

Customer outcome 5



Support my community, protect our environment

- Reduce our carbon emissions
- Minimise sewage spills to the environment
- Create a water efficient community

What our customers say

They seek reassurance about future water supply and have confidence in our ability to help shape a more sustainable Melbourne. They support expansion and use of recycled water and our carbon emissions reduction targets.

What we do now

We're future-focused, putting liveable communities and a healthy environment at the forefront of our decision-making and creating technology that supports water efficiency. We're on a path to become carbon neutral by 2030.



Our five-year approach

We propose to focus on environmental and community impacts by reducing carbon emissions and using advanced network monitoring to mitigate sewer spills and beach closures. We also plan to expand urban water recycling to support liveable communities.



What our customers told us

79% Customers surveyed on our 'Have your say' site who think it's important or extremely important that South East Water promotes water efficiency through education and community engagement.

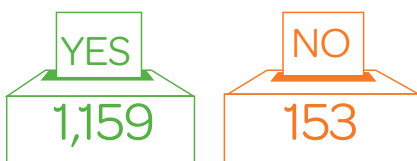
Customers believe that South East Water should focus on being environmentally responsible as well as give back to the local community.

Customers support us reducing our carbon emissions

Our engagement revealed that reducing our carbon emissions is a relatively high priority for our customers.

Some customers supported this happening sooner rather than later.

A survey on our 'Have your say' site posed the question "would you pay a few more dollars for us to be carbon neutral earlier than our original goal of 2030?"



However survey results from our bill simulator suggest that 58 per cent of customers are happy with our current plan to reach zero emissions by 2030.

Customers want us to minimise our spills to the environment

Port Phillip Bay is widely loved and customers believe us to be well placed to show initiative in cleaning and protecting it.

Our value research revealed that 72 per cent of customers believe

their satisfaction levels with South East Water would increase knowing that we are contributing to keeping our beaches and waterways clean (ranking this 18 out of 34 priorities).

36%

Customers surveyed on our bill simulator who support an annual increased investment of \$1 per customer to reduce sewer spills.

"Just do it. We want it to go ahead. It's essential (protecting Port Phillip Bay)." – focus group participant

Customers support creating a water efficient community

Throughout the qualitative stages of our engagement customers showed strong support for a continued approach to delivering alternative water in new estates as well as investigating other ways to reduce demand on drinking water. They strongly supported us investigating ways to provide greater levels of recycled water for agricultural use, though generally expected us to find the efficiencies to deliver it (only 19 per cent of customers supported a monetary increase).

"Hands down! It's so important to invest into the future to ensure the best outcome for all generations. Imagine a future where we're

recycling, and saving water, and we never have to worry again! This would mean so much for the future generations, which is really important to me." – value research participant

82%

Customers surveyed on our 'Have your say' site who believe South East Water should research alternative sources of water for non-drinking purposes.

87%

Customers surveyed on our bill simulator who support continued alternative water supply for households without increasing investment in the Water Efficiency Program.

In our value research, customers considered water education to be essential and expect that South East Water will engage with schools and be involved in a positive way. Additionally, past water efficiency initiatives such as the Showerhead Exchange Program and water tank rebates were easily understood and resonate with customers as they have been educated during the Millennium Drought.



What we do now, our plans and measures

We propose the following measures during the next regulatory period, to deliver on supporting our community and protecting our environment.

Reduce our carbon emissions

1. Reduce carbon emissions by 29 per cent by the end of the next regulatory period. To do this we propose to:

- implement solar power at a number of water recycling plants
- identify new efficiency opportunities within our existing operations.

We have committed to achieving net zero carbon emissions by 2030 in line with our Statement of Obligations and the State Government's *Water for Victoria* plan. We have developed a pathway to reach our goal of

carbon neutrality by 2030 in a responsible and cost-effective way. To determine this pathway we reviewed a number of renewable options and due to available land, solar power was considered the most cost-effective option for large-scale energy generation. We will also seek to identify new efficiency opportunities within our existing operations.

Table 15 Carbon emissions target

| | 5 year average emissions | 2022-23 emissions target | 2022-23 emissions reduction target | 2025 emissions reduction target | 2030 emissions reduction target |
|---------------------------|--------------------------|--------------------------|------------------------------------|---------------------------------|---------------------------------|
| CO ₂ emissions | 41,774 | 29,690 | -29% | -45% | -100% |

Minimise sewage spills to the environment

Our current approach to managing our sewerage network results in approximately 20 significant sewage spills to the environment each year. Our customers place great importance on minimising our impact on beaches and waterways – and so do we.

During the next regulatory period we propose to:

1. Implement a program of enhanced sewer monitoring to investigate ways to prevent sewer spills.
2. Monitor the level of significant spills to the environment to demonstrate our commitment to minimising them. We propose to

maintain current levels, however this target could be reviewed throughout the period with better information around how we can reduce them.

3. Update guaranteed service levels so that we donate up to \$10,000 to a community group affected by a spill, if we cause a dry weather spill in our area and it results in a beach closure.

Table 16 Number of significant sewage spills

| | 2016-17 current performance | 2022-23 target |
|--|-----------------------------|----------------|
| Number of significant spills (dry weather) | 20 | 20 |



Creating a water efficient community

Harnessing the water cycle, and not just relying on drinking water for purposes where it is not required, is critical to help secure water supplies for future generations – helping to create water efficient communities that are more resilient to the impacts of climate change and a growing population.

During the next regulatory period we propose to:

1. Explore projects that incorporate rainwater capture into their design to relieve pressure on drinking water supplies. This includes using:
 - rainwater for non-drinking, hot water purposes in the Aquarevo development
 - rainwater tanks in buildings and open spaces at Fishermans Bend to capture rainwater for use in toilet flushing and irrigation.
2. Educate our customers about water efficiency to help support a balanced approach to managing

our water resources. By helping our customers to manage their water use as efficiently as possible, through a range of online and offline products and services, we will seek to ensure we can deliver enough water with limited use of water restrictions into the future.

3. Increase the level of drinking water substitution for customers already connected to the recycled water network.

We currently deliver recycled water to approximately 11,800 households for toilet flushing, laundry and outdoor use (as at September 2017). However approximately 13,000 households are connected to Class A recycled water infrastructure in the eastern growth area between Cranbourne and Pakenham, that are not receiving recycled water. In the current regulatory period, connecting infrastructure was delayed until a critical mass of customers were connected to justify making the investment.

Maintaining our recycled water investment in the next regulatory period will enable the interconnectivity of our recycled water networks to increase alternative water use in greenfield areas. We will also investigate ways to increase alternative water usage at each household, including encouraging its use in the laundry.

4. Reduce the price of recycled water to provide greater incentive for recycled water customers to use it (see 'Tariff structures, prices and customer impacts' section).
5. Explore opportunities to increase the supply of recycled water to agricultural customers. This includes acting as an enabling institution to increase the amount of recycled water that is used, both to improve environmental outcomes from reduced effluent discharge and to support the community with a drought proof water supply.

Table 17 Alternative water connections and usage

| | 2016-17 current performance | 2022-23 target |
|---|--------------------------------|-------------------|
| Percentage of customers in designated greenfield areas receiving alternative water (residential only) | 47% | 77% |
| Volume of alternative water as a percentage of total water used in designated greenfield areas (residential only) | 12% | 20% |

Key programs to help deliver on support my community, protect our environment



| Project | Cost (\$M) | Impact to average customer bill (\$ per annum) | Description |
|--|---|--|--|
| Reduce carbon emissions | \$21M CAPEX during the period -\$4.4M (OPEX savings) | \$0 | <p>→ Deliver programs that support reducing carbon emissions and achieving our emissions reduction targets, including solar power generation at a number of our water recycling plants. This will be offset by reduced energy costs once the solar panels are commissioned.</p> <p>Refer to 'Capital expenditure forecasts' and 'Operating expenditure forecasts' sections for further detail.</p> |
| Deliver alternative water sources for urban purposes | \$39M (net of new customer contributions) | \$0 | <p>→ Deliver programs that support targets to increase the level of potable substitution as a proportion of total water usage:</p> <ul style="list-style-type: none"> - Continue to rollout recycled water network to mandated areas. - Increase the number of customers connected to recycled water network. <p>Refer to 'Capital expenditure forecasts' section for further detail.</p> |
| Expand recycled water supply for agricultural purposes | \$2.5M of seed funding | \$0 | <p>→ Investigate options to efficiently expand the supply of recycled water for agricultural use in our region. This has the potential to provide environmental benefits through reduced waste being sent to the south eastern outfall.</p> |
| Create water efficient communities | Delivered through no additional cost – funded through other cost efficiencies | \$0 | <p>→ Adopt an ongoing focus on water efficiency to support a balanced approach to managing our water resources:</p> <ul style="list-style-type: none"> - Continue to offer an innovative range of products and services to customers. - Find smarter and more efficient ways to educate communities around the value of water. - Find ways to better measure our performance in delivering and supporting a water efficient community. |
| Aquarevo | \$3.4M additional OPEX Revenue from land sales | -\$1 | <p>→ Use Aquarevo to understand and demonstrate at a precinct scale that drinking water substitution is feasible. Aquarevo will consist of 460 houses that are supplied with drinking water by a centralised reticulation network, along with recycled water from a local treatment plant and a heated rainwater via rain-to-hot-water system.</p> <p>Refer to 'Operating expenditure forecasts' section for further information.</p> |
| Septic Tank Management Program | Aimed at avoiding future capital costs | | <p>In 2016 South East Water and Mornington Peninsula Shire Council developed an improved septic tank management regime, where an additional treatment charge is levied for the treatment of sewage, which in turn assists the funding of a field officer to oversee the Septic Tank Management Program. South East Water, Melbourne Water and Mornington Peninsula Shire Council are now partnering in the pilot project aimed at improved management of septic tanks.</p> |