

29 September 2022

Kate Symons

Chairperson
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 3000

Dear Kate,

On behalf of the South East Water Board of Directors, we are pleased to submit our 2023–28 Price Submission, which sets out our proposed customer outcomes, service standards and prices for the next 5-year regulatory period.

Our submission is based on an extensive process of engagement and collaboration with our customers and communities. We involved over 8,600 customers from diverse sections of our community. We not only listened to what they had to say, but also ‘closed the loop’ with them to confirm our proposals were reflective of what they meant.

We learnt that South East Water’s 5 customer outcomes still ring true for our customers. Our customers reaffirmed that we should continue to *Get the basics right, always; Warn me, inform me; provide services that are Fair and affordable for all; Make my experience better; and Support my community, and protect my environment.*

What has changed is how they want us to deliver on these outcomes. They want us to be more responsive to the increasing impacts of climate change, scale up our digital metering and look after vulnerable customers and the environment. In response, we have updated our output measures, associated targets and guaranteed service levels to align them with what our customers told us they valued for the next 5 years.

To continue to improve our customers’ experience we are committing to providing customers with digital meters to access real-time water usage data so they can make more informed decisions on their water usage behaviour, detect leaks early and save on their water bills. It will also enable us to detect network leaks early, avoid service disruption, reduce maintenance costs and monitor the water supply and demand balance to guide efficient future augmentation decisions.

The operational and investment programs contained in our submission are aimed at delivering on changing customer expectations (as revealed through our engagement program), and meeting industry challenges that include household affordability, the pressures of population growth and a drier climate, while efficiently delivering safe and reliable water services that will protect the long-term interests of customers.

So that we can continue to provide safe and reliable services at affordable prices into the future, we are proposing an increase in expenditure that is risk assessed and reflects prudent and efficient forecasts that build in efficiency savings. By investing now in key projects and programs, including our Digital Utility program, major sewerage and recycled water treatment, and renewals and upgrade programs, we are positioning South East Water to be able to effectively respond to customer expectations, climate change and industry challenges.

As agreed with customers, we also propose to change tariff structures, by removing the residential sewage disposal charge and reallocating the revenue shortfall to the residential variable water tariffs. This provides a more direct consumption price signal to customers, to be complemented by notifications supported through digital metering, which promotes water conservation and increases the ability of customers to make decisions on how much water they choose to consume.

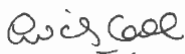
Having considered each element of the PREMO framework and associated guidance paper requirements, South East Water is proposing an *'Advanced'* submission. Our *'Advanced'* rating reflects our extensive customer engagement program and the improved value we will be delivering our customers.

South East Water is committed to managing price impacts for our customers and maintaining affordable services. We have worked hard to find the right balance between expenditure proposals, accepting more risk on behalf of customers, keeping prices as low possible while also providing for an appropriate return on our invested capital. We propose adopting a return on equity level of 4.1%. As a result, our prices are forecast to fall by around 6% (on average) in real terms in 2023–24.

On behalf of the South East Water Board of Directors, we are pleased to attest to the robustness of this submission in line with Section 3.23 of the Commission's guidance paper.

If you have any questions or require further information regarding our submission, please contact our Group Manager, Planning and Regulation, Andre Kersting.

Yours sincerely,



Lucia Cade
Chair



Lara Olsen
Managing Director