

Our Water, Our Voice Customer Engagement

The fourth phase of the customer engagement program included conversations with more than 4,000 residential customers (both homeowners and renters), six major developers, six service critical high business customers, 24 small and medium businesses, six value makers, and seven government stakeholders between May 2023 and February 2024.

We started a six-phase customer engagement program in July 2022, with our customers, community, and stakeholders called Our Water, Our Voice. This research will help inform our long term strategy, as well as our pricing proposal to the Independent Pricing and Regulatory Tribunal (IPART) which we'll submit to IPART in September 2024. Our Water, Our Voice is also contributing to our ongoing customer engagement strategy and is helping us chart a new, updated, customer-led pathway.

What is a price review?

SYDNEY WATER

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

IPART

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

CUSTOMERS AND COMMUNITY

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

What was Phase 4 about?

Phase 4 introduced customers to a proposed increase to water bills over the next five years. A bill increase would enable Sydney Water to fund a safe and resilient water supply well into the future, against the many challenges we're facing. An increase would also help fund the priorities that customers identified as important to them in Phase 1.

We also asked customers to tell us, in more detail, where they believe Sydney Water's investment in each of the customer priorities should be. Additionally, what do customers, like you, think Sydney Water needs to consider when investing in these areas?

Phase 4, what we did

During Phase 4, we heard from 4,551 residential customers, business customers, developers and stakeholders via forums, focus groups, interviews and an online survey.



5

Customer Forums



14

Focus Groups



34

Interviews



4,003

Responses to our online survey

Research objectives for Phase 4

The primary objective of Phase 4 was to get into the detail, with customers, about Sydney Water's future investment.

We wanted to identify and understand where customers think we should be investing for the future, by asking: what should Sydney Water consider and prioritise during decision-making over the next five to ten years?

The key objectives of this Phase were to engage with customers on:

1. The possibility of Sydney Water needing to increase water bills to fund responses to the key challenges facing Sydney Water and its water and wastewater network.
2. Whether customers are willing to pay more to fund additional investments on top of this bill increase. This included quantitatively exploring customer willingness to pay for a range of potential investment areas.

WHAT YOU SAID

"IT WAS GREAT TO BE INVOLVED. I AM HOPEFUL OUR IMPACT IS HEARD AND IMPLEMENTED."

– Wollongong residential customer

"GREAT FORUM, GOOD CROSS [SECTION] OF PEOPLE. I ENJOYED LISTENING TO OTHER POINTS OF VIEW."

– Hornsby residential customer

"I REALLY ENJOYED LEARNING NEW THINGS AND THE ACTIVITIES THAT WERE DONE WERE FUN, INTERESTING, AND ENGAGING. ABSOLUTELY LOVED THE WAY THIS WORKSHOP WAS STRUCTURED."

– Parramatta residential customer

WHAT WE HEARD



Bill increase

While the potential for a bill increase was initially unwelcome news, it wasn't a surprise for customers. Overall, Our Water, Our Voice has heard from our customers a general acceptance that water bills may rise.

Many saw a bill increase as inevitable, largely due to recent experiences of other rising costs in their daily lives: power bills, rent, petrol, groceries, interest rates and inflation, all of which were points of reference that influenced our customers' reactions to this news.

When discussing how additional revenue might be spent, most customers felt that the costs of servicing new growth areas should be covered by new customers, developers and government, rather than existing customers.

Many residential customers were unaware that Sydney Water's main source of funding is customer bills.

WHAT WE HEARD



Waterway health

Maintaining clean, safe waterways and water recreation areas, by reducing pollution, was the third top priority for customers identified in Phase 1. Phase 4 customers were provided with additional information about the current state of Greater Sydney's waterways and were asked how Sydney Water should prioritise investments to maintain and improve them.

Many of you were positive about the state of Greater Sydney's beaches, but not the health of the region's rivers. Overall, you told us you are willing to pay more to improve waterway health.

For purposes of the discussion, waterways were divided into three categories:

- highly disturbed (waters that are significantly degraded by human activity)
- moderately disturbed (waters in which the biological integrity of the water is adversely affected by human activity to a relatively small but measurable degree)
- and those in a good, natural state

Most customers said their priority would be that Sydney Water prioritise investment into those classified as 'highly disturbed' waterways. You've told us it's important that we invest and improve waterways that are highly compromised by pollution and other factors.

Participants were also asked to discuss which of the following qualities should be prioritised for improvement:

- Places for nature where plants and animals can thrive
- Enhancing access to recreational opportunities for people
- Improving parks and waterways so they are more natural

Most customers told us they value places for plants and animals to thrive as the top priority.

Of the options presented to customers about how Sydney Water should decide on investment, customers asked us to put most focus on these two things:

- 1 What are the potential benefits to the community of improving this waterway site's health, considering animal and fish populations and opportunities for recreation?
- 2 Is the cost and effort of improving the current condition of the waterway too high?

Cool, green spaces

In Phase 1, customers told us they wanted Sydney Water to help create cooler, greener public spaces through trees and vegetation. It ranked priority number 10 (out of 15).

In Phase 4, we wanted to understand how customers want us to approach decisions around investments to create cool, green spaces – including what locations and projects should be prioritised and what considerations are most important.

Through this conversation, we heard that there's a gap between what customers were willing to pay and what it costs to deliver new investment in this area.

Fundamentally, we heard that customers prefer drinking water to be reserved for human consumption.

We heard that customers wanted a change from the current situation where drinking water is used for 95% of irrigation to cool and green spaces.

Of the options presented to customers for how Sydney Water should prioritise its investment in cool and green spaces, you told us that we should prioritise these two things:

- 1 Where the investment would have the largest positive impact on community
- 2 Where it is most in need of this investment (i.e., drier, hotter locations)

WHAT WE HEARD



Water supply resilience

Greater Sydney's current sustainable water supply is exceeded by the region's long-term demand and this gap is expected to increase in the future, with population growth and climate change. We know this means that Greater Sydney's water supply is vulnerable to drought.

As a result, Sydney Water discussed, with customers in Phase 4, how best to approach this challenge. Throughout the previous phases of Our Water, Our Voice, customers indicated that they're willing to pay more in their water bills to achieve an improvement in water supply security. We spoke about water resilience from both sides: supply and demand.

We wanted to understand the extent that customers are prepared to reduce their water usage. This helps us plan and improve our service area's water supply resilience. Many customers, like you, said you can

reduce usage levels below the current average of 185 litres per person per day, to between 100 and 125 litres and maintain this lower usage indefinitely in a drought.

On the supply side, customers were given information about a range of different water supply options including:

- Dams
- Desalination
- Purified Recycled Water
- Recycled water for non-drinking purposes
- Harvested stormwater for non-drinking purposes

Overall, there was a consensus that there isn't a silver bullet solution. Instead, we heard that customers understand that each option has its advantages and drawbacks.

Of the options presented to customers the two most important things you want us to consider when investing in new water supply are:

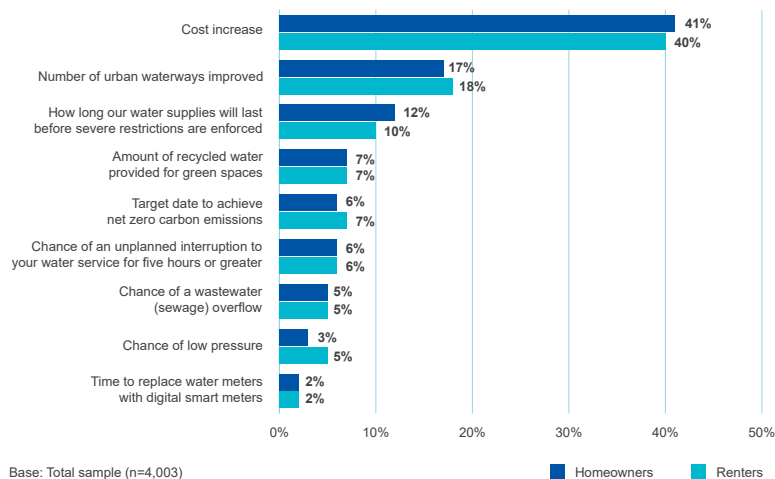
- 1 What is the environmental impact of the chosen investment?
- 2 How rainfall dependent is the option? Because we need rainfall independent sources.

Willingness to pay

As part of Phase 4, a 20-minute online willingness to pay survey was conducted with 4,003 customers. This number comprised 2,884 homeowners and 1,119 renters.

When making decisions about willingness to pay, we know that there are many factors that customers take into consideration. This graph shows what's influencing our customers' willingness to pay.

Attribute Importance



Next steps

The customer insights we heard in Phase 4 will shape the direction of Sydney Water's proposal to our regulator (IPART) and help achieve the outcomes that you most value from Sydney Water, now and into the future.

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

In Phases 5 and 6, customer expectations around services, costs and how people will be charged will be explored in greater depth.

Sydney Water thanks the participants of Phase 4. It's been great. If you wish to stay informed register to get involved in upcoming engagement activities visit: www.sydneywater.com.au/our-water-our-voice