



Price Submission 2023-28

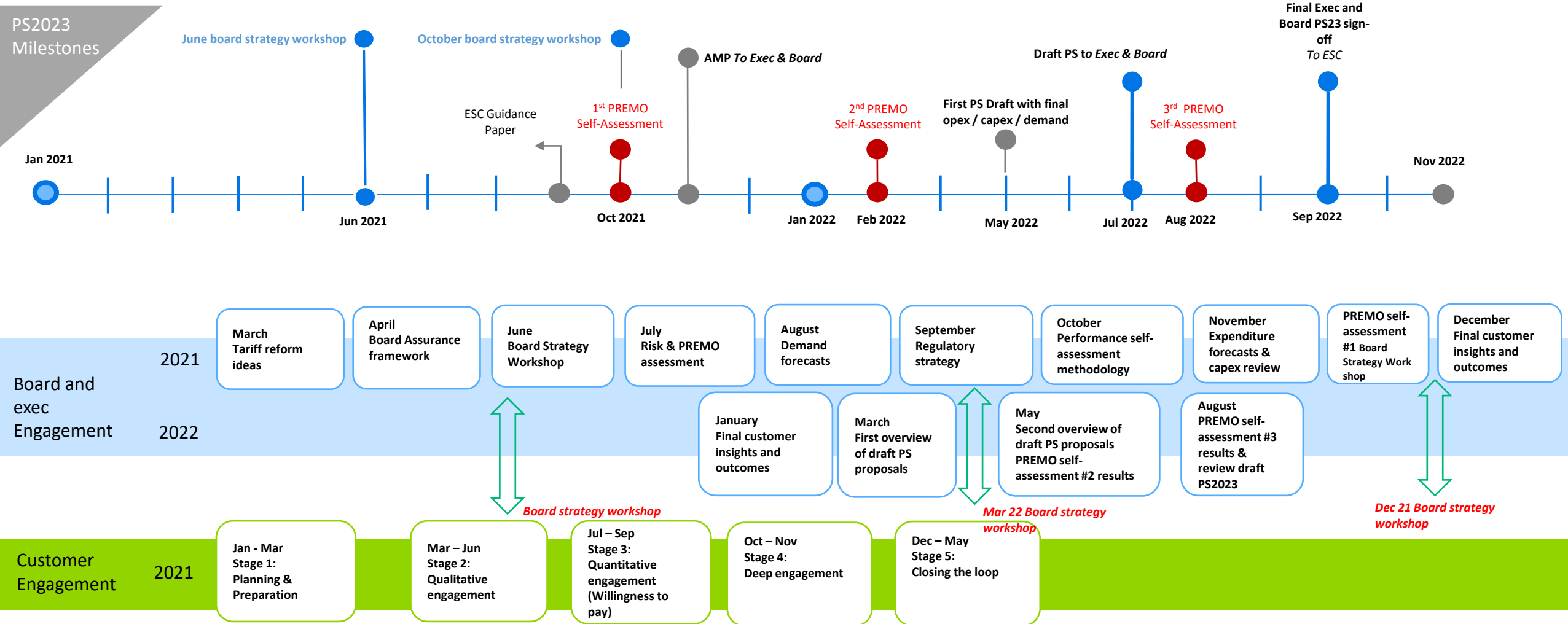


Acknowledgement of Country

Agenda

- South East Water Price Submission: At a glance
- Customer support
- Our customer engagement program
- How we've ensured we have put our best offer forward
- Household bills and balancing the need for investment with costs
- Questions

We undertook a rigorous, comprehensive process to ensure we put forward our best offer



At a glance - Our self-assessment is an 'Advanced' rating

Our Performance 2018 -22	Outcomes we will deliver	How we will deliver	What this means for prices and bills
<ul style="list-style-type: none">• Delivering customer outcomes to a high standard<ul style="list-style-type: none">• To date we have met or been within our tolerance bands: 93%• Currently, we hold the highest rating across Victorian water businesses for customer satisfaction, reputation and trust and second on value for money<ul style="list-style-type: none">• Up from 3rd – 5th positions in Feb 2019• Focus on efficiency: met our operating cost budget and within 0.1% of our capital budget.	<ul style="list-style-type: none">• Extensive, ongoing engagement: Over 100,000 customer survey responses since 2018, 8,500 customers and stakeholders for targeted submission work• Discussion groups with Traditional Owners, vulnerable and culturally and linguistically diverse customers (amongst others)• Customers endorsed our outcomes, measures and targets• Includes our rollout of digital meters, increased investment in water security and innovation.	<ul style="list-style-type: none">• Invest \$1.9b in our capital program. Investments based on bottom up risk assessment• Controllable operating expenditure of \$160 million per annum.<ul style="list-style-type: none">• Focus on operational cost control• Step changes support regulatory and customer requirements and includes 2% per annum efficiency saving• Investing in digital transformation and innovation supports cost effective services into the future	<ul style="list-style-type: none">• Prices forecast to decrease by ~6% (on average) in real terms• As agreed with customers, we're proposing to remove the residential sewerage disposal charge• Allocating the shortfall in revenue to variable water tariffs, giving customers more control over their bill.

We are focused on supporting all our customers

Empowering customers to save water and keep bills low

- **Focused on efficiency**, committing to a 2% operating efficiency and a 5% capital expenditure efficiency
- **South East Water** forecast to have one of the **lowest bills across Victoria**
- **Adopted a Standard Return on equity** to address cost pressures facing our customers
- **Investing more in water literacy** to deliver on *Water for Life*, increase focus on CALD communities and continue collaboration with others on Target 150
- Providing **customer access to real-time water usage** through digital meters - to date, 6% of customers have a leak, **total customer saving > \$1m**
- Freeing up fixed charges by **removing the residential Sewage Disposal Charge**.

Proactive and inclusive approach to support

- **More customers eligible** for financial support
- **Easier to identify earlier** those who may face hardship through our outreach program that will be enhanced through digital metering
- **Investing an additional \$1.5M per annum to support vulnerable customers** (Utility Relief Grants, leak allowances, incentive payments and credits)
- **Better debt management**, including investing an additional \$2.64M for bad debt write-offs
- Investing more in how we engage with **Traditional Owners**

Improved customer experience and more self-service

- **Enhancing communication and providing more self-service channels** so customers have more choice in how they engage with us
- Providing more consistency across a wider range of touchpoints to **provide a more seamless customer experience**.



Listening to our customers

Our customer engagement program

Ensuring our engagement was fair and customer-led

Involving customers early

- **Started engagement program by asking customers** what they would like to be engaged on and how they would like to be engaged.
- This drove a **formal promise to our customers**. We used this promise to guide our engagement and decisions throughout the process.
- We **conducted deliberative panel early** to ensure their input drove decisions.

Ensuring fairness and non-bias

Measures to ensure fairness and non-bias:

- oversight from our Customer and Community Advisory Council
- ability for customers to indicate if they thought questions or approaches were balanced or leading
- Ability for deliberative panel to direct the information they received and speakers who attended. Provided internet for panel members without it.

Ensuring inclusivity

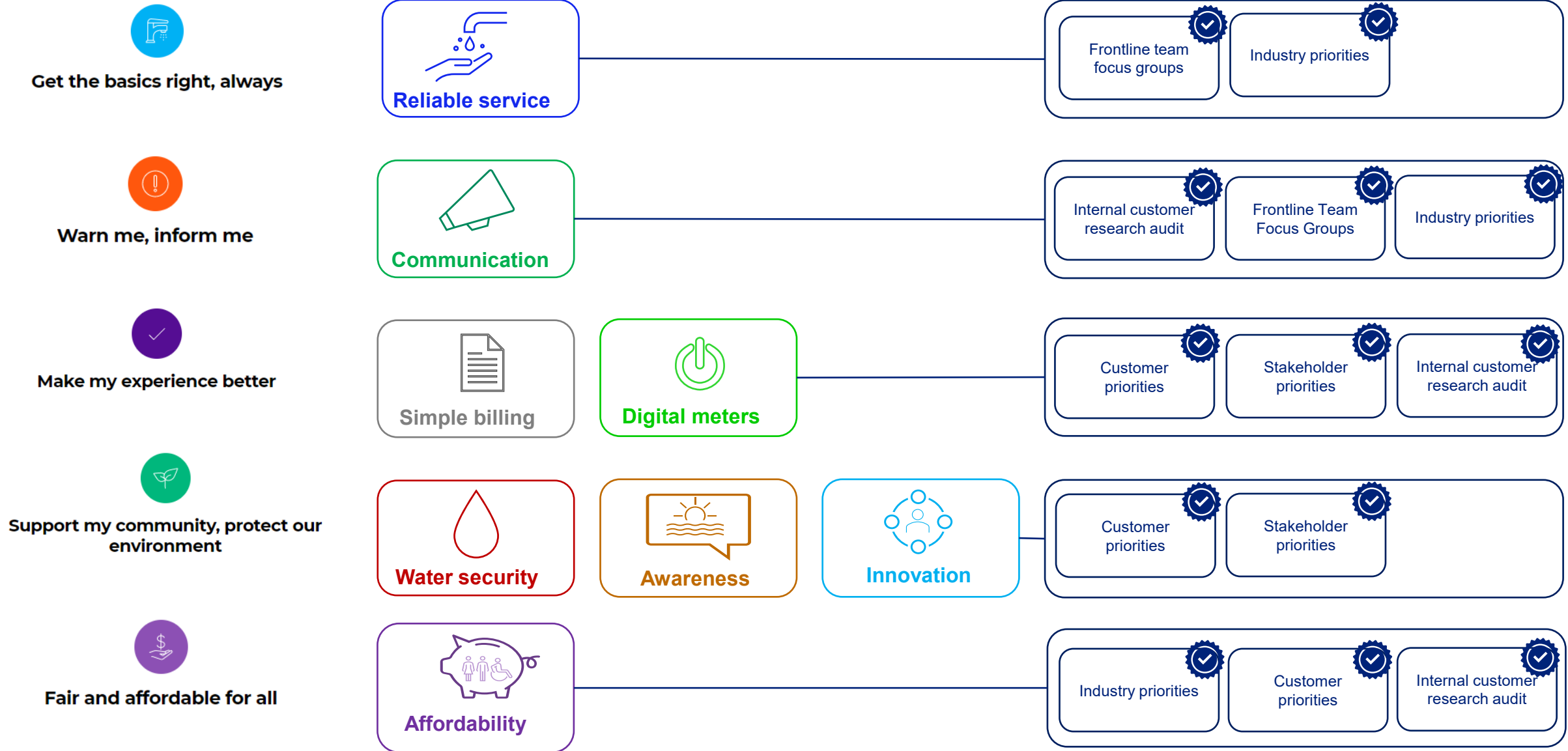
In addition to feedback from a **random and representative selection of 8500 customers**, we wanted to understand and reflect the needs of specific groups. They included:

- Traditional Owners
- CALD communities
- vulnerable customers
- renters
- elderly residents.

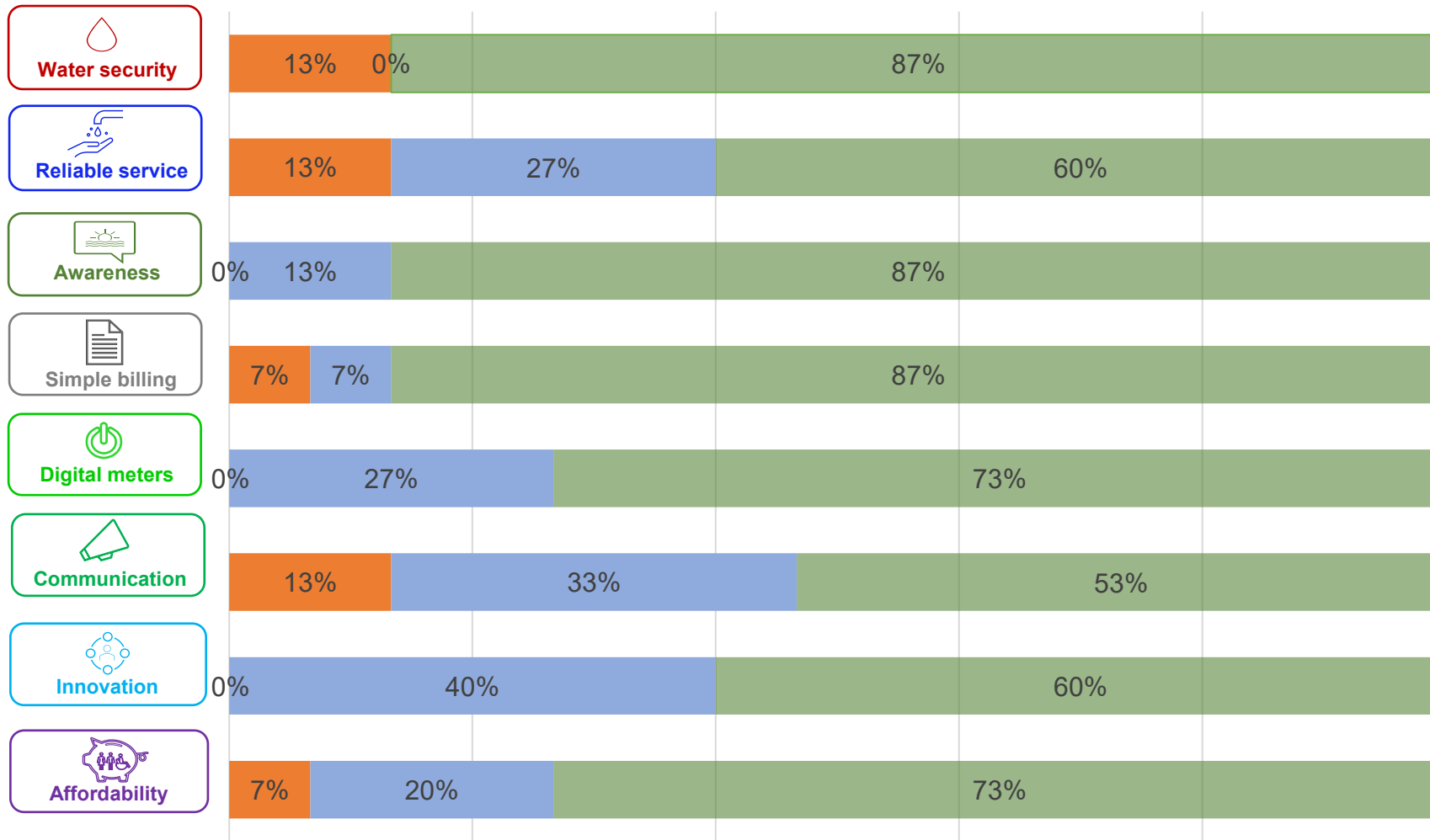
Ensuring a broad representation

- Formed a deliberative panel who met over 6 days. They developed 8 themed recommendations (shown on Slide 8)
- Panel considered customer feedback including from various our WTP studies
- We cross checked the panel's priorities against what we heard from our stakeholders, 100,000+ customer surveys and frontline customer teams
- Included a "non-responder" survey

What our customers value validates our 5 customer outcomes



Closing the loop



Average of **93%** score for **'Like it'** and **'Love it'** across all 8 recommendations

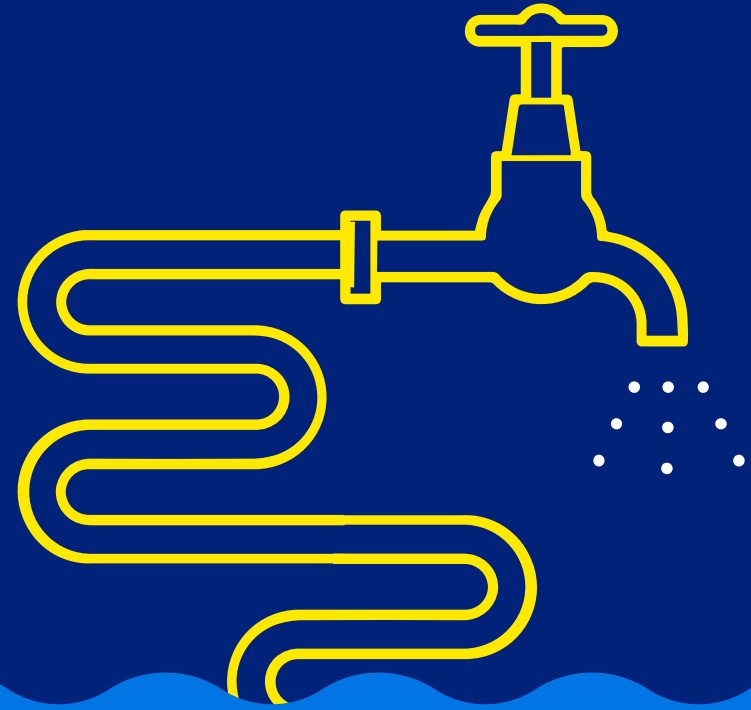
"Very supportive of the [use] of digital meters and their rollout. Using the latest technology is fundamental in seeking to provide the best possible service."

"I feel SEW have understood well the panel's desire for proactive rather than reactive maintenance & upgrades & to target investment in this area."

"South East Water to become a leader in the world, not a follower."

■ Loath it
 ■ Lament it
 ■ Live with it
 ■ Like it
 ■ Love it


 No responses received for 'Loath it' or 'Lament it'



Our investments

How we're ensuring prudent OPEX and CAPEX proposals and putting forward our best offer

Our strategic prioritisation framework

- **Critically analysed and prioritised our initiatives** to inform trade-off decisions
- **Prioritisation tool** helped us assess the **prudence and efficiency** of different investment portfolios and business initiatives. Used across Senior leadership, Executive team & Board to agree priorities
- Ensured our investment **decisions reflected priorities of our customers and key stakeholders**

Developing our OPEX forecasts

- We developed our **forecasts on the 2021-22 baseline** year.
- Then projected forward **to account for customer growth and a targeted level of cost efficiency** (i.e. 2.0% per annum efficiency commitment) over the pricing period.

Developing our CAPEX proposals

To ensure prudent and efficient investment for our major capital areas, **we determined 3 scenarios:**

1. high risk/low cost
2. medium risk/medium cost
3. low risk/low cost.

We're **implementing a new capital delivery model** and **will continue program risk bank** to drive outcomes and efficiency

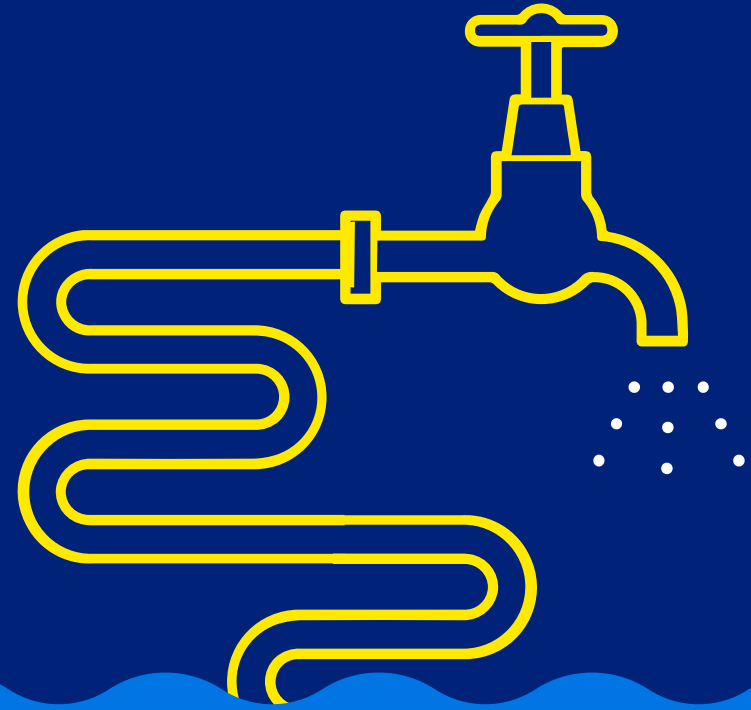
Continually identifying collaboration & partnership opportunities for improved outcomes

The basis for our capital program

1. **Major capital projects to meet revised regulations** associated with water quality (DoH) and to protect the environment
2. Our top 10 projects
3. Upgrades to water recycling plants
4. Reducing the number of critical assets we've currently allocated in the 'extreme' risk range
5. Expanding our services in line with growth and development
6. The rollout of digital metering

Snapshot: Portfolio approach to capital expenditure

Investment portfolio	High-risk/low-cost	Balanced risk/medium cost	Low-risk/high-cost	Selected cost scenario	Portfolio profile
Sewer growth	260.30	272.66	304.05	260.30	Low
Sewer compliance, reliability and renewals	131.36	219.29	260.50	219.29	Medium
Treatment growth	207.67	263.87	306.36	218.69	Low–Medium
Potable water compliance, reliability and renewals	180.45	209.12	220.37	209.12	Medium
Digital Metering	152.51	206.00	245.11	206.00	Medium
Treatment compliance	128.99	153.24	162.60	159.21	Medium
Information Technology	106.97	120.52	142.52	142.52	High
Treatment reliability	61.09	76.28	90.07	79.13	Medium
Potable water growth	76.18	112.72	129.67	76.18	Low
Integrated Water Management (IWM) Schemes	74.04	105.24	174.45	74.04	Low
Potable water quality	40.54	63.14	93.16	63.14	Medium
Recycled water growth	58.16	84.02	99.59	58.16	Low
Sewer backlog	43.09	54.02	64.10	54.02	Medium
Distributed treatment	32.37	61.53	153.22	51.02	Low–Medium
Motor vehicle fleet	18.92	21.02	23.12	21.02	Medium
SCADA and real-time systems	17.62	19.57	21.53	19.57	Medium
New technology	3.66	8.49	19.82	6.76	Low–Medium
Facilities	2.59	2.92	3.16	2.92	Medium
Totals	1,596.50	2,053.65	2,513.40	1,921.07	



What are customers getting, bill impacts and tariff proposals

Our refreshed output measures and targets

Output measures	2021–22 result	5-year average	2027–28 target
1. Get the basics right, always			
Percentage compliance with drinking and recycled water standards	100%	100%	100%
Customers experiencing more than 5 unplanned disruptions in a 12-month period (water, sewer and water quality)	Redefined	N/A	450
Total volume of water saved through digital detection of network leaks (ML)	New	N/A	1,271
2. Warn me, inform me			
Customer savings realised through repair of digital meter-detected property leaks	\$585,700	N/A	\$7,793,723
Customers notified per unplanned disruption as a percentage of total customers affected	71%	63%	75%
Water literacy of South East Water customers	New	N/A	31%
3. Fair and affordable for all			
Percentage of existing properties upgraded to a digital meter	9%	N/A	85%
Total customers supported (provided assistance)	10,612 (COVID-19 impacted)	7,134	10,000
Percentage of customers with arrears greater than 90 days who have used South East Water support offerings	41%	37%	55%
4. Make my experience better			
Total number of inbound contacts (per 100 customers)	62.6	67.9	59.5
Overall customer satisfaction with South East Water	Redefined	N/A	70%
Number of enquiries relating to the explanation of charges (per 100 customers)	7	5.4	5.4
5. Support my community, protect my environment			
Overall community trust in South East Water	68%	63%	70%
Total greenhouse gas emissions (tCO ₂ e)	28,577	N/A	12,033
Alternative water as a percentage of total water supplied to customers	4.0%	3.8%	7.0%
Number of EPA reportable dry weather sewer spills	11	14	15

Household bills and how we're applying what we've learned from our customers

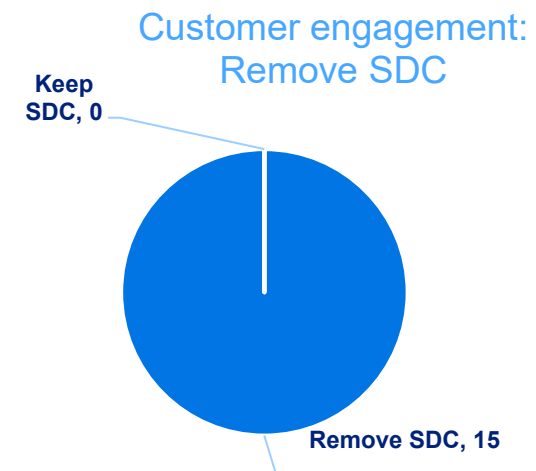
Indicative real household bill

\$22-23 (real)	Owner occupier (150kl)	Tenant (150kl)
2022-23	\$966.95	\$515.47
2023-24	\$908.28 (-6%)	\$482.93 (-6.2%)

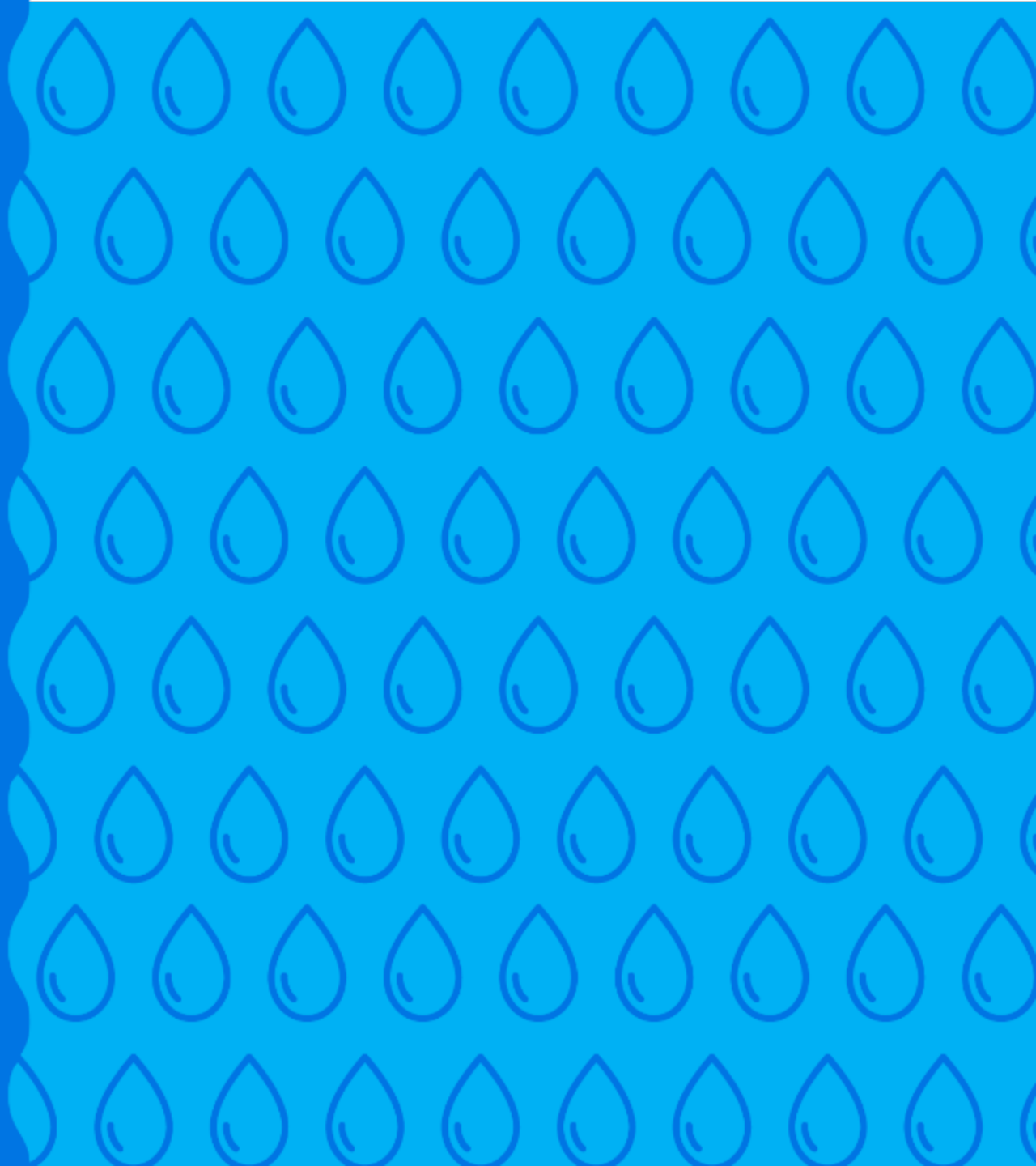
Our core tariff proposal

Remove the residential SDC and allocate it to the water usage charge

- Water only customers (~20,000 customers): will ring-fence prices
- Renter concessions (~20,000 customers): consulted DELWP on this



**Thank you and
Q&A**



Appendix

Bill impacts

Residential customer	Usage per year (kl)	2022-23 annual bill	2023-24 annual bill	\$ change	% change
Owner occupier - Small user	76	\$711.76	\$669.00	-\$42.77	-6.01%
Owner occupier - Average user	150	\$966.95	\$908.28	-\$58.66	-6.07%
Owner occupier - Large user	300	\$1,583.85	\$1,510.92	-\$72.93	-4.60%
Tenant - Small user	76	\$260.28	\$243.64	-\$16.64	-6.39%
Tenant - Average user	150	\$515.47	\$482.93	-\$32.54	-6.31%
Tenant - Large user	300	\$1,132.37	\$1,085.57	-\$46.80	-4.13%
Owner occupier - Water-only customer	150	\$492.94	\$464.42	-\$28.52	-5.79%
Landlord	N/A	\$451.48	\$425.36	-\$26.12	-5.79%
Non-residential customer	Usage per year (kl)	2022-23 annual bill	2023-24 annual bill	\$ change	% change
Non-residential customer - Small	150	\$1,281.45	\$1,207.30	-\$74.15	-5.79%
Non-residential customer - Medium	1,000	\$5,593.84	\$5,270.16	-\$323.68	-5.79%
Non-residential customer - Large	10,000	\$51,254.44	\$48,288.68	-\$2,965.76	-5.79%

- We commit to working together with YVW, GWW and MW to achieve a consistent Melbourne-wide approach to a defined guaranteed service level rebate for water quality events by the end of November 2022

Outcome	Proposed GSL	Proposed payment	Status
Outcome 1: Get the basics right, always	Water spill within the house caused by South East Water	\$1,500	New
Outcome 2: Warn me, inform me	Failure to provide a minimum of 48 hours' notice to a customer of any planned water supply interruption impacting their property	\$60	New
Outcome 1: Get the basics right, always Outcome 4: Make my experience better	More than 5 unplanned disruptions to services (water, sewer and water quality ¹) in any 12-month period	\$60 per disruption >5	Enhanced
Outcome 1: Get the basics right, always Outcome 5: Support my community and protect our environment	Sewer spill within the house	\$3,000	Enhanced
Outcome 1: Get the basics right, always Outcome 5: Support my community and protect our environment	More than 2 unplanned sewerage service interruptions in any 12-month period	\$60 per disruption >2	No change
Outcome 1: Get the basics right, always	Unplanned water supply interruption longer than 5 hours	\$60	No change
Outcome 1: Get the basics right, always Outcome 5: Support my community and protect our environment	Unplanned sewerage service interruption not restored within 4 hours	\$60	No change
Outcome 1: Get the basics right, always Outcome 5: Support my community and protect our environment	Sewage spill not contained within 5 hours of notification	\$1,000	No change
Outcome 3: Fair and affordable for all	Restricting the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours (as defined by the ESC) to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying	\$500	No change

Our engagement journey



PHASE 1

Listening to understand:

- What do customers want to talk about?
- What does South East Water want to talk about?

Dec 2020 – mid Mar 2021

- Developed a Strategic Engagement Plan to facilitate internal alignment and formalise our promise to our customers.
- Convened a customer advisory sub-committee to challenge our thinking along the engagement process.



PHASE 2

- What do customers value?
- What experiences do they want?
- How much participation do customers want?

Feb – Sep 2021

- 18 focus groups and workshops
- 19 interviews
- 1 online survey

=815 customers

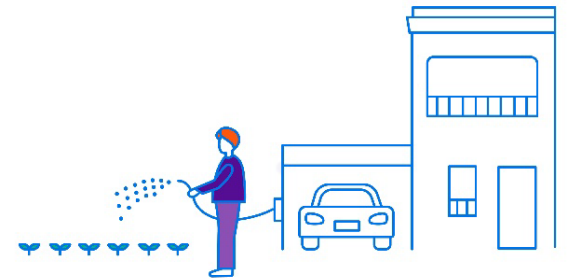
PHASE 3

How much are customers willing to pay for the experiences they want?

Jul – Sep 2021

- 4 online surveys
- 2 focus groups - bill simulator, best worst scaling, contextualised and non-responder studies

=7800 customers



PHASE 4

Which experiences do we prioritise? Who should pay what share?

Oct - Dec 2021

Our customer deliberative panel of 48 customers, met 6 times.

PHASE 4a

Checking our research and looking for improvement opportunities and alignment with customer interactions

Jan – May 2021

- Peer reviews, employee focus groups, analysis of complaints, interactions and ongoing research
- Tariff research – 3 focus groups, 24 customers

PHASE 5

Closing the loop – checking that customers and our Customer and community advisory council (CACC) are happy to endorse our price submission

May and June 2022

- Regrouping customer deliberative panel
- Discussions with CCAC and CCAC-subgroup.

