



OUR PRICE SUBMISSION

A presentation to the
Essential Services
Commission October 2017

“We believe that through our deep customer engagement and research over the past two years, we have found the ‘sweet spot’ between price and service that delivers the greatest value to our customers”



WE ARE YARRA VALLEY WATER



OUR PURPOSE IS TO PROVIDE EXEMPLARY WATER AND SANITATION SERVICES THAT CONTRIBUTE TO THE HEALTH AND WELLBEING OF CURRENT AND FUTURE GENERATIONS.

WE PROVIDE EXEMPLARY SERVICE 

WE WORK IN HARMONY WITH THE ENVIRONMENT 

WE SUPPORT THRIVING COMMUNITIES 

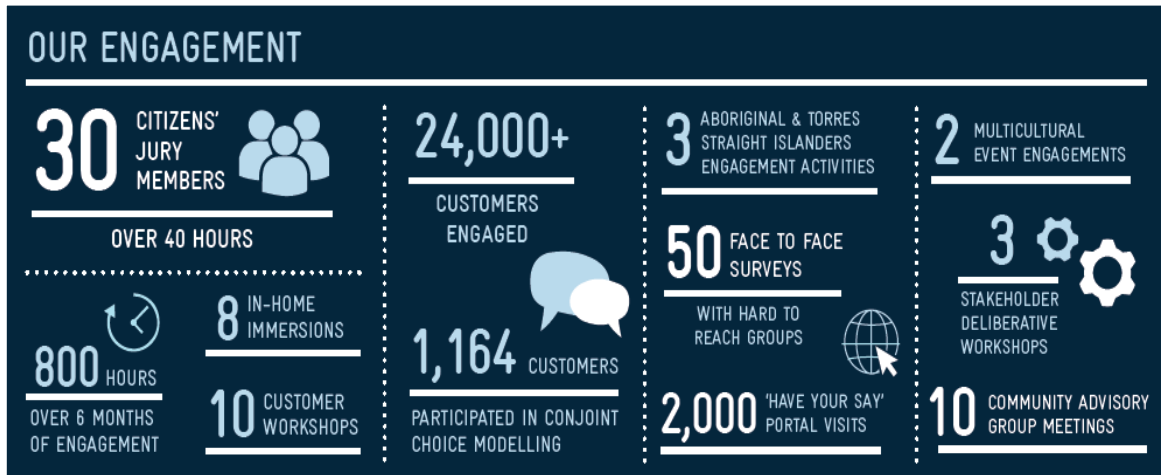
THE WAY WE WORK ENABLES EXTRAORDINARY PERFORMANCE 

WE ARE SAFE 

WE MAKE EVERY CENT COUNT 

A COMPREHENSIVE CUSTOMER LED SUBMISSION

The Jury was challenged to answer the remit...



“We need to find a balance between price and service which is fair for everyone. How should we do this?”

JURY'S VIEW OF "FAIR FOR EVERYONE"

- **Equitable** (in terms of price impact and service access)
- **Representative** (consideration given to all groups)
- **Transparent and visible** (in relation to information and pricing)
- **Affordable** (affordable service and support for those who can't)
- **Flexible and Responsive** (provides choice and responds to differing needs)
- **Consistent service standards** (for customers within the same service area)
- **Sustainable over the long-term** (reinvestment)



UNDERLYING THEMES



1. Assist vulnerable customers
2. Ensure drinking water supply for the future
3. Target efficiency and research to reduce costs
4. Protect the environment
5. Use of communication and education to enhance the achievement of the objectives

NO BILL INCREASE IN 18-19, THEN CPI - 0.7% pa

Customers have told us ...

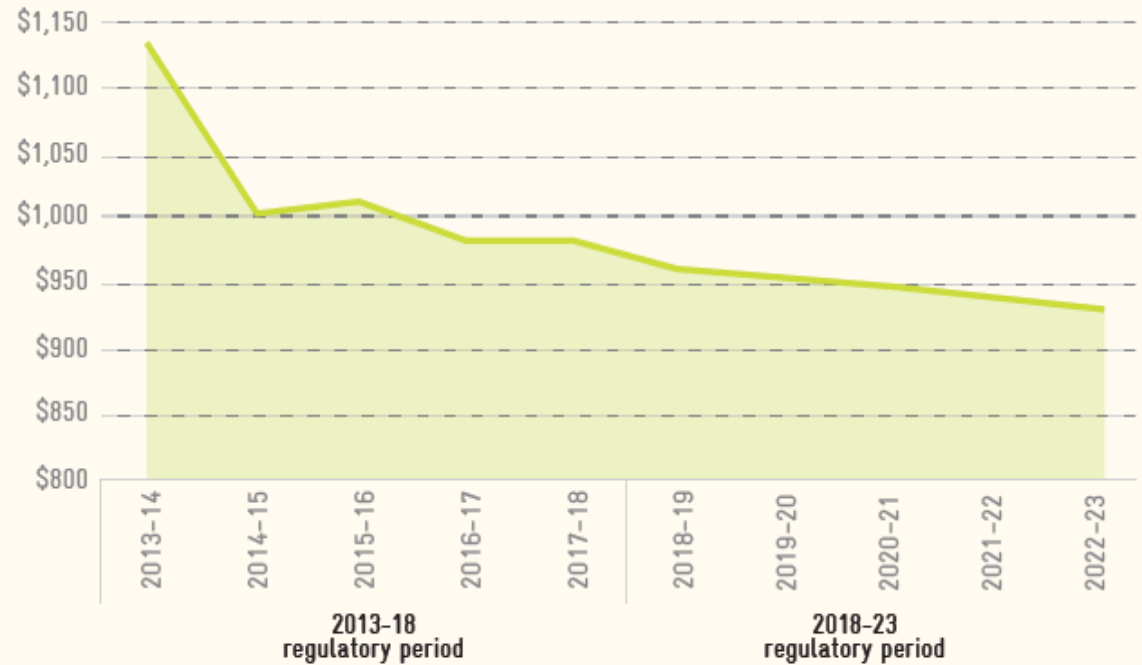
small annual bill changes are better than a single large change

I don't want a price increase

I value increased service levels over a bill decrease



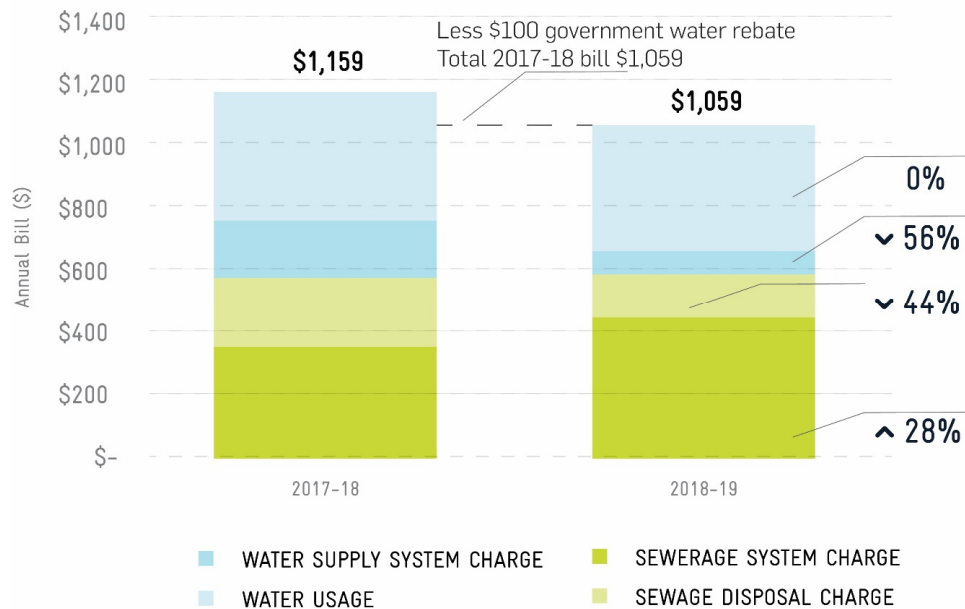
TYPICAL RESIDENTIAL BILL IN REAL TERMS* OVER TIME



* Adjusted to remove the effect of inflation

Bill (in 2013/14 dollars)

ALL SEGMENTS HAVE A BILL REDUCTION



150 KILOLITRES TYPICAL ANNUAL WATER USAGE		2017-18	2018-19	2022-23
Tenant	real \$	\$524	\$512	\$498
	nominal \$	\$524	\$524	\$558
Landlord	real \$	\$535	\$523	\$508
	nominal \$	\$535	\$535	\$569
Owner occupier	real \$	\$1,059	\$1,035	\$1,006
	nominal \$	\$1,059	\$1,059	\$1,127
Water only owner occupier	real \$	\$477	\$467	\$453
	nominal \$	\$477	\$477	\$508
Business	real \$	\$2,123	\$2,075	\$2,016
	nominal \$	\$2,123	\$2,123	\$2,258

WHAT CUSTOMERS EXPECT AND VALUE

As a customer, I expect...



SAFE
DRINKING
WATER

water that is
safe to drink



RELIABLE WATER
& SEWERAGE
SERVICES

water and
sewerage services
that I can rely on



TIMELY
RESPONSE &
RESTORATION

fast response and
effective restoration
of my service when it
is interrupted

As a customer, I value...



FAIR ACCESS
& ASSISTANCE
FOR ALL

support for customers
having difficulty
paying their bill



WATER
AVAILABILITY &
CONSERVATION

saving water now
so it's available in
the future



MODERN
FLEXIBLE
SERVICE

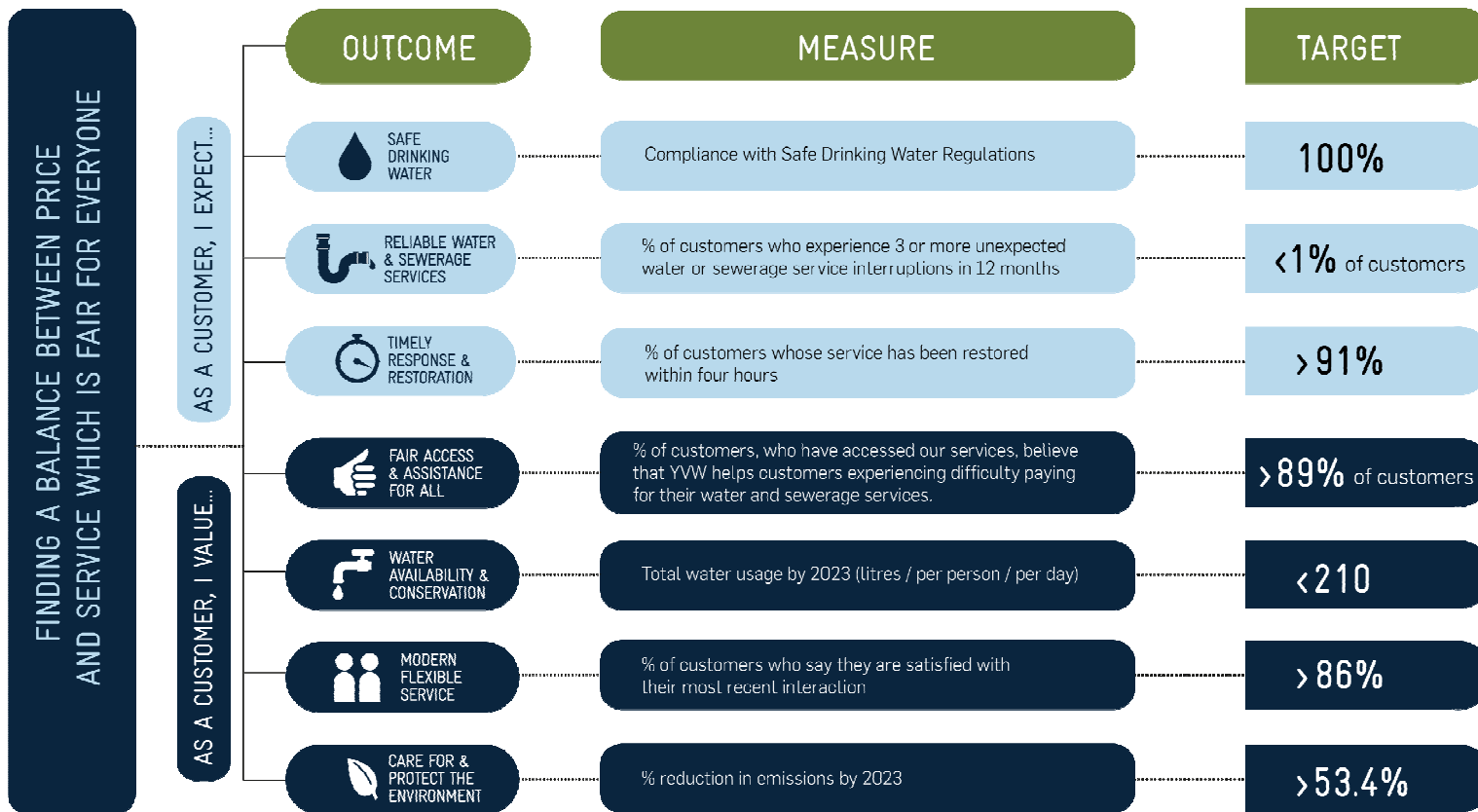
modern, flexible
service and advice
that suits my needs



CARE FOR &
PROTECT THE
ENVIRONMENT

looking after the
environment

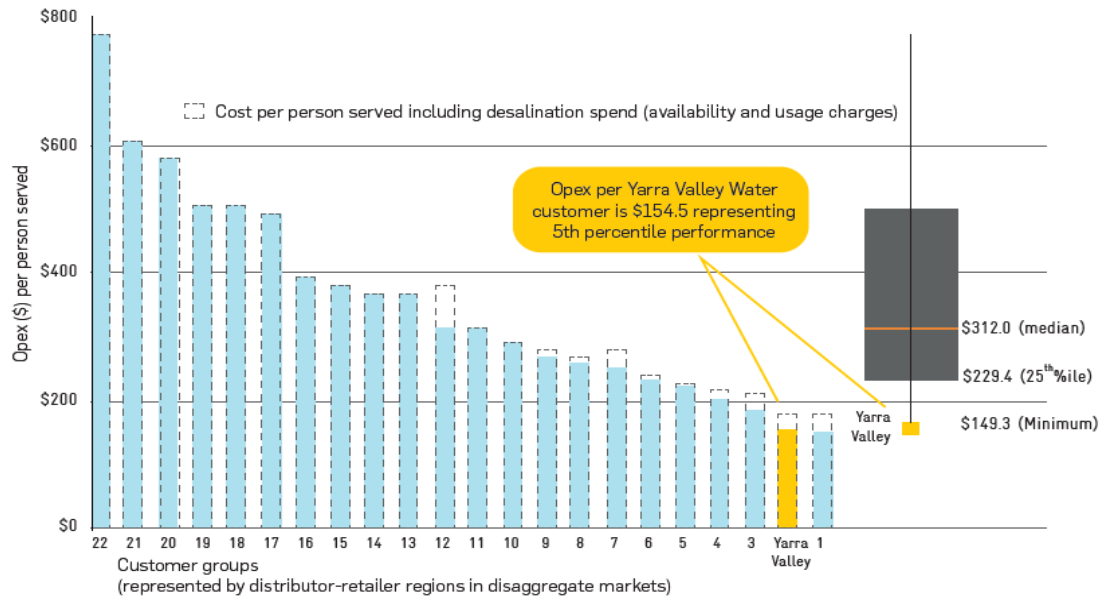
MEASURES BACKED BY COMMITMENT



- Report our performance
- Where we don't meet our target, we will return \$1.5M per outcome to customers through price reductions in the following year

MAINTAINING POSITION ON FRONTIER - 2.5% OPEX EFFICIENCY

Figure 6: WSAA operating cost per head of population



- \$5.9M reduction in 2016-17 baseline
- Absorbing \$14.5M of increased electricity and labour costs
- Additional \$2.2M pa to support vulnerable customer segments and water conservation

PRUDENT & EFFICIENT CAPITAL INVESTMENT

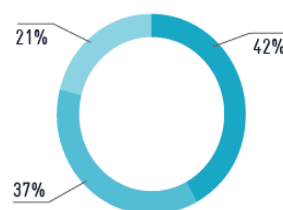
\$1,186M program to maintain service

- 14% efficiencies for ongoing programs
- 21% reduction in growth forecasts
- excluding \$117M of possible capital works due to significant project uncertainty
- no additional costs other than \$27M to reduce network water losses

Independent review and approach:

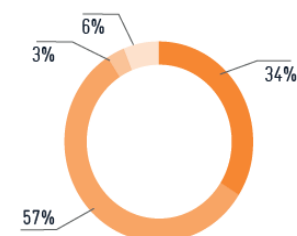
- top 10 projects using Monte-Carlo and cost curve analysis
- prudency and efficiency review
- best practice optimisation and prioritisation model

FORECAST CAPITAL EXPENDITURE 2018-19 TO 2022-23 BY DRIVER



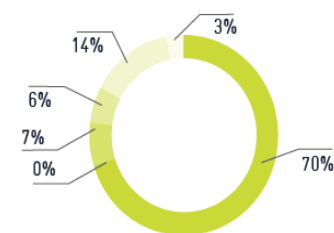
- Asset renewal and customer service levels
- Customer growth
- Business improvement and Regulatory compliance

FORECAST CAPITAL EXPENDITURE 2018-19 TO 2022-23 BY ASSET



- Water
- Sewerage
- Recycled Water
- Corporate

FORECAST CAPITAL EXPENDITURE 2018-19 TO 2022-23 BY OUTCOME



- Quality drinking water
- Reliable water and sewerage services
- Timely response and restoration
- Fair access and assistance for all
- Modern flexible service
- Water availability and conservation
- Care for and protect environment

MANAGED RISK TO LOWER CUSTOMER BILLS

- ambitious operating expenditure and capital expenditure efficiencies
- minimal expenditure where there is uncertainty around the timing, scope, costs or benefits of a project
- continue with a revenue cap to manage demand uncertainty and avoid large scissor effects

We will decrease prices if:

- we do not meet our outcome targets
- if we defer any of our top 10 capital projects



WE HAVE ADDRESSED THE GUIDANCE AND PUT CUSTOMERS AT THE CORE OF THE SUBMISSION

Engagement	Outcome	Management	Risk
Leading	Advanced	Leading	Leading
<ul style="list-style-type: none"> A complete engagement process with customers and stakeholders to gain the insights which led to the development of our outcomes and outputs Reached the outer extremities of each of the elements of the Commission's Customer Engagement Diagram 	<ul style="list-style-type: none"> Outcomes reflect the voice of the customer, distinguishing between what they expect and value Strong commitment to the delivery of customer outcomes Open and transparent reporting framework 	<ul style="list-style-type: none"> A comprehensive approach to enable the Board attestation Limit impact of \$100 government rebate removal 2.5% annual operating cost saving in addition to existing efficiency level \$117 million of capex not passed on due to uncertainty 	<ul style="list-style-type: none"> Ambitious expenditure targets and efficiencies Absorbing project uncertainty Reducing customer bills if commitments are not met Status quo on tariffs, price controls, regulatory period

WE ARE PROPOSING AN 'ADVANCED' SELF
RATING OF OUR SUBMISSION WHICH OPTIMISES
VALUE FOR CUSTOMERS IN TERMS OF 'WHAT
THEY GET' AND 'WHAT THEY PAY'

