



2023 Price Submission



East Gippsland **Water**

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Presentation Outline



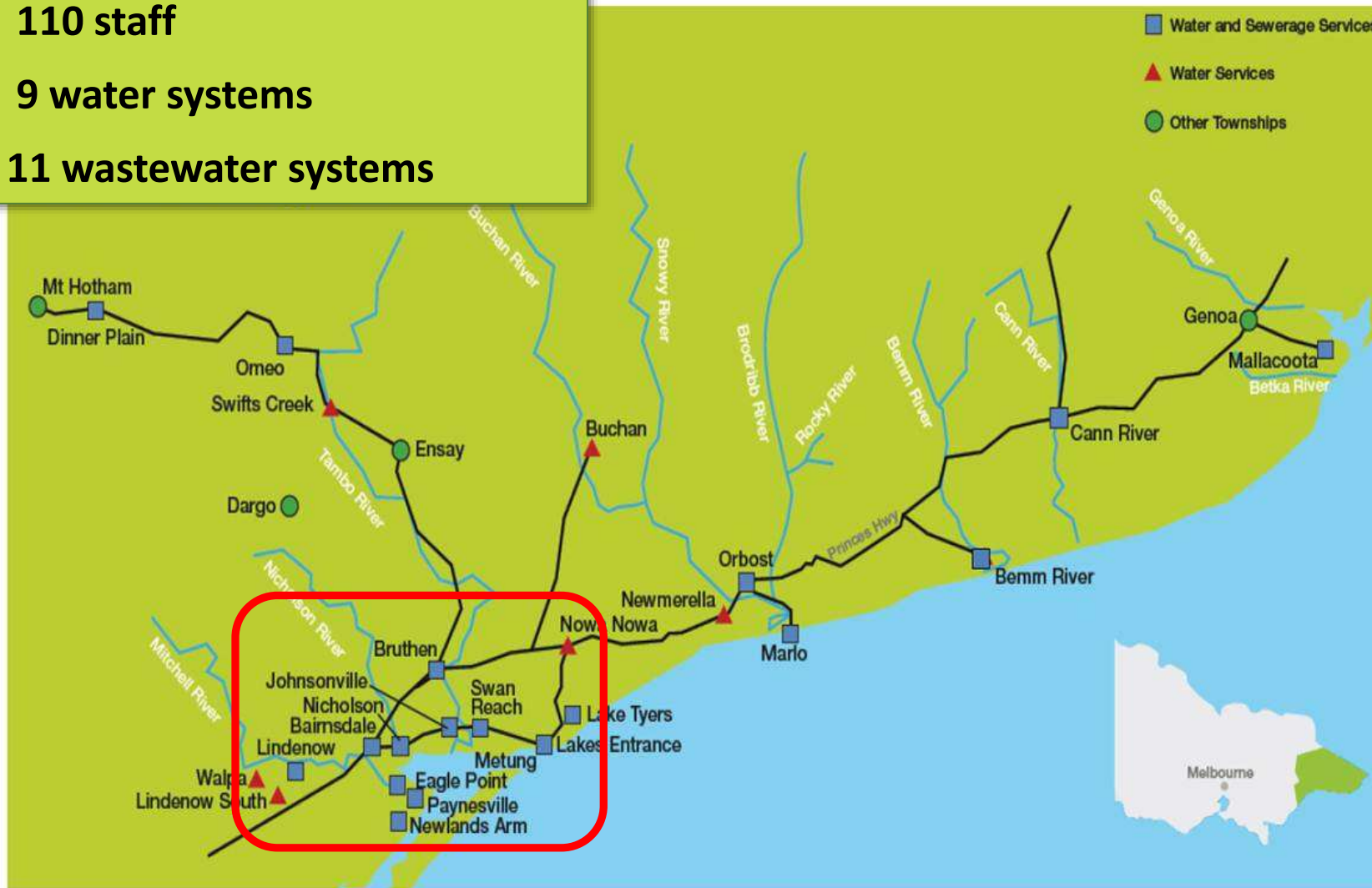
- Our region
- Price submission “*At a glance*”
- Planning drivers
- Customer Engagement & Hardship Support
- Financial position and Price Path

Our region

110 staff

9 water systems

11 wastewater systems





At a glance

- Standard PREMO rating
- Customers hardship support \$250K / year
- 5 year investment
 - \$115M capital works (74% increase)
 - \$127M operating (\$9.2M above baseline)
- CPI + 0.3% increase in average bill

Planning drivers

1. Investment in aging assets and core service

2. Climate - 2017 to 2019 three driest years on record

- *2019-20 Black Summer bushfires burn 56% of East Gippsland*
- *Water supply – forecast 60 days of water left*
- *Followed by a water quality emergency*

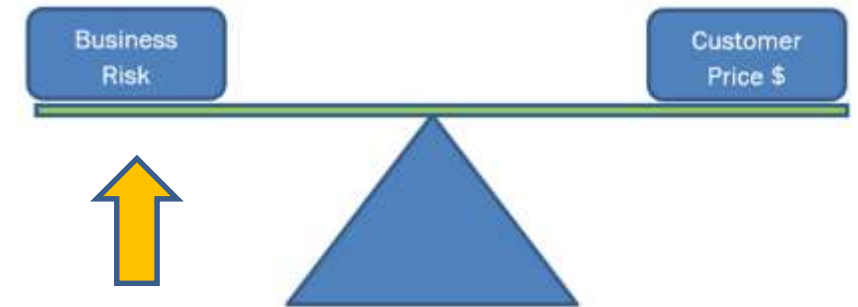
3. Climate – 2021-22 wettest on record

- *Controlled release of wastewater - everywhere*
- *EPA scrutiny and prosecution*
- *Community demanding better environmental protection*

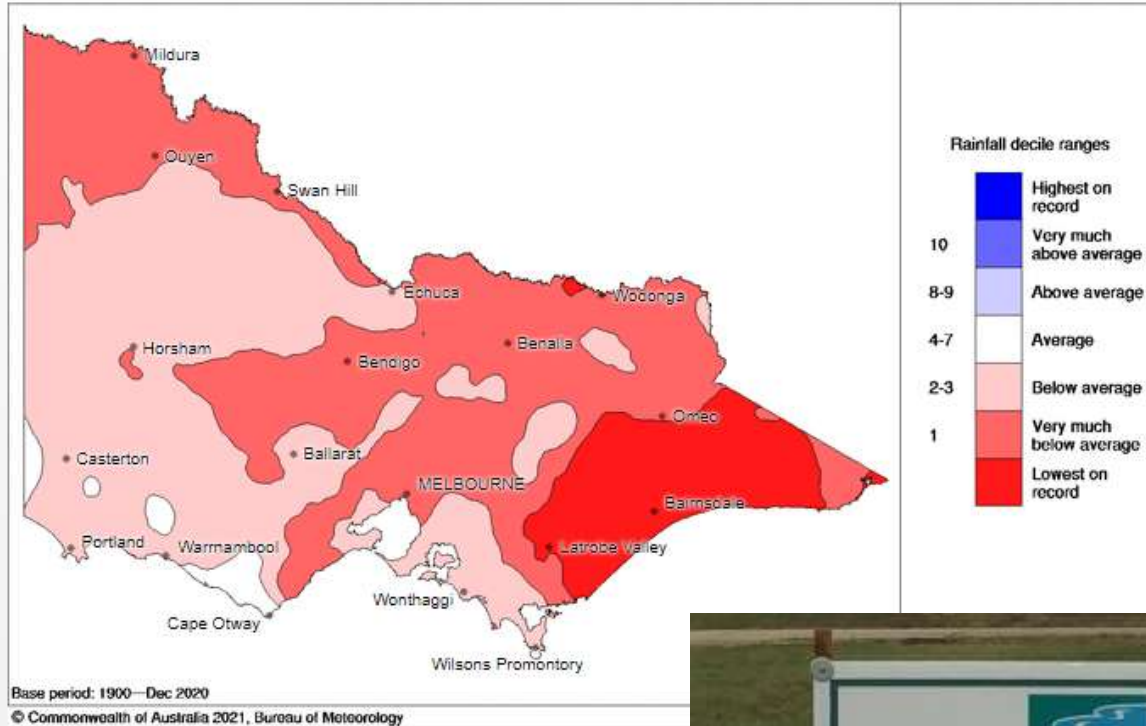
4. Our People – fatigue, wellbeing, recruitment and retention

Invest in core assets & service

- Continue rebuilding our assets and services
- To ensure expenditure is prudent and efficient to achieve the lowest cost of service over the long-term.
- Flat prices and previous Government Intervention led to deferring investment in assets and focus on debt reduction
- Increased risk and reduced service reliability, compliance and capacity for growth



CLIMATE – 2017 to 2019 driest on record



Recovery and water quality event



Buchan



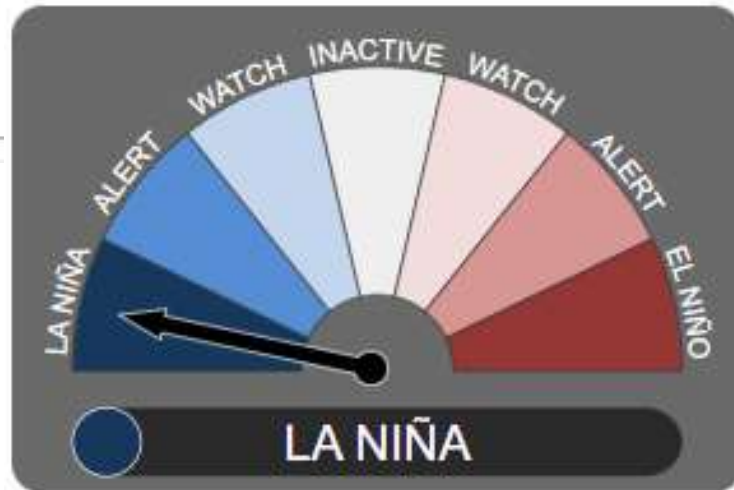
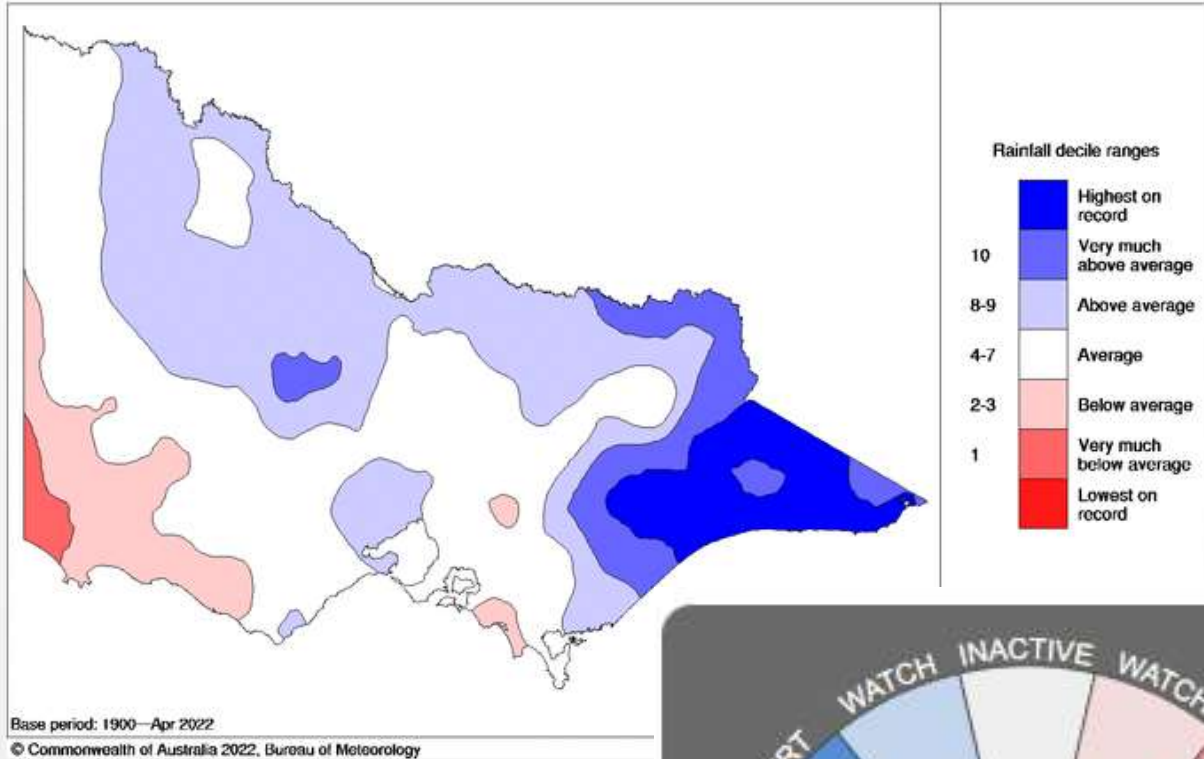
Orbost

Water resource security

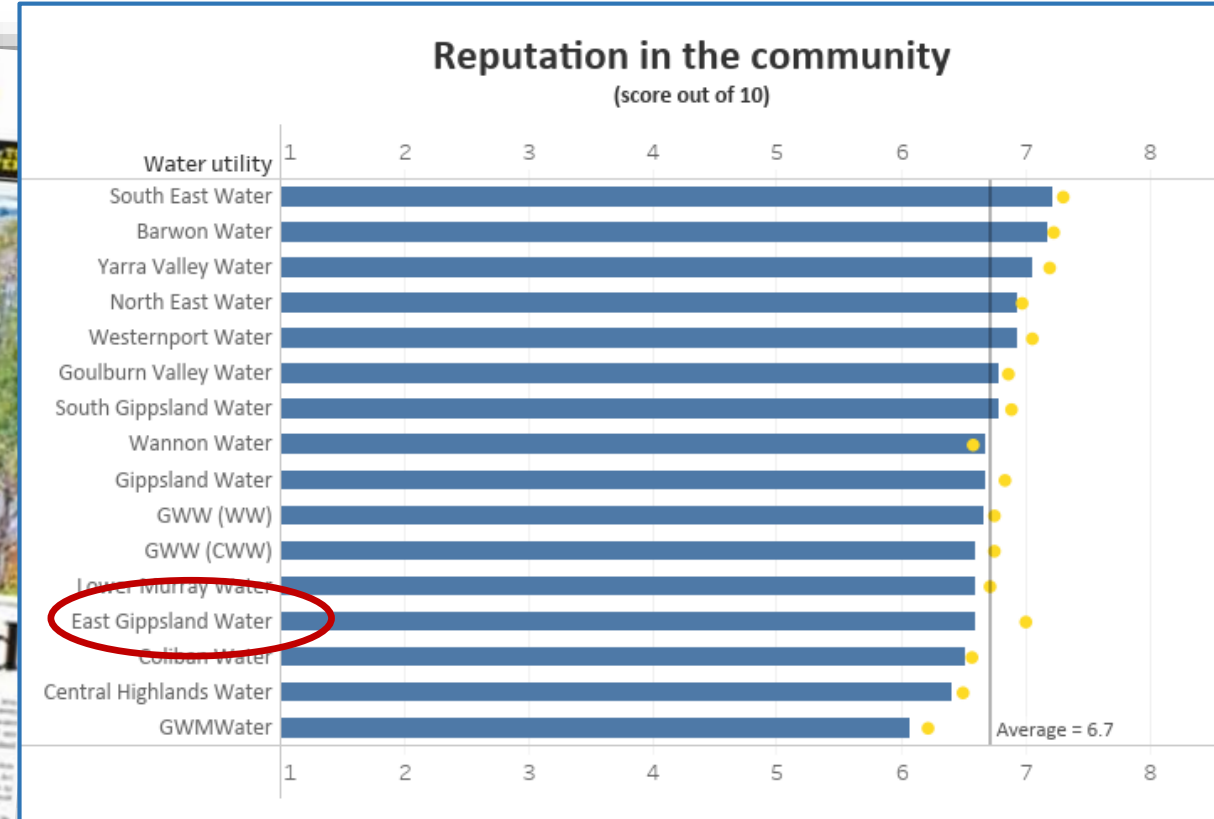
- Mitchell system water \$26M
- Mitchell critical assets \$13M
- Buchan \$3.6M
- Orbost & Marlo \$4.2M



CLIMATE – 2021/22 wettest on record



Wet weather environmental releases EPA and customer sentiment



Environmental Protection



- Paynesville wastewater irrigation \$11M
- Bairnsdale wastewater treatment \$14M



Our People

- Fatigue and mental health
- Wellbeing
- Attraction and Recruitment
- Retention



Customer Service Week celebrations

Customer Engagement & Hardship Support

David Radford



Engaging within a fragile landscape

- Over 800 people directly engaged
- In person and online (as restrictions allowed)
- Deliberative Forum (30 participants, with over 170 people expressing interest)
- Survey of 400 customers
- 1:1 interviews with representatives from business and community groups
- Workshops with our independent Customer Committee



Our Price Submission (business plan) for 2023-2028 - what it means to you

East Gippsland Water is a Victorian Government-owned corporation providing water and sewerage services to towns across East Gippsland. Our operations are funded by you, our customers (residential and businesses), through quarterly bills.

Every five years we are required by the Essential Services Commission (the water industry economic regulator) to submit a comprehensive review of our business and a detailed business plan for the next five years. This includes how much money we will charge to customers and is called our Price Submission 2023-2028.

Over the past 18 months we have engaged a wide cross section of East Gippsland's diverse community to get your feedback on what is most important when it comes to the delivery of our services. This feedback has been integral to shaping our Price Submission.

What we are proposing for the next five years - a snapshot

- Capital Works**: An investment of \$125 million in a major capital works program to secure water supplies in a changing climate, protect the environment and replace ageing infrastructure.
- Maintenance**: An investment of \$125 million for the maintenance and day-to-day operation of our existing water and sewerage infrastructure.
- Customer bills**: An increase to the average annual residential customer bill of \$71.12 over the next five years (excluding inflation) - from \$1,230.41 in 2022/23 to \$1,341.83 in 2027/28.
- Hardship assistance**: Providing \$200,000 per year to support customers who have taken on hard times - to assist with their water bill.

Guaranteed Service Levels

To help ensure customers receive high standards of service our independent Customer Committee has selected Guaranteed Service Levels that we must deliver and appropriate customer compensation, or other remedy, where these are not met. The Guaranteed Service Levels relate to:

- Customer bill system outages.
- Sewerage spills.
- Planned interruptions to the water supply.
- Environmental sustainability.
- Promoting the efficient use of water.

A further opportunity to have your say

We are seeking your feedback on the final draft of our proposals for the Price Submission, before it is submitted to the Essential Services Commission at the end of September for review and implemented on 1 July next year. The deadline to have your say is Friday 9 September 2022. Scan the QR code or go to our website www.egwater.vic.gov.au and follow the Price Submission link from the home page to find out more. If you have any questions please contact our Community Engagement Team on 1800 671 841.

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What customers told us

In our deliberative forum, customers made recommendations consistent with our engagement in local communities:

- Bring forward capital works, to reduce the shock of bigger price increases in the following five years (pay it forward);
- Provide additional support to customers who have fallen on hard times – increasing support to \$250K / year.



Supporting customers in hardship



Direct EGW support to customers

- “Pay & Save”- EGW makes 4th payment up to \$500
- Top up Utility Relief Grant \$130

Shop front for \$2.5M / year Government rebate programs

- Concessions for Pensioners, Health Care Cards holders
- Community Rebate Program (\$750 water saving audit)
- Rebates for Not for Profits (\$260)
- Utility Relief Grants (\$650)



Expenditure Summary and Price Path

Mathew Scott





Five Customer Outcomes

- ❖ *Reliable services, done well*
- ❖ *Fair prices for all*
- ❖ *Improved environmental outcomes*
- ❖ *Prepared for population growth and a changing climate*
- ❖ *Contributing to community*



\$115M 5-year capital program

How will we deliver?

Over 80 capex projects in our 5-year plan, with our top 10 projects introducing large projects on scale we haven't delivered before.

Early preparation;

- Increased external engineering support from one to three providers
- Planning is well advanced for early projects
- Increased our internal project management resources
- Built in extra planning and project resources into PS2023



Operational Expenditure

- External factors placing upwards pressure on costs.
- Total operating expenditure of \$127 million over five-years.
- Additional \$9.2M in operational expenditure for 2023-28 period.
 - Large investment in IT (cyber security / SaaS and architecture)
 - Increased staffing
 - Increased electricity costs
 - Improved hardship measures for our customers
- Efficiency improvement rate of 0.75% (around \$180k pa).



Significant Changes PS23

Regulatory Depreciation:

- Using the asset lives of the 2020/21 revaluation, we have restated asset lives across regulatory assets
- Outcome: Better alignment of revenue recovery with expected asset lives resulting in downward pressure on prices of 2.69%

Desludging:

- A number of wastewater lagoons are in need of sludge removal and is treated as operational expenditure
- Move to a capex recovery model, removing the inconsistent recovery of desludging costs
- Outcome: Cost of desludging recovered annually, resulting in less volatile pricing impacts to customers and downward pressure on prices of 1.17%



Customer Bills

- Price rise to average residential customer bills of 0.30% above CPI during the regulatory period.
- Around \$18 above CPI over the period for residential customers.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Residential	\$1,238	\$1,241	\$1,245	\$1,249	\$1,252	\$1,256
Tenant	\$ 334	\$ 335	\$ 336	\$ 337	\$ 338	\$ 339
Non-residential	\$3,271	\$3,281	\$3,291	\$3,300	\$3,310	\$3,320
Vacant Land	\$ 465	\$ 467	\$ 478	\$ 469	\$ 471	\$ 472

Conclusion

Our submission is the culmination of 3 years of listening to our customers and includes the resources to cope with massive climate and economic disruption

We have;

- A compelling case for investment in core service
- Very clear priorities
- Strong customer support to invest
- Ensured we can support customers in hardship
- Contained prices to CPI + 0.3%



Customer Service Week celebrations