

# Our Water, Our Voice Customer Engagement

The third phase of the customer engagement program included conversations with over 2,418 residential customers (both homeowners and renters) and 26 business and government stakeholders between November 2022 and August 2023.



We started a six-phase customer engagement program in July 2022, with our customers, community and stakeholders, called Our Water, Our Voice. These customer engagement insights will help inform our decision-making, Operating Licence and pricing proposal to the Independent Pricing and Regulatory Tribunal (IPART) which will be submitted in September 2024.

## What is a price review?

### SYDNEY WATER

A price review is part of Sydney Water's cyclical regulatory requirement to IPART. Every five years we develop a price proposal for submission that reflects the efficient cost of providing our services. The priorities and expectations of our customers and community are at the foundation of our price proposal through customer engagement.

### IPART

IPART sets the framework for the price review and makes a pricing determination every five years for the maximum price for drinking water and wastewater services that Sydney Water provides. IPART's final decision reflects the efficient cost of providing our services with the priorities and expectations of our customers and community at the foundation.

### CUSTOMERS AND COMMUNITY

As end users of our services – including drinking water, wastewater, and stormwater – our customers and the community engage with us to ensure their priorities and expectations are reflected in the price proposal. This means we're all on the same page.

## What was Phase 3 about?

During Phase 3, customers were involved in delving deeper into the 15 customer-led, ranked priorities determined in Phase 1. Phase 3 also tested customer preferences for additional services that Sydney Water could offer in the future, including all the associated possible benefits and drawbacks. We involved participants in discussing their preferred service levels and their reasons for them. Furthermore, we explained how customers' preferred service levels relate to Sydney Water's pricing and investment decisions.

## Phase 3, what we did

During Phase 3, we heard from 2,418 customers, community members, and stakeholders via customer workshops, focus groups, interviews and online surveys.



10

Customer Workshops



16

Focus Groups



18

Interviews



2,034

Respondents via an online survey

## Service level preference

Customers were presented with a range of options and were asked to nominate the preferred service levels that they expect Sydney Water to provide. Customers were provided with information on the likely outcomes (beneficial and negative) as well as how it would affect the price of water bills. Topics included:

- Water leakage in the network.
- Healthy waterways.
- Swim access, safety, and pollution prevention.
- Carbon emissions.
- Creating cool, green landscapes.
- Resilience of our water supply.

Customers said factors influencing their decisions included:

- High inflation, the increased cost of living, and the community's capacity to pay.
- How equitable or disproportionate outcomes would be.
- Relative importance of the outcome for individuals and the community.
- Feasibility of expected outcomes.
- Value for money.

## Research objectives for Phase 3

To engage with you, our customer, on:

- Preferences and choices regarding the relevant services that Sydney Water could offer.
- Possible benefits and drawbacks of potential services that Sydney Water might offer.
- Preferred service levels within each potential offer and the considerations underpinning the choice.
- Pricing and investment decisions being considered as part of Sydney Water's Long-Term Capital and Operational Plan (LTCOP), Price Proposal and Operating Licence.



### Did you know?

Sydney Water is a self-funded corporation, we rely on customer bill revenue to provide our products and services.

### WHAT YOU SAID

"VERY THOUGHT PROVOKING. I'M IMPRESSED WITH THE TOPICS (THAT SYDNEY 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."

"FOUND THIS GROUP INTERESTING AND WAS FULLY ENGAGED. KEEN TO SEE WHAT TRANSPIRES FROM THESE FORUMS."

"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."

- Comments by customer workshop participants in Phase 3

## Preferred service levels

We heard directly from you, our customer, that these are the services you want to see from Sydney Water in the 2025-30 period.

### Water leakage



Most customers don't want a reduction in service levels for leakage, even though maintaining or improving the level of leakage may increase water bills.

### Healthy waterways



Most customers prefer an improvement to current service levels and support a moderate increase in the service level in exchange for a modest bill increase.

### Swim access, safety, and pollution prevention



Most customers prefer to maintain the current service levels without a bill increase, or a modest bill increase and moderate improvement.

### Carbon emissions



Most customers prefer Sydney Water to target achieving net zero carbon emissions by 2030 even though it could mean an increase in bills.

### Creating cool, green landscapes



Customers prefer that Sydney Water take action and improve our levels of service, with an understanding that this may increase bill prices. Preferences include investment in stormwater and recycled water for non-drinking purposes.

### Resilience of our water supply



Customers prefer service levels to be maintained as they are understanding that maintaining services into the future will incur a bill increase. Customers told us that the cost of improving service levels was too high.

## Preferred tariff structures

### Single block vs inclining block

Customers were asked to choose between two different tariff structures: a single block (current pricing structure) or an inclining block.

Under the single block tariff, the price per kilolitre (kL) of water remains the same regardless of how much water is used. Under 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.

Customers preferred a single block tariff but many felt they needed more information to make a choice. The factors that influenced the tariff block preference included stability and simplicity of price and concern for larger households or people living in units with a shared water meter.

### Tariff structure during drought

Residential customers were asked to choose between two tariff structures to be used during drought to encourage water conservation. The two models were drought uplift pricing and water conservation pricing.

Under drought uplift pricing, the price per kL of water increases from \$2.50 per kL to \$3.38 per kL during drought. Under water conservation pricing, the price per kL during drought would also increase to \$3.38. However, if the drought were to deepen, the price would continue to increase incrementally.

Most customers leaned towards water conservation pricing, although First Nations customers and business customers favoured drought uplift pricing.

### Price cap vs revenue cap

Residential customers, in the workshops, were asked to choose their preferred option from two types of pricing structures: price caps (the current structure) or revenue caps.

Under a price cap model, Sydney Water's independent regulator, IPART, sets customer prices for a five-year period. Under a revenue cap model, IPART sets the total revenue Sydney Water can collect from customers in a five-year period. Sydney Water then adjusts customer prices each year, making sure the total money collected over five years is no more than the amount IPART specifies.

Despite the clear preference for a revenue cap structure in the qualitative research, the results in the online validation survey were quite different. In the survey customers were split 50/50.

### Staged vs smoothed

Customers in the workshops were asked to select their preferred funding model, choosing between staged funding (the current model) and a smoothed funding alternative.

Under a staged model, the funding required and amount customers pay is higher immediately after investments are made. While under a smoothed model, costs are more evenly spread over time.

Most customers preferred the smoothed funding option.

# Outcome delivery incentives

To demonstrate that Our Water, Our Voice has real impact in the future, we're aiming to have customer led outcomes we can be measured on. These measures could be used to track our performance as part of an incentive scheme overseen by IPART. Listed below are the outcomes that customers felt were most important and should be tied to a financial incentive scheme.

## Customer priority areas

% nominated as top three priority

**41%**

Amount of water lost from the network by leaks and breaks

**30%**

Volume of overall water supply that is not dependent on rainfall, including recycling and desalination

**29%**

Level of water consumption per person

**28%**

Volume of recycled water supplied for green spaces

**25%**

Severity of restrictions when in drought

**24%**

Level of waterway ecosystem health associated with Greater Sydney's waterways

**21%**

Length of time under restrictions when in drought

**17%**

Target date for Net Zero carbon emissions

**11%**

Percentage of parks kept green and cool during hot and dry summers

**10%**

Attractiveness and visual appeal associated with Greater Sydney's waterways

**9%**

Percentage of parks kept green and cool during prolonged drought

**8%**

Number of opportunities for water-based recreation in Greater Sydney's waterways

**8%**

None of these



## Next steps

The customer preferences identified by this research will shape the direction of Sydney Water's proposal to the regulator and provide customers with what they value most now and into the future.

These expectations will be further explored and refined in the remaining phases of the Our Water, Our Voice engagement program:

- Phase 4 will test customer willingness to pay for service level improvements and investment areas.
- Phase 5 will test final customer support for important parts of our price proposal.

**Sydney Water thanks the participants of Phase 3. It's been great. If you wish to stay informed register to get involved in upcoming engagement activities visit: [www.sydneywater.com.au/our-water-our-voice](http://www.sydneywater.com.au/our-water-our-voice)**

