

# Barwon Water

## Proposed prices and services research

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and Thomas Barbera

**Client contacts:** Betsy Anderson  
and Kate Vallence

**Project no.** 26987

**Date:** 4<sup>th</sup> August 2017

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4 August 2017

Barwon Region Water Corporation  
Attention: Betsy Anderson and Kate Vallence  
55-67 Ryrie St, Geelong VIC 3220

**Follow-up pricing and services survey**

Dear Betsy and Kate,

Enclosed is the research report on Barwon Water's Proposed Prices and Services for the 2018 Pricing Submission.

This report has been prepared in accordance with terms and conditions found in our email dated and accepted by you on 22 June 2017.

We acknowledge and appreciate the assistance you have provided in the performance of our work with regards to this project.

Please contact Aditi Kane on 03 9288 8651 if you have any questions regarding this report.

Yours sincerely



Lewis Jones  
Managing Director - Melbourne  
EY Sweeney



Aditi Kane  
Manager  
EY Sweeney

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EY Sweeney is accredited under the International Standard, ISO 20252.

All aspects of this study were completed in accordance with the requirements of that scheme.

Also please note that EY Sweeney's liability is limited by a scheme approved under professional standards legislation. A copy of the scheme can be obtained from us upon request.





# Research methodology

# Research methodology

Barwon Water has been preparing its 2018 Price Submission for the Essential Services Commission, of which a key component is the voice of their customers. The process is nearly complete, and this study was designed to gauge the level of customer support for the outcomes Barwon Water proposes to deliver, the action they propose to take to achieve the outcomes, and the prices customers will pay across the five year regulatory period (2018/19 - 2022/23).

The study involved 1,260 10-minute online interviews conducted between 5 and 23 July, 2017.

To be eligible for participation, all respondents were Barwon Water customers. The final achieved sample structure is shown opposite.

A link to the survey was made publically available on the “Your Say at Barwon Water” page dedicated to the 2018 Price Submission, alongside detailed supporting information. The survey link was also included in an email sent to 13,000 customers. A chance to win one of five gift cards was offered as an incentive to participate.

These promotional efforts were supported by:

- ▶ issuing fliers to 68,400 customers
- ▶ engagement with key stakeholders inviting them to participate
- ▶ social media promotion (including a 30 second animation inviting customers to participate)
- ▶ an extensive media campaign utilising articles in local newspapers.

In this report, significant differences between subgroups are shown at the 95% confidence interval. A significantly higher subgroup finding is indicated by ▲ and a significantly lower subgroup finding is indicated by ▼.

Respondent Sample Structure				
		No. of Interviews (unweighted) #	Proportion %	<sup>1</sup> Max Margins of Error +/-
Total		1,260	100	2.8%
Type of Customer	Residential - tenant	195	15%	7.0%
	Residential - owner	1,045	83%	3.0%
	Non-residential	20	2%	21.9%
Household size (residential)	1 to 2	752	61%	3.6%
	3 to 4	390	31%	5.0%
	5 or more	98	8%	9.9%

<sup>1</sup>Maximum margins of error shown are based on a research finding of 50% at the 95% Confidence Interval

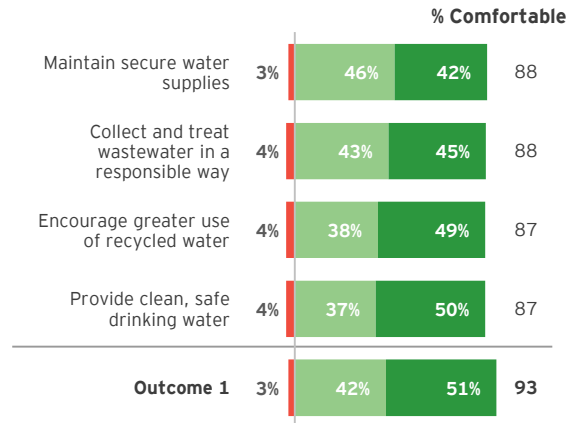
# Summary of results

There is a high level of comfort for all five proposed outcomes amongst Barwon Water customers.

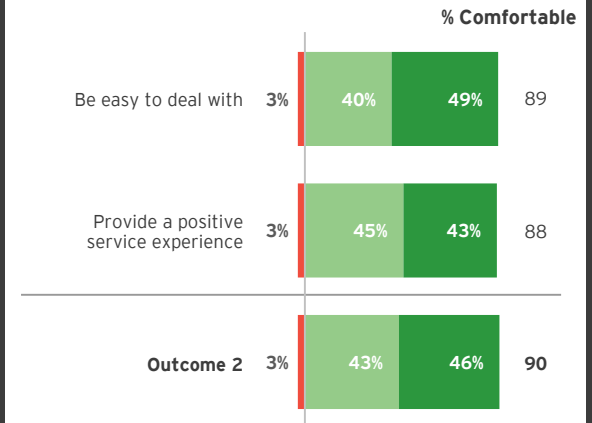
Customers are most comfortable with Outcome 1, (A reliable, secure water future for our region) which they consider to be Barwon Water's core business, and Outcome 2 (Timely, innovative services for our customers)

Customers are least comfortable with Outcome 4 (Stronger partnerships with our community), but over four in five customers (81%) are still comfortable with it.

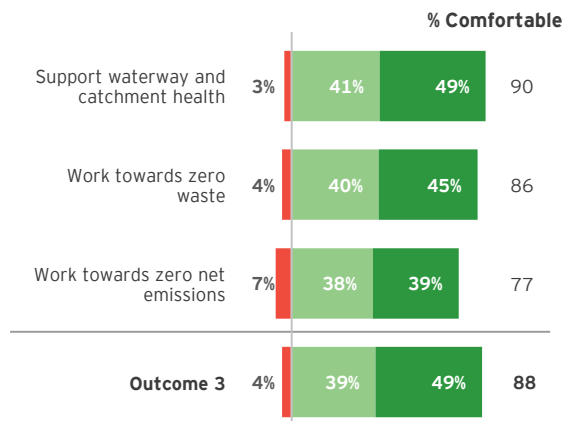
## Outcome 1: A reliable, secure water future for our region



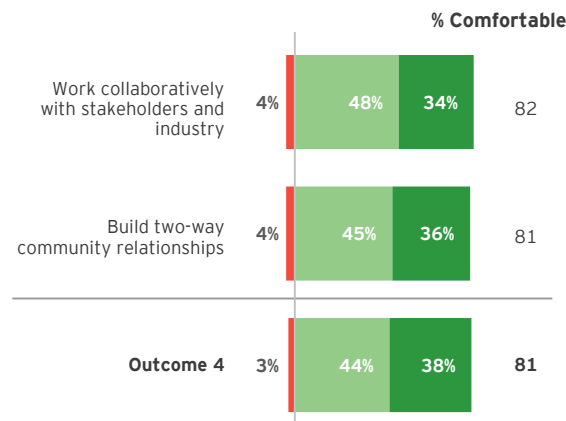
## Outcome 2: Timely, innovative services for our customers



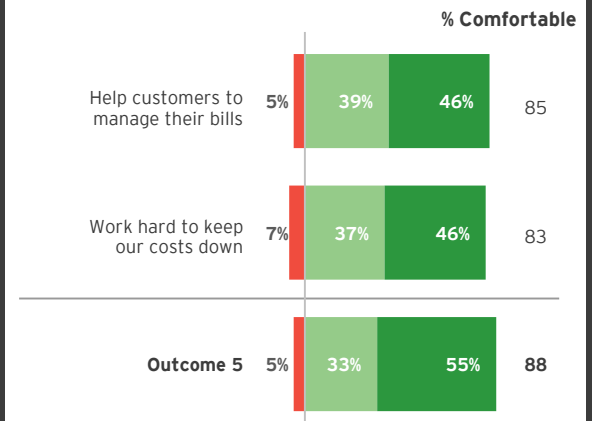
## Outcome 3: A healthier environment for all



## Outcome 4: Stronger partnerships with our community



## Outcome 5: Bills that are as low as possible for all of our customers



Uncomfortable or very uncomfortable Comfortable Very comfortable

Note: 'Neither comfortable nor uncomfortable' not shown





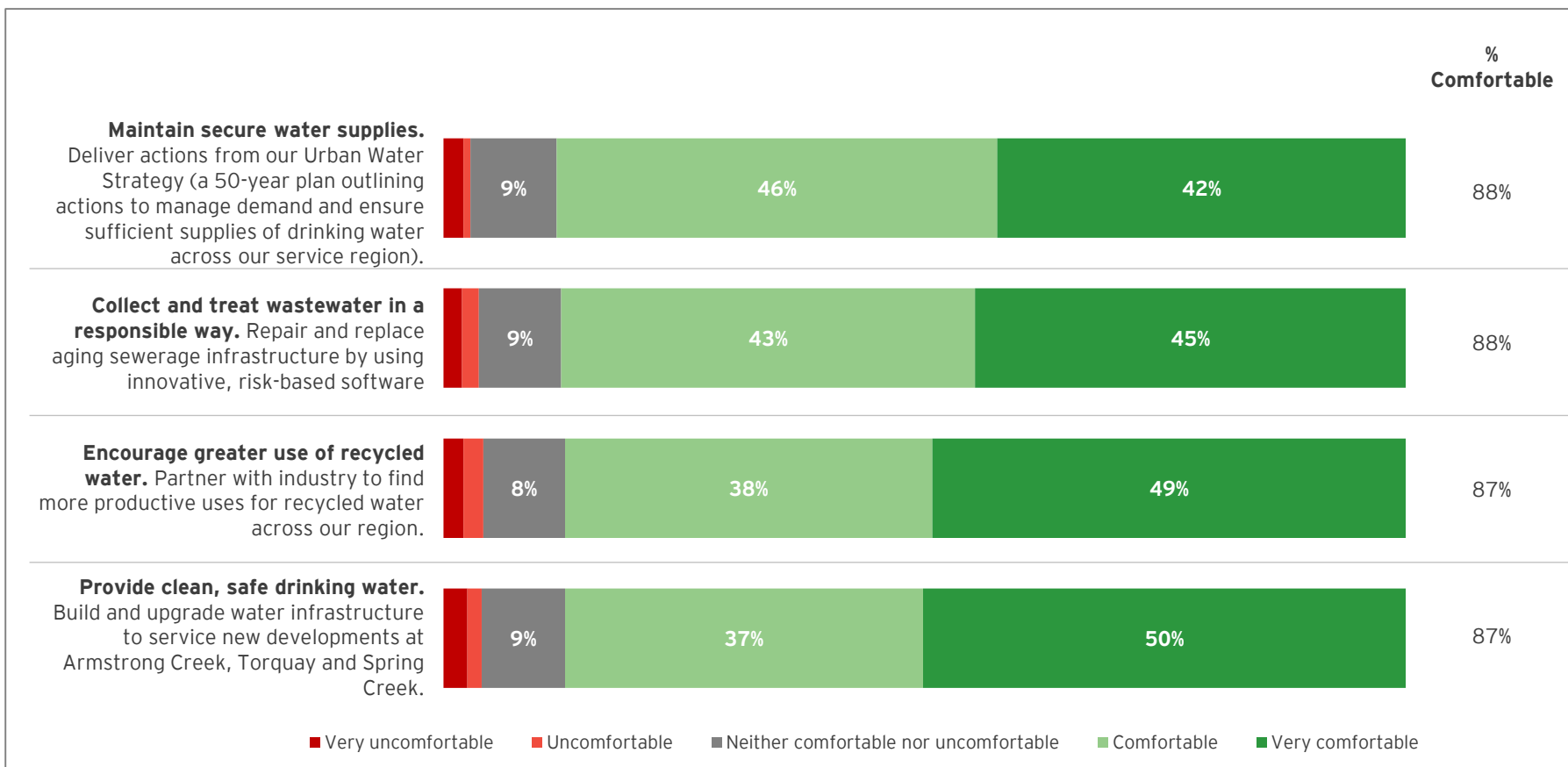
# Outcomes





# Outcome 1: A reliable, secure water future for our region

- ▶ Barwon Water customers have a high level of comfort with all of the proposed actions under Outcome 1.
- ▶ Although “providing clean, safe drinking water” doesn’t have the highest overall proportion of customers who were at least “comfortable”, one in two customers are very comfortable with this action - the highest of any action across the five outcomes.

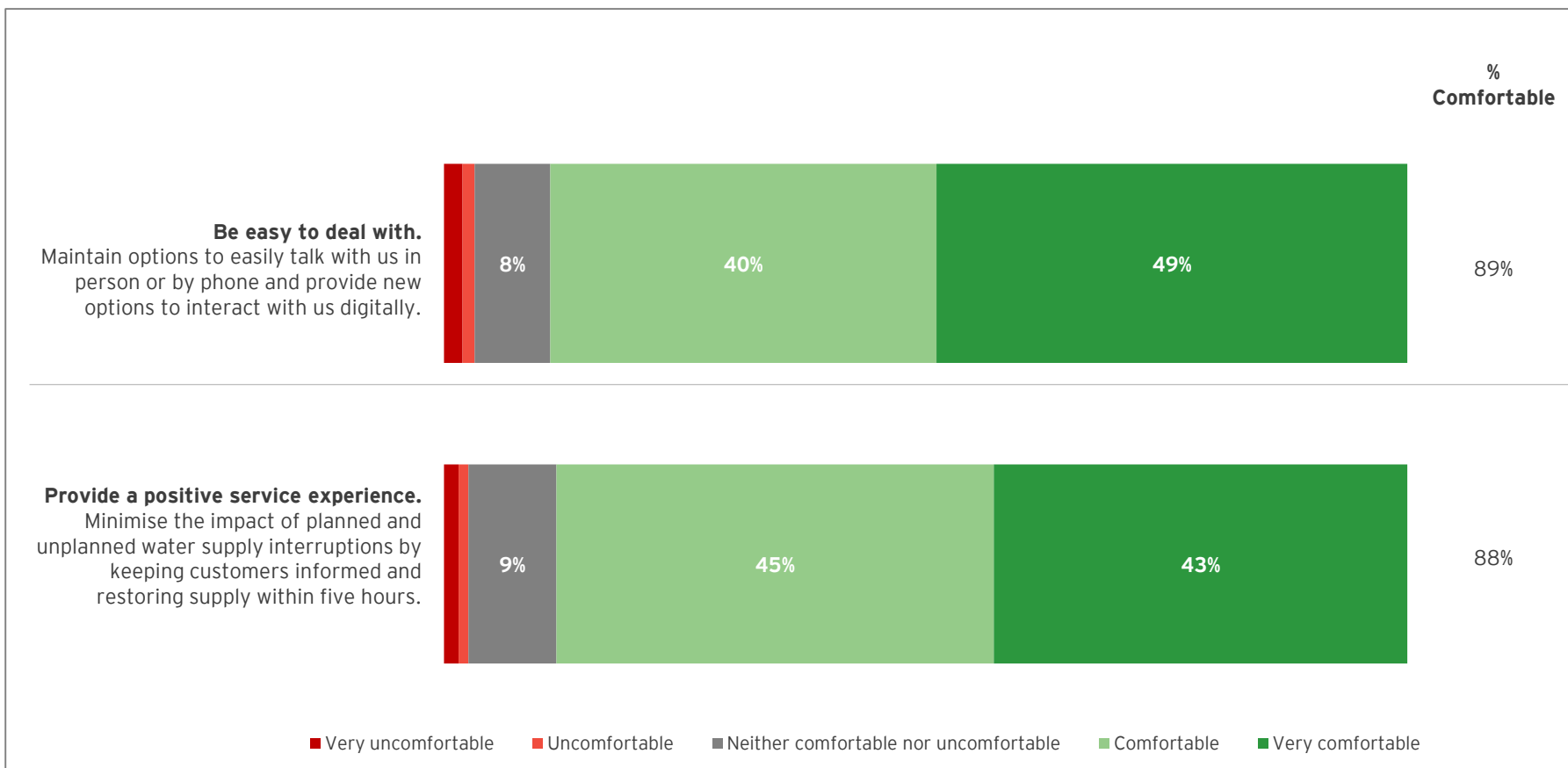


Base: Total (n=1,260). Data labels not shown where proportion is less than 3%.  
Q1. To what extent are you comfortable with each of these actions being pursued by Barwon Water, in order to deliver this outcome?



## Outcome 2: Timely, innovative services for our customers.

- ▶ Customers have a high level of comfort with the actions that make up Outcome 2.
- ▶ Less than 5% of customers are uncomfortable with either of the actions.



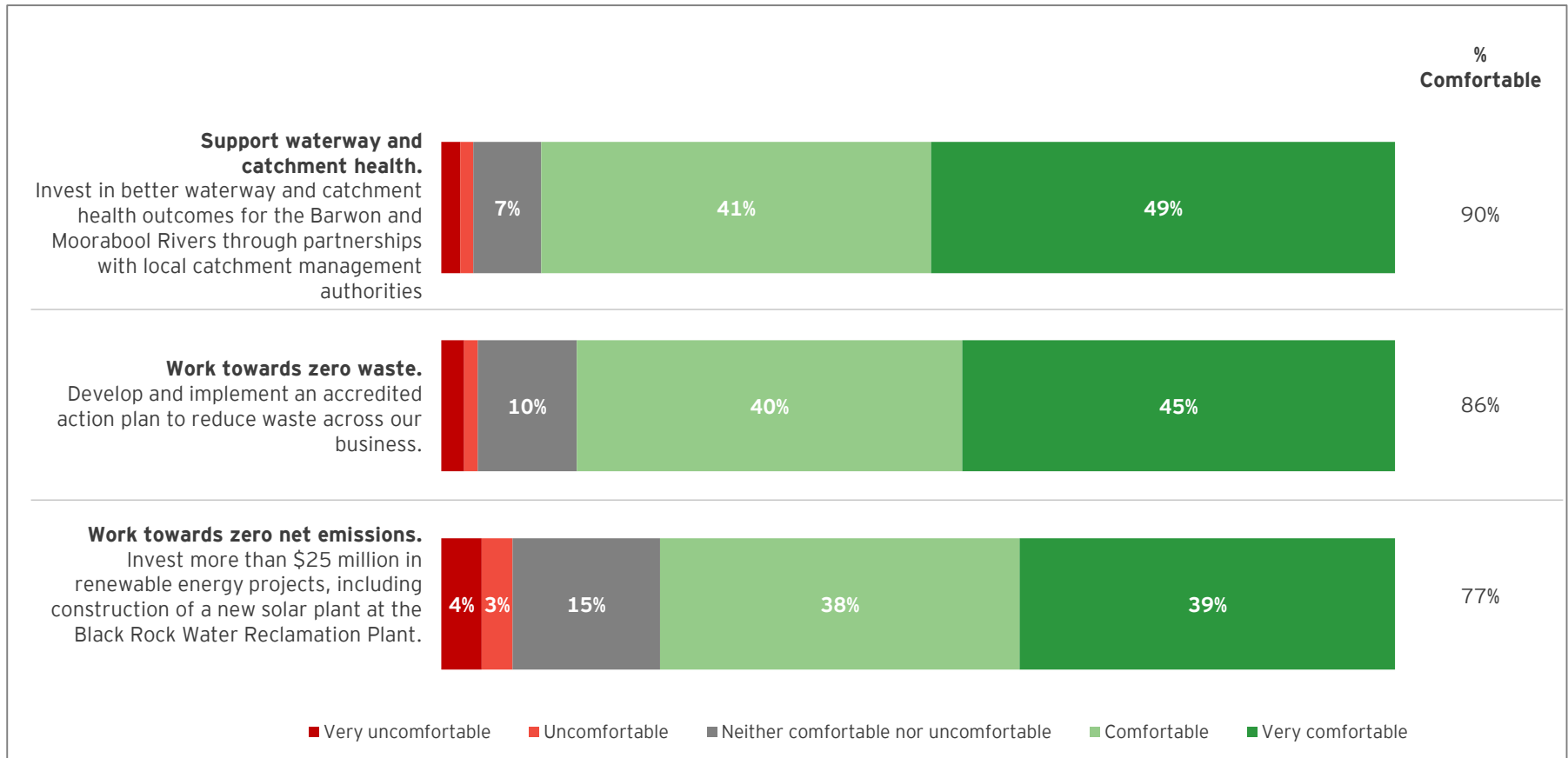
Base: Total (n=1,260). Data labels not shown where proportion is less than 3%.  
Q2. To what extent are you comfortable with each of these actions being pursued by Barwon Water, in order to deliver this outcome?





## Outcome 3: A healthier environment for all.

- ▶ At least three in four customers are comfortable with all of the Outcome 3 actions.
- ▶ “Working towards zero net emissions” is the action with the lowest proportion of comfortable customers across all outcomes (77%), and also has the largest number of “very uncomfortable” customers, although this is still low in absolute terms at 4%.

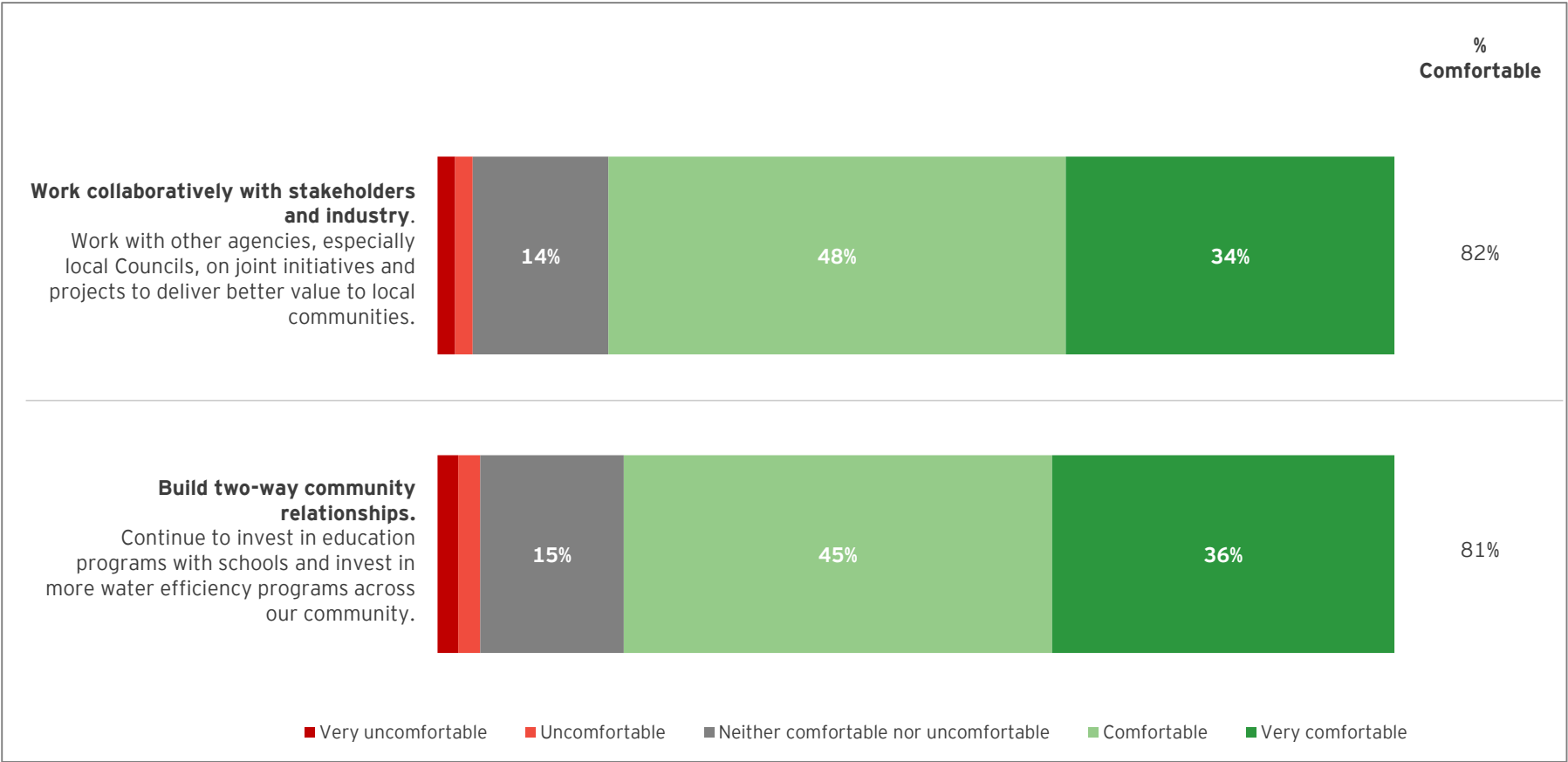


Base: Total (n=1,260). Data labels not shown where proportion is less than 3%.  
Q3. To what extent are you comfortable with each of these actions being pursued by Barwon Water, in order to deliver this outcome?

# Outcome 4: Stronger partnerships with our community.



► At least four in five customers are comfortable with each of the actions that make up Outcome 4.



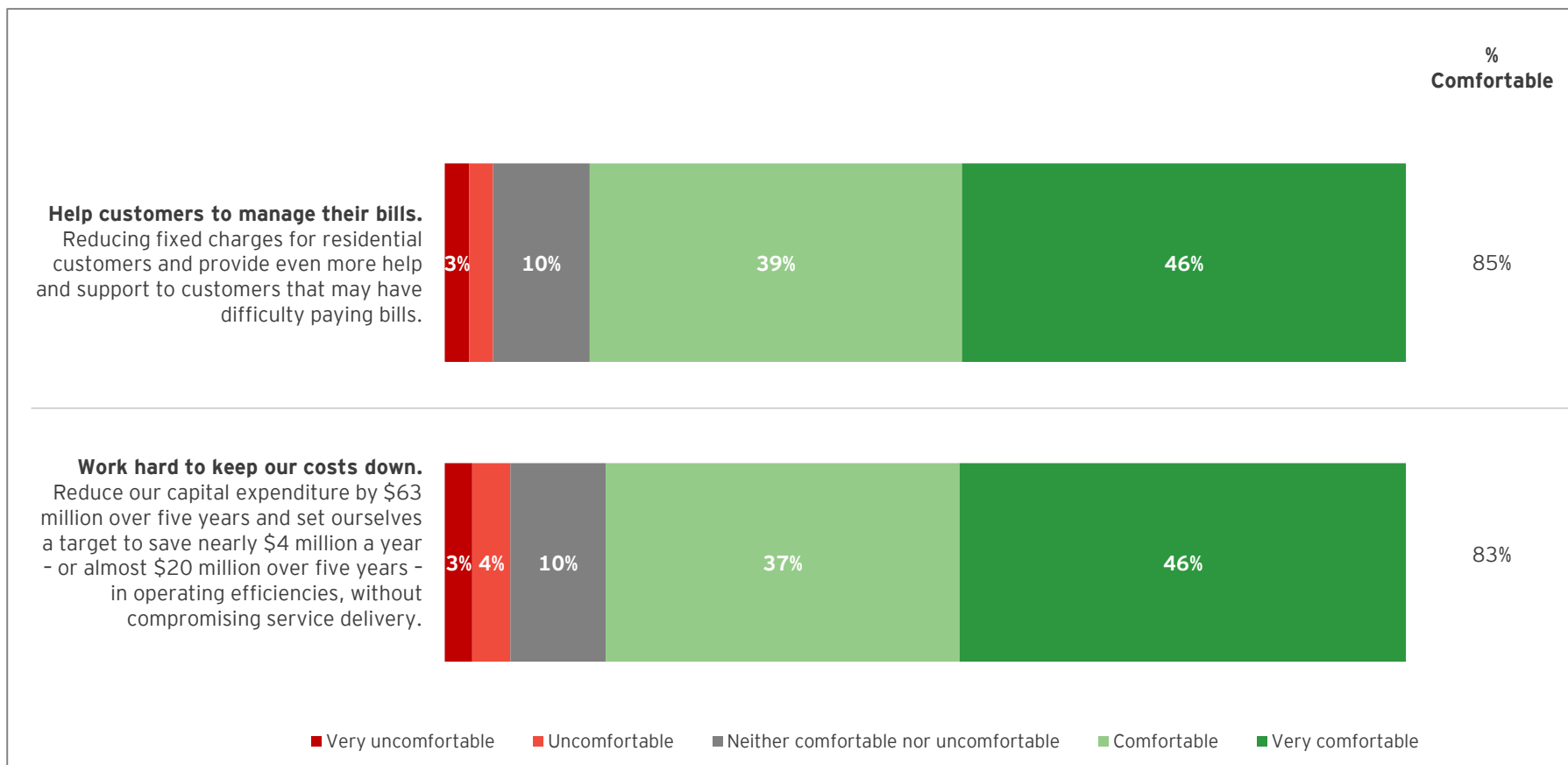
Base: Total (n=1,260). Data labels not shown where proportion is less than 3%.  
Q4. To what extent are you comfortable with each of these actions being pursued by Barwon Water, in order to deliver this outcome?



# Outcome 5: Bills that are as low as possible for all of our customers



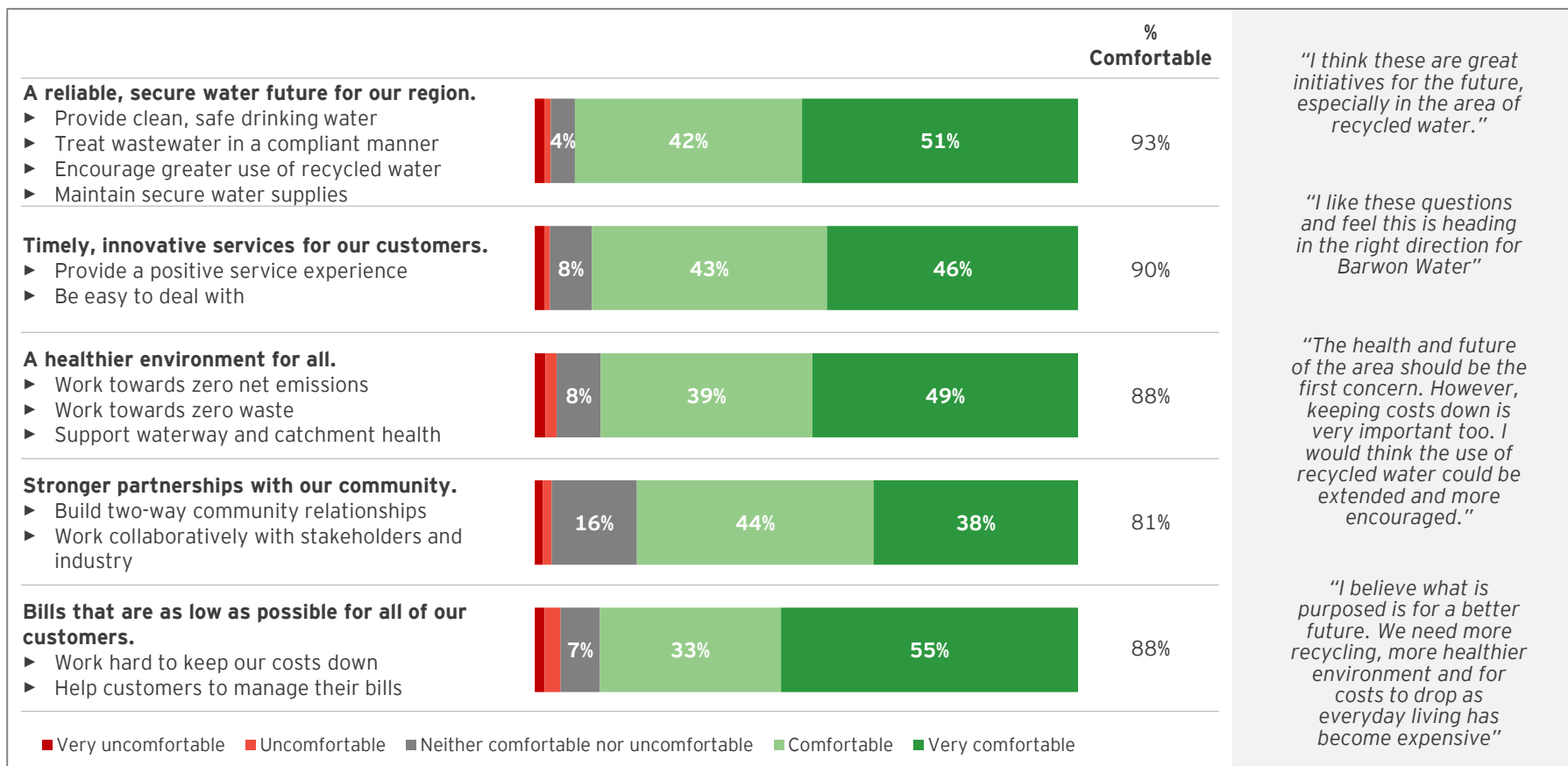
- ▶ Most customers are comfortable with the actions that make up Outcome 5.
- ▶ Interestingly, although 83% of customers are comfortable with the action “work hard to keep our costs down”, 7% are uncomfortable with it - the equal highest proportion of uncomfortable customers. From the open-ended responses, it seems that some customers support Barwon Water to spend more money on various projects, such as reducing environmental impact or increasing storage capacity.



Base: Total (n=1,260). Data labels not shown where proportion is less than 3%.  
Q5. To what extent are you comfortable with each of these actions being pursued by Barwon Water, in order to deliver this outcome?

# All outcomes

- ▶ At an overall level, Barwon Water's customers are comfortable with all five proposed outcomes.
- ▶ Customers are most comfortable with Outcome 1: A reliable, secure water future for our region (93% comfortable).
- ▶ No outcome has more than 1 in 20 uncomfortable customers.



Base: Total (n=1,260). Data labels not shown where proportion is less than 3%.  
 Q6. Now that you have seen some information on each of the five outcomes, please rate your level of comfort with each outcome below. The actions associated with each outcome have

been repeated here as a reminder.  
 Q6b. Could you please elaborate or provide reasons for your levels of comfort with the five outcomes? Are there any other comments you would like to make about the proposed outcomes?





**Billing**

# Billing context provided to customers

- ▶ Before testing the levels of comfort with proposed bill impacts, customers were provided with context about Barwon Water's increasing costs. This context is reproduced below.
- ▶ Level of comfort with the proposed pricing was also tested with non-residential customers, although due to the small base size (n=20) these results have not been shown in this report. Of the 20 non-residential customers, 17 are comfortable or very comfortable, and 2 are very uncomfortable.

Barwon Water's costs are increasing by more than \$17 million a year, so that we can:

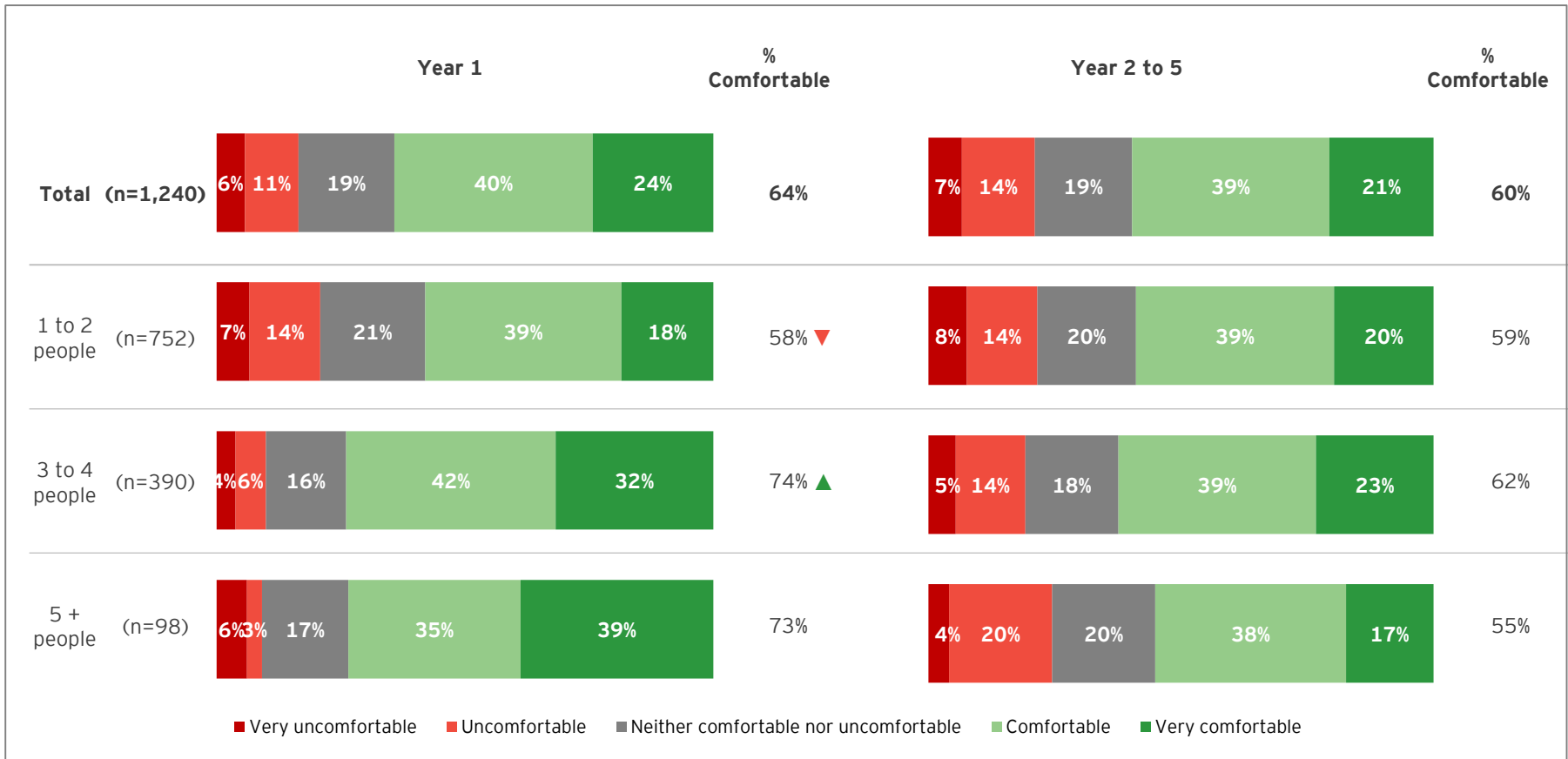
- ▶ Deliver what our customers and the community has asked for, including action on climate change (\$1.4 million per year)
- ▶ Ensure water security by paying our fair share of costs of being linked to the Victorian water grid (\$8.0 million per year)
- ▶ Support sustainable water management across the state by paying an increased environmental contribution levy to the Victorian government (\$1.4 million per year)
- ▶ Pay for internal and external resources to deliver services that we are legislatively required to provide (\$6.4 million per year).

But we are committed to minimising price impacts on customers and not passing these costs onto customers in full. To achieve this we are setting targets for achieving efficiencies in our own business operations.

	Current 2017/18	Year 1 2018/19	Years 2 to 5 2019/20	2020/2021	2021/22	2022/23
Owner / Occupier						
1-2 people = 110 kL/year	\$893	\$912	\$917	\$922	\$926	\$931
		Bill is \$19 more than in 2017/18, excluding inflation	Bill increases by an average of \$5 (or 0.5%) per year, excluding inflation			
3-4 people = 160 kL/year	\$1,006	\$1,006	\$1,015	\$1,025	\$1,034	\$1,043
		Same bill as in 2017/18, excluding inflation	Bill increases by an average of \$9 (or 0.9%) per year, excluding inflation			
5+ people = 308 kL/year	\$1,341	\$1,285	\$1,307	\$1,330	\$1,354	\$1,378
		Bill is \$56 less than 2017/18 excluding inflation	Bill increases by an average of \$23 (or 1.8%) per year, excluding inflation			
Tenant						
1-2 people = 110 kL/year	\$169	\$187	\$217	\$227	\$237	\$249
		Bill is \$19 more than in 2017/18, excluding inflation	Bill increases by an average of \$15 (or 8.2%) per year, excluding inflation			
3-4 people = 160 kL/year	\$281	\$281	\$315	\$330	\$345	\$361
		Same bill as in 2017/18, excluding inflation	Bill increases by an average of \$20 (or 7.1%) per year, excluding inflation			
5+ people = 308 kL/year	\$616	\$560	\$607	\$635	\$665	\$696
		Bill is \$56 less than in 2018/19 excluding inflation	Bill increases by an average of \$34 (or 6.1%) per year, excluding inflation			

# Bill impacts for residential customers

- At an overall level, two in three (64%) residential customers are comfortable with the proposed changes in Year 1 and this proportion remains relatively consistent with Years 2 to 5.
- However, at a sub-group level, there is a notable drop in comfort amongst households of 5+ individuals reducing by 18 percentage points from Year 1 (73%) to Years 2 to 5 (55%).



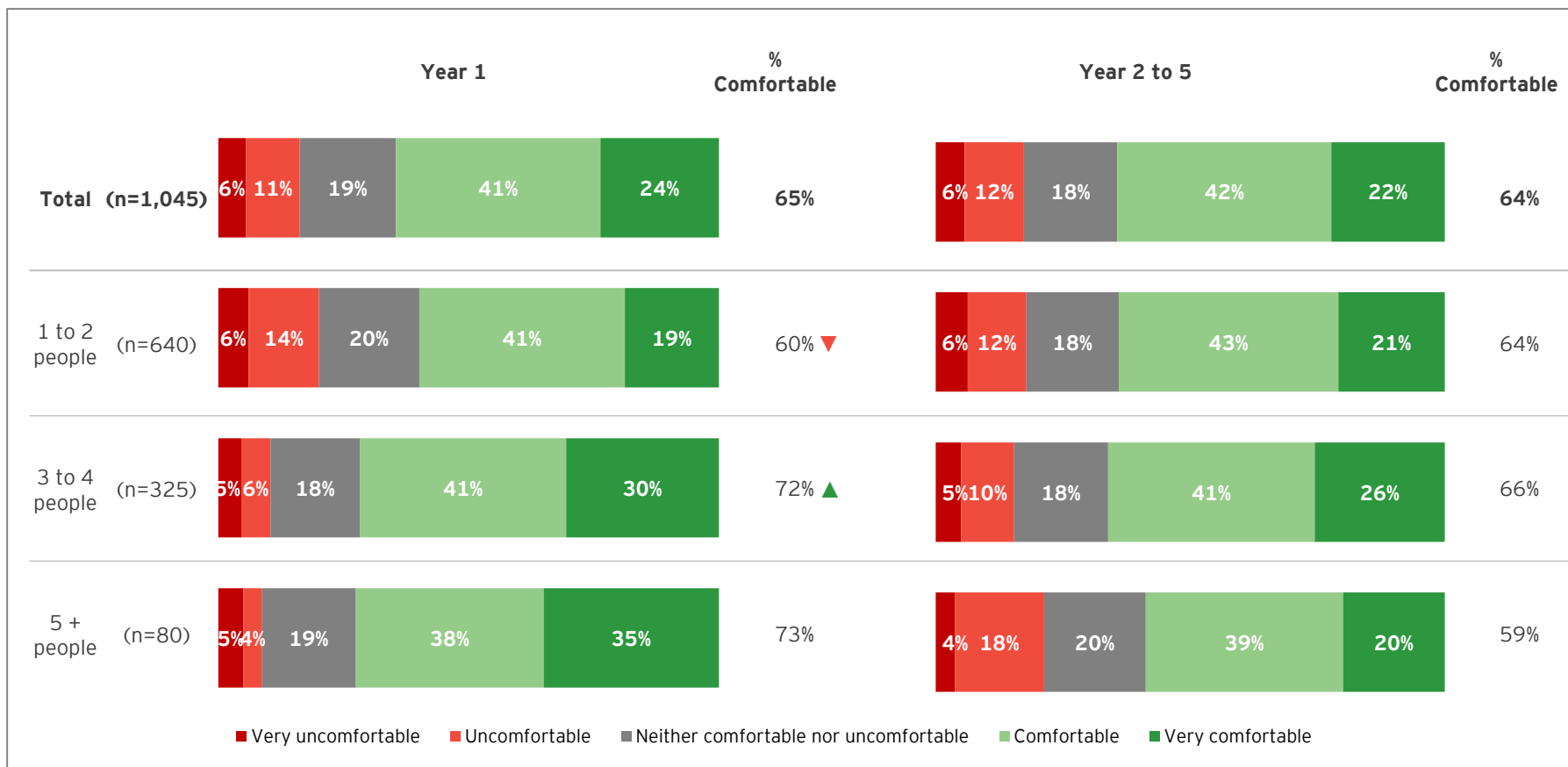
Base: Residential customer (n=1,240). Data labels not shown where proportion is less than 3%.

Q7a. Below is some information on how the Year 1 bill for households similar to yours is likely to change. Please note that estimated future bill amounts do not include increases due to inflation.

Q8a. Below is some information on how the water bills in Years 2-5 for households similar to yours is likely to change. Please note that estimated future bill amounts do not include increases due to inflation.

# Bill impacts for residential owners

- ▶ In Year 1, nearly three quarters of customers in households of 3 or more people are comfortable with the proposed bill impacts (72% for 3 to 4 person households, 73% for 5+ person households). Households of 1 to 2 people responded differently, with 60% saying they are comfortable and 20% saying they are not. This reflects the relative impact on bills - smaller households will see a larger increase in Year 1.
- ▶ In Years 2 to 5, around two in three customers in households of 1-4 people are comfortable with the proposed impacts (64% for 1 to 2 people, 66% for 3 to 4 people). Larger households of 5+ people are slightly less comfortable (59% comfortable, 22% not comfortable)



Base: Residential customer - owner / occupiers (n=1,045). Data labels not shown where proportion is less than 3%.

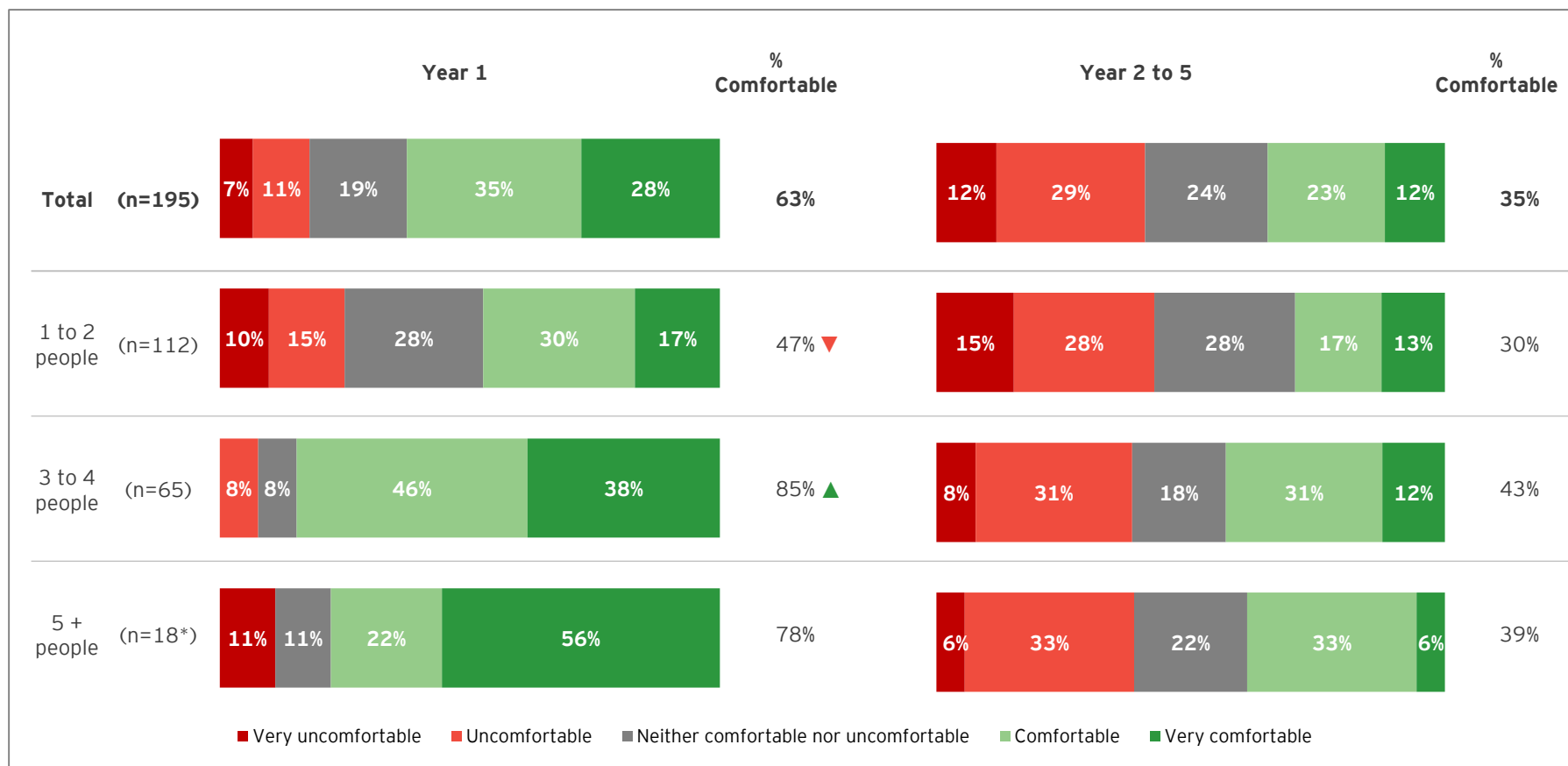
Q7a. Below is some information on how the Year 1 bill for households similar to yours is likely to change. Please note that estimated future bill amounts do not include increases due to inflation.

Q8a. Below is some information on how the water bills in Years 2-5 for households similar to yours is likely to change. Please note that estimated future bill amounts do not include increases due to inflation.



# Bill impacts for residential tenants

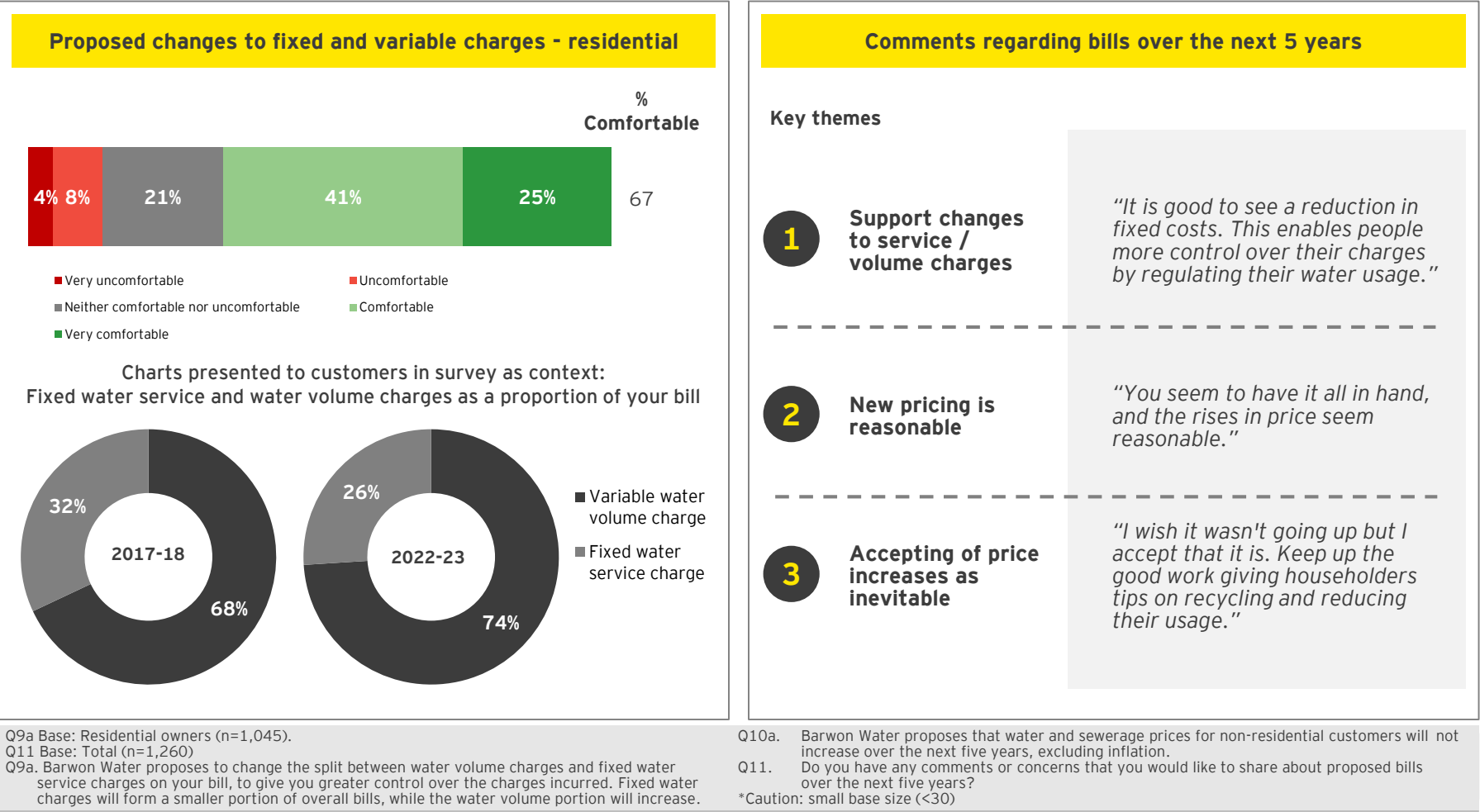
- Amongst tenants, around half of the customers in households of 1 to 2 people are comfortable with the proposed bill impacts in Year 1 (47%). This is somewhat lower than the levels of comfort seen in households of 3 to 4 and 5+ (85% and 78% respectively indicating that they are comfortable)
- In Years 2 to 5, comfort amongst tenants drops by 28 percentage points to 35%. This reduction in the proportion of those comfortable is consistent across household size (30% for 1 to 2 people, 43% for 3 to 4 people, and 39% for 5+ people)



Base: Residential customer - tenant (e.g. renting from a landlord) (n=195). Data labels not shown where proportion is less than 3%. \*Caution, small base size, interpret results with caution.  
 Q7a. Below is some information on how the Year 1 bill for households similar to yours is likely to change. Please note that estimated future bill amounts do not include increases due to inflation.  
 Q8a. Below is some information on how the water bills in Years 2-5 for households similar to yours is likely to change. Please note that estimated future bill amounts do not include increases due to inflation.

# Service charges

- ▶ Two thirds of residential customers (67%) are comfortable with the proposed changes to the split between variable water volume charges and fixed water service charges.
- ▶ Open ended responses suggest that the idea of being able to reduce the charges on a water bill by reducing usage appeals to customers, while some customers are pleased to see water saving measures incentivised.
- ▶ Although only a small number of non-residential customers were captured for this survey (n=20), most of these are comfortable with the proposed changes.





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ED None.

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