



Our Water, Our Voice

Customer Engagement Program Phase 3 Report

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Prepared for Sydney Water by Kantar Public

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Welcome to Sydney Water's Customer Engagement Program: *Our Water, Our Voice*

Sydney Water is committed to listening to customers and planning for the future with its customers at the heart of the process.

Starting in July 2022 and spanning 18 months, Sydney Water has been undertaking a thorough listening exercise to understand customer expectations and priorities, and their willingness to pay for investments that align with these expectations. This program was named by customers: *Our Water, Our Voice* and runs alongside a wide range of other customer research which is undertaken by Sydney Water on an on-going basis.

This report summarises the findings from the third phase of the customer engagement program, including conversations with over 2,350 residential customers and over 20 stakeholders, including Major Business Customers (Service Critical High), Major Developers, Value Makers, and small and medium enterprises, between March and June 2023.

This is a detailed document, designed for both an internal Sydney Water audience, and a key stakeholder audience. It is not intended to be distributed at a community level beyond those with a keen interest.

This report follows the customer engagement structure of Phase 3. In the qualitative work, customers were tasked with choosing a preferred option from a range of possible outcomes which were linked to the priorities previously identified by customers in Phase 1 and 2. This was to help understand what options could be explored further through the engagement program and regulatory process. This report will also explore and validate these choices via quantitative means using the results from the validation survey.

To supplement this document, a shorter summary-style version will be prepared – designed to be published and promoted to keep customers informed of the knowledge gathered to date, how it is being used, and where it fits in with the broader regulatory process.

Our Water, Our Voice aims to involve customers actively and genuinely in Sydney Water's decision-making process. In Phase 1 they actively shaped the focus for Sydney Water's Regulatory Price Proposal.

Sydney Water has the target of reaching an 'Advanced' level for this customer engagement program, resulting in a customer-led and customer-supported Price Proposal.

I hope you find this an enjoyable and informative read and that it sets the scene for the remaining phases of the *Our Water, Our Voice* customer engagement program.



Ash Moore

Co-Chief Executive Officer, Kantar Public Asia Pacific

Acknowledgement of Country

Sydney Water and Kantar Public respectfully acknowledge the Traditional Custodians of the land and waters on which we work, live, and learn.

Their lore, traditions and customs nurtured and continue to nurture the waters (bulingang or saltwater and muulii ngadyuung or sweetwater) in Sydney Water's operating area, creating well-being for all. We pay our deepest respect to Elders, past and present. We acknowledge their deep connections to land and waters. In the spirit of reconciliation, we remain committed to working in partnership with local Traditional Owners to ensure their ongoing contribution to the future of the water management landscape, learning from traditional and contemporary approaches, while maintaining and respecting their cultural and spiritual connections.





Executive Summary

Introduction

Sydney Water is Australia's largest water utility, providing safe, high-quality drinking water to nearly 5.3 million people in and around Greater Sydney every day, along with providing wastewater, stormwater, and recycled water services to many homes and businesses.

Recently, the Independent Pricing and Regulatory Tribunal (IPART) introduced a new regulatory framework for water businesses in NSW. This requires a demonstration of pricing submissions being driven by the long-term interests of customers, evidenced by customer preferences and willingness to pay for water services.

The *Our Water, Our Voice* program is a five-phase program conducted over one and a half years (2022–23) that provides critical input to understanding customer preferences for Sydney Water's price submission and also in shaping our next Operating Licence. Phase 1 aimed to capture customer priorities and expectations of outcomes, and to understand the relative importance of each outcome, as well as customers' willingness-to-pay for these outcomes. Phase 2 aimed to help design performance metrics to guide the evaluation of Sydney Water's existing customer service and service performance standards and determine how these align with customer expectations and priorities.

The purpose of Phase 3 was to engage with customers about specific areas they considered were important priorities for Sydney Water in Phase 1 and Phase 2 and to explore customer sentiment towards key strategic blueprints/priorities developed by Sydney Water. This report presents the methods and findings of Phase 3 of the program.

Methods

In Phase 3 Kantar Public conducted an in-depth exploration of customer expectations and preferences over 44 sessions of qualitative research, including 10 in-person workshops, 16 online focus groups, and 18 online individual in-depth interviews. Sessions were tailored to ensure ease of participation of different groups. For example, focus groups with customers from culturally and linguistically diverse (CALD) backgrounds were facilitated in-language by our specialist research partners, Cultural Partners.

Following the qualitative research, a 15-minute online validation survey was conducted with more than 2,000 customers that is representative of the general population of Greater Sydney (including the Blue Mountains and Illawarra). The purpose of the validation survey was to test the consistency and generalisability of the qualitative findings and provide additional empirical evidence to support or reject any conclusions drawn in the qualitative research.

The methodology used is important when it comes to interpreting the preferred choices selected. The qualitative research allowed for much more in-depth explanations of the topics prior to customers making their choices. Customers had more time to assess the information and more time to ask questions of Sydney Water experts as well as hear the questions and consider the points of view of other members of the public. As such, it could be argued that their choices reflect those of an educated and informed audience.

Those participating in the online validation survey had a more streamlined version of the information presented in the qualitative research. The material used in the validation survey was updated and refined based on the learnings and feedback from the forums.

On average customers had 21 minutes in total to review the supporting information provided for topics and choose their preferred option. They did not have the opportunity to ask questions, nor to consult with Sydney Water experts or other members of the public. As a result, this methodology is likely to more closely reflect the preferences of an everyday customer base that is less informed (than those who participated in the qualitative research). Both these research methods are intended to co-exist, it is good research practice to understand the choices of a well-informed audience (captured in the qualitative research) while it is also important to validate whether these choices are replicated when presented to a less informed audience.

Where there are differences in the choices, this may be due to customers being unable to fully appreciate the information provided or they may have had insufficient time to digest it (due to the cost implications of fully engaging a representative sample of Sydney Water’s customer base) or some other reason that is unknown. As a consequence, when interpreting results, it is best to recognise the different nature of the audiences.

As an example of where this is relevant, open-ended responses to the validation survey around cool, green spaces suggest that, for many customers, their choices are linked closely to cost (hence, their initial reactions rather than a more considered choice). It is, therefore, possible that customers completing the online validation survey did not reflect as deeply about what cool, green spaces mean to them. This is an important finding as it highlights how customers, who have not had the opportunity to consider the issue as deeply, might react. If Sydney Water were to select Option 3, they would need to ensure they explain or remind people of the value of cool, green spaces and why the investment is important for the region.

Another point worth noting that during the qualitative research there was a reasonably strong consensus in favour of bringing forward efforts to achieve Net Zero. Customers often said that Net Zero should happen sooner rather than later and indicated that the cost associated with achieving it was relatively low and a worthwhile investment. Given the strong consensus in the qualitative research the topic was not assessed in the Validation survey.

Table 1 Number of customers engaged

Engagement	Location / Engagement type	Number of engagements	Number of participants (n)
Workshops	Penrith, Wollongong, Sydney CBD, Hornsby, Parramatta	10	281
Online Survey		1	2,034
Focus Groups	CALD, First Nations, SME	16	85

In-Depth Interviews	Business Customer, Major Developer, Value maker	18	18
Total		45	n=2,418

Findings

Customer preferred service levels: In summary

Based on the workshop findings, customers expressed a preference for Sydney Water to increase service levels related to carbon emissions, creating cool, green landscapes and healthy, natural waterways. Customers preferred to maintain the outcomes of the current service levels for leakage, swim access safety and pollution and resilience of Greater Sydney’s water supply system. Most customers were not willing to tolerate a reduction in service levels across any of these areas.

Table 1 Service level preferences – Residential Customer Workshops

	REDUCE service level	MAINTAIN current service level	SMALL INCREASE (1 step up)	LARGER INCREASE (2-3 steps up from current)
Water leakage	24%	40%	35%	n/a
Healthy and natural waterways	n/a	26%	39%	34%
Swim access, safety and pollution prevention	n/a	51%	21%	28%
Carbon emissions	n/a	16%	32%	53%
Creating cool, green landscapes	n/a	24%	35%	41%
Resilience of our water supply system	13%	45%	36%	6%
Legend	Primary preference		Second preference (within 10% of the first preference)	

As discussed earlier, those participating in the online validation survey had a more streamlined version of the information that was presented in the qualitative research. They did not have the opportunity to ask questions, nor to consult with Sydney Water experts or other members of the public. The online validation survey is more likely to reflect the preferences of an audience resembling the everyday population, with reasonably low levels of water literacy and less complete information. As a consequence, when interpreting results it is best to recognise the different nature of the audiences and how the choices were presented.

Table 2 Service level preferences – Online Validation Survey

	REDUCE service level	MAINTAIN current service level	SMALL INCREASE (1 step up)	LARGER INCREASE (2-3 steps up from current)
Water leakage	18%	44%	38%	n/a
Healthy and natural waterways	45%	46%	n/a	10%*
Swim access, safety and pollution prevention	n/a	41%	50%	9%*
Carbon emissions#	n/a	n/a	n/a	n/a
Creating cool, green landscapes	n/a	40%	44%	15%
Resilience of our water supply system	26%	49%	19%	5%
Legend	Primary preference		Second preference (within 10% of the first preference)	

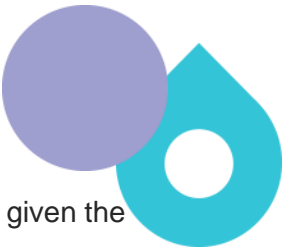

* Note: Within the online validation survey, Healthy And Natural Waterways Option 3 and Swim Access, Safety and Pollution Prevention Option 3, most closely aligned with their respective option 4 from the qualitative research.

Carbon Emissions was excluded from the validation survey to reduce survey complexity and given it would be part of the Phase 4 Discrete Choice Model.

Factors considered when selecting preferred service levels

Residential customers in the workshops considered many factors when deciding between the different options presented. Some factors were unique to one particular option or decision, while others were influential across many decisions. Below is a summary of the key underlying factors that influenced multiple decisions:

- **Equity** – this refers to customers wanting to know whether certain people or groups would be affected more than others, or if they would benefit disproportionately from the different



options presented. They also wanted to determine if this was fair or acceptable given the intended outcome.

- **Status quo** – means customers would sometimes default to the option that is currently in place (or represents that status quo), unless they could see a compelling reason to change to an alternative. This sentiment was sometimes expressed as “if it ain’t broke, don’t fix it.”
- **Value for money** – customers attempted to assess whether each option represented value for money by comparing bill impacts to the service levels they would experience. When doing this, they often considered what might be involved in delivering each outcome, as well as the outcome itself. However, customers noted that some choices were complex and that it was difficult to accurately assess value for money without a deeper level of technical expertise.
- **Importance of the outcome** – as could be expected, customers’ choices were underpinned by how important (or otherwise) the intended outcome of each option was to them personally, and/or to the wider community.
- **Willingness to pay** – the extent to which customers felt that they, or others in the community, would be able to afford the estimated bill impacts strongly influenced their choices. Willingness to pay (regardless of whether they could afford to) also strongly influenced their choice, regardless of the importance of the outcome or its perceived value. There were also some instances where customers simply weren’t willing or able to accept bill increases.
- **Feasibility** – customers were sceptical about whether some intended outcomes were achievable, or achievable for the estimated bill impacts. They tended to reject options if they felt they were unachievable or if they thought the actual bill impact might end up being higher.
- **Responsibility** – customers often questioned whether it was Sydney Water’s role to deliver the options presented, or specific aspects of them (and paid for via customer bills). There were often suggestions that it might be more appropriate for entities, such as local councils or state/federal government to deliver these.
- **Context Specific** - Most customers acknowledged there were some drawbacks with the option they had selected. For example, those who chose higher service level options typically acknowledge that the bill increase might be problematic for some customers, while many of those who chose a low or no bill impact option noted that a reduced service level or business as usual wasn’t ideal. However, on balance they felt their chosen option was preferable to others presented.

The ‘**centre stage effect**’ - a well-documented cognitive bias – is also worth bearing in mind when interpreting the results for preferred service levels. The centre stage effect refers to the tendency of people to choose options presented in the middle of a list, or to favour a ‘compromise’ option. For example, customers in the workshops talked about selecting the ‘middle ground’ or ‘wanting to do something’ to address an issue, but not necessarily the ‘most premium’ option.

Common questions and areas of confusion

Residential customers in the workshops were given the opportunity to ask Sydney Water representatives questions to help them better understand the options being presented to them to enable them to make an informed choice. Some questions were specific to a particular choice or topic, but the following question areas came up frequently across multiple topics. As would be expected, these questions often related closely to the key factors mentioned above.

- **Responsibility/funding** – customers in the workshops often queried whether other entities such as councils or government would or could share the cost of the options being presented.
- **Timing** – questions about timing were common throughout the workshops, both in terms of the timeframe for delivering the services/outcomes presented under each option and the timeframe over which bill increases would apply or be removed.
- **Value for money** – customers tended to ask additional questions about what was involved in delivering each outcome to help them assess the value for money represented by each option.
- **Accountability** – questions about how Sydney Water would be held accountable for delivering the services or outcomes under each option were common. Coming into the workshops many customers lacked awareness of IPART and its regulatory role.
- **Equity** – customers often asked questions to help them judge the equity of the options being presented to them, by finding out more about who would benefit or be negatively impacted under each option.

Table 3 Tariffs, funding and pricing structure – Residential Customer Workshops

	Current Structure	Alternative Structure
Tariff Structure	54%	46%
Tariff Structure during drought	37%	63%
Price structure – price cap or revenue cap	12%	88%
Staged or smoothed funding structure	24%	76%
Legend	Primary preference	Second preference (within 10% of the first preference)

As discussed earlier, those participating in the online validation survey had a more streamlined version of the information presented in the qualitative research. They did not have the opportunity to ask questions, nor to consult with Sydney Water experts or other members of the public. The online validation survey is more likely to reflect the preferences of an audience resembling the everyday population, with reasonably low levels of water literacy and less complete information. As a consequence, when interpreting results, it is best to recognise the different nature of the audiences and how the choices were presented.

Table 4 Tariffs, funding and pricing structure – Online Validation Survey

	Current Structure	Alternative Structure
Tariff Structure	64%	36%
Tariff Structure during drought [#]	n/a	n/a
Price structure – price cap or revenue cap	50%	50%
Staged or smoothed funding structure	26%	74%
Legend	Primary preference	Second preference (within 10% of the first preference)

[#] Note: Tariff Structure during drought was excluded from the validation survey to reduce survey complexity and given it would be revisited, as well as other tariff related questions in Phase 5.

Factors considered when selecting preferred bill and tariff structures

Residential customers in the workshops considered many factors when deciding between the different options presented. Some factors were unique to one particular topic or decision, while others were influential across many decisions. Below is a summary of the key underlying factors that influenced customer’s decisions:

- **Status quo** – Comfort with the status quo and no previous negative experiences meant some customers would default to the option currently being used. They were generally more familiar with the status quo, had seen it in action and felt it was easier than trying to educate themselves about a new or alternative method.
- **Bill stability** – Bill stability and predictability is important to many customers. Being able to plan, budget and make decisions requires a degree of certainty around what they can expect in terms of bill size. Options that cause bills to fluctuate or reduce predictability are undesirable to many. Customers want to reduce the number of unknown variables or where bills are too complex to work out.



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- **Cost benefit equation** – While cost figures were illustrative only, customers would often do the math with regard to their own situation and their own bill and would then factor this into their decision. If they could see an option deliver a smaller bill, then it had an advantage over alternatives.
 - **Transparency** – Some of the bill and tariff models presented included features where Sydney Water return revenue to customers if they over-collected e.g. in the form of lower future bills. There was some scepticism around whether Sydney Water would hold up its end of the bargain in such arrangements. As a result, transparency was important for some customers. They wanted clear communication if Sydney Water were to over or under recover revenue.
 - **Administrative burden** – Options that were perceived to have a greater administrative burden were generally less acceptable. There was a strong preference for simplicity, with some customers rejecting options that were seen as too complex, as they assumed these would require more ‘back-office hours’ to administer.
 - **Effectiveness** – The belief in whether a new bill or funding structure would deliver real benefits was a factor in some customers’ decisions. If there was scepticism around whether the intended outcome would be achieved, then customers were less likely to vote in favour of it.
 - **Equity** – customers often asked questions to help them judge the equity of the options being presented to them, by finding out more about who would benefit or be negatively impacted under each option. Customers in apartment and strata blocks, large families, and those who are already saving water were thought to be disadvantaged by some of the options presented.
 - **Choice** – Choice was important to some customers. When making their choices, some suggested that both funding structures should be available and that customers should be able to choose the option that best suits them. This is not possible for Sydney Water’s regulated charges. Many of the choices presented to customers require that the entire population are being charged the same way.
 - **User pays** – There was a notable preference for ‘user pays’ amongst some customers and factored strongly in their decisions. This was not true for all customers, however, and the concept was often traded off against the need for equity and a desire to protect those who have less capacity to pay.



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1 Introduction: About Sydney Water and the regulatory process

1.1 About Sydney Water

Sydney Water is Australia's largest water utility, a world-class organisation, delivering essential services to Greater Sydney, including the Blue Mountains and Illawarra. Sydney Water provides safe, high-quality drinking water to nearly 5.3 million people in and around Greater Sydney every day, along with providing wastewater, stormwater, and recycled water services to many homes and businesses.

Sydney Water has a long-term strategy and vision: 'Creating a better life with world-class water services'. The strategy has been built from customer insights and provides the foundation of Sydney Water's work.

1.2 Customer voices, supporting Sydney Water's regulatory submissions

Sydney Water is a statutory corporation, wholly owned by the NSW Government. Sydney Water's Operating Licence is regulated by the Independent Pricing and Regulatory Tribunal (IPART), which sets minimum standards for customers and government expectations in key performance areas. IPART also regulates what Sydney Water can charge customers for water, wastewater, and stormwater services, sets Sydney Water's system performance standards, and monitors compliance against those standards.

IPART has recently introduced a new regulatory framework for regulating water businesses in NSW. This framework puts the onus on water businesses to demonstrate that the services and outcomes proposed in their pricing submissions are in the long-term interests of customers, as evidenced by customer preferences, along with willingness to pay for the services they receive. It is important that Sydney Water engages meaningfully with customers to explore their values and preferences and uses these insights to inform its pricing submission and long-term business strategy.

Sydney Water and IPART may also use insights to inform potential changes to Sydney Water's Operating Licence.

IPART's requirements in relation to customer engagement highlight the need for a tailored and supportive engagement to assess what outcomes customers expect, preferences for how the outcomes will be delivered, and the overall willingness to pay for those outcomes and service levels. Research and engagement must include, at a minimum, topics such as: changes to service standards, changes to price structures, and any proposal for expenditure on customer agreed outcomes (i.e. to achieve outcomes not covered by regulation).

IPART's expectation is that Sydney Water follow an established industry-leading customer engagement program. The *Our Water, Our Voice* customer engagement program provides the insights needed to develop Sydney Water's Enterprise Plan and guide our future strategies, which are precursors to the regulatory submissions to IPART. These regulatory submissions include the revised Operating Licence to be issued by IPART by 1 July 2024, our revised Customer Contract, and the price proposal due in September 2024. These submissions will help shape customers' water bill prices for the 2025-2030 period. The *Our Water, Our Voice* program is a critical input to these regulatory submissions. This one and a half year (2022-23) program of customer engagement covers a wide range of topic areas and gives customers an opportunity to tell Sydney Water what is important to them.

Customers are already at the heart of everything Sydney Water does. Sydney Water continually engages with customers to understand their experiences, through research studies tracking customer sentiment and satisfaction with products and services. Sydney Water also reviews customer interactions through their website and Customer Hub and are committed to continual customer engagement, as this forms an integral part of the enterprise planning process.

The *Our Water, Our Voice* customer engagement program takes a long-term view. The insights gathered from this program will help shape Greater Sydney, including the Illawarra and Blue Mountains, for generations to come.



Customers, moderators, Sydney Water staff and stakeholders attending an engagement workshop in Hornsby on Wednesday 29th March 2023.

2 Engaging our customers in the regulatory process: program overview

Our Water, Our Voice is a multi-phase program divided into five distinct phases of customer consultation. This report summarises the findings from Phase 3 of the program.



PHASE 1: Capturing customer priorities

Phase 1 aimed to capture priorities and the outcomes that customers expect Sydney Water to focus on over the next five to ten years. It also aimed to understand the relative importance of each outcome and customers' willingness to pay for these outcomes. The research measured customer appetite for engagement with the decision-making process, including what their expectations were regarding their role in assisting Sydney Water to reach decisions.



PHASE 2: Capturing customer service expectations

Insights from Phase 2 are helping to design performance metrics that can guide the evaluation of Sydney Water's service delivery. This includes measuring customer satisfaction and understanding customer expectations of Sydney Water's future targets (over the next 10 years and beyond). During this phase, we tested the current measures and settings of Sydney Water's existing service performance standards and how these align with customer expectations and priorities. When different service expectations were raised by customers, we discussed how the desired outcomes impacted them, how they should be measured, and how they impact existing performance standards.



PHASE 3: Customer insight for better business planning

Phase 3 explored customer sentiment towards Sydney Water's key strategic direction and business plans. The research aimed to capture customer insights to inform the development of Sydney Water's Operating Licence and Price Proposal submissions, as well as core elements of the Customer Contract.



PHASE 4: Customer recommended Customer Contract and Price Proposal

This phase will determine the 'customer recommended price proposal'. A package of recommended plans will be presented to customers for them to rank preferred performance settings and delivery options to support the preferred price proposal. This includes their willingness to pay at a total bill level.'



PHASE 5: Tariffs and Price Control Customer Panel and Outcomes and Measures Customer Panel

This phase is designed to help customers develop a deeper understanding of the following two topics 1.Tariffs and Price control 2.Outcomes, measures and ODIs; and reach a consensus on the best solutions.

Our Water, Our Voice timeline

Sydney Water's Our Water Our Voice customer engagement timeline





3 How we listened: Phase 3 approach and methods

3.1 Objectives

The primary objectives of Phase 3 are as follows:

- To engage with customers on their preferences and choices regarding the relevant services that Sydney Water could offer. These services align with the customer priorities identified in Phase 1 and 2 – including their estimated bill impact.
- To engage with customers and seek feedback on the possible benefits and drawbacks of potential service levels that Sydney Water might offer.
- To assess customers' preferred service levels within each potential offer and the considerations underpinning their choices.
- To inform pricing and investment decisions under Sydney Water's LTCOP, Price Proposal and Operating Licence.

To achieve this, a multi-method approach was used, with qualitative and quantitative elements.

3.2 An overview of research activities in Phase 3



3.3 Methodology – Qualitative

To ensure customer centricity, Sydney Water seeks to engage customers on what is most important to them by using a range of approaches. These approaches include:

- Seeking a deeper engagement by involving customers in setting the priorities that matter the most to them.
- Choosing effective methods to provide all customers (including those that have been historically under-represented in community research) with an opportunity to influence how services are delivered. This included triangulating and testing responses against other information.
- Including clear, neutral and non-leading explanations of the different options available (including price differences and any potential trade-offs), so that participants are able to provide meaningful and relevant feedback on the development of Sydney Water’s future plans.

Where possible, Sydney Water also aims to:

- Collaborate with customers (and/or customer representatives) to develop solutions that are in their long-term interests.

- Continually seek to improve engagement methods and explore new and innovative ways of engaging.

The Phase 3 qualitative research comprised 44 sessions, including in-person workshops, online focus groups, and individual in-depth interviews.

Target recruitment screeners were designed in consultation with our recruitment partners, Q&A and Cultural Partners, and approved by Sydney Water prior to their use. These are provided in Appendix A. The recruitment screeners were co-designed with recruitment partners and Sydney Water to ensure inclusivity of the customer base. These looked to incorporate both difficult-to-reach and under-represented audiences, and to ensure that communication methods recognised the ways in which customers prefer to engage in research. For example, and as noted in further detail below, the qualitative research incorporated focus groups conducted in-language with CALD customers to ensure ease of participation.

Discussion guides for all qualitative sessions were designed by Kantar Public and approved by Sydney Water prior to their use. Due to the number of topic areas covered, discussion guides incorporated a 'Guide A' and 'Guide B'. Having two guides enabled a reduction of the number of topics per workshop and meant each topic was covered in more depth (rather than trying to condense ten topics for presentation in three hours). Five topics were presented under Guide A, and five topics were presented under Guide B. Each guide was presented on alternate dates to key population cohorts at all location areas.

The main purpose of these guides was to highlight potential solutions or offers that Sydney Water could undertake to address the customer priorities raised in Phase 1. Choice tables clearly illustrating the outcomes and associated trade-offs were shown to participants. They were also presented with approximately 10 minutes' worth of contextual information per topic to ensure that customers had adequate knowledge to evaluate the choices meaningfully.

The design process for the discussion guide was a thorough, iterative process with Sydney Water's internal stakeholders. To ensure the accuracy of the information presented within the discussion guide, input was solicited from subject matter experts from across Sydney Water. The guide was reviewed multiple times over the course of several days to ensure that all technical details were correct. Additionally, we conducted a thorough review by members of the consultancy team to ensure that the language used to present offers was neutral and not leading.

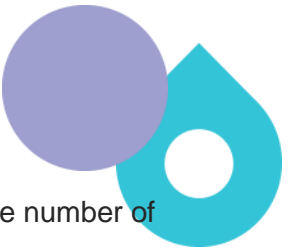

These discussion guides and accompanying research materials are provided in Appendix B.

All research was conducted in accordance with ISO20252:2019 standards.¹

3.3.1 Residential customer workshops

Three-hour workshops (n=10, with n=281 participants) were facilitated in-person and attended by residential customers from across Greater Sydney, including participants from the Blue Mountains

¹ Please note, the ISO20252:2019 standards are the international best practice standards established by SAI Global for service providers conducting market, opinion and social research, including insights and data analytics and used internationally to certify research suppliers who engage in legally compliant and independently audited market and social research methods.



and Illawarra regions. Additional details on dates, locations, location coverage, and the number of participating customers are provided in Table 1.

Each workshop included a mix of age groups (all customers aged over 16 years old), genders, locations, homeowners, renters, financially vulnerable people, people living with disability, people from culturally and linguistically diverse backgrounds, and First Nations people.²

Appendix C includes a demographic breakdown of all workshop participants, including detail on age, gender, location, and status as financially vulnerable, people living with disability, culturally and linguistically diverse and First Nations representation.

In line with standard practice in this type of research, customers received an incentive of \$180 as a ‘thank you’ for their participation.

Workshops were conducted by a team of experienced moderators from Kantar Public. The session plan followed this structure:

- Welcome and introductions (Kantar Public and Sydney Water)
- Topic 1 – choice selection
 - Guide A – Water leakage
 - Guide B – Carbon emissions
- Topic 2 – choice selection
 - Guide A – Tariff structure
 - Guide B – Price structure
- Topic 3 – choice selection
 - Guide A – Tariff structure during drought
 - Guide B – Funding structure
- Meal break
- Topic 4 – choice selection
 - Guide A – Healthy, natural waterways
 - Guide B – Creating cool, green landscapes
- Topic 5 – choice selection
 - Guide A – Swim access, safety and pollution prevention
 - Guide B – Resilience of our water supply system
- Close, including ODI selection and feedback on the engagement process.

² In this report, First Nations refers to people of Australia who associate as being a person of Aboriginal and/or Torres Strait Islander origin – see glossary.

Table 5 Residential customer workshops

Date and Time	Location	Location coverage	Number of participants
Tuesday 14 th March 2023 5:30-8:30PM	Penrith	Far Western Sydney (including the Blue Mountains)	n=33
Wednesday 15 th March 2023 5:30-8:30PM	Penrith	Far Western Sydney (including the Blue Mountains)	n=29
Thursday 16 th March 2023 5:30-8:30PM	Sydney CBD	Inner Sydney	n=28
Tuesday 21 st March 2023 5:30-8:30PM	Wollongong	Southern Sydney (including the Illawarra)	n=23
Wednesday 22 nd March 2023 5:30-8:30PM	Wollongong	Southern Sydney (including the Illawarra)	n=22
Thursday 23 rd March 2023 5:30-8:30PM	Sydney CBD	Inner Sydney	n=30
Tuesday 28 th March 2023 5:30-8:30PM	Hornsby	Northern Sydney	n=24
Wednesday 29 th March 2023 5:30-8:30PM	Hornsby	Northern Sydney	n=31
Thursday 30 th March 2023 5:30-8:30PM	Parramatta	Western Sydney	n=33
Tuesday 4 th April 2023 5:30-8:30PM	Parramatta	Western Sydney	n=28
			n=281

Sydney Water staff, IPART, Sydney Water’s Customer and Community Reference Group (CCRG), NSW Health, NSW Department of Planning and Environment, and the NSW Environmental Protection Authority were invited to observe each session in person. Sydney Water representatives and subject matter experts were also available to answer questions from participants to help them better understand each of the options being presented to them.

Workshop sessions were broken into sections to address each topic individually. The basic structure of the workshops was as follows:

- Customers were presented with key contextual information about each topic including tables illustrating the choices to be made and the corresponding outcomes and drawbacks associated with each choice level.
- Customers then had the opportunity to ask questions of subject matter experts from Sydney Water, to help clarify their understanding, and record their initial choice.
- Customers who had made the same choice then congregated in a corner of the room and discussed why they had made that choice and discussed the benefits and drawback of that decision.
- Each corner then pitched their decision to the customers who had made a different choice. Their aim was to encourage other customers to change their mind.

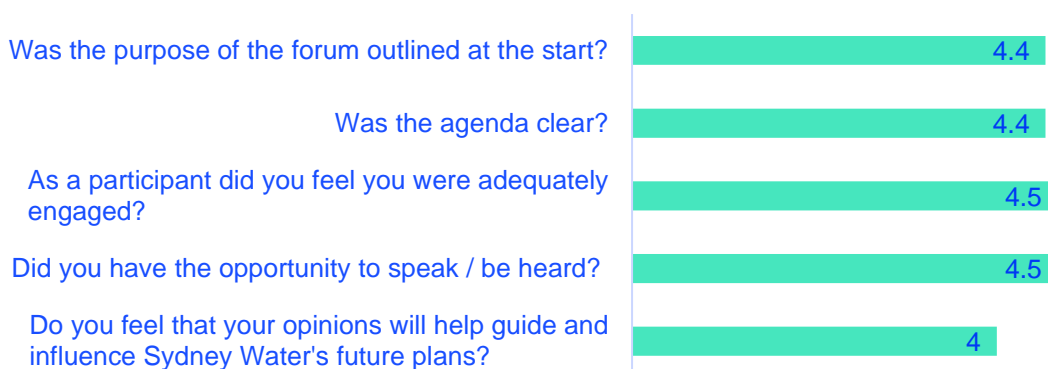
- Following these pitches, customers then had an opportunity to change their mind or stick with their initial choice before moving on to the next topic.

Data collection, for the purposes of analysis, included notetaking by moderators and workbooks completed by customers. The self-complete workbooks enabled customers to individually mark their initial and final choice for each of the topic areas presented. Customers were also encouraged to write down additional questions, feedback or comments relating to why they landed on their final choice, and this was collected in addition to their contributions to the group discussions at each corner.

Following the workshops, Kantar Public moderators participated in a series of analysis sessions to identify the key topics emerging from the workshops. This process included individual reflection, followed by extensive group discussions and thematic brainstorming.

Customer feedback was provided via feedback forms at the end of each workshop. This feedback is being used to improve engagement practices for the remaining research phases. The feedback form is provided in Appendix D. A selection of aggregated feedback is provided below along with direct quotes from customers:

Figure 1 Customer feedback, on a five-point scale (combined results from ten forums)



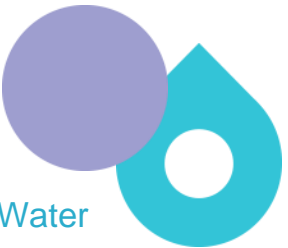

Mean score out of five – using an agreement scale. Base: Workshop participants who completed feedback sheet (n=281)

Very thought-provoking. I'm impressed with the topics (that Syd Water is considering all these), also impressed with the way sessions were run – I like having staff members be the ones to answer table's Q's to keep us all on task.

Residential customer | Penrith workshop

Found this group interesting and was fully engaged. Keen to see what transpires from these forums.

Residential customer | Wollongong workshop



Very well done and it gave us a first-time perspective of what Sydney Water undertakes and how programs are implemented, very interesting. Before tonight I only had a vague/unclear idea of what Sydney Water did.

Residential customer | Hornsby workshop

3.3.2 In-depth interviews and focus groups

In addition to the workshops, online qualitative research was conducted with key audiences:

- n=12, 90-minute focus groups with CALD customers
- n=2, 90-minute focus groups with First Nations customers
- n=2, 90-minute focus groups with owners of small and/or medium enterprises (SMEs) with high criticality of water to business
- n=18, 45–60-minute interviews with stakeholders; Business Customers (Service Critical High; hereon Service Critical High Business Customers'), Major Developers (hereon 'Major Developers'), and Value Makers³.



In line with standard practice, CALD and First Nations customers received an incentive of \$80 as a 'thank you' for their participation. SME customers received an incentive of \$140, and Value Makers received an incentive of \$120. These incentives are aligned to industry standards which takes into account factors such as time commitment to the research, requirements for in-person vs. virtual participation, and difficulty in recruiting specialised audiences. The final amounts were determined in consultation with fieldwork partners, who liaised with customers directly.

Service Critical High Business Customers, Major Developers and Value Makers were recruited from contact lists provided by Sydney Water and were not provided an incentive for their participation.

Sessions with owners and managers of SMEs, and stakeholders including Service Critical High Business Customers, Major Developers and Value Makers were conducted by a team of experienced moderators from Kantar Public.

Groups with CALD and First Nations audiences were recruited and moderated by specialist research provider, Cultural Partners, via panel and community networks. Groups with CALD audiences were conducted by independent moderators in-language, specifically in Korean, Vietnamese, Mandarin, Cantonese, Greek, and Arabic. These moderators also contributed to the analysis and interpretation of findings and reporting of results. These groups were selected as they are the top six languages spoken (other than English) in the Greater Sydney region, by population, as per the Australian Bureau of Statistics (ABS) 2021 Census. Within the CALD groups, a total of 65 customers attended. Within the First Nations groups, a total of 12 customers attended.

³ A value maker is a business/person interacting with Sydney Water regarding products and services to create valuable things for residents, businesses, or developers – see glossary.



Appendix C includes a demographic breakdown of all additional qualitative participants. Please note, this demographic breakdown excludes Service Critical High Business Customers, Major Developers, Value Makers, and SMEs as these participants were not recruited based on demographic characteristics.

This additional qualitative research was conducted using telecommunications platforms Microsoft Teams and Zoom, and telephone.

All sessions were conducted between Monday 20 March and Monday 3 April 2023.

3.4 Methodology – quantitative

3.4.1 Validation survey

Following the qualitative research, a 15-minute online validation survey of n=2,034 customers representative of the general population of Greater Sydney, including the Blue Mountains and Illawarra regions was undertaken.



Overall, the objectives of this validation survey included:

- Verifying the validity and reliability of qualitative findings by testing the findings with a larger and more representative sample of participants
- Adding statistical rigour to qualitative findings
- Quantifying the prevalence of topics or patterns identified in qualitative research, allowing for a better understanding of their impact or significance
- Providing a comparison between qualitative and quantitative data to triangulate findings and increase the robustness of the research

This validation survey adds value to the findings by collecting quantitative data to either support or counter findings from the qualitative research. Ultimately, it aims to strengthen the conclusions from the qualitative research by providing additional empirical evidence.

Due to the nature of online validation surveys, these results cannot be directly compared to the findings in the qualitative research. Key differences in methodology include:

- Shorter completion times for online validation surveys and less time to digest the information provided (participants were asked to make fewer choices than in the qualitative sessions to give them more time to consider their choices)
- The online validation survey provided no opportunity to consult with other members of the community, consider their choices or ask Sydney Water representatives questions (participants were instead provided with key information in the form of an FAQ document from qualitative research which was tailored to ensure it addressed some of the more frequently asked questions, to help them to make a choice without this)
- The risk of being led or influenced by other participants was removed in the online validation survey format, so the quantitative choices reflect their own preferences.



It is important to mention that in a real-life scenario, the information the general public receive is limited. Typically, this is restricted to what they read, what media they consume or advertising they see and whether they receive and read the materials accompanying a water bill. Some customers may be more interested in the subject matter than others and may look for information in places like Sydney Water's website; but overall, the average customer has limited information and knowledge. This is supported by Sydney Water's Water Literacy research which shows the community has low levels of general knowledge about the water and wastewater network.

Because of this, participants in an online validation survey are more likely to reflect 'typical customers' who have not had the opportunity to consult or be educated on a topic in depth. In other words, results from the qualitative research are more likely to resemble the preferences of a highly-informed customer base (which may not reflect the broader community), while results from the online validation survey resemble the preferences of average everyday customers.

Utilising two research methods in this way is good research practice. Both methods co-exist and are independent of each other. The validation survey allows the findings from the qualitative sessions to be validated in a different setting (with a less informed customer base) to see if results are replicated or different.

Key details of the validation survey include:

- The survey was conducted from 29/06/2023 – 16/07/2023
- The survey instrument was designed by Kantar Public and approved by Sydney Water prior to fieldwork. The survey instrument is provided in Appendix E
- The average time taken to complete the survey was 21 minutes per participant
- Broad non-interlocking quotas were set for demographic variables, as noted in Table 4
- All data was post-weighted to align with ABS 2021 data (based on age, gender, location, language other than English and whether respondents identified as Aboriginal and/or Torres Strait Islander (First Nations) Australian)⁴. Weighting was conducted by rimb weighting technique. The final sample composition is shown in Table 6.
- The data has a margin of error (at the 95% confidence level) of $\pm 2.21\%$
- Throughout the survey, timers were used to ensure participants had adequate time to read and digest the findings and could not skip to the choices without digesting the information needed to make an informed choice. In the introductory text the importance of each choice was emphasised to help motivate participants to make careful and considered decisions. Open-ended comments were also used as a way of validating the sincerity of respondents. For example, we were able to identify and remove any bots that may have made it past our captcha technology, or anyone answering too quickly or insincerely.

⁴ Please note, references to language other than English and Aboriginal and/or Torres Strait Islander reflect that of the Australian Bureau of Statistics, which was used in determining and managing quotas. All other mentions of these demographic groups in this report are referred to as culturally and linguistically diverse (CALD) and First Nations, respectively.

- Some topics covered in the qualitative research were not covered in the validation survey to reduce the overall time needed for the survey. These included carbon emissions and tariff structures during drought.
- Each participant in the online validation survey was given the opportunity to select their preference for four topic areas. This meant splitting the sample was necessary to ensure there was adequate time available for customers to digest the information presented to make an informed choice selection. The sample was split using a least filled method to ensure that the demographic breakdown of both sub samples aligned proportionally with the total sample.
- Some of the choice tables presented to customers were simplified from the qualitative research to ensure that they were user friendly and appropriate for an online validation survey format. Some of the information was also refined to ensure that minimal technical language was used and that it avoided leading customers towards any specific choice.

All research was conducted in accordance with ISO20252:2019 standards.

Appendix E contains the questionnaire.

Table 6 Quota targets and sample breakdown

Variable	Target (%)	Target (n)	Achieved (%)	Achieved (n)	Quota
Total	100%	2,000	100%	2034	Hard
Gender					
Male	50%	750	48%	981	Soft
Female	50%	750	52%	1052	Soft
Other / prefer not to say	<i>As falls</i>	<i>As falls</i>	0%	1	Soft
Age					
18-29	12%	185	13%	262	Soft
30-39	20%	300	18%	372	Soft
40-49	20%	300	17%	342	Soft
50-59	20%	300	20%	414	Soft
60-69	15%	230	18%	361	Soft
70+	12%	185	14%	283	Soft
Location					
Northern Sydney	20%	300	20%	407	Soft
Inner Sydney	25%	375	25%	505	Soft

Southern Sydney and Illawarra	20%	300	18%	374	Soft
Far Western Sydney and Blue Mountains	15%	225	16%	320	Soft
Western Sydney	20%	300	21%	428	Soft
Cultural and language diversity					
Language other than English	35%	525	28%	575	Soft
Primarily English speaking	65%	930	72%	1459	Soft
Aboriginal and/or Torres Strait Islander	3%	45	3%	66	Soft
Financial hardship					
Experiencing financial hardship	20%	300	21%	436	Soft
Other					
Living with disability	15%	225	19%	386	Soft

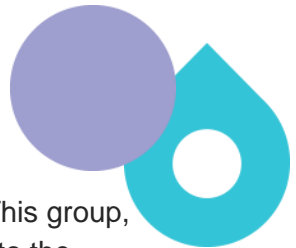

3.4.2 Customer segmentation using commitment theory

Commitment theory was applied during the quantitative research which is a special clustering technique traditionally designed to segment customers based on the degree to which they are committed to a behaviour or a change. This theory was adapted for this research to allow us to segment the customer base according to how much they value improvements being made to the water and wastewater networks (even if it means significant increases in their water bill over the next 10 years). Commitment theory, in this instance, was built off three construct pillars, these being:

- **Cognitive dissonance:** This relates to how improvements to the water and wastewater networks make customers feel, keeping in mind the potential trade-off, of a large increase in water and wastewater bills to pay for the improvements.
- **Ambivalence:** This is the degree to which customers agree that investments should be made in the water and wastewater networks despite the potential trade-off of a large increase in water and wastewater bills to pay for them.
- **Involvement:** The level of importance customers place on improving the water and wastewater networks relative to other things that are important to them.

Using carefully designed questions to encapsulate these constructs, survey respondents was segmented into five groups. Advocates and Attainers place high value on network improvements, Fluctuators and Followers place a moderate value and Difficults/Denials place a low value on network improvements. These groups are described in more detail below:

- **Advocates 4%:** Advocates see the importance of making improvements in the network and believe these improvements are worth it, even if it means paying significantly higher bills. This group would openly talk about the importance of improved water and





wastewater infrastructure and try to influence others to agree with them. This group, along with the Attainers, tend to be slightly more affluent when compared to the Difficults/Denials group, which means they are more likely to be able to afford bill increases.

- **Attainers 4%:** Attainers also appreciate the importance of making improvements in the network and believe these improvements are worth it even if it means paying significantly higher bills. They are less likely to talk about the issue openly or try to influence the opinions of others.
- **Fluctuators 23%:** Fluctuators broadly agree that making improvements to the water and wastewater system is important and, in principle, would support such activities. Having to endure significantly higher bills does dampen their enthusiasm, however, and means they are not always convinced that network improvements can be justified. Their choices can depend on the specific context, situation, or size of a bill impact. In some scenarios they might be strongly in favour and in others they might change their position and challenge the need for improvements to the network.
- **Followers 50%:** This group make up 50% of the population. At best, they exhibit luke-warm support for making network improvements given that they could lead to significant increases in water bills. When making choices, these customers have a tendency to ‘sit on the fence and accept their fate’. They see the issue as a low involvement one and they tend to feel more ambivalent about it. This is possibly because they do not know enough about the issue, are confused by the technical aspects of it, or do not feel empowered to change anything, even if they wanted to.
- **Difficults/Denials 19%:** This group cannot justify making improvements to the network, especially if it means their bills will increase significantly. They are more likely to be struggling financially or frustrated by the increasing cost of living. As a result, they are more likely to argue against any proposed improvements in the network, so that they can avoid an increase in their bills. Alternatively, they may argue that someone else should pay for them.

The value in using commitment theory, in this instance, was that it clearly demonstrates that the population is not homogenous with respect to how much it values network improvements. This enables us to split survey respondents and analyse their choices based on how much they value improvements to the water and wastewater network. Throughout the research there were notable and significant differences between those who highly value improvements, those who place a low value on improvements and those who are more in the middle.

3.5 Reporting notes

- Any mention of Greater Sydney includes the Blue Mountains and Illawarra regions.
- Any mention of customer refers to participants in our qualitative workshops and validation survey and is inclusive of homeowners, renters and people living in social or community housing

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- Direct quotes from the qualitative research have been included, to reflect findings in the report where relevant, with quote source provided. Where possible, the option choice selected by the individual customer has also been recorded to provide additional context.
 - In reporting the qualitative research findings, unless otherwise stated, the findings are consistent for all subgroups reported in that chapter.
 - Significance testing was carried out at the 95% confidence level. This means that there is a less than 5% probability that a difference occurred due to random chance alone. Where sample sizes allow (minimum n=30), significance testing was undertaken between total sample and sub-groups such as male/female or within location. Subgroup analysis of key demographics, including gender, age, and location, have only been reported where significant differences exist.

When interpreting data throughout the report, readers should note the following:

- In order to facilitate analysis, tables displaying the qualitative results from the residential customer workshops have been presented using percentages. All tables displaying the qualitative results from focus groups and in-depth interviews have been presented using the number of customers (n) who selected each option, due to their small base size.
- All qualitative data (percentage figures or number counts) reported in text is the final choice made by customers in each segment.
- Some percentages do not add up to 100%. This may be due to rounding (percentages are represented to the nearest integer), the exclusion of answers such as “don’t know” or “not applicable” or multiple response questions.
- The base size below each figure describes the respondents who were eligible to answer the question and indicates the actual number (n) who responded to the question (unweighted). Where the base is a subset of the total response, due to unique questionnaire ‘pathways’, the meaning of the base is explained.
- In order to facilitate analysis, all charts and tables displaying the quantitative results have been presented using percentages (as opposed to number of mentions).
- As mentioned in the executive summary, the methodology used is important when it comes to interpreting the preferred choices selected. The qualitative research allowed for much more in-depth explanations of the topics prior to customers making their choices, they had more time to assess the information, time to ask questions of Sydney Water experts, hear the questions and consider the points of view of other members of the public. As such, it is important to note that their choices reflect those of an educated and informed audience. Those participating in the online validation survey had a more streamlined version of the information presented in the qualitative research. On average they had 21 minutes in total to review the supporting information provided for topics and choose their preferred option. They did not have the opportunity to ask questions, nor to consult with Sydney Water experts or other members of the public.
- Both methods have merit. It is important to understand what choices an informed audience would make as long as it is recognised that the preferences of such an audience may differ

from the Greater Sydney population. The online validation survey is more likely to accurately reflect the preferences of an audience resembling the everyday population, with reasonably low levels of water literacy and less complete information. Water Literacy research conducted on behalf of Sydney Water testing the general knowledge of the community about Greater Sydney's water and wastewater networks shows low levels of general knowledge about the region's water and wastewater networks. Consequently, when interpreting results, it is best to recognise the different nature of the audiences and how the choices were presented.

Table 7 Number of customers engaged by demographic

Engagement	Number of engagements (n=45)	Number of participants (n=2,418)	CALD (n=690)	First Nations (n=85)	Financial Hardships (n=518)	SME (n=8)
Workshops	10	281	50	7	61	NA
Online Survey	1	2,034	575	66	436	NA
Focus Groups	16	85	65	12	21	8
In-Depth Interviews	18	18	NA	NA	NA	NA



4 Context

This section outlines key contextual factors that influenced or underpinned the choices customers made in relation to the service level and pricing options presented to them.

4.1 Some trust concerns about how government agencies use public funds

Customers who attended the workshops, as well as customers in the CALD and First Nations groups, expressed trust in Sydney Water to deliver a safe and reliable water supply, but they were more sceptical about how it uses customers' money, as discussed below:

- Customers trusted Sydney Water to provide safe and reliable drinking water. However, introducing the subject of bill increases and pricing structures triggered concerns about the extent to which Sydney Water could be trusted in terms of handling customer's money appropriately. For example, customers were not necessarily convinced that they could trust Sydney Water to lower bills (in a subsequent price period) if revenue had been over collected in the previous period; there was some scepticism about whether outcomes promised in return for bill increases would be delivered or delivered on time; and a feeling that local councils and Sydney Water might effectively end up double-charging customers where they had (or were perceived to have) shared responsibilities for services or infrastructure.
- This lack of trust appeared to be driven by a lack of trust in government more broadly, rather than by negative experiences or perceptions of Sydney Water specifically. In other research Sydney Water has been shown to exhibit high levels of trust from its customers with regards to delivering essential services.
- Customers were mostly unaware of IPART and its remit to ensure Sydney Water meets its obligations, including (depending on the form of regulation) returning any over-recovered funds to customers. IPART's role was explained in the introduction to each workshop, but this information was not necessarily absorbed by customers and needed to be explained again in response to customer questions. Even so, some remained concerned about whether Sydney Water would be held accountable for the use of revenue collected from customers.
- Some customers wanted transparency around whether the targets promised in exchange for bill increases would be met by Sydney Water, and if they were not met, how Sydney Water would be held accountable. Raising customer awareness of IPART's role may help to alleviate some of these concerns.



4.2 Customers did not fully understand how Sydney Water is funded

Some qualitative research customers were not necessarily aware that Sydney Water's products and services must be primarily funded by customer water bills.

- There was a lack of awareness that Sydney Water needs to recover the full cost of delivering its services efficiently through customer bills.
- Others disagreed with aspects of this funding model; although they were comfortable with customers paying for the water they used, they felt they shouldn't have to pay for additional aspects such as building new infrastructure projects (e.g. in response to population growth or climate change).
- These customers consistently questioned why their water bills were being used to pay for services that they believed should be covered by 'the government', taxes, or public money. As noted previously, customers were concerned that they might be double-charged for services by Sydney Water and local councils.
- Customers wanted to be better informed about how Sydney Water is funded and how this relates to its operation as a business. They thought this may help to address customer concerns and improve trust in the company.

4.3 Many customers were aware that Sydney's dams were full, and some questioned the value of the desalination plant and whether it was currently being used

This is likely to have impacted the choices customers made for options designed to reduce the impact of drought. This may have contributed to some customers' views that developing new infrastructure (to be used during drought) could be a 'waste of money'.

- Even though most participants were aware that Greater Sydney often experiences drought, the dams were also full at the time of the qualitative research. This may have reduced the salience and relevance of options intended to address the impact of droughts.
- Related to this, some customers believed, or had heard, that Sydney's desalination plant was not currently being used or that it had only been used occasionally since being built and had overall been a 'waste of money'. They tended to be surprised to learn that desalinated water currently contributes to 15% of Greater Sydney's total water supply and that it is used to relieve pressure on dams and help maintain water quality during periods of heavy rain.
- Communicating the role that desalination currently plays, including outside of drought, may help to increase customer support for other projects, with the same goal of improving the resilience of Greater Sydney's water supply.



4.4 High inflation and increased cost of living

High inflation (7.0% year on year in March 2023 when the research took place, as reported by the Australian Bureau of Statistics), and the upward pressure on the cost of living, influenced customers' response to potential bill increases, as well their preferences for tariff, bill, and pricing structures.

- Many customers in the workshops described how they, personally, or the broader community, were struggling to deal with higher prices for essential products and services, including food, fuel, electricity, and rent or mortgage payments.
- This was a key factor in the extent to which some were willing to consider options that required a bill increase, even if that increase was relatively small.
- Cost of living pressures were repeatedly referenced by customers and stakeholders as an explanation for why they had selected options with no bill impact / lower bill impacts.
- Customers and stakeholders, who selected options with higher bill impacts, also mentioned cost of living pressures as a drawback to their choice. However, they placed enough value in the outcome to justify the higher bill impact.
- Increases in the cost of doing business also led to Value Makers to select options only where there is a clear widescale community benefit, or a strong values alignment.

Sydney Water is also expecting notable inflationary pressures in the coming years. They estimate that in the next 10 years, Sydney Water bills may need to rise by between 4.5%-5.5% above inflationary pressures in order to maintain current standards and meet existing regulatory obligations.. This was to allow customers to focus more on how much they value the outcomes of the initiatives explored in Phase 3.



5 What we heard: Service levels choice selection

Of the 10 topics discussed in the qualitative research, six were related to service levels, and customers were asked to select a preferred service level for each topic area. The remaining four topics related to tariff and funding structures. The following topics were identified by customers as priorities for Sydney Water during Phase 1 and explored further during Phase 3.

Service levels:

1. **Water leakage**
2. **Healthy and natural waterways**
3. **Swim access, safety and pollution prevention**
4. **Carbon emissions**
5. **Creating cool, green landscapes**
6. **Resilience of our water supply system.**

Tariff and funding structures:

1. **Tariff structure**
2. **Drought tariff structure**
3. **Price structure**
4. **Funding structure**

This chapter outlines the options chosen by customers and stakeholders, the factors underpinning those choices and areas where customers needed additional clarification in order to make a choice. Again, as discussed earlier in this report, some of the factors that customers considered when choosing between the options presented were specific to a particular topic, but others tended to be considered across all topics, as summarised below:

- **Equity**
- **Status quo**
- **Value for money**
- **Importance of the outcome**
- **Willingness to pay**
- **Feasibility**
- **Responsibility**
- **The centre stage effect.**

5.1 Water leakage

Minimising water leakage was selected as a priority by customers in Phase 1 of this research. In Phase 1, customers told us they wanted Sydney Water to take measures to prevent and minimise water leakage to ensure the efficient use of water, an essential resource. It is important to note that the end outcome of minimising leakage would be a more resilient water supply. Minimising leakage may not be the most economical way to achieve this; for example, where cost of fixing leaks is more than the cost of the water lost. Even so, minimising leakage is still important to customers, as water wastage is highly undesirable to customers, especially during times of drought or when water restrictions are in place.

According to the qualitative Phase 3 results, most customers do not want a reduction in service level for leakage, even though maintaining (or reducing) the leakage target would necessitate an increase in water bills (above inflationary cost pressures). The online validation survey showed similar findings, with the majority accepting a small % bill increase in return for either maintaining the status quo or experiencing a reduction in leakage.

5.1.1 Service level preference

In the workshops, Option 2 (refer to table below) was selected by the most customers (40%). Under Option 2, Sydney Water maintained the current target for water leakage (110 ML/d) for an estimated bill increase of 2% (in addition to inflationary cost pressures). Almost as many (35%) selected Option 3, which represented an improvement in the target for leakage (to 100 ML/d), for an estimated bill increase of 4%. Around one-quarter (24%) were willing to accept a lower level of service for leakage to avoid an increase to bills (Option 1).

The online validation survey showed similar results to the qualitative research for water leakage, with Option 2 (44%) favoured slightly above Option 3 (38%), while Option 1 was the least preferred option (18%).

Table 8 Service level preferences – Water leakage

	Option 1	Option 2	Option 3
Summary	More water leakage <i>(i.e. more water leakage over time)</i>	Current level of water leakage <i>(i.e. no change in water leakage target. Target is based on the point where cost to repair leaks is equal to cost of water lost.)</i>	Less water leakage <i>(i.e. less water leakage over time)</i>

	Option 1	Option 2	Option 3
Water leakage across the network, per day	120 ML/d	110 ML/d	100 ML/d
Number of Olympic-sized swimming pools of water lost due to leakage, per day <i>(1 Olympic swimming pool = 2.5 ML)</i>	48	43	40
% of total water produced lost to leakage	8%	7%	6%
Bill impact	No increase in bills (above inflationary cost pressures)	+2% (above inflationary cost pressures)	+4% (above inflationary cost pressures)
Initial choice	24%	42%	34%
Final choice⁵	24%	40%	35%
Online Survey result	18%	44%	38%

Base: Workshop participants who indicated their initial choice (n=141); Workshop participants who indicated their final choice (n=141); Survey participants (n=1,016). Percentages have been rounded and may not add to 100%.

⁵ * A small number of participants did not mark a final choice. For these cases we assumed that a participant's final choice was the same as their initial choice (based on observations by moderators at each session). This approach was applied to all final choice results presented in this document.

Breakdown of choice preferences by demographic groups within the validation survey

Results across the population were generally consistent and there were only a few demographic variations. One of the few differences that did stand out, was that females were more likely to choose Option 2 (no change in leakage and a 2% bill increase) and males were slightly more likely to choose Option 1.

Table 9 Water leakage – online validation survey choices by gender

Survey options	Males	Females
Option 1	21%	15%
Option 2	37%	50%
Option 3	42%	35%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

There were also some differences by region, with Northern Sydney customers (who have had recent experiences of major pipe breakage) less likely to choose Option 1. Southern Sydney and Illawarra customers were more likely to choose Option 3, while Western Sydney customers were the least likely to do so.

Table 10 Water leakage – online validation survey choices by location

Survey options	Inner Sydney	Northern Sydney	Southern Sydney & Illawarra	West Sydney	Far Western Sydney & Blue Mountains
Option 1	20%	10%	12%	23%	15%
Option 2	42%	47%	37%	47%	42%
Option 3	38%	43%	51%	29%	43%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Differences by how much people value network improvements

When analysing people’s choices by how much they value network improvements, we can see that those who place the greatest value on network improvements are most likely to choose Option 3 and they are also least likely to choose Option 1 (Table 11). Those who value network improvements the least most often selected Option 2. However, they were more likely than other customers to choose Option 1. Customers who moderately value network improvements primarily chose either Option 2 or Option 3. Followers (who are typically more apathetic about such choices) leaned slightly more towards maintaining the status quo Option (Option 2), while Fluctuators (who often find themselves torn between the different choices and unable to decide) were more likely to select Option 3.

Table 11 Water leakage – online validation survey choices by how much people value improvements in the water and wastewater network.

Survey options	Place high value on network improvements		Place moderate value on network improvements		Place low value in making network improvements
	Advocates	Attainers	Fluctuators	Followers	Difficults/ Denials
Option 1	4%	17%	13%	14%	37%
Option 2	28%	37%	39%	48%	44%
Option 3	67%	46%	48%	38%	19%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Reasons for their choices

Value for money, affordability and the intrinsic value of water were key factors considered by customers when selecting their preferred service level for water leakage in the workshops, as shown in





Table 12. When choosing between the three options, few customers seemed to weigh up the cost of producing the water lost to leaks, with the cost of repairing or preventing leaks. This indicates that customers' decision making was influenced more by their perception of water as a precious resource that shouldn't be wasted, than by a rational economic assessment of the cost / benefit of repairing leaks compared to alternatives, such as increasing water resilience by adding more supply from new sources.

Table 12 Reasons for service level preference – Water leakage

	Customers who selected this option indicated they did so because....
Option 1 More Water Leakage	<p>Willingness to pay – some thought bills simply shouldn't be increased (especially in the context of increasing costs of living).</p> <p>Responsibility – there was a view that customers shouldn't have to pay now for what was perceived as Sydney Water's poor maintenance in the past.</p> <p>Value for money – the reduction in leakage under the other options was perceived to be relatively small (i.e. 8% of total water produced lost to leakage under Option 1 was not perceived to be hugely different to 7% under Option 2 or 6% under Option 3).</p> <p>Importance of the outcome – they believed that some leakage is inevitable, and leakage is not a problem when not in drought.</p>
Option 2 Current level of water leakage	<p>No reduction in service – they did not want service to 'go backwards.'</p> <p>Comfortable with the status quo –they were comfortable with the current level of service, however, not currently being in drought was a factor.</p> <p>Affordability – the projected bill increase under Option 2 was considered relatively small and was palatable to those who picked this option.</p>
Option 3 Less water leakage	<p>Water is a precious resource and shouldn't be wasted – they felt the more that is done to reduce wastage, the better.</p> <p>Value for money – a 4% increase was perceived to be relatively small in terms of total dollars (per quarter) and/or when compared to other outgoings.</p> <p>Value for money in acting now – if repairs aren't paid for now, the cost of maintenance in the future could be higher.</p>

Base: Workshop participants who indicated their final choice (n=141).

If I were to consider this question from a community perspective, I would answer 2 or 3 but selecting what is best for me means what has lowest price.

Residential customer | Sydney CBD workshop (Option 1)

Option 3 is tempting, to improve infrastructure and conservation of water, but with rate rises and cost of living increases, it's just not affordable.

Residential customer | Penrith workshop (Option 2)

Look to the future - protect water supply - greater impact of global warming.

Residential customer | Wollongong workshop (Option 3)



Reasons customers selected each option in the online validation survey

Analysis of the open-ended responses in the validation survey show similar reasons for preference to what was provided in the qualitative research.

The main reasons provided for selecting Option 1 (no bill increase but increased leakage – preferred by 18% of online validation survey respondents) include:

- **Financial struggles and affordability:** These customers often mentioned that they are facing financial difficulties, have limited income, and cannot afford any increase in water charges due to the high cost of living and other expenses.
- **Low willingness to pay and wanting no increase in bills:** They also had desire to avoid any increase in their water bills. Respondents see Option 1 as the one that will not lead to additional costs.
- **Questions about who is responsible for leakage:** Some chose Option 1 as they thought fixing leaks should not be the responsibility of customers, and they did not want these costs covered by water bills.
- **A perceived insignificance of efforts to reduce leakage:** Some expressed the view that the reduction in water leakage between Options 1 and 2 or 3 is not substantial enough to justify an increase in bills.

At this point in time, we all are struggling paying our existing bills, paying the mortgage, cost of living is too high. We will not be able to keep up with extra payments anymore.

- **Online Survey** | Male, 40-49, Far Western Sydney & Blue Mountains

With the inflation rate now, it is difficult for the community to bear any additional cost of living.

- **Online Survey** | Female, 40-49, Inner Sydney


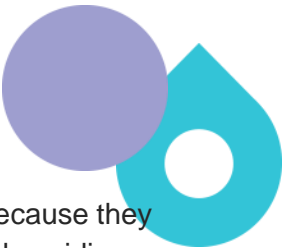
There was only a difference of five Olympic swimming pools per day between this option and keeping the same number of leaks already. The increase in bill is not worth it with the cost of living at the moment.

- **Online Survey** | Male, 30-39, Inner Sydney

Online validations survey (Option 1)

The main reasons for selecting Option 2 (current levels of leakage remain and bills increase by 2% – preferred by 44% of online validation survey respondents) include:

- **Not wanting to see a reduction in service:** Many respondents considered the slight increase in water bills to be an acceptable trade-off to avert a potential increase in leakage.

- 
- 
- **Wanting to take a balanced approach:** Many respondents chose Option 2 because they believe it strikes a balance between addressing the issue of water leakage and avoiding a substantial increase in water bills. They see it as a middle-ground option that maintains the current status quo and avoids going backwards.
 - **Climate change and water conservation:** Some respondents mentioned the importance of conserving water due to climate change and its potential impact on water availability. They view Option 2 as a reasonable choice in managing water resources even considering the cost implications.

We cannot allow the situation to get worse. Water is an important commodity in Australia.

Online Survey | Female, 70+, Financial Hardship, Far Western Sydney & Blue Mountains

We have to be realistic about the amount of hidden leakage, and it is not possible to be able to repair everything. But a small increase and some maintenance is a good balance.

Online Survey | Male, 40-49, Western Sydney

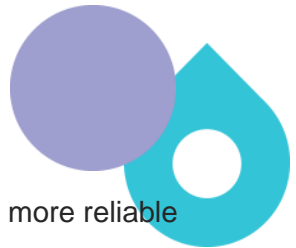

With the climate crises only due to get worse including longer drought periods saving water will become critical moving forward.

Online Survey | Male, 40-49, Far Western Sydney & Blue Mountains

Online validations survey (Option 2)

The main reasons for selecting Option 3 (decrease in leakage and a 4% bill increase – preferred by 38% of online validation survey respondents) include:

- **Prioritising water conservation and sustainability:** Many respondents emphasised the importance of conserving water as a precious and scarce resource, especially in a dry country like Australia. They believe that reducing leakage will help save water for future use, particularly during droughts and climate change impacts.
- **Concerns about the environment:** Another significant reason cited was the environmental impact of water leakage. Respondents expressed their desire to minimise water wastage to protect the environment and reduce the damage caused by leaks to properties and infrastructure.
- **The long-term cost savings from infrastructure maintenance:** Respondents recognised that, although Option 3 comes with a 4% increase in water bills, they see it as a worthwhile investment to prevent major issues in the future. They believe that proactive maintenance




and reducing leaks now, will lead to cost savings in the long run and ensure a more reliable and sustainable water supply.

- **Concerns about drought and water security:** Some respondents expressed concerns about drought and the need to secure water resources. They believed that reducing leakage would help with water resilience during droughts and improve water security for the future.




- We need to save water as it's vital for life to survive. The cost is secondary, it is only 4%.

- **Online Survey** | Male, 70+, Southern Sydney & Illawarra




- If Sydney water invest in repairing leaks now, I assume that would mean a short to medium term increase in costs, but longer-term savings for future generations. Water is a precious commodity and should not be wasted. A 4% increase is still minor compared to other expenses.

- **Online Survey** | Female, 30-39, Northern Sydney



- Leakage is waste, which comes with its own set of costs. In times of drought the waste impact is more important.

- **Online Survey** | Female, 50-59, Inner Sydney





Online validations survey (Option 3)

5.1.2 Customer questions

Customers in the workshops had the opportunity to ask Sydney Water representatives questions to help them fully understand the topics and options. Questions raised in relation to water leakage are detailed below, along with some areas of confusion raised by customers or observed by the Kantar Public moderators.

The questions provide additional insight into customers' thought processes, as well as areas of confusion, that may need to be addressed. Variations on the following six question areas were asked in multiple workshops (in which water leakage was covered):

- **Responsibility** – why do customers have to pay for Sydney Water to repair/maintain pipes and/or could other funding be used to pay for this instead (e.g. government funding)? These questions reflected a finding, noted in section 4.2, that some customers were not clear about how Sydney Water is funded and/or disagreed with it being funded solely via customer bills.
- **Implications of leakage** – what is the impact of/problem with leakage (financial or environmental)? These questions highlighted that customers did not appear to consider that the point where costs to repair leaks, equal the cost of the water lost to leakage, was



also the target set under Option 2 (despite being stated in the choice table). Some also wanted to understand if there were any environmental impacts of leakage.

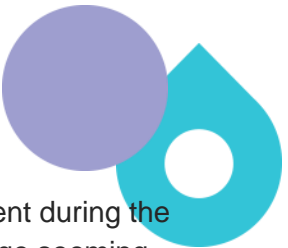

- **Timing** – questions about timing were common throughout the workshops, both in terms of the time frame for delivering the services/outcomes included under each option and the timeframe over which bill increases would apply or potentially be removed.
- **Maintenance** – why is this an issue now / why hasn't Sydney Water prevented this? This question reflects the assumption made by some customers that Sydney Water must have failed to properly maintain pipes and other assets over previous periods and, therefore, customers should not have to pay for replacements/repairs.
- **Value for money** – Is this option good value for money? As explained in the context section, customers were trying to assess the value for money represented by each option, by looking at what was involved in delivering each outcome, in relation to the bill increase.
- **Accountability** - is it guaranteed that Sydney Water will reduce leaks / will the bill increase actually go to fixing leaks or to profits? These questions were linked to some participants not fully trusting Sydney Water (or government more broadly) to handle customer money appropriately. As noted previously, coming into the workshops many customers lacked awareness of IPART and its regulatory role.

[We] need to know impact of water leakage – does it just go back to environment anyway?

Residential customer | Sydney CBD workshop (Option 1)

The following questions were also raised, albeit less frequently than the ones above:

- How do these targets compare to leakage levels/targets in other cities?
- Does increased population result in more leakage and has this been accounted for in the options?
- How accurate is the leakage figure / how do you know how much leakage there is?
- What will Sydney Water be doing/ investing in to reduce leaks?
- Is Sydney Water achieving the current target?
- Is three Olympic swimming pools a day significant difference – how does this amount of water equate to 'major leaks'?
- If Sydney Water can save water under Option 2 and Option 3, would there be a possibility that the water saved in the dams would just be released because the dam levels are too high?
- Wouldn't the extra income from 'the meters' added [as the population grows] cover any leakage costs?



In addition to these questions, some areas of confusion or uncertainty became apparent during the workshops. Firstly, a number of customers talked about the idea of a ‘target’ for leakage seeming counter-intuitive. In their mind, a target implied something to aspire to, whereas leakage was something to be avoided. They felt a target needs to do more to emphasise that the goal is leakage minimisation.

One workshop participant noted in their workbook that the amount of leakage in the table was per day, so the difference between the three options in terms of the volume of leakage was actually higher than people might think at first glance.

[The] key word is "per day". While it seems to be not big difference between the three options we need to remember that difference is on a daily basis. Over time that difference in water leakage is massive.

Residential customer | Wollongong workshop (Option 3)

5.1.3 Qualitative Research: Key sub-groups

The water leakage service level preferences for key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the residential customer workshops.

Culturally and Linguistically Diverse (CALD) customers

Few participants in the CALD focus groups were willing to accept a reduction in service levels for leakage. As in the general residential customer workshops, most favoured either a 2% bill increase (above inflationary cost pressures) to maintain the status quo, or a 4% bill increase to reduce the leakage target, as shown in the table below. The reasons given by CALD customers for selecting each of the options were also similar to those given in the workshops.

However, a higher number of Arabic-speaking customers (four out of six focus group participants) selected Option 1. The reasons given by customers in the Arabic-speaking group who selected Option 1 reflected those given by the workshop participants who selected this option (suggesting an apparent skew towards Option 1 is likely related to the small sample size, rather than due to cultural factors). Specifically, although they would ideally like to reduce leakage (to avoid wasting a precious resource), they felt that customer bills should not be increased at a time when many people are struggling financially. Also, they felt that customers were already paying a water usage charge and shouldn't be charged more on top of this to cover repairs.

Some of the customers in this group thought that the quicker repairs got fixed, the less cost would be passed on to the consumer. There may be some misinterpretation in how customers perceived leakage as a target (as discussed above). An example of this may be that some customers missed that the cost to repair leaks is equal to the cost of water lost (i.e. breakeven point). There was additional discussion in this group that the 5 Olympic size swimming pool wastage difference between Option 1 and 2 was not much – again suggesting they may have missed that this was a *daily* wastage figure.

Table 13 Service level preference – Water leakage: Culturally and Linguistically Diverse customers

Language spoken	Option 1 More water leakage	Option 2 Current level of water leakage	Option 3 Less water leakage
Arabic (n)	4	1	1
Cantonese (n)	1	3	1
Greek (n)	1	1	3
Korean (n)	1	5	1
Mandarin (n)	-	4	-
Vietnamese (n)	-	2	4
Total (n)	7	16	10

It is better in the long term to invest in better preventative measures so it will have a good impact in the future.

Vietnamese-speaking customer | Focus group

It's only 5 Olympic size swimming pool difference between Option 1 and 2, so it's not a huge amount, so that does not need to have a big impact on our bills, and everyone is struggling as it is.

Arabic-speaking customer | Focus group

I am inclined to opt for either Option 1 or 2 as I find Option 3 to result in a substantial increase in my bill without offering significant enhancements to the service.

Cantonese-speaking customer | Focus group

I'd choose Option 2 as I wouldn't want my water bill to increase too much, but at the same I also don't want to waste more water.

Mandarin-speaking customer | Focus group

First Nations

All six customers in the First Nations group that considered water leakage (Guide A) selected Option 2. They believed that investment was required to cope with increased heavy rainfall and other impacts of climate change and Option 2 felt affordable (2% bill increase). They were reluctant to select Option 3 due to concerns about the bill increase required and/or concerns about additional funding not being well targeted, or being caught up in administrative costs, rather than fixing leaks and improving the infrastructure (i.e. a lack of trust in how the money would be spent).

Table 14 Service level preference – Water leakage: First Nations customers

	Option 1 More water leakage	Option 2 Current level of water leakage	Option 3 Less water leakage
First Nations (n)	-	6	-

You can't build on crumbling water infrastructure. Good example when we have more than two days of rain there is so much flooding. I believe this is because of the old pipes in the ground and replacing them is not financially feasible. Maybe they need to build new ones.

First Nations customer | Focus group (Option 2)

We save 5 Olympic Park pools and that is good enough for now.

First Nations customer | Focus group (Option 2)

Sydney Water need to prove they can do this with more money. When paying more money [as in Option 3] this doesn't mean more less leaks fixed or improved outcomes. Extra money gets tied up with more paperwork sometimes, they need to see if Option 2 works first and Sydney Water can meet their targets first.

First Nations customer | Focus group (Option 2)

Small to Medium Sized Enterprises (SMEs)

Of the four SMEs who participated in the focus group, two selected Option 1 for leakage and two selected Option 3. The reasons given by the SMEs for selecting these options mirrored some of those provided by residential customers. Those selecting Option 1 felt that leakage was due to Sydney Water inefficiencies, so they believed customers shouldn't have to pay for this via their

bills. Those selecting Option 3 did so because they perceived water bills to be relatively low compared to other businesses expenses, so a four percent increase was affordable and worthwhile to minimise water wastage.

Table 15 Service level preference – Water leakage: SME customers

	Option 1 More water leakage	Option 2 Current level of water leakage	Option 3 Less water leakage
SMEs (n)	2	-	2

This is a structural issue they need to sort out.

SME customer | Focus group (Option 1)

5.1.4 Stakeholders

Two of the three Value Makers interviewed about leakage were comfortable tolerating a higher leakage target (a reduced service level) in exchange for no bill increases beyond inflation. The current economic environment was placing pressure on Value Makers and although important, leakage was seen as something that is bound to happen in a network the size of Sydney Water's, and, therefore, tolerance for more leakage was a trade-off Value Makers were willing to accept.

Responses from Service Critical High Business Customers covered all options. One such customer chose Option 1 because their company benefited from water harvesting when a leakage occurred up stream of their catchment. They tapped into the clean water leakage and used it for irrigation for councils. Two chose Option 2 because they couldn't justify the 4% increase associated with Option 3 and because they account for leakages on their own site whilst trying to reduce their own water usage. Three Service Critical High Business Customers chose Option 3 as they considered the age of the network and its condition to be something that needs to be rectified immediately to avert future disasters.

Table 16 Service level preference – Water leakage: Stakeholders

	Option 1 More water leakage	Option 2 Current level of water leakage	Option 3 Less water leakage
Value Makers (n)	2	1	-
Service Critical High Business Customers (n)	1	2	3
Major Developers (n)	N/A	N/A	N/A
Total (n)	3	3	3

Note – Major Developers were not asked to consider the options under water leakage.

I'd choose Option 1 - no increase in bills, I don't want to pay more. It's hard enough now to make profit, and I know that there's leakages. Leakages in pipes is inherent, it's the nature of the beast, machines break down, they've got to be fixed. To me, they can decrease the target rather than bills increasing.

Value Maker | In-depth interview

110ML is a lot of water – 43 pools. I wouldn't want that to decrease. It's a slippery slide there if you start looking at letting go of quality control... I'd be leaning towards Option 2 to be honest. Seems to be still managing the leakage situation and taking into consideration the juggling act of the economy at the moment. It's a tough answer – my preference would be to go with Option 3 but I understand the impact it'll have on a lot of people moving forward, which is why I've compromised at Option 2.

Value Maker | In-depth interview

If Option 2 isn't viable from a cost perspective, I'd rather lose a bit more water and keep the bills down. 48 to 43 [Olympic pools] is a lot of water, but not worth the extra 2%.

Value Maker | In-depth interview

We are doing a lot of stormwater harvesting and it happens a lot that we get very clean water in the storm water lines when there is Sydney Water leakage up stream of our catchment. And we do it for four councils... We have our intakes

downstream of a lot of these leakages and they basically tap into very clean water and use it for irrigation...So again, if there is no increase in the bill, then I can harvest more water.

Service Critical High Business Customer | In-depth interview

We account for leakages on our own site whilst also trying to reduce our own water usage, we can absorb some costs but to stay profitable 4% is too large an increase.

Service Critical High Business Customer | In-depth interview

From a maintenance background, you need to go with Option 3. It's if you don't do anything, we just keep doing the same. The networks just getting older and it's just going to get worse.

Service Critical High Business Customer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 17 Summary Table of preferred options for the water leakage topic

	Option 1 More water leakage Bill impact 0%	Option 2 Current level of water leakage Bill impact +2%	Option 3 Less water leakage Bill impact +4%
Workshops final choice		Preferred option	
Online survey		Preferred option	
CALD		Preferred option	
First Nations		Preferred option	
SMEs	Preferred option (equal)		Preferred option (equal)
Value Makers	Preferred option		

	Option 1 More water leakage Bill impact 0%	Option 2 Current level of water leakage Bill impact +2%	Option 3 Less water leakage Bill impact +4%
Service Critical High Business Customers			Preferred option

Base: Workshop participants who indicated their final choice (n=141), Online survey (n=1,016), CALD customers (n=33), First Nations (n=6), SMEs (n=4), Value Makers (n=3), Service Critical High Business Customers (n=6).

5.2 Healthy waterways

In Phase 1, customers told us that maintaining the health of waterways is crucial, that they valued waterways as a place for nature, and don't want to see them polluted.

As shown in Table 18, almost three-quarters (73%) of the residential customers in the workshops wanted Sydney Water to improve the service level for healthy waterways above the current level (Option 1). The largest group of customers (39%) selected Option 2, which represents a moderate increase in the service level for healthy waterways, in exchange for an estimated bill increase of 6%. The remaining customers were split between Options 3 (18%) and 4 (14%). Around one quarter (26%) selected the current service level (Option 1) which represented no change to their bill.

The options in the online validation survey were simplified in terms of language and content presented, as well as showing only three options instead of four. This was to ensure that respondents were still able make a choice without the benefit of an in-depth information sharing session. Option 1 and 2 in the survey were equivalent to Option 1 and 2 in the workshops, whereas Option 3 in the survey was most similar to Option 4 in the workshops.

Despite this, the results in the survey were similar to the qualitative research, with most participants split between Option 1 (45% wanted to maintain the visual appeal and attractiveness of waterways at their current levels, with no bill increase) or Option 2 (46% wanted to see a moderate improvement in return for a moderate bill increase of 6%). As with the qualitative research, only a minority (10%) were prepared to experience a 20% bill increase in exchange for a significant increase in the attractiveness and visual appeal of Greater Sydney's waterways.

Table 18 Service level preference – Healthy waterways

	Option 1	Option 2	Option 3	Option 4
Summary / change to service level	Current	Increase	Increase	Increase
Length of concrete channel naturalised, per year	800m (when needs replacing)	1.6km (brought forward slightly)	2.4km (brought forward)	3.2km (brought forward & work on other stormwater assets)
Length of riverbank restored, per year	600m (trial only)	1.2km	2.4km	4.8km
Wetlands, raingardens, bioretention, coastal or marine ecosystem restoration per year	0.85ha	2ha	3ha	4ha

Number of extra stormwater quality improvement devices (SQIDs), per year	Up to +4	+8	+12	+16
Amount of litter + pollutants (sediment) captured from stormwater (per year) and prevented from going into the oceans/rivers/waterways	1500m ³ of litter + 1500 tonnes of sediment	1600m ³ of litter + 1600 tonnes of sediment	1700m ³ of litter + 1700 tonnes of sediment	1800m ³ of litter + 1800 tonnes of sediment
Stormwater harvesting projects (improving waterway health by reducing speed and volume of run-off)	-	1 project 500ML/year (20 Olympic pools)	2 projects 1000ML/year (40 Olympic pools)	3 projects 1500ML/year (60 Olympic pools)
Reduction of wastewater overflows in wet weather (by fixing customers' plumbing or stopping rain getting into our system), per year	1%	1.25%	1.5%	2%
Pipes relined to stop leaks and prevent pollution, per year	10km	15km	20km	30km
Bill impact	No change (above inflationary cost pressures)	+6% (above inflationary cost pressures)	+12% (above inflationary cost pressures)	+20% (above inflationary cost pressures)
Initial choice	27%	45%	18%	10%
Final choice	26%	39%	20%	14%
Survey options	Option 1	Option 2	Option 3 (Aligns closest to Option 4 in qual)	
Choices were simplified in the online survey and presented differently. This was due to time constraints in online surveys and to help	Maintain the current attractiveness and visual appeal of Greater	Deliver a moderate increase attractiveness and visual appeal of Greater	Deliver a significant increase attractiveness and visual appeal of Greater Sydney's waterways. +20% increase in bills	

respondents with selecting an answer.	Sydney's waterways. No change in bills	Sydney's waterways. +6% increase in bills	
Survey result	45%	46%	10%

Base: Workshop participants who indicated their initial choice (n=139); Workshop participants who indicated their final choice (n=140); Survey participants (n=1,016). Percentages have been rounded and may not add to 100%.

Online validation survey breakdown by demographics

The breakdown of the preferences from the online validation survey was consistent across the population, with few significant differences by demographic. The only group, where there was a notable difference, was amongst those who are experiencing financial hardship. This group was significantly more likely to choose Option 1, which has no bill change (see Table 19). Interestingly almost one third of this cohort valued waterway health enough to justify a 6% increase in bills in exchange for a moderate improvement.

Table 19 Healthy waterways – online validation survey choices by financial status

Survey options	Experiencing financial hardship	Not experiencing financial hardship
Option 1	61%	40%
Option 2	31%	50%
Option 3	8%	11%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

When analysing people's choices by how much they value network improvements, we can see that those who place the greatest value on network improvements are most likely to choose Option 2. That being said, a large proportion of this group would also select Options 1 and 3. Those who value network improvements the least were most likely to choose Option 1 and those who moderately value network improvements were most likely to choose Option 2.

Table 20 Healthy waterways – online validation survey choices by how much people value improvements in the water and wastewater network

Survey options	Place high value on network improvements		Place moderate value on network improvements		Place low value in making network improvements
	Advocates	Attainers	Fluctuators	Followers	Difficults/ Denials
Option 1	24%	36%	35%	42%	68%
Option 2	43%	42%	51%	50%	29%
Option 3	33%	22%	14%	8%	3%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Reasons for their choices

Value for money, affordability, and aesthetics in/around waterways, as well as the perceived importance of preventing pollution entering waterways, were key factors considered by customers when selecting their preferred service level for healthy waterways in the workshops. Much of the discussion among customers focused on the aesthetic aspects of each option (concrete channels and litter in waterways).

Customers in the workshops tended to feel that Option 3 and 4 represented a steep increase in bills (20% for Option 4) that many people would struggle to pay, particularly in the context of rising inflation. In addition, some queried the value for money represented by Option 2, 3 and 4, as they thought the increase in service level seemed modest compared to the bill impact. In one workshop, Sydney Water indicated that the stormwater harvesting projects comprised a relatively large portion of the bill increases under Option 2, 3 and 4 (in response to a customer question). This led to customers in that workshop expressing interest in the bill impacts of these options if the stormwater harvesting component was removed – although they supported stormwater harvesting in principle, some were surprised by how much it cost and felt this did not represent good value for money.

Customers in the workshops were asked to think about the possible drawbacks of the options they had selected. Those that had prioritised improved service levels (e.g. Options 3-4) often identified bill increases as the main drawback (albeit a lower priority). In contrast, those who had prioritised keeping bills lower (e.g. Options 1-2) identified not doing more to improve the health of waterways as the main drawback.

Table 21 Reason for service level preference – Healthy waterways

	Customers who selected this option indicated they did so because....
<p>Option 1 Current service level</p>	<p>Value for money – these customers saw value for money as low for options 2-4, as these options required relatively large bill increases for what appeared to be only small improvements in service.</p> <p>Willingness to pay – these customers thought bills should not be increased (especially in the context of the higher cost of living).</p> <p>Comfortable with the status quo – they saw no pressing need to improve service.</p> <p>Responsibility – some felt that local councils should be paying for stormwater related elements, as this is usually their responsibility and out of scope for Sydney Water. Others felt that the state or federal government should pay for service improvements rather than customers. A few participants would prefer that more focus is placed on preventative measures to minimise behaviours that degrade waterways, rather than cleaning them up once degraded.</p> <p>Equity – some don't live near waterways so wouldn't benefit from increased service level (Options 2-4).</p> <p>A few questioned the feasibility of Options 2-4, as they thought large scale stormwater harvesting had not been tried and tested.</p>
<p>Option 2 Increase in service level</p>	<p>Importance of the outcome – these customers wanted to do 'something' positive for the environment, but this had to be balanced with what people can afford to pay.</p> <p>Willingness to pay – a 6% increase in bills under Option 2 was considered acceptable/affordable, but 12% or 20% under options 3 or 4 was often too high.</p> <p>Value for money – some noted that the value for money reduced or that there appeared to be diminishing returns as they moved to options 3 and 4 (e.g. the bill increase doubled in Option 3, but the length of relined pipe did not double).</p> <p>Responsibility – some felt that local councils should also contribute to service level improvements (so they were not willing to accept higher bill increases under Options 3 and 4).</p> <p>Feasibility – some were not convinced Option 4 would be achievable, whereas Option 2 seemed more feasible.</p> <p>Avoid wastage – Some wanted to see stormwater used rather than wasted (e.g. could use in agriculture).</p>
<p>Option 3 Increase in service level</p>	<p>Importance of the outcome – these customers wanted to do 'something' positive for the environment/future generations/to create aesthetically pleasing surrounds, but this has to be balanced with what people can afford to pay.</p> <p>Willingness to pay – a 12% increase in bills under Option 3 was considered acceptable/affordable, but 20% under Option 4 was too high.</p>

	<p>Value for money – Option 3 was perceived to be more cost effective (best “bang for your buck”).</p> <p>Feasibility – some were not convinced Option 4 would be achievable, whereas Option 3 seemed feasible.</p>
<p>Option 4 Increase in service level</p>	<p>Importance of the outcome – these customers valued social responsibility; they wanted to do everything they could to protect the environment for future generations.</p> <p>Wellbeing and mental health – they recognise the benefits of aesthetically pleasing surrounds.</p> <p>Willingness to pay – they see water bills as not that large in the wider scheme of things, so a 20% increase on that felt affordable.</p> <p>Value for money – they viewed the outcomes achieved for the bill increase as ‘worth it’.</p>

Base: Workshop participants who indicated their final choice (n=140); Survey participants (n=1,016). Percentages have been rounded and may not add to 100%.

Do not like the 20% increase in bill, but Option 4 should be a priority. So how do I pick an option? My option is '4' but without the 20% bill rise. Is that option "5"?!

Residential customer | Hornsby workshop (Option 1)

Big changes, smallest cost.

Residential customer | Penrith workshop (Option 2)

A balance between the highly desirable Option 4 and affordability.

Residential customer | Hornsby workshop (Option 3)


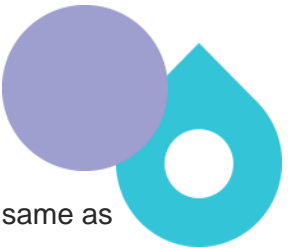
Caveats / other options

Some customers suggested the difference between the bill impacts under each of the options presented in the workshops was too great and that they would have preferred to have chosen from a wider range of options with smaller differences between them.

Reasons customers selected each option in the online validation survey.

Analysing open-ended responses indicates that the main reasons for selecting Option 1 (current service level and no change in bills – preferred by 45% of online validation survey respondents) include:

- **Financial constraints and low willingness to pay:** Many of these customers mentioned that they cannot afford any increases in their water bills. The cost of living is already high, and they are struggling with other expenses, making this option most appealing to them.

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- **A desire for stable bills:** These customers prefer to keep their water bills the same as they are currently; this option provides a level of certainty.
 - **A degree of comfort with the status quo:** Some customers expressed satisfaction with the current state of waterways and do not see a need for any change. They view the current service level as sufficient and do not prioritise the enhancements proposed in the other options.

I don't think the population can afford additional cost increases over and above inflationary pressures, which are large, at the moment.

Online Survey | Female, 60-69, Financial Hardship, Northern Sydney

I like to keep the cost down and I am satisfied with the current arrangement.

Online Survey | Male, 60-69, Chinese-speaking, Financial Hardship, Inner Sydney

Cost of living is high enough we don't need to add extra on our water bills for the attractiveness and as we know our water is one of the best in the world health wise.

Online Survey | Female, 30-39, Financial Hardship, Southern Sydney & Illawarra


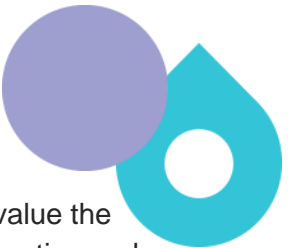
Amidst the current inflationary pressures, Sydney Water's main priority should be ensuring their customers can have a manageable water bill. Compared to other factors, the attractiveness and visual appeals of waterways are not as important.

Online Survey | Female, 18-29, Chinese-speaking, Inner Sydney

Online validations survey (Option 1)

The main reasons for selecting Option 2 (increased visual appeal and a 6% bill increase – preferred by 46% of online validation survey respondents) include:

- **They are willing to withstand a moderate increase in bills:** Many of these customers expressed that a 6% increase in their water bills is more reasonable and manageable compared to the 20% increase proposed in Option 3. They acknowledge the need for improvements, but prefer a balanced approach that doesn't burden households with significant cost increases.
- **The importance of improving and maintaining waterway health:** Some customers believe that it's essential to make improvements to waterways, especially for environmental reasons and to maintain the health of waterway ecosystems. They understand the need to address current issues and maintain waterway health standards to avoid more significant expenses in the future.

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- **Customers valuing visually appealing waterways:** While some customers value the environmental benefits, they also see the value in making waterways more attractive and visually appealing. They feel this option strikes a good balance between environmental sustainability and cost.

I believe these areas need to be maintained and they probably need a small monetary increase. 20% is too expensive, so a 6% increase would be better than doing nothing.

Online Survey | Female, 50-59, Inner Sydney

I would love the highest improvement but the increase in cost may be too much for people to accept.

Online Survey | Female, 50-59, Northern Sydney

We need to manage our waterway and improve waste management however I cannot see how we can accept 20% cost increase.

Online Survey | Female, 30-39, Northern Sydney

This option was selected as it provides a good balance in improving our waterways and eco-systems whilst also not putting a large impact on water bills considering the current economic climate.

Online Survey | Male, 18-29, Far Western Sydney & Blue Mountains



Sydney Water does a fair job already. It needs some improvement, but it doesn't need to be the botanic gardens. A 20% increase is too much for a slight increase in system health.

Online Survey | Female, 60-69, Southern Sydney & Illawarra

Online validations survey (Option 2)

The main reasons for selecting Option 3 (broadly increased visual appeal and a 20% bill increase – preferred by 10% of online validation survey respondents), include:

- **The importance of improving attractiveness and visual appeal:** These customers expressed the desire to make waterways cleaner, more appealing, and beautiful places to visit. They believe that enhancing the visual appearance of waterways is important for the well-being and enjoyment of the community.
- **The importance of improving the health of waterways and concerns about the environment:** These customers highlighted the importance of maintaining healthy waterways for human health and the environment. They emphasised that investing in



waterway health and sustainability is crucial and will deliver long-term benefits that help mitigate the impacts of pollution and degradation.

Because it delivers and sustains an enhanced improvement in water ecosystem health.

Online Survey | Male, 30-39, Inner Sydney

Natural waterways are essential for the environment and allow better diversity of flora and fauna, as well as making our own lives better.

Online Survey | Male, 70+, Far Western Sydney & Blue Mountains

It is investment for future generations and will be enjoyed for many years to come.

Online Survey | Female, 50-59, Northern Sydney



Online validations survey (Option 3)

5.2.1 Customer questions

Customers in the workshops had the opportunity to ask Sydney Water representatives questions to help them fully understand the topics and options. Questions raised in relation to water leakage are detailed below, along with some areas of confusion raised by customers or observed by the Kantar Public moderators. The questions provide additional insight into customers' thought processes, as well as areas of confusion that may need to be addressed in the Phase 4 design and research instruments. Variations on the following 4 question areas were asked in multiple workshops. As seen for the other topics, questions were around issues of equity, responsibility, value for money and timing:

- **Equity** – Where are the projects located and who are they impacting? How do you decide who gets Stormwater Quality Improvement Devices (SQIDs), for example?
- **Responsibility** – Why does the customer have to pay for this? Why is Sydney Water paying rather than the government/council? Don't we already pay for this via taxes?
- **Bill impact/value for money** – Why is there a big jump in bill increase for what seems like small improvements? Customers were often trying to gauge whether each of the options represented value for money by considering what was involved in delivering the stated outcomes, but they felt it was hard for them, as laypeople, to perform this cost vs benefit assessment.
- **Timing** - Over what period of time would the price increases apply? Once the infrastructure is in place would the costs (to customers) go down? Is the bill increase compounded over the years or a one-off increase that is eventually removed?

The following questions were also raised, albeit less frequently than the ones above:

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- Is there water quality monitoring on the stormwater in drains?
 - Does Sydney Water harvest the stormwater or someone else (e.g. councils)? What is the interaction between Sydney Water and council(s)?
 - Would each of these options require extra energy to deliver / what is the implication for carbon emissions?
 - If you removed stormwater harvesting, but kept everything else what would the bill impact be?

I think these numbers are fairly meaningless to the average person! How many SQIDS per year is appropriate is very hard to gauge.

Residential customer | Parramatta workshop

5.2.2 Qualitative Research: Key sub-groups

Service level preferences for healthy waterways across the key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option when compared to the reasons given in the residential customer workshops.

Culturally and Linguistically Diverse customers

Similar to participants in the residential customer workshops, participants in the CALD focus groups tended to select maintaining the status quo, under Option 1, or the small increase in service level provided at a bill increase of 6%, under Option 2. The reasons for selecting these options related closely to the reasons provided by customers in the workshops, particularly a low willingness to pay for what was perceived to be smaller improvements to the current service level at options 3 and 4 for a disproportionate bill increase (12% and 20%, respectively). Option 1, as the status quo, was also perceived as adequate in providing improvements toward healthy natural waterways, so further investment was not necessarily needed.

Results were relatively even across the CALD groups, although higher numbers of customers in the Arabic, Cantonese, and Greek speaking groups selected Option 1 due to concerns about their willingness and capacity to pay. In the Vietnamese-speaking group, one participant selected Option 3, indicating they had a higher willingness to pay for things that benefit the environment. They also noted that they already paid a high amount for their water bill. The reasons provided above tend to reflect the feedback provided by the general population at workshops, and there was no evidence to suggest that cultural factors drive any notable differences.

Similarly to the workshop participants, when interpreting the options, customers across the CALD groups questioned whether it is Sydney Water's responsibility to deliver healthy waterways. Again, there were questions around the role of local councils and/or the government in major infrastructure investment and how taxpayer funds may contribute to these types of investments. There was some additional scepticism from some customers in the Mandarin and Vietnamese-speaking groups on whether the additional money collected from customers would be honestly and effectively used to contribute to the project.

Table 22 Service level preference – Healthy waterways: Culturally and Linguistically Diverse customers

Language spoken	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
Arabic (n)	4	2	-	-
Cantonese (n)	4	1	-	-
Greek (n)	4	1	-	-
Korean (n)	3	4	-	-
Mandarin (n)	2	2	-	-
Vietnamese (n)	2	3	1	-
Total (n)	19	13	1	-

Naturalised waterways look more pretty, it's also healthier for us, less pollution is healthy and good for our wellbeing, nature is a good thing for us, physically and mentally.

Arabic-speaking customer | Focus group

I think investing in natural water ways is good and it should happen. However, I don't believe that taxpayers should be investing more money because the tax money we give to the government should already be going towards these issues.

Vietnamese-speaking customer | Focus group

I can see that the project can make a big change in our lives. However, everything goes up at the same time and I worry about my affordability.

Korean-speaking customer | Focus group

I'm not sure how much more I'll need to pay for my water bills in the near future with the current inflation rate, so paying even more is not good at all.

Mandarin-speaking customer | Focus group

First Nations

All six customers in the First Nations group selected Option 2, a bill increase of 6%, considering this a realistic and viable option that Sydney Water could achieve. These customers could see strong benefits to investing in improved waterways, particularly in more urban areas, hence their desire to improve the status quo under Option 1. There were some concerns from customers about the long-term viability of ensuring waterways were cleaned and cared for. Their support for any investment in such initiatives was contingent on ongoing maintenance being assured. Options 3 and 4 were considered too costly and prohibitive for some customers, which aligns with comments made in the workshops.

One customer suggested that new healthy and natural waterway initiatives should be linked back to the local Aboriginal communities and plants.

Table 23 Service level preference – Healthy waterways: First Nations customers

	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
First Nations (n)	-	6	-	-

Sydney is becoming more gentrified, and it is clustered and congested and we need more outside areas to play around in; for us, our kids and dogs. But they need to be different and related to the local Aboriginal communities and plants. That would be amazing.

First Nations customer | Focus group

We must build the things which we can only maintain. We don't want new waterways everywhere and they get dirty.

First Nations customer | Focus group

Great idea but too much money, none of us could afford this [on Option 4].

First Nations customer | Focus group

SMEs

Of the four SMEs who participated in a focus group (covering healthy waterways), two selected Option 1 (the current service level for no bill increases above inflationary cost pressures). In common with residential customers, they believed that customers shouldn't have to pay extra to improve the health of waterways and/or thought this should be the role of local councils. The SME who selected Option 2 did so because they did want to contribute something to improving the health of waterways (they perceived that twice as much was being delivered in Option 2 than Option 1) but they weren't willing to accept the level of bill increase required for Options 3 and 4.

This participant also questioned the feasibility of Options 3 and 4. The SME who selected Option 4 suggested that increasing the health of waterways was important and that water bills (even with the increase) were still affordable. They also noted that if local councils were to bear the cost of improving waterways, as suggested by other participants, council rates would need to increase, so the community would end up paying either way.

Table 24 Service level preference – Healthy waterways: SME customers

	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
SMEs (n)	2	1	-	1

Do they have the capacity to do that [Option 3/4]. It's all well in good to have all these numbers, but that will mean they have to increase their staff numbers and all that, to be able to attain that. I would go for Option 2, and see how that goes, and if that's going well, then we can go to the next option.

SME customer | Focus group (Option 2)

5.2.3 Qualitative Research: Stakeholders

All Value Makers were generally supportive of an increased investment to promote and facilitate the health of waterways across Greater Sydney. Two of the three were in favour of a small increase in service levels in this area (attracting a bill impact of +6%), and one was willing to support an even higher level of service in this area (attracting a bill impact of +12%).

Two of the three Service Critical High Business Customers supported an increased investment to promote and facilitate the health of waterways and one was willing to support an even higher level of service in this area (attracting a bill impact of +12%). One stakeholder believed that healthy waterways were the responsibility of local councils.

As with Value Makers, Major Developers were supportive of an increased investment in healthy waterways across Greater Sydney. However, there were differences in opinion on how much the customer should be required to pay for such improvements, with the final choice equally spread between Option 2 (attracting a bill impact of +6%), Option 3 (attracting a bill impact of +12%) and Option 4 (attracting a bill impact of +20%). Some also expressed concerns about the appropriateness of Sydney Water asking Major Developers to naturalise an asset situated in areas some distance from a development.

Table 25 Service level preference – Healthy waterways: Stakeholders

	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
Value Makers (n)	-	2	1	-
Service Critical High Business Customers (n)	1	2	-	-
Major Developers (n)	-	1	1	1
Total (n)	1	5	2	1

Is it worth trialing doing a bit more, if the results are positive, do a bit more. Go up a little, take the next step up. Baby steps. Worth sending the money – provided it will have a positive impact. Definitely worth it but move slower rather than a big jump to Option 4.

Value Maker | In-depth interview

Its desperate, I know it needs upgrading, so I'll go with Option 2. I'm going for minimal cost pressure. Polluting waterways, and overflows – you've got to do something to prevent that.

Councils have improved things, now Sydney Water need to upgrade their system – pollution, housing pipes, stormwater pipes, stop pollution, improve detection systems and improve the whole system, I go with Option 2.



Value Maker | In-depth interview

Whenever we get rain, there's always switch overflows in our catchments, especially when you want to do stormwater harvesting. That's the time you want to harvest, when it's polluted but at the same time, we want to actually have a reasonable billing impact for our customers.

Service Critical High Business Customer | In-depth interview

Options 2- 4 align with our company's philosophy and ethics but how much will it cost? The company would want Option 4 ethically, but we can't commit to a 20% increase.

Service Critical High Business Customer | In-depth interview



It's the Council's business. We need to have more equity in our shires rather than an overall cost on a Sydney water bill. It [should] be coming from their own budget there's not a lot there for me... You know, I'd rather Sydney Water helped us with our own stormwater collection system or something like that rather than funding everybody else's.

Service Critical High Business Customer | In-depth interview

Money raised by Sydney Water should pay for the improvement. But I don't believe, of the bill impacts shown, that the community can carry more than additional 6% increase on their bill.

Major Developer | In-depth interview

Option 4 is attractive in terms of the rate of improvement to our waterways. However, the cost impact is too much for customers to carry.

Major Developer | In-depth interview

All of the steps that form Option 4 are attractive. I believe it would deliver positive outcomes for Sydney. Perhaps an approach of gradually building to this level would be appropriate. But of the three [choices] I think this [Option 4] gets us to the end outcome quickest.

Major Developer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 26 Summary table of preferred options for the healthy waterways topic

	Option 1 Current level Bill impact 0%	Option 2 Improvement Bill impact +6%	Option 3 Improvement Bill impact +12%	Option 4 Improvement Bill impact +20%
Workshops final choice		Preferred option		
Online survey		Preferred option		
CALD	Preferred option			
First Nations		Preferred option		
SMEs	Preferred option			
Value Makers		Preferred option		
Service Critical High Business Customers		Preferred option		
Major Developers		Preferred option (equal)	Preferred option (equal)	Preferred option (equal)

Base: Workshop participants who indicated their final choice (n=140), Online survey (n=1,016), CALD customers (n=33), First Nations (n=6), SMEs (n=4), Value Makers (n=3), Service Critical High Business Customers (n=3), Major Developers (n=3).

5.3 Swim access, safety, and pollution prevention

In Phase 1, customers placed a high value on being able to safely enjoy local waterways for swimming and other forms of recreation. Reasons included the physical and mental health benefits and the social connectivity it affords.

Half (51%) of the customers who attended the workshops selected the current service level (Option 1) for this topic, which represents a continuation of the current service level and no increase in bills (above inflationary pressures). The remaining customers selected an increased service level: 21% selected Option 2 (with a bill increase of 4%); 14% selected Option 3 (with a bill increase of 8%) and 14% selected Option 4 (the highest service level presented, with a bill increase of 10%).

The options for this topic in the online validation survey were simplified in terms of language and content presented as well as showing only three options instead of four. This was to ensure that customers were still able make a choice without the benefit of an in-depth information sharing session. Option 1 and 2 in the survey were roughly equivalent with Option 1 and 2 in the workshops, whereas Option 3 in the survey aligned most closely with Option 4 in the workshops.

Despite this, the survey results were reasonably consistent with the qualitative research with most participants split between Option 1 (41% wanted to maintain the current level of service with regard to opportunities for water-based recreation) or Option 2 (50% wanted to see a moderate improvement in this service level in return for a moderate bill increase of 5%). As with the qualitative research, only a minority (9%) were prepared to experience a 10% bill increase to see a significant improvement in this service level. There was little variation in these results by demographic, which was generally consistent across the community.

When combining the results from both the qualitative and quantitative research, it appears that only a small minority would accept any more than a moderate bill increase. This may mean that only moderate improvements in are possible.

Table 27 Service level preference – Swim access, safety and pollution prevention

	Option 1	Option 2	Option 3	Option 4
Summary	Current service level	Increase in service level	Increase in service level	Increase in service level
% of Sydney’s Beachwatch and Harbourwatch sites along its coasts and oceans rated good or very good	85%	90%	90%	95%
% of Sydney’s Beachwatch and Harbourwatch	6%	4%	0%	0%

sites along its coasts and oceans rated poor or very poor				
Number of new swim sites, including new sites in Sydney Harbour, Western and Central Sydney	4	12	18	25
Number of swim sites affected by wastewater pollution	20	15	10	2
Bill impact	No change (above inflationary cost pressures)	+4% (above inflationary cost pressures)	+8% (above inflationary cost pressures)	+10% (above inflationary cost pressures)
Initial choice	50%	24%	13%	14%
Final choice	51%	21%	14%	14%
Survey options	Option 1	Option 2	Option 3 (Aligns closest to Option 4 in workshops)	
Choices were simplified in the survey and presented differently from the workshops. This was due to time constraints in online surveys and to help respondents with selecting an answer.	The current level of accessible water-based recreation sites is maintained, including current levels of water quality and number of accessible locations. No change in bills	Sydney Water delivers and sustains a moderate increase in the quality and number of sites where water-based recreation is possible. +5% increase in bills	There is a Sustained significant increase in opportunities for water based recreation. +10% increase in bills	

Survey result	41%	50%	9%
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Base: Workshop participants who indicated their initial choice (n=140); Workshop participants who indicated their final choice (n=141); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.

Differences by how much people value network improvements

When analysing people’s choices for how much they value network improvements, we can see that people who place the greatest value on network improvements, were more likely than others to select Option 3. Those who place a moderate value on making network improvements were more likely than others to select Option 2. Those who value network improvements the least were more likely to choose Option 1.

Table 28 Swim access, safety and pollution prevention – online validation survey choices by how much people value improvements in the water and wastewater network

Survey options	Place high value on network improvements		Place moderate value on network improvements		Place low value in making network improvements
	Advocates	Attainers	Fluctuators	Followers	Difficults/ Denials
Option 1	42%	16%	24%	42%	66%
Option 2	25%	46%	61%	53%	32%
Option 3	33%	38%	15%	5%	2%

Base: Survey participants (n=1,018). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Reasons for people’s choices

The concept of equity, in terms of who would benefit from new/less polluted swim sites, was a key consideration for customers when asked to decide between the four options under this topic, in addition to the perceived importance of the outcome (“I don’t swim, why would I want this?”), and who should be responsible for it. Customers primarily focused on the extent to which each option would allow the community to swim/recreate in oceans/waterways, as opposed to the broader environmental benefits of reduced pollution in oceans and waterways.

Some customers queried how reductions in swim site pollution would be achieved and what Sydney Water’s role was in achieving this, suggesting that they may not have made the connection between the previous topic of healthy waterways and this topic. Some were also unsure about the role that Sydney Water would or should play in delivering new swim sites, for example, whether this would be limited to monitoring water quality and preventing pollution reaching swim sites, or whether Sydney Water would also be involved in providing other things that would be needed for

new swim sites such as fencing/netting, access to waterways, changing facilities, etc. Many thought the latter should not be Sydney Water’s responsibility or, by extension, its customers’ responsibility.

Those selecting improved service levels for this topic acknowledged there were some drawbacks with their choice. They tended to cite the bill increase as the primary drawback, as well as potential issues with equity for people who don’t swim or who may not be provided with a swim site close to them. A few customers, who had selected options with more swim sites, also had concerns about unintended negative consequences, such as environmental impacts (e.g. litter, increased traffic, changing natural areas to develop the sites), pressure on parking around sites, safety risks, and creating an additional burden for lifesaving services.


Table 29 Reason for service level preference – Swim access, safety, and pollution prevention

	Customers who selected this option indicated they did so because of....
<p>Option 1 Current service level</p>	<p>The importance of the outcome – being able to swim in natural waterways (even after heavy rain) wasn’t seen as essential (there are plenty of other options for swimming available).</p> <p>Equity – as some people do not swim or use waterways for recreation and/or already had high quality swim sites in their area, it would be unfair for all customers to pay for new/less polluted swim sites. Also, there were concerns that new swim sites may not be evenly distributed. Some felt local councils, in which swim sites are/would be located should pay for these services, rather than all Sydney Water customers.</p> <p>Questions about responsibility – these customers often suggested that Sydney Water should focus on providing essential services (water supply and waste removal) rather than on swim sites for recreation.</p> <p>Their willingness to pay – some thought that bills should not be increased for non-essential reasons (especially in the context of the higher cost of living).</p> <p>Feasibility – they suggested that Sydney Water wouldn’t be able to prevent pollution reaching waterways in the event of very heavy rain, regardless of the amount of investment. They also noted that rivers would be difficult to clean in the first place.</p> <p>Comfortable with the status quo – they saw no pressing need to improve service levels above their current state.</p>
<p>Option 2 Increase in service level</p>	<p>The importance of the outcome – these customers saw new swim sites as good for local businesses and tourism and mentioned the benefit of improved public health if more people swim (physical and mental). They felt that new sites would provide free places for families and financially vulnerable people to swim and would reduce crowding/congestion at existing sites, particularly if sites are located across Greater Sydney. Being able to swim would also be beneficial during hot weather events. They also discussed the broader environmental benefits of more swim sites (healthier waterways etc.).</p>

	<p>Polluted swim sites can be bad for public health and may negatively impact tourism – they felt Greater Sydney should aim to reduce pollution.</p> <p>Willingness to pay – although more swim sites and less polluted swim sites would be beneficial, they also mentioned that it isn't an essential service, so improvements must be balanced with what people can afford to pay, as well as with other priorities. A 4% increase in bills was considered acceptable/ affordable (8% or 10% for Options 3 and 4 were considered too high).</p> <p>Feasibility – Options 3 and 4 seem too ambitious.</p>
<p>Option 3 Increase in service level</p>	<p>The importance of the outcome – These customers saw new swim sites as good for local businesses and tourism and mentioned the benefit of improved public health if more people swim (physical and mental). They felt that new sites would provide free places for families and financially vulnerable people to swim and would reduce crowding/congestion at existing sites, particularly if sites are located across Greater Sydney. Being able to swim would also be beneficial during hot weather events. They also discussed the broader environmental benefits of more swim sites (healthier waterways etc.).</p> <p>Polluted swim sites can be bad for public health and may negatively impact tourism – they felt Greater Sydney should aim to reduce pollution.</p> <p>Willingness to pay – although more swim sites and less polluted swim sites would be beneficial, they also mentioned that it isn't an essential service, so improvements must be balanced with what people can afford to pay, as well as with other priorities.</p> <p>Feasibility – Option 4 seems too ambitious.</p>
<p>Option 4 Increase in service level</p>	<p>These customers saw new swim sites as good for local businesses and tourism and mentioned the benefit of improved public health if more people swim (physical and mental). They felt that new sites would provide free places for families and financially vulnerable people to swim and would reduce crowding/ congestion at existing sites, particularly if sites are located across Greater Sydney. Being able to swim would also be beneficial during hot weather events. They also discussed the broader environmental benefits of more swim sites (healthier waterways, etc.).</p> <p>Polluted swim sites can be bad for public health and may negatively impact tourism – there shouldn't be any sites rated as 'poor'/'very poor'.</p> <p>Willingness to pay – as water bills are relatively low, a 10% increase isn't too much in terms of actual dollars.</p>

Base: Workshop participants who indicated their final choice (n=141); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.

Ultimately, I wanted to go with Option 4, but my concern was other agencies should be taking on these duties i.e. Harbour Watch [should] be conducted by Surf life Saving and swim sites by councils.



Residential customer | Wollongong workshop (Option 1)

Beachwatch and Harbour Watch says it all. This is a priority focus, so we end up paying for Bondi residents to have more swimming.

Residential customer | Parramatta workshop (Option 1)

A user pays system is preferable to me, why should 100% pay for something that is used by 5%.

Residential customer | Penrith workshop (Option 1)

I selected Option 2 - do something to reserve sites and quality. It encourages family outings, and it is free! Compared to swimming pools. Also, its natural, no chemicals. Drawback some new sites would not be used by me! Out of my area! So may not benefit me.

Residential customer | CBD workshop (Option 2)



Workshop differences by location

Customers in Penrith, Parramatta and Wollongong workshops raised concerns that customers in the Eastern Suburbs or Northern suburbs would likely be prioritised for new swim sites or would receive them first. The qualitative findings indicate that customers in these areas were less likely to support an increase in service levels for swim access, safety and pollution prevention – i.e. a majority in these locations selected Option 1. Some perceived that the benefit would go elsewhere, while others wanted them to go elsewhere so their beaches won't be crowded. They recognised that they are needed in Western Sydney, but are torn about the need to pay but not get any benefit.

Reasons customers selected each option in the online validation survey.

Analysing open-ended responses indicates that the main reasons for selecting Option 1 (current service level - preferred by 41% of online validation survey respondents) include:

- **Financial struggles and affordability:** Many of these customers mentioned that they are already struggling with the high cost of living and cannot afford any additional expenses, including an increase in water bills. They are concerned about the impact of further price increases on their household budget.
- **Their willingness to pay for this/no increase in the bill:** Many of these customers preferred Option 1, because it does not involve any increase in charges for water-based recreation, which some would consider an increase for non-essential reasons. They also want to maintain the current cost of living without any additional burden from their water bills.
- **Comfortable with the status quo/satisfaction with current service:** Some of these customers are satisfied with the current water-based recreation facilities and do not see the



need for any changes or additional investments. They believe that the existing opportunities are sufficient and that other priorities should take precedence.

I am happy with the quality of water and cannot afford any more bill rises.

Online Survey | Female, 70+, Financial Hardship, Western Sydney

The current service level should provide sufficient public access and quality to water bodies.

Online Survey | Male, 50-59, Western Sydney

With cost-of-living pressures, it's not a priority to spend money on recreational activities. I care more about cost of living than recreation.

Online Survey | Female, 40-49, Chinese-speaking, Western Sydney

Although Option 1 may lack what the other 2 options have, I believe that it's still a valid option to choose.

Online Survey | Female, 18-29, Thai-speaking, Western Sydney



As this is all about water access for recreational purposes, it seems unfair that a whole of greater Sydney have to subsidise recreational access for everyone even when they themselves may not make use of waterways for recreational purposes. A user-pays system would be fairer.

Online Survey | Male, 40-49, Northern Sydney

Online validations survey (Option 1)

The main reasons for selecting Option 2 (increased service levels but 5% bill increase - preferred by 50% of online validation survey respondents) include:

- **The importance of the outcome/accessibility and inclusivity:** These customers preferred Option 2 because it aims to provide water-based recreational opportunities for those who don't live near the ocean or coastal areas. It focuses on improving access to waterways for a wider range of communities, making such activities available to more customers, especially those in Western Sydney or areas away from the coast.
- **Their willingness to pay for this/moderate price increase:** These customers appreciated that Option 2 offered improvements in water quality and additional recreational sites for a smaller bill increase than in Option 3. They mentioned that a 5% increase in water bills was more acceptable and manageable than a price increase of 10% (Option 3).
- **Sustainable and gradual improvement:** These customers preferred Option 2 because it represented a gradual and sustainable approach to improving water services and facilities.



They believe that incremental improvements over time are more practical and feasible for the community and the water system.

It's important to improve water quality and access to recreational waterways, but I believe a smaller increase in my water bill is more manageable and acceptable than a large increase.

Online Survey | Male, 60-69, Inner Sydney

We need improvements, and it comes with a higher cost, but we don't need to go overboard.

Online Survey | Female, 50-59, Inner Sydney

This option seems like a good compromise between improvement of publicly available sites and keeping costs in check.

Online Survey | Male, 30-39, Northern Sydney

Provides greater access to waterways, but not at a huge impact on bill prices.

Online Survey | Male, 70+, Southern Sydney & Illawarra

A 5% increase of water bill is reasonable, more people have access to recreation waterways if they wish to participate in activities, but not everyone wants to do these activities.

Online Survey | Female, 40-49, Northern Sydney

Access to water recreation should not just be for wealthier people who can afford to live on the coast.

Online Survey | Female, 60-69, Northern Sydney

Online validations survey (Option 2)

The main reasons for selecting Option 3 (largely increased service levels and a 10% bill increase – preferred by 9% of online validation survey respondents) include:

- **The importance of improvements in waterway quality:** Many customers believe that Option 3 provides a significant improvement in waterway health, providing access to clean water, and recreational waterways. They see this as essential for public health, mental well-being, and an opportunity to enjoy water-related activities. Also, with Sydney's continuous population growth, these customers emphasised the need to anticipate future demands for recreational facilities and water access for a growing population.

- **Equitable access for all:** Several of these customers expressed the belief that everyone should have access to clean water and water-based recreational facilities, regardless of their location or financial means.

I believe that although the bill may increase by an amount that some people believe is unreasonable, it is better to secure a much more up-to-date system that will offer greater long-term benefits for everyone.

Online Survey | Male, 30-39, ATSI, Chinese (Cantonese) speaking, Western Sydney

A 10% increase in water bills is not a large increase compared to improving water conditions anywhere whether it benefits me or not.

Online Survey | Female, 70+, Inner Sydney

A growing population needs additional recreation opportunities.

Online Survey | Male, 60-69, Southern Sydney & Illawarra

All people of NSW should have access to water recreation areas. Cleaning up our waterways is an excellent way of doing this for our environment.

Online Survey | Male, 50-59, Southern Sydney & Illawarra

We need more places to swim and exercise as the population grows, particularly out west.

Online Survey | Female, 60-69, Northern Sydney

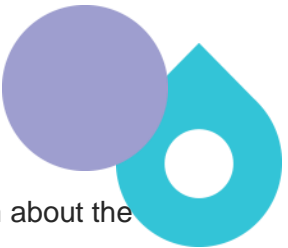

Clean water that is swimmable means the waterways have natural foreshores, mangroves, wetlands, which creates habitat for biodiversity. Water access is important for people's mental health, it builds community, and enjoying the waterways also gives people a sense of belonging to the place, and hopefully, they will see the beauty and then the benefits of investing in our naturalised waterways.

Online Survey | Male, 40-49, Financial hardship, Inner Sydney

Online validations survey (Option 3)

5.3.1 Customer questions

Questions raised in the residential customer workshops about the swim access, safety and pollution prevention topic and options are detailed below, along with some areas of confusion raised by customers or observed by the moderators. Variations of these questions were asked in multiple workshops. As seen for other topics, these centred around bill impacts, responsibility, equity and timing. Customers also wanted to understand more about how Sydney Water would



deliver the improvements under each option. This question often related to scepticism about the feasibility of providing pollution-free swim sites.

- **Bill impact** – Would customers effectively be charged twice for this service (by councils and by Sydney Water)?
- **Responsibility** – Which aspects would Sydney Water be responsible for and what aspects will councils be responsible for? Why do customers have to pay rather than government/councils?
- **Equity** – How will swim site locations be decided/prioritised/will there be any near me? Some customers were willing to pay for additional/improved swim sites even if they wouldn't personally benefit, but for others the location of sites was a key factor in their decision making.
- **Timing** - Over what time period would the price increases apply? After the sites have been developed, would customers still be paying a 4% higher bill? Over what time period would the swim sites be delivered?
- **Delivery** - What will Sydney Water actually do or deliver to improve swim sites? How could swim sites be kept clean when there is flooding?

What is priority list? Would Western Sydney be prioritised or the beaches?

Residential customer | Parramatta workshop

Why not pay for these with taxes?

Residential customer | CBD workshop

The following questions were also raised, albeit less frequently than the ones above:

- Could/would the numbers of people using the swim sites (at any one time) be controlled?
- Would the dams be opened up for swimming/recreation?
- Would dogs be allowed to use the new swim sites?
- Would the bill impacts discussed over the course of the workshop be cumulative?
- Are the number of sites increasing by X number every year?
- What determines if a swim site is rated good or very good?
- Would new swim sites have a negative impact on the natural environment / how would that be managed?

5.3.2 Qualitative Research: Key sub-groups

Service level preferences for swim access, for the key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the residential customer workshops.

Culturally and Linguistically Diverse customers

The majority of CALD customers selected Option 1, the current service level for swim access, safety, and pollution prevention. One Arabic-speaking customer selected Option 2 (an increase from the current service level with a bill increase of 4%).

Like the customers in the workshops, CALD customers mostly selected Option 1 due to financial considerations, particularly a limited willingness to pay for any bill increase for this area. Additionally, the status quo described under Option 1 was generally considered to be of an acceptable standard with no improvements needed. This included customer reflections on their personal experiences of swimming in the Greater Sydney region, with many commenting they were happy with the water quality at beaches and other swim sites and did not expect or require any improvement to this. The customer who selected Option 2 considered the bill increase to be a necessary cost for everyone to enjoy the environmental benefits.

Some also questioned whether they would experience any personal benefits from this investment, particularly if they were not regularly using or accessing swim sites within Greater Sydney. For example, the customers in the Mandarin, Cantonese, and Vietnamese speaking language groups were indifferent to public swimming access, because they either do not swim at all, or are happy to travel to other locations if needed rather than pay any additional costs for local swimming opportunities. Questions and/or concerns often related to equity and whether these initiatives or investments should be mandatory for all customers, or only those who experience a benefit.

Additionally, some customers questioned how Sydney Water would be held accountable for achieving the increasing service levels of options 2, 3 and 4, highlighting similar levels of scepticism and a lack of trust toward Sydney Water that was evident in the residential customer workshops. Some also felt this type of investment should be funded by local councils and government rather than by raising customers' water bills, again questioning the responsibility of Sydney Water in this area.

Table 30 Service level preference – Swim access, safety, and pollution prevention: Culturally and Linguistically Diverse customers

Language spoken	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
Arabic (n)	5	1	-	-
Cantonese (n)	5	-	-	-
Greek (n)	5	-	-	-
Korean (n)	7	-	-	-

Mandarin (n)	4	-	-	-
Vietnamese (n)	6	-	-	-
Total (n)	32	1	-	-

Option 1 because even 85% rated good or very good is still very high, only 6% rated poor or very poor is still very low, so it's a no brainer.

Arabic-speaking customer | Focus group

The water quality of the beach is very good and I do not see any additional work is needed.

Korean-speaking customer | Focus group

I don't think it is necessary to pay extra for these services but it is still nice to have.

Vietnamese-speaking customer | Focus group

This is not really that important to me because I have a swimming pool. If I do go to a beach, I go to a clean one – plenty of choice.

Greek-speaking customer | Focus group

First Nations

Five First Nations customers selected Option 2, while one chose Option 3 as their preferred option. All customers indicated they would like to see more accessibility of swimming sites, as many professed to being very active and making high use of these sites. Given this, they did not express any reservations about some level of investment in this area. However, similar to customers in the workshops, some felt that Option 3, and all felt that Option 4, were cost prohibitive for most customers. Option 2 was considered the best value for money, alongside its provision of high-quality water indicators and the large number of improved waterways and locations. The one customer who selected Option 3 valued this service highly and was eager for Sydney Water to do more in this area.

Across the group, support was strong for new swim sites and waterways to be named in the local Aboriginal language.

Similar to questions raised in the residential customer workshops, some First Nations customers wanted to understand more about how Sydney Water could achieve the targets under the higher options, and how they might be held accountable if they fail to achieve them.

Table 31 Service level preference – Swim access, safety, and pollution prevention: First Nations customers

	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
First Nations (n)	-	5	1	-

I love the idea of 18 new swim sites and I would pay the extra money.

First Nations customer | Focus group (Option 3)

This would be the best as 90% will be rated good or very good.

First Nations | Focus group (Option 2)

Great idea but too much money [Option 4].

First Nations | Focus group

SMEs

Three of the four SMEs who participated in a focus group (covering this topic) wanted to maintain the current service level for swim access, safety, and pollution prevention. They argued that, as their business wouldn't benefit from new/healthier swim sites, they shouldn't have to pay for these. There was also some scepticism that Sydney Water would be able to effectively deliver the higher options, as these were perceived to fall outside of its core area of expertise. The SME that selected Option 2 did so because it seemed feasible to deliver and they supported improvements in this area.

Table 32 Service level preference - Swim access, safety, and pollution prevention: SME customers

	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
SMEs (n)	3	1	-	-

I cannot believe that one organisation can have enough competence to master such completely disparate tasks. I don't believe that that they can deliver any of the other options [options 2-4].

SME customer | Focus group (Option 1)

5.3.3 Qualitative Research: Stakeholders

Two of the three Value Makers were generally supportive of an increased investment into the number and quality of swim sites. Some considerations worth noting included:

- There was more support of cleaner existing sites, rather than additional sites.
- Value Makers expect most sites to be safe to swim most of the time, though there is an understanding that things can happen and that aiming for 100% of sites rated good or very good is unachievable, unrealistic, and not worth the investment to attempt to achieve.
- There was an expectation that, although treated as separate topic areas, there would be crossover benefits gained from investing in healthy waterways, and that removing pollution, litter and sediment from stormwater would have a beneficial impact on the quality ratings of swim sites. Cost efficiencies should be realised across the two topic areas.

The value maker who selected Option 1 would have preferred reduced service levels in this area, believing that additional swim sites are not required and that service levels around quality can be dropped, highlighting a sentiment of “people will swim anywhere if it’s hot enough”.

Swim sites were strongly supported by Service Critical High Business Customers with one selecting Option 4. Another stakeholder considered Option 4 to align with their company values and ethics but couldn’t commit to a 10% increase.

One stakeholder supported the reduction in pollution across swim sites and the creation of new ones in Western Sydney and commented on the disparity in swim sites between coastal areas of Greater Sydney and Western Sydney.

Increasing the number of safe swim sites accessible to the broader Greater Sydney population was supported by Major Developers. They recognised the cultural importance to Australians of access to clean safe beaches and swim sites. They generally agreed that focusing on this would bring benefits to all customers across the region.

Again, questions were raised about the role of local councils in achieving these outcomes. Concerns were also expressed about the expanding Greater Sydney population and the true cost of replacing the ageing existing infrastructure. Given this, two of the three Major Developers preferred Option 4, given the perceived benefits it brings to a wider customer base.

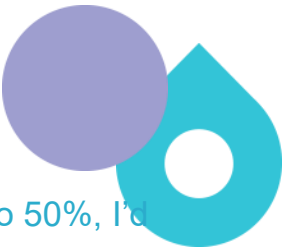

Table 33 Service level preference – Swim access, safety, and pollution prevention: Stakeholders

	Option 1 Current level	Option 2 Improvement	Option 3 Improvement	Option 4 Improvement
Value Makers (n)	1	1	1	-
Service Critical High Business Customers (n)	-	2	-	1
Major Developers (n)	-	1	-	2
Total (n)	1	4	1	3

This is something that's much more beneficial to the masses – the greater population. I'd land on 3 or 4... I think if I said 3 it would be as a conservative measure to be honest, because you now have no poor or very poor in that one, and 90% are rated good. I think 18 new swim sites would be great. But there's a big difference between the number of sites impacted by wastewater pollution – that's the big discrepancy. I'd prefer to see less new sites and ensuring that the [existing] swim sites are not affected by wastewater pollution. Taking Option 2 and calling some from Option 4 and creating a new Option 3. If a site is affected by wastewater, not everyone will get the message people might get sick. 2 vs 10 is substantial. New option could be less swim sites and less wastewater pollution.

Value Maker | In-depth interview

I'd like Option 0. To stop this program... the harbor is very clean now, beaches are clean because of the ocean outfalls, Sydney Water worked hard to get the pollution out... people will swim anywhere if it's hot enough and you know, our pollution is fairly minimal. If they're implementing other services, that should reflect on our cleaner waterways. I think this program is a waste of money. I don't believe it is a good initiative. I'd choose Option 1 or better yet, Option 0. I'd drop



those rated good or very good to 10%, those rated poor or very poor to 50%, I'd have no new swim sites.

Value Maker | In-depth interview

Are we looking at the current level of Option 1, 85% which is more than acceptable – is it worth investing in Option 2 to get a bit better than what we have? Debatable. Never going to be 100% - can't control the weather etc. If people are happy at 85%, im fine with that. At worst, maybe go to the second one Option 2), definitely not 3 or 4. Let's see if Option 2 can deliver what its saying it will – at 4% you'd take the risk for the Sydney beach and harbour sites.

Not everyone will benefit from this. Someone at Penrith, won't care about whether you can swim in Sydney harbour. Re new swim sites – Option 1 still gives new swim sites. Option 2 is 12 new sites which is great. No advantage of providing from 12 to 25 – at that cost it's not worth it, not yet.

Value Maker | In-depth interview

Even though it has 10% increase in charges, which I understand is quite significant, but the results and flow on effects for society, health, environment are also quite significant.

Imagine 25 sites compared to four! It is an easy decision.

Service Critical High Business Customer | In-depth interview

Options 2- 4 align with our company's philosophy and ethics but how much will it cost? The company would want Option 4 ethically, but I can't commit to a 10% increase on their behalf.

Service Critical High Business Customer | In-depth interview

Looking at you map. That's a real tale of have and have nots. You know the silver tails over on the coast they have it all and everybody else can go and get stuffed. I think you know we should always be improving our system...Fix the swim sites out west and work on the pollution.

Service Critical High Business Customer | In-depth interview

I think Option 4 would be palatable to people because it broadens the benefit across Greater Sydney. I assume there would be some sort of partnership with Councils for new sites? There are huge challenges for some wastewater outfalls given old infrastructure that needs to be replaced. And the model appears to be based on the existing customer base. What about the growing population?

Major Developer | In-depth interview

I travel outside of Sydney to swim because of the quality of the water. I am a big fan of increasing the number of clean swimming sites. My preference is Option 2 given it probably leads to an incremental improvement over time.

Major Developer | In-depth interview

Culturally being able to swim at beaches is a big aspect of Australian life. Making more suitable sites available in the west is beneficial for everyone. With a 10% increase in cost (Option 4) everyone has close access to a free amenity.

Major Developer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 34 Summary table of preferred option for the swim access, safety, and pollution prevention topic

	Option 1 Current level Bill impact 0%	Option 2 Improvement Bill impact +4%	Option 3 Improvement Bill impact +8%	Option 4 Improvement Bill impact +10%
Workshops final choice	Preferred option			
Online survey		Preferred option		
CALD	Preferred option			
First Nations		Preferred option		
SMEs	Preferred option			

	Option 1 Current level Bill impact 0%	Option 2 Improvement Bill impact +4%	Option 3 Improvement Bill impact +8%	Option 4 Improvement Bill impact +10%
Value Makers	Preferred option (equal)	Preferred option (equal)	Preferred option (equal)	
Service Critical High Business Customers		Preferred option		
Major Developers				Preferred option

Base: Workshop participants who indicated their final choice (n=141), Online survey (n=1,018), CALD customers (n=33), First Nations (n=6), SMEs (n=4), Value Makers (n=3), Service Critical High Business Customers (n=3), Major Developers (n=3).

5.4 Carbon emissions

Reducing carbon emissions to help slow climate change was identified as a priority by customers in Phase 1.

Sydney Water is currently working towards achieving Net Zero emissions (scope 1 and 2) sooner than 2050, which is in-line with the NSW Government Net Zero targets. This target can be achieved with no change to bills (above inflationary cost pressures) within the immediate 2025-2030 period. The vast majority of customers who participated in the workshops (84%) supported Sydney Water bringing forward the target date for achieving Net Zero emissions to either 2040 (32%) or 2030 (53%), which would require an estimated bill increase of \$1 per year or \$5-\$7 per year respectively. Only 16% wanted to retain the current target of 2050.

During the qualitative research there was a reasonably strong consensus in favour of bringing forward efforts to achieve Net Zero. This outcome is associated with a relatively low bill impact, compared to other choices. As such, this choice was not evaluated in the validation survey to save time for other choices.

Table 35 Service level preference – Carbon emissions

	Option 1	Option 2	Option 3
When Sydney Water achieves Net Zero	2050 (Current target) In-line with NSW Government Net Zero targets	2040 Improvement on NSW Government Net Zero targets	2030 Further improvement on NSW Government Net Zero targets
Environmental impact – achieving Net Zero sooner than 2050 would be the equivalent of removing approximately _____ petrol cars from the road (By 2050)	-	Approx. 500,000 fewer cars	Approx. 1,500,000 fewer cars
Bill impact	No change (above inflationary cost pressures)	+\$1 per year (above inflationary cost pressures)	+\$5-\$7 per year (above inflationary cost pressures)
Initial choice	16%	32%	52%
Final choice	16%	32%	53%

Base: Workshop participants who indicated their initial choice (n=138); Workshop participants who indicated their final choice (n=139); Percentages have been rounded and may not add to 100%.

Customers considered the importance of the outcome (their assessment of which was related to how much of a threat they perceived climate change to be), value for money, and feasibility when choosing their preferred target date for Sydney Water to achieve Net Zero carbon emissions. Most customers felt that bringing forward the target date for Net Zero emissions would result in significant environmental benefits for what most considered to be an almost negligible bill increase.

As a result, Option 3 was the most popular choice. However, for some, the small bill increases seemed too good to be true – there was a degree of scepticism about whether the 2040 and 2030 targets could be achieved for the stated bill increases and a suspicion that the bill impact would have to be higher. Others felt that a target of 2030 (Option 3) would simply not be feasible regardless of the level of investment/bill impact. This scepticism also existed among those who had chosen Option 2 or 3, but they were willing to take this chance, especially for the relatively modest bill impact. Related to this, customers wanted to know if and how Sydney Water would be held accountable for meeting the target and how customers would be kept informed of progress.

Table 36 Reason for service level preference – Carbon emissions

	Customers who selected this option indicated they did so because....
Option 1 2050 (Current target) In-line with NSW Government Net Zero targets	<p>Feasibility – A 2040/ 030 target did not seem achievable to these customers, particularly for the relatively small bill increases.</p> <p>Importance of the outcome – a minority were sceptical about climate change and/or the negative impact of carbon emissions. Others thought Sydney Water should focus on its core remit – e.g. prioritising network maintenance over reducing emissions.</p> <p>Maintain status quo – they would prefer to maintain alignment with the State Government global target of 2050. This often related to the perception that Australia’s emissions are so low in the global context, so there is no point aiming for an earlier target.</p> <p>Don’t rush – allow more time for technological solutions to be developed/ infrastructure built (e.g. hydroelectricity),/to develop the most efficient approach.</p> <p>Willingness to pay – even though the bill impact for options 2 and 3 was acknowledged to be relatively small, some still felt bills should not be increased (especially in the context of the higher cost of living).</p>
Option 2 2040 Improvement on NSW Government Net Zero targets	<p>Importance of the outcome – for these customers, combatting climate change was considered crucial, especially for future generations.</p> <p>Value for money – they saw a significant benefit for a negligible bill increase.</p> <p>Feasibility – 2030 target (Option 3) did not seem achievable, particularly for a relatively small bill increase.</p>

	<p>Don't rush – allow time for more technological solutions to be developed/ infrastructure built (e.g. hydroelectricity)/to develop the most efficient approach (perception that Option 2 should allow sufficient time for this, but Option 3 would not).</p> <p>Middle ground – they want to do something to address climate change, but want it to be realistic and affordable.</p> <p>Willingness to pay – even though the bill impact for Option 3 was acknowledged to be relatively small, some still felt bills should ideally not be increased when many people are already struggling with inflationary pressures.</p>
<p>Option 3 2030 Further improvement on NSW Government Net Zero targets</p>	<p>Importance of the outcome – for these customers, combatting climate change was considered crucial, especially for future generations.</p> <p>Value for money – they saw a significant benefit for a negligible bill increase.</p> <p>Importance of the outcome – they felt the climate crisis requires an urgent response.</p> <p>Setting an example – they felt that, by aiming for a 2030 target, Sydney Water would be demonstrating leadership and encouraging others, including government agencies, businesses and society more generally, to reduce their emissions sooner. Sydney Water could also share any knowledge gained (about how to achieve this) with others.</p> <p>Encouraging technological innovation – setting a more demanding goal will encourage greater innovation.</p>

Base: Workshop participants who indicated their initial choice (n=138); Workshop participants who indicated their final choice (n=139). Percentages have been rounded and may not add to 100%.

Option 3 is absolutely unachievable. Given the govt target of 2050 and given Australia's emissions being miniscule in relation to the world, the cost of \$5-\$7 plus inflation isn't real in my opinion.

Residential customer | Wollongong workshop (Option 1)

With Option 3 it's too short a time frame to be achievable, and as to Option 1 it is too long a time frame, especially for the future generations.

Residential customer | Hornsby workshop (Option 2)

If this can be achieved in 7 years it's a no-brainer. Cost is minimal and it's a responsible choice to make.

Residential customer | CBD workshop (Option 3)



Caveats / other options

Some of those who selected Option 3 noted they had concerns about the use of offsets to achieve a 2030 target, but nevertheless, they supported the overarching aim of bringing forward the date to 2030.

5.4.1 Customer questions

Residential customers in the workshops tended to feel this topic and the options presented were straightforward so they asked relatively few questions. However, variations on the following two question areas were asked in the workshops. The common question about who should be responsible for paying for this service improvement came up again here, along with additional questions about what would happen to the target date if a different government was elected in NSW; presumably because the current Sydney Water target was set to align with the NSW Government target.

- **Political influences** – what happens if there is a change of government?
- **Responsibility** - why couldn't \$5-7 be absorbed by Sydney Water? Why do customers have to pay for this?

The following questions were also raised, albeit less frequently than the ones above:

- How would Sydney Water be accountable for this goal?
- Has Sydney's Growth – including increasing - immigration been factored into these options/bill impacts?

5.4.2 Qualitative Research: Key sub-groups

Service level preferences for achieving Net Zero, for key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the residential customer workshops.

Culturally and Linguistically Diverse customers

Customers in the CALD groups were evenly split between the current target for Net Zero, represented by Option 1, and bringing the Net Zero target forward to 2030, represented by Option 3. This was only slightly different from the residential customer workshops, where options 3 and 2 were most likely to be selected by participants, respectively.

Customers who selected Option 1 often agreed that working toward Net Zero was a worthwhile target, however, were divided on the source of funding for this, as well as the potential pathways to achieve this. For example, one customer in the Greek-speaking group highlighted that the State Government was not, at this stage, pushing for an earlier achievement of Net Zero and, given this, the public shouldn't need to do so. Others mentioned achieving Net Zero to be less important compared to other core service functions of Sydney Water, so was not as worthwhile as other areas for investment.

Additionally, other CALD customers highlighted that funding for this should come from other sources, for example, the State Government. Other customers, for example those in the Greek-

speaking group, questioned why funding for Sydney Water’s corporate obligations needed to be funded by customers, if they were inherently part of what Sydney Water does in its normal operations.

Customers in the CALD groups also displayed some scepticism and uncertainty around Sydney Water’s ability to achieve any earlier target, represented under Option 2 and 3. This included questions around how Sydney Water would work toward Net Zero and whether this plan was realistic and achievable within a short time frame. This led to further discussion by some customers who wanted to understand how transparent Sydney Water will be about their emissions reductions, and how they’ll be held accountable if failing to achieve Net Zero by an earlier date.

For those who selected Option 2, their reasons reflected customers’ feedback in the workshops, specifically around the affordability of the 2040 target. These customers considered this a modest and affordable bill increase to achieve Net Zero in a realistic time frame. They felt it was a good ‘middle ground’, or balanced approach, between the other options presented.

Of those customers who selected Option 3, the main reasons aligned with customers in the workshops, specifically they recognised the benefits of achieving Net Zero 20 years earlier, for an affordable bill increase of \$5-7. For example, customers in the Mandarin-speaking group, who chose this option, highlighted that the benefits outweighed the loss. Some Arabic-speaking customers, who selected Option 3, also noted that, while they were happy to contribute the amount specified, they had some reservations as to whether Sydney Water would then ask them to pay more in the future.

Table 37 Service level preference – Carbon emissions: Culturally and Linguistically Diverse customers

Language spoken	Option 1 Net Zero 2050	Option 2 Net zero 2040	Option 3 Net Zero 2030
Arabic (n)	-	-	4
Cantonese (n)	-	-	5
Greek (n)	2	3	-
Korean (n)	3	2	1
Mandarin (n)	2	1	2

Language spoken	Option 1 Net Zero 2050	Option 2 Net zero 2040	Option 3 Net Zero 2030
Vietnamese (n)	4	1	1
Total (n)	11	7	13

I would prefer Option 3, if there would be the equivalent of 1.5 million cars off the roads, and for an increase of this small amount in bill.

Arabic-speaking customer | Focus group (Option 3)

Option 2 seems affordable and achievable. It allows plenty of time to lower carbon emissions.

Greek-speaking customer | Focus group (Option 2)

I think that there is not enough information out there about what is happening with the carbon emissions and about the current plan. If they would be more transparent than it can help me make a clear decision.

Vietnamese-speaking customer | Focus group

I want to see the vision of this project to be accomplished. However, there are also other pressures such as increases in the cost of living which can make it harder for me to prioritise this issue.

Vietnamese-speaking customer | Focus group

First Nations

In the First Nations group, customers recognised that climate change was a major challenge for the country. Given this, there was broad agreement on the need to work towards meeting Net Zero targets, however, they considered payment for this, by customers, to be problematic. They felt that businesses and mining companies needed to pay for the achievement of Net Zero (i.e. any changes to business operations, technology, etc.).

As such, most customers chose Option 1 as it had no impact on household budgets. Additionally, they saw the target of 2050 as already being planned. Two customers selected Option 2, as they saw it as a minimal cost imposition, however, they were doubtful as to whether the small bill increase of \$1 would be accurate in reality and considered it likely that this would be higher. This reflected the scepticism evident in the residential customer workshops on the accuracy of the bill impact for both Option 2 and Option 3.

Table 38 Service level preference – Carbon emissions: First Nations customers

	Option 1 Net Zero 2050	Option 2 Net zero 2040	Option 3 Net Zero 2030
First Nations (n)	4	2	-

Government always says that [the cost will be \$xx], then they smash you with increases that were [hidden] in the fine print.

First Nations customer | Focus group (Option 2)

Just like tax brackets. Looks good when they need to get elected then you end up paying.

First Nations customer | Focus group (Option 2)

SMEs

Among the three SMEs who considered the issue of carbon emissions, all three wanted to see the target date for Net Zero brought forward – two selected Option 3 (2030) and one selected Option 2 (2040). Their reasons for choosing these options were essentially the same as those expressed by participants in the residential workshops, including some scepticism about what could be achieved for such a small bill impact. However, one of the SME participants who selected Option 3 gave an additional reason for choosing this option – they described their organisation as values-based and very supportive of environmental causes, so felt this choice aligned with their corporate social responsibility aims.

Table 39 Service level preference – Carbon emissions: SME customers

	Option 1 Net Zero 2050	Option 2 Net zero 2040	Option 3 Net Zero 2030
SMEs (n)	-	1	2

If it is \$5 to \$7 a year, and this is based on commercial use, I mean it's very small. I was anticipating it being higher.

SME customer | Focus group (Option 3)

5.4.3 Qualitative Research: Stakeholders

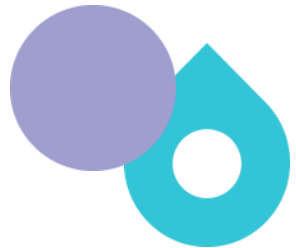

Based on the impact on customer bills being approximately +\$5-\$7, all Value Makers were very supportive of paying this extra amount to see Sydney Water achieve Net Zero emissions by 2030 (ahead of the current NSW Government target of 2050). One was quick to compare the price to that of a coffee, and all three interviewees reflected the sentiment that if this is all it will cost customers, why wouldn't you? In short, there is strong support for increasing the service level related to carbon emissions.

Service Critical High Business Customers were supportive of the need to reduce emissions and one was strongly supportive. Two of the stakeholders chose Option 2, but were edging towards Option 3, and their reservations related to whether the target could be achieved and what initiatives were required to achieve it.

Each of the Major Developers were fully supportive of achieving Net Zero by 2030 – or sooner. It was felt that Sydney Water should take a leadership position in this space. It was also noted that targets ahead of 2030 were not uncommon amongst Major Developers.

Table 40 Service level preferences – Carbon emissions: Stakeholders

	Option 1 Net Zero 2050	Option 2 Net zero 2040	Option 3 Net Zero 2030
Value Makers (n)	-	-	3
Service Critical High Business Customers (n)	-	2	1
Major Developers (n)	-	-	3
Total (n)	-	2	7



It's only \$5-7 per year – that's the price of a coffee. You want to see Net Zero, it's important to me and important to the company as well – we're trying to be more efficient and reduce waste. I work with an Environment Health and Safety group and the objective is to basically reduce the waste and energy levels, so we try to be more efficient. We have a Net Zero emissions target – which might be in the next 10-15 years.

Value Maker | In-depth interview

If that's the case – Option 3 is always the case to go. I personally don't know anyone who's not a greenie at heart. Everyone wants to have a cleaner environment. We're all happy to live better – if it costs us a minimal amount on our bills to have a better environment moving forwards, I'm very much in favour of Option 3... if that's all it costs – that's great.

Value Maker | In-depth interview

Option 3, the sooner the better, it's not that much extra to pay.

Value Maker | In-depth interview

The sooner the better for me. Option 3. That's my opinion.

Service Critical High Business Customer | In-depth interview

Can I go an Option 2.5? So, I think Option 2 should be an absolute minimum, 3 is going to be hard to achieve but should be aiming for Option 3.

Service Critical High Business Customer | In-depth interview

\$1.00 a year in addition to inflation is good value. But from a business perspective, I would like to know more about what they do to reduce Net Zero emissions.

Service Critical High Business Customer | In-depth interview

I am excited by Sydney Water potentially achieving this ahead of the 2050 target.

Major Developer | In-depth interview

This is really the sort of leadership position that an organisation such as Sydney Water should be doing.

Major Developer | In-depth interview

There needs to be more done in this area. Governments and their agencies need to be walking the walk. This should be a ‘front and centre’ issue for Sydney Water.

Major Developer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 41 Summary table of preferred option for the carbon emissions topic

	Option 1 Net Zero 2050 Bill impact 0%	Option 2 Net zero 2040 Bill impact \$1 per year	Option 3 Net Zero 2030 Bill impact \$5–\$7 per year
Workshops final choice			Preferred option
CALD			Preferred option
First Nations	Preferred option		
SMEs			Preferred option
Value Makers			Preferred option
Service Critical High Business Customers		Preferred option	
Major Developers			Preferred option

Base: Workshop participants who indicated their final choice (n=139), CALD customers (n=31), First Nations (n=6), SMEs (n=3), Value Makers (n=3), Service Critical High Business Customers (n=3), Major Developers (n=3).

5.5 Creating cool, green landscapes

During Phase 1, customers wanted to see public spaces planted and irrigated smartly, to maintain greenery and amenity where possible, while keeping water use low. This included making better use of rainwater and stormwater, by capturing, storing and reusing this water (where a lower quality of water is tolerable), to reduce demand on drinking water supplies.

In this phase, customers were divided about the best option for irrigating public green spaces. Customers in the workshops were asked to choose between three options for how the public green spaces are 'mostly' irrigated. As shown below, a slightly larger proportion of customers selected Option 3: using rainwater, stormwater, and recycled water from rainfall independent sources (41%), but many selected Option 2: using rainwater and locally captured stormwater (35%), or Option 1: using rainwater and drinking water only (24%).

The results in the online validation survey differed from the qualitative research. Customers responding to the survey were much more likely to select Option 1, with 40% selecting this as their preferred choice. Option 2 was the most popular choice with 44% selecting this as their first choice. In the online validation survey, a much lower proportion chose Option 3 as their first choice (15%).

This discrepancy between the results in the qualitative research and quantitative research could possibly be explained by what was observed in the qualitative research. During these sessions, many customers initially reacted to the cost of Option 3 (a 20% increase in bills), which was deemed to be too expensive. However, upon further deliberation and upon hearing arguments from other customers, there was often a realisation that cool, green spaces are highly valued. This was especially true for people living in units who do not have their own backyard, people with children and those who valued having somewhere nice to go during the Covid-19 lockdowns.

Analysis of the online validation survey's open-ended comments suggests that, for many customers, their choices are linked closely to cost (hence, their initial reactions rather than a more considered choice). It is, therefore, possible that customers completing the online validation survey did not reflect as deeply about what cool, green spaces mean to them. This is an important finding as it highlights how customers, who have not considered the issue as deeply, might react to Option 3. If Sydney Water were to select Option 3, they would need to ensure they explain or remind people of the value of cool, green spaces and why the investment is important for the region.

Table 42 Service level preference – Creating cool, green landscapes

	Option 1	Option 2	Option 3
Summary (how green space is irrigated)	Rain + drinking water (current)	Rain + stormwater (no recycled water from wastewater)	Rain + stormwater + recycled water
Local public green spaces are mostly irrigated by:	Rain + Drinking water (current)	Rain +	Rain +

		Mainly storm/rainwater captured locally & reused <i>(less demand on drinking water supply)</i>	Storm/rainwater captured locally & reused + Recycled water from rainfall-independent sources
Local public green spaces are usually irrigated during drought by:	Irrigation of most green spaces is restricted during drought	Mainly storm/rainwater captured locally & reused (until it runs out)	Storm/rainwater captured locally & reused (until it runs out) + Recycled water from rainfall-independent sources
% of public green spaces kept green and cool during hot and dry summers (by 2050)	Less than 5%	Around 30%	Around 60%
% of public green spaces kept green and cool during severe drought (by 2050)	Less than 1%	Less than 1%	Around 60%
In dry conditions public green spaces look...	Dry and brown	Once rain/stormwater runs out, will turn dry and brown	Remain green
Temperature of grass in public green spaces during extreme heat	50-60°C (dry grass)	50-60°C (dry grass)	Less than 40°C (irrigated grass)
Volume of recycled water supplied for public green spaces	<1 gegalitre per year	5 gegalitres per year	10 gegalitres per year
% reduction of drinking water used by local councils for public green space	5%	40%	80%
Bill impact	No change (above inflationary cost pressures)	+10% (in addition to inflationary cost pressures)	+20% (above inflationary cost pressures)

Initial choice	21%	36%	43%
Final choice	24%	35%	41%
Survey result	40%	44%	15%

Base: Workshop participants who indicated their initial choice (n=138); Workshop participants who indicated their final choice (n=140); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.

Online validation survey breakdown by demographics

The breakdown of preferences from the online validation survey was consistent across the population, with very few significant differences by demographic. The only notable difference was by age. Customers aged 70 or above were most likely to select Option 3 and were less likely than other customers to choose Option 1, while customers aged 40-49 were least likely to choose Option 3 and most likely to choose Option 1 (see table below).

Table 43 Creating cool, green landscapes – online validation survey choices by age

Survey options by age	18-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	60-69 yrs	70+ yrs
Option 1	39%	46%	49%	40%	39%	25%
Option 2	41%	41%	42%	45%	49%	52%
Option 3	19%	14%	9%	15%	13%	22%

Base: Survey participants (n=1,018). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Differences by how much people value network improvements

When analysing people's choices by how much they value network improvements, we can see that people who place the greatest value on network improvements were more likely than others to select Option 3. Those who place moderate value on making network improvements were more likely than others to select Option 2. Those who value network improvements the least were more likely to choose Option 1.

Table 44 Creating cool, green landscapes – online validation survey choices by how much people value improvements in the water and wastewater network

Survey options	Place high value on network improvements		Place moderate value on network improvements		Place low value in making network improvements
	Advocates	Attainers	Fluctuators	Followers	Difficults/ Denials
Option 1	35%	20%	23%	41%	67%
Option 2	39%	41%	52%	48%	25%
Option 3	26%	39%	25%	11%	8%

Base: Survey participants (n=1,018). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Reasons for their choices

Amongst customers participating in workshops, affordability and the value customers placed on maintaining cool, green landscapes were key factors in their choice.

Customers had different perspectives about the importance of cool, green landscapes. Some felt these were ultimately nice to have, rather than essential, and that dry landscapes were to be expected in a country that is prone to drought. Others felt cool, green landscapes contributed positively to mental health and wellbeing and were willing to pay higher bills in order to maintain them (for longer) during times of drought. Whether or not these customers selected Option 2 or Option 3 depended largely on how much they (or others in the community) could afford to pay, as well as their feelings about the use of recycled wastewater for irrigation. A minority had concerns about the safety of using recycled water for irrigation or were concerned that by allowing recycled water to be used for this purpose, it would eventually open the door to its use as drinking water.

The main drawback acknowledged by workshop participants who selected Option 1 was the unpleasant aesthetic of seeing brown areas during drought. The main drawbacks acknowledged by those selecting Option 2 were that the maintenance of cool, green spaces would ultimately still be dependent on rainfall and, therefore, become brown and dry during drought, and that some areas/customers would benefit more than others, as well as the bill increase. Those selecting Option 3 noted the high bill impact of this option, as well as the possibility that the infrastructure may end up not being required due to climate volatility and that the infrastructure would still incur maintenance costs regardless of whether it is being used or not.

Table 45 Reason for service level preference – Creating cool, green landscapes

	Customers who selected this option indicated they did so because....
<p>Option 1 Rain + drinking water (current)</p>	<p>Importance of the outcome – these customers felt cool, green spaces were nice to have rather than essential. They felt dry landscapes are to be expected in Australia, given its warm to hot climate.</p> <p>Value for money – when it rains some options won't be needed, so there was a perception that the money spent on infrastructure etc. may be wasted.</p> <p>Willingness to pay – some thought bills should not be increased (especially in the context of higher costs of living).</p> <p>Responsibility – they thought local councils should be responsible for funding the irrigation of public green spaces, rather than Sydney Water (and its customers).</p> <p>Save first – some believed that Sydney Water should focus on reducing demand for water during drought, rather than aiming to increase supply. These customers also felt that public spaces should be allowed to dry out during drought to send a signal to communities that they should save water.</p> <p>Equity – they mentioned that not everyone has access to, or uses, green spaces and there was uncertainty about which areas would benefit.</p>
<p>Option 2 Rain + stormwater</p>	<p>Importance of the outcome – these customers mentioned that cool, green spaces contribute to community wellbeing/mental health. Also, environmental benefits – e.g. supports wildlife, reduces the amount of carbon entering the atmosphere.</p> <p>Intrinsic value of water – they mentioned that water is a scarce and crucial resource, so we should be using stormwater rather than wasting it and not 'wasting' drinking quality water on irrigation.</p> <p>Willingness to pay – a 10% increase for Option 2 was considered acceptable/affordable, but the 20% increase for Option 3 would be too high for many households.</p> <p>Future proofing – they thought it would be good to have recycled water infrastructure in place for if/when droughts worsen.</p> <p>Concerns about Option 3 – they talked about the possible negative environmental impacts of the rainfall independent water supply (included under Option 3). These included possible health risks from the use of recycled wastewater included under Option 3, and/or that Option 3 could result in recycled wastewater being introduced and used in the drinking water supply (note these views were held by a minority of participants).</p>

<p>Option 3 Rain + stormwater + recycled water</p>	<p>Importance of the outcome – these customers also mentioned that cool, green spaces contribute to community wellbeing/mental health. Also, environmental benefits – e.g. supports wildlife, reduces the amount of carbon entering the atmosphere.</p> <p>Intrinsic value of water – they also mentioned that water is a scarce and crucial resource so we should be using wastewater rather than wasting it.</p> <p>Importance of the outcome – they thought Greater Sydney should be planning for a drought resistant future, which means using rainfall independent sources.</p> <p>Value for money – they considered the cost implication of having to replant, if greenery dies, due to lack of irrigation during drought (minority view).</p> <p>Employment – a few mentioned that this option would create employment opportunities.</p> <p>Setting an example – a few thought this option could elevate the importance of green space/encourage Major Developers to consider creating more green space.</p>
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Base: Workshop participants who indicated their final choice (n=140); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.

Green spaces are extremely important to the community. However, billing people more without a concrete and visible plan is a hard sell. Too many unknowns at this point.

Residential customer | Penrith workshop (Option 1)



I would like to know more details about how and where the watering will happen.

Residential customer | Penrith workshop (Option 2)

Reasons customers selected each option in the online validation survey.

Analysing open-ended responses from the online validation survey suggests that the main reasons for selecting Option 1 (maintain current service level using rain and drinking water - preferred by 40% of online validation survey respondents) include:

- **A low willingness to pay for improvements and wanting to avoid increases in bills:** Many customers mentioned that they do not want their water bills to increase, especially considering current economic conditions and increasing costs of living. They prefer to keep their water bills at the current level without any additional increases.
- **Brown and dry public spaces remind people to conserve water:** Some customers believe that during drought conditions, it is essential to conserve water for more critical uses like drinking. They are willing to accept some dry and brown public spaces, as this can be a good reminder of the severity of the drought and the importance of water conservation.

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- **Value for money:** Many customers feel that it's not necessary to spend additional money to maintain green spaces during droughts. They either believe that green spaces can survive on natural rainfall, or they are not overly concerned about the appearance of public areas during dry spells.

I don't want water price increases; I am struggling to make ends meet.

Online Survey | Male, 50-59, Financial hardship, Western Sydney

With the cost of inflation, I don't think people can afford to pay 10% more on their water bill.

Online Survey | Female, 30-39, Vietnamese-speaking, Financial hardship, Western Sydney

We live in Australia. It's ok for green spaces to look brown and dry if it doesn't rain enough.

Online Survey | Female, 50-59, Living with a disability, Northern Sydney

Don't mess with nature. If it's not the weather keeping the space green, then let nature take its course. I don't want to pay more for green spaces.

Online Survey | Female, 30-39, Inner Sydney

Online validations survey (Option 1)

The main reasons for selecting Option 2 (improved service level using rain and stormwater and experiencing a 10% bill increase' – preferred by 44% of online validation survey respondents) include:

- **Wanting a balanced approach:** Many of these customers chose Option 2 because they viewed it as a balanced compromise between the other options. They recognised the importance of maintaining green spaces, but also acknowledged the need to be conscious of keeping bills low. They saw this option as allowing for some improvement in green spaces without a significant increase in bills.
- **A willingness to pay a reasonable cost increase:** These customers appreciated that Option 2 only involved a 10% increase in water bills, which they found more acceptable compared to the 20% increase (in Option 3). They recognised the importance of using recycled water and stormwater for irrigation but wanted to keep the cost manageable for ratepayers.
- **Recognition of the intrinsic value of water/reduced use of drinking water:** Another reason for selecting Option 2 was the desire to reduce the use of drinking water for irrigation. These customers recognised the importance of conserving drinking water for essential needs and believed that using recycled water and stormwater for green spaces was a more sensible approach.

- **Support for green spaces:** As mentioned earlier, compared to the results of the qualitative research, relatively few customers responding to the validation survey mentioned the importance of maintaining green spaces for various reasons, such as cooling, mental health, recreational activities, and overall environmental aesthetics as a reason to choose Option 2. This is understandable and during the qualitative research these considerations also appeared secondary at first. However, when given time to reflect the qualitative participants were more likely to recognise the value in maintaining green public spaces.

Green areas don't need drinking water to survive and thrive. The compromise of a 10% increase in price while providing reasonable maintenance of public areas and a significant increase in water supply through stormwater and rainwater reuse make this the best option.

Online Survey | Male, 18-29, Portuguese-speaking, Northern Sydney

A good compromise. Increasing the use of recycled water without too much impact on prices.

Online Survey | Male, 60-69, Southern Sydney & Illawarra

Reusable stormwater seems most sustainable and there's an importance to increase in upkeep of public green spaces, again there'll be additional costs, but that's a given if they need to keep spaces well-groomed and looked after.

Online Survey | Female, 18-29, Vietnamese-speaking, Western Sydney



It is a 10% increase and provides a reasonable outcome.

Online Survey | Male, 60-69, Tagalog-speaking, Inner Sydney

Online validations survey (Option 2)

The main reasons for selecting Option 3 (largely improved service level using rain, stormwater and recycled water, but 20% bill increase - preferred by 15% of online validation survey respondents) include:

- **The environmental benefits and reduced use of drinking water:** Many of these customers believe that using recycled water for green spaces helps the environment by reducing the use of drinking water for irrigation, which is seen as a valuable step in preserving water resources and protecting the ecosystem.
- **The general importance of the outcome:** Customers expressed the importance of maintaining green spaces to help cool suburbs and counteract the effects of global warming. They believe that greener environments can offer relief from heatwaves and contribute to a more sustainable future.

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- **The visual appeal of green spaces and the positive impact on mental well-being:**
Some of these customers emphasised the value of green spaces in improving the visual appeal of the community and enhancing mental well-being. They believe that well-maintained green areas positively influence people's moods and provide recreational opportunities.

With the projected increases in temperature, there must be a concerted effort to reduce metro temperatures, adding greenery to public spaces is important.

Online Survey | Male, 30-39, Northern Sydney

I strongly believe that the use of 'brown' water must be increased to benefit the environment and the economy through better use of our limited water resources.

Online Survey | Male, 70+, Northern Sydney

We definitely need to have green surroundings as our children need that atmosphere.

Online Survey | Female, 60-69, Arabic speaking, Inner Sydney

During intense heat, cooler/greener inner-city environments help keep temperatures down. This reduces energy demands for customers, which, while Sydney Water doesn't benefit from this directly, it is a part of their greater social purpose.

Online Survey | Male, 50-59, Northern Sydney

The benefit will outweigh the cost, green spaces are shown to help cool suburbs and hence save people money in other areas.

Online Survey | Male, 50-59, Far Western Sydney & Blue Mountains

I know the price would increase but we will have green in public spaces! It would make such a big difference.

Online Survey | Female, 70+, Far Western Sydney & Blue Mountains

We have to make the sacrifices needed to keep the surrounding areas green. So much diversity of wildlife depends on it.

Online Survey | Female, 60-69, Inner Sydney

Online validations survey (Option 3)



5.5.1 Customer questions

Variations on the following six question areas relating to creating cool, green landscapes were asked across the workshops. As seen previously, these included questions about the role of local councils, the timing of bill impacts and delivery of outcomes, questions to help customers fully understand the bill impacts, and questions about which specific areas would benefit from the services under each option. For this topic, customers were also keen to know if there would be benefits of creating cool, green landscapes beyond the aesthetic impacts, such as reducing the amount of CO₂ entering the atmosphere. In addition, customers asked if the available water supply could be increased by building more dams or increasing the capacity of existing dams (e.g. by raising dam walls), rather than using recycled storm/wastewater, as shown below:

- **Responsibility** – Why can't the council pay for this? Is Sydney Water working with other government bodies and organisations?
- **Benefits** – Will improving green space reduce carbon dioxide? Are there other benefits beyond aesthetics?
- **Equity** – Which areas or parks will benefit?
- **Timing and longevity of bill increases** – How long will the bill be that high and will the 20% increase last? Will the bill drop when independent rainfall sources have been built? How long will the infrastructure take to build (5-years, 10-years, or longer)?
- **Bill impacts** – What does 20% look like in terms of dollar figures on the average bill? Is the total percentage increase on just the water usage part?
- **Dams** – Would building more dams/increasing dam storage work?

The following questions were also raised, albeit less frequently than the ones above:

- Would the volume of recycled water supplied increase year on year?
- How will Sydney Water collect and keep stormwater? How would this water be distributed?
- Would there be any negatives - e.g. drawing stormwater away from natural waterways for irrigation?
- Would a separate recycling facility be built for Option 3 [for irrigation purposes]?

One customer said they would ideally like a system that fluctuates between the options, depending on the amount of water available, for example retaining Option 1 if there is an excess of drinking water and switching to options 2 or 3 if there is a shortage of drinking water. This type of question is indicative of a broader lack of understanding (observed among some customers) of the time required to build such infrastructure or the complexities involved in switching it on or off.

5.5.2 Qualitative Research: Key sub-groups

The service level preferences for creating cool, green landscapes for the key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the residential customer workshops.



Culturally and Linguistically Diverse customers

In the CALD groups, customers were largely positive toward investment in cool, green landscapes. They recognised its benefits, including the positive impact on the environment in reducing air and water pollution, and on community health and wellbeing, as people would be able to better utilise outdoor spaces in their local area. Some CALD customers were also positive about the use of recycled water, particularly in times of drought when drinking water was scarce. However, similar to the residential customer workshops, there was some debate on the financial viability of options 2 and 3. Overall, the results were evenly split between Option 1 and Option 3, with 13 customers and 14 customers selecting these, respectively, while a smaller number (n=5) chose Option 2.

A majority of customers in the Arabic, Greek, and Vietnamese speaking groups chose Option 1, due to their concern about the 10-20% bill increase (as represented in options 2 and 3), particularly given current cost of living pressures and financial pressures on many households. Some didn't consider Option 2 or 3 representing value for money in terms of the benefits and outcomes derived. For example, customers in the Greek-speaking group highlighted that a bill increase of 20% would still only manage to achieve around 60% of public green spaces kept green during hot and dry summers, while customers in the Vietnamese-speaking groups were sceptical about the impact projects would have on saving water. Additionally, some customers in the Vietnamese-speaking groups were not willing to invest in these projects, as they believed the government should have financial responsibility for it, which reflected questions raised by customers in the workshops about who had responsibility for irrigating public spaces. One customer in the Mandarin-speaking group was torn between options 1 and 2, as they were cost-conscious, but would prefer to avoid using drinking water for irrigation purposes.

Customers, who selected Option 2, reflected the sentiment from the customer workshops. They felt the 10% bill increase was an 'acceptable middle ground'. Other customers, who selected this option, also noted that it was necessary to invest in greater recycled water capacity to avoid using drinking water for irrigation. There was some commentary in the Vietnamese-speaking groups about the need for more information from government sources to encourage more people to consider this option.

Customers who selected Option 3 were willing to pay the higher cost due to the value they placed on creating cool, green landscapes and its impact on the environment and the community. Many also disagreed with the use of drinking water for irrigation and were favourable toward the use of alternative methods. However, there was concern that a 20% increase was unaffordable for households. For example, customers in the Cantonese-speaking group indicated that they were supportive of the goals presented in Option 3 but mentioned that they would like to see a more affordable balance between the price increase and the level of service improvement.

Table 46 Service level preference – Creating cool, green landscapes: Culturally and Linguistically Diverse customers

Language spoken	Option 1 Rain + drinking water (current)	Option 2 Rain + stormwater (no recycled water from wastewater)	Option 3 Rain + stormwater + recycled water
Arabic (n)	4	-	-
Cantonese (n)	-	-	5
Greek (n)	4	1	-
Korean (n)	-	-	6
Mandarin (n)	1 (undecided between Option 1 and 2)	3	2
Vietnamese (n)	4	1	1
Total (n)	13	5	14

An increase of 10% is high and 20% is ridiculous, that's the problem, everything is so expensive already, and I think they are making enough money from the bills and taxpayers that they should be able to do Option 3... they're being very selfish, they can do it without.

Arabic-speaking customer | Focus group

I've experienced droughts before, and it was unbearable. The heat was so intense that even hospital devices stopped working, and train tracks became too hot for trains to operate. I value the long-term benefits of these investments, as it could mean a lot to support crucial facilities running during extreme weather.

Cantonese-speaking customer | Focus group (Option 3)

It feels like options 2 and 3 cross over with some of the fundamental responsibilities of local Councils, so I feel we are being asked to double pay.

Greek-speaking customer | Focus group

I migrated into Australia because I like this green environment. To maintain this environment, I am happy to pay more.

Korean-speaking customer | Focus group (Option 3)

First Nations

The majority of customers in the First Nations group selected Option 2, as they considered environmental restoration to be a core responsibility of Sydney Water, specifically the provision of appropriate water supplies to bush areas, vegetation and fauna and its role in caring for country. There was also sentiment that protection of children's play areas and bush areas was essential.

All customers perceived Option 1 to be a major risk and saw this as Sydney Water avoiding responsibility for the impact of climate change and drought. The reliance on rainfall was considered 'wishful thinking'. As such, most customers preferred Option 2, considering this to be realistic, fair, and logical without over-promising. One customer selected Option 3, as they considered this to be a high return on investment, given the water would be released to support the natural environment.

There was some concern about the infrastructure costs, particularly when capturing wastewater in older suburbs. Additionally, similar to some customers in the workshops, there was uncertainty around the quality of wastewater produced under Option 3, which potentially limited the numbers who selected this option choice.

Table 47 Service level preference – Creating cool, green landscapes: First Nations customers

	Option 1 Rain + drinking water (current)	Option 2 Rain + stormwater (no recycled water from wastewater)	Option 3 Rain + stormwater + recycled water
First Nations (n)	-	5	1

SMEs

The issue of who, or which areas, would benefit from cool, green spaces was raised by the SMEs who discussed this topic. One SME selected Option 1, because their business was located in an area of the city where there are no green areas, so options 2 and 3 would not benefit their business. Another selected Option 3, because their Airbnb property would be more attractive to visitors if it was in the vicinity of green public spaces. The third SME selected Option 3, because the environmental benefits aligned with its business values and the water bill implication was relatively small in the context of total business costs.

Table 48 Service level preference – Creating cool, green landscapes: SME customers

	Option 1 Rain + drinking water (current)	Option 2 Rain + stormwater (no recycled water from wastewater)	Option 3 Rain + stormwater + recycled water
SMEs (n)	1	-	2

Option 1 currently, because I work in the city and from my businesses' standpoint there's not really any green spaces, this is really a suburban thing...it's between Option 1 and Option 2, but 10% for something that we don't use is a bit hard to justify for a business.

SME customer | Focus group (Option 1)

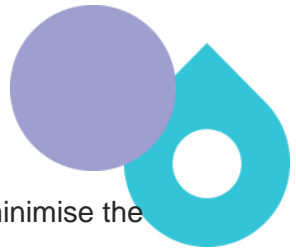

Being a values-based organisation that is looking to have a social and environment impact, I think that there would be support for doing what we think would be right for the environment, and again if it was a bigger expense, more difficult. But I think it would be okay. So, I'd say Option 3.

SME customer | Focus group (Option 3)

5.5.3 Qualitative Research: Stakeholders

Value Makers largely supported the idea behind encouraging cool, green landscapes through less reliance on potable water for irrigation and would like to see additional investment in this area. There was a belief that this initiative should not be funded by Sydney Water or its customers, and should instead be a government initiative, funded through tax. Given this, some Value Makers indicated they would like to see the benefits of Option 3, but without the additional cost incurred. Other points raised by Value Makers included:

- There is a need for increased investment in rainfall independent water supplies (specifically recycled wastewater) for irrigation, to ensure there is enough potable water into the future.
- Organisations are already focussed on their corporate social responsibility and environmental, social and governance ESG targets, however the perceived value to the business (beyond these targets) is too little to justify supporting the potential bill increases.
- There is a need to look at water security from a national perspective. There was a view that, in some places in Australia (QLD and NT), enough rain falls to supply the country with water for many years into the future. One Value Maker suggested the Federal Government invest in initiatives to capture and distribute this water through nation-wide



infrastructure projects and existing river systems in Australia. This would minimise the need for state or individual utility-based investments and decision-making.

- Similarly, funding these types of projects at a local water utility level means that regional communities (in NSW and across Australia), who are perceived as more likely to experience drought, will have less access to investment in this area given that a smaller population base is currently expected to cover the high cost of water and wastewater infrastructure. They felt this added weight to the argument for a national approach.
- One Value Maker was supportive of paying more to see increased service levels in this area, provided the additional investment was incurred for a short period of time only (2-3 years), and then a cost saving returned to customers after this 2-3-year period (as the investment changes from capital expenditure to maintenance).
 - This Value Maker also suggested that Sydney Water could work with their business directly, as a large water user, to reduce water wastage, and that if certain KPIs are achieved, they could receive a rebate. This would mean that instead of paying the additional 20%, they could reduce this to 15% (for example).

Investment in this area was unlikely to have a measurable impact on businesses, which meant the benefit to Value Makers was low and they were, therefore, unwilling to support an increase in bills.

The creation of cool, green landscapes was supported by Service Critical High Business Customers with one stakeholder selecting Option 3 and strongly advocating for the use of recycled water. Two stakeholders, whilst supportive of the creation of cool, green landscapes, were reluctant to have this funded by Sydney Water customers. One thought it was the role of local government to fund stormwater and independent rainwater infrastructure initiatives and the other thought Major Developers should be building it into the cost of new developments.



Major Developers did not consider that Option 1 – business as usual – was an acceptable outcome. Option 3 was generally desired by each Developer interviewed. However, there were concerns about both the affordability of this option amongst customers, as well as the ability to achieve such a target in the short to mid-term. As with other segments of the community Developers felt cool, green landscapes contributed positively to mental health and wellbeing. They were willing to pay more to achieve the outcome, but 2 of 3 would constrain that to a 10% increase above inflation outlined under Option 2. The remaining Developer preferred Option 3 but was cautious about Sydney Water's ability to achieve it without the full partnerships with Councils. This Developer believed the environmental impacts of Option 3 needed to be fully considered.

Table 49 Service level preference – Creating cool, green landscapes: Stakeholders

	Option 1 Rain + drinking water (current)	Option 2 Rain + stormwater (no recycled water from wastewater)	Option 3 Rain + stormwater + recycled water
Value Makers (n)	-	1	2
Service Critical High Business Customers (n)	-	2	1
Major Developers (n)	-	2	1
Total (n)	-	5	4

If you could delete the last row, I would definitely go for Option 3, because there's more recycling of the water, but there's a 20% increase... right now we're spending \$100k [on water per year], that means we'd be spending \$120k, that's a big increase. I think 10% - we can do that. Option 2 is good for now, taking into consideration the cost. In the long term or long run, Option 3 is quite exciting because when you shower and go to the bathroom, there's so much wastewater, so if we could capture that and use that to water the public parks and plants, that would be great... we need to start doing that. The thing is, if we start investing in the design of doing all this recycling, there would be a cost at the beginning, but then [after that] its maintenance – it would only be 20% for a few years. I'd be willing to pay 20% more for a number of years to then see a decrease once the infrastructure is established. There could be a KPI – if we save a lot of water, maybe we don't get the 20% increase per year. If we generate and help Sydney Water to recycle the water, maybe we can get a rebate, we pay 15% more rather than 20%.

Value Maker | In-depth interview



This is hard one for me – I see the benefit of all this stuff in terms of Option 3. There are significant benefits for everyone. I've always seen it as bad that we flush with potable water. Rather than putting the onus on Sydney Water to increase bills, Government needs good insight into infrastructure planning from Federal or State Government to capture stormwater in a large way... there's been so much rain we should never be in drought. I find it unreal that we've never captured that water and held it for drought. Sometimes the Government needs to spend big dollars on that, which compensates us in bills and gives us the benefit long term. It's not an easy one – we can keep raising bills all the time and never get the infrastructure we need. I want to see the benefits of Option 3, but it should be funded through tax rather than water bills. Sydney Water is only one part of NSW. In the city, where there are millions of people. In the country there isn't the population base to justify this. Everyone needs to benefit. Its Federal and State Government setting these targets – they should do it themselves. From Sydney's point of view, they built the harbor bridge with 6 lanes back then and had a third of the population. Government needs to consider what do we need in the next 50 years to meet these targets. It needs to be major infrastructure planning. Then utilities do their normal business of running the infrastructure projects.

Value Maker | In-depth interview

Businesses are looking closely at costs at the moment. There are no advantages to business to keeping local parks and green space greener – it comes down to the social impact of the business, but it's hard to justify +20% when there is no real benefit to businesses in paying this. Does the Government not give grants to Sydney Water to do these things? Are there any options other than passing this on to customers? We pay taxes – improvements could be made through local and state government taxes. Corporations already pay high taxes as well as everybody, everybody pays income tax – these are national issues and should be paid through taxes.

Value Maker | In-depth interview

Recycled water should be used way more often than it is. A no brainer.

Service Critical High Business Customer | In-depth interview

I think it probably comes down to a case by case. Option 3 should be considered as part of any new estate... the recycled water and storm water should all just be put back into any development approval. Major Developers should foot the bill, Sydney Water are probably in the best position to actually help drive those changes.

Service Critical High Business Customer | In-depth interview

I'm leaning between 2 and 3. It's a bit of a hike: 10% is quite significant and 20% is too... Why isn't this government funded? Why does the consumer have to bear that cost?

Service Critical High Business Customer | In-depth interview

Not sure Option 3 is practical or that can actually be achieved in the short to mid-term. Through our own experience there are a lot of practical issues with recycled water.

Major Developer | In-depth interview

Option 3 with a 20% increase over and above inflation is a significant change. I don't think you could achieve it without the commitment from Councils. But many of them don't want to know about it.

Major Developer | In-depth interview

I'd value Option 3 as long as broader environmental impacts are considered.

Major Developer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 50 Summary table of preferred option for the creating cool, green spaces topic.

	Option 1 Rain + drinking water (current) Bill impact 0%	Option 2 Rain + stormwater (no recycled water from wastewater) Bill impact +10%	Option 3 Rain + stormwater + recycled water Bill impact +20%
Workshops final choice			Preferred option
Online survey		Preferred option	
CALD			Preferred option
First Nations		Preferred option	
SMEs			Preferred option
Value Makers			Preferred option

	Option 1 Rain + drinking water (current) Bill impact 0%	Option 2 Rain + stormwater (no recycled water from wastewater) Bill impact +10%	Option 3 Rain + stormwater + recycled water Bill impact +20%
Service Critical High Business Customers		Preferred option	
Major Developers		Preferred option	

Base: Workshop participants who indicated their final choice (n=140), Online survey (n=1,018), CALD customers (n=32), First Nations (n=6), SMEs (n=3), Value Makers (n=3), Service Critical High Business Customers (n=3), Major Developers (n=3).

5.6 Resilience of our water supply

Most customers, who participated in Phase 1, recognised that population growth and climate change are causing more frequent and severe water shortages. As a result, they wanted Sydney Water to improve the resilience of Greater Sydney’s water supply and reduce the frequency and duration of severe water restrictions.

The majority of customers who participated in the Phase 3 workshops wanted the current service level to be maintained or improved. There was a roughly even split between the proportion of customers who wanted the current service level to be maintained, in exchange for a 10% bill increase under Option 2 (45%), and those who wanted to see a degree of improvement on the current service, for a 20% increase under Option 3 (36%). Few were willing to accept a reduction in the resilience of the water supply (13%), for no bill increase, under Option 1. At the other end of the scale, only a few (6%) were prepared to pay an additional 30% on their bills to remove the risk of Level 4 or 5 water restrictions being required during drought, under Option 4.

In the online validation survey, Option 2 was the clear preference, with nearly half of customers (49%) selecting no change in service level and a 10% increase in water bills as their preferred choice. A notable proportion of customers also chose Option 1 (26% vs. 13% in the qualitative research), which represents a decrease in service level and no change in water bills. The proportion that chose an improvement in service levels for a higher water bill was notably lower in the online validation survey than in the qualitative research. For example, only 19% chose Option 3 (vs. 36% during the qualitative research). Also, as with the qualitative research, Option 4 was the least preferred in the online validation survey (5%, similar to 6% in the qualitative research). These results were consistent across the community, with very little variation by demographic.

Table 51 Service level preference – Resilience of our water supply

	Option 1	Option 2	Option 3	Option 4
Summary	No change - reduction in service level	Invest - maintain current service level	Invest - improve on current service level	Invest - guaranteed service in any drought
Length of time under restrictions when in drought	More than now	Same as now	Half as much time as now	Half as much time as now
Severity of restrictions when in drought	Risk of Levels 4 - 5 (more likely than other options)	Risk of Level 4 - 5 (less likely)	Risk of Level 4 – 5 (very unlikely)	Risk of Level 3 (occasionally)
Frequency of restrictions	Activated once in ten years	Activated once in ten years	Activated once in ten years	Activated once in ten years

% of drinking water sourced from rainfall independent supply options (total)	15%	30%	45%	60%
Water efficiency initiatives are...	Maintained	Maintained	Expanded (e.g. data from digital metering)	Expanded (e.g. data from digital metering)
Bill impact	No change (above inflationary cost pressures)	+ 10% (above inflationary cost pressures)	+20% (above inflationary cost pressures)	+30% (above inflationary cost pressures)
Initial choice	9%	50%	34%	7%
Final choice	13%	45%	36%	6%
Survey options	Option 1	Option 2	Option 3	Option 4
Choices were simplified slightly in the online survey and there were minor differences from how the information was presented in the workshops. They were still closely aligned.	Droughts last longer than they do now. No change in bills	Droughts last the same amount of time as they do now. +10% increase in bills	Droughts happen half as often as they do now. +20% increase in bills	Droughts happen half as often as they do now. And the risk of level 3 restrictions is lower than in Option 3 +30% increase in bills

Survey result	26%	49%	19%	5%
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Base: Workshop participants who indicated their initial choice (n=137); Workshop participants who indicated their final choice (n=138); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.

Differences by how much people value network improvements

When analysing people’s choices by how much they value network improvements, we can see that, people who place the greatest value on network improvements were most likely to select Option 3 and more likely than others to select Option 4. Those who place moderate value on making network improvements were most likely to select Option 2. Those who value network improvements the least, were most likely to select either Option 1 or Option 2.

Table 52 Cool green spaces – online validation survey choices by how much people value improvements in the water and wastewater network

Survey options	Place high value on network improvements		Place moderate value on network improvements		Place low value in making network improvements
	Advocates	Attainers	Fluctuators	Followers	Difficults/ Denials
Option 1	18%	20%	16%	26%	44%
Option 2	30%	25%	48%	54%	44%
Option 3	29%	48%	27%	17%	8%
Option 4	22%	8%	9%	2%	4%

Base: Survey participants (n=1,018). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Reasons for their choices – from the qualitative research

Whether or not customers thought restrictions would be sufficient to maintain Greater Sydney’s water supply into the future was a key factor in their decision-making under this topic, as was the affordability of each option.

Customer selections were underpinned by whether they thought Greater Sydney’s water supply could be maintained into the future by using water restrictions, as had been the case in the past. Those who thought restrictions would be sufficient to maintain supply tended to select Option 1. Some of those selecting Option 1 questioned the legitimacy of climate change. Others were

uncomfortable with the idea of recycled wastewater potentially being used under options 2-4, and some said they couldn't or wouldn't accept an increase in water bills (primarily because they believed water restrictions would ultimately be sufficient to ensure supply, as noted above). Many of those selecting Option 1 referred to their experience of drought/rain cycles in Australia. Many customers were also unaware of the role that desalination plays in maintaining water quality during heavy rain or that the Sydney desalination plant is being used currently. This influenced their perception that money spent on building this type of infrastructure has the potential to be wasted.

Customers choosing options 2-4 believed that Greater Sydney would need to introduce more rainfall independent water supplies in order to maintain its supply, with the key differentiator being their willingness or ability to absorb bill increases. Customers seemed to be thinking primarily about the type of restrictions they had experienced to date. Perhaps, surprisingly, there was little discussion about the implications of level 4 or 5 restrictions.

Those who selected Options 1, 2 or 3 acknowledged concerns that Greater Sydney may experience water shortages in the event of severe or prolonged drought, however, they generally hoped or expected that the options they had selected would be sufficient to prevent this. Most who selected these options accepted that restrictions may need to be in place for longer. There was also discussion about potential negative impacts on the economy, as well as day-to-day life, although, as noted above, there was little in-depth discussion about the possible implications of level 4 or 5 restrictions. The other drawback commonly acknowledged by those selecting Options 3-4 was the bill impact, which they felt would be hard for some customers to pay, particularly in the context of inflation etc.

Table 53 Reason for service level preference – Resilience of our water supply

	Customers who selected this option indicated they did so because....
Option 1 No change – reduction in service level	<p>Importance of the outcome – these customers felt water restrictions should be sufficient to maintain the water supply. They mentioned that there have always been droughts in Australia, and it has always rained before the water has run out. There was also some scepticism about climate change.</p> <p>Willingness to pay – some thought bills should not be increased (especially in the context of higher costs of living).</p> <p>Water restrictions – these were not considered too onerous and could be managed.</p> <p>Value for money – they mentioned that, when it rains, the other options won't be needed so the money spent on infrastructure etc. might be 'wasted' (influenced by misconception that Sydney's desalination plant is not being used).</p> <p>Safety – there were concerns about the safety/desirability of purified recycled water (which may be included under options 2-4).</p> <p>Dams – there was a preference for building more dams/increasing the capacity of dams.</p>

	<p>Demand focus – they felt Sydney Water should focus on reducing demand for water during drought, rather than aiming to increase supply.</p>
<p>Option 2 Invest – maintain current service level</p>	<p>Importance of the outcome – these customers thought water restrictions alone may not guarantee supply in the context of population growth and climate change.</p> <p>Preference for status quo – these customers were comfortable with the status quo (did not want service to ‘go backwards’).</p> <p>Willingness to pay – a 10% increase for Option 2 was considered acceptable/affordable, but a 20% increase under Option 3 was too high.</p> <p>Value for money – a few customers saw value in doubling the percentage of water from rainfall independent water supplies, compared to Option 1.</p> <p>Not required – a few thought that activities to lower carbon emissions globally may mean that Options 3 and 4 are not necessary.</p>
<p>Option 3 Invest – improve on current service level</p>	<p>Importance of the outcome – these customers thought water restrictions alone may not guarantee supply, given the impacts of population growth and climate change.</p> <p>Willingness to pay – a 20% increase for Option 3 was considered acceptable/affordable, but a 30% increase under Option 4 was seen as too high. They would like a balance between affordability and ‘doing something’ to improve the resilience of the water supply, which will reduce the duration/severity of water restrictions.</p>
<p>Option 4 Invest – guaranteed service in any drought</p>	<p>Importance of the outcome – these customers thought water restrictions alone may not guarantee the water supply in the context of population growth and climate change.</p> <p>Importance of the outcome – they cited other cities overseas (e.g. Cape Town) that have come close to running out of water, so Greater Sydney needs to do as much as possible to prevent this happening in Greater Sydney (regardless of the cost).</p> <p>Restrictions – they were keen to reduce the duration/severity of water restrictions.</p> <p>Employment – a few mentioned that this option would result in more employment opportunities.</p>

Base: Workshop participants who indicated their final choice (n=138); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.



Rather than recycling and desalination plants why not invest in more catchments? Piping will be required either way.

Residential customer | Penrith workshop (Option 1)

Options 3 and 4 are the easy way out - throw 'our' money at the problem, rather education, change people's mindset. Infrastructure should not be at the consumers cost.

Residential customer | Wollongong workshop (Option 2)

We definitely need to make change to be sustainable but not at huge cost.

Residential customer | Penrith workshop (Option 3)

Reasons customers selected each option in the online validation survey.

Analysing open-ended responses from the online validation survey suggests that the main reasons for selecting Option 1 (no change in bill but reduction in service level – preferred by 26% of online validation survey respondents) include:

- **A low willingness to pay and not wanting to see an increase in bills:** Many of these customers mentioned that they cannot afford any increase in the water bill, due to high living costs or limited budgets.
- **A belief that it is the government's responsibility:** Some of these customers expressed the view that the responsibility for funding water supply improvements should lie with the government, especially when it comes to accommodating population growth.
- **A preference for water restrictions and to focus on demand:** Several of these customers emphasised the importance of water conservation and being more water-wise, rather than relying solely on infrastructure development and increasing costs. They would rather have longer and stricter water restrictions during droughts, than pay higher water bills. Sydney Water should focus on reducing demand for water during drought, rather than aiming to increase supply.

The cost of living is rising and bills are already high. The government needs to be able to fix this without having to ask for people to pay extra.

Online Survey | Female, 40-49, Portuguese-speaking, Inner Sydney

We need to get used to climate change and that's that. We can't just hike everyone's bills up; many people are struggling big time.

Online Survey | Female, 50-59, Financial hardship, Inner Sydney



Why does Sydney Water have to pay for increases in population, it's the Federal Government that is increasing the population so why aren't they paying.

Online Survey | Female, 70+, Far Western Sydney & Blue Mountains

If building new dams and raising the height of existing dams are outside the control of Sydney Water, why are they trying to sneak in price increases to get around what is really a state government decision?

Online Survey | Male, 70+, Inner Sydney

Water restrictions don't affect me at all, and most poor people would be negatively affected by any price increase.

Online Survey | Female, 40-49, Croatian-speaking, Inner Sydney

We need to learn to conserve water. We can't keep putting up costs.

Online Survey | Male, 70+, Far Western Sydney & Blue Mountains

Online validations survey (Option 1)

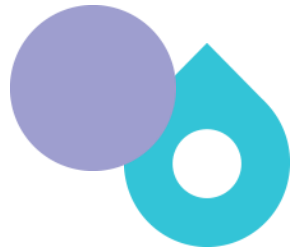

The main reasons for selecting Option 2 (maintain current service level at 10% bill increase - preferred by 49% of online validation survey respondents) include:

- **A willingness to pay and a view that it is affordable:** Many of these customers mentioned that a 10% increase in water bills should be acceptable and manageable for most people. They did express concerns about higher costs and financial pressures, but felt that Option 2 strikes a balance between investing in water supply and keeping the price increase reasonable.
- **The importance of the outcome and maintaining current service levels:** Many of these customers want to maintain the current service levels and water supply. They want to avoid reductions in service or higher levels of restrictions. They did not want service to go backwards.
- **A rejection of options 3 and 4:** A few customers consider options 3 and 4 (which involve higher cost increases) too expensive or unaffordable.

Option 2 is slightly better in terms of costs, and I think it's a good balance between investing in water supply and keeping prices reasonable.

Online Survey | Male, 30-39, Japanese speaking, Inner Sydney

A 10% increase in bills is acceptable to improve services. In the current market people will struggle to pay any higher.



Online Survey | Male, 40-49, Russian speaking, Northern Sydney

If the money is correctly invested, then a 10% increase in bills is acceptable to ensure an acceptable level of restrictions.

Online Survey | Male, 50-59, Northern Sydney

Investment is important, but we should aim for minimal increases for the consumer.

Online Survey | Female, 60-69, Northern Sydney

We can't have less than what we have now, but no excessive bill increases.

Online Survey | Female, 50-59, Financial hardship, Western Sydney



Reasonable future proofing supported with a manageable 10% increase.

Online Survey | Male, 60-69, Southern Sydney & Illawarra

Online validations survey (Option 2)

The main reasons for selecting Option 3 (improve current service levels, but 20% bill increase - preferred by 19% of online validation survey respondents) include:

- **The environmental benefit and to prepare for the effects of global warming:** These customers expressed concerns about climate change and its potential impact on water availability in the future. Option 3 was seen as a proactive approach to improve water resilience and preparedness for more frequent and severe droughts.
- **A willingness to pay for a balanced solution:** These customers believed that Option 3 struck a reasonable balance between cost and benefits. While there was an increase in water bills (20%), it was seen as a justifiable investment to improve water supply systems without causing excessive financial burden.
- **The general importance of the outcome:** Several of these customers favoured Option 3, as it was perceived to result in less severe and shorter water restrictions during drought periods. People acknowledged that some level of water restrictions might still be necessary, but they preferred to avoid the more stringent restrictions associated with other options.



With global warming not getting any better, we need improvements for sustainability. The level restrictions are manageable, and if successful will only be there for a short amount of time. A small sacrifice for a better future.

Online Survey | Female, 18-29, Vietnamese-speaking, Western Sydney

Improvement without costing the earth; investment in water storage needed.

Online Survey | Male, 50-59, Inner Sydney

This seems to be the best option as water restrictions are too hard to allow for gardens to flourish.

Online Survey | Female, 70+, Financial hardship, Southern Sydney & Illawarra

The water supply resilience needs to be improved to prevent and better manage future droughts as the impacts of drought are substantial. The 20% increase would be offset by the otherwise increased costs of living during droughts.

Online Survey | Female, 18-29, Far Western Sydney & Blue Mountains


Water resilience is vital in our community as it is a very dry continent. We need to expect to pay for this vital resource. People will be more cautious with their water use.

Online Survey | Female, 70+, Financial hardship, Far Western Sydney & Blue Mountains

Online validations survey (Option 3)

The main reasons for selecting Option 4 (largely improved service level and guaranteed service in any drought, but 30% bill increase - preferred by 19% of online validation survey respondents) include:

- **The importance of the outcome (largest improvements):** Several customers favoured Option 4 because it offers the best improvement in water infrastructure. These customers believe that investing in alternative methods, such as desalination plants and other water infrastructure, will enhance water supply and reduce reliance on rainfall. Some mention that, with a growing population, it is essential to have more water resources to meet demand.
- **The importance of the outcome (less water restrictions):** Option 4 is favoured by those who want to avoid or minimise water restrictions during drought periods.
- **The environmental benefits and preparing for effects of global warming:** These customers expressed concerns about climate change and its potential impact on water availability. They believe that investing in Option 4, which includes more desalination and water efficiency measures, would ensure a more secure water supply for the future and help adapt to the challenges posed by climate change.



Water is our most important asset; there should be no argument about investing in this.

Online Survey | Male, 18-29, Financial hardship, Western Sydney

This option allows Sydney Water to better conserve and treat wastewater and cope with higher water demands due to increased population.

Online Survey | Female, 60-69, Southern Sydney & Illawarra

I think if we invest and pay a little extra on our water bills, it will make a big change to water usage and availability for future generations.

Online Survey | Female, 50-59, Inner Sydney

It is a good idea to invest in alternative methods to improve water supply, so we don't have to rely entirely on rainwater.

Online Survey | Female, 50-59, Arabic-speaking, Western Sydney

Investing in water efficiency, green space, and biodiversity is essential to better quality of life.

Online Survey | Male, 40-49, Financial hardship, Inner Sydney

Online validations survey (Option 4)

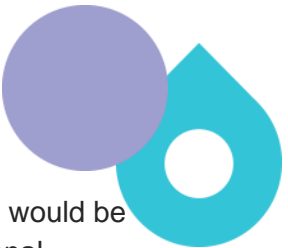

5.6.1 Customer questions

Questions raised in relation to water resilience are detailed below. Variations on the following five question areas were asked in multiple workshops. Many customers wanted to know what exactly Sydney Water would be investing in to achieve the improved outcomes and, in particular, whether this would include recycling wastewater for use in the drinking water supply and, if so, whether this would include recycling water from toilets. Previous research has shown some customers have concerns about the use of recycled wastewater as drinking water.

As noted previously, in relation to the cool, green spaces topic, some customers expressed a preference for building dams or increasing the capacity of dams, rather than building and paying more for a rainfall independent water supply. Customers in the workshops seemed interested in the explanation given about some of the complexities around increasing storage capacity via dams (e.g. limited locations in which new dams could be built, the infrastructure needed to move water from dams to where it is required, ultimately still reliant on rain, etc).

The misconception that Sydney's desalination plant is not in operation was also evident in the questions about desalination that were raised in many of the workshops.

Customers were interested in how often different levels of restrictions had been imposed in Greater Sydney previously, apparently to help them assess the risk that restrictions (or more severe restrictions) might be needed in future.



Finally, some customers struggled to understand or accept the idea that bill increases would be needed simply to maintain the current levels of water resilience and wanted an additional explanation of why this was the case.

- **Dams** – Why can't Sydney Water build more dams? Why can't Sydney Water capture water in rainy areas and move it into dryer areas?
- **Delivery** - What is Sydney Water actually investing in to achieve the higher options? What is meant by increased service level in this context?
- **Desalination** – Where does desalination apply - under which option? What is Sydney Water doing with the desalination water that is collected currently? Billions have been spent on a desalination plant that isn't used, so how do we trust that investment will be used?
- **Historical context** – How many times in last 20 years have the dam levels fallen below 30%? When was the last time dam levels went down to 25%? How often in the past have we had level 3, 4 or 5 restrictions imposed?
- **Bill impact** – Why is a bill increase needed just to maintain the current service?

The following questions were also raised, albeit less frequently than the ones above:

- Could some restrictions be in place all year round (e.g. no watering between 10am and 4pm is common sense)?
- What does 'occasionally' mean for Option 3?
- How is Sydney Water forecasting climate change in these options? Is there any potential to change between the options based on what ends up happening?
- What is the impact of the Hydraloop?
- How does Sydney Water rank relative to world standards?
- Are these percentage bill increases on top of the other bill increases discussed?⁶
- What is the timeline for bill increases and would increases be in place indefinitely or for a specified time?
- Is desalination the biggest contributor to the price increase in Option 3?
- Shouldn't these costs be paid for by State Government revenue?

5.6.2 Qualitative Research: Key sub-groups

Service level preferences for resilience of Greater Sydney's water supply for the key sub-groups consulted are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the customer workshops.

⁶ Note – participants were advised that for the purposes of the workshop the estimated bill increases for each topic should be considered in isolation rather than added together.



Culturally and Linguistically Diverse customers

Among customers in the CALD groups, results were split between Option 2 (n=12), Option 1 (n=9), and Option 3 (n=6). Only three customers, from the Cantonese, Korean, and Vietnamese-speaking groups, selected Option 4. Note, one customer in the Greek-speaking group chose not to select any option.

These results differed slightly from the residential customer workshops, where Option 2 was the most popular option and Option 3 was the second most popular option, however, the reasons for choosing Option 1 closely reflected those provided by customers in the workshops and do not appear to differ based on cultural factors. As such, caution is necessary in interpreting results due to any sub-group factors.

Customers, who selected Option 1 in the Arabic-speaking group, highlighted that Greater Sydney has experienced harsh restrictions due to drought previously and, therefore, it would be possible to live with restrictions again in the future. Other customers who selected Option 1 in the Greek-speaking group, indicated that their decision was driven by financial considerations as they could not tolerate a 10% price increase to their bill. This sentiment was echoed by customers in the Vietnamese-speaking group, who felt that with a large bill impact, they needed further persuasion before investing.

Those who selected Option 2, saw the current service level as an essential basic standard that should not be sacrificed. They perceived the minimum bill increase to be realistic, particularly when considering the current economic climate and rising living expenses. While recognising the need for better resilience of the water supply system, the 20-30% increase in cost for service improvement represented by Options 3 and 4 was deemed unaffordable by many. There was also a desire, specifically noted among customers in the Cantonese-speaking group, for a more comprehensive explanation or an annual review for consumers, detailing the progress of projects and illustrating how their contributions are leading to tangible impacts and making the investment worthwhile.

Those who selected Options 3 and 4 indicated a higher willingness to pay to achieve water resilience, as they were cognisant of the need to diversify Greater Sydney's drinking water supply. Customers also aligned to reasons provided by customers in the workshops, particularly the need to consider the long-term benefits of securing a safe and steady water supply.

There were some questions raised as to why customers were being burdened with this investment now, when the Government has had the time and resources to manage this issue for some time.

Table 54 Service level preference – Resilience of our water supply: Culturally and Linguistically Diverse customers

Language spoken	Option 1 Reduce levels	Option 2 Maintain service levels	Option 3 Improve service levels	Option 4 Guarantee service levels
Arabic (n)	4	-	-	-
Cantonese (n)	-	3	1	1
Greek (n)	2	2	-	-
Korean (n)	-	3	2	1
Mandarin (n)	-	2	3	-
Vietnamese (n)	3	2	-	1
Total (n)	9	12	6	3

Once again, as much as everybody wants Option 4, with everything going up, even [a] 10% rise in the bill would be sizeable and noticeable. We've lived through restrictions before and we tended to deal with it, so I am choosing Option 1.

Arabic-speaking customer | Focus group (Option 1)

Water security is such an essential and fundamental obligation of government. Why is the government not ensuring that our country does not leave itself exposed when it comes to resilience of water supply? Why is this burden put on us?

Greek-speaking customer | Focus group

I want to have a better water system and services but it makes no sense to me why we should invest more into it. We already pay tax money so the government should've managed the money more effectively and already contributed to this issue.

Vietnamese-speaking customer | Focus group

First Nations

Customers in the First Nations group acknowledged the need to plan for droughts and water shortages and looked to see basic service levels maintained into the future.

The majority (n=5) selected Option 2, as they considered this a realistic and familiar level of service – and this aligned with the results of the residential customer workshops. However, there was some surprise that it would still require a cost increase to maintain the status quo. One customer selected Option 3, as they expressed their personal financial situation could afford this cost increase and they were concerned about caring for local land areas and country. However, they recognised that most families would be unlikely to afford any increase and that subsidies might be needed to support them. In evaluating Option 4, all customers considered this too high a cost and not realistic as an option. Many perceived this to be a waste of money and a ‘ridiculous’ investment.

Across all options, there was an assumption, by many customers, that the burden would fall on households and poorer communities who would have to agree to cost increases on rent and water rates regardless of their capacity to pay. There was also a common assumption that investment costs would be similar to the development of road tolls, which continued to be a growing cost for many living in Western Sydney and for which there is little relief, highlighting some level of distrust toward government – which also arose in the residential customer workshops. This was further reflected by customers who did not feel that the investments would benefit local communities.

Finally, some customers perceived there to be a risk that increased investment would result in more development and might impact the local environment and quality of life.

Table 55 Service level preference – Resilience of our water supply: First Nations customers

	Option 1 Reduce levels	Option 2 Maintain service levels	Option 3 Improve service levels	Option 4 Guarantee service levels
First Nations (n)	-	5	1	-

Why is it going to cost so much just to do more of the same?

First Nations customer | Focus group (Option 2)

Big bucks to build more useless stuff [on Option 4]

First Nations customer | Focus group

So you're saying we should just trust the same fellas who keep building roads and tunnels and charging us more and more?

First Nations customer | Focus group

SMEs

All three of the SMEs in the focus group that discussed the resilience of Greater Sydney's water supply selected Option 3. When describing their decision-making process, the SMEs talked about trying to balance the needs of their business, taking into account the importance (or otherwise) of water for their business and the extent to which restrictions have an impact. They also talked about the need to minimise direct costs, with the importance of maintaining a reliable water supply for the broader community. The SMEs felt that Option 3 offered a reasonable balance between these considerations.

Table 56 Service level preference – Resilience of our water supply: SME customers

	Option 1 Reduce levels	Option 2 Maintain service levels	Option 3 Improve service levels	Option 4 Guarantee service levels
SMEs (n)	-	-	3	-

We're a software company. We're not a commercial kitchen. We're not a leisure centre. If there's no water supply in the office we will work from home. So I'd say Option 3 if I can get away with it, and I don't get challenged because of costs. I'd have to have a very, very good reason to justify a 20% increase to a bill that I would enter into voluntarily.

SME customer | Focus group (Option 3)

What you want and what is best for the business might not necessarily be the same thing.

SME customer | Focus group (Option 3)

5.6.3 Qualitative Research: Stakeholders

Similarly, to healthy waterways, Value Makers largely supported the initiatives to enhance the resilience of the water supply, however, had mixed views as to how these initiatives should be funded. One felt that, rather than a general increase in bills, Sydney Water should instead work with large organisations and heavy water users to minimise wastage and facilitate increased wastewater recycling or increased rainwater or stormwater harvesting, to minimise reliance on drinking water supplies. They thought partnerships and initiatives such as this could be co-funded or rewarded via rebates. Another suggestion for funding increases in service levels around supply resilience and water security was to fund initiatives at a federal level, and via the tax system, taking a national approach to water security infrastructure rather than a utility-by-utility approach.



Overall, Value Makers were unwilling to support substantial increases to bills in this area, instead preferring that these initiatives are funded via tax, or through industry partnerships.

Service Critical High Business Customers strongly supported maintaining the current service level. They had reservations about how an increase in service level would affect their business. Also, of concern, was the cost to the customer for further improvements in the water supply resilience. One customer felt that resilience hadn't been built into the system since the last drought and that Sydney Water were trying to solve an issue after it had already happened.

Major Developers were concerned about the impacts of both climate change and population growth on the resilience of Greater Sydney's water supply. Therefore, there was consensus that Sydney Water should at least maintain the current service levels. At issue was the cost to the customer for further improvements in the water supply resilience. Therefore, 2 of the major developers opted for Option 2 and 1 for Option 3. These developers also felt that to achieve higher service levels would require cooperation and coordination between Sydney Water, local councils and businesses.

Table 57 Service level preference – Resilience of our water supply: Stakeholders

	Option 1 Reduce levels	Option 2 Maintain service levels	Option 3 Improve service levels	Option 4 Guarantee service levels
Value Makers (n)	-	1	1	1
Service Critical High Business Customers (n)	-	3	-	-
Major Developers (n)	-	2	1	-
Total (n)	-	6	2	1



Right now, we're in Option 2, obviously it's good to improve and go to Option 3, I guess... the problem right now is that there's a cost increase in everything, so it's hard to justify moving to Option 3 right now, because its 20% plus inflation, which is 28%... it's too much. We still need to operate... it's a lot to absorb. And right now, Option 2 is 10% - even if we don't change the level of service its 10%.

How about we get some KPI to try to reduce water usage or be more efficient, install some tanks, plants to capture the water and these kinds of things? Can I provide a program or project where we can help? We can reduce things – try to recycle water a bit more. I think I would like to work with them because we just pay them and that's it. I'd like to work with them. If they have a project, come and talk to us, we can do this or that to recycle the water, I'd be happy to do that. We have a budget for capex, so it could be one of the investment areas – spend \$30k - put in a system, and we've done it – we don't need to get this 10% or 20% increase. Can we work together to do something internally to reduce our usage in the plant or recycle it? With electricity, you have the solar panels, we work with them and do that, send it back to the grid, get a rebate, we spend less. What can we do with Sydney Water? We could do a partnership... maybe we pay 50% or 60%, or we pay everything, and they give us 50% rebate over 3 years – that can work. It's good for us. If we say that to HQ in the US, they'd be happy with that.

Value Maker | In-depth interview

This is where we get to major infrastructure investments at a Federal Government level. The northern states – QLD and NT get enough water to keep Australia's dams full all year round. Its recycling on a mass scale. Everyone benefits from it then – we all pay a bit of tax to do it, but we become drought proof and we have certainty of that. My view is that I don't think we should be having 20% or 30% increases at a Sydney Water level. Maybe a couple % increase nationwide, which would be the same amount of money spent. For a country that's always been dry, in its history, it's unbelievable that we don't capture more water. A lot of this water that goes through the stormwater mains and goes out to sea – such a lot of that has debris in this which ends up in our waterways which is unpleasant as well, sometimes the muck from the sky and on the land and washes into water and beaches isn't helpful for us either – need to capture, treat it and put it back into the system. I don't see that we need all that water going out to sea. A 10% increase covers costs and wages but doesn't cover infrastructure... that's where we should be heading. But if we don't go with that, you need Option 3 or 4.

Value Maker | In-depth interview

If I'm talking on behalf of the business, it's very unlikely that businesses are affected by restrictions. The risk of level 4-5, even with Option 2, its less likely. As a business speaking, I'd go Option 2. We're not affected very much. It's totally

to do with the business that were in, we use water to keep the facilities running, we're not a production company, so I assume production companies would have a different choice – for me, Option 2.

Value Maker | In-depth interview

The amount of water that these residences are using is absolute peanuts compared to what would be using at an industrial site. What are the water efficiency initiatives for industrial properties?

Service Critical High Customer | In-depth interview

Again, it just comes down to how much out of pocket you're going to be.

Service Critical High Customer | In-depth interview

Option 1 is just not an option. Option 2 definitely. The remaining options have a major impact on household bills at a time where it is difficult for many to deal with cost of living pressures.

Major Developer | In-depth interview

I'd have to settle for Option 2. Option 3 and 4 are too much of a jump in costs. Option 2 can be improved on through new technologies.

Major Developer | In-depth interview

I'd would be supportive of the higher options but I am concerned about the energy intensive means required to achieve them. It would need closer cooperation with Councils, businesses to achieve these outcomes efficiently.

Major Developer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 58 Summary table of preferred option for the resilience of our water supply topic.

	Option 1 Reduce levels Bill impact 0%	Option 2 Maintain service levels Bill impact +10%*	Option 3 Improve service levels Bill impact +20%	Option 4 Guarantee service levels Bill impact +30%
Workshops final choice		Preferred option		

	Option 1 Reduce levels Bill impact 0%	Option 2 Maintain service levels Bill impact +10%*	Option 3 Improve service levels Bill impact +20%	Option 4 Guarantee service levels Bill impact +30%
Online survey		Preferred option		
CALD		Preferred option		
First Nations		Preferred option		
SMEs			Preferred option	
Value Makers		Preferred option (equal)	Preferred option (equal)	Preferred option (equal)
Service Critical High Business Customers		Preferred option		
Major Developers		Preferred option		

Base: Workshop participants who indicated their final choice (n=138), Online survey (n=1,018), CALD customers (n=30), First Nations (n=6), SMEs (n=3), Value Makers (n=3), Service Critical High Business Customers (n=3), Major Developers (n=3). *Option 2 Bill impact was 5% in online survey.



6 What we heard: Tariffs, funding and pricing structure

In Phase 1 of this program, we understood that one of customers' priorities for Sydney Water was affordability of water and wastewater bills. We heard that customers would like to see Sydney Water do what it can to keep bills low. As part of its pricing submission to IPART, Sydney Water is re-assessing the costs it will need to spend (and therefore recover through customer bills) to deliver the services customers value. Engagement on tariffs, funding and pricing structure helps Sydney Water understand customers' preferences on other dimensions of affordability such as who (which customer groups) pay more and who pays less, how much bills can fluctuate, and the timing of payments.

When reviewing customers' responses to the options relating to tariffs, funding and pricing structures, it is important to bear in mind that most of the customers in the workshops did not fully understand the current system. Although customers generally understood that water bills comprised usage charges and fixed charges, many were not aware of other aspects of the current system, including:

- the use of higher water usage charges during drought
- fixed prices (for each 5-year pricing period)
- the use of staged funding.

For the purposes of this research, while an understanding of these mechanics and the current state is ideal, it is not necessarily required to understand customers' preferences relating to the outcomes they would receive. In the qualitative forums, customers understood the bill impacts each option would have on each customer group. However, to ensure that the results are accurate, Sydney Water is planning to readdress this as part of Phase 5 of the program by providing more information about how customers' bills are structured and why.

Nevertheless, for the purposes of this research phase, customers in the workshops understood the impact of the different systems on the bill outcomes for different customer groups. This means that the results from this phase still provide useful insights into customer preferences on different approaches to charging customers.

Customers were presented with a relatively detailed explanation of each option (both current and alternative) to assist them with making an informed choice. However, it is important to note that some of the options and concepts were relatively complex for a lay audience and in all of the workshops, customers wanted or needed to ask Sydney Water questions before they felt they could make a choice, and even then, some areas of uncertainty remained.

The information provided to customers in the workshops was presented in a neutral way, workshop discussions were then had prior to customers making their decisions. These discussions and the

complexity of the topics may have influenced customers more in one direction more than others. The validation survey helps to clarify where customer preferences lie.

6.1 Tariff structure

Customers in the workshop were asked to choose between two tariff structures. Under Option 1, the single block tariff (the current structure), the price per kilolitre (kL) of water remains constant regardless of the volume of water used. Under Option 2, the inclining block tariff, the price per kL of water would be higher for each kL of water used (per quarter) above a certain threshold (50kL in this example).

There was a broadly even split between customers selecting the single block and inclining block tariffs. Just over half (54%) of customers in the workshop preferred the current single block tariff and just under half (46%) preferred the alternative inclining block tariff.

In the online validation survey, the single block tariff was also preferred, albeit to a greater extent than in the qualitative research (64% chose single block vs. 54% in the qualitative research).

Only 36% chose the inclining block tariff structure in the online validation survey (vs. 46% in the qualitative research). This result was consistent across the community with minimal variation by demographic. The degree to which people value improvements in Greater Sydney’s water and wastewater network also had minimal impact on customer preferences. Advocates were slightly more in favour of inclining blocks than the rest of the customer base, although this was not a statistically significant difference.

Table 59 Service level preference – Tariff structure

	Option 1 – single block (current)	Option 2 – inclining block
Summary	Single \$ charge per kL of water, regardless of the amount used	Variable \$ charge per kL of water (for residential customers) Households that use more water are charged more per kL than households that use less water
Impact on the average customer bill	No impact	No impact
Impact on price of water:		
Price of water for usage up to 50 kL (in a billing quarter)	\$2.50 per kL	\$2.00 per kL (i.e. households using less than 50kL per quarter pay less under Option 2)

Price of water for usage greater than 50 kL (in a billing quarter)		\$5.00 kL
Implications for equity / fairness	Costs customers pay closely reflects the cost of Sydney Water supplying that water	May be inequitable to large families with high levels of (essential) water usage, as well as properties with shared water meters (due to the number of people per water meter) Costs high water users pay are greater than the cost of Sydney Water supplying that water
Other implications	Customers have a financial incentive to reduce water consumption	Encourages further reductions in water consumption via higher prices
Initial choice	52%	48%
Final choice	54%	46%
Survey result	64%	36%

Base: Workshop participants who indicated their initial choice (n=141); Workshop participants who indicated their final choice (n=141); Survey participants (n=1,016). Percentages have been rounded and may not add to 100%.

Reasons for their choices – from the qualitative research

Equity, simplicity, impact on bills and impact on water conservation were key considerations for this topic. Customers who selected the single block option did so because they felt it was fairer, simpler, and easier to manage household budgets under this structure. They also tended to be happy with the status quo and couldn't see a need to change it. Those selecting the inclining block option did so because they thought it would encourage customers to save rather than 'waste' water and/or because they had noted that their bill or the bills of others who don't typically use much water (such as pensioners), would be lower under this option.

Customers who selected Option 1 acknowledged two main drawbacks with this selection; higher water bills for low water users and less incentive to conserve water. Customers who selected Option 2 acknowledged the following drawbacks with their choice; a large jump in price per kL (some thought the 'jump' was too big), larger families and people with shared meters (e.g. in units) would be disadvantaged, landlords may put up rents to compensate for higher water bills, a lack of certainty about the threshold (estimate only), there may be seasonal impacts (i.e. may need to use more water in hot weather), and the risk of higher bills resulting from water leaks.

It is important to note that some of those selecting the inclining block option did so with the caveat that there should be a way to prevent people living in units, with a shared meter, being penalised. Similarly, some customers indicated that there should be assistance or adjustments for low income and/or larger families and people living in group homes (e.g. aged care facilities etc). Others who selected the inclining block option did so because they agreed with the idea of penalising customers who ‘waste’ water but thought the increase in price above the threshold was too steep. They suggested or would prefer incrementally higher charges as water usage increased, rather than a single tier (although it is noted that these figures were indicative and examples only).

Table 60 Reason for service level preference – Tariff structure

	Customers who selected this option indicated they did so because....
<p>Option 1 Single block</p>	<p>Equity – these customers felt the inclining block tariff (Option 2) would unfairly disadvantage large households (e.g. families with children or people living in share houses), as well as people living in units with a shared water meter. The increase under the inclining block, from \$2 to \$5 per kL was also perceived to be too steep with a few suggesting \$3.50 as an example of an in-between step.</p> <p>User pays – this option aligned with their preference for customers to pay for what they use and/or what it costs to produce the water.</p> <p>Simplicity – they felt this option made it easier for customers to understand their water bills (how much customers are being charged and why) and, therefore, adjust their water usage and keep in control of their bills.</p> <p>Stability / certainty – they valued knowing how much they will be charged per kL which allowed them to anticipate their quarterly water bill, whereas there was concern that under the inclining block option, customers could inadvertently exceed the threshold and receive a much higher than expected bill (especially without the ability to track water usage in real time). They also don’t want to have to worry about the amount of water used and were concerned that an unidentified water leak could result in a much higher water bill.</p> <p>Comfort with the status quo – they preferred the existing bill structure as it currently works for them (‘If it ain’t broke, don’t fix it”).</p> <p>Bill impact – many chose this option after calculating that they personally, and/or vulnerable customers (e.g. larger families), would likely be higher water users and, therefore, be charged a lower price for water under this option.</p> <p>Effectiveness – they felt Option 2 was unlikely to reduce water usage – people who can afford to pay will continue to use more water. There was a belief that there are better ways to incentivise people to save water.</p>
<p>Option 2 Inclining block</p>	<p>Bill impact – often these customers chose this option after calculating that they personally, and/or vulnerable customers (e.g. pensioners), would likely be low water users and, therefore, be charged a lower price for water under Option 2.</p> <p>Equity – they were often proponents of ‘user pays’ and agreed with high users paying more.</p>

Water conservation – they liked how this option signals that water is scarce and is an essential resource that needs to be conserved. They felt this option encourages this via financial incentives and penalties.

Leadership – a few thought that this may encourage new homes to be developed with water conservation in mind – e.g. water tanks, etc

Wealth distribution – a few also thought that those who can afford to pay to use more water should subsidise the water bills of those who cannot (minority view).

Base: Workshop participants who indicated their final choice (n=141); Survey participants (n=1,016). Percentages have been rounded and may not add to 100%.

The user pays for the amount they use, if you choose to use more then you pay more. Water is a basic human right; we don't want people to avoid normal water usage and reduce quality of life.

Residential customer | Parramatta workshop (Option 1)

If I were choosing only for my family, I would choose Option 2, but I wouldn't feel happy making other people with large families struggle.

Residential customer | Parramatta workshop (Option 1)

Option 2 personally benefits me but tentatively, would need to be handled more on case-by-case basis. Regarding equity, I do think mechanisms such as assistance/adjustments e.g. for low-income families should be in place.

Residential customer | CBD workshop (Option 2)



Definitely I go for Option 2 where there is a price control mechanism in place to discourage excessive water usage.

Residential customer | Parramatta workshop (Option 2)

Reasons customers selected each option in the online validation survey.

Analysing open-ended responses suggests the main reasons for selecting Option 1 (single block - preferred by 64% of online validation survey respondents) include:

- **Equity:** Many customers expressed that Option 1 is fairer because it charges customers based on their actual water usage. They believe that it encourages everyone to be responsible with their water usage.
- **Simplicity:** Several customers prefer this option because it is simpler to understand and calculate. They find it easier to manage their bills when there is a fixed rate based on consumption.

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- **Encourages water conservation:** Some customers pointed out that this option incentivises water conservation, as people are more likely to use water responsibly if they are directly charged based on their consumption.

You pay for what you use, so that's fair. Everyone is in the same boat, so if you use more or less, you only pay for what you use.

Online Survey | Female, 40-49, Financial hardship, Southern Sydney & Illawarra

The less water you use, the less you pay - it's fairer.

Online Survey | Female, 70+, Financial hardship, Western Sydney

I think this is a fair way to value water used. No need to complicate things.

Online Survey | Female, 70+, Financial hardship, Far Western Sydney & Blue Mountains

It is easy to try to use less water when it is all paid for at the same rate. We would need guidance and ability to read meters to know when we had used up our \$2 rate and would then move to the \$5 rate.

Online Survey | Female, 60-69, Financial hardship, Northern Sydney



It seems more logical and fairer to pay as you use, the less water use is surely better in the long run.

Online Survey | Female, 60-69, Western Sydney

Online validations survey (Option 1)

The main reasons for selecting Option 2 (inclining block - preferred by 36% of online validation survey respondents) include:

- **Encouraging water conservation:** Many of the customers who chose Option 2 believed that it would incentivise people to save water and be more mindful of their water usage, whilst it would discourage wastage. By charging higher rates for high users, it serves as a financial penalty for wasteful practices and encourages more responsible water use.
- **Cost savings and affordability:** Many of these customers indicated that Option 2 is cheaper for them, especially for those who are low water users. They appreciate the cost-effectiveness of this option and the ability to save money by using less water. It does not penalise low water users, such as single individuals or small households.
- **Equity fairness and user pays principle:** Several customers stated that Option 2 is fairer because it follows a user pays principle. They believe that large water users should be charged more for their usage.



It's fairer as it would most likely benefit lower income houses that would pay less, whereas it encourages large water users to use less water, which also has plenty of benefits.

Online Survey | Male, 40-49, Financial hardship, Far Western Sydney & Blue Mountains

Seems fairer as excessive use or wasted water is paid for at a higher rate.

Online Survey | Male, 70+, Southern Sydney & Illawarra

Although the first option says it promotes fairness the second in reality is more fair. Number one promotes overuse of water in households as they know they will not have to pay more which could affect water supplies in the future. I chose number two because it depends on the amount of water used.

Online Survey | Female, 40-49, Living with disability, Inner Sydney

Charging higher volume users more for water will help to discourage overuse and waste. Users will be more inclined to fix leaky taps. Overall usage should decline under this scenario. Sydney Water may need to consider the impact on older customers who have large, well-tended gardens.

Online Survey | Male, 70+, Southern Sydney & Illawarra


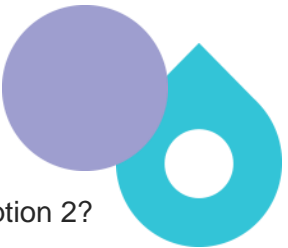
Online validations survey (Option 2)

6.1.1 Customer questions

Questions raised in relation to the tariff structure options are detailed below. Variations on the following five question areas were asked in multiple workshops. Customers were quick to notice a potential problem with the inclining block tariff for customers with shared water meters and to query how this would be accounted for fairly (as discussed above). They also wanted to understand the rationale for the estimated threshold and price difference and to get clarity on whether, once the prices are set, would these remain consistent (e.g. for the whole price period) to provide customers with certainty and to help them manage their bills.

Customers asked a number of questions to help them conceptualise how much water an 'average' customer would use relative to the 50kL threshold amount – and some were trying to work out how likely they were to exceed the threshold. This was a key factor in customers' decision making and some noted it was hard to make a choice when they knew the threshold was indicative only. Lastly, a few customers asked whether, in reality, individual customers would be able to choose the option that they prefer or if one of the structures would be applied to all customers. This question indicates that some customers had not fully understood the underlying purpose of the inclining block tariff and that allowing individual customers to choose would defeat its purpose.

- **Equity** - How would this impact customers in strata blocks or who pay strata block fees?
- **Threshold** - Why is the threshold set at 50kL?

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- **Price difference** - Why is there such a steep shift in the price per kL under Option 2?
 - **Bill impact (for 'average' customer)** - How much water does the 'average' household use? What does a 'high' water user or average household 'look like'? Are the usage/typical water bills shown accurate or examples only?
 - **Choice** - Would customers be able to choose their preferred structure, or would all customers have to have the same structure?

The best point raised during the discussion was "can you choose your options?" should this choice be available to the customer? Otherwise, Option 1 is a fairer option. You pay for the amount of water you use. Just like groceries in the supermarket or petrol from the service station.

Residential customer | Parramatta workshop (Option 1)

The following questions were also raised, albeit less frequently than the ones above:

- How would it affect people in aged care homes, group homes, hospitals, and businesses?
- Why is Option 2 cheaper than Option 1?
- How can we trust that the threshold will be kept at 50kL?
- How would customers know if they were approaching/had gone over the threshold?
- How would Sydney Water ensure equity?
- Why does the inclining block not apply to wastewater?
- If a household has opted for a fixed price and their bill is less than 50kL, will the bill be adjusted to lower charge per kL?
- Do pensioners get a discount from the government?

6.1.2 Qualitative Research: Key sub-groups

Service level preferences for key sub-groups on the topic of tariff structures are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the customer workshops.

Culturally and Linguistically Diverse customers

Most customers (n=24) in the CALD groups selected the inclining block tariff (Option 2), with the exception of those in the Greek-speaking group where a majority (n=4) selected the current model of a single block tariff, represented by Option 1. Given the small sample size, however, caution should be given to interpreting these choices based on cultural factors.

The reasons provided by customers for their choices tended to reflect those given by customers in the workshops. Reasons customers selected Option 1 included an observation that the current model of a fixed cost makes it easier to manage finances by keeping water bills consistent. Others highlighted that the single block tariff is equitable for all customers, regardless of whether they are residential or commercial customers, and irrespective of the size of their household or business.

Customers in the Greek-speaking group held a strong preference for the status quo to remain. They felt they were quite familiar with their own water usage patterns and expected bills and didn't perceive there to be any advantage to changing to the inclining block. There was, however, some willingness among this group to trial the inclining block tariff for 12 months, provided they had the option to revert back to the single block tariff should they want to. This also reflected the sentiment of customers in the workshops, who wanted to understand if there could be a choice between the tariff structures.

Customers who selected Option 2, highlighted the overall positive benefits of the inclining block tariff, which included greater accountability for people to save water and the introduction of a financial incentive for people to be more water-efficient and responsible in their behaviour. Customers who had smaller household sizes considered the potential for their water bill to be lowered under the proposed model and the financial savings this would bring. However, similar to customers in the workshops, it was also noted that the inclining block tariff might be unfair to some customers, particularly large households, those who share a water meter in an apartment building or those who have swimming pools as part of their strata plan. One customer also commented that, while they lived in a small household, they often had relatives stay which would increase their water bill as this contributes to overall higher household water usage.

Customers in the Korean-speaking group noted that Korean electricity services use an inclining block tariff. Given their familiarity with the concept, they were receptive to the proposed change, specifically the messaging this provides to customers about water saving. When asked about the impact on larger households and households with shared water meters, these customers all said that they live in an apartment block and did not pay a water bill, however, they still saw value in moving to this model. This came from the notion that people living in a unit or apartment do not have much sense of the need to save water as they only pay a fraction of the total block water usage. They were also interested in pursuing other water saving measures, alongside this proposed tariff structure.

Table 61 Service level preference – Tariff structure: Culturally and Linguistically Diverse customers

Language spoken	Option 1 Single block (current)	Option 2 Inclining block
Arabic (n)	1	5
Cantonese (n)	1	4
Greek (n)	4	1
Korean (n)	-	7

Language spoken	Option 1 Single block (current)	Option 2 Inclining block
Mandarin (n)	1	3
Vietnamese (n)	2	4
Total (n)	9	24

[I chose] Option 2. I am a low user of water, I know how much I use, I have a small family so it's definitely going to reduce my bill.

Arabic-speaking customer | Focus group (Option 2)

It's not fair for residents of apartment buildings who have to share a master water meters to be charged under the inclining block structure as individual households.

Cantonese-speaking customer | Focus group

I think Option 2 would adversely impact large family households. They don't necessarily wastewater, but simply need more of it than smaller households.

Greek-speaking customer | Focus group

To make it fair, there has to be an incentive for the household which uses recycled water (rainwater). If there is a penalty (inclining block) to the heavy water user, there has to be an alternative reward for them.

Korean-speaking customer | Focus group

When my relatives come and stay with us, I'd have to watch how much water they use if we pay under Option 2, so Option 1 works better for me.

Mandarin-speaking customer | Focus group

It is fair that people with bigger families should pay more because they obviously use more water.

Vietnamese-speaking customer | Focus group

First Nations

All customers in the First Nations group selected Option 1. They were primarily concerned about fairness across customers and the needs of families on welfare or with limited incomes. All customers indicated that they were from larger households and were concerned that the inclining block tariff would be too expensive and not fit with the needs of their families and community. There was particular concern about the limited ability for individuals to save water who live in a unit or apartment block or who had a shared water meter. Offering some form of rate concession was considered to be a high priority if designing any alternative tariff structure.

Table 62 Service level preference – Tariff structure: First Nations customers

	Option 1 Single block (current)	Option 2 Inclining block
First Nations (n)	6	-

I know there is a lot of overcrowding around Redfern and stuff. We are in the middle of housing crisis and there is always going to be more people living in our homes and they have low incomes.

First Nations customer | Focus group (Option 1)

We all live in units, and it is hard for us to save water, whereas when you are in a home you can work to save water.

First Nations customer | Focus group (Option 1)

It would cost way too much money, this would disadvantage our families heaps and we all work for NGO's, earn low incomes and we couldn't pay this [price for Option 2].

First Nations customer | Focus group (Option 1)

It makes sense how Option 2 is broken down, but I don't think it would be good for our people.

First Nations customer | Focus group (Option 1)

Note – SME focus group participants were not asked to consider the tariff structure because they have special pricing structures that are different from the general population.

6.1.3 Qualitative Research: Stakeholders

Service Critical High Business Customers felt that changes to the tariff structure penalised them for the water saving initiatives they have undertaken and are still undertaking because they are unable

to further reduce their usage to benefit from the water saving initiatives. They sought more information on how Sydney Water was going to benchmark these initiatives.

One stakeholder was enthusiastic about the inclining block structure tariff, seeing it as providing incentives and initiatives for investing in recycled water.

Note – Value Makers and Major Developers were not asked to consider the tariff structure because these pricing structures do not apply to these customer segments.

Table 63 Service level preference – Tariff structure: Stakeholders

	Option 1 Single block (current)	Option 2 Inclining block
Value Makers (n)	N/A	N/A
Service Critical High Business Customers (n)	2	1
Major Developers (n)	N/A	N/A
Total (n)	2	1

A lot of work has been done on water saving initiatives and we're still doing that. We're doing as much as we can so don't want to be penalised because we can't reduce it further. We've reduced from 2,000,000 to half a million since 2000.

How does Sydney Water decide comparative businesses? What are the 'baselines'?

Service Critical High Business Customer | In-depth interview

We're a large water user. And I understand encouraging us to use less water. But there's a practical limit to how much water we cannot use.

Service Critical High Business Customer | In-depth interview

100% Option 2 in this one. I'm working a lot with building things for the harvesting and water recycling. It definitely works for our future that we have. If the water is cheap, then there's not going to be incentives and initiatives for investing in recycling. There's going to be less investments for upgrading the infrastructure, upgrading the irrigation system.

Service Critical High Business Customer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 64 Summary table of preferred option for the tariff structure topic

	Option 1 Single block (current)	Option 2 Inclining block
Workshops final choice	Preferred option	
Online survey	Preferred option	
CALD		Preferred option
First Nations	Preferred option	
Service Critical High Business Customers	Preferred option	

Base: Workshop participants who indicated their final choice (n=141), Online survey (n=1,016), CALD customers (n=33), First Nations (n=6), Service Critical High Business Customers (n=3).

6.2 Tariff structure during drought

Residential customers in the workshop were asked to choose between two tariff structures that could be used during drought conditions. Under Option 1 (the current structure), drought uplift pricing means the price per kL of water increases from \$2.50 per kL to \$3.38 for kL during drought (when dam levels across Greater Sydney fall below 60%). Under Option 2 and water conservation pricing, the price per kL during drought would also increase to \$3.38. However, if drought were to deepen, the price would continue to increase incrementally. At the same time, there would also be a mechanism in place for Sydney Water to return any extra money it receives from this higher price. This mechanism would work so that households that have saved more water than the average amount saved by those comparable dwellings would receive a reduction in their total bill.

In the workshops more customers chose water conservation pricing over drought uplift pricing. Almost two-thirds (63%) of customers selected water conservation pricing while the remaining one-third (37%) selected drought uplift pricing. The description that was provided to customers is shown in the table below.

Sydney Water elected not to include this topic in the online validation survey. This is because the qualitative forums demonstrated that exploring this topic effectively required a significant amount of time. This meant that a validation survey which also had to verify findings on a range of other topics left inadequate time for customers to provide a valid preference.

Table 65 Service level preference – Tariff structure during drought

	Option 1 – Drought uplift pricing (current)	Option 2 – Pricing to incentivise more water conservation
Summary	When we are in drought, a higher \$ charge per kL water is applied	There is an increased financial incentive to conserve water without increasing average bills. There are incrementally higher \$ charges per kL when in drought, but at the same time, Sydney Water returns the extra money it receives through an adjustment to each customers' bills to maintain the <u>average</u> bill
Intended purpose	To recover Sydney Water's additional cost during drought and provide a signal of this to customers	Improve the financial incentive to conserve water during drought (to reduce the need for restrictions and additional investment)
Usage price of water when not in drought	\$2.50 per kL	\$2.50 per kL
Usage price of water when in drought	\$3.38 per kL	\$3.38 per kL This increases further when drought deepens but the extra money Sydney Water receives is returned to customers who save more water

Implication; and equity and fairness	Each household pays the same rate per kL of water.	Each household pays the same rate per kL of water. Higher prices and adjustments work together so that households who: <ul style="list-style-type: none"> • reduce their usage <u>more than</u> others have a lower bill. • reduce their usage by the <u>same amount of water</u> as others will have a similar bill. • <u>Save less water</u> than others have a higher bill.
Impact on <u>average</u> household bill	No difference in <u>average</u> bill between Option 1 and 2 in the short term	In the medium to long term: The <u>average</u> bill will decrease if this encourages more water saving and therefore delays the need for Sydney Water to invest in more water supply
Implications beyond billing	Water restrictions applied during drought	Expected to reduce the severity and duration of restrictions by encouraging more water saving
Initial choice	36%	64%
Final choice	37%	63%

Base: Workshop participants who indicated their initial choice (n=138); Workshop participants who indicated their final choice (n=139). Percentages have been rounded and may not add to 100%.

Perceived equity, simplicity, and the anticipated impact on water conservation were key considerations for customers under this topic. The main reason for selecting water conservation pricing (Option 2) was the perception that it would signal that water is a scarce and essential resource and that this option will be most effective in encouraging people to save water during drought and, therefore, reduce the duration or severity of water restrictions. Customers selecting this option noted that people could easily flout water restrictions, often without consequence, but under this option people who didn't conserve water would be penalised. It was also suggested that this option could result in cost savings for both individuals (via lower bills if they were able to save extra water) and Sydney Water, for example, as reduced water usage during drought may reduce the need for new infrastructure or the use of desalination.

One of the key reasons customers selected the drought uplift structure (Option 1) was the concern that the water conservation option could be inequitable. For example, customers suggested it would penalise people who had already implemented water saving methods, people who might find it harder to reduce their water use (e.g. due to having children or some types of disability) and people living in units with shared water meters. They also felt that, under the alternative (Option

2), people with more money would be able to continue wasting water even during drought (whereas water restrictions apply to all).

Importantly, many of the customers selecting drought uplift pricing simply found the water conservation structure too complicated. They argued the complexity would make it harder for them to adjust their water usage to control their bills and to predict what their water bill would be in order to manage their household budget. Some also disliked the principle that their water bill could be impacted by the actions of others (i.e. how much water other households did/did not save). In summary, they preferred the certainty and simplicity of Option 1.

Although most customers selected Option 2, many also acknowledged a range of drawbacks with this Option. These often reflected the concerns raised by those who had chosen Option 1 (above), particularly around inequity for some groups and its complexity. Additional drawbacks raised by those who had selected Option 2 included concerns about people essentially having no choice but to use less water (due to financial concerns), which could have health/hygiene implications, as well as concerns about the implications if meter readings were inaccurate. One participant even thought there was a risk that some people might try to use their neighbour's water. It was also noted that for this option to work, customers would need better ways to monitor their water usage [in real time, through things like digital meters].

Reflecting these concerns, many customers selecting Option 2 indicated that they had only done so with the caveat that there would be solutions to prevent particular groups being penalised. These groups included customers with shared meters (e.g. living in unit blocks), as well as those living in shared accommodation/group homes and/or larger families. Some also suggested there should be support or exemptions for vulnerable groups, such as elderly people, people with disabilities, and larger or low-income families.

Table 66 Reason for service level preference – Tariff structure during drought

	Customers who selected this option indicated they did so because....
Option 1 Drought uplift pricing	Equity concerns these customers had in relation to water conservation pricing (Option 2): <ul style="list-style-type: none"> – these customers feel Option 2 is unfair to customers who have already implemented water saving measures (e.g. installing water tanks or limiting their usage) and would find it harder to reduce their water usage further. – they thought Option 2 was unfair to customers living in units with a shared water meter, as other people choosing not to save water could impact their bill. Some also perceived it to be unfair to larger families, who needed to use more water for essential purposes. – they didn't like the fact that richer people could choose to continue to 'waste' water and simply pay more. – they felt it was unfair if business customers were exempt and could continue to use as much water as they like without penalty.

	<ul style="list-style-type: none"> - they didn't like the fact that their water bill would be impacted by how much other people use/don't use (less ability to control own water bill). - they worried that undetected water leaks could result in larger bills. - they felt it was unfair to compare pre/post drought water usage at different times of year (as people tend to use/need more water in summer than in winter). - they thought it was unfair to compare pre/post drought water usage as household size might change. <p>Simplicity – they would prefer it to be easier for customers to understand their water bills (how much customers are being charged and why), so they are able to adjust their water usage to control the bill. Also, Option 2 could be complicated to administer, resulting in higher costs.</p> <p>Stability / certainty – they like that Option 1 afforded greater certainty around how much they will be charged per kL. This helps them to anticipate their quarterly water bill, whereas there was concern that Option 2 would increase the opportunity for customers to receive a higher-than-expected bill (especially without the ability to track water usage in real time).</p> <p>Bill impact – they don't want to pay a higher rate under Option 2 (if drought worsens).</p> <p>Comfortable with the status quo – they don't see the need to change how tariffs are calculated and feel that the status quo has been tried, tested and works.</p> <p>Effectiveness – the cost per kL charged during drought under Option 1 is enough to encourage people to conserve water. They thought Option 2 may not actually encourage greater water conservation as people who can afford to pay more can still use as much water as they like.</p>
<p>Option 2 Pricing to incentivise more water conservation</p>	<p>Water conservation – customers liked that Option 2 sends a signal that water is scarce and essential and needs to be conserved.</p> <p>Effectiveness – they worry that people can flout water restrictions, whereas under this option they wouldn't be able to avoid being charged more if they 'waste' water. This may result in a shorter duration of drought/less severe restrictions.</p> <p>Equity – they like that there is a choice and people who choose to use more water pay more, which some said was a fairer way to charge for water usage.</p> <p>Bill impact – some customers who chose this option did so because water would be cheaper for them.</p> <p>Cost saving – a few suggested that this option may result in cost savings that would reduce the need to use desalination or build new infrastructure.</p>

Base: Workshop participants who indicated their final choice (n=139). Percentages have been rounded and may not add to 100%.



Option 1 tried and true, Option 2 is untried it may need a community trial to help people understand option better.

Residential customer | Wollongong workshop (Option 2)

6.2.1 Customer questions

Customers were confused about various aspects of how water conservation pricing would work in practice, including some of those who selected it, and they raised many questions during the workshops. Many of these questions related to how their water usage would be compared to the usage of others and the reference points that would be used to compare pre and post drought usage. In particular, they wanted to know whether the amount of water they saved would be compared to households that were similar in terms of the number of people, which felt fairer, or whether their usage would be compared to all residential customers, which might be inequitable. It wasn't initially clear to participants that customer comparisons would be based on the percentage reduction in water used by each household, as opposed to the absolute reduction in water usage achieved (i.e. number of kL).

There were also questions about the implications of this pricing structure for people who had already implemented water saving measures prior to the onset of drought. Even after customer questions were answered by Sydney Water representatives, some confusion remained about how water conservation pricing would work in practice, particularly in terms of the issues around household comparisons and the implications with regards to equity. It is well established that a significant portion of adults struggle with mathematical concepts such as percentages and averages which may have contributed to some of the confusion.

Some customers also said that, before they could make a definitive choice on their preferred drought pricing structure, they would need clarity around the elements that Sydney Water were still working out (i.e. how to account for units with shared water meters and how much prices would go up if a drought worsened etc.).

Variations on the following questions relating to the water conservation tariffs were asked in multiple workshops.

- **Comparison to other customers** – Who specifically are customers being compared to? How are 'comparable dwelling types' defined for the purposes of comparing the water reduction achieved by customers? How does Sydney Water know how many people live in a household? How would Option 2 affect people in strata buildings/units?
- **Pre and post drought reference points** – If a billing cycle starts and water use is high, then restrictions start, would customers be penalised for their higher use earlier on? Is the reduction based on previous bills from previous quarters, previous years, or an average over time? How would differences in seasonal usage be accounted for?
- **Changes in household size** – how would changes in household size be accounted for when comparing pre and post drought water usage?

- **Drought definition** – how is drought defined? When does the drought end (and prices return to normal)? How quickly would Sydney water respond to changes in dam levels (e.g. in previous droughts restrictions remained even when dam levels were rising)?
- **Implications for low water users** – How does water conservation pricing work for those who already have a water tank? If I'm already efficient before drought, will my bills go up?

The following questions were also raised, albeit less frequently than the ones above:

- Why can't they compare to customers' previous bills rather than to the average bill?
- How long would higher prices apply for, particularly across billing cycles?
- By how much more would prices increase under Option 2 if a drought worsened?
- Would it be possible to apply Option 1 for shared meter buildings, and Option 2 for single meter buildings?
- Aren't water restrictions working?
- How is water usage during water restrictions monitored?
- What is the cost of implementing Option 2 from an administration point of view?
- Will smart meters be introduced?
- Under Option 2, what happens for people who are using water for things like growing plants etc. not just for washing?
- What are Sydney Water's plans for building more dams/increasing water supply?
- Why is Sydney Water being rewarded for a natural disaster (under Option 2)?
- How long would it take for customers to get their money back under Option 2?

6.2.2 Qualitative Research: Key sub-groups

Preferences for the topic of tariff structures during drought for key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the residential customer workshops.

Culturally and Linguistically Diverse customers

Within the CALD groups, customers were split relatively evenly between Option 1 (n=14) and Option 2 (n=19), however, there was a preference toward Option 2, particularly among customers in the Korean, Mandarin, and Vietnamese speaking language groups.

Across all groups, customers recognised the benefits of changing the pricing structure during drought, as it would incentivise and reward people for conserving water during drought periods.

Customers who selected Option 1 identified similar reasons to customers in the workshops for this choice. This included concerns around equity, uncertainty about the comparison point with other households, and simplicity, with Option 2 considered too complex and unwieldy for some customers. As such, Option 1 – as the status quo – was considered the 'safer' option, particularly in the Greek-speaking group.

Those who selected Option 2 were positive about the enforcement of strict water saving measures in times of drought and were also in favour of a financial incentive to incentivise saving water. There was some discussion, specifically amongst customers in the Vietnamese-speaking group, that incentives may not work across all customers and that some may not be motivated by a reward.

Some concerns were raised about water conservation pricing and that it may penalise some customer and household types, for example, those who already exhibit water-saving behaviours outside of drought, and larger households who needed to use more water (due to the number of people living in and/or visiting that household). Additionally, they would like more information and details on how the Option 2 pricing structure would work in practice. This included more information about how the pre-drought usage is calculated and how Sydney Water would return money to households if they charged too much.

Table 67 Service level preference – Tariff structure during drought: Culturally and Linguistically Diverse customers

Language spoken	Option 1 Drought uplift pricing (current)	Option 2 Water Conservation Pricing
Arabic (n)	3	3
Cantonese (n)	5	-
Greek (n)	4	1
Korean (n)	-	7
Mandarin (n)	1	3
Vietnamese (n)	1	5
Total (n)	14	19

I live in strata building, if you are a person who uses limited water anyway, you would be paying more in the long run, because you won't be saving any more than the comparable average household.

Arabic-speaking customer | Focus group

To be honest, I don't think I can significantly reduce my water usage during drought periods, so I think Option 1 would be more advantageous for me.

Cantonese-speaking customer | Focus group (Option 1)

I would stick to the flat rates. Option 2 is too complicated.

Greek-speaking customer | Focus group (Option 1)

Due to the severe weather changes, we need to prepare for the times and the drought season will be one of them. During these times, all of us need to put an effort in to go through that time. If the fee increase is a strategy, I am for it.

Korean-speaking customer | Focus group (Option 2)

I think that we should have both reward and penalty incentives. Like we can use the money from the penalties to reward it to the other people

Vietnamese-speaking customer | Focus group

First Nations

All customers in the First Nations group selected Option 1 (drought uplift pricing). These customers noted that saving water was a priority during drought periods, however, this shouldn't extend to additional penalties – as represented under Option 2. There were also concerns about the financial impact of water conservation pricing on poorer households and those with less access to information about how it works. Other customers noted that industry users would be excluded from this pricing structure, despite using too much, and often not saving, water.

Finally, some customers noted the need for additional information before assessing Option 2.

Table 68 Service level preference – Tariff structure during drought: First Nations customers

	Option 1 Drought uplift pricing (current)	Option 2 Water Conservation Pricing
First Nations (n)	6	-

We should always save water regardless and not be penalised during a drought, because if there is a drought that also impacts food which means we would be paying higher for everything. This would be too much and then you have families starving and pushing our people further into poverty, that ain't fair. The ones with the less money and knowledge always get hurt the most.

First Nations customer | Focus group (Option 1)

It would hurt our families too much [reflecting on Option 2].

First Nations customer | Focus group (Option 1)

SMEs

Among the four SMEs who considered this topic, there was an even split between those who preferred to retain the drought uplift pricing (Option 1) and those who preferred water conservation pricing (Option 2). Like with residential customers, SMEs that selected drought uplift pricing felt water conservation pricing was too complex and noted that it would be hard to explain to staff. They also suggested that it would be difficult to manage water usage in the context of a large office. These SMEs thought that Sydney Water should focus on water saving campaigns, rather than changing the pricing structure.

In common with residential customers, the two SMEs who chose water conservation pricing did so because they thought it would encourage the community and businesses to save water. One of these SMEs also mentioned that their trust in Sydney Water 'to do the right thing' was a factor in their choice.

Table 69 Service level preference – Tariff structure during drought: SME customers

	Option 1 Drought uplift pricing (current)	Option 2 Water Conservation Pricing
SMEs (n)	2	2

It's impossible to work out what your saving could be, or even try to focus on what you're saving could be [under Option 2] ...it's just too complicated. No one would understand that.

SME customer | Focus group (Option 1)

Option 1 because of all of those aspects [of doing business] that you couldn't necessarily manage, because of that you may not be able to receive the incentive, even if you did understand it.

SME customer | Focus group (Option 1)

6.2.3 Qualitative Research: Stakeholders

Two of the three Value Makers were supportive of Sydney Water continuing to explore and scope water conservation pricing as the future tariff structure during drought. The idea of penalising heavy water users through higher prices was well received, as was the concept of avoiding long and severe restrictions. Despite preferring this tariff structure, considerations that were critical to note included:

- A need to manage multi tenancy properties fairly
- A need to create fairness and equity for households with more occupants (larger vs smaller families)
- A need to understand how people who already save as much water as they can are affected (because they are already modelling the desired water conservation habits and may not be able to further reduce their usage in times of drought)
- Consideration for agricultural properties who have a higher reliance on water
- Consideration for fairness and equity – risk that water becomes something that the wealthy can continue to use freely, while those less wealthy must make compromises on how and when they use water
- Transparency is not negotiable – any changes to tariff structure during drought needs to be agreed with/supported by customers and must be communicated extremely well.

The Value Maker who wanted Sydney Water to continue with the current drought uplift pricing, in addition to the points above, had doubts about Sydney Water's ability to execute this concept well and questioned whether people would actually be better off. They also wanted to know what would happen in that reverse situation when the dams are full and whether there would be a reduction in prices.

Two of the three Service Critical High Business Customers did not view Option 2 as an increased incentive to conserve water during drought. Instead, without further details they saw inequity. One was concerned that their businesses were already being penalised by Sydney Water for reducing water usage. Water saving measures had resulted in a higher concentration of biological oxygen demand (BOD) in their wastewater, which in turn had resulted in fines. One wanted more information on how benchmarking for businesses' water usage would work in practice.

One Service Critical High Business Customer supported Sydney Water considering conservation pricing as a future tariff structure during drought. They agreed the tariff would reduce the severity and duration of restrictions by encouraging water savings which aligned with their business goals.

Note – Major Developers were not asked to consider the tariff structure during drought because this pricing structure does not apply to this customer segment.

Table 70 Service level preference – Tariff structure during drought: Stakeholders

	Option 1 Drought uplift pricing (current)	Option 2 Water Conservation Pricing
Value Makers (n)	1	2
Service Critical High Business Customers (n)	2	1
Major Developers (n)	N/A	N/A
Total (n)	3	3

To me – having uncapped pricing in a drought situation, on top of everything else, they might not have a place to use the water. In a normal sense, fine, but in today’s society it’s a step too far. I’m trying to work out whether the benefits are worth it – you have to pay upfront, then later a reward. Theory vs practice – will it really mean people are better off? What about 2-person vs 10 person families – who has the right to use as much water as they want? There becomes tension between people – who have more money. The guy who can afford it is washing his driveway, the guy who can’t afford it won’t turn on the tap to brush his teeth.

Value Maker | In-depth interview

My first thought is that Option 2 seems really fair. It is incentivising the saving of water. People who do save water will have a direct benefit, and at the same time, the people who are using more water will have to pay for it. It makes a lot of sense – almost like the income tax system. I would be all for Option 2.

Value Maker | In-depth interview

Option 2 is going to reduce the severity and duration of restrictions by encouraging water savings.

Service Critical High Business Customer | In-depth interview

We're getting penalised because our biological oxygen demand level concentration is so high in our wastewater due to our reduction in water usage. As our water usage goes down the BOD increases and Sydney Water charges on the BOD we discharge. So on one hand, we are actually saving water, but on the other hand, we're getting charged for discharging BOD.

Service Critical High Business Customer | In-depth interview

I think it needs to be Option 1. Because unless it was made fair like...what is the benchmarking between businesses? I like Option 2 that encourages you to do something...but...

Service Critical High Business Customer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 71 Summary table of preferred option for the tariff structure during drought topic.

	Option 1 Drought uplift pricing (current)	Option 2 Water Conservation Pricing
Workshops final choice		Preferred option
CALD		Preferred option
First Nations	Preferred option	
SMEs	Preferred option (equal)	Preferred option (equal)
Value makers		Preferred option
Service Critical High Business Customers	Preferred option	

Base: Workshop participants who indicated their final choice (n=139), CALD customers (n=33), First Nations (n=6), SMEs (n=4), Value Makers (n=3), Service Critical High Business Customers (n=3).

Price structure – price cap or revenue cap

Residential customers, in the workshops, were asked to choose their preferred option from two types of pricing structure.

The vast majority of these customers selected the revenue cap structure (Option 2) with almost nine-in-ten (88%) choosing this. The remainder (12%) selected the price cap, which is the structure used currently (Option 1). The description of each option that was provided to customers is shown in Table 72

Despite the clear preference for a revenue cap structure in the qualitative research, the results in the online validation survey were quite different. Here each option was selected by 50% of customers. This was mostly consistent across the community with minimal variations by demographic. Revenue caps were favoured slightly by older age groups (although not significantly), while people experiencing financial hardship tended to favour price caps (again not a significant difference).

The reason for the differing results between the quantitative and qualitative research could simply be due to the complexity of the topic and the fact that more time was available during the qualitative research to inform customers on the differences between the two and what this means.

For the online validation survey, the information provided was more streamlined and there was no opportunity to ask questions or consult with other members of the community. It could be argued that such an environment more closely reflects the real world (especially in the absence of any mass market education initiatives by Sydney Water). As such, the qualitative research is more likely to reflect the preferences of an informed and educated audience, whereas the online validation survey is more likely to reflect the general population.

In conclusion, there is no clear or obvious preference for either price caps or revenue caps amongst the general population. However, once given the opportunity to consider and ask questions, customers tend to prefer revenue caps.

Table 72 Service level preference – Price or revenue cap

	Option 1: Price Cap (current)	Option 2: Revenue Cap
Summary	IPART sets customer prices for a 5-year period	<p>IPART sets the total <u>revenue</u> Sydney Water can collect from customers in a 5-year period</p> <p>Sydney Water adjusts customer prices <u>each year</u>, making sure the total money collected over 5-years is no more than the amount IPART specifies.</p> <p>This aligns incentives for Sydney Water and promotes lower water use</p>

Frequency that customers prices are set	5-year intervals	1-year interval
When over or under recovered revenue is fully balanced/corrected	Accumulated until the end of each 5-year period	Over or under recovered revenue is corrected in the following year
Potential adjustments		<p>Sydney Water can limit bill volatility. For example:</p> <ul style="list-style-type: none"> • Limit <u>price increases</u> to 2%, 5%, etc. • Allow <u>price decreases</u> to be returned to customers immediately, or limit to 2%, 5%, etc. to prevent large swings in bills either way
Customer implications:		
If all else is equal, what happens if revenue has been under-recovered for period (to balance/correct this)?	<u>Sharp increase</u> in water bills for next 5-years	<u>Slight increase</u> in water bills for next 1-year
If all else is equal, what happens if revenue has been over-recovered for period (to balance/correct this)?	<u>Sharp decrease</u> in water bills for next 5-years	<u>Slight decrease</u> in water bills for next 1-year
If all else is equal, what happens if revenue has been accurately recovered for a period?	No change to prices in either period	<p>Same as Option 1 in years where forecasts are correct</p> <p>In years where forecasts are different, there are <u>slight changes</u> in the price of water year on year to balance any over and under-recovered revenue in the previous year</p>
Summary	<p>Price certainty during 5-year intervals</p> <p>Risk of large bill volatility between 5-year intervals</p>	<p>Risk of small bill volatility each year</p> <p>Low risk of bill volatility between 5-year intervals</p>
Initial choice	12%	88%
Final choice	12%	88%

Survey result	50%	50%
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Base: Workshop participants who indicated their initial choice (n=138); Workshop participants who indicated their final choice (n=140); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.

Differences by how much people value network improvements

There were minimal differences when analysing choices based on how much people value network improvements. At most there may be a slight preference for revenue caps amongst those who value network improvements highly, while those who don't may have a slight preference for price caps.

Table 73 Price or revenue cap – online validation survey choices by how much people value improvements in the water and wastewater network

Survey options	Place high value on network improvements		Place moderate value on network improvements		Place low value in making network improvements
	Advocates	Attainers	Fluctuators	Followers	Difficults/ Denials
Option 1 – Price caps	46%	45%	43%	51%	58%
Option 2 – Revenue caps	54%	55%	57%	49%	42%

Base: Survey participants (n=1,018). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Reasons for their choices

When choosing between these two pricing structures, customers were primarily weighing up the certainty offered by the price cap, against the reduced likelihood of 'bill shock' under the revenue cap. Customers who selected the revenue cap did so to avoid the possibility of steep increases in bills at the start of each 5-year price period and because they wanted over-recovered revenue to be returned to customers sooner rather than later (i.e. the next year, rather than having to wait for 5 years).

Customers who selected the price cap option preferred the certainty of knowing how much they would be charged for over the next 5 years, as they thought this would help households to set their budgets. They also didn't see a need to change a system that seemed to be working (very few could recall experiencing sharp increases or decreases, further playing into the idea of – "if it ain't broke, don't fix it"). Some also felt the complexity of the revenue cap might result in higher administrative costs, that would need to be passed on to customers.

The main drawback acknowledged by those who had selected Option 1, was the possibility of sharp bill increases after 5 years, but they ultimately felt this was worth wearing for the 5 years of stability offered by Option 1.

Those who selected Option 2 were also able to identify some drawbacks with this option, including the potential for higher administration costs, the possibility that bills could still rise sharply if there was a sudden crisis or extreme weather event (i.e. it wouldn't necessarily prevent 'bill shock' altogether) and that it seemed more complicated than Option 1.

A number of customers were highly sceptical about whether or not they would actually receive any over-recovered money under either option (especially as they could not recall this having happened in the past).

Table 74 Reason for service level preference – price or revenue cap

	Customers who selected this option indicated they did so because....
Option 1 Price cap	<p>Stability/certainty – these customers would like to know how much they will be charged for the next five years, which will help them to manage their household budgets.</p> <p>Comfortable with the status quo – they saw no need to change a structure that appears to be working.</p> <p>Efficiency – they felt the revenue cap option seemed too complicated and that this might result in additional administrative costs being passed on to customers.</p>
Option 2 Revenue cap	<p>Bill impact – these customers liked that Option 2 would avoid steep bill increases (or decreases) every 5 years ('bill shock'), which helps customers to manage their household budgets.</p> <p>Bill impact/accountability – they liked that over-recovered revenue would be returned to customers sooner.</p> <p>Adaptability – some customers thought this option would allow Sydney Water more flexibility to adapt to, and account for, changing circumstances (e.g. weather patterns).</p>

Base: Workshop participants who indicated their final choice (n=140); Survey participants (n=1,018). Percentages have been rounded and may not add to 100%.

Stability and 'set & forget' a comfortable choice. No need to fix what isn't broken.

Residential customer | Hornsby workshop (Option 1)

Less extreme changes in bills so easier to manage.

Residential customer | Penrith workshop (Option 2)



Reasons customers selected each option in the online validation survey.

Analysing open-ended responses suggests that main reasons customers selected Option 1 (price caps - preferred by 50% of online validation survey respondents) include:

- **Better stability and certainty:** These customers mentioned that they prefer the price cap option because it offers certainty and stable water bills for the next five years. They can also budget and plan their finances more effectively with a fixed price over an extended period.
- **Greater efficiency and financial planning:** These customers also mentioned that the price cap makes financial planning easier. Knowing that their water bills won't increase for the next five years allows them to budget with confidence and avoid unexpected fluctuations in their expenses.
- **Better protection from increases:** They expressed concerns about potential large annual price increases and their impact on household budgets. Option 1 gives them a sense of protection from potential sudden larger price increases.
- **Increased fairness and consumer protection:** Customers believe that Option 1 is fairer to consumers, protecting them from potential overpricing or revenue manipulation. They feel it ensures that customers are not subject to yearly price adjustments without proper accountability.

I prefer to know what I'll be paying over the next five years. Easier to budget for.

Online Survey | Male, 70+, Tagalog-speaking, Financial hardship, Far Western Sydney & Blue Mountains

No rises for the next five years. I would rather things stay the same for 5 years.

Online Survey | Female, 60-69, Far Western Sydney & Blue Mountains

With cost of living, seems better to have a price cap for five years.

Online Survey | Male, 60-69, Financial hardship, Far Western Sydney & Blue Mountains

Certainty is important, and a price cap offers that.

Online Survey | Female, 50-59, Inner Sydney



Consistent pricing for a 5-year period allows families to budget.

Online Survey | Female, 50-59, Southern Sydney & Illawarra

Makes financial planning easier. IPART sets customer prices for a 5-year.

Online Survey | Male, 70+, Inner Sydney

Online validations survey (Option 1)



The main reasons for selecting Option 2 (revenue caps - preferred by 50% of online validation survey respondents) include:

- **Less bill impact:** These customers preferred Option 2 because it allows for yearly adjustments and smaller incremental price increases, making it easier to manage and budget for, compared to a large price increase after five years. They believe that smaller, more frequent changes are more acceptable and less likely to cause bill shock.
- **Improved adaptability:** The customers liked that Option 2 provides more flexibility and responsiveness in adjusting prices based on changing circumstances, such as inflation, population growth, and demand fluctuations. It offers a more dynamic approach that allows for better management of water resources and budgets.
- **Greater fairness and realism:** Some customers felt that Option 2 was fairer and more realistic. They appreciated that it aligns with actual changes in costs and revenue requirements over time. It was seen as a more reasonable and balanced option for both Sydney Water and the consumers, avoiding potential over-estimations or under-estimations in pricing.

This is easier on the consumer because adjustments are generally smaller rather than getting one massive increase.

Online Survey | Female, 30-39, Northern Sydney

Prices should be reviewed each year.

Online Survey | Female, 40-49, Financial hardship, Northern Sydney

Because adjustments are generally smaller rather than getting one massive increase. This is easier on the consumer.

Online Survey | Female, 30-39, Northern Sydney

Seems better for both sides, not having to wait the 5 years, but have a yearly adjustment.

Online Survey | Male, 60-69, Inner Sydney

I believe that this system is fairer for the consumer in the long run and easier to budget for.

Online Survey | Male, 70+, Northern Sydney



Better to pay smaller amounts every year rather than a big increase at once.

Online Survey | Female, 60-69, Western Sydney

Online validations survey (Option 2)

6.2.4 Customer questions

The questions asked by customers during the workshops reflect the reasons given for selecting (or not selecting) each of the options described above. These included questions relating to trust and accountability (i.e. how customers could be certain that Sydney Water would return over-recovered revenue to them and whether Sydney Water had previously returned over-recovered revenue to customers). Customers initially thought they would receive a refund for over-recovered revenue, so an additional explanation was provided to clarify that this revenue would be returned via lower bills in the subsequent price period. Again, raising awareness of IPART's role and powers may help to alleviate concerns about how customer revenue might be handled.

Customers also wanted more precise information about how much bill volatility they might expect under each option and how much volatility there had been in the past, to help them better understand the implications of each option for their bills. Some customers seemed confused by the potential to limit price increases or returns under the revenue cap option and what this would mean in practice. Finally, some customers had questions about why a change to an alternative pricing structure was being proposed. The question was underpinned by a degree of scepticism from customers who felt Sydney Water wouldn't be proposing this option purely for the benefit of customers. Variations on the following six questions were asked in two or more of the five workshops on this topic.

- **Price period** – Why are both options set at 5-year periods / why was that time period selected? When does each 5-year period start?
- **Volatility** – How much variation in bills would there be? What is a 'sharp' or 'slight' increase/decrease? At the end of 5-year term, what is maximum percentage that bills could increase? How accurately does IPART predict costs and revenue?
- **Historical context** – How often, if ever, has a price decrease occurred/over-collected revenue been returned to customers?
- **Trust/accountability** – Is there any guarantee that Sydney Water will return over-recovered revenue to customers? Who monitors increases or decreases in bills?
- **Administration** – would Option 2 cost more to administer?
- **Reason for alternative** - Have there been any issues operating under the 5-year period? Is there a reason for the proposed change? What is the benefit of Option 2 for Sydney Water?



I think these options can be a bit confusing for everyday people. Most people in our group were a bit confused.

Residential customer | CBD workshop

The following questions were also raised, albeit less frequently than the ones above:

- If there was a natural disaster, how much scope would there be to adjust Option 1?
- Would Option 2 require more time for administration?
- What are the incentives under Option 2 for promoting low water use?
- How would over-recovered revenue be returned for different payment methods?
- How is this final decision made about which option to proceed with - what else is considered and who makes final decision - is it IPART or Sydney Water?
- Are other projects and initiatives put at risk if revenue is in excess or deficit?
- How does revenue recovery work under drought conditions/water restrictions?
- Are the 5-year prices set in stone or could there be any variance?
- Why is it so hard for Sydney Water to budget [i.e. collect the correct revenue]?
- How would customers know if Sydney Water is increasing its prices at the start of a 5-year price period?
- Does this apply to the entire bill or just the water usage charge?

6.2.5 Qualitative Research: Key sub-groups

Preferences for the topic of price caps vs revenue caps for key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the residential customer workshops.

Culturally and Linguistically Diverse customers

Customers in the CALD groups were split between Option 1 and Option 2, with an equal number of customers selecting each offer (n=16, respectively). The majority of customers in the Greek, Korean, and Mandarin speaking groups selected Option 1, while all or most customers selected Option 2 in the Arabic, Vietnamese and Cantonese speaking language groups. While there appear to be variations between language groups, given the small sample, caution should be given to interpretation based on cultural factors.

Those customers who chose Option 1, indicated stability and predictability as key reasons for this decision, which aligns with customers in the workshops. Others noted that they had not experienced large fluctuations in their water bills, so did not see a reason to move from the status quo. Additionally, there was discussion, particularly among customers in the Mandarin-speaking group, about the current economic climate and its impact on decision-making. Customers noted a preference for keeping water bills at the current rate for as long as possible, given inflation and an increased cost of living, meaning water bills are likely to be higher in 5 years. Customers who

selected Option 2 highlighted the incremental price adjustments (compared to larger bill increases or decreases), lower volatility, and better affordability for households as the main drivers of this decision. There appeared little debate between customers about these choices.

Table 75 Service level preference – Price or revenue cap: Culturally and Linguistically Diverse customers

	Option 1 Price cap (current)	Option 2 Revenue cap
Arabic (n)	-	4
Cantonese (n)	1	4
Greek (n)	4	1
Korean (n)	6	-
Mandarin (n)	5	1
Vietnamese (n)	-	6
Total (n)	16	16

With the current economic situation, I personally think communities would appreciate smaller intervals rather than just one sharp increase, that would cause stress to them.

Arabic-speaking customer | Focus group (Option 2)

The revenue cap option is more acceptable due to its annual pricing adjustments resulting in smaller, incremental increases or decreases.

Cantonese-speaking customer | Focus group (Option 2)

In my experience as a customer over the last 20 years, I haven't seen sudden large price rises so the price cap method must be working reasonably well and doesn't need to be changed.

Greek-speaking customer | Focus group (Option 1)

I know that Option 2 may be a securer option for the long run but I do not want to take a big change today.

Korean-speaking customer | Focus group (Option 1)

First Nations

In the First Nations group, all customers selected a revenue cap (Option 2), as their preferred pricing structure. This was driven by the idea that a revenue cap would limit large and sudden increases in water bills, helping to keep bills stable over time.

Table 76 Service level preference – Price or revenue cap: First Nations customers

	Option 1 Price cap (current)	Option 2 Revenue cap
First Nations (n)	-	6

SMEs

When presented with the option of a price cap, or revenue cap, customers in the SME group preferred the current model of a price cap, as it would help with financial planning – particularly for small-to-medium sized business. This was further reinforced as customers in the group noted it would be helpful to have certainty of cash flow, without any major changes in bills.

Table 77 Service level preference – Price or revenue cap: SME customers

	Option 1 Price cap (current)	Option 2 Revenue cap
SMEs (n)	3	-

I think probably the way that the current structure is, from my perspective, probably a safe a bet... in terms of knowing what to expect, so to speak.

SME customer | Focus group (Option 1)

6.2.6 Qualitative Research: Stakeholders

All three Value Makers selected the revenue cap approach over price cap. The key reason for this choice was based around greater stability and bill predictability (and therefore avoiding sharp increases and/or decreases). Taking this one step further, a value maker raised an example of where they were able to negotiate and 'lock in' electricity prices with an electricity retailer for a



period of 5 years, suggesting they would be very open to exploring a similar arrangement with Sydney Water.

As water usage remained relatively consistent for businesses, all three Service Critical High Business Customers saw no reason to change from a price cap structure to a revenue cap structure. One stakeholder was adamant the price cap structure provided them with greater budgeting certainty for a five-year period. One said they would only be looking to reduce water usage and could, therefore, not see any benefits in the revenue cap structure.

Note – Major Developers were not asked to consider the pricing structure options.

Table 78 Service level preference – Price or revenue cap: Stakeholders

	Option 1 Price cap (current)	Option 2 Revenue cap
Value Makers (n)	-	3
Service Critical High Business Customers (n)	3	-
Major Developers (n)	N/A	N/A
Total (n)	3	3



For our business, we don't really like when there are big increases. We like when there are decreases but we don't like when there are big increases in costs. Based on this, Option 2 would be better. Now we are spending \$100k for those two sites. If next year its \$150k, that's a big increase. It'd be better to have slight increases. Also 5 years is a long time, 2-3 years might be better.

Value Maker | In-depth interview (Option 2)

I like the gradual increase rather than the 5 yearly increase. It's easier too, if they collect too much revenue, in years 3-5, then all of a sudden, there's way too much money coming out, then they have to return it every 5 years. Whereas if they find that, especially in situations like now, inflation, wage increases etc. It's very difficult to run a business and only be able to adjust revenue every 5 years. From a consumer's point of view, I guess they fall into line a bit with how every other business runs. Very few businesses change prices every 5 years. Consumers don't want big changes either way if its gradual here and there that is easier to budget for.

Value Maker | In-depth interview (Option 2)

Talking for the business, it's better to know the costs as it allows forecasting, budgeting, business planning. It's always better to know prices for the next year.

Value Maker | In-depth interview (Option 2)

Considering that water usage doesn't differ that much in our business, it's probably relatively consistent. No reason to change. And we would probably only be looking to reduce water usage.

Service Critical High Business Customer | In-depth interview (Option 1)

Option 1 because it gives you certainty for a five-year period. The five-year cap certainly gives the business certainty that we're going to be at \$2.55 a kilolitre. So the next period, I guess it could be a bit of a shock when it gets to the end of that period and goes up a whole lot.

Service Critical High Business Customer | In-depth interview (Option 1)

The following table shows the option that was most preferred among each audience.

Table 79 Summary table of preferred option for the price and revenue cap topic.

	Option 1 Price cap (current)	Option 2 Revenue cap
Workshops final choice		Preferred option
Online Survey	Preferred option (equal)	Preferred option (equal)
CALD	Preferred option (equal)	Preferred option (equal)
First Nations		Preferred option
SMEs	Preferred option	
Value makers		Preferred option
Service Critical High Business Customers	Preferred option	

Base: Workshop participants who indicated their final choice (n=140), Online survey (n=1,018), CALD customers (n=32), First Nations (n=6), SMEs (n=3), Value Makers (n=3), Service Critical High Business Customers (n=3).

6.3 Funding structure

Customers in the workshops were asked to select their preferred funding model, choosing between the staged funding (Option 1) which is currently used and a smoothed funding alternative (Option 2). Most customers preferred the smoothed funding option. Just over three-quarters (76%) selected the smoothed funding structure as their final choice. The remaining one-quarter (24%) selected staged funding. The description of each option provided to customers is shown in the table below.

The online validation survey aligned closely with the findings from the qualitative research with Option 2 (smoothed funding) the preferred choice for 74% of customers (vs. 76% in the qualitative research) and Option 1 (staged funding) the preferred choice of 26% of customers (vs. 24% in the qualitative research).

Table 80 Service level preference – Staged or smoothed funding

	Option 1: Staged funding (Current)	Option 2: Smoothed funding
Summary	The funding required and amount customers pay is higher immediately after investments are made	Costs are more evenly spread evenly over time
Other implications	The amount customers are paying to Sydney Water broadly reflects the cost of delivering projects during that period.	During some periods customers may have to pay more to Sydney Water than the project costs delivered during that period. During other periods customers may end up paying less to Sydney Water than projects cost to deliver during that period
Hypothetical example: A single project costing \$50m over 15 years: <ul style="list-style-type: none"> Project cost 2025-2030: \$15m Project cost 2030-2035: \$5m Project cost 2035-2040: \$30m The infrastructure will last until 2060.	Effect on customer bills each 5-year period: 2025-2030: +\$0.50 p.a. 2030-2035: +\$0.60 p.a. 2035-2040: +\$1.40 p.a. 2040-2045: +\$1.20 p.a. 2045-2050: +\$1.10 p.a. 2050-2055: +\$0.70 p.a. 2055-2060: +\$0.40 p.a.	Effect on customer bills each 5-year period: 2020-2025: +\$0.80 p.a. 2025-2030: +\$0.80 p.a. 2030-2035: +\$0.80 p.a. 2035-2040: +\$0.80 p.a. 2040-2045: +\$0.80 p.a. 2045-2050: +\$0.80 p.a. 2050-2055: +\$0.80 p.a.

		2055-2060: +\$0.80 p.a.
Impact on bill variability	More variability (assuming all other factors remain the same)	Less variability (assuming all other factors remain the same)
Initial choice	19%	81%
Final choice	24%	76%
Survey result	26%	74%

Base: Workshop participants who indicated their initial choice (n=139); Workshop participants who indicated their final choice (n=140); Survey participants (n=1,016). Percentages have been rounded and may not add to 100%.

Online validation survey breakdown by demographics

When analysing customer choices by demographic, there was a clear preference across the community for smoothed funding, although some demographics were more unanimous in their responses than others. For example, older age groups were more likely to pick smoothed funding than younger age groups. This is possibly related to a preference for stable and predictable bills among older age groups (especially retirees) who may be less able to tolerate sudden changes in their expenses.

Table 81 Staged or smoothed funding – online validation survey choices by age.

Survey options	18-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	60-69 yrs	70+ yrs
Option 1 – Staged funding	32%	36%	31%	17%	19%	12%
Option 2 – Smoothed funding	68%	64%	69%	83%	81%	88%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

There were also some differences by location with customers from Western Sydney more likely to choose staged funding than other locations (although still preferring smoothed funding overall) and people from Southern Sydney and the Illawarra more likely to choose smoothed funding.

Table 82 Staged or smoothed funding – online validation survey choices by location.

Survey options	Inner Sydney	Northern Sydney	Southern Sydney and Illawarra	Western Sydney	Far Western Sydney & Blue Mountains
Option 1 – Staged funding	29%	20%	17%	33%	21%
Option 2 – Smoothed funding	71%	80%	83%	67%	79%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Customers who live in owner occupied homes were more likely to choose smoothed funding over staged funding. This could be linked to the fact that home ownership typically skews older. It is also possible that mortgage holders have a greater need for expense stability which may have some influence on this result.

Table 83 Staged or smoothed funding – online validation survey choices by home ownership.

Survey options	Live in an owner-occupied home	Live in a rented home or public/social housing
Option 1 – Staged funding	23%	31%
Option 2 – Smoothed funding	77%	69%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Differences by how much people value network improvements

There was minimal variation when analysing customer choices against the degree to which people value improvements to the network. In other words, it did not matter whether customers placed a high value on network improvements, as all five clusters valued smoothed funding above staged funding.

Table 84 Staged or smoothed funding – online validation survey choices by the value placed on network improvements.

Survey options	Place high value on network improvements		Place moderate value on network improvements		Place low value in making network improvements
	Advocates	Attainers	Fluctuators	Followers	Difficults/ Denials
Option 1 – Staged funding	31%	33%	27%	26%	24%
Option 2 – Smoothed funding	69%	67%	73%	74%	76%

Base: Survey participants (n=1,016). Percentages have been rounded and may not add to 100%. Green numbers are scores significantly above (and red numbers are significantly below) the mean.

Reasons for their choices

Perceived risk, transparency, equity, and the potential impact on the stability of bills were key factors considered by customers when selecting a preferred funding structure. Customers at the workshops were able to select a funding structure when required to make a decision. Overall, smoothed funding was the most preferred option, primarily due to the reduced bill volatility. Customers indicated this would make it easier for them to plan ahead and manage their household bills. Many, however, would be happy sitting on the fence as they did not have a strong preference for either funding structure.

Customers were asked to think if there were any drawbacks of the option they had chosen. Customers who selected the staged funding model noted the potential impact on bill variability, but felt the variability in customer bills (shown in the example) was only minor in the context of a household budget. Please note that the cost of the hypothetical example will be increased to a higher amount for the Phase 3 validation survey, to show customers the impact of large infrastructure projects on bills.

For those selecting Option 2, potential drawbacks included the sense that customers were essentially giving Sydney Water a loan by beginning to pay for projects in the planning phases, and questions/concerns were raised about what would happen under Option 2 if project costs increased unexpectedly (i.e. “blew out”).



Table 85 Reason for service level preference – Staged or smoothed funding

	Customers who selected this option indicated they did so because....
<p>Option 1 Staged funding</p>	<p>Risk – these customers saw Option 1 as less risky, especially if project costs increase. Staged funding was conceived to be a ‘pay as you go’ model, whereas smoothed funding was equated to Sydney Water taking out a loan.</p> <p>Transparency – under smoothed funding (Option 2), the price passed on to customers was perceived to rely more on Sydney Water’s projections for a project’s total cost, which some customers did not trust. They felt staged funding would be more transparent and less prone to error.</p> <p>Equity – some customers didn’t want future generations to have to pay for projects chosen/started now and they felt Option 1 was fairer. Others thought they might pay more for infrastructure that may not be built in time for them to benefit from it under Option 2.</p> <p>Comfort with the status quo – these customers saw no obvious need to change</p>
<p>Option 2 Smoothed funding</p>	<p>Stability / certainty – these customers felt being charged the same amount every five years, to pay for a given infrastructure project, would help them to manage their household budgets.</p> <p>Equity – some believed it was fairer for the cost of a project to be spread more evenly across the generations of customers who were set to benefit from it.</p> <p>Administration – some thought this option would involve less administration costs because a simpler fixed amount would be charged to fund the project every five years.</p> <p>Delivery – some customers thought this option may speed up project delivery because Sydney Water would begin to recover costs for a project in the planning phase.</p> <p>Value for money – some thought that this option might offer better value for money because they perceived that the amount charged to customers annually would remain consistent under this option, but the real-world value of the money paid by customers each year would reduce, due to inflation.</p>

Base: Workshop participants who indicated their final choice (n=140); Survey participants (n=1,016). Percentages have been rounded and may not add to 100%.

I would rather pay more for the infrastructure to be built now rather than my kids funding it.

Residential customer | Parramatta workshop (Option 1)



I like that the cost directly coincides when the funding is required and is not delayed for a later time. We can directly see when the money is paying for the project. Good for transparency of cost when it is needed.

Residential customer | Parramatta workshop (Option 1)

Due to price of material cost over the years spreading out would be a best (Option 2). Option 1 could be a problem with a project blowout.

Residential customer | Wollongong workshop (Option 2)

I like the idea that there is no bill shock, but I've never really seen any adjustments in my bill, so very confusing. They should let us know.

Residential customer | Wollongong workshop (Option 2)

Reasons customers selected each option in the online validation survey.

Analysing open-ended responses suggests that main reasons for selecting Option 1 (staged funding - preferred by 26% of online validation survey respondents) include:

- **Willingness to pay/affordability:** Many of these customers mentioned that Option 1 is more affordable or has a lower cost compared to Option 2. These customers are concerned about the increasing cost of living and prefer an option that allows them to pay as needed, especially when changes in bills are small.
- **Transparency/reasonable and fair:** These customers stated that Option 1 is reasonable, fairer, and more practical. They feel that it reflects the actual cost of projects as they arise and allows for better planning and management of funds. Staged funding was conceived to be a 'pay as you go' model.

Staged funding reflects accurately on how much money is spent on works. It would not be fair to charge customers when no or less work is being done.

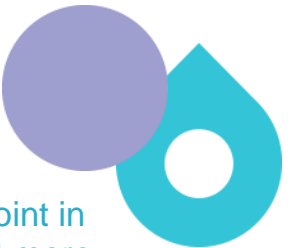

Online Survey | Male, 30-39, Inner Sydney

The cost should reflect how much the investment is.

Online Survey | Female, 18-29, Inner Sydney

Option 2 may allow for bills to be consistently high year after year. Option 1 seems better in the long run.

Online Survey | Male, 40-49, Western Sydney



It makes sense to align customer charges with underlying costs. No point in smoothing - no-one saves any money and it presumably makes it a bit more difficult for Sydney Water.

Online Survey | Male, 60-69, Financial hardship, Western Sydney

I would rather that the amount customers pay to Sydney Water in every period broadly reflects the cost of delivering the project during that period.

Online Survey | Female, 60-69, Inner Sydney

Online validations survey (Option 1)

The main reasons for selecting Option 2 (smoothed funding - preferred by 74% of online validation survey respondents) include:

- **Easier financial planning and predictable bills:** Many of these customers prefer this option because it involves smoothed funding and consistent bills, allows for easier budgeting and financial planning. They prefer to know what to expect and avoid bill shock that may come with fluctuating bills.
- **Improved fairness and consistency:** People see Option 2 as a fairer approach as the funding increase is spread out evenly over time. They believe that having a steady and consistent billing method is more acceptable to consumers than experiencing constant changes in bills. They believe it will also be more manageable for households, especially for low-income families who may struggle with a sudden increase.

Having fairly constant bills is a much better choice for customers than sudden and unexplainable rises in bills. It offers stability and allows customers to manage cash flow better. It's financially more attractive.


Online Survey | Female, 70+, Financial hardship, Far Western Sydney & Blue Mountains

Having a bill that comes at pretty much the same price every time is a lot easier to manage and prepare for, that way you are roughly aware of how much you need to pay before the bill arrives.

Online Survey | Female, 30-39, Financial hardship, Southern Sydney & Illawarra

In this economic climate, people need stability and would prefer to know their charges will be static.

Online Survey | Female, 50-59, Spanish-speaking, Far Western Sydney & Blue Mountains



The funding needs are evenly spread out, and the bill is more constant than the other option.

Online Survey | Male, 30-39, Inner Sydney

Avoids surprises and bill shock.

Online Survey | Male, 40-49, Northern Sydney

I would rather pay the same amount all the time. Sydney water should manage how to use their money for big projects.

Online Survey | Female, 18-29, Western Sydney

Online validations survey (Option 2)

6.3.1 Customer questions

Customers were uncertain about what would happen under each option in the event of infrastructure costs being greater, or lower, than expected. This was particularly relevant for the smoothed funding option, as the amount charged to customers would remain consistent, which was a primary benefit of this option. Questions about what would happen if project costs increased were asked in all five of the workshops, specifically:

- **Changes in project costs** - What happens if the scope changes or the project is abandoned? What happens under Option 2 when the project ends up costing more or less than expected? Can the number of years be extended rather than costs increased if the cost goes up?
- **Forecasting** – How do you forecast/budget over this length of time - how do you make sure it is accurate? What happens in something like covid happens, or inflation, or other external factors?

The following questions were also raised, albeit less frequently than the ones above:

- Under Option 2, does unused revenue get carried forward to next financial year or will it be lost? i.e. if surplus revenue is collected in one year would that be budgeted against the project?
- What about people that only live in Sydney for a few years – wouldn't they receive an advantage or disadvantage under Option 1?
- How would multiple projects be reflected in the bill?
- Once a project has been paid for will the fee go down, and how would we know?
- Why are you not building in growth and profit into budgeting (Option 2)?
- Shouldn't technology make projects cheaper, for both Option 1 and Option 2?
- What about the cost of living 2020-2060 - each year it would go up - is the price capped?

6.3.2 Qualitative Research: Key sub-groups

Preferences for funding structure amongst key sub-groups are summarised below, along with any differences in the rationale provided for selecting each option, when compared to the reasons given in the residential customer workshops.

Culturally and Linguistically Diverse customers

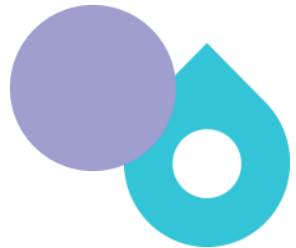

Most customers (n=23) in the CALD groups selected smoothed funding, while a minority (n=7) selected staged funding. Two customers from the Cantonese-speaking group elected not to make a choice.

For customers who selected Option 1, they valued greater transparency from Sydney Water, as customers were only charged for work undertaken which would take into account changes if a project came in under budget, was discontinued and/or changed during the process. Customers who selected Option 2 highlighted the stability and consistency of bills offered by this model as a key driver of their decision.

For some customers, they considered little differentiation between the two options as they saw only small changes between the dollar values, so were relatively indifferent toward their selection.

Table 86 Service level preference – Staged or smooth funding: Culturally and Linguistically Diverse customers

	Option 1 Stage funding (current)	Option 2 Smoothed funding
Arabic (n)	-	4
Cantonese (n)	3	-
Greek (n)	4	1
Korean (n)	-	6
Mandarin (n)	-	6
Vietnamese (n)	-	6
Total (n)	7	23



For both options, the customer will end paying the same amount, so there isn't much difference between Option 1 and 2; the value of money changes between now and the year 2060.

Arabic-speaking customer | Focus group

I prefer the first option because the cost varies based on the progress of the project, which means we can track if the project is progressing as planned. It would be difficult to monitor progress if we paid the same amount every year.

Cantonese-speaking customer | Focus group (Option 1)

The Option 1 method has worked fine for me over the years and I can't see why I would change it. If Sydney Water just receives smooth amounts each year, they could get lazy.

Greek-speaking customer | Focus group (Option 1)

I am used to getting the fixed wage and I would like to make [a] plan without worrying about fluctuating bills.

Korean-speaking customer | Focus group (Option 2)

I feel like it's better for the public if we stick to a consistent rate because it feels more comfortable and if there is left over money, they can invest it into other projects.

Vietnamese-speaking customer | Focus group (Option 2)

First Nations

All customers in the First Nations group selected the smoothed funding structure, however, noted there was little real difference between the two options given the total price did not change. There was some mistrust evident across the group, as customers considered the price increases represented to be unrealistic and not reflective of their personal experiences, which involved much higher bill increases. Some customers also noted questions or concerns about the terminology used, with 'smooth' perceived to be 'more government talk', with the real intent to 'spread' increased costs across bills in order to hide their real impact.

Table 87 Service level preference – Staged or smoothed funding: First Nations customers

	Option 1 Stage funding (current)	Option 2 Smoothed funding
First Nations (n)	-	6

Just looks like they play with the dollars and make it fit what they want.

First Nations customer | Focus group (Option 2)

SMEs

All three of the SMEs who considered this topic preferred the smoothed funding option, for the same primary reason given by residential customers – i.e. less variability in bills making it easier to budget/ plan ahead. The SMEs were sceptical about the hypothetical figures provided (as noted previously, costs attached to the hypothetical example will be adjusted for the validation survey).

Table 88 Service level preference – Staged or smoothed funding: SME customers

	Option 1 Stage funding (current)	Option 2 Smoothed funding
SMEs (n)	-	3

Less variability, I guess, is always a really good thing, knowing what you're going to pay.

SME customer | Focus group (Option 2)

6.3.3 Qualitative Research: Stakeholders

Similar to the price cap versus revenue cap discussion, Value Makers choices around staged or smoothed funding also reflected a need for bill stability and predictability. Although all Value Makers selected the smoothed funding approach, they highlighted the need for increased transparency around:

- What the water bill is made up of – where the money goes – what percentage of bills goes to new infrastructure vs existing infrastructure?
- How long any additional fee (incurred to support investment in a new initiative) would be retained and when it will disappear? One Value Maker was concerned that, despite recent rains, they may still be paying the drought tax, which led to some scepticism.

Two of the three Service Critical High Business Customers supported a smoother funding option for forecasting predictability and bill stability. One supporter of Option 2 wanted a separate line item in the bill for infrastructure spend.

Option 1 was the preferred funding model for one Service Critical High Business Customer, as they considered the staged approach was a way of being able to track a project’s cost in real time.

Smoothed funding was preferred by two of the three Major Developers because it removed the potential for big increases or decreases in customer bills, making their payments easier to manage. The remaining Major Developer preferred staged funding, because it more closely aligned to the expenditure, with the work being undertaken.



Table 89 Service level preference – Staged or smoothed funding: Stakeholders

	Option 1 Stage funding (current)	Option 2 Smoothed funding
Value Makers (n)	-	3
Service Critical High Business Customers (n)	1	2
Major Developers (n)	1	2
Total (n)	2	7

Option 2 – because over the 5-year periods, it’s the same increase, so we know what to expect and we don’t need to spend all the money at the beginning. Its more acceptable for the business with bill predictability and stability.

Value Maker | In-depth interview

I think the smooth one is the better one – I don’t like the jump up and down in bills all the time. I have a problem with Sydney Water – whenever we have a drought – I don’t like the drought tax – I bet it’s still on their bills now. I don’t like where they just add something for a period of time and take it off – I prefer to pay more for our water knowing they have enough the whole way through for them to do whatever they need to do. Sydney Water fly under the radar – haven’t had massive increases in cost – pressures been off them a bit. As a customer and a person in the industry, I understand the costs and I understand what happens if you don’t have the right settings to run the business. If you need to cut costs, you’ll have something go wrong more often, somewhere. This will annoy people. Electricity prices have gone through the roof, it feels out of control. That’s why I



like the smoothed one better rather than the staged funding. 10 or 15 years ago no one was talking about climate change, now we have to factor it into all businesses. I was wondering when Sydney Water was going to start going down that track too. Sydney Water is probably run too tight for too many years. If people really knew the age of some of the water mains and sewer mains, they'd be shaking their heads. In saying that, its everyone's right to have a drink of clean water every day, we don't want them to have to avoid water, like air conditioning.

Value Maker | In-depth interview

Option 1 or 2 is fine. Option 2 is better for forecasting costs. Stability would be good, but I guess it's like, is there anywhere that customers get to see what these projects are and how that's made up in the bills? The thing with water is that we just pay for it – there's no point of comparison. With all these things as a customer you just pay the bill – it is what it is.

Value Maker | In-depth interview

Option 1 – because I would like to interrogate what I am being charged for at each stage of project delivery.

Service Critical High Business Customer | In-depth interview

Option 2 – forecasting is more predictable with that model.

Service Critical High Business Customer | In-depth interview

My preference would be Option 2 smoothing the funding, rather than potentially having big jumps up or down. It's a lot simpler and easier for customers to manage payments.

Major Developer | In-depth interview

From a customer's perspective, I think it would be most beneficial to have a consistent bill. There is a drawback in that you are paying more in the first periods than it costs to build/supply. From Sydney Water's perspective it delivers more consistent revenue.

Major Developer | In-depth interview

The following table shows the option that was most preferred among each audience.

Table 90 Summary table of preferred option for the funding structure topic.

	Option 1 Stage funding (current)	Option 2 Smoothed funding
Workshops final choice		Preferred option
Online survey		Preferred option
CALD		Preferred option
First Nations		Preferred option
SMEs		Preferred option
Value Makers		Preferred option
Service Critical High Business Customers		Preferred option
Major Developers		Preferred option

Base: Workshop participants who indicated their final choice (n=140), Online survey (n=1,016), CALD customers (n=30), First Nations (n=6), SMEs (n=3), Value Makers (n=3), Service Critical High Business Customers (n=3), Major Developers (n=3).

7 Outcome Delivery Incentives (ODIs)

Under IPART's new regulatory framework for water utilities,⁷ there is an expectation that advanced or leading pricing submissions from utilities propose to implement service level incentive schemes. These schemes are designed to make sure that Sydney Water is meeting our most-important service obligations to customers. It is up to Sydney Water to choose what elements of our services are best to apply an incentive scheme to and what targets to set. Sydney Water intends to design a scheme, or schemes, for its next pricing submission. IPART, as pricing regulator, will review any scheme proposed for implementation. Customer input into parts of this design process is critical. If adopted, this scheme, or schemes, would tie financial rewards and penalties to the performance outcomes that are most valued by Sydney Water's customers. These are also known as Outcome Delivery Incentives or ODIs.

In this phase of the customer engagement work, customers were presented with a list of potential performance outcomes as below and were asked to select the three that they felt were most important and should, tied to a financial incentive scheme.

7.1.1 Residential Customers

Table 91 summarises how customers in the workshops allocated their choices. Please note, Guide A and Guide B both provided different performance outcomes for customers to vote on. In total, 270 customers voted on their preferred performance outcomes to be covered by an ODI.

Note – the table below is ordered based on the number of votes.

The most commonly selected performance outcome by customers in the workshops was the amount of litter and sediment captured before it reaches oceans, rivers or waterways.

Table 91 Outcome Delivery Incentives – Workshop results

	Number of votes in the qualitative research
Outcome Delivery Incentive area	Customers
The amount of litter and sediment captured before it reaches oceans, rivers or waterways	99
The percentage of the total water supply supplied by rainfall independent water sources	87
The amount of water lost from the network due to leaks and breaks	84

⁷ [IPART's 3Cs Framework for the regulation of water utilities](#)




The volume of recycled water supplied for green spaces (gigalitres per year)	65
The length of time Greater Sydney is subject to restrictions when in drought	55
The severity of restrictions when in drought	54
The reduction or prevention of wastewater pollution in waterways during wet weather (where wastewater is more diluted)	49
The amount of urban stormwater harvested to reduce the volume and speed of run-off that is known to damage waterways	42
The percentage of parks kept green and cool during hot and dry summers	41
The percentage of parks kept green and cool during prolonged drought	37
The frequency in which restrictions are in place	34
The length of concrete stormwater channels naturalised and the length of riverbanks restored – to improve nature, and reduce erosion and pollution	34
The number (or area) of new wetlands and/or raingardens created	31
The percentage of customers with digital meters	28
Improving water quality at existing monitored swim sites	23
The number of new swim sites created in Sydney Harbour, Western and Inner Sydney	22
The reduction or prevention of wastewater pollution into waterways during dry weather (when wastewater is not diluted by rain)	19
The target date for Net Zero emissions	11

A similar question was asked in the online validation survey where customers were asked to select three delivery areas that they felt were most worthy of being tied to a financial incentive scheme. The top-ranked delivery area related to water lost from the network by leaks and breaks (41%). The volume of water supplied, which is not dependent on rainfall (including recycling and desalination), also ranked highly (30%). Towards the other end of the list, only a small minority ranked opportunities for water-based recreation in Greater Sydney's waterways in their top 3 or the percentage of parks that are kept cool and green (8% and 9% respectively).

Table 92 Outcome Delivery Incentives – Workshop results

Outcome Delivery Incentive area	Proportion of customers that included each delivery area in their top three. This means they feel these areas are the most worthy of being tied to a financial incentive scheme
	% of customers in the online validation survey (n=2,034)
Amount of water lost from the network by leaks and breaks	41%
Volume of overall water supply that is not dependent on rainfall, including recycling and desalination	30%
Level of water consumption per person	29%
Volume of recycled water supplied for green spaces	28%
Severity of restrictions when in drought	25%
Level of waterway ecosystem health associated with Greater Sydney's waterways	24%
Length of time under restrictions when in drought	21%
Target date for Net Zero carbon emissions	17%
Percentage of parks kept green and cool during hot and dry summers	11%
Attractiveness and visual appeal associated with Greater Sydney's waterways	10%
Percentage of parks kept green and cool during prolonged drought	9%
Number of opportunities for water-based recreation in Greater Sydney's waterways	8%
None of these	8%

7.1.2 SMEs

Table 85 summarises how SME customers allocated their three choices. Please note, Guide A and Guide B provided different performance outcomes for customers to vote on. In total, 7 SME customers voted on their preferred performance outcomes to be covered by an ODI.

Note – the table below is ordered based on the number of votes.

The most commonly selected performance outcome by SME customers was tied between the amount of litter or sediment captured before it reaches oceans, rivers or waterways, and the amount of water lost from the network to leaks and breaks.

Table 93 Outcome Delivery Incentives – Workshop results

	Number of votes SMEs
The amount of litter and sediment captured before it reaches oceans, rivers or waterways	4
The amount of water lost from the network due to leaks and breaks	4
The severity of restrictions when in drought	3
The frequency in which restrictions are in place	3
The volume of recycled water supplied for green spaces (gigalitres per year)	2
The length of time Greater Sydney is subject to restrictions when in drought	1
The reduction or prevention of wastewater pollution in waterways during wet weather (where wastewater is more diluted)	1
The amount of urban stormwater harvested to reduce the volume and speed of run-off that damages waterways	1
The length of concrete stormwater channel naturalised and length of riverbanks restored to improve nature, and reduce erosion and pollution	1
Improving water quality at existing monitored swim sites	1
The percentage of customers with digital meters	0
The reduction or prevention of wastewater pollution into waterways during dry weather (when wastewater is not diluted by rain)	0
The number of new swim sites created in Sydney Harbour, Western and Inner Sydney	0
The target date for Net Zero emissions	0
The percentage of the total water supply supplied by rainfall independent water sources	0
The percentage of parks kept green and cool during hot and dry summers	0
The percentage of parks kept green and cool during prolonged drought	0
The number (or area) of new wetlands and/or raingardens created	0

7.1.3 Stakeholders



Table 83 below summarises how stakeholders allocated their three choices. Please note, Guide A and Guide B provided different performance outcomes for customers to vote on. In total, 18 stakeholders voted on their preferred performance outcomes to be covered by an ODI.

The most commonly selected performance outcome by Value Makers was the volume of recycled water supplied for green spaces (gigalitres per year). For Service Critical High Business Customers, it was the severity of restrictions when in drought. Finally, the most commonly selected

performance outcome by Major Developers was the amount of litter and sediment captured before it reaches oceans, rivers or waterways.

Table 94 Outcome Delivery Incentives – Stakeholder results

	Number of votes		
	Value Makers	Service Critical High Business Customers	Major Developers
The volume of recycled water supplied for green spaces (gigalitres per year)	3	2	2
The length of time Greater Sydney is subject to restrictions when in drought	2	0	1
The percentage of customers with digital meters	2	0	2
The reduction or prevention of wastewater pollution in waterways during wet weather (where wastewater is more diluted)	2	1	0
The amount of litter and sediment captured before it reaches oceans, rivers or waterways	2	2	4
The amount of water lost from the network due to leaks and breaks	1	1	1
The amount of urban stormwater harvested to reduce the volume and speed of run-off that is known to damage waterways	1	1	0
The reduction or prevention of wastewater pollution into waterways during dry weather (when wastewater is not diluted by rain)	1	1	0
The number of new swim sites created in Sydney Harbour, Western and Inner Sydney	1	2	2
The target date for Net Zero emissions	1	0	1
The severity of restrictions when in drought	1	3	0
The frequency in which restrictions are in place	1	1	1
The percentage of the total water supply supplied by rainfall independent water sources	1	1	1
The percentage of parks kept green and cool during hot and dry summers	0	0	0
The percentage of parks kept green and cool during prolonged drought	0	0	0
The number (or area) of new wetlands and/or raingardens created	0	0	0
The length of concrete stormwater channels naturalised and the length of riverbanks restored – to improve nature, and reduce erosion and pollution	0	0	0
Improving water quality at existing monitored swim sites	0	1	3



Dry weather is important. Generally speaking, people understand that if there's heavy rain, there's a chance of pollution and therefore we should double check whether to go swimming because of that, but if not diluted by rain, it's a health risk – that'd be up there from a public health perspective. I like the idea of harvesting more stormwater, but new swim sites cover more of the population.

Value Maker | In-depth interview

Wet weather [wastewater pollution] is more important than dry weather, it moves quicker with the water. It'll have more of an affect.

Value Maker | In-depth interview

I didn't pick frequency or severity of restrictions, because they can be turned the other way. Sydney Water need to try to keep them down because it's necessary.

Value Maker | In-depth interview

I think what's more important is maintaining the aging system and making that work better. You've got to stop the leaks and you've got to supply it well. And the rest is just nice. You know, the nice to have.

Service Critical High Business Customer | In-depth interview

The quality of the swim sites is a big draw card for Sydney and I think that's important. We should spend some money improving that. It's not my family's life, but I know it brings a lot of people to the city, so that's valuable.

Service Critical High Business Customer | In-depth interview

The frequency of restrictions and the severity of restrictions [is most important] because it most affects the operation of our business when that occurs.

Service Critical High Business Customer | In-depth interview

Increasing the number of swim sites and improving the water quality at existing swim sites is important for all people within greater Sydney.

Major Developer Customer | In-depth interview

7.1.4 Additional topic – most impactful water and wastewater interruptions

As an additional question in the validation survey, customers were shown a range of different types of disruptions and were asked to pick the top 3 most impactful if they were to happen to them.

These disruptions relate to the service faults for which customers currently receive a rebate under

Sydney Water’s Customer Contract⁸. The rebate is provided as they represent a departure from agreed service levels or standards. Customers were asked this question to help Sydney Water reassess if the current rebate values aligned with customer impact. More than half (57%) included needing to boil drinking water as the most impactful. This was followed by an unplanned water outage that lasts more than 5 hours (43%) and wastewater overflows on a customer's property (41%) see Table 95. Interestingly customers didn’t rate the impact of wastewater overflows very highly relative to other disruptions, even though it is clear that this type of disruption is quite impactful. Discussions in the qualitative research suggest that most customers have not experienced this type of disruption and struggle to imagine what it would be like. Order effects were accounted for in the survey by randomising the order that event types were shown to each customer.

Table 95 Water and wastewater interruptions – Online validation survey results

Type of service interruption	% of customers that selected each type of service interruption in their top 3 most impactful
Type of service interruption	% of customers in the online validation survey (n=2,034)
Water delivered to your property is not safe to drink and must be boiled before use. Whether it is safe to drink is determined by monitoring against Australian drinking water guidelines and the public health regulator NSW Health.	57%
Your water services are interrupted by unplanned work for over five hours - you will not have received prior notification	43%
Wastewater overflows anywhere on your property because our wastewater system has failed. The overflow could be inside your house or outside on your land.	41%
Water supplied to your property is discoloured or looks dirty because of a fault in our drinking water system but it is still safe to drink.	40%
You have three or more unplanned water service interruptions in a year, each lasting over one hour- you will not have received prior notification	27%
Wastewater overflows anywhere on your property more than twice in a year because our wastewater system has failed	24%
Your water pressure is much lower than usual for one hour continuously	24%
Wastewater overflows anywhere on your property a second time within 12 months because our wastewater system has failed	22%

⁸ [Sydney Water's Customer Contract 2019-2023](#) – Clause 7 Redress

Your water services are interrupted by planned work for over five hours - you will have received notification of the outage in advance

21%

As shown in the tables below, there was some variation by demographic when it comes to which events ended up in people’s top three. For example, people in older age groups were more likely to include ‘needing to boil water because it is not safe to drink’ in their top three, this was also true for people living in Southern Sydney, the Illawarra and Northern Sydney and those who own their own home. In contrast, younger customers, renters and people living in Western Sydney were less likely to include this event in their top three. There was a similar albeit less pronounced pattern with regards to ‘wastewater overflows on someone’s property (outside)’. Also, when it comes to low water pressure there was also some variation by demographic, with older customers, customers from Northern Sydney and homeowners less likely to put this in their top three.

The following tables show the events where notable demographic variation exist.

Table 96 Percentage of customers that selected each type of service interruption in their top 3 most impactful – Events where there were variations by age group

Survey options	18-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	60-69 yrs	70+ yrs
Water delivered to your property is not safe to drink and must be boiled before use	48%	51%	53%	62%	69%	71%
Wastewater overflows anywhere on your property because our wastewater system has failed	34%	40%	41%	43%	49%	46%
Your water pressure is much lower	30%	27%	26%	22%	18%	17%

than usual for one hour continuously						
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Table 97 Percentage of customers that selected each type of service interruption in their top 3 most impactful – Events where there were variations by location

Survey options	Inner Sydney	Northern Sydney	Southern Sydney & Illawarra	Western Sydney	Far Western Sydney & Blue Mountains
Water delivered to your property is not safe to drink and must be boiled before use	56%	66%	69%	51%	58%
Wastewater overflows anywhere on your property because our wastewater system has failed	37%	44%	51%	39%	43%
Your water pressure is much lower than usual for one hour continuously	26%	17%	20%	26%	27%

Table 98 Percentage of customers that selected each type of service interruption in their top 3 most impactful – Events where there were variations by owner occupied vs. rented

Survey options	I live in an owner-occupied home	I live in a rented home or public/social housing
Water delivered to your property is not safe to drink and must be boiled before use	61%	52%
Wastewater overflows anywhere on your property because our wastewater system has failed	45%	34%
Your water pressure is much lower than usual for one hour continuously	22%	28%
Your water services are interrupted by planned work for over five hours	19%	25%

7.1.5 Additional topic – Sharing the costs of providing stormwater

As an additional question in the validation survey, customers were asked about their preferences for sharing the costs of stormwater services. For most of its services, Sydney Water aims to charge the same price for the same service. Stormwater is an exception to this, mainly because the more simple, lower cost stormwater systems are owned and operated by Councils and recovered through council rates. In other locations where more complex systems are required, Sydney Water owns and operates parts of the system. Sydney Water asked customers in the validation survey whether they think the cost of managing this complex infrastructure should be shared by Sydney Water customers across Greater Sydney (via their water bills) or only charged to those living in areas with more complex stormwater systems.

Views around this were mixed, with 37% preferring a mixed arrangement where some costs are shared across the entire customer base, and some are borne by the customers living in the areas where complex stormwater infrastructure exists. Only 28% indicated that these costs should be shared by all customers and 18% thought these costs should be recovered from customers living in areas where the stormwater infrastructure exists (or would be built in the future). 18% indicated that they don't know.

This sentiment was generally consistent across the community, although males were more likely than females to believe that these costs should be shared across the community (33% of males vs. 23% of females). Sentiment was also consistent across the commitment segments with minimal variation across the clusters.

Table 99 Sharing of stormwater costs – Online validation survey results

	% of customers that selected each option
Stormwater costs should be...	% of customers in the online validation survey (n=2,034)
A mixed arrangement where some of the costs are recovered from customers living in areas where the stormwater infrastructure exists (or will exist in the future) and some costs are shared by all Sydney Water customers to recognise the broader community value (e.g. 70% local and 30% shared).	37%
Shared by all Sydney Water customers	28%
Recovered from customers living in areas where the stormwater infrastructure exists or would be built in the future	18%
Don't know	18%



7.1.6 Additional topic – Sharing the costs of delivering recycled water services for non-drinking purposes

Another additional question was asked in the validation survey relating to preferences for sharing the costs of delivering recycled water services for non-drinking purposes. Again, for most services, Sydney Water aims to charge the same price for the same service. Delivering recycled water for non-drinking purposes is an exception to this.

Where recycled water services are provided, there is a requirement for additional infrastructure, such as additional levels of water treatment or a pipe network to distribute the water to where it is used.

Currently, only the customers who live in areas connected to a recycled water system pay for those services and systems. However, there are also some instances, where all customers have contributed because these systems benefit the broader community by reducing the use of drinking water and reducing the amount of treated wastewater that is returned to rivers and waterways.

As growth occurs in Greater Sydney, Sydney Water needs to find different and more efficient ways to deliver services. Providing recycled water services may help to protect increasingly sensitive waterways, reduce the demand for drinking water and help irrigate green public spaces. Although developers contribute to funding new infrastructure, there may still be some impact to customer bills. As such, Sydney Water would like to know whether the cost of managing this infrastructure should be shared by all Sydney Water customers (via their water bills)

Views around this were mixed, with 33% indicating that these costs should be shared by all customers, 28% preferred a mixed arrangement where some costs are shared across the entire customer base, and some are borne by the customers living in the areas receiving recycled water. Only 21% thought these costs should be recovered from customers living in areas where recycled water infrastructure exists (or would be built in the future). 18% indicated that they don't know.

This sentiment was generally consistent across the community, although males, older age groups and customers not experiencing financial hardship were less likely to say they don't know.

- 14% of males vs. 22% of females answered don't know
- 15% of customers aged above 40 vs. 23% aged below 40 answered don't know
- 16% of customers not experiencing financial hardship vs 25% of customers who are experiencing financial hardship answered don't know.

Sentiment was also reasonably consistent across the commitment segments with the main differences being that Difficults/Denials were less likely than other segments to say that these services should be shared by all customers (only 25% of this segment chose this option).

Difficults/Denials were also more likely to say that these costs should be recovered from customers living in areas where the recycled water infrastructure exists or would be built in the future (30% of this segment chose this option). As could be expected, Followers were more likely than other segments to answer, 'don't know' (21% of this segment chose this option).

Table 100 Sharing of the costs of delivering recycled water services for non-drinking purposes – Online validation survey results

	% of customers that selected each option
The costs of delivering recycled water services for non-drinking purposes should be	% of customers in the online validation survey (n=2,034)
Shared by all Sydney Water customers	33%
A mixed arrangement where some of the costs are recovered from customers living in areas where the recycled water infrastructure exists or will exist and some of the costs are shared by all Sydney Water customers to recognise the broader community value (e.g. 70% local and 30% shared)	28%
Recovered from customers living in areas where the recycled water infrastructure exists or would be built in the future	21%
Don't know	18%

7.1.7 Additional topic – Payment assistance

Another additional question was asked in the validation survey relating to payment assistance options. Customers were shown the following list of assistance support options available if customers are having difficulty paying their bill on time.

- Payment extensions (the full amount due is deferred to a later date)
- Payment arrangements (outstanding balance broken into multiple payments before the next bill is due)
- Payment plans (set payments on a regular frequency for past and future debts)
- Regular deductions from customer Centrelink payments
- Pensioner concessions
- Customers are referred to an accredited community agency to discuss bill challenges face-to-face
- Customers are provided ongoing support through a BillAssist program where they are assigned a dedicated case coordinator
- Customers are provided with Payment Assistance Scheme (PAS) credits on their account if eligible
- Customers are referred to a PlumbAssist program for emergency and essential plumbing repairs
- Customers are referred to other types of help and support (such as financial counselling or assistance services and cross referrals through the Thriving Communities Partnership One Stop, One Story Hub)
- Sydney Water will attend community events and information sessions for community groups
- Sydney Water have special provisions in place for victims of domestic violence that protect their details.

Customers were then asked if they had an opportunity to make it easier for customers who are having difficulty paying their water and wastewater bill, can they think of any ideas for how to do this that they would add to the list above. More than half (55%) had nothing to add and answered 'no', 'none' or leaving no comment 14% said the list was already adequate, 7% said that the issue was irrelevant to them and 6% didn't know. Overall there were very few suggestions provided by customers. Of the suggestions that were provided, providing weekly or monthly payment plan options was the most commonly sighted (7% mentioned this) even though it is covered by the list above. Additional pensioner support (5%) and loyalty programs (3%) were other examples of raised by a small number of customers. Overall, it appears that the existing support options are sufficient or that very few customers have ideas to add to the list.

Table 101 Ideas to add to the list of payment assistance options

Suggestions	% of customers (multiple response) % of customers in the online validation survey (n=2,034)
None / No comment / No	55%
List given is already adequate	14%
Payment plans / Payment installments - e.g. weekly or monthly	7%
Irrelevant	6%
Don't know / Unsure	6%
Pensioner, Low-income earners, Disability, Unemployed & Financial Hardship concessions/discounts	5%
Loyalty program / Rewards/Incentives for on-time payments or lower water usage	3%
Reduce the cost of water / Make water free	3%
Government to subsidise / cover / assistance such as Centrepay	2%
Grace period on paying bill payment / Extension	2%
Charity assistance programs / Donations / Initiatives to cover those in financial hardship e.g. organisations/high earners pay to cover cost	1%
Education	1%
Allow different bill payment patterns e.g., weekly, monthly or advanced payment	1%
Loans - low or no interest by Sydney Water or Other companies	1%
Pay later programs - e.g. Afterpay, Zip	1%
Waiver the bill fees	1%
Volunteer work for payment / Work to pay program	<1%
Connecting people with financial advisors and support	<1%
Limit water supply	<1%



Plumbassist	<1%
Customer Support Line	<1%
Gift cards / Vouchers	<1%
Paypal	<1%
Application to track usage	<1%
Penalties - water wasters	<1%
Taxes cover cost	<1%

8 Glossary and bibliography

8.1 Glossary

The following table provides a reference point for acronyms used throughout this report.

Table 102 Glossary of Terms

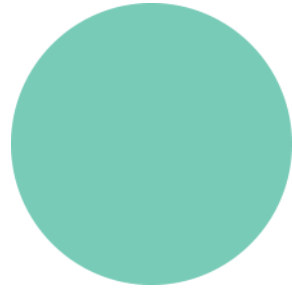
Acronym	Descriptor
CALD	Culturally and Linguistically Diverse
Customer	People who participated in the qualitative workshops and validation survey (inclusive of homeowners, renters and people living in social or community housing).
First Nations	First Nations refers to people of Australia who associate as being a person of Aboriginal and/or Torres Strait Islander origin and/or descent.
Greater Sydney	Greater Sydney (including the Blue Mountains and Illawarra)
IPART	Independent Pricing and Regulatory Tribunal
Residential customer	General member of the public that includes both homeowners and renters.
SMEs	Small to Medium Sized Enterprises
Value Maker	A business/person interacting with Sydney Water regarding products and services to create valuable things for residents, businesses, or developers. Value Makers fall into three sub-categories; doer, facilitator, and other.

8.2 Bibliography

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