

PERFORMANCE OF URBAN WATER AND SEWERAGE BUSINESSES 2009-10

INDUSTRY SUMMARY

DECEMBER 2010

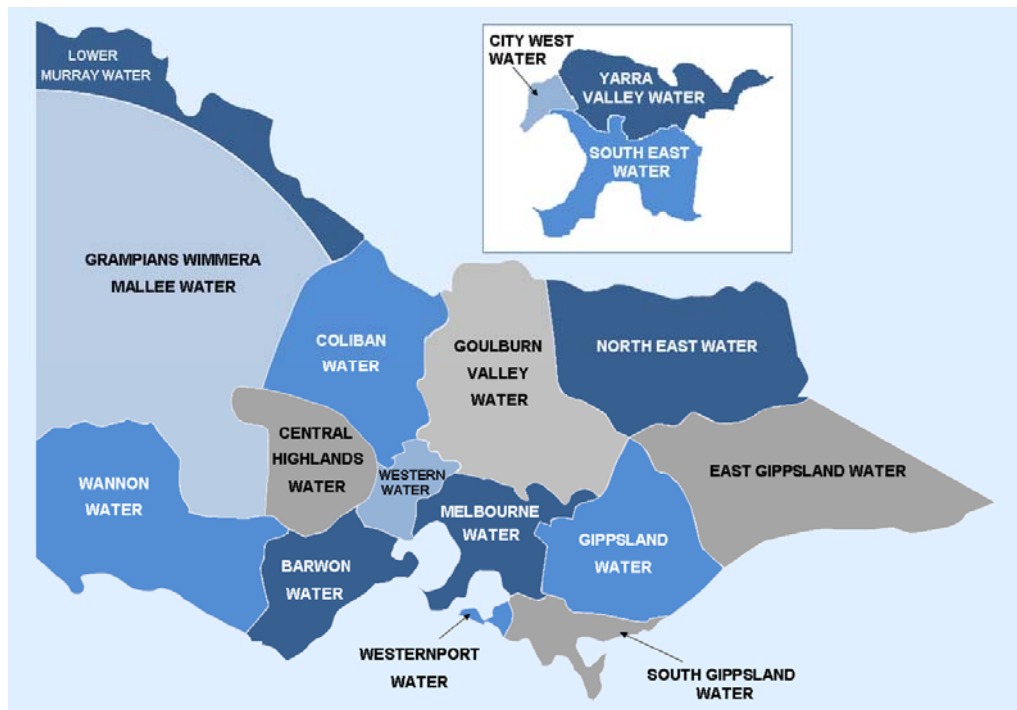
This industry summary forms part of the suite of documents the Essential Services Commission has released for its 2009-10 urban water performance report. It is aimed at informing interested parties of a number of key issues the Commission considers of interest in 2009-10.

The Commission regulates the prices and service standards of water businesses, setting prices to recover the expenditure required to efficiently operate, maintain and expand the water and sewerage networks to meet customers' needs.

Victoria's 16 urban water businesses service 2.1 million customers using 43 500 km of water mains and 34 800 km of sewer main.

In total \$1.74 billion dollars of capital expenditure was undertaken by the Victorian water industry in 2009-10. Capital expenditure on water was \$952 million and sewerage \$787 million.

Victorian water businesses 2009-10





Household bills

Overall the average household bill in 2009-10 was higher than 2008-09 in real terms. The average household bill for an owner occupier ranged from \$597 (City West Water) to \$1049 (Gippsland Water). Differences in the calculated bills can be attributed to a number of factors: the cost to service different regions, sources of water and the average volume of water used.

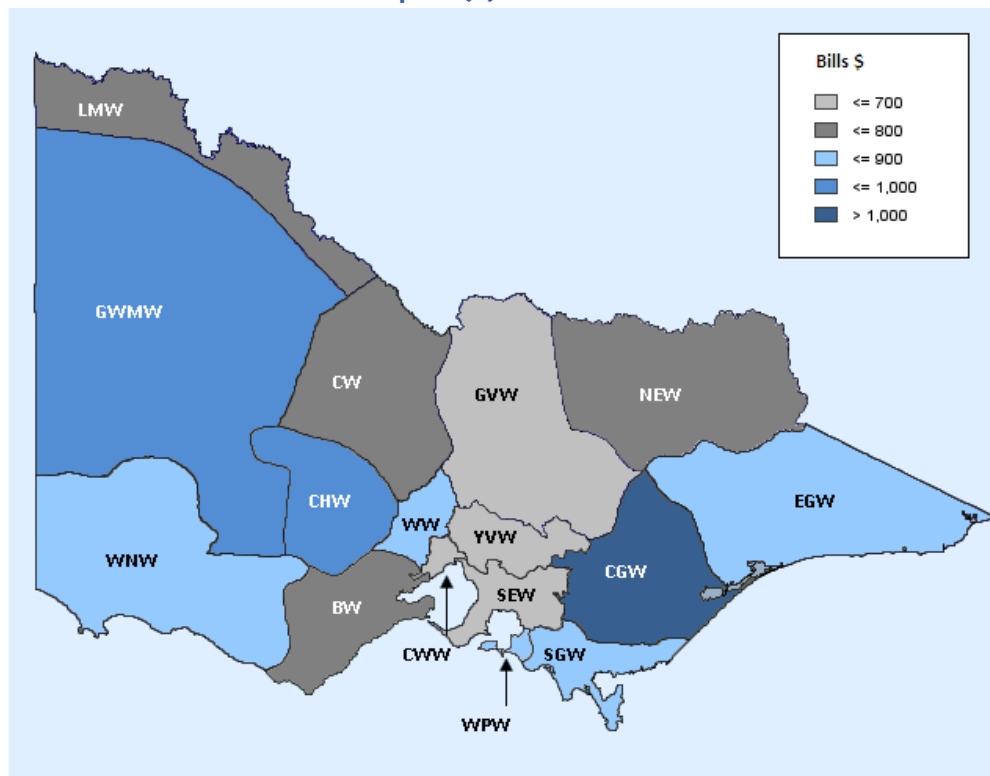
A household bill is comprised of fixed water and sewerage charges, variable water charges based on meter readings and, in the metropolitan region, variable sewerage charges linked to water use. Customers of businesses with a higher variable water component are able to exercise greater control over their bill. A number of businesses base their variable water charges on an “inclining block tariff” structure, where the price steps up when certain levels of consumption are reached.

Tenants do not pay service (fixed) charges and are only responsible for the usage (variable) component of the bill. Average household bills ranged between \$91 (Westernport Water) and \$333 (North East Water) in 2009-10. Tenants average household bills have increased by a greater percentage than owner-occupiers due to larger increases in the variable component of water charges.

For the remainder of the current regulatory period average household bills will continue to increase. Assuming the same consumption as for 2009-10, prices approved for 2010-11 (including CPI) are estimated to increase the average bill for regional water business customers by 5 to 24 per cent, and by 13 to 19 per cent for metropolitan customers.

For 2011-12 and 2012-13 annual price increases for the majority of regional urban customers will be at or below 5 per cent (excluding CPI adjustments), however some will experience up to 9 per cent. For metropolitan customers price increases will be 10 to 11 per cent (excluding CPI) in 2011-12 and 7 to 9 per cent in 2012-13.

Household bills – owner occupier (\$)



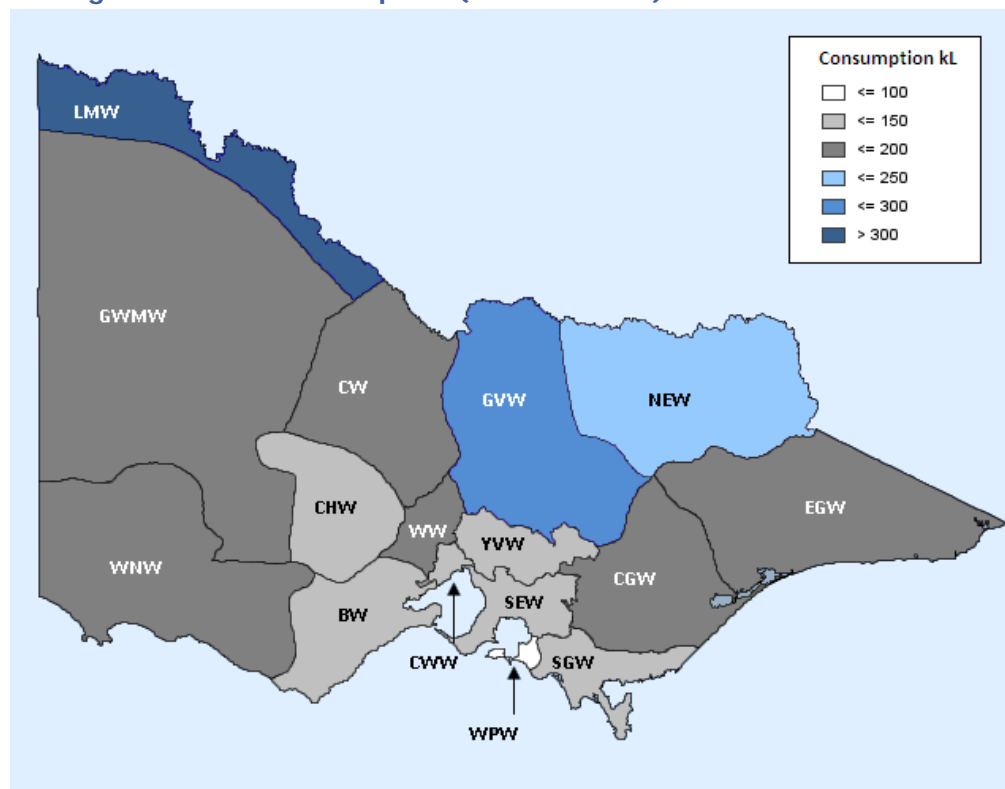


Consumption

Consumption patterns differ throughout the state for a number of reasons including climate, demographics and water restrictions. Average household consumption across Victoria fell from 157 kL in 2008-09 to 152 kL in 2009-10. Consumption was generally higher in regional Victoria at 180 kL per household (down from 184 kL in 2008-09), with metropolitan Melbourne at 142 kL (down from 147 kL). Traditionally the highest consumption has been in the drier and hotter north of the state, with the lowest consumption in areas with seasonal population variability.

Lower Murray Water, GWMWater and Central Highlands Water customers increased their consumption in 2009-10 following the easing of water restrictions.

Average household consumption (kL/household)



Payment difficulties

The Customer Service Code, which took effect on 1 July 2005, requires all urban water businesses to assist customers facing payment difficulties on a case-by-case basis, and that a series of steps be undertaken before restriction of supply can occur. Assistance tools include instalment plans, hardship grants and providing access to the Utility Relief Grants Scheme.

The rate of instalment plans for domestic customers increased from 5.6 per cent in 2008-09 to 5.7 per cent in 2009-10.

Water businesses approved a total of 11 244 hardship grants in 2009-10, up from 10 931 in the previous year.

Utilisation of the Utility Relief Grants Scheme increased in 2009-10 with 1.16 grants per 1000 customers (2453 total) compared to 0.8 grants per 1000 customers (1634 total) in 2008-09.



Customer responsiveness and service

In 2009-10 calls to account and fault lines totalled 2.19 million, with an average time to connect to an operator of 33 seconds, two seconds less than 2008-09.

The annual call centre benchmarking survey indicated that the Victorian water businesses are on a par or better than other utility call centres for call connection times and the quality, manner and skills in answering calls.

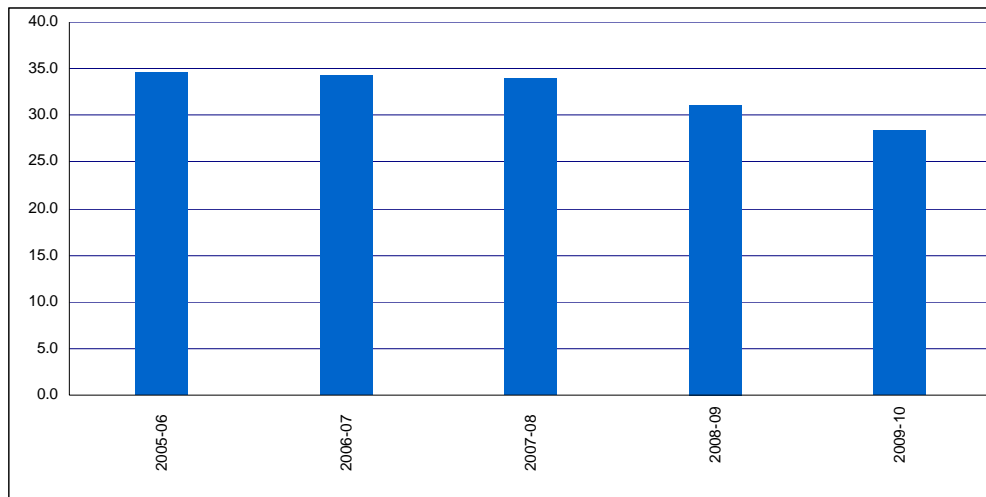
Water network reliability

Overall reliability of a water supply network is measured by customer-minutes-off-supply. Businesses can seek to improve overall reliability through a number of strategies such as reducing the frequency of interruptions, reducing the number of customers affected with each interruption event or by targeting the duration of interruptions. In seeking to improve reliability, businesses are likely to pursue a combination of these approaches.

The average minutes-off-supply for all water businesses was around 34 minutes between 2005-06 to 2007-08, falling to 31 minutes in 2008-09 and 28 minutes in 2009-10.

Some of the improvement reported in 2009-10 will be due to increased rainfall and milder summer conditions which reduced the degree of ground movement due to drying soils. Greater ground movement can result in increased bursts and leaks of water mains resulting in a larger number of interruptions.

Average customer-minutes-off-supply



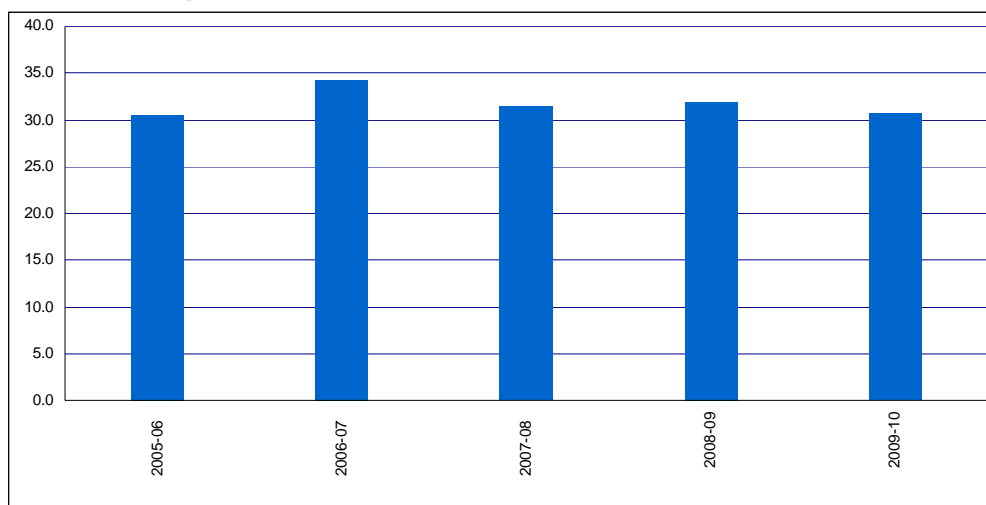


Sewerage network reliability

A sewer blockage is a partial or total obstruction of a sewer main that impedes sewage flow. This includes all trunk and reticulation main blockages, but excludes blockages in the individual service connection branch and property drain.

In 2009-10 the average rate of sewer blockages was 24.8 blockages per 100 kilometres of sewer main, compared to 26.0 in 2008-09 and 25.8 in 2007-08. Generally the number of sewer blockages reported was similar to previous years, with most water businesses showing improvements in performance and only six showing a slight increase in blockages.

Sewer blockages (per 100 kilometres of sewer main)



Water quality

Safe, good quality drinking water is essential for community health and wellbeing. One of the core functions of the urban water businesses is delivering water that is safe to drink.

In Victoria, the governance framework for the supply of safe drinking water is set out in the *Safe Drinking Water Act* (2003) and the *Safe Drinking Water Regulations* (2005).

All businesses reported compliance with microbiological requirements and all but GWMWater delivered water that met the turbidity levels set in the *Safe Drinking Water Regulations*. GWMWater reported that 98.6% of customers received drinking water that met the turbidity requirements.

Environment

Across Victoria 28.8 per cent of all effluent was recycled in 2009-10, a reduction on the 30.6 per cent recorded in 2008-09. This percentage fall was uniform across regional Victoria and metropolitan Melbourne (34.1 from 35.9 in the former, 27.1 from 28.9 in the latter).

Total net CO₂ equivalent emissions generated by Victorian urban water businesses were 822 200 equivalent tonnes in 2009-10. On average, businesses reported a 5 per cent increase from 2008-09.