



Melbourne Water Price Submission 2021

At a glance



Price Submission 2021

At a glance

In this document

A submission with a difference	4
Our services at a glance	6
Melbourne's challenges are our challenges	9
Listening to our customers and community	10
Our commitment to you	12
Access to safe and reliable water and sewerage services	13
Melbourne's environment, rivers, creeks and bays are protected and Melbourne Water's greenhouse gas emissions are minimised	14
Melbourne remains liveable as it deals with the impacts of climate change and population growth	15
Melburnians are empowered to support the design and delivery of service outcomes	17
Easy, respectful, responsive and transparent customer service	18
Bills kept as low as possible	19
Proposed prices for 2021-26	20
What this means for your bill	20
Reporting on our performance	22

Aboriginal Acknowledgement

Melbourne Water respectfully acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners and custodians of the land and water on which all Australians rely. We pay our respects to Wurundjeri Woi wurrung, Bunurong and Wadawurrung, their Elders past, present and future, as Traditional Owners and the custodians of the land and water on which we rely and operate.

We acknowledge and respect the continued cultural, social, economic and spiritual connections of all Aboriginal Victorians. We also acknowledge the broader Aboriginal and Torres Strait Islander community and their connections with lands and waters, and recognise and value their inherent responsibility to care for and protect them for thousands of generations.

Melbourne Water acknowledges Aboriginal Victorians as Traditional Owners and, in the spirit of reconciliation, we remain committed to developing partnerships with Traditional Owners to ensure meaningful, ongoing contributions to the future of land and water management.

Melbourne is renowned as one of the world's most liveable cities. Water is essential to this: sustaining the natural environment we live in, the communities we value, and the economy we depend on.

Melbourne Water is proud of our role in **enhancing life and liveability** across the Greater Melbourne region: working with others to provide water, sewerage, drainage and healthy waterways for five million people.

Our aim, through our Price Submission, is to continue delivering these highly-valued essential services – in a transparent, accessible way that places customers front and centre.

Our Price Submission 2021

Prices for water and other essential services must be approved by the Essential Services Commission, Victoria's independent regulator. To inform their decision, Melbourne Water prepares a Price Submission detailing our proposed service standards, expenditure and prices for a five-year period.

This document summarises the key customer outcomes we intend to deliver for 2021–26, and the actions we'll take to achieve them. It also includes how we'll measure and report on our performance, so customers know we're delivering on our commitments.

The Essential Services Commission's review

Melbourne Water lodged our Price Submission 2021 with the Essential Services Commission on 9 November 2020.

The Commission will review our submission against the relevant legislation and guidance it has previously provided us, before making a decision on the service standards and prices we can put in place from 1 July 2021.

You can find out more on the Essential Services Commission's website: esc.vic.gov.au/water

A submission with a difference

Our submission is the result of our efforts to deliver greater value to our customers and community. It demonstrates our commitment to diligently, carefully, openly and honestly serve the needs of the people who benefit from our services.



We engaged early, deeply and broadly

We engaged early and collaboratively across the breadth of our submission, aiming to deepen our understanding of our unique and diverse customer base so that our services reflect their priorities.

- We began engagement early ahead of planning for our submission, enabling customer expectations and community insights to inform our work plans and focus areas for engagement – as well as our submission itself.
- We established two dedicated customer forums to collaborate with us on our submission over a period of nearly 20 months. We also collaborated with the community to develop guiding values and refine customer outcomes.
- We gave customers, via the dedicated forums, opportunities to review and comment on every aspect of our submission – providing insights into customer preferences and shaping our response to key service and regulatory matters.



We will deliver the outcomes our customers value

Our submission is centred on delivering the six outcomes our customers value:

- **Access to safe and reliable water and sewerage services**
We will maintain our high-quality services for current and future Melburnians
- **Melbourne's environment, rivers, creeks and bays are protected and Melbourne Water's greenhouse gas emissions are minimised**
We will continue protecting the environment and playing our part to address climate change
- **Melbourne remains liveable as it deals with the impacts of climate change and population growth**
We will increase recreational access to the land we manage, and continue reducing flood risks
- **Melburnians are empowered to support the design and delivery of service outcomes**
We will empower others to achieve more, especially for our waterways, than we could on our own
- **Easy, respectful, responsive and transparent customer service**
We will reach new standards in customer service for each of our major services
- **Bills kept as low as possible**
We will continue focusing on efficiency and being transparent about emerging cost challenges

Delivering will be challenging, but we are up to the task.

Population growth, climate change and the COVID-19 pandemic are key challenges we must and will address during the five-year submission period. We are confident our response is considered, proportionate and designed to deliver the outcomes Melburnians value – while remaining focused on affordability and preparing for challenges ahead.



We remain focused on affordability

We've acted prudently and efficiently to keep bills as low as possible – ensuring customers are not paying for costs we can avoid or risks we can manage.

- We've smoothed the delivery of major infrastructure and renewals to minimise uncertain projects, and deferred \$498 million in infrastructure projects until our next Price Submission so prices aren't higher than they need to be.
- We'll keep our operating costs flat while supporting a growing population – representing efficiencies of 2 per cent per year, or a saving of \$106.5 million. We will bear any risks to revenue from lower-than-forecast demand as a result of the COVID-19 pandemic, rather than passing this on to customers through higher prices.
- We have reduced prices for our combined services while delivering the uplift in waterways and drainage services strongly supported by customers. The additional investment in these services is offset by decreases in our wholesale water and sewerage prices.



We will be more accountable than ever

We will maintain our focus on customers throughout the five years of our submission, emphasising our commitment to meeting their expectations.

- We will introduce guaranteed service levels for our wholesale water and sewerage services, acknowledging our impact on households' and businesses' customer experiences. This deepens our service commitment and represents a significant step forwards in our relationship with the retail water companies.
- We will address customers' desire for greater transparency: reporting our annual performance directly to a representative customer forum as part of an ongoing conversation, and engaging them in responses to under or over-performance against the customer outcomes in our submission.
- We will ensure our priorities continue to align with customer preferences, engaging our customer forum to help us identify the most appropriate responses to emerging or unexpected issues, and to help prepare for our next price submission in 2026.

Our services at a glance

Melbourne Water is owned by the Victorian Government and manages Melbourne’s major water resources on behalf of the community. We play a unique role: part essential service provider, and part steward of the region’s liveability.

Five million Melburnians benefit every day from the services we deliver in partnership with a range of organisations. These include your retail water company, to whom we provide wholesale water and sewerage services, and your local council, who shares responsibility for the drainage network.

Our prices and your water bill

Your water and sewerage charges include **retail** costs from your water company, as well as our **wholesale** costs – which make up just over half of this portion of your bill.

Your bill also includes our Waterways and Drainage Charge, which your water company collects on our behalf.

City West Water | South East Water
Yarra Valley Water

Water bill

Account summary

Water service and usage charge	\$ ___
Sewerage service and usage charge	\$ ___
Waterways and Drainage Charge	\$ ___
Parks Charge	\$ ___



Water

Our wholesale water charges go towards storing, treating and transferring water from catchments, and producing water from the Victorian Desalination Plant.



Sewerage

Our wholesale sewerage charges fund the transfer and treatment of sewage, which is supplied as recycled water or discharged to our bays.



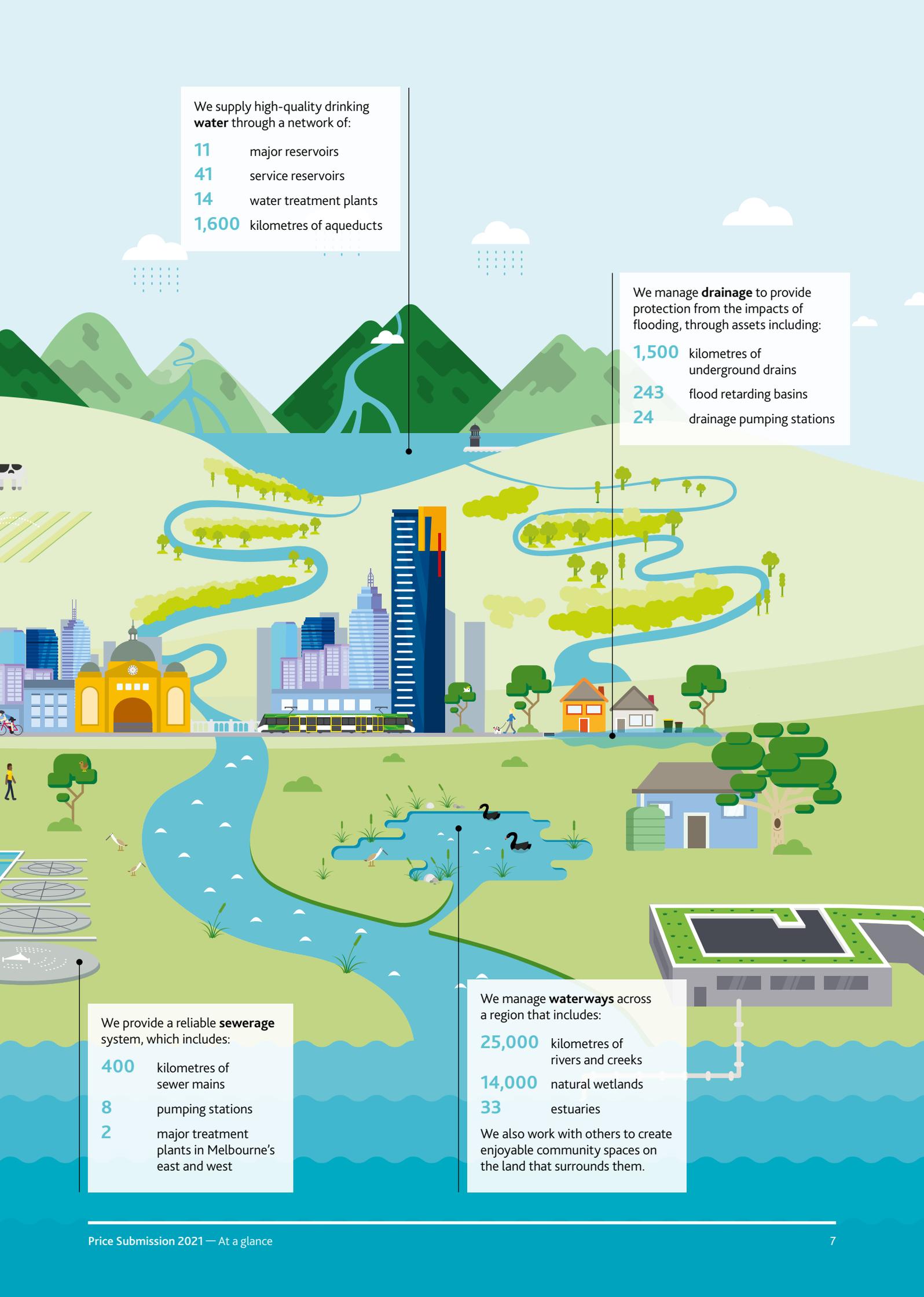
Waterways and Drainage Charge

This funds a range of activities to protect and improve waterway health, manage drainage and provide flood protection.



Parks Charge

Collected on behalf of the Department of Environment, Land, Water and Planning, this supports Melbourne’s parks, trails, public facilities and zoos, as well as the Royal Botanic Gardens and Shrine of Remembrance.



We supply high-quality drinking **water** through a network of:

- 11 major reservoirs
- 41 service reservoirs
- 14 water treatment plants
- 1,600 kilometres of aqueducts

We manage **drainage** to provide protection from the impacts of flooding, through assets including:

- 1,500 kilometres of underground drains
- 243 flood retarding basins
- 24 drainage pumping stations

We provide a reliable **sewerage** system, which includes:

- 400 kilometres of sewer mains
- 8 pumping stations
- 2 major treatment plants in Melbourne's east and west

We manage **waterways** across a region that includes:

- 25,000 kilometres of rivers and creeks
- 14,000 natural wetlands
- 33 estuaries

We also work with others to create enjoyable community spaces on the land that surrounds them.



"I'm really pleased to hear that Melbourne Water is considering the serious impacts that COVID-19 has had on customers and the community."

Melbourne's challenges are our challenges

Greater Melbourne is experiencing a period of profound transformation. A changing climate and ever-growing population are impacting the way we plan and deliver services, while the COVID-19 pandemic presents new challenges we must address.

Our services face a number of challenges, today and into the future. We've drawn on our operational experience, customer engagement and collaboratively-developed strategies to identify key themes our submission must address, so we can deliver the outcomes customers seek from our services.

Catering for a growing population

Population growth places pressure on our water supplies and our sewerage system capacity – as well as increasing demand for public green space to enjoy the benefits of connecting with nature. As our suburbs expand to accommodate this growth they reduce natural vegetation and increase hard surfaces like roads, roofs and pavements.

Despite the effects of the COVID-19 pandemic, we will begin the 2021 Price Submission period with half a million more Melbourne residents than the submission before it, and expect to gain another half a million more by the end of the five-year period. We must also address growth that has occurred in recent years and pushed many of our assets to capacity.

Acting to address climate change

We are living in a changing climate with less overall rainfall, higher temperatures and more intense storms.

This is exacerbated by urban development, as more stormwater runs off hard surfaces into our rivers and creeks.

These changes have far-reaching implications for the way we manage our services: from water security, to flood risk and the health of our waterways, whose ecosystems are damaged by unnaturally high flows and stormwater pollution. More water will also infiltrate our sewerage network and increase the risk of spills into the environment.

Maintaining and renewing existing assets

We rely on a network of world-class infrastructure to deliver our services. This includes Melbourne's major water storages and sewage treatment plants, as well as thousands of kilometres of pipes and natural waterways spanning the Greater Melbourne region.

Each of these assets needs to be maintained and periodically renewed, contributing to our maintenance and renewal costs – and ultimately household and business water bills.

Responding to COVID-19

The COVID-19 pandemic has added to these challenges, creating significant uncertainty as governments and communities deal with ongoing restrictions and their impact on businesses and the economy.

We've carefully considered the implications and amended our initial proposals, in order to minimise price increases and ensure customers are not paying for any additional uncertainty caused by the pandemic. In doing so, we've sought to balance this with the longer-term outcomes and services our customers have told us they value.

Our measures include:

- Ensuring customers do not bear an unfair burden from risks they expect us to manage. We have timed our infrastructure renewal program to reduce the total amount customers will pay by \$42.9 million. We are also bearing any risks to revenue from lower-than-forecast demand, rather than pass this on to customers through higher prices.
- Spreading proposed price increases for waterways and drainage services across the full five years of the submission, rather than a larger one-off increase in the first year.

This means the annual residential charges in 2021-22 will be \$105.36 rather than \$108.95 – a modest change, but we know every dollar counts in times like these.

- Continuing to monitor the situation to understand customer affordability and the social, health and financial pressures arising from the pandemic. Based on these insights, we will review the case for setting our prices lower than those determined by the Essential Services Commission in any given year, engaging an ongoing customer forum established to report on our performance against our Price Submission commitments.

Listening to our customers and community

Our submission reflects our continuous evolution as a customer-centric organisation, prioritising genuine two-way dialogue and embedding engagement and customer insights into how we do business.

It is the result of a comprehensive engagement program focused on understanding the needs of our customers across the water sector, government and industry, as well as the broader community who benefits from our services.

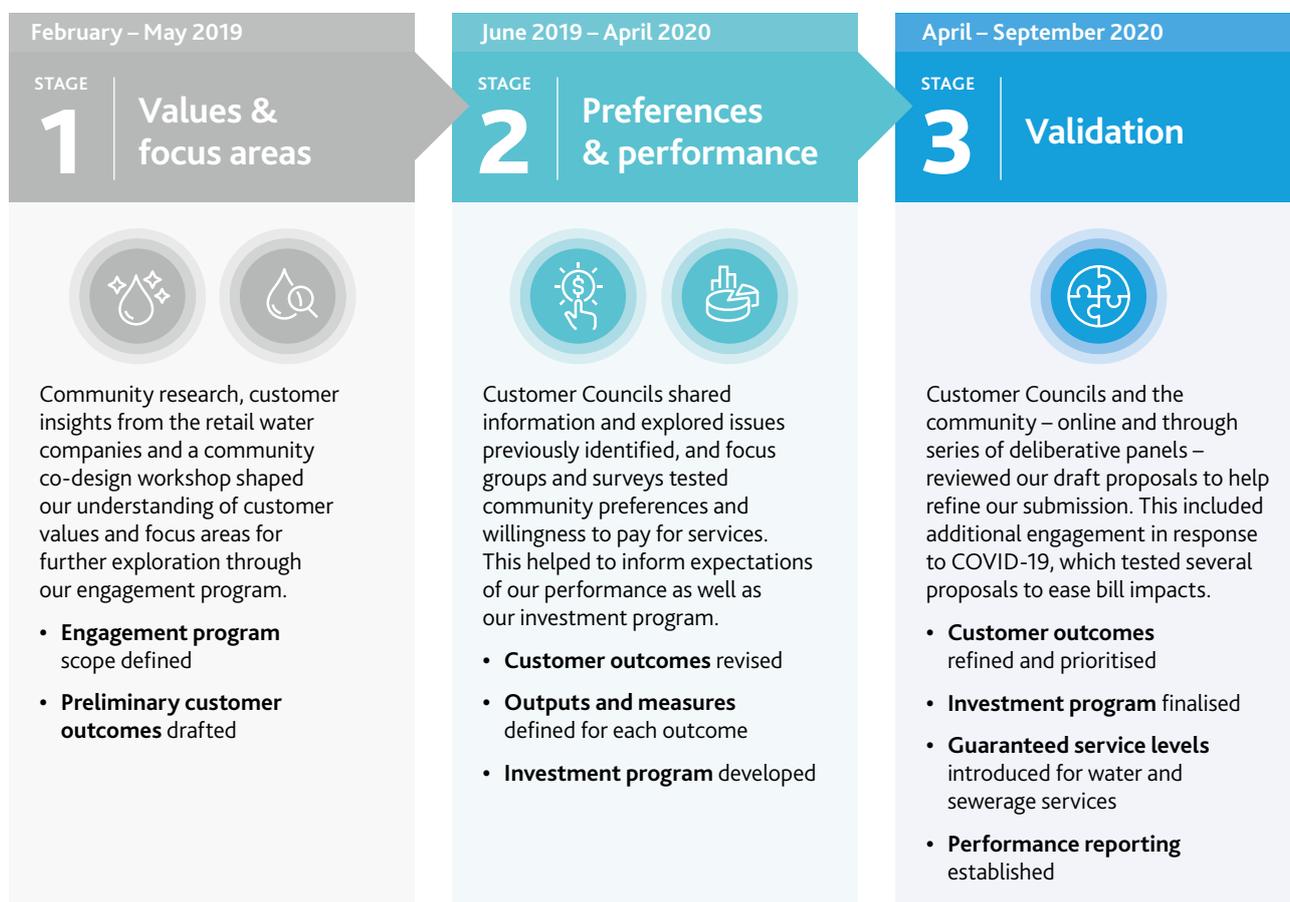
Over 20 months we provided multiple opportunities to shape key elements of our submission, through a variety of channels and forums.

We established two Customer Councils who were closely involved in developing our submission: one for water and sewerage services with our retail water company customers; and another for waterways and drainage services with a diverse group of customers and service delivery partners. The councils focused on strategic matters to help refine our engagement, define the outcomes customers want from our services, and review our proposed investments and performance measures.

These insights were complemented by a robust research program seeking informed views from a representative sample of the community to understand their preferences and willingness to pay for different levels of service. The community also reviewed our proposed outcomes and performance measures, and our measures to address affordability in light of the impacts of COVID-19.

Throughout this process, we've aimed to not only develop a submission that delivers the outcomes Melburnians value, but also set the foundation for an ongoing conversation on our performance against our commitments.

How engagement shaped our submission



Who we engaged

Retail water companies

6

retail water companies represented on the Water and Sewerage Customer Council, which met 17 times

7

participants in research on retail water company customer values

- Regulator Managers Forum established to explore complex regulatory matters in depth
- Engagement Advisory Panel established to share community insights and advice from other retail water companies
- Roadshows and information sessions to explain our approach to risk, pricing, and capital and operating expenditure



Households and businesses

145+

participants in 20 focus groups and 1 online panel

3,753

residents and 535 businesses responded to 2 surveys testing investment preferences and willingness to pay for services

80+

participants in 3 deliberative panels, including 2 held online

6,351

visits and 228 subscribers to the Price Submission *YourSay* website

2,477

click-throughs on social media

1,500

people estimated to have been engaged at 5 community festivals held across Melbourne



Waterways and drainage customers

14

members from local government, community groups, emergency services, the development industry and an agricultural customer on the Waterways and Drainage Customer Council, which met 13 times

26

online submissions from councils to inform waterway, drainage and flood protection services



Direct service customers

- Waterway diversion customers, such as farmers and nurseries
- Property owners in Patterson Lakes' Quiet Lakes and the Koo Wee Rup-Longwarry Flood Protection District

Key agencies

A series of briefings were provided to state government, consumer advocacy groups and Traditional Owners (Bunurong, Wadawurrung and Wurundjeri Woi wurrung)

Our commitment to you

We've worked with our customers and community to develop a Price Submission that delivers the outcomes they value, while fulfilling our obligations and addressing the challenges that face our region.

Our submission is centred on six **outcomes** that describe what our customers are looking to us to deliver over the next five years and beyond.



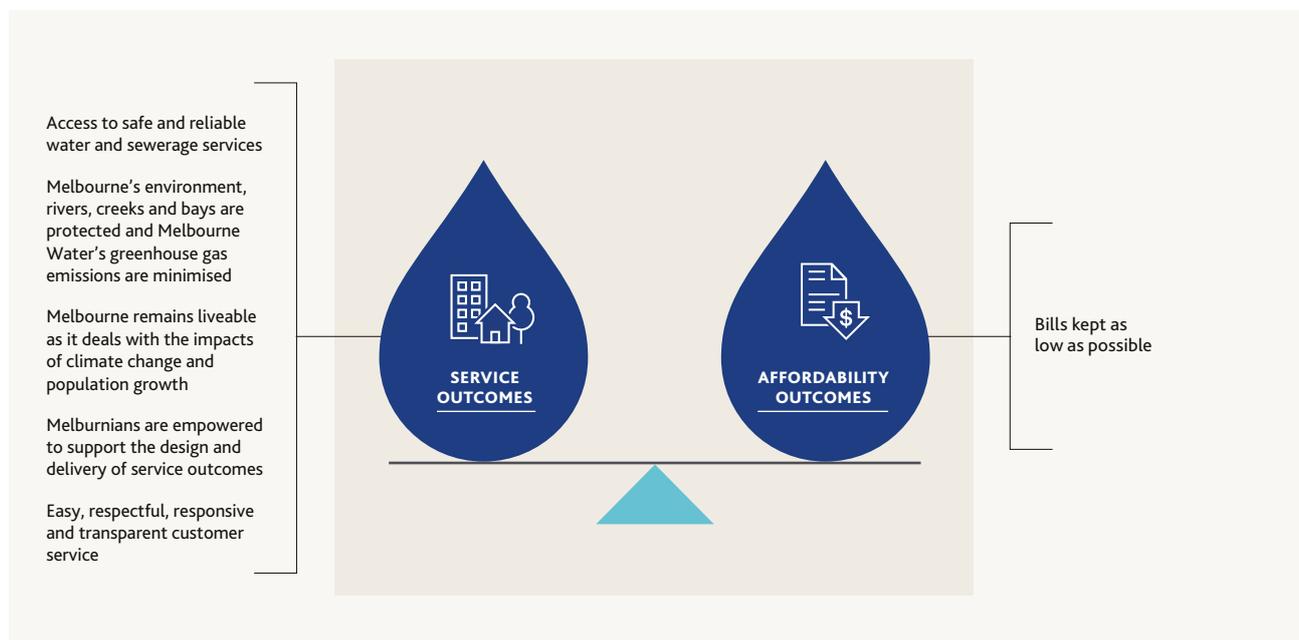
Each outcome is accompanied by the key **actions** we will take to achieve it, ensuring we're aligned to deliver what customers value.



We'll report our performance against a series of **output measures**, holding ourselves accountable for fulfilling our commitments to customers.



Our submission balances five service-oriented outcomes with one single affordability outcome, reflecting our aim to deliver highly-valued services at a cost that's fair.



Access to safe and reliable water and sewerage services



You value

Water and sewerage are viewed as our core business, and as highly-valued services essential to Melbourne's status as a liveable, prosperous city. Households and businesses clearly and consistently expressed their desire for continued access to safe and reliable services – now and into the future.

The community wished to see strong forward-planning for Melbourne's growing needs and considered action on key issues. Water quality and security were top-of-mind issues, and there was appetite for greater use of recycled water and stormwater to make the most of resources. People also recognised the role of sewerage in protecting the environment and public health, and supported resilience in the system to cope with future challenges.

"This is Melbourne Water's core business. This is what I most expect from them and it is the most important."

"Supplying high quality water and sewerage is imperative to our good health and survival."



We heard and will act

We'll maintain our high-quality standards, now and into the future, by looking after our existing assets, adding capacity for future Melburnians and planning for the long term. Our actions will:

- **Maintain the assets we have** through monitoring, inspection and maintenance. We'll also undertake major renewals to our sewerage system – parts of which are over a century old, through projects like the Hobsons Bay Main Yarra crossing duplication, which will prevent critical assets from failing.
- **Make sure our water is safe,** through new measures to protect our catchments from bushfires and human and animal contamination. We'll also upgrade key assets, like the catch drains protecting Cardinia Reservoir from polluted runoff and the Winneke Water Treatment Plant UV disinfection system.
- **Support Melbourne's growing population** by extending our water transfer system to the north, west and southeast, through projects such as the Yan Yean to Bald Hill Pipeline, Mt Atkinson Service Reservoir and Inlet Pipeline, and Yan Yean Pump Station. We'll also increase the capacity of our sewerage system, through projects such as the Maribyrnong Main Sewer augmentation.
- **Secure long-term water supplies,** by continuing to support water conservation initiatives and making the most of current resources – like using the Victorian Desalination Plant and reactivating the Yan Yean Water Treatment Plant. We'll also add new water supplies from Cement Creek, support greater use of recycled water, and explore opportunities to develop stormwater-based supplies with our partners.



Our commitment

0

Non-compliances with the *Safe Drinking Water Act 2003*

We'll supply high-quality drinking water that meets stringent standards for risk management and public health.

99.9%

Retail water company pressure requirements met

We'll provide an uninterrupted supply of water to homes and businesses, as specified in our agreements with your water company.

0

Sewerage spills per annum due to system failure

We'll ensure our sewerage system performs reliably to protect local rivers and creeks from spills.

Melbourne's environment, rivers, creeks and bays are protected and Melbourne Water's greenhouse gas emissions are minimised



You value

Our region's natural environment is intrinsically valued by Melburnians. People recognise the important role of our waterways in providing natural habitat and supporting community wellbeing, by offering a place to exercise and connect with nature – which was increasingly valued during COVID-19 social restrictions.

The community has expressed a strong desire for us to continue protecting the environment and proactively address key issues like climate change. This includes our work to protect Melbourne's waterways, wetlands and estuaries, which received strong and consistent support. It also includes minimising the direct and indirect impacts of our water and sewerage services, as well as the impact of stormwater on our waterways, and exploring opportunities to reuse this resource.

"Clean rivers and waterways do improve our standard of living."

"We all depend on our environment, our rivers, creeks and bays, for our survival and for our quality of life."



We heard and will act

We'll continue protecting the health of Melbourne's waterways and managing our sewage treatment processes to meet regulatory and environmental obligations – while minimising our greenhouse gas emissions. Our actions will:

- **Protect the condition of waterways,** estuaries and natural wetlands by investing in vegetation for the environment. We'll also continue managing pests and invasive species on our land to protect sites of biodiversity significance, and strategically target litter to achieve a greater impact.
- **Capture more stormwater** to prevent it from entering waterways and provide another source of water, with an extra \$96 million invested to capture up to 8 billion litres. We'll continue providing support and incentives to help industry partners implement stormwater harvesting and infiltration projects.
- **Continue protecting our bays** by upholding our sewerage standards while treating more sewage than ever before. Maintenance, renewals and major upgrades at our treatment plants will continue effectively removing contaminants from wastewater released to the bay, even as Melbourne grows.
- **Manage our stockpile of biosolids** (a by-product of sewage treatment), by partnering with local farmers and finding new opportunities for reuse in industries like agriculture and forestry.
- **Meet our greenhouse gas emission targets** by upgrading and renewing infrastructure at our sewage treatment plants to capture more sewage gas and convert it into electricity on site. We'll also purchase carbon credits to offset our direct emissions, and develop a carbon forestry project to self-generate local offsets.



Our commitment

100%

Ten target river sites maintained in high condition

We'll maintain the health of target river sites in high or very high condition, as measured through the abundance and diversity of macroinvertebrates (waterbugs). We have significant long-term data on macroinvertebrates, which are sensitive to pollution and an excellent indicator of river health.

100%

Sewage treatment plant discharge compliance

We'll ensure our treatment plants meet EPA Victoria discharge requirements, producing highly-treated effluent that preserves the health of receiving waters in our bays.

≥40%

Annual re-use of biosolids

We'll aim to reuse 40 percent of biosolids produced at the Western Treatment Plant by 2025.

≤204.38

Kilotonnes carbon dioxide equivalent of greenhouse gases emitted

We'll reduce our emissions in line with our Carbon Pledge, with a target to halve emissions by 2025 and eliminate them by 2030.

Melbourne remains liveable as it deals with the impacts of climate change and population growth



You value

The community has consistently regarded climate change and population growth as our two greatest challenges, and a threat to Melbourne's ongoing liveability. Rising sea levels and more frequent and intense storms increase flood risk to communities and the environment, while more stormwater runs off roofs and roads as our city expands. This growth also results in more demand for public green spaces, like waterways, for recreation.

Both urban and rural households supported greater efforts to minimise flood damage and to ensure communities are better prepared for the impacts. People widely supported making more natural spaces available for Melburnians to enjoy, expressing a strong affinity with this outcome.

"As a young person, I am deeply concerned for the future so future-planning to mitigate the effects of climate change and urbanisation is really important to me."

"Planning for climate change and enhancing the environment are both vital to the future wellbeing of my family and myself."



We heard and will act

We'll reduce flood risk and impacts for those most at risk, and continue opening up our land and enhancing our assets for people to enjoy. Our actions will:

- **Target flooding in high-risk areas** by increasing our flood mitigation and preparedness activities, including education, warnings, land use planning and infrastructure. We'll also continue maintaining our drainage assets like retarding basins, flood gates and levees.
- **Improve amenity** and create attractive natural spaces and shade by continuing to invest in vegetation and manage litter and mosquitos.
- **Support access to open space and recreation** on our waterways and land. We'll work with others to build new river platforms for paddling access, turn flood retarding basins into parkland, and transform concrete drains into naturalised waterways.



Our commitment

\$725.5m

Flood risks reduced for customers most at risk

We'll reduce the likelihood and consequence of flood risks to the most vulnerable properties, as measured by the average cost of annual damages.

100%

Projects activating land or assets demonstrate community benefit

We'll increase public use of our land as valuable open green space, measured in terms of community benefit: is the community aware of the change to the space, and would they use it now that it is available?





“Knowledge is power, so the more understanding you have, the more inclined you are to understand how and why things work.”

Melburnians are empowered to support the design and delivery of service outcomes



You value

Our customers strongly supported empowering the community to play a greater role in decisions and services that shape Melbourne's future liveability. They recognised its importance for effectively delivering other outcomes, given the many people and organisations involved in aspects of the water cycle and the significant challenges we face.

There was wholehearted support for greater community involvement in, and understanding of, waterways and the role they play in Melbourne's environment and liveability – as well as education on the water cycle as a whole. People also agreed with the importance of involving Traditional Owners in waterway management and acknowledging cultural values.

“There are benefits to the community if they understand how their water system works, and education can help reduce maintenance costs and promote responsible water usage.”



We heard and will act

We aim to make this part of the way we work, achieving more together than we could on our own through a continued focus on partnerships and education. Our actions will:

- **Empower others to improve waterway health and stormwater management**, through our partnership programs with landholders, councils, community groups and research organisations. We'll also co-invest in important pilot projects in stormwater harvesting and infiltration.
- **Co-design places to interact with nature** with the people who use them. We'll collaborate on transforming creeks and enhancing open spaces through programs like *Reimagining Your Creek*, and co-contribute to infrastructure enabling better access to waterways.
- **Improve community water literacy** through increased investment in digital education resources to significantly expand their reach. This empowers people to make more informed choices that shape Melbourne's water future – from household water usage to engagement on transformational longer-term planning decisions.
- **Form trusted partnerships with Traditional Owners** and promote our region's 'living culture', through partnering on a range of activities and projects and implementing our *Reconciliation Action Plan*.
- **Support delivery of the *Healthy Waterways Strategy*** and its long-term vision for our region's rivers, estuaries and wetlands. Achieving the strategy relies on working with and leveraging the support of private landholders and other land managers, like councils, through incentives and associated support.



Our commitment

1,000 / 830

Projects / participants in our waterway incentives programs

We'll maintain current levels of active participation in our incentives programs to encourage co-investment and support long-term partnerships, achieving outcomes we could not otherwise deliver alone.

≥75%

Proportion of the community with at least moderate water literacy

We'll target our education programs to improve water literacy levels from low to moderate (or high), equipping people with the knowledge to contribute to smart water choices.

Easy, respectful, responsive and transparent customer service



You value

Customer expectations are rapidly changing: younger generations are seeking greater organisational transparency and social responsibility, and an era of hyper-connectivity has seen a shift towards personalised, real-time interactions.

Customer service was a consistent theme reflected strongly in the views of the retail water companies. They noted the broader community expects timely communication and engagement, simple and convenient services, and companies that are easy to deal with – a sentiment supported by households and businesses. Customers want a positive experience regardless of the channel they use to communicate with us.

“Transparency is something that we all want and the ability to communicate with the providers is a way of fostering a long-term relationship between consumer and provider.”



We heard and will act

We'll increase our emphasis on providing exceptional experiences through a renewed focus on customer satisfaction and transparency. Our actions will:

- **Focus on trust and transparency**, establishing a new customer forum to support ongoing conversations on our performance and customer preferences for the services we provide and how we deliver them.
- **Adapt our customer service approach to meet changing expectations**, by seeking more meaningful ways for customers to inform our decisions and co-design solutions. We'll continue embedding best-practice engagement throughout our business and harnessing insights from our engagement, research and other feedback processes.
- **Provide easy and transparent access to information**, evolving a variety of digital services to enable more customers from all walks of life to interact with us at their convenience.



Our commitment

≥8.3

Customer satisfaction (CSAT) – bulk water services

We'll improve customer satisfaction across each of our four core services, as measured by surveys on transparency, ease of doing business and timeliness.

≥8.3

CSAT – bulk sewerage services

≥7.5

CSAT – waterways services

≥6.8

CSAT – drainage services



Bills kept as low as possible



You value

Water utilities and public service providers must continually strive to deliver a growing array of services whilst maintaining their quality and affordability. We understand affordability and financial hardship are key concerns for many members of the community, now more so than ever.

Customer affordability and value for money were recurring themes throughout our engagement program. Retail water companies were consistent in their desire to see flat or declining prices, and affordability also featured prominently amongst households and businesses. However, some people were open to the idea of small increases to their bills in exchange for higher levels of service across most of the initiatives tested with them.

“I would LOVE to keep all my bills as low as possible; however, I believe safe water, and the environment, are more important. If I have to pay a little more to ensure my children and grand-children live in a cleaner world, then so be it.”



We heard and will act

We'll keep doing our bit to limit cost of living pressures while fulfilling our service commitments. We will carefully and prudently manage our expenditure, planning, capital delivery and operations – and increase our focus on transparency and efficiency. Our actions will:

- **Achieve continuous efficiencies in operating expenditure (opex)** while supporting a growing population, with base controllable forecasts declining 0.05 per cent per year (in real terms) across the five-year Price Submission period.
- **Ensure a prudent and efficient capital program** by continuing our robust approach to identifying, prioritising and delivering projects. This has seen us defer \$498 million in projects until our next Price Submission, ensuring prices aren't higher than they need to be. We'll also push a further \$271.3 million in capital expenditure (capex) into the latter years of our submission – reducing the total revenue we need by \$42.9 million.
- **Spread a larger portion of repayments** on the Victorian Desalination Plant across the asset's working life, resulting in a \$217 million reduction.
- **Increase transparency of our expenditure** between price submission periods, publishing an annual view of the core drivers of long-term prices within our control.



Our commitment

>\$500k

New net opex benefits identified and committed each year

We'll identify and implement new efficiency projects that deliver benefits over and above those already committed to in our plan.

>±5%

Opex aligned to the Essential Services Commission's determination

We'll provide an annual reconciliation of how actual operating expenditure is tracking against forecasts, improving transparency of how the next Price Submission baseline is progressing (actual opex in the final year of a submission forms a baseline for the next one).

>±2%

Capex aligned to the Essential Services Commission's determination

We'll provide an annual reconciliation of how actual capital expenditure is tracking against forecasts. We'll also publish a secondary measure of final project costs relative to funding, increasing rigour and accountability in managing the costs and scope of capital projects.

“Everyone has the right to clean drinking water and a reliable sewerage service, so it needs to be affordable for all members of society.”

Proposed prices for 2021-26

Our submission aims to balance our ability to deliver the high-quality services our customers and community value, with the cost of doing so.

Prices for our services are based on the expected cost of delivering them – which includes a range of investments in assets and other activities. When calculating these costs, we consider:

- customer preferences, including feedback from our Customer Councils and community research
- infrastructure needed to deliver services, including when to maintain or upgrade existing assets or build new ones
- our service standards and obligations, such as drinking water quality standards, sewage discharge regulations and environmental legislation
- demand for our services – today and into the future.

Over the five years of our submission, we propose to collect \$8,183.2 million in revenue to pay for the cost of delivering services. This includes \$6,731.6 million for water and sewerage services, \$1,430.8 million for waterways and drainage, and the remainder funding recycled water, diversion and other services.

Our total proposed revenue has decreased by \$303.1 million compared to the previous five-year period.

What this means for your bill

Water and sewerage prices

Our water and sewerage charges are paid directly by the three metropolitan retail water companies (City West Water, South East Water and Yarra Valley Water), but ultimately by the households and businesses of Melbourne. **Table 1** shows our annual contribution to a typical Melbourne water bill, which also contains retail water company costs and other authority charges. The impact on individual households and businesses will depend on their water usage and the fee structure of their retail water company.

We also supply a small amount of water to several regional water companies: Western Water, Barwon Water, South Gippsland Water, Westernport Water and Gippsland Water. **Table 2** shows our contribution to their average customer bill.

Waterways and drainage prices

The Waterways and Drainage Charge is collected from properties within our waterway management district, which includes Greater Melbourne and the surrounding areas. Prices depend on your property type:

- **residential** properties within the urban growth boundary are charged a fixed fee, and are benefitted by most of our major drainage infrastructure
- **non-residential** properties within the urban growth boundary – like warehouses, factories, shops, offices, hotels and airports – pay a charge based on the net annual value (\$NAV) of their property, subject to a minimum fee
- **rural** properties within our waterway management district but outside the urban growth boundary are charged a fixed fee, and benefit from our waterway services and some aspects of flood protection.

Table 3 shows our annual proposed prices. In light of the immediate affordability challenges posed by COVID-19, we have spread our proposed price increase across the five-year submission period to smooth the impact. This results in a gradual increase of 1 per cent each year, rather than a larger one-off increase in the first year of our submission.

Our proposed prices aim to minimise our impact on customer bills over the submission period, while still delivering the services our customers need and value.

Throughout our engagement program, the community consistently indicated their willingness to pay a little more for higher levels of service – particularly for our waterway and drainage management activities. At the same time, we acknowledge those who preferred flat or lower prices, and the ongoing financial challenge that COVID-19 presents for a growing number households and businesses.

We are proactively managing uncertainties and leveraging our scale to deliver more services to more people without a corresponding increase in prices. This will see our water and sewerage charges for metropolitan customers decrease by an average of 1.5 per cent (plus CPI) each year across the five years of our submission.

When combining the price decrease for water and sewerage with the slight increase in the Waterways and Drainage Charge, our average contribution to a typical customer bill will reduce by about \$3.

TABLE 1 Wholesale water and sewerage prices – impact on metropolitan customers

Retail water company	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
City West Water	\$668.1	\$639.0	\$627.6	\$618.7	\$607.6	\$600.2
<i>Yearly change</i>		(4.4%)	(1.8%)	(1.4%)	(1.8%)	(1.2%)
South East Water	\$628.1	\$595.2	\$591.2	\$589.2	\$585.1	\$584.4
<i>Yearly change</i>		(5.2%)	(0.7%)	(0.3%)	(0.7%)	(0.1%)
Yarra Valley Water	\$585.6	\$562.4	\$558.6	\$556.2	\$551.6	\$550.2
<i>Yearly change</i>		(4.0%)	(0.7%)	(0.4%)	(0.8%)	(0.3%)

Customer impact is calculated in real dollar terms (adjusted to exclude the effect of inflation), on the basis of total revenue requirement per total customers.

TABLE 2 Wholesale water prices – impact on regional customers

Retail water company	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Western Water	\$130.3	\$117.9	\$123.8	\$127.9	\$133.3	\$131.2
<i>Yearly change</i>		(9.6%)	5.0%	3.4%	4.2%	(1.6%)
Barwon Water	\$37.8	\$31.8	\$32.0	\$33.3	\$35.2	\$36.4
<i>Yearly change</i>		(16.0%)	0.7%	3.9%	5.7%	3.4%
South Gippsland Water	\$26.7	\$24.5	\$24.8	\$25.5	\$26.0	\$28.8
<i>Yearly change</i>		(8.3%)	1.3%	2.7%	1.8%	10.9%
Westernport Water	\$29.4	\$26.6	\$26.9	\$27.6	\$28.1	\$28.4
<i>Yearly change</i>		(9.3%)	1.1%	2.5%	1.6%	1.3%
Gippsland Water	\$3.2	\$2.5	\$2.5	\$2.6	\$2.7	\$2.7
<i>Yearly change</i>		(22.6%)	1.6%	2.9%	2.1%	1.8%

Note: Increases for Western Water and South Gippsland Water are driven by growth in demand.

TABLE 3 Waterways and Drainage Charge – impact on customers

Property type	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Residential	104.32	105.36	106.42	107.48	108.56	109.64
Non-residential (minimum fee)	156.72	158.29	159.87	161.47	163.08	164.71
Non-residential rate in \$NAV (cents per annum)	0.4447	0.4171	0.3704	0.3104	0.2446	0.1805
Rural	57.28	57.85	58.43	59.02	59.61	60.20

Reporting on our performance



You told us

Transparency and accountability are critical when it comes to delivering against the commitments in our submission.

Households and businesses were unified in their desire for us to take a customer-centric approach to managing and reporting our performance, and adapting to any changes in customer preferences throughout the submission period.

Our retail water company customers also supported this approach, and challenged us to commit to greater levels of accountability and transparency through the introduction of guaranteed service levels and a comprehensive review of our fee structures.

Acknowledgement

Our Price Submission 2021 is the result of extensive engagement with our customers and community, many of whom committed significant time and effort over a 20-month period.

We would like to extend our thanks to all those who contributed to our submission – whether through customer councils, panels, surveys, focus groups or forums – and whose valuable perspectives and insights have been integral to shaping services valued by Melburnians.



How we'll demonstrate our commitment

Our Price Submission 2021 represents a step-change in the way we view our commitments. We are proposing the following initiatives in direct response to customer feedback.

Outcomes performance reporting

We'll maintain an ongoing conversation with our customers by establishing a forum of representatives from our diverse customer groups – including households, businesses and retail water companies. Meeting at least once a year, the forum will enable us to:

- report our performance to our customers, in addition to publishing an annual performance report on our website and communicating via social media
- engage customers in considering responses to under or over-performance against the customer outcomes in our submission
- ensure our priorities continue to align with customer preferences, and help us identify the most appropriate strategies to respond to emerging or unexpected issues
- prepare for our next Price Submission in 2026 – meeting more regularly as we move closer to the planning stages.

Guaranteed service levels

We'll introduce new guaranteed service levels for wholesale water and sewerage, demonstrating the sincerity of our commitment to customers. This will see us return money to households, businesses and water companies if we fail to live up to the service standards set out in our submission.

We are working collaboratively with the retail water companies to define appropriate service levels, having developed a concept and prototype process in August 2020. The emerging concept includes metrics that are:

- clearly linked to our services and their impact on households and businesses
- aligned with feedback from retail water companies during our engagement program
- aligned with existing retail water company guaranteed service levels, including payment amounts
- use existing processes to identify and pay affected households and businesses, with Melbourne Water to reimburse the retail water companies.

We will continue refining our guaranteed service levels to have them in place for 1 July 2021. More detail will be provided during the Essential Services Commission's review of our submission.

"In my view performance should be communicated beyond the mandatory element, so that the community can understand the value Melbourne Water brings. The information should be out there in the open for everyone to access – that is being transparent."



“It would be good for the public to be informed. The more eyes the better, for a crucial public entity like Melbourne Water.”

