



PERFORMANCE OF  
VICTORIAN URBAN  
WATER AND  
SEWERAGE  
BUSINESSES 2012-13

INDUSTRY SUMMARY

December 2013



# OVERVIEW OF VICTORIAN WATER INDUSTRY

This industry summary forms part of the suite of documents the Essential Services Commission released for its 2012-13 urban water performance report. It highlights several key issues the Commission considers to be important in 2012-13.

The Commission regulates the prices and service standards of water businesses, approving prices to recover the expenditure required to efficiently operate, maintain and expand the water and sewerage networks to meet customers' needs.

Victoria's 16 urban water businesses service 2.5 million customers using 44 700 kilometres of water mains and 36 300 kilometres of sewer main (figure 1).

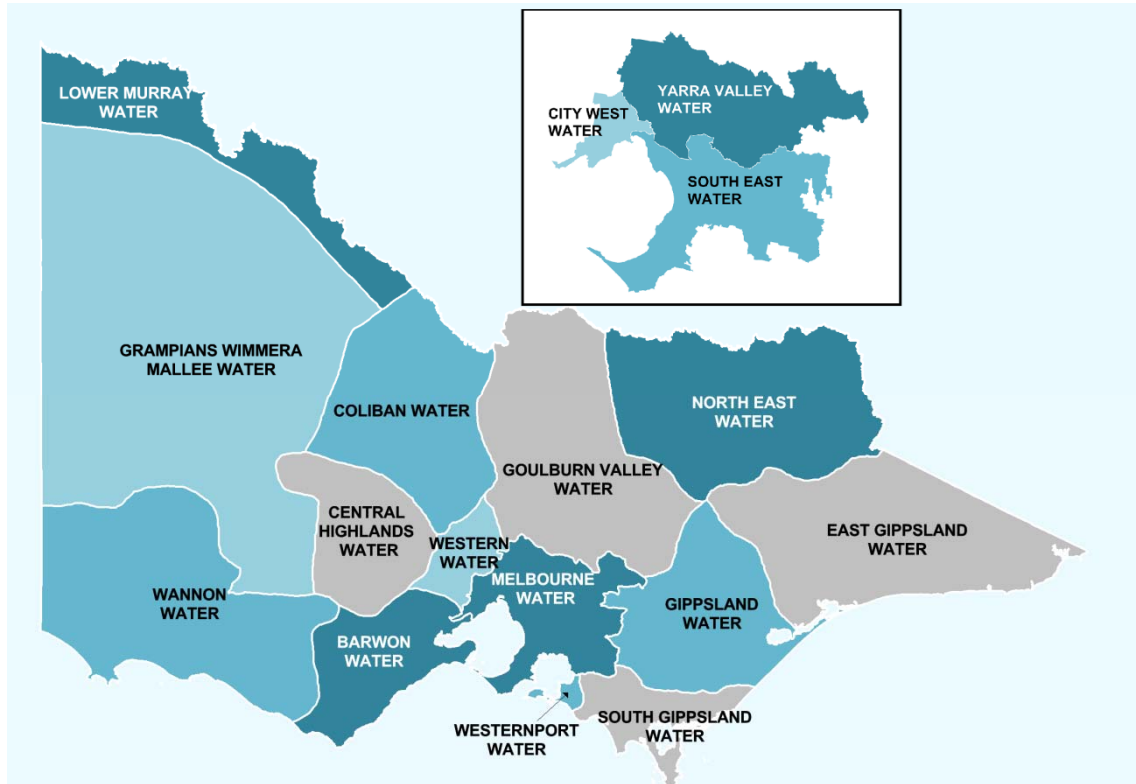
In 2012-13 Victorian water businesses continued to recover from years of drought followed by the extreme rainfall and flooding of 2010-11. Businesses again provided high quality water and reliable water and sewerage services. They also continued to reduce their impact on the environment.

While restrictions of customers' water supply and legal actions increased, there were more customers on payment plans. Fewer hardship grants were approved, although the total value of hardship grants increased by 17 per cent.

In 2012-13 the Victorian urban water industry spent \$1.08 billion on capital works: \$545 million on water and \$534 million on sewerage.

Water businesses identified 78 major projects to be completed in 2012-13, including those carried over from previous years. Over half (41) of these projects were completed when this report was published. Of the remaining projects, 15 are underway but delayed; 17 were deferred into the third regulatory period or beyond; and five were cancelled because needs or priorities changed, or could be met using a different approach.

**FIGURE 1 VICTORIAN WATER BUSINESSES 2012-13**



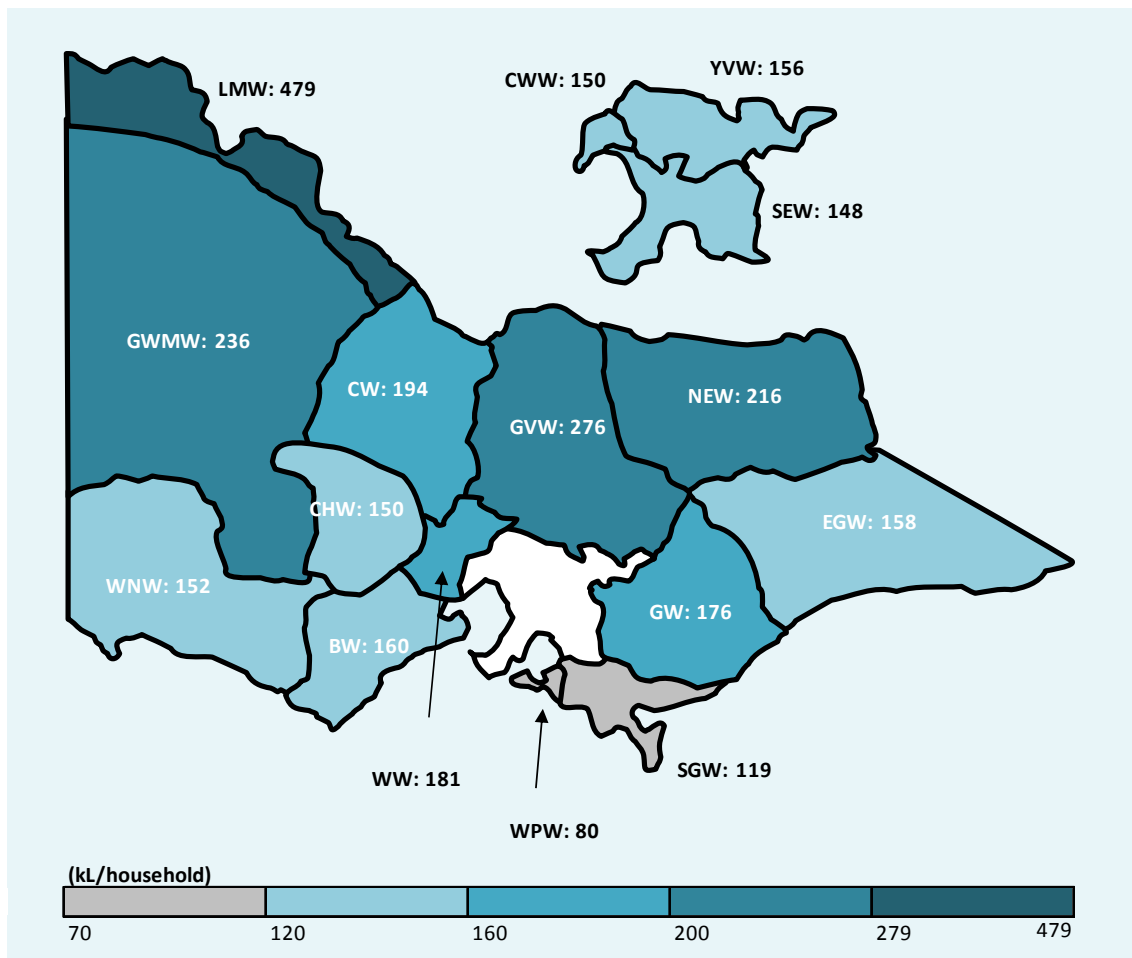
## CONSUMPTION

Consumption patterns differ throughout the state for a number of reasons including climate, demographics and any water restrictions in place. Consumption fell with water restrictions during the drought and then extreme rain events in 2010-11, but bounced back following the removal of restrictions and a warmer summer.

Average household consumption across Victoria increased by 9 per cent from 150 kilolitres in 2011-12 to 163 kilolitres in 2012-13. Generally, average household consumption remained higher in regional Victoria (194 kilolitres per household, up from 174 kilolitres in 2011-12), than in metropolitan Melbourne (152 kilolitres per household, up from 142 kilolitres in 2011-12).

All water businesses observed an increase in average household consumption in 2012-13. Traditionally the highest consumption has been in the drier and hotter north of the state. Lower Murray Water and North East Water recorded the largest increases. The lowest consumption was in areas with seasonal population variability, such as Westernport Water (figure 2).

**FIGURE 2 AVERAGE HOUSEHOLD CONSUMPTION 2012-13**  
(kilolitres per household)



## HOUSEHOLD BILLS

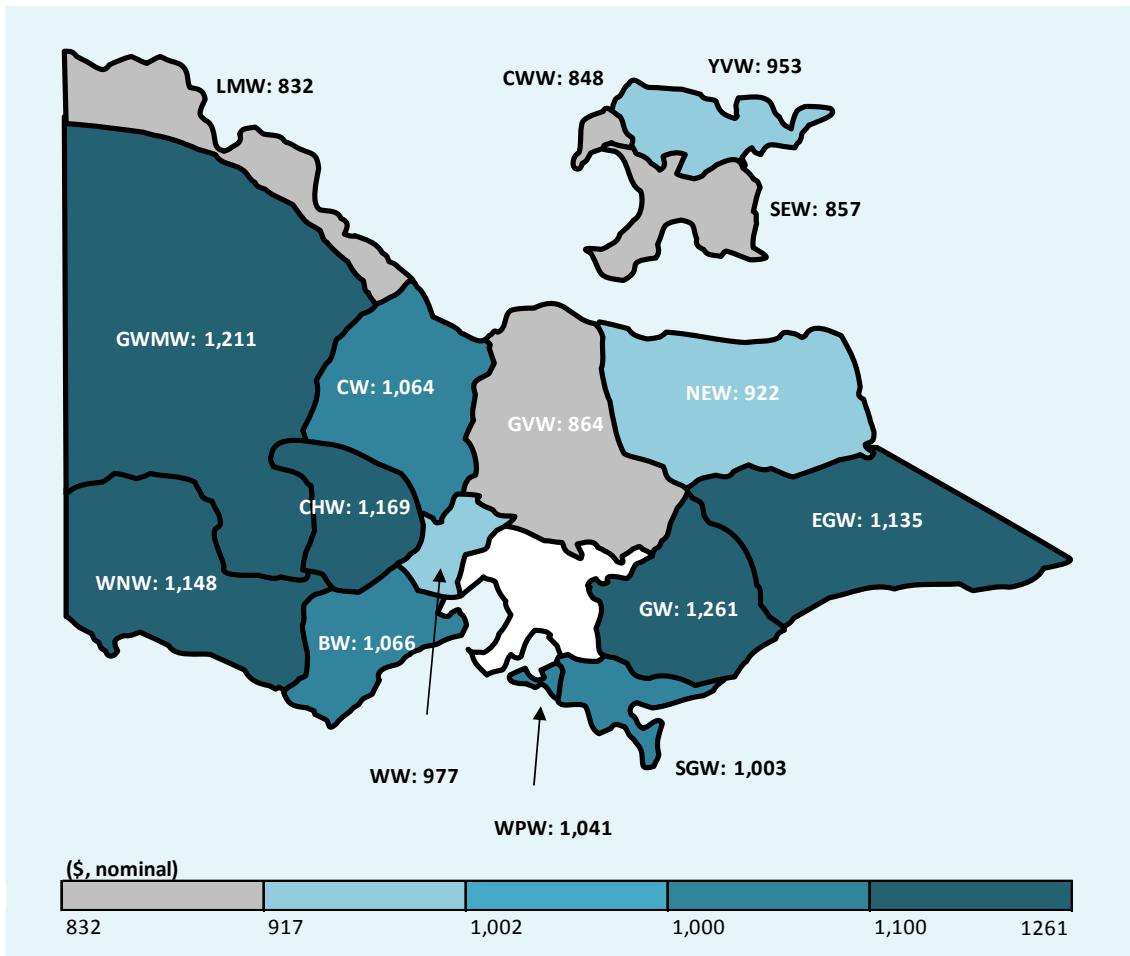
The Commission uses each business's average household consumption to calculate an indicative average household bill for water and sewerage services. Overall the average household bill in 2012-13 was higher than 2011-12 in nominal terms. The average household bills for owner occupiers ranged across businesses from \$832 (Lower Murray Water) to \$1261 (Gippsland Water) (figure 3). Differences in the calculated bills can be attributed to a number of factors: the cost to service different regions, sources of water and the average volume of water used.

A household bill is comprised of fixed water and sewerage charges, variable water charges based on meter readings and, in the metropolitan region, variable sewerage charges linked to water use. Customers of businesses with a higher variable water component can exercise greater control over their bill. A number of businesses base their variable water charges on an 'inclining block tariff' structure, where the price steps up when certain levels of consumption are reached. Other businesses have a single pricing tier for their variable water charges.

Tenants do not pay service (fixed) charges and are only responsible for the usage (variable) component of the bill. Average household bills for tenants ranged from \$120 (Westernport Water, which has a high proportion of fixed charges to account for a low permanent customer base, as well as a low average consumption) to \$511 (Yarra Valley Water) in 2012-13.

2012-13 was the final year of the current regulatory period. For the regional businesses, the increases reflected scheduled price rises and higher average household consumption. Metropolitan prices were frozen at 2011-12 levels, so higher average consumption drove metropolitan bill increases.

**FIGURE 3 OWNER OCCUPIERS — AVERAGE HOUSEHOLD BILLS 2012-13**  
(\$, nominal)



## PAYMENT DIFFICULTIES

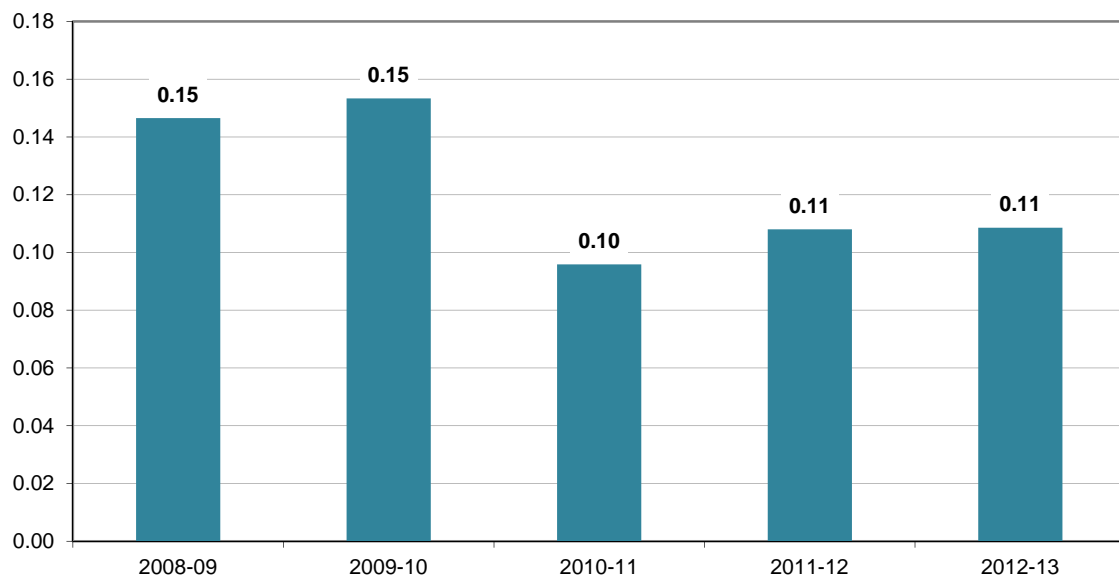
The Customer Service Code, which took effect on 1 July 2005, requires all urban water businesses to assist customers facing payment difficulties on a case-by-case basis, and that a series of steps be undertaken before restricting water supply. Assistance tools include instalment plans, hardship grants and providing access to the government’s Utility Relief Grants Scheme.

The Commission also introduced a new hardship related guaranteed service level (GSL) in 2010, which was extended to all businesses on 1 July 2012.

The rate of residential instalment plans for customers in difficulty increased for 10 of the 16 businesses. The overall rate across all water businesses increased from 5.9 per 100 customers in 2011-12 to 6.3 in 2012-13.

There was a 2 per cent increase in the number of residential customers whose water supply was restricted for nonpayment, from 2381 in 2011-12 to 2439 in 2012-13 (figure 4). This included more customers on concession (up from 370 to 465). Over the same period, nonresidential customers whose water supply was restricted for nonpayment rose 16 per cent.

**FIGURE 4 RESIDENTIAL SUPPLY RESTRICTIONS FOR NONPAYMENT OF BILLS**  
(per 100 customers)



Use of the Utility Relief Grants Scheme decreased slightly in 2012-13 with 1.6 grants per 1000 customers (3654 total) compared to 1.7 grants per 1000 customers (3763 total) in 2011-12.

Legal actions against residential customers increased by 21 per cent from 668 in 2011-12 to 811 in 2012-13. The average debt level before initiating legal proceedings decreased slightly to \$1303 in 2012-13 from \$1444 in 2011-12, and is well above the minimum of \$200 specified in the Commission's Customer Service Code.

The number of hardship grants approved fell to 14 416 in 2012-13, from 17 948 in 2011-12. However, the total value of those grants increased by 17 per cent to \$2.5 million.

## CUSTOMER COMPLAINTS

In 2012-13 businesses received 18 202 complaints, a 12 per cent increase from the 16 235 complaints received in 2011-12. This equates to a rate of 0.74 complaints per 100 customers across the state, up from 0.67 in 2011-12. The increase was driven mainly by payment issues and water quality complaints from metropolitan Melbourne customers.

In 2012-13 the Energy and Water Ombudsman (Victoria) (EWOV) received 2198 complaints and 64 enquiries about the metropolitan and regional urban water businesses, up 9 per cent from 2008 complaints and 69 enquiries in 2011-12.

## WATER NETWORK RELIABILITY

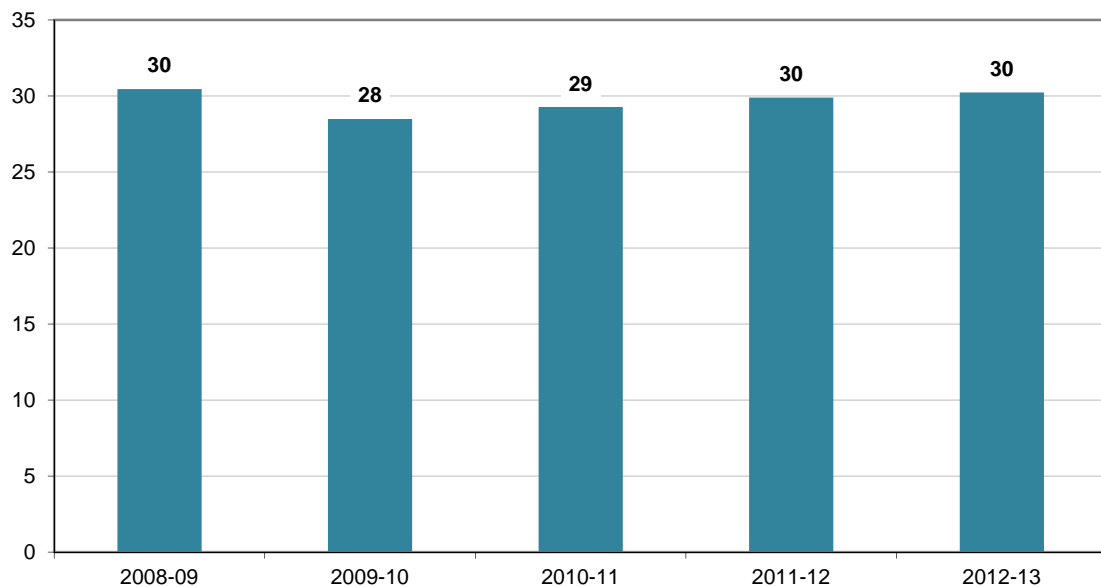
Overall reliability of a water supply network is measured by customer minutes off supply. Businesses can seek to improve overall reliability through a number of strategies such as reducing the frequency of interruptions, reducing the number of customers affected with each interruption event or by targeting the duration of interruptions. In practice, businesses are likely to pursue a combination of these approaches.



Overall water supply reliability, measured by average customer minutes off supply, remained steady at 30 minutes in 2012-13 (figure 5).

The rate of interruptions to water supply increased to 39 interruptions per 100 kilometres of water main in 2012-13, up from 36 interruptions in 2011-12.

**FIGURE 5 STATEWIDE AVERAGE CUSTOMER MINUTES OFF SUPPLY 2012-13**  
(minutes)



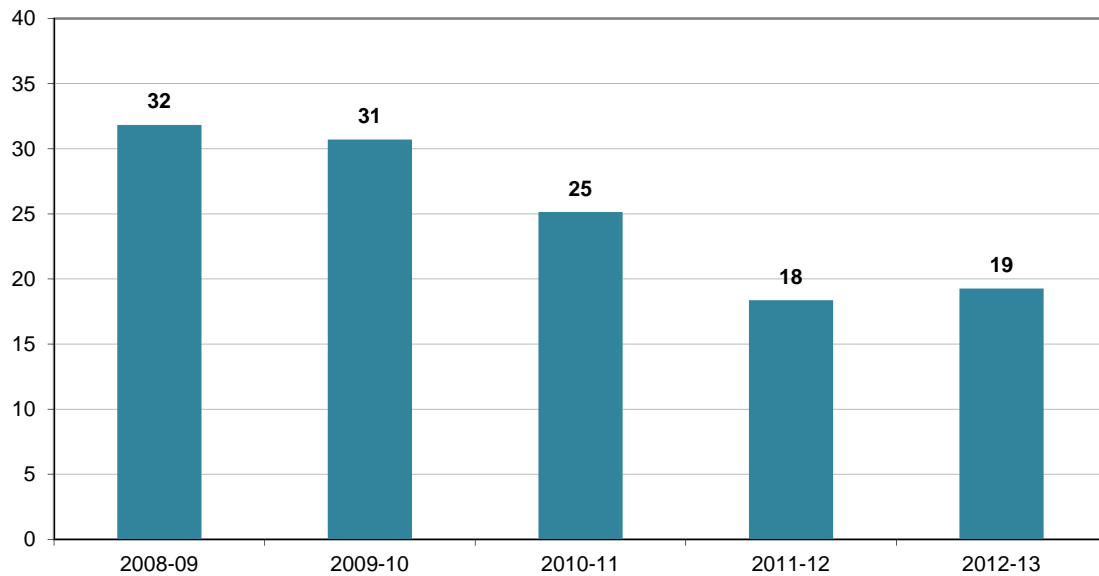
## SEWERAGE NETWORK RELIABILITY

A sewer blockage is a partial or total obstruction of a sewer main that impedes sewage flow. This includes all trunk and reticulation main blockages, but excludes blockages in the individual service connection branch and property drain.

The average rate of sewer blockages for all water businesses increased slightly in 2012-13, with 19 sewer blockages per 100 kilometres of sewer main, up from 18 in 2011-12 (figure 6).

The rate of sewer spills also increased slightly from 9 per 100 kilometres of sewer main in 2011-12 to 10 in 2012-13.

**FIGURE 6 SEWER BLOCKAGES 2012-13**  
(per 100 kilometres of sewer main)



## WATER QUALITY

Safe, good quality drinking water is essential for community health and wellbeing. One of the core functions of the urban water businesses is delivering water that is safe to drink.

In Victoria, the governance framework for the supply of safe drinking water is set out in the *Safe Drinking Water Act 2003* and the *Safe Drinking Water Regulations 2005*.

Fifteen of the 16 urban water businesses delivered water that met *E. coli* bacteriological requirements set out in the *Safe Drinking Water Regulations*. Coliban Water recorded a noncompliance in one of its smaller towns.

All urban businesses, except GWMWater, delivered water that met the turbidity requirements set out in the *Safe Drinking Water Regulations*. GWMWater's performance continued to improve in 2012-13 as the effects of the January 2011 floods diminished. It met turbidity requirements in 24 of 26 drinking water supply zones; 1.7 per cent of customers were affected by water that did not meet the requirements, an improvement from 2 per cent in 2011-12 and 11 per cent in 2010-11.

Water quality complaints rose slightly from a rate of 0.27 complaints per 100 customers in 2011-12 to 0.29 in 2012-13, driven mainly by an increase in colour complaints by metropolitan Melbourne customers.

## ENVIRONMENT

Water businesses treated 479 700 megalitres of sewage in 2012-13. This was a 1 per cent decrease from the 2011-12 volume of 483 600 megalitres. The proportion treated to a tertiary standard increased from 13 per cent in 2011-12 to 35 per cent in 2012-13 after Melbourne Water's Eastern Treatment Plant was upgraded.

The proportion of total effluent produced in Victoria that was reused increased from 18 per cent in 2011-12 to 20 per cent in 2012-13. Total effluent reuse rose by 5 per cent to 91 400 megalitres, compared with 87 000 megalitres in 2011-12. However, this was still well below the 115 600 megalitres reused in 2009-10, at the peak of the drought.

Victorian urban water businesses reported 765 300 tonnes of total net carbon dioxide equivalent (CO<sub>2</sub>-e) emissions in 2012-13, a 3 per cent reduction from the 789 100 tonnes reported in 2011-12.

## MAJOR PROJECTS

Water businesses spent \$1.08 billion on capital works in 2012-13. The total capital expenditure investment across the second regulatory period was \$9.1 billion (\$2012-13 real).

Businesses identified 120 major projects to be completed during the second regulatory period. However, only 83 projects were completed, with 41 of these completed in the final year of the period. Another 18 projects are underway and will continue into the third regulatory period. Fourteen projects were deferred into the third regulatory period (commencing July 2013) or beyond, and five projects were cancelled or suspended indefinitely as needs and priorities changed.