AUSTRALIAN WATER REFORM ROADSHOW

TRANCHE 2 CURRENT STATE OF WATER REFORM IN AUSTRALIA

MODULE 1 REGIONAL & IRRIGATION WATER SERVICES IN VICTORIA

Housekeeping

MD1

- Please note **this session will be recorded**
- The recording and slide pack from this webinar will be made available to you following this webinar
- For the Panel Discussion please send your questions through the **Q&A** function
- Select to "**All Panellists**" when you are posing your questions
- SPICAE will provide written responses for unanswered questions
- SPICAE are happy for participants to contact us directly for clarifications or further information
- SPICAE have done individual sessions for councils in the past when they have asked us to
- Please provide SPICAE with feedback – this is important for us to continually improve future webinar sessions

Rules of Engagement / Code of Conduct

MD1

- SPIACE & our panel are cognizant of the NZ Reforms.
- These sessions are on the Australian Reforms & aimed at enabling a reference point for attendees to draw comparisons to the current reforms in New Zealand.
- SPICAE & our panel will endeavour to provide an **Unbiased View** of the Victorian and Tasmanian Water Reforms.
- **Please align questions to the Module Topic.**
- While this is being done for the DIA & 3 Waters Steering Committee, please do not ask us question for either of them.

TRANCHE	TRANCHE THEME	MODULE TOPIC
1	REFORM & GOVERNANCE	WATER REFORM JOURNEY (VIC)
		WATER REFORM JOURNEY (TAS)
		GOVERNANCE (BOARDS, OWNERSHIP & LEGISLATION)
2	**CURRENT STATE**	**CURRENT STATE OF WATER SERVICES - REGIONAL & IRRIGATION (VIC)**
		CURRENT STATE OF WATER SERVICES - METRO VICTORIA
		CURRENT STATE OF WATER SERVICES - TASWATER
3	STORMWATER, ENGAGEMENT & THE FUTURE OF WATER	STORMWATER MANAGEMENT (VIC & TAS)
		THE FUTURE ROADMAP FOR WATER (VIC & TAS)
		COMMUNITY ENGAGEMENT & CUSTOMER EXPERIENCE
		INDIGENEOUS ENGAGEMENT (WA and VIC)
4	COUNCILS	THE COUNCIL REFORMS (VIC)
		THE CURRENT STATE OF LOCAL GOVERNMENT
		THE FUTURE ROADMAP FOR COUNCILS

Speakers

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MD2

Charmaine Quick

- MD of Goulburn Murray Water
- Former Executive GM at Melbourne Water

GMW

Tracey Slatter

- MD of Barwon Water
- MD of Barwon Water Assets Solution
- Former CEO of the City of Port Phillip
- Sits on several Boards

Barwon Water

Philippe du Plessis

- MD of South Gippsland Water
- Former CFO at South Gippsland Water
- Former GM Water Industry & Local Government

South Gippsland Water

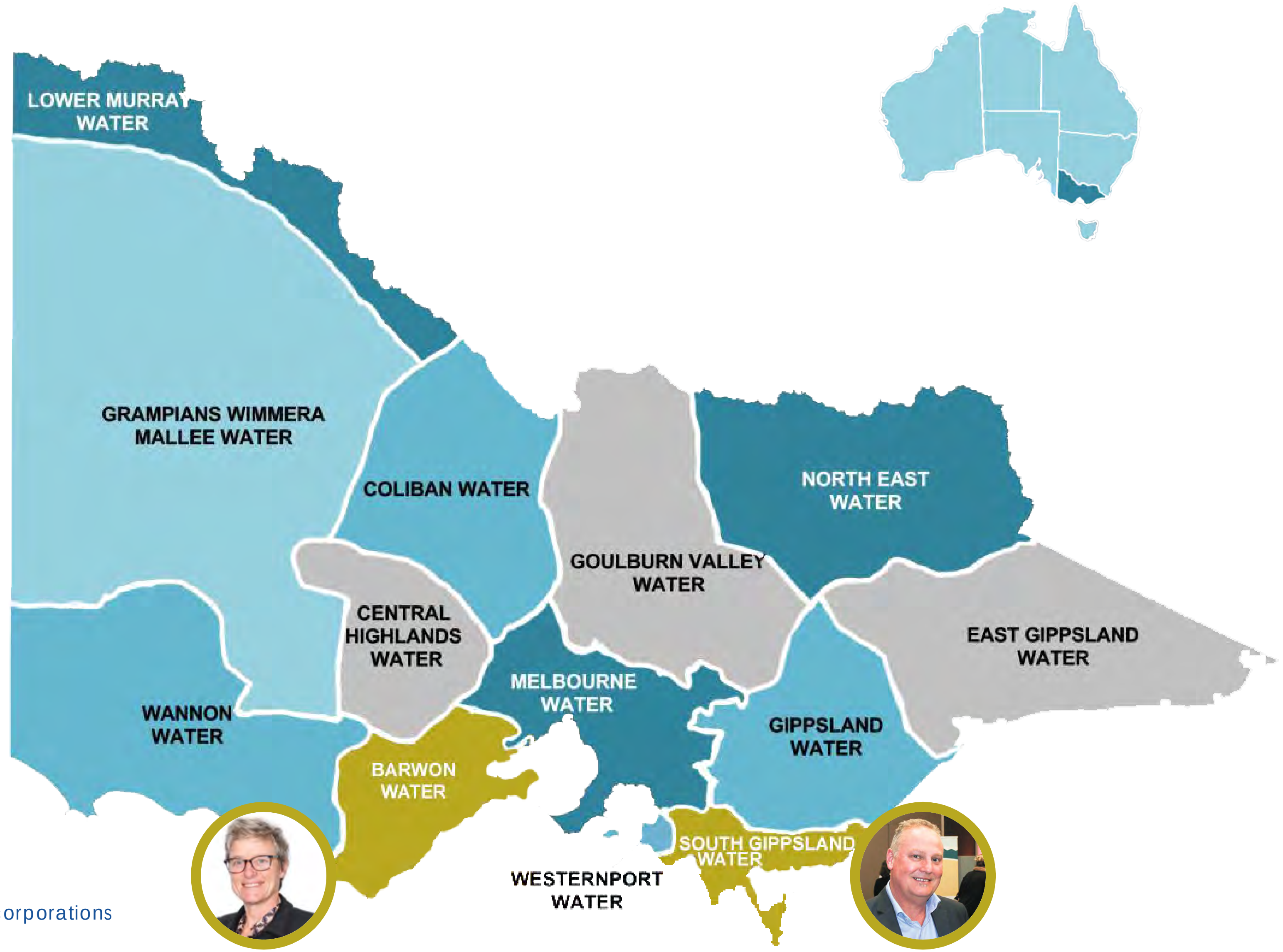
Current Victorian Water Model

Urban Water Service

They are responsible for the supply of drinking water and the removal and treatment of sewage & trade waste. They also supply recycled water.

There are **15 Urban Water Corporations** in Victoria.

They are also called Regional Water Retailers (except Melbourne Water).



https://www.water.vic.gov.au/water-industry-and-customers/victorian-water-corporations

Current Victorian Water Model

MD1

Rural Water Services

They are responsible for the water delivery for irrigation, and stock purposes, drainage and salinity mitigation. They supply domestic households but only non-potable water.

There are **4 Rural Water Corporations** in Victoria.

Rural Water Services in Victoria

Charmaine Quick

Managing Director
of Goulburn-Murray Water

Rural Water Services

1995 The disaggregation of the Rural Water Commission into 5 independent Rural Water Authorities

Further mergers occurred:

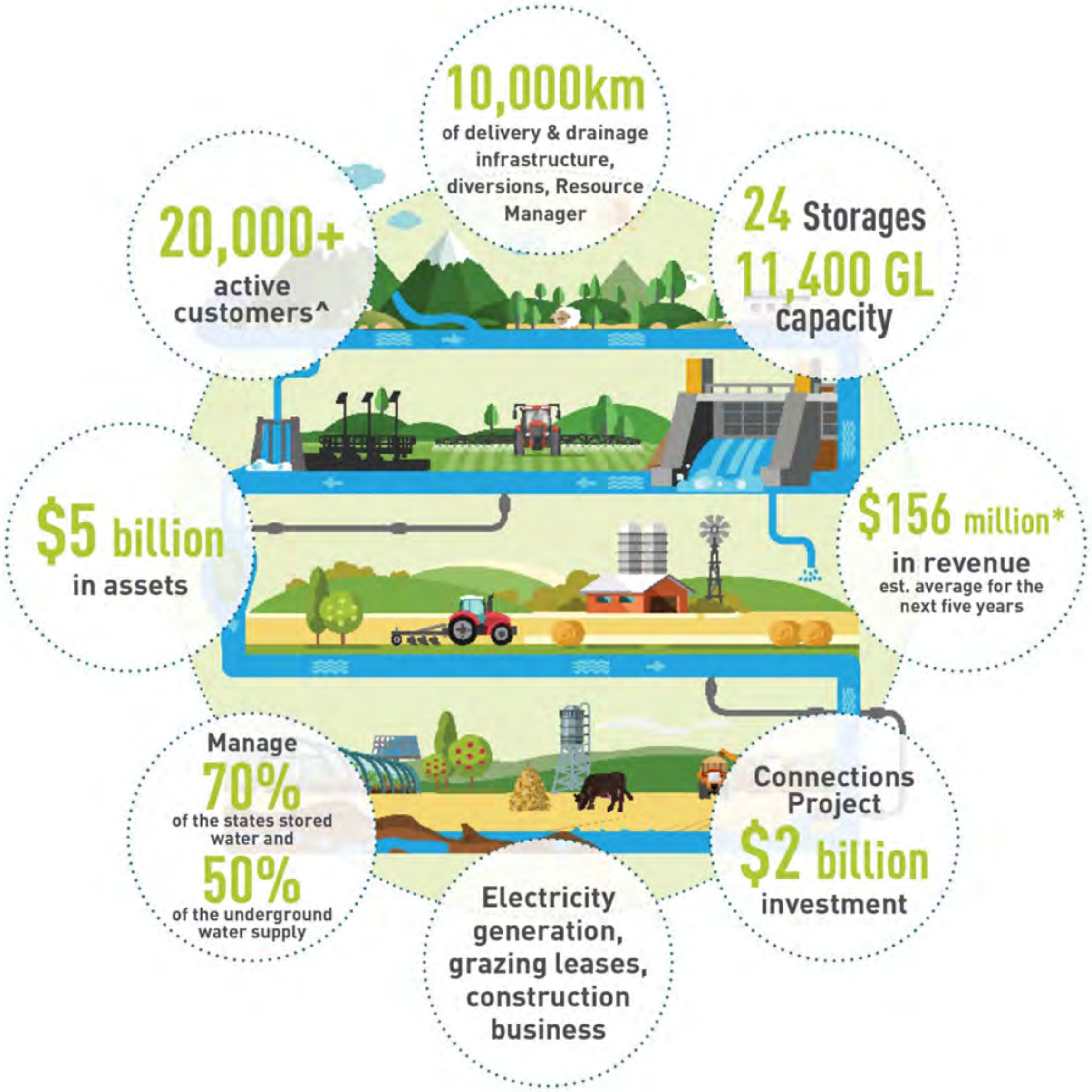
2004 Grampians Water (urban) and Wimmera Mallee Rural to create **GWM**

2004 Sunraysia Rural Water merged with **Lower Murray Water**

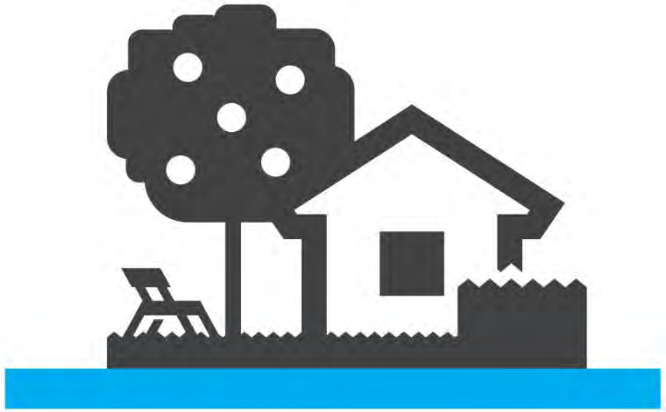
2008 First Mildura Trust merged with **Lower Murray Water**

2 Rural Water Authorities &
2 Hybrid (urban and rural) Water Authorities

GMW at a glance



GMW provides water to:



RURAL

Rural water businesses that supply rural areas.

URBAN

Urban water businesses that supply towns and businesses.

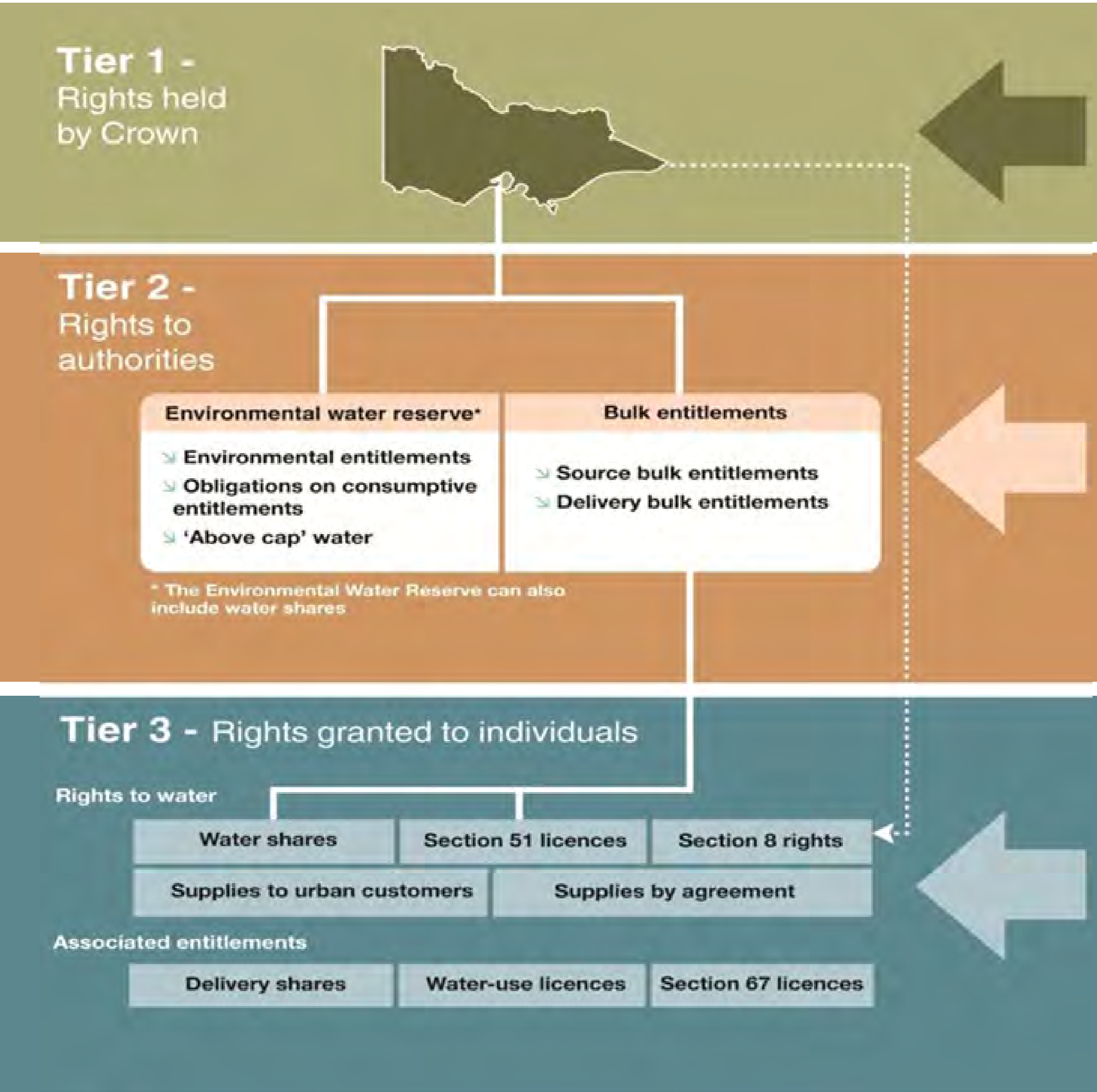
ENVIRONMENTAL

Environmental water holders that protect and improve waterway health.

Average	RURAL	URBAN	ENVIRONMENTAL
Average	1,600GL	60GL	600GL

21,000+ active customers

Victoria's Entitlement Framework



Tier 1 - Oversight & Policy

+ Minister for Water
+ DELWP

Tier 2 - Bulk water sharing & operations

+ Bulk and environmental entitlements (eg GMW, VEWH and urban water corporations)

Tier 3 - Retail water rights

+ High and low reliability water shares
+ Delivery, works & water use entitlements
+ Town customers
+ Private rights

Conclusion

Consolidating urban and rural offers a number of benefits:

- Catchment to Tap (whole life cycle)
- Talent attraction
- Lower overheads

Things to consider

- Don't lose the customer focus
- Maintain transparency on financials linked to service (no cross subsidies)
- Invest in irrigation metering upfront if implementing a water allocation/trading system

Contact us

1800 013 357

www.gmwater.com.au

40 Casey Street, Tatura

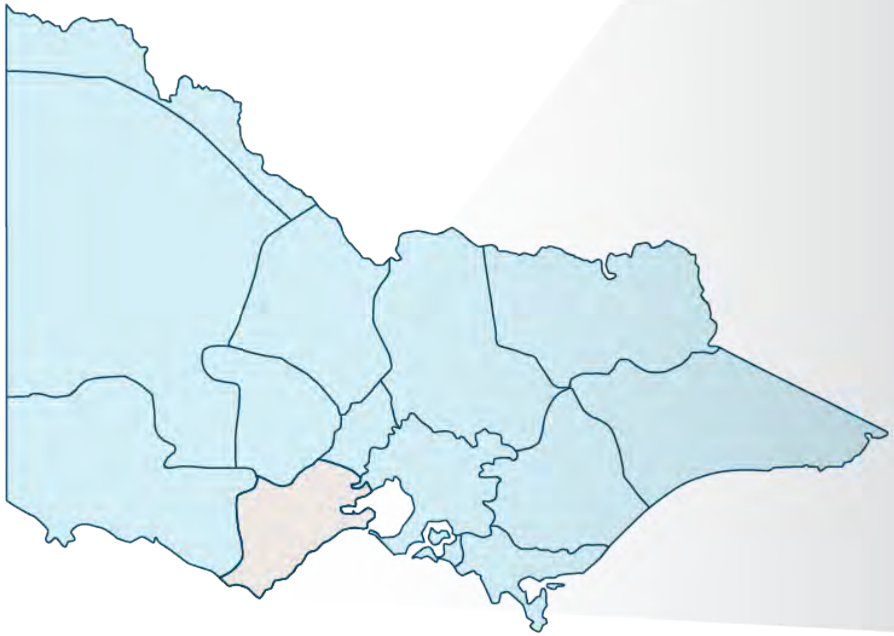
Water Services in Regional Victoria

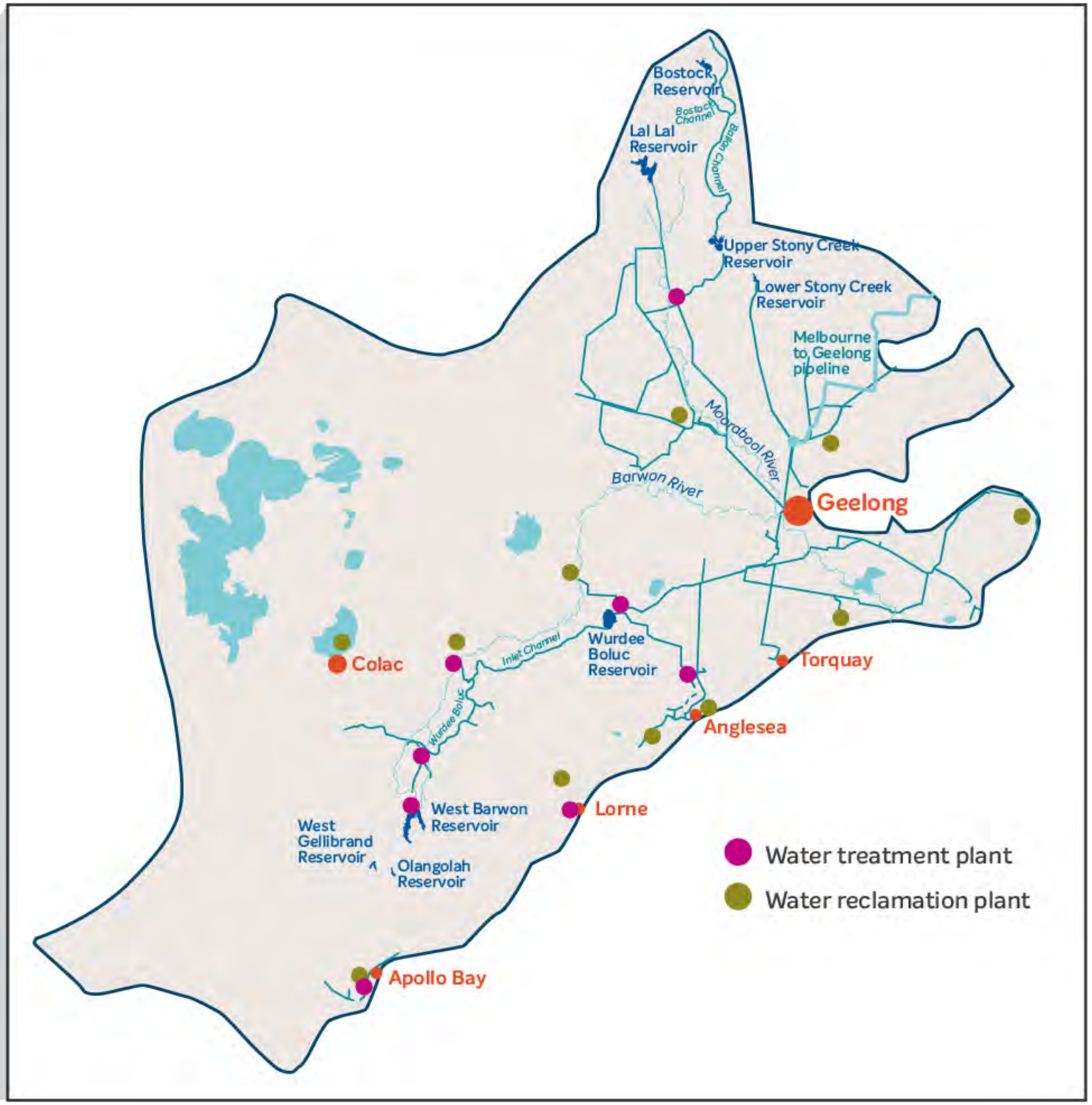
Balancing services and investment

Tracey Slatter

Managing Director of Barwon Water

Barwon Water and Barwon Asset Solutions service areas





8 water treatment plants

60 water tanks and basins

8,100 square kilometre region

2 Class A recycled water plants

11 water reclamation plants

449 Barwon Water Group staff

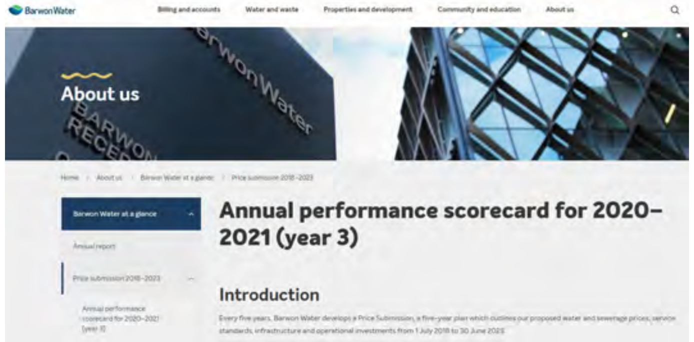
12 major reservoirs

240 water pumping stations

>6,866 kilometres of pipes

>340,000 customers

Customer Outcomes report card



OUTCOME	2018-2019	2019-2020	2020-2021
1. A reliable, secure water future for our region	🟢	🟠	🟠
2. Timely, innovative services for our customers	🟢	🟢	🟢
3. A healthier environment for all	🟢	🟠	🟢
4. Deeper knowledge and partnerships with our community	🟢	🟢	🟢
5. Affordability for all of our customers	🟢	🟢	🟢
Overall	🟢	🟢	🟢

Outcome 1

A reliable, secure water future for our region

OUTCOME	2018-2019	2019-2020	2020-2021
Volume of recycled water allocated for productive use by 2022-23	🟠	🟢	🟢
Number of non-compliances with EPA License conditions	🟢	🔴	🔴
Number of Safe Drinking Water Act non-compliances (water sampling and audit)	🟢	🟢	🔴
Number of non-compliances with bulk entitlement and licence conditions	🟢	🟢	🟢
Percentage of time water restrictions are in place	🟢	🟢	🟢
Overall	🟢	🟠	🟠

Barwon Water

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Enabling regional prosperity

Outcome 2

Timely, innovative services for our customers

OUTCOME	2018-2019	2019-2020	2020-2021
Customers who have an unplanned water supply interruption have their water back on within 5 hours	🟢	🟢	🟢
Customers who have a planned water supply interruption have their water back on within 5 hours	🟢	🟢	🟠
Number of customers who have more than five unplanned water supply interruptions in the year	🟢	🟢	🟢
Number of customers who have more than two sewer spills to their property in a year	🟠	🟢	🟢
Customer satisfaction with the overall quality of drinking water (survey respondents answering “Satisfied” or “Extremely Satisfied”)	🟢	🟢	🟢
Water quality complaints	🟢	🟢	🟢
Complaints to Energy Water Ombudsman Victoria	🟢	🟢	🟢

Outcome 2

Timely, innovative services for our customers

OUTCOME	2018-2019	2019-2020	2020-2021
Number of customers who receive e-billing	●	●	●
Modify customer survey to capture first-point-resolution rate through the Customer Centre and collect initial data to set a target	●	●	●
Customers who are able to receive communications via SMS	●	●	●
Customer ‘ease of doing business’ with Barwon Water (survey respondents giving 9 or 10 out of 10)	●	●	●
Customer satisfaction with the overall quality of drinking water (survey respondents answering “Satisfied” or “Extremely Satisfied”)	●	●	●
Overall	●	●	●

Barwon Water

Enabling regional prosperity

Our Challenge

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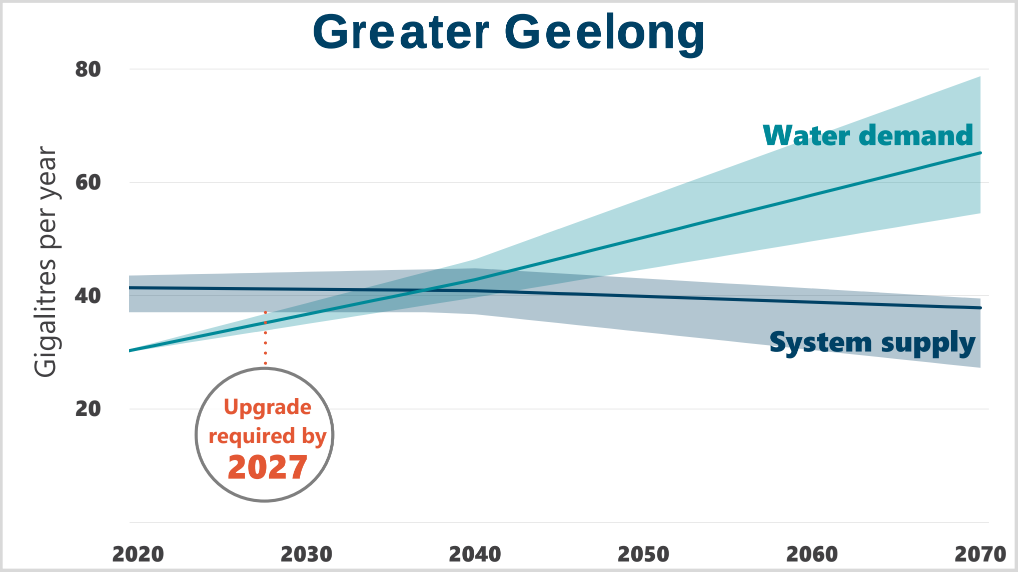
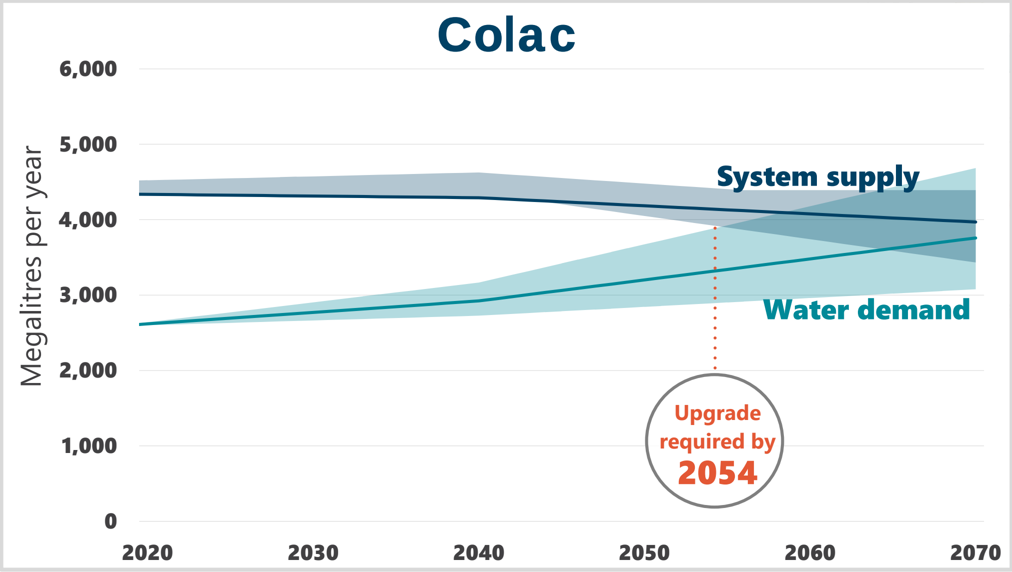
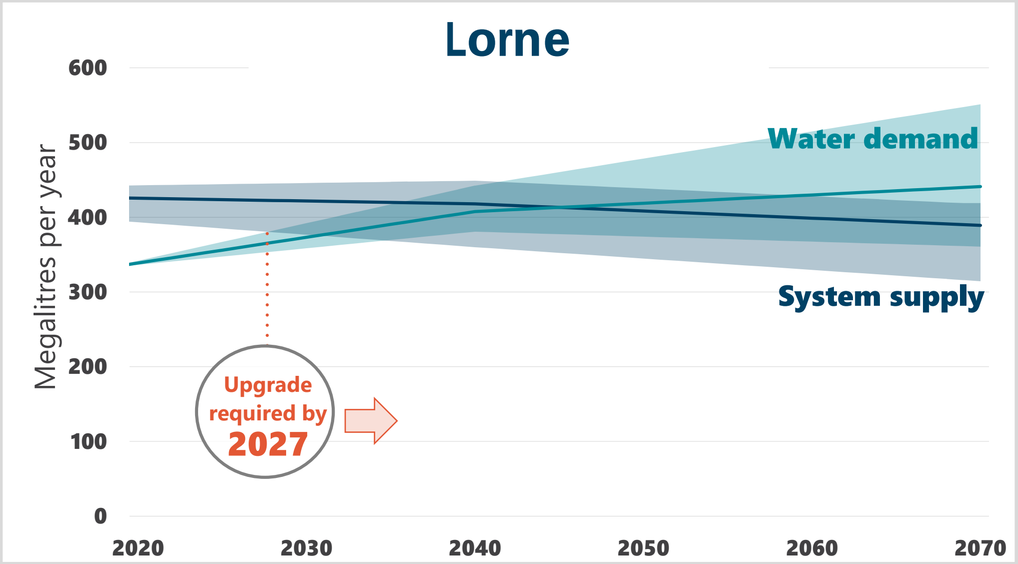
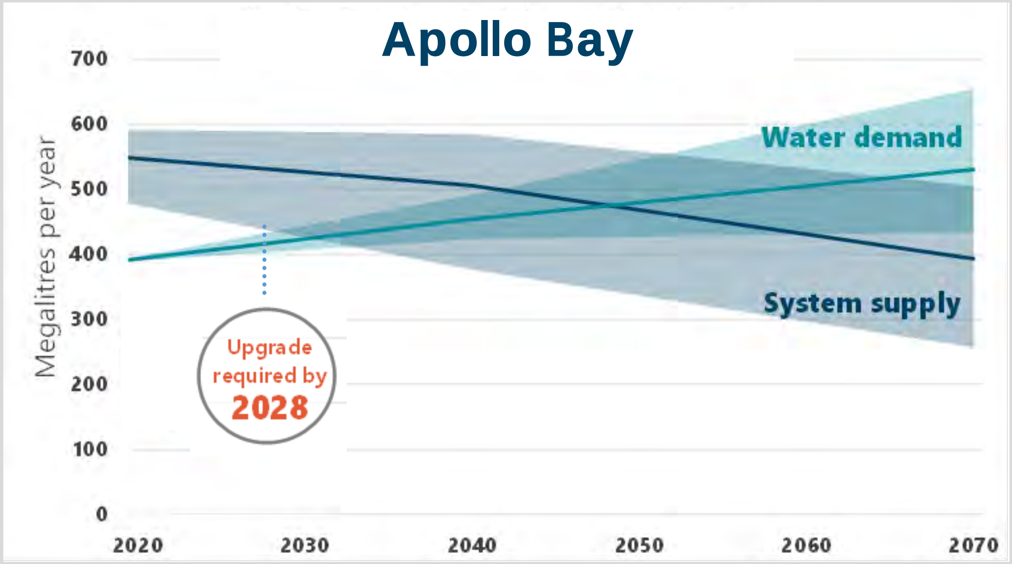




water FOR OUR FUTURE





Subsidising smaller towns

Enabling regional prosperity

Greater Geelong	100%
Colac	110%
Lorne	175%
Apollo Bay	250%+
Aireys Inlet	250%+

For every $1 of revenue for Greater Geelong we are cross subsidising operating costs, depreciation and return on capital, eg. additional revenue amount of $1.50 to Apollo Bay from the Geelong region to fund the costs of operating the town due to much small customer numbers.

Apollo Bay

Resilient & innovative growth

Barwon Water

Enabling regional prosperity

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20 STRATEGY 30

Barwon Water

Enabling regional prosperity

Renewable Organics Network - **Colac**

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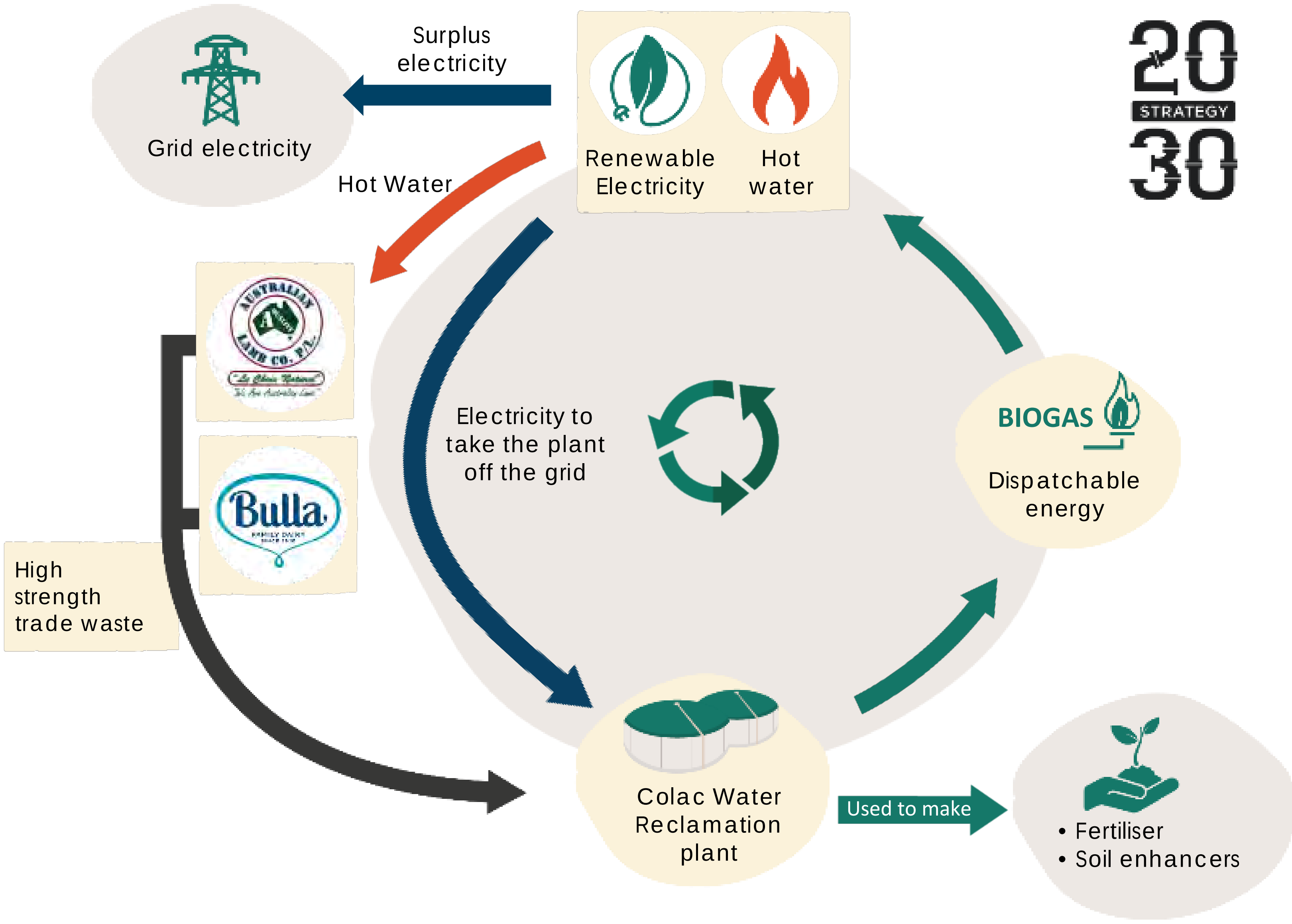
Benefits Profile

- **Australia’s first hot water network to share renewable energy with industry.**
- **Renewable electricity: 5.5GWh/yr - equivalent to 1100 households**
- **Reduced gas usage: 21.4 TJ/yr - equivalent to 350 households**
- **CO2 emissions reduction: 6,300tonnes / yr**
- **17 construction jobs and 45 ongoing jobs.**



Barwon Water

Enabling regional prosperity

Regional Renewable Organics Network (**RRON**)

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A regional partnership

Borough of Queenscliffe

Colac Otway Shire

City of Greater Geelong

Golden Plains Shire

Surf Coast Shire

wyndhamcity city. coast. country

Barwon Water

Water Services in Regional Victoria

Maintaining the balance between price, service and being sustainable into the future

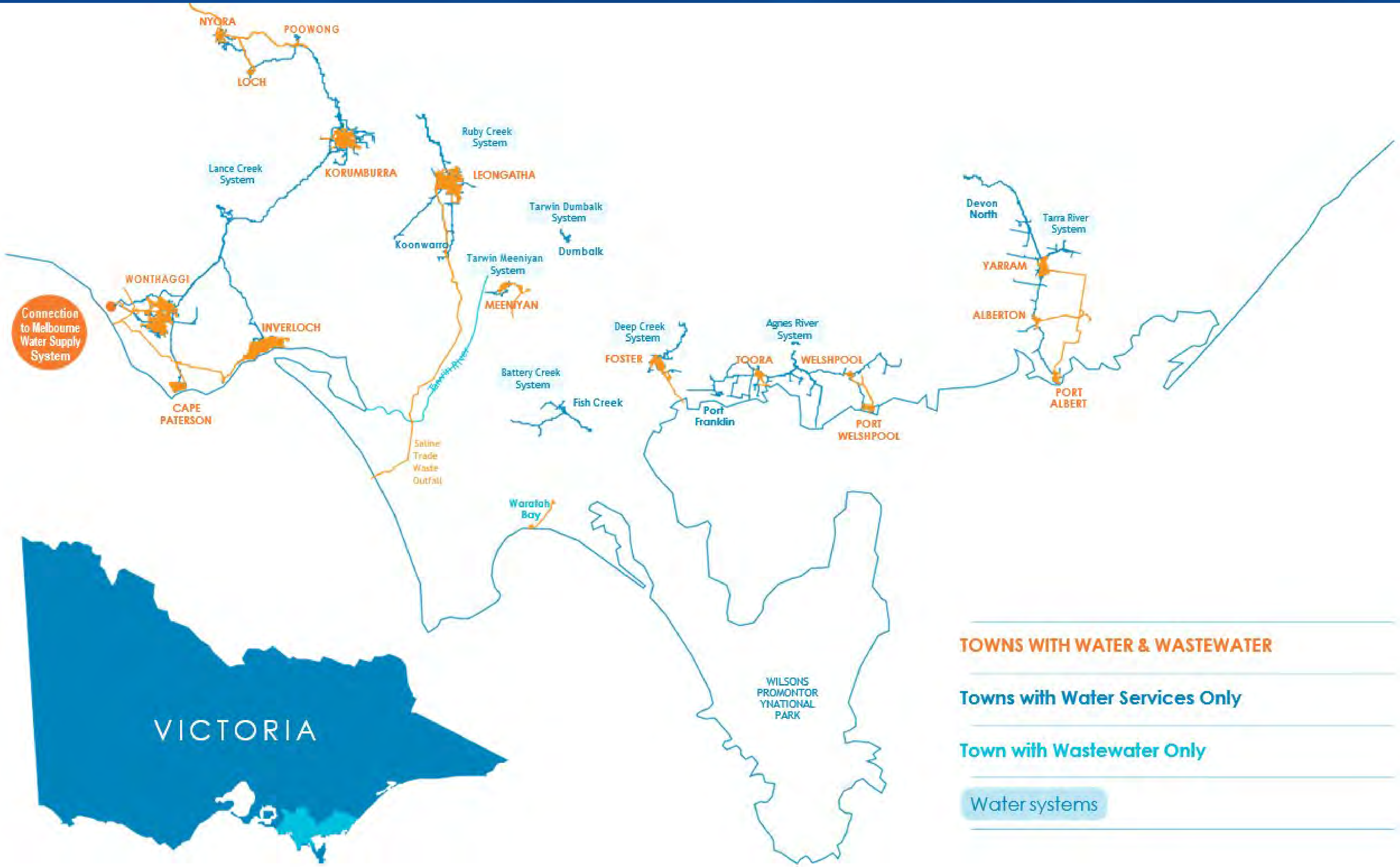
Philippe du Plessis

Managing Director
of South Gippsland Water

The Region

- Located around two hours' drive south-east of Melbourne
- Key focus on the natural environment with two internationally recognised National Parks, Wilsons Promontory and Tarra Bulga
- Popular tourist destination, well known for its coastal resorts
- Dairy farming and a range of other important agricultural and horticultural enterprises including beef, lamb, wine, vegetable production, and commercial fishing
- South Gippsland Water supports economic development with the aim of enabling strong communities.

The Region


NYORA
POOWONG
LOCH
KORUMBURRA
Lance Creek System
Ruby Creek System
LEONGATHA
Tarwin Dumbalk System
Dumbalk
Koonwarra
Tarwin Meeniyan System
MEENIYAN
WONTHAGGI
Connection to Melbourne Water Supply System
INVERLOCH
CAPE PATERSON
Tarwin River
Saline Trade Waste Outfall
Battery Creek System
Fish Creek
Deep Creek System
FOSTER
Port Franklin
Agnes River System
TOORA
WELSHPOOL
PORT WELSHPOOL
Devon North
Tarra River System
YARRAM
ALBERTON
PORT ALBERT
Waratah Bay
WILSONS PROMONTOR YNATIONAL PARK
VICTORIA
TOWNS WITH WATER & WASTEWATER
Towns with Water Services Only
Town with Wastewater Only
Water systems

Nature & Range of Services

Our service area covers 4,000 square km

Headworks

- Water catchments with a total area of 1,234 square km

Water Services

- 8 separate water supply
- systems with treatment plants
- 750 km of water mains
- 13 reservoirs and 18 service storages
- 4,631 ML p.a. of drinking water
- 22,405 properties over 22 rural centres
- 37,000 population swelling to 70,000 in summer

Sewerage (Wastewater) Services

- 13 wastewater collection systems with 11 treatment plants
- 1 dedicated saline trade waste system
- 520km of wastewater mains
- 5 marine environment outfalls
- 3 inland water discharge points
- 4,364 ML p.a. wastewater treating 3,437 ML
- 20,171 properties (including trade waste) over 16 townships

Nature & Range of Services

Table 1. SGW localities and Services

Centres	Population Served (Permanent)	Water		Sewerage Customers Billed
		Customers Billed	Supplied From	
Port Franklin	134	109	Agnes River	Not serviced
Port Welshpool	209	296	Agnes River	278
Toora, Agnes, Bennison	781	522	Agnes River	289
Welshpool, Hedley	331	206	Agnes River	124
Fish Creek	827	209	Battery Creek	Not serviced
Korumburra	4,469	2,374	Coalition Creek	2,049
Foster	1,842	953	Deep Creek / Foster Dam	866
Inverloch, Wattle Bank	5,437	4,901	Lance Creek	4,875
Cape Paterson	891	1,278	Lance Creek	1,262
Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek	8,730	5,115	Lance Creek	4,893
Loch	638	159	Little Bass	120
Nyora	1,527	363	Little Bass	203
Poowong	643	214	Little Bass	148
Koonwarra	404	83	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	5,654	3,353	Ruby Creek	3,169
Alberton	262	151	Tarra River	103
Devon North, Tarra Valley	344	125	Tarra River	Not serviced
Port Albert, Langsborough	293	405	Tarra River	343
Yarram	2,135	1,202	Tarra River	1,088
Dumbalk	413	109	Tarwin River	Not serviced
Meeniyan	771	278	Tarwin River	246
Waratah Bay	216	Not serviced	N/A	115
Total	36,819	22,405		20,171

Financial Size and Shape

Average annual

- Revenue $40M
- Expenditure $40M
- Depreciation $12M, moving to $15M (Asset revaluation)
- Net Cash Flow from Operations $9M
- Capital Expenditure - Historic average $15M

Challenges and Key Issues

- Climate Change
- Population and Economic Growth
- Ageing Assets
- Stakeholder Expectations

Climate Change

- Its real and observable on our assets
- Impacts our access to traditional and reliable sources
- Increases competition for these scarce resources
- Demand and supply side responses, but ultimately need to source more diverse water, e.g. stormwater and recycled water options
- Cost is high and use can be uncertain
  - Potable substitution
  - Indirect potable reuse
  - Direct potable use
- Our communities, government, regulators are key to how this evolves

Population & Economic Growth

Population

- A wide variance - declining communities to rapidly increasing coastal towns
- Overlay of large seasonal tourism influx (oversizing assets)
- Result in excess capacity and major augmentations with wider bandwidth (growth/tourism/climate)

Uncertainty of major customers

- Two dairy processors - 25% of total water consumption
- One consumes up to 70% of our Leongatha water system
- Associated trade waste needs
- Large amounts of revenue and significant assets
- Crucial - for them, our community prosperity and our financial sustainability

Population & Economic Growth

- Economic risks around major customer prosperity
- If lost:
  - Significant revenue loss
  - Little opportunity for avoided costs
  - Under utilised or abandoned assets
- Resulting in higher tariffs for all others

Ageing Assets

- Forward Capital of $20M per annum
- Shortfall from Cash Flow from Operations $6M to $11M - Loans

Ageing Assets

Driver	Regulatory Period	
	4 2020/21 – 2023/24	5 2023/24 – 2028/29
Asset Renewal	56%	51%
Compliance	6%	20%
Growth	36%	28%
Business Efficiency	2%	1%

- Depreciation suggests renewal shortfall of $5M
- Something has to change:
  - **Revenue** - growth and/or increased tariffs
  - **Operating expenditure** - efficiencies and/or lower service levels
  - **Capital** - Strong Asset Management, innovation, efficiencies, and/or lower service levels

Stakeholder Expectations

Higher expectations from stakeholders

Our communities

- Resilience, service improvement, customer experience
- Social, amenity and economic outcomes

The owner (Victorian Government) - Seven key areas, inc:

- Climate change adaption (Emission reduction targets)
- Aboriginal cultural values and economic inclusion
- Resilient and liveable cities and towns
- Recreational amenity
- Safe and cost effective services in a financially sustainable way

Stakeholder Expectations

Higher expectations from stakeholders

- Department of Health and Human Services (Safe Drinking Water)
- Environment Protection Authority (Environmental Operations)
  - Legacy issues fixed now
  - Increasing standards
  - Risk Tolerance Levels (no incident ever)
- Others
  - Essential Services Commission where returns are linked to Performance, Risk, Engagement, Management and Outcomes (PREMO)

Stakeholder Expectations

- Discernible change in posture to advance their portfolio of outcomes
- Come in the form of legislation, best practice, guidance, enforcement
- Always worthy, often siloed - making prioritisation and trade offs hard to manage

Summary

Hope I have been able to paint a picture of South Gippsland Water and its challenges

As a small Victorian regional water business we are:

- struggling to meet these challenges & deliver outcomes expected of us
- and of those yet to be articulated
- at tariffs that will be affordable to our communities

Thank you

AUSTRALIAN WATER REFORM ROADSHOW