

Appendix B

Customers shaping
the future

While keeping prices low and stable is important to our customers, they would like to see service improvements where they are willing to pay for them.

In response to feedback from our customers, we are planning to spend \$1.8 billion in infrastructure expenditure, \$143 million on information technology infrastructure and \$1.8 billion in operating expenditure to:

- improve the taste of our water and provide safe, clean drinking water for all customers, regardless of where they live
- improve the taste of metropolitan Adelaide's drinking water for residents, businesses and visitors
- minimise service interruptions and better communicate with our customers when temporary service interruptions occur
- provide great customer experiences through investments in technology that enable our people to provide a personalised service, offer customers more ways to engage with us digitally, and provide more information when customers want it
- reduce our environmental impact by increasing the recycled water services we offer for South Australian home owners and businesses
- support the South Australian economy by developing fit-for-purpose services and growing skills and jobs in the state.

We will deliver these outcomes for customers while decreasing prices for the average Adelaide customer by \$26 a year.

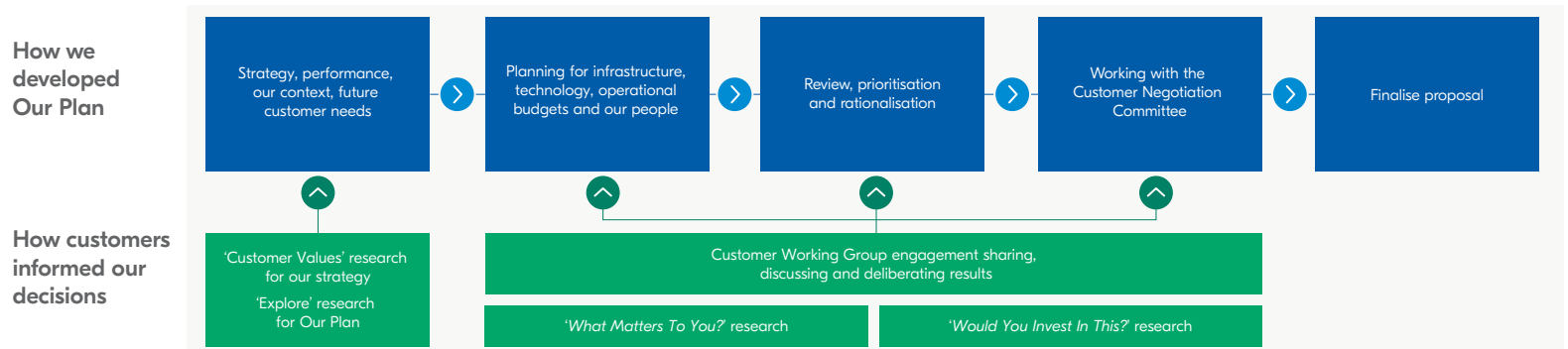
Balancing price and service

Our customer engagement program for Our Plan, detailed in Appendix C, ensured our business planning and expenditure proposal for 2020-24 aligns with what our customers value and expect from our services. Engaging with customers ensured we:

- understand what they value most about their water and sewerage services
- developed a new strategy based on what our customers value
- aligned our business planning, activities and expenditure to achieve our customer-centred strategy
- tested what customers were willing to pay for initiatives developed to deliver what they told us they value.

Using data from this process, we drafted Our Plan, discussed our proposals with the Customer Negotiation Committee and finalised the plan for ESCOSA's review. These steps are shown in Figure B.1. The integrated planning process is discussed in more detail below.

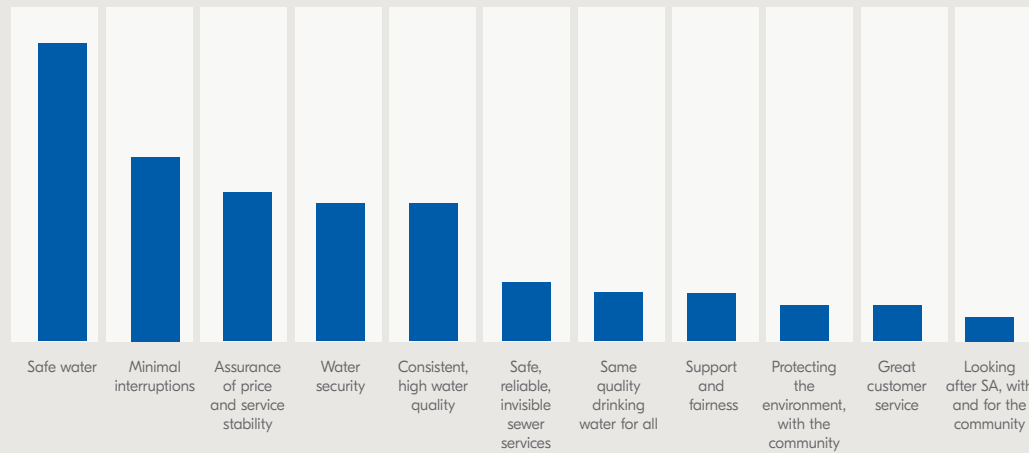
Figure B.1: Planning process



Forming our strategy and direction

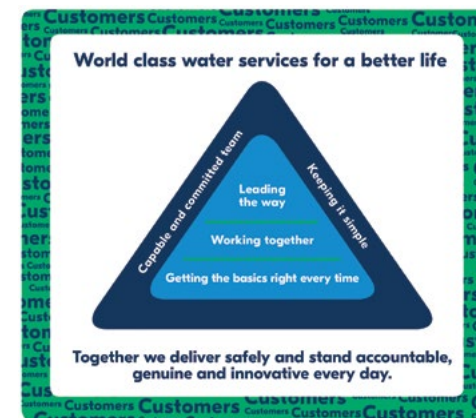
Through a range of research and engagement activities in 2016 and 2017, we collected feedback from our customers and stakeholders. This feedback gave us the top 11 outcomes our customers value which we then used to design our new strategy. The 11 are set out in order of importance in Figure B.2. Common themes were identified and then grouped together to guide our business planning.

Figure B.2: What is most important to our customers (2016-17 research)



Our customer focused strategy guides our decision making and prioritises the work we do to provide world class water services for a better life in South Australia.

Figure B.3: Our customer focused strategy



Getting the basics right every time is fundamental and the first thing we aim to get right for our customers.

Getting the basics right every time for our customers means:

- meeting regulated public health and environmental responsibilities
- providing responsive, reliable and dependable services, including water security
- being responsible custodians of water resources and build assets for future generations
- ensuring supplied water quality is consistently good, and improving aesthetics
- making the right decisions that keep prices as low and as stable as possible over time
- being financially viable by adapting to our competitive environment ensuring our sustainability for the long-term.

Working together with customers, regulators and stakeholders is key to delivering services our customers value.

This element of our strategy guides the support and customer service we provide as well as our environmental role by:

- working together as a team with and for our community
- understanding our customers, engaging with them about what is happening and focusing on solving their concerns and problems
- providing proactive services and communications tailored to customers' differing needs
- working together with our regulators and stakeholders to be the water utility our community expects
- taking steps to care for the environment by reducing wastage and providing efficient water practices education.

By leading the way, we build customer confidence through the use of innovation and technology, as well as being prepared to respond as our customers and world evolve.

Through this work, customers will experience services that represent excellent value. This is driving us to:

- develop innovative solutions to address customers' issues now and into the future
- use smart technology to achieve better outcomes for customers and be 'smart water' leaders internationally
- contribute to the South Australian community, by supporting state development initiatives
- continually seeking to improve what we do and how we do it.

As we strive to deliver these three elements of our business strategy, we promise to do this by keeping things simple and ensuring we have a capable and committed team dedicated to our values. Our people deliver safely and stand accountable, genuine and innovative every day as they implement our strategy and respond to what is important to our customers. This means we:

- keep ourselves and the community safe
- make it easy for our customers by using simple processes
- continually seek efficiencies and optimise how we operate and sustain assets
- have processes that support our people and our culture to achieve great customer outcomes
- have a customer led management system to drive performance
- live our values in our actions and behaviours
- build a high performing culture that delivers excellence for customers
- engage a diverse, collaborative and capable workforce to deliver into the future.

Developing Our Plan

In addition to focusing our efforts on what customers value most and want from us, we meet various legal and regulatory requirements, and manage challenges and opportunities that arise. Our business planning process is designed to capture these critical yet different elements.

The process also ensures we meet mandated responsibilities, while enabling us to think, plan, improve and act to balance service, cost and risk now and over the long-term. This includes infrastructure, technology, operational budgets and workforce planning.

To integrate outcomes from our customer engagement and enable understanding in our business of what our customers expect and value from us, steps were taken during our planning and budgeting processes, including external economic regulatory processes, as detailed in figure B.2.

Understanding our future

Using our business strategy, customer research and megatrends, we explored what the world may look like through to 2028, helping us prioritise what we need to deliver to meet customer expectations while keeping prices as low and stable as possible. This process also informed what we could reduce or stop doing to lower costs.

In looking ahead 10 years, we built our understanding of what is happening globally, and external factors such as competition that would affect our costs and the way we do business.

Significant changes in our external context are already impacting our business and include:

- **Empowered customers** with a ready ability to build communities and share experiences using social media, coupled with the expectation we will tailor communications and solutions to meet their individual needs.
- The influence of the **emerging generations of customers**, who already comprise a significant proportion of the workforce and closely scrutinise our social responsibility, environmental stewardship and economic management, and seek more flexible employment models.
- Growing **urbanisation**, including urban infill, satellite cities and sea or tree change locations, stretching our infrastructure networks and increasing the value our customers place on liveability.
- **A larger and more diverse South Australian population**, living longer and with greater cultural diversity, expecting us to keep prices as low and stable as possible over time.
- **Economic connectivity**, opening our markets to competitors and enabling local businesses to export more products, such as food, to serve the growing global middle class.
- **New technologies**, enabling us to develop new products and services to facilitate more flexible, collaborative and mobile ways of working, and to make our assets smarter.
- The influence of **climate change and variability**, and increasing frequency of extreme weather events, putting pressure on the availability and quality of source water, and working conditions for our people in the field.
- Rapid growth in the use of **data and analytics**, providing us with more powerful tools for understanding our customers and managing our business.

In addition to our ongoing customer research program that feeds into our decision making, we conducted bespoke engagement activities. These addressed particular research needs for the regulatory determination process, such as the service level expectations for 2020-24, as detailed in Figure B.4.

This has allowed us to develop a long-term plan of the capabilities we require to continue to provide the services our customers want.

Figure B.4: Customer research program

ONGOING	Brand health and perceptions research	<ul style="list-style-type: none"> • Customer survey • 1,600 customers per year • Twice weekly data collection 	<ul style="list-style-type: none"> • Residential and business, regional and metropolitan, customer segments
	Customer experience tracking	<ul style="list-style-type: none"> • Phone, online and paper surveys • 12,000+ customers per year • Daily measurement 	
PROJECT SPECIFIC	Our Plan engagement	<ul style="list-style-type: none"> • Community engagement • Stakeholder engagement • Customer surveys 	<ul style="list-style-type: none"> • Customer workshops and focus groups • Willingness to pay study
	Targeted customer research	<ul style="list-style-type: none"> • Customer journey mapping • In-depth interviews • Customer surveys 	<ul style="list-style-type: none"> • Customer workshops and focus groups • Third party research
	External research	<ul style="list-style-type: none"> • Market sizing 	

Identifying investments

With a clear sense of the future, we identified what we need to work on to build capability and keep delivering the outcomes important to our customers. These include investments in initiatives grouped by five expenditure categories:

- 1 Meeting external responsibilities** – these are the costs of meeting all our legal and regulatory requirements, including compliance for drinking water quality, protecting the environment, safety and many others.
- 2 Investing to sustain reliable water and sewerage services** – maintaining the level of service customers currently receive. This includes operating and maintaining current infrastructure, replacing it when necessary, providing an experienced Adelaide-based Customer Care Centre to answer phone calls and field-based crews able to attend and restore temporary service interruptions.
- 3 Improving to deliver better experiences for our customers** – where customers have told us it is important to them for improvements to be made, and they are willing to pay for them. This includes enhancements to water quality for people currently receiving a non-drinking water supply, improvements to the taste, odour and physical properties of our water, and extending our community support model to customers in regional areas.
- 4 Expanding to enable positive growth and change** – these are the costs associated with servicing new water and sewerage customers or increasing the services available to existing customers.
- 5 Investing in efficiency** – these are investments that will deliver savings and reduce the cost to deliver services to our customers.

In developing business cases, we set out:

- how the investment will help us achieve our strategy
- how the investment will deliver what our customers value and are willing to pay for
- the impact on our risk profile
- the price impact for customers.

Prioritisation and rationalisation

Having established our most efficient cost base, the initiatives were prioritised and rationalised to ensure we are meeting customer service expectations while minimising the impact on prices. From this process, we produced our draft expenditure plan for 2020-24.

Governance

Our expenditure proposals were subject to rigorous review and governance during the prioritisation and rationalisation process.

Expert review

The first level of governance was a review by experts most experienced in each type of expenditure: infrastructure, technology, operating costs and people. In addition, experts represented the values and needs of our customers, regulatory requirements and finance. This team assessed submissions from the business for:

- 1 Prudence** – do we need to do this and spend this money?
- 2 Efficiency** – are we proposing the best way possible to achieve this outcome? Is it the best value for money for our customers?

Our asset managers and asset planners submitted their proposed expenditure to the Asset Planning Steering Group which consisted of experts from specialist areas across the business:

- Asset Management
- Strategy and Innovation
- Regulation
- Customer Experience
- Finance
- Wastewater Expertise, Environment and Research
- Water Expertise
- Production and Treatment
- Capital Delivery
- Customer Field Services
- Audit and Risk.

This group reviewed the need for all expenditure including the impact on customers, such as whether it would meet our legal and regulatory requirements, help us deliver our strategy, and if it was the best way to achieve the outcome sought.

Our people, with support from their information technology business partners submitted proposed expenditure for each component to the Information Technology Governance Committee.

With an understanding of technology needs and the way they can be met, members of this committee understood how data is transforming businesses and driving down operating costs while improving customer experiences. This committee consisted of specialists from:

- Information Technology
- Technical and Commercial Operations
- Communications
- Digital Transformation
- Strategy and Innovation
- Data and Information
- Business Improvement
- Asset Management
- Finance.

The Information Technology Governance Committee reviewed the need for all expenditure, paying careful attention to the problems we are aiming to solve for customers (such as making our operations easier, and delivering better outcomes at a lower cost) and whether there was a better or more cost effective, non-technology solution.

Our senior managers, supported by finance and broader specialists, submitted proposed operating expenditure to our Financial Planning and Investment team. This specialist finance team reviewed the need for the proposed expenditure and applied their expertise to determine if each proposal was the best way to achieve the sought outcome. Where they thought the operating need could be achieved more efficiently with new assets, equipment or technology, this was referred back to Assets or Information Technology. Where decisions were deemed more complex, the Planning, Regulation and Budgeting Group provided their recommendation on whether to include the expenditure or not.

Corporate level expert review

Following expert review, the approved expenditure proposals were reviewed by the Planning, Regulation and Budgeting Group.

This group, comprising people from across the business, reviewed all capital, operating and information technology expenditure to ensure we were not duplicating effort or missing opportunities to achieve what is important to our customers.

This team approved or rejected proposals, working closely with our Senior Leadership Team to formulate a final recommendation for expenditure. This was approved by our Senior Leadership Team and Board of Directors for negotiation with customer representatives.

Working with our customers

After our internal prioritisation and governance process, we then presented our draft proposal to the Customer Negotiation Committee and sought their feedback.

Members of the Customer Negotiation Committee, who had received a number of briefings on how a water utility operates and what its obligations are, received presentations from our people on:

- customer engagement, our strategy and our vision
- what we are proposing to achieve for our customers
- the capital, operating and information technology expenditure required to deliver on those commitments
- overall operating expenditure and efficiency
- overall capital expenditure and how we plan to deliver and achieve savings for our customers
- service standards, performance reporting and monitoring
- the regulatory rate of return and potential allowable revenue/price impact of our proposal.

The Customer Negotiation Committee had access to all required documentation, our subject matter experts to question, and external experts to provide independent advice as they reviewed our draft proposal.

Informed by these in-depth briefings, the Customer Negotiation Committee then reviewed the proposal with our Chief Executive, General Manager Governance and Regulation, and General Manager Customer Delivery.

The Customer Negotiation Committee agreed with, or agreed in principle with, most of our draft plan with the exception of our proposal to upgrade the water supplies for approximately 340 regional customer properties from non-drinking to drinking. The committee's view was that the cost for this should be borne by the Government.

Where items were agreed with the Customer Negotiation Committee, we have put them forward in Our Plan. Where they were agreed in principle, we have included them in Our Plan and referred them to ESCOSA for decision. For example, the Customer Negotiation Committee agreed in principle with some expenditure but referred to ESCOSA the assessment of whether or not the proposed solution is efficient.

Regarding the proposed expenditure to upgrade the water supplies for 340 customer properties, while we understand the Customer Negotiation Committee's position, we see the quality of our supplied water as one of our core responsibilities. This investment was tested with more than 6,000 customers in two surveys which resulted in strong customer support, so we proceeded with including the costs in Our Plan to be reviewed by ESCOSA to ensure the investment is prudent and efficient.

Summary

Through the processes outlined above, Our Plan has been developed with and for our customers. Our business planning was developed based on customer research, and our proposal for 2020-24 was prepared using a rigorous process and tested with the Customer Negotiation Committee. Ultimately, this has ensured Our Plan balances all our commitments and represents value for money for customers.