



2018 Price Submission

Presentation to the
Essential Services Commission

At a glance



Comprehensive
communication
and engagement



Customer-driven
outcomes



Higher cost
efficiency targets



Less risk to
customers



Lower bills



Ongoing
accountability



Commitment
to deliver



Clear and
transparent
justification

Our Customer Engagement Program

Customer Engagement Council (Nov 2016 – present)



Analysis, feedback and reporting cycle

'Have your say' program (Nov 2016 – present)

Customer Outcome 1



What our customers say
 The number one priority for our customers is that we continue to reliably deliver fundamental services and get them right: supplying safe, high-quality drinking water and safely removing and treating sewage.

- Safe and clear water
- Reliable water supply
- Sewage taken away and treated safely

Output measures	Current performance	2022-23 Target
Percentage compliance with drinking water and recycled water standards	100%	100%
Number of water quality complaints per 100 customers	0.18	0.18
Number of customers receiving greater than 5 unplanned water supply interruptions	532	532
Number of customers receiving 3 or more sewerage blockages	17	17

Customer Outcome 2



Warn me,
inform me

What our customers say

Whether a supply or service interruption is planned or unplanned, warnings and proactive notifications aren't just highly valued – they're expected.

- Keeping customers informed and in control
- Rectifying interruptions to minimise disruption
- Reducing disruption in peak times
- Understanding individual needs and impacts

Output measures	Current performance	2022-23 Target
Percentage of customers notified per unplanned interruptions (for customers who have given us email/mobile details)	60%	80%
Average duration of unplanned water supply interruptions	88 minutes	88 minutes
Percentage of customers impacted by unplanned water supply interruption in peak times	28.1%	27.6%
Percentage of planned water interruptions restored within notification period	98%	98%

Customer Outcome 3



What our customers say

Customers want costs kept down and assurance that our services and charges are fair and affordable. They expect us to drive efficiency through digitisation and provide the levels of bill certainty, control, rewards and incentive they receive from other providers outside the water sector.

- Provide greater bill certainty and control
- Keep costs down
- Digitisation to deliver customer benefits
- Awareness and access for those in need

Output measures	Current performance	2022-23 Target
Operating cost per property	\$161	\$147
Number of customers supported by South East Water Assist program	4,557	7,147
Average level of debt upon entry to South East Water Assist program	\$925	\$800

Customer Outcome 4



What our customers say

Customers are unwilling to pay more for better experiences; they simply expect them as good business practice. They want issues easily resolved the first time and for us to better understand their individual needs to enhance service delivery. Better communication to improve awareness of who we are and what we do is strongly supported.

- Improve first contact resolution and reduce effort
- Increase choice, awareness and value perceptions
- Better understand individual needs

Output measures	Current performance	2022-23 Target
Customer satisfaction – rating of 6 or above out of 10	81%	85%
Value for money - rating of 6 or above out of 10	New measure	Committed to develop target by 2018-19
Total complaints per 100 customers	0.43	0.37

Customer Outcome 5



Support my community, protect our environment

What our customers say

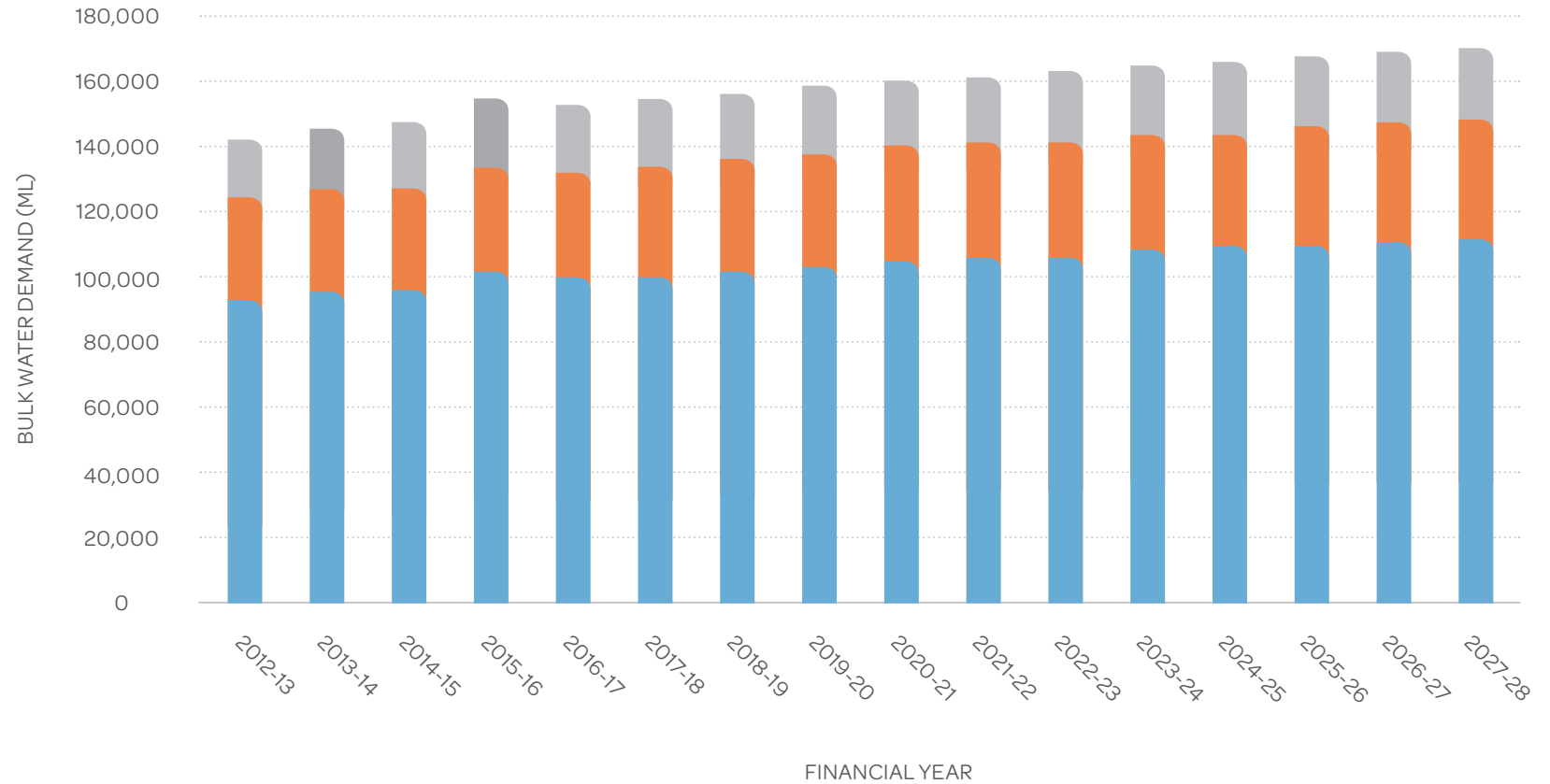
They seek reassurance about future water supply and have confidence in our ability to help shape a more sustainable Melbourne. They support expansion and use of recycled water and our carbon emissions reduction targets.

- Reduce our carbon emissions
- Minimise sewage spills to the environment
- Create a water efficient community

Output measures	Current performance	2022-23 Target
Total net CO ₂ emissions	41,774	29,690
Number of significant sewage spills (dry weather)	20	20
Percentage of customers in greenfield areas receiving recycled water	47%	77%
Volume of alternative water as a percentage of total water used in designated greenfield areas	12%	20%

Demand forecasts

Baseline bulk water demand (forecast and actual)

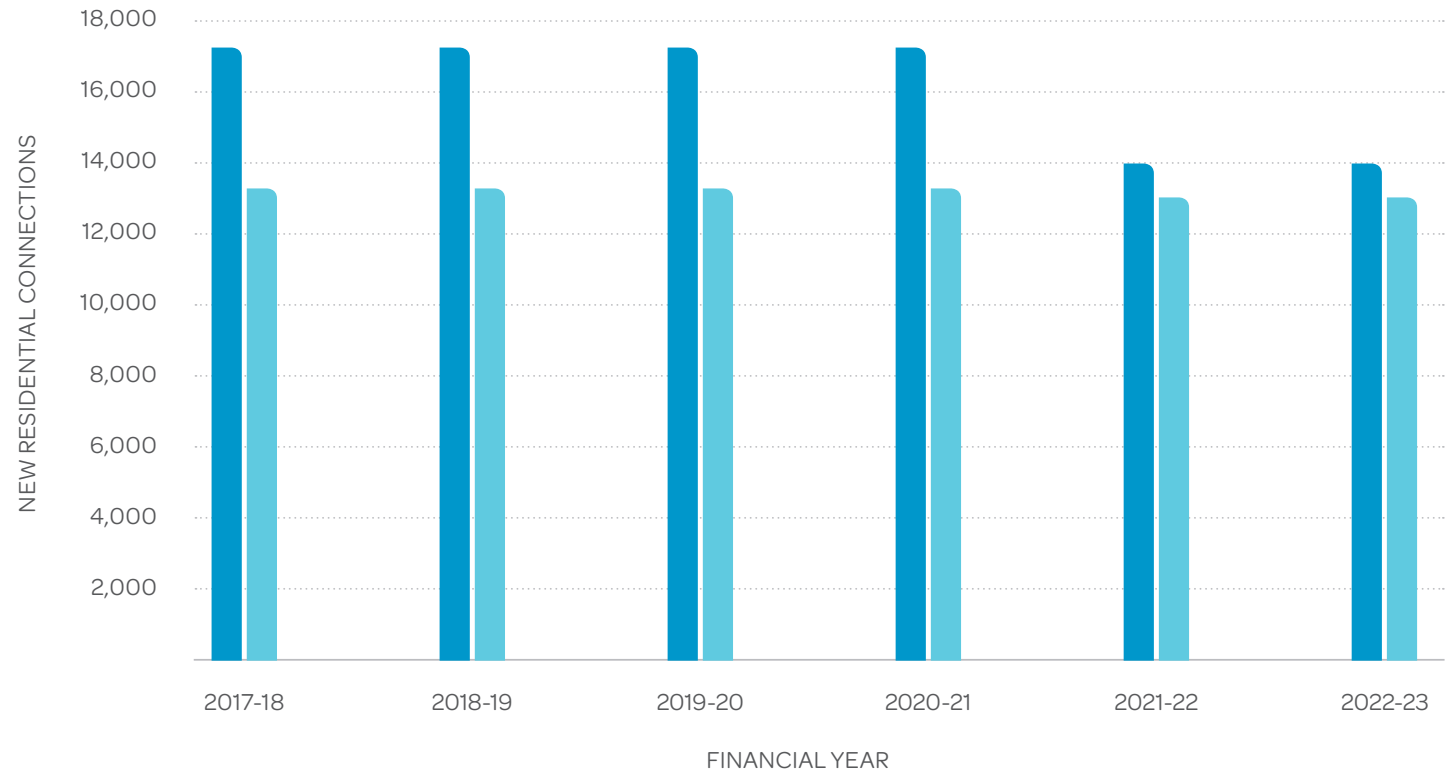


- Residential consumption
- Business consumption
- Non-revenue water

Demand forecasts

Forecast new residential connections

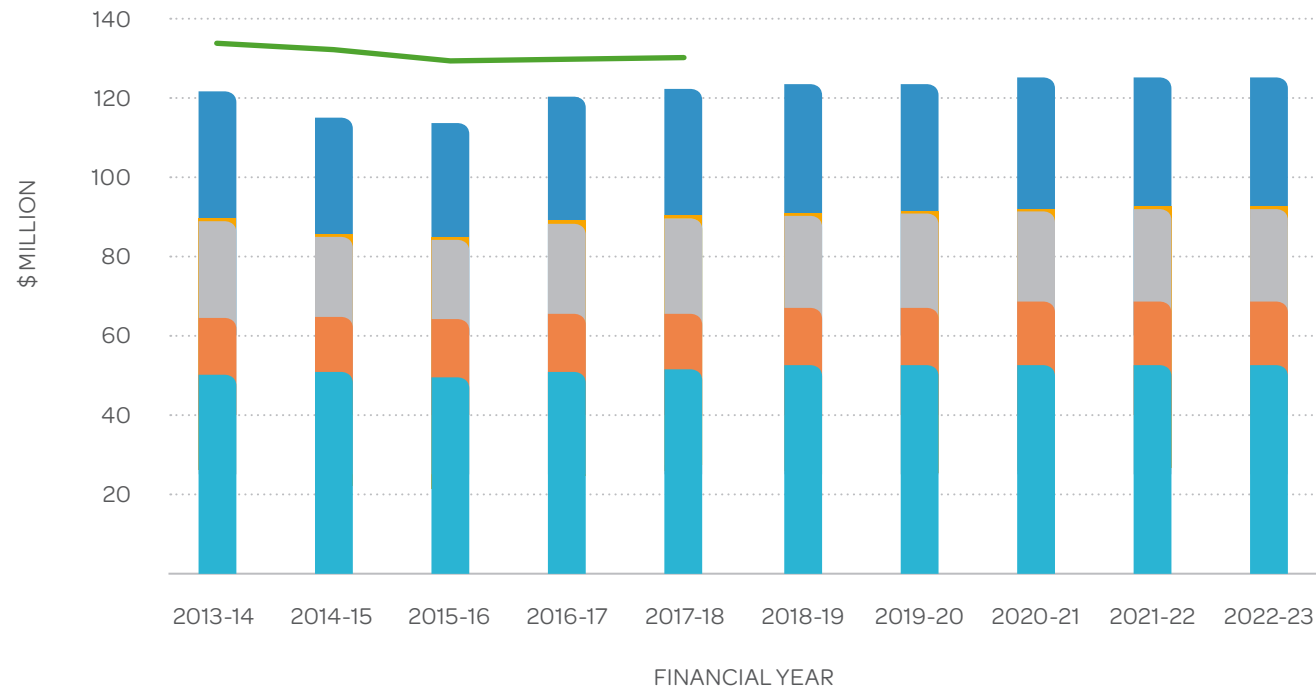
- New residential connections (VIF2016)
- New residential connections (Spatial Economics)



Operating expenditure forecasts

Controllable operating expenditure – current period outcomes and forecasts

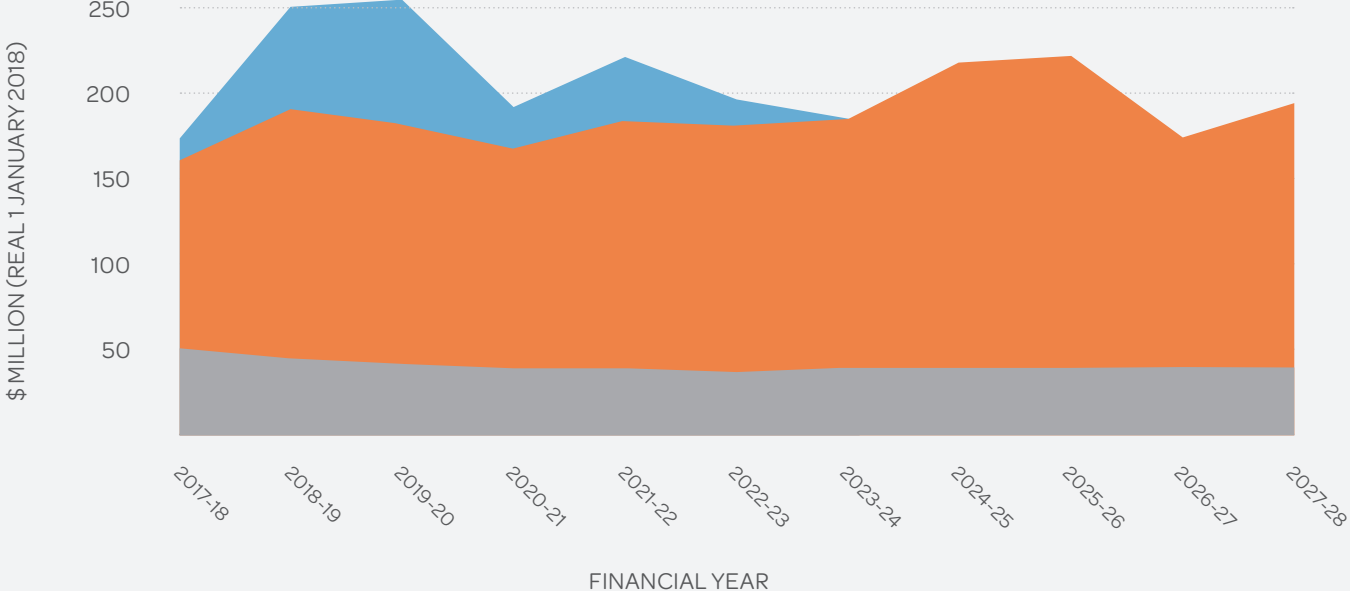
- Operations and maintenance
- GSL payments
- Treatment
- Corporate
- Customer service and billing
- 2013 Price Determination



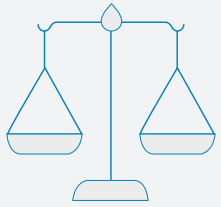
Capital expenditure forecasts

Capital Expenditure program by project type

- Other capital
- Key program
- Major capital project (2018–23)



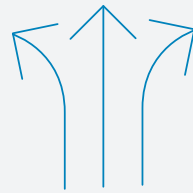
Tariff structures



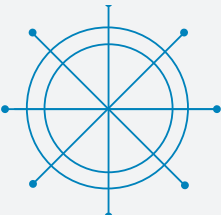
Fairness



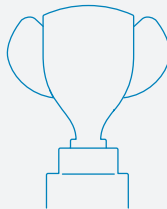
Certainty



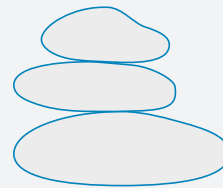
Choice



Control



Reward and
recognition



Simplicity

- Reducing water usage charges from three to two steps to balance affordability for large households while also still providing some reward for saving water
- Retaining business customer water usage charged at the second step
- Reducing the amount of the SDC charge for residential customers to 50 per cent of the current rate
- Reducing recycled water usage charges to 80 per cent of step 1 of the drinking water price and removing the annual service charge.

Prices and customer impacts

→ Prices on average are forecast to be reduced by 13.4% in 2018-19

Sample of customer bills – impact of price change and removal of the Government Water Rebate for 2018-19 (\$ 1 January 2018 dollars)

	Usage (kL)	2017-18 bill \$	2018-19 bill \$	\$ change	% change
Owner occupier – small user (apartment w/ 1-2 occupants)	90	\$772	\$756	-\$16	-2.1%
Owner occupier – average user (detached dwelling w/ 3 occupants)	150	\$1,017	\$943	-\$74	-7.3%
Owner occupier – large user (5 occupants; small garden)	350	\$1,959	\$1,688	-\$271	-13.8%
Tenant – small user (apartment w/ 1-2 occupants)	90	\$267	\$279	\$13	4.7%
Tenant – average user (detached dwelling w/ 2 occupants)	112	\$356	\$348	-\$9	-2.5%
Tenant – large user (5 occupants; small garden)	350	\$1,454	\$1,211	-\$243	-16.7%
Average business customer	460	\$2,845	\$2,685	-\$160	-5.6%

PREMO self-assessment

Overall rating	Rationale
ADVANCED	<p>This self-assessment rating is based on:</p> <ul style="list-style-type: none">→ Outcomes: Alignment of our proposed outcomes, outputs and programs to meet customer expectations and with targets that are either ahead or are being maintained at an above-industry average performance level.→ Management: Material cost efficiency built into operating and capital expenditure forecasts.→ Engagement: Comprehensive engagement program with a strong alignment of customer preferences to the submission's outcomes.→ Risk: Approach to setting demand, OPEX and CAPEX that significantly allocates risk to South East Water to lower prices for customers. <hr/>

Thank you



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