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Lower Murray Water - Urban - Outcomes - 2018-2023

In this document, the water business provides a summary report of its actual performance against each of its outcome commitments for the 2022-23 reporting year. The business has given itself a “traffic light” rating (green = met, red = not met, yellow = close or largely met) for its performance on each measure, outcome and an overall rating. The business has provided its own comments about its performance on each outcome and overall.

Summary table

Outcome	18-19	19-20	20-21	21-22	22-23
1. Keep my costs to a minimum	Yellow	Red	Yellow	Green	Green
2. Be easy to contact and quick to respond	Green	Green	Green	Yellow	Green
3. Provide me with consistent, safe, clean drinking water	Green	Yellow	Green	Yellow	Green
4. Provide me with reliable sewerage services	Green	Green	Green	Green	Green
5. Be present and active in the community	Green	Green	Green	Green	Green
6. Be mindful of our environment	Red	Yellow	Yellow	Yellow	Green
7. Comply with other government obligations	Green	Green	Green	Green	Green
Overall	Green	Yellow	Green	Green	Green

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Business comments

Over the current price period 2018 to 2023 (PS4), LMW's urban business has so far met its commitments to customers across the four dimensions of customer outcomes, prices, operating expenditure, and capital expenditure:

Outcome 1: Keep my costs to a minimum

Customer tariffs followed the approved price path for the PS4 period, resulting in an overall annual reduction of 0.35% in real terms. Based on the ESC's own household price comparator, LMW remains one of the lowest-priced urban water service providers in Victoria. Moreover, this has been achieved against the backdrop of the COVID-19 pandemic and other events and the resultant significant pressure on prices, markets, customer and staff welfare, and economic activity.

LMW entered PS4 with a government-mandated target to achieve 1% annual efficiency savings, and it is primarily performance against this measure which has reduced LMW's rating on this outcome. The key drivers were increases in operating costs associated with the labour force required to deliver outcomes and compliance requirements, and uplift in ICT expenditure. It should be noted that despite these expenditure increases, LMW is a highly efficient business when compared to its peers, as demonstrated in the operating expenditure benchmarking study undertaken by GHD.

Additional ICT expenditure was mainly due to software licences moving from on-premise servers to Software as a Service (SaaS) as a part of business transformation initiatives. This reduced capital investment but increased operational cost with Accounting Standard directions changing the recognition of SaaS implementation costs from capital to an operational cost.

Water treatment and filtration costs increased due to frequent poor raw river water quality and additional chemical costs required to maintain delivered water quality at the required standards. Major challenges included repeated blue-green algae (BGA) events requiring high chemical dosing rates to provide the community with access to safe drinking water.

The PS4 period provided some of the most challenging economic and social environments experienced in Australia in recent decades, with the pandemic, climate change and more recently international conflict inflating many costs and constraining supply, increasing economic hardship, and causing social change. Against this backdrop, the maintenance of costs at even a flat trajectory would be difficult to maintain without major compromises to service outcomes and increased risk. That LMW has been able to contain its costs to the moderate increases observed, indicates that it has, in fact, kept its costs to a minimum, despite not achieving the approved efficiency target in several years.

Total prescribed operating expenditure at \$145.5m (including the interim 2022-23 operating expenditure) was higher than the approved budget of \$129.7m by \$15.8m or 12% for the PS4 period*. This was primarily due to increased costs for labour (necessary to deliver services and meet compliance and pandemic requirements), emergency flood mitigation costs in 2022-23, as well as treatment chemicals (caused by declining raw water quality and the flooding event in 2022-23), contractors/consultants and ICT. Despite the higher labour costs, LMW continues to deliver

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services as one of the lowest FTE Victorian water utilities, with superior operational efficiency compared to its peers on a range of independent measures.

Despite some delays early in the period, LMW's major capital projects saw an improving delivery trend over the PS4 period and met target in the most recent year. The most significant delays were on Mildura Power Upgrade and UV Disinfection, and in the middle and later years, some delays were incurred due to COVID lockdowns and delays to materials/equipment supply during 2020-21 and 2021-22. Completion of all PS4 major projects in the 2022-23 year is expected.

Outcome 2: Be easy to contact and quick to respond

LMW has performed favourably on this outcome over PS4 with the two substantive measures - customer satisfaction and net promoter score - consistently scoring well above target.

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Post-interaction survey counts have again proven challenging during the reporting period, with a modest increase on the 2021-22 results masking a general reluctance by customers to undertake these survey processes, and survey participation and administration significantly hampered by COVID-19 restrictions.

Customer complaints made to the Energy and Water Ombudsman Victoria (EWOV) in the first and fourth years of the PS4 period exceeded target, due to account billing complaints after an abnormal meter read in 2018-19. Of the thirteen cases in 2021-22, 10 were resolved internally between LMW and the customers and three (3) cases were escalated to arbitration by EWOV regarding high consumption, billing, and water quality complaints during one billing cycle. LMW strengthened its Hardship Program in PS4 recognising that from time-to-time customers may experience payment difficulties or financial hardship and may need additional assistance and flexibility to manage their water costs and usage.

Outcome 3: Provide me with consistent, safe, clean drinking water

LMW generally was close to meeting, met or bettered the substantive performance measures against this customer outcome. Water quality complaints, while on an improving trend, remained slightly above target, in large part due to a significant decline in raw water quality in the Murray River over the PS4 period which has made treatment of water more difficult and more expensive with increased chemical and process costs. Raw water turbidity limits were also responsible for the single precautionary Boil Water Notice issued at the Red Cliffs in 2019-20 as a result of a large blue-green algae presence in the raw water, however management actions prevented non-compliant water entering the Red Cliffs system.

Customers experiencing unplanned supply interruptions target was not met in the first and fourth years of the period. These were due to rare events, in one instance where a water main identified for replacement suffered further deterioration and subsequent failures in rapid succession until it was replaced, and in the other due to a faulty water main installation where a water main scheduled for replacement failed as intervening repairs did not rectify the issue. The main was scheduled and replaced in 2022-23. The Guaranteed Service Level Scheme was triggered due to the above interruptions.

Outcome 4: Provide me with reliable sewerage services

LMW largely met or bettered customer satisfaction with sewerage services in all but the third year of the period where satisfaction results of the annual survey were 88%, but subsequently recovered to 94%.

LMW encountered an increase in sewer odour complaints which exceeded the 2020-21 target. Of these complaints four were attributed to one site where LMW was undertaking recirculation works to aerate a lagoon. Other complaints related to various sewer pump stations which were investigated by staff and minor works undertaken to eliminate the odours. Odour complaints dropped significantly in 2021-22 due to the measures taken.

Outcome 5: Be present and active in the community

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LMW has largely met or bettered its targets for this outcome throughout PS4 despite the pandemic and its associated impacts. During this period LMW was involved in many projects and events throughout the community including open days, school excursions, careers days, which provided opportunities to speak with customers and seek feedback on various topics and issues including water conservation and treatment processes, career opportunities, wastewater and flush facts information and environmental issues. Victorian Government policy and directives constrained LMW's ability to undertake public face-to-face engagement activities during 2019-20 and 2020-21, but as restrictions have eased these activities were re-engaged where permitted, to recover in the current and expected final year of the period.

Reviews of the Pipeline Newsletter found limited customer reach and resulted in reduction in frequency of production and eventual discontinuation, in favour of more digital forms of communication such as social media with a focus on communicating news as it happens rather than the traditional newsletter method.

LMW has continued to progress its relationships with Traditional Owners in the region and LMW's first ('Reflect') Reconciliation Action Plan was implemented in 2019-20. The final report for the 2019-20 RAP was completed in September 2021 and the development of a new RAP was achieved in the first quarter of 2022. Over the period, LMW completed its first Gender Equality Action Plan (GEAP) which was approved by the Gender Equality Commissioner without amendment.

LMW reviewed the combined requirements of the GEAP and the RAP and established an Equality, Diversity, and Inclusion (ED&I) Committee to replace the RAP working group and ensure momentum and reporting on progress is maintained.

Outcome 6: Be mindful of our environment

LMW performed favourably overall with two of the four targets usually being met or bettered during the PS4 period, and one consistently met, being notably sewerage spills. Although LMW met the minimum target of ≤ 2 there were two EPA reportable breaches relating to sewerage attributable to asset failure.

The target around CO2 emissions was not met, noting that much of what relates to energy procurement decisions are outside of LMW's control, however actions are underway to address these issues both individually by LMW, and in conjunction with the State government through centralised energy procurement. The State Government's review of the Statement of Obligations Emissions Reduction resulted in a new commitment to source all electricity from renewables "green energy" by 2025, easily bettering the current period 39% emissions reduction pledge.

Outcome 7: Comply with other government obligations

LMW has fully met its compliance obligations and hence fully achieved this outcome throughout the PS4 period, to comply with government mandated timelines to meet Ministerial and financial directions. All regulatory reports are subject to audit requirements and are independently verified. LMW's 2020-21 completion and lodgement results are reported in the 2021-22 reporting year where appropriate and as such LMW is reporting 100% completion and lodgement rates by due dates.


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Outcome 1: Keep my costs to a minimum

Output	Unit		16-17	17-18	18-19	19-20	20-21	21-22	22-23
a Annual tariffs follow the proposed structures within the ESC's published pricing determination	Pass/Fail	Target	NA	NA	Pass	Pass	Pass	Pass	Pass
		Actual	NA	NA	Pass	Pass	Pass	Pass	Pass
b Deliver 1% per year efficiency improvement on controllable costs from 2016-17, measured net of growth, new obligations and abnormal events	Pass/Fail	Target	NA	NA	On track	On track	On track	Fail	Pass
		Actual	NA	NA	On Track	Fail	Fail	Fail	Fail

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c Deliver major Capital Works projects >\$1m value within budget and within the regulatory period	Percentage of budget spent	Target	NA	NA	>95%	>95%	>95%	>95%	>95%
		Actual	NA	NA	32.2%	53.7%	60.5%	98.2%	100.4%

Overall Outcome 1 performance for the regulatory period so far: 

Business comment

The tariffs for urban services have continued to follow the agreed pricing path as determined for the pricing submission period, resulting in a reduction of 0.35% in real terms. The LMW electricity collar price adjustment mechanism has not been triggered as electricity costs and price have been contained within agreed limits.

Controllable costs for 2022-23 are not within the 1% efficiency benchmark of the pricing submission with accumulative costs for the PS4 (2018-2023) period exceeding benchmark by \$8.0M. LMW’s PS4 pricing submission was structured such that LMW would knowingly fail the benchmark for the first two years with efficiencies gained in the final three years.

This has not occurred with key drivers for the higher expenditure due to costs associated with an increase in:

- labour force required to deliver outcomes;
- water treatment and filtration due to the impact of the flooding event in 2022-23, continual poor raw river water quality and additional chemical costs required to adhere to strict water quality standards; and
- ICT expenditure, with the majority due to an increase in software licence renewals.

LMW’s urban capital investment is above the target of 95% for work projects greater than \$1 million for 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23. For all five years, there were seven individual urban projects that were budgeted greater than \$1 million totalling \$34.87 million where \$35.00 million was delivered (100.4%). The cumulative urban major projects actual spend for the first four years of WP4 was \$27.35m or 98.2% of the budget of \$27.85m. The combined total urban actual internal infrastructure capital investment for the entire pricing submission 2018-19 to 2022-23 is \$64.48 million being 98.14% of the planned capital investment of \$65.70 million. The completion of the three (3) year works package

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for sewer renewals and significant investment in Ultra-Violet (UV) Treatment at the Water Treatment Plants, including finalisation of Stage 2 UV (Kerang, Robinvale, Mildura West), saw LMW achieve 2022/23 budget expenditure within 2%.

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Outcome 2: Be easy to contact and quick to respond

Output	Unit		16-17	17-18	18-19	19-20	20-21	21-22	22-23
a Post interaction satisfaction survey (phone, face-to-face, online): Number of completed surveys	Number	Target	NA	NA	> 150	150	150	150	150
		Actual	NA	NA	447	222	67	98	97
b Post interaction satisfaction survey: Customers satisfied (rating of satisfied, very satisfied and extremely satisfied)	Percentage of customers surveyed	Target	NA	NA	> 80%	> 80%	> 80%	> 80%	> 80%
		Actual	NA	NA	81%	97%	98%	97%	96%
c Net promoter score (measure of customer experience)	Percentage	Target	NA	NA	26%	27%	28%	29%	30%
		Actual	26%	26%	28%	40%	34%	29%	30%
d Urban customer complaints to Energy and Water Ombudsman Victoria (EWOV)	Number	Target	NA	NA	< 10	< 10	< 10	< 10	< 10
		Actual	11	15	12	8	6	13	8

Commented [KS1]: @David Zacher from 2022 survey

Overall Outcome 2 performance for the regulatory period so far: 

Business comment

Post interaction survey numbers have remained well below target despite staff encouragement. This is an area LMW is committed to continuing to attempt to resolve and work to drive up response rates.

LMW's post-interaction surveys capture customers' sentiment on the time taken to address their query, success of query resolution and satisfaction with the service they were provided. This measure has remained consistently above target for full 5-year reporting period. The overall result has again exceeded the target with a pleasing 96% satisfaction rating.

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The Net Promoter score has lifted and continues the 5-year trend of remaining at or above target, indicating customers are willing to speak favourably about LMW's customer service. Customers in the under 45 age demographics score much lower than all other age groups, presenting an opportunity for further engagement to understand the reason for their response and to make any changes or increase communications to improve on this in future reporting.

The urban customer complaints to EWOV (cases) saw a small decrease in 2022-23 with LMW achieving their target. LMW investigates and responds to all cases that are referred for investigation. Of the 8 cases referred to LMW, 6 were resolved internally between LMW and the customers and 2 cases were escalated to arbitration by EWOV. The cases were regarding high consumption, billing, regulatory fees and water leaks. Although all cases were resolved as of 30 June 2023, LMW continues to strive for improvement in our communication with customers to understand where enhancements to service can be made to minimise the requirement for EWOV assistance.

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Outcome 3: Provide me with consistent, safe, clean drinking water

Output	Unit		16-17	17-18	18-19	19-20	20-21	21-22	22-23
a Number of Safe Drinking Water Act non-compliances (water sampling and audit)	Number	Target	0	0	0	0	0	0	0
		Actual	1	1	0	0	0	0	0
b Annual survey: Customers satisfied with water quality (rating of satisfied, very satisfied and extremely satisfied)	Percentage of customers surveyed	Target	NA	NA	> 90%	> 91%	> 92%	> 93%	> 94%
		Actual	94%	91%	90%	97%	94%	96%	90%
c Water quality complaints	Number	Target	25	36	< 25	< 25	< 25	< 25	< 25
		Actual	129	34	56	35	28	27	79
d Boil Water Notices issued	Number	Target	0	0	0	0	0	0	0
		Actual	0	0	0	1	0	0	0
e Customers experiencing > 5 unplanned water supply interruptions	Number	Target	15	15	0	0	0	0	0
		Actual	0	0	46	0	0	12	0
f Unplanned water supply interruptions	Number per 100 km	Target	51.34	51.34	< 25	< 25	< 25	< 25	< 25
		Actual	17.92	16.35	20.39	15.17	15.00	14.90	14.8

Overall Outcome 3 performance for the regulatory period so far:



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Business comment

LMW had no Safe Drinking Water Act non-compliances throughout the 5-year reporting period.

Survey responses show that customers had reduced satisfaction in the quality of urban water. This is consistent with a sharp rise in customer complaints and is a result of poor-quality source water resulting from recent flooding, which saw high levels of manganese and tannins which affected the colour and odour in the treated water. As a result, LMW exceeded the target for Water Quality complaints in 2023.

Despite the issues presented by poor raw source water quality and the manganese and tannin influence drinking water quality, no boil water notices were issued in 2022-23


Unplanned water supply interruptions continued to reduce across the 5-year reporting period and pleasingly remained well under target across Water Plan 4. There were no instances of customers experiencing > 5 unplanned water supply interruptions in the reporting year.

Outcome 4: Provide me with reliable sewerage services

Output	Unit	16-17	17-18	18-19	19-20	20-21	21-22	22-23
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a Sewerage blockages	Number per 100 km	Target	22.6	22.6	< 20	< 20	< 20	< 20	< 20
		Actual	17.47	14.55	17.38	14.79	17.3	17.0	11.9
b Customers receiving more than 3 sewer blockages	Number	Target	0	0	0	0	0	0	0
		Actual	0	0	0	0	0	0	0
c Spills in houses caused by LMW assets	Number	Target	3	3	≤2	≤2	≤2	≤2	≤2
		Actual	3	0	0	0	1	1	0
d Annual survey: Customers satisfied with sewerage service (rating of satisfied, very satisfied and extremely satisfied)	Percentage of customers surveyed	Target	NA	NA	> 90%	> 90%	> 90%	> 90%	> 91%
		Actual	94%	93%	90%	98%	88%	94%	94%
e Odour complaints (includes sewerage systems and treatment plants)	Number	Target	6	5	< 10	< 10	< 10	< 10	< 10
		Actual	9	3	4	10	12	4	1

Overall Outcome 4 performance for the regulatory period so far: 

Business comment

Sewer blockages over the past five (5) years have averaged around fifteen (15) per year, this can vary depending on factors such as wetter years which encourage root penetration into the pipelines. Our ongoing sewer rehabilitation program includes CCTV ageing pipelines to identify priority

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relining or replacement programs across our network along with preventative maintenance activities such root foaming to minimise interruptions to our customers.

None of our customers experienced more than three (3) sewer blockages during the last five (5) years and spills in houses caused by LMW assets were also minimal.


Customer satisfaction with sewerage services remained steady and sits above target.

LMW has experienced a significant reduction in odour complaints which can be attributed to installing odour filters at known sites and undertaking preventative maintenance activities such scheduling cartridge replacements at regular intervals. Our average of six (6) complaints per year over the Water Plan period was under the reported target of ten (10).

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Outcome 5: Be present and active in the community

Output	Unit		16-17	17-18	18-19	19-20	20-21	21-22	22-23
a Annual survey: Customers satisfied with LMW's role in the community (rating of satisfied, very satisfied and extremely satisfied)	Percentage of customers surveyed	Target	NA	NA	> 92%	> 93%	> 94%	> 95%	> 95%
		Actual	96%	91%	95%	95%	94%	93%	91%
b LMW and local engagement groups to meet formally annually	Number of meetings	Target	NA	NA	1	1	1	1	1
		Actual	NA	NA	1	1	1	1	1
c 'Pop up kiosks' in major shopping centres and at community events	Number of events	Target	NA	NA	1	1	1	1	1
		Actual	NA	NA	3	3	0	7	1
d Publish monthly LMW newsletter 'Inflow' on website & email informing community on activities	Number	Target	NA	NA	12	12	12	12	12
		Actual	NA	NA	12	12	4	1	5
e Open days at LMW's key local infrastructure sites	Number	Target	NA	NA	1	1	1	1	1
		Actual	NA	NA	9	2	2	1	3
f Develop and deliver an Aboriginal Reconciliation Action Plan and Diversity and Inclusion Strategy	Pass/Fail	Target	NA	NA	On track	On track	On track	On track	Pass
		Actual	NA	NA	On track	On track	On track	On Track	Pass

Overall Outcome 5 performance for the regulatory period so far: 

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Business comment

LMW performed favourably overall meeting four of the six targets.

LMW continues to engage and communicate with our customers regarding issues that affect water supplies such as Blue Green Algae (BGA) and Blackwater events. Although we have moved away from distributing the monthly Inflow Newsletter, LMW communicates information via Mailchimp, social media, email and website banners as issues relevant to customers arise. These forms of communication were used to inform customers during the 2022-23 flooding event.

LMW had a presence at local community events including the Mildura Field Days along with infrastructure visits from secondary schools and tertiary students learning about the Murray River.


LMW is committed to meeting its obligations under the Gender Equality Act 2020. Through Inclusion, Diversity and Equality Committee, the 2022-2025 Gender Equality Framework and Action Plan is well underway.

LMW's 2022-23 RAP was endorsed by Reconciliation Australia in November 2022. The Inclusion, Diversity and Equality Committee led the way in assisting the implementation of the action plan. LMW are continuing the reconciliation journey with the development of an Innovate RAP in 2024.

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Outcome 6: Be mindful of our environment

Output		Unit	16-17	17-18	18-19	19-20	20-21	21-22	22-23	
a	Number of EPA reportable sewerage spills per annum	Number	Target	NA	NA	≤2	≤2	≤2	≤2	
			Actual	2	1	0	2	0	0	1
b	Number of EPA corporate licence conditions non-compliant	Number	Target	0	0	0	0	0	0	
			Actual	1	1	0	1	0	0	0
c	Total CO ₂ e emissions from urban operations (inclusive of urban customer growth)	Tonnes CO ₂ e	Target	18,364	15,283	15,544	15,547	15,800	15,779	16,138
			Actual	19,163	21,071	20,207	18,838	17,876	18,401	13,487
d	All key sites (7) have generator availability or capability to maintain services in event of sustained power outage	Percent	Target	NA	NA	Pass	Pass	NA	NA	NA
			Actual	NA	NA	Fail	Pass	Pass	Pass	Pass

Overall Outcome 6 performance for the regulatory period so far: 

Business comment

There was a sewer blockage in Swan Hill caused by tree roots and grease. LMW staff responded immediately to contain the environmental and health impacts of the spill. In response to the leak, Swan Hill's sewer network maintenance program was reviewed to ensure a reliable and efficient sewer system.

During the financial year 2022-23, there were no breaches of the organisation's licence EPA.

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Electricity consumption decreased by 3.5% compared to last fiscal year. This year also saw a reduction in the 'emission factor' for purchased Victorian electricity from 0.96 in 2021-22 to 0.85 in 2022-23. The lower electricity consumption combined with the lower emission factor has resulted in a reduction in LMW's carbon emissions. The methodology used to calculate the emissions due to wastewater treatment has been reviewed and updated during this financial year. The revision was undertaken to ensure that calculations comply with the requirements of the National Greenhouse and Energy Reporting (NGER). The revision has resulted in a significant variance between the emission reported previously and this year's emission.

LMW completed the installation of generators at our sites during the 2021-22 year.

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Outcome 7: Comply with other government obligations

Output	Unit		16-17	17-18	18-19	19-20	20-21	21-22	22-23
a Compliance with government reporting policy requirements - timely completion and lodgement of 8 major reports	Percentage on time	Target	NA	NA	100%	100%	100%	100%	100%
		Actual	NA	NA	100%	100%	100%	100%	100%

Overall Outcome 7 performance for the regulatory period so far: 

Business comment

The majority of the regulatory reports are subject to audit requirements which occur after the end of the current financial year. As a result, the 2021-22 results are reported in the 2022-23 financial year. Over the Water Plan period LMW has complied with reporting obligations and deadlines. Any recommendations for improvement are identified through the audit process and implemented where possible.