WESTERNPORT WATER

Price Submission 2018-23

Our best offer

As at 28 September 2017, the Directors of Westernport Water, having made such reasonable inquiries of management as we considered necessary (or having satisfied ourselves that we have no query), attest that, to the best of our knowledge, for the purpose of proposing prices for the Essential Services Commission's 2018 Water Price Review:

- information and documentation provided in the price submission and relied upon to support Westernport Water's price submission is reasonably based, complete and accurate in all material respects;

- financial and demand forecasts are the business's best estimates, and supporting information is available to justify the assumptions and methodologies used; and

- the price submission satisfies the requirements of the 2018 Water Price Review Guidance paper issued by the Essential Services Commission in all material respects.

The Board's attestation is provided on the basis that the Price Submission represents Westernport Water's best offer and is not subject to Government decisions on price or customer rebates.

Roland Lindell
Chair
28 September 2017

*Westernport Water has self-assessed as 'Standard' against the PREMO evalutation criteria.

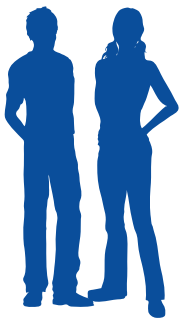
400 customers
Phone survey

573 customers
Online
9x Community events

62 customers
4x Customer engagement workshops

Close the loop

Sep 2016 | **Oct 2016 - Feb 2017** | **May 2017** | **Sep 2017**



Let's Talk

Over five per cent of our customers participated in shaping our prices and services for the next five years, leading to the following proposed decisions.

Affordability

In the first year, prices will fall by 0.62 per cent, excluding CPI, and remain consistent for the following four years. This proposal represents 9 years of no price increase.

Water quality

The Water Quality Improvement Program is proposed to improve the taste of water through backflow prevention, air scouring, flushing, swabbing the main and enhancing the treatment process.

Water interruptions

The $2.8m Phillip Island Water Supply Security Project will deliver greater water supply redundancy for Phillip Island customers and reduce water interruptions.

Environment

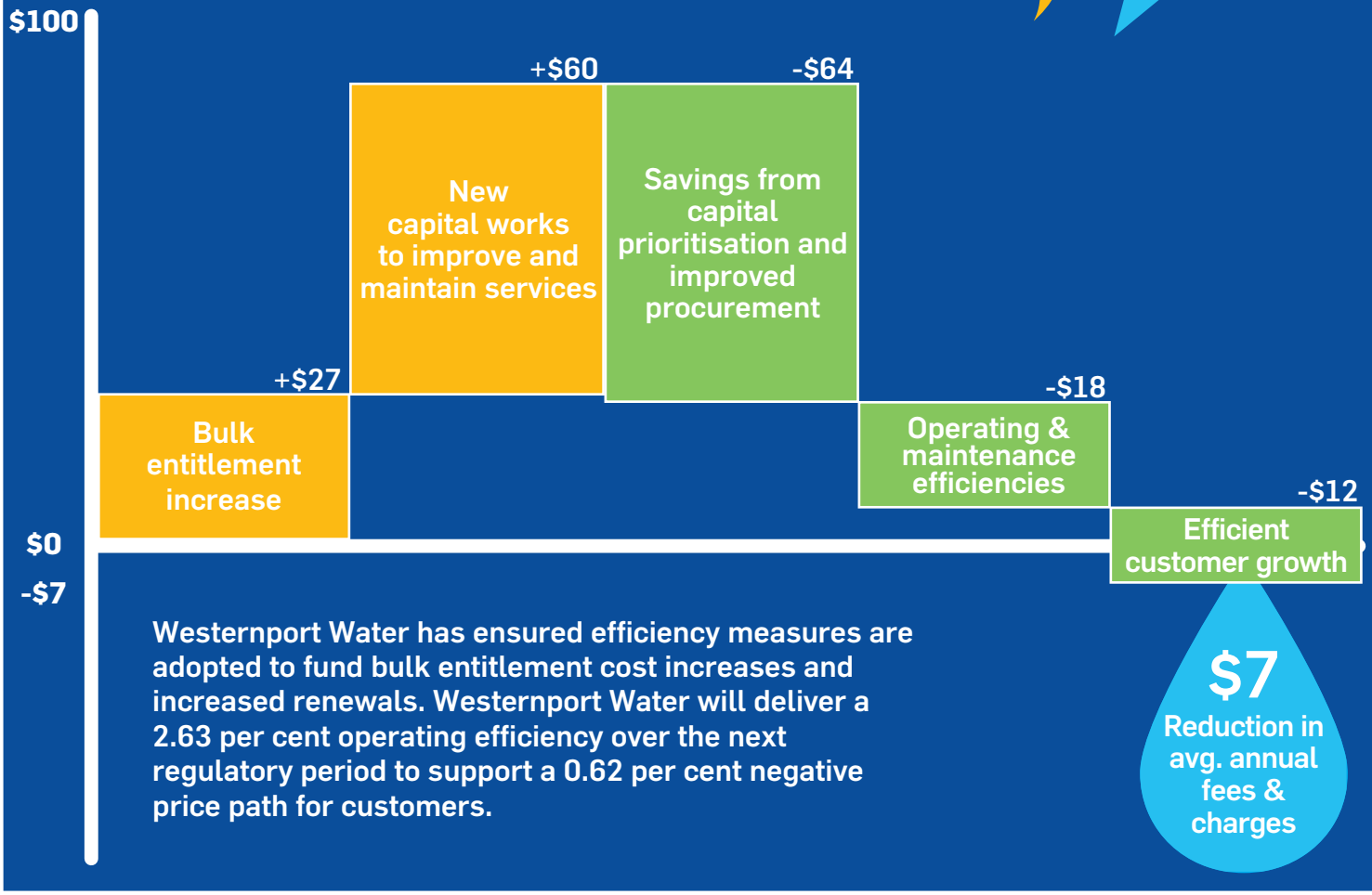
Investment in renewable energy to reduce greenhouse gas emissions and $813,000 to increase recycled water use through on-site irrigation.

Renewals

$26.5M capital expenditure program will focus on renewal activity to maintain asset performance and prevent future price shocks.

Setting prices

Let's Talk



Westernport Water has ensured efficiency measures are adopted to fund bulk entitlement cost increases and increased renewals. Westernport Water will deliver a 2.63 per cent operating efficiency over the next regulatory period to support a 0.62 per cent negative price path for customers.

$7
Reduction in avg. annual fees & charges

Capex 2018-23

$26.5M

Our capital expenditure represents a 6 per cent increase on Water Plan 3 and focuses predominately on renewal activity, particularly the water main replacement program.

Customer outcomes

- Reliable water and wastewater services
- Better tasting water
- Affordable & responsive services
- A more sustainable community

Westernport Water is committed to achieving the outcomes customers desire through improvements to water supply interruptions, customer satisfaction with drinking water, attendance times, hardship measures, effluent reuse & net greenhouse gas emissions.

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Appendices

The 'Golden Threads' of Customer Sentiment

Throughout the submission, red text will be utilised to cross-reference priorities with customer engagement results. The codes can be found in Appendix 2 and relate to specific responses to questions that were asked throughout the three stages of customer consultation. This approach has been used for brevity, but also to demonstrate the influence that customer consultation has had on Westernport Water's proposals.

About Westernport Water

Westernport Water provides water, wastewater and recycled water services to approximately 20,000 customers across an area covering 300 square kilometres encompassing Phillip Island and townships from The Gurdies to Archies Creek.

Water is accessed from a number of different sources. The primary water supply is from the Tennent Creek catchment via the Candowie Reservoir, with additional entitlements from the Bass River, Corinella Aquifer and a connection to the Melbourne Water supply system.

Drinking water is produced at Ian Bartlett Water Purification Plant at Candowie Reservoir and then pumped to waterline communities and the San Remo Basin for distribution to customers within Westernport Water's service area.

Westernport Water operates two wastewater treatment plants and supplies wastewater services to 90 per cent of properties that receive drinking water. Effluent collected from the townships of Kilcunda and Dalyston is treated under an agreement with South Gippsland Water at its Wonthaggi Treatment Plant.

Westernport Water also produces Class-A recycled water for residential, recreational, agricultural and commercial purposes in specific areas of Phillip Island. We also provide commercial trade waste services, operate a liquid waste disposal facility, undertake catchment programs aimed at improving raw water quality and deliver water efficiency education programs and initiatives.

Figure 1: Westernport Water's Service Area

Our Vision

Westernport Water leads through collaboration and innovation to deliver sustainable water and wastewater services that improve the health and liveability of our community.

Westernport Water seeks to realise our vision through the following strategic focus areas:

Our Customers – Provide products and services that meet our customers' expectations for quality, accessibility and affordability.

Our People – Be an innovative organisation with a reputation that is valued by current and prospective employees.

Our Assets – Enable the sustainable delivery of products and services to our customers.

Our Community – Be a valued member of the community we serve.

Our Environment – Be an environmentally sustainable organisation.

Our Business – Maintain the integrity and value of our business through sound governance and financial management.

What Makes Us Different

Westernport Water is different to other Victorian water corporations in a number of ways. While our customer-base is the smallest in the sector, our network is sized to accommodate the peak holiday season, contributing to higher maintenance and renewal costs than similar-sized regional service areas. The Phillip Island / San Remo area has one of the highest ratios of visitors to residents of any destination in Australia. At peak times during December and January, there are 120 visitors to every resident (Bass Coast Shire Council, Visitor Economy Strategy 2035).

Approximately half of our customers are non-permanent residents (based on account mailing addresses), affecting water consumption and our pricing structure. On average, households in our service area use the least amount of water in Victoria – less than half of the statewide average. As a consequence, Westernport Water is more reliant on fixed water and wastewater access charges to meet its revenue requirement than other water corporations.

The majority of our customers are also reliant on a single water main for supply. Therefore, when repair work is required following a burst or leak, the water supply is often interrupted, leading to a higher number of water interruptions than other water corporations.

Our Network

	Sewer	Water	Recycled Water
Mains (km)	363	422	33
Number of connections	14,906	16,485	388

Our Customers

The Australian Bureau of Statistics 2016 Census data provides the following information regarding the age and population profile of our service area. The data has been used to validate our engagement profile and ensure that the demographic of respondents are representative of our service area.

Table 1: Age and Population Profile

Township	Population	Township	Population
Cowes	4839	Newhaven	443
Cape Woolamai	1675	Sunset Strip	425
San Remo	1257	Kilcunda	398
Ventnor	858	Wimbledon Heights	372
Grantville	827	Bass	357
Coronet Bay	794	Pioneer Bay	350
Corinella	791	Sunderland Bay	233
Dalyston	583	Smiths Beach	227
Rhyll	567	Silverleaves	216
Surf Beach	527	Other	763

Age	Population	Age	Population
0-19 years	3334 (20%)	50-59 years	2430 (15%)
20-29 years	1194 (7%)	60-69 years	3065 (19%)
30-39 years	1572 (10%)	70+ years	2946 (18%)
40-49 years	1962 (12%)		

Customer Engagement

Introduction

Westernport Water is a customer and community-focused water corporation and takes great pride in its long history of customer engagement. With a total customer-base of approximately 20,000, we are able to reach a large proportion of our customers through our engagement activities and regularly consult with members of the community we serve.

Westernport Water has been undertaking annual customer satisfaction surveys for over 13 years and has maintained and supported a customer representative committee during this period. Consequently, we have been able to consider long term trends in customer sentiment and have used these findings to inform the consultation process for the 2018 Price Submission.

Our Approach

Approximately 50 per cent of Westernport Water's customer-base is represented by non-permanent residents, making the challenge of customer engagement unique. It influences how people use water, how much water is consumed, how our services are compared and priced, and most importantly, how we choose to engage to understand the needs of our customers.

Westernport Water's customer engagement strategy for the 2018 Price Submission was designed to align with the principles of the IAP2 public participation spectrum to ensure customers were given a fair and reasonable opportunity to participate in the process and influence the proposed outcomes.

Table 2: Summary of Customer Engagement by Stage

Stage 1 (September 2016) – Customer Satisfaction	**No. of responses**
Annual Customer Satisfaction Survey - Telephone	400
Stage 2 (December 2016 – March 2017) – Pricing Submission Survey	**No. of responses**
Let's Talk Online Engagement Portal (excluding Q&As)	138
Community Event - Candowie Reservoir Open Day	14
Community Event - Coronet Bay Market	71
Community Event - Cowes Carols By The Bay	64
Community Event - Cowes Cultural Centre	14
Community Event - Grantville Market	63
Community Event - Kilcunda Lobster Festival	75
Community Event - Phillip Island Nature Park (Koala Conservation Centre)	17
Community Event - San Remo Carols	85
Community Event - San Remo Channel Challenge	32
Stage 3 (May 2017) – Detailed Customer Engagement Workshops	**No. of responses**
Engagement Workshop - Cowes (Day)	20
Engagement Workshop - Cowes (Night)	20
Engagement Workshop – San Remo (Night)	18
Engagement Workshop – Customer Advisory Group – Newhaven (Day)	4
Total Attendees and Respondents	**1,035 (5% of customers)**

Stage 1 – Annual Customer Satisfaction Survey

The first stage of our 2018 Price Submission engagement was the annual customer satisfaction telephone survey, which examined the perceptions, values, preferences and behaviour of our customers. Westernport Water has been undertaking annual customer satisfaction surveys since 2003. The survey was undertaken in partnership with three other regional water corporations under the Gippsland Regional Water Alliance, providing useful benchmarking data and context for the results. The survey was completed by 400 customers (representing two per cent of total customers). The research identified the following key findings:

- Customers were very satisfied with the reliability of wastewater services (A11)
- Customers were very satisfied with the quality of customer service they receive (A18)
- Customers were satisfied with the quality of services and response times to leaks and faults (A14)
- Customers believed that investment in the environment was very important (A16)
- Customers did not believe that they received value for money (A12)
- Customers were dissatisfied with the quality of drinking water (A9)
- Customers ranked clean water, reliable services and affordability as their top three expectations for their local water corporation (A7)
- Customers were mixed in their satisfaction with the pricing structure (A28)
- Customers were more likely to favour paying less for reduced services, than paying more for improved services. (A25)

Stage 2 – Pricing Submission Survey

Findings of the Customer Satisfaction Survey were examined against long terms trends from Westernport Water's ongoing customer consultation and market research to develop a specific pricing submission survey that:

1) Supplemented the Annual Customer Satisfaction Survey to ensure that participation was representative of our customer-base (noting that the annual customer satisfaction telephone survey over-represented customers born before 1965). (A3)
2) Focused on areas specific to the 2018 Price Submission, such as service levels, Guaranteed Service Levels (GSLs), outcomes and the prioritisation of commitments.

In order to provide all of our customers with an opportunity to participate, Westernport Water developed an online engagement portal entitled *Let's Talk* and targeted specific community events across our service area during peak holiday season (December 2016 – March 2017). This strategy was very effective in ensuring that the engagement program received maximum exposure and allowed our non-permanent residents to take part.

All events were facilitated by Westernport Water staff and participation was incentivised with free give-aways. Online engagement was incentivised with the offer of a donation to one of three non-for-profit organisations. Customers were also able to engage in a question and answer forum with Westernport Water staff about any issue of interest.

The demographic of respondents for stage two successfully supplemented the results of the annual customer satisfaction survey to ensure all customer segments were adequately represented – the

proportion of customers born before 1965 increased from 15 per cent in stage one to 53 per cent in stage two (B1). Likewise, 32 per cent of respondents identified as non-permanent residents (B4). Additionally, Westernport Water ensured that residents in all parts of our service area were provided with an opportunity to participate via nine separate community events – 50 per cent of respondents were from townships on Phillip Island and 50 per cent were from townships off Phillip Island.

The survey was completed by 573 customers (representing three per cent of total customers). The research identified the following key findings:

- The majority of customers were satisfied with the pricing structure (B11)
- Customers were satisfied with the existing GSLs (B12)
- Customers believed Westernport Water was easy to deal with (B15)
- Customers believed Westernport Water was a valued member of the community (B18)
- Customers were dissatisfied with the quality of drinking water, however many noted improvement (B8,9)
- The current number of planned water interruptions received the highest level of customer dissatisfaction in regards to service levels (B23)
- The majority of customers were seeking a greater focus on reducing costs for customers (B28)
- Customers believed that financial support and payment flexibility was important for customers in hardship (B27)
- Improving the quality of drinking water, reducing costs, and investing in measures to respond to Climate Change were the three highest priorities for customers. (B20)

Stage 3 – Customer Engagement Workshops

The first two stages of customer consultation provided Westernport Water with clear themes that required detailed consideration. In response, a series of three hour engagement workshops were designed for customers to:

- Communicate and test the findings of the first two stages of customer consultation
- Explore priority areas identified in the first two stages of customer consultation
- Develop and present options in response to priority areas
- Provide customers with detailed background, data and access to subject matter expertise to ensure their decisions and preferences were informed.

Businesses, stakeholders and customers were invited to participate in the three hour engagement workshops and were incentivised to participate. The engagement workshops were over subscribed, allowing Westernport Water to ensure a balanced demographic in each session. Access to all customer segments was prioritised with free childcare services made available for customers.

Consistent with stage two, the workshops were coordinated, facilitated and undertaken exclusively by Westernport Water staff, with subject matter experts presenting to participants in each priority area. A detailed workbook with supporting information and data was provided to each participant (Refer Appendix 3).

The customer engagement workshops explored the following six themes: water quality; responding to climate change; recycled water; capital expenditure options; tariff and price impacts; and outcomes (including service levels, performance indicators, GSLs and priority improvement areas).

Feedback on the engagement workshops was very positive with customers overwhelmingly stating that they found the sessions useful, effective and educational. Additionally, Westernport Water received positive feedback on the sessions in the local press and via social media (C24).

The engagement workshops were attended by 62 customers and identified the following key findings:

- Customers were satisfied with Westernport Water's plans to improve water quality in the next five years (C1)
- While customers were satisfied with Westernport Water's investment and response to Climate Change, the majority were willing to pay more to invest in this area (C2-4)
- Customers supported the provision of recycled water, but were less prepared to subsidise the cost of recycled water production (C5)
- Customers did not support the purchase of more land to increase recycled water use, preferring the optimisation of on-site irrigation (lowest cost) (C6)
- Customers ruled out any reduction to capital expenditure that may risk performance, particularly emphasising the need for renewals to avoid any deferred expenditure and potential bill-shock (C7-9)
- Customers marginally supported a reduction in fixed charges and an increase to variable water prices (C10)
- Customers supported the proposed outcomes and provided detailed commentary on preferred performance indicators and the areas where they were seeking improved performance. (C11-23)

Ensuring Influence

From the outset, it has been incredibly important to the staff at Westernport Water that the engagement process is respected and productively used to shape the future of our water and wastewater services. Equally, it has been necessary to balance conflicting views from customers, adequately manage risk and ensure that the views of some do not override the views of many to their disadvantage.

In the table below, customer preferences are presented by customer feedback stage, showing how initial views were explored during detailed customer consultation and incorporated in the proposed submission.

Table 3: Summary of Customer Feedback by Stage

Customer Preferences *Customer Satisfaction Survey and Pricing Submission Survey*	**Options Development** *Detailed Customer Engagement Workshops*	**Proposed Position** *Closing the Loop*
Key Priorities & Desired Outcomes Customers identified service reliability, water quality, affordability and investing in measures to respond to climate as key expectations and priorities for Westernport Water. (A7,A16,B20)	Customers were presented with four outcomes for consideration that aligned to the key priorities identified by customers. Customers prioritised performance indicators for each and were satisfied that the outcomes adequately represented their expectations. (C11-16,C23)	Westernport Water has proposed the following four outcomes: • Reliable Water and Wastewater Services • Better Tasting Water • Affordable and Responsive Services • A More Sustainable Community 'Affordable and Accessible Services' was amended to 'Affordable and Responsive Services' to address ambiguity in language.
Drinking Water Quality Customer satisfaction with drinking water quality was below other Gippsland water corporations. Improving the quality of drinking water was ranked as the number one priority for Westernport Water. (A9,B8,B20)	Customers were provided with Westernport Water's plans to improve water quality in the next five years for consideration and feedback. Customers supported the projects and programs outlined. (C1)	The proposed Water Quality Improvement Program and capital expenditure program includes backflow prevention program, air scouring and flushing, swabbing the water main, installing a raw water profiler, upgrading powder activated carbon treatment process, and developing a master plan for the Ian Bartlett Water Purification Plant. An increase in customer satisfaction with drinking water is proposed (p.14).
Water Reliability In regards to service reliability, customers were most dissatisfied with the current number of planned water interruptions. (B23)	Customers ranked reducing the number of water interruptions in their top five performance priorities for Westernport Water and supported the construction of the Wimbledon Heights Water Storage to address the issue. (C8,C18-22)	The Capital Expenditure Program includes the $2.8m Phillip Island Water Supply Security Project to provide service redundancy in the event of planned and unplanned maintenance to Phillip Island customers. A reduction in water supply interruptions is proposed (p.13).

Customer Preferences *Customer Satisfaction Survey and Pricing Submission Survey*	**Options Development** *Detailed Customer Engagement Workshops*	**Proposed Position** *Closing the Loop*
Wastewater Reliability Customers maintain a high satisfaction level with the reliability of wastewater services. (A11,B10)	Improvement opportunities were listed for customers to prioritise. However, improved performance for sewer main blockages and spills were a low priority for customers. (C18-22)	The current level of performance for sewer blockages will be maintained (p.13). Capital expenditure program focuses on renewals to maintain performance (p.30)
Customer Service Customers maintain a high satisfaction level with the ease of doing business with Westernport Water. Improvement opportunities were not seen to be a priority. (A18,B14,B20)	Improvements to customer service accessibility and responsiveness were not rated as a priority. (C18-22)	Connection times and grade of service for Westernport Water's contact centre will be maintained (p.15). Key risks to ICT performance will be addressed through the $1.7m Business Transformation Project to maintain performance.
Response to Faults and Leaks Customers are generally satisfied with response times. Improving response times to faults was ranked last as a priority improvement area. (A14, B20)	Attendance times were prioritised as a performance indicator by customers; however they were not prioritised as a priority improvement area in the context of others. (C14,C18-22)	Current response times will be broadly maintained, noting significant improvements to Water Plan 3 targets and little sample data for priority one bursts (p.15). Affordability and cost control have been prioritised over service improvements in this area.
Investing in the Environment Responding to climate change and investing in initiatives focused on the environment were a key priority area for customers. (A16,B20)	While supportive of Westernport Water's plans to respond to climate change, customers were willing to contribute more. (C2-4)	Westernport Water has increased its overall investment in renewable energy and expanded the Sustainable Water Reuse & Land Management Project to invest in a feasibility study for methane cogeneration at Cowes Wastewater Treatment Plant. Greenhouse gas emissions are included as a key performance measure with a significant reduction forecast (p.16).
Affordability Reducing the cost of water and wastewater services ranked as the second highest priority area for customers. The majority of customers were seeking an emphasis on cost reduction over service improvement. (A7,A25,B20,B28)	Scaled capital expenditure and asset renewal options were presented to customers as a means to reduce Westernport Water's revenue requirement. Customers were not supportive of cuts to infrastructure investment and renewals, and also supported key capital projects. (C7-9)	Westernport Water has absorbed increased costs relating to electricity and Melbourne Water Bulk Entitlements, while committing to a $250,000 reduction in annual operating expenditure. Overall, these proposed decisions represent a 2.63 per cent operating efficiency over the regulatory period (p.50)

Customer Preferences *Customer Satisfaction Survey and Pricing Submission Survey*	**Options Development** *Detailed Customer Engagement Workshops*	**Proposed Position** *Closing the Loop*
Balance of Fixed and Variable Pricing The majority of customers, when presented with Westernport Water's higher than average fixed charge and lower than average variable charge, preferred to retain the balance. (A28,B11)	Customers were provided with modelled annual household bills, by customer type, to present tiered reductions to fixed charges. The slim majority favoured a small decrease of 2.5 per cent. (C10)	As preferences were mixed and conflicting throughout the engagement process, Westernport Water did not believe there was sufficient majority support for a rebalancing of fixed and variable pricing. Rather, an overall reduction in prices was seen to be the overriding priority, which is proposed (p.73).
Guaranteed Service Levels Customers reported a high level of satisfaction with the existing GSLs provided. (B12,B13)	Existing and new GSLs were proposed to customers that aligned to outcomes that mirrored customer priorities. (C12,C13,C15,C17)	A new GSL has been introduced to prioritise responses to water quality complaints. In addition, aligned to customer dissatisfaction with water interruptions, the criteria for unplanned water supply interruptions have been reduced in later years following the delivery of the Phillip Island Water Supply Security Project (p.19).
Hardship Customers stated that financial support and payment flexibility was important for those experiencing financial hardship. (B27)	The number of approved hardship grants was ranked as the second most important area and a future priority area for 'More Affordable and Accessible Services'. (C14,C20)	Westernport Water has committed to a 150 per cent increase in the number of hardship grants over the duration of the next regulatory period (p.15).
Recycled Water Customers expressed support for priorities that responded to climate change, minimised the likelihood of water restrictions, and greened public spaces. (A16,B20)	Customers ranked effluent reuse equal first as a priority improvement area. Customers were provided with capital investment options to increase recycled water use and favoured the optimisation of irrigation on-site at Cowes Wastewater Treatment Plant. (C16,C18-22)	Westernport Water will commit $813,000 to optimise on-site irrigation and support a four per cent increase in effluent reuse on Water Plan 3 average performance levels (p.16).
Infrastructure Investment Reducing the cost of water and wastewater services ranked as the second highest priority area for customers. The majority of customers were seeking an emphasis on cost reduction over service improvement. (A25,B28)	Customers were presented with three capital program options (ranging from $19m to $33m) and asked for their preference in regards to balancing risk with asset renewals. Customers favoured a $28m capital program and 80 per cent asset renewal ratio. (C7-C9)	Westernport Water is proposing a capital expenditure program of $26.5m, focused on renewals, while minimising projects designed to improve services, unless they are related to water quality (p.30 and Appendix 6).

Conclusion

Westernport Water is immensely proud of its customer engagement program, particularly the manner in which staff from all business areas supported and participated in it. We are equally satisfied that our proposals reflect the priorities of our customers and stakeholders. Ultimately, customers have sought greater affordability, improved water quality, investment in the environment, and sustained performance through a focus on renewal activity. This submission represents a five year plan that has been designed in response to these priority areas.

Outcomes Framework

Westernport Water has worked closely with its customers to understand and identify the outcomes that are most important to deliver during the next regulatory period. Consistently, customers were asked to nominate outcomes, priorities and performance indictors that were simple, clear, meaningful and representative of their primary expectations for Westernport Water.

The following four outcomes were identified and have driven the decisions and priorities that will be delivered during the regulatory period:

- Reliable Water and Wastewater Services
- Better Tasting Water
- Affordable and Responsive Services
- A More Sustainable Community

These outcomes were shaped by the concerns and preferences identified by customers throughout the engagement program. They have also been validated with customers. At the completion of detailed customer workshops, attendees were asked whether these outcomes adequately articulated their expectations for their local water corporation – 95 per cent of attendees agreed. (C23)

The following tables provide detailed information on the rationale for each outcome, how success will be measured, key performance targets and how they will be achieved.

Reliable Water and Wastewater Services

Westernport Water will maintain the water network to ensure water and wastewater services are reliable for all customers by minimising interruptions, bursts, leaks and spills.

Our customers state…

- The reliability of supply, and the need to minimise water interruptions, was the second highest expectation for their local water corporation. (A7)
- The number of water supply interruptions was the fourth highest performance area requiring improvement in the next regulatory period. (C18-22)

Our performance indicates…

- In 2015-16, Westernport Water's customers experienced the highest average customer minutes off supply compared to other water corporations.
- In 2015-16, Westernport Water's customers experienced the second highest number of water supply interruptions per 100km of water main compared to other water corporations.

How will we measure our performance?

Number of Water Supply Interruptions (Planned and Unplanned) (Per 100km of Water Main)		**Number of Sewer Main Blockages (Per 100km of Water Main)**		**Average Total Customer Minutes Off Supply (Planned and Unplanned)**	
WP3 Target	NA	WP3 Target	10	WP3 Target	130
WP3 Performance	47.7	WP3 Performance	4.1	WP3 Performance	103
PS1 Target	46	PS1 Target	4.1	PS1 Target	103

How will improvements be achieved?

Westernport Water is investing significantly in renewals during the next regulatory period to maintain asset performance and network reliability. More specifically:

- Capacity and performance will be improved at Cowes Wastewater Treatment Plant
- Water security will be protected by replacing the basin liner at San Remo water storage
- Phillip Island bridge pipeline infrastructure will be refurbished
- Water supply interruptions will be reduced for Phillip Island customers following construction of the Wimbledon Heights Water Storage
- Unplanned water supply interruptions will be minimised through the audit and refurbishment of joints, valves and tappings on the single 648 water main.

Why?

In accordance with customer feedback, expenditure is focused on reducing water supply interruptions and ensuring that renewal activity is not deferred, leading to fluctuation in price and volatility in asset performance (C7-9,C18-22). When compared to Water Plan 3 targets, the sewer main blockage target has been improved by 36 per cent, while the total customer minutes off supply target has been improved by 26 per cent. This follows strong recent performance.

Better Tasting Water

Westernport Water will consistently deliver safe drinking water to customers in accordance with regulatory obligations, while always looking to improve taste and odour to meet customer expectations.

Our customers state…

- The delivery of clean water is their highest expectation for their local water corporation. (A7)
- Approximately one third remain dissatisfied with the quality of their drinking water. (A9, B8)
- Improving the quality of drinking water is the highest priority for Westernport Water. (B20)

Our performance indicates…

- Westernport Water has been compliant with drinking water standards for five consecutive years.
- In 2015-16, Westernport Water was ranked 9th out of 16 water corporations for the number of water quality complaints (per 100 customers).

How will we measure our performance?

Customer Satisfaction with Drinking Water (%)*		**Drinking Water Compliance (%)**		**Number of Water Quality Complaints (per 100 customers)**	
WP3 Target	NA	WP3 Target	NA	WP3 Target	NA
WP3 Performance	69.5	WP3 Performance	100	WP3 Performance	0.26
PS1 Target	70	PS1 Target	100	PS1 Target	0.22

**Based on annual customer satisfaction telephone survey of 400 customers – 'Are you satisfied with the quality of your tap water?'* (A9)

How will improvements be achieved?

As always, Westernport Water is committed to achieving full-compliance with its regulatory obligations for drinking water. Additionally, we will enhance our water quality improvement program to increase backflow prevention measures, deliver air scouring and flushing to maintain pipe cleanliness and swab the 648 water main. Further, we will install a raw water profiler at Candowie Reservoir to improve data quality, upgrade the powder activated carbon treatment process, and develop a long term master plan for the retirement and renewal/replacement of the Ian Bartlett Water Purification Plant.

Why?

In accordance with customer feedback, expenditure has been accommodated to improve services predominately for water quality purposes. The improvement program considers how network condition and the treatment process contribute to water quality. Investments in this area were presented to customers in detail and received a high level of customer support (C1). Westernport Water has introduced three new water quality related targets in the upcoming regulatory period.

Affordable and Responsive Services

Westernport Water's services will remain affordable for all customers, including those experiencing financial hardship. Our people will be accessible and responsive to customer enquiries and requests for assistance.

Our customers state…

- Affordability of services is their third highest expectation for their local water corporation. (A7)
- Reducing the cost of services is their second highest priority for Westernport Water. (B20)
- They would like to see more effort directed to reducing costs than improving services. (B28)

Our performance indicates…

- In 2015-16, Westernport Water had the third lowest number of hardship grants approved when compared to other water corporations.
- In 2015-16, Westernport Water had the fourth best average time to connect to an operator compared to other water corporations.
- In 2015-16, Westernport Water's average response times to bursts and leaks bettered the Water Plan 3 target in all three priority areas.

How will we measure our performance?

Average Time to Attend Bursts and Leaks (By Priority)		**Telephone Calls Answered within 30 Seconds (%)**		**Number of Hardship Grants Approved**	
WP3 Target	P1 – 30 P2 – 90 P3 –450	WP3 Target	90	WP3 Target	NA
WP3 Performance	P1 – 7 P2 – 27 P3 –292	WP3 Performance	97	WP3 Performance	10
PS1 Target	P1 – 30 P2 – 35 P3 – 300	PS1 Target	97	PS1 Target	25

How will improvements be achieved?

Westernport Water will increase targeted grants to support hardship customers and incentivise and reward customers to maintain sustainable flexible payment arrangements. In addition, Westernport Water will deliver the Business Transformation Project to address ICT performance issues that present risks to maintaining our current level of customer service.

Why?

In accordance with customer feedback, Westernport Water is seeking to maintain existing performance levels for attendance and connection times (A14, B20). In support of affordability for all customers, hardship grants will be increased and overall fees and charges will be reduced in the first year of the regulatory period (A7,B20,B27). This follows a 2.63 per cent operating efficiency over the regulatory period. In comparison to Water Plan 3, targets relating to priority two and three attendance times have been improved by 65 per cent and 33 per cent. The target for priority one bursts remains due to the limited performance data available (three incidents).

A More Sustainable Community

Westernport Water will work closely with our customers and community to promote sustainable water practices and reduce environmental impacts.

Our customers state…

- Investment in environmental or sustainability-focused initiatives is important. (A16)
- Investment in measures to respond to Climate Change is the third highest priority for Westernport Water. (B20)
- Working with, and contributing to, the local community is the fourth highest priority for Westernport Water. (B20)
- Effluent reuse and greenhouse gas emission reduction are the two highest ranked performance areas that require improvement. (C18-22)

Our performance indicates…

- In 2015-16, Westernport Water had the fifth lowest percentage of effluent reuse compared to other water corporations.
- In 2015-16, Westernport Water had the lowest net greenhouse gas emissions compared to other water corporations.

How will we measure our performance?

Effluent Reuse (%)		**Net Greenhouse Gas Emissions (CO2-e tonnes)***		**Number of Community Education Engagements**	
WP3 Target	NA	WP3 Target	NA	WP3 Target	NA
WP3 Performance	21	WP3 Performance	6,343	WP3 Performance	22
PS1 Target	25	PS1 Target	5,974	PS1 Target	22

**WP3 performance measured as at 30 June 2017. PS1 target to be measured as at 30 June 2023.*

How will improvements be achieved?

Westernport Water will invest to increase effluent reuse and reduce net greenhouse gas emissions. We will increase recycled water consumption by optimising irrigation on-site at our Cowes Wastewater Treatment Plan. Further investment in renewable energy is also intended to reduce greenhouse gas emissions. In response to direct customer feedback, Westernport Water will also investigate the viability of methane cogeneration at Cowes Wastewater Treatment Plant.

Why?

The above investments align to customer priorities for the environment and sustainability. They have also been carefully considered to deliver long term value for customers to sustain affordable services. Community engagement events are included as a key target to educate the community on sustainable water practices (B19,20). Westernport Water has introduced three new community-based targets for the next regulatory period.

Managing Customer Expectations

Westernport Water has endeavoured to meet customer expectations in the majority of instances; however, customer expectations for reduced water supply interruptions could only be met in part (C18). While Westernport Water has committed to a minor reduction in water supply interruptions, our ability to deliver a more significant reduction was limited by our need to deliver better tasting water for customers (C18), which is supported by our air scouring program, which contributes to prolonged planned water interruptions. Customers also prioritised investing in renewals (C7, C9), reflected in our $1.8m Water Main Replacement Program, which will also contribute to planned water interruptions.

Managing and Reporting Performance (Ongoing Consultation)

Westernport Water will provide customers with an annual update of our performance against each outcome and output measure. The update will be entitled *Westernport Water's Annual Watermark* and include traffic light indicators to identify and explain where performance is consistent or inconsistent with our commitments for the regulatory period. A sample annual update has been included as Appendix 5 to the submission to illustrate Westernport Water's intent.

Aligned to the release of *Westernport Water's Annual Watermark*, customers will also be provided with an opportunity to engage with subject matter experts and learn more about our performance to inform priorities as we progress through the next regulatory period. These engagement opportunities will occur in the first quarter of each financial year, focusing on performance, customer concerns, interests and priority areas. They will be timed to occur immediately prior to Westernport Water's annual customer satisfaction survey to ensure that themes can be identified for further exploration. Throughout each year, over 22 individual engagement events will take place with our customers in accordance with our outcome target (p.16).

Responding to Underperformance

Westernport Water recognises that its targets for the next regulatory period represent clear commitments to customers. At the end of the regulatory period, Westernport Water will provide customers with a scaled *performance rebate* in the event that targets are missed. The intent of this rebate is to incentivise performance and recognise the potential reduction in service that customers may have received for the prices they paid.

As outlined in the table below, the performance rebate will be payable in 2023-24 in the event that one or more performance targets are missed at the end of the regulatory period. The scaled performance rebate ranges from $5 to $20 for each customer.

Table 4: Proposed Performance Rebate by Number of Missed Targets

Missed Target	Performance Rebate (2023-24)
One	$5
Two	$10
Three	$15
Four or more	$20

The Cost of Delivering Outcomes

Westernport Water is not proposing any increase to prices or customer bills to deliver the commitments and performance targets associated with each customer outcome. Further, Westernport Water is proposing an average annual operating efficiency of 2.63 per cent and a negative price path to ensure that affordability is maintained. (A7,B20)

Guaranteed Service Levels

Westernport Water's GSLs demonstrate our commitment to providing customers with a level of service they can expect, aligned to the areas that they value most.

The following table outlines the proposed GSLs from 2018 to 2023, including a comparison with Water Plan 3 commitments and the outcome to which each relates.

Table 5: Proposed Guaranteed Service Levels by Outcome

Outcome	Water Plan 3	PS1 Proposal	Commentary
Reliable Water and Wastewater Services	No more than **five** unplanned water supply interruptions in any 12 months ($50).	Years 1-3: We will limit unplanned water interruptions to no more than **five** in any 12 month period ($75). Years 4-5: We will limit unplanned water interruptions to no more than **four** in any 12 month period ($75).	In accordance with feedback, our focus on reducing water interruptions has been strengthened. An increased focus on renewals and delivery of the Phillip Island Water Supply Security Project is expected to reduce the likelihood of interruptions in 2021-22 and 2022-23. (C18-22)
Better Tasting Water	Nil.	All water quality complaints will receive a response within **three business days** after notification (noting resolution may take longer) ($100).	New GSL reflects customer focus on better tasting water. (A9,B8,B20)
Affordable and Responsive Services	Restricting the water supply of, taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customers and provide information about help that is available if the customer is experiencing difficulties paying ($300).	We will not restrict the water supply of a residential customer, or take legal action, prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying (Reimbursement of annual water access fee; or $350 for tenants).	Payment aligned to access fee for water supply to provide a more logical link.
A More Sustainable Community	Sewage spill within a house, caused by the business or a failure of the business' system(s), contained within one hour of notification ($500).	We will contain sewage spills within a house resulting from the failure of our pipes within one hour of notification (Reimbursement of annual wastewater access fee – or $550 for tenants; in addition to clean-up costs).	Payment aligned to access fee for wastewater supply to provide a more logical link.

Outcome	Water Plan 3	PS1 Proposal	Commentary
A More Sustainable Community	Sewage spill onto property contained within five hours of notification ($250).	We will contain sewage spills onto property within five hours of notification ($350).	Payment increased in accordance with customer feedback. (C17)

Service Standards

Westernport Water is committed to delivering increased value for customers. From 2013 to 2018, customers have received the benefit of better than target-performance in most service areas, including customer responsiveness and network reliability. However, several targets relating to the duration of water interruptions and sewer rectification times were not achieved. Our performance against Water Plan 3 commitments is detailed in the table below:

Table 6: Water Plan 3 Performance by Service Standard Target

Service Standards - Water	2017-18 Target	WP3 Performance	
Unplanned water supply interruptions (per 100km)	35	31	💧
Average time taken to attends bursts and leaks (Priority 1) (Minutes)	30	7	💧
Average time taken to attends bursts and leaks (Priority 2) (Minutes)	90	27	💧
Average time taken to attends bursts and leaks (Priority 3) (Minutes)	450	292	💧
Unplanned water supply interruptions restored within 5 hours (%) *Five events over the last four years exceeded the restoration time target due to the complexity of the work involved.*	100	99	🔴
Planned water supply interruptions restored within 5 hours (%) *Six events over the last four years exceeded the restoration time target due to the complexity of the work involved.*	100	98	🔴
Average unplanned customer minutes off water supply	40	30	💧
Average planned customer minutes off water supply	90	71	💧
Average unplanned frequency of water supply interruptions (per customer)	0.3	0.3	💧
Average planned frequency of water supply interruptions (per customer)	0.5	0.5	💧
Average duration of unplanned water supply interruptions (minutes)	120	96	💧
Service Standards - Water	**2017-18 Target**	**WP3 Performance**	
Average duration of planned water supply interruptions (minutes) *Increased air-scouring contributed to longer planned interruption times.*	120	157	🔴
Number of customers experiencing >1 unplanned water supply interruptions in the year	1,500	944	💧
Unaccounted for water (%)	10	6	💧

Service Standards - Sewerage	2017-18 Target	WP3 Performance	
Sewerage blockages (per 100km)	10	4.1	
Average time to attend sewer spills and blockages (minutes)	90	56	
Average time to rectify a sewer blockage (minutes) *Reporting requirements were amended from 2014-15 to include household connection branch blockages, which have influenced our performance.*	200	290	
Spills contained with 5 hours (%) *Two events exceeded the containment target; one due to complexity and one due to an initial reporting error, which delayed the response time.*	100	94	
Customers receiving more than 3 sewer blockages in the year	0	0	
Service Standards - Customer Service	**2017-18 Target**	**WP3 Performance**	
Complaints to EWOV (per 1000 customers)	1.1	0.8	
Telephone calls answered within 30 seconds	90	97	

Conclusion

Westernport Water has consulted extensively to understand and identify the key areas in which customers are seeking to maintain existing performance, and where improved performance is sought. These preferences have been incorporated in the design of each outcome and their associated targets. While new measures have been identified as part of this work, Westernport Water will continue to monitor and assess its performance in accordance with the ESC's annual performance framework.

Capital Expenditure

Capital expenditure is a key element of the annual revenue requirement that informs the submission. Westernport Water's 2018-23 capital expenditure program has been designed to ensure that our infrastructure investment:

- Enables customer expectations for performance to be met
- Ensures regulatory obligations can be delivered
- Maintains asset reliability and performance
- Does not contribute to significant increases in renewals in the next regulatory price period
- Accommodates forecasts for long term growth.

Capital Expenditure in Water Plan 3 (2013 - 2018)

From 2013 to 2018, Westernport Water's determination provided for a $30.16 million ($real2018) capital works program across the region. Nearly two-thirds of the capital expenditure program was allocated to upgrading and improving our sewerage infrastructure and network. The majority of the remainder was focused on securing our water supply and delivering safe and reliable drinking water. A small amount of capital expenditure, $0.62 million ($real2018), was directed to recycled water.

As Westernport Water progressed through the third regulatory period, capital expenditure was reprioritised to deliver improved value for money for our customers. A prime example was the deferral of the forecast replacement of the San Remo Basin Liner to the next regulatory period. The San Remo Basin is a vital component of our water system as the sole holding basin for treated water prior to gravity feeding customers in San Remo, Phillip Island and surrounding townships. Through regular inspections, condition assessment and laboratory testing, Westernport Water deferred these works to the upcoming regulatory period. As part of the Fairer Water Bills initiative, financing and depreciation funds were returned to customers in the form of an annual rebate. Additional projects were also funded, including the Cross Island Sewer Link, Building Asset Management Plan, Desalination Pipeline Cross Connection, and Year 1 of the Business Transformation Project.

Table 7: Performance against Key Water Plan 3 Projects

Project	Determination capex ($real2018)	Total WP3 actual expenditure ($real2018)	Expected completion	Actual completion	Comments
Candowie Upgrade Project	$2.64m	$0.83m	2013-14	2013-14	The project commenced in Water Plan 2 and was completed in 2013-14. The reservoir capacity has doubled to 4,463ML.
Cowes Wastewater Reticulation – Upgrade Pump Stations	$1.45m	$1.45m	2014-15	2015-16	The Church Street Sewer Pump Station Upgrade was completed in 2014-15. The Chapel Street Sewer Pump Station Upgrade was completed in 2015-16.

Project	Determination capex ($real2018)	Total WP3 actual expenditure ($real2018)	Expected completion	Actual completion	Comments
Ian Bartlett Water Purification Plant Tertiary Treatment	$2.38m	$1.46m	2015-16	2017-18	The tertiary treatment upgrade concept design was completed in 2014-15. Further investigation into optimising the existing plant to achieve treatment targets was completed in 2015-16. The preferred upgrade option, design and construction of UV treatment facility, commenced in 2016-17 and is scheduled to be completed by December 2017.
Cowes Wastewater Reticulation – New Rising Mains	NA	$1.54m	2017-18	2017-18	The implementation schedule for the rising main from Church Street and Chapel Street Sewer Pump Stations were reviewed in 2015-16. Subsequently, the Chapel Street rising main has been deferred to the fifth regulatory period. The construction phase of Church Street rising main is expected to be completed by December 2017.
San Remo Basin Cover Replacement	$2.44 m	$0	2017-18	Deferred to PS1	The project was initially scheduled for 2016-17 to coincide with the end of the manufacturer's warranty period. Through regular inspections, condition assessment and laboratory testing, Westernport Water deferred these works to the upcoming regulatory period.

Project	Determination capex ($real2018)	Total WP3 actual expenditure ($real2018)	Expected completion	Actual completion	Comments
Water Mains Replacement Program	$1.27m	$1.34m	Ongoing	Program for Water Plan 3 was complete.	This is an ongoing program of works. In Water Plan 3 reporting period, priority was given to replacing approximately 3km of cast-iron water mains.
Cowes Wastewater Treatment Plant Upgrade	$3.32m	$3.34m	2017-18	2015-16	This project commenced in 2013-14 and the construction phase is now complete. Testing and commissioning of the new works was completed in 2015-16. Stage 1 of the upgrade has proved a success with the plant achieving process stability and a greater capacity to handle wet weather. The plant has met all EPA licence limits and achieved increased nitrogen removal.

Actual capital expenditure over the third regulatory period, split by product and category is presented below. Note that the actual expenditure differs from the figures reported in the 2013-14, 2014-15 and 2015-16 regulatory accounts. This is a result of a review undertaken of historical finances and reported expenditure undertaken in 2015-16. The review also uncovered an error in NCC reporting (see the Rolled Forward RAB section – p.62).

Table 8: WP3 Actual Expenditure By Product and Category ($m, real2018)

Product – Asset category	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18[1]
Water						
Headworks	13.08[2]	1.25	0.16	0.02	0.29	-
Pipelines/network	0.47	0.46	0.22	0.54	0.53	1.68
Treatment	0.04	0.20	0.40	0.40	1.57	0.75
Corporate	0.14	0.36	0.37	0.49	0.60	0.13
Total Water	**13.74**	**2.27**	**1.15**	**1.45**	**2.98**	**2.56**
Sewerage						
Headworks	-	0.76	1.19	1.35	0.35	-
Pipelines/network	0.30	0.12	0.10	0.17	0.84	0.28
Treatment	0.24	1.02	2.74	0.89	0.70	3.16
Corporate	0.22	0.23	0.24	0.32	0.39	-
Total Sewerage	**0.76**	**2.13**	**4.26**	**2.73**	**2.28**	**3.44**
Recycled water						
Headworks	-	-	-	-	-	0.59
Pipelines/network	-	-	-	-	-	-
Treatment	0.03	-	-	0.09	-	-
Corporate	-	0.01	0.01	0.01	0.01	-
Total Recycled Water	**0.03**	**0.01**	**0.01**	**0.10**	**0.01**	**0.59**
Total	**14.53**	**4.41**	**5.41**	**4.28**	**5.27**	**6.59**

Building our Capital Expenditure Program

Our Approach to Asset Management

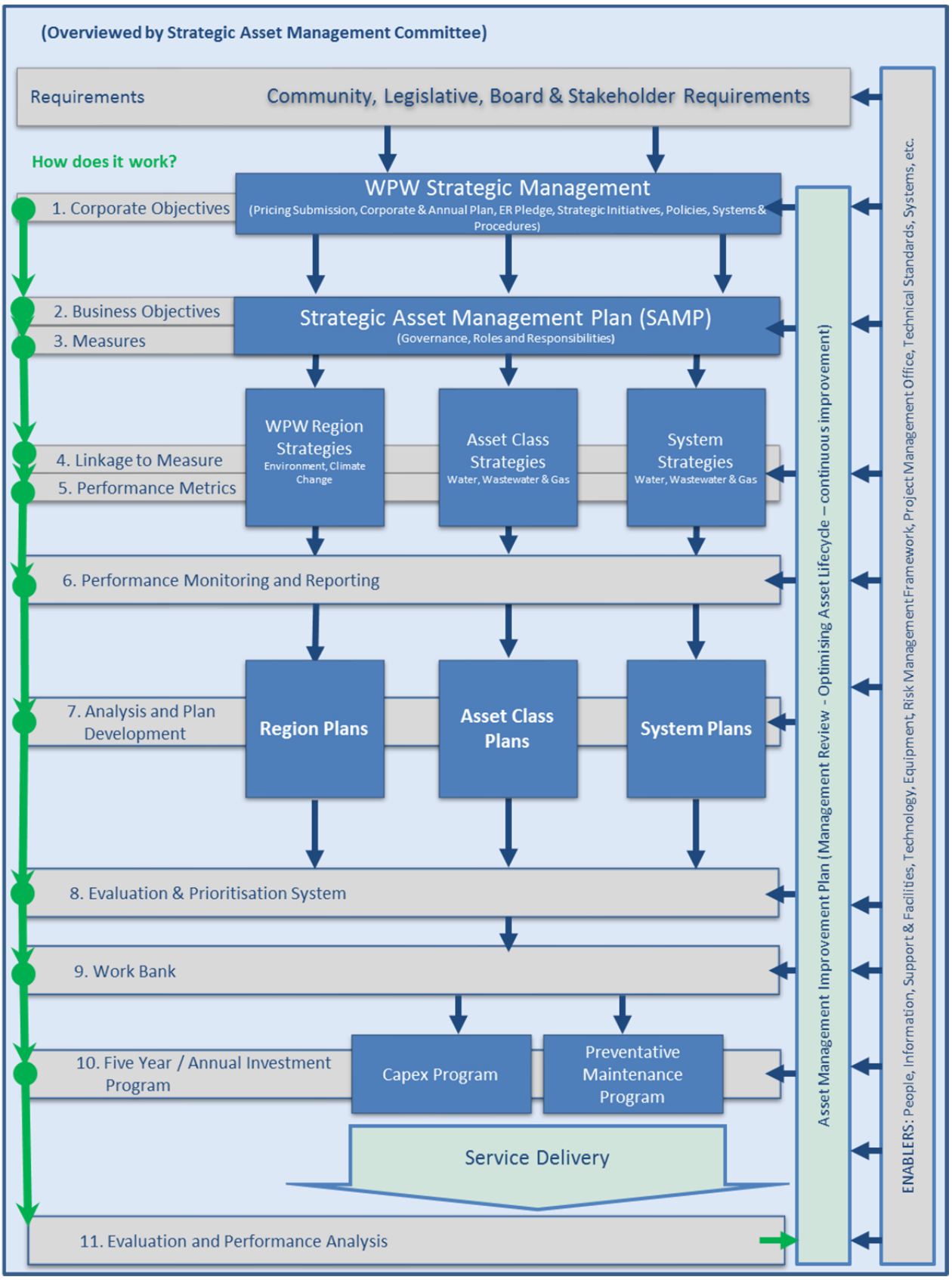
Westernport Water has an obligation to our community to ensure we manage our assets effectively and efficiently, to support the successful delivery of our outcomes.

Through our Asset Management Policy, Westernport Water has commenced the development and implementation of a systematic Asset Management System (AMS) that is linked to our Corporate Plan, customer outcomes and is consistent with the requirements of the international standard for asset management systems (ISO55001) and the Department Treasury and Finance (DTF) Asset Management Accountability Framework (AMAF).

The AMS provides the objectives, policies, processes and information systems to manage assets from initiation, through acquisition, operation, renewal and disposal to deliver asset capability. The AMS is the toolset to provide direction on asset management decision making. The Asset Management Framework that supports the AMS is pictured below.

[1] This is capex as per the 2013 Determination.
[2] Capex for Water Headworks in 2012-13 was 12.67 plus 0.41 for Westernport Water's contribution to NVIRP as per the ESC determination 2013.

Figure 2: Westernport Water's Asset Management Framework



Westernport Water has developed an Asset Management Improvement Plan that describes the elements (and identifies the gaps) that will ensure our AMS is aligned with ISO55001 and the DTF AMAF. This approach will be reviewed and audited to provide Westernport Water with a pathway to continuous improvement.

Our Approach to Prioritising Capital Expenditure

Westernport Water has developed and is utilising a capital works planning and prioritisation process based on guidelines completed by Water Services Association of Australia (WSAA). The prioritisation process is aligned to our Project Management Framework and has been designed and applied to:

- Ensure that project submissions are justified as both prudent and efficient, and are prepared in a manner that is both consistent and comparable;
- Ensure projects are prioritised on considerations of both their contribution to corporate objectives, and risk if deferred; and
- Define a robust and deliverable capital program.

All planned capital projects for the next regulatory period started as a project bid in response to asset performance, customer feedback or government priorities. All staff were engaged as part of the project prioritisation process and were able to submit a bid for consideration, regardless of their position or discipline. Project bids incorporated preliminary project and budget information, risk assessments and demonstrated strategic alignment to our corporate objectives.

Each project bid was assessed using the Weighted Prioritisation Approach pictured below, which maps the total objective weighted score against the risk score.

Figure 3: Weighted Prioritisation Approach

Following assessment, project scopes were created for all successful project bids scheduled from 2018 to 2023. Subject to Westernport Water's Delegations Manuals, business cases have been developed for projects scheduled in 2018-19 to 2019-20. Business cases for projects in 2020-21 to 2022-23 will be

developed over the next 24 months. Where projects are high value, additional assessments have been undertaken to support the project scopes and provide greater confidence in regards to cost.

Subsequently, Westernport Water will develop procurement plans and tender analysis and assessments following business cases. Procurement plans will identify the most efficient project delivery mechanisms. Given our regional context, size (small) and complexity (or lack thereof) of projects, it is important that Westernport Water develops procurement plans that are fit for purpose and mitigate risk appropriately. Tender analysis and assessments for all projects will be conducted in accordance with our Delegations Manual and procurement policies.

Table 9: Westernport Water's Project Management Framework

Gate 0	Gate 1	Gate 2	Gate 3	Gate 4
Project Proposal (Project Bid)	Project Scope	Business Case	Procurement Plan	Tender Analysis and Assessment

The capital works program is subject to modification in consultation with the Strategic Asset Management Committee, before recommendation the Executive. The Executive and/or Board may seek to make changes due to project timing, constructability, approvals, deliverability or reprioritisation of new or existing projects.

Our Approach to Estimating Costs

Westernport Water has developed project cost estimates using Standard Procedures and Templates based on the Australian Government Department of Infrastructure and Regional Development (DIRD) - Cost Estimation Guidance 2016. This approach specifically identifies direct contractor costs and our direct costs such as project management, design and survey (if appropriate). The cost estimates for our top ten projects have all been independently developed. Cost estimates for all other projects and programs have been developed using unit rates from previously completed contracts, historical annual costs or estimates from specialised contractors.

Project proposals have been developed for all projects and programs. Business cases which include detailed options analysis and identification of a preferred option, have been developed for three key capital projects being undertaken in the first two years of the next regulatory period. Risk-based cost workshops have been conducted on the preferred option.

The workshops were facilitated by CMP Consulting Group and included participants from across the business. During the risk based cost workshops, a comprehensive list of relevant risks (increases in cost) and opportunities (reductions in cost) was collated for each project and program. This included identification of design and construction risks, which may influence the direct cost of the project or program. Each risk item was then assigned a likelihood and consequence as per Westernport Water's corporate risk assessment matrix. A cost range was then assigned to each risk item, from the minimum to maximum cost incurred resulting from the occurrence each risk.

The Monte Carlo analysis tool was then run by CMP to generate a series of possible cost outcomes based on the likelihood of anticipated risks or opportunities occurring. Key outputs of the analysis are the P5, P50 and P95 costs which indicate, for example, a 95 per cent probability that the cost will be below the

P95 cost, and equal probability that the cost will be above or below the P50 cost. For the purpose of this assessment, the P50 risk-based cost has been specifically identified for each project and program.

Our Approach to Managing Risks in Procurement and Delivery

Westernport Water undertakes a range of activities to effectively manage project risks, including:

- Detailed planning and accurate cost estimation– Westernport Water has completed detailed reviews and investigations, refined detailed scopes of work and workshopped option assessments (and business cases) for our major projects prior to the development of the capital expenditure program. Early investigation and planning has allowed us to confidently define project scopes and objectives. In doing so, Westernport Water will avoid scope creep or re-work during the project delivery phase.

- Project cost estimating – Westernport Water uses a probabilistic cost estimating process for our top five projects, which are over $1m, and a deterministic cost estimating process for minor projects and programs. Project risks were identified as part of project cost estimation. P50 estimates have been developed using a Monte Carlo analysis, with contingencies linked to each risk item.

- Effective project governance, management and oversight – Westernport Water utilises a "Project Management Framework" based on the Project Management Excellence (PME) methodology. This methodology uses a "gateway" review process for projects and programs at key decision points. The framework provides consistency and governance in managing our capital works projects and program. This framework is summarised on page 27.

- Contract management – Westernport Water's standard contract management is based on an appropriate Australian Standard. As an example, Westernport Water regularly uses General Conditions of Contract, such as AS4300 for Design and Construct contracts, AS4000 for Construction contracts and AS4122 for the Engagement of Consultants.

- Procurement approach – Westernport Water operates in a regional context and has a small capital works program. Our access to large construction contractors is limited. Similarly, our opportunity to maximise benefits created by "economies of scale" is also limited. Consequently, Westernport Water uses different procurement types for projects depending on complexity, value and size. Some examples may include, bundling "like" projects into programs, utilising preferred suppliers and contractors, and maximising opportunities with VicWater and our Gippsland Regional Water Alliance Partners. We are a small and nimble corporation which can individually tailor procurement approaches to each project. This approach allows us to maximise efficiencies and identify innovations. In the current regulatory period, Design and Construct (D&C) contracts were used for all major projects.

- Contract delays and liquidated damages - As mentioned above, Australian Standards are consistently used for contract management. General Conditions of Contract, such as AS4000, provide for the principal to apply Liquidated Damages and Contractor Delay Payments. This standard contract provision is utilised by Westernport Water where appropriate.

Proposed Capital Expenditure (2018 to 2023)

The proposed $26.5m ($real2018) capital expenditure for the next regulatory period is outlined in full in Appendix 6. In comparison to the actual Water Plan 3 capital expenditure, this represents a small increase in expenditure. As the tables below demonstrate, the focus of the program has moved primarily into renewal activity. This shift is driven by projects such as the San Remo Basin Renewal Project, Water Main Replacement Program, Sewer Junction Rebuild Program, San Remo to Newhaven Bridge Pipeline and Fittings Renewal Project, and the Business Transformation Project, which is designed to address existing ICT performance risks.

While inconsistent with the current regulatory period, an increased focus on renewal activity is in direct response to customer preference to ensure that asset reliability and performance is not compromised by deferred renewal expenditure (C7,C9). Growth –related expenditure has also increased by approximately 20 per cent, which is largely a product of the $3.37m Cowes Wastewater Treatment Plant Upgrade – Stage 2. The project is partly compliance-related, as it will also ensure compliance with EPA license conditions.

Despite significant variation across the water sector, Westernport Water is has been found to deliver the second lowest annual capex per customer in comparison to other regional urban water businesses, while continuing to meet service levels and customer expectations (Infrastructure Capability Assessment Water and Waste, Infrastructure Victoria, 2016).

Table 10: Actual WP3 Capital Expenditure by Cost Driver ($m,real2018)

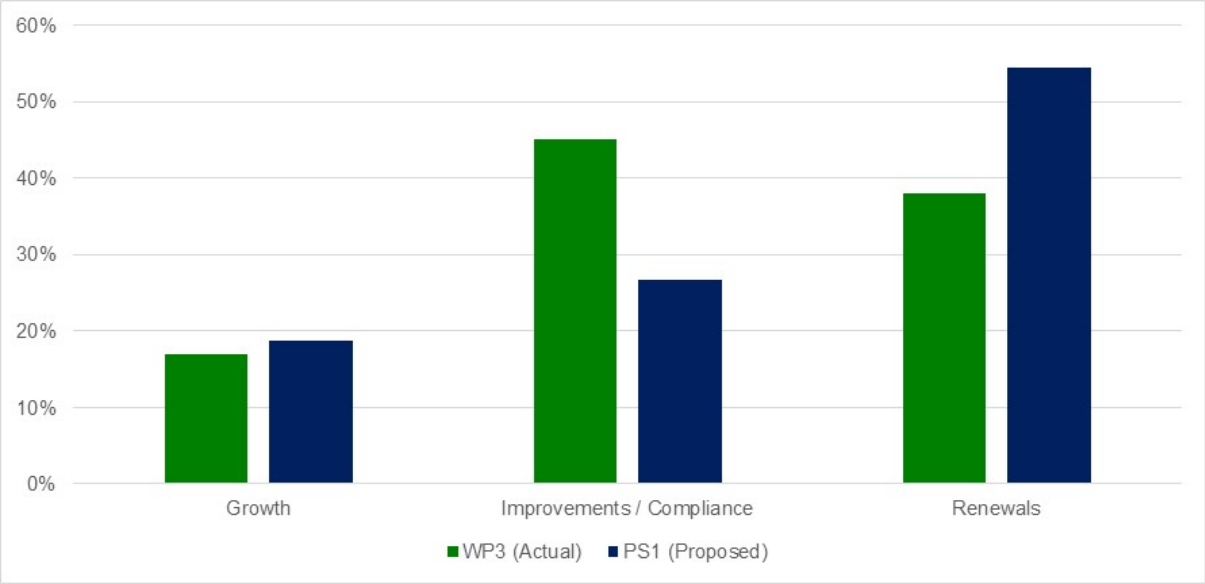
Cost Driver ($m,real2018)	2013-14	2014-15	2015-16	2016-17
Compliance	1.53	3.35	1.50	1.40
Growth	0.89	0.22	0.62	1.18
Improved Services	0.49	0.29	0.31	0.38
Renewals	1.49	1.56	1.85	2.30
Total	**4.41**	**5.41**	**4.28**	**5.27**

Table 11: PS1 Capital Expenditure by Cost Driver ($m,real2018)

Cost Driver ($m,real2018)	2018-19	2019-20	2020-21	2021-22	2022-23
Growth	0.45	1.18	1.66	1.36	0.34
Improved Services / Compliance	1.99	2.51	1.01	0.51	1.09
Renewals	2.85	1.85	2.74	2.95	4.05
Total	**5.29**	**5.54**	**5.42**	**4.81**	**5.48**

The capital expenditure program has prioritised cost control over improved services, which remains a lesser focus for the program and customers (B28). However, customers have sought greater investment in two key areas – the environment and water quality (B20) – which are addressed under 'Improved Services' (Sceptic Tank Discharge Pump Station, Zone Metering and Pressure Management Program and the Water Quality Improvement Program).

Figure 4: Capital Expenditure by Cost Driver (2013-18 compared to 2018-23)



As previously outlined, the expenditure program for Water Plan 3 focused on sewer infrastructure upgrades to meet growth demands in Cowes and to satisfy EPA compliance obligations. Projects included Wastewater Futures – Cowes Reticulation; Cowes Wastewater Treatment Plant Upgrade - Stage One; and Wastewater Futures – Cowes Sewer Pump Station Upgrade. In the next regulatory period, asset reliability will be maintained through renewals to our water distribution systems, sewer pump stations, and the following major projects and programs:

San Remo Basin Renewal Project - This project was deferred from Water Plan 3. Westernport Water conducted a condition assessment on the existing cover material in 2016, which supported the deferral of its replacement. The basin liner is a critical asset and cannot be out of service. Given that our water distribution system relies solely on the San Remo Basin as our single source of water storage, this project responds to a significant risk.

Water Main Replacement Program - Westernport Water has 460km of water pipelines in our distribution network and approximately 40 per cent consists of asbestos cement (AC) mains. Well over half of these (100km) have passed their useful asset age of 50 years (refer WSAA Investigation Project – Management of Asbestos Cement Pipes October 2012). Over the past five years, Westernport Water has recorded 120 water main failures on our AC water mains. During 2013-14, Westernport Water conducted an investigation into the condition assessment of AC pipes using a non-destructive testing method. The pipe replacement program has been developed using multi-criteria assessment techniques which include pipe-type, age, pipe diameter, criticality, condition and fault history. Based on this detailed assessment, we have developed a multi-year AC water main replacement program. In PS1 (2018-2023), all AC pipes (approximately 11kms) with “Condition 5 rating” and “High Criticality” will be replaced. This program is scoped in accordance with customer preference for asset renewal (C9) and reduced water supply interruptions (C18-22). If we don’t do this project, water interruptions will increase and renewals will be deferred leading to a backlog of expenditure in the fifth regulatory period.

Sewer Pump Station (SPS) Electrical Switchboard Renewal Program - The SPS electrical switchboard upgrade program focuses on the renewal of switchboards based on age, condition and criticality for the

operation. There are 142 switchboards within our water and wastewater systems. The average service life for the renewal for each switchboard is around 30 years; therefore there will be 40 switchboards that come to the end of service life within the next regulatory period. However in 2017, an audit undertaken on the switchboards identified asset condition based on safety, age, physical condition and meeting the current electrical regulations and standards. This identified eight switchboards, based on condition and criticality, for replacement in the next regulatory period.

Business Transformation Project - Westernport Water experiences regular service continuity issues within its current ICT environment. The majority of issues relate to the billing system, where continued vendor intervention is required to meet monthly billing requirements. The significant risk to maintaining customer service levels and revenue collection will be addressed through the Business Transformation Project. The project will improve the stability and performance of our managed network services and functionality of core systems to deliver reliable and responsive services to our people and customers.

San Remo to Newhaven Bridge Pipeline and Fittings Renewal Project - Water services are provided to Phillip Island by three water mains, two of which are suspended beneath the Phillip Island Bridge and the third which is under channel. These three water mains link San Remo to Newhaven. Following visual inspections, there has been significant external deterioration identifies as a result of aggressive environmental conditions, including corrosion along the external surface of the water main that needs to be repaired. Isolating valves and expansion joints at either end also require replacement.

Plant Replacement - Fleet & Equipment - Vehicles are scheduled for replacement in accordance with the corporation's motor vehicle policy. Westernport Water maintains an annual vehicle replacement program that aims to replace fleet vehicles at 100,000kms for passenger vehicles and 150,000kms for operational vehicles, or four years, whichever comes first. Exceptions are trucks, forklifts, tractors, quads and trailers, which are to be assessed on business use criteria and budgeted for at a department level. Westernport Water expended $1.6 million ($real2018) in the last regulatory period on plant replacement in accordance with our motor vehicle policy to ensure that our people have access to safe, fit-for-purpose, reliable equipment to reduce health and safety risks.

Table 12: WP3 Capital Expenditure by Product ($m,real2018)

Product (real$2018)	2013-14	2014-15	2015-16	2016-17	2017-18[3]	Total
Water	2.27	1.15	1.45	2.98	2.56	10.41
Sewer	2.13	4.26	2.73	2.28	3.44	14.84
Recycled Water	0.01	0.01	0.10	0.01	0.59	0.71
Total	**4.41**	**5.41**	**4.28**	**5.27**	**6.59**	**25.95**

[3] As per the 2013 Determination

Table 13: PS1 Capital Expenditure by Product ($real2018)

Product	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Water	3.11	3.07	2.27	2.12	3.13	13.70
Sewer	2.13	2.44	3.03	2.32	1.99	11.90
Recycled Water	0.05	0.03	0.12	0.37	0.37	0.93
Total	**5.29**	**5.54**	**5.42**	**4.81**	**5.48**	**26.53**

Table 14: PS1 Capital Expenditure by Outcome ($real2018)

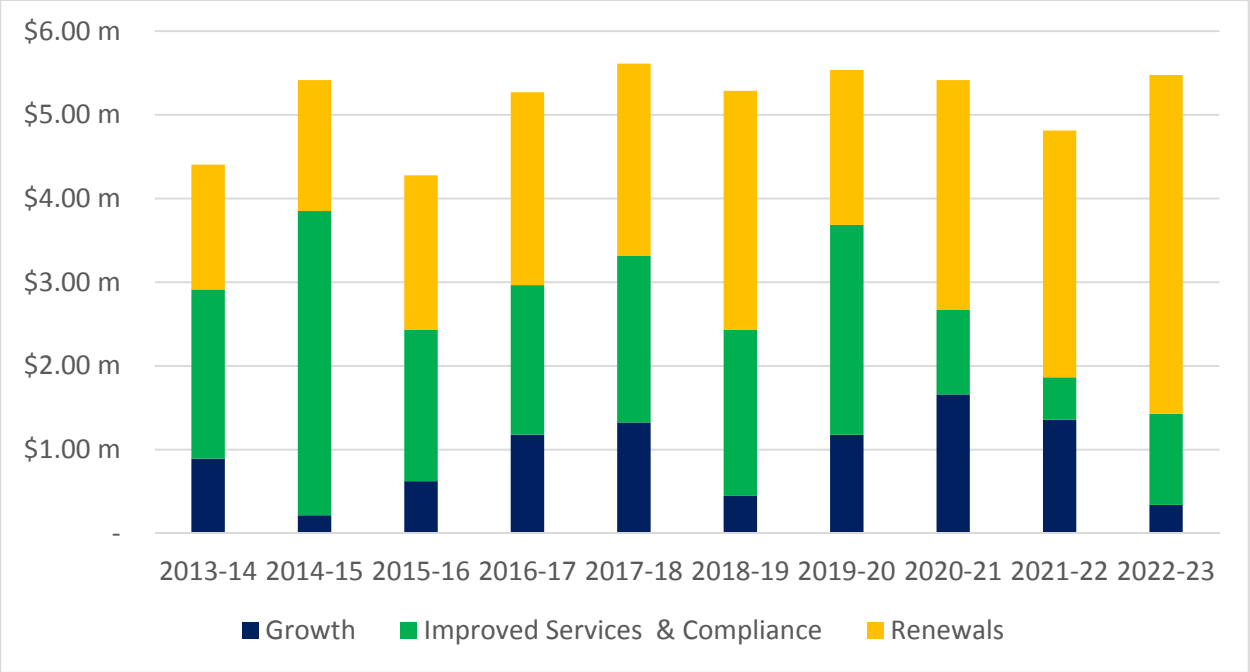
Outcome	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Reliable Water and Wastewater Services	2.42	3.89	4.63	3.80	3.81	18.55
Better Tasting Water	0.52	0.29		-	-	0.81
Affordable and Responsive Services	1.66	0.85	0.39	0.23	0.74	3.87
A More Sustainable Community	0.68	0.51	0.40	0.78	0.93	3.30
Total	**5.29**	**5.54**	**5.42**	**4.81**	**5.48**	**26.53**

Eliminating Speculative Expenditure

Westernport Water is committed to ensuring that the capital expenditure program is supported by approved business cases that have been adequately scoped, prioritised and costed. Speculative projects have not been included in this submission. Planning costs have been included where appropriate to inform projects in the next regulatory period beyond 2023, such as exploration of methane cogeneration at Cowes Wastewater Treatment Plant and investigations into the long term future of the Ian Bartlett Water Purification Treatment Plant.

The long term cost implications for customers have been carefully considered when designing the capital expenditure program. As the figure below shows, annual capital expenditure has and will remain relatively steady in the long term.

Figure 5: Overview of Capital Expenditure By Driver



Top 10 Projects ($real2018)

Approximately 60 per cent of Westernport Water's proposed capital expenditure program relates to projects. The major projects have been identified in consultation with customers and listed below.

Cowes Wastewater Treatment Plant Upgrade – Stage 2 ($3.370m)

Addresses capacity and performance constraints at Cowes Wastewater Treatment Plant, ensuring compliance with EPA license conditions. The upgrade includes the construction of a new clarifier, the refurbishment of existing clarifiers and associated works to increase total clarifier capacity to 12ML/day. If this project does not proceed, there is risk of non-compliance at peak times.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Sewer
0.175	0.850	1.350	0.995	-	**Driver**	Growth

Phillip Island Water Supply Security Project ($2.795m)

Reduces water supply interruptions (in accordance with customer priorities) on Phillip Island by constructing a storage tank to back feed water to San Remo or Cowes when the sole water main is shut down for repair (C8,C18). If this project does not proceed, the likelihood of water interruptions will increase with the age and deterioration of the 648mm water main, which is approaching the last third of its useful life. During peak tourist season, the consequences of water main failure are significantly greater due to increased demand.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Water
0.600	1.500	0.621	-	-	**Driver**	Compliance

San Remo Basin Renewal Project ($2.022m)

Renews life-expired basin liner at the single water source for San Remo and Phillip Island to ensure water security to meet peak seasonal demand (C9) – refer p.31.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Water
-	-	0.500	0.500	1.022	**Driver**	Renewals

Business Transformation Project ($1.689m)

Replaces ICT systems and infrastructure to address key business risks around performance, revenue collection and reporting, while driving operational efficiencies post-implementation – refer p.32.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Affordable and Responsive Services
					Category	Corporate
1.359	0.330	-	-	-	**Driver**	Renewals

Zone Metering and Pressure Management ($0.914m)

Controls water pressure to extend asset life and improves consumption reporting to detect non-revenue water loss, thereby improving sustainability of water network in accordance with customer priorities (C8,C16). The installation of pressure reducing valves and flowmeters in seven water supply zones will: reduce stress on water pipelines thus increasing the effective useful life; minimise water leakage volumes; and assist us to reduce unaccounted for water by increased flow monitoring accuracy.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	A More Sustainable Community
					Category	Water
0.132	0.132	0.132	0.132	0.386	**Driver**	Improved Services

San Remo to Newhaven Bridge Pipeline and Fittings Renewal Project ($0.917m)

Renews pipeline infrastructure on Phillip Island Bridge that requires replacement after 40 years of exposure – refer p.32.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Water
-	-	-	0.550	0.367	**Driver**	Renewals

Sustainable Water Reuse & Land Management ($0.813m)

Minimises ocean discharge by optimising recycled water irrigation on-site at Cowes Wastewater Treatment Plant and King Road Wastewater Treatment Plant, thereby reducing environmental impacts in accordance with customer priorities (C8,C16). The project will also investigate the feasibility of methane cogeneration at Cowes Wastewater Treatment Plant, as suggested by customers during consultation.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	A More Sustainable Community
					Category	Recycled Water
-	-	0.110	0.363	0.340	**Driver**	Growth

San Remo Basin to Cowes '648 Pipeline Valve Renewal Program ($0.600m)

Reduces unplanned water supply interruptions to Phillip Island customers by auditing and refurbishing joints, valves and tappings on single water main that result in bursts and leaks (C18).

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Water
-	-	0.330	0.120	0.150	**Driver**	Renewals

Building Asset Management Plan - Stage 3 ($0.516m)

Upgrades facilities to safely and securely store assets, reduces risk to staff undertaking mechanical and welding work, and reduces physical barriers that prevent workplace diversity and inclusion.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Corporate
0.229	0.287	-	-	-	**Driver**	Growth

Emissions Reduction Pledge Implementation ($0.411m)

Reduce carbon emissions through investment in renewable energy on-site, while reducing energy consumption costs (C21). The project will focus on behind the meter energy direction to achieve proposed reductions to greenhouse gas emissions (p.16).

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	A More Sustainable Community
					Category	Environment
0.070	0.044	0.033	0.176	0.088	**Driver**	Compliance

Top 10 Capital Programs ($real2018)

Approximately 40 per cent of Westernport Water's proposed capital expenditure program relates to programs. The major programs are driven by asset performance, reliability of water and wastewater services, and water quality. The programs have enabled Westernport Water to reduce its preventative maintenance expenditure through the next regulatory period, contributing to the 2.63 average annual operating efficiency.

Water Main Replacement Program ($1.836m)

Water Plan 3 expenditure was $1.341m ($real2018). Increase in forecast expenditure is due to increase in pipe lengths – 3kms to 11kms - refer p.31.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Affordable and Responsive Services
					Category	Corporate
0.200	0.250	0.450	0.450	0.486	**Driver**	Renewal

Plant Replacement Program – Fleet and Equipment ($1.481m)

Water Plan 3 expenditure was $1.573m ($real2018) - refer p.32.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Affordable and Responsive Services
					Category	Corporate
0.165	0.382	0.246	0.090	0.598	**Driver**	Renewal

Sewer Junction Rebuild Program ($1.100m)

Water Plan 3 expenditure was $0.729m ($real2018). Westernport Water has over 14,000 customers connected to our sewerage collection system. Nearly 50 per cent of these connections were constructed in the 1980s and are approaching 40 years of age. The Sewer Junction Rebuild Program is an ongoing program to reconstruct and reline collapsed sewer junctions as a result of blockages that could lead to service interruptions or sewer spills. Increase in forecast expenditure is due to increase number failures or blockages identified in CCTV investigation program. The expenditure will enable us to maintain current performance levels, despite ageing infrastructure (p.13).

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Sewer
0.200	0.200	0.200	0.250	0.250	**Driver**	Renewals

Sewer Pump Station Electrical Switchboard Upgrades ($1.015m)

Water Plan 3 expenditure was $0.310m ($real2018). The SPS electrical switchboard upgrade program focuses on the renewal of switchboards based on age, condition and criticality for the operation – refer p.31.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Sewer
0.240	-	0.250	0.210	0.315	**Driver**	Renewals

Ian Bartlett Water Treatment Plant Civil, Mechanical & Electrical Works Program ($0.750m)

Water Plan 3 expenditure was $0.976m ($real2018). Our IBWPP purification plant was constructed in 1989 and it treats over 2,000ML of water every year. It has various civil, mechanical and electrical components critical to the plant operation. These assets require preventative refurbishment or replacement in order to continue reliable operation and meet drinking water compliance requirements. This project is a rolling program to address civil infrastructure, mechanical equipment and electrical renewal. We have already completed major refurbishment to pumps and valves and therefore forecast expenditure is reducing.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Water
0.150	0.150	0.150	0.150	0.150	**Driver**	Renewals

Sewer Pump Station Civil, Mechanical & Electrical Works Program ($0.600m)

Water Plan 3 expenditure was $0.771m ($real2018). Sewerage pump stations have been identified as a major asset class in WPW's asset base. At present, there are 55 major sewerage pump stations with varying capacities ranging from 2.4kW to 215kW. In addition, there are 17 minor pump stations with single pumps less than 1kW capacity. These sewerage systems have various civil infrastructure and mechanical components that require replacement due to age and failure.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Sewer
0.100	0.100	0.150	0.100	0.150	**Driver**	Renewals

Cowes Wastewater Treatment Plant Civil, Mechanical & Electrical Works ($0.600m)

Water Plan 3 expenditure was $0.411m ($real2018). The Cowes Wastewater Treatment Plant was commissioned in 1982 and services the township of San Remo. The Cowes Plant has various mechanical and electrical components critical to the plant operation. These assets require preventative refurbishment or replacement in order to continue reliably and meet EPA compliance requirements. Increased expenditure is forecast due to ageing and deteriorating assets.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Sewer
0.100	0.100	0.125	0.125	0.150	**Driver**	Renewals

Water Quality Improvement Program ($0.550m)

Water Plan 3 expenditure was $0.202m ($real2018). In accordance with customer priorities, expenditure will increase to include a powder activated carbon system upgrade, the development of a master plan to guide the future replacement or renewal of our water treatment plant, and the installation of a raw water profiler at Candowie Reservoir to better understand raw water quality and treatment responses.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Better Tasting Water
					Category	Water
0.275	0.275	-	-	-	**Driver**	Improved Services

Sludge Management Program ($0.400m)

Water Plan 3 expenditure was $0.594m ($real2018). This is an ongoing program that is vital for the wastewater treatment process to comply with environmental guidelines (general Environmental Management – Publication 943). The program allows for the purchase of sludge de-watering geobags at a frequency based on the volume of sludge produced. In the Water Plan 3 program, major civil works were completed, and therefore expenditure is forecast to decrease.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	A More Sustainable Community
					Category	Sewer
0.080	0.080	0.080	0.080	0.080	**Driver**	Compliance

Sewer Mains Renewals Program ($0.385m)

There was no Water Plan 3 expenditure on sewer main renewals. This program is new. Westernport Water has identified 548m of Asbestos Cement gravity sewer main that needs to be renewed due to its criticality and condition.

2018-19	2019-20	2020-21	2021-22	2022-23	**Outcome**	Reliable Water and Wastewater Services
					Category	Sewer
0.055	0.055	0.055	0.110	0.110	**Driver**	Renewals

Inputs to Capital Expenditure

Customer Feedback

Noting that customers prioritised affordability over improved services (B28), Westernport Water presented capital expenditure program options (ranging from $19m to $33m) to customers for comment and consideration over four workshops. Customers favoured a balanced approach to capital expenditure ($28m) and an asset renewal rate of 80 per cent, noting that they did not want to place service levels at risk, nor defer renewal activity to the next regulatory period. (C7,C9)

In addition, customers supported increased investment in projects focused on water quality, the environment and sustainability. (B20)

Regulatory Compliance

Westernport Water is governed by legislative and regulatory obligations regarding environmental impacts and safe drinking water.

The Environmental Protection Authority provided guidance to water corporations to inform their pricing submissions for the 2018 pricing period in late 2016. This guidance outlined the environmental obligations that water corporations had under the Environment Protection Act 1970, relevant statutory policies and guidance. The key obligations referenced water discharge, sewage treatment and disposal, and sludge and biosolids management.

Likewise, the Department of Health and Human Services provided guidance in late 2016 regarding the safety of drinking water and the need to retain community confidence in drinking water supplies. The Safe Drinking Water Act 2003 and the Safe Drinking Water Regulations 2015 provide a risk-based

regulatory framework to ensure safe drinking water supplies. The key obligations referenced the management of source water, water treatment plants, distribution systems, preventative maintenance and incident response capabilities.

Westernport Water's capital expenditure program supports full compliance with the above regulatory obligations.

Government Priorities

In accordance with guidance from the Minister for Water and the Victorian Government's Water Plan, Westernport Water's capital expenditure program has considered the following key policy areas:

- Climate change - *Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies*.
- Customer and community outcomes - *All aspects of service delivery will be customer and community centred*.
- Water for Aboriginal cultural, spiritual and economic values - *Recognise and support Aboriginal cultural values and economic inclusion in the water sector*.
- Resilient and liveable cities and towns - *Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments*.
- Recognising recreational values - *Support the wellbeing of rural and regional communities by considering the recreational values in water management*.
- Leadership and Culture - *Water corporations reflect the needs of our diverse communities*.
- Financial Sustainability - *Delivering safe and cost-effective water and wastewater services in a financially sustainable way*.

Growth Predictions

The capital expenditure program has also considered growth predictions for domestic and non-domestic customers for water, recycled water and sewerage. These growth forecasts are explained in further detail from page 50.

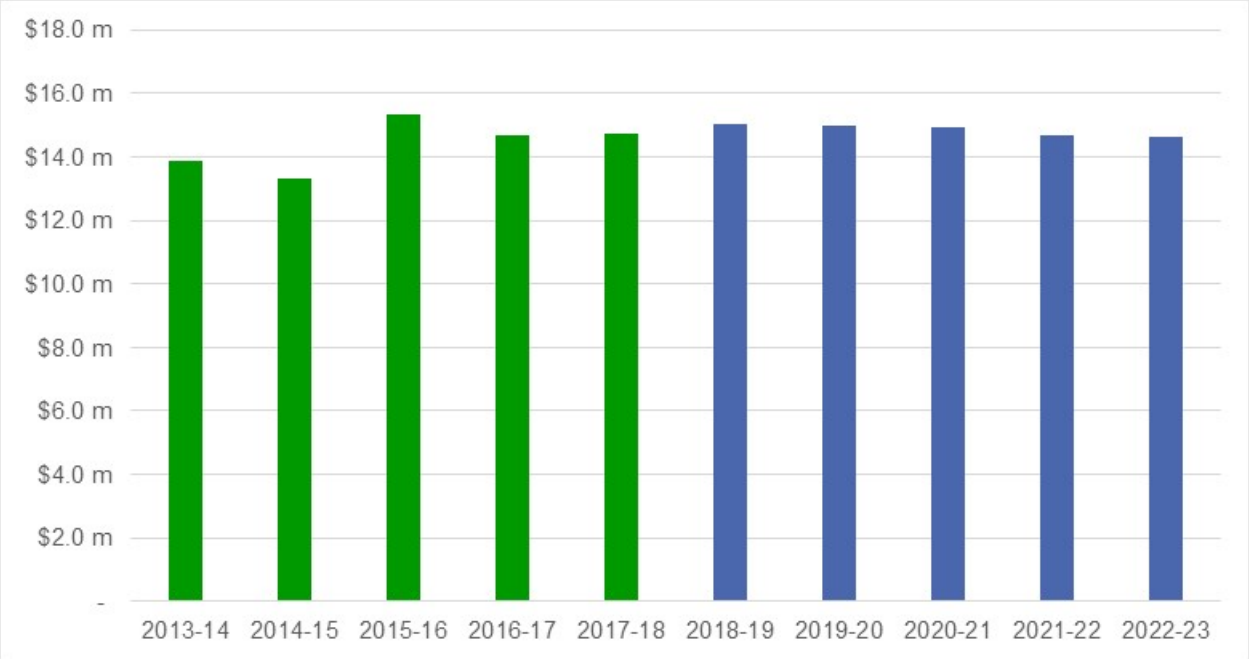
Operational Expenditure

Westernport Water is facing similar economic constraints to the previous regulatory period. Development activity remains subdued with low growth in new connections expected, in line with previous years. Due to minimised revenue growth, Westernport Water is focusing on cost containment to maintain a profitable position.

Westernport Water completed an organisational realignment in 2016-17 as part of a broader improvement program, aligning structure and function to strategy for future years. Westernport Water anticipates that greater clarity of role, accompanied with skills and capabilities aligned to our key focus areas, will lead to operational efficiencies. This, along with realising procurement opportunities, reducing preventative maintenance in line with increased renewals activity, reducing electricity costs as a result of investing in renewable energy, reducing controllable expenditure, and delivering performance improvements through the Business Transformation Project, is forecast to reduce operational

expenditure. The reduction has contributed to an average annual operating efficiency of 2.63 per cent and growth between 1.7 per cent and 2.0 per cent (p.50).

Figure 6: Operational Expenditure 2013-2023 ($real2018)



Westernport Water's baseline operational expenditure is modelled on 2016-17 actual expenditure. Expenditure relating to the development of this pricing submission ($75k) has been identified as the only non-recurring item in the baseline year and has subsequently been removed.

The baseline operational expenditure reflects Westernport Water's strong focus on cost containment and reducing controllable operational expenditure, which is reflected in the minimal year on year increases experienced over the current regulatory period. Although there are no further changes to baseline assumptions envisaged, there are items which will have forecast increases in baseline costs that need to be incorporated going forward. These include electricity, employee costs and IT and are detailed in the tables below.

Operational costs are allocated across water, wastewater and recycled water. Where the expense is not clearly defined, it is allocated by a percentage split based on the actual direct costs as per the baseline year. This methodology and percentage allocations are in line with historic operational cost allocations used during the current regulatory period (2013-2017).

Table 15: Operational Expenditure by % Basis of Cost Allocation

Basis of Cost Allocation (%)	Water	Wastewater	Recycled
Operations and Maintenance	60%	39%	1%
Treatment	52%	43%	5%
Customer Service & Billing	92%	8%	<1%
Corporate & IT	50%	50%	<1%

Operational expenditure has been accounted for over two categories, non-controllable and controllable expenditure.

Non-Controllable Expenditure

Non-controllable operational expenditure includes items identified which are beyond the authority and cost control of the organisation during the regulatory period. These include Melbourne Water Tariffs, Environmental Contribution, Defined Benefits Superannuation and mandatory licence fees relating to DHHS, ESC and EPA.

Table 16: Non-Controllable Operational Expenditure by Service ($m,real2018)

Non-Controllable Opex	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Bulk Charges	-	-	$0.578	$0.578	$0.578	$0.351	$0.351
Licence Fees	$0.013	$0.020	$0.013	$0.013	$0.013	$0.013	$0.013
Environmental Contribution	$0.405	$0.406	$0.513	$0.502	$0.491	$0.480	$0.469
Purchase of Temporary Water Entitlements	-	-	-	-	-	-	-
Total - Water	**$0.418**	**$0.426**	**$1.103**	**$1.092**	**$1.081**	**$0.844**	**$0.833**
Bulk Charges	-	-	-	-	-	-	-
Licence Fees	$0.029	$0.036	$0.029	$0.029	$0.029	$0.029	$0.029
Environmental Contribution	$0.405	$0.406	$0.513	$0.502	$0.491	$0.480	$0.469
Purchase of Temporary Water Entitlements	-	-	-	-	-	-	-
Total – Sewerage	**$0.435**	**$0.442**	**$0.543**	**$0.531**	**$0.520**	**$0.509**	**$0.498**
Bulk Charges	-	-	-	-	-	-	-
Licence Fees	-	-	-	-	-	-	-
Environmental Contribution	-	-	-	-	-	-	-
Purchase of Temporary Water Entitlements	-	-	-	-	-	-	-
Total – Recycled Water	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bulk Charges	-	-	$0.578	$0.578	$0.578	$0.351	$0.351
Licence Fees	$0.042	$0.056	$0.042	$0.042	$0.042	$0.042	$0.042
Environmental Contribution	$0.811	$0.812	$1.026	$1.003	$0.981	$0.959	$0.938
Purchase of Temporary Water Entitlements	-	-	-	-	-	-	-
Defined benefits superannuation contributions	$0.069	$0.067	$0.066	$0.064	$0.063	$0.062	$0.060
Total Non-Controllable	**$0.922**	**$0.936**	**$1.712**	**$1.688**	**$1.664**	**$1.414**	**$1.391**

Controllable Expenditure

Westernport Water's strong focus on cost containment, procurement opportunities and ICT renewal, will continue to reduce operational expenditure throughout the regulatory period. Reducing controllable operational expenditure will remain a continued focus and key deliverable.

Table 17: Controllable Operational Expenditure by Service ($m,real2018)

Controllable Opex	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Operations and Maintenance	$1.736	$1.739	$1.456	$1.456	$1.441	$1.441	$1.426
Treatment	$1.290	$1.292	$1.292	$1.292	$1.292	$1.292	$1.292
Customer Service and Billing	$1.053	$1.055	$1.055	$1.055	$1.055	$1.055	$1.055
GSL Payments	-	-	-	-	-	-	-
Corporate	$2.976	$2.981	$2.981	$2.981	$2.981	$2.981	$2.981
Other Operating Expenditure	-	-	-	-	-	-	-
Total – Water	**$7.056**	**$7.068**	**$6.784**	**$6.784**	**$6.769**	**$6.769**	**$6.755**
Operations and Maintenance	$1.983	$1.986	$1.822	$1.822	$1.808	$1.808	$1.793
Treatment	$1.062	$1.064	$1.064	$1.064	$1.064	$1.064	$1.064
Customer Service and Billing	$0.468	$0.469	$0.469	$0.469	$0.469	$0.469	$0.469
GSL Payments	-	-	-	-	-	-	-
Corporate	$2.976	$2.981	$2.981	$2.981	$2.981	$2.981	$2.981
Other Operating Expenditure	-	-	-	-	-	-	-
Total – Sewerage	**$6.490**	**$6.501**	**$6.336**	**$6.336**	**$6.322**	**$6.322**	**$6.307**
Operations and Maintenance	-	-	-	-	-	-	-
Treatment	$0.200	$0.200	$0.195	$0.195	$0.195	$0.195	$0.195
Customer Service and Billing	-	-	-	-	-	-	-
GSL Payments	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-
Other Operating Expenditure	-	-	-	-	-	-	-
Total – Recycled Water	**$0.200**	**$0.200**	**$0.195**	**$0.195**	**$0.195**	**$0.195**	**$0.195**
Operations and Maintenance	$3.720	$3.726	$3.278	$3.278	$3.249	$3.249	$3.220
Treatment	$2.552	$2.557	$2.551	$2.551	$2.551	$2.551	$2.551
Customer Service and Billing	$1.521	$1.524	$1.524	$1.524	$1.524	$1.524	$1.524
GSL Payments	-	-	-	-	-	-	-
Corporate	$5.952	$5.963	$5.963	$5.963	$5.963	$5.963	$5.963
Other Operating Expenditure	-	-	-	-	-	-	-
Total Controllable	**$13.745**	**$13.769**	**13.315**	**$13.315**	**$13.286**	**$13.286**	**$13.257**

Labour

Wages and salaries include an anticipated 3 per cent forecast increase, in line with current Enterprise Agreement (EA) salary assumptions (EA has 3% p.a. nominal, forecast is 0.68% real increase using the fisher equation). Following the organisational realignment of organisational structure in 2016-17, total staff numbers are expected to remain constant over the regulatory period (82.2 FTE).

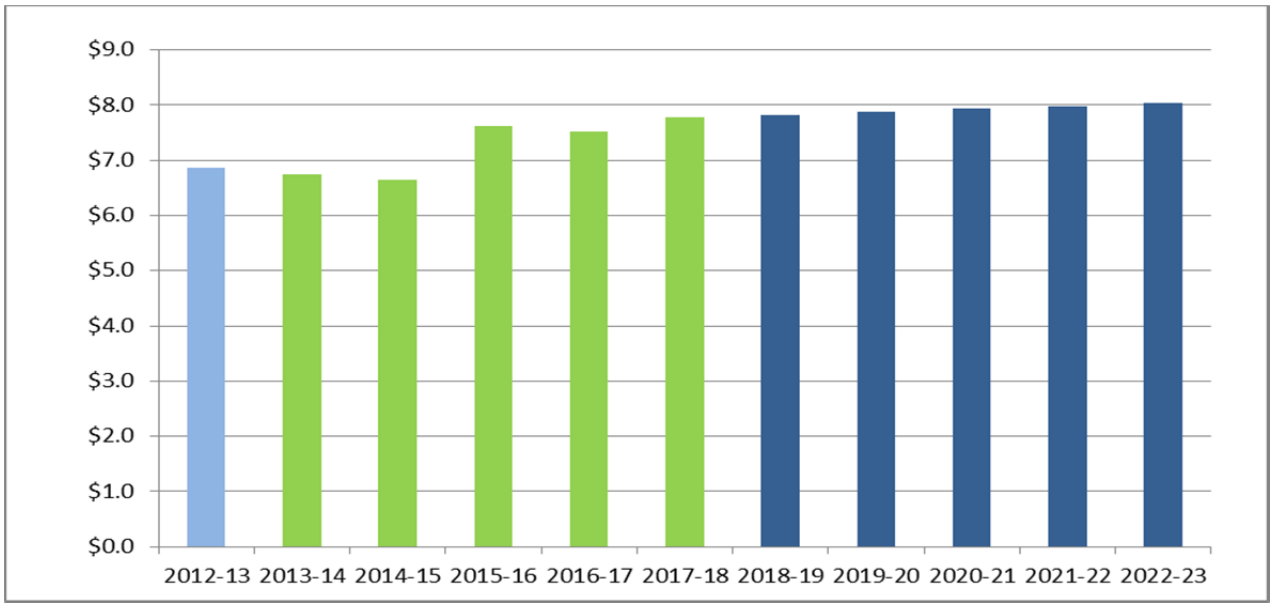
Table 18: Forecast Labour Costs and Full Time Equivalent (FTE) Staff ($m,real2018)

FTE	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Opex FTE	73.2	73.2	73.2	73.2	73.2	73.2
Capex FTE	9	9	9	9	9	9
Total FTEs	82.2	82.2	82.2	82.2	82.2	82.2
Average cost per FTE $'000,s (salary and on-cost)	$0.109	$0.110	$0.110	$0.111	$0.112	$0.113
Total labour operating expenditure $'000's	$7.772	$7.825	$7.879	$7.933	$7.987	$8.042

Table 19: FTE Costs By Service ($m,real2018)

Cost Allocation	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Water	$4.663	$4.695	$4.727	$4.760	$4.792	$4.825
Wastewater	$3.031	$3.052	$3.073	$3.094	$3.115	$3.136
Recycled	$0.078	$0.078	$0.079	$0.079	$0.080	$0.080
Total	**$7.772**	**$7.825**	**$7.879**	**$7.933**	**$7.987**	**$8.042**

Figure 7: FTE Costs ($m,real2018)



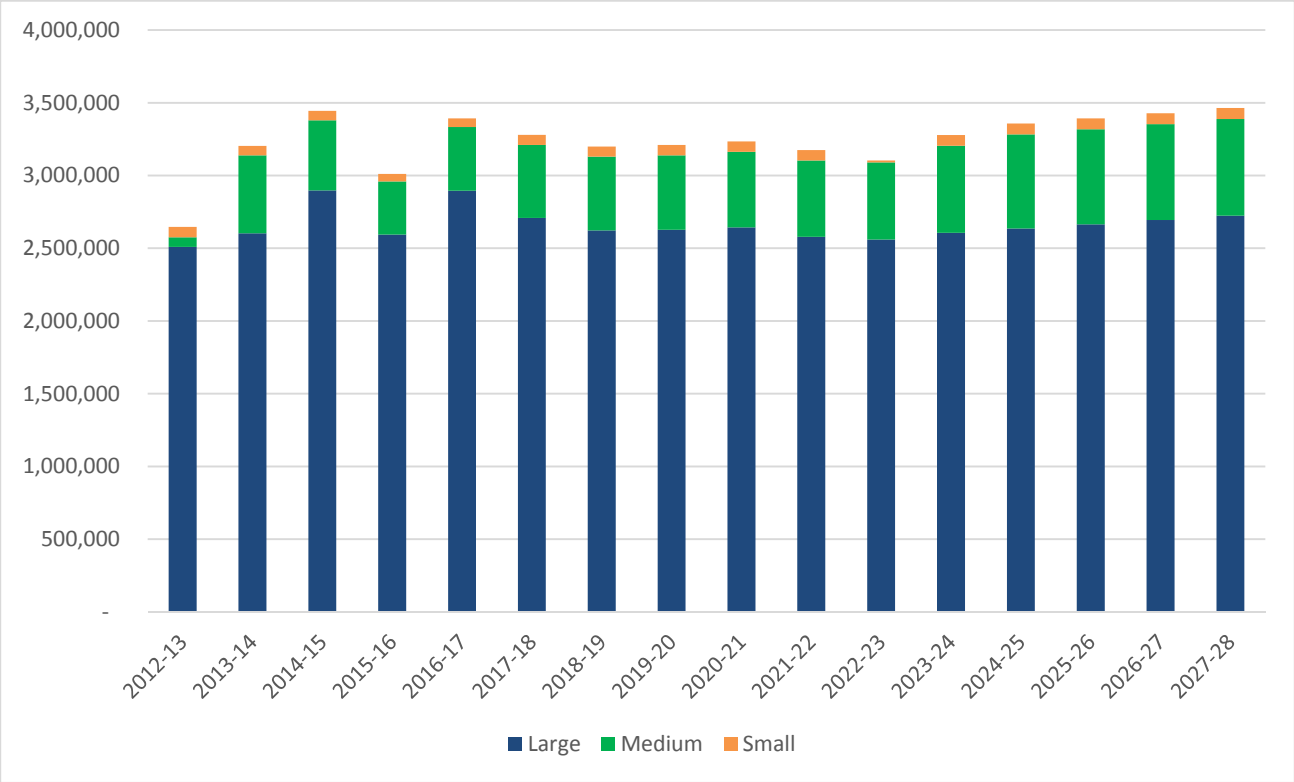
Electricity

Table 20: Electricity ($m,real2018)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Electricity	0.570	0.650	0.629	0.605	0.609	0.572

Electricity costs are anticipated to increase in the short time in line with market trends. However, in the last two years, energy consumption is expected to fall following optimisation projects and investment in behind the meter renewables.

Figure 8: Energy consumption by site (kWh)



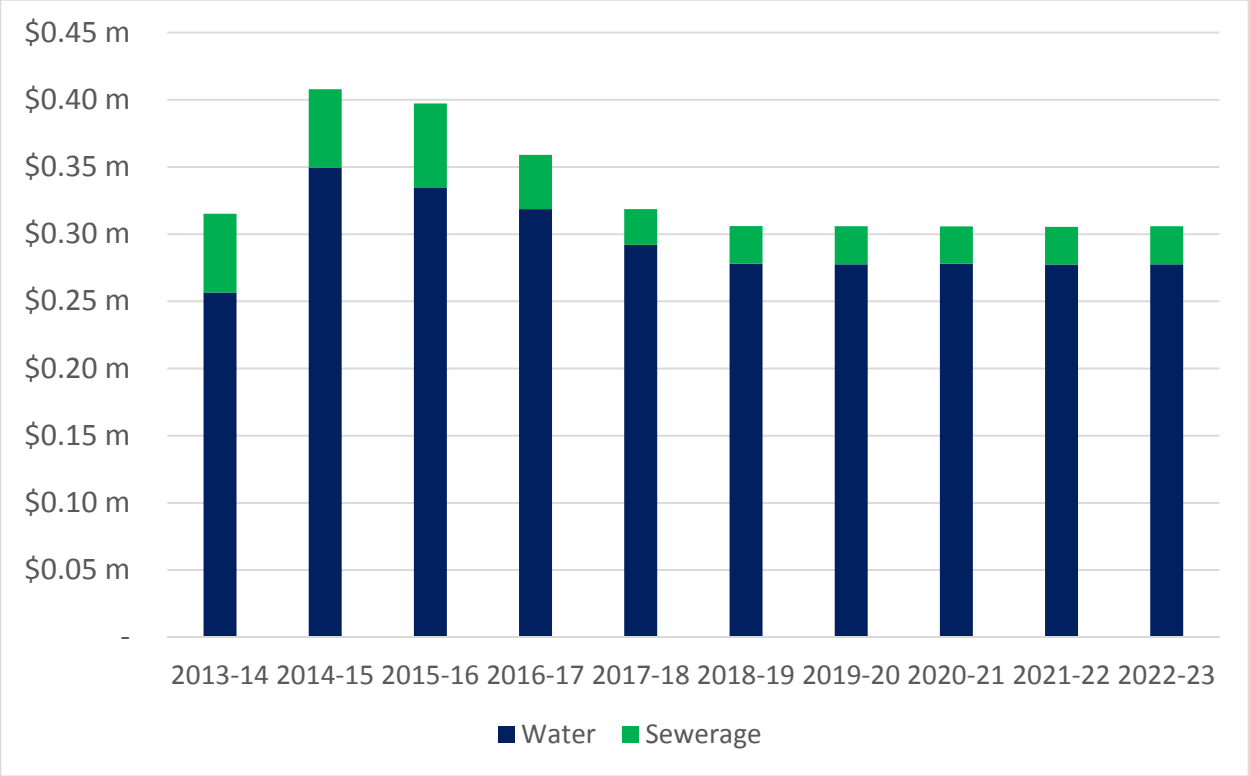
Chemicals

Chemical usage is expected to remain in line with the baseline year and incorporates increased demand assumptions. Significant reductions in chemical expenditure were realised in the current regulatory period following three consecutive years of good quality raw water. Procurement savings achieved through the Gippsland Regional Water Alliance are expected to continue.

Table 21: Chemicals ($m,real2018)

	2018-19	2019-20	2020-21	2021-22	2022-23
Chemicals – Water Treatment	$0.278	$0.278	$0.277	$0.278	$0.278
Chemicals – Wastewater (odour control)	$0.028	$0.028	$0.028	$0.028	$0.028
Total	$0.306	$0.306	$0.305	$0.306	$0.305

Figure 9: Chemicals ($real2018)



IT

Westernport Water has reviewed system needs and infrastructure requirements to improve performance reliability and effectiveness. This optimisation process will ensure that systems are aligned and integrated where needed, eliminate the need for double handling and rework and ensure the quality and availability of our data.

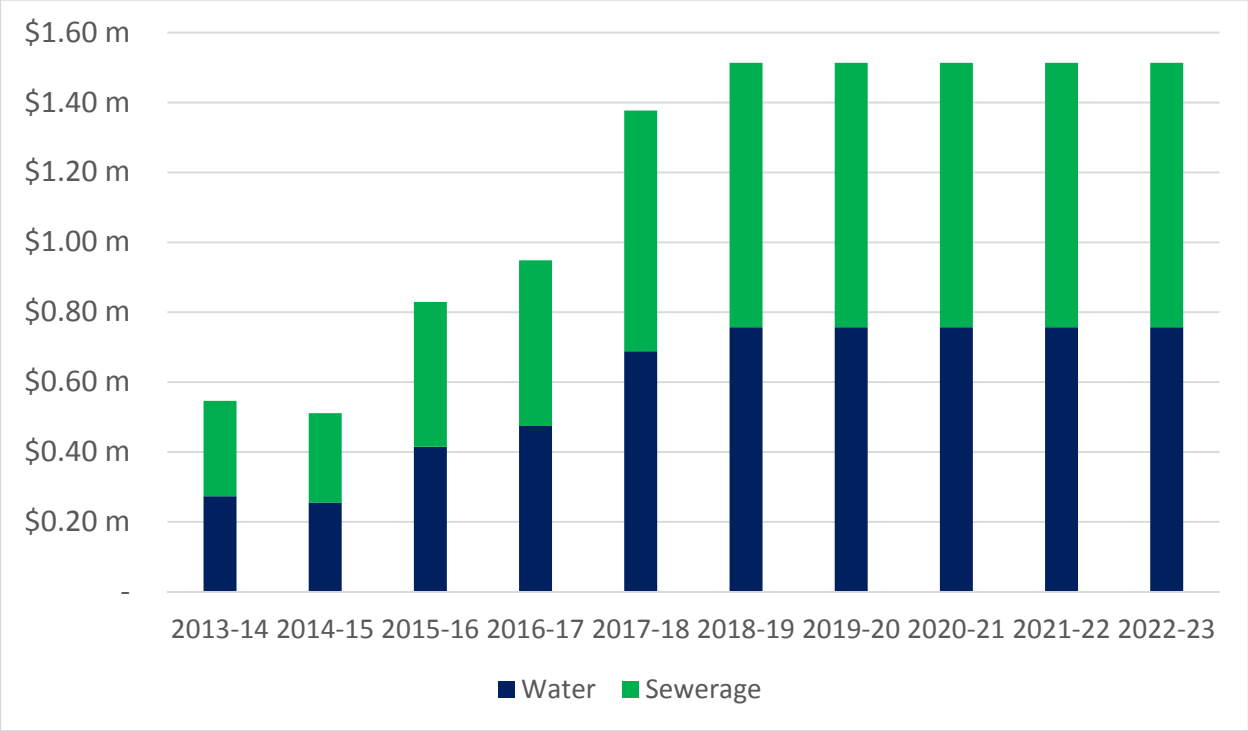
Westernport Water will deliver the Business Transformation Project, which will ensure customer billing, purchasing, payroll and financial support systems are reviewed and upgraded to meet the business requirements of employees and the evolving expectations of customers for reliable, accessible, efficient and timely information and services.

Increases in expenditure from 2015-16 are largely attributed to changes in reporting requirements to ensure compliance under FRD 22G – ICT expenditure.

Table 22: IT ($m,real2018)

	2018-19	2019-20	2020-21	2021-22	2022-23
Water	$0.76	$0.76	$0.76	$0.76	$0.76
Wastewater	$0.76	$0.76	$0.76	$0.76	$0.76
Total	$1.51	$1.51	$1.51	$1.51	$1.51

Figure 10: IT ($real2018)



Westernport Water has a number of non-controllable operating expenditure items that are not subject to the growth adjusted efficiency calculation:

Bulk Water

Bulk water costs from Melbourne Water are a non-controllable expenditure item and have been separately identified. Forecast bulk water expenditure has been estimated from Melbourne Water's Price Determination. The price path from Melbourne Water 2021-22 onwards has been estimated as zero. Forecast non-controllable operating expenditure for bulk water is $1.75m ($real2018) over the next regulatory period. It has been estimated using our entitlement volume of 1,000ML.

Table 23: Melbourne Water Tariffs ($real2016-17)

Melbourne Water Charge	Unit	Price 2016-17	PPM 2017-18	PPM 2018-19	PPM 2019-20	PPM 2020-21
Headworks – Greater Yarra Thomson	Price, Fixed $ per ML of entitlement volume	332.26	1.5%	1.0%	0.5%	0.5%
Transfer – Greater Yarra Thomson	Price, Variable $ per ML transferred	228.9829	1.5%	0.5%	0.5%	0.5%

There were no bulk water charges in 2016-17 and 2017-18 from Melbourne Water, in accordance with Melbourne Water's determination. These will be recovered over 2018-19 to 2020-21. The estimated total cost in $real2018 for 2016-17 and 2017-18 is $0.339 million and $0.344 million respectively. On advice from Melbourne Water, the five year expenditure from 2016-17 to 2020-21 will be added up and divided by three to be recovered from 2018-19. No interest is to be charged on these figures.

Table 24: Non-controllable Bulk Water Expenditure ($real2018)

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Actual Bulk Water Charges	$0.578m	$0.578m	$0.578m	$0.351m	$0.351m	$2.436m

ESC Licence Fees

The forecast ESC Licence Fee is based on the average of 2015-16 ($12,602) and the 2016-17 ($8,291). This licence fee is split across water and sewerage based on revenue. For practicality purposes recycled water is not allocated an amount of this charge due to its size.

Table 25: Non-controllable ESC licence fees ($real2018)

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
ESC licence fee	$0.010m	$0.010m	$0.010m	$0.010m	$0.010m	$0.052m*

*Difference due to rounding

DHHS Licence Fees

The Victorian Department of Health and Human Services charges a drinking water licence fee. This fee has been conservatively estimated to be $0.007 million per annum in $real2018 as per the 2014-15 financial year.

Table 26: Non-controllable DHS licence fees ($real2018)

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
DHHS licence fee	$0.007m	$0.007m	$0.007m	$0.007m	$0.007m	$0.037m*

*Difference due to rounding

EPA Licence Fees

Environment Protection Authority Victoria (EPA) charge water businesses for sewage discharges licences. The forecast non-controllable EPA licence fees are shown below.

Table 27: Non-controllable EPA licence fees ($real2018)

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
EPA licence fee	$0.024m	$0.024m	$0.024m	$0.024m	$0.024m	$0.122m*

*Difference due to rounding

Environmental Contribution Levy

The Environmental Contribution Levy (ECL) is a charge levied by the Victorian Government on revenue of water businesses. For urban water businesses, 5 per cent of revenue is payable. The forecast non-controllable ECL is shown below in $real2018. In 2015-16, Westernport Water paid $849,967 ($real2018) for the ECL. From 1 July 2018, the levy will re-based at 5 per cent of 2015-16 revenue, this has been calculated and presented in the table below.

Table 28: Non-controllable ECL ($real2018)

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
ECL	$1.026m	$1.003m	$0.981m	$0.959m	$0.938m	$4.907m

Defined Benefits Superannuation

For the pricing period commencing 1 July 2018, Westernport Water will continue to claim $67,457.48 per annum ($nominal) in accordance with the 2013 ESC Decision. Also note that Westernport Water is not forecasting any additional call on funds.

Table 29: Non-controllable Defined Benefits Superannuation

	2018-19	2019-20	2020-21	2021-22	2022-23
$nominal	$0.067m	$0.067m	$0.067m	$0.067m	$0.067m
$real2018	$0.066m	$0.064m	$0.063m	$0.062m	$0.060m

Operating Expenditure Efficiencies

A forecast average operating expenditure efficiency of 2.63 per cent is proposed, driven in part by a $250,000 per annum saving in operational expenditure, which will be sourced from:

- a reduced consultancy and contractor spend, resulting from an organisational realignment that was completed in 2016-17
- a reduced preventative maintenance spend, following increased renewals activity
- reduced electricity-related expenditure, following investment in renewable energy
- anticipated processing efficiencies from the implementation of the Business Transformation Project, reducing labour-intensive manual workarounds
- realising procurement opportunities
- no labour uplift for future years
- containment of insurance costs through the benefit of the state wide contract.

Westernport Water has also examined the proportion of labour associated with capital works. As such we have capitalised additional labour to more accurately reflect job descriptions and functions. This has been built into the capital program and forecast labour opex has been reduced.

The current forecast operational expenditure of 2.63 per cent per annum is calculated on the efficiency achieved in each year. The significant decrease in the first year is driven by a $320,000 move of labour costs to capital expenditure and the $250,000 saving in operational expenditure ($real2018). Following the first year, the ongoing $250,000 per annum saving in operating expenditure is responsible for the efficiency forecasts from 2019-20 to 2022-23. Full details are provided in the table below:

Table 30: Operating expenditure efficiency

	2018-19	2019-20	2020-21	2021-22	2022-23
Operating expenditure efficiency	5.353%	1.982%	2.201%	1.705%	1.924%
Customer growth	1.982%	1.982%	1.982%	1.705%	1.705%
Net efficiency (growth less efficiency)	-3.371%	0.000%	-0.219%	0.000%	-0.219%

Operating Expenditure By Outcome

Throughout the next regulatory period, the proposed operational expenditure supports the delivery of each customer outcome in a number of ways articulated below:

Table 31: Operating Expenditure by Outcome

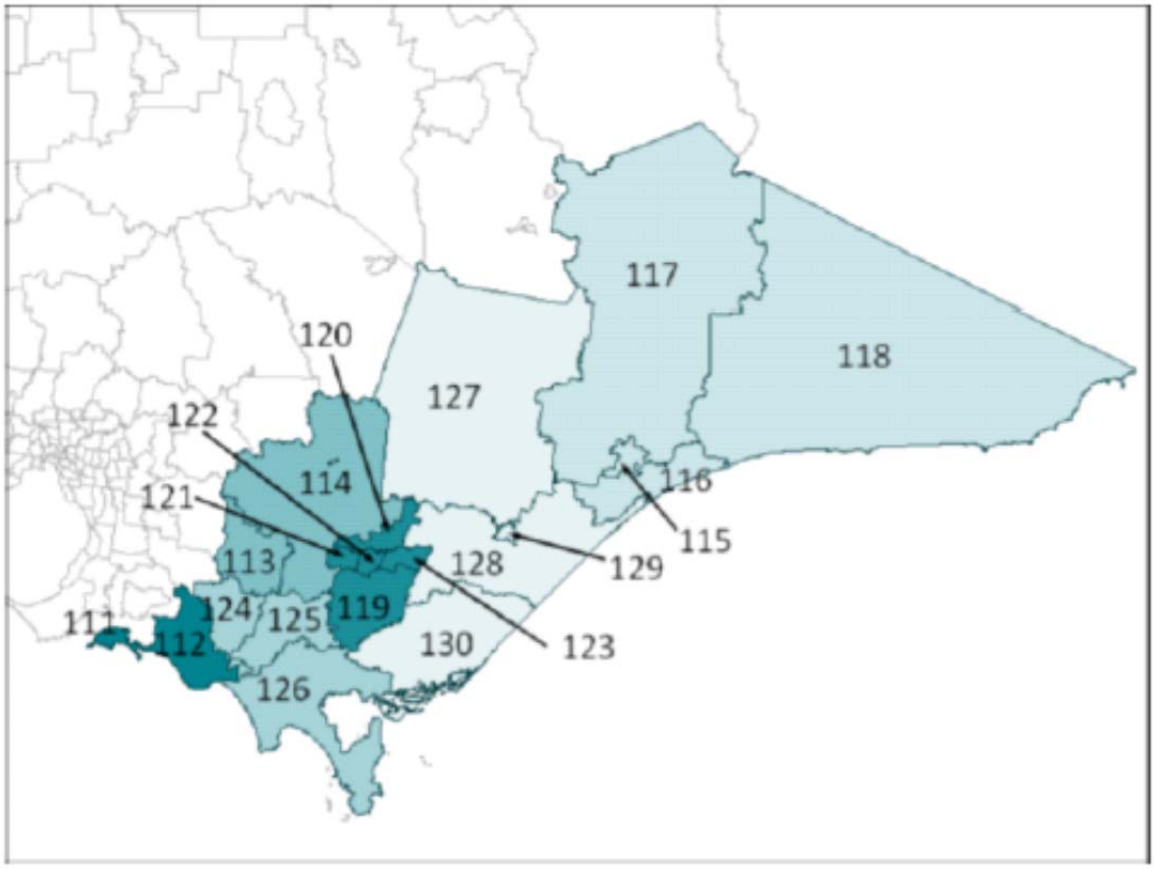
Proposed Decisions	Reliable Water and Wastewater Services	Better Tasting Water	Affordable and Responsive Services	A More Sustainable Community
The delivery of Water Mains Replacement Program ($1.84m $real2018) is expected to reduce operational expenses through a reduction in preventative maintenance (reduced contractor spend).				
The delivery of the Water Quality Improvement Program($0.550m $real2018) will continue to assist in improving the taste of our water. The preventative maintenance program (opex) which supports this program will continue in line with base year outputs, including maintaining backflow prevention programs and optimising SCADA.				
The delivery of a 2.63 per cent average operating efficiency will be achieved through reduced contractor spend, reduced electricity costs, effective procurement, and recovery of labour expenses over the appropriate timeframe for projects delivered (capitalised internal labour, which aligns with accounting standards currently in place at Westernport Water).				
The delivery of a 150 per cent increase in the number of hardship grants over the duration of the next regulatory period is anticipated to incentivise sustainable payment plans and will be funded by anticipated cost reductions in servicing broken payment plans.				
In comparison to Water Plan 3, targets relating to priority two and three attendance times have been improved by 65 per cent and 33 per cent. This is aligned with current performance.				

Demand

Customer Growth

Westernport Water's growth assumptions are primarily based on the 2016 Victoria In Future forecasts. However, historical trends have also been incorporated into our growth assumptions. For Westernport Water, Victoria In Future forecasts for Bass Coast Shire have been used, noting that these are divided into two statistical areas - Phillip Island and Wonthaggi. These areas are depicted as 111 for Phillip Island and 112 for Wonthaggi in the figure below. As Westernport Water's district encompasses only a part of 112, a mix of growth rates has been used.

Figure 11: Statistical Areas in 2016 Victoria in Future



The following tables show the 2016 Victoria in Future forecasts for dwellings and the associated growth rates for the Bass Coast Shire and for the smaller area of Phillip Island.

Table 32: VIF2016 Forecast Dwellings

Dwellings Forecast		30-Jun-11	30-Jun-16	30-Jun-21	30-Jun-26
Bass coast	Permanent Dwellings	24,222	26,289	28,783	31,272
	Occupied Dwellings	13,610	14,866	16,760	18,531
Phillip Island	Permanent Dwellings	10,619	11,526	12,596	13,611
	Occupied Dwellings	4,390	4,701	5,235	5,736

Table 33: VIF2016 Forecast Growth

Growth Forecast		2011 to 2016	2016 to 2021	2021 to 2026
Bass coast	Permanent Dwellings	1.65%	1.83%	1.67%
	Occupied Dwellings	1.78%	2.43%	2.03%
Phillip Island	Permanent Dwellings	1.65%	1.79%	1.56%
	Occupied Dwellings	1.38%	2.18%	1.84%

A weighted average between the Phillip Island and Bass Coast forecast has been calculated. This weighted average annual growth is 1.982 per cent from 2016 to 2021 and 1.705 per cent from 2021 to 2026 using 2016 Victoria in Future forecasts. For pricing purposes, the connections data has been forecast using the mid-year data point. This approach assumes that new customers come on evenly through the year, rather assuming all new customers come on at the start of the year. The mid-year estimate for pricing is most equitable.

Non-residential forecast has been assumed at the weighted average annual growth rate in line with the 2016 Victoria in Future forecasts. However, no new large non-residential customers are anticipated. As such, no growth has been applied to connections above 50mm.

Water Connections

Residential water connections are assumed to grow at 1.982 per cent until the end of 2020-21, and then 1.705 per cent from 2021-22.

Forecast residential water connections for pricing are shown below. No net growth is expected in unconnected vacant land as vacant land is expected to be developed it will be accounted for in new connected customers, and then new vacant land will be added to the inventory.

Table 34: Residential Water Connections for Pricing

	2018-19	2019-20	2020-21	2021-22	2022-23
Connected	15,684	15,995	16,313	16,614	16,897
Unconnected vacant land	1,500	1,500	1,500	1,500	1,500

Non-residential (or non-domestic) customer growth is forecast in line with 2016 Victoria in Future forecasts, excluding water connections above 50mm. Historically, there has been no material growth in large non-residential water connections and no new customers are anticipated.

Table 35: Non-Residential Water Connections for Pricing

	2018-19	2019-20	2020-21	2021-22	2022-23
20mm	846	863	880	897	913
25mm	194	198	202	206	210
32mm	39	40	41	42	43
40mm	28	29	30	31	32
50mm	17	18	19	20	21
65mm	0	0	0	0	0
80mm	2	2	2	2	2
100mm	3	3	3	3	3
150mm	1	1	1	1	1

Sewerage Connections

There is no current backlog scheme underway in Westernport Water, therefore growth in sewerage connections has been assumed at the same rate as water connections, in accordance with 2016 Victoria in Future forecasts. For unconnected vacant land, forecasts are aligned to the number of water customers for unconnected vacant land.

Table 36: Sewerage Connections

	2018-19	2019-20	2020-21	2021-22	2022-23
Residential	14,561	14,850	15,145	15,425	15,688
Non-residential	641	654	667	680	692
Unconnected vacant land	1,500	1,500	1,500	1,500	1,500

Cistern Forecast

Westernport Water has cistern tariffs for non-residential customers. This charge is only applicable to those non-residential customers that have more than two cisterns. Forecast cistern charges have been estimated using growth in non-residential customers, and multiplying it by the average number of additional cisterns (more than 2) per customers (14.2 additional toilets).

Table 37: Cistern Forecasts for Pricing

	2018-19	2019-20	2020-21	2021-22	2022-23
Customers	184	188	192	196	200
Cistern charges	2,614	2,671	2,729	2,786	2,844

Recycled Water Connections

Strong growth is anticipated in residential recycled water customers, aligned to the development of new-subdivisions within the Class-A recycled water network in Cowes. Residential recycled water growth is forecast at 50 new connections per annum. However, non-residential growth is expected to remain limited after consulting with commercial customers and the development industry. One small commercial customer is expected to connect from 2021-22.

Table 38: Recycled Water Connections

	2018-19	2019-20	2020-21	2021-22	2022-23
Residential	413	463	513	563	613
Non-Residential	8	8	8	9	9

Residential and Non-Residential Demand

Water demand is typically difficult to forecast because it varies depending on weather conditions, changing population and water use behaviour. We have an additional level of complexity due to the large peaks in (non-permanent) population in summer and large number of tourists that visit the region, which are also heavily influenced by weather conditions.

To reflect the uncertainty in forecast demand, Westernport Water modelled a range of supply and demand scenarios through the 2017 Urban Water Strategy, which developed a baseline demand forecast with an upper and lower bound to reflect a probable range of demand growth. The Urban Water Strategy will be made available to the ESC on request as well as historical demand used to inform our forecasts.

Average consumption for residential and non-residential customers has been forecast using the average annual consumption over the previous three financial years:

- Annual residential water connections use set at 80.27 kL*
- Annual non-residential water connections use set at 603.78 kL.

**Note that the financial template uses rounded to whole numbers, mid-year connection data to calculate revenue. Average household demand reported to the ESC and in the annual report is based on total demand divided by end-year household customers. To forecast total demand, Westernport Water has multiplied by the average household consumption of 80.27 kL by the end of year number of household customers. As such, total demand divided by household connections in the financial template will be 81.06 kL.*

Residential and non-residential volumes have been estimated multiplying forecast end of year growth in connections by the average consumption levels listed above. As previously mentioned, Westernport Water's average residential consumption by household is approximately half of the statewide average due to the large proportion of non-permanent residential households within our service area.

There are some areas of uncertainty that Westernport Water will not be able to predict or manage, such as the impact of climate on water consumption, government water conservation policy, and increasing tourism and temporary holiday residents.

Westernport Water is not proposing significant price changes and is not anticipating water restrictions in the next pricing period. Further, household bills have a high proportion of fixed charges and variable charges are a small component due to a large non-permanent population in the region. As such, household demand forecasts do incorporate an adjustment for price elasticity of demand as it is forecast to be negligible.

Demand forecasts are consistent with the operational and capital expenditure programs that have been proposed.

Figure 12: Total Residential Water Consumption (ML)

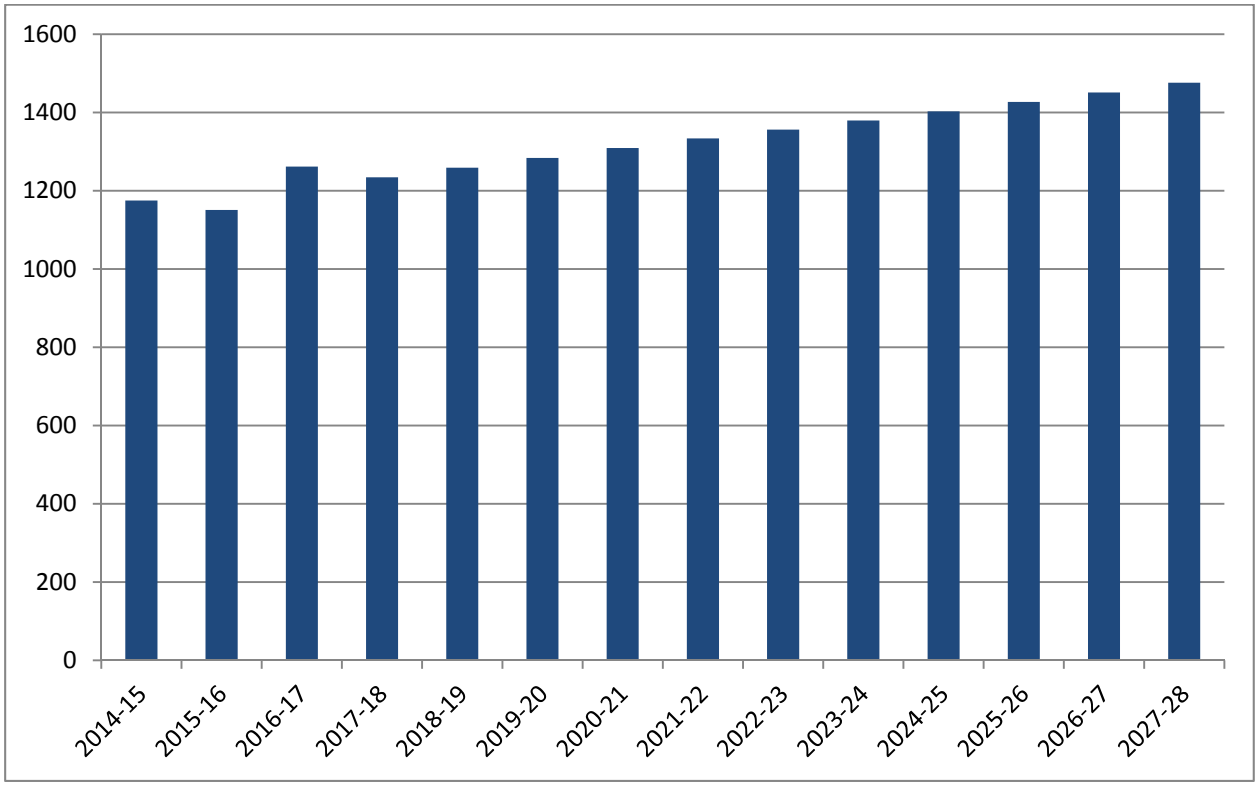
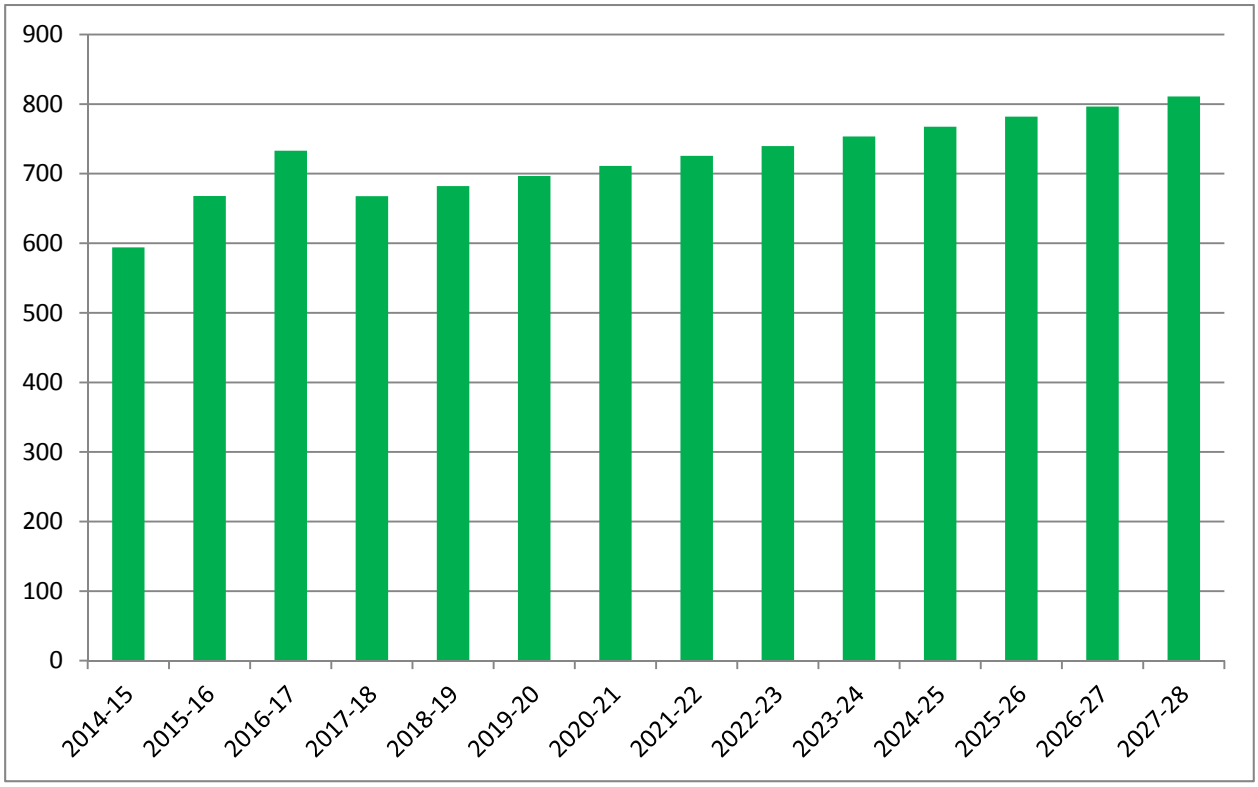


Figure 13: Total Non-Residential Water Consumption (ML)



Average Recycled Water Demand

Average residential recycled water consumption has been set at 31kL as an average of the last three financial years, which has remained relatively consistent. Due to the smaller number of non-residential customers, consumption has been forecast with an understanding of each of the businesses, using historic trends over the past five years in wet and dry year scenarios.

These demand forecasts are consistent with operating and maintenance expenditure forecasts at the Class A treatment plant in Cowes.

Figure 14: Total Residential Recycled Water Consumption (ML)

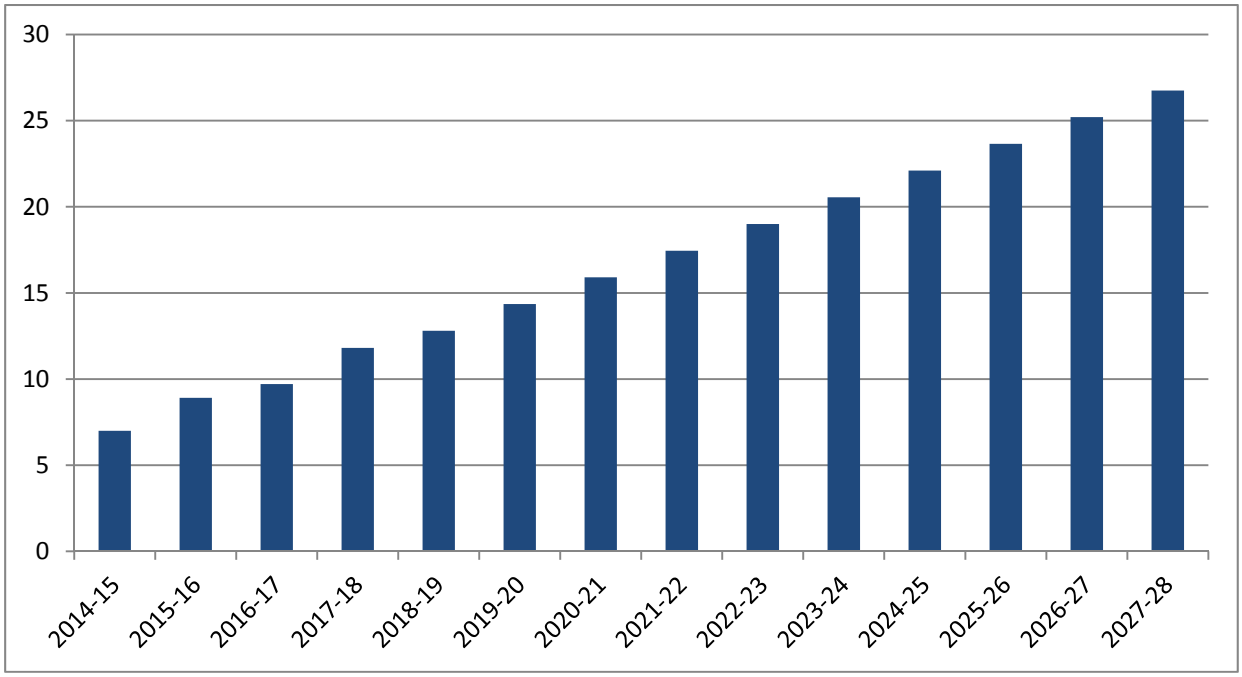
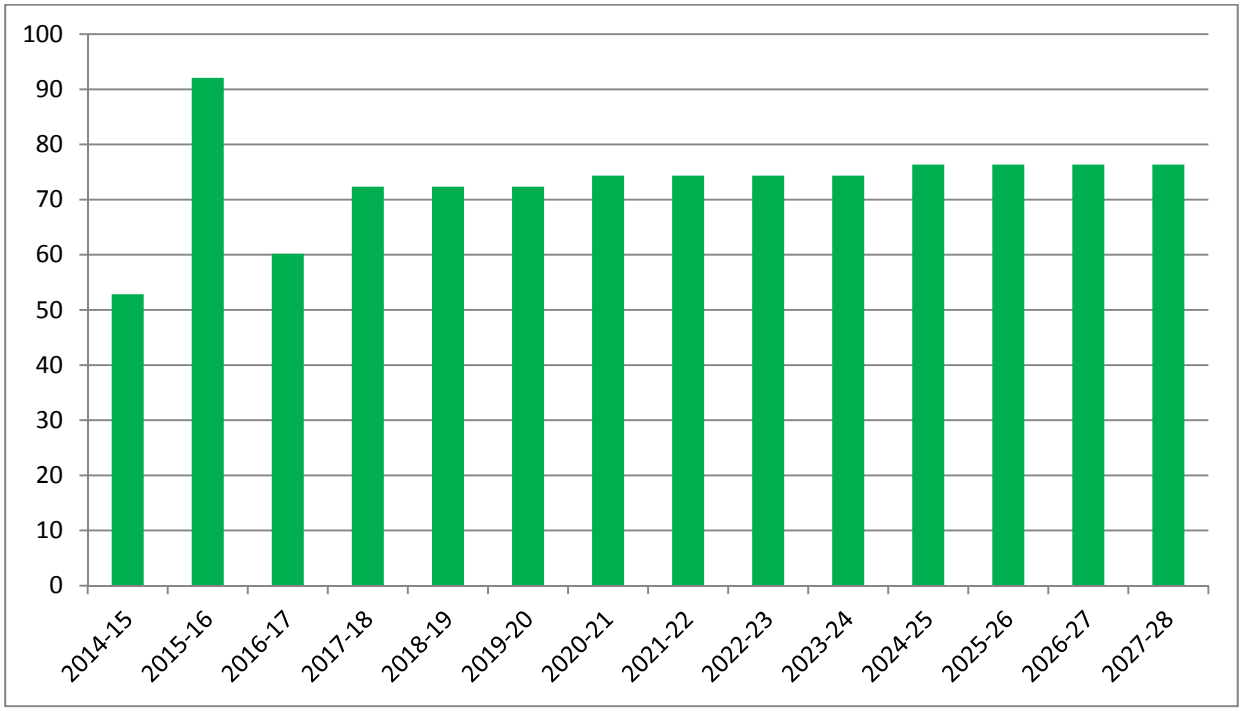


Figure 15: Total Non-Residential Recycled Water Consumption



Metered Hydrant Consumption

Commercial customers can currently apply to access bulk amounts of drinking water at any hydrant with a corporation-registered portable meter at the normal variable rate. In the next regulatory period, Westernport Water is proposing to introduce a new standpipe variable water charge set at $3.285 as a comparable regional price, instead of the current $1.9974 (refer p.76). This is anticipated to reduce consumption by 10 per cent in the first three years of the next regulatory period as non-local water carters transfer to local providers.

Table 39: Total Consumption via Meter Hydrant/Standpipe (kL)

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
15,372	13,835	12,541	11,206	11,2016	11,206

New Customer Contributions

New Customer Contributions (NCCs) have been calculated using the ESC's NCC model. We have maintained our negotiating principles from the previous regulatory period.

Our NCCs for this upcoming pricing period are:

- Water : $1,011 per connection
- Sewerage: $713 per connection

Both water and sewerage NCCs will increase with inflation over the next regulatory period. We propose to maintain having a zero NCC for recycled water. The costs of recycled water will remain in the water NCC as the benefits of recycled water use accrue to water users.

The full NCC model is available upon request to the ESC. As the calculation of NCCs and prices is an iterative process, note that prices in both the NCC model and the financial template will differ slightly.

Capital Expenditure Assumptions

The capital expenditure attributable to new customers has been estimated using all growth-related capital expenditure and half of renewals, improved services and compliance expenditure. The majority of capital works include a component to manage and service new customers, and often assets are renewed earlier due to higher than expected growth. As such, an estimate of 50 per cent of this expenditure has been included in the NCC forecast. The allocation also aligns to the proportion of assets on Phillip Island that are sized to accommodate peak tourism periods and intense increases to demand.

The depreciated value of historical capital expenditure has been included due to the capacity that has been factored into these assets for future customers. This has been offset by historical NCCs.

Based on the historical value of gifted assets, an assumption of $600,000 ($real2018) per annum is expected to be received, which has been evenly split across the water and sewerage NCCs.

Operating Expenditure Assumptions

Operating expenditure has been estimated using forecast data for the next pricing period. For water the incremental costs are:

- $199 per new customer connection
- $1,555 per ML for treatment and maintenance
- A quarter of the fixed charge for the Greater Yarra Thomson River entitlement (based on Urban Water Strategy forecast requirement to augment water supply)
- $1,956 per ML for recycled water treatment and maintenance

A proportion of the cost of our bulk entitlement into the Greater Yarra- Thomson River market has been included as this provides security of supply for current and future customers.

For sewerage, the additional operating expenditure is $421 per new connection.

Modelling Assumptions

To develop our NCCs, we have assumed a discount rate equivalent to our Weighted Average Cost of Capital – 4.0 per cent. Inflation has been estimated at 2.3 per cent as per ESC guidance.

Westernport Water has assumed asset lives of 80 years for pipes, 25 years for pumps and 15 years for valves and meters. This is consistent with our depreciation assumptions – refer page 64.

Other Revenue and Non Prescribed Services

Westernport does not foresee significant change to forecast levels of other revenue and non-prescribed services in the next regulatory period.

Table 40: Other Revenue and Non-Prescribed Services Revenue ($m,real2018)

Revenue Offsetting Tariffs	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Contract Revenue	$0.055	$0.055	$0.055	$0.055	$0.055	$0.055	$0.055
Other Revenue (Miscellaneous services)	$0.548	$0.548	$0.548	$0.548	$0.548	$0.548	$0.548
Other Revenue (Non-Prescribed Net Income)	$0.023	$0.023	$0.044	$0.044	$0.044	$0.044	$0.044
Total – Water	**$0.626**	**$0.626**	**$0.647**	**$0.647**	**$0.647**	**$0.647**	**$0.647**

Contract Revenue - Westernport Water currently has one trade waste customer, which limits the opportunities to increase revenue or pricing. It is not anticipated that any additional new commercial or manufacturing activity will be introduced into the service area during the regulatory period which would increase supply or demand.

Other Revenue (Miscellaneous Services) - Other revenue predominately consists of planning, information and connection based customer requests. This revenue is used to offset the overall revenue requirements and historically has been a steady source of income.

Other Revenue (Non Prescribed Net Income) - The ESC does not currently regulate fees and charges levied on non prescribed services, but provides oversight on its appropriateness. Revenue generated from non prescribed services relates to our farm management, fleet replacement program and LPG supply. Non prescribed services are not included in the development of water and wastewater tariffs. The difference between revenue and expenditure has been included as an 'other revenue' item that offsets the water, wastewater and recycled water tariffs.

Revenue Requirement

Westernport Water's revenue requirement reflects the costs that need to be recovered through the prices we charge to our customers.

Our revenue requirement for each product has been developed by forecasting operational expenditure, allocating capital expenditure, allocating regulatory depreciation and splitting the regulatory asset base (RAB).

The five-year Net Present value of the revenue requirement for the upcoming regulatory period commencing 1 July 2018 is $102.90 million.[4]

Regulatory Asset Base

The RAB from 2015-16 has been split based on the proportion of assets in each category in Westernport Water's Asset Register. The split generated for 2015-16 was:

- Sewerage 50.01 per cent
- Water 47.99 per cent
- Recycled Water 1.99 per cent

The opening RAB for the next regulatory period has been calculated by adding actual capital expenditure from each year of the current period to the opening RAB in 2013-14 and subtracting actual customer contributions, any government contributions, asset disposals and regulatory depreciation.

Table 41: RAB 2013-18 ($m,real2018)

Regulatory Asset Base (WP3)	2013-14	2014-15	2015-16	2016-17	2017-18
Opening value	**$109.497**	**$110.892**	**$113.811**	**$115.104**	**$116.932**
Gross Capex	$4.405	$5.415	$4.277	$5.270	$6.5865
Less New Customer Contributions	$0.532	$0.362	$0.365	$0.831	$0.572
Less Government Contributions					
Less Proceeds from Disposals	$0.609	$0.045	$0.323	$0.114	$0.070
Less Regulatory Depreciation on Existing Assets	$1.870	$2.090	$2.296	$2.498	$2.600
Closing Value	**$110.892**	**$113.811**	**$115.104**	**$116.932**	**$120.276**

The opening value for the 2013-14 regulatory asset base includes an adjustment for Westernport Water's contribution to NVIRP. This is as per the 2013 Determination[6] and updated for $real2018 this is $0.409 million.[7]

To calculate the closing RAB for each year of the next regulatory period, forecast capital expenditure has been added to the opening RAB and any customer contributions (New Customer Contributions have been deducted off the RAB as per ESC guidance, differing from regulatory accounts submitted to the ESC where

[4] Calculated using the same formula the ESC apply of net present value with a discount rate equivalent to the proposed WACC of 4.0 per cent multiplied by $(1+WACC)^{0.5}$

[5] Gross capex for 2017-18 as per the 2013 Determination in accordance with the ESC guidance paper.

[6] Source: Westernport Water's 2013 Final Determination financial model and regulatory accounts. .

[7] Note that in the financial template, this has been included in 'Water headworks' capital expenditure for 2011-12 on worksheet 'Capex_FO_AC'. As such total capital expenditure in 2011-12 is $0.409 million higher than reported in regulatory accounts. This has been done as the opening value of the RAB in 2012-13 is correct, however the adjustment was made for the opening value of the RAB in 2013-14. This was not reflected in the ESC template provided to Westernport Water in March 2017.

NCCs were listed as 'operating' rather than 'capital, and 'will not offset prices'), government contributions, asset disposals and regulatory depreciation has been subtracted.

Westernport Water is not expecting any Government contributions in PS1 (Refer p.59 for details in the NCC forecast). Gifted assets are not included in the gross capex presented in Table 41 (refer NCC forecast).

Table 42: RAB PS1 ($m,real2018)

Regulatory Asset Base (PS1)	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Value	**$120.276**	**$122.654**	**$125.025**	**$127.002**	**$128.143**
Gross Capex	$5.288	$5.536	$5.415	$4.814	$5.476
Less New Customer Contributions	$0.579	$0.595	$0.607	$0.578	$0.547
Less Government Contributions	-	-	-	-	-
Less Proceeds from Disposals	$0.049	$0.048	$0.047	$0.046	$0.045
Less Regulatory Depreciation on Existing Assets	$2.183	$2.183	$2.183	$2.183	$2.183
Less regulatory depreciation on New Assets	$0.099	$0.340	$0.602	$0.866	$1.156
Closing value	**$122.654**	**$125.025**	**$127.002**	**$128.143**	**$129.689**
Average Asset Value	$121.465	$123.839	$126.013	$127.572	$128.916
Return on RAB	$4.859	$4.954	$5.041	$5.103	$5.157

The average of the opening and closing RAB of each year has been used to determine the return on assets that is included in the revenue requirement below. For the regulatory period commencing 1 July 2018, regulatory depreciation on existing assets has been recalculated using updated average asset lives. This updated the rate of regulatory depreciation by increasing the total value of regulatory depreciation and placing greater depreciation on recycled water. NCCs have been split evenly between sewerage and water. Proceeds from disposals have been forecast from the DTF Budget Estimates. This is in line with our fleet replacement and Farm Management Plan.

Historical Regulatory Depreciation

The regulatory depreciation on existing assets, assets constructed prior to 1 July 2018, has been calculated using the average remaining asset life for each product. These are:

- Water: 61.0 years
- Sewerage: 51.7 years
- Recycled Water: 35.7 years

As per the opening value of the RAB, the 2017-18 capital expenditure is as per the 2013 price determination.

Forecast Regulatory Depreciation

Forecast regulatory depreciation has been calculated for each capital project and program. Depreciation is only incurred once the asset has been commissioned. This is with the exception of programs where the construction period is ongoing and depreciation is incurred in the year of expenditure.

The asset life assumptions are presented in the table below. Asset lives that represent the useful economic life of an asset, i.e. a zero salvage value.

Table 43: Useful Life of Assets by Category

Asset Category	Useful Life (Years)
Corporate – General	15
Corporate - Motor vehicles and ICT	4
Recycled Water – Civil, Mechanical and Electrical	15
Recycled Water – Other	50
Recycled Water – Pipes	80
Recycled Water – Pumps	25
Recycled Water – Treatment	25
Sewer - Civil and Civil, Mechanical and Electrical	15
Sewer – Other	50
Sewer – Pipes	80
Sewer – Pumps	25
Sewer - Sludge and Biosolids	5
Sewer – Treatment	25
Water - Civil, Mechanical and Electrical	15
Water – Other	50
Water – Pipes	80
Water - Pumps and Valves	25
Water – Storage	100
Water – Treatment	25

Weighted Average Cost of Capital

Westernport Water is proposing a 'Standard' rating in the PREMO framework. As such, the Return of Equity allowance is 4.5 per cent in real terms. The ten year rolling average nominal cost of debt is 6.04 per cent, as per ESC advice.

With a proposed 60 per cent and 2.3 per cent inflation, the Weighted Average Cost of Capital (or the Regulatory Rate of Return) is 4.0 per cent in real terms.

Benchmark Tax Liability

Westernport Water had no tax liability in the last regulatory period, and using current estimates of revenue and expenditure, a zero benchmark tax allowance has been calculated.

This is based on the following assumptions:

- Revenue consisting of the revenue allowance, customer contributions, government contributions (which are zero), and gifted assets
- Expenses consisting of operating expenditure, tax depreciation on existing assets, forecast tax depreciation on new assets and interest payments
- Interest payments have been calculated based on 60 per cent of the average value of the RAB and using the nominal cost of debt of 6.04 per cent
- A corporate tax rate of 30 per cent
- A franking credit value of 50 per cent.

From this calculation, Westernport Water has a negative benchmark before tax income therefore no benchmark tax allowance has been included in the revenue requirement.

Revenue Requirement

Figure 16 shows the annual revenue requirement for the next ten years in $real2018. As shown, there is little growth in the annual revenue requirement. The average increase in the revenue requirement from 2018-19 to 2027-28 is 1.093 per cent – which is lower than customer growth. If we consider the growth in revenue requirement from the final year of WP3, 2017-18, the average annual growth is 0.770 per cent.

Figure 16: Annual Revenue Requirement ($real2018)

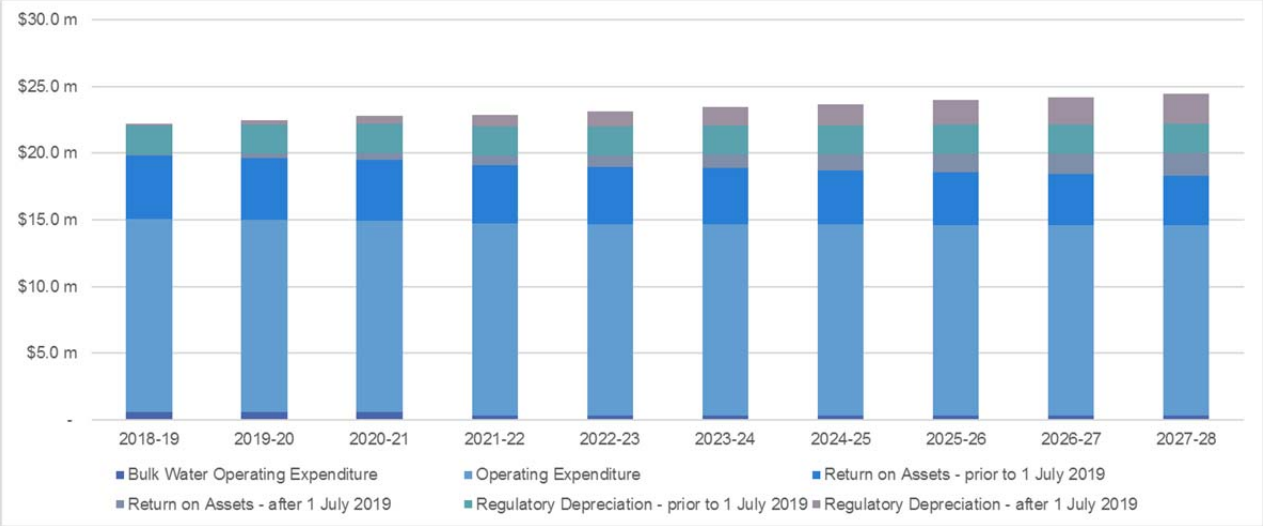


Table 44: PS1 Annual Revenue Requirement ($m,real2018)

Annual Revenue Requirement	2018-19	2019-20	2020-21	2021-22	2022-23
Bulk Water Operating Expenditure	$0.578	$0.578	$0.578	$0.351	$0.351
Operating Expenditure	$14.450	$14.426	$14.373	$14.349	$14.297
Return on Assets - prior to 1 July 2019	$4.755	$4.642	$4.529	$4.416	$4.304
Return on Assets - after 1 July 2019	$0.104	$0.312	$0.512	$0.687	$0.852
Regulatory Depreciation - prior to 1 July 2019	$2.183	$2.183	$2.183	$2.183	$2.183
Regulatory Depreciation - after 1 July 2019	$0.099	$0.340	$0.602	$0.866	$1.156
Benchmark Tax Requirement	-	-	-	-	-
Total Revenue Requirement	**$22.168**	**$22.480**	**$22.775**	**$22.852**	**$23.144**

Table 45: PS2 Annual Revenue Requirement ($m,real2018)

Annual Revenue Requirement	2023-24	2024-25	2025-26	2026-27	2027-28
Bulk Water Operating Expenditure	$0.351	$0.351	$0.351	$0.351	$0.351
Operating Expenditure	$14.337	$14.284	$14.261	$14.238	$14.215
Return on Assets - prior to 1 July 2019	$4.193	$4.082	$3.970	$3.858	$3.746
Return on Assets - after 1 July 2019	$1.010	$1.174	$1.352	$1.527	$1.723
Regulatory Depreciation - prior to 1 July 2019	$2.183	$2.183	$2.183	$2.183	$2.183
Regulatory Depreciation - after 1 July 2019	$1.347	$1.557	$1.849	$2.009	$2.229
Benchmark Tax Requirement	-	-	-	-	-
Total Revenue Requirement	**$23.421**	**$23.630**	**$23.966**	**$24.165**	**$24.447**

Gifted Assets

Forecast gifted assets are in line with historical trends. As gross capex presented earlier does not include gifted assets, these have only been used in the calculation of financial indicators, forecast NCCs and in the benchmark tax liability calculation.

Table 46: Gifted Assets ($m,real2018)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Gifted Assets	0.53	0.24	0.68	0.67	0.67	0.67	0.67	0.67

Financial Performance Indicators

Westernport Water is forecasting the following impacts to financial performance indicators based on the proposed pricing decisions. Westernport Water has not had any independent credit ratings during Water Plan 3 regulatory period, only Victorian Department of Treasury and Finance's rating analysis, which are available upon request.

Cash Interest Cover (Cash flow from operations before net interest and tax / net interest payments)

Cash interest cover will remain in line with the previous regulatory period due to a continued focus on collection activity, no increases to borrowings and no planned changes to billing processes which have historically provided strong reliable cash flow.

Table 47: Cash Interest Cover

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
10	16.9	21.0	22.8	21.3	21.3	21.3	21.3	21.3	21.3

Gearing Ratio (%) (Total debt, including finance leases / total assets x 100)

Gearing ratio will remain low due to the low proportion of debt to equity. No new borrowings are planned and less reliance on short term borrowing is anticipated due to strong cash flow.

Table 48: Gearing Ratio (%)

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
3.6%	6.6%	5.5%	4.3%	3.9%	4.1%	4.1%	4.1%	4.1%	4.1%

Internal Financing Ration (%) (Net operating cash flow – dividends / capital expenditure x 100)

As per current practices, borrowing will be redrawn in line with approved debt levels to insure funding requirements are met; however no new additional financing is planned during the regulatory period.

Table 49: Internal Financing Ration (%)

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
78.2%	47.6%	127.1%	139.0%	153.9%	140.0%	140.0%	140.0%	140.0%	140.0%

Current Ratio (current assets / current liabilities, excluding long term employee provisions and revenue in advance)

Current ratio is planned to remain healthy, over 1 per cent per annum throughout the period as assets will increase in line with maintenance of liability levels.

Table 50: Current Ratio

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
0.33	0.98	1.33	1.08	1.36	1.10	1.10	1.10	1.10	1.10

Return on Assets (%) (Earnings before net interest and tax / average assets x 100)

Return on Assets will remain positive in line with historical performance due to similar revenue requirements and asset increases following low growth expectations.

Table 51: Return on Assets (%)

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
0.81%	1.1%	1.5%	0.1%	0.6%	1.0%	1.0%	1.0%	1.0%	1.0%

Return on Equity (%) (Net profit after tax / average total equity x 100)Earnings before net interest and tax / average assets x 100)

Return on Equity will remain positive, although conservative, to ensure a balance between profitability and affordability for our customers in accordance with customer preference.

Table 52: Return on Equity (%)

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
0.7%	0.6%	1.1%	-0.1%	0.6%	0.8%	0.8%	0.8%	0.8%	0.8%

EBITDA Margin (%) (Earnings before interest tax depreciation and amortisation / total revenue x 100)

EBITDA margin is expected to remain positive and in line with historical trends. The focus on providing efficient cost control practices throughout the organisation continues.

Table 531: EBITDA Margin (%)

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
31.2%	36.4%	40%	30%	33.7%	30.0%	30.0%	30.0%	30.0%	30.0%

Managing Risk

Risk Management Framework

Westernport Water has developed and implemented a whole of business risk management framework that is consistent with the AS/NZS/ISO 31000: 2009 Risk Management – Principles and Guidelines, and addresses the mandatory risk management requirements of the Victorian Government's Risk Management Framework.

Ministerial Standing Direction 4.5.5, issued by the Minister for Finance, requires that Westernport Water complies with the mandatory requirements set out in the Victorian Government Risk Management Framework. This includes the requirement to incorporate risk management into "the agency's corporate and business planning processes".

Risk management is embedded into our strategic planning processes, including corporate planning, business planning, and project prioritisation processes, enabling us to develop a corporation-wide view of risks that can impact on the achievement of our objectives, and to implement cost effective strategies to either eliminate these risks or minimise their likelihood and consequences. Strategic risks and the progress of treatment plans are reported to the Audit and Risk Committee of the Board on a regular basis.

Consideration of Strategic Risk

Westernport Water's proposals for the next regulatory period have been informed by the following key strategic risks:

Water and wastewater services failure to meet customer and regulatory expectations - Customer expectations are reflected in outcomes and associated performance targets that have been developed through an extensive community engagement process. Regulatory expectations were outlined in guidance from regulators and used to inform our proposed capital and operational expenditure programs (page 39).

Failure of corporation governance and decision making - The development of the 2018 Price Submission has been subject to an independent assessment to ensure that it aligns with the ESC's guidance paper requirements and the PREMO assessment framework. The Board has been provided with regular reports throughout the development of the submission and the results of an independent review to support its attestation.

Critical asset failure - Over half of the proposed capital program expenditure relates to renewals in the next regulatory period, which is in direct alignment with customer preference that asset reliability and performance is not compromised by deferred renewal expenditure. (C7,C9)

Failure to identify and respond to business and environmental impacts of climate change - 'A More Sustainable Community' has been identified as one of four key customer outcomes with clear targets to reduce greenhouse gas emissions and increase effluent reuse. The Sustainable Water Reuse & Land Management Project and the Emissions Reduction Pledge Implementation are proposed to deliver these improvements (page 36).

Failure to manage business activity to protect the environment - The $3.3m Cowes Wastewater Treatment Plan Upgrade- Stage 2 is proposed to address capacity and performance constraints at Cowes Wastewater Treatment Plant and ensure compliance with EPA license conditions (page 38). Key obligations from the EPA regarding water discharge, sewage treatment and disposal, and sludge and biosolids management will be delivered.

Failure to provide a safe workplace - Stage 3 of the Building Asset Management Plan and the Plant Replacement - Fleet & Equipment Program will renew assets to provide safe and reliable equipment to staff and upgrade facilities to safely store assets and reduce risks associated with mechanical and welding work (page 36 and 37).

Failure of critical business systems - The Business Transformation Project responds to significant ICT risks by improving the stability and performance of our managed network services and functionality of core systems to deliver reliable and responsive services to our staff and customers (page 32).

Failure to meet or manage community expectations or loss of community support - Westernport Water's engagement program ensured that our customers were able to influence our proposals for the next regulatory period over multiple stages to enable informed decisions (page 9).

Water supply contamination causing public health issue - Key obligations from the Department of Health and Human Services regarding the management of source water, water treatment plants, distribution systems, preventative maintenance and incident response capabilities will be delivered. 'Better Tasting Water' has been identified as one of our key customer outcomes with clear targets for drinking water compliance, water quality complaints and customer satisfaction with drinking water (page 14). The Water Quality Improvement Progress will also deliver a range of improvements to our water treatment process (page 38).

Potential Risks and Uncertainty

Westernport Water has sought to proactively manage uncertainty and prevent risk being unfairly passed on to customers:

Capital Expenditure – Forecast capital investment over the next ten year period is uncertain due to changes in the construction market, changes to environmental conditions, contract renewals, economic conditions, climatic conditions, customer growth, and government policy. Despite these variables, Westernport Water is seeking to: optimise contingency amounts through a P50 approach to project estimates; and undertake independent validation of estimates for high-value projects.

Operational Expenditure – Forecast operational expenditure over the next ten year period is uncertain due to changing requirements for employees, growth in the cost of labour, non-labour price growth and assumed productivity improvements. Westernport Water has committed to a 2.63 per cent operating efficiency over the next regulatory period through capital prioritisation, improved procurement, reduced electricity costs, and operating and maintenance efficiencies. Consequently, Westernport Water is demonstrating the acceptance of financial risk above the ESC's one per cent efficiency hurdle.

Demand –Demand has historically been difficult to get right, predominantly due to the impacts of climate on water consumption and the seasonal fluctuations within our service area driven by tourism and a large non-permanent resident-base. Demand forecasts are materially impacted by assumptions regarding

customer growth and changes in average volumetric consumption. A more conservative demand forecast will result in higher prices for customers. Generally, Westernport Water has sought to assume growth in demand at a level consistent with, or above historic trends.

GSLs – Westernport Water has sought to accept more risk in relation to its GSL Scheme by increasing payments, reducing the payment threshold for unplanned water interruptions, and introducing an additional GSL aligned to the outcomes that customers desire (Better Tasting Water).

Performance Rebate – Westernport Water has proposed a scaled performance rebate for all customers, in recognition of potential underperformance. This is demonstrative of our commitment to deliver customer-focused outcomes and better value for money, while accepting performance risk.

Consistent with Westernport Water's Corporate Plan 2017-22, a risk-based financial sensitivity analysis has also been undertaken to better understand potential risks to revenue. Westernport Water has forecast each area, noting that there should be equal chance of upside as downside. Consequently, Westernport Water believes that these risks are effectively managed.

Table 54: Potential Revenue Risks

Variable	Sensitivity	Comments	Risk
Capital Revenue	Loss in capital revenue	Revenue subject to local and nationwide economic factors, beyond the control of WPW.	Moderate
Water Usage	Reduced water consumption	Customer water consumption subject to seasonal condition over peak periods.	Moderate
Customer Growth	Lower than anticipated growth	Growth in customer numbers does not align to 2016 Victoria in Future projections.	Low
Electricity	Increased energy consumption	A wet winter/spring period is a casual factor in an increase in electricity usage. New contracts and uncertain pricing may impact costs.	Low

Price Control

Westernport Water considered three forms of price control for the following regulatory period:

- Revenue cap: A maximum allowable revenue is determined for each year of the regulatory period where over and under revenue amounts are to be returned to or recovered from customers in the following year, adjusted for interest (rate is the WACC)
- Price cap: A maximum price path for each tariff is determined for each year of the regulatory period where over or under recovery is not returned to or recovered from customers.
- Tariff basket: A weighted average price path is determined where prices within the 'basket' can adjust by any amount up to a limit where over and under recovery is not returned to or recovered from customers.

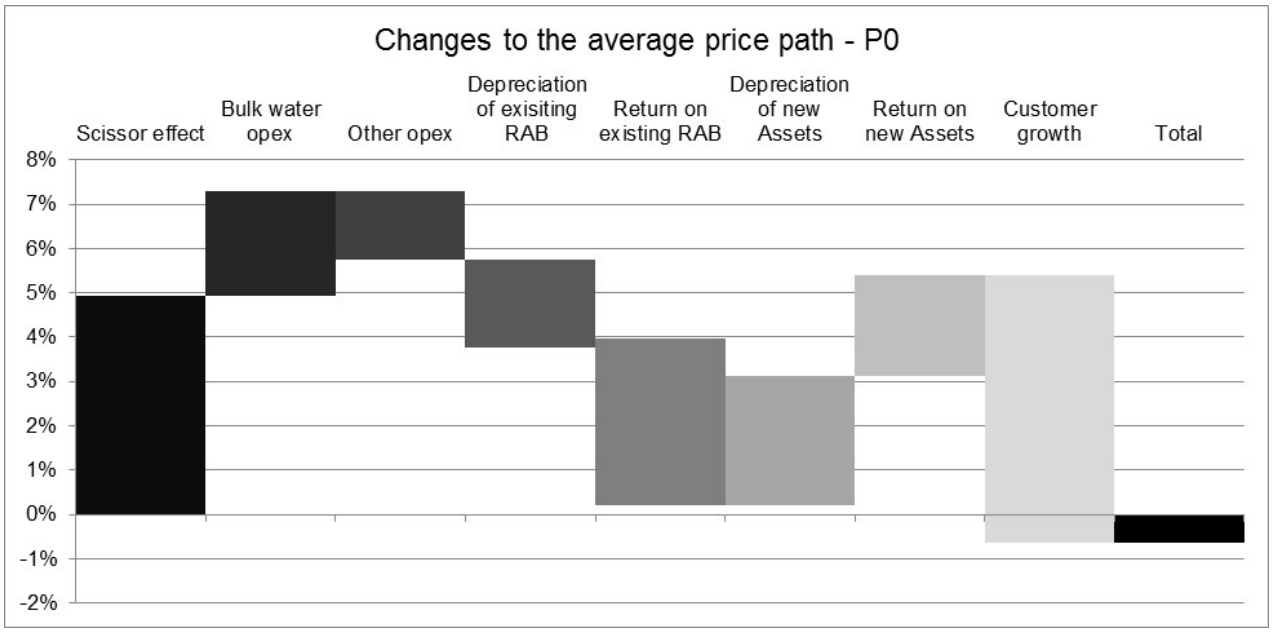
As previously outlined, Westernport Water has a high proportion of fixed charges, which supports a continuation of a **price cap** approach, which will continue to provide price certainty for customers. There is little incentive to move to a revenue cap as there is little volatility in revenue.

Prices and Customer Impacts

In accordance with customer priorities, Westernport Water is proposing prices that remain affordable to customers, while providing sufficient revenue to invest in the environment, increase water quality and maintain asset performance and service levels (B20,C7,C9).

In order to achieve these objectives, Westernport Water is absorbing costs associated with increased electricity prices, growth and increases to the Melbourne Water bulk water entitlement charge, while delivering efficiencies through renewable energy, reduced reliance on contractors and consultants, reduced preventative maintenance activities, and the capitalisation of construction-related salary expenditure.

Figure 17: Proposed Price Movement in 2018-19 (Based on WP3 Actual)



Westernport Water is proposing a 0.62 per cent reduction in prices in the first year of the regulatory period (excluding CPI). This reflects an average reduction of $7.16 in the household bill for 2018-19. Furthermore, the proposed price path provides customers with nine consecutive years without a price increase.

Table 55: Proposed Price Movement (2018-23)

	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Requirement	$22.168m	$22.480m	$22.775m	$22.852m	$23.144m
Average Annual Bill	$1,144.83	$1,144.83	$1,144.83	$1,144.83	$1,144.83
Price Path	(0.62%)	0.00%	0.00%	0.00%	0.00%
Average Annual Change	($7.16)				
Net Price Path (including removal of FWB Rebate)	2.08%	0.00%	0.00%	0.00%	0.00%
Average Annual Change (including removal of FWB Rebate)	$23.29				

Fixed Versus Variable Pricing

Westernport Water customers are currently billed for two fixed charges for water and wastewater and a variable water consumption charge. Based on 2015-16 sector-wide performance reports, average household bills for Westernport Water customers had the second highest proportion relating to a fixed water charge, and the lowest proportion relating to a variable water consumption charge, compared to other water corporations. As previously outlined, this is a consequence of our low average water consumption – less than half of the industry average.

Knowing that this is a regular driver of dissatisfaction with some customers, Westernport Water included it as a theme in every stage of customer engagement. The results were mixed. In the first two rounds, customers on balance, preferred to keep the approach to fixed and variable pricing the same (A28,B11). However, in detailed consultation, a slim majority of customers preferred a 2.5 per cent decrease in fixed, offset by an increase to variable water consumption (C10). Ultimately, Westernport Water did not believe there was sufficient majority support for a rebalancing of fixed and variable pricing. Rather, an overall reduction in prices was seen to be the overriding priority, which is proposed.

Introduction of New Tariff

Commercial customers can currently apply to access bulk amounts of drinking water at any hydrant with a corporation-registered portable meter. Water is charged at the existing rate for commercial water consumption. Due to Westernport Water's low variable consumption charge, bulk water carters are regularly travelling from outside of our service area to collect and cart drinking water at inconsistent hydrant locations across our network. At times, this has significantly reduced water pressure in some areas of the network that are not appropriately sized to service bulk-water carters, leading to complaints and dissatisfaction from residential households.

In 2017-18, Westernport Water is constructing a single take point on our network to ensure water is only collected at points on the network where there is supporting infrastructure to accommodate it. Westernport Water also proposes to introduce a single standpipe rate for bulk water customers in the next regulatory period to ensure that we prioritise service levels for customers within our area, as opposed to catering for businesses that service other areas to the detriment of our local residents. The water consumption charge for customers accessing water at a standpipe has been set to align with the cheapest rate available from our neighbouring water corporations.

Fairer Water Bills Rebate

From 1 January 2015, Westernport Water committed to an annual Fairer Water Bills Rebate to 2017-18. The rebate was provided to all customers, including tenants. Westernport Water proposed capital and operational cost savings without any compromise to service standards or existing hardship protections. The commitment increased from $23 to $30 over the four-year period.

The commitment is scheduled to end at the conclusion of 2017-18. Westernport Water is not proposing to extend the rebate into the next regulatory period having proposed an efficient operational and capital expenditure program that is aligned to customer priorities and expectations for affordability. This has been achieved by absorbing increased costs relating to growth, our bulk water entitlement and electricity.

Westernport Water is instead proposing a performance-based rebate scheme, which will compensate customers in the event of under-performance at the end of the regulatory period (p.17).

Our Prices

The following table outlines our proposed tariffs for the 2018-23 pricing period:

Fees and Charges	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Residential Variable Charge Water	$1.9974	$1.9849	$1.9849	$1.9849	$1.9849	$1.9849
Residential Access Charge Water	$388.68	$386.26	$386.26	$386.26	$386.26	$386.26
Residential Access Charge Sewer	$599.22	$595.49	$595.49	$595.49	$595.49	$595.49
Unconnected Water Access	$194.33	$193.12	$193.12	$193.12	$193.12	$193.12
Unconnected Sewer Access	$300.14	$298.27	$298.27	$298.27	$298.27	$298.27
Non-Residential Variable Charge Water	$1.9974	$1.9849	$1.9849	$1.9849	$1.9849	$1.9849
Non-Residential 20mm Access Charge	$388.68	$386.26	$386.26	$386.26	$386.26	$386.26
Non-Residential 25mm Access Charge	$699.63	$695.27	$695.27	$695.27	$695.27	$695.27
Non-Residential 32mm Access Charge	$1,321.85	$1,313.62	$1,313.62	$1,313.62	$1,313.62	$1,313.62
Non-Residential 40mm Access Charge	$2,410.30	$2,395.28	$2,395.28	$2,395.28	$2,395.28	$2,395.28
Non-Residential 50mm Access Charge	$4,315.29	$4,288.40	$4,288.40	$4,288.40	$4,288.40	$4,288.40
Non-Residential 65mm Access Charge	$8,591.75	$8,538.21	$8,538.21	$8,538.21	$8,538.21	$8,538.21
Non-Residential 80mm Access Charge	$14,889.90	$14,797.11	$14,797.11	$14,797.11	$14,797.11	$14,797.11
Non-Residential 100mm Access Charge	$26,786.32	$26,619.41	$26,619.41	$26,619.41	$26,619.41	$26,619.41
Non-Residential 150mm Access Charge	$61,737.33	$61,352.62	$61,352.62	$61,352.62	$61,352.62	$61,352.62
Non Residential Access Charge Sewer (1 Cistern)	$599.22	$595.49	$595.49	$595.49	$595.49	$595.49
Non-Residential Sewer Access (>2 Cisterns)	$221.3166	$219.9375	$219.9375	$219.9375	$219.9375	$219.9375
Residential Variable Charge Recycled Water	$1.0795	$1.0727	$1.0727	$1.0727	$1.0727	$1.0727
Non-Residential Variable Charge Recycled Water	$0.5251	$0.5219	$0.5219	$0.5219	$0.5219	$0.5219
Non-Residential Variable Charge >5ML Recycled Water	$0.4317	$0.4290	$0.4290	$0.4290	$0.4290	$0.4290
Residential Access Charge Recycled Water	$26.98	$26.81	$26.81	$26.81	$26.81	$26.81
Non-Residential Access Charge Recycled Water	$26.98	$26.81	$26.81	$26.81	$26.81	$26.81

Fees and Charges	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Standpipe Variable Charge	$1.9974	$3.3285	$3.3285	$3.3285	$3.3285	$3.3285

The following table outlines our proposed tariffs for the 2023-28 pricing period:

Fees and Charges	2023-24	2024-25	2025-26	2026-27	2027-28
Residential Variable Charge Water	$1.9246	$1.9246	$1.9246	$1.9246	$1.9246
Residential Access Charge Water	$374.52	$374.52	$374.52	$374.52	$374.52
Residential Access Charge Sewer	$577.39	$577.39	$577.39	$577.39	$577.39
Unconnected Water Access	$187.25	$187.25	$187.25	$187.25	$187.25
Unconnected Sewer Access	$289.20	$289.20	$289.20	$289.20	$289.20
Non-Residential Variable Charge Water	$1.9246	$1.9246	$1.9246	$1.9246	$1.9246
Non-Residential 20mm Access Charge	$374.52	$374.52	$374.52	$374.52	$374.52
Non-Residential 25mm Access Charge	$674.14	$674.14	$674.14	$674.14	$674.14
Non-Residential 32mm Access Charge	$1,273.68	$1,273.68	$1,273.68	$1,273.68	$1,273.68
Non-Residential 40mm Access Charge	$2,322.47	$2,322.47	$2,322.47	$2,322.47	$2,322.47
Non-Residential 50mm Access Charge	$4,158.04	$4,158.04	$4,158.04	$4,158.04	$4,158.04
Non-Residential 65mm Access Charge	$8,278.66	$8,278.66	$8,278.66	$8,278.66	$8,278.66
Non-Residential 80mm Access Charge	$14,347.30	$14,347.30	$14,347.30	$14,347.30	$14,347.30
Non-Residential 100mm Access Charge	$25,810.21	$25,810.21	$25,810.21	$25,810.21	$25,810.21
Non-Residential 150mm Access Charge	$59,487.58	$59,487.58	$59,487.58	$59,487.58	$59,487.58
Non Residential Access Charge Sewer (1 Cistern)	$577.39	$577.39	$577.39	$577.39	$577.39
Non-Residential Sewer Access (>2 Cisterns)	$213.2517	$213.2517	$213.2517	$213.2517	$213.2517
Residential Variable Charge Recycled Water	$1.0401	$1.0401	$1.0401	$1.0401	$1.0401
Non-Residential Variable Charge Recycled Water	$0.5060	$0.5060	$0.5060	$0.5060	$0.5060
Non-Residential Variable Charge >5ML Recycled Water	$0.4160	$0.4160	$0.4160	$0.4160	$0.4160
Residential Access Charge Recycled Water	$26.00	$26.00	$26.00	$26.00	$26.00
Non-Residential Access Charge Recycled Water	$26.00	$26.00	$26.00	$26.00	$26.00
Standpipe Variable Charge	$3.2273	$3.2273	$3.2273	$3.2273	$3.2273

Customer Bills

Average owner-occupier household bills are forecast to be $1,144.52 for 2018-19 based on 80.27 kL of consumption. This is a $3.71 real decrease on the forecast 2017-18 owner-occupier bill of $1,148.23. This does not include the removal of the Fair Water Bills Initiative.

Tenants will see there a marginal bill decrease, in real terms, of $0.52 with average tenant household bills decreasing from $160.33 to $159.81 based on 80.27 kL of consumption.

Pass Through Mechanism

As of 1 July 2018, we will be paying for our source entitlement to the Greater Yarra – Thomson pool operated by Melbourne Water. As such, we propose to include a pass through mechanism to allow for changes in Melbourne Water's headworks and transfer charges. This will also include an allowance for an adjustment for any allocation water we transfer from Melbourne Water's headwork storages to our own during the next pricing period.

A pass through mechanism ensures that we provide cost reflective pricing and as such we have included a true-up in our pass through. This safeguards our customers from any over-recovery of Melbourne Water' charges as a result of water consumption being higher or lower than forecast.

This pass through mechanism provides appropriate risk sharing between Westernport Water and its customer base. It does this by limiting the cost exposure to any usage of our entitlement in the Greater Yarra Thomson system to 50 per cent.

These changes are described in the following formulas:

Equation 1: Calculating the Pass Through Amount

$$PT_t = \left(GYTF_t^{actual} - GYTF_t^{det} \times \frac{CPI_t}{CPI_{base}}\right) + 50\% \times \left(GYTV_{t-1}^{actual} - GYTV_{t-1}^{det} \times \frac{CPI_{t-1}}{CPI_{base}}\right) \times \frac{CPI_t}{CPI_{t-1}} + \left(PT_{t-1}^{act} - PT_{t-1}\right) \times \frac{CPI_t}{CPI_{t-1}}$$

Equation 2: Actual Previous Period Adjustment Passed Through

$$PT_{t-1}^{act} = \sum_i P_{t-1}^i \times Q_{t-1}^{i,act} - \sum_i P_{t-1}^{i,det} \times \left(1 + PPM_{t-1}^i\right) \times \left(\frac{CPI_{t-1}}{CPI_{base}}\right)$$

Equation 1 shows how the pass through amount will be calculated.

The first part of the equation looks at the difference between the determination and actual fixed charges from Melbourne water for Westernport Water's Greater Yarra Thomson entitlement charge.

The second part looks at the difference in variable costs and the revenue obtained from water sales in the previous year multiplied by a proportion (represented by alpha). As we are forecasting zero water to be transferred from the Melbourne network to Westernport Water in PS1, we can simplify this equation by setting the determination figure to zero as per equation 2.

The third part includes a true-up of any pass through from the previous year, adjusted for inflation.

Equation 3: Calculating the Pass Through Amount

$$PT_t = \left(GYTF_t^{actual} - GYTF_t^{det} \times \frac{CPI_t}{CPI_{base}}\right) + 50\% \times (GYTV_{t-1}^{actual} - RevWater_{t-1}) \times \frac{CPI_t}{CPI_{t-1}} + \left(PT_{t-1}^{act} - PT_{t-1}\right) \times \frac{CPI_t}{CPI_{t-1}}$$

PT_t	The total value of the pass through in year t
$GYTF_t^{actual}$	The actual total fixed cost to Westernport Water for its entitlements in the Greater Yarra Thomson System for year t
$GYTF_t^{det}$	The total fixed cost to Westernport Water for its entitlements in the Greater Yarra Thomson System for year t as determined in $real 2018
α	The proportion of costs to be recovered from customers. This is proposed to be 50%
$GYTV_{t-1}^{actual}$	The actual variable costs charged by Melbourne Water to Westernport Water for transferring its allocation of water for use in the year t-1.
$GYTV_{t-1}^{det}$	The determination variable costs charged by Melbourne Water to Westernport Water for transferring its allocation of water for use in the year t-1. Westernport Water is not forecasting any water allocation to be used, and as such this is set to zero.
$RevWater_{t-1}$	The total revenue received from selling allocation water during the year t-1 less any administrative costs of managing the sale.
CPI_i	Consumer price index for year i for all capital cities March quarter.
$base$	Base is base year of dollars 2017-18 as per the CPI for all capital cities March 2017.
$\left(PT_{t-1}^{act} - PT_{t-1}\right)$	This is the difference between what was passed through in the previous year and the forecast to be passed through adjusted for inflation.

This will be passed back to customers as a reduction in access and variable charges for both residential and non-residential. It is proposed that 70% will be passed through on fixed (access charges) and 30% to go on variable. This split reflects, approximately, the current and forecast average household water bill split for our customers.

Equation 4: Allocation of Pass Through to Fixed and Variable Charges

$$FPT_t = 70\% \times PT_t$$
$$VPT_t = 30\% \times PT_t$$

Equation 5: Potable Water Access Charge Pass Through

$$WA_t^i = WA_{t-1}^i \times \left(\frac{CPI_t}{CPI_{t-1}}\right) \times (1 + PPM_t^i) + \left(FPT_t \times \frac{RevAccess_{t-1}^i}{\sum RevAccess_{t-1}^i}\right) \Big/ Connections_t^{i,for}$$

Equation 6: Potable Water Variable Charge Pass Through

$$WV_t = WV_{t-1} \times \left(\frac{CPI_t}{CPI_{t-1}}\right) \times (1 + PPM_t^{WV}) \times \frac{VPT_t}{Volume_t^{for}}$$

FPT_t	The amount of expenditure to be passed through (either positive or negative) to customers in year t on the fixed potable water access charge.
VPT_t	The amount of expenditure to be passed through (either positive or negative) to customers in year t on the variable potable water charge.
WA_t^i	The potable water access tariff for customer category i, or tariff i, in year t in $real t
WA_{t-1}^i	The potable water access tariff for customer category i, or tariff i, in year t-1 in $real t-1 (i.e. the year prior to the year in which prices are being set)
PPM_t^i	The prescribed price movement for tariff i in year t as per the ESC determination
$RevAccess_{t-1}^i$	Revenue received in year t-1 for tariff i
$\sum RevAccess_{t-1}^i$	The sum of all revenue received across access tariffs in year t-1
$\frac{RevAccess_{t-1}^i}{\sum RevAccess_{t-1}^i}$	The proportion of revenue received by tariff i in year t-1 to calculate the proportion of pass through to be received.
$Connections_t^{i,for}$	The number of connections for tariff i as per an updated forecast
WV_t	The potable water variable tariff in year t
PPM_t^{WV}	The prescribed price movement for potable water tariffs in year t as per the ESC determination
$Volume_t^{for}$	The total volume of potable water forecast for year t.

APPENDIX ONE

PREMO

SELF-ASSESSMENT

PREMO ASSESSMENT TOOL **APPENDIX ONE**

Outcomes	Westernport Water has provided clear evidence that the outcomes proposed have considered the views, concerns and priorities of customers. In addition, where possible, we have provided clear links between expenditure and outcome. The outputs for each outcome have been prioritised and selected by customers and are measurable, robust and deliverable. Westernport Water has provided clear evidence of its performance reporting framework, which will ensure customers remain engaged, informed and compensated for underperformance. We have also invested in improving performance in the areas that matter most to customers.	**Standard / Advanced**
Management	Westernport Water has worked tirelessly to deliver a 2.63 per cent operating efficiency reflecting prudent and efficient expenditure. Cost estimations for all major projects and capital programs have been independently developed. Westernport Water's top five projects over $1 million have undergone probabilistic cost estimation and are supported by Monte Carlo analysis. Detailed business cases have been developed for key capital projects undertaken in the first two years. The Price Submission itself has also been independently reviewed against the guidance material at the request of senior management and the Board.	**Standard**
Engagement	Westernport Water tailored its engagement program specifically to suit its unique customer demographic and achieved 5 per cent customer representation. We utilised all engagement methods – phone, face to face, online, workshops – to build a rich understanding of the views, concerns and priorities of our customers. Westernport water staff members were responsible for all engagement exercises, with the exception of the phone survey. The quality of engagement information and the depth of detail provided to customers during workshops received regular praise and acknowledgement. Customers have selected the outcomes and the outputs, which in turn provided the framework for our submission and expenditure. Outcomes, outputs, capital expenditure, tariffs and prices, GSLs, outputs, and our approach to water quality, recycled water and climate change, were all validated with customers. Customers rated our consultation effective (4.39 out of 5), useful (4.56 out of 5) and educational (4.63 out of 5).	**Advanced**
Risk	Westernport Water has accepted greater risk in its proposal for the next regulatory period through: a high operating efficiency; new and increased GSLs; a performance rebate scheme to compensate customers for under-performance; significant reductions in performance targets in comparison to WP3 targets; and independent validation of cost estimates for major capital projects and programs. These changes, where possible, have been aligned to the priority areas for customers – affordability and water quality.	**Standard / Advanced**

Westernport Water has assessed its submission against the guiding questions in the PREMO Assessment Tool as 'Standard'.

APPENDIX TWO

CUSTOMER ENGAGEMENT RESULTS

Appendix Two – Customer Engagement Results

Summary of Participation

Stage 1	No. of responses
Customer Satisfaction Telephone surveys	400
Stage 2	**No. of responses**
Online	138
Candowie Reservoir Open Day	14
Coronet Bay Market	71
Cowes Carols By The Bay	64
Cowes Cultural Centre	14
Grantville Market	63
Kilcunda Lobster Festival	75
Phillip Island Nature Park	17
San Remo Carols	85
San Remo Channel Challenge	32
Stage 3	**No. of responses**
Cowes RSL 10am Engagement Workshop	20
Cowes RSL 6pm Engagement Workshop	20
San Remo Silverwater Resort Engagement Workshop	18
Customer Advisory Group Engagement Workshop	4

Stage One – Customer Satisfaction Surveys

400 telephone surveys

Demographics

A1	Do you own, rent or is this an investment property/holiday house?	Number	Percentage %
	Own	252	63
	Rent	27	7
	Investment	121	30
A2	**Do you have a concession card?**	**Number**	**Percentage %**
	Yes	161	40
	No	239	60
A3	**When where you born?**	**Number**	**Percentage %**
	Before 1946	117	29
	Between 1946 and 1965	215	54
	Between 1966 and 1980	41	10
	After 1980	20	5
	Rather not say	7	2
A4	**Which of the following best describes your household?**	**Number**	**Percentage %**
	Single person	89	22
	Two or more adults sharing	75	19

	Couple without kids	56	14
	Family with children at home	85	21
	Family with children not at home	79	20
	Other	4	16

Brand

A5	Do you know the name of the water corporation that services your property?	Number	Percentage %
	Yes	345	86
	No	55	14
A6	**Have you heard of Westernport Water?**	**Number**	**Percentage %**
	Yes	51	93
	No	4	7

Perceptions

A7	What do you expect from your water corporation?	Number	Percentage %
	Clean water/water/wastewater quality	306	77
	Reliability (no outages)	110	28
	Easy to deal with	24	6
	Affordability	95	24
	Efficiency (don't waste money)	33	8
	Local presence/employment	14	4
	Sustainability (environment responsibility)	23	6
	Education	15	4
	Other	80	20
A8	**Is your water corportation a valued member of your local community?**	**Number**	**Percentage %**
	Yes	250	63
	No	35	9
	Don't know	115	29

Values

A9	Are you satisfied with the quality of your tap water?	Number	Percentage %
	Yes	276	69
	No	124	31
A10	**Wastewater comes from toilets, showers, baths, sinks, washing machines and dishwashers. Of the following, who does provide this service to your property?**	**Number**	**Percentage %**
	Local council	25	6
	Water Corporation	277	69
	Septic tank	28	7
	State Government	3	1
	Other	11	3
	Don't know	56	14
A11	**Are you satisfied with the reliability of your wastewater**	**Number**	**Percentage %**

	Yes	270	97
	No	7	3
A12	**Do you receive value for money for the services that are provided?**	**Number**	**Percentage %**
	Yes	235	59
	No	165	41
A13	**In your opinion over the past year has the service provided?**	**Number**	**Percentage %**
	Improved	37	9
	Remained the same	356	89
	Deteriorated	7	2
A14	**Does Westernport Water respond to leaks and faults promptly?**	**Number**	**Percentage %**
	Yes	184	46
	No	7	2
	Don’t know	209	52
A15	**Does Westernport Water plan for the future?**	**Number**	**Percentage %**
	Yes	193	48
	No	11	3
	Don’t know	196	49
A16	**How important is it to you that your water corporation invests in environmental or sustainability initiatives?**	**Number**	**Percentage %**
	Not at all important	8	2
	Not important	25	6
	Somewhat important	109	27
	Very important	258	65

Why are you not satisfied with the quality of your tap water?

We are wary of the water there. There is too much chlorination.

Too much chlorine in it.

It is disgusting. It is not a nice taste, it is not clean, it doesn't taste fresh, it is kind of like creamy. When we are down there, we see people stocking up on water at the supermarket so I know we are not the ony ones who think so!

Tastes bad. It varies, sometimes it tastes like chemicals and sometimes it stinks like a fish tank.

Why are you not satisfied with the reliability of your wastewater?

Too expensive.

I want more sustainable water for my wastewater.

Charge money too much

If WPW service has deteriorated, how can it be improved?

Reduce the cost, and improve the water quality.

They should have better problem relations and better service from staff.

When we built the property the water was very cheap, now it is very expensive. I would like the rates they charge to be decreased.

Service

A17	**Have you been in touch with your water corporation in the last twelve months?**	**Number**	**Percentage %**
	Yes	137	34

	No	236	66
A18	**Would you say that Westernport Water are easy to deal with?**	**Number**	**Percentage %**
	Yes	129	94
	No	8	6

Why would you say there are not easy to deal with?

Sometimes they have trouble with the account side, like the account when you ask a question, and when they answer the questions you have. If you have a question about the pricing, they can't answer technical questions.

They didn't really care. When you get a bill for $300 and only $9 is water. When phoned, they gave me the impression they didn't care.

They did not help me with my problem.

Knowledge/behaviour

A19	What is your preference for drinking water?	Number	Percentage %
	Tap	246	62
	Bottled	65	16
	Filtered	89	22
A20	**Do you know what can and can't be put down your toilet/sink/drains?**	**Number**	**Percentage %**
	Yes	364	91
	No	36	9
A21	**Are you aware of the Permanent Water Savings Rules?**	**Number**	**Percentage %**
	Yes	291	73
	No	109	27

Can you provide examples?

No watering gardens during the day.
Don't wash the boat engine in the streets, do it on the grass. Same with the car, wash it on the grass not on concrete. Don't wash down concrete
Shower head taps, can't wash your car at home, can't water your garden on certain days
No watering between 10am and 5pm 3 day a week and hand watering only
Have a trigger nozzle.
Having a toilet with dual flush, three minute shower and don't hose down boat and cars

Information

A22	Where do you get your information about water from?	Number	Percentage %
	Local newspaper articles	108	27
	Bill inserts and other poster information	223	56
	TV	23	6
	Local newspaper advertisements	56	14
	State/National newspapers	9	2
	Local ABC radio	8	2
	Local commercial radio	10	3
	Community events	19	5
	Internet	59	15
	My kids	3	1

	Social media	10	3
	Other	79	20
A23	**Would you say you get too much, too little, or about the right amount of information about your water corporation?**	**Number**	**Percentage %**
	Too little	64	16
	Too much	7	2
	About right	329	82

What topics do you want to get extra information about?

How they are going to improve the quality of the water

Why it costs so much, it costs nearly 300 dollars for water and you only get about 10 dollars in water, and the fees are excessive.

More information on sustainability. More information about protecting the water park near our area

How to improve the taste.

Overall satisfaction

A24	**Overall, how satisfied are you with Westernport Water as a service provider?**	**Number**	**Percentage %**
	Very dissatisfied	10	3
	Dissatisfied	22	6
	Neither satisfied nor dissatisfied	59	15
	Satisfied	225	56
	Very satisfied	84	21
A25	**Thinking about your water bill and the service provided would you like to**	**Number**	**Percentage %**
	Keep your water and wastewater services as they	296	74
	Pay more money for improved water and/or wastewater services	41	10
	Pay less money for lesser service	63	16

A26	**Trust rating – I trust Westernport Water (1 strongly disagree – 10 strongly agree)**										
	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
No.	8	1	5	4	8	67	32	61	124	35	55
%	2	0	1	1	2	17	8	15	31	9	14

Services to see improved

Environmental sustainability

Recycling options, ways to save water

Improve the quality of the water. We got too much chlorine in our water and we need to filter the water.

More drought proof and better quality tap water. Attached to desalination plant to keep up with water demand.

Don't want to pay more but want better quality water

Services to be reduced

I have a sceptic tank that I use so I don't think I should be paying extra for waste water.

Don't know but prices are too expensive compared to other service in Melbourne

I would want to pay less but keep the service the same

Satisfied with the services, just the rates are high.

I don't know what services should be reduced but they should charge less

Reducing the amount of water that I get charged for. Pay a reasonably priced bill.

Additional questions

A27	Is it important to you that water is supplied from a local source?	Number	Percentage %
	Not at all important	23	6
	Not important	57	14
	Somewhat important	144	36
	Very important	176	44
A28	**In comparison to other Victorian water businesses, Westernport Water charges customers a higher than average fixed charge and a lower than average usage charge for water. On a scale of 1-5, how satisfied are you with this current pricing structure?**	**Number**	**Percentage %**
	Very dissatisfied	56	14
	Dissatisfied	87	22
	Neither satisfied nor dissatisfied	112	28
	Satisfied	114	28
	Very satisfied	31	8

Stage Two – Let's Talk Engagement Survey (Face-to-face & online)

573 completed submissions

- 138 online registrations and completed surveys
- 435 face-to-face

Demographics

B1	What is your age group?	Number	Percentage %
	Before 1946	40	7
	Between 1946 and 1965	226	39.4
	Between 1966 and 1980	154	26.9
	After 1980	147	25.7
	Rather not say	6	1
B2	**Do you identify as an Aboriginal or Torres Strait Islander?**	**Number**	**Percentage %**
	Yes	5	0.9
	No	552	96.3
	Rather not say	16	2.8
B3	**Do you have a concession card?**	**Number**	**Percentage %**
	Yes	169	29.5
	No	404	70.5
B4	**Which of the following best describes you? (Can choose more than one)**	**Number**	**Percentage %**
	Permanent Resident	380	65.97
	Non Permanent Resident	186	32.29
	Commercial	10	1.77
***** The percentage relates to the number of responses, not the percentage of people			
B5	**What township is your property located in?**	**Number**	**Percentage %**

	Cape Woolamai	57	9.9
	Corinella	43	7.5
	Coronet Bay	70	12.2
	Cowes	118	20.6
	Bass	16	2.8
	Anderson	2	0.3
	Archies Creek	6	1.0
	Dalyston	11	1.9
	Kilcunda	38	6.6
	Newhaven	12	2.1
	Glen Forbes	4	0.7
	Grantville	24	4.2
	Pioneer Bay	12	2.1
	Rhyll	6	1.0
	San Remo	57	9.9
	Silverleaves	6	1.0
	Smiths Beach	19	3.3
	Sunderland Bay	8	1.4
	Sunset Strip	12	2.1
	Surf Beach	21	3.7
	The Gurdies	6	1.0
	Wimbledon Heights	11	1.9
	Ventnor	14	2.4
B6	**Which of the following best describes your household?**	**Number**	**Percentage %**
	Single person	77	13.4
	Two or more adults sharing	131	8.6
	Couple without kids	49	22.9
	Family with children at home	244	244
	Family with children not at home	42	7.3
	Other	30	5.2
B7	**Do you own, rent or is this an investment property/holiday house? (Can choose more than one)**	**Number**	**Percentage %***
	Own	390	66.55
	Rent	93	15.87
	Investment/holiday house	103	17.58
* The percentage relates to the number of responses, not the percentage of people			

Customer Satisfaction

B8	**Are you satisfied with your tap water?**	**Number**	**Percentage %**
	Yes	383	66.8
	No	190	33.2
B9	**In the last 12 months, I think the water has:**	**Number**	**Percentage %**
	Deteriorated	14	2.5
	Improved	128	22.5
	Remained the same	427	75

B10	Are you satisfied with your wastewater services?	Number	Percentage %
	Yes	521	91.6
	No	48	8.4
B11	**In comparison to other Victorian water businesses, Westernport Water charges customers a higher than average fixed charge and a lower than average usage charge for water. How satisfied are you with…**	**Number**	**Percentage %**
	Very dissatisfied	56	9.8
	Dissatisfied	89	15.6
	Neither satisfied nor dissatisfied	191	33.6
	Satisfied	179	31.5
	Very satisfied	54	9.5
B12	**Westernport Water currently pays customers in the event that it fails any of the following:** **No more than five unplanned water interruptions within any 12 month period ($50).** **Sewage spill within a house; caused by the business or the failure of the business' systems, and contained within one hour ($500).** **Sewage spill onto property contained within five hours of notification ($250).** **Restricting water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying ($300).** **How satisfied are you with the current Guaranteed Service Levels listed above?**	**Number**	**Percentage %**
	Very dissatisfied	4	0.7
	Dissatisfied	7	1.2
	Neither satisfied nor dissatisfied	157	27.4
	Satisfied	317	55.3
	Very satisfied	88	15.4
B13	**In the event that Westernport Water fails to meet a Guaranteed Service Level, would you prefer?**	**Number**	**Percentage %**
	Credit to your account	356	62.1
	Direct payment	217	37.9
B14	**Have you been in touch with Westernport Water in the last 12 months?**	**Number**	**Percentage %**
	Yes	184	32.3
	No	385	67.7
B15	**If yes, was Westernport Water easy to deal with?**	**Number**	**Percentage %**
	Yes	161	91.0
	No	16	9.0
B16	**Do you believe that you receive value for money for the water and wastewater services provided?**	**Number**	**Percentage %**
	Yes	281	49.0
	No	127	22.2
	Don't know	165	22.8
B17	**Overall, how satisfied are you with Westernport Water as your**	**Number**	**Percentage**

	provider of water and wastewater services?		%
	Very dissatisfied	15	2.6
	Dissatisfied	30	5.3
	Neither satisfied nor dissatisfied	141	24.7
	Satisfied	284	49.8
	Very satisfied	100	17.5

Are you satisfied with your tap water? If no, why?

Tastes funny
Different times of year had has funny taste
Over chlorinated. Old pipe taste.
Come from Yarra Valley - water was much better
I cannot drink it. I have to buy bottled water. At times there is a strong chlorine smell.

Are you satisfied with your wastewater? If no, why?

Too expensive
The service charge could be lower.
Large cost for holiday home use. Mandatory purple taps are expensive to connect.
We do not have a tap or water connected on our block of land - the water bill is too high

Please explain the reason/s for your satisfaction or dissatisfaction? (in comparison to other water corps)

Price changes every year. Water is water - don't really see value for money
I find since we moved down here two years ago from Narre Warren we use less water and pay more. It's good for renters.
Prefer lower fixed and higher usage to promote water saving.
Fixed charge is too high for a service that hasn't changed for a lot of years.
Would prefer usage-based.
Whichever way you look at it it's expensive.

Are there any changes that you would like to see made to Guaranteed Service Levels in the future?

5 unplanned water interruptions... this is a large buffer. Unplanned water interruptions should be less - two to three to be realistic.
Was not aware of it and never used it.
More leeway for welfare /concession customer top pay bills on a fortnightly basis.
Cost too high. Water quality has improved, although still room for improvement.
Do we really need them. How much do you pay for it?
I would prefer to see no more than one or two unplanned water interruptions to the water service.
Guarantee customers at least 7 days' prior written warning of any planned supply interruption.
To be honest if sewerage flowed through my house because of yout fault and you would only cover $500 of the costs I would be irate

Please explain the reason/s for your satisfaction or dissatisfaction? (with WPW as provider)

I've never had a problem with my water so far.
Westernport Water appears to be on a par with many other water companies in Victorian. No worse. No better.
Works well! Don't notice anything so I guess that means the service works as it should.
Clean drinkable water comes out of the tap, how lucky are we.
Satisfied with water and waste water provision but the costs are over the top. Basically a 25? increase in a year or so is outrageous. It cannot be justified under any consideration.
Always prompt. Always polite and friendly.

Customer Preferences and Priorities

B18	Is Westernport Water a valued member of the community?	Number	Percentage %

	Yes	369	64.4
	No	26	4.5
	Don't know	178	31.1
B19	**How important is it to you that Westernport Water makes a meaningful contribution to the local community?**	**Number**	**Percentage %**
	Very important	288	50.3
	Important	177	30.9
	Somewhat important	80	14.0
	Not very important	19	3.3
	Unimportant	9	1.6
B20	**Out of the following statements, please select three that reflect your highest priorities for Westernport Water**	**Number**	**Percentage %***
	Improving the quality of the drinking water	355	23.04
	Reducing the cost of water and wastewater	312	20.25
	Investing in measures to respond to climate change	225	14.60
	Working with and contributing to the local community	160	10.38
	Minimising the likelihood of water restrictions	141	9.15
	Finding innovative ways to green and protect our public spaces	135	8.76
	Keeping customers better informed of water outages	90	5.84
	Improving self service options available to customers	67	4.35
	Improving response time to faults	56	3.63
* The percentage relates to the number of responses, not the percentage of people			
	Please state whether you agree or disagree with the following statements about Westernport Water		
B21	**I am satisfied with the current number of unplanned water interruptions**	**Number**	**Percentage %**
	Agree	261	45.7
	Somewhat agree	110	19.3
	Neither agree or disagree	182	31.9
	Somewhat disagree	11	1.9
	Disagree	7	1.2
B22	**I am satisfied with the time it takes to restore services after unplanned interruptions**	**Number**	**Percentage %**
	Agree	254	44.6
	Somewhat agree	136	23.9
	Neither agree or disagree	168	29.5
	Somewhat disagree	8	1.4
	Disagree	3	0.5
B23	**I am satisfied with the current number of planned water interruptions**	**Number**	**Percentage %**
	Agree	267	47.3
	Somewhat agree	109	19.3
	Neither agree or disagree	182	32.2
	Somewhat disagree	109	19.3
	Disagree	2	0.4
B24	**I am satisfied with the duration of planned water interruptions**	**Number**	**Percentage %**
	Agree	256	45.3
	Somewhat agree	112	19.8

	Neither agree or disagree	186	32.9
	Somewhat disagree	8	1.4
	Disagree	3	0.5
B25	**I am satisfied with the current number of sewer blockages**	**Number**	**Percentage %**
	Agree	213	37.5
	Somewhat agree	92	16.2
	Neither agree or disagree	228	40.1
	Somewhat disagree	24	4.2
	Disagree	11	1.9
B26	**I am satisfied with the time it takes to rectify a sewer blockage**	**Number**	**Percentage %**
	Agree	216	38.4
	Somewhat agree	93	16.5
	Neither agree or disagree	232	41.2
	Somewhat disagree	14	2.5
	Disagree	8	1.4
	End of statements		
B27	**How important is it to you that Westernport Water offers financial support and payment flexibility to customers that are finding it hard to pay their bills due to hardship?**	**Number**	**Percentage %**
	Very important	304	53.4
	Important	146	25.7
	Somewhat important	91	16.0
	Not very important	20	3.5
	Unimportant	8	1.4
B28	**Would you like to see Westernport Water put more effort into improving the quality of its services or reducing the cost for its customers?**	**Number**	**Percentage %**
	Service improvement	115	20.1
	Cost reduction	287	50.1
	It has the balance right	171	29.8

If it is important to you that WPW make a meaningful contribution, how would you like to see Westernport Water contribute to the local community?
Education at schools and strong partnerships with local non for profits.
Continue to support local events.
Support educational and environmental programs at schools.
By promoting the use of fresh water and water service matters.
As a service provider it would be good to see the Board have a greater community role outside the Island. Putting back into the community in partnerships.
More open days. More local awareness.
It's great to see water stations are more common within the Shire and at events. I am proud to see Westernport as a valuable community contributor and to have it as our water provider in this great community. I'm glad we have responsible water restrictions all year.

Is there anything you would like Westernport Water to improve in the next five years?
The taste of water
Lower fees
Access to recycled water
More drinking taps.
Great idea doing surveys.
Change to water usage v fixed cost charges. Average bill = $240 with usage less than $3

responding to climate change as per recycling of water in parks, ovals, gardens and industry etc.
Want both service improvement and cost reductions at the same time.

Stage Three – Let's Talk Pricing Submission Engagement Workshops

62 completed workbooks

- 58 customers
- 4 Customer Advisory Group members

Water Quality – your feedback

C1	Water Quality (1= Not satisfied 10 = Very satisfied)	Avg. Number
	Are you satisfied with Westernport Water's progress in improving water quality?	7.8
	How satisfied are you with Westernport Water's plans to improve water quality in the next 5 years?	8.3

Are you satisfied with Westernport Water's progress in improving water quality?
A big change in water taste over the past 15 years - could not drink water at all. Now water is drinkable and usable for all household needs. Even if the taste changes it doesn't stop me from drinking it.
The water on the island is only getting better every and year and the less chlorine you use the better Water quality to me is okay. However, other houses I have visited water taste is not as good - in fact, it is not drinkable without filtration. Good to see planned improvement.
The work that has been done to improve this is excellent

How satisfied are you with Westernport Water's plans to improve water quality in the next 5 years?
Yes, UV is wonderful. Realy happy to know that the technology is affordable and available. Would highly recommend this continue for us much use as possible.
Forward thinking, economical, environmentally friendly.
Plans are very achievable and within a suitable timeframe.
If WPW continue to improve as they have then I will be satisfied with the results
I would like to see less chemical cleaning. Find an alternative way of cleaning pipes.

Climate Change – your feedback

C2	Climate Change (1= Not satisfied 10 = Very satisfied)		Avg. Number
	Do you believe Westernport Water's investment and response to Climate Change is appropriate?		7.8
C3	**Would you be willing to pay more on your bill to allow us to invest more in this area?**		**Percentage %**
	Yes		66
	No		34
C4	**How much per annum would you be willing to be?**	**Number**	**Percentage %**
	No more	17	31.5
	<$5	1	1.8
	$5 - $10	6	11.1
	$10-$20	18	33.3
	>$20	12	22.2

Do you believe Westernport Water's investment and response to Climate Change is appropriate?
Seems like a reasonable and measured approach. Investing in solar is a smart decision.
I think maybe more could be spent, seems like a very small proportion
Good implementation of solar. Need more sooner. More electric vehicles where possible.
Not enough trees to be planted.
Any improvement to climate change projects is necessary.
Certainly pursuing alternative forms of power is a priority
I believe what is currently proposed is good but there is always room for improvement in this area

In relation to Climate Change, what do you think WPW should be doing more or less of?
Working towards 100 per cent sustainability utilising available and emerging technologies for power generation.
Look at solar and wind power more.
More outreach to community of what programs could be implemented to fight climate change
I think WPW must do more about Climate Change - use solar or wind wherever possible
Reduce methane from treatment and have a generator
Set the bench mark for all of australia. Nature is the reason we llive in this area.

Would you be willing to pay more on your bill to allow us to invest more in this area?
Disability pensioner. It's hard enough to pay bills
To save the planet and ensure my children have a planet that can sustain their future and ongoing generations.
This is important for future generations and the planet as a whole.
Due to the current water pricing for permanent residents - needs to remain at current levels.

Recycled Water – your feedback

C5	Recycled Water (1= Not satisfied 10 = Very satisfied)	Avg. Number
	On a scale of 1 to 10, how important is it to you that Westernport Water provides recycled water?	7.6
	On a scale of 1 to 10, how willing are you to subsidise the cost of producing recycled water for the community and recycled water users?	5.5
C6	**Noting the four nominated projects, please rate your support for each approach. (1 = Do not support 10 = Very supportive)**	**Avg. Number**
	Expand irrigation onsite	6.8
	Expand irrigation and purchase more land	5.8
	Class B recycled water scheme	6.3
	Expand irrigations on site and Class B	6.8

Do you have anything else you would like to add in relation to recycled water?
Lease or partnership with landholders to use class B rather than outright purchase.
Consider solar evaporation and capture of water. This gives a solid product that is nutrient rich and saleable. While reducing outfall to the ocean.
Disappointing if non recycled water clients need to pay for service they cannot use. It would be advantageous to get it out into the community for those businesses that can utilise recycled water
Schools could use recycled water on their gardens and toilets and save fresh water, as well as sporting and recreational areas.
Are there any industries that use great volumes of water that you could get to establish within 2km of plant?
Important to increase Class A and B to a reasonable price and reduce ocean outfall. Biosolids can be composted and sold. Keep working on this.

Capital expenditure

C7	Of the three capital programs outlined, please rate each approach out of 10 and explain why? (1= Not satisfied 10 = Very satisfied)	Avg. Number

	Low spend, high risk	2.1
	Balanced approach	7.2
	High spend	7

C8	Of the five projects outlined, please rate your support for each out of 10	Avg. Number
	Wimbledon Heights Water Storage	7.2
	Sustainable Water Reuse Pilot Project	6.8
	Zone Metering & Pressure Management	7
	Water Quality Improvement Program	8.2
	Water Storage Renewal	7.5

C9	What proportion of assets do you believe should be renewed immediately following their end of life	Number	Percentage %
	50%	2	3.9
	80%	34	57.6
	100%	23	39

Of the three capital programs outlined, please rate each approach out of 10 and explain why?
Allowing assets to fail often increases costs beyond what would initially be required without planned renewal.|
Sounds like difference between low and high is $17 per year per residential user so no brainer to adopt high
Balance is the key approach to all
Not renewing infrastructure is a stupid option
Preventative maintenance is the best option.

Tariffs and Prices

C10	Noting the three scenarios presented, which scenario do you support?	Number	Percentage %
	Remain the same	23	39
	2.5% reduction in fixed, with related increase to variable	27	45.8
	5% reduction in fixed, with related increase in variable	9	15.3

Please explain your reasons why you support your scenario?
Commercial customers need to be supported as they have benefit to the community beyond dwellings
The higher the fixed charge the lower the incentive to save water. We definitely should be saving water.
Water is too cheap - definitely need to increas price to reflect individual properties usage. In periods when there is low rainfall it will encourage people and business to use less water
Happy with present system
If there was an increase it would make it difficult for local businesses and families.

Do you have any comments you would like to add, or any suggestions on alternative pricing strategies?
3 toilet and 2 shower should be considered upper limit. If you have more, your charges should reflect this - user pays. Rentals place a huge load on our resources. Why are the charges and residential rates. These are high usage commercial users, make the billing reflect this
Does the State subsidise the efforst made to decrease the level of emissions in order to increase recyclable water?
Either a peak/off peak bulling like electricity. Or a tiered billing approach
Provide incentives to install tanks
Should people who do not live here be asked to pay higher fixed rate, based on number of days in residence.

Outcome 1 - Reliable water & wastewater services

C11	For each outcome please rank each performance indicator in terms of importance to you. (Rank from 1 to 6)	Accumulated Score (no. responses)	Average Score	Final ranking
	Number of water supply interruptions (per 100km of water main)	124 (48)	2.58	1
	Average duration of interruptions – planned	168 (48)	3.5	3
	Average duration of interruptions - unplanned	173 (48)	3.6	4
	Average customer minutes off supply – total	150 (48)	3.12	2
	Sewer main blockages (per 100km sewer main)	188 (48)	3.91	5
	Sewer spills from reticulation and branch sewers (per 100km sewer main)	202 (48)	4.20	6

In your opinion are there any performance indicators that are missing that would be more meaningful to you?
Pressure fluctuations
Amount of notice given for planned interruptions.
Chlorine level and taste of water

Outcome 1 - Reliable water & wastewater services

		Please rank each customer commitment in order of priority. (Rank from 1 to 4)				
C12		Accum. Score (no. responses)	Average Score	Final ranking	Level of payment that you believe is appropriate	Quantity of interruptions you believe is appropriate
	No more than five unplanned water supply interruptions in any 12 months	122 (51)	2.39	2	$52 average	3.1 average
	No unplanned water interruptions extending for longer than five hours from notification in any 12 months	120 (52)	2.30	1	$65 average	2.4 average
	No more than three interruptions to sewerage service in any 12 months	132 (52)	2.53	3	$73 average	2.3 average
	No sewerage service interruption extending for longer than five hours from notification in any 12 months	144 (52)	2.76	4	$74 average	2.4 average

Are there any customer commitments that are missing that would be more meaningful to you?
Unplanned time response should be reasonable to fix issue properly - 8 hrs
From an OHS point to expect any repairwe to be completed within 5 hours puts workers at risk.
Customer service guarantees should be set by higher authority. If service outage is more than a few days then alternatives should be made available

Outcome 2 – Better tasting water

C13		Level of	Quantity of

		payment the you believe is appropriate	interruptions you believe is appropriate
	All water quality complaints will receive response within three business days after receipt (noting resolution may take longer)	$84 average	2.8 average

Are there any customer commitments that are missing that would be more meaningful to you?
Communication to customers explaining large area changes to water quality/issues. E.g. alglal bloom
Less chlorine

Outcome 3 – Affordable and accessible services

C14	For each outcome please rank each performance indicator in terms of importance to you. (Rank from 1 to 10)	Accumulated Score (no. responses)	Average Score	Final ranking
	Telephone calls answered within 30 seconds	281 (49)	5.73	5
	Average time to connect to an operator (seconds)	289 (49)	5.89	6
	Complaints to EWOV	361 (49)	7.36	10
	Number of hardship grants approved	277 (49)	5.65	4
	Value of hardship grants approved	298 (49)	6.08	7
	Number of complaints regarding payment	324 (48)	6.75	9
	Number of customers on flexible payment plans	321 (49)	6.55	8
	Average time to attend Priority 1 burst and leaks from notification	141 (49)	2.87	1
	Average time to attend Priority 2 burst and leaks from notification	180 (49)	3.67	2
	Average time to attend Priority 3 burst and leaks from notification	191 (47)	4.06	3

C15		Please rank each customer commitment in order of priority. (Rank from 1 to 2)				
		Accum. Score (no. responses)	Average Score	Final ranking	Level of payment that you believe is appropriate	Quantity of interruptions you believe is appropriate
	We will not restrict the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulty paying	56 (43)	1.30	1	$225 average	n/a

	All billing complaints from customers on flexible payment plans will receive a response within 3 business days (noting resolution may take longer)	72 (42)	1.71	2	$80 average	1.6 average

Outcome 4 – A more sustainable community

C16	For each outcome please rank each performance indicator in terms of importance to you. (Rank from 1 to 5)	Accumulated Score (no. responses)	Average Score	Final ranking
	Recycling-effluent reuse	98 (49)	2.00	1
	Total CO2 equivalent emissions (tonnes)	117 (54)	2.16	2
	Number of community events	205 (54)	3.79	5
	Number of sewer odour complaints	166 (54)	3.07	3
	Non-revenue water (ML)	203 (54)	3.75	4

In your opinion are there any performance indicators that are missing that would be more meaningful to you?

Ratio of administrative costs to capital works and maintenance
Response time to answer calls. Response time to attend a sewage leak. Time to fix and advise customers along the way.

Outcome 4 – A more sustainable community

C17		Level of payment the you believe is appropriate	Quantity of interruptions you believe is appropriate
	We will contain sewer spills within a house resulting from the failure of our pipes within one hour of notification	$547 average	0.92 average
	We will contain sewer spills on property resulting from the failure of our pipes within five hours of notification	$397 average	1.6 average

Are there any customer commitments that are missing that would be more meaningful to you?

From a health risk point of view, a quicker resolution is very important.
Customers must know they cant do anything to affect the proper working of sewerage system. Why do a few people want/think they can do it themselves (not many, I know)
A spill within the hour would need to be compensated via an assessor plus re-accommodation if required. Risk mitigation could be used when in low lying areas and these customers could be expecting if they don't come to fix
Relocate Cost until repaired

Outcomes framework – Where customers would like to see improvement

C18	Outcome 1 – Reliable water and wastewater services	Cowes x2	San Remo	CAG	Total
	Number of water supply interruptions (per 100km)	24	5	3	32
	Average duration of interruptions - unplanned	18	3	3	24
	Average duration of interruptions - planned	16	2	2	20
	Average customer ,minutes off supply - total	12	11	4	27

	Sewer main blockages (per 100km sewer main)	8	3	1	12
	Sewer spills from reticulation and branch sewers (per 100km sewer main)	4	4	2	10
	Total	**82**	**28**	**15**	**125**
C19	**Outcome 2 – Better tasting water**	**Cowes x2**	**San Remo**	**CAG**	**Total**
	Number of water quality complaints (per 100 customers)	18	32	2	52
	Drinking water compliance	11	3	1	15
	Total	**29**	**35**	**3**	**67**
C20	**Outcome 3 – Affordable and Accessible Services**	**Cowes x2**	**San Remo**	**CAG**	**Total**
	Ave. time to attend Priority 1 burst and leaks from notification	19	3	4	26
	Number of hardship grants	15	2	-	17
	Value of hardship grants	10	1	-	11
	Ave. time to attend Priority 2 burst and leaks from notification	10	7	1	18
	Ave. time to attend Priority 3 burst and leaks from notification	8	1	-	9
	Number of customers on flexible payment plans	6	1	-	7
	Number of complaints regarding payment	1	3	-	4
	Telephone calls answered within 30 secs	1	3	1	5
	Average time to connect to an operator (seconds)	1	1	2	4
	Complaints to EWOV	0	1	-	1
	Total	**71**	**23**	**8**	**102**
C21	**Outcome 4 – A more sustainable community**	**Cowes x2**	**San Remo**	**CAG**	**Total**
	Recycling effluent reuse	51	10	1	62
	Total Co2 equivalent emissions (tonnes)	49	12	1	62
	Number of community events	13	15	0	28
	Number of sewer odour complaints	9	3	1	13
	Non-revenue water (ML)	4	2	1	7
	Total	**126**	**42**	**4**	**172**
C22	**Outcomes summary**	**Cowes x2**	**San Remo**	**CAG**	**Total**
	Outcome 1 - Reliable water and wastewater services	82	28	15	125
	Outcome 2 - Better tasting water	29	35	3	67
	Outcome 3 - Affordable and accessible services	71	23	8	102
	Outcome 4 - A more sustainable community	126	42	4	172

	Total dots distributed	**308**	**128**	**30**	**466**

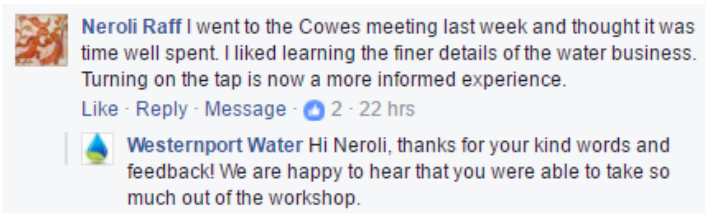
Outcomes – your feedback

C23	Do the four outcomes adequately explain what you expect from your local water authority?	Number	Percentage %
	Yes	53	94.64
	No	3	5.35

If not, what do you think is missing?
Incentives for saving water

C24	Please indicate if you agree or disagree with the following statements (1= Disagree 5 = Agree)	Avg. Number
	I found this session to be useful	4.56
	I learnt something new	4.63
	The consultation was effective	4.39
	The workbooks, posters and information were helpful	4.44
	The venue was appropriate	4.59

Do you have any comments on how engagement could be improved?
You've done a great job!
Very informative day. Thank you.
You have done a good job doing all this communication with your customers. This workshop has been well organised and well run.
Presentation was good. Good mix of presenters. Easy - fast paced. When talking figures - explain what $$ mean. Great to be involved. I have learnt a great deal today regarding Westernport Water.
Well conducted and well run conference - congratulations.
Session was great. Time well spent. High quality.
Very interesting presentation - great dinner - thank you
Excellent presentations and presenters. Well done.
This was very clear, well communicated & well presented. Well done team :)
I believe our group was fortunate to have WPW expertise available for consultation
I thought the session was excellent. The material provided was clear concise and easily understood
Very easy to follow, professional, well done.



APPENDIX THREE

STAGE THREE
CUSTOMER ENGAGEMENT
WORKBOOK

Let's Talk

Pricing Submission - Workbook

Provide your feedback

Have your say

WESTERNPORT WATER™

Customer Consultation
Who have we spoken with and how

Sep 2016 - Mar 2017

400 customers
Phone survey

143 customers
Online survey

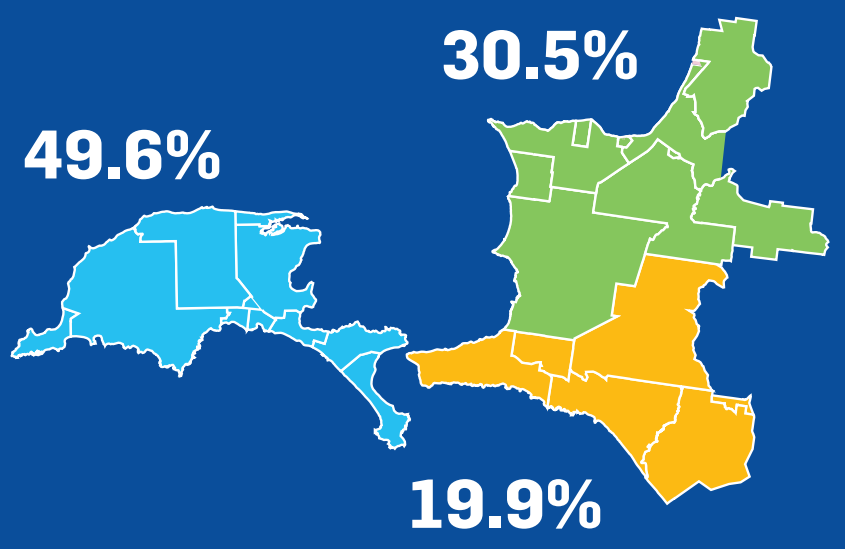
430 customers
Face-to-Face survey

Cowes x 3
San Remo x 2
Kilcunda
Grantville
Coronet Bay

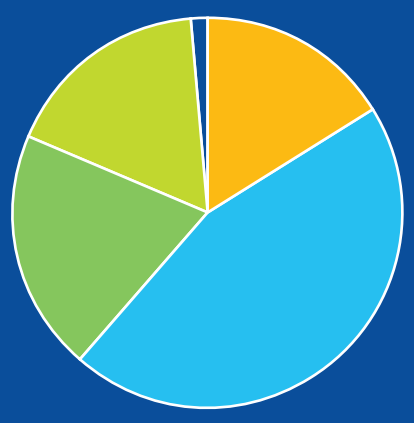
Housing

- Own 66%
- Rent 22%
- Investment/ Holiday Home 12%

Towns

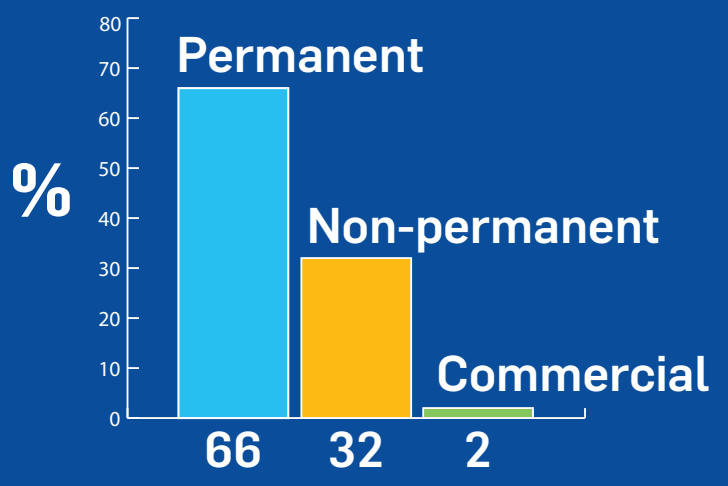


Age



- <26 17.2%
- 27 - 50 20%
- 51 - 69 45.3%
- >70 16.1%
- Not say 1.3%

Residency



Let's Talk

WESTERNPORT WATER

Customer Consultation
What have we found

62% of respondents drink **tap** water

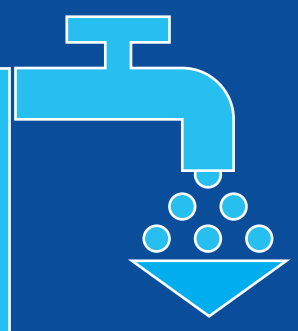
22% of respondents drink **filtered** water

16% of respondents drink **bottled** water

Satisfaction with drinking water

68%
of respondents are satisfied with our drinking water

32%
of respondents are not satisfied with our drinking water



HAS IT IMPROVED IN THE LAST 12 MONTHS?

75%
of respondents believed it remained the same

22.5%
believed it improved

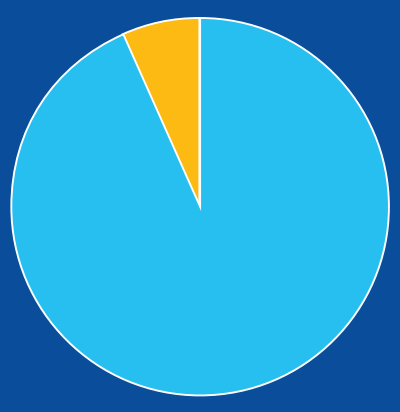
2.5%
believed it deteriorated

WHY?

"Chlorine taste"
"Tastes metallic"
"Smells like chemicals"

Wastewater service satisfaction

93.5% of respondents are satisfied.

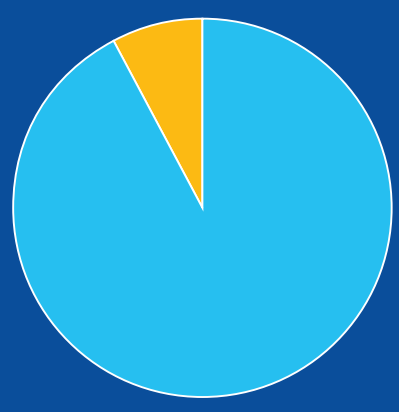


6.5% of respondents are not satisfied.

"Too expensive"

Customer service satisfaction

92.35% of respondents are satisfied.



7.65% of respondents are not satisfied.

"They don't rectify situations as quickly as they should"

Let's Talk

WESTERNPORT WATER

Customer Consultation
What have we found - cont...

Do you receive value for money?

53% of respondents believe they receive value for money

30% of respondents don't believe they receive value for money

17% of respondents don't know if they receive value for money

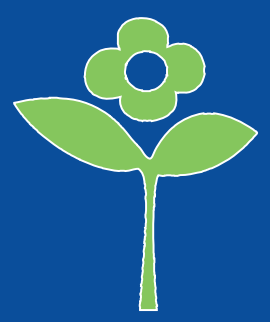
Improve services or reduce costs?

50.1% of respondents would prefer to reduce costs

29.8% of respondents would prefer to maintain balance

20.1% of respondents would prefer service improvement

Importance to invest in environmental initiatives

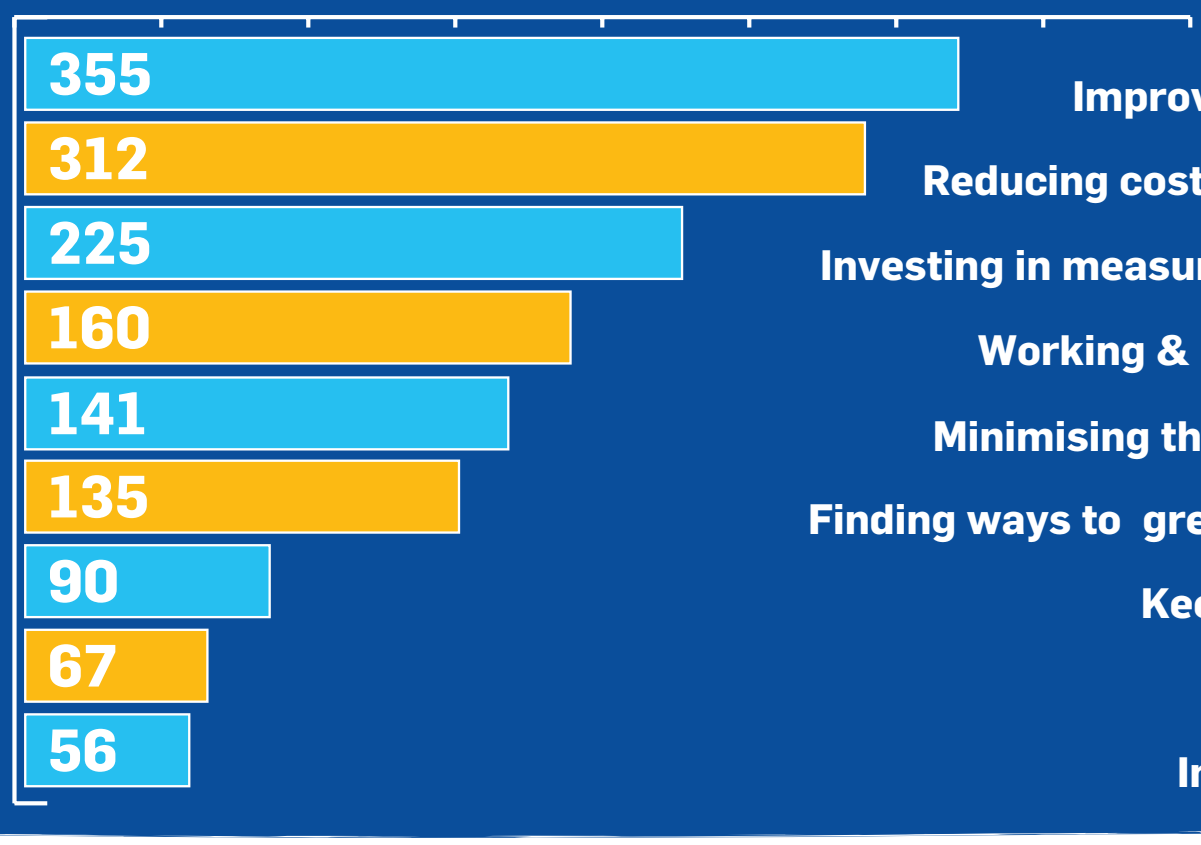


65% of respondents say it's very important

27% of respondents say it's somewhat important

8% of respondents say it's not important

Highest priorities for our customers



Let's Talk

WESTERNPORT WATER

Theme 1 - Water quality (now)

Safe drinking water compliance

2012*	2013	2014	2015	2016
X	✓	✓	✓	✓

*Note: One sample result was above the standard in Kilcunda in 2012. Immediate resampling was in line with standards.

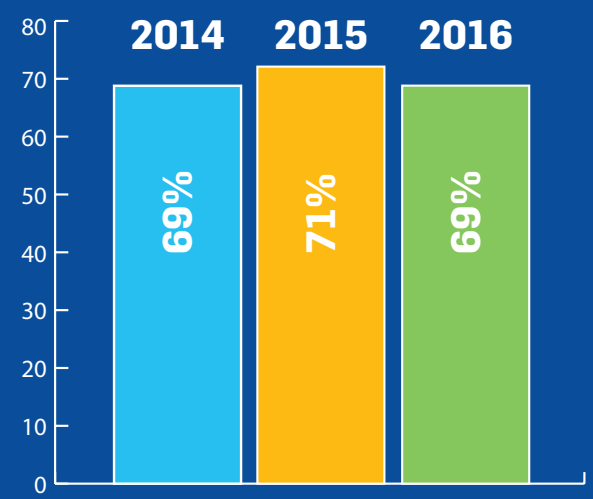
Complaints

2012	2013	2014*	2015	2016^
40	18	101	28	40

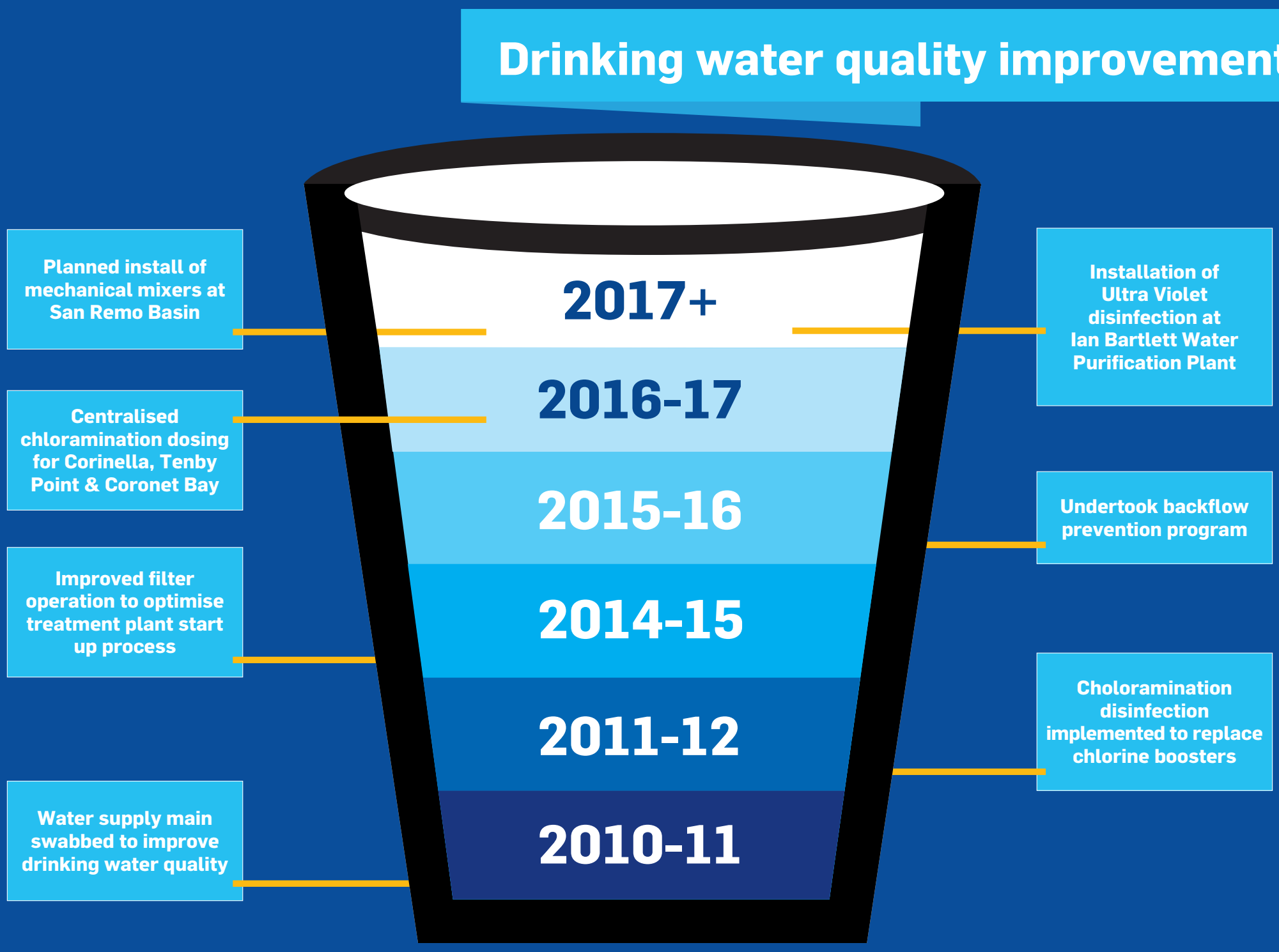
*Note: Complaints in 2014 related to algal bloom following raising reservoir level at Candowie Reservoir

^Note: Approx 60% of complaints in 2016 were attributed to dirty water after a higher than normal number of bursts and leaks

Satisfaction levels



Drinking water quality improvements



Let's Talk

WESTERNPORT WATER

Theme 1 - Water quality (future)

Future investment (2018-23)

Renewals program

Ian Bartlett Water Purification Plant Master Plan
Provides a blueprint for the future of water treatment at Candowie once asset is retired

PAC upgrade
Improves ability to remove contaminants from water

Raw water profiler
Provides improved water quality data, allowing targeted treatments

San Remo Basin
Replace basin liner and cover

Swabbing the water main
Cleaning the main water supply system

Backflow prevention program
Necessary to protect customers and community from the likelihood of contamination of the water supply

Air scouring and flushing
Maintains pipe cleanliness and supports delivery of safe drinking water

Let's Talk

WESTERNPORT WATER

Water Quality - your feedback

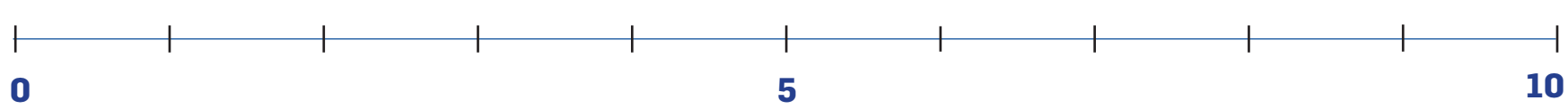
Your Feedback:

1) Are you satisfied with Westernport Water's progress in improving water quality?
1 = Not satisfied - 10 = Very satisfied

Why?

Why not?

2) How satisfied are you with Westerport Water's plans to improve water quality in the next five years?
1 = Not satisfied - 10 = Very satisfied



Why?

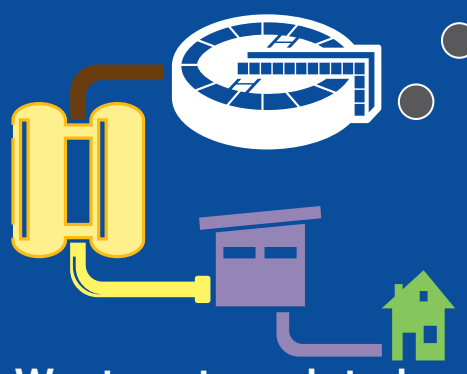
Why not?

Theme 2
Responding to Climate Change

Current carbon profile

6,053
tonnes $CO_{2\text{-equivilant}}$
Total Greenhouse Gas Emissions 2015-16

67%
4,074t $CO_{2\text{-e}}$



Wastewater related emissions

5%
295t $CO_{2\text{-e}}$

Rubbish & waste

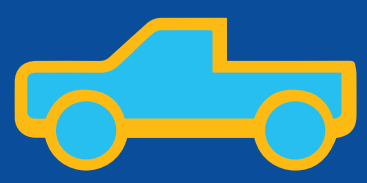
21%
1283t $CO_{2\text{-e}}$

Water related emissions

3%
168t $CO_{2\text{-e}}$

Corporate

4%
233t $CO_{2\text{-e}}$



Vehicle emissions

39%
225 out of 573 customers indicated responding to climate change was within their 3 highest priorities for Westernport Water

92%
367 out of 400 customers stated that it was important to them that Westernport Water invest in environment and sustainability initiatives

Let's Talk

WESTERNPORT WATER

Theme 2
Responding to Climate Change

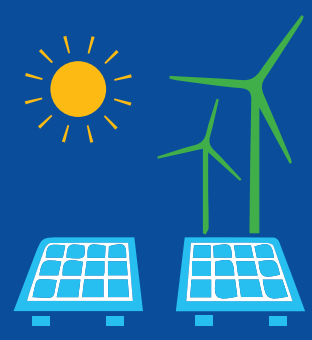
How are we responding?

Climate Change Strategy

Adaptation
Responding to predicted climate change impacts

Impacts
- Sea level rise projected 50-110cm by the year 2100
- Reduced runoff into catchments
- Extreme weather:
  - drought
  - heatwave
  - storms

Mitigation
Our Emission Reduction Pledge



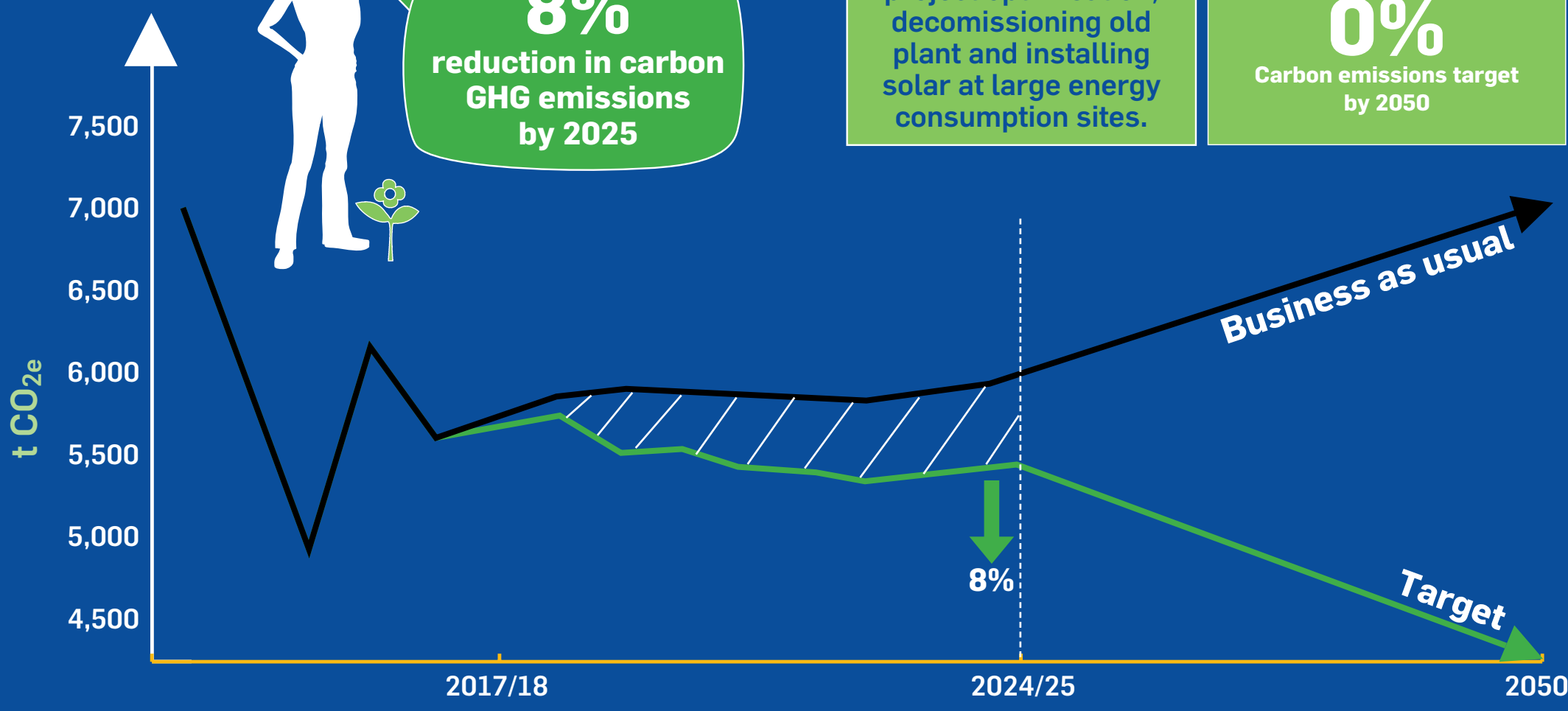
Where we need to get to...

8%
reduction in carbon GHG emissions by 2025

GHG emission reduction commitment
Efficiency measures include small project optimisation, decomissioning old plant and installing solar at large energy consumption sites.

$370k
Estimated spend over the eight year pledge

0%
Carbon emissions target by 2050



Let's Talk

WESTERNPORT WATER

Climate Change - your feedback

Your Feedback:

1) Do you believe Westernport Water's investment and response to Climate Change is appropriate?
1 = Not satisfied - 10 = Very satisfied

Why? _____

_____

Why not? _____

_____

2) In relation to Climate Change, what do you think Westernport Water should be doing more or less of?

_____

_____

_____

3) Would you be willing to pay more on your bill to allow us to invest more in this area?

Circle YES NO

Why? _____

_____

Why not? _____

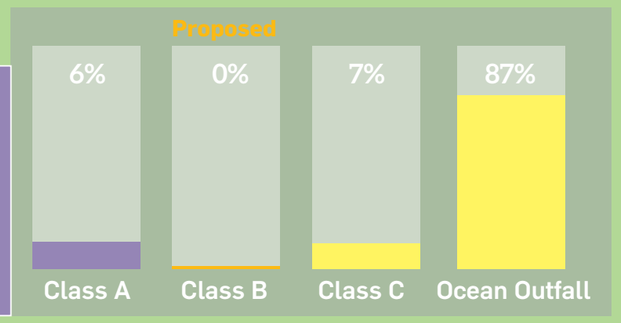
_____

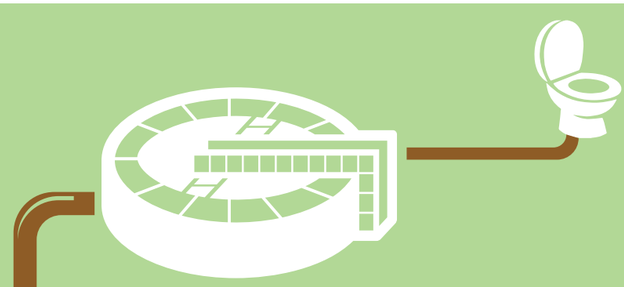
How much per annum would you be willing to pay?

- ☐ **No more**
- ☐ **< $5**
- ☐ **$5 - $10**
- ☐ **$10 - 20**
- ☐ **other $.....**

Theme 3 - Recycled Water

13%
of wastewater collected at CWWTP was recycled during 2015-16





Wastewater Treatment Plant

Storage Lagoon

Class C Recycled Water
Onsite use only

$
GHG

$$$
GHG

Class A Treatment
Residential, Commercial & Community open spaces

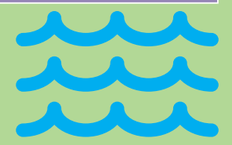
Class A Community Benefits
- Green open spaces
-Agriculture
- Irrigation/sporting facilities
- Residential watering
- Toilet flushing
- Fire fighting
- Ornamental/water features
- Community garden
-No water restrictions

Sand Filters

$$
GHG

Proposed Class B Recycled Water
Agricultural and Commercial farming use

Treated Ocean Outfall
(Class C quality)



Our objective is to reduce ocean outfall

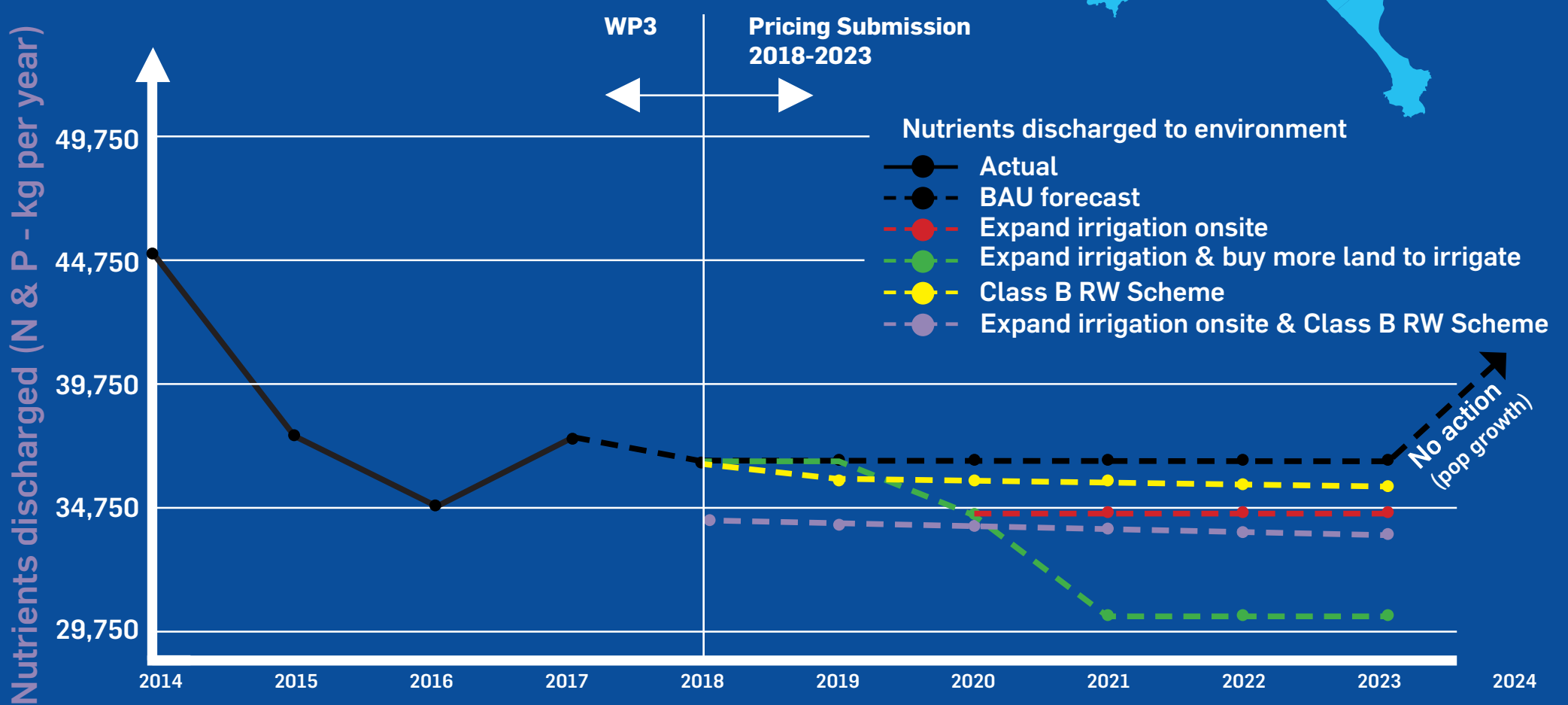
Let's Talk

WESTERNPORT WATER

Theme 3 - Recycled Water

Option	Capital Cost	Reduction of Nutrients discharged 1 (least effective) 5 (most effective)	GHG Emissions Rating 1 (high) 5(low)
Business as usual (BAU)	n/a	1	n/a
Expand irrigation onsite	$	3	4
Expand irrigation onsite & buy more land to irrigate	$$$$	5	2
Class B Recycled Water Scheme	$$	2	5
Expand irrigation onsite & Class B Recycled water scheme	$$$	4	3

Recycled Water - 2018-23



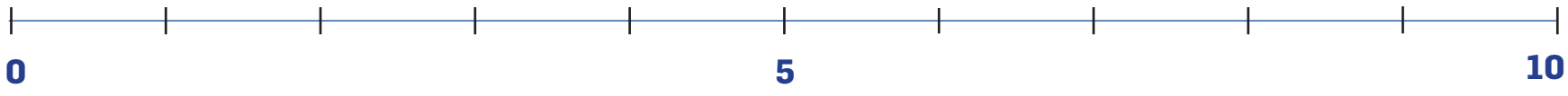
Let's Talk

WESTERNPORT WATER

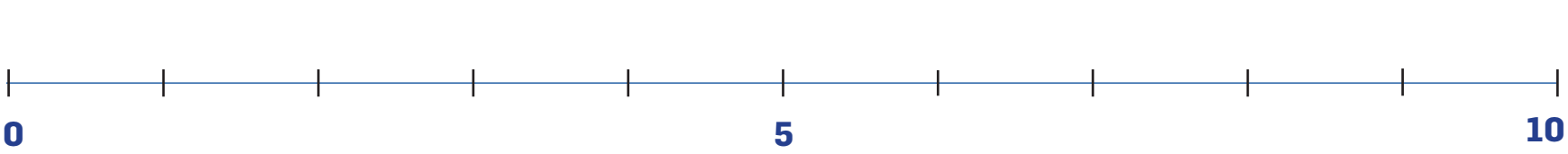
Recycled Water - your feedback

Your feedback:

1) On a scale of 1 to 10, where 1 is not satisfied and 10 is very satisfied, how important is it to you that Westernport Water provides recycled water?

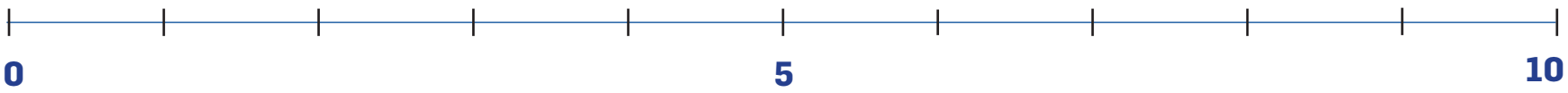


2) On a scale of 1 to 10, where 1 is not satisfied and 10 is very satisfied, how willing are you to subsidise the cost of producing recycled water for the community and recycled water users?



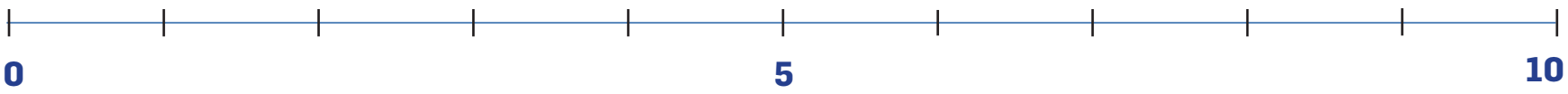
3) Noting the four nominated projects, please rate your support for each approach. Where 1 is Do Not Support and 10 is Very Supportive.

Expand irrigation onsite



Expand irrigation onsite and buy more land to irrigate

Class B Recycled Water Scheme



Expand irrigation onsite and class B Recycled Water Scheme

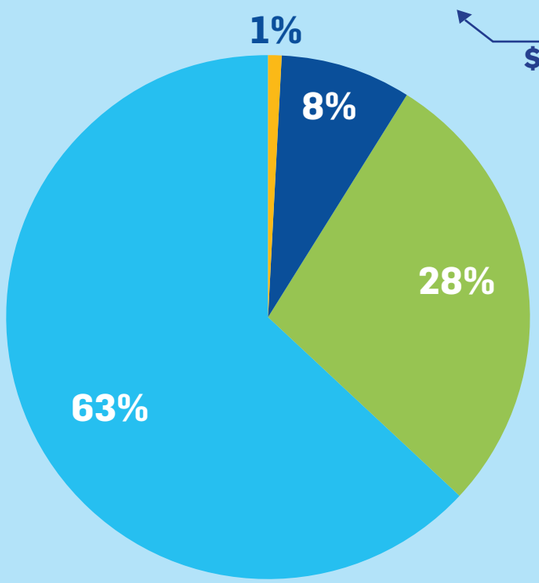
4) Do you have anything else you would like to add in relation to recycled water?

Theme 4 - Capital expenditure options

2013 - 18
$26.1 million

- Compliance
- Growth
- Improved services
- Renewals

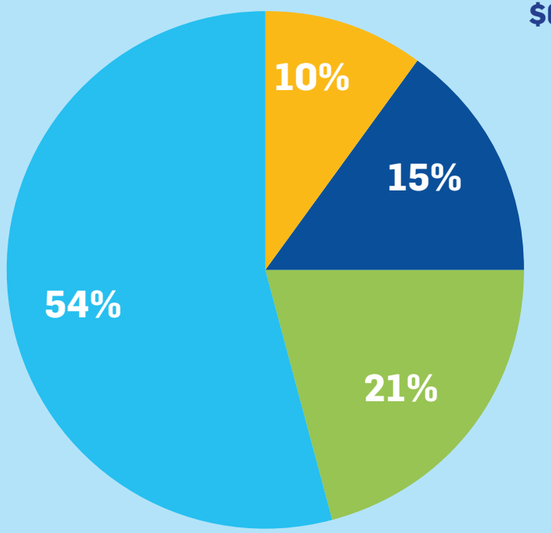
Minimum ($19m)
Low spend, high risk



- Wimbledon Heights Water Storage
- Sustainable Water Reuse Pilot Project
- Zone Metering & Pressure Management
- Water Quality Improvement Program
- Water Storage Renewals
- PAC Upgrade

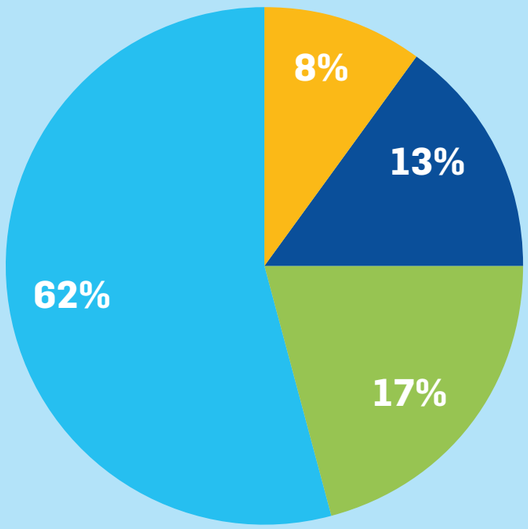
1.1%
$11.87 p.a

Medium ($28m)
Balanced approach



0.6%
$6.47 p.a

Maximum ($33m)
High spend, low risk



Renewals

Let's Talk

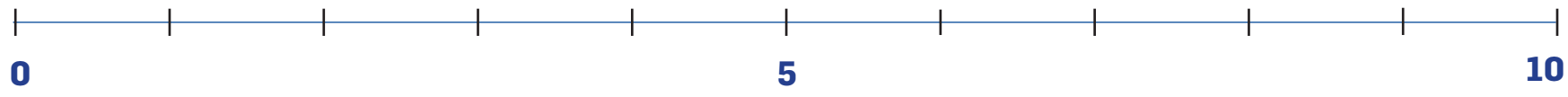
WESTERNPORT WATER

Capital expenditure - your feedback

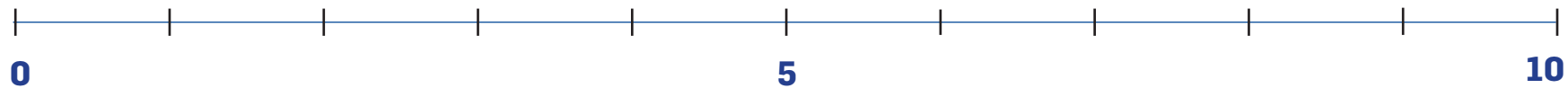
Your Feedback:

1) Of the three capital programs outlined, please rate each approach out of 10 and explain why?
1 = Not satisfied - 10 = Very satisfied

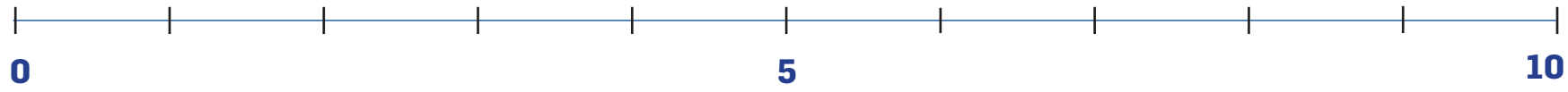
Low spend, high risk



Balanced approach



High spend, low risk



Why?

2) Of the five projects outlined, please rate your support for each out of 10.

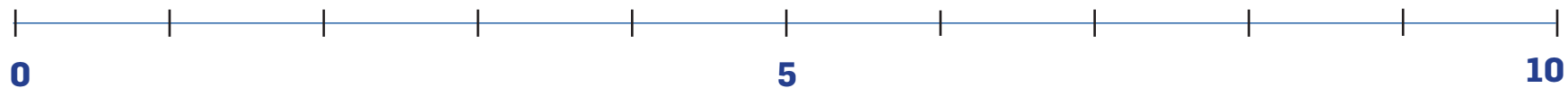
Wimbledon Heights Water Storage

Sustainable Water Reuse Pilot Project

Zone Metering & Pressure Management

Water Quality Improvement Program

Water Storage Renewal



3) Noting the explanation of renewals, what proportion of assets do you believe should be renewed immediately following their end of life

☐ 100%
$$$

☐ 80%
$$

☐ 50%
$

Theme 5 - Tariffs and prices impacts

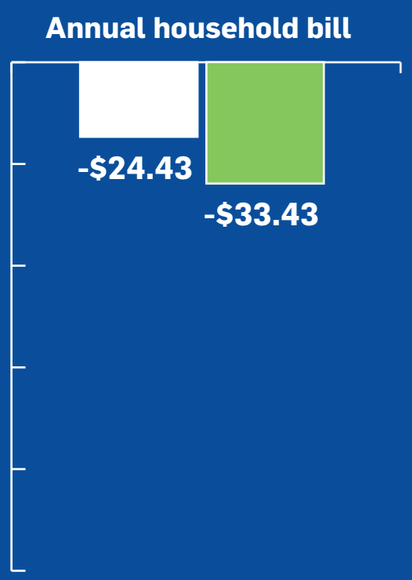
Variance to current pricing

This infographic shows the annual impacts to customer bills as a result of a reduction in fixed charges.

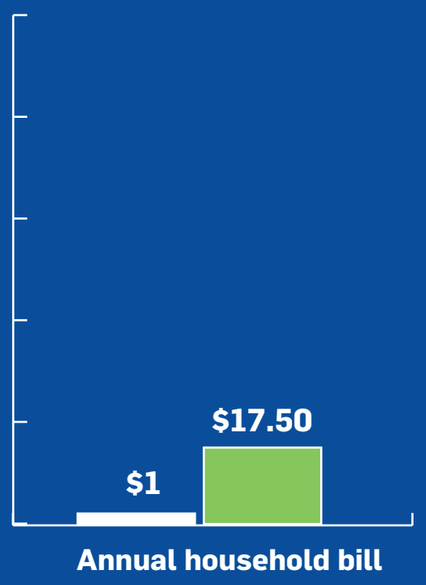
- Current variable water usage charge per 1,000 lt (1 Kl) is $1.9558
- 2.5% reduction in fixed, increases usage charge to $2.1776
- 5% reduction in fixed, increases usage charge to $2.3994

Low - 30 Kl water user

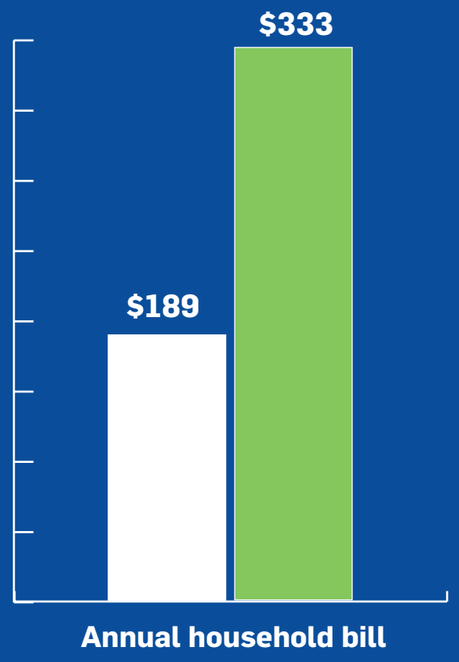
Medium - 65 Kl water user



High - 180 Kl water user



Commercial 1100 Kl water user



Let's Talk

WESTERNPORT WATER

Tariffs and Prices - your feedback

Your feedback:

1) Noting the three scenarios presented, which scenario do you support?

- ☐ **Remain the same**
- ☐ **2.5% reduction in fixed, with related incerase to variable**
- ☐ **5% reduction in fixed, with related incerase to variable**

2) Please explain your reasons why?

3) Do you have any comments you would like to add, or any suggestions on alternative pricing strategies?

Theme 5
Tariffs & Prices (current)

Customer Type	Wastewater Access Charge (fixed per annum)	Water Acess Charge (fixed per annum)	Water Usage Charge (per kilolitre (variable)	Average Usage Kl	Concession Rebate	Annual Household Bill
Vacant land (connected)	$586.75	$379.90	$1.9558 (per kilolitre)	0	-	$966.65
Vacant land (not connected)	$293.89	$189.60	$1.9558 (per kilolitre)	0	-	$483.49
Water saver (owner)	$586.75	$379.90	$1.9558 (per kilolitre)	10	-	$986.21
Non permanent customer	$586.75	$379.90	$1.9558 (per kilolitre)	30	-	$1,025.32
Single concession (owner)	$586.75	$379.90	$1.9558 (per kilolitre)	65	$305.50	$788.28
Single concession (tenant)	-	-	$1.9558 (per kilolitre)	65	$63.56	$63.56
Local family of four (owner)	$586.75	$379.90	$1.9558 (per kilolitre)	180	-	$1,318.69
Local family of four (tenant)	-	-	$1.9558 (per kilolitre)	180	-	$352.04
Business (average 2 cisterns)	$586.75	$379.90	$1.9558 (per kilolitre)	440	-	$1,827.20
Business (small - 5 cisterns)	$1,236.88	$379.90	$1.9558 (per kilolitre)	1100	-	$3,768.16
Business (large - 15 cisterns)	$3,187.27	$379.90	$1.9558 (per kilolitre)	3300	-	$10,021.31

Let's Talk

WESTERNPORT WATER

Theme 5

Tariffs & Prices (2.5% reduction in fixed)

Customer Type	Wastewater Access Charge (fixed per annum)	Water Acess Charge (fixed per annum)	Water Usage Charge (per kilolitre variable)	Average Usage Kl	Concession Rebate	Annual Household Bill	Variance to current pricing
Vacant land (connected)	$557.41	$370.40	$2.1776	0	-	$927.82	-$38.83
Vacant land (not connected)	$286.54	$184.86	$2.1776	0	-	$471.40	-$12.09
Water saver (owner)	$557.41	$370.40	$2.1776	10	-	$949.59	-$36.62
Non permanent customer	$557.41	$370.40	$2.1776	30	-	$993.14	-$32.18
Single concession (owner)	$557.41	$370.90	$2.1776	65	$305.50	$773.36	-$14.92
Single concession (tenant)	-	-	$2.1776	65	$70.78	$70.78	$7.22
Local family of four (owner)	$557.41	$370.40	$2.1776	180	-	$1,319.78	$1.09
Local family of four (tenant)	-	-	$2.1776	180	-	$391.97	$39.92
Business (average 2 cisterns)	$557.41	$370.40	$2.1776	440	-	$1,885.96	$58.76
Business (small - 5 cisterns)	$1,191.29	$370.40	$2.1776	1100	-	$3,957.05	$188.89
Business (large - 15 cisterns)	$3,092.92	$370.40	$2.1776	3300	-	$10,649.39	$628.08

Let's Talk

WESTERNPORT WATER

Theme 5
Tariffs & Prices (5% reduction in fixed)

Customer Type	Wastewater Access Charge (fixed per annum)	Water Acess Charge (fixed per annum)	Water Usage Charge (per kilolitre variable)	Average Usage Kl	Concession Rebate	Annual Household Bill	Variance to current pricing
Vacant land (connected)	$543.48	$360.91	$2.3994	0	-	$904.38	-$62.27
Vacant land (not connected)	$279.20	$180.12	$2.3994	0	-	$459.32	-$24.17
Water saver (owner)	$543.48	$360.91	$2.3994	10	-	$928.38	-$57.83
Non permanent customer	$543.48	$360.91	$2.3994	30	-	$976.36	-$48.96
Single concession (owner)	$543.48	$360.91	$2.3994	65	$305.50	$754.85	-$33.43
Single concession (tenant)	-	-	$2.3994	65	$77.98	$77.98	$14.42
Local family of four (owner)	$543.48	$360.91	$2.3994	180	-	$1,336.27	$17.58
Local family of four (tenant)	-	-	$2.3994	180	-	$431.89	$79.85
Business (average 2 cisterns)	$543.48	$360.91	$2.3994	440	-	$1,960.11	$132.91
Business (small - 5 cisterns)	$1,161.10	$360.91	$2.3994	1100	-	$4,161.34	$393.18
Business (large - 15 cisterns)	$3,013.97	-	$2.3994	3300	-	$10,931.97	$910.66

Let's Talk

WESTERNPORT WATER

Theme 6 - Outcomes summary

Outcome 1

Reliable water and wastewater services

"They don't rectify situations as quickly as they should"

Outcome 2

Better tasting water

"Does not taste the best"

"It tastes different than what I'm used to"

Outcome 3

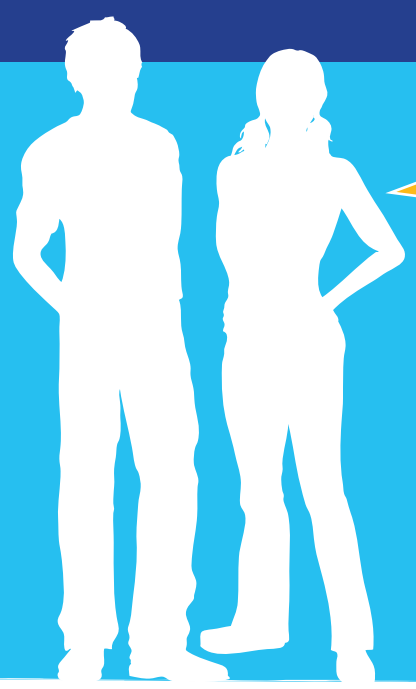
Affordable and accessible services

"Bill to be less for flushing toilet"

"Why am I paying money for an unused block"

Outcome 4

A more sustainable community



"Provide more recycled water services"

"Connect to desal plant for more drought proofing"

Let's Talk

WESTERNPORT WATER

Theme 6 - Outcome 1
Reliable water & wastewater services

Our performance		WP3 Target	5 year average performance	Last year's performance 2015/16	Our ranking compared to 16 other water corporations	Please rank each indicator
	Number of water supply interruptions (per 100km water main)	40	48.66	52.4	 2nd highest	
	Average duration of interruptions - planned	120	159 mins	148 mins	 7th highest	
	Average duration of interruptions - unplanned	120	115 mins	80 mins	 4th lowest	
	Average customer minutes off supply - total	140	121 mins	87 mins	 Highest	
	Sewer main blockages (per 100km sewer main)	6.4	3.7	4.2	 Lowest	
	Sewer spills from reticulation and branch sewers (per 100km sewer main)	n/a	3.8	3.6	 4th lowest	

Your Feedback:

1) For each outcome please rank each performance indicator in terms of importance to you.
(Rank from 1-6 in table above - last column)

2) In your opinion are there any performance indicators that are missing that would be more meaningful to you?

Let's Talk

WESTERNPORT WATER

Theme 6 - Outcome 1
Reliable water & wastewater services

Our customer commitments		Existing or proposed commitment	Current payout?	How many interruptions is acceptable?	Please rank each commitments
	No more than **five** unplanned water supply interruptions in any 12 months	Existing	$ 50 Suggested = $		
		Existing or proposed commitment	**Suggested payout?**	**How many interruptions is acceptable?**	**Please rank each commitments**
	No unplanned water interruptions extending for longer than five hours from notification in any 12 months	Proposed	$		
	No more than **three** interruptions to sewerage service in any 12 months	Proposed	$		
	No sewerage service interruption extending for longer than **five** hours from notification in any 12 months	Proposed	$		

Your Feedback:

1) Please **rank** each **customer commitment** in order of priority from 1-4.
(Rank in the table above - last column)

2) Nominate the **level of payment** that you believe is appropriate in the table above (where it says suggested payout).

3) Quanities have been underlined in the commitments - please nominate the **quantity of interruptions** you believe to be appropriate in the table above.

4) Are there any **customer commitments** that are missing that would be more meaningful to you?

Let's Talk

WESTERNPORT WATER

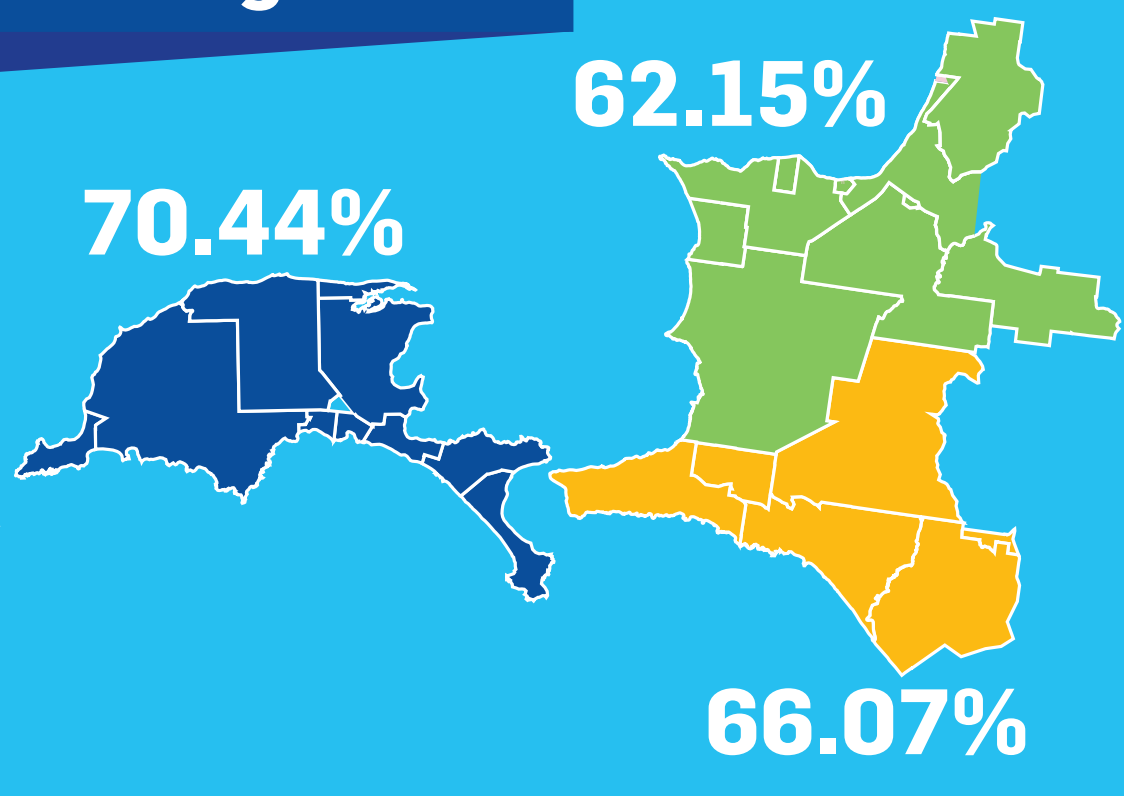
Theme 6 - Outcome 2
Better tasting water

Our performance	5 year average performance	Last year's performance 2015/16	Our ranking compared to 16 other water corporations
Drinking water compliance	100% compliant	100% compliant	Equal highest
Number of water quality complaints (per 100 customers)	0.29	0.25	8th lowest

Satisfaction with drinking water

Are you satisfied with your tap water?

*2016/17 Pricing Submission Survey



Our customer commitments	Existing or proposed commitment	Suggested payout?	How many days is acceptable?
All water quality complaints will receive response within **three** business days after receipt (noting resolution may take longer)	Proposed	$	

Your Feedback:

1) Nominate the **level of payment** that you believe is appropriate in the table above (where it says suggested payout).

2) Quanities have been underlined in the commitments - please nominate the **quantity of days** you believe to be appropriate in the table above.

3) Are there any **customer commitments** that are missing that would be more meaningful to you, in regard to better tasting water? _____

_____

_____

_____

Theme 6 - Outcome 3
Affordable and accessible services

Our performance		WP3 Target	5 year average performance	Last year's performance 2015/16	Our ranking compared to 16 other water corporations	Please rank each indicator
	Telephone calls answered within 30 seconds	90	96.7%	97.6%	n/a	
	Average time to connect to an operator (seconds)	n/a	17.4 sec	10 sec	4th lowest	
	Complaints to EWOV	<17	14.6	4	Lowest	
	Number of hardship grants approved	n/a	10	5	3rd lowest	
	Value of hardship grants approved	n/a	$538	$1, 894	Highest	
	Number of complaints regarding payment	n/a	14.4	10	n/a	
	Number of customers on flexible payment plans	n/a	292	380	Lowest	
	Ave. time to attend Priority 1 burst and leaks from notification	30	19 min	0	n/a	
	Ave. time to attend Priority 2 burst and leaks from notification	100	64 min	29 min	n/a	
	Ave. time to attend Priority 3 burst and leaks from notification	450	338 min	184 min	n/a	

Our customer commitments		Existing or proposed commitment	Current payout or Suggested payout??	How many interruptions is acceptable?	Please rank each commitments
	We will not restrict the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulty paying	**Existing** (0 payouts over past 4 years)	$300 Suggested = $		
	All billing complaints from customers on flexible payment plans will receive a response within 3 business days (noting resolution make take longer)	**Proposed**	$		

Let's Talk

WESTERNPORT WATER

Theme 6 - Outcome 3
Affordable and accessible services

Your Feedback:

1) For each outcome please rank each **performance indicator** in terms of importance to you.
   (Rank from 1-10 in table above - last column)

2) In your opinion are there any performance indicators that are missing that would be more meaningful to you?

Theme 6 - Outcome 4
A more sustainable community

Our performance	5 year average	Last year's	Our ranking compared to 16 Vic water corporations	Please rank each indicator
Recycling-effluent reuse	17.2%	22%	5th lowest	
Total CO_2 equivalent emissions (tonnes)	6514	6053	Lowest	
Number of community events	n/a	n/a	n/a	
Number of sewer odour complaints	13	12	n/a	
Non-revenue water (ML)	136	321	n/a	

Your Feedback:

1) For each outcome please rank each **performance indicator** in terms of importance from 1-5.
(Rank in table above - last column)

2) In your opinion are there any **performance indicators** that are missing that would be more meaningful to you?

Theme 6 - Outcome 4
A more sustainable community

Our customer commitments		Existing or proposed	Current payout	How many payouts in past 4 years?	How many inturruptions is acceptable?
	We will contain sewer spills within a house resulting from the failure of our pipes within **one** hour of notification	Existing	$500 Suggested = $	1	
	We will contain sewer spills on property resulting from the failure of our pipes within **five** hours of notification	Existing	$50 Suggested = $	5	

Your Feedback:

1) Nominate the **level of payment** that you believe is appropriate in the table above (where it says suggested payout).

2) Quantities have been underlined in the **commitments** - please nominate the **quantity of days** you believe to be appropriate in the table above.

3) Are there any **customer commitments** that are missing that would be more meaningful to you, in regard to better tasting water?

Let's Talk

WESTERNPORT WATER

Theme 6 - Outcomes - your feedback

Your Feedback:

1)

a) Do the following **four outcomes** adequately explain what you expect from your local water authority?

- Outcome 1 - Reliable water and wastewater services
- Outcome 2 - Better tasting water
- Outcome 3 - Affordable and accessible services
- Outcome 4 - A more sustainable community

☐ **Yes**

☐ **No**

b) If not, in your opinion what do you think is missing?

Engagement Evaluation

Your feedback is important to us.

1) Do you have any comments you wish to add, or suggestions on how you believe the customer engagement could be improved:

2) Please indicate if you **agree** or **disagree** with the following statements

3) Your name: _____

4) Billing address: _____

5) Postal Address: _____

6) Preferred payment method

- ☐ **$50 Bill Credit**
- ☐ **$50 Visa Credit**

Thank you for completing this feedback form. ☺

APPENDIX FOUR

OUTCOMES FRAMEWORK SUMMARY

PROPOSED OUTCOMES FRAMEWORK

APPENDIX FOUR

Outcome	Output	WP3 Performance	Target	Current GSLs	Proposed GSLs
Reliable Water and Wastewater Services	• Number of Water Supply Interruptions (Per 100km of Water Main) • Number of Sewer Main Blockages (Per 100km of Water Main) • Average Total Customer Minutes Off Supply	47.7 4.1 102.9	46 4.1 103	No more than **five** unplanned water supply interruptions in any 12 months ($50).	Years 1-3: We will limit unplanned water interruptions to no more than **five** in any 12 month period ($75). Years 4-5: We will limit unplanned water interruptions to no more than **four** in any 12 month period ($75).
Better Tasting Water	• Customer Satisfaction with Drinking Water • Drinking Water Compliance • Number of Water Quality Complaints (per 100 customers)	69.5 100 0.26	70 100 0.22	Nil	All water quality complaints will receive a response within **three business days** after notification (noting resolution may take longer) ($100).
Affordable and Responsive Services	• Average Time to Attend Bursts and Leaks (By Priority) • Telephone Calls Answered within 30 Seconds • Number of Hardship Grants Approved	P1-6 P2-27 P3-292 97 10	P1-30 P2-35 P3-300 97 25	Restricting the water supply of, taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customers and provide information about help that is available if the customer is experiencing difficulties paying ($300).	We will not restrict the water supply of a residential customer, or take legal action, prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying (Reimbursement of annual water access fee; or $350 for tenants).
A More Sustainable Community	• Effluent Reuse • Net Greenhouse Gas Emissions • Number of Community Education Engagements	21 6,343 22	25 5,974 22	Sewage spill within a house, caused by the business or a failure of the business' system(s), contained within **one hour** of notification ($500). Sewage spill onto property contained within five hours of notification ($250).	We will contain sewage spills within a house resulting from the failure of our pipes within **one hour** of notification (Reimbursement of annual wastewater access fee – or $550 for tenants; in addition to clean-up costs). We will contain sewage spills onto property within five hours of notification ($350).

APPENDIX FIVE

ANNUAL WATERMARK
(EXAMPLE)

WESTERNPORT WATER

Annual Watermark

A snapshot of our PS1 agreed key performance metrics from 2018-19 to 2022-23.

"Westernport Water is committed to delivering the service outcomes that our customers desire. Each year, Westernport Water reports back to customers on our progress against our 2018-23 Price Submission targets in the Annual Watermark."

Reliable water and wastewater services

	2018-19 Performance	Period Performance	Period Target	Watermark
Number of water supply interruptions (per 100km of water main)	40	40	46	
Number of sewer main blockages (per 100km of water main)	4.0	4.0	4.1	
Average total customer minutes off supply (per annum)	140	140	103	

Westernport Water will insert commentary against each outcome to explain performance and our relevant initiatives for the previous 12 month period and the following 12 months.

Better tasting water

	2018-19 Performance	Period Performance	Period Target	Watermark
Customer satisfaction with drinking water (%)	71	71	70	
Drinking water compliance (%)	100	100	100	
Number of water quality complaints (per 100 customers)	0.25	0.25	0.22	

Westernport Water will insert commentary against each outcome to explain performance and our relevant initiatives for the previous 12 month period and the following 12 months.

Affordable and accessible services

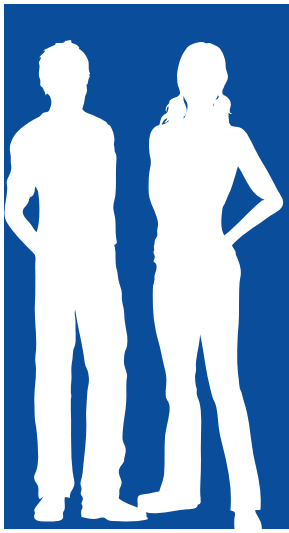
	2018-19 Performance	Period Performance	Period Target	Watermark
Average minutes to attend bursts and leaks (by priority)	1.18 2.30 3.180	1.18 2.30 3.180	1.30 2.35 3.300	
Telephone calls answered within 30 seconds (%)	98	98	96	
Number of hardship grants approved	10	10	25	

Westernport Water will insert commentary against each outcome to explain performance and our relevant initiatives for the previous 12 month period and the following 12 months.

A more sustainable community

	2018-19 Performance	Period Performance	Period target	Watermark
Effluent reuse (%)	26	26	25	
Net Greenhouse Gas Emissions (CO2-e tonnes)	5,800	5,800	5,974	
Number of community engagements (per annum)	20	20	22	

Westernport Water will insert commentary against each outcome to explain performance and our relevant initiatives for the previous 12 month period and the following 12 months.



"At the end of the period, Westernmport Water will deliver a performance rebate in the event that targets are missed. The following table provides the performance rebate amount payable in the first quarter of 2023-24.

Missed Target	One	Two	Three	Four or More
Performance Rebate (2023-24)	$5	$10	$15	$20

To find out more about Westernport Water's performance please visit www.westernportwater.com.au/ps1"

APPENDIX SIX

CAPITAL EXPENDITURE PROGRAM

(2018-23)

	DRAFT Capital Program PS1 2018-2023			Pricing Submission 1					
Project Proposal No.	Project Driver	Project Name	Strategic focus area	PS 1 Year 1 Indicative budget for 18/19 $	PS 1 Year 2 Indicative budget for 19/20 $	PS 1 Year 3 Indicative budget for 20/21 $	PS 1 Year 4 Indicative budget for 21/22 $	PS 1 Year 5 Indicative budget for 22/23 $	Total PS1
1	Compliance	Sludge Management Program	Our Assets	80,000	80,000	80,000	80,000	80,000	400,000
2		OH&S Compliance Program	Our People	44,000	44,000	44,000	33,000	33,000	198,000
3		Phillip Island Water Supply Security Project	Our Customers	600,000	1,500,000	695,000			2,795,000
4		Diversity & Inclusion Plan – Facility Improvement	Our Assets	220,000					220,000
5		Emissions Reduction Pledge Implementation	Our Environment	70,000	44,000	33,000	176,000	88,000	411,000
6		Water Quality Compliance Program	Our Customers	246,550	10,000				256,550
	Compliance Total			***1,260,550***	***1,678,000***	***852,000***	***289,000***	***201,000***	***4,280,550***
7	Growth	Sustainable Water Reuse and Land Management	Our Environment			110,000	363,000	340,000	813,000
8		King Road WWTP – Upgrade Stage 1	Our Assets			200,000			200,000
9		Building Asset Management Plan - Stage 3	Our Assets	229,350	287,100				516,450
10		Community Refill & Potable Hydration Stations	Our Customers	24,000	42,000				66,000
11		Cowes WWTP Upgrade Stage 2	Our Environment	175,000	850,000	1,350,000	995,000.00		3,370,000
12		Cowes WWTP Community Education Display	Our Customers	20,000					20,000
	Growth Total			***448,350***	***1,179,100***	***1,660,000***	***1,358,000***	***340,000***	***4,985,450***
13	Improved Services	Odour and Corrosion Mitigation Program	Our Assets		220,000		55,000	121,000	396,000
14		Water Quality Improvement Program	Our Customers	275,000	275,000				550,000
15		GIS-AMIS Strategy Implementation	Our Assets	30,000	30,000	30,000	30,000	30,000	150,000
16		Septic Tanker Discharge Pump Station	Our Assets		170,000	-			170,000
17		Bass River Pump Station Bund	Our Assets	88,000					88,000
18		IBWPP Emergency Control Room	Our Assets	200,000	-	-			200,000
19		Zone Metering and Pressure Management Program	Our Assets	132,000	132,000	132,000	132,000	386,000	914,000
	Improved Services Total			***725,000***	***827,000***	***162,000***	***217,000***	***537,000***	***2,468,000***
20	Renewals	Software Application Renewal Program	Our Assets	55,000	55,000	55,000	55,000	55,000	275,000
21		Hardware Replacement	Our People	55,000	55,000	55,000	55,000	55,000	275,000
22		Water Main Replacement Program	Our Assets	200,000	250,000	450,000	450,000	486,000	1,836,000
23		Business Transformation Project	Our Assets	1,359,200	330,000				1,689,200
24		Sewer Junction Rebuild Program	Our Assets	200,000	200,000	200,000	250,000	250,000	1,100,000
25		SPS Electrical Switchboard Renewal Program	Our Assets	240,000		250,000	210,000	315,000	1,015,000
26		SCADA Strategy Implementation	Our Assets	50,000	50,000	50,000	50,000	50,000	250,000.00
27		San Remo to Newhaven Bridge Pipeline and Fittings Renewal Project	Our Assets				550,000	367,000	917,000.00
28		San Remo Basin to Cowes '648 Pipeline Valve Renewal Program	Our Assets			330,000	120,000	150,000	600,000.00
29		SPS Civil, Mech & Electrical Works	Our Assets	100,000	100,000	150,000	100,000	150,000	600,000.00
30		Cowes WWTP Civil, Mech & Electrical Works	Our Assets	100,000	100,000	125,000	125,000	150,000	600,000.00
31		IBWPP Civil, Mech & Electrical Works	Our Assets	150,000	150,000	150,000	150,000	150,000	750,000.00
32		Sewer Main Renewals	Our Assets	55,000	55,000	55,000	110,000	110,000	385,000.00
33		Water Distribution System Civil, Mech & Electrical Works	Our Assets	50,000	50,000	50,000	60,000	65,000	275,000.00
34		Water Meter Renewal Program	Our Assets	45,000	45,000	45,000	45,000	45,000	225,000.00
35		King Road WWTP Civil, Mech & Electrical Works	Our Assets	30,000	30,000	30,000	30,000	30,000	150,000.00
36		Plant Replacement - Fleet & Equipment	Our People	165,000	382,000	246,000	90,000	598,000	1,481,000.00
37		San Remo Basin Renewal Project	Our Assets			500,000	500,000	1,022,000	2,022,000
38		Minor storage renewals	Our Assets					350,000	350,000
	Renewals Total			***2,854,200***	***1,852,000***	***2,741,000***	***2,950,000***	***4,398,000***	***14,795,200***
	Total			**5,288,100**	**5,536,100**	**5,415,000**	**4,814,000**	**5,476,000**	**26,529,200**
	Total Capital Program for PS1								**26,529,200**