

2023-28

Price

Submission

Summary

A brief overview of our submission to the Essential Services Commission for water and sewerage pricing for the 2023-28 regulatory period



Aboriginal acknowledgment

South East Water proudly acknowledges the Bunurong and Wurundjeri Woi Wurrung as the Traditional Owners of the land on which we operate, and pay respect to their Elders past, present and emerging.

We acknowledge their songlines, cultural lore and continuing connection to the land and water. We recognise and value their rich cultural heritage and continued contributions of Aboriginal people and communities to our society in Victoria.

Overview

We've submitted our 2023–28 Price Submission to our regulator, the Essential Services Commission (ESC).

Every 5 years, each Victorian water corporation puts forward its price submission to the ESC, outlining the charges, services, support and projects they propose to deliver to their customers and community for the next 5 years. The ESC reviews these submissions and then sets the maximum price water organisations can charge for their services.

To make sure our proposals for 2023–28 reflected what's important to our customers, we started an extensive engagement program in February 2021 with a wide cross section of our customers, including those experiencing vulnerability, and the communities in which we operate. The program aimed to test what they valued most and their willingness to pay for a number of different services, projects, tariffs and guaranteed service levels. In these times of uncertainty and change – including the coronavirus (COVID-19) pandemic – it's been more important than ever to 'check in'.

We connected with our customers using a range of tools including online surveys, deliberative online discussions, an online bill simulator, focus groups and workshops.

Right from the start, we let our customers choose their level of participation and we considered their recommendations at each stage of our price submission development. This includes work we did to prioritise our future investments and to update our measures, targets and guaranteed service levels so they aligned to what customers told us.

Our submission proposals are based on what matters most to our customers and, once approved, they'll take effect from 1 July 2023 and run until June 2028.

Delivering on what our customers told us

Our customer outcomes, proposed investments and what they mean for customers' bills – what you need to know



Our promises to our customers

As part of each price submission to the ESC we must propose a set of outcomes that we'll deliver to our customers over a 5-year regulatory period. These outcomes, including measures and targets, are unique to us at South East Water because they're what our customers have told us matter most to them.

To prepare for the 2018–23 period, we connected with customers to develop 5 outcomes, along with measures and targets to track our performance.

For 2023–28, we'll continue to focus on these outcomes because our customers have told us that they still resonate with them.

- *Get the basics right, always.*
- *Warn me, inform me.*
- *Fair and affordable for all.*
- *Make my experience better.*
- *Support my community, protect our environment.*

Our customers also told us they'd like us to improve on how we deliver on our customer outcomes.

To reflect their expectations and our commitment to deliver on our promises, we've **refined some proposed measures and targets**.

We've also **modified and enhanced our guaranteed service level commitments**.

See page 6: 'Outcomes and measures for customers'

Our proposed investments

Our decisions about what we propose to invest in for 2023–28 have also been in response to what customers told us was most important to them.

As a result, we'll look to be **more efficient and responsive** by improving and maintaining reliable services, catering for the expected population growth in our service area, scaling up our fleet of digital meters and modernising our business systems.

We'll continue to **offer services that will add value to our customers, the community in which we work and the environment**, now and into the future. That includes increasing investment in how we manage and distribute alternatives to drinking water and in learning from and working with Traditional Owners.

We'll make bills easier to understand, more affordable and easier to pay – and we'll provide easier access to information about issues such as service interruptions.

Our customers want us to be more responsive to the increasing impacts of climate change, and we're embedding climate resilience into the way we design and operate our assets, implementing our *Climate Adaptation Action Plan* and reducing our greenhouse gas emissions.

See page 6: 'Outcomes and measures for customers'



How we'll deliver on these outcomes

Operating expenditure

In our *2023–28 Price Submission* we propose an increase in our yearly operating expenditure – that is, the expenses we incur to operate our business – **to \$160 million**.

That's an **increase of approximately 10%** compared to the 2018–23 regulatory period.

Capital expenditure

For capital expenditure – which includes building, upgrading and maintaining physical assets such as infrastructure (like water recycling plants), property and technology (like digital meters) – we propose an investment of **\$1.92 billion for 2023–28**, not including those works we do but which are paid for by other organisations.

That's a **54% increase from 2018–23** on the projected expenditure in this area.

This projected increase has partly been driven by recent economic pressures including higher construction costs – due to supply chain issues, labour shortages and fuel prices – and the impacts of coronavirus (COVID-19).

Thinking about the future

To support improved, cost-effective services into the future and reduce risk for our customers and the environment, we also plan to:

- **Invest in programs that help us deliver and improve standards of service**

While we've proposed increases in our expenditure costs for the 2023–28 period, we're committed to keeping our services affordable. And many of the investments we're proposing (such as our digital program) will ultimately help deliver better standards of service and provide a platform for us to keep improving into the future.

- **Apply efficiencies and cost savings**

We've identified a range of efficiencies which will enable significant operating cost savings and we've proposed that these will be passed on to customers in full. That includes ways to reduce our operating costs – such as through our revised maintenance model – and improving the way we deliver large capital projects.

- **Reduce and manage risk**

We'll absorb any cost overruns, particularly with our digital meter program. And we'll make sure that we don't jeopardise public health or the environment, demonstrated by our proposed investment to replace some of our ageing infrastructure. All our activities will focus on the long term without detriment to future generations.

- **Keep track of the environment in which we operate**

All our planning is based on the regular review of our operating environment and identifying future challenges and opportunities. Trends such as our growing region, climate change, customer expectations and risk management have been considered to ensure we're able to deliver the outcomes customers want from our services now and into the future.



What this means for customers' water bills*

Through our price submission proposals, **we'll reduce our fixed water and sewage service charges by around 6%** in 2023–24 (before inflation), then increase it by inflation each year until 2028.

We also propose to **remove the residential sewage disposal charge** from customers' bills and reallocate it to their water usage charge.

This will mean fewer line items on a bill making it easier to understand.

It also means that households will have more control over their bill, as the amount they pay will more closely reflect how much water they use, and they'll have access to their real-time water usage data through the expansion of our fleet of digital meters right across our service region.

Typical water and sewerage bills (not including inflation)

Typical water and sewerage bills (not including inflation) Customer group	Consumption (kL p.a.)	2022–23 annual bill	2023–24 annual bill	Percentage change
Residential (owner/occupier)	150	\$967	\$908	-6.07%
Residential (tenant)	150	\$515	\$483	-6.31%
Non-residential (small)	150	\$1,281	\$1,207	-5.79%
Non-residential (medium)	1,000	\$5,594	\$5,270	-5.79%
Non-residential (large)	10,000	\$51,254	\$48,289	-5.79%

*What do water bills pay for?

Customers' bills depend on factors such as the amount of water and services they use. These include:

- water for drinking, bathing, cleaning, washing, watering
- removal of wastewater (through toilets, drains and sinks), disposal and treatment before it's released into the environment
- water supply services (buying water from Melbourne Water, and sampling and maintaining it)
- upgrades to and construction of new water and sewer pipes, pumps and treatment plants
- our operating costs (include 24/7 response and repairs, treating and supplying recycled water, and customer support).

Delivering on what our customers told us

Outcomes and measures for customers



How we've performed against 2018–23 outcomes

- We're delivering our 5 customer outcomes to a high standard in the current 2018–23 regulatory period and we regularly report our performance – quarterly to our customers [via our website](#) and annually to the ESC. Over the 4 years of this period to date we've performed to a high standard, missing a target on only 5 occasions, generally due to external events, such as coronavirus (COVID-19) and extreme weather.
- In 2021–22, we had the highest overall customer satisfaction rating among Victorian water corporations (as reported by the ESC) and received high satisfaction ratings in our own customer sentiment surveys.

Looking to the future, our customers told us they want continued and consistent delivery of our 5 agreed customer outcomes.

2023-28 proposed outcomes and measures

1. *Get the basics right, always*

It's critical that the services we provide are safe and reliable. It's important to our customers that we maintain and improve our current high levels of service and continue our innovative approach.

How we're responding

For South East Water, that means full compliance with drinking water standards and fewer unplanned disruptions across all our services. It means continually refreshing our knowledge, using ideas from across the sector, and drawing on digital technologies to proactively find better, less disruptive ways to deliver the basics for our customers.

Our proposed investments and measures (examples)

- Expanding the use of digital meters and sensors in our network
- Increasing investment in the quality of our drinking water and making sure we're responding to new environmental protection responsibilities
- Increasing investment in our sewer network and upgrading our Lang Lang, Longwarry and Mount Martha water recycling plants to improve reliability
- New combined measures for customers experiencing unplanned disruptions (water, sewer or water quality).

2. Warn me, inform me

Customers want to be better informed about disruptions, including improved visibility of leaks on their premises and timely warnings when there are wider network disruptions.



How we're responding

Through advanced network monitoring and digital meters installed across our entire service region, we'll provide more customers with access to near real-time water usage information and notifications of any irregularities. This means faults can be detected and fixed more quickly and provides customers with more control over their water use and bills.

Our proposed investments and measures (examples)

- Providing more customers with digital meters to help them save money – and water – with significantly increased targets for the money customers will save through leak detection
- A new guaranteed service level, payable when we don't provide 48 hours' notice of planned works
- Increased investment in water awareness and knowledge and a new target in this area.

3. Fair and affordable for all

As a provider of essential services, our customers expect those services and charges to be fair and affordable for everyone. They want us to continue to provide support for those in need, and to tailor this support as circumstances change.



How we're responding

Being fair means helping customers to learn about and access our support when they're willing to make the required payments, but don't have the financial capacity.

Affordability means providing good value, and prudent and efficient services by drawing on the benefits of digitisation, freeing up fixed charges where possible and identifying efficiencies to deliver customer service.

Our proposed investments and measures (examples)

- More tailored support available, and measures to increase uptake of our support offerings when our customers need them
- Providing more customers with digital tools to help them keep track of unusual spikes in their water use and reduce the unwanted shock of higher-than-expected bills – and targets to make sure our digital rollout is on track
- A 2% target for delivering efficiencies in how we run our business.

4. Make my experience better

Customers want an easier experience when dealing with us and, whether by digital or traditional means, one that allows them choice.



How we're responding

This means listening to our customers across a wider range of the interactions we have with them to address problems and issues, and empowering frontline employees to ensure the best possible customer experience.

It also means giving customers more self-service options, including the ability to view their near real-time water usage through our digital meter portal.

Our proposed investments and measures (examples)

- Our increased investment in smart, digital tools means we can learn more about our customers and how they'd prefer to transact with us
- Clearer and more transparent bills, and a tighter measure to reduce enquiries from customers about our charges
- A new way of tracking our customers' satisfaction with our services, which takes into account data from a broader range of customers.

5. Support my community, protect my environment

Our customers trust us to ensure long-term water security, minimise our impact on the environment and support our community.



How we're responding

This means preserving our connection to the land and water, and continuing to learn from Traditional Owners in our region.

It also means easing demand on drinking water supplies by continuing to deliver more alternative water sources, and encouraging and enabling customers to be wise with their water use.

And we need to reduce sewer leaks and blockages through more advanced monitoring devices and digital sensors, and continue to focus on our commitment to net zero emissions by 2030.

Our proposed investments and measures (examples)

- Increased investment to learn from and work with Traditional Owners in our region
- Increased investment to bring to life our *Climate Adaptation Action Plan*
- Upgrading our Lang Lang, Longwarry and Mount Martha water recycling plants to minimise spills and help reduce our footprint to meet our emissions reduction commitment
- Investment in infrastructure to expand the supply of Class A recycled water across the south-east, like new mains to service the green wedge in Dingley and a new recycled water plant for Fishermans Bend – and a stricter target to make sure we're increasing our delivery of alternative water as a percentage of the total water we deliver to our customers.

How we developed our price submission

Listening to our customers

Although our price submission is based on extensive customer and stakeholder engagement, we don't limit this engagement only to the process of preparing our price submissions. Involving and engaging with our customers and community is an important and ongoing part of our day-to-day business culture and operation.

Our comprehensive customer and stakeholder engagement program involved 5 stages over an 18-month period.

- **Stage 1**, we developed a strategic engagement plan so we knew what information we already had and what we needed to find out to develop the *2023–28 Price Submission*.
- **Stages 2 and 3** involved new primary research, such as interviews and surveys, and engagement with more than 8,600 residential and business customers, exploring the issues that are important to them and their willingness to pay for different service levels.

This included meeting with Traditional Owners, and vulnerable and culturally and linguistically diverse customers to understand their needs.

What our customers told us (stages 2 and 3)



- **Stage 4**, we collaborated with a community panel to decide the best way to reflect customer views and values in the price submission.

The panel was a group of randomly selected customers from across our service region. Panel members were given information and the time to weigh up the pros and cons and consider the trade-offs associated with a range of issues.

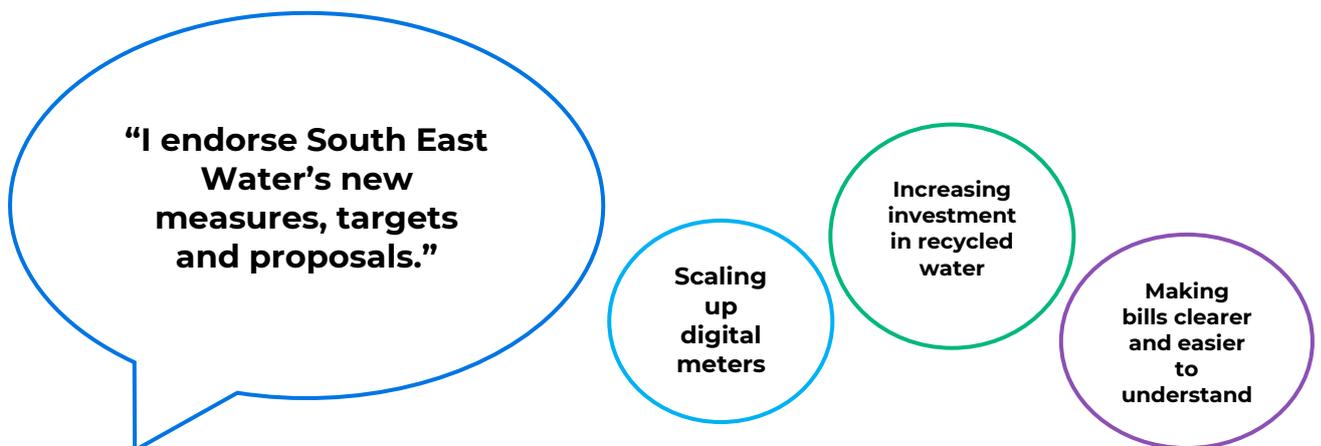
Based on community input, and combined with new insights and knowledge they gained from online workshops, the panel developed a set of recommendations about different options surrounding our future prices and services.

Our community panel's recommendations (stage 4)

- Recommendation 1:** Water security (quality and quantity) achieved sustainably for now and the future
- Recommendation 2:** Reliable service across the whole network
- Recommendation 3:** Water security awareness
- Recommendation 4:** Bills to be clear, simple (easy to navigate) and transparent
- Recommendation 5:** Digital meter rollout
- Recommendation 6:** Effective and efficient communication
- Recommendation 7:** Delivery of innovative and best service methodology by South East Water
- Recommendation 8:** Affordable and accessible service

- **Stage 5**, we 'closed the loop' with the community panel, with panel members considering key elements of the price submission proposals as they aligned to its recommendations. Our proposed expenditure program was unanimously endorsed by the panel. We also reported back to stakeholders who had provided input to let them know how their feedback had helped shape our submission.

What our customers told us (stage 5)



More information?

- Keep up to date and read about all our proposals for the next 5 years in our full *2023–28 Price Submission* on [our website](#).
- Check out the fact sheet and other information on [the ESC website](#).

Healthy Water. For Life.

How to get in touch

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