

Welcome to the Essential Services Commission's public forum on our draft decision





Essential Services Commission online public forum

Greater Western Water
draft decision 2024

2 May 2024



Acknowledgement of country



Dill-ba-din Balluk Biik – Protect Community and Country
Artist: Simone Thomson

Acknowledgment of people in attendance

- Staff from the commission

Marcus Crudden – Executive Director Pricing,

Dean Wickenton – Director Water Team

Chris Hutchins – Project Manager Water Team

- Staff from Greater Western Water

Maree Lang – Managing Director

Kessia Thomson – General Manager

Housekeeping

- A reminder this public forum is being recorded. This means:
 - any statement or comment you make or question you ask will be included in the recording
 - any question you ask using the **'Q&A'** or **'Chat'** functions, may be read out along with your name and included in the recording.
- For verbal comments, please use the **'Raise'** your hand function and you will be invited to unmute your microphone, turn on your camera, say your name and organisation.
- If you are calling in via phone, please say your name and location before sharing your question or comment.
- If you want to make a written public statement, please submit via <https://engage.vic.gov.au/ESC-water-price-review-2024>

Agenda

- Summary of our role in water price regulation

Kate Symons
Chairperson, Essential Services Commission

- How we assessed the price submission and our draft decision

Chris Hutchins
Project Manager, Essential Services Commission

- Greater Western Water's response to our draft decision

Maree Lang
Managing Director, Greater Western Water

Questions from attendees

About the Essential Services Commission

Our purpose is to promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.

We regulate Victoria's energy, water and transport sectors, and oversee the Fair Go Rates system. We also administer the Victorian Energy Upgrades program.

We have been regulating water prices for around 20 years.

For the water sector we:

- approve prices and service standards
- monitor and report on performance
- administer our water industry standards for customer service.

Greater Western Water price review process

We assess Greater Western Water's price submission to ensure it:

- complies with the requirements of the Water Industry Regulatory Order
- meets the requirements in our guidance, including:
 - our expectations on the overall approach
 - application of our incentive (PREMO) framework, where the returns earned are linked to the level of ambition in the price submission
- complies with relevant criteria in the *Water Industry Act 1994* and the *Essential Services Commission Act 2001*.

Greater Western Water price review process

It is up to Greater Western Water to propose prices and services consistent with the order, guidance and relevant legislation.

Essential Services Commission's draft decision

Our draft decision indicates what we propose to approve (or not approve), and allows Greater Western Water – and other stakeholders – to respond before we make our final decision and price determination.

Unique context for Greater Western Water's price review

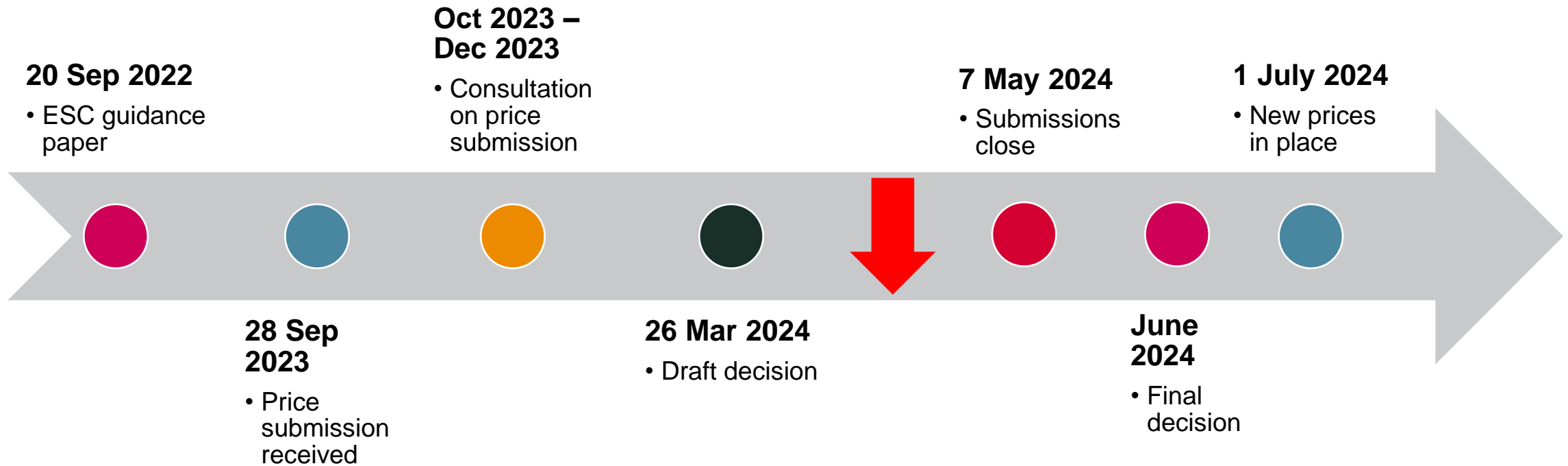
Greater Western Water formed in 2021 with the integration of City West Water and Western Water.

This is the first price submission as the new entity, but it references the previous price reviews of the two former businesses.

Greater Western Water requested, and was granted, a 1-year extension beyond 1 July 2023 under its previous price determinations – greater understanding of integration, deliver long-term benefits.

We provided guidance that considered the unique factors of the business integration and the extension.

Greater Western Water price review process



We assessed Greater Western Water's proposals and the reasons for them

We did this by:

- looking at customer engagement and how Greater Western Water used feedback
- testing expenditure and demand forecasts
- verifying the supporting assumptions and data
- evaluating how Greater Western Water managed risk and its performance
- reviewing opex and capex costing and timing assumptions to ensure they were reasonable.

We also obtained advice from expert consultants where appropriate.

Summary of our draft decision

- Accepts 4-year pricing period (prices decreasing in real terms over the 4-year period for most customers).
- Proposes to accept many elements of the price submission including:
 - key customer outcomes, including new outcome ‘heal and care for Country’
 - the tariff structure and reforms, including
 - a combined variable sewage disposal charge and variable water charge for residential water and sewerage customers
 - removal of the third tier for western region inclining block tariff
 - price path that focused on bill reduction in 2024-25
 - tariff basket form of price control
 - investment in water supply infrastructure to support growth, ensure water reliability and security, and improve sewage treatment to reduce its environmental impact.

Summary of our draft decision

Proposes to not accept:

- Operating expenditure forecast – adjustment to baseline allowance
- Capital expenditure forecast – adjustments to 3 programs
- New Customer Contributions – not clear how proposed charges meet the requirements in our guidance

Adopts a revenue requirement of \$3,439.0 million over a 4-year period (1.3% lower than proposed).

PREMO

- Agreed with overall PREMO rating of 'Standard'
- Agreed with the higher 'Advanced' rating for Engagement
- Downgraded the Management element

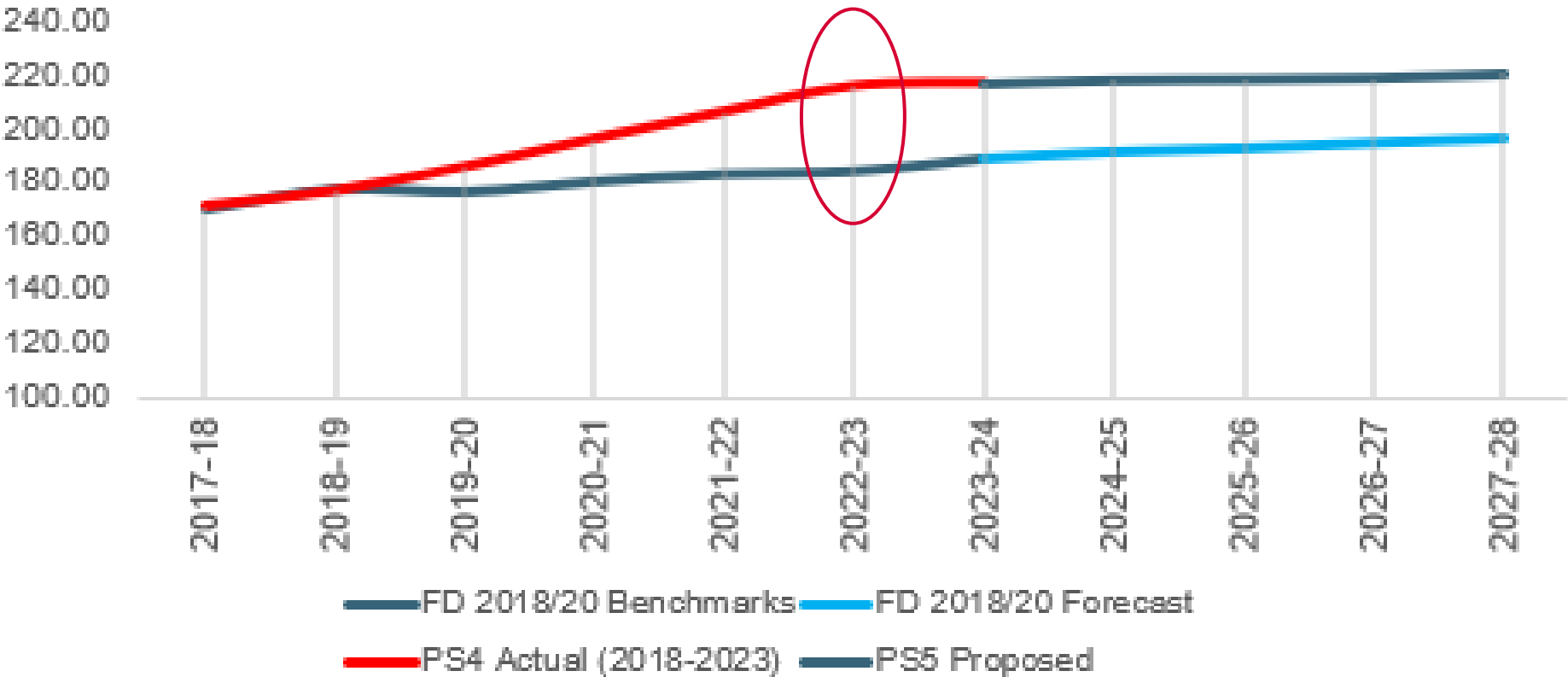
Estimated annual water and sewerage bills

	Average consumption (kL p.a.)	2023-24 (current)	2024-25	2027-28
Residential – owner occupier – Central	150	\$1,007	\$996	\$1,005
Residential – owner occupier – Western	150	\$1,099	\$1,092	\$1,052
Residential – tenant – Central	150	\$531	\$511	\$511
Residential – tenant – Western ⁷	150	\$348	\$355	\$374
Non-residential (small) – Central	100	\$1,297	\$1,305	\$1,296
Non-residential (small) – Western	100	\$1,057	\$1,056	\$1,026
Non-residential (medium) – Central	1,000	\$5,694	\$5,722	\$5,714
Non-residential (medium) – Western	1,000	\$3,812	\$3,830	\$3,801
Non-residential (large) – Central	5,000	\$25,233	\$25,354	\$25,346
Non-residential (large) – Western	5,000	\$16,056	\$16,162	\$16,133

Indicative bills as proposed by GWW in its price submission (current \$, before inflation)

Greater Western Water forecast operating expenditure 2024–28

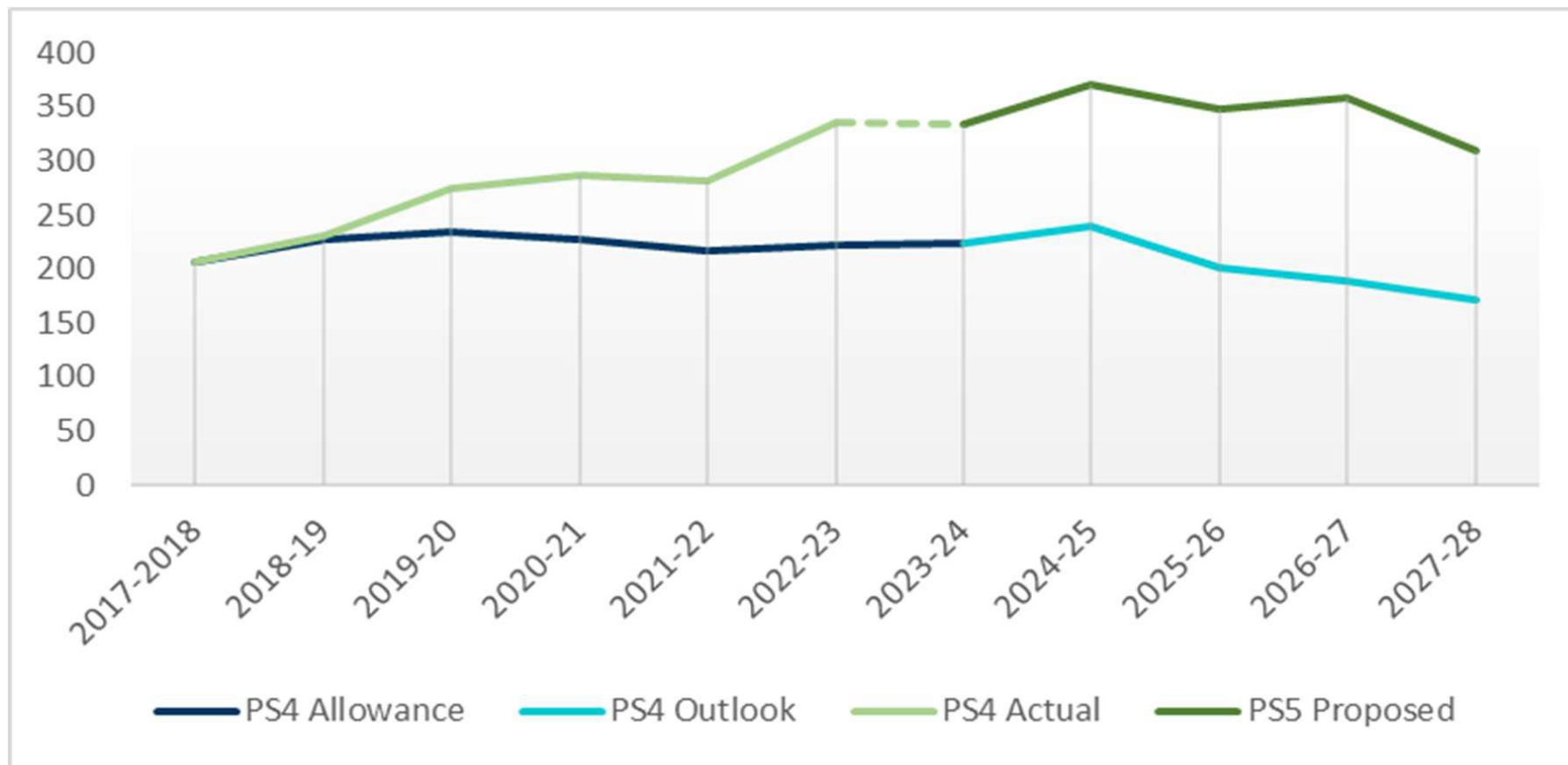
(\$ million)



Source: FTI Consulting, Greater Western Water 2024 Price Review Model

Greater Western Water forecast capital expenditure 2023–28

(\$ million)



Source: FTI Consulting, Greater Western Water 2024 Price Review Model

Greater Western Water expenditure forecasts 2024–28

(\$ million)

Total	Proposed	Our proposed adjustments	Draft decision (\$ million)
Operating expenditure (4-year total)	2520.9	-69.4	2451.5
Capital expenditure (5-year total)	1721.4	-160.4	1561.0

Operating expenditure – 4-year forecast for 2024-25 to 2027-28

Capital expenditure – 5-year forecast for 2023-24 to 2027-28 due to extension year

We propose to accept a 'Standard' PREMO rating

- The price submission was generally well presented and clearly linked outcomes and expenditure proposals to customer preferences determined through its customer engagement.
- We consider that Greater Western Water met expectations for delivery against its outcome commitments for the current regulatory period while also progressing the integration of its two former businesses, City West Water and Western Water.
- Its engagement program generally gave customers an opportunity to participate and to provide feedback on the prices and services that affect them. Its engagement was inclusive and diverse.
- Its proposed outcome measures and targets were developed in consultation with its customers and are supported by customers.
- The proposal excludes \$173 million of possible capital expenditure from prices due to uncertainty in timing, costs, scope and benefits of associated projects.

Our draft decision means...

- Prices will decrease in real terms before inflation for most customers (noting inflation will be added for 2024-25). Tariff structures will align for both pricing regions, allowing prices to harmonise in time.
- Customers will continue to receive high-quality drinking water and sewage disposal services, with increased investment to maintain service quality and reliability while the business responds to population growth.
- Greater Western Water will continue to reduce its environmental footprint and respond to climate change.
- Greater Western Water must provide more information to support its new customer contributions proposal.
- Greater Western Water may provide more information to support its expenditure forecasts.



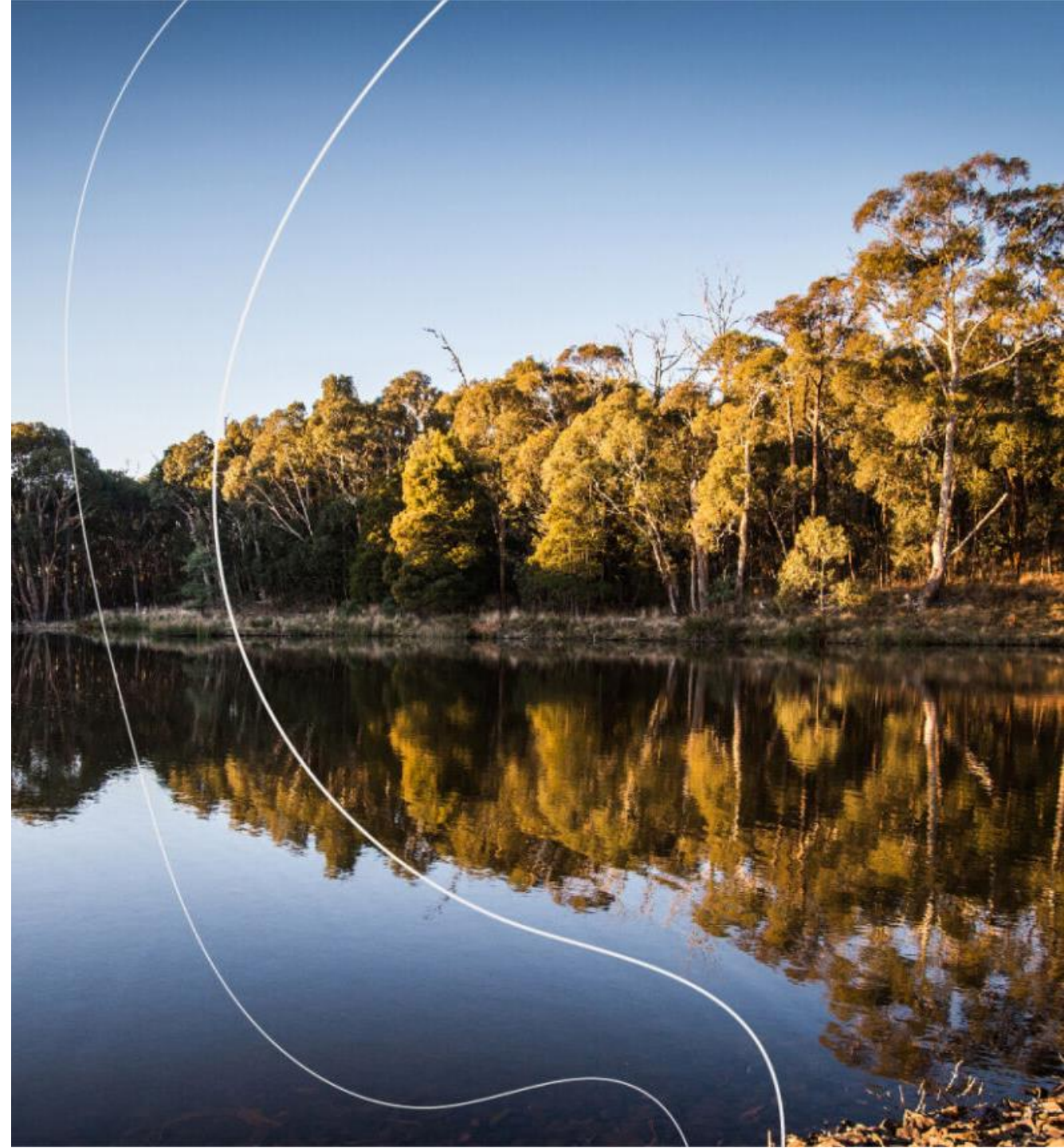
Price submission public forum

Maree Lang, Managing Director

2 May 2024



Acknowledgement of Country



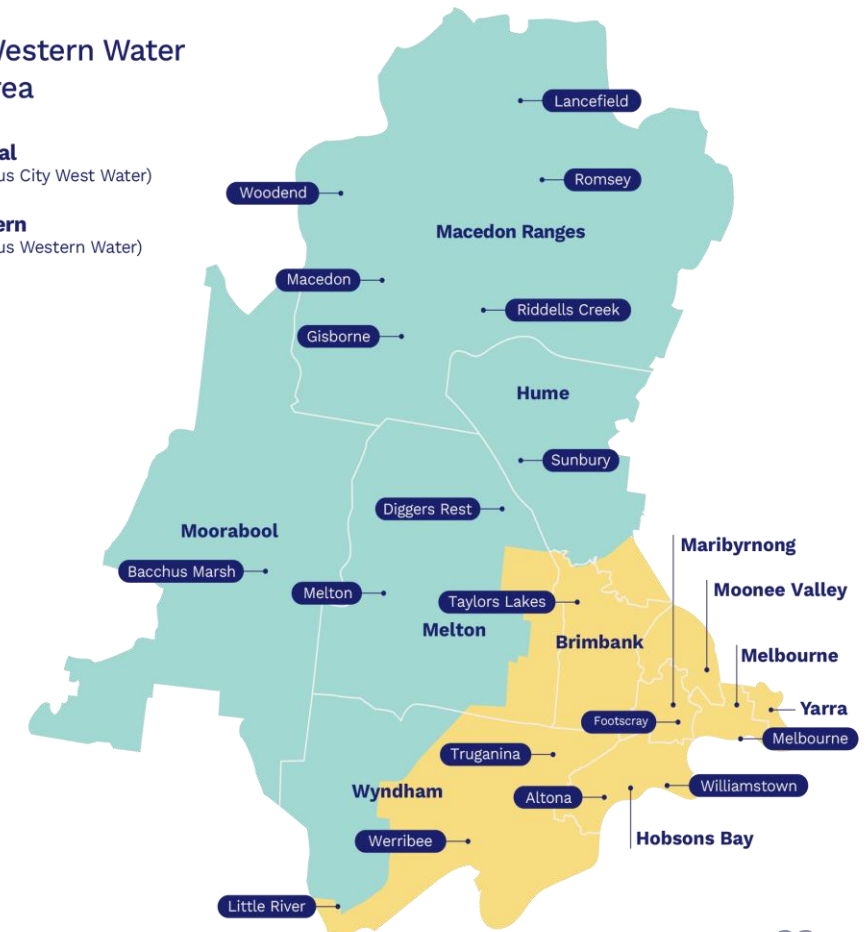
Who is Greater Western Water

We are Victoria's newest water business serving one of Australia's fastest-growing regions

- We provide trusted water services for our communities and future generations to deliver on our 2030 vision of 'thriving people and Country'.
- We serve more than 1.3 million people who live, work and play in our region.
- We manage \$3.7 billion in infrastructure assets.
- Our 2024 price submission sets the foundation to service a single customer base.

Greater Western Water service area

- **Central**
(previous City West Water)
- **Western**
(previous Western Water)



Our first price submission sets up a brighter future for water in the west



Getting the foundations right

This is our first price submission as GWW – it puts the right foundations in place that will support sustainable, affordable growth for the west.



Investment to meet growth

We're investing what's needed to provide continued reliable water services that support the liveability and environmental health of the growing west.



Ensuring efficiency and sustainability

We have an ambitious efficiency target that reflects the changes we expect to see in the future and ensures we remain a sustainable business.



Embedding customer voice

We will deliver the services and outcomes that our customers and community told us was important to them.

Embedding customer voice

We started with:

Our 2030 Strategy and strategic outcomes:

- Delivering value for our customers
- Supporting communities to thrive
- Healing and caring for Country

We were guided by:

- Our Community Engagement Framework
- ESC's Getting to Fair strategy
- ESC's Sensitive and appropriate engagement guidance



Early engagement

July – Dec 2021

Understanding how to engage with customers and exploring principles and prices.

5 tariff reform focus groups
3 stakeholder interviews
6 community focus groups

78 people engaged



Activation

Aug – Sept 2022

Working within GWW to identify challenges and set engagement scope, structure and purpose.

Internal workshopping



Exploration

Oct – Dec 2022

Testing our strategic outcomes – customers, community, Country – with customers and understanding what's most important to them.

10 participants in our stakeholder survey and interviews
Community survey
8 focus groups
Face-to-face engagement in regional communities

3,299 people engaged



Confirmation

June – Aug 2023

Endorsing customer outcomes, selecting performance measures and closing the loop.

Customer forum
Customer survey
Face-to-face community engagement

1,333 people engaged



Deliberation

March – June 2023

Refining customer outcomes and changing our plans based on panel recommendations.

Deliberative panel

44 people engaged



Valuation

Dec 2022 – March 2023

Testing our customers' willingness to pay for their identified priorities.

Best-worst survey
Bill simulator survey
8 focus groups
Customer advisory group

3,294 people engaged

We achieved:

- New customer outcomes, experiences and measures
- 15 community panel recommendations
- Tariff structures reflecting customer views
- Price submission 2024-28

Who we engaged with:

Partners and stakeholders

- Traditional Owners
- Community support organisations
- Industry and community experts
- State and local government
- Development industry

Customers and communities

- First Nations peoples
- Customers experiencing financial hardship
- Customers living with a disability
- Customers from diverse cultural backgrounds

- Young people and international students
- Retirees
- Renters and homeowners
- Small businesses
- Trade waste and industry customers
- Not for profit community groups

Customer outcomes driving our investment

Our investments ensure we'll be meeting the current and future needs of the west



Your water is safe, consistent and resilient

- Renewing and replacing infrastructure to ensure supply and reduce outages and damage
- Installing new pipes connecting Macedon Ranges to Melbourne to prevent water restrictions
- Constructing a new tank to maintain water pressure in Sunbury and Melton during peak water use
- Upgrading dams to meet safety requirements
- Upgrading Romsey water filtration plant to improve water quality and comply with Drinking Water Guidelines



When things go wrong, we fix them

- Building digital systems to monitor, record and report on the condition of our assets and improve our response and communication with customers
- Supporting highly capable asset lifecycle management and geospatial solutions
- Improving knowledge of the condition and performance of our assets to prevent service interruptions
- Reducing operational risks through stable, consistent and reliable infrastructure and asset monitoring



We support our diverse communities and customers

- Improving data security to protect customer and business privacy
- New billing system to support water industry standards and communicate with customers faster and more effectively through channels of their choice
- Improving business capability in managing, storing and processing data and automating processes



We enable growth and help businesses to thrive

- Increasing sewer and water network capacity to deliver services to a growing population
- Upgrading Melton recycled water plant to address growth and replace end-of-life assets



We heal and care for Country

- Upgrading treatment plants to improve recycled water quality at Woodend and Gisborne and support waterway health
- Increasing storage at Romsey recycled water plant to prevent spills and allow reuse at the right time
- Test the effectiveness of ultrafiltration package plant technology

Our response will address:



Changes to new Customer Outcomes and Guaranteed Service Levels (GSLs).



The provision of more data to demonstrate operating expenditure increases.



The prudence and efficiency of three capital programs: watermain renewals, stormwater harvesting and asset ecosystem.



Our New Customer Contributions (NCCs), to demonstrate they meet guidance requirements.

Our response accepts additional risk for our customers by not recovering the full cost of the program.



Thank you

We welcome any questions

Q & A

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Thank you for joining us today

Submissions on our draft decision are due by 7 May 2024

- You can provide written submissions or feedback via the Engage Victoria website:
<https://engage.vic.gov.au/water-price-review-2024>
- You can also contact us by email: water@esc.vic.gov.au

