

# The Next 5 Years What's in the Plan 2018-2022

South Gippsland Water will submit a plan to the Essential Services Commission (ESC) in late September 2017 which will outline the:

- Services we provide to customers
- Required capital and operating expenditure to deliver the services
- Prices customers will pay over the period

The ESC will use our submission to determine the prices we charge and will look to ensure we are being efficient, fair, equitable and affordable.

## Engaging With and Listening to Customers

In preparing our draft 5 year plan we have been actively seeking our customer's thoughts and opinions over the last 15 months.

The consultation program looked at all aspects of the organisation, before entering a deliberative process of in-depth discussion with customers. This was followed by a checking phase before the plan is submitted to the Essential Services Commission.



A Customer Advisory Panel played a pivotal role in providing advice and making recommendations to the Corporation for input into the submission. The broad range of consultation and feedback received has shaped the plan we put forward.

## Consultation Program

We have talked to customers utilising a number of contact methods including;

- 7 Advisory panel sessions
- 400 responses to our surveys – a statistically valid sample set.
- 10 'Your Town' visits.
- 5 Discussion sessions with community groups.
- Focus group discussion sessions in all major centres.
- 14 in-depth telephone interviews with stakeholders and key customers.
- 300 responses to discussion sheets based on areas of key focus.
- Ongoing information program including; Information leaflets, media articles and adverts mailed to 21,000 customers, emailed to 1,340 and reached 51,700 via traditional media or 5,100 via social media channels.

## Key Customer Conclusions

- Planning for the future is key and planning for medium level of climate change is considered prudent.
- South Gippsland Water should go 'above and beyond' to avoid leaks and interruptions.
- It is expected South Gippsland Water will maintain service standards and customers support increased investment into ageing infrastructure.
- Support for delivering to social equity and contributing to social hardship programs.
- Customers believe a higher volumetric component of their bill could provide greater control and support change, while recognising the need to balance the impact it will have to vulnerable customer groups.
- Customers value protecting the environment and support the proposed investment in this area.

## Delivering Services to Customer Expectations

Throughout the community consultation process South Gippsland Water has worked with customers, utilising all feedback provided, to identify 6 key areas of focus to create statements that outline the expectations of customers over the next 5 years.

*"Be reliable, minimise unplanned interruptions to services and commit to communicating well with customers"*

*"Partner with community, local government and business to plan for future years"*

*"Provide safe, clean drinking water for the benefit of our customers and communities"*

*"Provide a safe wastewater service that contributes to the health and liveability of our communities and environment"*

*"Be environmentally responsible, sustainable and adapt to a future impacted by climate variability"*

*"Treat all customers/community with honesty, respect and strive to balance affordability, value for money and fairness"*



# Customer Expectations

## Delivering Services to Customer Expectations



**RELIABILITY**  
"Be reliable, minimise unplanned interruptions to services and commit to communicating well with customers"



**PLANNING**  
"Partner with community, local government and business to plan for future years"

### What we heard

- Wastewater management including containing spills is most important.
- Frequency and time to respond is important.
- 94% of customers want South Gippsland Water to go above and beyond to avoid leaks and interruptions.
- 93% of customers support increased investment in renewing ageing infrastructure.
- Renew based on priority and best spent funds – balancing proactive and reactive maintenance.

### What we will do

- Invest \$21.9M to ensure reliability of services;
  - \$9M to renew approximately 35km of sewer and 52km of water pipes across the region
  - \$12.9M upgrading pumps
- Ensure timely communication of planned and unplanned interruptions.
- Optimise preventative maintenance with proactive sewer cleaning and inspections to reduce blockages, spills and interruptions through \$1.5M investment.
- Invest \$4M in information and technology systems to monitor and identify when systems fail.

### How we will track our progress

- On average our customers will not be without water or wastewater services for longer than 120 minutes per customer per year.
- We will communicate planned interruptions via a card drop and the South Gippsland Water website [www.sgwater.com.au](http://www.sgwater.com.au) in advance of works.
- 100% Sewer spills contained within 5 hours.
- 100% Planned/unplanned water interruptions to be restored within 5 hours.

### What we heard

- 91% of customers support planning for future pressures and threats to water and wastewater services.
- Customers reinforced the importance of working with partners to plan for future years.
- Current levels of service (frequency of water restrictions) are acceptable.
- Water restrictions are inevitable in drought years and the Corporation should not be planning to avoid these.
- Customers recognise that climate is changing, but are divided on the extent of change.
- Planning for medium levels of climate change is considered prudent.

### What we will do

- Implement key aspects of our long-term water security strategy through \$4.9M investment.
- Promote and participate in research, development and programs with key stakeholders such as community groups, shire councils, business groups, Traditional Owner representatives, West Gippsland Catchment Management Authority and wider water/or other industry at a cost of \$0.35M.
- Invest \$1.75M to understand and respond to key growth areas across our region.
- Allocate \$1.5M to strategic asset management.

### How we will track our progress

- We will always have a long-term water security strategy in place that is regularly updated in consultation with key stakeholders.
- Key elements of our long-term strategy will be implemented over the next 5 years.
- The Corporation will participate with local organisations to plan for future growth.



# Customer Expectations

## Delivering Services to Customer Expectations



**WATER**  
"Provide safe, clean drinking water for the benefit of our customers and communities"

### What we heard

- Ensuring water is safe to drink is not negotiable, safety standards must always be met.
- Customers favour improving the taste and smell of water quality, however are not prepared to pay more for this.

### What we will do

- Improve treatment (disinfection) processes for Water Treatment Plants at a cost of \$4M and invest \$0.5M to improve water quality systems (powdered activated carbon for algae outbreaks).
- Invest \$3M to renew aging water treatment plants.
- Replace liners and covers for 6 treated water storages at a total cost of \$1.75M.
- Allocate \$0.85M to improve water pressure for affected townships.
- Improve water quality through scheduled maintenance programs to prevent discoloured water (pipe flushing & tank cleaning) at a cost of \$0.5M.
- Purchase of water from the Melbourne Water Supply system through the investment of \$2.75M.

### How we will track our progress

- 100% compliance with the Australian Drinking Water Guidelines and the standards for microbiological and discolouration.
- Customers will choose to drink our tap water (target 73%).



**WASTEWATER**  
"Provide a safe wastewater service that contributes to the health and liveability of our communities and environment"

### What we heard

- Wastewater management is important due to the impact on health and amenity if something goes wrong.
- Customers recognise that wastewater services play a pivotal role in thriving communities and a healthy environment.

### What we will do

- Improve treatment plant and network capacity by investing \$12.1M for sewer system upgrades for Wonthaggi, Inverloch and Foster.
- Invest \$5.5M to implement targeted preventative maintenance programs at sewer pump stations and wastewater treatment plants to meet environmental obligations.

### How we will track our progress

- We will achieve 100% Environment Protection Authority (EPA) Licence Compliance to ensure;
  - No adverse impact to receiving waters (rivers or oceans)
  - No adverse impact to land from recycled water use
  - No adverse odours beyond wastewater treatment plant boundaries (stretch target).



# Customer Expectations

## Delivering Services to Customer Expectations



**ENVIRONMENT**  
**"Be environmentally responsible, sustainable and adapt to a future impacted by climate variability"**

### What we heard

- 88% of customers supported South Gippsland Water investing in programs to protect the environment.
- Customers were divided regarding the level of current investment in programs to protect the environment with 48% considering investment 'about right' and 36% 'too low'.
- Customers recognise that the climate is changing, but are divided on the extent of change.

### What we will do

- Invest \$2.6M towards meeting our target of reducing carbon emissions by 15% by 2025 by installing solar panel projects which will provide savings of more than \$0.63M.
- Promote water re-use in all areas of the organisation and community. This includes the Foster wastewater re-use partnership supported by an investment of \$0.4M South Gippsland Shire Council and South Gippsland Water in-kind support.
- Invest \$1.8M towards providing services in a sustainable manner through a bio solids re-use and reduction program.
- Improve outcomes in catchment management programs through an investment of \$0.25M.

### How we will track our progress

- Our carbon emissions will reduce by 15% to 6480 t GHG by 1/7/2025
  - Stretch Target: Reduce emissions by 3% year on year
- We will have programs in place to assist our customers to save water.



**CUSTOMERS INTEGRITY**  
**"Treat all customers/ community with honesty, respect and strive to balance affordability, value for money and fairness"**

### What we heard

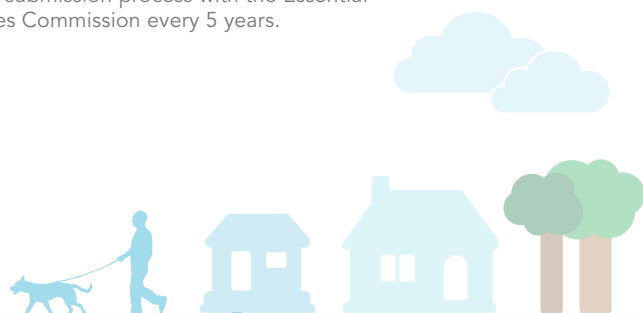
- Customers value local call centres, local knowledge, online information and communication that is jargon free.
- 88% of customers were supportive of assisting customers struggling to pay their bill.
- There is a desire for more control over their bill and favour the use of price to communicate the value of water.
- Customers are divided on aspects of changing tariff structure and would accept a slight move to higher volumetric component of bills, whilst recognising the impact this will have of vulnerable customers.

### What we will do

- Provide a range of programs to strengthen our support for customers at a cost of \$0.6M.
- Charge the minimum required to maintain service standards expected by customers.
- Provide open and honest communications through formal engagement processes for all major projects and investment.
- Implement a higher volumetric water tariff and lower service charge to provide customers more control over their total bill (subject to Board approval).
- In year 3 of the 5 year plan (2020) introduce a new wastewater tariff model for commercial and non-domestic customers with an emphasis on user pays and a higher wastewater volumetric structure.

### How we will track our progress

- Customer satisfaction will be maintained or improved at 80% or more.
- 73% or more of customers will rate our services as 'value for money'.
- We will commit to undertaking a thorough pricing review submission process with the Essential Services Commission every 5 years.



# What the Proposed Plan Means for Customer Prices 2018-2022

The Corporation is committed to efficiently delivering services; aiming to drive a 1% efficiency, more than \$2.7M, in operating efficiencies over the next 5 years and continuing to embed cost savings developed over the last 5 years.

South Gippsland Water has delivered the lowest prices possible to our customers over the last 10 years, with only a 4% real price increase during this time, the lowest in the state.

To ensure the organisation can deliver to customer expectations regarding reliability and service standards, prices will need to rise over the next 5 years. The average (real) bill will rise from \$968 per year to \$1,196 per year in 2023. An increase of approximately \$230 or \$46 each year (plus CPI).

We recognise that this is a significant rise, however customer consultation has supported price increases to address ageing infrastructure needs, in order to maintain standards of service.

Customer feedback also indicated support for ensuring a strong financial position for the Corporation. Customers indicated support for a larger increase earlier in the pricing period as this reduces overall debt and limits the long term impact interest repayments have on prices. As a result, the Corporation is proposing to impose a higher price rise for year 1 of the plan (2018) at 8% and then a smoothed path at 3.5% each year after that (excluding CPI).

## Proposed Water Tariffs

Customers want more control over their bill. As a result and pending Board approval, fixed water charges will start to form a smaller portion of the overall bill, while the water volume portion will increase. Customers can have a greater influence on their total bill through water efficient behaviours.

Bills will differ from customer to customer, based on the charges they pay and the volume of water used.

South Gippsland Water recognise that customers will be impacted by proposed changes to prices and tariff models and as a result, are looking to provide increased customer support programs by re-distributing funds towards these programs.

Discounted rates for Water by Agreement and not for profit properties (halls/churches etc.) will be removed to create one uniform Water Service Fee.

Please note, Government concessions and rebates will still apply. These are not set by South Gippsland Water, but are administered on behalf of the Government by the Corporation.

## Proposed New Commercial Wastewater Tariff Model

South Gippsland Water is looking to amend its commercial wastewater tariff model and replace cistern fees and cistern volumetric fees for businesses and non-residential properties. The new commercial wastewater tariff model will place a greater emphasis on 'user pays' and on those who discharge a higher volume of wastewater into the sewer system. This will be done through a lower fixed wastewater service charge and higher volumetric charge. Residential properties will have no change to their wastewater tariff model.

The proposed new wastewater tariff model will come into effect from 1 July 2020. This will allow time for further consultation and for South Gippsland Water to work with commercial customers regarding their water use before this significant change comes into effect.

## Want More Information?

For further information on the pricing review process and proposals, please visit the South Gippsland Water website [www.sgwater.com.au/projects/pricing-review](http://www.sgwater.com.au/projects/pricing-review)

South Gippsland Water will submit its pricing review to the Essential Services Commission in late September 2017 and will receive a determination before new prices come into effect on 1st July 2018.



# Our 5 Year Plan at a Glance

## \$174M Investment Over 5 Years to Maintain Service Standards

\$0.6M for **increased customer support** programs

\$2.5M for **increased maintenance** programs

\$4.7M to **renew 52km of water pipes** to address some of the 30% of pipes that are more than 50 years old

Invest \$2.6M to **reduce carbon emissions by 15%** by 2025 and save over \$0.63M

\$8.3M expansion of sewer pipes and \$7.2M for sewer pump stations for our **growing region**

**Secure water supplies for 60% of our customer base;** \$2.75M to purchase water entitlements for Lance Creek



\$4.3M to **replace and re-line 35km of ageing sewer pipes** to address blockages, sewer spills and improve reliability

**Reuse 100% of bio-solids** and reduce stockpiles at a cost of \$1.8M

\$1.75M to replace covers and liners of treated water storages and \$3M in treatment plant renewals to **keep water clean and safe to drink**

\$2.6M to **replace approximately 550 sewer manholes**

\$1.5M to renew pipes and pumps at the **most economical time**

\$2.2M to **reduce leakage** in the Fish Creek water pipe network to address supply capacity and **future growth**

Drive a **1% efficiency** - \$2.7M, in operating efficiencies over the next 5 years