



## Price Submission 2023-2028

Responding to challenges and  
preparing for the future

October 2022



# Acknowledgement of **Country**



We pay our respects to Dja Dja Wurrung, Taungurung, Yorta Yorta, Barapa Barapa, their Elders past, present and emerging, as Traditional Owners. We respect their unique ability to care for Country and their deep spiritual connection to it.

We are committed to partner with Traditional Owners to ensure meaningful, ongoing contributions to the future of land and water management. We will ensure that the aspirations of Aboriginal peoples are embedded in our business.



# Our operating context



Our region is at a critical point in its water supply and demand.

We have a responsibility to prepare now for this changing future and deliver water security.

## Climate Change

Once a reliable water source, the Coliban catchment is now one of the most unreliable due to climate change

For example, we have seen a 53% reduction in inflows since 1997. Sewer assets are increasingly compromised as the severity of storms increases.



## Ageing Assets

Our infrastructure is ageing and is unsuitable for current population.

For example, catastrophic asset failure led to a \$1.3m capital cost fixing an 8 metre deep hole in a customer's backyard.

Also, Coliban Water was convicted by the Magistrates' Court for riverine discharges.



## Growth

Intergenerational investment is required to replace and upgrade key infrastructure for a growing population and secure our water supply.

For example, we are expecting 30% growth in Bendigo by 2036 and Calder corridor towns are growing quickly.



## Financial capacity

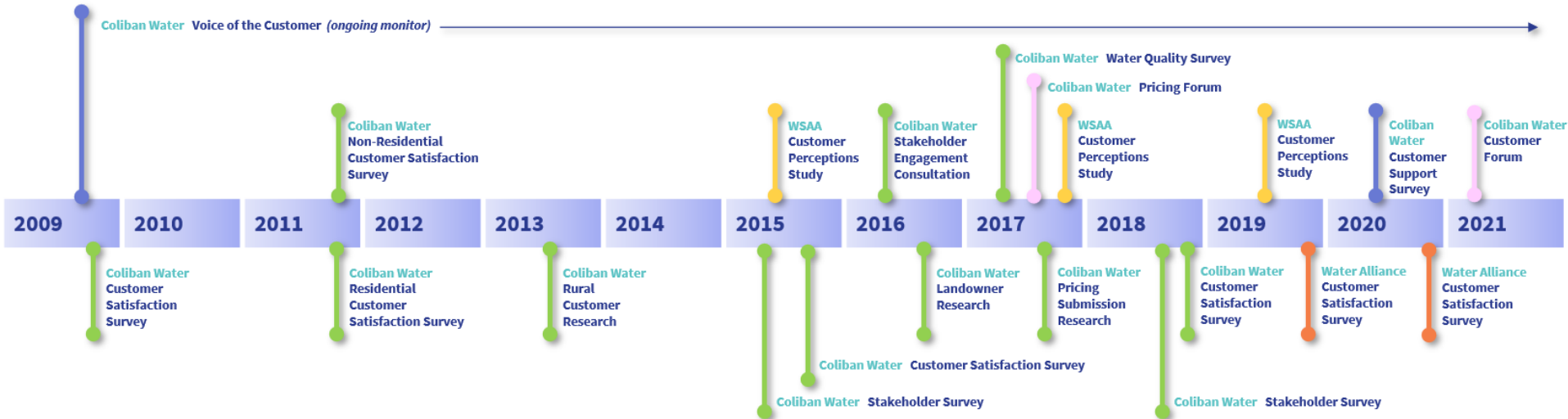
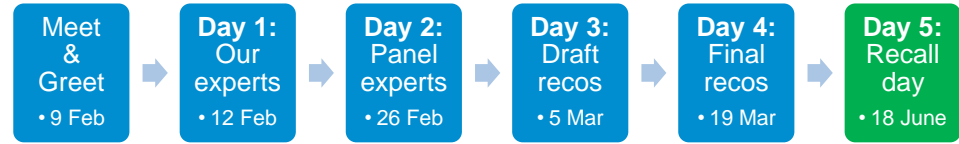
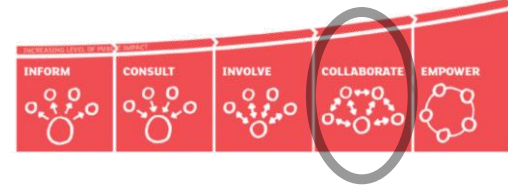
Debt per customer is an industry outlier and will top \$1 billion by 2033. For example, three of our four financial indicators are below ESC benchmarks.

# Understanding our Customers

Our customer engagement is ongoing and consistent with performance stewardship.

A detailed summary of all historical engagement was provided in advance to the Deliberative Panel so that all customer feedback was incorporated into our submission.

This includes our *Voice of the Customer*.



# The process involved...

*(This slide was prepared by and presented by an independent community member on our Deliberative Panel – Samantha)*



a **randomly selected** group of participants, stratified based on census data for age, location, home-owner or rental status and gender



a **clear question (remit)** to focus the deliberations.



access to a broad range of **information** from a variety of sources relevant to the remit, including wider engagement data, background documents, reports, briefing documents and the panel's private online portal



Conversations with **key speakers** (see Information Inputs) section



Access to a **private online portal** to give the panellists the opportunity to ask questions, share ideas and access reading materials and other information between sessions



**time** – four and half days total for the participants to consider the issues, weigh up the implications of different ideas and develop their recommendations.



**Support from facilitators** experienced in delivering deliberative processes



**group agreement**, where a super majority (80% or more panel support) was needed for a recommendation to be included in the Coliban Water Price Submission 2023 Community Panel Report (this phase of the process was at the COLLABORATE level of influence on the IAP2 spectrum)



a **blank page report** – participants wrote and developed their own report for the recommendations, using a Google Document. This report was presented to the Board Chair of Coliban Water by the panel

# Coming up with the recommendations

*(This slide was prepared by and presented by an independent community member on our Deliberative Panel – Diana)*



The Panel wanted to make sure that the recommendations addressed the key challenges that presented themselves in the remit around growth, climate change and ageing infrastructure.

We also needed to consider the broader engagement with different customers that focused on key themes:

**- Intergenerational debt/equity - Community contributions - Drought preparedness - Customers experiencing vulnerability**

These themes were at the heart of the deliberative process and the creation of the recommendations.

We knew that whatever we put forward needed to be fair for everyone.

We were provided with a lot of information in different formats and heard from a range of fantastic speakers.

The 9 recommendations are a result of the hard work of the Panel and were well aligned with the remit and key themes.

We are proud of the recommendations and think that they are well reflected in the proposal put forward by Coliban Water which strikes the right balance.

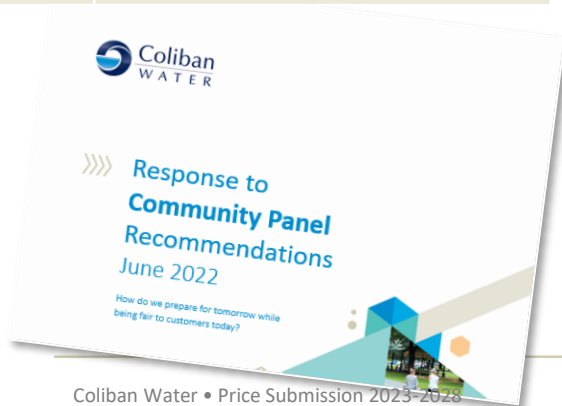
We are proud to represent our communities and make our region a better place to live.



# ALL recommendations accepted and these are embedded in our five Customer Outcomes



1	Intergenerational debt
2 - 3	Community contribution
4	Drought protection ( <i>water security</i> )
5 - 7	Customers experiencing vulnerability: <i>Coliban contribution</i> <i>Voluntary contribution</i> <i>Promote support programs</i>
8	Education about Water
9	Innovation



**1. Water quality and reliability**  
*"We will supply high quality water you can trust"*

- Safe, healthy drinking water
- Fit for purpose water pressure
- Good tasting water
- High reliability
- Access to fit-for-purpose water

**2. Be easy to deal with**  
*"We will provide services to meet the needs of our customers now and into the future"*

- Proactive customer notifications of leaks and outages
- Customers interact with us efficiently and effectively
- Utilisation of email billing

**3. Enhance the environment**  
*"We will reduce our environmental footprint and achieve a socially responsible, sustainable business for future generations"*

- Enhance biodiversity
- Prevent sewer spills
- Achieve electricity-related carbon reductions
- Proactive catchment protection
- Educate customers about water consumption

**4. Regional prosperity**  
*"Our investments will support the economic prosperity of our region"*

- Promote local employment
- Keeping pace with growth

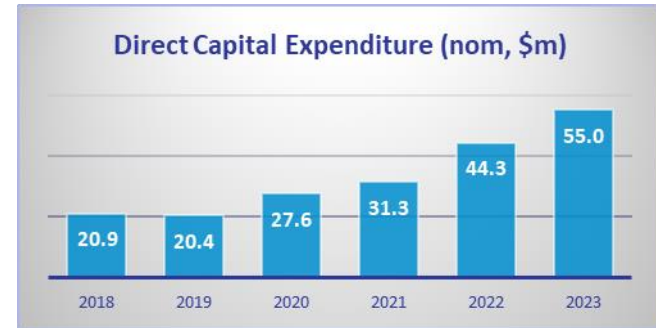
**5. Fair price**  
*"We will support customers in need"*

- Support customers experiencing vulnerability

# We are **transforming** our whole business to succeed in our *Big Water Build*. This is a 10 year + journey.



- Risk of asset failure can no longer be tolerated by directors
  - Directors fiduciary responsibilities requires resolution of known risks and comply with environmental obligations
- Capital expenditure has already doubled and trajectory will continue
  - We have an EGM solely focused on business transformation
  - Chunking our capital to take bigger packages to market
- Operational investment is also required as we transform
- Price increases are needed to ensure adequate financial performance and meet directors' fiduciary responsibilities
  - Majority of capital works will be funded by debt, not additional revenue
- Rigorous external assurance program by Sequana
  - Board attestation statement stronger than ESC requirements



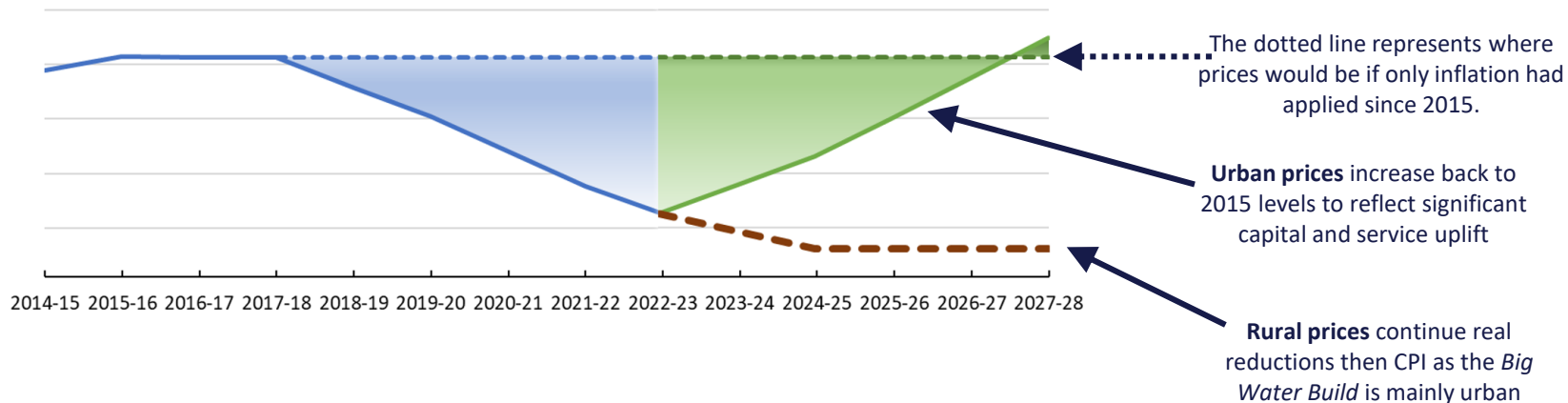


# What it means for customers' bills from 2023 to 2028



## Phased implementation of real price increases to avoid bill shock

Excluding inflation	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Urban increase		1.9%	1.9%	2.5%	2.5%	2.5%	Doubling investment for customers experiencing vulnerability and family violence
Rural increase		-1.2%	-1.2%	Nil	Nil	Nil	The <i>Big Water Build</i> is mainly urban, and we're seeking external funding for rural modernisation
New Customer Contributions (water & sewer combined)	\$3,579	\$4,296	\$4,939	\$5,691	\$6,569	\$7,597	Growth costs are accelerating as hard-to-service land far from Bendigo is now being developed



# Traditional owner outcomes are core to our business



Dear Damian,

## Our response to the Coliban Water Pricing Submission 2023

Our first comment is that overall, we want to commend yourself the Coliban Water Board, your team, and the Community Panel for their work. As you would be aware from our continual engagement with you, that djandak is precious and the water that is gifted by Sky Country to it for our benefit needs our constant care and consideration of for our own wellness. This need of care for gatjin has never been greater with what we face as a global community with the effects of climate change and now as can be seen sensibly by the Coliban of how we ensure that our infrastructure for distribution of water and the treatment of our waste is protected and improved for future generations to come. A longer-term achievement but something of a high order for us here is to keep working upon the upper catchments productivity and improvement so we are more efficient at gathering water for Djandak and our storages as we endure these many challenges.



Extract from letter of support to Coliban Water from Djaara. The full letter is available at Appendix A in our Price Submission.

»»» Questions?



# Capital Expenditure



## ✓ Program of \$435 million

### ✓ Deliverability

- ✓ Gradual build-up, Run → Grow → Transform
- ✓ Extra resourcing on planning
- ✓ Aware of challenges of the current economy

### ✓ Sewer compliance

- ✓ Upgrading sewer assets to comply with environmental obligations

### ✓ Water security

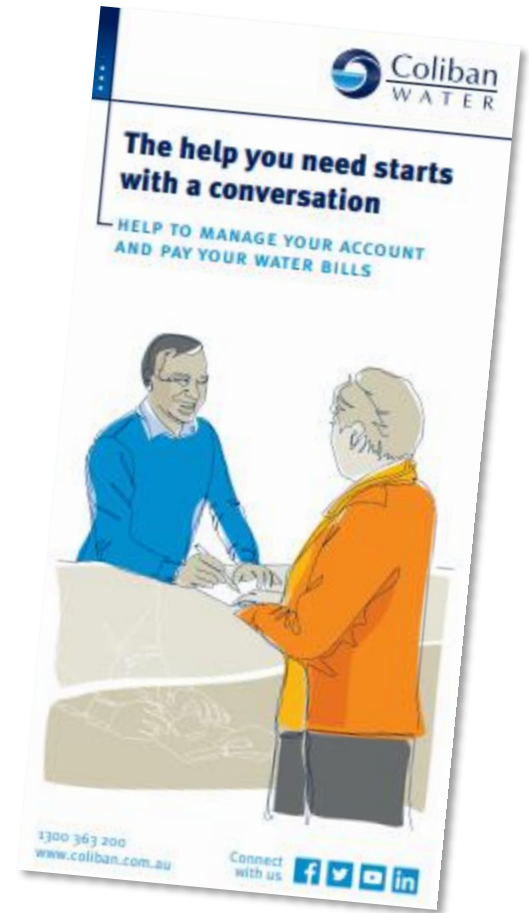
- ✓ Purchasing extra water entitlements to keep up with growth and climate change

#### Coliban Water 2023-2028: Top 10 Capital Projects

1	Bendigo WRP Sludge Handling Upgrades	\$53m
2	Bendigo Trunk and Outfall Sewer Growth and Compliance	\$26m
3	Castlemaine WRP Upgrades	\$25m
4	West Bendigo Sewer Networks Growth and Compliance	\$25m
5	Trentham WTP Growth and Capacity	\$16m
6	Bendigo WRP Upgrades and Tertiary Filter Expansion	\$15m
7	Goornong WTP Upgrade	\$14m
8	Bendigo, Castlemaine and Kyneton WTP Water Quality Upgrades	\$11m
9	Bendigo WRP Recycling Water Factory Upgrade	\$11m
10	Cohuna WRP Capacity Increase	\$9m

# Helping customers manage the change in an uncertain economic climate

- The ability to **phase-in new prices smoothly** over five years will help customers manage the change.
- We've committed to **doubling the level of financial support to \$570,000 per year** to customers through the Coliban Assist Program – and extending the program to business customers.
- **Assistance types available** include payment extensions, payment plans, concessions and discounts, community rebate program, support for those experiencing violence at home, and referrals to financial counselling services and other agencies.
- **Monthly billing**, combined with digital metering, will enable smaller more frequent bills to avoid bill shock and ease affordability concerns.





## Expanded investment in water security

- Direct investment of \$35 million to improve **all customers' water security**
- This includes direct purchases of **water entitlements**, recycled water factory upgrades, raw water investigations, non-revenue water and channel renewals
- Significant investment in process upgrades at **Water Reclamation Plants**, including Bendigo and Castlemaine.
- Continuation and expansion of programs to promote **water efficiency** measures, including provision of discounts to councils that can provide green spaces while conserving water



# Price Submission assurance



- Capital Planning: Aither & Stantec
- Capital expenditure: URA
- Engagement “Critical Friend”: Sequana & Insync
- Expert advice: Aither
- NCCs: URA, via VicWater approach
- **Overall program assurance: Sequana**
  - Includes multiple direct presentations to Board

## Monthly Board status report (example):

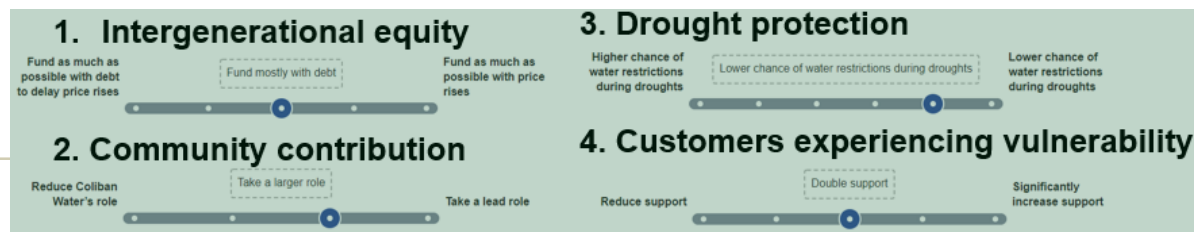
Coliban Water Self Rating - Monthly Summary Report May 2022					
Workstream / Price submission element	Final position has been endorsed by Board. Management has completed the work to provide assurance to this element.	Final position has been endorsed by Board. Management is completing the work to provide assurance to this element.	Preliminary position has been established by Board or a Committee. Assurance is expected to be provided.	Preliminary position has NOT been established by Board or a Committee. Assurance is expected to be provided.	There are matters which if not resolved will prevent assurance for this element.
Cost of debt					
PREMO rating					
Return on equity					
Tax allowance	Updated this month.				
Demand					
Form of price control					
Prices and tariff structures					
Adjusting prices					
Financial position					
<b>Customer engagement workstream</b>					
Customer engagement					
<b>Customer outcomes and O&amp;M workstream</b>					
Performance					



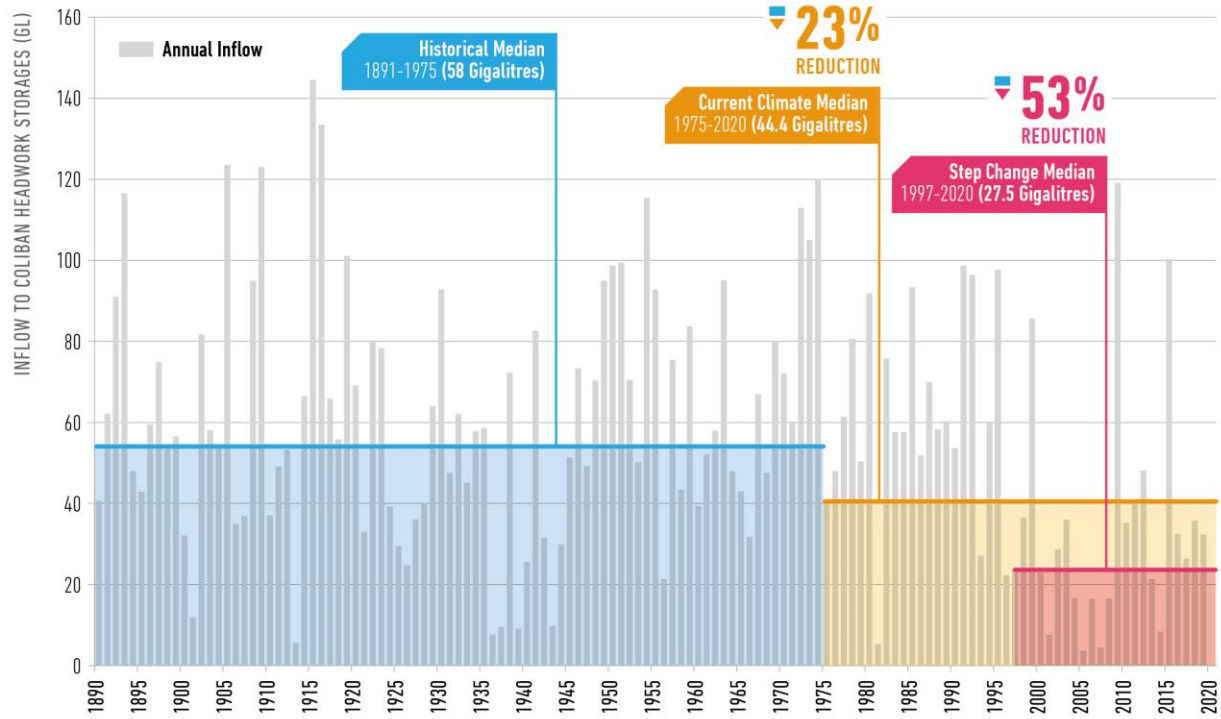
# Acceptance of Deliberative Panel recommendations



Recommendation		Proposed % increase 2023-2028	\$ increase by 2027/2028 Excluding inflation, average household
1	Intergenerational debt	10.0%	\$136
2 & 3	Community contribution	0.4%	\$5
4	Drought protection ( <i>water security</i> )	1.6%	\$22
5	Customers experiencing vulnerability <i>Coliban contribution</i>	0.2%	\$3
6	Customers experiencing vulnerability <i>Voluntary contribution</i>	-	-
7	Customers experiencing vulnerability <i>Promote support programs</i>	-	-
8	Education about Coliban Water	-	-
9	Innovation	-	-
<b>Total</b>		<b>12.2%</b>	<b>\$166</b>



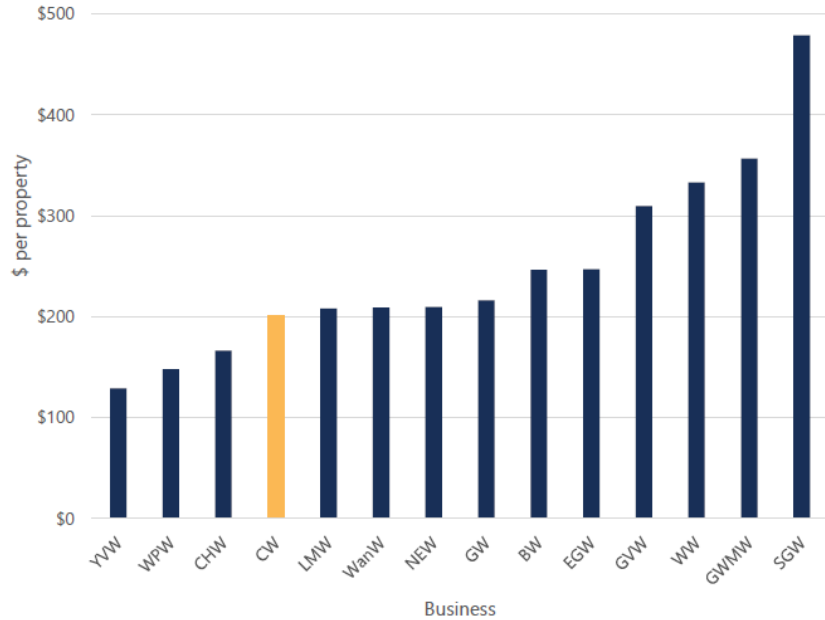
# COLIBAN STORAGES ANNUAL INFLOW



WATER YEAR (JULY 1891 TO JUNE 2020)

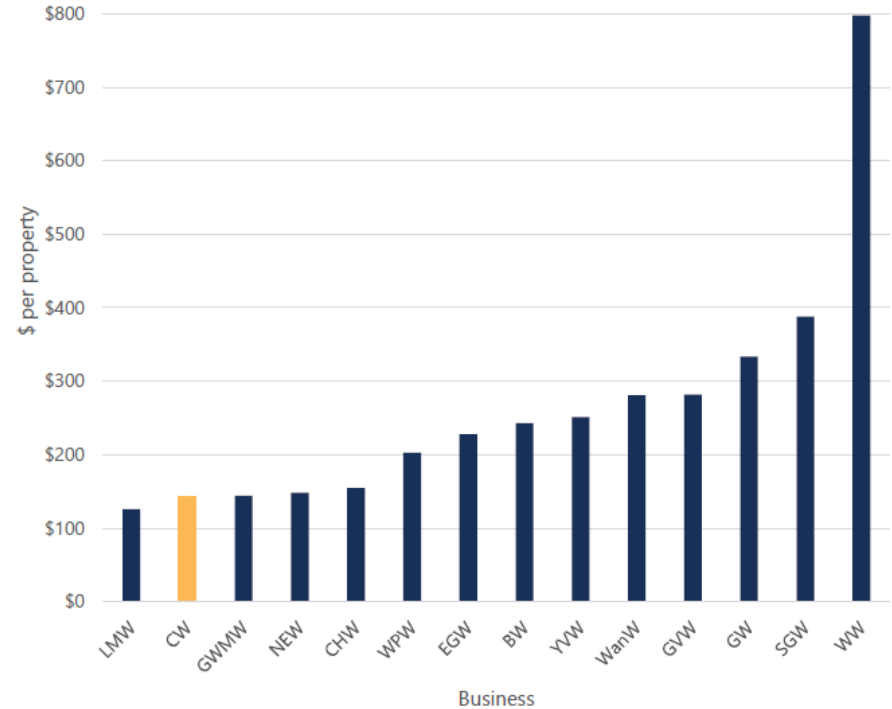
Climate reference periods (pre 1975; post 1975 and post 1997) have been defined in 'Guidelines for Assessing the Impact of Climate Change on Water Availability in Victoria' (DELWP 2020). The post 1997 climate reference period assumes the dry conditions experienced since 1997 represent a permanent step-change in climate from that experienced prior to 1997.

# Average capital expenditure 2015-2020



Source Urban NPR 2019-20, BoM

Figure 5 5-year median (2015-16 to 2019-20) annual capex per property: water supply (\$ per annum)

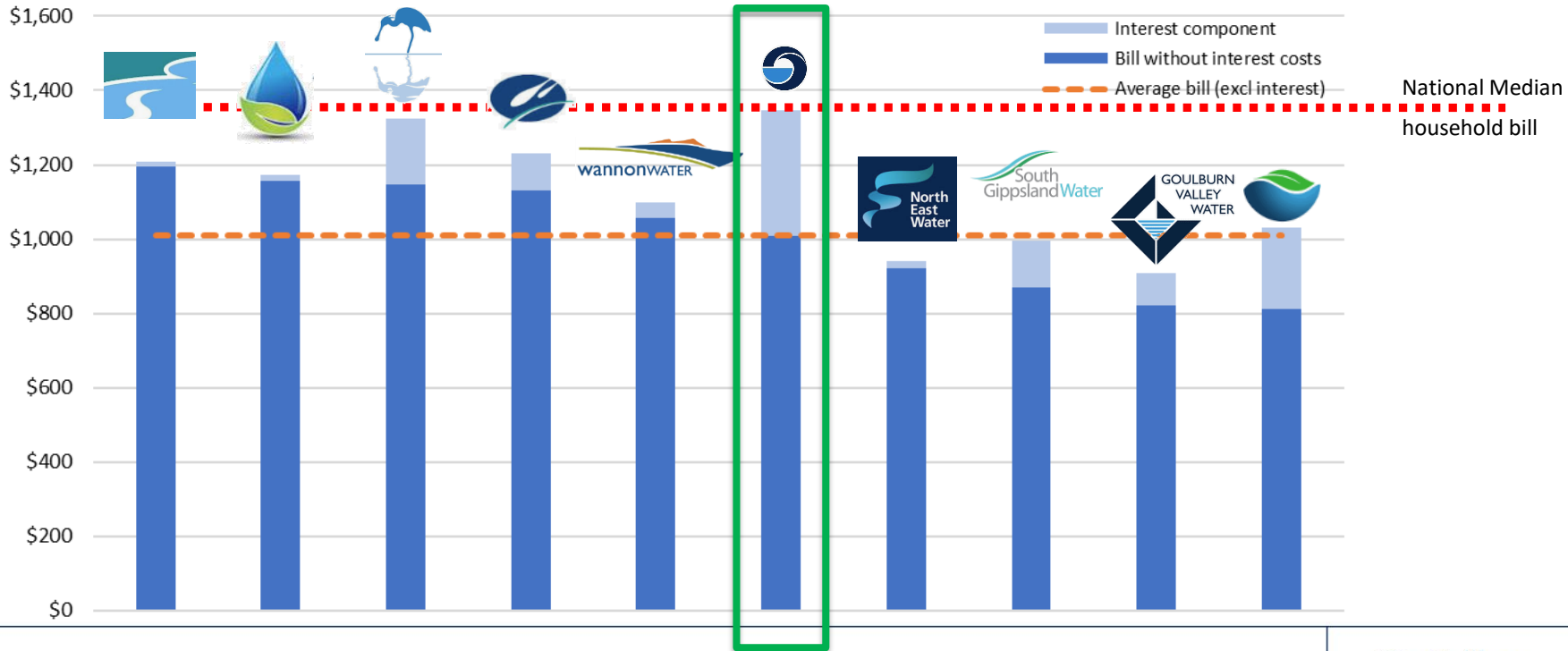


Source Urban NPR 2019-20, BoM

Figure 6 5-year median (2015-16 to 2019-20) annual capex per property: wastewater (\$per annum)

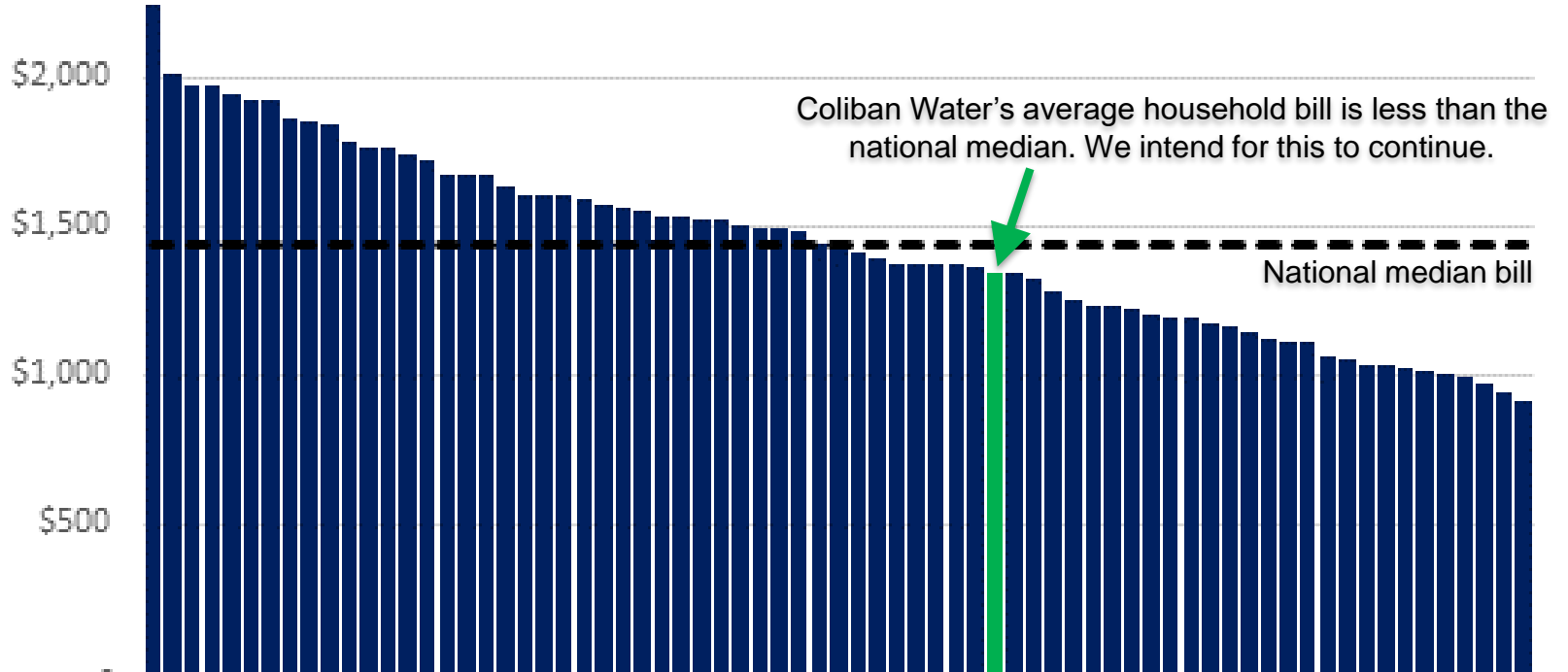
# Interest repayments led to higher bills

Regional Vic Water Average Household bills  
(\$2019-20, Incl & excl interest costs, excludes irrigation businesses GMW, LMW and GMMW)



# Annual Household Bills

(Source: 2020 BOM National Performance Report)



Coliban Water's average household bill is less than the national median. We intend for this to continue.

National median bill

# COLIBAN WATER ORGANISATIONAL STRUCTURE

EFFECTIVE 23 MAY 2022

