Melbourne Water
2021 Price Submission

Draft proposals at a glance
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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’s major water resources are managed by Melbourne Water on behalf of the community. As a statutory authority owned by the Victorian Government, we supply high-quality drinking water, provide reliable sewerage and drainage, and look after 24,000 kilometres of rivers, creeks and wetlands.

Five million Melburnians benefit every day from the services we deliver in partnership with a wide range of organisations, including your retail water company and local council. We’re proud to play a part in 

**enhancing life and liveability** across the Greater Melbourne region.

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**DRAFT PROPOSALS FOR COMMENT**

This summary document provides an overview of the key projects and activities we’re proposing to invest in from 2021–26, to deliver the outcomes valued by our customers and community.

The draft proposals reflect our current thinking and are still a work in progress. Further changes will be made as we continue to review and refine our 2021 Price Submission.

Your final views are important to us as part of this process, before we finalise and lodge our Submission with the Essential Services Commission.

To provide your feedback, visit

We are proposing to commit to delivering the following outcomes to customers over the 2021–26 Price Submission period:

• Safe and reliable water and sewerage services
• Melbourne’s environment is protected and enhanced, including our rivers, creeks and bays
• Melbourne remains liveable as it deals with climate change and population growth
• Melburnians are empowered to support delivery of service outcomes
• Easy, respectful, responsive and transparent customer service
• Keep my bill as low as possible

Renew ageing sewers to ensure a reliable service to the community

Beneficially reuse biosolids generated at the Western Treatment Plant

Upgrade and renew our two major sewage treatment plants, to optimise operations and maximise on-site generation of renewable energy

Undertake activities and infrastructure upgrades to safeguard the quality of Melbourne’s drinking water

Our services at a glance

Over the next five years, we’re proposing to...

Build new stormwater treatment wetlands in expanding suburbs to protect waterways from the impacts of urban development

Support a new stormwater harvesting program and incentives to protect the health of our waterways and enable capture and reuse of this resource

Targeted campaigns and programs to improve flood preparedness of high-risk properties and increase community awareness and resilience

Build new infrastructure to provide water security and support Melbourne’s growing population

Increase industry education on stormwater quality and harvesting, and expand the reach of our waterway literacy program

Manage natural wetlands and estuaries to improve their environmental condition

Upgrade and renew our two major sewage treatment plants, to optimise operations and maximise on-site generation of renewable energy

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How our prices are set

Prices for water and other essential services are set every five years by the Essential Services Commission, Victoria’s independent regulator.

As part of this process, Melbourne Water prepares a Price Submission for the Commission to review before reaching a decision. This sets out our proposed service standards, expenditure and prices — and our commitments to customers — for a five-year period.

Our Price Submission for 2021–26 has been an opportunity to explore how we can better provide services that Melburnians value. Over the past 18 months we’ve engaged extensively with our customers and community to understand their concerns, priorities and preferences.

As a result, we’ve focussed on keeping prices steady, while still delivering the high-quality services Melburnians value and preparing for challenges ahead. It’s part of our plan for a resilient, sustainable region that will continue to thrive.

Our prices and your water bill

Melbourne Water is the wholesale provider of water and sewerage services. Our charges are paid for by Melbourne’s retail water companies, who directly service homes and businesses.

Your water and sewerage charges contain both their retail costs and our wholesale costs (which make up just over half of this component of your water bill). Your bill also includes our Waterways and Drainage Charge, which your retail water company collects on our behalf.

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<thead>
<tr>
<th>Account summary</th>
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<tbody>
<tr>
<td>Water service and usage charge</td>
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<td>Sewerage service and usage charge</td>
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<tr>
<td>Waterways and drainage charge</td>
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<tr>
<td>Parks charge</td>
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Your water bill

Your local water utility bill includes both their costs and Melbourne Water’s charges.

Potential price impact

Following extensive engagement with our customers and the community, we are now working through finalising our expenditure program and associated costs. We understand the need to focus on affordability and our intent is to keep prices as low as possible.

Water

Our wholesale water charges go towards operating and investing in major infrastructure like dams and water mains, and paying for water from the Victorian Desalination Plant.

Sewerage

Our wholesale sewerage charges are used to invest in and operate assets like treatment plants, major trunk sewers and pumping stations.

Waterways and Drainage Charge

This is a direct Melbourne Water charge to you, and funds a range of activities to protect and improve waterway health, manage drainage and provide flood protection.

Parks Charge

This is collected on behalf of the Department of Environment, Land, Water and Planning, and supports Melbourne’s parks, trails, public facilities and zoos, as well as the Royal Botanic Gardens and Shrine of Remembrance.
Meeting current and future challenges

Greater Melbourne is experiencing a period of profound transformation. Ongoing climate change, rapid population growth and urban development are changing the way we must deliver our services.

Over the past three years we’ve worked with Melbourne’s retail water companies, delivery partners and the community to refresh and deliver landmark strategies, which identify the challenges for delivering our services today and into the future. We have drawn on these strategies, our day-to-day operational experience, and our engagement with customers, to identify the key issues our Submission must address.

Addressing the impacts of our growing city

Melbourne is Australia’s fastest-growing capital city. Our population is predicted to reach nine million by 2056 – increasing demand for public green space to enjoy and reap the health benefits of connecting with nature. As our suburbs expand to accommodate this growth, more hard surfaces like roads, roofs and pavements generate more stormwater runoff when it rains.

Adapting to a changed climate

Climate change has far-reaching implications across our services. More intense storms will exacerbate flooding and sea level rise, while higher temperatures prolong drought and increase the risk of bushfires. This means river flows will be too high or too low, placing greater pressure on our water supplies, infrastructure and natural environment.

Maintaining affordable services

In the context of stagnant wages, households are more vulnerable to increasing pressures on the cost of living. Utility bills can significantly impact people’s ability to live and thrive, and we recognise the role we can play in easing this burden.

These challenges are both competing and amplifying. When urban development is combined with more intense storms, the additional stormwater runoff increases flooding and damages the health of our waterways. The impacts of climate change and a growing population also exacerbate risks to the water and sewerage assets we rely on today.

Customer engagement is more important than ever, as we find new ways to protect the quality of our services while minimising our impact on household finances – as Melburnians rightfully expect. Our overarching challenge for our 2021 Price Submission is to continue balancing our ability to deliver valued services with the cost of doing so.

<table>
<thead>
<tr>
<th>Safe and reliable water and sewage services</th>
<th>Bills kept as low as possible</th>
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Melbourne Water is committed to collaborating with our customers on services that deliver valued, sustainable and long-term outcomes. Our Submission is the result of a comprehensive engagement program focussed on understanding the needs of our diverse customers across the water sector, government and industry, as well as the broader community who benefits from our services.

We established Customer Councils: one to represent water and sewerage preferences with representatives from retail water companies; and one to represent waterways and drainage preferences with local government, engaged and general community members, emergency services, a diverter and the development industry.

The Customer Councils were closely involved in developing our Submission – from helping to identify focus areas for our engagement program, to defining the outcomes customers value and reviewing our potential investments and performance measures.

This was complemented by a robust social research program, which sought informed and representative views from a diverse sample of the broader community to understand their values, preferences and willingness to pay for different levels of investment in services.

Through this process, we’ve aimed to not only develop a Submission that reflects the experiences, priorities and values of Melburnians, but also set the foundation for an ongoing conversation about services to support future generations.

How engagement shaped our Submission

October 2018 – May 2019

STAGE 1 Values & focus areas

Social research, customer insights from the retail water companies and a community co-design workshop explored customer and community priorities and what they valued about our services.

- Set the scope of our engagement program
- Initial drafting of customer outcomes

June 2019 – April 2020

STAGE 2 Preferences & performance

Customer Councils shared information and collaboratively explored issues identified in Stage 1. Focus groups and surveys tested investment proposals with the community.

- Refinement of customer outcomes
- Development of outputs and measures for each customer outcome
- Development of investment program

We are here

April – July 2020

STAGE 3 Validation

Customers and the community reviewed customer outcomes, performance measures and investments to help us refine our Submission.

- Refinement and prioritisation of customer outcomes
- Draft Price Submission to be lodged with the Essential Services Commission in October 2020
## Who we engaged

### Households and businesses

<table>
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<tr>
<th>145+ participants in 20 focus groups and 1 online panel</th>
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<tr>
<td>3,903 residents and 385 businesses responded to 2 surveys testing investment preferences and willingness to pay for services</td>
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<tr>
<td>100+ participants in 3 deliberative panels</td>
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<tr>
<td>227 subscribers and 5,539 visits to the Price Submission YourSay website</td>
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<td>1,500 people engaged at 5 community festivals held across Melbourne</td>
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### Traditional Owners

| 6 meetings with 3 Traditional Owner groups: Wadawurrung, Bunurong and Wurundjeri |
| Local government, industry associations and community organisations |
| 14 members from councils, community groups, statutory authorities and the development industry on the Waterways and Drainage Customer Council, who met 13 times |
| 26 online submissions from councils to inform waterway, drainage and flood protection services |

### Water retail companies

| 3,667 click-throughs on social media |
| 8,258 people played our Drip Trip water education game |
| 6 retail water companies represented on the Water and Sewerage Customer Council, who 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

### Direct service customers

- Waterway diversion customers
- Property owners in Patterson Lakes’ Quiet Lakes and the Koo Wee Rup–Longwarry Flood Protection District
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 customer outcomes, informed by extensive engagement, which represent the value customers can expect to receive from our services.

Each outcome is accompanied by the key actions we will take to deliver them.

Output measures ensure we’re accountable for delivering the value customers have paid for.

Together, these form our commitment to our customers and community over the next five years. Our draft proposals are summarised on the following pages.
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 future as a liveable, prosperous city. There is a clear desire for households and businesses to continue having access to safe and reliable services – now and into the future.

Water quality and security were top-of-mind issues for the community, who understand the role a resilient sewerage system plays protecting the environment and public health. They wish to see strong forward-planning for Melbourne’s growing needs, and welcome evidence of considered action on key issues.

“We supplying high quality water and sewerage is imperative to our good health and survival.”

We heard and will act
To deliver this outcome, we will...

Secure long-term water supply by:
- Continuing to encourage water conservation, by working with the government and Melbourne’s retail water companies on initiatives like Target 155
- Making the most of our current resources, including continued use of the Victorian Desalination Plant, and returning the Yan Yean Water Treatment Plant to service
- Adding new sources of water, such as diversions from Cement Creek – one of the highest rainfall areas in Melbourne’s catchments
- Working as an industry to preserve future opportunities for recycled water and stormwater-based supplies, and advise the government on water security issues including the annual water order from the Victorian Desalination Plant

Continue safeguarding the quality of Melbourne’s drinking water by:
- Upgrading and renewing key water supply assets, such as upgrading catch drains to protect Cardinia Reservoir from contaminated runoff
- Delivering new interventions to protect our water supply catchments from bushfires, debris and human and animal contamination

Support the needs of Melbourne’s growing population by:
- Investing in upgrades and renewals to our sewerage transfer system, parts of which are over a century old, to increase capacity and reduce the risk of service failure
- Extending our water transfer system to Melbourne’s growing northern and western suburbs

How you’ll know we’ve delivered
We will measure our performance through...

- High-quality drinking water that meets stringent public health standards, including Victoria’s Safe Drinking Water Act 2003 and State Drinking Water Regulation 2015
- An uninterrupted supply of water to homes and businesses, through our compliance with your retail water company’s water pressure requirements
- A reliably-performing sewerage system that protects local rivers and creeks from sewage spills

“This is Melbourne Water’s core business. This is what I most expect from them and it is the most important.”
Melbourne’s environment is protected and enhanced, including our rivers, creeks and bays

You value
Melbourne’s natural environment, including our region’s rivers, creeks and bays, is intrinsically valued by Melburnians. They recognise the important role of our waterways in providing natural habitat and supporting community wellbeing – the value of which was highlighted during social distancing, as people turned to these spaces for exercise and connection with nature.

The community has expressed a strong desire for us to continue protecting the environment. This includes works to maintain and improve the condition of Melbourne’s waterways, natural wetlands and estuaries, which were strongly and consistently supported. It also includes minimising the direct and indirect impacts of our water and sewerage services, as well as the impacts of stormwater on our waterways – and exploring opportunities to reuse this resource.

“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
To deliver this outcome, we will…

Minimise our impact on the environment by:

• Improving the condition of an increased number of priority natural wetlands and estuaries, and protecting ecological processes from the impacts of vegetation clearing and disruptions to natural river flows

• Building wetlands that protect waterway health by treating stormwater runoff from growing suburbs, and reducing pollutants like litter and excess nutrients

• Investing in new stormwater harvesting programs, incentives and industry training to reduce the volume of stormwater entering our rivers and creeks, as well as providing opportunities for reuse and reducing the risk of flooding

• Upgrading the Western Treatment Plant, to ensure we can continue removing nitrogen from treated wastewater released to the bay as Melbourne grows

• Upgrading and renewing our sewage treatment plant infrastructure to maximise on-site power generation from biogas (sewage gas) and reduce greenhouse gas emissions

• Reducing the size of our sewage biosolids stockpile, by finding opportunities to reuse 40 percent of biosolids from the Western Treatment Plant by 2025

• Purchasing carbon credits to offset greenhouse gas emissions from our electricity usage and sewage treatment activities, in line with our Carbon Pledge

How you’ll know we’ve delivered
We will measure our performance through...

• Healthy rivers and creeks, measured through the abundance and diversity of waterbugs, which are sensitive to pollution and an excellent indicator of river health – and for which we have a significant long-term data set

• Highly-treated wastewater that meets EPA Victoria discharge requirements, and preserves the health of receiving waters in our bays

• Beneficial reuse of biosolids (by-products of sewage treatment), such as in agriculture, forestry and remediation industries

• Reduction in Melbourne Water’s greenhouse gas emissions, with a target to halve emissions by 2025 and eliminate them by 2030

“Clean rivers and waterways do improve our standard of living.”
Melbourne remains liveable as it deals with climate change and population growth

You value
Climate change has far-reaching implications across our services, exacerbating flooding, drought and bushfires. Our growing city also contributes to this, with more hard surfaces like roads and roofs generating more stormwater run-off that damages the health of our waterways. Together, these factors place greater pressure on our rivers, creeks and bays, and increase demand for green open spaces for recreation.

The community has consistently regarded climate change and population growth as our two greatest challenges. They readily understand and accept the difficulties these pose, and support making more of our land accessible to the public.

We heard and will act
To deliver this outcome, we will...

Plan for and respond to extreme weather events by:
• Delivering flood mitigation works and expanding the tools available to address this challenge, through researching options and trialling tools to manage flooding
• Facilitating coordinated flood management plans to identify the most important issues, challenges and risks for each council, and maximise the value of actions across all agencies involved in flood preparedness and response
• Delivering programs to understand and plan for the impacts of a major climate change event on Melbourne

Support community health and wellbeing through projects that enhance liveability, by:
• Turning old drains into community spaces and flood land into parks, and planting trees to provide urban cooling and improve amenity
• Making the most of the land that we manage, such as including shared paths along pipelines and decommissioned sewers to increase public access
• Supporting community access and recreation on our waterways, by transforming them into attractive natural spaces

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

How you’ll know we’ve delivered
We will measure our performance through...

• Reduced flood risks to the most vulnerable properties, as measured in dollar terms by our flood model
• Increased community use of Melbourne Water land as valuable open green space

“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.”
“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.”
Melburnians are empowered to support delivery of service outcomes

You value

Collaboration is increasingly important for finding new and more cost-effective ways to deliver services people value. Many individuals and organisations share responsibility for Melbourne’s waterways, and we need a collaborative, community-based approach to address the many challenges facing our local environments.

Our customers are seeking more meaningful collaboration to develop solutions that address their needs, and participants in our community panels appreciated the opportunity to be involved in water issues. They welcomed more communication and education, suggesting it would help Melburnians’ peace of mind, acceptance of water bills and water conservation.

Both customers and the community expressed a greater desire to directly contribute to solutions – particularly in waterway and stormwater management, where we have a history of working with councils and community groups to build capacity and deliver outcomes.

We heard and will act

To deliver this outcome, we will...

- Deliver an uplift in digital education campaigns to improve community water literacy, facilitating broader, deeper conversations that enable them to more effectively participate in decision making
- Invest in partnerships with Traditional Owners, and collaborative projects that holistically consider water resources to deliver multiple benefits to the environment and community
- Continue working alongside your local retail water company to provide educational resources and programs
- Collaborate with project partners and the community to transform some creeks and enhance open spaces across Melbourne, creating attractive, natural places with the people most likely to use them

How you’ll know we’ve delivered

We will measure our performance through...

- A more water-literate community, equipped with the knowledge to enable smart water choices and minimise their environmental impact as a result of our education programs
- Participation in our waterway incentives programs that support long-term partnerships and encourage co-investment in collaborative works, achieving outcomes we could not otherwise deliver alone
Easy, respectful, responsive and transparent customer service

**You value**
Globally, 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 want more transparency and empathy towards them and their communities, and are keen for us to recognise and understand their differing circumstances – and feel a greater sense of responsibility.

**We heard and will act**
To deliver this outcome, we will...
- Continue providing and evolving a variety of digital services, enabling more customers from all walks of life to access information and interact with us at their convenience
- Consider using customer forums to support ongoing conversations on our performance and their preferences for what services we provide and how we deliver them
- Harness customer and community insights to adapt and improve our approach, ensuring we meet growing customer expectations for more meaningful ways to express preferences, inform decisions and potentially co-design solutions

**How you’ll know we’ve delivered**
We will measure our performance through...
- Greater satisfaction across each of our core services – water, sewerage, waterways and drainage – as measured by customer satisfaction surveys on transparency, ease of doing business and timeliness
**Keep my bill as low as possible**

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**You value**

Water utilities and public service providers must continually strive to deliver a growing array of services whilst maintaining their quality and affordability. This imperative is even more pressing in the face of the economic impacts of the Coronavirus pandemic.

Both the community and retail water companies expressed the need for essential services to remain affordable to all. They also understood the challenge of protecting Melbourne’s waterways into the future without additional investment – but expected there would also be greater accountability to spend this prudently and efficiently.

We will continue doing our bit to limit cost of living pressures while continually improving our services. Our focus is on striking a balance between these priorities.

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**We heard and will act**

To deliver this outcome, we will...

- Continue to deliver business efficiency initiatives, such as harnessing solar and biogas (sewage gas) energy at our treatment plants to offset electricity costs and export power to the grid
- Continue our robust approach to identifying, prioritising and delivering capital projects to provide the quality services our customers expect
- Defer the funding of uncertain projects where there is a high risk that delivery will be delayed
- Increase the amount of repayments on the Victorian Desalination Plant that we defer to the latter years of the asset’s working life
- Increase transparency of our expenditure between pricing periods, publishing an annual view of the two core drivers of long-term prices within our control (capital and operating expenditure)

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**How you’ll know we’ve delivered**

We will measure our performance through...

- A commitment to continuously identifying and implementing new efficiency projects – over and above those already committed to in our plan
- Greater transparency in how actual operating expenditure is tracking against forecast expenditure, through an annual reconciliation
- Increased rigour and accountability in managing the cost and scope of capital projects, through an annual reconciliation of capital expenditure to forecast

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“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 grandchildren live in a cleaner world, then so be it.”

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“Utilities are an ever-increasing expense as is the cost of living – wages do not go up at the same rate, so any cost saving is appreciated in managing the family budget.”

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“Everyone has the right to clean drinking water and reliable sewerage service, so it needs to be affordable for all members of society. As long as Melbourne Water is not recklessly spending and held accountable, I don’t see why other users can’t help cover some of the struggling users.”
How we’ll manage our performance

You value

Transparency is critical when it comes to the way we report on, and manage, our performance. You’ve said this is important for improving the community’s understanding of where their money goes, and creating opportunities to engage more deeply in water issues.

You suggested we explore opportunities to use water bills as an effective way to reach the community, and that we use our website to provide information that caters to different appetites for detail.

How we propose to keep you informed

As part of our commitment to being more transparent and accountable, we are seeking to maintain an ongoing conversation with our customers, through a forum of representatives from across our diverse customer groups.

We propose using this forum to:

- Report our performance to our customers, in addition to publishing an annual performance report on our website and communicating to our retail water company customers via designated representatives.
- Engage with customers when we under- or over-perform on delivering customer outcomes – including considering responses to underperformance such as additional funding or repayments to customers in serious circumstances.
- Understand and test customer preferences relating to our services in water, sewerage and waterways and drainage, to ensure our priorities continue to be well aligned.

Acknowledgment

Our 2021 Price Submission is the result of extensive engagement with our customers and community, many of whom committed significant time and effort over a 16-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.

“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.”

Where to from here

Melbourne Water is inviting comment on the draft proposals for our 2021 Price Submission.

To submit your feedback, visit yoursay.melbournewater.com.au/price-submission

For an interpreter, please call the Translating and Interpreting Service (TIS National) on 13 14 50.
“It would be good for the public to be informed. The more eyes the better, for a crucial public entity like Melbourne Water.”