



# Performance of Victorian Urban Water and Sewerage Businesses 2011-12

Industry Summary

December 2012

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# OVERVIEW OF VICTORIAN WATER INDUSTRY

This industry summary forms part of the suite of documents the Essential Services Commission has released for its 2011-12 urban water performance report. It is aimed at informing interested parties of a number of key issues the Commission considers of interest in 2011-12.

The Commission regulates the prices and service standards of water businesses, approving prices to recover the expenditure required to efficiently operate, maintain and expand the water and sewerage networks to meet customers' needs.

Victoria's 16 urban water businesses service 2.4 million customers using 44 700 kilometres of water mains and 35 800 kilometres of sewer main.

In 2011-12 Victorian water businesses recovered from years of drought followed by the extreme rainfall and flooding of 2010-11. Generally, the performance outcomes for 2011-12 show that customers continue to receive a relatively high level of service with most businesses maintaining or improving services.

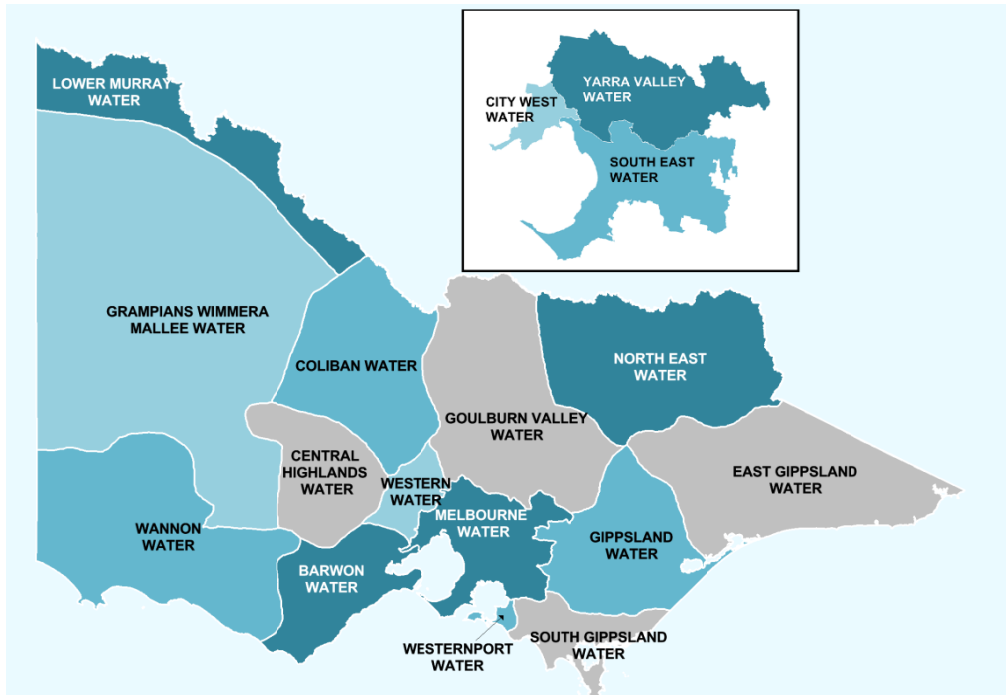
While restrictions of customers' water supply and legal actions increased, there were more customers on payment plans and 50 per cent more hardship grants

In total \$1.35 billion dollars of capital expenditure was undertaken by the Victorian water industry in 2011-12. Capital expenditure on water was \$586 million and sewerage \$760 million.

However, there was a low rate of completion in 2011-12 for major projects, with only 15 of 52 scheduled projects completed. The businesses' ability to complete major projects in the timelines proposed in their Water Plans will be an area of focus for our assessment of capital expenditure plans for Water Plan 3.



FIGURE 1 VICTORIAN WATER BUSINESSES 2011-12



## CONSUMPTION

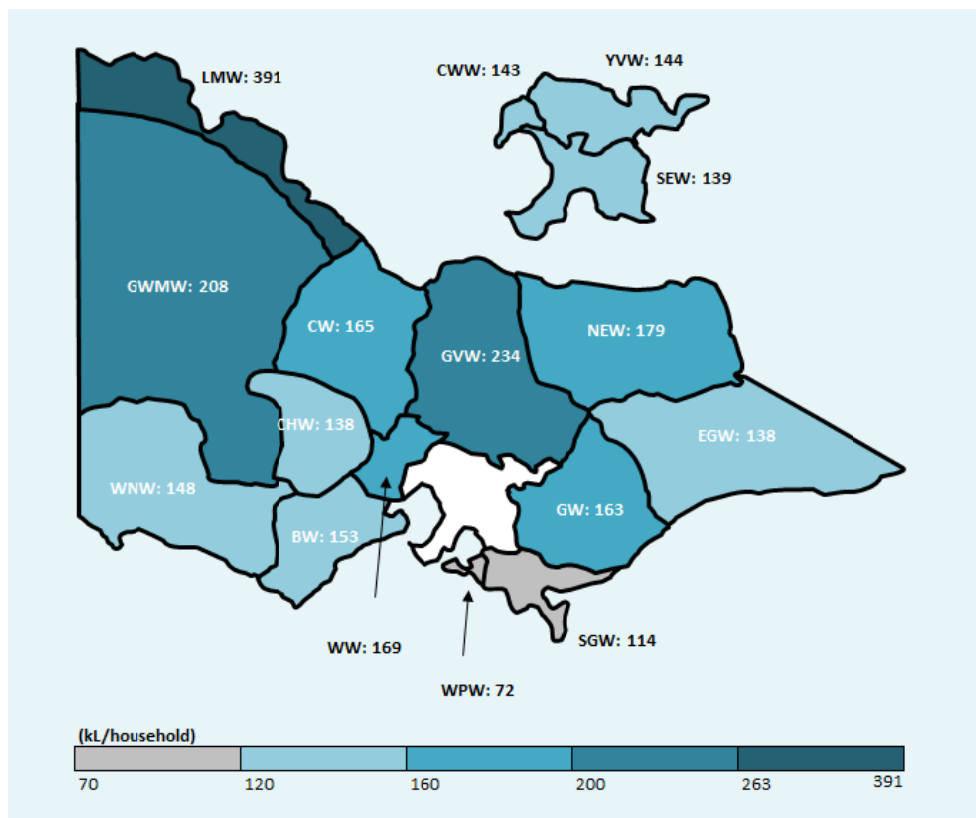
Consumption patterns differ throughout the state for a number of reasons including climate, demographics and water restrictions. Following a wet year in 2010-11, 2011-12 has seen rainfall return to more traditional levels and consumption levels bounce back.

Average household consumption across Victoria increased by 5 per cent from 143 kilolitres in 2010-11 to 150 kilolitres in 2011-12. Consumption was generally higher in regional Victoria at 174 kilolitres per household (significantly up from 157 kilolitres in 2010-11), with metropolitan Melbourne at 142 kilolitres (up from 138 kilolitres).



Almost all water businesses reported higher consumption, related to easing water restrictions and fewer extreme rain events. Traditionally the highest consumption has been in the drier and hotter north of the state, which experienced large reductions last year with the higher rainfall in 2010-11. The largest increases were seen for Lower Murray Water, Goulburn Valley Water and GWMWater. The lowest consumption is in areas with seasonal population variability, such as Westernport Water.

**FIGURE 2 AVERAGE HOUSEHOLD CONSUMPTION**  
(kL/household)





## HOUSEHOLD BILLS

Overall the average household bill in 2011-12 was higher than 2010-11 in nominal terms. The average household bill for an owner occupier ranged from \$759 (Goulburn Valley Water) to \$1185 (Gippsland Water). Differences in the calculated bills can be attributed to a number of factors: the cost to service different regions, sources of water and the average volume of water used.

A household bill is comprised of fixed water and sewerage charges, variable water charges based on meter readings and, in the metropolitan region, variable sewerage charges linked to water use. Customers of businesses with a higher variable water component are able to exercise greater control over their bill. A number of businesses base their variable water charges on an “inclining block tariff” structure, where the price steps up when certain levels of consumption are reached. Other businesses have a single pricing tier for their variable water charges.

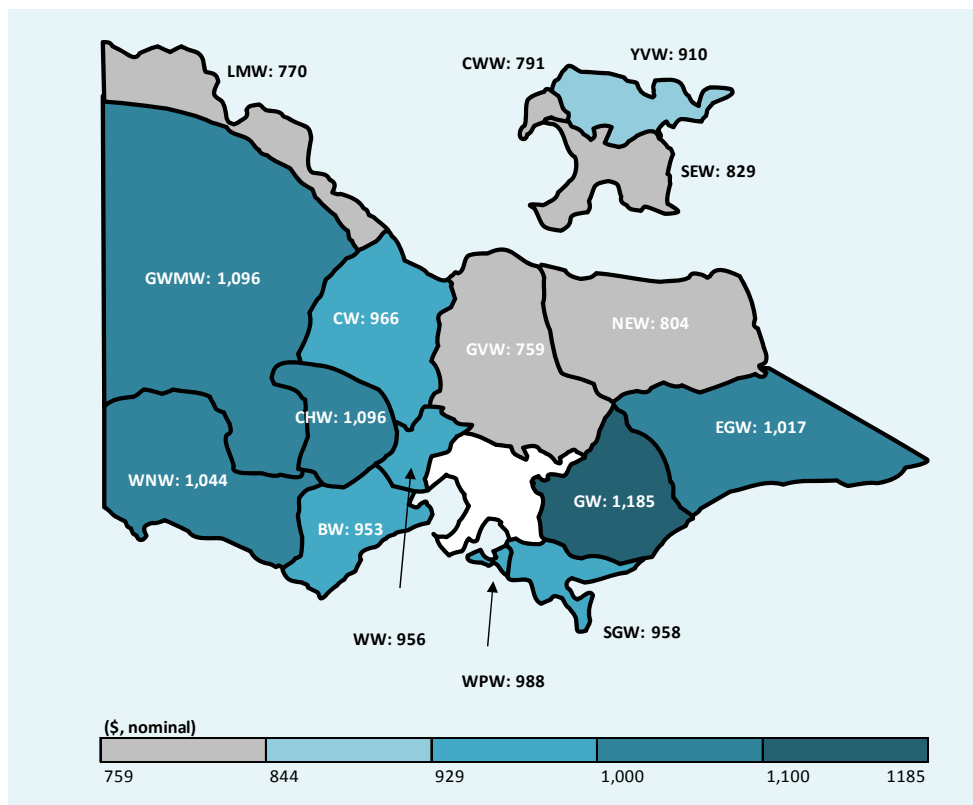
Tenants do not pay service (fixed) charges and are only responsible for the usage (variable) component of the bill. Average household bills for tenants ranged from \$104 (Westernport Water) to \$468 (Yarra Valley Water) in 2011-12.

2012-13 is the final year of the current regulatory period. Assuming the same consumption as for 2011-12, prices approved for 2012-13 (including CPI) are estimated to increase the average bill for regional water business customers by zero to 11 per cent. Metropolitan Melbourne water businesses and Western Water are subject to a price freeze in 2012-13 to address the return of desalination plant payments.





**FIGURE 3 HOUSEHOLD BILLS – OWNER OCCUPIER**  
(\$, nominal)



## PAYMENT DIFFICULTIES

The Customer Service Code, which took effect on 1 July 2005, requires all urban water businesses to assist customers facing payment difficulties on a case-by-case basis, and that a series of steps be undertaken before restriction of water supply can occur. Assistance tools include instalment plans, hardship grants and providing access to the government's Utility Relief Grants Scheme.

Further to this, the Commission introduced a new hardship related guaranteed service level (GSL) in 2010, which was extended to all businesses on 1 July 2012.

The rate of domestic instalment plans for customers in difficulty increased for 13 of the 16 water businesses and the overall rate across all water businesses increased from 5.5 per 100 customers in 2010-11 to 5.9 per cent in 2011-12.



There was a 15 per cent increase in the number of domestic customers who had their water supply restricted for nonpayment in 2011-12, increasing to a total of 2381 from 2068 in 2010-11. This included more customers on concession (up from 359 to 370). Nondomestic customers recorded a rise of almost 73 per cent, increasing to 64 customers from 37 in 2010-11.

Utilisation of the Utility Relief Grants Scheme increased in 2011-12 with 1.7 grants per 1000 customers (3763 total) compared to 1.4 grants per 1000 customers (2927 total) in 2010-11.

Legal actions against domestic customers increased slightly from 661 in 2010-11 to 668 in 2011-12. The average debt level before initiating legal proceedings increased slightly to \$2292 from \$2033 in 2010-11, and is well above the minimum of \$200 specified in the Commission's Customer Service Code.

These increases in water supply restrictions and legal actions reflected flood affected water businesses resuming debt management activities after suspending them during 2010-11.

Water businesses approved a total of 18 431 hardship grants in 2011-12, up more than 50 per cent from 12 141 in the previous year.

## CUSTOMER COMPLAINTS

In 2011-12 water businesses reported 16 235 complaints received from customers, representing a 20 per cent increase from 2010-11. This equates to a rate of 0.67 complaints per 100 customers across the state. The increase was driven mainly by billing complaints from metropolitan Melbourne customers attributed to price rises and desalination payment issues.

In 2011-12 the Energy and Water Ombudsman (Victoria) (EWOV) received 2008 complaints and 69 enquiries about metropolitan and regional urban water businesses, compared with 1731 complaints and 197 enquiries in 2010-11.



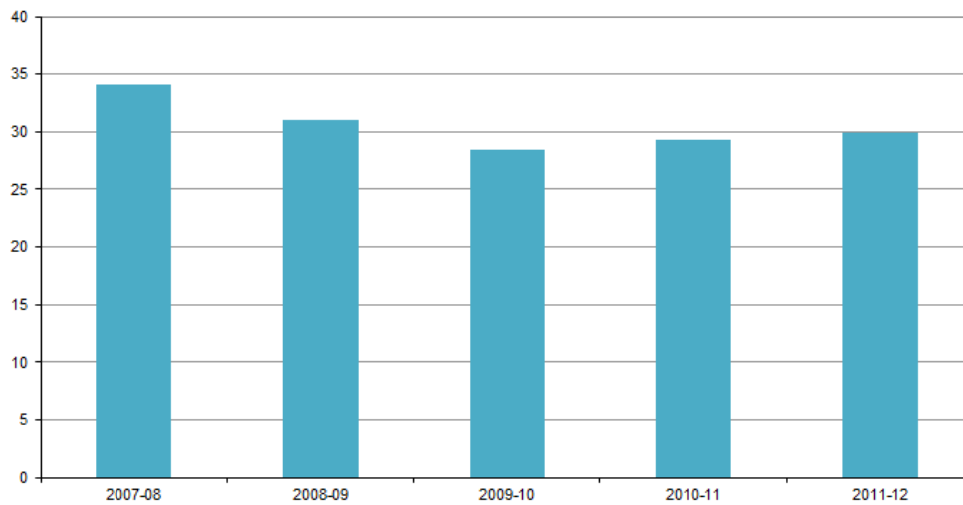
## WATER NETWORK RELIABILITY

Overall reliability of a water supply network is measured by customer minutes off supply. Businesses can seek to improve overall reliability through a number of strategies such as reducing the frequency of interruptions, reducing the number of customers affected with each interruption event or by targeting the duration of interruptions. In seeking to improve reliability, businesses are likely to pursue a combination of these approaches.

Water network reliability was maintained with the average minutes off supply for all water businesses remaining fairly steady in 2011-12, going from 29 minutes in 2010-11 to 30 minutes in 2011-12. This small increase was caused mainly by an extensive planned maintenance program by Lower Murray Water.

The rate of interruptions to water supply remained steady at 36 per 100 kilometres of water main in 2011-12.

**FIGURE 4** AVERAGE CUSTOMER MINUTES OFF SUPPLY  
(minutes)





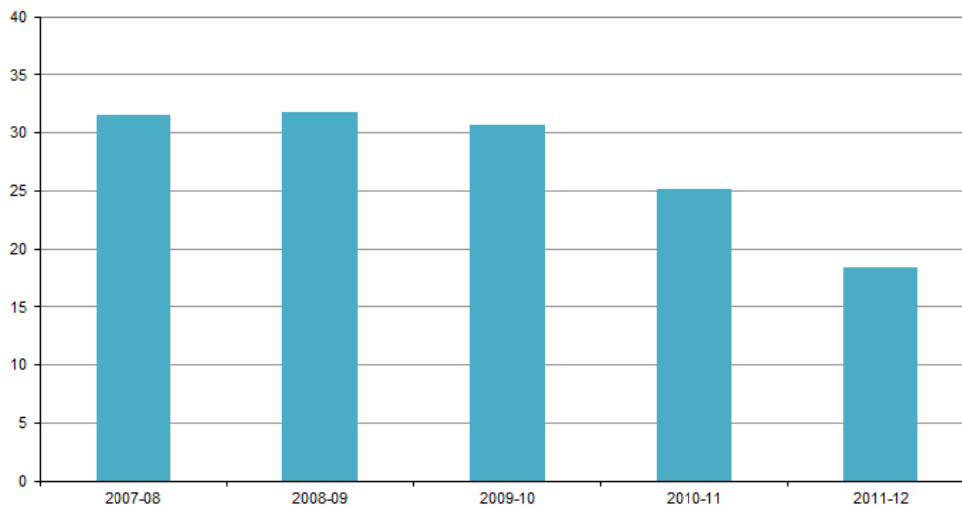
## SEWERAGE NETWORK RELIABILITY

A sewer blockage is a partial or total obstruction of a sewer main that impedes sewage flow. This includes all trunk and reticulation main blockages, but excludes blockages in the individual service connection branch and property drain.

In 2011-12 the average rate of sewer blockages for all water businesses fell to 18 blockages per 100 kilometres of sewer main, compared to 25 in 2009-10. This result continues an improving trend and is the best overall result recorded, with 15 of 16 businesses reporting a reduction in the sewer blockage rate. This overall reduction was driven by the significant improvement of the metropolitan water businesses, particularly Yarra Valley Water.

The rate of sewer spills also improved, down from 13 per 100 kilometres of sewer main in 2010-11 to 9 in 2011-12.

**FIGURE 5** AVERAGE SEWER BLOCKAGES  
(per 100 kilometres of sewer main)





## WATER QUALITY

Safe, good quality drinking water is essential for community health and wellbeing. One of the core functions of the urban water businesses is delivering water that is safe to drink.

In Victoria, the governance framework for the supply of safe drinking water is set out in the Safe Drinking Water Act (2003) and the Safe Drinking Water Regulations 2005.

Fourteen of the 16 urban water businesses delivered water to customers that met E. coli requirements set out in the Safe Drinking Water Regulations. Gippsland Water and Wannon Water each recorded a minor noncompliance in one of their smaller towns.

All urban water businesses, except GWMWater, delivered water that met the turbidity requirements set out in the Safe Drinking Water Regulations. However, GWMWater's performance improved in 2011-12 as the impact of the 2011 floods was reduced. It met turbidity requirements in 23 of 26 drinking water supply zones, with 2 per cent of customers affected compared with 11 per cent of customers in 2010-11.

Water quality complaints rose slightly from a rate of 0.26 complaints per 100 customers in 2010-11 to 0.27 in 2011-12.

## ENVIRONMENT

The total volume of sewage treated in Victoria in 2011-12 was 483 600 megalitres. This was a 3 per cent decrease from the 2010-11 volume of 497 000 megalitres.

The proportion of total effluent produced in Victoria that was reused increased from 15 per cent in 2010-11 to 19 per cent in 2011-12. Part of this reflected the 5 per cent reduction in total effluent produced. Total effluent reuse increased to 89 300 megalitres compared with 75 000 megalitres in 2010-11. This reflected the bounce back in demand for recycled water for agricultural uses from a wet year when there was abundant surface water available. However, this was still well below the 115 100 megalitres reused in 2009-10, at the peak of the drought.



Victorian urban water businesses reported 789 100 tonnes of total net carbon dioxide equivalent (CO<sub>2</sub> e) emissions in 2011-12. This was less than 1 per cent higher than the 782 400 tonnes reported in 2010-11.

## MAJOR PROJECTS

Water businesses identified 52 major projects to be completed in 2011-12; these were either initially scheduled for completion in 2011-12 in the last price review, or delayed from previous years. Fifteen of these projects were completed in 2011-12. Of the remaining 37 projects, 25 were delayed (commenced but not completed), seven were deferred to Water Plan 3 or beyond (not yet started), and five were cancelled because needs and priorities changed.

We will be looking closely at each business's track record for completing major projects on schedule. This will be an important consideration in assessing capital expenditure programs and timing for the next regulatory period.