



Our Plan 2020 - 2023

Price | Services | Future

Our Price, Services, Future Plan keeps prices as low as possible for customers, whilst maintaining reliable services and being sustainable into the future.

Finding The Balance

As part of mandated regulations, we are required to undertake a robust price and planning process, which involves and reflects the views of both customers and stakeholders.

There is a delicate relationship between price, service and being sustainable into the future which was the 'balance' we set out to achieve. In finding the 'balance' a strong customer desire to maintain service levels has remained consistent. The price increase was kept as low as possible and ensures the organisation can deliver to customers expectations, delivering reliable services and operate in a sustainable manner.

We have not applied a price increase above CPI since 2012. Delivery of new services have been funded via organisational efficiency and increased debt.

Feedback has been consistent, that maintaining service levels is important and that customers support increased investment in renewing aging pipes and pumps. This is in order to keep the number of breaks and leaks to about the same as they are now.

Investment

- The proposed capital program of \$41.0M for the three years is \$2.4M below the indicative forecasts from the previous 2018 plan.
- A total operating expenditure of \$62.0M is forecast for the period.
- Recent capital programs have already delivered water security for customers connected to the Lance Creek Water Supply System via a \$43M

pipeline and back-up connection to the Victorian Desalination Plant and Melbourne Water Supply.

Delayed new prices

South Gippsland Water has amongst the lowest average residential tariffs in the state, and for its size, nationally.

In recognition of the economic impacts of the coronavirus pandemic, we have delayed price increases to November 2020, which means customers will not be impacted until their January 2021 accounts.

- Following November 2020, the average residential account (excluding CPI) will rise by approximately \$16.50 per account and \$7 per account in the following two years.
- The average tenant account will increase by \$6 per account from November 2020 and \$3 per account for the following two years.

Increased support and flexibility is being offered to customers who may need financial assistance. We will assist with account payment, including extended payment periods and suspension of debt collection. With a dedicated support program available to customers who need it most.





Customer outcomes

We work to deliver on 5 key outcomes for our customers:

- Customer integrity
- Environmental sustainability
- Reliability
- Safe, clean drinking water
- Wastewater services that contribute to liveability

Operating expenditure analysis

South Gippsland Water is the second smallest water corporation in Victoria. The size of the region and complexity of operating a number of small water and wastewater systems is a challenge when aiming to keep prices low.

Efficiency

We have looked to understand and identify the efficiency of spend across functional areas of the organisation and have completed industry benchmarking (below). The detailed analysis identified that spending is higher in a number of areas. Water treatment is one area, that is largely

driven by operating a number of small water supply systems in farmed rural catchment areas.

We have reviewed the benchmarking and are proposing an efficiency target of 1% per annum across the business equating to around \$1M in savings.

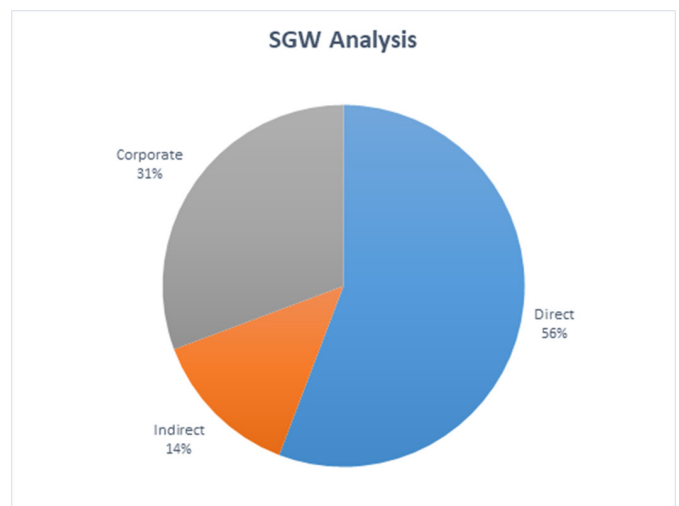
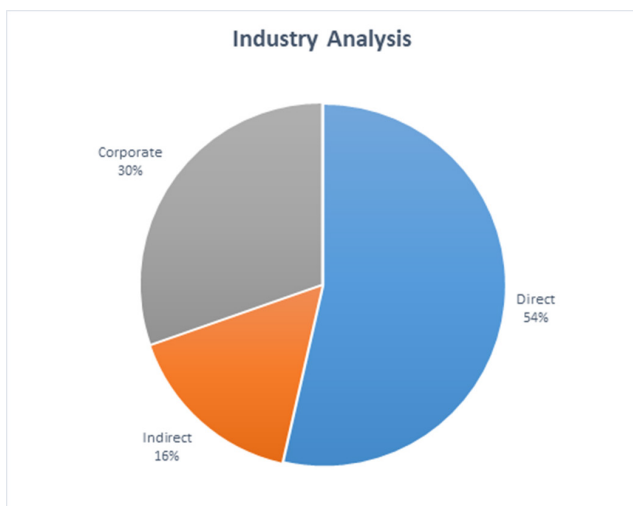
We have taken on a gap between revenue and expenditure of \$3.6M and wherever possible hold off for a 'just in time' response for capital spending. This helps keep price increases as low as possible.

Finding the balance

Our Price, Services, Future Plan represents a long term vision to find an appropriate balance. We are committed to making our region more secure and sustainable in the long term, with the price of water and investment into infrastructure being balanced against long term financial sustainability.

To support investment into maintaining service levels and ensuring a secure supply of water for a growing population, a moderate price rise is necessary.

Expenditure Analysis: Comparable Industry Peers and South Gippsland Water



Source: Water Services Association of Australia - Operating Cost Benchmarking Utility Report (December 2018)

