

Sydney Water

Our Water, Our Voice

Strategic Customer Engagement Program Phase 6 Report (FINAL)

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Prepared for Sydney Water by Verian (Formerly Kantar Public)

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

Sydney Water is serious about listening to customers and planning for the future, with customers at the heart of the process. Starting in July 2022 and spanning 24 months, Sydney Water has been undertaking a thorough listening exercise to understand customer expectations and priorities, and customer willingness to pay for investments that align with these expectations. The program was named by customers: *Our Water, Our Voice* and runs alongside a wide range of other customer research programs which are undertaken on an on-going basis by Sydney Water.

This report summarises the findings from the sixth phase of the Customer Engagement Program, including conversations with a panel of around 50 residential customers (both homeowners and renters) between February and March 2024. These customers came away with a comprehensive understanding about Sydney Water's pricing considerations and were able to make informed recommendations about how Sydney Water should structure future tariffs and control pricing in the future.

This is a detailed document, designed for an internal Sydney Water audience, and an interested external audience. It is not intended to be distributed at a community level.

This report follows the Customer Engagement carried out in Phase 6. A customer panel was held, drawing on a representative sample of customers from across Greater Sydney, including the Blue Mountains and Illawarra. Each day of the panel lasted eight hours in duration and included a mix of age groups (aged 16+), gender, location, homeowners, renters, financially vulnerable people, customers living with a disability, culturally and linguistically diverse people and First Nations people. The panel was conducted face-to-face in Parramatta.

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

Our Water, Our Voice aims to involve customers actively and genuinely in Sydney Water's decision-making process. Customers selected the name for the program at the commencement and, in Phase 1, they actively shaped the focus for Sydney Water's Regulatory Priorities.

Sydney Water has the target of achieving IPART (the regulator's) expectations of an 'Advanced' level for this Customer Engagement program, resulting in a customer-led and customer-supported Price Proposal.

I hope you find this an informative read and that it sets the scene for the last phase of the *Our Water, Our Voice* Customer Engagement program.



Kirsty Macmillan
Managing Director Australia



Acknowledgement of Country

Sydney Water and Verian 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 sweet water) 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, which requires demonstration of pricing submissions being in 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 six-phase program conducted between 2022–24 that provides critical input to understanding customer preferences for this and other regulatory and government submissions. It also used for Sydney Water's Long Term Capital and Operational Plan (LTCOP) and company strategy.



Phase 1 aimed to capture customer priorities and expectations of outcomes, as well as to understand the relative importance of each outcome, and customers' willingness-to-pay for these outcomes.

Phase 2 focused on the design of performance metrics to guide the evaluation of Sydney Water's service delivery. It also evaluated the current measures and settings of Sydney Water's existing service performance standards and how these align with customer expectations and priorities.

Phase 3 explored different ways Sydney Water might deliver outcomes to align with the customer priorities from Phase 1, including potential levels of service. This phase asked customers whether they were willing to pay to see improvements in service levels for high level outcomes or whether there were any areas where they might be willing to see a reduction in service levels.

Phase 4 introduced the possibility of Sydney Water needing to significantly increase water bills to maintain existing service levels and obligations under its Operating Licence. Customers were informed that a number of factors were driving the need for a bill increase, including (among other things) inflationary cost pressures, aging assets and climate change and population growth. Phase 4 used a choice model to assess customers' willingness to pay for additional service improvements, over and above this forecast need for a higher base-level bill. Phase 4 also explored, in greater detail, what is important to customers when investing in areas such as waterway health, cool green spaces and water resilience and what Sydney Water needs to consider when prioritising investment in these areas.

Phase 5 sought customer recommendations and advice on a range of potential investment options for Sydney Water. This included guidance around the preferred performance, risk and cost profiles



that Sydney Water should consider adopting to reflect customers' short- and long-term interests in the best possible way. These investment options were explored within the context of Sydney Water needing to increase water bills over the next 5-10 years to meet its minimum service delivery obligations.

Phase 6 [the focus of this report] explored several tariff structure options for customers and established the preferred form of pricing control for Sydney Water. Phase 6 also investigated customer preferences regarding performance targets for specific outcomes and whether Outcome Delivery Incentives (ODIs) should form part of Sydney Water's strategic business plan.

Methods

In Phase 6, the objective was to shape, guide and improve how Sydney Water charges its customers for the services they want and need. Over four days, four main topics were discussed: (described in Table 2):

- Day 1: Recap and 'Fairness'
- Day 2: Tariff exploration
- Day 3: Outcome Delivery Incentives
- Day 4: Revenue Caps vs Price Caps

During these discussions, customers had the chance to question Sydney Water's performance, plans, and long-term strategies. The aim was to shape how Sydney Water delivers services, meets customer needs, and manages costs now and in the future. The goal was also to reach a general agreement among customers around how their bills are calculated and structured as well as preferences around ODIs.

This is consistent with IPART's expectations and guidance on what constitutes meaningful engagement with customers.

The representative customer panel comprised of around 50 participants chosen from the panel of customers who participated in Phase 5 where they had provided recommendations around how much Sydney Water should invest in delivering specific services and outcomes.

The panel met over four full days (eight hours each day) on consecutive weekends across February and March 2024 to undertake an in-depth exploration of the above issues. Accessibility was maximised within the sessions to ensure ease of participation for different individual participants. Sessions were also carefully designed to be flexible, customer driven, iterative, inclusive, progressive and interactive.

The panel sessions took place in Parramatta and included customers from across the Greater Sydney region, including the Blue Mountains and Illawarra.

Table 1. Number of customers engaged

Engagement	Location	Number of days (8 hours each)	Number of Participants Day 1	Number of Participants Day 2	Number of Participants Day 3	Number of Participants Day 4
Customer Panel	Parramatta	4	n=50	n=49	n=48	n=50

The sessions were facilitated in the following way:

- Verian facilitated the sessions, there were no presentations from Sydney Water.
- Each day was workshopped and co-designed by Sydney Water, the Customer and Community Reference Group (CCRG), Verian and Synergies Economic Consulting (Synergies).
- Debrief sessions were held shortly after each of the four days and session plans were adjusted, where needed, based on content from the previous session and feedback from Sydney Water’s CCRG and Utilities Regulation Advisory (URA).
- Participants were invited to ask questions about the information presented. Questions of clarification were addressed by Verian. Questions of a technical nature were taken ‘on notice’ and answered later in the session (after Verian had the opportunity to seek input from Sydney Water subject matter experts).
- Sydney Water staff were silent observers in the room and did not participate in discussions. Managing Director Roch Cheroux and Shane Jacobson from Sydney Water’s TV commercials were present to close the final day and thank participants for their input.
- Discussions and deliberations took place through both a ‘whole of room’ format and through the use of break out groups at tables of 8-10 customers, with each group being facilitated by an experienced facilitator from Verian.

The broad focus of each customer panel day was:

Table 2. Summary of each panel day session

Day 1: A Recap and discussion around Fairness	The focus of Day 1 was to revisit and remind customers of Sydney Water’s structure, operating and regulatory environment, and foundational knowledge covered in Phase 5 about what Sydney Water is and what it does. The representative customer panel comprised around 50 participants chosen from the Phase 5 cohort. Customers were also introduced to the concept of fairness as a foundation to assist in decision-making over the next three panel sessions. Discussion covered what is fair in relation to pricing and bill payments, fairness windows to frame conversations and thoughts, and viewing fairness through the lens of different households.
Day 2: Exploring Pricing Structures	The focus of Day 2 was to understand what pricing structure customers would prefer Sydney Water to implement. Customers first learnt about

	the different pricing structures Sydney Water could implement and then discussed their beliefs and feedback on each type. Customers in the latter part of the day were asked to reach a majority consensus (using the L-scale ¹) on their preferred pricing structure between the options of a Flat Pricing Structure and Tiered Pricing Structure.
Day 3: Customer Commitments (ODIs)	On Day 3 customers were introduced to the concept of Outcome Delivery Incentives (ODIs). It was explained to customers how ODIs would operate and create commitments above the minimum standards in the areas of River Health and Water Leakage for Sydney Water to achieve and outlined the ramifications if Sydney Water was to not reach the targets over five years. Customers were able to express their thoughts and concerns about ODIs, then given the opportunity to reach a majority consensus (using the L-scale) of whether the implementation of ODIs across the areas of River Health and Water Leakages should proceed.
Day 4: Price Controls	<p>The focus of Day 4 was to understand what price controls customers would prefer Sydney Water to implement. Customers first learnt about what influences price changes and how price controls function when the actual volume of water sales differs from forecast volumes. Two different price controls were explained and considered in detail: a Price Cap and a Revenue Cap.</p> <p>In the afternoon, customers were surveyed about their preferred pricing control mechanism to be implemented, choosing between a Price Cap and a Revenue Cap. Additionally, the L-scale was utilised to ascertain the perceived preference for each individual solution.</p>

¹ The L-scale is a 4-point scale (love it, like it, live with it, loathe it) used widely in community engagement and recognises that true collaborative decision-making doesn't require everyone to love the decision, nor even like it. For the purpose of reaching a consensus, up to 20% of people could loathe the option. Further information on the L-scale can be found in Section 3.7 of this report.

Overview of Customer Decision Frameworks and Trade-Off Windows

Customer Decision Framework

One of the core challenges across the four sessions was to ensure that customers were making decisions and providing advice which was based on a deep understanding of the trade-offs associated with specific options, as opposed to more immediate and surface level decisions based on initial perception, status quo bias and likability. It was also critical that the sessions be designed in a way that allowed Sydney Water to develop an understanding of the rationale and logic being applied by customers when making their recommendations and expressing their preferences (or the 'why' behind the recommendations) and not just the recommendations themselves.

A framework was developed, in consultation with Sydney Water, to structure customers' thinking and to assist customers in articulating why they were making specific recommendations and how

they expected these recommendations to be enacted by Sydney Water. The framework used was designed to ensure that customers considered three decision-making elements when making recommendations, or deciding on their preferences, as part of any consensus-reaching exercises.

The framing of alternative options and trade-offs using ‘windows’ formed an important part of the framework, as explained below.

Summary of Findings

Below is a summary of the key headline findings from the four days of engagement.

Day 1. Fairness windows to frame the discussion and what pricing fairness means to customers



A key objective of Day 1 was to understand what fairness means to customers. This is best described through a set of ‘fairness windows’, as summarised in the following table and explained in further detail below. These windows were developed by Sydney Water, Verian and Sydney Water’s CCRG prior to the sessions and were endorsed by customers during the session. They were also refined further using customer feedback from Day 1.

Table 3. Fairness windows

<p>User pays</p> <p>Customers should pay what it costs regardless of their circumstances</p>	<p>Affordability</p> <p>Prices should be affordable for everyone</p>	<p>Cost reflectivity</p> <p>Prices should only reflect the cost of service</p>	<p>Service Guarantee</p> <p>Customers should be compensated if Sydney Water doesn't deliver the service</p>
<p>Simplicity</p> <p>The way in which customers are charged should be clear</p>	<p>Control</p> <p>Customers should be able to influence how much they have to pay</p>	<p>Predictability/stability</p> <p>The level of variability in customer bills</p>	<p>Conserving public resources</p> <p>Water is precious and should be conserved</p>

User pays: ‘Customers pay what it costs regardless of their circumstances.’

Customers believed firmly in the concept and principles of ‘user pays’. They believed the usage price should be the same for everyone, and that everyone should pay their bill based on their usage within the last quarter. This was felt to strike a fair balance between fairness and motivating people to adopt water saving behaviours, as bills increase or decrease based on water use.



Importantly, in the context of ‘user pays’, any discussion about increasing the unit price beyond a volume of use threshold as a means of funding lower prices for vulnerable customers (defined as those experiencing financial difficulty and customers living with disability) was widely rejected. Instead, customers believed that the Government should provide direct support for these groups, and that any rebates for these groups should not be worn by other customers. One thing to note about the ‘user pays’ principle is that it does not mean ‘wastage is acceptable’. While customers argue that people who can afford to pay should be able to do what they want, many still appreciate the value of water and see it as a finite resource that should not be wasted.

Interestingly, some customers recalculated their bills based on the tiered pricing structure and found that they would be financially better off under this system. However, their support for tiered pricing was not solely driven by personal gain. Many customers were influenced by a sense of fairness for the entire community. They believed that those who use more water should pay more, aligning with the ‘user pays’ principle.

Affordability: ‘Prices should be affordable by everyone.’

Affordability was an important consideration for customers, noting that water is an essential service and should, therefore, be affordable for all.

While there was widespread agreement that the current pricing approach is fair, there was some openness to a tiered approach to pricing (acknowledging this directly contradicts their preference for a single price per unit of water discussed under ‘user pays’).

The key difference is that this tiered approach was only considered acceptable if it was means-tested. There was a view amongst a few customers that those who can afford to, should pay more for water, as they felt the current price per unit of water was quite affordable.

Cost reflectivity: ‘Prices should only reflect the cost of service.’


Customers saw cost reflectivity as the varying cost of transporting water to households, and that by nature of the network size and infrastructure placement, it would cost more to transport water to some households than others.

While customers held firm in their views that some customers should not pay more to subsidise other customers’ water use, there was a similarly strong view that people shouldn’t be penalised because of where they live geographically – with a sentiment of “I didn’t get to decide where the infrastructure was”.

What separates these views is the element of control. If a customer cannot control it (e.g. network), they don’t want to accept paying more for it. Customers believed the costs of the network should be shared equally across the customer base.

Conserving Public Resources: ‘Water is precious and should be conserved.’

While customers agreed that people should be encouraged to use less water, no one should be restricted from using the water that they want to use (outside of water restrictions), provided they are willing to pay for it. There was a much stronger preference for community education around



water conservation and incentives for lower water users, as opposed to punishments or penalties for higher water users.

Many agreed the current pricing structure does provide some discouragement of higher water use (through usage price), however, ‘user pays’ is often a counter argument that customers grapple with e.g. ‘If customers are willing to pay, they should be able to choose how they use it and how much water they use’.

Service Guarantee: ‘Customers should be compensated if Sydney Water doesn’t deliver.’

Customers felt they should be compensated if Sydney Water doesn't deliver the service or if there are breaches in service guarantees. While there was an appreciation that things can go wrong, what was most critical around the service guarantee window was transparency. Many felt that current service level guarantees are somewhat ‘hidden’ – perceived as either difficult to measure, lacking in community awareness, or confusing around whether they are applied automatically or whether a customer needs to initiate this. Customers felt the onus was on customers to claim these rebates, rather than trusting Sydney Water to proactively apply them. Trust and transparency are key considerations.

Predictability/Stability: ‘Reduce the level of variability in the customer’s bill.’

Predictability and stability of bills is important to customers, particularly with the current cost of living pressures, the ability to budget and, therefore, predictability of bills, is critical.

Despite this, in some specific situations, there was more openness among customers for less stability and predictability in bills under the following situations:



- If there is a way to manage and monitor usage (to provide some indication of likely bill amount).
- For low water users, who feel like they have control and, therefore, pay less, again provided they can monitor use.

Control: ‘Customers should be able to influence how much they pay’.

Control was influenced by how much water customers (or households) are using. Customers have a desire for more control over their usage, through the ability to monitor usage and receive alerts about their usage.

The current billing approach didn’t necessarily support enhanced control in the ratio of fixed to usage components of the bill. Customers expressed concern that a large proportion of the fixed component of the bill is attributed to wastewater, which customers have less control over compared to water consumption. Broadly, customers seemed to accept less control over their wastewater bills after learning about the fixed cost nature of wastewater servicing, highlighting the tension between control and cost reflectivity.

Simplicity: ‘The way in which customers are charged should be clear.’



Simplicity of billing is important to customers and current bills are perceived as being simple. Although, most admitted to not even looking at their bills and those who did said that they understood the bill to the extent that they need to.

When it comes to simplicity, beyond understanding the bill amount, customers looked for their usage comparisons. Customers were particularly keen to understand how their usage compares to similar sized households, and whether they are doing a good job of saving water. Despite often not looking too closely, customers generally trust the information provided in bills.

Key finding:

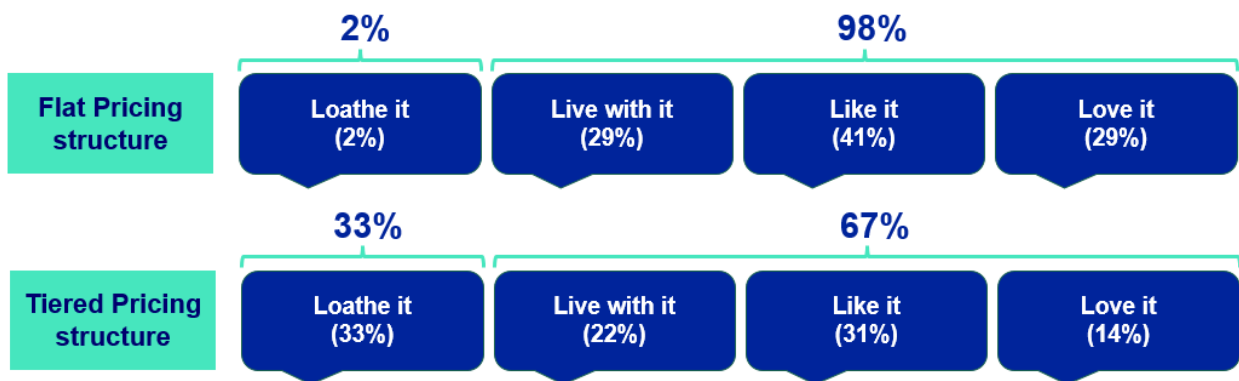
Customers were asked as part of their homework tasks which of the fairness windows are most important. They rated the **'user pays', affordability, and simplicity** windows as most important overall.

Day 2 Exploring pricing structures

The key objective for Day 2 was to understand the level of customer preferences regarding different pricing structures. The session sought to understand whether customers would prefer a flat and/or tiered pricing structure. Overall, there was a strong consensus in favour of a flat pricing structure. The overwhelming majority of customers either liked/loved or could 'live with' a flat pricing structure and only one participant loathed it. Only two-thirds of customers either love/like or could live with a tiered pricing structure, with one third loathing this pricing structure.

The L-scale, shown in the image below, is a scale used to understand how willing customers are to accept an idea. The Customer Panel in Phase 5 and 6 agreed that if 80% love, like or can live with an idea, then that constitutes a consensus.

Figure 1. Slide content from customer panel – Pricing Structure L-scale results



Base size: All respondents in Phase 6 on Day 2 (n=49).

Fully fixed and fully variable pricing structures were also explored with customers, however, they were widely seen as either unfair or too complicated. Each of the four options were explained in thorough detail to the customer panel. A summary diagram of the four pricing structures is provided below.

Figure 2. Slide content from customer panel – Four pricing structures (Sydney Water’s current structure is shaded blue).

The four pricing structures discussed

The current structure is the Flat structure, shaded blue.

Fully Fixed	Flat	Tiered	Fully Variable
Everyone pays the same total bill regardless of usage	Users pay the same rate per kilolitre regardless of how much they use	The more you use, the higher the cost per kilolitre you pay	Everyone’s bill is dependent only on usage
(No Usage Charge)	(Includes a fixed charge)	(Includes a fixed charge)	(No Fixed Charge)
	Fixed + variable Single tier (Single Block Tariff)	Fixed + variable Multiple Tiers (Inclining Block Tariff)	

In summary, the flat pricing structure was preferred by customers as it was well understood and perceived as the fairest approach. The following points were frequently raised:

- The flat pricing structure is a simple approach to pricing. Customers understood that there are both fixed and usage elements to their bill, and there was a sense of comfort and familiarity in what they already knew and understood.
- Customers believed that the current approach to water service and usage charges offers a fair combination of predictability and control. Customers acknowledged that, while there are fixed charges (which offer a level of predictability), they also pay for their use (‘user pays’ was an important fairness principle), meaning customers can influence their bill amount through higher or lower water use.
- The Flat rate per kL is a fair approach to pricing. Although customers would like to see water wasters penalised, with no ability to discern water wasters from larger households, most customers were unwilling to accept a pricing structure that financially penalised higher water users.

Day 3 Exploring Customer Commitments (Outcome Delivery Incentives)

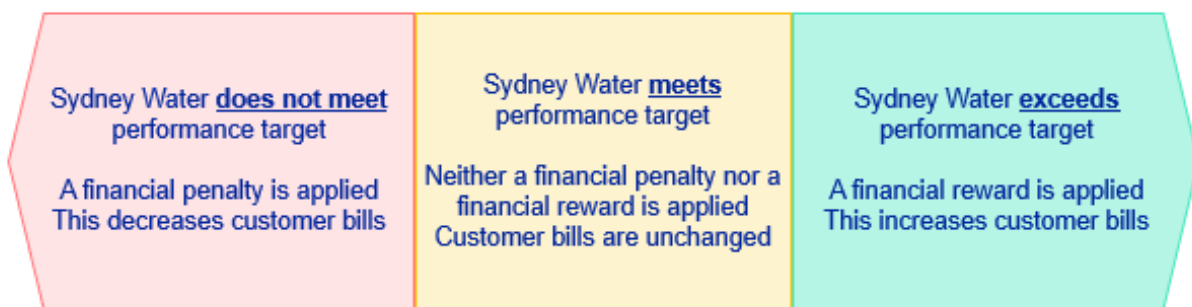
A key objective for Day 3 was to understand customers’ preferences about the concept of Outcome Delivery Incentives (ODIs) also known as Customer Commitments (Customer Commitment terminology was recommended by the CCRG). The Customer Commitments were explained in thorough detail to the customer panel. A summary diagram of the Customer Commitments is provided below.

Figure 3. Slide content from customer panel – Summary of how Customer Commitments will operate

A customer commitment is a new way to keep Sydney Water accountable

And they want to know what your thoughts are on...

Providing a financial penalty for Sydney Water when it does not meet performance targets.
But also, a financial reward when it exceeds performance targets.



Customers responded favourably to the concept of Sydney Water having commitments to customers beyond what is a minimum standard set by IPART and other government departments. There were, however, concerns that Customer Commitments could increase customer bills, which were amplified by the current cost-of-living crisis.



Overall, 68% agreed that Sydney Water should implement the concept of Customer Commitments.

Customers generally welcomed the idea of Sydney Water making commitments in areas of performance that are important to them. The two areas tested, leakage reduction and river health, were both seen as significant and important to customers and, therefore, are appropriate areas for applying Customer Commitments.

'70% of customers agreed that Sydney Water should implement the Water Leakage Customer Commitment and 85% of customers 'loved', 'liked' or could 'live with' this'.

Most customers see water as a valuable resource that they don't like to see wasted and believe that leakage should be minimised. They highly value leakage prevention and, considering the relatively low impact on bills if Sydney Water were to over-perform on the proposed leakage commitment, customers were supportive of increased efforts to reduce leakage through a Customer Commitment.

While some customers felt that the current price of water was too low (or undervalued), there was a majority reluctance to increase the per-kilolitre price of water. Setting a Water Leakage target



was at least tolerable for most customers. However, there were those who felt all water should be saved, regardless of cost. Some said they wanted more information on the activities that would enable good levels of leakage performance to be achieved.

Customers largely accepted a 15% tolerance band, recognising the range of variables that are out of Sydney Water's direct control. Customers recognised the dollar value of the penalty to Sydney Water is greater than the reward. On that basis, customers were willing to support a Water Leakage Customer Commitment.

'78% of customers agreed that Sydney Water should implement the River Health Customer Commitment. and 88% of customers either 'loved', 'liked' or could 'live with' this'.

There was widespread customer support for the proposed River Health Customer Commitment. Customers consistently agreed that it is important to protect river health and took an altruistic view of this potential Customer Commitment, stating that there would be benefits for the 'greater good'. Customers liked the concept of proactive treatment of River Health that exceeds the legislative standard and benefits River Health, the health of adjacent flora and fauna, and community wellbeing.

Customers were highly engaged in this Customer Commitment, with some expressing a willingness to come and help Sydney Water plant trees. Customers who loathed the commitment distrusted the information provided and sought more clarity on the statistics i.e. "What does 2% improvement look like?", "What does reducing nitrogen pollution by 3% look like?", and, "What does it achieve?"

Day 4 Exploring Customer Perceptions of Price controls

A key objective for Day 4 was to understand customers' perceptions and preferences on different forms of price control, specifically the Price Cap and Revenue Cap options. Both options were explained in thorough detail to the customer panel. Summary diagrams and tables of a Price Cap and a Revenue Cap are provided below.

Figure 4. Slide content from customer panel – Price control scenario under Price Cap ‘Suppose it costs Sydney Water \$100 to operate’

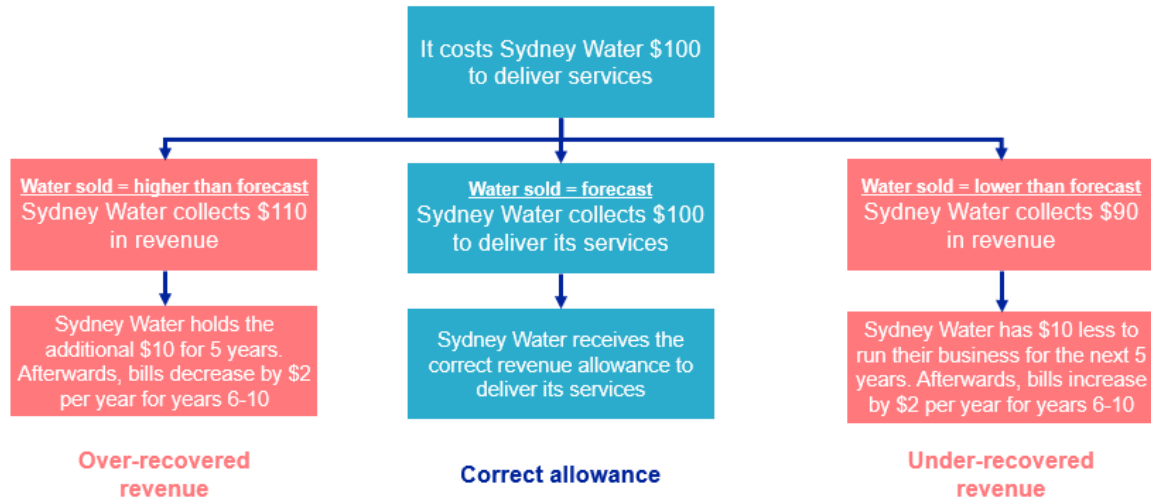


Figure 5. Q&A content from customer panel – Price control scenario under Price Cap ‘Suppose it costs Sydney Water \$100 to operate’

Price Cap (\$10 under in year 1 & year 2)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Under recovery	-\$10	-\$10	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change to bill	+\$0	+\$0	+\$0	+\$0	+\$0	+\$4	+\$4	+\$4	\$4	\$4
Total Shortfall	-\$10	-\$20	-\$20	-\$20	-\$20	-\$16	-\$12	-\$8	-\$4	0

Figure 6. Slide content from customer panel – Price control scenario under Revenue Cap ‘Suppose it costs Sydney Water \$100 to operate’

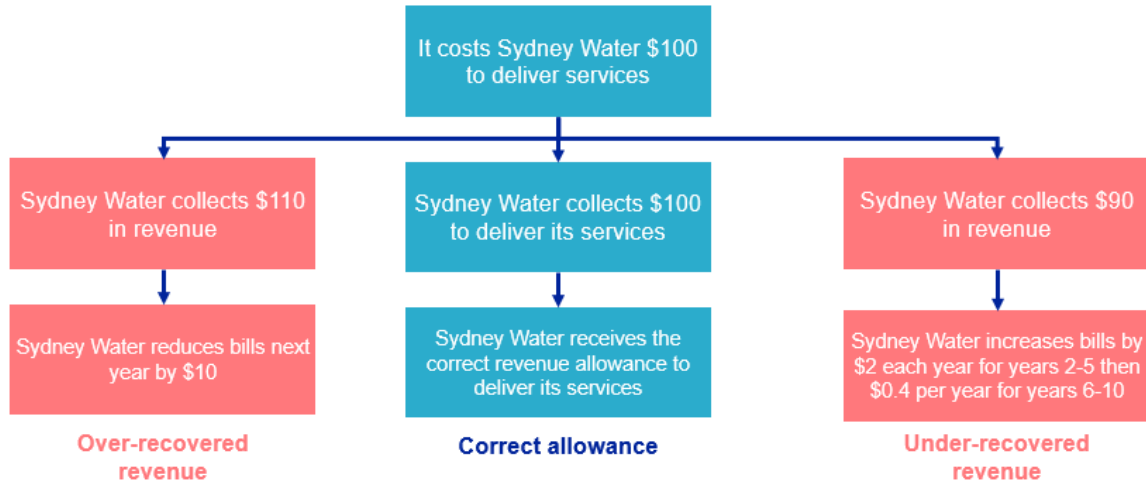


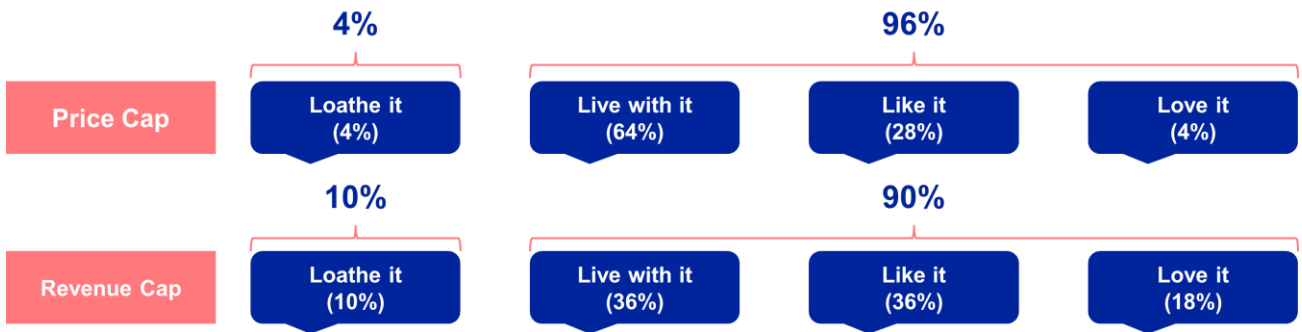
Figure 7. Q&A content from customer panel – Price control scenario under Revenue Cap ‘Suppose it costs Sydney Water \$100 to operate’

Revenue Cap (\$10 under in year 1 & year 2)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Under recovery	-\$10	-\$10	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change to bill	+\$0	+\$2	+\$2	+\$2	+\$2	+\$2.4	+\$2.4	+\$2.4	\$2.4	\$2.4
Total Shortfall	-\$10	-\$18	-\$16	-\$14	-\$12	-\$9.6	-\$7.2	-\$4.8	-\$2.4	0

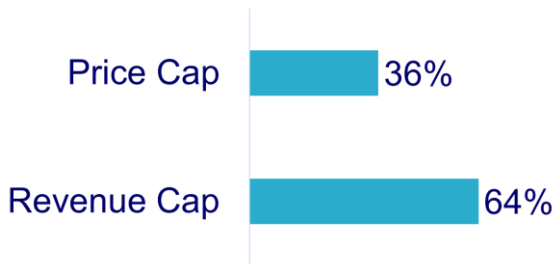
Based on the L-scale, customers were accepting of either a Price Cap or Revenue Cap for the next regulatory period. As shown below, nearly all customers (96%) loved, liked or could live with a Price Cap and 90% loved, liked or could live with a Revenue Cap. Customers tended to feel more strongly towards the Revenue Cap, with a higher proportion liking or loving it (54% Revenue Cap vs 32% Price Cap).

Figure 8. Slide content from customer panel – Pricing Structure L-scale results



Due to the ambiguity of these results in choosing a particular policy option to apply to all customers, customers were also asked to choose a preferred price control. Two thirds opted for a Revenue Cap. This was asked as a binary choice option following the L-scale vote. This was primarily due to improved fairness, speed, protections, and transparency with the Revenue Cap option, which is explained further in the paragraphs below.

Figure 9. Slide content from customer panel – Pricing Structure binary choice results

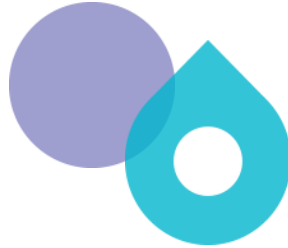



Reactions to a Price Cap: There is a degree of comfort with the current state, and for some, a mentality of ‘if it ain’t broke, don’t fix it’. The current system has largely gone unnoticed in previous years, and customers still value the predictability/stability of a Price Cap. The largely neutral reaction to a Price Cap is reflected in the 64% who are able to ‘live with’ a Price Cap if used in the future.

If given the choice, the majority would prefer a Revenue Cap. Almost two thirds (64%) selected this when given a binary choice between the two. Despite this preference, customers didn’t have a strong desire to change from the status quo (Price Cap).

Some considerations and concerns regarding a Price Cap were raised by customers:

- **Timeframe:** Five years is considered a long timeframe, both for forecasting and to hold onto revenue, if there is an over recovery.
- **Fairness:** For people who leave or enter Greater Sydney, having to pay for or benefit from the behaviours of customers in the previous five-year regulatory period.
- **Performance:** Customers were keen to avoid any reduction in service levels or performance due to under-recovery. They were, overwhelmingly, unsupportive of the idea of halting or reprioritising proactive works, as well as compromising on Customer Commitments. There was a strong desire to maintain the service guarantee without any compromises, as this could potentially lead to problems in the future.
 - Some questioned whether over-recovery needed to be returned to customers, instead of being held to cover or smooth out future periods of under-recovery.



Reactions to a Revenue Cap: Customers widely recognised that, while a Price Cap offers simplicity, a Revenue Cap offers the benefits of improved fairness, speed, protections, and transparency. A Revenue Cap aligns with the desire for more frequent forecasting, which supports increased accuracy and minimises the likelihood of larger over- or under-recoveries. This approach was seen as providing a more balanced and favourable outcome for customers. Other benefits identified by customers included:

- Any over-recovery is returned to customers in the following year, while any under-recovery is spread out within the 2% cap, adding an additional layer of protection for customers.
- An annual adjustment may be smaller and more equitable, as it aligns closely with the 'user pays' principles. The impact of the variation in the volume of water sold, is experienced in the following year, providing a more predictable approach for customers.
- Perceived as lessening the potential risk of negative impacts to service quality. Under a Price Cap, if there is under-recovery over multiple years, there may be more significant consequences for service guarantees.

Concerns or considerations under a Revenue Cap included:

- Stability impacts – if there are increases or decreases to bills each year, perceptions of stability and predictability may change (though most agreed they would be unlikely to notice an impact on their bill if they did).
- A more complex form of price control than a Price Cap.
- Concern about whether it costs more to administrate annual price adjustments, and whether this cost would be passed on.

In summary, both a Revenue Cap and a Price Cap are acceptable to customers, although a Revenue Cap is the clear preferred option if customers were to choose between the two. That being said, a Price Cap is currently the system that is in place and the appetite for change is not very strong. There was a degree of apathy about the choice which suggested the level of importance and relevance customers place on this decision is low.



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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. 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 every day.

1.2 Customer voices, supporting Sydney Water's regulatory submission

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 for outcomes and uses these insights to inform its pricing submission and long-term business strategy.

IPART's requirements in relation to Customer Engagement highlight the need for tailored and supportive Customer Engagement to assess the outcomes that customers expect, preferences for how the outcomes will be delivered, and overall willingness to pay for those outcomes and service levels. Research and engagement are to include, at a minimum, topics such as:

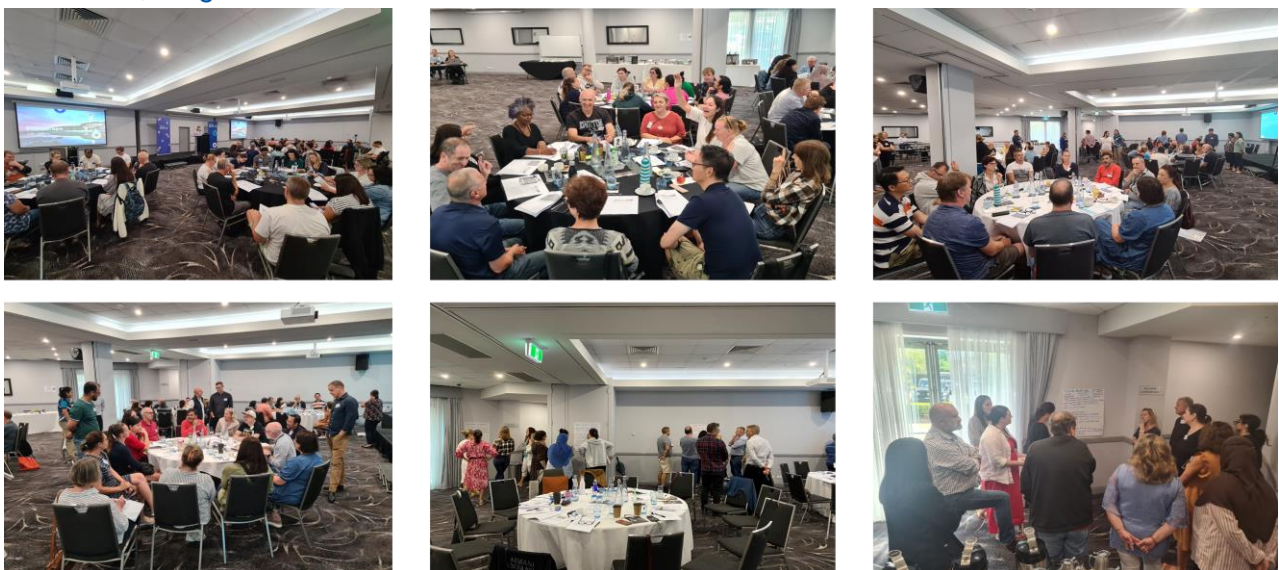
changes to service standards, changes to price structures, and any proposal for expenditure on customer agreed outcomes (i.e., to achieve outcomes not covered by regulation). IPART expects Sydney Water to develop long-term plans that reflect customer preferences – ensuring that customer preferences, risk tolerance, and other insights are integrated into its long-term planning. Further, IPART has an expectation that any Customer Engagement undertaken by Sydney Water will accord with best practice and be industry leading.

The *Our Water, Our Voice* Customer Engagement program provides some of the insights needed to develop Sydney Water’s Enterprise Plan, which is a precursor to the regulatory submissions to IPART. These regulatory submissions specifically incorporate the revised Operating Licence and Customer Contract, to be issued by IPART by 1 July 2024, and the Price Proposal, due in September 2024. These submissions will help shape customers’ water bill prices for the 2025-2030 period.

Sydney Water’s submissions to IPART for changes to prices and the Operating Licence will be aligned with the Sydney Water strategy and plans at all levels. The *Our Water, Our Voice* program is also a critical input to these regulatory submissions. This two-year program (2022-24) 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 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 engages with customers through additional activities such as community engagement on local and major projects, customer and community education, and much more.

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 the customer panel sessions in Parramatta on Saturday 10th February, Sunday 18th February, Saturday 24th February and Sunday 3rd March 2024.

2 Engaging our customers in the regulatory process: program overview

Our Water, Our Voice is a multi-phase Customer Engagement program divided into six distinct phases of customer consultation. This report summarises the findings from Phase 6 of the program.



PHASE 1: Capturing customer priorities

Phase 1 aimed to capture customer priorities and the outcomes that customers expect Sydney Water to focus on over the next 5-10 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 will help 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 insights for better strategic planning

This phase explored customer sentiment towards Sydney Water's key strategic direction and business plans. The research captured 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: Service levels and investments for the future

This phase explored key areas of potential investment in ‘customer priority’ areas. A package of potential options for investment was presented to customers to discuss their preferred performance settings, key investment considerations and their willingness to pay for new investments.



Phase 4 introduced the possibility of Sydney Water needing to significantly increase water bills to maintain existing service levels and obligations under its operating licence. Customers were informed that a number of factors were driving the need for a bill increase, including (among other things) inflationary cost pressures, aging assets, climate change and population growth. Phase 4 assessed customers’ willingness to pay for additional service improvements, over and above this forecast need for a higher base-level bill. Phase 4 also explored, in greater detail, what is important to customers when investing in areas such as waterway health, cool green spaces and water resilience and what Sydney Water needs to consider when prioritising investment in these areas.



PHASE 5: Customer recommended investment preferences

This phase sought customer recommendations and advice on a range of potential investment options for Sydney Water. This included guidance around the preferred performance, risk and cost profiles that Sydney Water should consider adopting to reflect customers short and long-term interests in the best possible way. These investment options were explored within the context of Sydney Water needing to increase water bills over the next 5-10 years to meet its service delivery obligations.

PHASE 6: Customer recommended Pricing Structure and ODIs

Phase 6 (the topic of this report) explored several pricing structure options for Sydney Water customers and customer-led performance targets. This included a particular focus on the future tariff structure and pricing controls implemented by Sydney Water and whether Outcome Delivery Incentives (ODIs) are appropriate for Sydney Water’s strategic business plan. ODIs were referred to as Customer Commitments throughout the engagement.



The objective of Phase 6 was to shape and guide how Sydney Water bills its customers, to provide the services that customers want and need.



3 How we listened: Phase 6 approach and methodology

3.1 Objectives

Phase 6 of Sydney Water's Customer Engagement Program was established to seek customer recommendations and advice on a range of potential investment options for Sydney Water. The overall remit of the phase was:

To shape and guide how Sydney Water charges its customers for water, to provide the services that customers want and need.

Phase 6 of Sydney Water's Customer Engagement program was established to:

- Work directly with customers to ensure that their concerns and aspirations are consistently understood and considered.
- Partner with customers across different aspects of decision-making, including developing alternative plans and identifying customers' preferred options or solutions.
- Engage with customers to help shape and guide how Sydney Water should structure bills, and to understand, in greater depth, what Sydney Water should consider and prioritise during decision-making over the next five to ten years.
- Obtain a degree of consensus around how customers would prefer bills to be structured.

3.2 Qualitative approach

As part of Sydney Water's journey to becoming a highly customer centric organisation, it 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 most to them.
- Choosing effective methods to provide customers with an opportunity to have a say around how services are delivered. This included triangulating and testing responses against other information Sydney Water routinely collects as part of a wider customer research program.
- Providing clear explanations of different approaches Sydney Water could take (including price differences and any potential trade-offs), so that participants are able to offer meaningful and relevant feedback on the development of future plans.



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 innovative new ways of obtaining customer input.

Phase 6 comprised four full days' worth of customer panel sessions with approximately 50 residential customers over four weekends in February and March 2024. The representative customer panel comprised around 50 participants chosen from the Phase 5 cohort. The same group of customers attended all four sessions.

Target recruitment screeners were designed in consultation with recruitment partners, Q&A Market Research Services and approved by Sydney Water prior to their use. The recruitment screeners were designed to ensure inclusivity of the customer base, incorporating both hard-to-reach and under-represented audiences, and ensuring that the methods of communicating recognised the ways in which customers prefer to engage in research. Customers were recruited from across the Greater Sydney region, including the Blue Mountains and Illawarra. The recruitment screeners are provided in Appendix A of this report.

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

3.3 Customer Panel

The customer panel sessions were convened in Parramatta and included residential customers from across the Greater Sydney region, including the Blue Mountains and Illawarra.

Each customer panel session was representative of Sydney Water's wider customer base and included a mix of age groups (all customers aged over 16 years old), genders, locations, homeowners, renters, financially vulnerable people, customers living with a disability, people from culturally and linguistically diverse backgrounds, and First Nations people.²

In-line with standard research practices, customers received an incentive for attending all four days as a 'thank you' for their participation. The incentive aligned with industry recommendations and is considered fair given customers were asked to commit almost 40 hours of their time over four weekends across February and March 2024.

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.

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

Accessibility was maximised by allowing customers with vision impairments to sit close to the front. People with mobility issues and disabilities were allowed to sit in less congested areas of the room and were provided with special seating to enhance comfort. Content was made easily digestible for a wide range of education levels; printouts were provided to assist people who might struggle reading and absorbing a PowerPoint presentation. Arrangements were made for customers with special dietary requirements to ensure they were well catered for throughout.

Table 4. Residential Customer Panel Sessions

Date and Time	Location and time	Number of participants
Day 1: Saturday 10 Feb 2024	Parramatta: 9:00AM – 5:30PM	n=50
Day 2: Sunday 18 Feb 2024	Parramatta: 9:00AM – 5:30PM	n=49
Day 3: Saturday 24 Nov 2024	Parramatta: 9:00AM – 5:30PM	n=48
Day 4: Sunday 3 March 2024	Parramatta: 9:00AM – 5:30PM	n=50

Sydney Water staff, the regulatory body, IPART, Sydney Water’s Customer and Community Reference Group (CCRG), NSW Health, NSW Department of Planning and Environment, Water NSW, Energy Water Ombudsman NSW (EWON), Hunter Water and the NSW Environmental Protection Authority (EPA) were invited to observe each day in person.

Customer panel sessions were facilitated by a team of experienced moderators from Verian. Data collection, for the purposes of analysis, included notetaking by moderators and workbooks completed by customers. The self-complete workbooks enabled customers to make their own recommendations, note down their thoughts and observations, and record the reasons behind their recommendations (or why they could or could not reach a consensus if such was the case). Customers were also encouraged to write down additional questions and provide feedback or comments, which were collected, in addition to their contributions in discussions at each table.

Following the customer panel, Verian moderators participated in a series of analysis sessions to identify key themes that emerged. 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 day, as part of each attendee’s completed workbook. This feedback will be used to improve future consultation and Customer Engagement work. The feedback form is provided in Appendix D of this report – A selection of aggregated feedback is provided below along with direct quotes from customers.

The chart below shows the combined responses for each question across all 4 days from the feedback forms received.

Figure 10. Cumulative customer feedback, on a 5-point scale (combined results from four panel sessions)



Mean score out of five – using an agreement scale. Base size: See chart for base sizes. Results are averaged across the four days. Occasionally customers did not complete a feedback form for one or two days, in these instances results are averaged across the number of days in which they provided a valid response.

A selection of verbatim feedback from customers is provided below.

“Would be very interested in attending again! Thanks, it has been very enjoyable and informative!! + good to feel one is making a difference.”

Residential customer | Day 4

“Good process happy to see the outcomes Sydney Water have agreed to put to IPART.”

Residential customer | Day 4

“It has been really great; information and an ability to talk freely within the group. I felt listened to by the other people, even if both of us could not agree upon the result.”

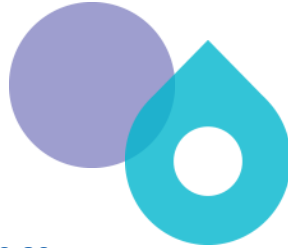

Residential customer | Day 4

3.4 Customer Panel Structure

Sessions were conducted over four days with the following broad structure:

Day 1: Recap and Fairness

On Day 1, the aim was to refresh customers' memory on the knowledge frameworks and background information from Phase 5. This helped them give recommendations to Sydney Water and reach a consensus on how the organisation can deliver desired services while managing costs in the upcoming panel sessions. Discussions often centred around customers and their understanding of fairness and what this means to them. The fairness lens included concepts such as the principles of ‘user pays’, cost reflectivity, and the balance between conservation of public



resources and affordability. Different household types were also shared with customers as examples as part of the Day 1 presented content to help shape the conversation and assist customers to view situations from a different perspective than their own. They were asked to consider how each household may be affected and this was used for many of the potential decisions that were discussed throughout the panel sessions that followed.

Day 2: Exploring pricing structures

The focus of Day 2 was to understand customer preferences and principles for pricing structures before coming to a decision on their preferred position. The aim was to facilitate broad discussion and give confidence in decision-making for what is a technical and complex topic. Customers were first educated around what pricing structures are and their impact on everyday lives using common examples such as mobile phone plans and being shown how pricing structures operate in practice using water bill examples.



Four main pricing structures were explored in-depth as a panel, Fully Fixed, Flat, Tiered, and Fully Variable pricing structures. Customers were given the opportunity to ask questions and share their perspective on each pricing structure and discuss how they believe each one might affect Greater Sydney households. They were asked to consider what fairness windows are relevant and how these impact their preference. A final vote on which pricing structures customers could at least live with (using the L-scale) was held between Flat and Tiered pricing. A group discussion then followed to understand their position for each structure individually.

Again, it was acknowledged that Sydney Water often employs technical language when discussing these topics, so great care was taken to ensure thorough and clear explanations were provided. Customers were given the opportunity to ask questions and focus on aspects that were important to them, to address any gaps in information or additional details they might require.

Day 3: Customer Commitments (Outcome Delivery Incentives or ‘ODIs’)

During Day 3, customers were asked about their willingness to implement customer-led performance targets for Sydney Water called ‘Customer Commitments’. These would impact Sydney Water’s investment and strategic decision-making across two customer outcome areas, water quality and reliability, and environmental protection. Customers were first informed about how Sydney Water is held accountable by regulators to deliver minimum service standards across Sydney Water’s operations and creates service guarantees for its jurisdiction. Customers were introduced to the idea of customer-led performance targets as a way of promoting further accountability and ensuring Sydney Water delivers against customer expectations around the services they provide to Greater Sydney.

Customers were provided with an in-depth explanation of how ‘Customer Commitments’ could work and why they might be implemented. It was explained how they affect Sydney Water in the form of rewards and penalties in exceeding, meeting or missing the performance targets set by customers, and what ramifications this has on customers and their water bills. Customers’ initial impressions of Customer Commitments as a concept were captured and an understanding of how the rewards could be spent were discussed. Customers submitted questions about the content of the presentation which were analysed and responded to before voting.



Two potential customer-led targets were proposed and were the focus of much of the discussion on Day 3. These were a target for reduction of Water Leakage and a target to reduce nitrogen pollution in rivers. Customers were shown how both targets fit within the customer outcome areas and how Sydney Water will aim to achieve these targets across the next five years.

Customers had ample time to absorb information about both targets and to discuss their initial thoughts, raise questions and then vote (using the L-scale³). To finish the day, customers were given the chance to vote yes or no to the overall concept of implementing Customer Commitments, and, specifically, whether Sydney Water should implement the Water Leakage or River Health commitment.

Day 4: Price controls

For Day 4, the focus was to explain the concept of price controls and understand what structures customers would prefer to have in place to direct Sydney Water in managing water sale variations and the collection of revenue (from customers) in the form of bill increases or decreases across five years within a regulatory period. Customers were initially given a broad view of how price changes currently operate using examples of typical bills that customers might receive currently. They briefly explored why price changes occur, the frequency of such changes and what factors can affect price changes. This laid the foundation for exploring in detail how and why Sydney Water changes its prices. There was also discussion around the concepts of over- or under-recovering revenue from forecasted water sales.

Group discussions were held to understand peoples' reactions to these pricing mechanisms. Customers discussed fairness and the frequency of changes. Price control concepts were introduced and explained in relation to managing the variances in water sales forecasting.

Two types of price controls, Price Cap and Revenue Cap, were explained in-depth. This included how they function, what trade-offs are in play, and what it means for customers' bills. As with previous days, customers had the opportunity to share any concerns about both options. Time was also allocated to questions and answers. Customers were then asked to rate their comfort with each pricing control method (using the L-scale), if it was implemented over the next five years. A final vote was then undertaken on which of the two pricing controls is preferred – Price Cap or Revenue Cap. Following this, there were reflective discussions in groups about customers' choices regarding the fairness windows and which ones are most relevant to them when making decisions. The day was rounded off with an overall reflection discussion of the whole of Phase 6 of the Customer Engagement program.

³ A 4-point scale (all points starting with L) that is used to understand the degree acceptance of an option, stands for: Love, Like, Live with or Loathe.



3.5 Framing and remit

To ensure that all stakeholders and participants were working toward a common goal, an overarching panel remit for the sessions was developed in partnership with Sydney Water in Phase 5, which continued in Phase 6.

The core aim was to provide guidance to all attendees on why the customer panel sessions were being run and what the core outcome was to be. The Phase 5 and 6 objective was:



To shape and guide how Sydney Water bills its customers, to provide the services that customers want and need.

This encompassed the core concepts of a commitment to customer consultation and active listening to shape and guide how Sydney Water provides the services that customers want and need, which were the central concepts of the four-day customer panel sessions. The remit itself was re-explained to customers to ensure it alignment with the four-day agenda (with the agenda items being designed to align with specific remit elements).

3.6 Stakeholder engagement

To be truly consultative, it was essential to ensure that all relevant stakeholders were included in consultations as part of the design and development of the sessions. Throughout the design and development of the four-day program, a range of stakeholders and engagement activities were undertaken as follows:

- **Sydney Water Customer Engagement Working Group (CEWG) and the Sydney Water Customer and Community Reference Group (CCRG):** Both the CEWG and CCRG were heavily involved in all design and development elements of the Customer Engagement program, as were key Sydney Water Executives and Heads of Business. This included, but was not limited to, the implementation of:
 - **Weekly CEWG meetings:** attended by key internal Sydney Water stakeholders and the Verian team (members of the CCRG did not attend these sessions, Sydney Water held separate briefing sessions with the CCRG as part of internal consultation requirements).
 - **Synergies:** Synergies partnered with Verian to provide additional economic consulting expertise and advice – with a specific focus on ensuring sessions were run in line with IPART requirements and to assist in translating sometimes complex economic information into simple, customer-friendly language.
- **Planning sessions:** Half-day planning sessions (attended by the CCRG) were conducted prior to the development of any draft consultation structure. The purpose of these sessions was to begin the process of aligning key needs across the business and to ensure that the Verian team (and Synergies) had a comprehensive understanding of the core business,



CCRG and customer needs prior to developing any session plans or draft materials for review.

- **Rehearsal sessions:** Four rehearsal sessions were conducted for Phase 6 – with each being conducted in advance of each customer panel session.
- **Critical feedback:** Verian provided all materials (including draft session plans, draft slide decks, draft stimulus, draft activity sheets and draft activity plans) to Sydney Water for critical review and feedback. These were then provided, by Sydney Water, to members of the CCRG for review. All material provided to customers had been reviewed and approved by Sydney Water prior to any sessions being conducted.
 - **Customer session attendance:** Members of the Sydney Water CEWG and CCRG were present at all four customer sessions. In addition to senior Sydney Water sponsors of the project (General Managers from across Sydney Water) and the Sydney Water Managing Director (who attended the morning sessions on three days and closed the final session). A representative from Water NSW was also present for Day 3 of the panel sessions.
- **Utilities Regulation Advisory (URA):** URA was commissioned by Sydney Water to provide quality assurance and review of the structure for the customer sessions and the materials used in the sessions. Materials developed by Verian were provided to URA by the Sydney Water CEWG for review and comment. Comments provided by URA were passed to the Verian team for review and execution prior to the structure being finalised.

3.7 Session structure rationale, development and review

As noted above, in consultation with the Sydney Water CEWG, the Sydney Water CCRG and Verian a four-day session plan was developed, which would guide the Customer Engagement process. The core aim of the session plan was to be:

- **Flexible and customer driven:** It was deemed essential that the design for the sessions be flexible and be able to adapt to customer needs, desires, questions and areas of interest (noting that ‘flexibility’ in this context needs to be placed within the confines of the core purpose of the work and the time constraints within which the project was conducted).
- **Iterative and progressive:** The session plan was designed to build toward a conclusion in a logical and progressive manner. To ensure customers were able to make informed and educated decisions during the sessions (particularly on Days 2, 3 and 4). The session plan was designed to start with broad concepts and gradually (through a series of exercises and techniques) increase customers’ understanding, not only of what could be done, but the limitations and trade-offs associated with specific decisions and pricing approaches. Over the four days, the engagement methods and session design transitioned from being an information overlay to discussion and consideration.

- **Interactive:** Sessions were designed to be as interactive as possible to ensure continued engagement and participation of customers throughout the four days. While every effort was made to include interactive elements in all sessions, Day 1 content, particularly, was ‘heavier’ in nature. Day 1 was focused on re-briefing participants, who had also been involved in Phase 5, about the process, re-educating these customers about Sydney Water’s structure as well as its regulatory and economic framework, discussing the findings from previous rounds of consultation and laying the groundwork around the concept of fairness for decision-making across Day 2, Day 3 and Day 4.
- **Deductive:** The sessions were outcome focused – there was a clear objective in relation to obtaining consensus regarding principles, pricing structures, and Customer Commitments (Also known as ODIs). All materials used, across all four days, were focused on ensuring that customers could make recommendations from an educated perspective – including having a clear understanding of the pros and cons associated with the decisions, the trade-offs required to implement specific decisions and clear articulation of the rationale for a recommendation.

3.8 Data collection and analysis approaches

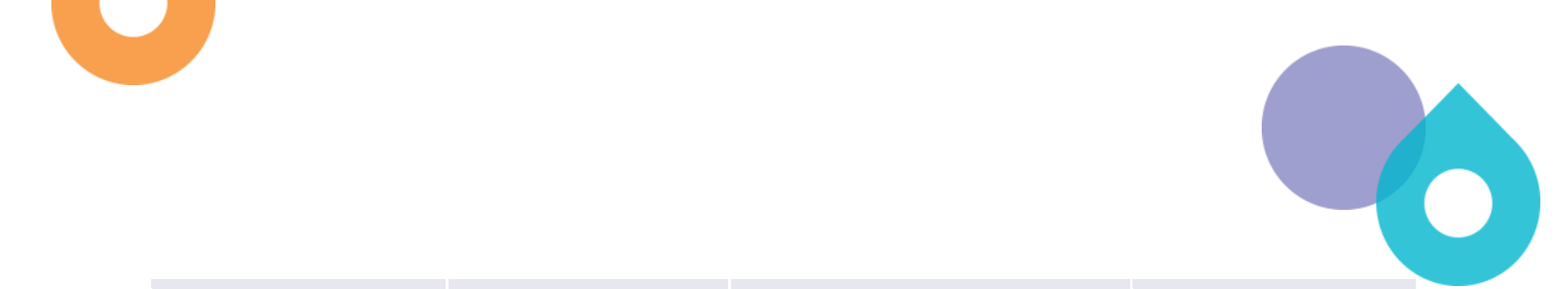
Below are short summaries of key analysis and investigation approaches utilised across the four days. The core purpose of these techniques was to provide insight into why decisions were being made and to understand the deeper decision-making processes that customers were making when deciding on core recommendations to put forward to Sydney Water.

3.8.1 Fairness principles

Customers were introduced to eight fairness principles designed by Sydney Water and Verian, with support from the CCRG and Synergies, to frame conversations over the four days. Customers agreed with these windows and added a few additional concepts as well. These are described in greater detail in “If we got it for free, we wouldn’t respect it 4.3.

Figure 11. Slide content from customer panel – Fairness windows

<p>User pays Customers pay what it costs regardless of their circumstances</p>	<p>Affordability Prices should be affordable for everyone</p>	<p>Cost reflectivity Prices should only reflect the cost of service</p>	<p>Service guarantee Customers should be compensated if Sydney Water doesn't deliver the service</p>
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<p>Simplicity The way in which customers are charged should be clear</p>	<p>Control Customers should be able to influence how much they have to pay</p>	<p>Predictability/stability The level of variability in customer bills</p>	<p>Conserving public resources Water is precious and should be conserved</p>
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3.8.2 Key principles customers kept returning to

Over the course of the four days, customers tended to centre discussions on the concept of ‘user pays’, the importance of cost reflectivity, and the delicate balance between conservation and fairness.

Table 5. Common principles customers returned to

Principles	
User pays	‘User pays’ is an economic principle where the individuals who benefit from a particular good or service are the ones who bear the costs associated with it. In other words, the users of a service or product are responsible for covering the expenses, rather than these costs being spread out across all taxpayers or the general public.
Cost reflectivity	Water should not be sold below its cost price. Cost reflectivity ensures that the true value of water is recognised, encouraging responsible usage and sustainable practices.
Conservation responsibility	All stakeholders, including Sydney Water, have a role to play in water conservation. We must uphold our commitment to conservation, while balancing the needs of our customers.
Fair treatment of large households	<p>While customers are open to penalising heavy water users, they are wary of policies that unfairly disadvantage larger households. Usage per person should be a primary consideration to ensure equitable treatment.</p> <p>Fairness is not just a concept, but a fundamental expectation that significantly influences customer satisfaction and loyalty.</p>

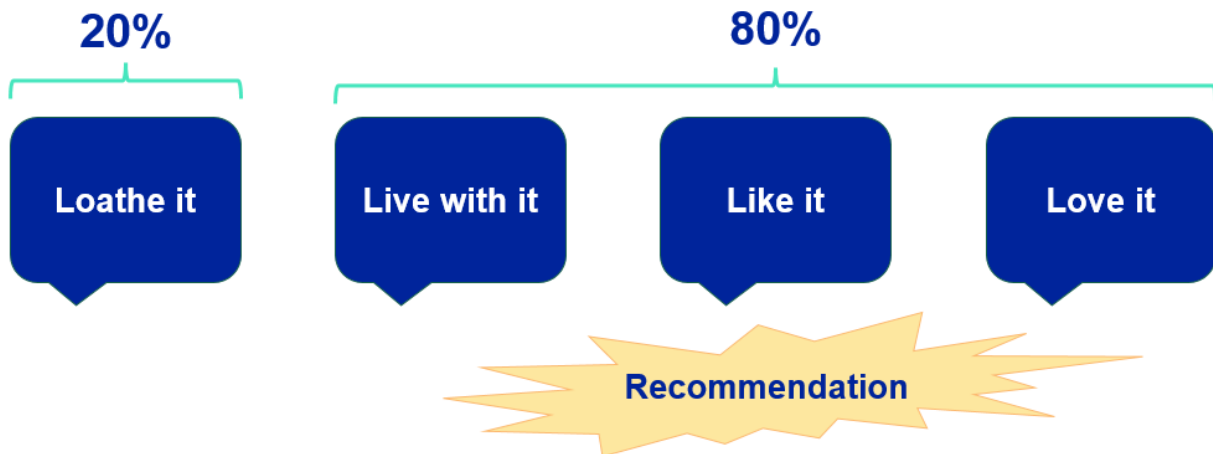
3.9 The L-scale: Love it, Like it, Live with it & Loathe it

The L-scale was used during the sessions as a way of reaching a decision without getting 100% agreement, which in large groups can be challenging. This scale is used widely in community engagement and recognises that true collaborative decision-making doesn't require everyone to love the decision, nor even like it.

The aim of collaborative decision making is for people to collectively get to the point where they all have a decision they can 'Live with'. As a threshold for this exercise, customers agreed that a consensus would mean no more than 20% of the population loathe the option selected.

It was also agreed, with customers, that those who loathed the recommended option would have the opportunity to express why they "Loathe it" and to explain what they needed to see happen to change their position to one where they could at least "Live with it".

Figure 12. Slide content from customer panel – The L-scale and recommendation threshold



During the sessions, L-scale voting took place independently and anonymously via a live online survey.

3.10 Reporting notes

Throughout the report:

- Any mention of 'Greater Sydney' includes the Blue Mountains and Illawarra regions.
- Direct quotes from the qualitative research have been included to reflect findings in the report where relevant, with quote source provided.



4 Recap and fairness

As customers participating in Phase 6 had already participated in Phase 5, they were already operating at a good level of knowledge about Sydney Water. Even so to ensure participants approached Phase 6 with an adequate baseline level of knowledge, Day 1 content revisited Sydney Water's structure, operating and regulatory environment, and recapped foundational knowledge that was covered in Phase 5 about what Sydney Water is and what it does. A core objective of Day 1 was to understand what fairness means to customers, both in terms of their own experience and through the eyes of different household types. A key output from the day was a framework of fairness principles or 'windows' which showcase how customers evaluate whether a concept or idea from Sydney Water is fair. Ultimately the most important and relevant windows were affordability, simplicity, and predictability/stability. Further details on the 'windows' frameworks used are provided within this section.

4.1 Context

Introductory information provided to participants at the beginning of Day 1 included:

Sydney Water's structure: Sydney Water is a state-owned corporation, and, therefore, has obligations to the community, as set out in the Sydney Water Act.

Sydney Water's regulatory environment: This included the role and oversight of key regulating organisations (NSW Health, the EPA and IPART), and the role IPART plays in setting prices. We also introduced customers and the Customer and Community Reference Group (CCRG) as key stakeholders of Sydney Water.

Sydney Water customers: Number of customers, area of network coverage, different customer types.

A recap on how Sydney Water's finances work: Including where revenue comes from, how bills are calculated, and how bills are currently structured (fixed wastewater, stormwater and recycled water component, fixed water component and variable water usage component).





An introduction to different pricing structures that have varying degrees of 'user pays'.

An introduction to service level guarantees and that Sydney Water can reduce customer bills if customers experience lower service levels, including providing examples of rebates available.

4.2 Understanding fairness from a customer perspective

Different household types were also introduced to help shape the conversation and assist customers to view situations from a different perspective than their own. They were asked to consider how that household may be affected by potential decisions and whether it would be fair to them. Customers were regularly asked to consider the concept of 'fairness' through the lens of the following five household types throughout the five days.

Table 6. Household types referenced during the customer panel sessions

Household type	
	<p>Rose and her partner are pensioners. They live in a townhouse in Ryde. They have a small garden which they value, and they are very low water users.</p> <p>137 Litres per person per day 25 kL per quarter \$90.76 (with pensioner rebate)</p>
	<p>John & Kerry live in an apartment in Bondi. Neither of them really think about water use in their day-to-day lives. They basically use what they want.</p> <p>219 Litres per person per day 40 kL per quarter \$279.80 last bill</p>
	<p>Tiffany & Ed are a young family living in a standard house with a backyard in Marrickville. They have a young child, so affordability is their number one priority.</p> <p>182 Litres per person per day 50 kL per quarter \$306.50 last bill</p>
	<p>Don & Wendy are a couple living on a large block of land in Dapto and own horses which they love. They are not mindful of their water consumption.</p> <p>548 Litres per person per day 100 kL per quarter \$440.00 last bill</p>



The Bailey family are a multi-generational family living in Fairfield. They have 6 people under one roof, and therefore, are high water users.
183 Litres per person per day
100 kL per quarter
\$440.00 last bill

4.2.1 What does fairness mean to customers?

The primary consideration around fairness was related to the concept of 'user pays'. Customers widely agreed that everybody should pay for what they use, and if people use more water, they should pay more, regardless of the reason. Customers held the view that using water is their prerogative. It is an essential part of everyday life and that they should be able to use water in any way they want, provided they pay for it.

There was a strong belief in the concept of 'user pays' and that some customers should not pay more to subsidise the cost of other customers' water use. This idea was explored further in the context of vulnerable customers, who may be highly dependent on water for health reasons (e.g. dialysis). Customers tended to agree that these customers should be charged the same as every other customer. However, it was felt that rebates or government assistance should be available to those experiencing hardship.

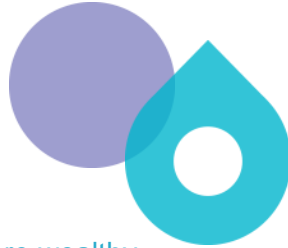

There was a consistent view that other water customers should not have to pay more to cover reduced prices for these groups, despite them being more vulnerable (from a health or financial perspective).

Confusion did emerge, however, for customers living in apartments or units on a shared meter, where there was a reduced ability to apply the 'user pays' principle. This sentiment was also largely reflected when considering fairness in the context of each of the five household types. Across the board, customers tended to favour the view that individual, or household water use is a customer's choice and it should be their choice to make, provided they pay for what they use.

4.2.2 Are Sydney Water bills currently fair?

Customer perceptions of Sydney Water bills revealed a widespread agreement that the bills they receive are fair. The prevailing concept of 'user pays' was a significant factor shaping this perception, with the majority of customers expressing agreement that the current billing system, where you pay for what you use, is fair.

Furthermore, the customer panel highlighted an opportunity to enhance fairness by adjusting the current structure of bills. Many customers advocated for a redistribution of the fixed versus variable (usage) components of bills. Specifically, they proposed lowering the fixed proportion of bills and applying a higher usage price. This change was seen to increase fairness, particularly for low water users who currently face bills dominated by fixed costs.



“You cannot punish people in Vaucluse by increasing the cost of water because they are wealthy high-water users. You can’t say at the till you should pay more for this bottle of Baileys – it costs the same however much you earn.”

Residential customer | Day 1

“If we got it for free, we wouldn’t respect it.”

Residential customer | Day 1

4.3 Introducing the Fairness windows

Customers were introduced to eight fairness “windows”, designed by Sydney Water and Verian with support from the CCRG and Synergies, to frame conversations over the span of four days. The windows were user pays, simplicity, affordability, control, cost reflectivity, predictability/stability, service guarantee, and conserving public resources. These were designed in a co-design workshop with Sydney Water, Verian and the CCRG before being validated with customers during the panel sessions and refined further using their feedback. Below we explain these concepts in more detail.

User pays

Context: Customers pay what it costs regardless of their circumstances.

Customers believed firmly in the concept and principles of ‘user pays’. They believed the usage price should be the same for everyone, and that everyone pays their bill based on their usage within the last quarter.

This was felt to strike a good balance between fairness and motivating people to adopt water saving behaviours, as bills increase or decrease based on water use.

Importantly, in the context of ‘user pays’, any discussion about increasing the unit price beyond a threshold was widely rejected, even in the context of vulnerable customers, customers experiencing financial difficulty and customers living with a disability. Customers believed that the Government should provide support for these groups, and that any rebates for these groups should not be worn by other customers.

Affordability

Context: Prices should be affordable for everyone.

Affordability was an important consideration for customers, noting that water is an essential service and should, therefore, be affordable for all.

While there was widespread agreement that the current pricing approach is fair, there was some openness to a tiered approach to pricing (acknowledging this directly contradicts their preference for a single price per unit of water discussed under ‘user pays’).

The key difference is that this tiered approach was considered more acceptable if it was means-tested, with a view that those who can afford it should pay more for water, with many accepting that the current price per unit of water is quite affordable.



Cost reflectivity

Context: Prices should only reflect the cost of service.

Customers viewed cost reflectivity as the varying cost of transporting water to households and that, by nature of the network size and infrastructure placement, some households would be more expensive to transport water to.

While customers held firm in their views that some customers should not pay more to subsidise other customers' water use, there was a similarly strong view that people shouldn't be penalised because of where they live geographically – with a sentiment of "I didn't get to decide where the infrastructure was".

What separates these views is the element of control. If a customer cannot control it (e.g. network), they don't want to accept paying more for it. Customers believed the costs of the network should be shared equally across the customer base.

Conserving public resources

Context: Water is precious and should be conserved.

While customers agreed that people should be encouraged to use less water, no one should be restricted from using the water that they want to use (outside of water restrictions), provided they are willing to pay for it. There was a much stronger preference for community education around water conservation and incentives for lower water users, as opposed to punishments or penalties for higher water users.

Many agreed the current pricing structure does provide some discouragement of higher water use (through usage price), however, 'user pays' often trumped this and that, if customers are willing to pay, they should be able to choose how they use it and how much water they use.

Service Guarantee

Context: Customers should be compensated if Sydney Water doesn't deliver the service.



Customers felt very strongly that they should be compensated for breaches in service guarantees.

While there was an appreciation that things can go wrong, what was most critical around the service guarantee window was transparency. Many felt that current service level guarantees are somewhat 'hidden' – perceived as either difficult to measure, lacking in community awareness, or confusion about whether they are applied automatically or whether a customer needs to initiate this. Customers felt the onus was on them to claim these rebates, rather than trusting Sydney Water to proactively apply them. Trust and transparency are key considerations for this.

Predictability/Stability

Context: The level of variability in the customer's bill.

In a general sense, predictability and stability of bills is important to customers. With the current cost of living pressures, the ability to budget and, therefore, predictability of bills, is critical.



Despite this, there was some openness among customers for less stability and predictability in bills in the following situations:

- If there is a way to manage and monitor usage (to provide some indication of likely bill amount).
- For low water users, who feel like they have control and, therefore, pay less, again provided they can monitor use.

Control

Context: Customers should be able to influence how much they pay.

This was about really understanding how much water customers (or households) are using. Customers have a desire for more control over their usage, through the ability to monitor usage and receive alerts about their usage.

The current billing approach didn't necessarily support enhanced control in the ratio of fixed to usage components of the bill. Customers were unhappy that a large proportion of the fixed component of the bill is attributed to wastewater, which customers have less control over, compared to water consumption.

Customers felt that even if they go to great lengths to save water, it won't have much of an impact on their bills, because the fixed component makes up a large proportion of the bill.

Simplicity

Context: The way in which customers are charged should be clear.

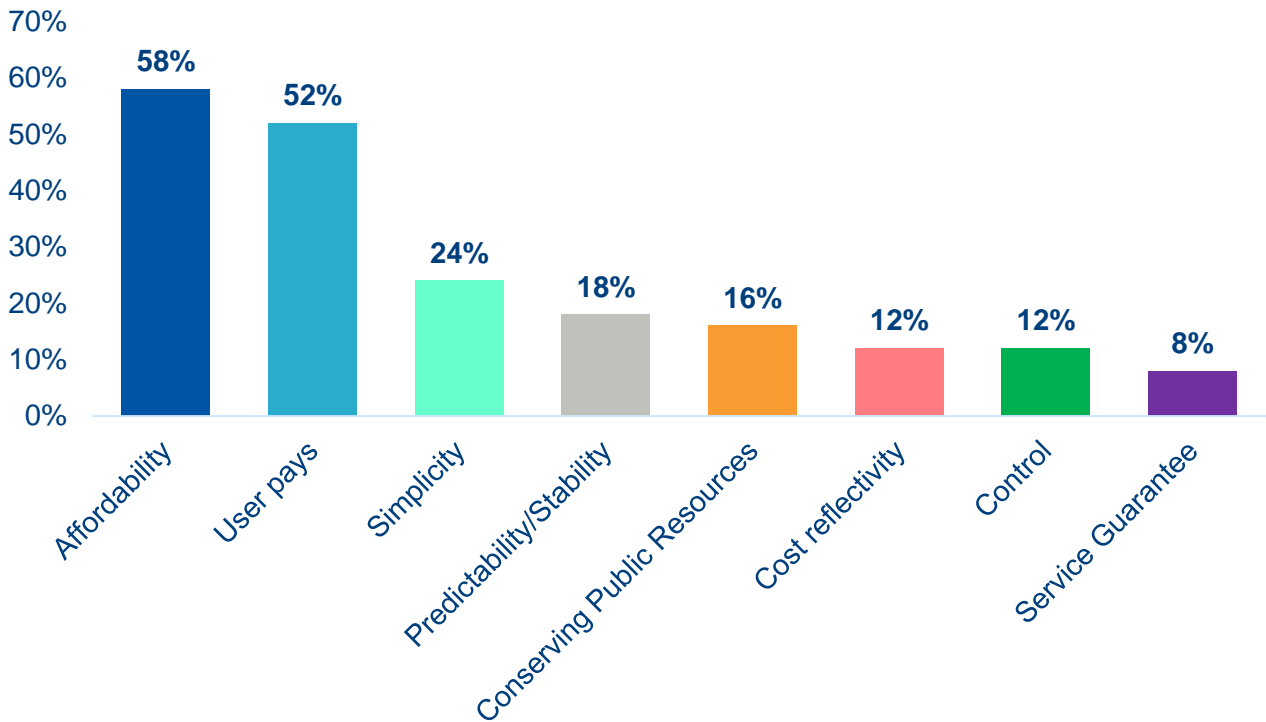
Simplicity of billing is important to customers and current bills are generally perceived as being simple. Although most admitted to not even looking at their bills, those who do can understand the bill to the extent that they need to.

When it comes to simplicity, beyond understanding the bill amount, customers looked for their usage comparisons. Customers were particularly keen to understand how their usage compares to similar sized households, and whether they are doing a good job of saving water. Despite not looking too closely, customers trust the information provided in bills.

4.4 Homework task results: Fairness windows

Customers were given a homework task at the end of Day 1, which included a short survey to understand what is most important to them when thinking about water bills. After covering introductory content on Sydney Water, fairness principles and pricing structures, customers were provided the chance to vote on the two most important fairness windows that were covered in Day 1. Customers identified affordability (58%) and user pays (52%) as the most critical windows to consider when thinking about water bills. This was followed by simplicity (24%), predictability/stability (18%) and conserving public resources (16%).

Figure 13. Day 1 homework results



Which two of the fairness windows we discussed on Day 1 do you consider most important when thinking about water bills?

Base size: All respondents in Phase 6, Homework Day 1 (n=50).

4.4 Fairness considerations identified by customers

Customers were comfortable with the fairness windows mentioned and also identified additional fairness concepts as part of their homework tasks that were considered in conjunction with the fairness windows:

Education: Customers felt that, if they were educated about what is involved in the bill, it would help people understand what is included in the cost or what they are paying for. Throughout the sessions, customers were encouraged to consider where further education may be required to help customers understand different elements of bills, charges and pricing structures.

Futureproofing and intergenerational impacts: Customers raised the idea of future generations paying for the decisions and needs of previous generations. This concept fits well with the 'user pays' window, and customers were encouraged to consider some of these implications within their discussions over the course of the four days.

Vulnerability: People experiencing financial difficulty were considered vulnerable. This aligns with the affordability window and customers were encouraged to actively consider the implications for more vulnerable customers throughout the course of the discussions.

People living in apartments with shared meters: Customers expressed frustration for those living in apartments with shared meters. Customers were encouraged to discuss how these customers might be impacted by the options presented over the 4-day panel, particularly when considering the lens of 'user pays' and control.



5 Exploring pricing structures

5.1 Context

Day 2 aimed to demystify pricing structures and empower customers with knowledge and understanding around these areas. The content shed light on the impact of pricing structures and the dynamics of who pays for services rather than just how much they cost. A core objective of this day was to understand customer preferences for alternative pricing structures. Ultimately there was a clear preference for a flat pricing structure.

The day's discussion began with everyday examples of pricing structures that customers encounter. Whether it's the cost of a morning coffee or a monthly utility bill, these structures shape our financial interactions. However, the focus was not solely on the size of the "pie," but rather the division of it. Noting that the "pie" refers to total revenue raised by Sydney Water to recover its efficient costs*, as different pricing structures may result in a different allocation of costs across different customer groups.

The panel discussion centred on this notion—the split of the pie—and its relevance to Sydney Water's pricing structures. Specifically, what constituted the fixed and variable (usage) charges in customers' bills, and the rationale behind their current setup was explored. It was important to note that these structures were not set in stone; and they might evolve based on customer preferences and needs.

During the session, residential customers gained insights into what aspects of pricing they could influence regarding their water usage. This empowerment was key to fostering understanding and collaboration.

Conversely, customers were unable to influence certain factors of the pricing dialogue. This included factors such as business customer rates, developer charges, pension rebates, and various water-related fees that were part of the broader framework that we delved into.

Four pricing structures under consideration were examined, explaining why some options were selected while others were not. This included explaining the upcoming increase to the baseline usage price from 1 July 2025 and providing clarity on the reasoning behind this adjustment.

Lastly, the topic of existing rebates was explored along with payment assistance programs available to customers. These crucial support systems were not just current offerings; they were steadfast commitments that would continue irrespective of any changes to pricing structures.

** Efficient costs refers to the minimum amount of money Sydney Water needs to recover to operate effectively and deliver its services.*

5.2 Pricing structures explained

Four pricing structures were described to customers: fully fixed, flat, tiered and fully variable.

Each of these pricing structures presents different incentives and impacts on customer behaviour and billing predictability. Understanding these options helped customers make informed decisions about their water usage and expenses.

Figure 14. Slide content from customer panel – Four pricing structures (Sydney Water’s current structure is shaded blue)

Fully Fixed	Flat	Tiered	Fully Variable
Everyone pays the same total bill regardless of usage	Users pay the same rate per kilolitre regardless of how much they use	The more you use, the higher the cost per kilolitre you pay	Everyone’s bill is dependent only on usage
(No Usage Charge)	(Includes a fixed charge)	(Includes a fixed charge)	(No Fixed Charge)
	Fixed + variable Single tier (Single Block Tariff)	Fixed + variable Multiple Tiers (Inclining Block Tariff)	

Fully fixed

In a fully fixed pricing structure, everyone pays the same total bill regardless of their actual water usage. This means there is no separate charge for how much water is consumed. Instead, customers pay a fixed amount that remains constant regardless of whether they use a little or a lot of water. This structure provides predictability in bills, as the amount owed does not change based on usage.

Flat

The flat pricing structure (Sydney Water’s current structure) is characterised by users paying the same rate per kilolitre of water, regardless of how much they use. Additionally, there is a consistent rate per unit of water used (per kilolitre), regardless of the volume of water consumed. This structure simplifies billing and encourages water conservation as there is no financial incentive to use more or less water.

Tiered

In a tiered pricing structure, the cost per kilolitre of water increases as usage goes up. This means that the more water a customer consumes, the higher the cost per unit becomes. Tiered pricing includes a fixed charge, similar to the flat structure. However, in addition to this fixed fee, there are different price levels or tiers. Customers are charged at a lower rate for the initial volume of water used, but as consumption rises into higher tiers, the cost per kilolitre increases. This structure aims to promote conservation by making higher water usage more expensive.



Fully variable

In a fully variable pricing structure, everyone's water bill is solely dependent on their actual water usage. There is no fixed charge included in this structure. Customers are charged based on the volume of water they consume, with no additional fees beyond the per kilolitre rate. This structure provides a direct correlation between usage and cost, offering an incentive for customers to be mindful of their water consumption to control their expenses.

A note on the fixed wastewater charge being outside the scope of this engagement...

Customers voiced some frustration about the fixed wastewater charges not being included in the pricing structures discussion.

On Day 1, customers expressed a desire for more control over their bills by redistributing fixed and variable components to align with their usage.

Many were frustrated that the fixed wastewater charge, a significant portion of their bills, was not discussed on Day 2 for the next five-year pricing structure.

They found it unfair that households, like Rose's, paid the same as larger families, despite likely producing less wastewater.

While customers understood the challenge and associated cost of measuring wastewater, they expected Sydney Water to explore fairer ways to distribute these charges in the future.

"I was surprised that the 'fixed' wastewater was non-negotiable. I was surprised that we weren't allowed to discuss this or take [this] into account as the charge makes up a big chunk of the bill structure."

Residential customer | Day 4

Sydney Water is unable to precisely and accurately measure wastewater usage as showers, toilets and kitchen basins cannot measure the wastewater flowing through them. This means Sydney Water which users drive the costs in the network. Upon understanding this, customers were more accepting of this not being included in the discussion.

5.3 Customer reactions to the four pricing structures

Customers were presented with four pricing structures for discussion, although two of the four structures – ‘Fully Fixed’ and ‘Full Variable’ – were later removed from the decision-making as they were seen as either too complex or unfair and negatively affected specific customers, such as large households and pensioners. Other challenges include difficulties around predicting bill pricing and instances that might lead to extra water wastage. As a result, only the ‘Flat’ and ‘Tiered’ structures were examined in much greater detail.

5.3.1 Fully fixed and fully variable pricing structures

A summary of customer reactions to the fully fixed and fully variable pricing structures is provided below. As mentioned above, these were removed from the decision-making process and only flat and tiered pricing structures were examined in more detail. Despite these being mostly undesirable to customers it was still important for Sydney Water to understand customer preferences around the more extreme options and why they were less desirable.



Table 7. Summary of fully fixed and fully variable pricing structures

Fully fixed	<ul style="list-style-type: none">• Viewed by customers as an unfair approach to pricing, despite some simplicity benefits for customers and Sydney Water.• This pricing structure was felt to penalise low water users and benefit higher water users, by applying a flat charge across the entire customer base.• Customers agreed that this pricing structure offered no incentive or encouragement to reduce water usage and may, in fact, motivate more wasteful water behaviours.
Fully variable	<ul style="list-style-type: none">• Viewed by customers as a complicated approach to pricing.• Customers felt it would be difficult to calculate or self-manage usage and could result in increased bill shock in periods of higher water use. The current flat approach to pricing is felt to soften these impacts.• While there were potential benefits, such as increased control over pricing (which could benefit water-conscious individuals and those facing financial difficulties), customers expressed significant concerns about how the substantial infrastructure costs would be recovered under this pricing structure. Additionally, landlords stood to benefit from the absence of a fixed component in bills, but these concerns about infrastructure costs were paramount.

5.3.2 Flat pricing structure

The flat pricing structure was well understood by customers and perceived as a fair approach.

Customers reacted positively to the flat pricing structure due to its simplicity, predictability, and fairness in the flat rate per kilolitre. However, some customers felt limited in their ability to impact their bills significantly and desired a larger proportion of variable charges to give them more control



over their expenses. These insights provide valuable feedback for refining the flat pricing structure to better meet customer preferences and expectations.

Simplicity and familiarity

Customers appreciated the simplicity of the flat pricing structure. They found it to be a straightforward and easy-to-understand approach to pricing. The clear distinction between fixed and usage elements in their bills was comforting and familiar to customers. This familiarity contributed to a sense of comfort and ease in understanding their water bills.

Predictability and control

The current flat pricing structure offered customers a fair combination of predictability and control over their bills. Customers acknowledged the existence of fixed charges, which provided a level of predictability in their bills. However, they also valued the ‘user pays’ principle, where they pay for their actual water usage. This meant customers could influence their bill amounts through their water consumption, giving them a sense of control over their expenses.

Fairness in Flat rate per kL:

The Flat rate per kilolitre (kL) was considered fair by customers. They appreciated the simplicity and equality of this approach to pricing. While customers expressed a desire to see water wasters penalised, they also recognised the challenge in distinguishing between wasteful usage and larger households with legitimate water needs. Therefore, there was low willingness among customers to accept a pricing structure that financially penalised higher water users, especially without a clear way to differentiate between excessive usage and legitimate household needs.

Despite the overall positive reception, a few considerations and concerns about the flat pricing structure were raised:

Limited Impact on Bill Amount



Some customers perceived a limitation in their ability to significantly impact their bill amounts based on their usage. This was due to a substantial portion of the bill being comprised of fixed charges. While customers appreciated the predictability provided by fixed charges, they also desired more flexibility to control their bills through their water consumption.

Desire for More Variable Charges

Customers expressed a view that a larger portion of the bill should be variable based on usage. They believed that increasing the variable component of the bill would provide them with more control over their expenses. This desire for a higher proportion of variable charges reflected customers' preference for a pricing structure that closely aligns with the ‘user pays’ principle, allowing them to directly influence their bills through their water usage.

5.3.3 Tiered Pricing Structure

Customers had a mixed reaction to the tiered pricing structure, with both positive responses and significant concerns. Customers viewed a tiered pricing structure as a positive way to motivate



water conservation behaviours. However, they had concerns about how fair this approach was in the context of cost reflectivity and larger households.

While some saw it as a way to promote water conservation and fairness, concerns about fairness for larger households, selling water below cost, and the need for per-person usage assessment were significant barriers to acceptance. Suggestions for rebates, continued smart meter roll-out, and advanced usage notifications were proposed as potential solutions to address these concerns and increase support for a tiered pricing structure.

Motivation for Water Conservation

Many customers responded positively to the idea that a tiered pricing structure could motivate water-saving behaviours. Charging a higher price per kilolitre (kL) of water beyond a certain level was seen as a way to financially penalise water wasters. Customers believed that this approach could lead to more responsible water use in the community.

Financial Benefit and Fairness

During discussions, some customers recalculated their bills based on the tiered pricing structure and found that they would be financially better off under this system. However, their support for tiered pricing was not solely driven by personal gain. Many customers were influenced by a sense of fairness for the entire community. They believed that those who use more water should pay more, aligning with the 'user pays' principle.

Fairness Implications for Larger Households

One of the primary concerns was that a tiered pricing structure might unfairly penalise larger families or households. Customers were open to the idea of water wasters being penalised through higher prices but were reluctant to negatively impact larger households. They felt that basing the tiers on household usage, rather than per-person use, introduced a level of unfairness that they were not willing to accept widely.

Selling Water Below Cost and Subsidisation

Customers were concerned about receiving water at a price below the cost of providing it. Water was considered a precious resource, and there was a strong belief that Sydney Water should not sell water for cheaper than what it costs to treat and transport. Similarly, customers did not support the idea of larger water users paying a higher rate to subsidise others' water use.

Monitoring Usage on Per-Person Basis

A significant barrier to accepting the tiered pricing structure was the inability of the current system to bill customers on a per-person rather than a per-household basis. Customers felt that households with low water use per person should not be penalised by higher water prices, even if the total household usage was high.

Need for Fair Assessment and Rebates

Customers suggested that large households could qualify for a rebate or equivalent to offset the higher prices under the tiered pricing structure. However, they emphasised that such rebates would need to be widely and easily accessible. Additionally, fairness in assessing households in flats or apartment buildings with shared meters was a concern.

Advanced Notification and Smart Meters

Customers agreed that a crucial factor in accepting a tiered pricing structure, especially with consideration for larger households, would be having a real-time understanding or advanced notification of their household's water usage. They suggested continuing the roll out of smart meters to track usage or sending SMS warnings when usage is approaching the next tier to increase support for the tiered pricing structure.

5.4 The L-scale: Love it, Like it, Live with it & Loathe it

L-scale results revealed a customer preference for a flat pricing structure. The overwhelming majority of customers either liked/loved or could 'live with' a flat pricing structure (98%). One participant loathed it (2%). Two thirds (67%) of customers either loved/liked or could live with a tiered pricing structure, with one third (33%) loathing this pricing structure.

Table 8. L-scale results for Flat and Tiered Pricing Structures

Pricing Structure	Loathe it	Live with it	Like it	Love it	NETT: Live with, Like, Love it
Flat Pricing Structure	2%	29%	41%	29%	98%
Tiered Pricing Structure	33%	22%	31%	14%	67%



Base size: All respondents on Phase 6 ,Day 2 (n=49). Note: Not all figures add to 100% due to rounding.

5.5 Applying fairness to pricing structures

Customer conversations revealed strong support for the 'user pays' principle, a focus on cost reflectivity, the importance of avoiding strain on vulnerable customers, and the high value placed on water conservation. These themes provide valuable insights into customer preferences and concerns, guiding the development of pricing structures that balance fairness, conservation, and affordability.

'User pays' principle

Customers were steadfast in their belief that the 'user pays' principle was critical. They adamantly expressed their opposition to feeling unfairly burdened by the costs of those who are wasteful with



their water usage. This led to a clear rejection of pricing structures where some users would be subsidising the costs for others, such as fully fixed structures. The principle of ‘user pays’ was a central theme, emphasising fairness and personal responsibility in water consumption.

Cost Reflectivity and Water Conservation

Another significant theme was the importance of cost reflectivity and promoting water conservation. Customers appreciated and supported behaviours aimed at conserving water resources. However, they strongly felt that pricing should accurately reflect actual usage. They preferred pricing structures that encouraged water conservation but did not penalise larger households unfairly. Customers argued that usage should be assessed on a per-person basis, rather than a per-household basis, to account for differences in household sizes and water efficiency per person.

Avoiding Strain on Vulnerable Customers

There was a prevalent concern among customers about avoiding additional strain on vulnerable customers. While there was support for discouraging water wastage, customers were hesitant to penalise large households that might already be facing financial challenges. Affordability was a crucial consideration, particularly given the current economic climate. Customers were mindful of the potential impact on vulnerable individuals and families, advocating for pricing structures that balanced conservation goals without disproportionately burdening those already struggling financially.

Value of Water Conservation

It was common for customers to place a high value on water conservation. Many expressed a preference for pricing structures that did not sell water below the cost to treat and transport, as seen in some tiered pricing models. They were concerned that selling water below its true cost might undermine conservation efforts and lead to wasteful usage. Additionally, customers were wary of systems where some paid more per kilolitre because others paid less, particularly concerning larger families. They emphasised the importance of fairness and equity in pricing structures to encourage responsible water use across all demographics.

5.6 Homework task results: Customer sentiment and reflections on pricing structures

Customers were given a homework task at the end of Day 2, which was a short questionnaire designed to better understand their reactions to the information they received on Day 2. The following questions were asked.

Table 9. Day 2 homework verbatim examples

Homework Question	Responses
<p>On Day 2, we talked about a range of different pricing structures that Sydney Water could consider...</p> <p>1. Reflecting back on the day what were some key points of discussion that were new or interesting to you?</p>	<p>“Sydney Water are going to such lengths to try to find the best and fairest way of possibly bringing in a new pricing structure... so much effort and thought had gone into the different pricing methods/structures. It’s refreshing to think that such a big entity would listen so enthusiastically to their customers and want the customers opinions.”</p> <p>Residential customer Day 2 Homework</p> <p>“I found it fascinating that there was so much (so many different variables) to consider when really digging into the different pricing structures looking at them from a fairness perspective. None of it was as straightforward as it appeared on the surface - once you considered how they would affect different people. It is very hard to make these types of decisions. There's a lot of weighing up to do. I was surprised at how responsible I felt to ensure I really considered how different people would be affected. The group dynamic brought up lots of points I hadn't considered.”</p> <p>Residential customer Day 2 Homework</p> <p>“The tiered pricing was quite an interesting concept. The key points would be that it will affect some people more than others and it will affect fairness. Not sure how it will be monitored or based upon.”</p> <p>Residential customer Day 2 Homework</p> <p>“I was surprised that the current pricing structure is actually better to accept than the alternatives. It has an element of ‘user pays’ which is fair for everyone & one in my opinion is in line with everything that we do & use.”</p> <p>Residential customer Day 2 Homework</p>
<p>On Day 2, we talked about a range of different pricing structures that Sydney Water could consider...</p> <p>2. Did anything surprise you or stick with you after the session? What was that and why do you think that might be?</p>	<p>“That Sydney Water and the government want to charge people more than what water is worth! For the sake of making it cheaper for some others. That doesn't sit right and isn't fair or demonstrates equality for a life source... water.”</p> <p>Residential customer Day 2 Homework</p> <p>“I was surprised how many people were negative about the tier system when in actual fact probably more than 80% of people in the room would save money using that system.”</p> <p>Residential customer Day 2 Homework</p> <p>“It is very hard to make these types of decisions. There's a lot of weighing up to do. I was surprised at how responsible I felt to ensure I really considered how different people would be affected.”</p>

Residential customer | Day 2 Homework

On Day 2, we talked about a range of different pricing structures that Sydney Water could consider...

3. Did your views or preferences change throughout the day? If so, how?

“Hearing different sides made me realise a tiered system maybe isn't the best way as people who try to conserve water may still end up paying big bills because of circumstances like having a big family.”

Residential customer | Day 2 Homework

“When the day started, I thought the current system was unfair & outdated. But after further discussion I came to the conclusion that I can actually live with the current bill structure as it seems like it's much fairer than the other alternatives.”

Residential customer | Day 2 Homework

“No, not that much. I still could live with the different levels of cost according to usage, but I still feel that the system of charging for water that we use currently is the fairest.”

Residential customer | Day 2 Homework

4. We talked a lot about affordability on Day 2. Is there anything else that you can think of with regard to pricing structures, that Sydney Water could do to help with affordability?

“I'd love to examine the finer details of implementing smart meters in all homes for water usage billing. Of course, one would assume that this form of billing would not only be expensive to implement, but also complex, involving a lot of outside factors and organisations. However, I would like to know this for sure and personally assess the pros and cons in more detail.”

Residential customer | Day 2 Homework

“Education is a big factor when implementing a pricing structure. Maybe a quarterly newsletter to customers showing how to conserve water.”

Residential customer | Day 2 Homework

“Perhaps a reward program for saving water. Have it compared to your last 12 months usage to the next 12 months.”

Residential customer | Day 2 Homework

Base size: All respondents in Phase 6, Homework Day 2 (n=50).



6 Customer Commitments

(Outcome delivery incentives)

6.1 Context

Customers were introduced to the concept of Customer Commitments on Day 3, as a new way for Sydney Water to be accountable to customer-led performance targets. These commitments represent a shift towards a more customer-centric approach, where Sydney Water is committed to meeting the specific needs and expectations of the community it serves. It's a framework designed to ensure transparency, accountability, and alignment with customer priorities.

The term Customer Commitments relates to Outcome Delivery Incentives (ODIs). Sydney Water decided to rename ODIs as Customer Commitments for ease of understanding by customers which was a recommendation of the CCRG.

Customers were reminded how Sydney Water is held accountable for its performance. This includes the vital role of regulators such as the EPA, NSW Health, and IPART. These entities play crucial roles in ensuring Sydney Water adheres to stringent standards and regulations, in providing safe and reliable water services to the community.

A core objective of the day was to understand customers' reactions to the idea of Customer Commitments and their preferences for how these are applied to River Health and Water Leakage.

Additional background information

To support understanding of these Customer Commitments, additional background information was provided about:

Service Guarantees

Service guarantees were highlighted, which cover areas such as planned and unplanned service interruptions, low water pressure, and property wastewater overflows. Customers were informed about the standards they can expect, and the assurances provided by Sydney Water in these critical service areas, demonstrating how they are tied to some of Sydney Water's essential services.

Customer Priority Areas

Customers were reminded of the core priority areas guiding Sydney Water's actions and plans over the next five years. These priority areas were identified in earlier phases of the Our Water, Our Voice Customer Engagement program. Just to recap, these were identified through a broad exploration of customer priorities without cost implications before quantifying them through a customer willingness to pay and value preferences choice modelling study.

The priorities include:

Customer Experience: Focusing on improving the overall experience customers have with Sydney Water's services.

Water Quality and Reliability: Ensuring that water supplied is of high quality and reliability, meeting stringent health and safety standards.

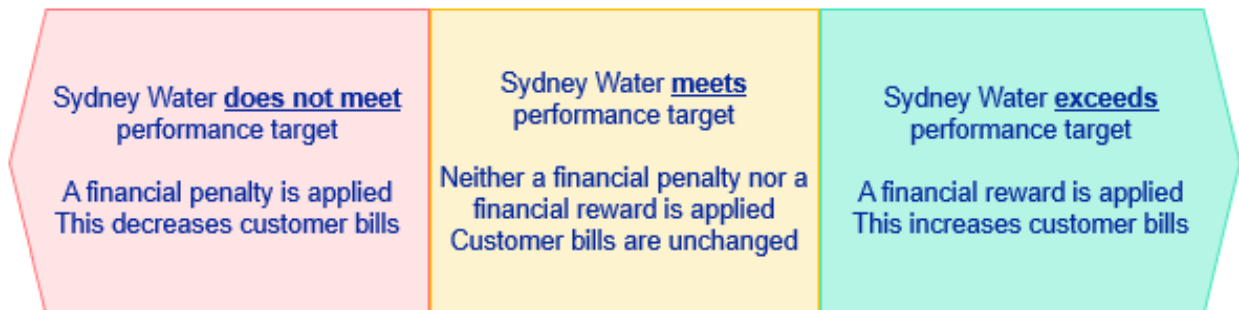
Environmental Protection: Commitment to protecting and preserving the environment through sustainable water management practices.

Figure 15. Slide content from customer panel – Summary of how Customer Commitments will operate

A customer commitment is a new way to keep Sydney Water accountable

And they want to know what your thoughts are on...

**Providing a financial penalty for Sydney Water when it does not meet performance targets.
But also, a financial reward when it exceeds performance targets.**



6.2 Customer reactions to the concept of Customer Commitments

Customers responded favourably to the concept of Sydney Water having commitments to customers beyond what is a minimum standard set by IPART and other government departments, especially when tied to specific areas of importance, like leakage reduction and River Health. However, customers raised some concerns about the length of the performance window and the potential for increased costs. They also raised concerns about how performance would be measured and reported, and how meaningful the incentives and penalties would be. Customers were clear on their preferences for reinvesting rewards into the specific performance area, ensuring transparency in the process, and keeping rewards within Sydney Water rather than going to external entities.

Table 10. Reactions to the concept of Customer Commitments

Reactions to the <u>concept</u> of Customer Commitments	
Water Leakage reduction and River Health	Customers welcomed the idea of Sydney Water making commitments in areas of performance that are important to them. Leakage reduction and River Health were seen as significant to customers' interests and concerns. Therefore, these were deemed appropriate areas for Customer Commitments, aligning with customer priorities for water management and environmental stewardship.
Concerns about length of performance window	Many customers expressed concern that the proposed five-year performance window was too long. This concern was heightened by the current cost of living crisis, with customers fearing that this might lead to additional requests for increased fees or charges from Sydney Water. Some customers also voiced concerns that they already pay for high performance and may not be willing to bear additional costs.
Specific commitments vs. concept	Interestingly, support for the concept of customer-led performance targets was slightly lower than support for the specific commitments themselves. This suggests that, while customers saw value in the specific commitments, they had reservations about the design and implementation of the customer-led performance target system. The perceived benefits of achieving specific improvements outweighed these concerns for many customers.
Investment of rewards	Customers had clear opinions on where any "reward" for over-performance should be invested. The prevailing sentiment was that the most appropriate use of financial rewards would be further investment into the specific performance area. For example, if Sydney Water exceeded its targets for leakage reduction, customers believed the reward should be reinvested into improving water infrastructure or conservation efforts.
Reward distribution to employees	Some customers suggested that any reward for over-performance should be passed on to Sydney Water employees to commend them for their efforts although not all

	customers agreed with this. In any case, customers felt strongly that the reward should not go to the NSW Government but should remain within Sydney Water. This reflects a desire to see the benefits of improved performance directly benefit the water utility and its services.
Transparency in reward reinvestment	Regardless of where the reward was distributed, customers emphasised the importance of transparency. They expect clear communication on how and where the reward is reinvested. This transparency is crucial to avoid the perception of the reward simply "lining the coffers" and to ensure that customers can see the tangible benefits of improved performance in their water services.

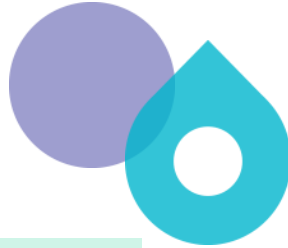

Customer reactions to the concept of penalty/reward commitments

Customers recognised the benefits of rewarding Sydney Water for over-performance, particularly for improving infrastructure and services. They emphasised the importance of allocating rewards to specific areas of achievement, creating priority lists for investment, and ensuring stretch targets for continuous improvement. Concerns about funding areas without commitments, the five-year timeframe, and the customer-funded nature of rewards were significant points of consideration for customers. Transparency and fairness were key factors in their reactions to the concept of penalties/rewards in Customer Commitments.

Table 11. Reactions to the concept of penalty/reward commitments

Reactions to the <u>concept</u> of penalty/reward commitments	
Rewards for over-performance	Customers recognised the benefit of Sydney Water being rewarded for over-performance. They understood that such rewards would provide additional funding to carry out more work, particularly in improving infrastructure. This was seen as a positive outcome that could lead to enhanced services and environmental improvements.
Reward allocation	Customers stressed that any rewards should be specifically allocated to the area where the over-performance was achieved. They believed that this targeted approach would ensure that the benefits of improved performance directly benefit the relevant service area. However, they did express a potential concern that an area could become over-funded if rewards were consistently allocated there.

<p>Priority areas for investment</p>	<p>To address the potential concern of over-funding, customers suggested creating a list of customer-led priority areas deemed worthy for investment. This list could serve as a backup option for utilising any reward. Customers felt that this approach would provide a balance between rewarding performance and ensuring fair distribution of funds across various critical areas.</p>
<p>Reputational benefits</p>	<p>Customers also pointed out the reputational benefits for Sydney Water from such rewards. They believed that public recognition of over-performance could boost Sydney Water's reputation and serve as motivation to continue exceeding expectations. This positive reinforcement could further encourage the utility to strive for excellence.</p>
<p>Stretch targets</p>	<p>Customers expressed concerns about Sydney Water funding areas without a Customer Commitment to over-achieve in those specific areas. They were not supportive of this approach, emphasising the importance of aligning rewards with customer priorities and commitments. Customers believed that rewarding performance should be tied to achieving set targets, ensuring accountability and transparency.</p> <p>Customers emphasised that the targets or commitments should be stretch targets, not easily achieved. They wanted Sydney Water to set ambitious goals that would drive continuous improvement. They wanted to be kept up to date with Sydney Water's performance against these Customer Commitments regularly, within the regulatory period.</p>
<p>Customer funded reward</p>	<p>A notable pain point for customers was the fact that the reward was customer funded. This raised concerns about the impact on customer bills and the perception that customers were paying for rewards without direct benefit. Customers expressed a desire for transparency in how these rewards would be funded and allocated to ensure fairness and accountability.</p> <p>Additionally, the five-year timeframe was seen as limiting fairness by some customers. They viewed it as lacking immediate rewards for Sydney Water and felt it was unfair that</p>



customers might be paying for previous performance without seeing immediate benefits.

There was also concern that administration costs may have to increase to track, monitor and report on Customer Commitments. Customers were adamant that this be avoided wherever possible.

Bill impacts of Customer Commitments

As part of the conversation around Customer Commitments, customers were shown in detail the potential bill impacts of different Customer Commitments under different performance scenarios. This allowed customers to have a clear idea of how the Customer Commitments would impact their bills, which assisted them with their final decision-making.

With regard to water leaks, there is uncertainty when measuring leakage and other losses. The breakdown between other losses and water leakage require some assumptions, for a range of reasons including:

- Fire services are not metered, and Sydney Water needs to estimate how much is directly sourced from the pipe
- Construction and water theft
- Leaks that cannot be seen (underground or during wet weather)
- Changes to water meter accuracy over time
- Estimates of water loss when a water main breaks (based on size and duration)

These estimations result in a 15% tolerance band (i.e. a deadband) for leakage performance. This means that Sydney Water isn't penalised or rewarded for movements in leakage that are due to uncertainties in calculating leakage and/or other things that are outside Sydney Water's control, such as weather.

Through table discussions it was clear that customers considered applying such a tolerance band was a fair approach to rewarding or penalising Sydney Water.

Figure 16. Slide content from customer panel – Demonstrating the bill impact of a Water Leakage Customer Commitment under different performance scenarios

How would a customer commitment around leakage work?

“Sydney Water commits to reduce water leakage to 106 ML/d by 2028-29”

At \$3.01/kL your annual bill could change by...			
	Value of Water Lost	Penalty to Sydney Water	Annual impact to Bills
If leakage is 20% lower	\$35m water saved	\$7m p.a. reward	+\$0.6 increase in bills
If leakage is 15% lower	\$0	\$0	\$0
If leakage is 10% lower	\$0	\$0	\$0
If leakage is 5% lower	\$0	\$0	\$0
If leakage is 1% lower	\$5.45m	\$1m p.a.	-\$0.10
Sydney Water meets leakage plan	\$8.45m	\$1.68m p.a.	-\$0.20
If leakage is 1% higher	\$11.56m	\$2.3m p.a.	-\$0.20
If leakage is 5% higher	\$24.53m	\$4.9m p.a.	-\$0.40
If leakage is 10% higher	\$59m	\$11.8m p.a.	-\$1.10
If leakage is 15% higher	\$250m	\$50m p.a.	-\$4.50

Figure 17. Slide content from customer panel – Demonstrating the bill impact of a River Health Customer Commitment under different performance scenarios

Overview of this river health customer commitment

Scenario	Scenario Description	How The Customer Commitment is calculated	Bill impact (annual)
Sydney Water exceeds the target	<ul style="list-style-type: none"> Sydney Water invests an <i>extra</i> \$7m p.a. between 2025-2030 They reduce nutrients in the Hawkesbury Nepean River by 3% by 2030 	Sydney Water is rewarded \$12/Customer per year. This totals a \$60/customer in value for 2025-2030. As Sydney Water bears 20% of the extra \$35m spent, \$7m is deducted from the net reward.	\$11.37 per year bill increase
Sydney Water slightly beats the target	<ul style="list-style-type: none"> Sydney Water invests an <i>extra</i> \$3.5m p.a. between 2025-2030 Nutrient pollution reduces by 1.5% by 2030 	Sydney Water is rewarded \$6/Customer per year. This totals a \$30/customer in value for 2025-2030. As Sydney Water bears 20% of the \$17.5m spent, \$3.5m is deducted from the net reward.	\$5.69 per year bill increase
Sydney Water misses the target	<ul style="list-style-type: none"> Sydney Water invests an <i>extra</i> \$3.5m p.a. between 2025-30 However nutrient pollution increases by 1.5% by 2030 	Sydney Water is penalized \$15/Customer per year. This totals a \$75/customer in value for 2025-2030. Sydney Water also bears 20% of the \$17.5m spent, \$3.5m is added to the net penalty.	\$15.32 per year bill decrease

Figure 18. Slide content from customer panel – Estimating the customer value of a River Health Customer Commitment

Estimating customer value

Number of additional sites improved	Annual willingness to pay (customers' value)	Adjusted for Hawkesbury (25% of sites and people served)
40 sites (baseline budgeted activity)	\$0 (baseline)	\$0 (baseline)
40 extra sites	\$25	10 extra sites, \$6.25 value
80 extra sites	\$50	20 extra sites, \$12.50 value
If performance is worse than planned	Annual compensation sought by customers for loss of value	Adjusted for Hawkesbury Nepean
No sites improved (ie, 40 sites less than baseline)	-\$60	10 sites less than baseline, -\$15 of value

6.3 The L-scale: Love it, Like it, Live with it & Loathe it

Initial voting revealed that customers were accepting of both Customer Commitments. Customers loved, liked or could live with the idea of a potential customer-led target for Sydney Water for both River Health and Water Leakage. L-scale results for the River Health Customer Commitment show that only 13% loathed it, similarly only 15% loathed the Water Leakage Customer Commitment.

Table 12. L-scale results for River Health and Water Leakage Customer Commitments

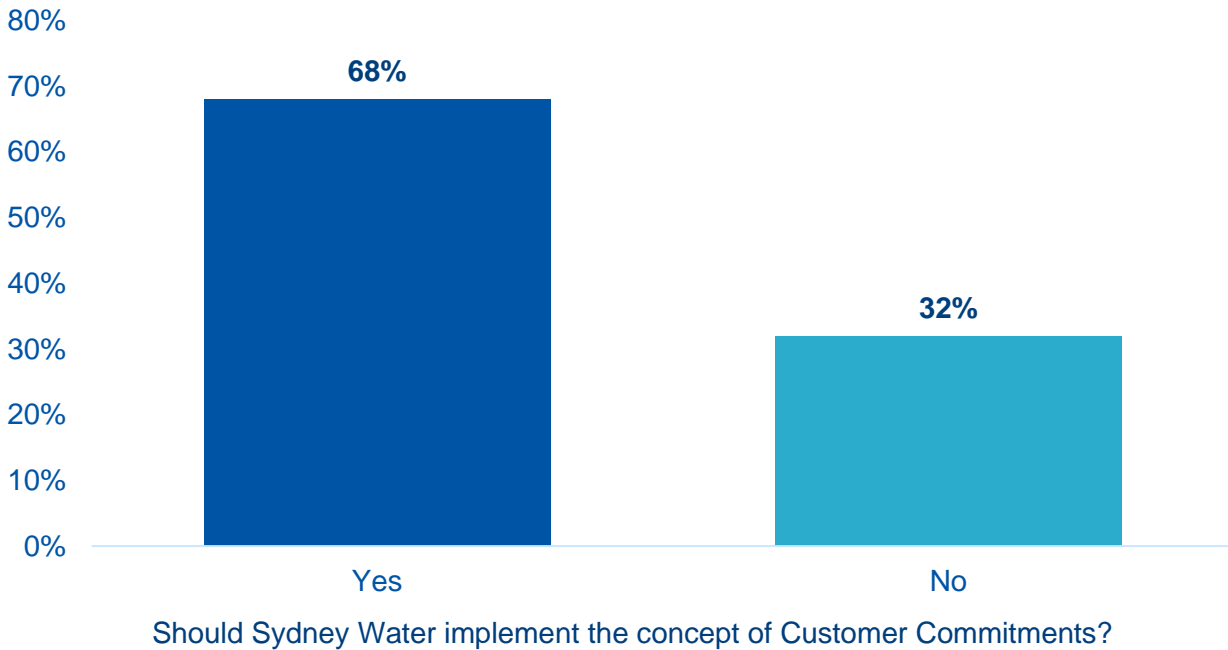
Customer Commitment	Loathe it	Live with it	Like it	Love it	NETT: Live with, Like, Love it
River Health	13%	33%	35%	20%	88%
Water Leakage	15%	34%	36%	15%	85%

Base size: All respondents on Phase 6 on Day 3 (n=48). Note: Not all figures add to 100% due to rounding.

Customers were then asked to answer binary yes/no choice questions around whether they support the use of Customer Commitments. The majority of customers (68%) were in favour of implementing Customer Commitments as part of Sydney Water's strategy. In addition, when asked whether it was something that should be pursued, 78% of customers indicated that Sydney Water

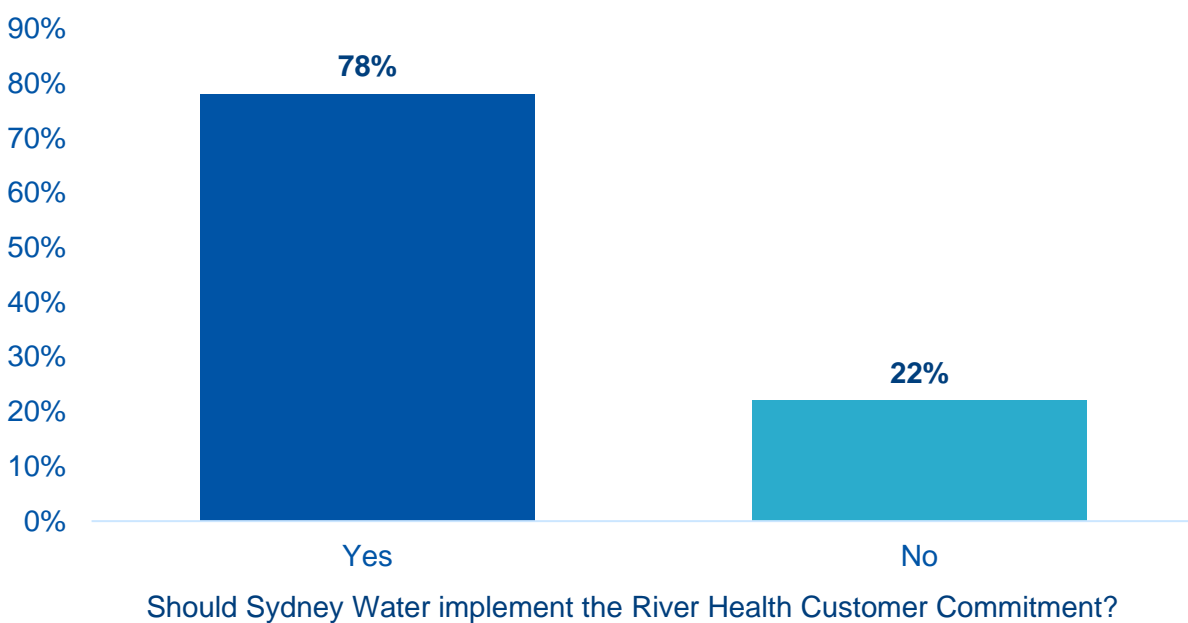
should implement a River Health Customer Commitment and 70% believe they should implement a Water Leakage Customer Commitment.

Figure 19. Results of binary choice on whether Customer Commitments should be implemented in Greater Sydney



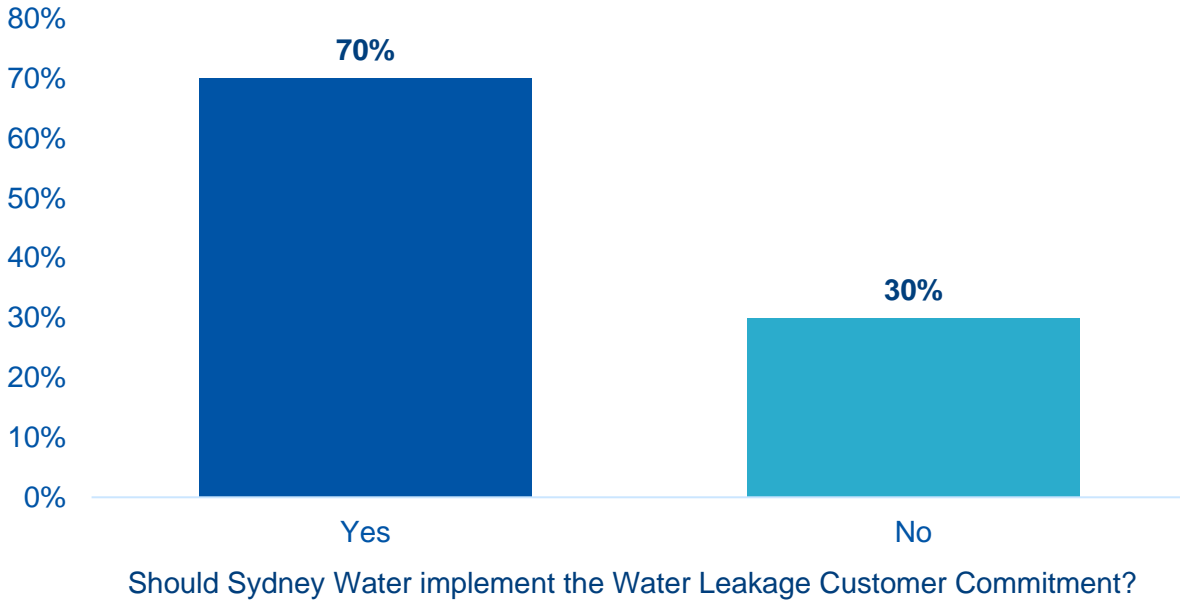
Base size: All respondents on Phase 6 on Day 3 (n=48).

Figure 20. Results of binary choice of whether River Health Customer Commitment should be implemented



Base size: All respondents on Phase 6 on Day 3 (n=48).

Figure 21. Results of binary choice of whether Water Leakage Customer Commitment should be implemented



Base size: All respondents on Phase 6 on Day 3 (n=48).



6.4 Applying fairness to Customer Commitments

A potential Customer Commitment around Water Leakage

Sydney Water commits to reduce Water Leakage to 106 ML/d by 2028-29

Customers reacted positively to the proposition of Sydney Water committing to reduce Water Leakage to 106 ML/d by 2028-29. They highly valued leakage prevention and conservation efforts, recognising the importance of minimising waste and felt it should be a priority for Sydney Water. While there was reluctance to increase water prices, customers were generally supportive of the commitment and accepted the practicality of setting achievable targets. Transparency in Sydney Water's actions and strategies for leakage reduction was important to customers, along with their willingness to accept a tolerance band for the target. The consideration of penalties and rewards also influenced customer support for the commitment, as they believed it would incentivise Sydney Water to meet or exceed the target.

While some customers acknowledged that the current price of water might be too low or undervalued, there was a reluctance to support an increase in the per-kilolitre price of water. Customers were mindful of the impact on their bills and preferred to explore other avenues to achieve leakage reduction, without directly impacting their water costs.

The setting of a Water Leakage target was generally tolerable for most customers. While there were some who believed that all water should be saved regardless of cost, the majority recognised the practicality of setting achievable targets. Customers understood that achieving perfect water conservation might not be feasible and accepted the proposed leakage reduction goal as a reasonable objective.

Some customers expressed a desire for more information on the specific activities and strategies that would enable Sydney Water to achieve good levels of leakage performance. They wanted clarity on the steps Sydney Water would take to meet the commitment, including investments in infrastructure, maintenance practices, and leak detection technologies. Customers believed that transparency in these efforts would build trust and confidence in the commitment.

Most largely accepted the proposed 15% tolerance band for the leakage target. They recognised the range of variables that are out of Sydney Water's direct control, such as weather conditions and aging infrastructure. The tolerance band was seen as a practical measure to account for these factors while still maintaining accountability for leakage reduction.

Customers also recognised that the dollar value of the penalty to Sydney Water for under-performance was greater than the reward for over-performance. This understanding influenced their willingness to support the Water Leakage Customer Commitment – they believed that the potential penalties provided a strong incentive for Sydney Water to meet or exceed the target, ensuring accountability and commitment to leakage reduction.



A potential Customer Commitment around River Health through fairness

Sydney Water could spend an extra 2% on environmental improvements, to reduce nitrogen pollution by about 3%, through 20 restored riverbank sites and through saving over 22,000 tonnes of sediment.

Customers overwhelmingly supported the proposition of Sydney Water spending an extra 2% on environmental improvements to benefit River Health. They saw this commitment as essential for the greater good, with benefits extending to the environment, community, and ecosystem. Contributing towards this through their water bills was seen as worthwhile and some customers even expressed a desire to participate in other ways (through volunteering activities, such as helping Sydney Water plant vegetation to support River Health). Those who initially had concerns sought more detailed information and clarity on the practical outcomes and benefits of the proposed improvements. They wanted to understand the specifics of the commitment and its tangible impact on River Health, pollution reduction, and environmental restoration.

They recognised the importance of protecting River Health and its broader benefits for the environment, community, and ecosystem. Customers viewed this commitment as a positive step towards preserving natural resources for future generations.

Customers consistently expressed an altruistic view of the potential Customer Commitment. They believed that improving River Health through environmental improvements would benefit the "greater good." Customers saw the proactive treatment of River Health as a commendable action that goes beyond legislative standards to benefit not only the health of rivers but also the adjacent flora and fauna, as well as community wellbeing.

Again, as mentioned above, customers were highly engaged in this Customer Commitment. This level of engagement demonstrates a strong sense of community involvement and support for initiatives that directly impact the local environment.

Note that not all customers were immediately on board with the commitment. Some customers, who were initially hesitant or loathed the commitment, expressed a need for more clarity on the statistics provided. They sought detailed information on what a 2% improvement in environmental outcomes and a 3% reduction in nitrogen pollution actually look like in practical terms. Customers wanted to understand the tangible outcomes and benefits of these improvements. They asked questions such as:

What does a 2% improvement in environmental improvements entail?

What does reducing nitrogen pollution by 3% achieve?

How does this translate into benefits for River Health, flora, fauna, and community wellbeing?

Customers, who sought more clarity, were looking for concrete examples and visualisations to understand the scale and impact of the proposed improvements. They wanted to know how the restoration of 20 riverbank sites and the saving of over 22,000 tonnes of sediment would contribute to overall River Health and environmental quality.

6.5 Homework task results: Customer sentiment and reflections on Customer Commitments

Customers were given a homework task at the end of Day 3. The following questions were asked and below are some of the free text responses provided.

Table 13. Day 3 homework verbatim examples

Homework Question	Responses
<p>On Day 3, we talked about Customer Commitment Performance Targets that Sydney Water could consider...</p> <p>1. Reflecting back on the day, what were some key points of discussion that were new or interesting to you?</p>	<p>“Sydney Water would be incentivised to provide the best possible service to customers. A good thing. And the price increase to achieve this is minimal to customers.” Residential customer Day 3 Homework</p>
	<p>“It was good to see that there are commitments that we as a community, and also Sydney Water as a brand, are willing or are considering to make to clean up our rivers and undo the harm caused to our environment. It will take years to get there but it’s a good start.” Residential customer Day 3 Homework</p>
	<p>“The idea of an exceeded KPI payment. It is a good incentive but the monitoring of it must be done and targets set well. Not just targets which are easily obtained.” Residential customer Day 3 Homework</p>
	<p>“Reward or penalty payments, I did not like the concept at all. Added to this, the reward or penalty would not be applied until the next 5 year period. Does not seem fair and difficult to administer.” Residential customer Day 3 Homework</p> <p>“Sydney Water wanting to give money back if not hitting the target. I would prefer they kept the under and overs and reinvest in the infrastructure.” Residential customer Day 3 Homework</p>
<p>On Day 3, we talked about Customer Commitment Performance Targets that Sydney Water could consider...</p> <p>2. Did anything surprise you or stick with you after the session? What was that and why do you think that might be?</p>	<p>“I was surprised that, after we’d spent the previous week discussing the importance of easy to understand and transparent bills, Sydney Water wanted to add this complex, opaque and confusing element which is completely out of the customers’ control but would potentially have a direct impact on bills. It seemed crazy!!” Residential customer Day 3 Homework</p>
	<p>“I’m really glad Sydney Water is investing in the area of leakage and our environment.” Residential customer Day 3 Homework</p> <p>“How much it might cost to implement and if the feedback and penalties are worth the effort in a single vendor market.” Residential customer Day 3 Homework</p>

<p>On Day 3, we talked about Customer Commitment Performance Targets that Sydney Water could consider...</p> <p>3. Did your views or preferences change throughout the day? If so, how?</p>	<p>“Yes, I could see benefits over the initial rejection of the idea. I did become a bit more supportive of the concept.”</p> <p>Residential customer Day 3 Homework</p> <p>“Not really, I still think the best part of being a non-government business is the ability to improve overtime baseline requirements which is generally done by encouraging over achievement.”</p> <p>Residential customer Day 3 Homework</p>
<p>4. On Day 3 we talked about two Customer Commitment Performance Targets – Water Leakage & River Health. What other Customer Commitment Performance Targets do you believe would be appropriate for consideration?</p>	<p>“I do find it strange that neither proposed Customer commitment performance target is Customer facing, and that needs to be addressed to something tangible like water pressure or other domestic performance measures as Water Loss and Nutrient Pollution are not customer facing or in any way reflective of a customer measured performance.”</p> <p>Residential customer Day 3 Homework</p> <p>“Best to focus on those two, rather than spreading themselves to thin. Once these two are operating well and exceeding customer expectations, then look for another.”</p> <p>Residential customer Day 3 Homework</p> <p>“Customer service and education on what should going to waste water e.g., down the sink... To stop the amount pollution going into our wastewater.”</p> <p>Residential customer Day 3 Homework</p>
<p>5. Why do you think this would be an appropriate Customer Commitment Performance Target?</p>	<p>“I think education could be one... It would save Sydney water a lot in services wages as people would be a lot more knowledgeable and also would work toward conservation more.”</p> <p>Residential customer Day 3 Homework</p> <p>How about sustainability? Recycling of waste water beyond a certain capacity ... Recycling of waste water is very important for the future generations. The way our population is growing, safe drinking water could be a challenge in future.”</p> <p>Residential customer Day 3 Homework</p>

Base size: Majority of respondents in Phase 6 (n=48).



7 Price controls

7.1 Context

The introductory information provided to customers about price controls aimed to give them a foundational understanding of why water prices change, how frequently these changes occur, and the factors driving these adjustments. Customers were also introduced to the impact of variations in water sales, reasons for these variations, and a simplified example illustrating how price controls work. This information was provided on Day 4 and was intended to facilitate discussions about Sydney Water's pricing structure and the mechanisms in place to ensure fairness and accountability in managing revenue variances.

A key objective of Day 4 was to understand how accepting customers were of different price control options. Overall, both a Revenue Cap and Price Cap are acceptable to customers, although a Revenue Cap is the clear preferred option if customers were to choose between the two. That being said, a Price Cap is currently the system that is in place and customers do not have a strong appetite to change from the status quo, even though they prefer a Revenue Cap. What this showcases is a degree of apathy about the choice. It also suggests that the level of importance and relevance customers place on this decision is low.

Customers were introduced to the reasons behind changes in prices, drawing parallels to changes in the prices of various bills or products over time. Examples were provided, such as the fluctuation in prices of fresh produce, fuel, electricity, and taxation. This introduction aimed to illustrate that, like many other goods and services, water prices also experience changes influenced by various factors.

Customers were informed about how frequently Sydney Water prices change. It was explained that Sydney Water prices are subject to adjustments annually and every five years as part of the Independent Pricing and Regulatory Tribunal (IPART) price-setting process. This process ensures that Sydney Water's pricing remains fair, transparent, and reflective of the costs and needs of the community.

The factors that drive changes in Sydney Water prices annually and every five years were outlined. Customers were informed about the considerations that influence these changes, including operating costs, annual changes to inflation, the use of the Sydney Desalination Plant and changes to expenses related to:

- Infrastructure maintenance and upgrades.
- Compliance with regulations.
- Investment in sustainability and resilience measures.

Customers were introduced to the concept of variations in water sales and their impact on Sydney Water bills. It was explained that, when actual water sales differ from the forecasted amount, it can

lead to either over or under collection of revenue by Sydney Water. This variance is managed through the use of "Price Controls."

Several factors influencing variations in water sales were highlighted:

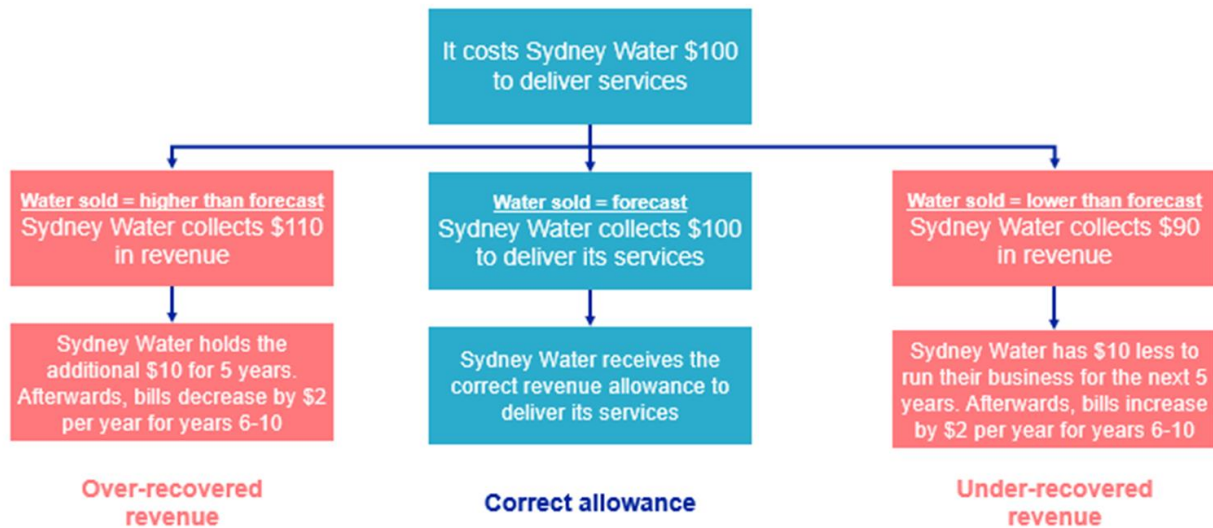
- Weather patterns affecting water demand (e.g., droughts, rainy seasons).
- Population growth leading to shifts in water usage.
- Implementation of water restrictions or conservation measures.
- Effects of significant events such as the COVID-19 pandemic on water consumption patterns.

Customers were provided with insights into how water sales in Greater Sydney have varied over time compared to what was originally forecasted. This historical perspective aimed to illustrate the dynamic nature of water demand and how it can deviate from initial projections.

7.1.1 Price control scenario

To help customers understand the concept of price controls, a simplified example was provided. This example aimed to demonstrate how price controls work, ensuring that any deviations from forecasted revenue are managed in a fair and transparent manner.

Figure 22. Slide content from customer panel – Price control scenario 'Suppose it costs Sydney Water \$100 to operate'



If there is an over-collection of \$10 (Sydney Water collected more revenue than expected), the price controls would dictate how this excess revenue is managed.

If the price control mechanism allows for this over-collection to be returned to customers, they might see a reduction in future bills.

Conversely, if there is an under-collection of \$10 (Sydney Water collected less revenue than expected), the price controls would similarly guide how this shortfall is addressed.

Customers were also informed that Sydney Water uses "Price Controls" to manage variances in the water sales forecast. Price controls set the rules for how prices change when Sydney Water collects more or less revenue than initially forecasted. This mechanism ensures that any over or under collection is managed in a systematic and accountable manner, providing transparency to customers.

7.1.2 Pricing control: Price cap

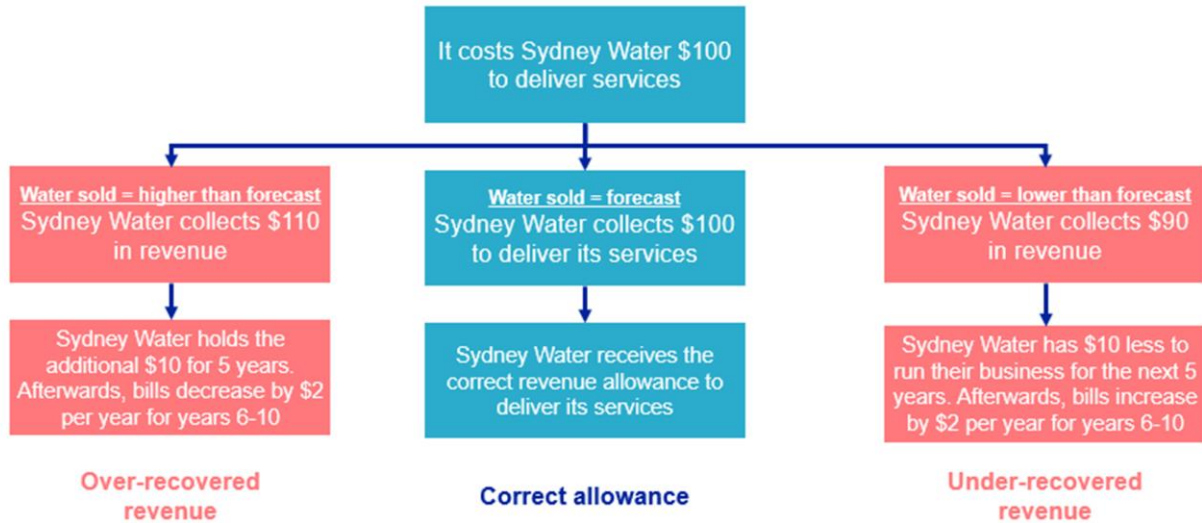
Customers were presented with introductory content in relation to a Price Cap. They were presented with the reasons customers might want Sydney Water to have a Price Cap (less frequent and larger changes over more frequent, smaller changes), and reasons other stakeholders might want Sydney Water to have a Price Cap.

Table 14. Summary of how a Price Cap will operate

Price Cap
What happens? Every five years water service charges increase/decrease based on the total variation over the previous five years
How often does the price change? Prices change every five years when IPART reviews Sydney Water's prices
How much does the price change? The price doesn't change in the short term. But this might mean a larger increase or decrease later on

The impact of over and under recovery on prices was provided by adjusting the scenario 'Suppose it costs Sydney Water \$100 to operate' (see below).

Figure 23. Slide content from customer panel – Price control scenario under a Price Cap ‘Suppose it costs Sydney Water \$100 to operate’



7.1.3 Pricing control: Revenue cap

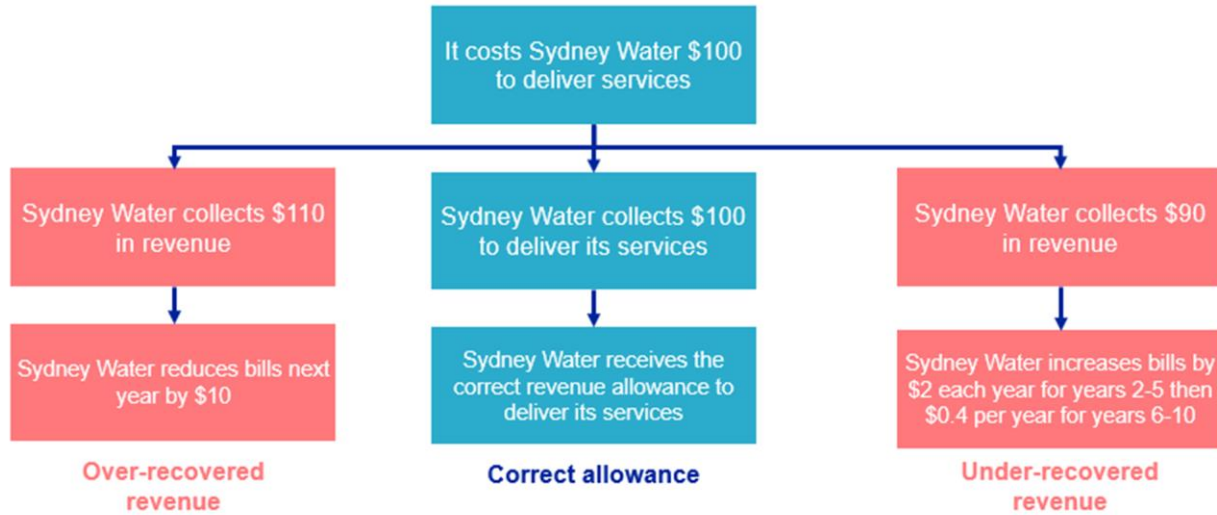
Customers were presented with introductory content in relation to a Revenue Cap. They were presented with reasons customers might want Sydney Water to have a Revenue Cap (frequent and smaller changes over less frequent, larger changes), and reasons other stakeholders might want Sydney Water to have a Revenue Cap.

Table 15. Summary of how a Revenue Cap will operate

Revenue Cap
What happens? Prices change annually based on water sales.
How often does the price change? Prices change year on year.
How much does the price change? The price can increase by up to 2% more every year. The price can decrease to return the entire over-recovered amount

The impact of over recovery on prices, including how the 2% cap works was provided by adjusting the scenario ‘Suppose it costs Sydney Water \$100 to operate’ (see below).

Figure 24. Slide content from customer panel – Price control scenario under a Revenue Cap
 ‘Suppose it costs Sydney Water \$100 to operate’



7.2 The L-scale: Love it, Like it, Live with it & Loathe it

Based on the L-scale, customers were accepting of either a Price Cap or Revenue Cap for the next regulatory period. As shown below, nearly all customers (96%) loved, liked or could live with a Price Cap and 90% loved, liked or could live with a Revenue Cap. Customers tended to feel more strongly about a Revenue Cap, with a higher proportion liking or loving it (54% Revenue Cap vs 32% Price Cap).

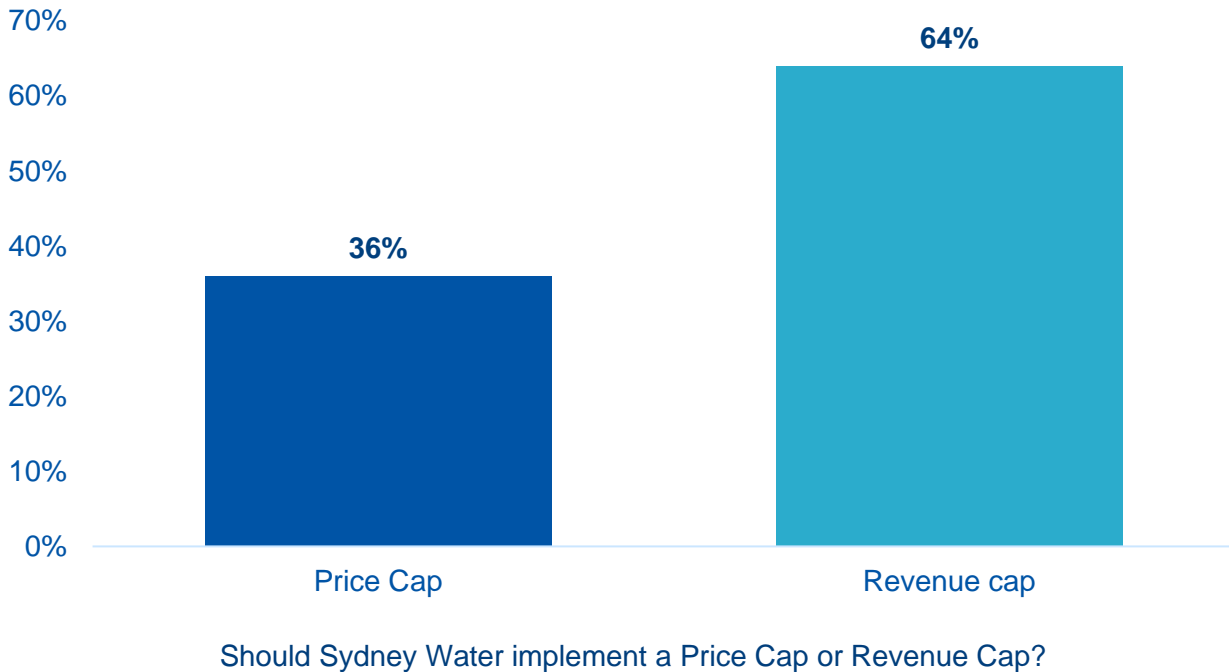
Table 16. L-scale results for Price Cap and Revenue Cap

Price Control	Loathe it	Live with it	Like it	Love it	NETT: Live with, Like, Love it
Price Cap	4%	64%	28%	4%	96%
Revenue Cap	10%	36%	36%	18%	90%

Base size: All respondents on Phase 6 on Day 4 (n=50). Note: Not all figures add to 100% due to rounding.

Customers were also asked to select their preference between a Revenue Cap and a Price Cap. Customers were asked this as a binary choice question which followed the L-scale vote. Two thirds (64%) preferred the Revenue Cap option over the Price Cap (36%).

Figure 25. Results of binary choice between customers preference for a Price Cap or a Revenue Cap



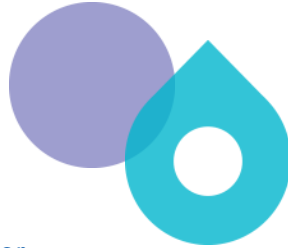

Base size: All respondents on Phase 6 on Day 4 (n=50).

The acceptance of a Price Cap, despite it not being their preferred choice, stemmed from the fact that any over-recovery would be addressed in the following regulatory period, and this provided a sense of assurance for customers.

There was nothing particularly compelling or alarming about the Price Cap option. Customers understood that it could provide a mechanism to manage revenue variances without causing significant disruptions to pricing. Overall, the Revenue Cap option was still preferred.

Customers widely recognised the benefits of a Revenue Cap over a Price Cap, seeing it as a more favourable option for several reasons:

- **Fairness and speed:** A Revenue Cap was perceived to offer increased benefits in terms of fairness, speed, protections, and transparency compared to a Price Cap.
- **Desire for more frequent adjustments due to deviations in forecasting:** Customers appreciated that a Revenue Cap aligns with the desire for more frequent forecasting. This was seen as supporting increased accuracy and minimising the likelihood of larger over or under-recoveries.
- **Service quality:** Customers also perceived that a Revenue Cap could mitigate potential risks to service quality. Under a Price Cap, if there is under-recovery over multiple years, there may be more significant consequences for the service guarantee.



The approach of a Revenue Cap was viewed as providing a more balanced outcome for customers, with benefits such as returning over-recovery to customers and spreading under-recovery within a 2% cap.

Some concerns included potential impacts on stability, the complexity of a Revenue Cap compared to a Price Cap, and considerations about administration costs. However, overall, customers saw a Revenue Cap as a positive step towards more equitable and predictable pricing.

7.3 Customer preferences

7.3.1 Customer reactions to price control scenario: variations in water sales

Customers expressed initial challenges in understanding how fluctuations in water sales could impact customer prices. Despite the explanation that customers pay the same total amount over a 10-year period, some found it counterintuitive and questioned why they might have to pay more for using less water. They expected that any excess revenue from over-recovery should benefit customers through bill reductions or be saved to offset future price increases.

While they were accustomed to prices of everyday products and services fluctuating due to factors like supply chain costs, labour costs, inflation, and sometimes greed, the concept of water sales impacting prices was less intuitive for some.

Despite being informed that customers pay the same total amount over a 10-year period, some customers still struggled to grasp the concept. They found it counterintuitive that, if Sydney Water sold less water than forecasted, customers might have to pay more. This confusion stemmed from the disconnect between the desired water-saving behaviours customers valued highly and the potential impact on prices.

“We're not going get anything if they're doing well, but if they're doing badly, we're going to pay the price for it.”

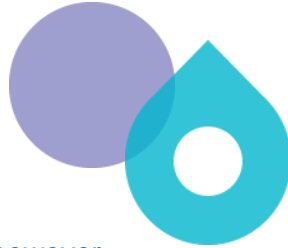

Residential customer | Day 4

“Why are we being punished for using less water?”

Residential customer | Day 4

Customers were familiar with the notion that Sydney Water has a fixed amount of revenue it can collect. Therefore, in the event of over-recovery (Sydney Water collecting more revenue than forecasted), customers expected that this excess amount should be managed in one of two ways:

- **Returned to Customers:** Some customers believed that any excess revenue should be returned to them through a reduction in their bills. They saw this as a fair way to benefit customers when Sydney Water's revenue exceeds expectations.
- **Saved in an "Offset Account":** Others suggested that excess revenue should be saved in a separate "offset account." This account would serve as a reserve to cover periods of under-recovery, ensuring that customers do not face price increases during times when Sydney Water sells less water than expected.



In short, customers felt that over-recovery should be saved or returned to customers, however, being charged more in the event of under-recovery felt 'counterintuitive' to customers.

7.3.2 Customer reactions to price control scenario: stability and volatility

During Day 4 and throughout the four days, customers often expressed that they value stability and predictability in pricing, particularly in the current economic climate.

However, concerns were raised about the five-year forecasting period, with worries about accuracy and delayed adjustments. Many customers expressed a desire for more regular reviews to ensure accurate pricing and the timely passing on of savings to customers. There were concerns that delayed adjustments might not effectively incentivise water conservation, which is a priority for many customers.

Some customers appreciated knowing that prices would not change frequently, as it provided a level of stability and predictability in their budgeting. The current method of less frequent adjustments was seen as beneficial, particularly in the context of the current economic challenges.

However, for many other customers, there were concerns regarding the five-year period for two main reasons:

- Forecasting over a five-year period was considered a lengthy timeframe. Some customers expressed concerns that such a long period might lead to decreased accuracy in predicting water demand.

While less frequent reviews were seen as advantageous for customers in terms of lower administration costs, there were concerns that the accuracy of forecasts might be compromised, compared to more regular reviews.

- Customers felt that waiting five years for price adjustments, especially if it resulted in a decrease in prices due to over-recovery, could diminish the benefits.

Although customers appreciated the prospect of reductions in prices, they raised concerns that when adjustments are made every five years, in conjunction with the wider IPART price review process, the benefit might be diluted among other price increases related to investment areas or changes in service levels.

Some customers expressed that waiting for five years to see price adjustments, especially if it results in lower bills due to over-recovery, might not fully benefit them in the immediate term.

Concerns were raised that the benefits of reduced prices might be offset by other increases, potentially resulting in minimal net benefit to customers.

Many customers believed that more regular forecasting and returning over-recovery would not only improve accuracy in pricing, but also ensure that these savings are passed on to customers.

7.3.3 Customer reactions to a price cap

Customers generally felt comfortable and accepting of the concept of a Price Cap, valuing the stability and predictability it offers. There was a neutral or accepting sentiment towards a Price Cap, with a majority (64%) indicating they could 'live with' this approach.

Concerns were raised about the lengthy five-year timeframe, fairness considerations for new customers, and the potential impact on service levels. Customers emphasised the importance of maintaining service guarantees and avoiding compromises on proactive works or Customer Commitments.

There were also discussions about the use of over-recovery, with some questioning whether it should be returned to customers or held to cover future periods of under-recovery.

Many customers expressed a sense of comfort with the current state of pricing, adopting a mentality of 'if it ain't broke, don't fix it.' Previous price adjustments have largely gone unnoticed by customers, and they value the predictability and stability that a Price Cap offers. There was a prevailing sentiment of contentment with the current system, with customers appreciating the stability and lack of significant fluctuations in pricing.

Despite the overall acceptance, some considerations and concerns were raised by customers regarding a Price Cap:

- **Lengthy Timeframe** The five-year period associated with a Price Cap was seen as a long timeframe, both for forecasting and for holding on to revenue in the case of over-recovery. Customers expressed concerns about the effectiveness of forecasting over such a prolonged period, as well as the implications of holding excess revenue for an extended period.
- **Fairness Considerations** Some customers raised fairness considerations, particularly regarding individuals who leave or enter Sydney during the five-year regulatory period.

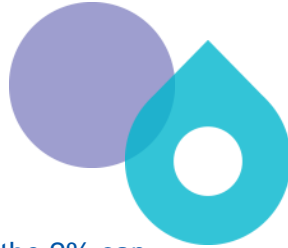

Customers were keen to ensure that a Price Cap would not compromise service levels or performance. There was overwhelming lack of support towards the idea of halting or reprioritising proactive works or compromising on Customer Commitments.

Customers also expressed a strong desire to maintain the service guarantee without any compromises, as they recognised the importance of consistent and reliable service.

Some customers questioned whether over-recovery needed to be returned to customers or if it could be held to cover or smooth out future periods of under-recovery. This raised discussions about the most effective and fair way to manage revenue variances, with some suggesting that holding onto excess revenue could provide stability in the long term.

7.3.4 Customer reactions to a revenue cap

Overall customers felt that there were several benefits offered by a Revenue Cap. Firstly, any over-recovery under a Revenue Cap is returned to customers in the following year, providing a direct benefit if Sydney Water collects more revenue than forecasted. Additionally, customers



considered it a protection against under-recovery, as any shortfall is spread out within the 2% cap. This additional layer of protection was seen by customers to avoid sudden and significant bill increases due to under-recoveries.

Another advantage was seen in the equitable nature of annual adjustments under a Revenue Cap. These adjustments may be smaller and fairer, aligning closely with the 'user pays' principle. This means that the impact of sales variations is experienced in the following year, offering customers a more predictable approach to their bills.

Customers also perceived that a Revenue Cap could mitigate potential risks to service quality. Under a Price Cap, if there is under-recovery over multiple years, there may be more significant consequences for the service guarantee. The Revenue Cap approach provides a safeguard against this, ensuring service quality remains consistent.

However, customers did express some concerns and considerations regarding a Revenue Cap. Some customers were concerned about the stability impacts, questioning whether annual changes to bills might affect perceptions of stability and predictability. Despite this, many agreed they would likely not notice a significant impact on their bills if there were annual adjustments.

Additionally, customers recognised that a Revenue Cap might introduce more complexity compared to a Price Cap. There was a general understanding that this pricing control mechanism could be more intricate.



Finally, there were concerns about potential administration costs associated with a Revenue Cap. Customers were mindful of whether these additional costs would be passed on to them, highlighting the importance of transparency and clarity in pricing structures.

7.4 Applying the concept of fairness to price controls

The expectations of customers regarding price controls were multifaceted, emphasising the need for transparent communication, fair revenue management, and pricing structures that align with conservation values, while ensuring affordability. The desire for fairness and transparency in revenue management emerged as a paramount concern among Sydney Water's customer base. Customers emphasised the necessity for clear mechanisms ensuring that deviations from forecasted revenue are addressed in manners that benefit them or mitigate future price increases. Additionally, customers advocated for alignment between Sydney Water's pricing structure and water conservation values, expressing concerns that the current approach may not incentivise conservation adequately. Amidst economic uncertainties, affordability remains a top priority, with customers valuing stability and predictability in pricing.

Desire for fairness and transparency

Customers emphasised the importance of fairness and transparency in revenue management. They expected Sydney Water to have clear mechanisms in place to ensure that any deviations from forecasted revenue are handled in a manner that benefits customers or safeguards against future price increases.



As described above, some customers questioned whether over-recovery needed to be returned to customers or if it could be held to cover or smooth out future periods of under-recovery. This raised discussions about the most effective and fair way to manage revenue variances, with some suggesting that holding onto excess revenue could provide stability in the long term.

Fairness was also considered in terms of customers having to pay for, or benefit from, the behaviours of others in the previous regulatory period, especially if they were not part of the customer base during that time. Others felt strongly that water was an essential service not a commodity and this level of transaction was impossible to administer and should not be a consideration of why a pricing control should be chosen.

Alignment with Water Conservation Values

Customers highlighted that Sydney Water actively encourages water-saving behaviours through its communications and campaigns. Therefore, they found it contradictory that using less water could potentially lead to higher prices. They valued water conservation highly and expected Sydney Water's pricing structure to align with these values.

Customers also expressed concerns that the price control process, especially waiting five years for adjustments, might not incentivise water conservation.

Some customers felt that the current approach could be 'counterintuitive' to saving water, as there was a belief that delayed adjustments might not encourage customers to use less water if they know prices will not change for a significant period.

Affordability

In the current economic climate, with significant cost-of-living pressures, customers placed a strong value on price stability. Many customers found comfort in the knowledge that prices would remain steady for the time being, with changes expected in the next regulatory period. This stability and predictability in pricing were viewed as crucial, as affordability emerged as a top concern among customers. The current method, which offers stable pricing, was seen as advantageous and provided a sense of security for customers.

There was also a sentiment that waiting for five years to adjust prices, particularly if there are potential savings to be passed on to customers, might not align with customer expectations for timely and responsive pricing.

Overall, customers expected a system where:

- Excess revenue from over-recovery is either returned to customers or saved for future use.
- Price adjustments are transparent and align with water conservation goals.
- Sydney Water communicates clearly about how revenue variances are managed and how it impacts customer bills.

8 Glossary and bibliography

8.1 Glossary

The following table provides a reference point for acronyms used throughout this report.

Table 17. Glossary

Acronym	Descriptor
CALD	Culturally and Linguistically Diverse.
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.
Fairness windows	A set of customer-informed considerations created from Phase 5 windows at the centre of decision-making.
Customer Commitments	Customer-led performance targets, also known as Outcome Delivery Incentives (ODIs)
L-Scale	A 4-point scale that is used to understand the degree of acceptance of an option. Scale point descriptors all start with 'L' and include: Love, Like, Live with or Loathe