



Melbourne Water Price Submission 2021

Engagement Report

Price Submission 2021 Engagement Report In this document

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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.

Executive Summary



Executive summary

This report documents the engagement program undertaken to support the development of Melbourne Water’s *Price Submission 2021* to the Essential Services Commission (ESC). It provides a comprehensive account of our efforts to develop a customer-focussed submission, in accordance with the ESC’s guidance and our own continuous evolution as a customer-centric organisation.

Our *Price Submission 2021 (PS21)* demonstrates a significant step change in the way we plan our services and prices, underpinned by an ambitious engagement program that placed our customers and community at the front and centre of decisions. This report documents the engagement program in detail, set out as follows:

- **Section 1** provides the context for our engagement program, as guided by the ESC’s PREMO Framework and Melbourne Water’s own customer-focussed commitments.
- **Section 2** details our approach to engagement, following a three-stage process to engage customers early and deeply on topics of relevance to them. It outlines who we engaged with, how and when, and what matters we engaged on.
- **Section 3** provides an overview of the insights we heard from different customer segments and how these were brought together to shape key aspects of our Price Submission, most notably our customer outcomes.
- **Sections 4-7** document in detail the engagement we undertook with each key customer segment, the insights we gained and how they were used.
- **Section 8** documents the additional engagement we undertook in response to the implications of COVID-19.

In accordance with the ESC’s expectations, this *Price Submission 2021 Engagement Report* provides detailed explanation and justification for **who** we engaged with, **how** and **when** we engaged, the **matters** we engaged on, the **views** we heard through our engagement program and how these views **influenced** our Price Submission.

Engagement program

We have learnt from and adapted our engagement approach from our previous *Price Submission 2016* to embrace the ESC's new PREMO regulatory model, delivering a deeper engagement form (towards *collaboration*), with broader content (towards *performance stewardship*) and earlier timing (towards an *ongoing conversation*). These changes reflect our desire to deepen our understanding of our customers and their preferences, enabling us to improve the alignment between these and the services we deliver.

Our engagement program was designed to address four principles based on the ESC's guidance: starting **early** to allow time for **deep** engagement, meaningful discussion and deliberation on specific topics; an **agile** and staged program we could adjust in response to customer interests and insights; and **representative** of our customer segments and the broader community.

We commenced pre-planning for our engagement program throughout 2018, analysing existing customer insights data and seeking to understand the retail water companies' experiences with their recent price submissions. Our three-stage engagement program formally began in February 2019 and concluded in

September 2020. Customers were involved early and throughout the process, and provided with multiple opportunities to shape both the engagement program and key aspects of our Price Submission.

A variety of channels and forums were used to engage the range of customer segments impacted by our Price Submission, including households and businesses, retail water companies, local government, community groups and direct service customers. Other key agencies, including the Department of Environment, Land, Water and Planning (DELWP), Office of the Minister for Water, Consumer Advocate Groups and Traditional Owner groups, were provided with briefings at key stages.

We ensured that our submission was informed by views representative of the diversity of all Melburnians. Our community research program used representative sampling and engagement approaches (such as online forums) to ensure views expressed could be considered representative of the broader community. Participants were carefully selected to ensure representation across different age cohorts, gender, location, level of education, work status, and household size and ownership. We also targeted harder to reach disadvantaged groups including people on lower incomes, people who spoke another language at home or with parents, and people with a chronic illness or disability who might otherwise find it hard to participate in engagement activities.

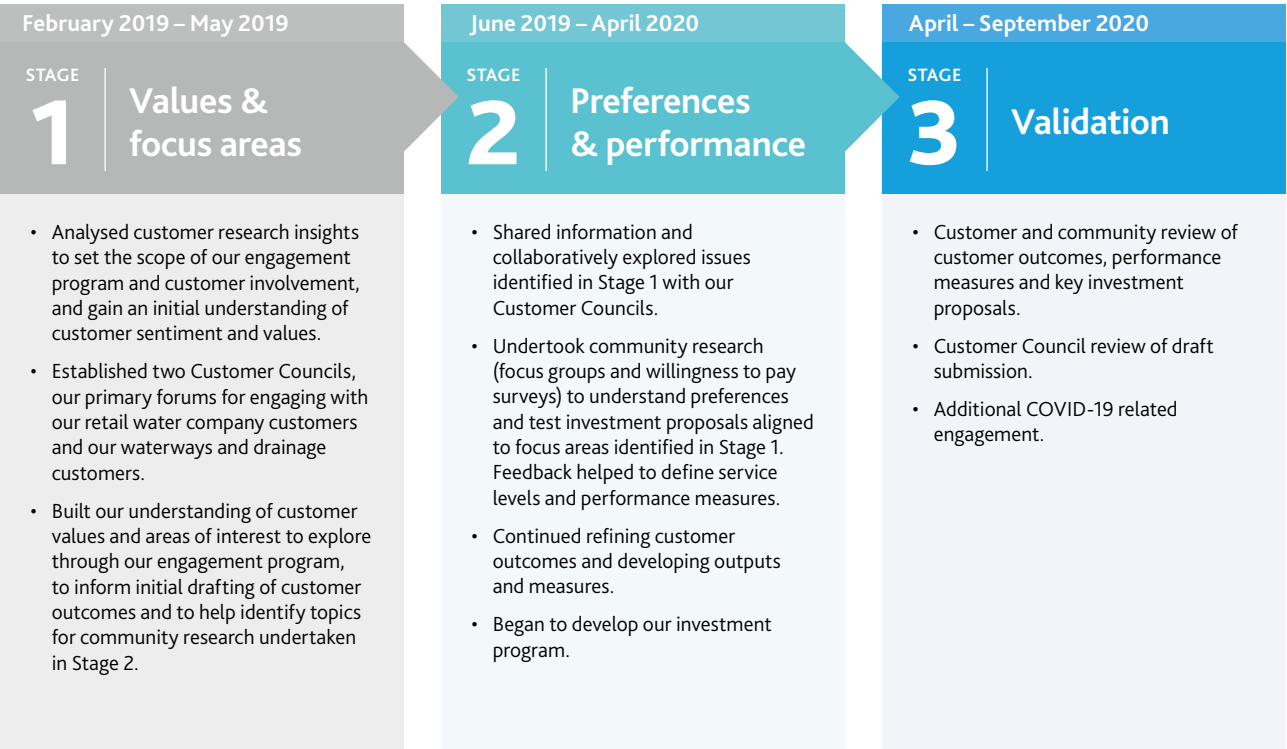
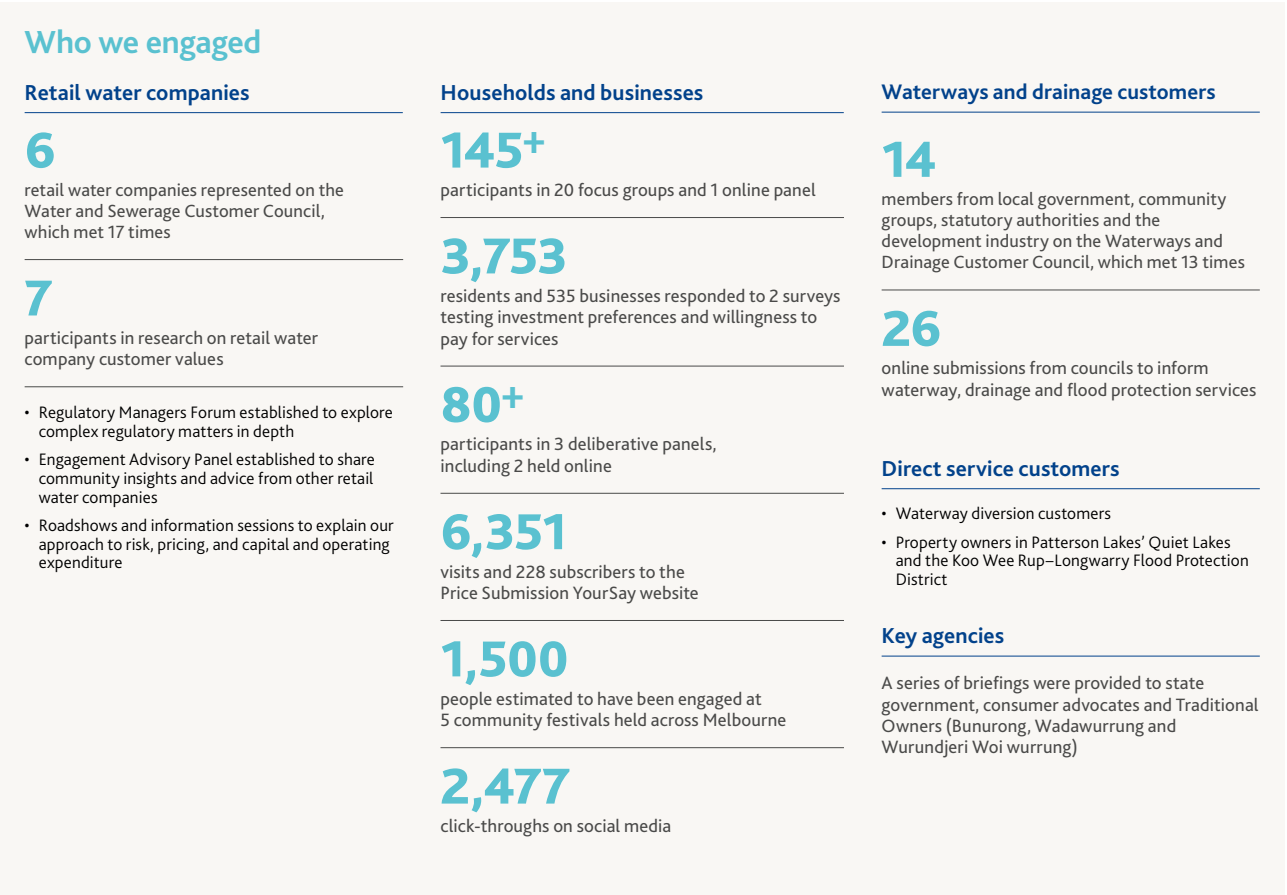


FIGURE 1 Snapshot of the breadth of our engagement program



Key insights shaping our Price Submission

This report documents the insights we heard through our engagement program. A high-level summary of these insights and how they shaped our Price Submission is set out below.

	KEY INSIGHTS	HOW THESE INSIGHTS SHAPED OUR PRICE SUBMISSION
Customer Councils		
Water and Sewerage Customer Council (WSCC) Engagement activities: Met 17 times plus Capex Roadshow and Opex information session	- Seeking alignment with their own customer outcomes, with a focus on affordability and price stability. - Clarity on long-term water security – Integrated Water Management (IWM) and system augmentation. - Support cost pass-through approach for desalination water order. - Investments should support existing agreed strategies, e.g. <i>Melbourne Sewerage Strategy</i>. - Administrative/process-related matters, e.g. performance incentives, tariff review, forecast price path beyond five years, transparency on growth-related expenditure.	Customer Council insights shaped our customer outcomes and performance measures, and in the case of the WSCC, were used to ensure alignment with customer outcomes in the retail water companies’ 2018 price submissions. They also helped identify focus areas for our community preferences and willingness to pay research, undertaken in Stage 2, and shape our investment program. In the case of the WDCC, this resulted in a moderate increase in the Waterways and Drainage Charge and in the case of the WSCC, our aim for stable or declining bulk water and sewerage prices. The WSCC also influenced our approach to specific regulatory matters such as Guaranteed Service Levels, our commitment to undertake a tariff review, and our approach to the capitalisation of Victorian Desalination Plant security payments.
Waterways and Drainage Customer Council (WDCC) Engagement activities: Met 13 times	- Increased investment is needed to reverse decline in waterway health and meet <i>Healthy Waterways Strategy</i> commitments – seeking increase in Waterways and Drainage Charge greater than 5 per cent. - Prioritise the environment and the intrinsic value of waterways. - Climate change and urban development are key concerns. - Highlight the long-term social, economic and environmental benefits that increased waterway health will bring to customers.	
Community values		
Engagement activities: - Qualitative and quantitative community assessment of services research - Community vision and values co-design workshop - Waterways and Drainage Community Deliberative Panel.	- All four of Melbourne Water’s core services are highly valued and recognised for their benefits to broader community and environment. - Core services of water supply and sewerage are the most valued and well regarded. - There is more to be done to improve waterway condition and water quality. - Stormwater capture and treatment is valued (as a wise use of finite resources and for waterway health benefits). - Priority community values are: Environment and sustainability, Reliability, Forward thinking, For everyone, Innovation, Efficiency. - Top three priorities identified by Waterways and Drainage Deliberative Panel were: stormwater harvesting, management of stormwater pollution, and flood mitigation.	We used community values insights to help shape our engagement program, draft our customer outcomes and identify the focus areas to be explored further through our community preferences and willingness to pay research.

	KEY INSIGHTS	HOW THESE INSIGHTS SHAPED OUR PRICE SUBMISSION
Community preferences and willingness to pay		
Engagement activities: Two separate research programs, one directly aligned to waterways and drainage services. Both programs included qualitative workshops and quantitative online surveys with representative samples of the population.	Waterways & Drainage community research - Overall support for an increase in service levels (supported by 68 per cent of residential customers, 60 per cent of business customers). - Overall willingness to pay 8 per cent more (residential customers) and 5 per cent more (business customers). 15 per cent want to pay less due to affordability concerns and perceived lack of value, 13 per cent want to pay the same amount. - Support for maintaining current vegetation programs. - Support for significantly increased level of service in the following areas: - Litter - Wetlands and estuaries - Land access - Support for increased level of service in the following areas: - Stormwater harvesting and quality - On water access - Flood preparedness and mitigation - Waterway restoration - Community involvement Price Submission community research - Overall support for low-cost, high-value initiatives - Willingness to pay \$8 more on average (excluding cost of desalinated water orders) - Best value would be offered by additional investment in: - stormwater harvesting - sewerage system upgrades - opening up access to pipetracks	The findings from our community preferences and willingness to pay research helped inform decisions about our investment program, particularly for waterways and drainage services. Other inputs to our investment decisions included our legislative and regulatory obligations and commitments in our key service strategies, which identify the challenges that population growth, climate change and affordability pose for our services. The research was undertaken prior to the coronavirus pandemic, and we acknowledge results may now differ due to the economic impact on households. This further reinforces our approach to carefully balance affordability with the uplift in service levels that customers were prepared to pay for.

Key insights shaping our Price Submission

	KEY INSIGHTS	HOW THESE INSIGHTS SHAPED OUR PRICE SUBMISSION
Community validation		
Engagement activities: Representative online community deliberative panel, broad public consultation on draft proposals via Price Submission webpage.	• Provided a high level of support for customer outcomes and measures. • Reiterated emphasis on value of waterway health. • Reiteration from local government for greater investment in stormwater and recycled water, flood mitigation works, community education and capacity building.	These final community insights helped refine the wording of our customer outcomes and measures. We will continue to collaborate with our local government partners on priority areas through our waterways and drainage programs. Overall, these insights validated our thinking and provided a degree of confidence in finalising our submission.
State government and consumer advocacy groups		
In the final stage of engagement we provided briefings on our draft proposals to the Department of Land, Water, Environment and Planning, Office of the Minister for Water, and consumer advocacy groups: • Energy and Water Ombudsman of Victoria • Consumer Action Law Centre • Brotherhood of St Laurence.	• Recognition of extensive engagement program and subsequent support for customer outcomes. • Emphasis on the importance of affordability, particularly with the impacts of the coronavirus pandemic.	These insights were at the forefront of our minds as we finalised our Price Submission and continued to work towards minimising price impacts on households and businesses, particularly in light of the coronavirus pandemic.

Impacts of COVID-19 on our engagement insights

The final stage of our engagement program was undertaken during the coronavirus pandemic. Our final community deliberative panels (one for waterways and drainage services, and one to review our customer outcomes) and three-week public consultation on our draft proposals were held online, during the COVID-19 ‘lockdown’ period. Feedback continued to emphasise the importance of our affordability-related outcome, *‘Bills kept as low as possible’*, but also continued to strongly support all our proposed customer outcomes.

During this stage we also provided briefings on our draft proposals to the Department of Land, Water, Environment and Planning (DELWP), Office of the Minister for Water, and consumer advocacy groups: the Energy and Water Ombudsman of Victoria (EWOV), Consumer Action Law Centre (CALC) and Brotherhood of St Laurence. Given the financial stress the pandemic is placing on consumers, all of these stakeholders strongly reinforced the need for affordability to be top-of-mind in finalising our Price Submission.

Acknowledging the impacts of COVID-19, we undertook additional engagement to test and refine proposals for easing bill impacts on the community in the immediate (first year) and medium-term across the five-year regulatory period. We engaged with the broader community via a deliberative forum, and with direct service customers where a service/price increase was proposed. We also advised consumer advocacy groups, DELWP and the retail water companies of these proposals.

Matters we consulted on

An online Community Deliberative Forum received an overview of our final six customer outcomes, prices and service levels. With this information in mind, the forum deliberated on three proposals to keep bills as low as possible: price smoothing; hardship assistance and related initiatives; and expenditure pauses/deferrals and price reductions. The forum endorsed these proposals and reinforced support for our proposed price changes and six customer outcomes, despite the financial impacts of COVID-19.

Direct service customers in Patterson Lakes Quiet Lakes and the Koo Wee Rup–Longwarry Flood Protection District were asked for feedback on a proposed delay to the price and service increase for at least the first year of our submission (i.e. continue with current service levels and pricing), with the intention to revisit our approach in Year 2, subject to the impacts of the pandemic and further consultation at that time. Patterson Lakes residents expressed a desire to proceed with the increase, while Koo Wee Rup–Longwarry residents supported the delay.

Refer to **Section 8** for further detail on the customers engaged, methods used and key findings.

Ongoing monitoring of insights

We supplemented our engagement program with a scan of data sources to understand how COVID-19 is impacting customer affordability. Since April 2020, we have included a series of COVID-19 tracking questions in our fortnightly community perceptions survey to add to our knowledge of customer impacts. The surveys asks a representative sample of the community a series of questions focussed on perceptions and confidence in ability to pay water bills.

Retail water company insights have also confirmed an increase in the number of households and businesses who are struggling to pay essential bills and seeking support through hardship programs.



Context



Context

In Victoria, prices for water and other essential services are periodically reviewed by the Essential Services Commission (ESC), the independent regulator. The ESC determines the maximum prices Melbourne Water can charge and how these charges are calculated. As part of this process Melbourne Water prepares a price submission to the ESC, detailing our customer commitments, proposed service standards and prices for the next five-year period.

The ESC's new PREMO framework for price submissions is a significant step forward for the water sector, directly aligning the interests of water businesses with the customers they serve. Aspects of the PREMO framework are consistent with Melbourne Water's own customer-centric approach, and we have embraced this opportunity to develop a submission with our customers at its centre.

This report documents the engagement activities undertaken to ensure our Price Submission delivers against the ESC's guidance, as well as our own commitments to understand our customer and community needs and values.

1.1 Melbourne Water's services and prices

Melbourne Water plays a unique role in the life of Melburnians. Part essential service provider and part environmental steward, our core services span water supply, sewerage, drainage and waterway management.

We supply high-quality water to homes and businesses; provide essential sewerage services to maintain our region's health and sanitation; manage drainage to reduce the impacts of flooding on people and the environment; care for our waterways and bays and the natural ecosystems they support; and help to create public green spaces for community recreation and amenity.

The prices that customers pay for these important services can be categorised as follows:

- **Water and sewerage charges:** Our wholesale water supply and sewerage services are directly paid for by Melbourne's retail water companies. They provide services to households and businesses, who ultimately pay for our charges as part of their water bill.
- **Waterways and Drainage Charge:** The retail water companies collect the Waterways and Drainage charge on our behalf, which directly funds services in waterway health, regional drainage, and flood protection. Our commitments to deliver these services are set out in our *Waterways and Drainage Investment Plan (WDIP)*, with key commitments included in our Price Submission. Development of the WDIP must be undertaken every five years, and is a requirement under Melbourne Water's Statement of Obligations. Development of the WDIP, including engagement, was undertaken in parallel with that of our *Price Submission 2021*.
- **Direct service charges:** Some customers pay to receive a specific service not available to the broader community: residents in Patterson Lakes and the Koo Wee Rup–Longwarry Flood Protection District receive additional waterway maintenance and flood protection services that directly benefit their area; and waterway diversion customers (e.g. farmers) who receive a licence to take and use water from a river system.

1.2 Essential Services Commission Guidance

Since our previous *Price Submission 2016*, the ESC has introduced a new customer-focussed water pricing approach and incentives framework: 'PREMO' (Performance, Risk, Engagement, Management, Outcomes). PREMO places greater emphasis on meaningful customer engagement to inform and influence price submissions, and establishes financial, reputational and procedural incentives to better align the interests of water businesses with the customers they serve.

Our *Price Submission 2021* is the first time Melbourne Water has applied the PREMO framework. Meeting the ESC's guidance requires us to put customers at the front and centre of developing our Price Submission, engaging with them to define outcome statements reflecting their concerns, priorities, and preferences relating to the services we provide and the manner in which we provide them.

More specifically, the ESC's guidance (*Melbourne Water's 2021 Price Review, Guidance Paper, 13 November 2019*) requires Melbourne Water to:

- Describe and justify how and when Melbourne Water engaged with its various customer groups.
- Describe and justify the matters covered by customer engagement.
- Explain what it learned from customer engagement, and how it satisfied itself that customers were given a reasonable and fair opportunity to participate and that any views expressed were sufficiently representative of its customers.
- Explain how feedback was taken into account by the business in reaching its proposals.
- Explain how it will address customer expectations that will not or cannot be met.

1.2.1 ESC guidance on impacts of COVID-19

In August 2020, the ESC provided additional guidance to Melbourne Water to consider the potential implications of the coronavirus pandemic on our Price Submission. With regard to customer engagement, the ESC expects '*Melbourne Water to have considered whether the consumer preferences that informed the development of the price submission remain valid given the coronavirus.*'

Although the final stage of our engagement program (including public consultation on our draft proposals) was undertaken during the coronavirus pandemic, we also conducted additional engagement to test and refine proposals for easing bill impacts on the community in light of the pandemic. This additional COVID-related engagement is documented in **Section 8**.

1.3 Melbourne Water's engagement context

Melbourne Water is focused on delivering valued services for all our customers. Since our last price submission in 2016, we have continued our journey to becoming a more customer-focused organisation: prioritising genuine two-way customer engagement and embedding customer insights into how we do business, to ensure better outcomes for our customers and community.

Our *Corporate Plan (2020-21 to 2024-25)* sets out our commitment to empowering communities to shape the future:

"Melbourne Water is committed to collaborating with customers and stakeholders to deliver the best value we can from the whole of the water cycle."

Our *Price Submission 2021* has been an opportunity to further embed our customer-focused aspirations, including those in our *Customer and Community Strategy* and our *NextGen Community Engagement* model.

Customer and Community Strategy 2018-2023

Our *Customer and Community Strategy 2018-2023* is a critical enabler for delivering our Strategic Direction of 'Healthy People, Healthy Places and Healthy Environment' by ensuring the services and experiences we provide are shaped by customer and community perspectives, both current and future. The strategy establishes a framework for responding to rapidly-evolving customer and community expectations, and is centred on building trust and confidence through valued services, exceptional experiences and relationships.

The strategy identifies six implementation areas:

1. Our services: we will continue to deliver and evolve services of value by understanding the needs and priorities of our customers and community.
2. Our community: we will drive awareness of Melbourne Water and familiarity with our activities and services, while engaging our diverse community on decisions that involve and impact them.
3. Customer centricity: we will understand our customers' perspectives – not just our own – to strengthen relationships, enhance digital experiences and improve delivery of services.
4. Disciplined delivery: strong governance and an understanding of opportunities outside our organisation will lead to 'fewer, better, smarter' customer and community outcomes.
5. Customer and community capability: all levels of our organisation will understand and be empowered to deliver improved services, relationships and experiences to customers and community.
6. Building adaptability: we will focus on improving and enhancing our digitisation, relationships, systems and processes to enable a 'single view of customer'.

The strategy highlights our *Price Submission 2021* as an opportunity to deliver on these commitments:

"Put customers at the centre of decision-making in our 2021 Price Submission, informed through meaningful engagement."

Next Generation Community Engagement Program

Our *Next Generation Community Engagement Program (NextGen)* was instrumental in developing the engagement approach for our *Price Submission*, as outlined in **Section 2**.

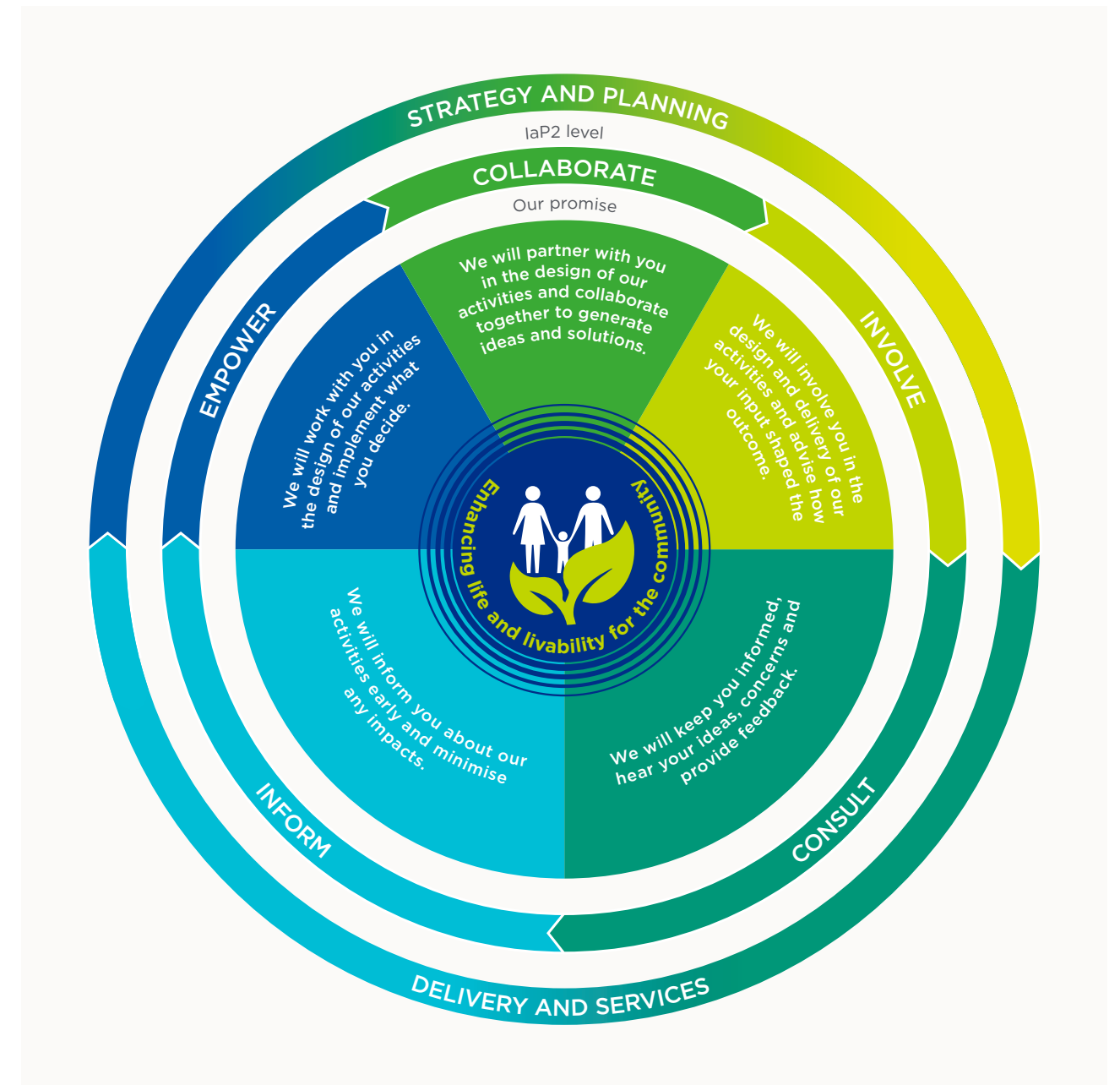
NextGen was launched in 2016 to transform and embed best-practice engagement across our business. It aimed to shift us from good practice engagement in order to manage risks, to a position of leadership and innovation where our customers and community are at the core of everything we do. Over the last few years we have worked to embed our *Next Generation Community Engagement Program (NextGen)* into the culture of the organisation.

NextGen aligns our business activities with the International Association of Public Participation (IAP2) Core Values and Spectrum, which helps guide, design, plan and classify our engagement activities, as illustrated in **Figure 2**. The program helps identify the level of complexity of decisions and the opportunities for our customers and the community to influence outcomes, matching the engagement need with the problem to ensure we use the right approach, at the right level, at the right time.

Melbourne Water and our industry-leading NextGen Engagement Program were selected as a finalist in the International Association of Public Participation (IAP2) Australasian 'Organisation of the Year' Core Values Award in 2018 and again in 2020.

The IAP2 Core Values Awards recognise outstanding projects and organisations that are at the forefront of public participation and community engagement.

FIGURE 2 IAP2 Public Participation Spectrum model across Melbourne Water's business activities.





Engagement approach

Left: Melbourne Water attended a number of community festivals to promote our Price Submission engagement program, including the Manningham Family Festival in Lower Templestowe.

Engagement approach

Our approach to engagement for our *Price Submission 2021* demonstrates our commitment to customer focus: engaging customers early, on matters of importance, through fit-for-purpose channels that enabled a representative group of customers to share their views on issues of priority to them.

We committed to deepening and evolving relationships with our customers to ensure our submission delivers meaningful outcomes aligned with customer values and priorities. Our engagement program enabled customers to influence key aspects of our submission, and for Melbourne Water to better understand their experience and what they value.

2.1 Engagement program

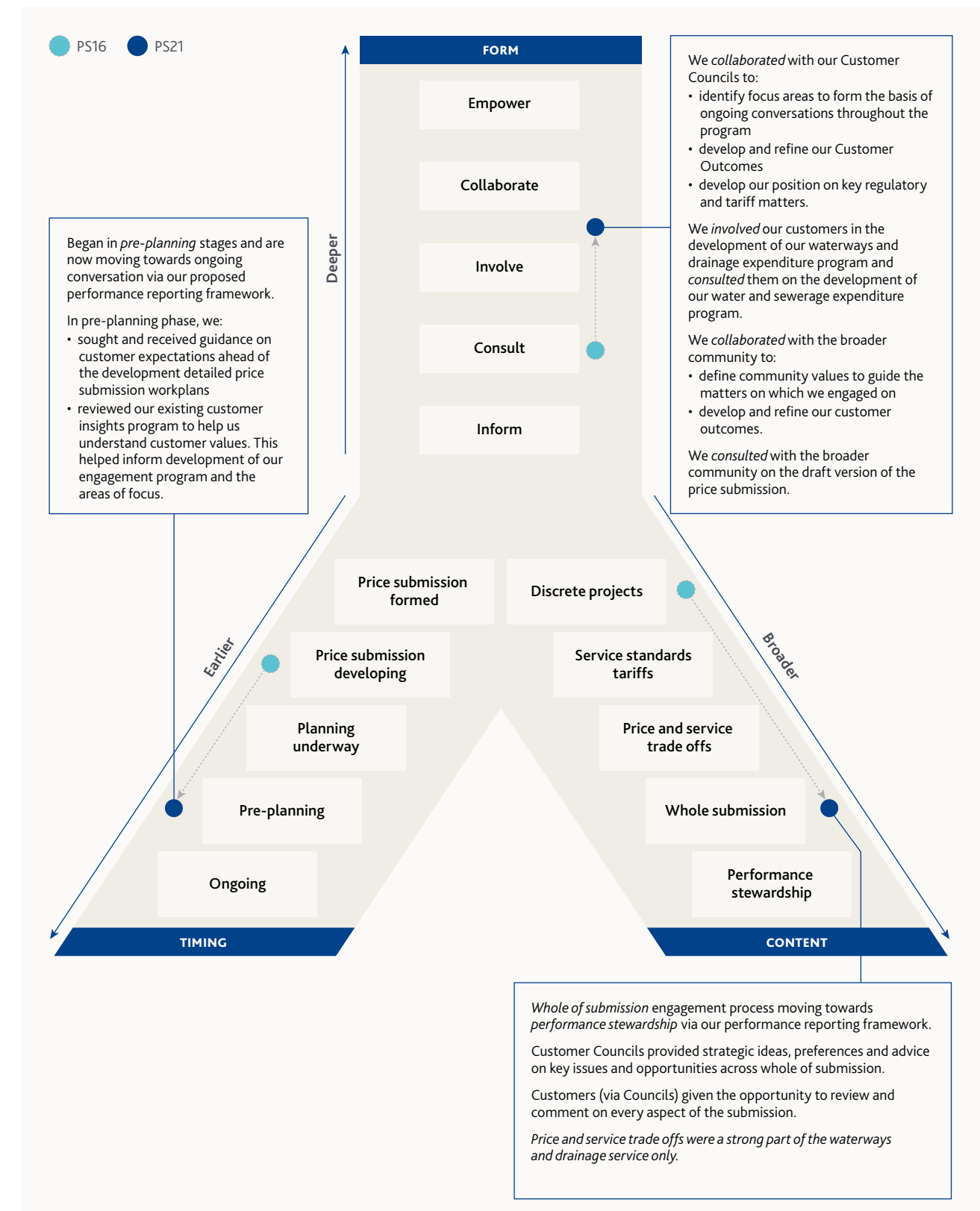
Our engagement program was developed with regard to both the ESC's guidance and Melbourne Water's customer-focused commitments (outlined in [Section 1](#)). It was designed to address four principles, building on the ESC's guidance:

1. **Start early** to ensure adequate time and fair opportunity for customers and the community to understand and participate in different aspects of developing the Price Submission, and to facilitate in-depth and meaningful discussion and deliberation.
2. **Deep engagement** on specific topics to allow for genuine two-way conversations and understanding.
3. A staged and **agile program** that could be adjust in response to customer interests and insights.
4. **Representative** of our customer segments and the wider community.

Figure 3 shows how we progressed key elements of the ESC's engagement framework from our *Price Submission 2016* to our *Price Submission 2021*. It demonstrates how engagement across our entire submission has moved to a deeper form (towards *collaboration*), with broader content (towards *performance stewardship*) and earlier timing (towards an *ongoing conversation*). These changes reflect our desire to better understand our customers and their preferences, enabling us to improve the alignment between these and the services we deliver.

From the outset, we committed to a collaboratively-developed approach and customer-led agenda incorporating learnings from the retailer water companies' 2018 price submissions (which applied the PREMO framework) and their preferences for greater transparency, collaboration and alignment. Our extensive 20-month engagement program allowed for multiple iterations of research, testing and reporting, and was informed by early community insights and engagement with the retail water companies during pre-planning and the early stages of the program. Findings from each stage also shaped subsequent stages – particularly the information shared with customers and community, which was refined and tailored in response to ongoing feedback.

FIGURE 3 How we applied the ESC's engagement framework to our approach



Pre-planning for our engagement program began in 2018. We collated and analysed our existing knowledge base of customer and community insights, and sought to understand the retail water companies' experiences with developing their 2018 price submissions. This informed development of our program, which formally commenced in February 2019 and ran through to September 2020.

The three-stage program was closely integrated with the development of key aspects of our Price Submission:

- **Stage 1** sought to understand customer and community values and identify key issues of importance to be further investigated through Stage 2.
- **Stage 2** sought to understand customer preferences and willingness to pay for different service levels, and to develop and refine customer outcomes and performance measures.
- **Stage 3** involved review and validation of the customer outcomes, performance measures and key proposals of our draft Price Submission.

The stages and associated engagement activities are summarised in **Table 2**. Our engagement program sought to align with the *consult*, *involve* and *collaborate* objectives on the IAP2 Spectrum of Public Participation. We sought to consciously identify a level of participation appropriate for the engagement stage, the matters engaged on and the level of relevance and interest to different customer segments. Deep engagement on specific aspects enabled a detailed understanding of customer and community values and preferences, which influenced customer outcomes and service levels.

A broad range of views needed to be understood in collaborating with customers to formulate solutions and incorporate advice and recommendations. We sought feedback from key customer and community segments through a variety of fit-for-purpose forums and activities, tailored to match the level of interest in our Price Submission, the complexity of decisions, and to provide opportunities for customers and the community to influence outcomes. For more information on the specific engagement activities undertaken with each customer segment and the insights gained, refer to **sections 4–8**.

Our engagement program is intended to transition from a focus on developing our submission to an ongoing conversation with customers about our services and performance. This will enable us to become more agile in responding to evolving customer preferences in an ever-changing environment.

2.2 Customer representation

As part of Melbourne Water's customer and community journey and in response to stakeholder and industry feedback on our 2016 Price Submission, we aimed to provide greater clarity on our definition of 'customer' and 'community'.

To assist in defining and understanding our customers, Melbourne Water has divided our customer base into eight segments – Retail Water Companies, Local Government, Engaged Community Groups, Developers, Direct Service Customers, State Government, Industry Leaders and the Broader Community.

This customer segmentation supported our tailored approach to engagement for the Price Submission to reflect varying circumstances, levels of impact and interest. We also took a service-based approach to engagement for the price submission and so it was important to align our customer segments with the service(s) most directly relevant to them. **Table 1** summarises the customer segments we engaged for each service and the key forums used to engage with each segment.

TABLE 1 Engagement by customer segment and service

	 Water and sewerage	 Waterways and drainage	 Direct services
RELEVANT CUSTOMER SEGMENTS	• Retail water companies ('retailers') are our direct customers. They purchase our bulk services and on-sell these to their direct customers. • The broader community (households and businesses) are our indirect customers. They ultimately consume the water that we produce, and supply the sewage that we transfer and treat.	• The broader community (households and businesses) are our direct customers. They enjoy the benefits of the waterways and drainage services we provide across Greater Melbourne and pay our Waterways and Drainage Charge via their water bills. • Local government delivers drainage and flood management services, and owns and maintains local infrastructure connected to Melbourne Water's drainage system. They are a key partner in advancing integrated water management. • Engaged community groups are a key partner in delivering service levels and community outcomes in localised catchments. They include organisations such as Port Phillip EcoCentre, Werribee River Association and Yarra Riverkeepers Association. • Developers fund/deliver drainage infrastructure, particularly in greenfield areas, to protect waterways and mitigate flood risks.	• Owners of property in the Tidal Waterways and Quiet Lakes at Patterson Lakes pay a special service charge – in addition to the Waterways and Drainage Charge – for works and services specific to their properties. • The Koo Wee Rup–Longwarry Flood Protection District is prone to significant flood risks. Property owners in this district pay an exclusive charge to cover maintenance for the area's extensive drainage network. • Waterway diverters hold licences to extract water from rivers, streams, dams and stormwater pipes for a variety of purposes, including domestic and stock watering, agricultural irrigation, stormwater harvesting, power generation and industrial cooling. Melbourne Water manages these licences in accordance with the <i>Water Act 1989</i>.
HOW WE ENGAGED	• Retailers were represented on a Water and Sewerage Customer Council, Engagement Advisory Panel, and Regulatory Managers Forum • Social research program	• Customers represented on a Waterways and Drainage Customer Council • Local government information session and submissions • Community research program	• Patterson Lakes residents • Koo Wee Rup–Longwarry residents • Diversion licence holders Separate engagement programs were undertaken with direct service customers, documented in Section 7.

In addition to the above, tailored briefings were provided to:

- Department of Environment, Land, Water and Planning (DELWP): detailed presentations and an invitation to comment on our key proposals were provided to key DELWP staff during Stage 3. A copy of our draft submission was provided for comment in September 2020 prior to Board approval.
- Office of the Minister for Water: a briefing was provided during Stage 3. A copy of our final submission was provided following Board approval.
- Energy and Water Ombudsman Victoria (EWOV): a briefing was provided during Stage 3 and an invitation extended to comment on our key proposals.
- Consumer advocacy groups: we directly corresponded with these groups (via letters, emails and telephone calls) to offer individual briefings, and an opportunity to comment on our draft proposals and identify key concerns. Briefings were provided to the Consumer Action Law Centre and Brotherhood of St Laurence.
- Traditional Owners: between September 2019 and March 2020, a series of meetings was held with representatives of the three Traditional Owner groups in our service area (Bunurong, Wadawarrung and Wurundjeri Woi wurrung) to discuss matters associated with the *Waterways and Drainage Investment Plan (WDIP)* and *Price Submission 2021*. Our engagement with these groups is ongoing.

2.3 Engagement forums and methods

We used a variety of fit-for-purpose engagement forums and methods to ensure customers were given suitable opportunities to influence our submission. The key forums are illustrated in **Figure 4**.

Information to support our engagement activities was provided in a range of formats tailored to the activity and audience, and distributed through a variety of channels, as set out below.

The focus of our engagement forums is summarised below. For details on the specific engagement activities undertaken with each customer segment and insights gained from each, refer to the later chapters of this report (**sections 4–8**).

Customer Councils

We established two dedicated customer forums as strategic engagement channels to represent our key customers: a Water and Sewerage Customer Council, and a Waterways and Drainage Customer Council. These two forums worked collaboratively with us over 18 months to help shape and refine both our engagement activities and our response to key service and regulatory matters.

Water and Sewerage Customer Council

The Water and Sewerage Customer Council (WSCC) was established to provide a dedicated customer forum to test strategic ideas, seek preferences and provide advice on key issues, opportunities and focus areas.

The WSCC consisted of representatives from the metropolitan retail water businesses and connected regional water corporations, including City West Water, South East Water, Yarra Valley Water, Western Water, Barwon Water, and South Gippsland Water.

The WSCC was supported by the following advisory forums:

- **Regulatory Managers Forum (RMF)** was established to provide advice to the WSCC, focusing on in-depth exploration of complex regulatory matters relating to the submission. It was comprised of regulatory managers from Barwon Water, City West Water, Gippsland Water, South East Water, South Gippsland Water, Yarra Valley Water and Western Water.
- **Engagement Advisory Panel (EAP)** was established to provide a forum for review of our engagement program and sharing of community insights and findings openly; to learn from the retailers' own price submission engagement experiences; to ensure clarity and coordination of communications to the community; and to identify opportunities for joint efforts and alignment of engagement activities across the sector. It was comprised of engagement practitioners from each of the retail water businesses.

FIGURE 4 Key engagement forums



Waterways and Drainage Customer Council

The Waterways and Drainage Customer Council (WDCC) was appointed to provide strategic advice on our waterways and drainage pricing proposals through a customer and community lens, and to help inform development of the Waterways and Drainage Investment Plan (WDIP). The WDIP is a key input to the price submission as it relates to setting the Waterways and Drainage Charge.

Members of the WDCC included representatives from local government (Brimbank City Council, Wyndham City Council, Yarra Ranges Council, Maroondah City Council, City of Melbourne and Moorabool Shire Council), engaged community groups (Port Phillip EcoCentre, Werribee River Association, Yarra Riverkeepers Association), key stakeholders from the State Emergency Service, Victorian Planning Authority and the Urban Development Institute of Australia, one general community member and one direct services customer (waterway diverter).

Community forums

We undertook a comprehensive community research program to hear the views of the broader community on a range of specific topics. Community research was a critical element of the engagement program and a robust methodology was applied to uncover values and preferences on specific topics from a representative and statistically valid sample of the broader community.

Our community research program applied representative sampling and engagement approaches (such as online forums) to ensure views expressed could be considered representative of the broader community. Participants were carefully selected to ensure representation across different age cohorts, gender, location, level of education, work status, and household size and ownership. We also targeted harder to reach disadvantaged groups including people on lower incomes, people who spoke another language at home or with parents, and people with a chronic illness or disability who might otherwise find it hard to participate in engagement activities.

- **Qualitative research:** A series of focus groups, workshops and interviews explored values, perceptions and attitudes about Melbourne Water's services, and identified priority issues. These also informed the design of quantitative research, including the framing and language used to communicate services and proposed initiatives effectively.
- **Quantitative research:** Two online surveys tested the strength of views uncovered through qualitative studies, and explored community prioritisation and willingness to pay for service levels and new initiatives. One survey focussed on waterways and drainage services, and the other covered a range of new initiatives across all Melbourne Water services.
- **Deliberative panels:** Two community deliberative panels explored complex issues in greater depth and tested and prioritised strategic initiatives and scenarios. One panel focussed on waterways and drainage services and met four times to review and deliberate. The other panel reviewed and prioritised our proposed customer outcomes and performance measures, and was later called on to test our COVID-related proposals.



The Waterways and Drainage Deliberative Panel met four times to discuss issues in depth.

Prior to all community forums, pre-reading was circulated to help participants understand Melbourne Water's activities and the topics to be discussed. Pre-reading packs were prepared in plain English and supplied as audio versions as an alternative to reading. These were accompanied by short animations providing a simple overview of each of our services. For our online deliberative forums, a sketch artist illustrated summaries of each day's discussion, providing participants with a visual alternative to reading long passages of text.

Other communication channels

Multiple distribution channels were used to raise awareness of our submission among a broad cross-section of the community and enable them to participate if interested. Digital channels included our *YourSay* online engagement portal and social media, and a gamification tool ('Drip Trip') developed to attract younger cohorts. We also had a presence at community festivals to help us get the word out to the broader community.



Community festivals

We participated in five community festivals across Melbourne:

- 30 March 2019 – Moonee Valley Festival, Aberfeldie (inner west)
- 7 April 2019 – Emerald Funfest, Emerald (outer south east)
- 20 October 2019 – Knox Stringybark Festival, Rowville (south east)
- 27 October 2019 – Children's Week Picnic, Werribee (west)
- 17 November 2019 – Manningham Family Festival, Lower Templestowe (east)

These events were selected to ensure a broad geographic coverage across metropolitan Melbourne. They were used to educate the community about Melbourne Water's diverse services, encouraging active participation in a range of educational activities to facilitate conversations about our services and prices.

Postcards were distributed to people who wanted more information about our Price Submission, encouraging them to visit the *YourSay* engagement hub to follow its progress and provide feedback.

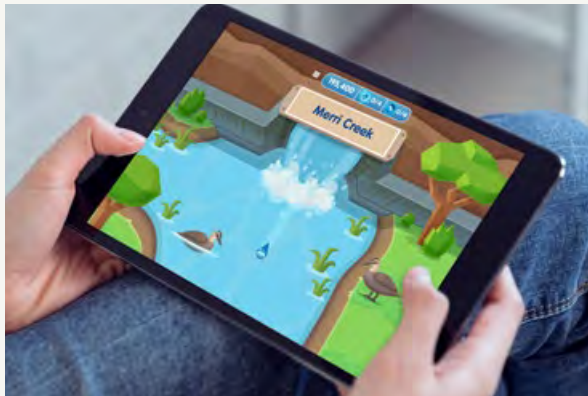
YourSay online engagement hub

A dedicated website for the Price Submission was launched in February 2019 on our *YourSay* digital engagement platform. This was used as the primary communication channel for the broader community, providing a central and easily accessible place to access information, receive updates and ask questions throughout the development of our submission.

The site facilitated opportunities for two-way interaction through surveys, polls and comment boards and was updated with relevant communications collateral at each of the three engagement stages. The website was promoted via paid social media advertising, an email notification to more than 1,000 existing *YourSay* subscribers and postcards distributed at community festivals.

Social media

A combination of organic (unpaid) posts and paid advertisements were published on Facebook and Instagram to provide information about Melbourne Water's services and the submission, and promote participation in the engagement program via the *YourSay* website.



Digital assets

Several digital assets were developed to support our Price Submission, and were designed to be reusable for other purposes.

We developed short animations explaining each of our core services and their benefits to the community, in response to community research revealing a low understanding of water services and Melbourne Water's role in delivering them. These were hosted on *YourSay* and Melbourne Water's YouTube channel and promoted via social media. They were also shown at community festivals and forums, and used to support our willingness to pay surveys.

We made a concerted effort to capture the views of a younger demographic (aged 18-35) via our online game, *Drip Trip*. Despite being most impacted by decisions on future services, younger people are significantly underrepresented in our traditional engagement programs and our community research has found they have the lowest water literacy and awareness of our services.

Drip Trip pilots gamification in an engagement context, using game mechanics to motivate players to learn about each of Melbourne Water's services, localised according to players' postcodes. A customisable screen at the end of the game encouraged players to complete the willingness to pay surveys that ran during Stage 2. The game was launched in November 2019 and promoted via social media, Melbourne Water's council newsletter, media releases and the 2019 *Kids Teaching Kids* educational conference sponsored by Melbourne Water.

TABLE 2 PS21 engagement stages

Purpose of stage	Summary of engagement approach (IAP2 spectrum)	Key engagement statistics
Stage 1 – Values and focus areas (February 2019–May 2019)		
- Understand customer and community values and identify key issues to be addressed through the engagement program. - Refine the scope of the engagement program and customer involvement. - Inform preliminary drafting of Price Submission customer outcome statements.	- Review existing knowledge and insights about customer and community values to understand perceptions of services, and identify focus areas to inform the development of a tailored engagement program and early drafting of customer outcomes. <i>Collaborated</i> with Customer Councils to refine our engagement approach, agree on ways of working, understand values and define issues/matters to focus on through the engagement program. <i>Collaborated</i> with broader community (via co-design workshop) to identify a vision and set of values to guide the development of the Price Submission. <i>Informed</i> broader community of Price Submission and opportunities for involvement – established YourSay webpage and used social media and presence at community festivals to direct people to YourSay.	Water and sewerage customers 5 meetings with WSCC 3 meetings with EAP 1 Customer Value Research Workshop (attended by the seven retail water companies) Waterways and drainage customers 4 meetings with WDCC Broader community 10 qualitative research focus groups with 79 people 1,200 participants in online quantitative research survey 1 community co-design workshop with 31 people (vision and values) 2 community festivals 2,447 visits and 164 subscribers to YourSay 1,905 click-throughs from social media
Stage 2 – Preferences and performance (June 2019–February 2020)		
- Understand customer preferences and willingness to pay for difference service levels to help inform investment priorities and price/service trade-offs. - Develop and refine customer outcomes and performance measures.	<i>Information sharing and collaborative</i> exploration of issues (identified in Stage 1) with Customer Councils. <i>Collaboration</i> with Customer Councils to develop customer outcomes and performance measures. <i>Informed and consulted</i> with local government and Traditional Owners on waterways and drainage services and approach to developing our Price Submission. <i>Involved and collaborated</i> with broader community to understand service level preferences and seek feedback on potential increases in pricing via willingness-to-pay research (focus groups and online surveys) and community deliberative panel. <i>Informed</i> broader community of progress via YourSay and invited feedback (<i>consulted</i>) on vision and values. - Continued to <i>inform</i> the broader community of Price Submission progress and opportunities for involvement via presence at community festivals (distribution of postcards to direct people to YourSay webpage) and gamification pilot project.	Water and sewerage customers 6 meetings with WSCC 1 meeting with EAP 4 meetings with RMF Waterways and drainage customers 5 meetings with WDCC 1 information session with local government, 26 submissions received 6 meetings with 3 Traditional Owner groups Broader community 20 qualitative research focus groups 4,288 participants in online quantitative research surveys 2 sessions with Waterways & Drainage Community Deliberative Panel with 40 participants 3 community festivals 2,148 visits and 49 new subscribers to YourSay 2,317 people played Drip Trip gamification pilot

Purpose of stage	Summary of engagement approach (IAP2 spectrum)	Key engagement statistics
Stage 3 – Validation (March–September 2020)		
- Review, validate and prioritise proposed customer outcomes and performance measures. - Review proposed investment program and other key aspects of Price Submission. - Additional COVID-related consultation	<i>Informed and consulted</i> with Customer Councils to review key aspects of draft Price Submission, including investment program, customer outcomes and performance measures. <i>Collaborated</i> with broader community (representative community deliberative panel) to review and prioritise customer outcomes and provide feedback on measures and performance reporting. <i>Informed and consulted</i> broader community and local government to invite final feedback on draft proposals prior to submission to ESC (via emails and YourSay webpage). <i>Informed and consulted</i> with DELWP, Minister's Office, EWOV and consumer advocacy groups on progress with finalising the Price Submission via tailored briefing sessions. <i>Informed and consulted</i> with broader community on COVID-related proposals to ease bill impacts.	Water and sewerage customers 6 meetings with WSCC 4 Capex Roadshow sessions 1 Opex information session 3 meetings with EAP Waterways and drainage customers 4 meetings with WDCC Broader community 2 sessions with Waterways & Drainage Community Deliberative Panel with 40 participants 1 Customer Outcomes Community Deliberative Forum with 43 participants 1 COVID-related Community Deliberative Forum with 39 participants 1,756 visits and 16 new subscribers to YourSay 12 submissions received on draft proposals Other key stakeholders 3 briefings with EWOV and consumer advocates 1 briefings with DELWP and 1 with Ministers office



How customer insights shaped the Price Submission

3

How customer insights shaped the Price Submission

Our Price Submission is centred on six customer outcomes that define the value our customers should expect to receive from our services. Our actions and investments are aligned to these outcomes, and our performance against them will be reported through a series of outputs and measures. All these aspects have been shaped by customer and community engagement.

This section outlines how we synthesised feedback from our various customer segments to develop these key aspects of our Price Submission. Further details on engagement and insights from each segment are provided in sections 4–8.

3.1 Customer outcomes

The design of our Price Submission customer outcomes and supporting outputs is a critical component of the ESC’s PREMO framework. Our customer outcomes were developed and refined from customer feedback across the three stages of our engagement program, as summarised in Table 3.

The Customer Outcomes were initially informed by our early insights into community values and focus areas gained in pre-planning and through Stage 1 of our engagement program. They were subsequently developed and refined via a series of review sessions with our two Customer Councils. Key insights informing drafting of the Customer Outcomes are summarised in Table 4.

Both Customer Councils and the broader community, via a representative deliberative forum, reviewed and prioritised the outcomes during Stage 3. Table 5 summarises key insights from this stage used to refine the outcomes and Table 6 documents the different priority order assigned by each group.

Our final customer outcomes balance and integrate what we heard across our diverse customer and community segments. They are:

Access to safe and reliable water and sewerage service



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



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



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



Easy, respectful, responsive and transparent customer service



Bills kept as low as possible



How customer insights shaped the Price Submission

TABLE 3 Process to develop customer outcomes

Stage	What we did (key activities)	What we heard/found	How we responded/used these insights
Stage 1	During this stage we gathered an evidence base to shape our understanding of customer preferences. We drew from a wide range of sources including: • retail water company price submissions and Customer Values Workshop • community values and focus areas identified by our community research (e.g. Community Assessment of Services, Community Vision and Values workshop) • Melbourne Water’s Strategic Direction and Statement of Obligations. We prepared pre-reading material and facilitated workshops with each Customer Council to test and refine draft customer outcomes.	Key themes from this stage included: • core services are highly valued and should remain a primary focus (e.g. Community Assessment of Services highlighted the criticality of water to life, and in ensuring Melbourne can continue to thrive in the face of population growth and climate change) • desire to see positive environmental and community outcomes from the services we provide • do not lose sight of the ongoing affordability challenge • desire for services to be sustainable and designed and delivered in partnership with community • expectation that we are taking a forward view and being innovative.	The key deliverable from this stage was the development of a set of seven draft customer outcomes. Four outcomes focused on providing high-quality, reliable services in water, sewerage, and waterways and drainage. Three outcomes focused on how customers experience these services, looking at our use of partnerships, impact on customer bills and customer service. Commitment to always seeking to deliver our services (and customer service) in ways that are forward-looking and that embrace innovation.
Stage 2	We drafted customer outcome statements based on insights into customer preferences, engaged with our two Customer Councils and developed draft final outcomes complete with outputs, target metrics and actions. We tested these via: • workshops with each Customer Council to explore draft outcomes • ongoing customer engagement activities (e.g. Waterways and Drainage Community Deliberative Panel, community preferences and willingness-to-pay research).	Customer Councils expressed a desire, via workshops, to (selected insights only): • ensure the future remains front of mind • increase clarity around sustainability and environment • expand on community resilience and more directly address climate change, including links to what Melbourne Water is doing to manage bushfire and drought risk, and address liveability and amenity • emphasise transparency in relation to future expenditure challenges.	Six (reduced from seven) draft customer outcomes were established. Detailed outputs and target metrics were developed for each proposed outcome.
Stage 3	We engaged with end-use consumers (households and businesses) via a community deliberative panel to test: • how our customers would prioritise the six customer outcomes • the alignment of our proposed outputs and metrics to the six customer outcomes • customer preferences for managing performance reporting and response. We also shared a draft version of our complete submission with the two Customer Councils to validate and refine the final customer outcome statements. We then collated the views of our households and businesses with the views of our retail water companies. We also collated expert reviews from KPMG and others with close working knowledge of the PREMO framework to help refine our final wording.	• Both Customer Councils and our household and business customers were highly supportive of the six outcomes. • Our community deliberative panel provided endorsement and insight into the priority they would assign each outcome. Specific insights from the panel included a need to focus on non-technical, customer-friendly language (e.g. ‘population growth’ rather than ‘urbanisation’) and the benefits of keeping outcomes simple and directly linked to Melbourne to encourage connection with the outcome. • Our expert reviewers encouraged us to simplify the language and ensure it reflects what customers will receive rather than what Melbourne Water will do, leaving any technical elements to the narrative or outputs.	We made minor wording amendments to each outcome. We developed a structured order in which to present and discuss our customer outcomes, highlighting the priority views of our customers – households and businesses, and retail water companies. We reviewed and refined our outputs and target metrics, and finalised our performance reporting and management proposal.

TABLE 4 Summary insights (Stages 1 and 2) by customer outcome

Outcome	Summary of feedback
Provide me with safe and reliable water and sewerage services now and into the future	Our retail water company customers identified safe drinking water, long-term water supply and security, and long-term sewerage needs among their top priorities. This was also important to end-use customers. Water supply, sewerage and recycled water were identified as key issues in our early community research. Water supply was identified as the most important service – viewed as fundamental to life and survival and playing a key role in ensuring Melbourne can continue to thrive. Sewerage and recycled water were the second-most highly valued service category, although sewerage is something people are very happy not to have to think about. There is strong support for continuing to increase the use of recycled water. Water availability and supply were top of mind for Melburnians in the 2019 Water Issues Monitor, and our review of the retail water companies' price submissions revealed a clear expectation from end-use customers that we plan for long-term water security and can provide reliable services with limited interruptions. Water security and sewerage were nominated as the top focus areas in our online survey during Stage 1. This outcome received strong endorsement from both customer councils.
Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation	In the 2019 Water Issues Monitor, population growth was the top perceived threat to Melbourne's drinking water supply, and climate change rose to be perceived as the next greatest challenge. Through the retailer water companies' price submissions, we heard that the community expects the water industry to provide information about climate change and climate-driven emergencies, and to help build community resilience and preparedness. The WSCC stated they wanted us to demonstrate how we would manage risks associated with climate change and bushfires and the implications of the cost of expanding Melbourne's water supply. These issues were also front and centre for the WDCC, which asked us to consider increasing the Waterways and Drainage Charge due to the long-term social, economic and environmental benefits that increased investment in waterway health would bring to customers.
Protect and enhance the environment, including our rivers, creeks and bays	The quality of Melbourne's environmental assets, including its rivers, creeks and bays was a strong focus of the WDCC and the broader community. The retail water companies also highlighted the importance of environmental protection while acknowledging the challenge of water security. Key themes noted during customer engagement were Integrated Water Management and the increased production and supply of recycled water. The WDCC asked us to consider increasing the Waterways and Drainage Charge to enable greater investment in waterway health. Waterways were also identified as a highly-valued asset throughout community engagement, and members of the community felt there was more to be done to improve the condition and quality of certain waterways, particularly the Yarra River. A key finding of social research was that Melburnians have a distinct environmental leaning, with two thirds (66 per cent) saying they would prioritise protecting the environment, even if it costs money.
Educate, support and empower our community and local government partners to deliver service outcomes	We consistently heard there is a lack of knowledge about what Melbourne Water does, but when people do understand us they believe we have a compelling story to tell. A key theme in all our engagement was the value derived from learning about Melbourne Water and its services – not only because it helps people to understand and accept their water bills, but also because it builds appreciation, reassurance and a greater sense of responsibility amongst people to play their part and 'do the right thing'. Some participants in our community research suggested they may be willing to pay more to fund community education. We also heard about the value of partnerships with retail water companies and local government to deliver initiatives including integrated water management, recycled water schemes, and improved recreation services. The retail water companies' price submissions contained a clear expectation that the industry would work with the community to drive and support environmentally-sustainable initiatives.

Outcome	Summary of feedback
Keep my bill as low as you can	Customer affordability and value for money were recurring themes arising from our engagement with community groups and our review of the retail water companies' price submissions. A notable exception was the WDCC, which advocated for additional investment in healthy waterways – even if this came at a greater cost to customers. Equity was a key theme for the WSCC, resulting in a request to consider reviewing tariff structures within the next two years. Community engagement showed slightly eased concerns about the cost of water. Willingness to pay for additional services remained stable. Interestingly, household income did not make a difference to someone's reported willingness to pay. Instead, high water literacy, a focus on the environment over the economy, younger age, and full-time employment were drivers of willingness to pay.
Make my interactions with Melbourne Water easier, respectful, responsive and transparent	Collaboration was a consistent theme throughout our engagement with customers. 'Easy, respectful, responsive and transparent' were key words our customers felt encapsulated their ideal interactions with Melbourne Water. Retail water companies also stated they would like more collaboration and support from Melbourne Water in tackling uncertainty, and were keen for each of their unique contexts and distinct customer groups (i.e. the community) to be recognised and understood. This reflects the desire of end-use customers for timely, response and transparent information from their retail water company.

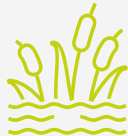
TABLE 5 Feedback from Stage 3 (validation) by customer outcome

Draft outcome	Feedback and insights	Revised outcome*
Overall	WSCC • Outcomes were reasonable and adequately aligned to their customer outcomes WDCC • As an overall suite, the outcomes were generally considered acceptable • Some views that an outcome specifically covering waterways and drainage was needed • Some views that previous feedback had not been taken into account • Terminology too focussed on the individual rather than the collective (change 'me' and 'my' to collective terms 'we' and 'our') Broader community • All outcomes considered important, none rejected	<i>Retain all six outcomes</i>
Provide me with safe and reliable water and sewerage services now and into the future	• Number one priority outcome for all customers • No specific feedback from WSCC or WDCC Broader community • Priority outcome #1 (94% ranked in top 3 outcomes) • About three-quarters strongly support Melbourne Water aiming for this outcome (77%) • Strong agreement on absolute centrality and importance of this outcome • Seen as Melbourne Water's core business • Clear and well expressed, immediately understood	<i>Access to safe and reliable water and sewerage services</i> 

* Final revisions to outcome statements based on both customer and community feedback, internal and independent expert review

3 How customer insights shaped the Price Submission

TABLE 5 Feedback from Stage 3 (validation) by customer outcome (cont.)

Draft outcome	Feedback and insights	Revised outcome*
Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation	WSCC - Priority outcome #3 WDCC - Priority outcome #2 (equal with Protect and enhance the environment, including our rivers, creeks and bays) - Overly city-centric given Melbourne Water also serves rural areas Broader community - Priority outcome #3 (68% ranked in top 3 outcomes) - More than half strongly support Melbourne Water aiming for this outcome (57%) - Strong links to outcomes 1 and 3 - Tendency to discuss population growth rather than urbanisation - Particularly supportive of making natural spaces available for community recreation, (possibly more recently valued due to increased usage of open space during COVID-19 restrictions) - Strong opinions about climate change, but Melbourne Water's work to mitigate and address these impacts needs clear explanation about their role. - Interest in Melbourne Water becoming a leader in urban development	<i>Melbourne remains liveable as it deals with the impacts of climate change and population growth</i> 
Protect and enhance the environment, including our rivers, creeks and bays	WSCC - Priority outcome #4 WDCC - Priority outcome #2 (equal with Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation) Broader community - Priority outcome #2 (73% ranked in top 3 outcomes) - Almost three-quarters strongly support Melbourne Water aiming for outcome (73%) - Strong links to outcomes 1 and 2 - Felt a strong connection with the outcome, appreciate Melbourne Water's involvement in protecting and enhancing the environment	<i>Melbourne's environment, rivers, creeks and bays are protected and Melbourne's greenhouse gas emissions are minimised</i> 
Educate, support and empower community and local government partners to deliver service outcomes	WSCC - Priority outcome #6 WDCC - Priority outcome #3 - Recognise the role of partners (e.g. state government, DELWP, VicRoads, etc.) Broader community - Priority outcome #5 (16% ranked in top 3 outcomes) - About half strongly support Melbourne Water aiming for this outcome (52%) - Important for Melbourne Water's operation - Emotional element related to people's care about the environment and desire to help protect and conserve precious resources - The breadth of Melbourne Water's activity needs to be understood before the value of education is appreciated - Outcome wording doesn't clearly communicate what is meant	<i>Melburnians are empowered to support the design and delivery of service outcomes</i> 

3 How customer insights shaped the Price Submission

TABLE 5 Feedback from Stage 3 (validation) by customer outcome (cont.)

Draft outcome	Feedback and insights	Revised outcome*
Keep my bill as low as you can	WSCC - Priority outcome #2 WDCC - Priority outcome #5 - Not just about keeping bills low, should be balanced with operating efficiently and delivering quality services - Consider using 'fair' terminology Broader community - Priority outcome #4 overall (52% ranked in top 3 outcomes) - More than two-thirds strongly support Melbourne Water aiming for the outcome (69%) - Viewed as a fundamental outcome; water is the most essential of services and it needs to be accessible and affordable for all - Keeping bills as low as possible is viewed as good, responsible, desirable and in line with customers' values - Want Melbourne Water to keep bills as low as possible but within reason – understanding there are costs to provide services, and that some increases may not seem unreasonable if they are explained and customers have comfort money is well spent and accounted for	<i>Bills kept as low as possible</i> 
Make my interactions with MW easier, respectful, responsive and transparent	WSCC - Priority outcome #5 WDCC - Priority outcome #4 Broader community - Priority outcome #6 (2% ranked in top 3 outcomes) - More than half strongly support Melbourne Water aiming for the outcome (55%) - Given that few participants have direct interaction with Melbourne Water, most people do not expect to need service from Melbourne Water and therefore seen as the lowest priority	<i>Easy, respectful, responsive and transparent customer service</i> 

* Final revisions to outcome statements based on both customer and community feedback, internal and independent expert review

3 How customer insights shaped the Price Submission

TABLE 6 Prioritisation of customer outcomes – customer councils and community deliberative forum

Water and Sewerage Customer Council	Waterways and Drainage Customer Council	Community Deliberative Panel
1. Provide me with safe and reliable water and sewerage services, now and into future (#1)	1. Provide me with safe and reliable water and sewerage services, now and into future (#1)	1. Provide me with safe and reliable water and sewerage services, now and into future (#1).
2. Keep my bill as low as you can (#5)	2. Equal second priority:	2. Protect and enhance the environment, including our rivers, creeks and bays (#3).
3. Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation (#2)	3. Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation (#2)	3. Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation (#2).
4. Protect and enhance the environment, including our rivers, creeks and bays (#3)	4. Protect and enhance the environment, including our rivers, creeks and bays (#3)	4. Keep my bill as low as you can (#5).
5. Make my interactions with MW easier, respectful, responsive and transparent (#6)	5. Educate, support and empower community and local government partners to deliver service outcomes (#4)	5. Educate, support and empower community and local government partners to deliver service outcomes (#4)
6. Educate, support and empower community and local government partners to deliver service outcomes (#4)	6. Make my interactions with MW easier, respectful, responsive and transparent (#6)	6. Make my interactions with MW easier, respectful, responsive and transparent (#6)
	7. Keep my bill as low as you can (#5)	

Note: #Numbers indicate previous ranking.

3.2 Actions and investments to deliver customer outcomes

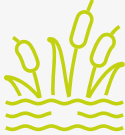
In Stage 2 we undertook in-depth research into community preferences and willingness to pay for services, which helped inform investments and actions to deliver our customer outcomes. Topics tested were identified based on our understanding of customer and community values and focus areas, developed during Stage 1 of the engagement program.

Table 7 summarises the results of this research for each topic tested, listed against the outcome it is most relevant to. In finalising our service levels and investment programs, we considered not only the range of feedback we received, but also our legislative and regulatory obligations and commitments in our key service strategies. The details of our final investment program are available in our *Price Submission 2021*.

We acknowledge this research was conducted before the outbreak of the coronavirus pandemic, and the subsequent economic impact on households might yield a different result now. This further reinforces the importance of our approach to carefully balance service levels with affordability.

3 How customer insights shaped the Price Submission

TABLE 7 Customer outcomes – What we heard from our community preferences and willingness to pay research

Customer outcome	Willingness-to-pay research findings (Highlight indicates initiatives with high levels of community support)
Safe and reliable water and sewerage services 	Sewerage system upgrades/resilience - Nearly three-quarters (72%) support greater than minimum renewals now, to provide greater flexibility to respond to challenges such as population growth. - Large proportion agree it is important to ensure the sewerage system is fit for future generations and a growing population, to ensure a healthy environment and avoid risk of issues emerging later. Wastewater recycling from ETP and WTP (water security) - A little over half (56%) supported greater levels of wastewater recycling. - Strong levels of support for recycling more water for responsible use of waste and water security reasons. - Key benefits identified as reducing effluent into bays and putting waste to good use. Bill certainty related to desalinated water order (water security) - About half (52%) favoured a shift from current arrangement (passing on cost when orders are made) to increasing annual water bills to include a planned cost of desalinated water orders. - Widespread lack of knowledge of the Victorian Desalination Plant; perceptions have been shaped by tabloid rumour and misinformation. - Many feel the desalination plant should be used more extensively for water security and as a buffer against drought, growth and climate change.
Melbourne's environment is protected and enhanced, including our rivers creeks and bays 	Stormwater harvesting - Three-quarters (75%) willing to pay for greater investment, most strongly supported option overall. - Strong support for increased investment in stormwater recovery and recycling. - Letting stormwater go into bays seen as wasteful. - Benefits presented as reducing pressure on drinking water supplies; supporting healthy rivers and bays; providing cooler, greener spaces. Resource recovery – biosolids reuse - Just over half (54%) supported additional investment in biosolids reuse. - Strong support (80%) for research into biosolids reuse, and reusing and recycling as much as possible. - Putting waste to good use, fully treating and re-using waste and helping farmers were identified as key benefits. Waterways and Drainage Research (WDIP) Increase by one service level: - Stormwater harvesting - Stormwater quality - Waterway restoration Increase by two service levels: - Litter - Wetlands and estuaries Retain current levels for two vegetation programs

3

How customer insights shaped the Price Submission

TABLE 7 Customer outcomes – What we heard from our community preferences and willingness to pay research (cont.)

Customer outcome	Willingness-to-pay research findings (Highlight indicates initiatives with high levels of community support)
Melbourne remains liveable as it deals with climate change and population growth 	Pipetrack access and amenity - More than two-thirds (69%) support increased investment due to low cost (only \$0.17 average increase to bill). - General view that people who live near these areas should pay. Increased access to reservoirs for recreation - Nearly two-thirds (62%) support increased investment to support this initiative. - However, quantitative research found divided opinions about benefits vs costs, with concerns raised about water contamination, increased fire risks or acts of terrorism.
	Carbon offsets - Not a well understood topic; carbon offsets are confusing to many and there is a level of distrust in the community. - About one-third (37%) preferred cheapest possible offsets, a third preferred highest-cost local offsets (34%), and remaining third were split across high-benefit global offsets and basic local offsets. - When combined, 69% supported better quality or faster carbon offsets. Odour management - Not tested in quantitative survey. - In qualitative workshops, general willingness to pay extra to address odour management when considered as an overall city-wide health and sanitation issues and in relation to the potential for odour to be an issue across Melbourne, rather than localised around treatment plants. - When considered as a localised issue, seen as only relevant to those who have knowingly bought houses near treatment plants and view that these people who should pay. Impervious surfaces - Not tested in SIMALTO trade-off survey. - Divided opinions across the two options provided: 56% support for moving to a user-pays charge where those with greater impervious surface pay more 44% support retention of current flat charge paid equally by everyone.
Melburnians are empowered to support delivery of service outcomes 	Waterways and Drainage Research (WDIP) Increase by one service level: - On water access - Flood preparedness - Flood mitigation Increase by two service levels: - Land access
	Education and awareness - A bit more than half (56%) supported increased investment in education via digital education or interactive facilities. - However, quantitative research found strong support for ongoing communication to inform community about the water system, Melbourne Water's work and how individuals can help conserve water. Ecotourism at WTP - Least supported option for greater investment (44%) Waterways and Drainage Research (WDIP) Increase by one service level: - Community involvement Increase by two service levels: - Litter (although stronger focus on prevention over litter removal in Deliberative Panel)

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How customer insights shaped the Price Submission

TABLE 7 Customer outcomes – What we heard from our community preferences and willingness to pay research (cont.)

Customer outcome	Willingness-to-pay research findings (Highlight indicates initiatives with high levels of community support)
Easy, respectful, responsive and transparent customer service 	No specific topics explored via community preferences and willingness to pay research
Keep my bill as low as possible 	No specific topics explored via community preferences and willingness to pay research

3.3 Measuring performance and ongoing reporting

We developed a set of outputs and measures to report our performance against the customer outcomes. Feedback on these from our Customer Councils and the broader community is summarised in **Table 8**.

Ideas from our customers on how we report our performance are summarised below. This feedback was considered in shaping our proposed performance reporting contained in the Price Submission.

Water and Sewerage Customer Council insights

- Provide an annual performance overview to each of the retail water company's principle representatives who are responsible for governing the bulk supply agreements.
- Consider some form of Guaranteed Service Level scheme, or another performance incentive mechanism, to address underperformance.
- Communicate performance in an open and transparent way, via Melbourne Water's website.

Waterways and Drainage Customer Council insights

- Customer-centricity is important – support an ongoing Customer Council to continue discussions with an educated and informed customer group. Could have one Customer Council and engage community groups in an ongoing manner (e.g. deliberative panel).
- Education on Melbourne Water's brand and activities could be linked to performance reporting.
- Consider public advertising (e.g. on trams); though there was some concern about spending money on advertising performance rather than investing in behaviour change, noting people have limited bandwidth to absorb more information.
- Some suggested bill inserts whilst others thought reliance on bills is an outdated method, consider new mechanisms (e.g. multi-media, social media to reach a larger audience)
- Suggestion for a visual focus rather than words.

Broader community insights (Deliberative Panel)

- Almost all participants thought it important that information on Melbourne Water's performance be made available, but there were a variety of views on how this information is broadcast.
- Water bills were seen by most as an optimal means of reaching the community and considered appropriate both contextually (community would expect to learn about Melbourne Water via their water bills) and financially (water bills seen to be an affordable and therefore prudent medium with broad reach). Messages would need to be brief, driving awareness of the outcomes, with online links for further detail.
- Online resources should be concise with links to more granular detail for those who want it. Use of infographics and at a glance summaries important.

3 How customer insights shaped the Price Submission

TABLE 8 Outputs and measures – what we heard from Stage 3 (Validation)

Outputs/ measures	What we heard
Provide me with safe and reliable water and sewerage services, now and into future - Safe drinking water - Available water - Reliable sewerage	WSCC - Measures are appropriate and reflect the standard approach. - Would like to see a metric relating to water security and cost-efficiency. WDCC - No specific comments on these measures. Broader community - Only understood at a surface level, generally endorsed but a desire for more detail in plain English to better understand the measures.
Enhance my city’s ability to cope with and prepare for the impacts of climate change and urbanisation - Reduced flood risk - Increased community use of Melbourne Water land as green open space	WSCC - Whilst agree with general intent of adopting actions for climate change mitigation, the measures are all focussed on waterways and drainage. - Would like to see a measure for water and sewerage and more information about how water and sewerage outcomes will be delivered. WDCC - Measures are too narrow and don’t account for climate change and urban growth. - Flood risk – dollar value is not the only measure. Suggest alignment with several measures being worked through for Flood Management Strategy. - Is there a human health measure related to benefits of open space for mental and physical health? - Consider microplastics as a measure related to flooding, urbanisation and climate change. Broader community - Most felt the measures were clear enough and would provide a good indicator of the community value being offered. - Measures raised a number of questions: - Flood risk – confusion about the model, who gets access to the data, is it publicly available and how is it used? - Use of open space – raised questions about exactly what is measured and how.
Protect and enhance the environment, including our rivers, creeks and bays - River health - Quality of sewerage discharge - Re-use of sewerage by-products (biosolids) - Reduction in net greenhouse gas emissions	WSCC - Supports the measures. WDCC - Queries around river health measure – could be broader and there are better measures than macroinvertebrates: consider riparian flows, pollution measure, broader appraisal of waterway health. - Need to show a commitment to improvement in river health. Broader community - Measures clear and quite strongly supported overall. - River health – questions about the intricacies of testing river health. - Sewerage – comfort with the EPA as a third-party arbiter. - Biosolids – questions around stockpiles raise a sense that more could be done. - Greenhouse gas – some scepticism, difficult to comprehend and intangible.
Educate, support and empower community and local government partners to deliver service outcomes - Water literacy - Grants programs	WSCC - Draft reviewed by council did not contain measures for this outcome. WDCC - No specific comments on these measures. Broader community - Water literacy measurement strongly endorsed but raised questions around how Melbourne Water measures literacy and how widely the community are engaged in literacy campaigns. - Most accepted the grants program; measure is clear and understood to deliver tangible benefits which are easily measured and effectively promote community action.

3 How customer insights shaped the Price Submission

Outputs/ measures	What we heard
Keep my bill as low as you can - Identify and progress new efficiency projects - Operating and capital expenditure aligned to determination	WSCC - Would like to see more meaningful measures for capex and opex. - Measures need to be focused on whether the project outcomes were delivered and the difference the project made rather than whether the proposed budget was spent. - A measure on delivering the tariff review could be included. WDCC - No specific comments on these measures. Broader community - Whilst measures were broadly supported, many participants had difficulty understanding the measures. - Measures must be more plainly and accessibly explained. - Operating expenditure measure was one of the least clear measures overall.
Make my interactions with MW easier, respectful, responsive and transparent Customer satisfaction surveys	WSCC - Unclear about the use of CSAT targets, especially why the targets are so different. - Would like a clearer definition of ‘customer’ in relation to the use of these targets (i.e. retailer vs end-use customer). - Final submission should align more closely with ESC measures. WDCC - No specific comments on these measures. Broader community - Measures make sense, customer satisfaction seen as an effective way to measure performance. - Suggestions for supplementing customer satisfaction surveys with other data (e.g. qualitative follow up interviews, wait times, mystery shopper methods, year-on-year changes in customer engagement, number of contacts required to reach a resolution).

3.4 Other matters

Customers identified a range of other matters of interest that are relevant to our final proposal. These matters, and our proposals, are detailed in our *Price Submission 2021*. They include:

- guaranteed service levels
- length of the regulatory period
- form of price control
- treatment of desalination water orders
- tariff structure(s) – water and sewerage
- tariff structure(s) – Waterways and Drainage Charge.



Retail water company engagement

4

Retail water company engagement

4.1 Pre-planning insights

Reference reports:

- Retail water company 'kick-off' workshops summary (not dated)
- Retail water company feedback on engagement approach (not dated)
- Retail water company customer insights summary (not dated)

In the pre-planning stages of our engagement program, undertaken in 2018, Melbourne Water ran a series of workshops to better understand the experiences of the retail water companies (retailers) during development of our Price Submission 2016, and hear their preferences for engagement in the 2021 process.

We supplemented this with a desktop review of the retailers' own 2018 price submissions, which we undertook in early 2019. This provided insight into the expectations of the retailers' customers, the community (our end-use customers), and therefore the retailers' priorities.

Key insights

Key themes from our 2018 workshops were transparency, governance arrangements, clarity on the definition of customer and a desire for a greater level of involvement and participation.

Based on our review of the retailers' price submissions, the expectations of end-use customers were aligned with five key themes:

- **Customer experience:** Retailers are expected to be 'easy to deal with', providing effective and timely communication and engagement, simple and convenient services.
- **Affordability:** Retailers are expected to provide additional support to customers experiencing hardship, and accommodate new services within a pricing regime that is stable at worst and preferably decreasing.
- **Community:** Retailers are expected to prepare for and inform the community about changes to climatic conditions and emergencies (e.g. floods) and instil community resilience. They should work with the community to educate and promote sustainable water and environmental practices, and support communities through local initiatives to promote liveability. However, there was confusion about delineation of responsibilities between Melbourne Water, local government and retailers, and concern about sticking to core responsibilities and not adding costs via 'peripheral activities'.

- **Environment:** Retailers were expected to be socially responsible and operate in a manner that promotes environmental sustainability, by reducing carbon emissions, optimising operations and promoting effective use and supply of recycled water. Retailers should work with the community to educate and promote sustainable water and environmental practices and drive and support environmental initiatives.
- **Water sustainability:** Retailers were expected to have a plan for long-term security of water resources that is environmentally sustainable and responsive to population growth. Retailers should continuously improve infrastructure to provide reliable services with limited interruptions.

How we used these insights

Our engagement program was designed to address the retailers' feedback, which was instrumental in clarifying governance, roles and work plans for our retailer engagement forums: the Water and Sewerage Customer Council and Engagement Advisory Panel.

The insights from the retailer's 2018 price submissions helped build our understanding of retailer and community values and priorities, and helped inform our preliminary Price Submission customer outcomes. They also helped identify focus areas to be explored through our engagement program, in particular the community research into preferences and willingness to pay for various initiatives undertaken in Stage 2.

4.2 Customer Values Workshop

Reference reports:

- Customer Value Workshop Report, Newgate Research, July 2019

We arranged a workshop in June 2019 to formally explore what the retailers value about Melbourne Water and the water and sewerage services we provide to them. The workshop was attended by seven representatives from City West Water, South East Water, Western Water and Yarra Valley Water and included members of the Engagement Advisory Panel.

Key insights

Discussion centred on a range of key issues relevant to the retailers in meeting their customers' needs and expectations. These included:

- Questions of how to ensure and maintain affordability while faced with mounting challenges of water security, as Melbourne experiences continued population growth and the impacts of climate change.
- The importance of supporting vulnerable consumers and protecting the environment, despite consumers being unwilling to pay more for core services, and expecting water companies to do more with less.
- Recognising the need for a significant conversation with the community on a range of complex issues, including recycled water for non-potable and potable water supplies, the role of stormwater harvesting and desalination, behaviour change, necessary and acceptable future price paths. Retailers are looking for Melbourne Water's support in facilitating these conversations as an industry.

The retailers highly valued Melbourne Water's core services and viewed them as very reliable and well delivered. Melbourne Water's technical expertise and knowledge was well regarded, and our recent improvements in service delivery and engagement with the retailers was recognised.

The retailers also identified a range of areas where they would like more action from Melbourne Water, including collaboration and support in tackling uncertainties; and transparency and empathy for them and their customers, especially in understanding impacts when something goes wrong.

In summary, the services and behaviours that retailers value, or would value, from Melbourne Water include:

- Greater recognition of both the common and unique relationships with each retailer
- Using our position and expertise to collaborate with retailers on delivering affordable, sustainable, fit-for-purpose water and sewerage services, today and into the future
- Behaving in a caring, timely and transparent way, and proactively addressing shared challenges and risks
- Collaborating with retailers to tackle uncertainties and engage with the government and the communities we serve, speaking with one voice as Melbourne's water industry
- Being aware of retailers' needs and responding to feedback.

How we used these insights

These insights helped us better understand the priorities and expectations of the retailers and helped to inform preliminary drafting of our customer outcomes. The insights also helped identify the focus areas to be explored through the engagement program, in particular the community research into preferences and willingness to pay for various initiatives undertaken in Stage 2.

4.3 Water and Sewerage Customer Council

Reference reports:

- Water and Sewerage Customer Council Phase 1 Outcomes, June 2019
- Water and Sewerage Customer Council Phase 2 Outcomes, December 2019
- Water and Sewerage Customer Council Meeting 16 minutes, June 2020
- 2021 Draft Price Submission, WSCC Final Response, August 2020
- Price Submission 2021 Retail water companies summary, November 2020

The Water and Sewerage Customer Council (WSCC) was established to provide a dedicated customer forum to test strategic ideas, seek preferences and provide advice on key issues, opportunities and focus areas.

The WSCC consisted of representatives from the metropolitan retail water companies and connected regional water corporations including City West Water, South East Water, Yarra Valley Water, Western Water, Barwon Water, and South Gippsland Water.

The WSCC met a total of 17 times over approximately 19 months, with its focus divided across the three stages of our engagement program.

Stage 1 (February to May 2019)

Over five meetings from 14 February to 15 May 2019, the WSCC explored how to effectively work together to represent customers (i.e. end-consumers) in providing input into our Price Submission, and identified priority areas for exploration throughout our engagement program.

Key insights

Stage 1 culminated in the development and presentation of a set of recommendations for how the WSCC should participate in the Price Submission process, and the matters they would like to explore together. Overall, the WSCC expressed a desire for Melbourne Water's Price Submission to be aligned with their customers' needs. Their recommendations identified ten priority areas across four themes:

Safe, reliable services

1. Safe drinking water: The WSCC sought assurances from Melbourne Water that it would continue to supply high-quality drinking water.
2. Long-term water supply and security: The WSCC requested the opportunity to review recommendations relating to the long-term management of catchments, water supply networks and the desalination plant. The WSCC specifically asked to understand how Melbourne Water will manage risks associated with climate change and bushfires, and the implications of the cost of expanding the city's water supply sources.
3. Long-term sewerage needs: The WSCC asked for the opportunity to review recommendations relating to the management of long-term sewerage needs, including the cost and timing of any major expansions.
4. Servicing growth: The WSCC sought to review and comment on new investments to manage the city's growth and requested to be involved in considering priorities and trade-offs.
5. Risk: The WSCC sought to better understand how Melbourne Water manages risk and to ensure that the approach to risk in the pricing submissions is aligned with customer expectations.

Fair and affordable access

6. Asset transfer: The WSCC wanted to work with Melbourne Water to develop principles to guide who should own and maintain essential assets, and how they can be paid for equitably (it is noted this topic was subsequently dropped by the WSCC).
7. Water pricing: The WSCC wanted to work with Melbourne Water to develop principles for pricing, with a view to fairness. The WSCC asked to review and test Melbourne Water's price modelling and analysis and wanted to explore alternative price structures together with Melbourne Water.

Environmental conservation and supporting the community

8. Integrated Water Management: The WSCC wanted to better understand the role of Integrated Water Management (IWM) in security of water supply and asked to review recommendations on potential projects in this space. The WSCC also expressed its interest in collaborating with Melbourne Water to develop principles for co-investment in IWM projects.
9. Production and supply of recycled water: The WSCC sought to better understand the role of recycled water in our city, and requested more information about the security and reliability of supply and how Melbourne Water was engaging with customers who receive recycled water. The WSCC asked to review and test Melbourne Water's planning and to review recommendations on key aspects including costs and the choice of water sources.

A better customer experience

10. Community and environment: The WSCC sought opportunities for more efficient and effective engagement with customers, especially when it comes to community education. The WSCC noted the great potential for the industry to work together to improve outcomes in this space. The WSCC was also looking to better understand Melbourne Water's priorities for investment in community, recreational and environmental outcomes and has asked to collaborate on principles for investment and to review Melbourne Water's recommendations on projects to be included in the price submission.

How we used these insights

The priority areas identified by the WSCC were used to shape our engagement with them and develop a work program to guide the focus of meetings through the remaining stages 2 and 3. These insights also informed early drafting of our customer outcomes.

Stage 2 (June to December 2019)

The WSCC further refined its purpose and approach over six meetings from June to December 2019, and was provided with detailed information to help inform its deliberations on our Price Submission.

Stage 2 was largely focused on information sharing, with Melbourne Water providing detailed information to respond to the recommendations made by the WSCC during Stage 1. The WSCC also provided input to help shape the Price Submission customer outcomes. Stage 2 concluded with a joint meeting of the WSCC and the Waterways and Drainage Customer Council.

Key insights

WSCC members worked together to set out a clear purpose statement:

To collaborate to ensure that Melbourne Water's Price Submission supports the delivery of valued services to all of our customers and the broader community.

The WSCC also determined a set of principles, derived from the key themes established during Stage 1, to guide its recommendations. These were:

1. Fair in terms of price and services
2. Sustainable for the long-term
3. Transparent and evidence-based
4. Valued by customers and community
5. Prudent and efficient with appropriate risk
6. Bold and forward thinking.

In August, Melbourne Water presented the preliminary customer outcomes that would underpin our Price Submission. Most of the proposed outcomes were rated by the WSCC as either 'directionally strong' or 'directionally right but needs more work'. WSCC members also proposed a list of measures that might be used to evaluate the success of each outcome.

At the conclusion of Stage 2, the WSCC identified a set of fifteen expectations to guide the preparation of the draft Price Submission. These were that the submission should:

1. Support the achievement of the WSCC members' price submissions' outcomes
2. Be accompanied by a tailored customer report for each retailer summarising how Melbourne Water's key outcomes, services and prices support the achievement of retailer price submissions
3. Demonstrate a focus on affordability and price stability – linked to feedback from customers through WSCC members' price submissions
4. Demonstrate how Melbourne Water's engagement with end-use customers has informed their Price Submission proposals

5. Include the appropriate investment to prepare for water security augmentations, including confirmation of Melbourne Water's approach to supply/demand forecasting
6. Include a forecast desalination order with mechanisms to vary prices should the water order differ from the forecast
7. Include a performance incentive mechanism such as Guaranteed Service Levels and associated metrics/targets
8. Provide transparency of the forecast price path beyond five years – 10 to 15 years, including underlying assumptions
9. The revenue requirement should not include expenditure (capital and operational) where there is a high level of uncertainty in relation to timing, cost and prudence. However, the submission should identify where this expenditure may be required
10. Include prudent investments to 'preserve the opportunity' in relation to the planning currently underway for integrated water management initiatives and water supply augmentation
11. Make a commitment to fully investigate tariff structures that better meet the *Water Industry Regulatory Order* tariff principles, within two years
12. Provide opportunities to further water and sewerage customer outcomes (as set out in WSCC members' price submissions)
13. Provide transparency on growth-related expenditure and associated charges (including water and wastewater) that 'preserves the opportunity' for future developer-related charging
14. Ensure that a higher PREMO rating and the associated increased return delivers greater value to water and sewerage customers in a transparent way
15. Support existing agreed strategies that are being delivered (such as the *Melbourne Sewerage Strategy*).

How we used these insights

Feedback from the WSCC throughout Stage 2 was instrumental in drafting of our customer outcomes, outputs and measures. The 15 expectations identified by the WSCC were used to guide the drafting of our Price Submission and formed the basis of ongoing discussions and review through Stage 3.

Stage 3 (January to August 2020)

Our work program with the WSCC through Stage 3 consisted of a Capital Roadshow, an information session on our operating expenditure program, and a series of meetings to present and review our draft submission.

Unfortunately, the coronavirus pandemic emerged soon after the roadshow and information sessions were scheduled. As a result, the retailers had severely limited availability to review and provide feedback on our capital business cases as they focused on addressing the immediate impacts of the pandemic.

Capital and operating expenditure program review (January to June 2020)

Capital Roadshow

From January to March 2020, we undertook a Capital Roadshow to enable the retailers to provide input to Melbourne Water's capital expenditure forecasts, including review of our proposed top ten capital business cases.

Meetings were held with each retailer as set out in **Table 8**, noting the planned meetings with Barwon Water and Westernport Water did not go ahead due to the pandemic.

TABLE 9 Summary of Capital Roadshow meetings

Date	Organisation
21 January 2020	South East Water
23 January 2020	City West Water
29 January 2020	Yarra Valley Water
27 February 2020	Western Water
17 March 2020*	Barwon Water
24 March 2020*	Westernport Water

* Meetings did not go ahead due to coronavirus pandemic

In the lead up to the Capital Roadshow sessions, retailers were sent a briefing note outlining the purpose of the roadshows, key drivers of capital expenditure, benefits of the proposed capital programs, key challenges and risks for each service, and key choices in relation to the capital program for each service.

A pre-reading pack accompanied the briefing note and included information on the top ten largest water and sewerage projects and programs, fact sheets on both the Eastern and Western Treatment Plants and an overview of Melbourne Water's capital planning process and prioritisation. Following the roadshow, the top ten business cases were provided to the retailers, along with a feedback template to facilitate their review.

Operating expenditure information session

On 12 March 2020 we ran an information session for the WSCC and other relevant staff from their organisations, to provide an opportunity for feedback on our operating expenditure (opex) program.

The session provided an overview of Melbourne Water's approach to opex planning, review and prioritisation. It also provided an in-depth exploration of the forecast projections and key planning considerations for water and sewerage services and corporate expenses.

Prior to the session we circulated a briefing note and pre-reading pack, outlining the context of our opex forecasts, the key drivers of opex, key challenges and risks, and key assumptions.

Key insights

As previously noted, the coronavirus pandemic severely limited retailers' availability to engage in review and feedback on the capital business cases. Meeting 16 of the WSCC, held on Wednesday 17 June 2020, focused on providing an overview of our proposed expenditure program and presenting a series of final options for WSCC feedback. The WSCC voted on these options and members were split in their preferences (meeting minutes can be referred to for details).

Draft Price Submission review (April to August 2020)

Over six meetings from 5 February to 15 July 2020, the WSCC was provided with detailed information on the findings of the community research undertaken in Stage 2; development of our Waterways and Drainage Investment Plan (WDIP); options and impacts being considered for capitalisation of the Victorian Desalination Plant security payments; development of the risk strategy; and finalisation of our investment program following the Capital Roadshow held through January and February.

The WSCC was provided with a preliminary draft of our Price Submission on 14 April 2020 with the highlights presented at the meeting on 15 April 2020. Over three informal meetings between 15 April and 8 May 2020, the WSCC deliberated on the draft, assessing it against the WSCC's expectations provided to Melbourne Water at the conclusion of Stage 2.

On 15 July 2020, we formally presented our response to the WSCC's initial feedback and provided an updated draft of our submission to inform the WSCC's final response.

Key insights

At the conclusion of Stage 3 the WSCC provided a final response on our draft Price Submission. They acknowledged our significant effort to involve them in the process, representing an enormous improvement on past processes and establishing a platform for ongoing collaboration on important issues and strategies relevant to the water industry.

Their response is summarised as follows.

Engagement with customers

- The Council was given appropriate information by Melbourne Water to participate in the process and appreciates Melbourne Water's efforts to prepare this information to ensure that the Council was well informed.
- Council members were given a reasonable and fair opportunity to participate on the issues relevant to them, but note the difference between participation and genuine influence. The process allowed for adequate time to raise issues.
- Believe future engagement programs would benefit from early involvement in the strategies that inform capex decisions and greater involvement in trade-off analysis and in willingness to pay conversations.
- Strong evidence of engagement with end-use customers, look forward to seeing a stronger link in the final version between what you heard and how this has influenced water and sewerage capex decisions.
- For future processes, we would anticipate closer collaboration between the Customer Council and the Engagement Advisory Panel.

Tariff reform

- Pleased with Melbourne Water's commitment to undertake a tariff review and expect the final submission will set out the current cost allocation basis for charging bulk water and sewerage services.

Preserving the opportunity for IWM

- Confident that the submission will include some prudent investments to preserve the opportunity for integrated water management initiatives and look forward to Melbourne Water making a firm commitment to continue pursuing opportunities in this space.

Growth-related expenditure and associated charges

- Noted the submission provides growth capex by bulk water and bulk sewerage services which will help to inform future discussions associated with the possible introduction of new customer contributions at the wholesaler level which they believe should be progressed through the tariff reform process.

Alignment with strategies

- The link to existing strategies is clear within the current version of the Price Submission.

Include appropriate investment to prepare for water security

- Outcome 1 (Provide me with safe and reliable water and sewerage services now into the future) rated as the number one priority for the *Price Submission 2021*.
- Welcome the inclusion of the forecast desalination order in the submission and whilst appreciate Melbourne Water is not solely responsible for planning for the next augmentation, feel that a crucial piece of the puzzle is missing from the narrative around water security, and this has a flow-on impact for future pricing. We feel the price implications of the next major augmentation are an important piece in the puzzle to inform planning decisions.
- Welcome Melbourne Water's continued efforts towards clarifying the governance and decision-making framework for the next augmentation and look forward to continuing to collaborate on this issue through development of the *Sustainable Water Strategy* and the *Metro Urban Water Strategy*.

Focus on affordability and price stability

- Reiterated desire to see stable or declining prices in real terms and noted the draft submission indicates a real price increase over the period and a concern about year-on-year price volatility.
- Believe stable or declining prices are more important than ever given the current state of the Victorian economy and the financial hardship many of our customers are facing in the context of COVID-19.
- Noted Melbourne Water's commitment to including further commentary about volatility and underlying assumptions in the final submission with a view towards smoothing the price path.

Greater demonstration of value to customers and accountability for this

- Include a more detailed analysis of the advanced PREMO rating in the final submission and how this delivers benefits to customers.
- Noted our commitment to providing a tailored report for each council member which addresses what the submission means for their customers and their bills.
- Noted it is not clear in the submission if Melbourne Water has improved its allocation of risk on behalf of its customers between PS16 to PS21, and suggest further clarity around the weighting of risk between Melbourne Water and its customers in the final submission.
- Pleased to see commitment towards a Guaranteed Service Level scheme and look forward to continued collaboration with on this.

Response to COVID-19

- Noted it will be important to reflect the health, economic and social impacts of COVID-19 in the Price Submission, highlighting the importance of stable or declining prices in real terms.
- Provided an outline of how the retailers are currently considering the following impacts of the pandemic:
 - Impact on growth and demand forecasting in relation to revenue: anticipate that Melbourne Water will also consider this and the impacts it may have on growth capex. For example, do changing growth forecasts mean growth capex can be deferred to keep prices low, or perhaps put at risk?
 - Doing more to look after our vulnerable customers, including providing support through investment in hardship teams, payment extensions and fee waivers. For the first time extending hardship measures to commercial customers. As a result, retailers are carrying significantly more debt and anticipating greater bad debts.
- Recognise the extent and duration of the economic impacts are as yet unknown would welcome further consideration of sharing some of this risk.
- Current situation highlights the Council's ongoing advocacy for higher stability and risk-sharing in pricing.

Desalination capitalisation

- Support for the principle of intergenerational equity. At its core, only capitalising \$30 million is inequitable.
- Reiterated view that flat prices are a core desire of our customers, but don't understand the implications associated with future augmentations.
- Don't want future price shocks, and understand that capitalisation can be a lever to avoid future price shocks now and in the future.
- Support Melbourne Water exploring alternate capitalisation profiles and timings (including a stepped approach) that better enables prices to remain flat over the next and subsequent pricing periods.

How we used these insights

Insights from the WSCC provided through Stage 3 were used to help shape and refine the final content of our Price Submission. Our final Price Submission responds to the WSCC's feedback in the following ways:

- Aligns customer outcomes to retailers' price submission outcomes
- Focuses on affordability, with a drop in our bulk water and sewerage charges for City West Water, South East Water, Yarra Valley Water, Barwon Water, Westernport Water and Gippsland Water (in annual average dollar-per-customer terms). Western Water and South Gippsland Water will see a rise. We are delivering a service uplift in our waterways and drainage services, in accordance with community feedback, but are aiming to keep price rises to a minimum (at 1% per annum across the submission period).
- Proposes the introduction for the first time of Guaranteed Service Levels
- Aligns approach to capitalisation of Victorian Desalination Plant security payments to WSCC feedback
- Commits to a tariff review
- Preserves the opportunity for Integrated Water Management.

In accordance with the WSCC's request, we have prepared a tailored report outlining how our submission affects each retailer's customers and their bills.

4.4 Engagement Advisory Panel

Reference reports:

- Engagement Advisory Panel Summary Report, August 2020

The Engagement Advisory Panel (EAP) comprised engagement practitioners from the six retailers (Barwon Water, City West Water, South East Water, South Gippsland Water, Western Water, Yarra Valley Water), and aimed to leverage their experience from their own 2017 and 2018 price submissions to guide our broader community engagement approach.

In establishing the EAP, we aimed to address feedback from the retailers for a more collaborative approach to community engagement, and avoid confusing their customers (the broader community) who had previously been engaged on their individual price submissions.

The purpose of the EAP was to:

- Review our proposed engagement program and ensure engagement activities reflected the variety and diversity of customer and community needs and expectations
- Identify opportunities for joint efforts and alignment of engagement activities occurring across the sector
- Work to ensure clarity and coordination of communication material to the community, to avoid confusion between the roles of Melbourne Water and the retailers
- Share community insights and findings throughout the engagement program.

The EAP met seven times over the three-stage engagement program and were invited to participate in the Customer Value Workshop held in June 2019 (see **Section 4.2**). They were also invited to an ideation workshop to help develop our gamification pilot project.

EAP members were also invited to observe various community engagement activities, including the Community Vision and Values Co-Design Workshop held in March 2019, and the Customer Outcomes Community Deliberative Panel held in April 2020.

Key insights

The EAP contributed to the following aspects of our engagement program:

- Reviewed and provided critical feedback on our overall engagement program and key engagement activities.
- Shared insights and identified relevant key themes and issues from their 2018 price submissions, summarised in **Section 4.1**.
- Invited to review communications collateral to ensure messaging (particularly for water and sewerage services) was clear and consistent across the industry.
- Informed of progress and findings of our community research program.
- Invited to collaborate on developing several tools explaining the roles of the retailers and Melbourne Water, to be used in broad-ranging engagement activities of each business.

How we used these insights

Insights from the EAP helped ensure we had a clear understanding of end-use customer (community) priorities, and the key themes and issues arising from engagement on their own 2018 price submissions.

The EAP helped develop and refine our overall engagement program, as well as refining various material used to communicate to the broader community.

4.5 Regulatory Managers Forum

Reference reports:

- Regulatory Managers Forum – Customer Council Advisory Report, December 2019

During engagement, the WSCC identified several topics of a regulatory nature that would be best explored via a forum comprising regulatory managers from the retail water businesses.

In response, the Regulatory Managers Forum (RMF) was established in mid-2019 to allow for in-depth exploration of complex regulatory matters relating to the submission, and provide advice to the WSCC. The RMF was comprised of regulatory managers from Barwon Water, City West Water, Gippsland Water, South East Water, South Gippsland Water, Yarra Valley Water, and Western Water.

The RMF considered key regulatory topics such as the appropriate length of the *Price Submission 2021* regulatory period and form of price control, as well as the design of bulk water and sewerage tariffs and appropriate risk-based treatment of the Victorian Desalination Plant water order.

The RMF presented an advisory report to the WSCC in December 2019, which presented the views of each retail water company on the topics considered.

Key insights

- Regulatory period:** Barwon Water, City West Water, South East Water and Yarra Valley Water preferred a five-year regulatory period. South Gippsland Water and Western Water did not comment. Our submission proposes a five-year regulatory period.
- Form of price control:** Barwon Water and City West Water preferred a price cap (current price control setting) on the basis of contribution to price stability and their customers' stated preferences. Yarra Valley Water preferred adopting a revenue cap based on what it had heard from its customers on fairness and price shocks. South East Water reserved its view until Melbourne Water's proposal on tariff structures was finalised. South Gippsland Water and Western Water did not comment. Our submission proposes to continue with a price cap form of price control.
- Treatment of desalinated water order costs:** There was a preference to include a forecast desalination order with mechanisms to vary prices should the water order differ from the forecast. Our submission proposes to include a forecast for expected water order volumes to provide better visibility of likely costs.
- Tariff design and structure (water and sewerage):** Yarra Valley Water was in favour of an alternate approach that determined the amount of revenue recovered via volumetric charges. City West Water and South East Water preferred to either maintain the status quo (headworks tariffs), or undertake further customer impact analysis to evaluate alternatives (transfer tariffs). Barwon Water felt further discussion was needed before a decision was made. Reflecting on these differing views, the WSCC requested Melbourne Water make a commitment to fully investigate tariff structures that better meet the Water Industry Regulatory Order (WIRO) tariff principles within two years. Our submission proposes to conduct a tariff review post-submission.

How we used these insights

The RMF's report to the WSCC helped to inform their fifteen expectations provided to Melbourne Water in December 2019.

With regard to the matters considered, our Price Submission proposes:

- a five-year regulatory period
- to continue with a price cap form of price control
- to include a forecast for expected desalinated water order volumes to provide better visibility of likely costs
- to conduct a tariff review post-submission.



Waterways and drainage customer engagement

5

Waterways and drainage customer engagement

5.1 Waterways and Drainage Customer Council

Reference reports:

- Waterways and Drainage Customer Council Phase 1 Report, 18 October 2019
- Waterways and Drainage Customer Council Phase 2 Report, 28 May 2020
- Waterways and Drainage Customer Council Meeting Report, 3 June 2020
- Strategic Advice from the Melbourne Water Waterways and Drainage Customer Council

The Waterways and Drainage Customer Council (WDCC) was appointed to provide strategic advice on our waterways and drainage pricing proposals through a customer and community lens, and shape development of the *Waterways and Drainage Investment Plan* (WDIP). The WDIP is a key input to our Price Submission, as it relates to setting the Waterways and Drainage Charge.

The WDCC consisted of fourteen members including representatives from the following customer segments:

- Local government: City of Brimbank, Wyndham City Council, Yarra Ranges Council, Maroondah City Council, City of Melbourne and Moorabool Shire Council
- Engaged community groups: Port Phillip EcoCentre (Port Phillip Baykeeper), Werribee River Association (Werribee Riverkeeper), Yarra Riverkeeper Association (Yarra Riverkeeper)
- Developers: the Victorian Planning Authority and Urban Development Institute of Australia
- Direct service customers: a waterway diversion licence holder
- Broader community
- Victoria State Emergency Service

The work of the WDCC was divided into two phases, which extended across our three-stage engagement program for the Price Submission.

Phase 1 (March to September 2019)

The WDCC met seven times over Phase 1, during which time they received detailed information on Melbourne Water services funded by the Waterways and Drainage Charge.

The WDCC prioritised services and topics they wished to explore in depth, and to support their deliberations were provided with detailed background reading, presentations from external subject matter experts, and presentations on current programs delivered by Melbourne Water.

Key insights

The WDCC provided advice on the benefits their stakeholders and communities expected from waterways and drainage services. They also identified other aspects of services the community might like to see delivered by Melbourne Water. These were provided across five service categories:

- Stormwater quality and quantity
- Flood management and risk reduction
- Waterway condition
- Development services
- Recreation services

How we used these insights

These insights helped shape the customer preferences and willingness-to-pay research undertaken for waterways and drainage services in Stage 2 of the Price Submission engagement program.

Waterways and drainage customer engagement

Phase 2 (October 2019 to May 2020)

Over four meetings from October 2019 to April 2020, the WDCC provided advice and guidance on developing the customer preferences and willingness-to-pay survey and interpreting the results, which informed investments included in the WDIP.

The WDCC was also provided with updates on our Price Submission and opportunities to provide feedback as follows:

- 15 October 2019: overview of the preliminary customer outcomes and outputs and opportunity for WDCC feedback.
- 5 December 2019: recap of the Price Submission development process and how outcomes were revised based on feedback from both the WDCC and WSCC. The WDCC had an opportunity to provide additional feedback.
- 10 February 2020: update on the Price Submission, including future engagement opportunities for WDCC members and their communities after the submission was finalised.
- 15 May 2020: update on the Price Submission and review process to be undertaken with the WDCC over two subsequent meetings.

Key insights

The WDCC provided a statement of strategic advice for Melbourne Water's consideration in developing the Price Submission.

Their overarching recommendation was that Melbourne Water advocate strongly to increase the Waterways and Drainage Charge by more than 5%. The WDCC urged Melbourne Water to highlight the long-term social, economic and environmental benefits that increased investment in waterway health brings to customers, believing that the community, when properly informed, would be willing to pay more for healthy waterways.

The WDCC noted the following strategic investment issues:

- The intrinsic value of waterways to the community needs to be strongly articulated to the ESC in the Price Submission, as this has not been significantly recognised in the past. Melbourne Water should resist the pressure to use its limited funding to make all green places and spaces 'useful' by providing active recreational opportunities for Melbourne's expanding population. The community values passive recreation in beautiful naturalistic landscapes. It also values parts of waterways that are left undisturbed so waterways can deliver necessary cultural and ecological services.
- There are increased expectations on Melbourne Water as exemplified in the *Yarra Action Plan*, the *Yarra River Protection (Willip-gin Birrarung murrn) Act*, the revised *Healthy Waterways Strategy*, the revised *Flood Strategy* and the *Waterways of the West*. These expectations need to be fulfilled by increased investment that must come from an increase in the Waterways and Drainage Charge.
- Where there are increased obligations on Melbourne Water through the *Marine and Coastal Act*, *Port Phillip Bay Environmental Management Plan* and recent changes to the *State Environment Protection Policy (Waters)* or any other obligations, which require increased capital and operational

investment from Melbourne Water, they need to be transparently funded by a commensurate increase in the Waterways and Drainage Charge, and/or funded by other appropriate sources outside the charge.

- The health of urban waterways depends on the health of the waterways upstream. The Council proposes that the Price Submission addresses the imbalance of investment between rural and urban sections of Melbourne catchments and areas that were not previously managed by Melbourne Water before 2005. There is a need for an increase in investment in forest-edge and rural areas.
- There is a need for Melbourne Water to investigate the tariff structure, especially for businesses, to reflect the use of services, both current and future, and the contribution to impact on waterways for the next Price Submission.

The WDCC also noted the following other issues, but recognised they were outside the scope of the Price Submission:

- There are opportunities for Melbourne Water to reduce costs by advocating for better regulation and accountability and better enforcement for issues such as litter, microplastics and water quality.
- There is a need for Melbourne Water to lead a cross-agency and cross-sectoral (including community and research institutions) approach to ensure the most effective use of funds and to maximise adaptation to climate change and other new and emerging issues. There is a clear role for Melbourne Water to lead and drive innovative solutions in new developments.
- Melbourne Water needs to advocate for systems that encourage investment in environmental assets. Public entity balance sheets must include the value of cross-agency investments, so the investment is valued and therefore supported. When accounting recognises efficiencies from co-investment in green infrastructure, investment will be encouraged.
- Ecological assets and investments by Melbourne Water and by other public entities need to be adequately valued by economic accounting systems, as used by the Commissioner of Environmental Sustainability and by other public entities.
- Melbourne Water has a responsibility to invest in educating the community on the risk of deterioration of waterways under a business-as-usual approach, in the face of climate change and expanding urbanisation.
- Melbourne Water has an obligation to have an improved and ongoing dialogue with all of its customers to demonstrate the value that the community receives from the Waterways and Drainage Charge.

How we used these insights

Ongoing feedback from the WDCC helped shape our customer outcomes.

The strategic advice provided by the WDCC was considered in the development and finalisation of the investment programs included in the WDIP, and subsequently translated into the Price Submission.

Draft Price Submission review (May to June 2020)

On 19 May 2020, the WDCC was provided with a detailed presentation on the draft Price Submission. This was followed by a facilitated review workshop on 3 June 2020.

In the lead-up to the workshop, the WDCC was sent an early draft of the Price Submission and a summary outline of the key aspects of the submission we particularly wanted their review to focus on. A set of guidance questions was developed to focus the Council's review on specific aspects of the Price Submission, as follows:

Customer outcomes and measuring performance

- Any final comments on customer outcomes?
- What priority order should the outcomes be placed in?
- Any feedback on the outputs and measures?
- How do you think we could communicate Melbourne Water's performance against the outcomes to our customers?

Engagement

- Comment on the extent to which you feel you were given appropriate information, time to learn about issues, form opinions and provide input to Melbourne Water's waterways and drainage proposals?
- Do you have any suggestions for improvement to our engagement process (learnings for next time)?

Other matters – risk management, regulatory period, form of price control

- Any general comments on these matters?

Overall final feedback

- We are closing the loop on the Price Submission with you, do you have any final comments to make?

Key insights

Members of the WDCC provided a range of differing final opinions rather than a single collective view.

The WDCC provided the following feedback on the draft customer outcomes:

- As an overall suite, the outcomes were generally considered acceptable
- Some views that there needs to be an outcome specifically covering waterways and drainage
- Some views that previous feedback had not been taken into account
- Terminology too focussed on the individual rather than the collective (change 'me' and 'my' to collective terms)

In terms of priority order, the WDCC voted as follows:

1. Provide me with safe and reliable water and sewerage services, now and into future
2. Equal second priority:
Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation
Protect and enhance the environment, including our rivers, creeks and bays
3. Educate, support and empower community and local government partners to deliver service outcomes
4. Make my interactions with MW easier, respectful, responsive and transparent
5. Keep my bill as low as you can

The WDCC provided views on the measures for two outcomes, as follows:

Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation (proposed measures: reduced flood risk, increased community use of Melbourne Water land as green open space)

- Measures are too narrow and don't cover climate change and urban growth.
- Flood risk – dollar value is not the only measure. Suggest alignment with several measures being worked through for Flood Strategy.
- Is there a human health measure related to benefits of open space for mental and physical health?
- Consider microplastics as a measure related to flooding, urbanisation and climate change.

Protect and enhance the environment, including our rivers, creeks and bays (proposed measures: river health measured by macroinvertebrate numbers, quality of sewerage discharge, re-use of sewerage by-products/biosolids, reduction in net greenhouse gas emissions)

- Queries around waterway health measure – could be broader and there are better measures than macroinvertebrates. Consider riparian flows, pollution measure, broader appraisal of waterway health
- Need to show a commitment to improvement in waterway health

The WDCC provided the following ideas for reporting on performance:

- Customer-centricity is important – support an ongoing Customer Council to continue discussions with an educated and informed customer group.
- Could have one Customer Council, and engage community groups in an ongoing manner (e.g. deliberative panel).
- Building education of what Melbourne Water does and could be linked to performance reporting
- Consider publicly advertising performance (e.g. on trams).
- Some suggested bill inserts whilst others thought reliance on bills is an outdated method, consider new mechanisms (e.g. multimedia, social media to reach a larger audience).
- Suggestion for a visual focus rather than words.
- Some concern about spending money on advertising performance rather than investing in behaviour change, noting people have limited bandwidth to absorb more information.

With regard to the WDCC's experience of the overall engagement process, the following insights were provided:

- Too much time spent on understanding the issues in the first half of the process and insufficient time given to engaging on decisions in the second half – this part of the process felt rushed. The idea of an ongoing forum/conversation might help avoid this for next time.
- Potentially too much weight put on willingness to pay results, need to think about other ways of approaching community preferences and needs.
- At times group conversations were dominated by individuals; small group discussions helpful for others to have a say.
- A combination of in person and online meetings is good.

A range of views on regulatory matters were expressed, with some preferring a three-year regulatory period and some views that climate change should be factored into risk management.

How we used these insights

These insights were considered as we refined our final set of customer outcomes and finalised other aspects of the Price Submission.

5.2 Local government

Reference reports:

- Local Government Submissions – Final Summary Report, 2021 Waterways and Drainage Investment Plan, 10 December 2019
- 2021 Price Submission, Final Public Consultation – Summary Report, July 2020

As well as representation on the WDCC, local government authorities (councils) in the Port Phillip and Westernport region were invited to provide input into the development of the *Waterways and Drainage Investment Plan* (WDIP) via an online submission process. They were also invited to make final comments on the draft proposals for our Price Submission, as part of our final public consultation in Stage 3 of engagement.

The online submission process took place over five weeks, from 5 September to 18 October 2019. To support participation, councils were sent a background document and video on Melbourne Water's waterways and drainage services and programs. They were also invited to a briefing at Melbourne Water's offices, held with the support of the Municipal Association of Victoria.

Engagement aimed to build awareness and knowledge of the WDIP, gain insight into what councils value about Melbourne Water's services, and understand their preferences for outcomes and levels of service across four service areas:

- Flood management
- Waterway management
- Managing urban stormwater and pressures of urbanisation
- Urban development services.

Twenty-six submissions were received, which prioritised outcomes sought from each service, preferences for changes in service levels, and areas where councils wished to collaborate with Melbourne Water.

Key insights

Respondents identified a range of services they most valued, highlighting

- The Living Rivers program
- Responsive flood management infrastructure
- Integrated Water Management as a collaborative and comprehensive approach to water management
- Planning permit application referral advice
- Programs and activities to improve waterway health
- Knowledge sharing
- Capacity building
- Further grant opportunities.

Councils believed that the outcomes their communities would most value into the future were those that aligned with adequate stormwater flow and flood management infrastructure, access to healthy and biodiverse waterways free of pollutants, improved climate resilience through flood protection, access to alternate water sources, and a community that is informed, engaged and responsive to the risks of flood events. They also identified concerns with managing urban stormwater and the pressures of urbanisation.

The following service-specific insights were provided:

Flood management

- Managing, collecting and conveying stormwater, as well as data such as mapping, modelling and planning information were the priority outcomes for flood management.
- Providing flood management infrastructure was essential to equipping councils with the tools to manage floods.
- Areas of collaboration with Melbourne Water identified by participants included maintaining and upgrading flood infrastructure, and gathering and sharing flood, rainfall and mapping data.

Waterway management

- The environmental value of waterways supported by good physical and ecological health were the priorities for waterway management.
- Participants wished to collaborate with Melbourne Water on monitoring and improving water quality through litter and pollution management, and continuing the maintenance arrangements articulated in the *Healthy Waterways Strategy* and *Living Links*.
- Participants indicated that areas requiring an improved level of service include management of litter and water pollution events, the Living Rivers program, and providing vegetation along waterways.

Managing urban stormwater and pressures of urbanisation

- The capture, treatment, and reuse of stormwater was a strong priority. Stormwater harvesting was seen to have many benefits for protecting the health of waterways.
- Areas for collaboration with Melbourne Water included: long-term planning for maintenance and operating expenditure to allow more proactive planning for things such as climate change; strategically identifying and funding Water Sensitive Urban Design (WSUD) options; flood modelling and risk mitigation; partnering with the private sector and developers to reduce pollution; building capacity around WSUD standards; and integrating the *Healthy Waterways Strategy* into planning schemes.
- Primary concerns raised were: a lack of long-term and integrated infrastructure planning; competing needs for land space; a sustainable funding source for stormwater treatment infrastructure; limited ability to improve infrastructure in built-up areas; and difficulty in getting private landholders to contribute to stormwater retention and reuse.

Urban development services

- Participants prioritised ensuring flood resilience in infill development. Infill development is relevant to all council areas, while not all have greenfield development capabilities. There are also challenges with large-scale mixed-use development of industrial land within a municipality, and with ensuring integrated water management is incorporated at the beginning of the planning process.
- Core additional services and programs identified included: investment in the Living Rivers Program (or an equivalent); projects allocated to Melbourne Water through the IWM forum processes; continued investment in invasive species control; supporting landholders adjacent to waterways with land management through grants and partnerships; and prioritising WSUD treatments in local infrastructure upgrades.

Five councils responded to our invitation to comment on our draft Price Submission proposals as part of our final public consultation in Stage 3 (June to July 2020, refer **Section 6.8**): City of Melbourne, City of Kingston, City of Hume, City of Port Phillip, Mornington Peninsula Shire. Their feedback focussed on seeking greater investment in stormwater and recycled water, flood mitigation works, community education and capacity building, IWM, and urgent action on climate change.

How we used these insights

Council feedback via the WDIP submission process helped inform our decisions about increased service levels for aspects of waterways and drainage services, which in turn fed into our Price Submission with regard to establishing the Waterways and Drainage Charge.

Council comments received during public consultation were considered as we finalised our submission. No further changes were made to increase our investments in waterways and drainage services, as we worked to balance affordability with service levels.

5.3 Traditional Owners

Six briefing meetings were held between September 2019 and March 2020 with representatives of the three Traditional Owner groups in our service area: the Bunurong, Wadawurrung and Wurundjeri Woi wurrung. These explained the *Waterways and Drainage Investment Plan* (WDIP) and the Price Submission and identified ongoing opportunities for engagement. Our engagement with these groups is ongoing.

Investment to understand and protect Aboriginal cultural values are funded through the Waterways and Drainage Charge and detailed in the WDIP. This includes a new service focused on Aboriginal cultural values, which enables the establishment of formal partnerships with Traditional Owners so we can work together towards the *Healthy Waterways Strategy* goal:

‘Traditional Owners have a recognised role as custodians of waterways and their cultural values. Their unique perspective and knowledge allows them to influence the agenda for waterway management and actively participate in caring for their Country.’

The service allows for a self-determined approach to value and formalise the involvement of Traditional Owners in waterway management. This is not only required to meet our new and existing obligations and expectations as a water industry leader, but will also support Traditional Owners to self-determine essential work to document cultural values, stories and knowledge as a way to counter rapid urbanisation and threats to culture.

Working with Traditional Owners to understand, protect and promote their cultural knowledge and facilitate a greater involvement in waterway management will help to achieve better outcomes for the environment and our community. We are working closely with Traditional Owners to understand their priorities and to develop formal agreements to commit to mutually agreed outcomes.

The investment program included in the WDIP and covered by the Price Submission will support Bunurong, Wadawurrung and Wurundjeri Woi wurrung to take steps toward both an increased knowledge base for communicating cultural values and information, and committing to partnership principles that support relationships critical for sharing and using this new knowledge.



Community engagement

6

Community engagement

6.1 Community assessment of services (2018-19)

Reference reports:

- Community Assessment of Services, Qualitative Research Report for Melbourne Water, May 2018, Newgate Research
- Community Assessment of Services, Quantitative Research Report for Melbourne Water, August 2019, Newgate Research

To inform early planning for our Price Submission, we commissioned a two-part research project to explore and understand community knowledge, perceptions and value of our services. Participants were recruited to broadly reflect Melbourne’s demographics.

The first component, a qualitative study, took place in April and May 2018. Ten focus groups were held with 79 participants to understand their views on our core services: water supply, sewerage and recycled water, waterways, and stormwater and drainage. Participants were also asked for their views on a range of value-added approaches: liveability, Integrated Water Management (IWM), environmental stewardship, and asset value maximisation (presented as ‘making the most of it all’).

This was followed by a quantitative study (online survey) carried out in August 2019 with 1,200 participants. The study aimed to build on previous learnings and gain further insights into community perceptions of Melbourne Water’s services, the value they derive from these and how views differ among different demographics.

Key insights

The research found that participants knew little more about Melbourne Water than our name. For those with some knowledge, we were most commonly understood to supply water (and look after catchments), followed by sewerage services. Most participants were surprised to learn about the scale and scope of our responsibilities, and sensed the mix of services was largely right.

We heard that increased communication and education would benefit the community’s peace of mind and acceptance of water bills, while also helping to shift water conservation behaviour. The impact of education was further supported by the quantitative study, in which participants supported increased investment in all but two areas after watching informational videos.

All core services (water, sewerage, waterway management and drainage) were highly valued and recognised for their benefits to the broader community and environment. Water supply and sewerage were most valued and well-regarded services. The largest gaps related to long-term security of supply, managing waterway health, and developing innovative solutions to water-related problems.

None of the focus group participants were initially aware of Melbourne Water’s value-added services. Once informed, they were impressed but did not view all of them as essential – especially the ‘nice to haves’ such as shared pathways on Melbourne Water land. Liveability was particularly valued, as were initiatives that made better use of resources (e.g. stormwater harvesting, sewage co-digestion). This was consistent with results from the online survey, which found very strong support for alternative water sources for non-drinking purposes. However, the use of the Victorian Desalination Plant was more contentious, indicating this was a complex decision requiring more community education and debate.

How we used these insights

This knowledge helped us develop a tailored engagement program. It identified values and focus areas that formed the basis of initiatives explored through community research into preferences and willingness to pay, conducted in Stage 2.

Key themes from this research also helped inform early drafting of our customer outcomes.

6.2 Community perception of waterways (June 2018)

Reference reports:

- Perceptions of Waterways Research Report, June 2018, The Klein Partnership

The perceptions of waterways study is conducted every two years to track community knowledge and perceptions of Melbourne’s waterways and surrounding land. It explores the community’s overall satisfaction with waterways, reasons and frequency for visiting them, understanding of waterways’ contribution to liveability, and perceptions of maintenance.

The 2018 study was conducted in June via an online survey with 2,115 residents of Greater Melbourne, recruited via a research panel. It gave respondents an opportunity to provide direction on focus areas.

Key insights

Respondents believed the most important role of waterways was providing natural habitat, though they increasingly recognised the role waterways play in drainage and flood protection. While overall satisfaction with Melbourne’s waterways remained very high, there was a significant decline in the proportion of satisfied respondents, driven by perceptions of waterway health, water conditions, recreation and the look and coverage of natural vegetation.

Perceptions of waterway maintenance remained very favourable, influenced by perceptions of cleaning litter. This had been steadily declining as an area of concern while pollution concerns had increased, as had concerns around population growth – which had doubled in terms of the proportion of respondents viewing it as the primary threat to waterways.

While respondents were given the opportunity to provide direction on focus areas, no single theme dominated. Providing amenities and recreation facilities was most popular, closely followed by cleanliness – which were both consistent with the higher support and familiarity with more tangible waterway management activities.

How we used these insights

This knowledge helped us develop a tailored engagement program. It identified values and focus areas that formed the basis of initiatives explored through community research into preferences and willingness to pay, conducted in Stage 2.

Key themes from this research also helped inform early drafting of our customer outcomes.

6.3 Water issues monitor (June 2019)

Reference reports:

- Water Issues Monitor, Key Findings Report, August 2019, The Klein Partnership

Since 2003, Melbourne Water has been annually monitoring community knowledge, attitudes and opinions on water and Melbourne’s water industry. These include perceptions of Melbourne Water, our services and associated costs, as well as attitudes toward water sources and conservation, and understanding of flooding and flood management. The 2019 study was conducted in June via an online survey with 799 residents of Greater Melbourne, recruited via an online research panel.

Key insights

Awareness of Melbourne Water had receded to 2017 levels, with respondents having a low understanding of our responsibilities. Perceptions of the water industry were nevertheless positive, despite room for improvement in the industry’s perceived response to population growth and climate change. These two issues continued to be the top perceived threats.

Water supply and availability continued to be top of mind, followed by quality and cost, though concerns had slightly eased from previous years’ studies. Respondents were polarised in their confidence in water availability to meet Melbourne’s future needs, but there was stronger recognition of the Victorian Desalination Plant as a water source and slow, but positive, growth in the acceptance of alternative water sources.

Areas of low awareness included the Waterways and Drainage Charge and sewerage as one of Melbourne Water’s services. Only a minority of respondents perceived flood management to be our responsibility, and over half had limited or no exposure to flooding in Melbourne. In fact, extreme weather and blocked drains were thought to contribute more to flooding than urban development and climate change.

How we used these insights

This knowledge helped us develop a tailored engagement program. It identified values and focus areas that formed the basis of initiatives explored through community research into preferences and willingness to pay, conducted in Stage 2.

Key themes from this research also helped inform early drafting of our customer outcomes.

6.4 Vision and values co-design workshop (March 2019)

Reference reports:

- Vision and Values Co-design Process, Melbourne Water 2021 Price Submission, March 2019

As part of Stage 1, we held an independently-facilitated co-design workshop to develop a community vision and set of values – ensuring community priorities were a central focus of our Price Submission from the outset. The workshop used a deliberative engagement approach to allow multiple perspectives and issues to be considered, posing the question: ‘What vision and values should guide Melbourne Water’s investment across all our services?’.

The workshop was held on 2 March 2019 and attended by 31 community members, recruited to reflect the demographics of Greater Melbourne. Throughout the day participants discussed information, prioritised values and drafted vision statements, three of which were shortlisted for testing with the broader public online. The final vision statement and values were presented back to the Customer Councils and used as a reference point in subsequent engagement activities.

Key insights

After an online vote via our *YourSay* website, the preferred vision statement was:

In 2026, Melbourne Water is ensuring the environment is central to all it does. Its sustainable and innovative approach to service delivery provides reliable, efficient and secure outcomes for everyone and everything. Melbourne’s water is for us and for you.

Six priority values were identified:

- Environment and sustainability
- Reliability
- Forward-thinking
- For everyone
- Innovation
- Efficiency

A further six additional values were identified to support decision making processes:

- Honest and integrity
- Education
- Quality
- Transparency
- System-wide collaboration
- Value for money

How we used these insights

Insights from the workshop helped refine our engagement program and identify values and focus areas. These formed the basis of initiatives explored through community research into preferences and willingness to pay, conducted in Stage 2.

The vision and values also helped inform early drafting of our customer outcomes.

6.5 Community preferences and willingness to pay research (July 2019 to February 2020)

Reference reports:

- Waterways & Drainage Charge: Willingness to pay qualitative research, August 2019, Newgate Research
- Waterways and Drainage Charge: Willingness to Pay Final Report, February 2020, Newgate Research
- Price Submission 2021: Community Research – Preferences and willingness to pay for new initiatives in service delivery Final Report, February 2020, WhereTo

Stage 2 of our engagement program focused on understanding the community’s preferred service levels across our range of services, and their willingness to pay for them. Topics tested were based on our understanding of community values and focus areas from Stage 1.

Two research studies were undertaken: the first (undertaken by Newgate Research) focused on waterways and drainage services to inform the WDIP; and the second (undertaken by WhereTo) formed part of the overall Price Submission engagement program. Both studies involved a qualitative (focus groups) and quantitative (survey) phase.

The qualitative focus groups helped us develop appropriate framing and language for the quantitative phase. The quantitative surveys included detailed descriptions of the different initiatives and service levels proposed for the Price Submission period. The results identified community preferences for the various service levels proposed, as well as willingness to pay.

Both research programs adopted representative sampling and engagement approaches to ensure views expressed could be considered representative of the broader community. Participants were carefully selected to ensure representation across different age cohorts, gender, location, level of education, household size and ownership, and work status. We also specifically targeted hard-to-reach disadvantaged groups including people on lower incomes, people who spoke another language at home or with parents and people with a chronic illness or disability who might otherwise find it hard to participate.

Waterways and drainage research (Newgate)

This research explored community preferences across the following service areas: litter, stormwater quality, stormwater harvesting, vegetation for the environment, natural wetland management, estuary management, vegetation for amenity, land access, on-water access, flood preparedness, flood mitigation, waterway restoration, community education and involvement.

The qualitative phase was undertaken in July 2019 and involved eight two-hour group discussions. The quantitative phase was undertaken in November to December 2019 and surveyed 1,069 residential (metropolitan), 135 residential (rural), and 150 non-residential (business) customers.

Price Submission community research (WhereTo)

This research explored community preferences across the following themes: bill certainty, biosolids reuse, odour management, water recycling, stormwater harvesting, access to open space and recreation, sewerage, carbon offsets, managing runoff from hard surfaces, ecotourism development at the Western Treatment Plant, and educating Melburnians.

The qualitative phase was undertaken in November to December 2019 and involved 12 three-hour focus groups. The quantitative phase was undertaken in January to February 2020 and surveyed 2,549 residents and 385 businesses from across Melbourne Water’s service area.

Key insights

The consultant reports should be referred to for details on the approach and findings of the research. A high-level summary is provided below.

Waterways and drainage research (Newgate)

Overall, 68% of residential customers and 60% of business customers were supportive of service level increases, with an overall willingness to pay 8% more (residents) and 5% more (businesses). However, 27% of participants wanted to pay the same amount or less.

Specific service preferences were as follows:

- The strongest preference was for investing in increased stormwater services, particularly for stormwater harvesting.
- A majority of participants preferred to significantly increase waterway service levels and associated expenditure. The exception was environmental vegetation (preference for current level of service to be maintained), which requires increased investment due to greater threats.
- Residential customers preferred increases in all flood services tested, but business customers preferred no change. Services included flood risk awareness campaigns, information and warnings for high-risk properties to reduce potential damages, and flood mitigation for high-risk properties.
- There was strong support for water and land access programs for community enjoyment and recreation. However, metropolitan customers preferred vegetation services (such as the Reimagining Your Creek program) to be maintained at current levels.
- Business customers preferred reduced investment in vegetation for community enjoyment, maintained investment in vegetation for environment and flood preparedness, and an increase in all other services.
- Rural residential customers wanted more land access and waterway restoration than metropolitan customers, and reduced vegetation for community enjoyment. They wanted to maintain current service levels for vegetation for the environment, and an increase in all other services.

Price Submission community research (WhereTo)

Overall, participants supported low-cost, high-value initiatives with an average willingness to pay approximately \$8 more (excluding cost of desalinated water orders, which adds approximately \$10).

Initiatives with two-thirds or more support for greater investment include:

- Stormwater harvesting (75%)
- Sewerage system upgrades (72%)
- Pipetrack access and amenity (68%) – tended to be supported due to minimal cost and low impact on bill
- Access to reservoirs for recreation (62%)

Initiatives with lower levels of support included: education (57 per cent), wastewater recycling (56 per cent), biosolids reuse (54 per cent), planned desalinated water orders (52 per cent), and ecotourism at WTP (44 per cent).

Carbon offsets generated a mix of opinions across the range of options provided: one-third (37 per cent) preferred the cheapest possible offsets, one-third (34 per cent) preferred the most expensive local offsets, and the remaining third (29 per cent) were split across high-benefit global offsets and basic local offsets. When combined, 69% supported either faster or better quality offsets.

How we used these insights

The community preferences and willingness to pay research helped establish our service levels and prioritise our investment program.

6.6 Waterways and Drainage Deliberative Panel (November 2019 to April 2020)

Reference reports:

- Waterways & Drainage Community Deliberative Panel Engagement Findings Report, May 2020, Max Hardy Consulting

The Waterways and Drainage Deliberative Panel aimed to represent diverse community interests and views on our future investment in waterways and drainage, specifically within the context of key challenges like population growth, climate change and urbanisation. It provided insight into community priorities, values, drivers and selected topics, as an extension of the WDIP community research program.

To achieve reasonable diversity, the panel consisted of 40 participants who were a mix of randomly-selected community members and existing stakeholders previously involved in engagement activities. To assist in their deliberations, they received presentations from independent and Melbourne Water subject matter experts.

The panel’s remit was:

At what speed and level of investment should Melbourne Water address the long-term challenges of population growth, climate change and urbanisation to future proof our waterways and drainage system in their program of works for the 2021-2026 Investment Plan?

The panel met four times: in November and December 2019, and February and April 2020.

Key insights

The deliberative panel provided deeper insights into key areas of the WDIP that required further exploration:

- **Stormwater:** The panel generally supported stormwater programs, and nominated stormwater harvesting (which protects waterways from stormwater), and pollution/litter as two of their top three priorities. They generally preferred partnerships and incentives with local councils and other authorities that deliver longer-term outcomes, over the short-term outputs of traditional grants.
- **Healthy waterways:** The panel felt that research and planning was important to make the right choices for waterways and drainage services.
- **Flood risk reduction:** The panel identified flood mitigation as one of their top three priorities. They supported a lesser increase in spending for flood mitigation, contrary to willingness-to-pay survey results preferring a greater increase.
- **Community access, involvement and recreation:** The panel strongly supported our focus on investigations into the source of litter hotspots, over litter removal downstream.

How we used these insights

The panel’s insights helped us refine our waterways and drainage investment program. Given the difficulties of communicating the complexity of our services in a short survey, the panel provided an opportunity to thoroughly explain the motivation behind our proposed investments. The panel’s support for our proposed approach was therefore more prominent in the final decisions around flood risk management and litter programs in the WDIP.

6.7 Customer Outcomes Community Deliberative Forum (April 2020)

Reference reports:

- Price Submission 2021: Community Deliberative Forum – Customer Outcomes and Measuring Performance Final Report, May 2020, WhereTo

During Stage 3 of our engagement program, we held a Community Deliberative Forum to review, prioritise and validate our proposed customer outcomes and performance measures.

Originally intended as a six-hour face-to-face workshop, COVID-19 social restrictions made it necessary to transition to an online workshop run across eight days (22-29 April 2020). The online format allowed researchers to present a larger amount of information over a longer period, giving participants time to properly interrogate and deliberate on the content provided.

Forty-three participants were selected to provide a representative sample of the community, including by age, gender, socio-economic status and property ownership. As discussions and materials were in English, participants needed basic written English literacy, but care was taken to ensure the sample included ten participants from culturally and linguistically diverse backgrounds.

Participants were sent a pre-reading pack ahead of the panel, with instructions on how to participate and information on the customer outcomes being deliberated. An audio version of the material was also made available to cater to those for whom reading is more difficult. Each day's deliberations were summarised in an infographic developed by an illustrator.

The six draft customer outcomes discussed in the forum were:

1. Provide me with safe and reliable water and sewerage services now and into the future
2. Enhance my city's ability to cope with and prepare for the impacts of climate change and urbanisation
3. Protect and enhance the environment, including our rivers, creeks and bays
4. Educate, support and empower our community and local government partners to deliver service outcomes
5. Keep my bill as low as you can
6. Make my interactions with Melbourne Water easier, respectful, responsive and transparent

Key insights

The consultant report should be referred to for details on the approach and findings of the deliberative forum. A high level summary is provided below.

- Participants ranked Outcome 1 'Provide me with safe and reliable water and sewerage now and into the future' as the highest priority by far – three-quarters (77 per cent) ranked it the top priority, and nearly everyone (95 per cent) ranked it in their top three. Environment-related outcomes 2 and 3 were the second-highest priority, followed by the affordability-related outcome 5.
- There was overall support for the performance measures, although some were found to be quite technical in nature and difficult to understand for the layperson.

How we used these insights

The insights from the deliberative forum were used to help refine and prioritise our final set of customer outcomes and associated performance measures.

6.8 Final public consultation (June to July 2020)

Reference reports:

- Price Submission 2021, Final Public Consultation – Summary Report, July 2020
- Melbourne Water 2021 Price Submission, Draft proposals at a glance, June 2020

Customers and the community were given an opportunity to provide final comment on the draft service proposals of our Price Submission via *YourSay*, our online engagement platform. This was an opportunity to report back on our engagement.

Consultation was open from 22 June to 13 July 2020, and focused on customers who were previously engaged in developing our submission or following progress online. This included:

- Waterways and Drainage Customer Council (WDCC) members
- Local government (councils) who provided submissions in October 2019 as part of engagement on the WDIP
- YourSay* subscribers.

The Department of Environment, Land, Water and Planning (DELWP) and a range of consumer advocacy groups were also informed of the consultation by email.

A summary document was provided to support the consultation and the following targeted consultation questions were posed:

- As a package, do the six customer outcomes represent what Melbourne Water should be delivering to customers over the next five years from 2021?
- Are there any gaps in the actions we are proposing to deliver on the Customer Outcomes?
- Will the ways we propose to measure our performance provide a good picture of how we're tracking to deliver our services? How would you like to hear how we are tracking?

In total, 12 submissions were received during the consultation period:

- Five from the public, including one submission focussed on criticisms relating to Western Water, which has therefore not been included in this summary
- Five from local government (City of Melbourne, City of Kingston, City of Hume, City of Port Phillip, Mornington Peninsula Shire), including one council (City of Port Phillip) who was also a member of the Waterways and Drainage Customer Council
- Two from members of the Waterways and Drainage Customer Council: one representing the Yarra Riverkeeper, and one a member of the general public

Key insights

Overall there was broad support for the customer outcomes as a collective set – though there were some views that more needs to be done for waterway health. Output measures received a few suggestions and clarifications, while there were various opinions about our approach to reducing emissions and carbon offsets.

Local government nominated a number of areas where they sought greater investment, including stormwater and recycled water, flood mitigation works and community flood preparedness, education and capacity building, a focus on integrated water management, and urgent action on climate change.

Other comments suggested generally positive views about our engagement approach, with the exception of one member of the WDCC. There were conspicuously few mentions of COVID-19, with only one submission emphasising the impacts on people's ability to pay bills.

How we used these insights

The insights from the final stage consultation helped validate our thinking and provided a degree of confidence in finalising our Price Submission.



Direct services engagement



Direct services engagement

This section documents the separate engagement processes undertaken with each of our three direct services customer segments.

7.1 Patterson Lakes

Melbourne Water manages the lakes, waterways and associated infrastructure – including jetties and tidal gates – within the Patterson Lakes’ Tidal Waterways and Quiet Lakes communities. We maintain the area’s waterways on a fee-for-service basis, and issue the following annual fees:

- Jetty infrastructure charge, paid by owners of properties within the Tidal Canals that have a mooring allocation. The charge recovers the cost of jetty construction and maintenance, and was introduced in 2014 following the removal of the Precept Rate previously charged. At the time, it was decided this would be a flat rate with only CPI increases in the annual maintenance charge. We are not proposing any changes to the annual capital recovery costs in our Price Submission.
- Bore flushing charge, paid by owners of properties in the Quiet Lakes with access to Lakes Legana and Illawong (excluding Lake Carramar, which does not receive this service). The charge funds services to manage water quality including additional bore flushing and algae monitoring, which are currently conducted for six months of the year over the summer period. Following residents’ requests for a reduction in the frequency and duration of algal blooms, we proposed three service level options for our submission.

Property owners also pay our Waterways and Drainage Charge, which supports waterway health and flood protection activities across Greater Melbourne. Within the Patterson Lakes area this funds lake maintenance through bore water flushing and water quality monitoring, and flood gates ('tidal gates') to protect the area’s 1,400 residents.

Objectives

Engagement focussed on residents of Lake Legana and Lake Illawong, as no material changes to charges were proposed for residents of Lake Carramar and the Tidal Waterways. We sought to understand customer preferences and willingness to pay for increased levels of water quality services – principally use of the bore pump and algae testing and analysis. The three options put forward to customers were:

- no change to level of service (i.e. bore flushing and visual algae monitoring for six months of the year)
- increased bore flushing and visual algae monitoring for 12 months of the year
- increased bore flushing and visual algae monitoring for 12 months of the year, and additional algae testing and analysis.

Approach

Our engagement approach respected the long history and relationship with the Patterson Lakes Quiet Lakes Owners and Residents Association (the Association), as well as the need for a rigorous and independent process to ensure views from the broader Quiet Lakes community were accurately represented.

The Association comprises 10 residents and an elected President, who meet with Melbourne Water every few months to discuss water quality and increased use of the bore for flushing.

Direct services engagement

TABLE 10 Summary of engagement activities

Association meetings 11 October 2019 – March 2020	Communications (in person and online) with the President of the Association aimed to develop a service proposal for increased bore flushing and algae testing, and gain agreement on the approach for testing the proposal with Lake Legana and Illawong residents. We agreed to develop costings for weekly water quality testing (including visual inspections and/or lab testing for algae) and using the bore to flush 1.5 ML/day, 365 days a year. We also agreed to survey Quiet Lakes residents to establish agreement for any increase in service levels and associated costs.
Survey 6 April – 13 May 2020	A paper survey was sent to each property at Lake Legana and Illawong, requiring them to indicate their preferred level of water quality service (and associated cost) from three options. They were also given an option to provide additional comments, or complete the survey by phone. Each household was allocated a unique property code to prevent duplicate votes and enable follow-up reminders if required. To maintain anonymity and ensure the integrity of the process, an independent company was engaged to run the survey and tally the results.
Bulletin April 2020	Printed bulletins were distributed to all Patterson Lakes properties to inform them of the Price Submission process. Residents of the Tidal Waterways and Lake Carramar were advised that we were not proposing any material changes to pricing, while residents of Lake Legana and Illawong were provided with information on how to complete the survey. Two further bulletins were distributed to Lake Legana and Illawong residents to remind them to complete the survey and advise them of an extension to the survey deadline.
Close the loop communications June 2020	A final bulletin was distributed to residents in June to communicate the survey results and service proposal and price impact intended to be included in our Price Submission.
COVID-related consultation September 2020	Additional consultation tested proposals for delaying the service/price increase in the first year of our submission, due to the financial impacts of COVID on the community. This is outlined in Section 8 . A telephone survey was conducted with 30 randomly-selected residents (representing about 12 per cent the 251 affected properties). The majority of those surveyed did not support the delay, and this is reflected in our Price Submission.

Survey results

The Quiet Lakes willingness to pay survey closed on Wednesday 13 May 2020, with residents being given a two-week extension from the original closing date of 30 April 2020. Of the 251 survey forms issued, 175 valid responses were received – representing an overall completion rate of 70 per cent.

When distributing the survey forms, we communicated to residents that we would propose an increase in service levels (including associated costs) if a majority of property owners voted in favour of this.

Of those who responded (i.e. 175 valid survey forms received):

- 75% supported increased bore flushing (options 2 and 3 combined)
- 64% supported increased bore flushing AND algae testing (option 3)
- 24% supported maintaining the current arrangements (option 1).

Taking all property owners into account (including the 30 per cent who did not vote):

- 52% supported increased bore flushing (options 2 and 3 combined)
- 45% supported increased bore flushing AND algae testing (option 3)
- 17% supported maintaining the current arrangements (option 1)

TABLE 11 Distribution of votes as a percentage of total properties, and percentage of completed surveys

Distribution of votes	Number	% (total properties)	% (completed surveys returned)
Option 1 (6 months bore flushing – no change)	42	17%	24%
Option 2 (12 months bore flushing)	19	7%	11%
Option 3 (12 months bore flushing and additional algae testing and analysis)	112	45%	64%
No preference indicated	2	1%	1%
Did not vote	76	30%	N/A
Total	251	100%	N/A

Comments were also received from 48 properties, summarised as follows.

TABLE 12 Summary of engagement activities

Option selected	Comment themes
1	• Current arrangements were deemed satisfactory, or additional bore flushing was viewed as a waste of water • Unwilling or unable to afford an increase in charges
2	• Desire for increased transparency, regular reporting and communication of water quality and monitoring results
3	• Questions on who should be responsible for funding activities (e.g. Lake Carramar residents) and reference to the outcomes of the 2013 <i>Independent Review</i>, which residents interpreted as recommending Melbourne Water bear full responsibility for maintaining water quality in the Quiet Lakes. (The Waterways and Drainage Charge does not cover the use of the bore to provide water quality in the Quiet Lakes at a level higher than secondary contact standard. Additional levels of service are provided on a user-pays basis.) • Perceptions that water quality in the Quiet Lakes was meant to be maintained to primary contact standards (i.e. swimmable), or a desire to make it so • Strong desire to have water quality results published regularly (e.g. online or via community noticeboard), and communicate maintenance schedule and other information pertinent to new residents • Perceptions that residents were being charged twice to reinstate the previous allocation of bore water pumping • Desire to see recent improvements in water quality continue, or desire to avoid algae build up witnessed earlier in the year • The need to consider affordability given the significant proportion of pensioners in the area and impacts of COVID-19, or allow concessions/subsidies

Other comments related to specific maintenance issues, including sand and sediment, blocked drains, build-up of seaweed, mosquitos and carp. Residents were keen to know what is being done to manage these issues and when they are scheduled.

Recommendation

None of the three options received majority support. However, given Option 3 (12 months bore flushing and additional algae testing) includes service levels listed under Option 2 (12 months bore flushing), combining votes for both these options results in a 52 per cent support for 12 months of bore flushing, i.e. Option 2.

Based on these preferences, we have proposed Option 2 for our Price Submission. This represents a modest increase in service levels that balances affordability with majority customer support for an uplift in services.

Implementation of increased bore flushing is subject to a favourable result from the independent bore water investigation being conducted by Southern Rural Water and a consultancy.

7.2 Koo Wee Rup–Longwarry Flood Protection District

Melbourne Water provides drainage and flood mitigation services to the Koo Wee Rup–Longwarry Flood Protection District (the District). The area is former swampland that remains susceptible to flooding, and therefore receives a higher level of drainage maintenance and capital works. These are funded by a special Precept Rate paid by property owners within the District instead of the metropolitan Waterways and Drainage Charge, and is collected via their water bills.

Objective

Engagement sought to inform any changes to service standards proposed for the District by:

- exploring community views on service levels for activities currently undertaken
- understanding issues of importance that service proposals should address
- identifying broader community preferences and willingness to pay for any changes to service levels.

Approach

A combination of face-to-face and online engagement methods were used to maximise participation from the District’s ratepayers, and leverage existing relationships with their Advisory Committee. This is a group of 12 nominated representatives including residents, interest groups, local councils and Melbourne Water, who meet every three months to discuss District maintenance and priorities.

TABLE 13 Summary of engagement activities

District Advisory Committee activities 14 November 2019	The Committee discussed the Price Submission process and timing, activities funded by the Precept Rate, and preliminary service proposals for testing with District ratepayers. District Advisory Committee members were also surveyed on their preferred level of service for activities currently undertaken within the District, and their views on the preliminary service proposals and current Precept Rate. This feedback was used to refine the service proposals.
Online community survey 10 February – 23 March 2020	An online survey was selected as the most accessible and efficient means of collecting feedback from ratepayers, who were asked to select their preferred service proposal (including associated cost) from a choice of five. They were also asked to nominate their preferred levels of service for each activity undertaken within the District. The survey was hosted on our engagement platform, <i>YourSay</i> , with a unique six-digit code used to confirm the validity of responses. An iPad prize draw was held to incentivise participation. Once confirmed, the results of the survey and service proposal were published online on 29 June 2020, and residents who had subscribed for updates were automatically notified via their nominated email address.
Bulletin 6 February 2020	A hardcopy bulletin was mailed to all 3,700 discrete ratepayers within the District. This contained a link to the online survey and a six-digit code unique to each customer, ensuring they could only participate once.
Information sessions 12–19 February 2020	Three pop-up community information sessions were held to raise awareness of the survey amongst local residents, and answer any questions relating to the Price Submission process and Precept Rate. These were held outside supermarkets in the townships: two at Koo Wee Rup, and one at Longwarry.
Email reminders March 2020	Four emails were sent to 1,700 ratepayers whose details were obtained from South East Water, to remind them to complete the online survey. These were sent on 3, 6, 12 and 17 March 2020.
Close the loop communications June 2020	An email was sent on 29 June 2020 to announce the results of the survey and service proposals included in the Price Submission. Our YourSay webpage was updated to communicate the proposed service levels and average price for property owners in the District.
COVID-related consultation September 2020	Additional consultation tested proposals for delaying the service/price increase in the first year of our submission, due to the financial impacts of COVID on the community. This is outlined in Section 8 . We emailed the District Advisory Committee members and property owners inviting feedback on the proposal. Responses were received from 28 people representing about 0.75 per cent of the 3,700 affected properties (a similar response rate to previous survey). The majority of respondents supported the delay and so our Price Submission reflects this.

Findings

District Advisory Committee

Early feedback from the District Advisory Committee in the survey and meeting was that:

- Current levels of service were generally adequate, but additional weed control, tree work and desilting – as well as climate change preparedness – were identified as priorities
- There was some appetite to increase the Precept Rate (rated 2.86 out of 5 on average); up to \$300 per person was deemed reasonable if the services covered were adequately communicated.
- There was a desire for the preliminary service proposals presented at the meeting to be more ambitious (rated 2.6 out of 5 on average).

The service proposals were subsequently updated to reflect this feedback, with an ‘Additional maintenance’ option added. The revised options were then incorporated into the online survey.

Online survey

The survey was viewed 759 times by 514 visitors during the survey period, and received 102 valid responses (i.e. unique responses from a verified District ratepayer, as determined by their six-digit code) from a total of 118 responses. This represents a response rate of 2.76 per cent, which does not constitute a representative sample but provides some insight into preferences.

The Flood + waterway package (which also includes all activities in the proactive maintenance, flood protection and waterway improvement packages) received the highest number of votes, at 37 per cent of the total.

TABLE 14 Distribution of service package preferences

Service package	Number	Percentage
Option 1: Savings package	8	8%
Option 2: Proactive maintenance package	22	21%
Option 3: Flood protection package (includes option 2)	19	19%
Option 4: Waterway improvement package (includes option 2)	15	15%
Option 5: Flood + waterway package (includes options 2, 3 & 4)	38	37%
Total	102	100%

Table 14 shows the distribution of preferences for each service package. When considering packages 3 to 5 include activities also covered under other packages:

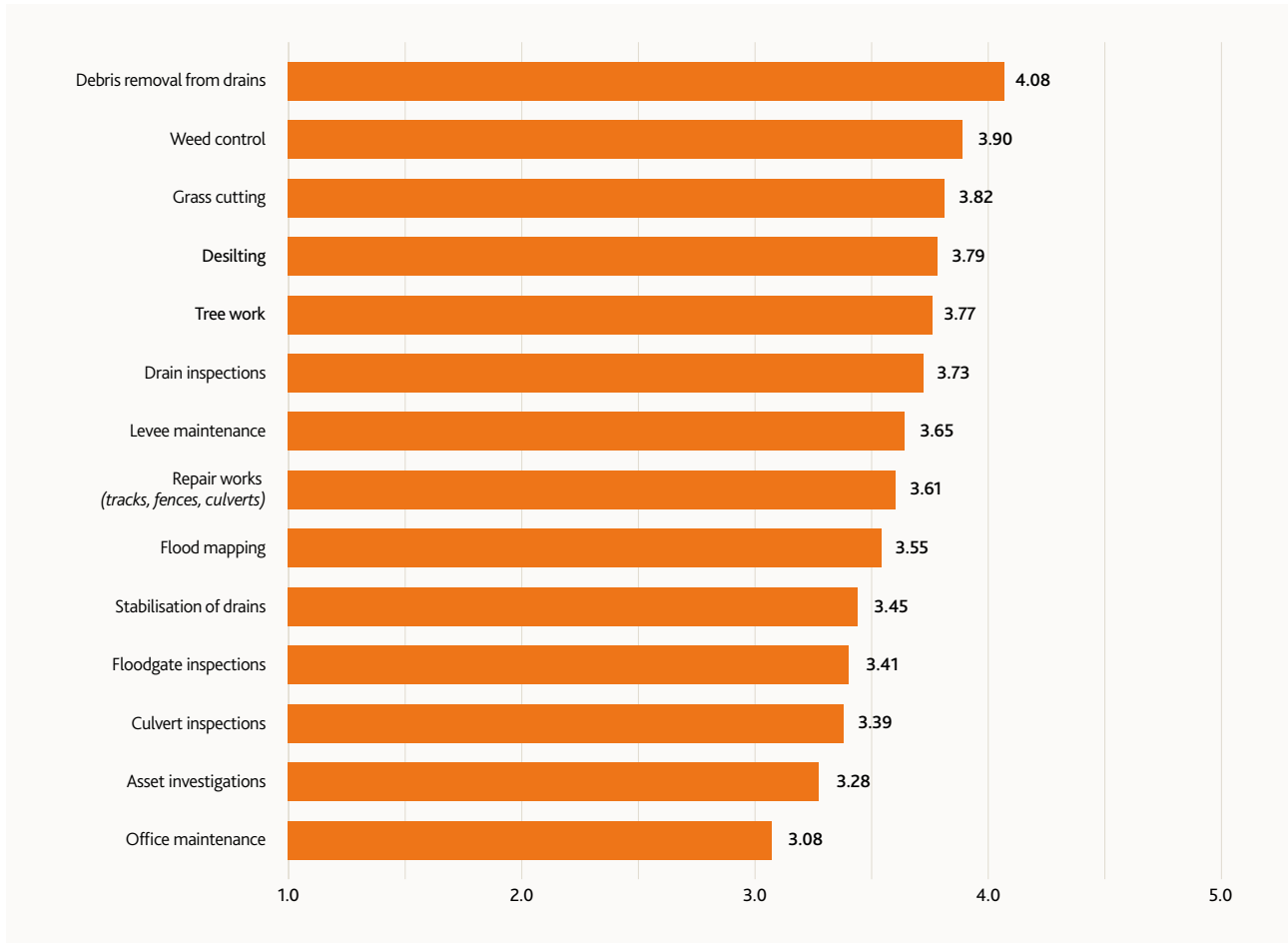
- 8% supported the savings package
- 92% supported proactive maintenance (also included in the flood protection, waterway improvement, and flood + waterway packages)
- 52% supported waterway improvements (also included in the flood + waterway package)
- 56% supported flood protection (also included in the flood + waterway package).

District residents were also asked to rate their preferred level of service for activities currently undertaken in the District, where 1 = much less and 5 = much more.

Across all activities, preferred levels of service ranged from 3 (the same amount) to 4 (somewhat more) on average. The top five activities where a higher level of service was desired were:

- debris removal (average 4.08)
- weed control (average 3.90)
- grass cutting (average 3.82)
- desilting (average 3.79)
- tree work (average 3.77)

FIGURE 5 Average rating (out of 5) for preferred level of service across activities currently undertaken



This was largely consistent with the 21 comments received, the majority of which focussed on issues affecting drainage performance. Comments were centred on the following themes:

- A desire for existing drains to be better maintained (8 comments)
- A desire for increased removal of blackberries and weeds, which were considered to present a fire risk; some landowners also noted having to resort to undertaking weeding on their own properties (6 comments)
- Reports of existing drainage being insufficient to prevent flooding (6 comments)
- A desire for increased grass cutting (3 comments)
- An appreciation for the environmental values of the area, including habitat corridors for threatened species, and suggestion to divert water to create a wildlife park (2 comments)

- Other comments include concerns about the safety of open drains, the need for more education for those in flood-prone areas, and that drainage should be a shared responsibility across Victoria rather than user-pays.

Recommendation

Based on the survey results, we propose to adopt a moderate increase in service levels (a combination of options 3 and 4), which represent a combination of activities to increase proactive maintenance, waterway improvements and flood protection at an average cost of \$252 per property per annum. This balances affordability with majority customer support to lift services above current levels on a fee-for-service basis.

Based on the additional COVID-related engagement, our Price Submission proposes to delay the service/price increase in the first year of our submission with the intent to revisit our approach in the following year, subject to the impacts of the pandemic and further community engagement.

7.3 Waterway diversion licence holders

Melbourne Water is responsible for issuing licences to take and use water from waterways and drains in the Yarra and lower Maribyrnong river catchments, and some western tributaries. Our diversions management program ensures water allocations are managed fairly, sustainably and consistently between approximately 1,300 licence holders. The program is directly funded by customers through licence, volumetric and application fees.

Objectives

- Engagement aimed to inform our proposed diversion services and associated charges by:
- Exploring customers’ expectations and experiences of services, in order to develop a number of service proposals that address customer needs
 - Identifying customers’ preferences and willingness to pay for different service proposals (levels of service), to ensure our final proposal represents customer value.

Approach

A combination of social research, traditional and online methods were used. These ensured service proposals were based on robust customer insights, and maximised reach across a broad geographic area while catering to customers’ preferred communication methods.

A significant component of the engagement program leveraged existing relationships with customers and two diverter advisory groups: the Diversions Management Advisory Committee (DMAC) which represents customers in the Yarra catchment, and Keilor Diversers Advisory Group (KDAG) which represents Maribyrnong catchment diverters. These are the main forums for consulting customers, with members representing major diversion customer groups such as vineyards, orchards, golf courses and nurseries, and potato and strawberry growers. The committees meet at least once per year on an as-needs basis.

Findings

Customer interviews

Interviews revealed that the majority of licence holders were overall very satisfied with our services and fee structure. Customers highly valued the personal rapport maintained by Melbourne Water staff and their awareness of customer needs. The majority considered the volumetric fee, water allocation and compliance (metered monitoring) structures to be fair and equitable, and understood and appreciated Melbourne Water’s resource governance role. A smaller proportion – typically those who pay for allocations unlikely to be used in full – believed the system to be unfair, preferring a pay-per-use system and wanting more options to trade unused allocations.

Customers’ primary concern was water security and availability. A handful suggested we could do more to address this, including increasing compliance activities and encouraging water conservation – including providing information on how to achieve this. There was also mixed response to the prospect of a digital portal, which should be considered together with any potential costs and impacts to the current high level of customer service.

These findings informed the development of proposed service packages. Options included increased customer service and compliance, and increased metering to promote greater fairness. The findings also shaped the design of the survey, which contained questions on potential digital and electronic offerings to ensure any future enhancements would be aligned with customer expectations.

TABLE 15 Summary of engagement activities

Customer interviews November 2019	An independent research agency was appointed to conduct sixteen 30-minute phone interviews with diversion customers representing our main customer groups. This focused on their experience and expectations of diversion services and the licensing system, with a focus on fee structure, compliance and the overall program fairness. Customers were also asked about their appetite for a new online customer portal. Findings were used to initiate consultation with advisory committees and to inform service proposals, which were subsequently tested with customers via an online survey.
Advisory Committee meetings 6 & 11 December 2019	Melbourne Water met with the DMAC (6 December 2019) and KDAG (11 December 2019) to provide an overview of the diversions program and Price Submission process, including timing and customer engagement. Key insights from customer interviews were shared, as well as new metering requirements from the Department of Environment, Land, Water and Planning (DELWP). This requires that all new and replacement meters comply with AS4747 specifications, which impacts capital expenditure for the diversions program and consequently, customer prices.
Online survey 24 March– 26 April 2020	Past experience with engaging diversion customers identified that a high response rate would not be expected via paper or online surveys. An online survey was selected due to the opportunities for electronic promotion with customers, therefore being the more accessible and efficient option for collecting customer feedback. Customers were asked to rank four service proposals (including associated costs) in order of preference, and rate the importance of several digital and electronic features to guide future digital enhancements. These proposals were developed based on the initial qualitative engagement and advisory committees’ feedback. The survey was hosted on Melbourne Water’s engagement platform, <i>YourSay</i> , with customers’ licence numbers used to confirm the validity of responses. An iPad prize draw was held to incentivise participation. Following confirmation of the results, the <i>YourSay</i> webpage was updated in July with the service proposals included in our Price Submission.
SMS 24 March 2020	To promote the survey, an SMS containing the survey link was sent to 191 customers who had previously nominated to receive diversions-related information via SMS.
Newsletter 31 March 2020	An article on the Price Submission and link to the survey was included on the front page of StreamNews, the annual diversion customer newsletter. Printed copies were posted to all diversion customers.
Email reminder 17 April 2020	In April, a reminder email to complete the survey was sent to DMAC and KDAG committee members and other diversion customers (75 total).
Close the loop communications July 2020	An email announcing the results and proposed service levels was sent to the DMAC and KDAG on 3 July 2020. Our <i>YourSay</i> webpage was also updated to communicate the proposed prices and services for diversion licence holders.

Advisory committee meetings

The advisory committees were presented with a summary of the qualitative customer interview results to confirm this was an accurate representation of their thoughts on the diversions service, as several members of the advisory committees had participated. The committees agreed with the findings presented to them, and constructively discussed differing views amongst the group and possible service options to test with diversion customers more broadly. The majority voiced a preference for keeping the licence fees as low as possible, complying with regulations and continuing the current high level of customer service. There was some willingness to increase compliance and metering but an unwillingness to pay for this additional service, which was consistent with the online survey responses.

Both committees showed some initial interest in a user pays/ pay-per-use fee structure, while acknowledging the difficulties with implementing such a system. After it was explained that this would significantly increase cost per megalitre, they were content with the current structure. The online survey therefore did not include any options to change the fee structure.

Online survey

The survey was viewed 60 times during the survey period, and received nine responses, representing a 0.7 per cent response rate. Customers ranked the four service packages as follows, from most preferred to least:

1. Standard package (receiving 56% of first preference votes and 33% of second preference)
2. Increased customer service and compliance package
3. Expanded metering package
4. Increased customer service, compliance and expanded metering package

This ranking was consistent when looking at first preferences only, and all preferences combined (see **Figure 6**).

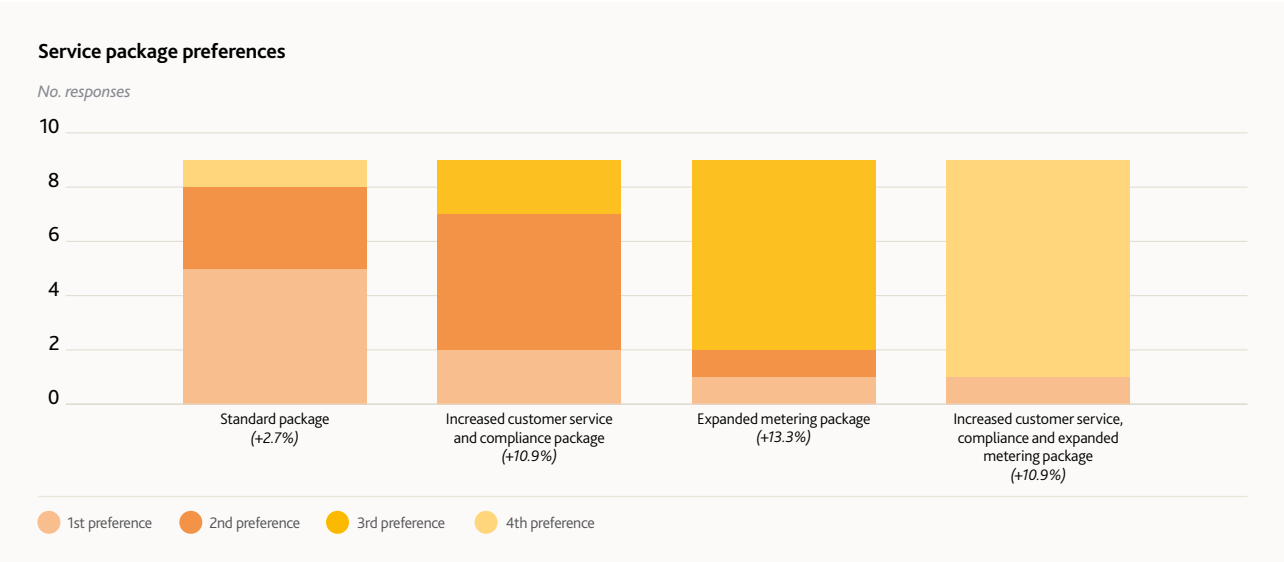
Customers were also asked to rate their perceived importance of several digital or electronic services to the future of the Diversions Management Program, from 1 (least important) to 5 (most important). Services are listed below, ordered from most important to least:

Feature	Average rating
Online access to usage and billing information (via computer or smartphone)	3.78
Online invoicing and payment option AND Push notifications/reminders on usage alerts (via SMS or email)	3.67
Check restriction/ban status via smartphone	3.11
Online trading platform	2.22
Electronic licence application and trade/transfer forms	1.78

Four respondents elected to provide additional comments. These expressed a desire for:

- Restructuring the ratio of fixed vs. variable volumetric costs (based on actual water extracted) to have a larger emphasis on variable costs, to incentivise reduced water use and avoid penalising light users. Although this option was initially raised by the DMAC and KDAG committees, it was dismissed once it became clear that such a pricing structure would significantly increase administrative and volumetric fees.
- Greater flexibility to allocate water outside the pumping months, specifically during flash flooding, which is becoming increasingly prevalent due to climate change. This issue is related to Stream Flow Management Plans, and therefore a consideration for DELWP.
- Receiving insights into longer-term water usage trends for a stream or catchment, and implications of rainfall and climate change for streamflow and bans. This has been noted for consideration by Melbourne Water, but has no bearing on pricing proposals.
- Fairness, value and simplicity – this is a key focus of Melbourne Water’s diversions program.

FIGURE 6 Breakdown of preferences by service package



Recommendations

Based on the engagement approach and feedback received, a clear customer preference for the standard package was identified and will be put forward in our Price Submission. This package:

- maintains the current customer service level
- increases the metering program to meet DELWP regulations
- achieves our focus on reasonably priced, fair and equitable access to water for all.

This outcome was communicated via email to both DMAC and KDAG advisory committees via email on 3 July 2020; due to COVID-19 restrictions on gatherings and the nature of the engagement result it was not deemed necessary to hold special advisory committee meetings to share the outcome.

We will also continue to consider suitable electronic and digital program enhancements consistent with the feedback received, where these can provide operational efficiencies without detracting from the personalised level of customer service valued by diversions customers.



COVID-related engagement

8

COVID-related engagement

In March 2020 Victoria began implementing restrictions in response to the coronavirus (COVID-19) pandemic. At this point we were entering the final stage of our engagement program for our Price Submission 2021.

The ESC provided additional guidance in August 2020 to ensure our Price Submission addressed the implications of the pandemic. In relation to customer engagement, this guidance sought evidence of how we considered changing customer preferences concerning affordability in light of the pandemic's impacts.

While affordability was front of mind throughout the entirety of our Price Submission's development, and we completed the final stage of our engagement program during COVID, we believed it prudent to conduct an additional consultation step.

8.1 Engagement objectives

Our COVID-related engagement focused on potential measures to 'keep bills low' (customer outcome 6). Engagement was at the inform and consult levels on the IAP2 spectrum, and sought to:

- 1. Gain feedback on proposed approaches to ease bill impacts for the community, recognising the financial stress caused by COVID-19, and seek any additional ideas.
- 2. Gain feedback on longer-term proposals to continue monitoring the impacts of COVID, in collaboration with our ongoing Customer Forum (established to monitor our performance against Price Submission commitments), and to determine further actions that may be necessary as the impacts of the pandemic unfold.

TABLE 16 Customer segments engaged for COVID-19 matters

Broader community (bill-paying end-use customers)	Community Deliberative Forum: a representative sample of 39 people from across Melbourne participated in an online forum over four days, from 10 to 13 September 2020. These participants previously deliberated on our final customer outcomes, and were selected to participate as they already understood the complexities of our business and would ensure continuity through the final engagement stages.
Direct services: Patterson Lakes Quiet Lakes community	Telephone survey of 30 randomly selected residents (representing a sample of around 12 per cent the 251 affected properties affected), to seek feedback on our proposed approach.
Direct Services: Koo Wee Rup–Longwarry Flood Protection District	Emailed District Advisory Committee members and property owners to seek feedback on our proposed approach.
Department of Environment, Land, Water and Planning	Email update to explain additional engagement, outline proposals and invite any comments or a briefing meeting if desired.
Consumer advocates: EWOV, Consumer Action Law Centre, Brotherhood of St Laurence	Email update with summary outlining proposals and inviting any comments or a briefing meeting if desired. Feedback was received from the Consumer Action Law Centre.
Retail water companies	Email to Water and Sewerage Customer Council and Engagement Advisory Panel to inform them of the additional engagement with end-use customers.

This engagement did not set out to re-test previous engagement findings, instead looking forward to test initiatives for easing the impact of proposed price increases on end-use customer bills.

8.2 Who we consulted and how

Table 16 summarises the customer segments involved in this additional consultation and the methods used to engage them.

8.3 Matters we consulted on

The Community Deliberative Forum received an overview of our final six customer outcomes, prices and service levels. With this information in mind, the forum deliberated on three proposals to keep bills as low as possible: price smoothing; hardship assistance and related initiatives; and expenditure pauses/deferrals and price reductions. These proposals are detailed in Table 17.

Direct services customers in Patterson Lakes Quiet Lakes and the Koo Wee Rup–Longwarry Flood Protection District were asked for feedback on our proposals to ease bill impacts. This involved delaying the price and service level increase for at least the first year of our submission (i.e. continue with current levels of service and pricing), with the intention to revisit our approach the following year, subject to the impacts of the pandemic and further community engagement.

COVID-related engagement

TABLE 17 Proposals tested via the Community Deliberative Forum

Proposal 1	Rather than applying the waterways and drainage price increase as a one off increase in the first year (as of 1 July 2021), we propose to spread the increase across the five year regulatory period to reduce the year one impact on prices. This is called price smoothing and equates to a price increase of around \$5 spread over 5 years, or a \$1 increase on the average water bill each year (excluding CPI).
Proposal 2	Because the retail water companies are responsible for managing and delivering customer water bills (not Melbourne Water), they are responsible for providing hardship assistance. We propose to work with the retail water companies to identify opportunities for Melbourne Water to assist in looking after vulnerable customers. This may include financial assistance towards hardship programs, promotion of retailer and government hardship support programs, partnerships with consumer advocate and support groups, and other initiatives to be explored with the retailers.
Proposal 3 (longer term)	At this stage we cannot predict the length or depth of the impacts of the pandemic and so it is difficult to be absolute about what we will do in response. Our objective is to ensure that bills are kept as low as possible for the services provided by Melbourne Water even as the impacts of COVID-19 play out over the longer term (2-5 years). People's perceptions of the "fairness" of our charges and the impact on their bills may change over time due to: • Waterways and drainage charge – customer preferences, which drove our proposed increase in waterways and drainage service levels and price, change as a result of changed household and business economic circumstances. • Melbourne Water is unable to deliver proposed levels of service due to COVID-19-induced interruptions to our planned program of works. To address this issue and the inherent uncertainty associated with the pandemic and its impact we propose a two pronged approach: 1. Firstly to ensure our Customer Forum is informed and contributes to our decision making 2. Secondly to outline some possible ways in which we may respond to ensure our charges remain "fair" across the regulatory period to 'keep bills as low as possible'. Customer Forum As was discussed at the last forum, we will establish an ongoing Customer Forum to track our progress against delivery of the commitments made in our price submission. We propose to use this ongoing Customer Forum as a sounding board as we continue to monitor the impacts of the pandemic and further ways we may need to respond over time. We propose to add a COVID-19 element to our performance management framework to be discussed with the Customer Forum. Each meeting of the Customer Forum would include an update on • General community affordability metrics – using both Melbourne Water captured feedback and available public information relevant to customer hardship, unemployment levels etc. • Possible COVID-19 responses which may include - a. Temporary (one year) pause in annual increase of waterways and drainage (WW&D) charge with or without a corresponding decrease in service levels b. Longer pause (e.g. 2-5 years) in annual increase in the waterways and drainage – with or without a corresponding decrease in service levels c. Re-visit customer priorities and willingness to pay for increased service levels, in the context of the impact of the pandemic – via a large scale population survey. This would need to occur in the second or third year of the regulatory period, depending on where things are at with the longer term impacts of the pandemic. • Expanded reporting to include detailed review of delivery of the projects we've said we would deliver and possible responses. • Where we are well behind and/or unlikely to be able to catch up on large projects, options available include: a. One-off reduction in annual charges a. Multi-year reduction of charges to account for larger scale interruption of project delivery Note that these responses would not be available during the first year of the regulatory period (2021-22), they are longer term options to be applied should the need arise.

8.4 Key insights

Reference reports:

- Deliberative Forum, Community check in on COVID-19 proposals to ease bill impacts, September 2020, WhereTo

Community Deliberative Forum

A high level summary of the deliberative forum approach and findings is below. Further details are available in the consultant report.

- Despite impacts on household finances, the response to the proposed customer outcomes largely mirrored that of earlier research.
- There was perhaps slightly more emphasis on Outcome 6 (bills kept as low as possible) compared to the previous forum conducted in March 2020, but given the circumstances, it was surprising that this customer outcome was not prioritised ahead of environmental concerns.
- Participant responses were a resounding confirmation of the acceptability of Melbourne Water’s proposed price changes.
- Each of the three proposals to ease bill impacts was strongly welcomed by participants.

I’m really pleased to hear that MW is considering the serious impacts that COVID-19 has had on customers and the community. Almost all businesses have had to adapt and will feel the pain of COVID so I would expect MW to do the same. The thing that stood out the most was the consideration of what the customer has been saying and listening. I’m pleased with that.

Financial impact of COVID on participants:

- 74% had either been negatively impacted or expected to be impacted in the coming months.
- 18% are very concerned and believe they will struggle to pay their bills because of COVID impacts, while 41% are slightly concerned and may have to juggle things to pay their bills.
- 41% are not concerned at all about their ability to manage their bills because of COVID.

Direct services – Patterson Lakes Quiet Lakes

- Of the 30 properties surveyed, the majority (24 participants) did not support the proposed delay of the service/price increase and wanted it to proceed irrespective of COVID-19 (three supported the proposed delay and three did not know/didn’t have a view). This view was also held by the president of the Residents Association.
- A majority of respondents (20) were not concerned about the financial impacts of COVID-19 and had not been personally financially impacted, with 23 respondents having no concerns about paying their bills.

Direct services – Koo Wee Rup–Longwarry Flood Protection District

- Of the 28 people who responded to the email, 20 people supported the proposed delay (six did not support the delay and two did not know or did not respond to the question). It must be noted we only heard from a very small proportion of the population (0.75 per cent), as was the case with previous engagement with this community.
- A majority of respondents (18) were very concerned about the financial impacts of COVID-19 and about a third (8) were personally financially impacted. A little over half (6) were either very concerned or slightly concerned (7) about being able to pay their bills.

Consumer advocates – Consumer Action Law Centre

The Consumer Action Law Centre (CALC) provided the following feedback:

- The three proposals all seem sensible. In particular, we support the smoothed price path associated with the waterways and drainage price increase.
- It is difficult to tell what ways Melbourne Water could further deliver on the outcome “bills kept low as possible” based on the information provided. For example, there may be ways that Melbourne Water could further reduce operating and capital expenditure yet achieve the outcomes listed.
- Suggests Melbourne Water consider the following:
 - Encourage a boost to the utility relief grant, particularly to allow those with larger debts to get a larger grant.
 - Ensure that Melbourne Water capitalises as much of the security payments for the desalination plant as possible without jeopardising its financial stability. Note in the 2016 price review final determination, the ESC stated that it expected Melbourne Water to continue to capitalise its desalination security payments in order to better align the benefits that customers receive from the desalination security service with the payments that customers make. It’s not clear from your document what Melbourne Water’s proposal here is, but it is certainly a mechanism which could reduce prices over the regulatory period.
 - Ensure the lowest possible setting of the cost of capital. Melbourne Water is government-owned and is able to take advantage of cheaper cost of finance compared to privately owned-businesses. CALC commissioned research in 2018 that found that key inputs into the cost of capital, such as return on equity and debt costs, could be further reduced. Note that the ESC sets these amounts, but there is a role for Melbourne Water in ensuring this is kept to a minimum.

8.5 How we used these insights

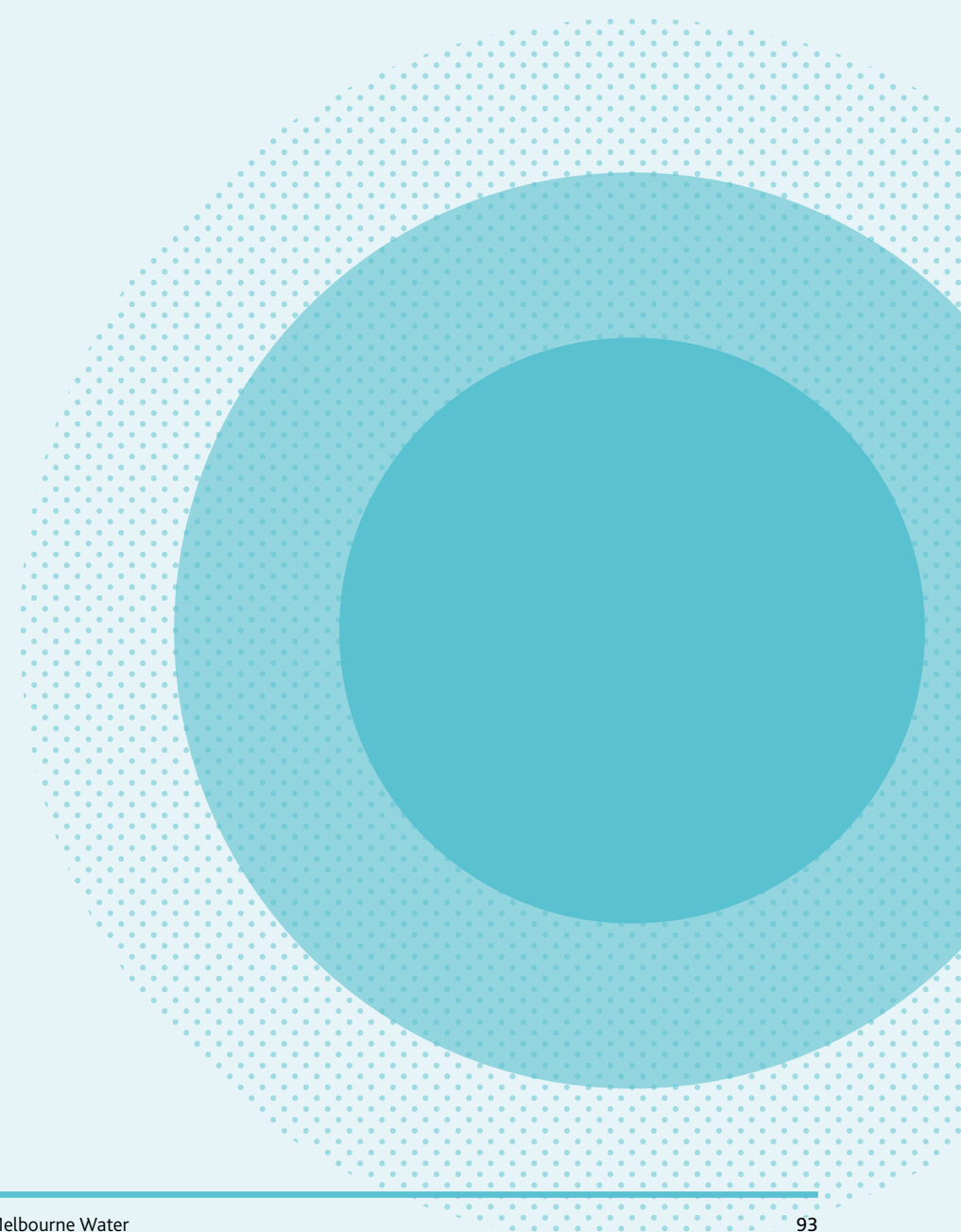
As a consequence of our additional COVID-related engagement, our Price Submission proposes to implement the three initiatives tested with, and supported by, the Deliberative Forum.

For direct services customers in Patterson Lakes Quiet Lakes, we will proceed with the proposed price/service increase in year one of our Price Submission in accordance with customer feedback. For the Koo Wee Rup–Longwarry Flood Protection District, we will delay the price/service increase proposed for year one.

We are confident our submission addresses the additional proposals put forward by the Consumer Action Law Centre concerning capitalisation of the desalination plant payments and cost of capital. Whilst the ideas related to boosting the utility relief grant are beyond our control, we have committed to working with the retail water companies to explore opportunities for us to assist in looking after vulnerable customers.



References



References

Retail water companies

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- *Retail water company feedback on engagement approach*, Melbourne Water (not dated)
- *Retail water company customer insights summary*, Melbourne Water (not dated)
- *Customer Value Workshop Report*, Newgate Research, July 2019
- *Water and Sewerage Customer Council Phase 1 Outcomes*, June 2019
- *Water and Sewerage Customer Council Phase 2 Outcomes*, December 2019
- *Water and Sewerage Customer Council Meeting 16 minutes*, June 2020
- *2021 Draft Price Submission, WSCC Final Response*, August 2020
- *Price Submission 2021 Retail water companies summary* November 2020
- *Engagement Advisory Panel Summary Report*, August 2020
- *Regulatory Managers Forum Customer Council Advisory Report*, December 2019

Waterways and drainage customers

- *Waterways and Drainage Customer Council Phase 1 Report*, 18 October 2019
- *Waterways and Drainage Customer Council Phase 2 Report*, 28 May 2020
- *Waterways and Drainage Customer Council Meeting Report*, 3 June 2020
- *Local Government Submissions – Final Summary Report, 2021 Waterways and Drainage investment Plan*, 10 December 2019
- *2021 Price Submission, Final Public Consultation – Summary Report*, July 2020
- *Strategic Advice from the Melbourne Water Waterways and Drainage Customer Council*

Community

- *Community Assessment of Services, Qualitative Research Report for Melbourne Water*, May 2018, Newgate Research
- *Community Assessment of Services, Quantitative Research Report for Melbourne Water*, August 2019, Newgate Research
- *Perceptions of Waterways Research Report*, June 2018, The Klein Partnership
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- *Melbourne Water 2021 Price Submission, Draft proposals at a glance*, June 2020

