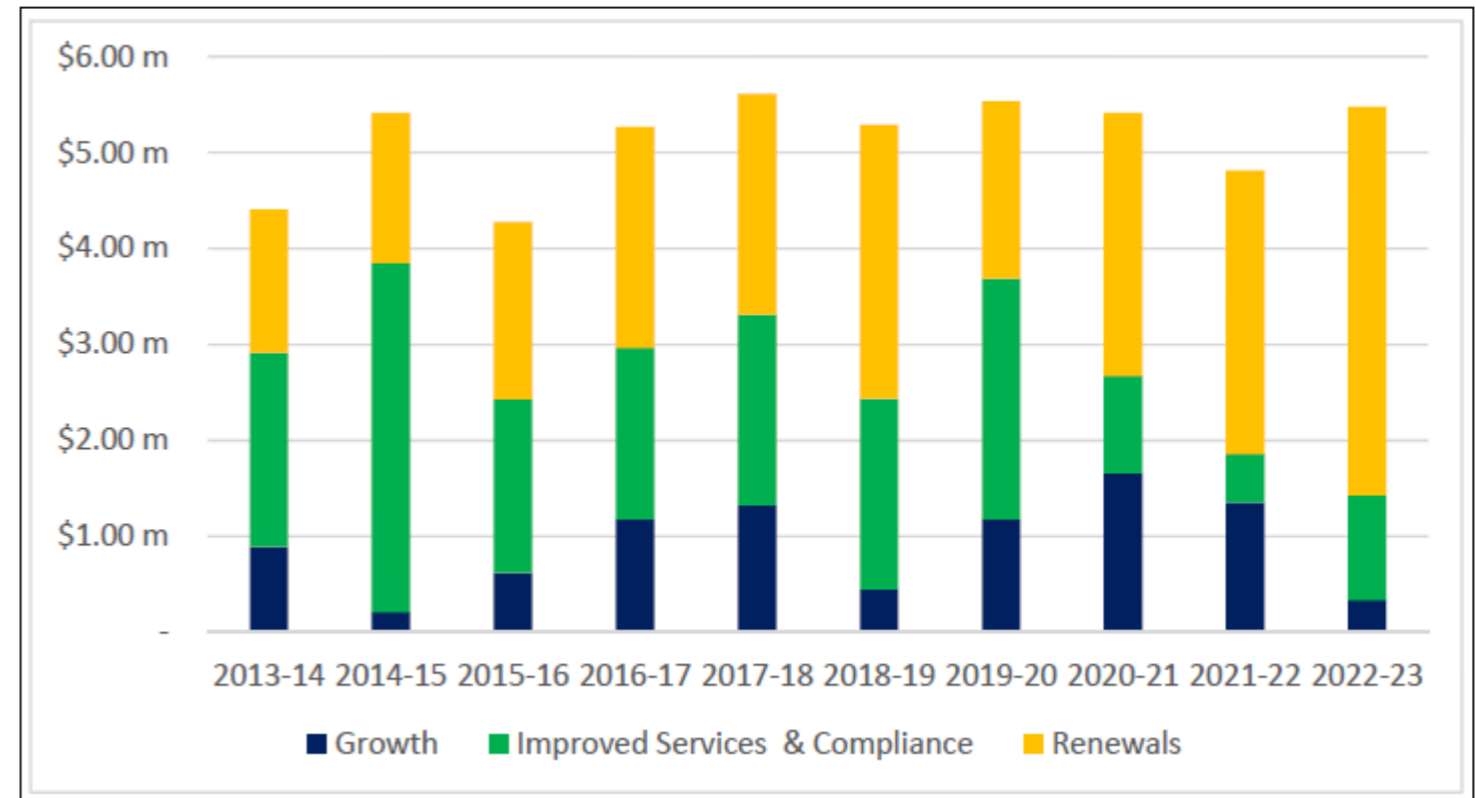
**Operational Expenditure Efficiency**

	2018-19	2019-20	2020-21	2021-22	2022-23
Operating expenditure efficiency	5.353%	1.982%	2.201%	1.705%	1.924%
Customer growth	1.982%	1.982%	1.982%	1.705%	1.705%
Net efficiency (growth less efficiency)	-3.371%	0.000%	-0.219%	0.000%	-0.219%

# CAPEX

- ▶ \$26.5m capital expenditure program, including \$14.8m on renewals
- ▶ Decisions mirror customer preferences:
  - \$813k investment in sustainability
  - Doubling of investment in water quality
  - Focus on reliability - increasing system redundancy and water main replacement.

Capital Expenditure by Cost Driver



Capital Expenditure by Cost Driver (\$m,real2018)

Cost Driver (\$m,real2018)	2018-19	2019-20	2020-21	2021-22	2022-23
Growth	0.45	1.18	1.66	1.36	0.34
Improved Services / Compliance	1.99	2.51	1.01	0.51	1.09
Renewals	2.85	1.85	2.74	2.95	4.05
<b>Total</b>	<b>5.29</b>	<b>5.54</b>	<b>5.42</b>	<b>4.81</b>	<b>5.48</b>

# CAPEX HIGHLIGHTS

- ▶ \$3.4m – Cowes Wastewater Treatment Plant Upgrade – Stage 2

Addresses capacity and performance constraints at Cowes Wastewater Treatment Plant, ensuring compliance with EPA license conditions.

- ▶ \$2.8m – Phillip Island Water Supply Security Project

Reduces water supply interruptions on Phillip Island by constructing a storage tank to back feed water to San Remo or Cowes, when the sole water main is shut for repair.

- ▶ \$2.0m – San Remo Basin Renewal Project

Renews life-expired basin liner at the single water source for San Remo and Phillip Island to ensure water security to meet peak seasonal demand.

- ▶ \$1.8m – Water Main Replacement Program

Increases pipe replacement from 3km in WP3 to 11km in PS1 following multi-criteria assessment technique.

- ▶ \$1.7m - Business Transformation Project

Responds to critical business risk, improving ICT stability and performance, while improving functionality of core systems to deliver reliable and responsive services to our customers and our people.



# DEMAND (1)

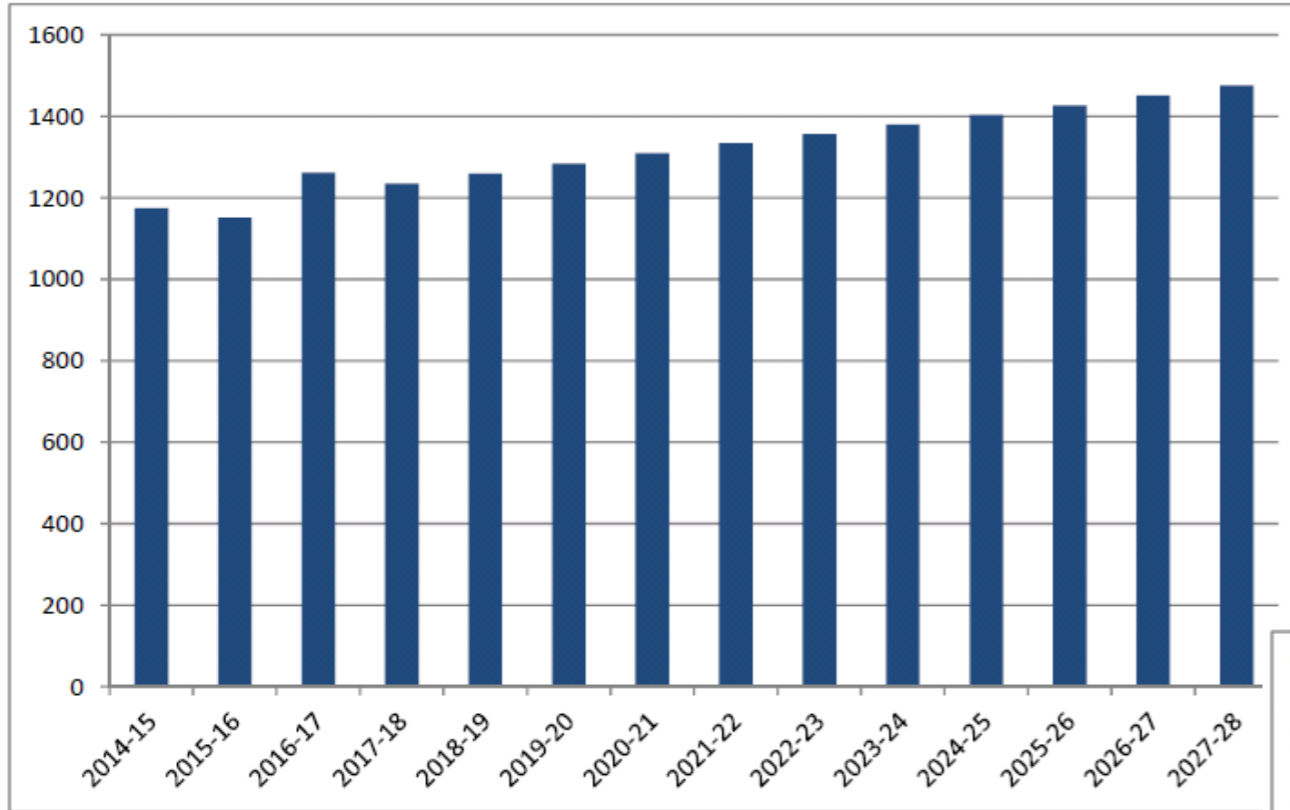
- ▶ Water and sewerage connection growth in line with 2016 VIF forecasts, excluding large non-residential customers (1.982% until 2020-21; 1.705% to 2021-22)
- ▶ Recycled water connection growth informed by planned development of new sub-divisions
- ▶ Average consumption uses average annual consumption over previous three years
- ▶ Meter hydrant consumption anticipated to fall by 10% in first three years, following introduction of new tariff.

## VIF Forecast Growth

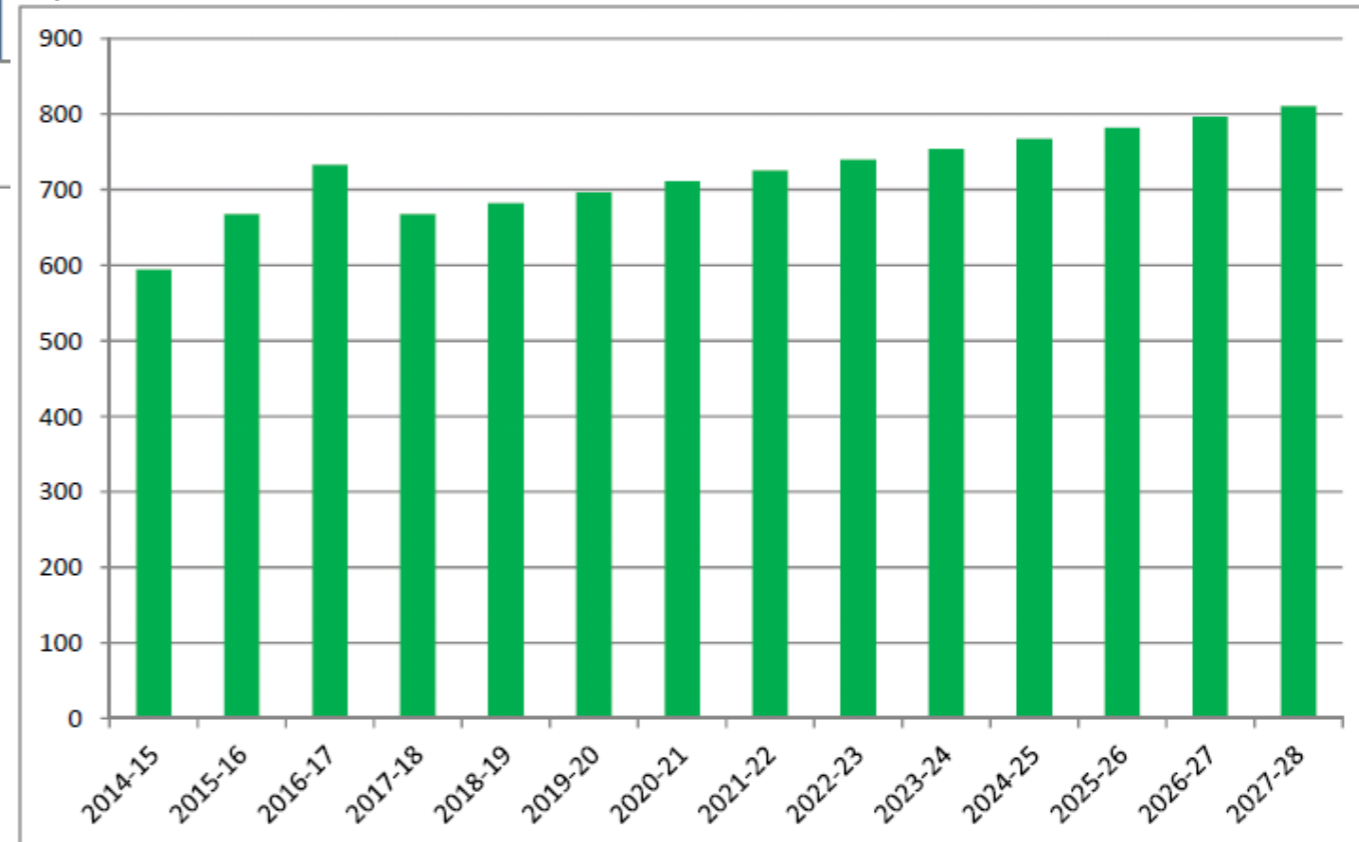
Growth Forecast		2011 to 2016	2016 to 2021	2021 to 2026
Bass coast	Permanent Dwellings	1.65%	1.83%	1.67%
	Occupied Dwellings	1.78%	2.43%	2.03%
Phillip Island	Permanent Dwellings	1.65%	1.79%	1.56%
	Occupied Dwellings	1.38%	2.18%	1.84%

# DEMAND (2)

Residential Water Consumption



Non-Residential Water Consumption



# PRICE PATH

## Proposed Price Movement (2018-23)

	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Requirement	\$22.168m	\$22.480m	\$22.775m	\$22.852m	\$23.144m
Average Annual Bill	\$1,144.83	\$1,144.83	\$1,144.83	\$1,144.83	\$1,144.83
Price Path	(0.62%)	0.00%	0.00%	0.00%	0.00%
Average Annual Change	(\$7.16)				
Net Price Path (including removal of FWB Rebate)	2.08%	0.00%	0.00%	0.00%	0.00%
Average Annual Change (including removal of FWB Rebate)	\$23.29				

## Proposed Price Movement in 2018-19 (Based on WP3 Actual)

