



Corporate Plan 2019–24

"Our old peoples spirits are in the coastal landscapes of the Mornington Peninsula. In places like this, you can sense their presence. Our ancestors connected coastal places along the coastline through songlines and dreaming tracks, which led our ancestors to their next destination. In this place, their occupation created archaeological sites called coastal shell middens, which are periodically located along the dreaming track that extends through this section of coastline. The middens show what our ancestors were doing in this coastal location. It is a place of importance for community to identify and connect with their ancestors. This place is coastal sandstone country displaying the colours, patterns and textures of country and elements of the localised ecology. These types of places provide creative inspiration, cultural connection and healing for community."

– Adam Magennis from Kaptify sharing the cultural heritage of First Nations Peoples.



Aboriginal acknowledgement

We acknowledge the Traditional Owners of the Country on which we rely and operate, the land of the Bunurong, Boon Wurrung and Wurundjeri peoples of the Kulin Nations.

We acknowledge their songlines, cultural lore, and connection to land and water. We acknowledge their elders past, present and emerging, we thank them for their Welcome to Country, for their sharing of knowledge and cultural lore.

Aboriginal and Torres Strait Islander peoples are respectfully warned that this document may include images of persons/family/clan members who may have passed on to the dreaming.

We work hard to provide each and every customer with the services they want in the most cost efficient way. Because everyone needs access to water.



Cover image: These happy Aquarevo land owners (and our new customers) will soon be water efficient, too. Aquarevo homes will make use of every drop of water, whether it comes from the roof, the tap or an onsite water recycling plant.

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Who we are

At South East Water, we support healthy and liveable communities by delivering water, sewerage and recycled water services to 1.79 million people who rely on us every day and every night.

Our service area borders more than 270 kilometres of coastline and covers a land area of 3,640 square kilometres from Port Melbourne to Portsea and approximately 30 kilometres east of Pakenham.

Each year we deliver more than 130 billion litres of drinking water and collect more than 100 billion litres of wastewater (waste from the toilet, shower, laundry and kitchen in the home and from businesses) at our local water recycling plants and at Melbourne Water's Eastern and Western Treatment Plants.

To deliver for our customers, we manage more than 25,700 kilometres of pipeline. We own, operate and maintain \$4.4 billion of assets including water, recycled water and sewerage networks.

We're a water corporation under the *Water Act 1989*. The activities of our organisation are governed by the *Water Act 1989* and the Statement of Obligations issued by the Minister for Water under Section 41 of the *Water Industry Act 1994*.

Wastewater isn't waste to us – it's a valuable resource that can be used again and again and again to support our customers and communities.



Chair and Managing Director message

A fresh approach

Welcome to South East Water's *Corporate Plan 2019–24*, our roadmap for creating a better world for our customers.

As we look towards the future, forward thinking is critical in meeting changing customer expectations, the challenges of household affordability, and the pressures of population growth and climate change.

We've always embraced change and found new ways to better serve our customers, community and environment.

We've recently seen the Victorian Government make its most significant order to-date from the Victorian Desalination Plant. We support an integrated approach to our water network, where the right type of water is used for the right purpose. That's why we're working with others in the water industry – as well as our customers, community and stakeholders – to challenge the way water is managed at every stage of the cycle and secure its future sustainability.

Through newly established research and engagement programs, we're listening to our customers and community and are proud to say this plan reflects the many diverse voices in our community.

It's a reflection of our values and how we plan to meet their needs, both now and into the future.

Working with our community

We acknowledge the Traditional Owners of the land and waters in our region and recognise their continued connection to Country. As we work together to develop our Reconciliation Action Plan, we thank them for sharing their knowledge and cultural lore with us and continue to learn from their long history with the land we share.

We're also looking to the future, and are one of 12,000 organisations worldwide that have signed the United Nations Global Compact, the world's largest corporate sustainability initiative.

One of the ways we're keeping our commitment to the compact is by investing and building resilient, sustainable infrastructure and fostering innovation in our industry. We're investing in research and working with our partners to develop and test new technologies that will support Melbourne's growing population – which is forecast to reach 10 million by 2051.

We know we can reduce our reliance on drinking water without compromising liveability or affordability, and we've developed industry-first technology – including digital meters, blockage and leak sensors, and micro water treatment systems – to help us do this. We're testing the large-scale implementation of these technologies in developments like Aquarveo, our partnership development with Villawood Properties.

These solutions are central to our integrated management plan, enabling more and more customers to use water that's fit-for-purpose, whether in the home, business or community.

We're becoming truly customer-centric and are listening to what our customers say. We're simplifying how we communicate – in print, online and in person – so our customers can get on with their day (or night). We're continuing to support our employees as we roll out these changes and empowering them to drive adoption in their teams.

Enabling our people

Our employees are essential to our ongoing success. Working behind the scenes we have more than 600 engineers, scientists, analysts, emergency technicians, information technology staff and customer support people keeping our existing systems running smoothly.

We're bringing our values to life and celebrating values in action through regular values-related activities, and aligning everything we do with our values through the initiatives set out in this plan.

We're continuing to build our people capability and are providing new opportunities for employees to grow their careers through professional development and flexible work arrangements, and have added a new provision to our new Enterprise Agreement to support this. Our aim is to normalise flexible work for all employees, so we're developing a framework that will help us promote and support life balance for our people.

We're now better placed than ever to deliver healthy water for life.

On behalf of our Board of Directors and everyone at South East Water, we present our *Corporate Plan 2019–24*,



Lucia Cade,
Chair



Terri Benson,
Managing Director



Lucia Cade



Terri Benson

Finding new ways of working and servicing our customers flows through the history of our organisation. We continue to innovate and always think 'what if...!'



Inside our world

Our customers

We support healthy and liveable communities by delivering water, sewerage and recycled water services to 1.83 million people who rely on us every day and every night.

Our customers rely on us for safe, reliable water services, a high quality customer experience, modern infrastructure and a reduced environmental footprint. They look to us for new products and services and for solutions that extend to every household, and every budget, and that support their lifestyle.

Our customers live in one of Australia's most culturally diverse regions, and speak more than 200 languages.

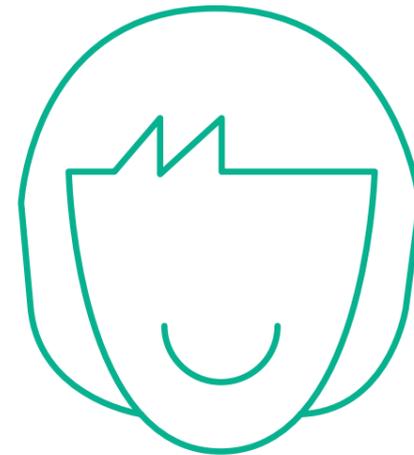
Our water and sewer network covers high-rise communities in Southbank through to growth suburbs in the Casey-Cardinia region, and from intensive industrial areas in Dandenong, to small agricultural holdings in Somerville.

Ninety-two per cent of our residential customers rely on us for their home water use and eight per cent for commercial and industrial purposes, and agricultural, recreation and community use.

As we look towards the future we're engaging with our customers to understand their needs and ensure the flow of healthy, affordable water to everyone in our community. Our approach to this engagement is built around relationships, and in particular:

- starting conversations
- building trust and advocacy
- shaping experiences
- co-creating for outcomes.

We're keeping our customers at the centre of everything we do and have set out five core outcomes that reflect our customers' needs and expectations to support healthy, liveable communities.



Case study

Learning from our customers and community: 2019-20

We're working to better understand our customers' (residential, business and community) needs, expectations and pain points through our Voice of the Customer Program.

We're staying in touch with regular transactional surveys, monthly online surveys, forums and customer workshops to understand what our customers think about how we're delivering on our customer outcomes and other issues such as water efficiency, drought, desalinated water and water restrictions.

We're also mapping our stakeholder, customer and community journeys to understand how and when we're communicating with our customers, and what we can do better. We're working hard to get it right. We're learning from our customers every day, so we can deliver a hassle-free experience every time they talk to us online or in person.

Water plays a vital role in the lives of our customers – from cafés to kindergartens. So we want to get things right for them.

Case study

Reconciliation Action Plan (RAP): 2019–20

In 2019 we're engaging with the Traditional Owners from Bunurong, Boon Wurrung and Wurundjeri peoples, and the Aboriginal and Torres Strait Islander communities in our service region to develop a RAP. The RAP aims to provide opportunities to create connections and build trust, respect and understanding of First Nations history, traditions and lore while creating employment opportunities for our First Nations communities.

By developing the RAP, we'll join over 1,000 organisations Australia-wide who have formally committed to reconciliation. Employees from all areas of our organisation will be involved in developing and implementing the RAP actions, and will have the opportunity to participate in training and education throughout this process.

We're learning about the significance of the land we live and work on, through the voices of our First Peoples. Here, Adam Magennis goes On Country at Davey's Bay Mt Eliza with colleague Jenelle Bain and South East Water's Diversity and Inclusion Advisor, Lisa Watene-Tapa; and Environment, Engagement and Approvals Manager, Scott Collins.



Our people

A safer workplace for all

We put safety first.

Safety underpins absolutely every element of our organisation and supports each and every employee (including our contractual partners) – from how we design and plan, issue and monitor work, to looking out for one another each day.

We believe everyone, regardless of their role, can be a safety and wellbeing leader. We all have a role to play to ensure we have a safe working environment.

An inclusive workplace for all

We focus on an inclusive workplace that supports employees of all ages, all abilities, cultures and backgrounds. We believe in equality and are fostering respectful relationships with Indigenous people and the LGBTIQ+ community through whole-of-organisation education on leading diversity and positive workplace behaviours.

Innovation and transformation underpin everything we do

We know that when our people are engaged and empowered, our customers benefit. That's why we're working to build a safe, supportive and bold culture where employees can push ideas to the limit and move with changing technology to protect our environment, drive water efficiency, and provide healthy water, for all and always.

Working behind the scenes we have over 600 employees working as engineers, scientists, analysts, emergency technicians, information technology and customer support people.

Our workforce is supported by a range of highly-skilled partners. They're contractors, property developers, plumbers, builders, real estate agents, council workers as well as counsellors and mediation specialists.

While they may not all wear the South East Water 'badge', we consider them to be our own people and they're very much part of how we meet the needs of our customers.

We're committed to providing a diverse and inclusive work environment, where each and every employee feels safe and valued.

A well-managed organisation

Our governance and management frameworks are focussed on meeting our statutory requirements, regulatory obligations and deliver upon government policy. Our Board of Directors preside over all significant commercial, regulatory, financial and risk-focussed business decisions.

Quality management systems underpin our performance against the measures outlined in this plan. We have a number of management systems and standards in place that are subject to independent auditing and certification, and we regularly audit our operations to ensure we remain compliant and to identify opportunities for improvement.

Our stakeholders

Our customers are the centre of our closely interlinked group of stakeholders, which includes individuals, groups and organisations that affect (or could be affected by) our activities, products or services.

Our key stakeholders include customers, developers, the community, employees, contractors, state government departments and regulatory authorities, suppliers, other water organisations, local councils and business partners. Our service region includes 17 local government areas, 48 State Members of Parliament and 13 Federal Members of Parliament.

Our approach to stakeholder engagement is based on our communities' needs and expectations, and we're focussed on building relationships to understand the issues that matter. We're passionate about being a voice for the community on a wide range of issues – from recycled water availability to water affordability – and sharing this information with our stakeholders.

We work with our stakeholders to support the productivity and sustainability of existing and future agricultural activities within Melbourne's green wedges and semi-rural areas, to secure Melbourne's food production and protect agricultural hubs.

Our customers include some of the state's largest manufacturing and health care employers, and we're working to support the long-term sustainability and growth of these industries. The communities within our service area enjoy the rich natural environment that contributes to the liveability of their suburbs, and we work with our partners to manage healthy waterways surrounded by parks, trees and green open spaces.

Combining our stakeholders' needs with our communities' expectations helps us engage the right organisations in the right way at the right time. We listen to understand issues of importance, and co-create solutions to achieve better outcomes for all. This positions us to work with our stakeholders to address the future challenges facing our community.

Creating a better world for our customers can't be achieved alone. It's why we work with stakeholders across our service region and beyond.



Our assets

To deliver for our customers, we manage more than 25,700 kilometres of pipeline. We own, operate and maintain \$4.4 billion of assets including water, recycled water and sewerage networks. This includes:

more than 14,001 kilometres of water mains*

more than 10,691 kilometres of sewer mains*

more than 1,028 kilometres of recycled water mains*

82 water pump stations

275 sewage pump stations

9 recycled water pump stations

8 water recycling plants

1 stormwater treatment plant.

Melbourne Water is the bulk supplier of water and sewage treatment in Melbourne.

*All figures quoted as at 31 March 2019.



Our commercial capability

Iota is a wholly-owned subsidiary of South East Water and plays an integral role in achieving our vision – taking new innovations born at South East Water and commercialising them for use beyond our borders.

This not only helps to share what we know works with others in the region, and across the world, but delivers economic and social benefit for South East Water, our customers, and Victoria.

The OneBox® smart pressure sewerage system is a great example of a South East Water invention commercialised by Iota. As well as being used in Australia (including in our Peninsula ECO project to deliver a sewerage solution to customers under budget and ahead of time), OneBox® technology has been adopted by organisations worldwide from New Zealand to Ireland as part of our commitment to working with others in our industry to find shared solutions to shared problems.

In 2019, Iota partnered with Yarra Valley Water to deliver the Yarra Ranges Community Sewerage Scheme. This will have the OneBox® smart pressure sewerage system piloted across the townships of Kallista, Monbulk, Sherbrook, Olinda and the surrounding area so Yarra Valley Water can remotely monitor and control the newly installed pressure sewer network.

Iota also manage commercial businesses in the non-regulated market such as South East Water's Priority Plumbing.

For more information visit iota.net.au

Case study

Using Internet-of-Things technology (IoT) to protect vulnerable environments

When Yarra Valley Water identified that septic systems presented a risk to ground and surface water quality in the picturesque and environmentally significant Yarra Valley, they knew they needed to update the sewerage system in the region. They wanted to minimise the environmental disruption of installing a traditional pressure sewer so they engaged Iota to design a smart sewer system using its patented OneBox® platform.

Developed and proven within our network, OneBox® is an IoT platform that monitors the storage tank at the home and pushes the wastewater into the sewer network. Iota Services worked closely with Yarra Valley Water to design a smart hydraulic sewer network based on our learnings from installing a similar network in the Mornington Peninsula.

The design is currently being tested in a pilot program which has the potential to be expanded to thousands of properties – both residential and commercial – in the Yarra Ranges.

Our direction and focus

Healthy water for life

Our purpose every day and every night – at every level of our organisation – is to deliver a continuous flow of healthy water for life.

This means bringing our customers the clean water they want, and safely managing the wastewater they don't. It means thinking ahead, understanding and even inventing what we need to do now, so that generations to come can rely on us, too.

Our vision

We're helping create a better world for our customers with forward thinking water solutions, for all and always, that won't cost the earth.

Our customer outcomes

This plan sets out five customer outcomes that provide us with strategic direction for the year. These outcomes continue to reflect what our customers told us matters most to them, during consultation to develop our *Five-year Customer Commitment*.

We've promised to deliver on these outcomes over the next five years.

- | | |
|--|---|
| <p>1. Get the basics right, always
Our customers want safe and reliable services, now and always. At its essence, this means clean and quality drinking water, and the safe disposal of wastewater.</p> |  |
| <p>2. Make my experience better
Our customers told us that they want a better experience with us, every time they talk to us, see us out and about or visit us online.</p> |  |
| <p>3. Warn me, inform me
Our customers want to be warned, and kept updated, about disruptions – both planned and emergency.</p> |  |
| <p>4. Fair and affordable for all
Our customers told us that because water is the most essential of services, it must be fair and affordable for everyone.</p> |  |
| <p>5. Support my community, protect our environment
Our customers want us to support their community and protect our environment – delivering long-term water security in a way that honours the environment and ongoing liveability.</p> |  |

Our business enablers

Underpinning our customer outcomes are business enablers that position our organisation to deliver on the priority policy areas outlined in *Water for Victoria* and to operate in a changing environment.

Our business enablers are:

- People
- Technology
- Financial capability
- Legal and Governance.

Celebrating our values

To celebrate the launch of our values we held a values expo in November 2018. Over 500 employees got involved in the expo which included an explanation of how each value was selected in a friendly, informal environment.

Employees provided feedback on how the values could be incorporated into individual KPIs and performance plans, and suggested strategies to embed our values at every level of our organisation. As a result of the expo, a 2019 values plan was developed, incorporating a monthly focus in order to 'spotlight' values and celebrate our values in action.



We put safety first

The wellbeing of all our people, customers and community comes first.



We care

We listen to understand.

We do all we can to meet the needs of our people, customers and community.



We're real

We embrace diversity.

We take responsibility.

We do what we say and get things done.



We're bold

We strive to excel.

We have the courage to challenge ourselves.

We're future-focussed and accept change is constant.



We discover

We search for new ways to deliver value.

We're curious and creative, learn from mistakes and celebrate success.



We deliver sustainably

Our decisions are made with the understanding every drop and action counts.

We want our service region to always be somewhere our customers can work, play and live.



Water for Victoria

Water for Victoria is the Victorian Government's strategic, long-term plan for managing our water resources, now and in the future. It was developed and informed by community expectations, particularly in the areas of health, recreation, liveability, traditional ownership and economic development.

This corporate plan aligns with the priority policy areas set out in *Water for Victoria* and the seven priority areas of the Minister's Letter of Expectations 2019–20:

Climate change

Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions.

Customer and community outcomes

All aspects of service delivery will be customer and community centred and will continue to build extensive and effective community engagement and partnerships in planning and implementation of service delivery.

Water for Aboriginal culture, spiritual and economic values

Recognise and support Aboriginal culture values and economic inclusion in the water sector.

Resilient and liveable cities and towns

Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.

Recognise recreational values

Support the wellbeing of rural and regional communities by considering recreational values in water management.

Leadership and culture

Reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in executive leadership.

Financial sustainability

Delivering safe and cost-effective water and wastewater services in a financially sustainable manner.

Supporting the United Nations Global Compact

We're a member of the United Nations Global Compact, the world's largest corporate sustainability initiative. The initiative has established a path over the next 15 years to help end extreme poverty, fight inequality and injustice and protect our planet.

As a member of the Compact, we've committed to supporting the principles that align to responsible business practice and to also support the broader 17 United Nations Sustainable Development Goals.

We've identified five Sustainable Development Goals that are supported by the initiatives in this plan. Although not referenced explicitly, our work also supports Sustainable Development Goal 1: No Poverty – economic growth must be inclusive to provide sustainable jobs and promote equality, and Sustainable Development Goal 7, Affordable and Clean Energy – energy is central to nearly every major challenge and opportunity.

This year we'll work towards integrating the principles of the Compact into our strategy, culture and daily operations and will prepare our second Communication of Progress report for the United Nations.

We've referenced these goals throughout this corporate plan to identify where they align with our strategy. Although our business most closely aligns with these five goals, all 17 United Nations Sustainable Development Goals are interrelated.

The United Nations Sustainable Development Goals most relevant to our organisation are:



SDG 6 – Ensure availability and sustainable management of water and sanitation for all.



SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.



SDG 11 – Make cities and human settlements inclusive, safe, resilient and sustainable.



SDG 13 – Take urgent action to combat climate change.



SDG 17 – Revitalize the global partnership for sustainable development.

Understanding our world

We've considered future-focussed environmental issues and likely changes to our operating environment, so we can prepare for and address key challenges that may impact our ability to deliver healthy water for life over time.

In doing this, we've considered the broader risk landscape and emerging issues across our industry and our world.

Changing customer expectations

The world we live and work in is increasingly interconnected – for us and our customers. Innovation and disruption in one industry invariably drives change in others. Our customers apply the same expectations to us as they do all service providers, from quality of service to payment flexibility. We're continuing to listen to our customers, and collaborating both inside our sector and beyond, to ensure we continuously improve our customers' experience.

Population growth

Population in our service area is forecast to double by 2065, which will place increasing pressure on our drinking water supplies and create higher volumes of wastewater at our water recycling plants (we're expecting a 60 per cent increase in the next 40 years alone).

Long-term trends also indicate a shift towards renting and high-density living, which will impact how we adapt our service offerings in line with these lifestyle changes.

The future workforce

Our world is constantly changing and the services we provide to our customers and the community are always evolving. A workforce that is future ready is critical to our success and ability to keep pace with the changing world around us.

We know we need to attract the right people with the right skills to achieve our vision and strategic objectives. That's why we're working to become an employer of choice to attract and retain the best people in our industry. To do this, we're developing approaches that support diversity, flexible work and professional growth.

Case study

Protecting our community and environment: 2019–20

We're always looking for better ways to protect our network, customers and environment. Our industry-leading Advanced BlokAid® technology helps identify anything out of the ordinary that could cause a sewer spill or blockage, so we can get to work before it causes a headache.

In 2019, Melbourne Water will trial seven Advanced BlokAid® devices in the Dandenong Creek industrial zone. They'll remotely monitor the stormwater drains and report water flow patterns, which will help identify potential contaminants in the water flowing into Dandenong Creek.

It's just one of the ways we're working with our fellow metropolitan water partners to find solutions to shared challenges and protect Melbourne's waterways.

Inventions like OneBox® help us to solve problems before they impact our customers.



Technological change

Technology and connected devices provide increasing access to real-time data, predictive analysis and remote monitoring. This will support greater connectivity between our organisation and its assets and customers, and create efficiencies to help maintain bill affordability.

IoT, also known as the fourth Industrial Revolution, will have a major impact on many industries in the very near future, and utilities are well placed to be one of the major beneficiaries.

As a forward-thinking organisation, we're part of this change.

We've started to prepare our network for the IoT, with over 10,000 remotely connected assets already sending real-time data to our operations team. This is just the first step in our journey to become a truly digital water organisation and IoT will take this to the next level, increasing the scale drastically as well as the volumes of data that will be transacted.

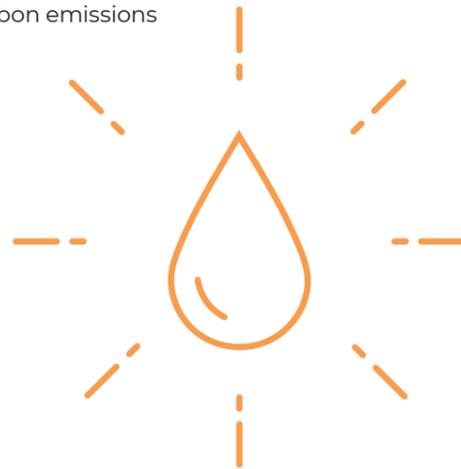
The benefits of IoT technology can already be seen in the application of new technologies including digital meters, Advanced BlokAid® and OneBox®, which – having been proven within our network – are now being trialled by our fellow water organisations through partnerships with Iota.

Climate change

An increasing focus on long-term sustainability requires us to play a proactive role in the health of our community and environment.

Climate change impacts the security of our water supply and our ability to supply the water and wastewater services our customers rely on. Impacts range from damage to our assets in extreme weather events such as bushfire or storms, through to drought affecting water storage levels. That's why addressing the impacts of changing weather patterns and events are embedded into the way we design and operate our assets, and the way we deliver our services through our *Climate Adaptation Strategy*. This approach is always evolving.

Under the Victorian Government's Statement of Obligations (Emission Reduction), which came into effect in March 2018, we've pledged to reduce our carbon emissions by 45 per cent from our 2016 baseline of 41,744 tonnes of CO₂. In addition, we've committed to have net zero carbon emissions by 2030.



How we'll measure success

This plan includes a set of key performance measures that align to each of our customer outcomes and business enablers (see Appendix B).

In setting these demanding but realistic targets, we've considered our:

- long-term strategic direction
- drive for organisational performance
- delivery of strategic initiatives and
- priority policy areas that support *Water for Victoria*.

Like all Victorian water organisations, we're also required to incorporate measures set out in the *Victorian Water Industry Performance Reporting Framework*.

In setting these targets, we've considered:

- historical performance
- changed environmental conditions
- delivery of strategic initiatives
- continuously improving the service we deliver to our customers.

We regularly communicate on the progress we're making towards achieving our targets both throughout our business and to the Department of Environment, Land, Water and Planning (DELWP).

Each year we evaluate our performance and make necessary adjustments to our performance measure dashboard to ensure we position our organisation to deliver on our purpose.

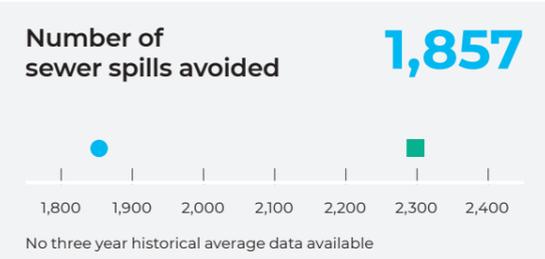
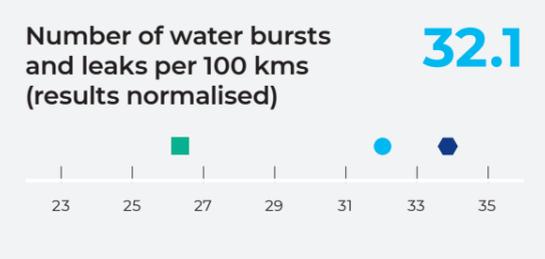
This year we've included three new performance measures:

- Number of sewer spills avoided (so we can measure the effectiveness of our proactive reliability programs)
- Community trust rating
- Senior leader safety observations.

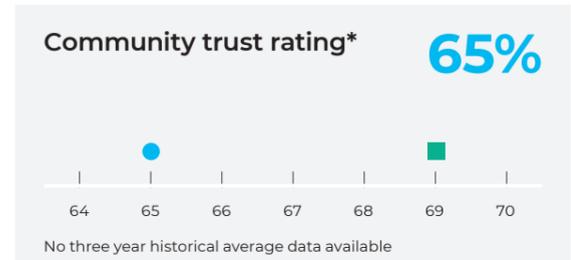
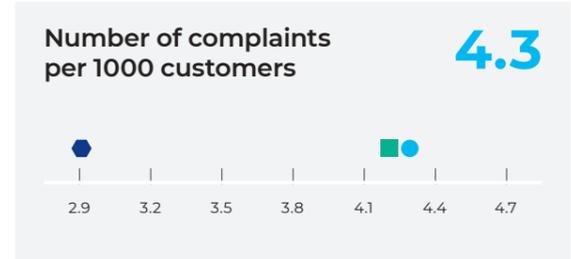


Our key performance targets 2019–20

Get the basics right, always

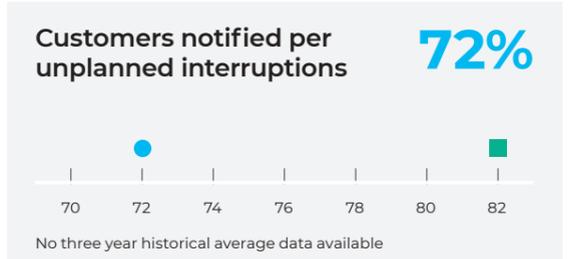
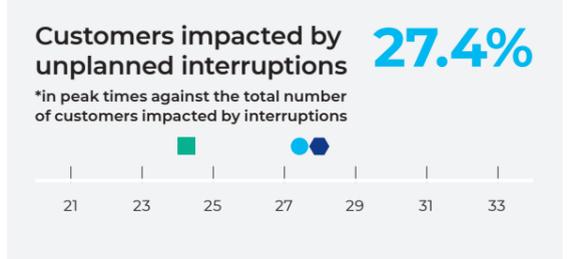


Make my experience better

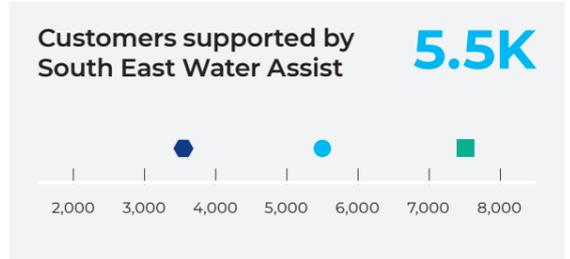
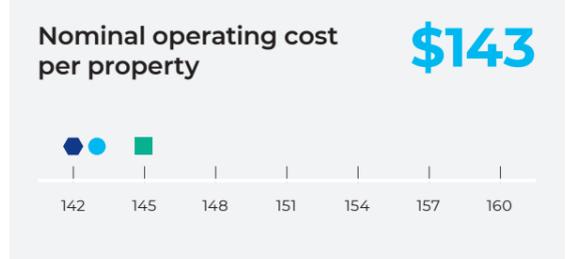


*A positive rating for trust and satisfaction are all calculated as seven or above.

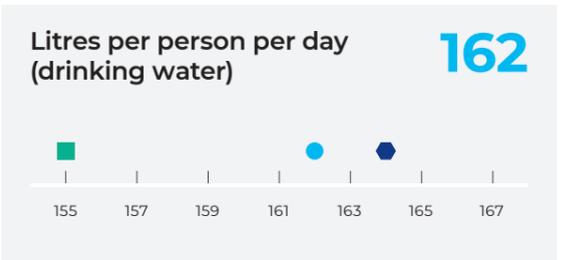
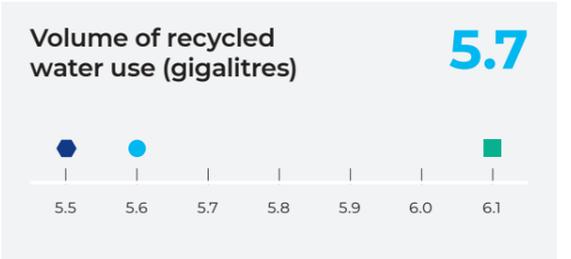
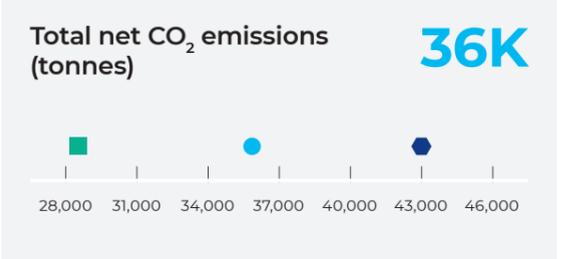
Warn me, inform me



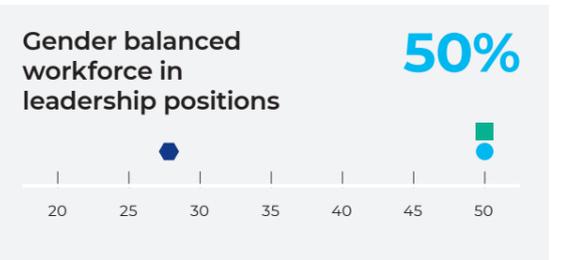
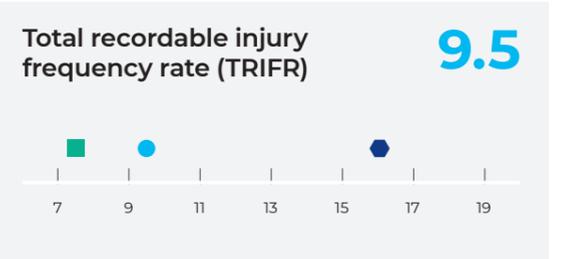
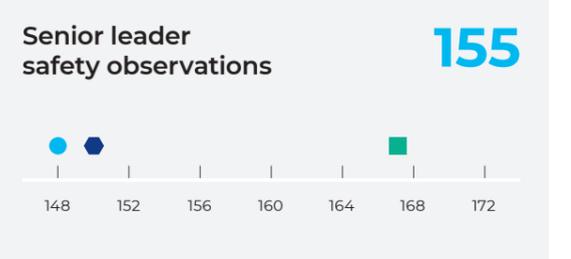
Fair and affordable for all



Support my community, protect my environment



Business enablers



- 2019–20 target
- 2023–24 target
- 3 year historical average

Managing risk

Managing risk is central to our ability to remain a reliable and successful essential services provider for our customers, today and tomorrow.

We know the world we work in is changing, and we want to lead the charge to meet the challenges of climate change. We're adopting new technologies and looking for new ways to better what we do and minimise the risks of a warmer and drier climate to our organisation and customers.

That's why we've recently redefined our risk appetite in line with our strategy in order to provide internal boundaries for better decision making and ensure highly efficient governance. Risk management will always be a key focus and is embedded across all of our management systems and processes (refer to Appendix D part one).

We maintain an enterprise risk management framework consistent with the *Australian/New Zealand Risk Management Standard (AS/NZS 31000:2009)* and the requirements of the *Victorian Government Risk Management Framework 2015*.

Our risk framework incorporates our risk appetite and is built on implementing a consistent, forward-looking approach to identifying and assessing uncertainty that may positively or negatively impact our ability to achieve our purpose and ambition.

This is reflected in the following key elements of our framework:

- a board approved risk management policy, risk management framework and risk appetite
- active management and review of the material risks that may impact on the achievement of our objectives
- continuity and emergency management plans to guide our organisation in case of disruption or to manage incidents and emergencies when they occur
- certified management systems for Quality, Environment, Occupational Health and Safety and Hazard Analysis and Critical Control Points
- assurance over key controls through a risk-based audit plan
- a comprehensive insurance program.

Every year we prepare a report to DELWP on our material strategic risks. Appendix D Part two describes at a whole of entity level, our material risk areas (in no particular order) and how they are managed.





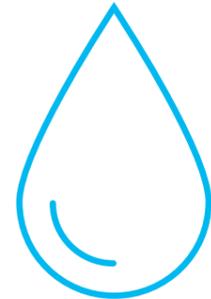
Forward-thinking is everything. We're building our services so that our littlest customers today, can rely on us tomorrow – or 50 years from now.

Delivering for our customers

Outcome 1

Get the basics right, always

Our customers have told us that they want safe and reliable services, now and always. At its essence, this means clean and high quality drinking water, and the safe disposal of wastewater.



Our approach

We're maintaining our targets to comply with water quality standards and complaints, and manage water quality concerns more effectively for our customers.

To continue delivering a reliable water supply we're increasing our investment in our water mains renewal program and investing in new water supply infrastructure through our drinking water network and recycled water network growth programs.

To maintain our current high levels of sewerage reliability, we're going to invest in our sewerage network, including our water recycling plants, so we can treat sewage appropriately and in line with customer and community expectations as we cater for a growing population. These initiatives will also help reduce wear on our assets over time – and our future expenditure.

We'll also look at ways to better understand how water and sewerage issues affect our 58,000 business customers, with a specific focus on interruptions and their subsequent impact.



Minimising disruption: 2019–20

Our water network covers some of Melbourne's oldest suburbs and includes pipes installed many years ago – including nearly 1,600 kilometres of asbestos cement pipes that are nearing the end of their lifespan.

While the pipes don't impact water quality or safety, we do need to take extra safety steps when we remove and replace them. So, to remove them with as little hassle to our customers as possible, we've developed, trialled and tested new tools and techniques to get the job done safely without getting in the way. The tools have been manufactured locally, and we'll start testing them in field trials throughout 2019.

We're also using trenchless technology for 80 per cent of our excavation works, so we can minimise the disruption to our customers when we carry out necessary works. We hope this new approach can help others in the water industry too.

What we'll deliver 2019–20

		Related outcomes*
1.1	We'll use technology to minimise unplanned water and sewer interruptions to our customers and prioritise our renewals in areas with high community and/or environment impact.	5
1.2	We'll service population growth in both new and existing service areas by providing the capacity within our water and sewerage infrastructure that allows new customers to connect to our services, for example in the new growth areas of Clyde, Officer and Pakenham East.	5
1.3	Prepare for new customers to connect to our sewerage services on the southern Mornington Peninsula, by constructing a major upgrade of the Boneo Water Recycling Plant (now near capacity). This will support both population growth in the area and cater for customers switching from septic tanks to Peninsula ECO – helping to protect the peninsula's environment and Port Phillip Bay.	5
1.4	Start design and construction of the Longwarry Water Recycling Plant upgrade to ensure the safe discharge of wastewater to the environment and cater for growth within the catchment area of Nar Nar Goon, Tynong, Garfield, Bunyip and Longwarry.	5
1.5	We'll continue to invest in research and development to find better ways of delivering what our customers have told us they value through our engagement process.	2, 3, 4

*other customer outcomes this initiative supports.

Link to Water for Victoria

- Customer and community outcomes
- Resilient and liveable cities and towns

UN Sustainable Development Goals



Outcome 2

Make my experience better

Our customers want a better experience with us, every time they talk to us, see us out and about or visit us online.



Our approach

We're enhancing the experience our customers have with us by improving how we resolve issues and keeping customers better informed.

We're going to keep working with our customers to explore effective and meaningful ways to engage them around who we are, what we do and the services we offer, and to share knowledge about the value of water.

We've worked to build and validate our residential customer personas and have established an end-to-end customer journey map complete with customer pain points, that has and will continue to be shared with customers as an ongoing commitment to improving our level of service.

Our customer feedback program consists of regular engagement with around 1,500 customers every month. From phone and live-chat conversations with our contact centre, to customers who have reported leaks or experienced service interruptions, we regularly measure our performance around key commitments and deliverables to gauge our brand health within our service area and identify opportunities for us to make our customers' experience better.



Understanding our customers: 2019–20

We believe in challenging ideas – even our own. That's why we're working with opinion leaders and influencers on our Customer and Community Advisory Council. The council is our 'critical friend' – challenging our ideas and offering valuable feedback to help us improve the way we respond to our customers.

We want our council to be as diverse as the people in our community, so everyone has a voice. That's why it's made up of community and business leaders, including members from local government, the Victorian Multicultural Commission, the manufacturing, plumbing and development industries, the financial counselling sector, and youth, environment and Indigenous members. These valuable insights help us continue to improve the way we operate and make our customers' experience even better.

A simpler customer experience

In 2018–19 we upgraded the mySouthEastWater online portal, enabling a simpler and more intuitive customer experience, on any device. Through a new and improved interface we have reduced customer effort by on average 50 seconds per visit, and the mobile-friendly design has resulted in mobile traffic increasing from 35 per cent to over 40 per cent of total visits.

We continue to offer a range of choices when it comes to how and when customers interact with us, from live chat and social media to simply speaking directly with one of our locally based support employees.

What we'll deliver 2019–20

- 2.1 We'll prepare for evolving customer expectations by enhancing digital experiences across a range of channels, in line with customer preferences.
- 2.2 We'll be strengthening our relationships with local councils in our catchment area so we can help contribute to healthier communities. For example, in 2019–20 we'll be conducting trials with Frankston City Council and the City of Casey to improve water efficiency and affordability in their communities. We'll also collaborate with local councils to co-create greener, more liveable spaces for their communities to enjoy.

Related outcomes

5

*other customer outcomes this initiative supports.

Link to Water for Victoria

- Customer and community outcomes

UN Sustainable Development Goals



Outcome 3

Warn me, inform me

Our customers want to be warned, and kept updated, about disruptions – both planned and emergency.



Our approach

We're increasing the number of customers we notify about water supply interruptions. We're also expanding our alerts to other disruptions – like sewerage blockages and potential water quality issues – and the hours in which they are sent.

We'll maintain our service levels in both planned water interruptions that are restored within the notification period. We'll also maintain the average duration of unplanned water supply interruptions in line with guaranteed service level obligations.

We're promising to reduce disruption in peak times by measuring the impact this has on our customers and analysing potential solutions. On average, we send out nearly 6,000 surveys every week to customers who have experienced an unplanned water supply interruption or have made contact with our contact centre via phone, email, self-service portal or live chat. By listening to our customers we're furthering our understanding of what's important to them and identifying how we can continue to improve our levels of service to meet their expectations.

Through these surveys our customers have told us they like to receive communication from us when there is an interruption to their supply.

We've also seen great results from our digital meter proof of concept program currently underway in parts of Frankston. The digital meters have already identified a number of leaks in our customers' homes, allowing us to notify them so they can take action – saving both water and money.

Case study

Trialling digital meters: 2019–20

By mid-2019 we'll have installed up to 2,000 digital meters in homes throughout Melbourne's south east. The meters take readings every 30 minutes and send us a usage report once every day, so we can let customers know if we notice anything unusual – like continuous water use – that could mean they have a water leak. This is just one of the ways we're working to eliminate bill and budget shock and water loss.

Talking to our customers in real-time: 2019–20

We're keeping our customers in the loop with real-time alerts so we don't disrupt their day (or night). This includes growing our use of social media to post to customers who might be affected by works or bursts in their area – without bothering those who won't. We're also using SMS and our South East Water Live tool which keeps customers informed about works in their area in real-time.

During summer 2018–19 we informed customers using paid targeted social media ads about two sewer spills that affected beaches in Black Rock and Brighton. By targeting customers in the area we were able to cost-effectively reach a combined total of 33,000 people advising them to avoid the beach.

What we'll deliver 2019–20

Related outcomes

- | | | |
|------------|---|-------------|
| 3.1 | We'll leverage our growing operational data to improve the way our customers experience our services by providing more proactive, and timely information about their service, our support options and the status of our operations. For example, we'll continue our use of social media to target customers who may be impacted by service interruptions. | 2, 4 |
| 3.2 | We'll trial new technologies to enable earlier notification for customers about water supply interruptions that might impact them. | |

*other customer outcomes this initiative supports.

Link to Water for Victoria

- Customer and community outcomes

UN Sustainable Development Goals



Outcome 4

Fair and affordable for all

Our customers expect our services to be delivered in a fair and affordable manner across our entire service region.

Our approach

We believe water is essential for life and everyone should have equal and affordable access to it. Our decisions will always best reflect our customers' priorities and deliver what they value while running our organisation as efficiently as possible.



To reduce non-revenue water (water we can't charge for due to leaks, bursts, theft, and account write-offs) we'll continue to invest in programs to improve network efficiency. These programs include digital metering trials, network monitoring and control, pressure reduction, active leak detection, targeted reticulation water main renewals and network meter replacements to improve accuracy.

We've always provided our customers with a variety of payment solutions to help them manage their water bill. In 2019–20 we'll continue to promote our payment instalment options to customers via a variety of communication channels. We'll also use these platforms to share water saving tips to help our customers save both money and water.

We're a founding member of the Thriving Community Partnership, a cross-sector collaboration with the goal that everybody has fair access to the modern essential services they need to thrive in contemporary Australia.

As part of this partnership, we're working collaboratively to explore best practice across industries and how we can help our customers who want to pay, but can't pay everything.

We'll also continue to work with Melbourne Water to ensure our customers' priorities are included in the development of their price submission, and are creating more efficient self-service environments for our customers so we can deliver services when and how our customers want them.



Supporting our most vulnerable customers 2019–20

We're committed to supporting and assisting our most vulnerable customers. Our 'Customer First' program is business-wide and proactively identifies and supports vulnerable customers who want to pay, but can't pay everything.

The campaign will offer greater support to these customers to help them manage their bill. This includes building awareness about the support options available such as concessions, Centrepay and free financial counselling.

We'll also be providing options to access services to help with water efficiency. To date, we've already had approximately 11,000 interactions with customers as part of the campaign.

What we'll deliver 2019–20

		Related outcomes
4.1	We'll continue to evolve our 'Customer First' program to tailor initiatives to the evolving needs of customers and build the capabilities of our employees to deliver these outcomes.	2
4.2	Empower our customers to better manage their water use and its effect on their bills by trialling new technologies that enable us to provide customers with greater visibility of water usage information in near real-time. For example, we'll give digital meter customers access to a new view in our online portal to manage their water use.	3, 5
4.3	We'll advocate on behalf of our customers and provide input to Melbourne Water to help with the development of their price submission.	1, 5
4.4	Review the effectiveness of our current waste management pricing and controls to improve how we use the existing sewerage system.	

*other customer outcomes this initiative supports.

Link to Water for Victoria

- Customer and community outcomes.
- Financial sustainability.

UN Sustainable Development Goals

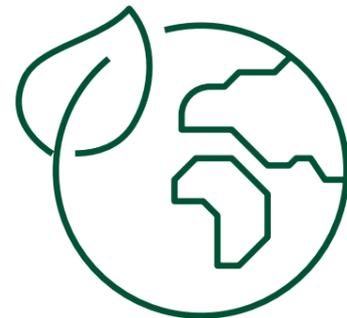


Outcome 5 Support my community, protect our environment

Our customers want us to support their community and protect our environment – delivering long-term water security in a way that honours the environment and ongoing liveability.

Our approach

Our community led approach will help us to build stronger relationships. We'll listen to understand issues of importance, and co-create solutions to achieve better outcomes for all.



We know the issues that matter to our community are the same issues that matter to our customers. They want us to work with them to create a greener, more liveable environment and sustainable homes. We'll collaborate with our fellow water organisations and local councils and other stakeholders to develop programs that meet these needs, both now and into the future.

At the same time, we'll be learning from our Indigenous communities about how to manage land and water in ways that are sustainable and culturally appropriate.

We're reducing our carbon emissions in a responsible and cost-effective way by implementing solar power at a number of water recycling plants and identifying new efficiency opportunities within our existing operations such as using plant-generated biogas in powering cogeneration plants.

Our hydration stations and Choose Tap® fountains provide the community with access to free drinking water, supporting the health and wellbeing of our community. We'll continue to work with the Choose Tap® coalition and our industry partners to support making tap water more readily available across our communities.

Recycled water is a key part of our network and we're working to understand community needs and demand to feed into our recycled water infrastructure planning, so customers can choose the right type of water for the right purpose.



A water-wise community: 2019–20

We're helping build Melbourne's most water-savvy community. In May 2019, homeowners started moving into Aquarevo, a new development in Lyndhurst. They'll be some of the first residents in Melbourne to have three types of water plumbed straight to their homes (drinking water, rainwater and Class A recycled water) to reduce their reliance on drinking water by up to 70 per cent.

Also on track for completion is the Aquarevo house. Once it's finished, it will showcase the water and sustainability features that make Aquarevo so special, so homebuyers can try-before-they-buy and see the technology in action.

What we'll deliver 2019–20

Related outcomes

5.1	We'll install a cogeneration plant at our Mt Martha Water Recycling Plant to replace our current boiler and generate our own green electricity and in turn, contribute to our reduction in CO ₂ emissions.	
5.2	We'll continue to create and support liveable sustainable communities through the integration of water sensitive design principles into our planning for the provision of water services to urban areas.	1
5.3	Deliver on customer expectations to increase supply and use of recycled water, with a focus on new estates with recycled water infrastructure in our service area.	1
5.4	Work in partnership with our stakeholders to deliver liveable and sustainable communities through projects including; integrated water management funded projects, the Fishermans Bend and Aquarevo developments, recycled water use for agriculture and rainwater and stormwater solutions.	
5.5	Continue to raise awareness with current and future customers about the long-term benefits of water efficiency.	3

*other customer outcomes this initiative supports.

Link to Water for Victoria

- Climate change.
- Customer and community outcomes.
- Water for Aboriginal culture, spiritual and economic values.
- Resilient and liveable cities and towns.

UN Sustainable Development Goals



Case study

Getting to know our customers helps us deliver what they need.



Connecting with customers 2019–20

Employees from most areas of our organisation have had the opportunity to participate in our 'Keeping Customers Real' program. The program aims to connect our people with our customers, and with each other. As part of this, they spent time in the customer contact centre, faults and connections call centre and with high usage team members and listened to the interactions with customers.

Increasing this empathy towards our customers and actively seeking feedback from our customers through monthly research, enables us to refocus our projects from the perspective of our customer and when combined within a Human Centred Design framework ensures that we continue to validate with our customers throughout the solution development process.

This has been a great way to improve our knowledge of our customers and what's important to them, to deepen our understanding across the organisation of what our customer facing teams do day-to-day and, most importantly, provide a better customer experience.

Enabling our business

Our customer outcomes are supported by our four business enablers – people, technology, financial capability and governance. These provide the foundation for us to deliver high quality service to our customers in a changing world.

We know that to deliver the outcomes in this plan we need to build a customer-focussed culture. To achieve this, we'll engage with customers to develop our understanding of their needs, and in turn, ensure our business practices reflect this feedback.

This approach will provide us with the data we need to shape our business into the future.

What we'll deliver 2019–20

Related outcomes

People

We strive to ensure that our organisation reflects the community that we service. We put safety first. We'll continue to build on our capability and develop a diverse, inclusive workplace.

- 6.1 We'll continue our commitment to implementing safety and wellbeing practices supported by a management system that achieves and maintains a safe and healthy workplace for all our employees, contractors and the community. **1, 2, 3, 4, 5**
- 6.2 Continue to ensure that our people practices celebrate diversity and inclusion and the positive benefits diversity brings to our employees, organisation, customers and community, including the development and implementation of our Reconciliation Action Plan. **1, 2, 3, 4, 5**
- 6.3 We'll continue to prepare for the workforce of the future, by implementing approaches that strengthen our ability to attract, develop and retain the skills and capabilities needed for the future. We'll continue to enhance the way in which we work by leveraging the benefits of inclusive and flexible practices; creating a compelling place to work for our people. **5**

Technology

Technology enables us to deliver innovative solutions that provide better outcomes for our customers and the management of our assets, while enhancing our IT systems and their security.

- 6.4 Enhance our customer assistance systems to improve the way we manage our vulnerable customers. **4, 5**
- 6.5 Continue to develop and enhance our cybersecurity landscape to manage any potential threats. **1, 5**
- 6.6 Invest in and develop IT platforms to maintain and improve the services we deliver and be at the forefront of emerging technologies. **2, 3, 5**
- 6.7 Deliver a unified asset register and related processes to provide a framework and repository of key asset information which will support enhanced asset lifecycle management and analysis. **1**

Financial capability

Our focus on efficiency, innovation and prudent financial management will continue to drive our financial strength over the next five years and ensure we deliver on our customer outcomes.

- 6.8 Leverage our strong financial capacity to invest in emerging opportunities to enhance the service we provide in the most efficient and affordable way. **1**

Governance

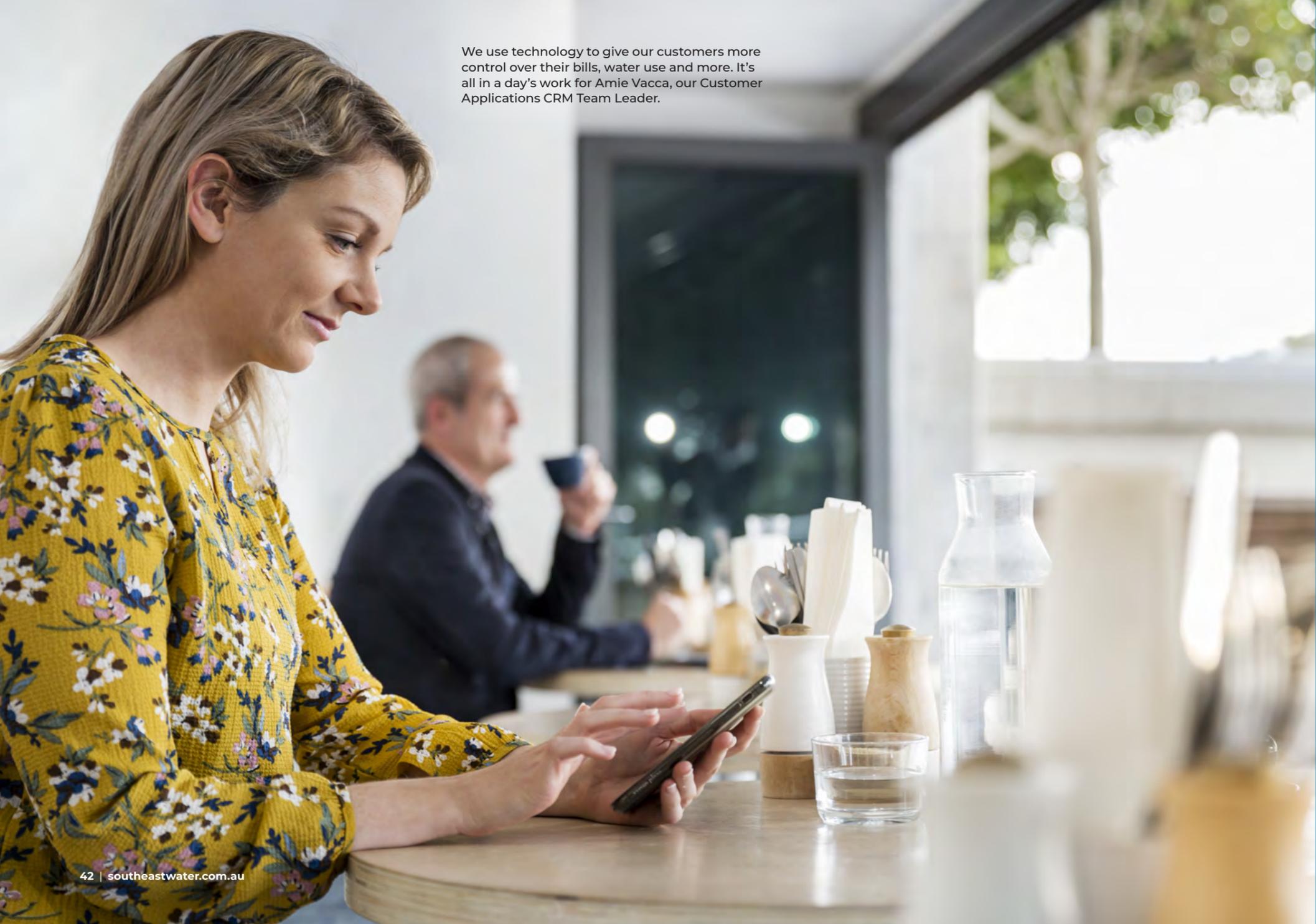
We're committed to the highest standards of governance to ensure that we comply with all relevant legal, regulatory and internal policy requirements. This corporate plan outlines our strategic direction and provides the framework for integrated strategic planning across our business.

- 6.9 Embed our new corporate risk appetite into our decision making process. **1, 2, 3, 4, 5**
- 6.10 Assess compliance training and induction policies, procedures, responsibilities and regulations affecting our business to ensure organisational culture around compliance is maintained. **1, 2, 3, 4, 5**

*other customer outcomes this initiative supports.

Link to Water for Victoria

- Customer and community outcomes
- Financial sustainability



We use technology to give our customers more control over their bills, water use and more. It's all in a day's work for Amie Vacca, our Customer Applications CRM Team Leader.

Financials

Overview

The financials support our five key customer outcomes and business enablers outlined in **Section 2: Delivering for our customers.**

We're committed to delivering our customer outcomes in a continued drive for efficiency, innovation and prudent financial management.

The financial plan builds on the assumptions that formed our price submission. The key changes include the impact of the desalination order and costs of resourcing above the CPI rate of 1.3 per cent (2019–20). The impact of these additional costs has been partially mitigated by our PREMO rating and its effect on our revenue requirement. We will continue to focus on operating efficiencies to minimise the impact to our customers.

External factors impacting the plan include the requirement to fund new initiatives allowing for water efficiency and the impact of climate change on our assets. Over the planning period we will continue our commitment to plan for and implement growth in our network and invest in technology to enable operational efficiencies.

Profit before tax over the planning period is expected to moderate compared to previous years after allowing for a slowdown in land development activity and the cost of funding capital expenditure to meet environmental and customer servicing requirements.

Operating profit before tax in 2019–20 is expected to be at \$111.3 million and increase to \$173.8 million in 2023–24.

The financial projections in this plan are consistent with the Department of Environment, Land, Water

and Planning's Planning and Reporting Guidelines 2018–19.

Debt management strategies over the planning period continue to be in line with existing DTF treasury management guidelines. Total borrowings will grow by approximately \$725.7 million over the planning period to fund dividends and capital expenditure outlays associated with sewage treatment plant upgrades (including a significant upgrade to the Boneo treatment plant).

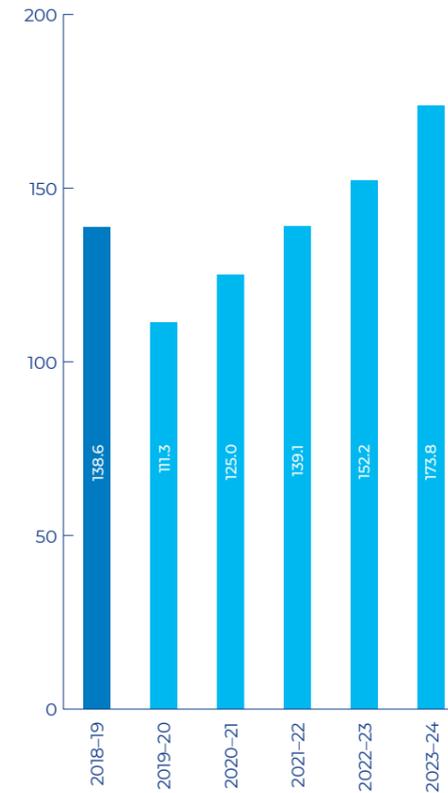
Loans scheduled to mature over the planning period will be refinanced into new fixed rate debt while the loan portfolio will continue to be structured to ensure it remains consistent with approved debt maturity and interest rate risk profiles.

The 2019–24 financial plan assumes the business will continue to pay 65 per cent of pre-tax profits to the State Government as dividends and income tax equivalent payments.

Dividend payments over the planning period amount to \$236.6 million and capital repatriations of \$22.2 million per annum until 2021–22.

The capital structure of the business will continue to be closely monitored over the planning period to ensure that the cost of capital is minimised and that appropriate metrics are used to monitor the financial sustainability of the business. Overall, gearing and interest cover remain relatively strong.

Net profit before tax (\$ million)



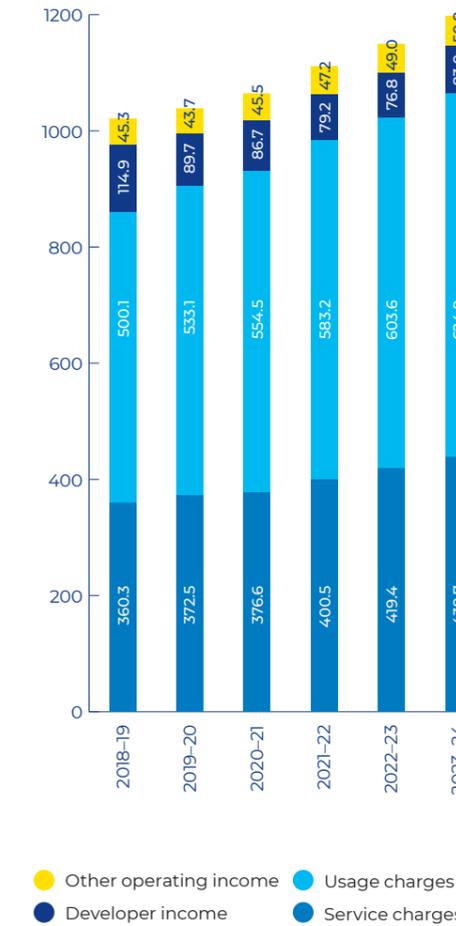
Sales

Sales revenue is expected to increase from \$1,039.0 million in 2019–20 to \$1,197.4 million due to growth in connections, water consumption and CPI price adjustments.

An expected decline in developer activity in 2019–20 of 22 per cent will reduce income by approximately \$25.2 million to \$89.7 million. Over the next three years income is expected to drop to \$76.8 million before a marginal increase in 2023–24.

The contribution of each major income source for the planning period is shown (right).

Sales (\$ million)



Cost of sales

Cost of sales predominately relate to fixed bulk water charges payable to Melbourne Water based on entitlements held by South East Water in the Greater Yarra System – Thomson River, the Victorian Desalination Plant and the North South Pipeline. A separate fixed sewerage service charge is also paid to Melbourne Water consistent with approved price determinations.

Volumetric based charges are paid to Melbourne Water for the delivery of bulk water and the treatment of bulk sewage at the Eastern and Western Sewage Treatment Plants. Overall, bulk water and sewerage charges comprise approximately 63 per cent of our total expenses, of which 88 per cent is fixed and 12 per cent variable.

Bulk water and sewerage prices are consistent with Melbourne Water's 2016–21 price determination and have been adjusted in 2019–20 and 2020–21 to reflect the Victorian Desalination Plant order. A CPI only allowance has been applied to bulk water and sewerage charges to account for Melbourne Water's new regulatory period from 2020–21.

Other cost of sales relate largely to the operation and maintenance of our local treatment plants. Cost estimates for these plants have incorporated higher electricity charges and the costs associated with the operation of water treatment facilities within the Aquarevo residential estate. Expenditure allowances in addition to what was allowed for in the price submission for the Boneo treatment plant upgrade have also been incorporated into the plan. These additional costs have been absorbed through efficiencies in our operating expenses.

A breakdown of our cost of sales is provided in the following chart (right):

Cost of sales (\$ million)



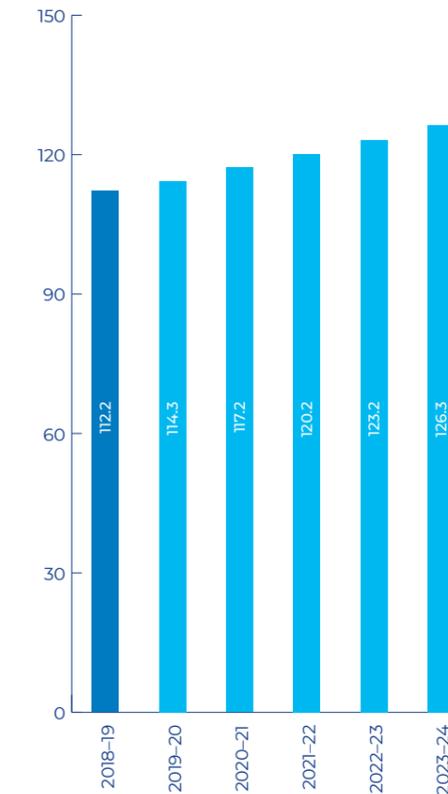
Operating costs

Operating costs largely comprise of operations and maintenance expenditure for water, sewerage and recycled water services, billing and collection services, infrastructure planning and other corporate costs.

Business as usual operating costs have been capped at \$114.3 million for 2019–20. This allowance is in line with the decision of the Essential Services Commission and includes the management of increases for security in information technology and outlays related to the commissioning and supply of recycled water within the Aquarevo estate. Post 2020–21, business as usual costs will increase by CPI only.

Overall, increases inclusive of step changes in operating costs will amount to \$14.1 million over the planning period. These additional costs have been allowed for in proposed water prices as part of this plan.

Operating costs (\$ million)



Other costs

Other costs allowed for over the planning period comprise expenditure associated with research and development (\$5.3 million) and the payment of the environmental contribution levy (\$203.5 million). This environmental contribution assists government initiatives to promote sustainable management of water and address adverse water related environmental impacts.

Capital expenditure

Capital expenditure over the planning period amounts to \$1,214.2 million and incorporates investments to augment network and sewage treatment capacity (including significant upgrade to Boneo treatment plant), renew ageing infrastructure, sewerage backlog works, land acquisitions and investments in new technology.

Further information and commentary on our capital expenditure program is provided in Appendix A.

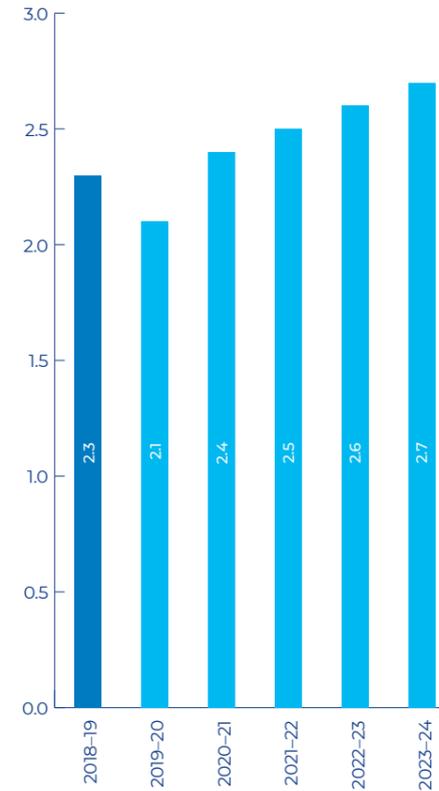
Borrowing expenses

Borrowing expenses are projected to increase over the planning period in line with the increase in total borrowings to fund capital expenditure outlays, dividends and capital repatriations. In addition, projections have incorporated a moderate rise in long term interest rates.

FFO net interest cover (times)

Cash interest cover levels are expected to increase over the planning period from 2.1 to 2.7 times.

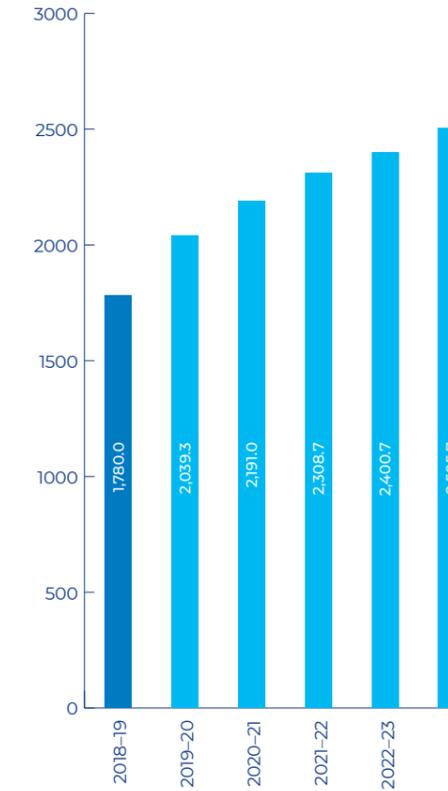
FFO net interest cover (times)



Borrowings

South East Water will require an additional \$725.7 million in new borrowings over the planning period to fund capital expenditure outlays, dividends and capital repatriations. Overall, debt levels are expected to increase from \$1,780.0 million as at 30 June 2019 to \$2,505.7 million at 30 June 2024.

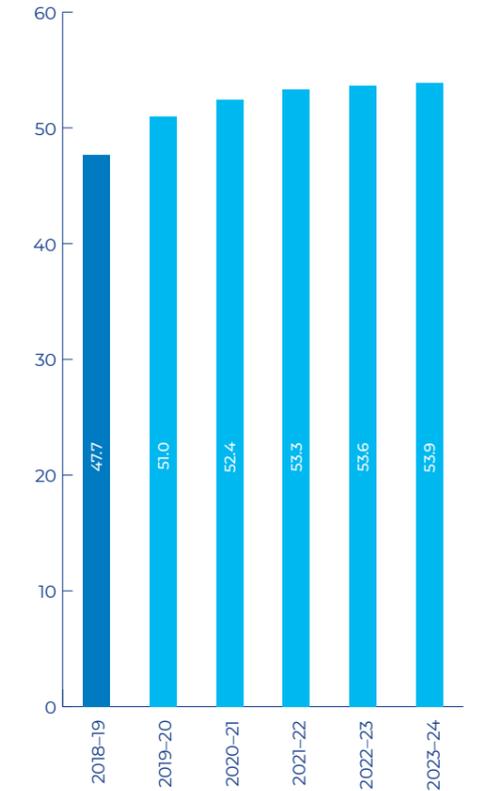
Borrowings (\$ million)



Gearing

Consistent with the increase in total borrowings gearing levels are projected to increase from 47.7 per cent as at 30 June 2019 to 53.9 per cent at 30 June 2024.

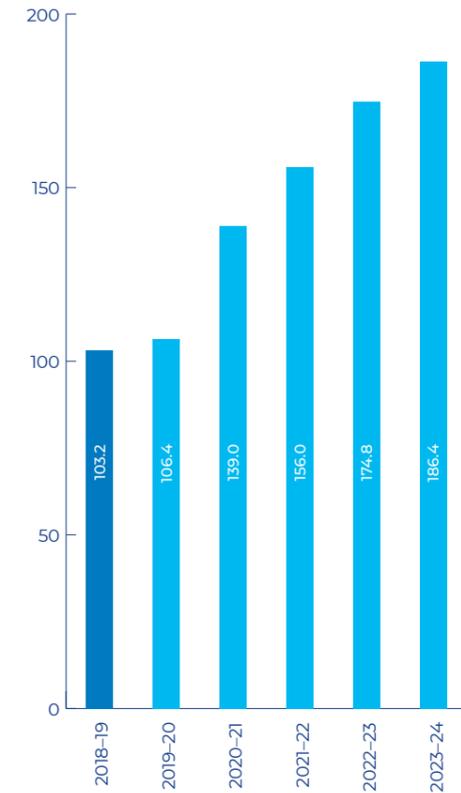
Gearing (per cent)



Funds from operations

South East Water will continue to generate positive cash flows from operations over the planning period. Net cash inflows from operating activities are expected to increase from \$106.4 million in 2019-20 to \$186.4 million in 2023-24. Funds will be used to meet dividend payments and partly fund capital expenditure payments.

Funds from operations (\$ million)



Payments to government

Payments to government in the form of dividends, income tax and capital repatriations are expected to be around \$858.5 million over the planning period.

Dividend payments are based on the government's benchmark payout ratio of 65 per cent of pre-tax profit less income tax paid/payable.

Capital repatriations of \$22.2 million per annum commenced in 2017-18 and will conclude in 2021-22.

In addition, South East Water will also contribute to government by way of the financial accommodation levy of \$134.2 million and the environmental contribution totalling \$203.5 million over the planning period.

Payments to government (\$ million)



● Accommodation levy ● Taxes paid
● Environmental contributions ● Dividends and capital repatriations

With rising costs of living, we do what we can to let our customers know about concession discounts. By the end of January 2019, around 145,690 customers had eligible concession cards linked to their accounts.

Sensitivity analysis

Water consumption variations and developer income have the greatest impact on profits, cash flows, interest cover and gearing. This is seen through the effects on consumption based revenues and associated bulk water purchases.

Sensitivity analysis has been undertaken on the following scenarios.

- **Lower water consumption and new customer contributions** – water consumption is reduced by five gigalitres per annum and a decrease in new customer contributions and donated assets of \$10 million per annum over the forecast period.
- **Higher water consumption** – water consumption is increased by five gigalitres per annum over the forecast period. This scenario reflects a higher than predicted level of consumption combined with no change to the new customer contributions connection charges.

The impact of these scenarios on earnings before interest and tax (EBIT), interest cover and gearing over the forecast period are provided in the table (right):

The results of this analysis demonstrate that under a lower water consumption and developer income scenario, gearing would increase in the range of around 0.1 to 0.6 per cent while cash interest cover would fall by 1 point and remain consistent with management's objectives and targets.

EBIT (\$ million)	2019–20	2020–21	2021–22	2022–23	2023–24
Base	205.2	225.6	243.9	260.4	286.2
Higher water consumption	223.0	245.8	264.8	281.8	308.2
Lower water consumption and developer income	187.5	209.4	227.2	243.4	268.7
Gearing (per cent)					
Base	51.0	52.4	53.3	53.6	53.9
Higher water consumption	48.2	50.3	51.4	51.9	52.1
Lower water consumption and developer income	51.1	52.7	53.7	54.1	54.5
FFO (times)					
Base	2.1	2.4	2.5	2.6	2.7
Higher water consumption	2.5	2.4	2.5	2.5	2.5
Lower water consumption and developer income	2.1	2.3	2.4	2.5	2.6

Planning assumptions

Year	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Prices						
CPI (per cent)	–	1.3	2.5	2.5	2.5	2.5
Bulk water and sewage						
Water sales (GL)	138.1	136.7	139.0	140.9	142.1	143.4
Non revenue water (GL)	22.8	21.9	21.5	21.0	21.2	21.4
Bulk water purchases (GL)	160.9	158.6	160.4	161.8	163.3	164.8
Bulk sewage treatment (GL)	105.8	114.2	115.5	116.5	117.6	118.6
Borrowings and dividends						
Payout ratio to government (per cent)	65.0	65.0	65.0	65.0	65.0	65.0
Financial accommodation levy on borrowings (basis point)	97BP	97BP	97BP	97BP	97BP	97BP
Long-term interest rate (per cent)	3.3	3.5	3.7	3.8	4.0	4.1
Other planning assumptions						
Wage price index (per cent)	3.5	3.0	3.0	3.5	2.5	2.5
Average customer growth (per cent)	2.5	2.4	2.1	1.9	1.8	1.8

Financial projections

Income statement (\$ million)	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Revenue	1,020.6	1,039.0	1,063.3	1,110.1	1,148.8	1,197.4
EBIT	218.1	205.2	225.6	243.9	260.4	286.2
Interest	84.3	94.3	101.0	105.2	108.6	112.7
Melbourne Water bulk costs (\$ million)						
Water	334.6	353.2	342.5	357.9	367.3	377.0
Sewer	176.5	178.6	182.7	187.5	192.3	197.3
Total bulk water and sewer	511.1	531.8	525.2	545.4	559.6	574.3
Expenditure (\$ million)						
Capital	225.2	316.6	222.4	212.3	223.6	239.3
Operating	112.2	114.3	117.2	120.2	123.2	126.3
Local treatment plant	13.4	15.0	16.3	17.0	17.5	17.9
Cash flows (\$ million)						
Operating flows	103.2	106.4	139.0	156.0	174.8	186.4
Investing flows	(197.3)	(295.9)	(228.0)	(206.3)	(216.6)	(235.0)
New borrowings	193.7	259.3	151.7	117.7	92.0	105.0
Dividends paid	(78.9)	(47.0)	(39.9)	(44.5)	(49.5)	(55.7)
Balance sheet (\$ million)						
Total assets	4,411.7	4,700.4	4,865.4	5,015.4	5,169.8	5,347.0
Debt	1,780.0	2,039.3	2,191.0	2,308.7	2,400.7	2,505.7
Equity	1,951.4	1,962.6	1,988.1	2,018.9	2,076.0	2,142.1
Metrics						
FFO net interest cover (times)	2.3	2.1	2.4	2.5	2.6	2.7
Gearing (net debt/capital) (per cent)	47.7	51.0	52.4	53.3	53.6	53.9

Customer impacts

Residential owner-occupier 150 kL (nominal \$)	Water	Water	Sewerage	Sewage	Total	Nominal bill change %
	Fixed	Variable	Fixed	Variable		
2018–19	116.65	366.62	370.42	107.78	961.47	
2019–20	117.16	394.51	367.67	109.21	988.55	2.8
2020–21	107.74	403.35	370.54	111.94	993.57	0.5
2021–22	119.17	419.36	378.13	114.74	1,031.40	3.8
2022–23	122.15	429.84	387.59	117.61	1,057.19	2.5
2023–24	125.21	440.59	397.28	120.55	1,083.63	2.5
Residential tenant 150 kL (nominal \$)						
	Fixed	Variable	Fixed	Variable		
2018–19	–	366.62	–	107.78	474.40	
2019–20	–	394.51	–	109.21	503.72	6.2
2020–21	–	403.35	–	111.94	515.29	2.3
2021–22	–	419.36	–	114.74	534.10	3.7
2022–23	–	429.84	–	117.61	547.45	2.5
2023–24	–	440.59	–	120.55	561.14	2.5
Non-residential customer 150 kL (nominal \$)						
	Fixed	Variable	Fixed	Variable		
2018–19	116.65	467.75	439.91	244.55	1,268.86	
2019–20	117.16	503.33	436.65	247.81	1,304.95	2.8
2020–21	107.74	514.62	440.05	254.01	1,316.42	0.9
2021–22	119.17	535.04	449.07	260.36	1,363.64	3.6
2022–23	122.15	548.41	460.30	266.86	1,397.72	2.5
2023–24	125.21	562.12	471.81	273.54	1,432.68	2.5

Tariff structure

Prices (nominal \$)	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
1.1 Residential water tariff*	\$	\$	\$	\$	\$	\$
Service charge (per annum)	116.64	117.10	107.20	118.80	121.80	124.90
Usage charge (per kL)						
Block 1 (0–440 litres/day)	2.44	2.63	2.69	2.81	2.88	2.95
Block 2 (> 440 litres/day)	3.12	3.36	3.44	3.58	3.67	3.76
1.2 Non-residential water tariff*						
Service charge (per annum)	116.64	117.10	107.20	118.80	121.80	124.90
Usage charge (per kL)	3.12	3.36	3.44	3.58	3.67	3.76
1.3 Residential sewerage tariff						
Sewer service charge (per annum)	370.40	367.56	369.98	377.08	386.51	396.17
Sewage disposal charge (per kL)	0.96	0.97	1.00	1.02	1.05	1.07
1.4 Non-residential sewerage tariff						
Sewer service charge (per annum)	439.88	436.51	439.39	447.82	459.01	470.49
Sewage disposal charge (per kL)	1.81	1.84	1.88	1.93	1.98	2.03
1.5 Residential reticulated recycled water						
Service charge (per annum)	–	–	–	–	–	–
Usage charge (per kL)	1.96	1.98	2.03	2.08	2.13	2.19

Prices (nominal \$)	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
1.6 Trade waste charges						
Volume (per kL)	0.95	0.96	0.98	1.01	1.03	1.06
Biochemical Oxygen Demand (per kg)	0.94	0.95	0.97	1.00	1.02	1.05
Suspended Solids (per kg)	0.53	0.53	0.55	0.56	0.57	0.59
Total Kjeldahl Nitrogen (per kg)	2.06	2.09	2.14	2.19	2.25	2.30
1.7 Trade waste – agreement fees						
Risk rank 1	14,539.88	14,733.27	15,101.60	15,479.14	15,866.12	16,262.77
Risk rank 2	7,269.92	7,366.63	7,550.80	7,739.57	7,933.06	8,131.38
Risk rank 3	4,846.56	4,911.04	5,033.82	5,159.66	5,288.65	5,420.87
Risk rank 4	2,423.24	2,455.50	2,516.89	2,579.81	2,644.30	2,710.41
Risk rank 5	422.64	428.26	438.97	449.94	461.19	472.72
1.8 Other charges						
Fire service – fixed tariff – all declared serviced properties	116.64	117.15	107.23	118.85	121.82	124.86
Fire service – volumetric tariff – metered customer usage charge (per kL)	3,118.3	3,358.1	3,438.1	3,582.8	3,672.4	3,764.2
Bunyip Main Race – maintained private extensions (per annum)	109.64	111.13	113.91	116.75	119.67	122.67
Customers drawing non potable water from Bunyip and Tarago open channels (per kL)	1.51	1.53	1.57	1.61	1.65	1.69

Financial statements

Income statement (\$ million)	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Sales	1,020.6	1,039.0	1,063.3	1,110.1	1,148.8	1,197.4
Cost of sales	(550.8)	(572.3)	(568.0)	(589.8)	(605.3)	(621.1)
Gross profit	469.8	466.7	495.3	520.3	543.5	576.3
Operating expenses	(251.7)	(261.5)	(269.7)	(276.4)	(283.1)	(290.1)
Earnings before interest and tax (EBIT)	218.1	205.2	225.6	243.9	260.4	286.2
Borrowing expenses	(84.3)	(94.3)	(101.0)	(105.2)	(108.6)	(112.7)
Operating profit before tax	133.8	110.9	124.6	138.7	151.8	173.5
Net income from asset sales	4.8	0.4	0.4	0.4	0.4	0.3
Profit before tax	138.6	111.3	125.0	139.1	152.2	173.8
Income tax expense	(41.3)	(33.3)	(37.4)	(41.6)	(45.5)	(52.0)
Profit after tax	97.3	78.0	87.6	97.5	106.7	121.8

Balance sheet (\$ million)	30 June 2019 forecast	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Current assets						
Cash	0.5	0.5	0.5	0.5	0.5	0.5
Receivables	183.8	197.7	204.2	214.9	222.7	231.0
Other	20.1	21.4	20.6	18.5	15.4	15.4
Total current assets	204.4	219.6	225.3	233.9	238.6	246.9
Non-current assets						
Infrastructure, property, plant and equipment	4,100.8	4,364.0	4,524.3	4,666.7	4,817.4	4,987.2
Defined benefit superannuation	9.5	9.5	9.5	9.5	9.5	9.5
Water entitlements	97.0	97.0	97.0	97.0	97.0	97.0
Right of use asset	–	10.3	9.3	8.3	7.3	6.4
Total non-current assets	4,207.3	4,480.8	4,640.1	4,781.5	4,931.2	5,100.1
Total assets	4,411.7	4,700.4	4,865.4	5,015.4	5,169.8	5,347.0

Balance sheet (\$ million) (continued)	30 June 2019 forecast	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Current liabilities						
Payables	105.4	113.0	99.8	100.6	104.2	108.9
Borrowings	50.0	50.0	50.0	50.0	50.0	50.0
Tax liabilities	4.1	2.9	3.2	3.6	3.9	4.5
Lease liability	–	0.6	0.7	0.7	0.7	0.8
Unearned revenue (contract liability)	25.0	25.0	25.0	25.0	25.0	25.0
Other	27.4	30.0	32.8	35.7	38.7	41.9
Total current liabilities	211.9	221.5	211.5	215.6	222.5	231.1
Non-current liabilities						
Tax liabilities	516.2	514.6	513.0	511.0	509.9	508.1
Lease liability	–	10.1	9.4	8.7	8.0	7.2
Provisions	2.2	2.3	2.4	2.5	2.7	2.8
Interest bearing liabilities	1,730.0	1,989.3	2,141.0	2,258.7	2,350.7	2,455.7
Total non-current liabilities	2,248.4	2,516.3	2,665.8	2,780.9	2,871.3	2,973.8
Total liabilities	2,460.3	2,737.8	2,877.3	2,996.5	3,093.8	3,204.9
Net assets	1,951.4	1,962.6	1,988.1	2,018.9	2,076.0	2,142.1
Equity						
Reserves	850.9	850.9	850.9	850.9	850.9	850.9
Contributed equity	386.1	363.9	341.7	319.5	319.5	319.5
Retained profits	714.4	747.8	795.5	848.5	905.6	971.7
Total equity	1,951.4	1,962.6	1,988.1	2,018.9	2,076.0	2,142.1

Cash flow statement (\$ million)	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Cash flows from operating activities						
Receipts from customers	946.1	967.5	1,001.0	1,048.6	1,091.6	1,135.6
Payments to suppliers and employees	(704.7)	(732.7)	(723.5)	(745.1)	(763.0)	(784.8)
	241.4	234.8	277.5	303.5	328.6	350.8
Interest and other costs of finance paid	(82.5)	(92.3)	(99.9)	(104.2)	(107.4)	(111.2)
Income taxes paid	(55.7)	(36.1)	(38.6)	(43.3)	(46.4)	(53.2)
Net cash inflows from operating activities	103.2	106.4	139.0	156.0	174.8	186.4
Cash flows from investing activities						
Payments for property, plant and equipment	(203.4)	(302.6)	(236.2)	(213.9)	(222.0)	(237.0)
Proceeds from sale of property, plant and equipment	6.1	6.7	8.2	7.6	5.4	2.0
Net cash outflow from investing activities	(197.3)	(295.9)	(228.0)	(206.3)	(216.6)	(235.0)
Cash flows from financing activities						
Net borrowings	193.7	259.3	151.7	117.7	92.0	105.0
Net lease liability	-	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)
Capital repatriation	(22.2)	(22.2)	(22.2)	(22.2)	-	-
Dividends paid	(78.9)	(47.0)	(39.9)	(44.5)	(49.5)	(55.7)
Net cash outflows from financing activities	92.6	189.5	89.0	50.3	41.8	48.6
Net increase/(decrease) in cash held	(1.5)	-	-	-	-	-
Cash at beginning of financial year	2.0	0.5	0.5	0.5	0.5	0.5
Cash at end of financial year	0.5	0.5	0.5	0.5	0.5	0.5

Sales (\$ million)	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Service charges						
Service charges – water	86.8	91.1	85.3	96.4	100.7	105.1
Service charges – sewerage	268.4	276.3	286.0	298.6	313.0	327.7
Service charges – recycled water	0.1	-	-	-	-	-
Trade waste charges	5.0	5.1	5.3	5.5	5.7	5.9
	360.3	372.5	376.6	400.5	419.4	438.7
Usage charges						
Water usage charges	374.7	402.6	418.8	442.3	457.4	473.1
Sewage disposal charges	101.6	106.5	110.7	114.7	118.9	123.3
Recycled water	4.0	3.8	4.3	4.9	5.4	6.0
Trade waste charges	19.8	20.2	20.7	21.3	21.9	22.5
	500.1	533.1	554.5	583.2	603.6	624.9
Developer income						
Asset contributions	73.7	57.4	55.5	50.7	49.2	53.1
New customer contributions	41.2	32.3	31.2	28.5	27.6	29.9
	114.9	89.7	86.7	79.2	76.8	83.0
Other operating income						
Commercial activity (net income)	1.0	1.0	1.0	1.1	1.1	1.1
Other	44.3	42.7	44.5	46.1	47.9	49.7
	45.3	43.7	45.5	47.2	49.0	50.8
Total sales	1,020.6	1,039.0	1,063.3	1,110.1	1,148.8	1,197.4

Operating expenses (\$ million)	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Bulk water – fixed	295.5	313.5	299.4	313.3	321.1	329.2
Bulk water – variable	39.1	39.7	43.1	44.6	46.2	47.8
Bulk sewage – fixed	155.9	157.8	161.2	165.3	169.4	173.6
Bulk sewage – variable	20.6	20.8	21.5	22.2	22.9	23.7
Recycling availability and purchases	0.6	0.4	0.4	0.4	0.4	0.4
Local water recycling plant costs	13.4	15.0	16.3	17.0	17.5	17.9
Cost of sales – miscellaneous	25.7	25.2	26.1	26.9	27.9	28.6
Operating costs	112.2	114.3	117.2	120.2	123.2	126.3
Research & development	1.1	1.0	1.0	1.1	1.1	1.1
Environmental contribution	40.7	40.7	40.7	40.7	40.7	40.7
Depreciation and write-offs	97.7	105.5	110.7	114.5	118.1	121.9
Total expenses	802.5	833.9	837.6	866.2	888.5	911.2

Cash paid to government (\$ million)	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Final dividend – previous year	58.7	28.3	18.7	21.2	23.4	26.1
Interim dividend – current year	20.2	18.7	21.2	23.4	26.1	29.6
Capital repatriation	22.2	22.2	22.2	22.2	-	-
Tax paid	55.7	36.1	38.6	43.3	46.3	53.2
Environmental contribution	40.7	40.7	40.7	40.7	40.7	40.7
Financial accommodation levy	22.2	25.6	26.6	27.3	27.3	27.4
Total cash paid to government	219.7	171.6	168.0	178.1	163.8	177.0

Capital expenditure (\$ million)	2018–19 forecast	2019–20	2020–21	2021–22	2022–23	2023–24
Water						
Capacity (growth)	7.3	13.8	16.4	14.2	17.9	16.9
Reliability	30.7	32.9	33.9	37.2	36.8	39.8
Water quality	0.2	0.2	0.2	0.2	0.2	0.2
Meters	10.4	3.0	3.1	2.8	2.9	2.7
	48.6	49.9	53.6	54.4	57.8	59.6
Sewerage						
Network capacity (growth)	29.3	26.7	47.0	54.7	38.9	60.0
Network reliability	31.0	31.1	21.0	21.1	21.6	21.7
Water recycling plant growth	48.6	90.9	22.6	13.5	6.8	3.5
Water recycling plant reliability	15.9	16.5	21.0	13.8	12.5	12.6
Water Recycling plant class A	-	4.4	3.7	4.9	8.3	8.5
Network odour	1.9	3.9	2.8	2.2	2.5	2.6
Backlog (unserved lots)	12.7	19.8	13.8	14.3	14.5	12.1
	139.4	193.2	131.9	124.5	105.0	120.9
Recycling						
All projects	6.2	12.6	10.8	6.3	16.9	30.4
	6.2	12.6	10.8	6.3	16.9	30.4
Corporate assets						
Information technology/telemetry	19.6	28.9	21.5	22.3	22.9	23.4
Plant and equipment	1.7	0.3	0.2	0.3	0.2	0.3
Land and buildings	5.9	27.8	0.3	0.3	16.5	0.3
Motor vehicles	3.8	4.0	4.1	4.2	4.3	4.4
	31.0	61.0	26.1	27.1	43.9	28.4
Total value of program	225.2	316.6	222.4	212.3	223.6	239.3



Every decision and drop of water counts
– from full loads to front-loaders.

Appendices

Appendix A

Asset management

Effective asset management is critical for our organisation. It determines our long-term investment profile and sets a large proportion of our controllable operating costs in the short term.

Our goal is to certify our asset management system against ISO 55001 by 2023 to ensure we have systems in place to achieve our objectives through effective and efficient asset management.

We critically review our expenditures with input from all affected parties to ensure we're making the right investment decisions. We also use new technology to meet our functional requirements and we'll continue to investigate opportunities to install pressure sewer systems where economically viable.

These new solutions can generate valuable information. There's an opportunity to use this information to gain new insights about our assets. Our Capital Delivery Program delivers the majority of key programs on time and within budget and we continue to perform well against benchmarks for drinking water quality and service reliability.

Five-year asset management plans

Our asset management framework defines how we plan and manage our infrastructure assets.

It considers:

- current or desired levels of service for our customers and stakeholders
- associated costs of providing those service levels
- future population growth, urban planning and demand for water
- practices and systems that help us manage our assets in the most efficient and effective way.
- the impacts of climate change.

Water, sewerage and treatment plans help us to implement the framework. Each plan is based on defined service objectives and actions to achieve them, with strategic performance measures to determine how well the objectives are delivered.

We've considered the optimum mix of current and future capital, as well as operating and maintenance costs, for all our assets. Thorough risk assessment processes determine the preferred timing for projects, programs and activities. This assessment is based on the likelihood of failure of the asset (condition) and the consequence of the asset failing (criticality). Asset failure is defined as not achieving the desired service level for our customers.

We're currently undertaking a critical asset review program, which was initiated to address a range of pain points and will inform our *Corporate Plan 2020–25*.

Five-year capital program (2019–20 to 2023–24)

Water Capacity Plan

Our Water Capacity Plan ensures we have the capacity to deliver drinking water to meet the needs of new and existing customers. It's focussed on growth investment rather than deficiencies in the existing system.

We've predicted major expenditure areas in our region in Clyde, Cranbourne, Officer and Pakenham.

The plan predicts that we'll need to invest \$62 million to extend our network, spread over the five-year period. This will enable new customers to connect to our water supply, while maintaining adequate pressure and flow standards.

Water Reliability Plan

Our Water Reliability Plan helps us avoid excessive service interruptions. It achieves this through rigorous assessment and takes into consideration emergency and preventative maintenance and asset renewals.

We're planning to increase our expenditure to maintain current service levels. Our Water Reliability Plan proposes a \$105 million investment to renew an average of 50 kilometres of water mains each year. We've also identified a need to upgrade water mains constructed from asbestos, and we've changed our renewal technique to effectively manage these risks, and have allowed for this additional expenditure.

Our water reliability maintenance budget also includes all recurrent costs for running and maintaining our water supply system. Our significant costs include repairing water mains and replacing service pipes between the main and meter, while our preventative maintenance costs have decreased through improved monitoring and evaluation of planned mechanical activities and civil inspection programs. The plan also targets valves, hydrants, and mechanical and electrical assets.

Water Quality Plan

The quality of water provided to our customers is monitored across our network through Continuous On Line Testing (COLT) available through our SCADA system. We collect around 8,000 drinking water samples per year which are laboratory tested. We also have a number of secondary disinfection units which provide added protection to our water quality. These systems combine to make sure we provide the highest quality water to our customers, and are the key focus of our continuing investment.

Sewer Capacity Plan

Our Sewer Capacity Plan ensures we can safely collect and transfer sewage to treatment and disposal systems without risking the environment or community health. The majority of our sewer capacity programs are driven by growth (as is the case for water) and compliance with the current containment standard.

We also work with the environmental regulator to consider revising discharge standards in appropriate situations to ensure any investment maximises the environmental outcomes. By providing recycled water, our sewer treatment systems are also increasingly contributing to the liveability and sustainability of suburbs in our service region.

Development and population growth means that new customers need to connect to our sewerage system without overloading it. We're investing \$220 million during the planning period to service the south eastern growth corridor and provide centralised sewer services to properties that currently rely on septic systems. We've also budgeted for upgrades to assets in inner city areas to provide for planned urban redevelopment, particularly where it enhances liveability.

Due to population growth, our major water recycling plants are at or nearing capacity. Consequently, \$122 million of upgrades are required, primarily at our Boneo, Longwarry, Mt Martha and Pakenham plants over the next five years. The largest project is Boneo, where an additional 40 per cent of hydraulic capacity is being delivered at a cost of approximately \$125 million – of which \$80 million will be spent in this five year period. We're using this opportunity to deliver optimised sewer infrastructure for the south eastern growth corridor, which includes commencing environmental studies and stakeholder consultation for a major regional water recycling plant.

Sewer Reliability Plan

Our Sewer Reliability Plan ensures we can keep reliably collecting sewage without disrupting service to our customers, or significantly impacting our local environment and communities. As a result of our targeted sewer pipe inspection and renewal program, the structural condition of our sewer system remains sound, with only a small number of collapses.

We're planning to spend \$97 million over the period to renew our sewerage assets and maintain the current reliability of the sewerage system. Major programs include the branch and reticulation renewal program, with a projected expenditure of \$28 million to reduce the risk of vulnerable concrete sewers failing.

We're also expecting to invest \$7 million in sewer rising mains. These are our highest risk assets, due to the environmental consequences if they fail – particularly as our service area borders more than 270 kilometres of coastline. This expenditure will be mostly confined to the Mornington Peninsula, which due to geography has the largest number of sewer rising mains. The exact investment will be determined upon completion of the critical asset review. Other areas of investment include mechanical and electrical renewals at pump stations and at facilities associated with water recycling plants.

So we can avoid spills and service disruptions to our customers, we are targeting the identification of emerging sewer blockages. Our investment strategy will continue to focus on new digital technology, enhancement and integration of key infrastructure data systems, and further progressing industry leading analytical capability to improve our early warning systems.

Sewage Quality Plan

In collaboration with the other water organisations in metropolitan Melbourne (Melbourne Water, City West Water and Yarra Valley Water) an Integrated Sewage Quality Management System (ISQMS) has been implemented.

The ISQMS provides a risk-based approach to sewage quality management, based on the application of the Australian Standard Food Safety Management Systems, which we include as part of the Sewage Quality Reference Manual.

The Sewage Quality Reference Manual covers the delivery of sewage of an acceptable quality to South East Water and Melbourne Water treatment plants, and the management of the associated risks within the sewer network. This is audited internally and externally to ensure compliance with the standards and that effective controls are maintained.

Recycled Water Plan

Throughout the next five years we'll continue to produce recycled water in the south eastern growth corridor of our service area, investing around \$60 million. This investment includes buying land and building infrastructure that will allow us to distribute, hold and pump recycled water.

During the period, the full development of Aquarevo will take place including the construction of a water recycling plant.

Through ongoing engagement, our customers have told us that they're willing to support schemes that provide recycled water for agricultural purposes. During the next five years, we'll examine potential schemes and explore opportunities where we can act as an enabler to deliver schemes that our customers see as important.

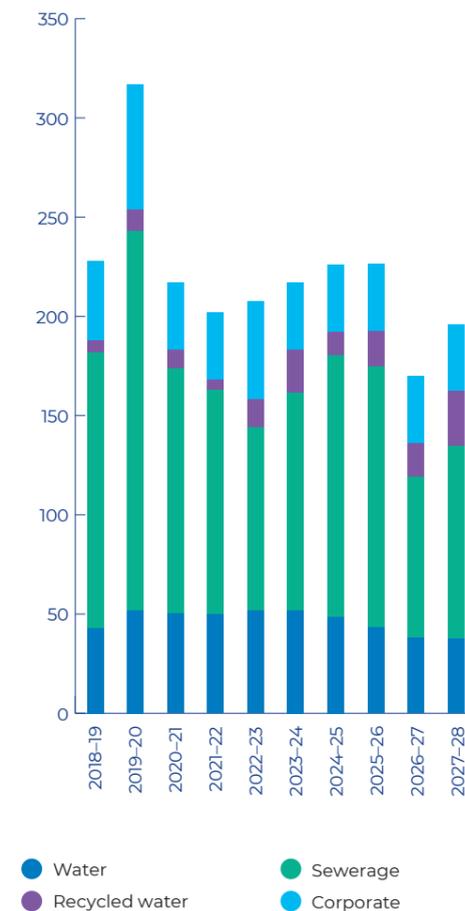
Corporate

A key initiative in this corporate plan is the Fishermans Bend development (right) – which will ultimately become home more than 80,000 new residents and a significant employment precinct. Providing alternative water to the area will continue to enhance Melbourne's reputation for sustainability and liveability.

Corporate capital expenditure of \$147 million over the planning period relates primarily to expenditure at Fishermans Bend, the south eastern growth corridor, as well as information technology (including equipment replacements and upgrades). We're also rapidly developing a range of communication channels so that our customers can access systems as part of our digital transformation.

Ten-year Capital Program (2018–19 to 2027–28) (\$ million)

This graph shows our Capital Program by service (water, sewerage, recycled water) for the next 10 years.



An artist's impression of Fishermans Bend, a redevelopment that understands the role of water in a cool, green urban landscape. Thanks to CRC for Water Sensitive Cities/Realm Studios for this image.

Appendix B

How we'll measure our performance

Get the basics right, always	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Number of water bursts and leaks per 100 kms	33.2	32.1	31.0	29.9	28.9	26.7
Number of sewer spills avoided	New KPI	1,857	1,950	2,047	2,150	2,300
Number of sewer spills per 100 kms	8.9	8.7	8.4	8.0	7.6	7.0
Number of Safe Drinking Water Regulations non-compliance incidents	0	0	0	0	0	0
Number of water quality complaints per 1,000 customers	1.8	1.8	1.8	1.8	1.8	1.8
Number of customers receiving greater than five unplanned water supply interruptions	382	532	532	532	532	532
Number of customers receiving three or more sewerage blockages	31	17	17	17	17	17

Make my experience better	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Customer satisfaction rating*	79%	80%	81%	82%	83%	84%
Number of complaints for 1,000 customers	4.1	4.3	4.3	4.3	4.2	4.2
Customer value for money rating*	64%	65%	66%	67%	68%	69%
Community trust rating*	64%	65%	66%	67%	68%	69%

*A positive rating for trust, satisfaction and value for money are all calculated as seven or above.

Warn me, inform me	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Percentage of customers impacted by unplanned water supply interruptions in peak times measured against the total of all customers impacted by water supply interruptions	27.9%	27.4%	26.7%	26%	25.3%	24.6%
Percentage of customers notified per unplanned interruptions	71%	72%	76%	78%	80%	82%
Average duration of unplanned water supply interruptions	88 mins	88 mins	88 mins	88 mins	88 mins	88 mins
Percentage of planned water interruptions restored within the notification period	98%	98%	98%	98%	98%	98%

Fair and affordable for all	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Average level of debt upon entry to South East Water Assist program	\$900	\$825	\$800	\$800	\$800	\$800
Number of customers supported by South East Water Assist program (L4)	5,310	5,575	5,854	6,147	7,147	7,505
Operating cost per property (nominal dollars)	144	143	143	143	144	145

Appendix B

How we'll measure our performance

Support my community, protect our environment	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Reduction in total net CO ₂ emissions	38,266	36,122	33,978	31,834	29,690	28,438
Volume of recycled water use (gigalitres)	5.6	5.7	5.8	5.9	6.0	6.1
Residential water usage – litres per person per day	163	162	160	158	157	155
Volume of recycled water as a percentage of total water used in designated greenfield areas	12%	14%	16%	18%	20%	20%
Number of significant sewage spills (dry weather)	19	18	17	16	15	14
Percentage of customers in greenfield areas receiving recycled water	46%	46%	65%	78%	77%	82%

Business enablers	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Gender balanced workforce in senior leadership positions	28%	50%	50%	50%	50%	50%
Senior leader safety observations	148	155	162	167	167	167
Employee awareness rating of access to flexibility arrangements in the workplace 'I have the flexibility I need to balance my personal and work life'			79% (2017-18 result) 1% target increase year on year			
Improvement in overall employee engagement survey results			73% (2017-18 result) 1% target increase year on year			
Reduction in Total Recordable Injury Frequency Rate (TRIFR)	10.00	9.50	9.00	8.50	8.00	7.50

Appendix C

How we deliver on our government commitments

Financial performance indicators	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Internal financing ratio Net operating cash flow less dividends/net capital expenditure *100	12.3%	20.1%	43.5%	54.0%	57.8%	55.6%
Gearing ratio Total debt (including finance leases)/total assets *100	40.3%	43.4%	45.0%	46.0%	46.4%	46.9%
Cash interest cover Net operating cash flows before net interest and tax/interest payments	2.9	2.5	2.8	2.9	3.1	3.1
Current ratio Current assets/current liabilities (excluding long-term employee provisions and revenues in advance)	1.2	1.2	1.4	1.4	1.3	1.3
Return on assets Earnings before net interest and tax/average assets *100	5.1%	4.5%	4.7%	4.9%	5.1%	5.4%
Return on equity Net profit after tax/total equity *100	5.0%	4.0%	4.4%	4.9%	5.2%	5.8%
EBITDA margin Earnings before interest, tax, depreciation and amortisation/total revenue *100	30.9%	29.9%	31.6%	32.3%	32.9%	34.1%
Credit rating Evaluation of credit risk	A-	A-	A-	A-	A-	A-

Appendix C

How we'll perform against government commitments

Water and sewerage service indicators	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Unplanned water supply interruptions Number of customers receiving five or more unplanned interruptions in the year/total number of water (domestic and non-domestic) customers *100	0.065%	0.065%	0.065%	0.065%	0.065%	0.065%
Interruption time Average duration of unplanned water supply interruptions	88 mins	88 mins	88 mins	88 mins	88 mins	88 mins
Restoration of unplanned water supply Unplanned water supply interruptions restored within five hours/total unplanned water supply interruptions *100	98.5	98.5	98.5	98.5	98.5	98.5
Containment of sewer spills Sewer spills from reticulation and branch sewer contained within five hours/total sewer spills from reticulation and branch sewers *100	100%	100%	100%	100%	100%	100%
Sewer spills interruptions Number of residential sewerage customers affected by sewerage interruptions restored within four hours	98.6%	98.6%	98.6%	98.6%	98.6%	98.6%

Customer responsiveness indicators	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Number of water quality complaints per 1,000 customers	1.8	1.8	1.8	1.8	1.8	1.8
Number of billing and account complaints per 1,000 customers	0.5	0.5	0.5	0.5	0.5	0.5

Environmental performance indicators	2018-19 forecast	2019-20 target	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Effluent re-use volume (end use)	22%	22%	22%	22%	22%	22%
Total net CO ₂ emissions	38,266	36,122	33,978	31,834	29,690	28,438



Water enhances the lives of our customers. Together, we're always discovering ways to use it efficiently – even a trigger nozzle helps.

Appendix D Part one Risk Appetite Statement

As an essential services provider, we know that our customers rely on us to deliver safe, reliable and affordable water and wastewater services, every day and every night.

In order to continually meet our customers' expectations and earn their trust, it's vital that we recognise the broad range of risks that we face. Each must be given careful and appropriate consideration in order to support our commitments to our customers and stakeholders in line with our vision: to help create a better world for our customers with forward-thinking solutions, for all and always, that won't cost the earth.

First and foremost is safety. Our people are fundamental to our success, and we are committed to the health, safety and wellbeing of our people and anyone who works within or visits our sites. In addition, we will always treat our people with fairness and respect and provide a work environment that is positive, inclusive and transparent. We do not accept any breach of workplace relations law by South East Water or any of our partners, and when representing our organisation with customers, we also expect our people to act in line with our values and code of conduct.

We also recognise our industry is changing. Water scarcity, climate change and technology shifts mean we're always looking for new ways to better what we do, and how we deliver it. We are open to new ideas and acknowledge that not everything we try will work as intended. In this pursuit, however, we will not compromise our commitment to safety or meeting our compliance obligations. For an organisation with a portfolio of long-life infrastructure assets, our investments must not only be well planned and delivered, but importantly consider whole-of-life costs, as well as changing priorities and new ways of thinking.

Climate change is just one example. Our commitment to reduce emissions must balance the urgency of the environment challenge, with the need for prudent investments based on existing mitigation strategies and the promise of more efficient options yet to be developed.

Financial sustainability is core to our future success, yet we accept that we need to explore opportunities with the potential for long term, industry changing benefits, even where these may have negative impacts on our financial position. In making our investments, however, we have no appetite for violating our key debt ratios (gearing, FFO) or placing our ongoing financial sustainability at risk.

Underpinning our success is the continued trust our customers, shareholders, regulators and the community places in us. Transparency, model governance, policy alignment and community engagement are levers we control to positively build our capability and reputation and ensure we retain our licence to operate. As such, we have no tolerance for fraud or collusion, however minor. This also means compliance with all laws and regulations both in our service region and beyond. A key aspect of this is preserving the integrity and availability of our critical systems and processes from unauthorised access as well as respecting the privacy of the customer information we keep. We are wholly committed to maintaining the quality of water we supply and to leaving the environment in which we exist in a better state for all future generations.

Only with that trust can we fulfil our purpose, and deliver healthy water for life.

This risk appetite statement and associated framework are endorsed by the Board of South East Water and its Executive Leadership Team.

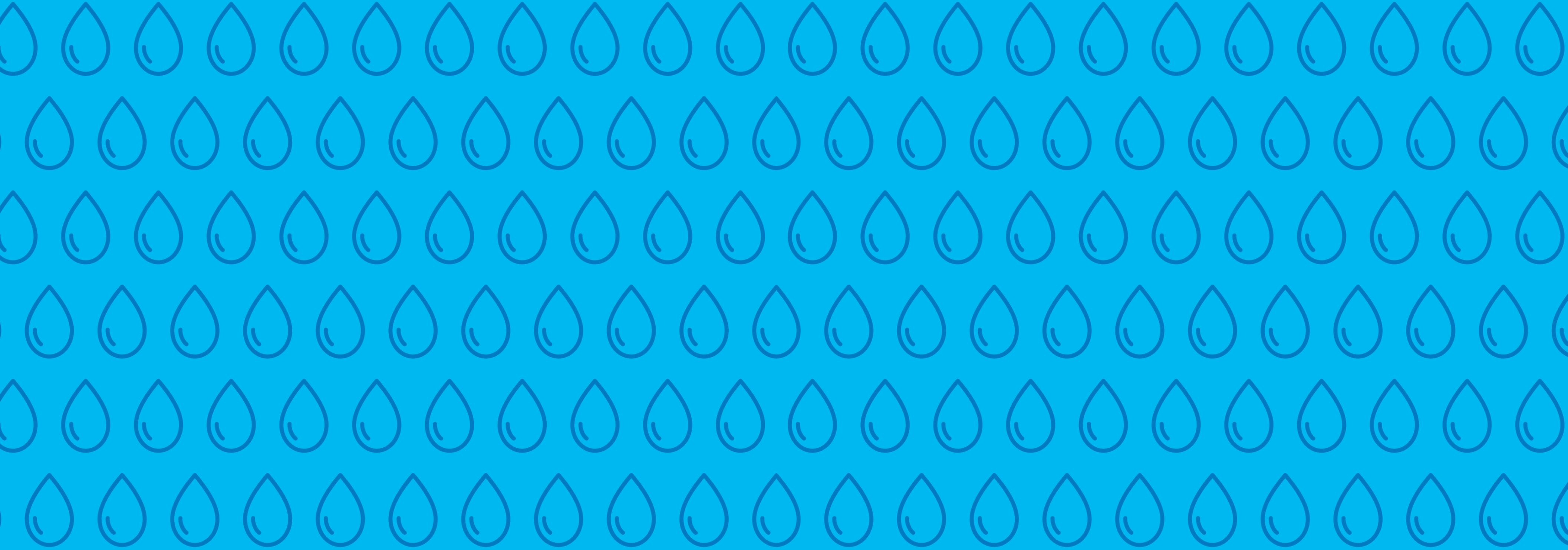
Appendix D Part two

Material risk

Risks	Description and plans to manage
Safety and wellbeing	To reduce serious workplace injury which may be physical, mental, health or wellbeing related. <ul style="list-style-type: none"> We believe safety and wellbeing are not just important, they are absolutely essential. We're always improving our certified safety management system and have a comprehensive wellbeing program aimed at improving employee health.
Water and product quality	To provide safe drinking water that meets expectations of customers and complies with regulatory obligations. <ul style="list-style-type: none"> South East Water's vision is to provide healthy water for life. This underpins everything the corporation does so its focus in this area is strong, comprising a number of quality management systems, frameworks and standards the corporation abides by and that are subject to stringent audit.
Customer and our communities	To better understand the customers and the communities South East Water serves (and for them to better understand its services) and to provide them with a positive experience that meets their expectations. <ul style="list-style-type: none"> South East Water's customer engagement and research program informs its strategies on how to improve services in areas that matter most to customers. It has in place a number of key programs that strive to constantly deliver value for money and enhanced outcomes for the entire customer base. <p>Ensuring we communicate with our customers around disruption at the right time and in their preferred method is important. We're managing this exposure by ensuring we have up-to-date customer contact details (across a number of different channels), exploring different forms of communication (e.g. social media) as well as managing disruption away from peak times.</p>
People	To attract, recruit and retain the right people for the right role to take our business forward and help achieve our strategic goals. <ul style="list-style-type: none"> As the needs of our business evolve, we've committed to initiatives that continually improve our culture, capability and diversity and inclusion practices so that we develop our people and attract high calibre talent.
IT/OT and data security	To effectively manage the information technology and operational technology (IT/OT) assets that underpins business operations and to protect customer and corporate data in line with regulatory and customer expectations. <ul style="list-style-type: none"> IT/OT infrastructure is managed to an asset management plan to ensure the stability and reliability of all of platforms. We align our data security to the Victorian Protective Data Security Standards and already have mandatory data security awareness training and network controls in place to protect the data we store.

Risks	Description and plans to manage
Asset management	To plan, build, operate and maintain assets reliably and efficiently to meet the service expectations of customers. <ul style="list-style-type: none"> South East Water has in place comprehensive asset management plans and constantly monitors asset condition. We're driving further improvement in this area by aligning our practices to ISO 55001:2014 Asset Management.
Regulatory environment and stakeholder management	To respond and influence the regulatory and policy environment to outcomes aligned to strategic goals, with the proactive and consistent engagement of key stakeholders. <ul style="list-style-type: none"> We have fostered and continue to develop strong relationships with key stakeholders, built on a platform of transparency and trust. Our underlying approach is to engage in a constructive and collaborative manner to achieve positive solutions for our customers. We also take compliance seriously and manage our compliance obligations in line with AS/ISO 19600: 2015 Compliance management systems.
Disruption and non-traditional markets	To be able to adapt South East Water's business and positively respond to major changes in industry composition, technology or consumer behaviours. <ul style="list-style-type: none"> We have a long and proud history of innovation and continue to monitor shifts inside (and outside of) the industry and trial emerging technologies. The Aquarevo development and establishment of Iota are just two examples of how South East Water challenges the conventional approach of a regulated water business. Longer term, we see innovation and our investment in becoming increasingly digital, in particular, as a key platform to deliver greater benefits to our customers.
Climate change	To understand and plan for the impacts of a changing climate on assets and effectively transition to a carbon free future. <ul style="list-style-type: none"> Climate change is real and South East Water has developed adaptation and mitigation plans for its assets and business operations. We've developed adaptation and mitigation plans for our assets and business operations. We've also committed to carbon reduction and in 2018 formalised our pledge of net zero emissions by 2030.
Organisational resilience	To effectively manage and learn from planned or unplanned significant impact events that disrupt the services provided to our customers. <ul style="list-style-type: none"> We have a comprehensive continuity framework in place that comprise business continuity plans, incident and emergency management response as well as crisis management procedures to help prevent service interruptions and to respond and recover in the event they do occur.

*Note: Ensuring the *financial sustainability* of South East Water is also fundamental to our ongoing viability. For details on the various methods we use to manage our various financial risk factors, please refer our most recent annual report.



How to get in touch

support@southeastwater.com.au

13 18 51 General account enquiries

9552 3540 South East Water Assist

13 36 77 (ask for 13 18 51) Hearing impaired

9209 0130 Interpreter service (all languages)

southeastwater.com.au

**Healthy Water.
For Life.**

