



# Goulburn-Murray Water

## Strategic Plan

**DRAFT FOR CONSULTATION**

31 July 2017 to 30 August 2017

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# 1. Foreword

Goulburn-Murray Water's role is to efficiently manage, store and deliver water within northern Victoria. We are the state's largest rural water authority covering approximately one third of Victoria. Included in our remit is an area generally known as the Goulburn Murray Irrigation District (GMID), the single largest irrigation asset in the country.

We live in a challenging and changing environment with changing climate and international markets impacting both our customers and GMW. We must plan to deliver a confident future, to ensure that we are clear about our role within this environment and clear about what we need to do to ensure that GMW thrives and is sustainable now and into the foreseeable future. Therefore we have developed this draft Strategic Plan to meet the challenges facing us and to meet the expectations of customers and stakeholders.

To achieve these ends, GMW must become more agile and more efficient within the complexities of the changing environments of water availability and security, water markets, evolving customer needs, policy and assets as described in Section 2.2. As a large rural water authority we must take a leadership role in northern Victoria and contribute to regional growth and prosperity.

The Strategic Framework we have developed captures the nine goals and 18 outcomes which broadly represent GMW's long term aspirations and operational objectives. These have been developed following an extensive consultation process where we listened to customers and stakeholders and understood what is important to them.

This draft Strategic Plan builds on existing initiatives currently being implemented to address our key challenges. As many have identified, this updated Strategic Plan is at a point in time, we know that it cannot be a static plan; it must be continually monitored and adapted. Indeed we are getting on with business; many aspects of the plan are already underway as we have commenced implementing projects aligned with our goals, including several of the projects listed in Section 4. For a number of these projects we will be including customers and stakeholders in working groups in order to gain the benefit of their experience and perspectives.

A big thank you to all of those customers, community members, stakeholders and staff who have already contributed so generously of their time and ideas to assist us in developing this draft Strategic Plan. These contributions have been welcome and informed the strategic direction we are presenting in this document. We hope that you will stay on the journey with us to ensure that GMW continues to "deliver for our region and our future".

You will find this draft on the GMW website and we would welcome your feedback on this version before 30 August 2017 so that the final version can be adopted at the September Board Meeting.

Jo Anderson – Chair

Pat Lennon – Managing Director

## 2. Context

### 2.1 GMW

#### Our business



Goulburn-Murray Water (GMW) is Victoria's largest rural water provider.

We are responsible for storing, managing, and delivering about 70 per cent of the state's water to a 68,000 square kilometre area, bordered by the Great Dividing Range to the south, the River Murray to the north, and stretching from Corryong in the east to Nyah in the west.

Broadly, GMW's services are in two categories:

- 1. Prescribed services** – services that are regulated by the Essential Services Commission (ESC) on behalf of the Australian Competition and Consumer Commission (ACCC).
  - Services GMW delivers as a part of its obligations under the *Water Act 1989 (Vic)*
  - Examples include water storage, gravity and pumped irrigation
  - In 2015/16, prescribed services accounted for \$128 million in revenue, \$108 million in operating expenditure and \$40 million in capital expenditure.
- 2. Non-prescribed services** – services that are not regulated by the ESC
  - Examples include contract services such as those provided to the Murray Darling Basin Authority (MDBA), waterway management and houseboat licensing.
  - In 2015/16, non-prescribed services accounted for around \$25 million in revenue.

## Our customers

We provide a wide range of services to many customer segments.

	Segment <sup>1</sup>	Example customers	Number of Customers <sup>2</sup>	Revenue (\$m) <sup>3</sup>	% of total Customer base
1	Irrigation	<ul style="list-style-type: none"> <li>Horticulture, dairy, mixed farming<sup>4</sup></li> </ul>	12,352	\$100m	49%
2	Domestic and stock	<ul style="list-style-type: none"> <li>Rural residential</li> <li>Mixed farming</li> <li>Intensive animal industries (e.g. piggeries)</li> </ul>	6,515	\$2.8m	25.9%
3	Environmental watering	<ul style="list-style-type: none"> <li>Commonwealth and State environmental water holders</li> </ul>	2	\$12m	0.01%
4	Bulk water for urban and rural water supply	<ul style="list-style-type: none"> <li>Urban water corporations</li> </ul>	12	\$11.2m	0.1%
5	Water investment	<ul style="list-style-type: none"> <li>Investment funds</li> <li>Agriculture corporations</li> </ul>	789	\$1.6m	3.1%
6	Flood protection	<ul style="list-style-type: none"> <li>Protection of land and property in flood protection districts</li> </ul>	35	\$0.01m	0.1%
7	Recreation	<ul style="list-style-type: none"> <li>Houseboat operators</li> <li>Recreation clubs</li> </ul>	891	\$1.9m	3.5%
8	Commercial leasing	<ul style="list-style-type: none"> <li>Livestock graziers</li> <li>Forestry corporations</li> <li>Caravan parks</li> </ul>	337	\$2.2m	1.3%
9	Farm dam registrations and private rights	<ul style="list-style-type: none"> <li>Private landholders</li> </ul>	4,110	\$0	16.3%
10	Contract services	<ul style="list-style-type: none"> <li>MDBA</li> <li>Local government and catchment management authorities</li> <li>Commercial contracts</li> </ul>	142	\$19.4m	0.6%
11	Power generation <sup>5</sup>	<ul style="list-style-type: none"> <li>Hydroelectric power utilities</li> </ul>	2	\$1.5m	0.01%
<b>Total</b>			<b>25,187</b>	<b>\$153m</b>	<b>100</b>

1. The customer segments have been identified using a single customer view methodology that groups customers based on their primary need. For example, if a customer accesses a gravity irrigation service and a domestic and stock service, they are classified as in the irrigation segment if their gravity irrigation charges exceed their domestic and stock charges.

2. Total customers based on single customer view as at 30/06/2016

3. Revenue is represented by gross fees and charges for the 2015/16 financial year. Values have not been adjusted for accounting requirements and do not represent statutory revenue. Connections Project revenue is not included in these figures.

4. The proportion of water deliveries in the GMID varies from season to season with the total water availability. In 2015/16 approximately 1,315GL of water was delivered to irrigation customers. Based on available land use data the approximate distribution of use was: horticulture 6%, dairy 49%, grazing, mixed farming, cropping and other 45%

5. The power generation revenue in 2015/16 was substantially higher than past years due to retrospective billing of Renewable Energy Certificates back to 2009.

## 2.2 Drivers for change

### Water availability and security

Water supply and demand has changed significantly and will continue to do so. Climate change, increasing environmental requirements, water markets, increasing urban water consumption and changing usage patterns from key customer groups are impacting the year-to-year availability and demand for water. We must adapt to greater volatility and build flexibility and resilience into our business.

### Evolving customer needs

Our customer base is changing both in terms of who they are and how they use water, driven in part by structural and cyclical changes within key sectors. Dairy farmers, particularly in northern Victoria, have faced significant challenges while there has been unprecedented investment in horticultural developments in other irrigation districts.

Policies such as the *Murray-Darling Basin Plan* have led to the emergence of environmental water holders as key customers. Increasing use of dams and waterways for recreation is creating new opportunities for communities while presenting a unique set of challenges for organisations such as ours.

### Policy

*Water for Victoria* sets out the State Government's plan for managing water resources in Victoria. The plan responds to important challenges such as climate change and population growth while emphasising the need to make the most of water, including for agriculture, the environment, Aboriginal communities and recreation.

GMW will play an important part in delivering the benefits of *Water for Victoria* by working with our customers, stakeholders and the Government.

### Assets

Like many other water utilities in Australia and overseas, we manage a portfolio of aging infrastructure assets ranging from large dams to irrigation delivery and drainage assets. Over the next 25 years many of our assets will reach the end of their design life. Some long life assets such as channel banks, culverts and bridges will be replaced or overhauled for the first time since construction in the early to mid-nineteen hundreds.

### Technology and Innovation

Investments in new technology will help us improve the way we deliver services, interact with our customers and equip our people with the right tools to do their job safely and efficiently. There are proven technologies to help us do this and having a clear plan for the future will ensure that we invest in the right technology.

A key ingredient in reaching our goals will be embedding an '*innovation*' culture that embraces change and encourages finding new, better ways of doing things.

### 3. Our Plan

#### Water-Customer-Community Delivering for our region and our future



Customers and investors have confidence and clarity in our future.

We maximise the benefit of water in our region in a changing climate.

Our services are efficient and reflect customers' needs.

We are trusted.

We are financially secure.

Our staff have a safe, respectful and inspiring workplace.

We contribute to regional growth, resilience and environmental sustainability.

We recognise recreational benefits.

We partner with Traditional Owners to achieve mutually beneficial outcomes.

#### Outcomes

### 3.1 Our Purpose

#### **Water – Customer – Community** Delivering for our region and our future

*We support regional growth, contribute to the region's prosperity and by driving costs down, efficiently manage, store and deliver water. We strive to meet the needs of our customers and are a trusted partner to our stakeholders in Government and in the community.*

In service of our purpose and in response to the strategic drivers GMW has set nine goals and 18 outcomes. Broadly, the goals represent GMW's long term aspirations while the outcomes represent the operational level objectives that the business will be focused on over the five year plan.

### 3.2 Goals

GMW's long term goals:

- Customers and investors have confidence and clarity in our future.
- We maximise the benefit of water in our region in a changing climate.
- Our services are efficient and reflect customers' needs.
- We are trusted.
- We are financially secure.
- Our staff have a safe, respectful and inspiring workplace.
- We contribute to regional growth, resilience and environmental sustainability.
- We recognise recreational benefits.
- We partner with Traditional Owners to achieve mutually beneficial outcomes.

### 3.3 Outcomes

To achieve our goals, we will:

- adopt a long term strategic plan
- improve engagement
- secure water savings in the region
- deliver the Connections Project
- contribute to regional growth
- implement a corporate social responsibility program
- have a safe, diverse, inclusive and productive workplace
- balance our asset strategy with customer service needs, affordability and ownership obligations
- improve recreational access
- achieve efficiencies through innovative capital and operating expenditure practices
- know the region's strengths and attract investment
- implement our land strategy
- introduce new revenue streams
- have satisfied customers
- balance service standards with customer needs and GMW's sustainability
- balance tariffs with customer outcomes and GMW sustainability
- develop Traditional Owner partnerships
- ensure policies and practices support viable irrigated agriculture

(Note, there is no priority implied by the order of listing)



### 3.4 Explaining Our Goals

**Goal: “Customers and investors have confidence and clarity in our future”**

Clear plans outlining how GMW will address challenges and make the most of opportunities are important factors in decisions made by our customers and investors. Customers need long term clarity about prices and service levels when making investment decisions, it is important that they can rely on GMW as a business partner in the long term.

**Goal: “We maximise the benefit of water in our region in a changing climate”**

As pressure on water resources increases, GMW has an important role in ensuring that water remains secure, accessible and affordable for our customers and other users. Seeking to secure new water through system efficiencies, delivering the Connections Project, maintaining sustainable tariff and asset strategies and encouraging adoption of best practise water management will maximise the benefits, and empower our region to adapt to future climate challenges.

**Goal: “Our services are efficient and reflect customers’ needs”**

GMW’s future pricing submissions will be tested against new Essential Services Commission (ESC) pricing requirements. Our pricing submission will demonstrate how our fit for purpose services align to the outcomes that customers are seeking and importantly, how we have engaged with customers to establish optimum price and service level outcomes.

**Goal: “We are trusted”**

Improving engagement, delivering outcomes, transparent decision making and following through on our commitments are key elements of being a trusted and reliable partner to our customers, stakeholders and the community.

**Goal: “We are financially secure”**

For GMW to be a trusted and reliable partner, we must be financially secure. We will develop a clear plan for managing the costs associated with operating, maintaining and renewing assets, reducing operational costs and tapping into new revenue streams will support GMW’s long term viability.

**Goal: “Our staff have a safe, respectful and inspiring workplace”**

We are an increasingly sophisticated business and our people are at the core of our ability to deliver. Driving a culture that supports safety, diversity and equal opportunity will help GMW attract, develop and retain the right people for the job.

**Goal: “We contribute to regional growth, resilience and environmental sustainability”**

GMW plays an important role in supporting economic growth and resilience in our region. We recognise that vibrant irrigated agriculture and healthy environmental assets are fundamental. GMW will provide proactive leadership in regional partnerships and forums.

**Goal: “We recognise recreational benefits”**

Recreational use of storages and waterways is growing, delivering real economic and social benefits while contributing to the health and wellbeing of Victorians. We will work proactively with other government agencies and community groups to ensure that the benefits are maximised and the costs of keeping waterways safe and accessible are distributed fairly.

**Goal: “We partner with Traditional Owners to achieve mutually beneficial outcomes”**

GMW values the ongoing contribution of Aboriginal people and communities to our region. We recognise the important cultural significance that water has and will work closely with Traditional Owners to achieve mutually beneficial economic, environmental and cultural outcomes.

### 3.5 – Relationship of Outcomes to Goals

The relationships between the outcomes we are seeking and our goals have been confirmed by our customers and stakeholders as shown.

Goals Outcomes	Customers and investors have confidence and clarity in our future	We maximise the benefit of water in our region in a changing climate	Our services are efficient and reflect customers' needs	We are trusted	We are financially secure	Our staff have a safe, respectful and inspiring workplace	We contribute to regional growth, resilience and environmental sustainability	We recognise recreational benefits	We partner with Traditional Owners to achieve mutually beneficial outcomes
Adopt a long term strategic plan	●	●	●	●	●	●	●	●	●
Improve engagement	●		●	●			●	●	●
Secure water savings in the region	●	●	●		●		●		
Deliver the Connections Project	●	●	●		●		●		
Contribute to regional growth	●	●	●		●		●		
Implement a corporate social responsibility program	●	●		●		●	●	●	●
Have a safe, diverse, inclusive and productive workplace				●		●			●
Balance our asset strategy with customer service needs, affordability and ownership obligations	●	●	●	●	●			●	
Improve recreational access		●		●			●	●	
Achieve efficiencies through innovative capital and operating expenditure practices	●			●	●		●		
Know the region's strengths and attract investment	●	●		●	●		●		●
Implement our land strategy	●	●		●	●		●	●	●
Introduce new revenue streams	●	●		●	●		●		
Have satisfied customers	●		●	●			●		
Balance service standards with customer needs and GMW's sustainability	●	●	●	●	●		●		
Balance tariffs with customer outcomes and GMW sustainability	●	●	●	●	●		●		
Develop Traditional Owner partnerships	●	●		●					●
Ensure policies and practices support viable irrigated agriculture	●	●	●	●	●		●		

## 4. Implementation

### 4.1 Initiatives to Deliver Outcomes

GMW will deliver the outcomes necessary to achieve our goals through an appropriate mix of GMW projects and engagement with our customers, stakeholders, and relevant agencies.

The following initiatives are examples of work currently commencing or will be implemented over time to contribute to the delivery of our strategy.

Outcome	Initiatives
<b>We have improved engagement</b>	Customer, community and stakeholder engagement model review <ul style="list-style-type: none"> <li>Review our engagement approach</li> <li>Develop options for improved engagement to ensure that we are working effectively with all customer segments, stakeholders and communities.</li> <li>Customer Engagement Plan for GMW's next pricing submission</li> </ul>
<b>Water savings secured in the region</b>	GMW water entitlements <ul style="list-style-type: none"> <li>Bulk entitlement loss allowance secured, investigation phase</li> </ul>
<b>Connections Project delivered</b>	Connections Project delivered <ul style="list-style-type: none"> <li>Project delivered, water savings for the environment secured and service benefits realised</li> </ul> Connections Project co-contribution opportunities <ul style="list-style-type: none"> <li>Customer service and asset renewal benefits achieved, and increased water savings, through GMW co-funding infrastructure rationalisation and upgrades</li> </ul>
<b>We have a consolidated social responsibility program</b>	Corporate Social Responsibility Program <ul style="list-style-type: none"> <li>Develop initiatives to support our communities, including charities, information and education opportunities and employment opportunities</li> <li>Deliver on GMW's emission reduction pledge.</li> </ul>
<b>Our asset strategy balances customer service needs affordability and ownership obligations</b>	GMID Asset Strategy <ul style="list-style-type: none"> <li>Long term (25 year) GMID asset strategy</li> <li>Optimised customer service and cost outcomes</li> </ul> Dam strategy and dam portfolio risk assessment <ul style="list-style-type: none"> <li>Optimised long term asset utilisation and management strategy to meet service objectives and dam safety obligations</li> </ul>
<b>Our policies and practices support viable irrigated agriculture</b>	Delivery share review <ul style="list-style-type: none"> <li>Contribute to the DELWP led review seeking outcomes to benefit the region, irrigated agriculture and GMW financial sustainability</li> </ul>
<b>Service standards balance customer needs and GMW sustainability</b>	Review service arrangements to all customers segments <ul style="list-style-type: none"> <li>Develop service strategies to serve domestic and stock customers and peri-urban areas.</li> </ul>

Outcome	Initiatives
<b>Tariffs balance customer outcomes and GMW sustainability</b>	Tariff strategy <ul style="list-style-type: none"> <li>Develop tariff options for evaluation and consultation in the development for regulated price reviews</li> </ul>
<b>Traditional Owner partnerships developed</b>	Indigenous engagement program <ul style="list-style-type: none"> <li>We will improve our engagement with indigenous communities in areas of employment, cultural competency, aboriginal water, commercial and procurement opportunities and reconciliation.</li> </ul>
<b>We have a safe, diverse, inclusive and productive workplace</b>	Diversity and inclusiveness program <ul style="list-style-type: none"> <li>We will actively promote diversity and inclusion in our business</li> </ul>
	Workforce development <ul style="list-style-type: none"> <li>Work Pathways Strategy for our staff through leadership and talent development</li> <li>Work Placement Program to provide work experience to secondary school students including indigenous students</li> </ul>
<b>We have achieved efficiencies through innovative capital and operational practices</b>	Capital expenditure innovation program <ul style="list-style-type: none"> <li>identify innovation opportunities and delivering value for money outcomes</li> <li>Identify and apply national and global best practice</li> </ul>
	Maintenance innovation <ul style="list-style-type: none"> <li>Benchmark GMW's current asset management regime against industry best practice</li> <li>Identify alternative practices and quantify their potential for GMW</li> <li>Implement new asset management techniques to deliver high value outcomes</li> </ul>
	Research program <ul style="list-style-type: none"> <li>Search for technology that may improve our operations, look globally for existing solutions</li> <li>Commercialise select products and services to generate funding</li> </ul>
<b>We have implemented our land strategy</b>	Land parcel strategy <ul style="list-style-type: none"> <li>Realise value from our land assets through leasing opportunities and limited strategic sales</li> <li>Ensure utilisation of land for social or recreational purposes.</li> </ul>
<b>We have improved recreational access</b>	Recreation and Land assets strategy <ul style="list-style-type: none"> <li>Programs developed to provide information about recreational opportunities at GMW storages</li> <li>Asset programs to enhance recreational opportunities developed in conjunction with community and stakeholders</li> </ul>
<b>We have new revenue streams</b>	Develop Commercial Opportunities <ul style="list-style-type: none"> <li>Commercial opportunities identified, tested and business cases developed to create new revenue to supplement the finance of operations and maintenance expenditure and to invest in new technology</li> </ul>
<b>We contribute to regional growth</b>	We demonstrate leadership in water matters in regional partnerships and forums

## 4.2 Delivery – short to medium term

The completion dates for some of the key initiatives are indicated below. Many of these initiatives have commenced and are on track for completion in 2018, others will be delivered through to the end of the current regulatory period, Water Plan 4, June 2020, as indicated.

<b>Initiatives</b>	<b>Completion date</b>
<b>Customer, community and stakeholder engagement model review</b>	Q4/17 and Q1/18 – Complete strategy and commence implementation
<b>GMW water entitlements</b>	Q2/20 - Complete strategy, forward program defined
<b>Connections Project delivered</b>	Q3/20
<b>Connections Project co-contribution opportunities</b>	Q3/20
<b>Corporate Social Responsibility Program</b>	Q3/18 – forward program defined
<b>GMID Asset Strategy</b>	Q3/18 – review complete and forward program defined
<b>Dam strategy and dam portfolio risk assessment</b>	Q3/19 – review complete and forward program defined
<b>Delivery share review</b>	Q3/18
<b>Review service arrangements to all customers segments</b>	Q4/18
<b>Tariff strategy</b>	Q4/18
<b>Indigenous engagement plan</b>	Q2/18 - Complete plan and commence implementation
<b>Diversity and inclusiveness program</b>	Q3/18 - forward program defined
<b>Capital expenditure innovation program</b>	Q1/18 – forward program defined
<b>Maintenance innovation</b>	Q1/18 – forward program defined
<b>Land parcel strategy</b>	Q4/18 - Complete strategy and commence implementation
<b>Recreation and Land assets strategy</b>	Q4/18 - Complete strategy and commence implementation
<b>Develop Commercial Opportunities</b>	Q4/17 - define program and commence implementation

### **4.3 Delivery - beyond 2020**

The long term plan will focus on the delivery of programs and strategies developed over the next three years and defined for next regulatory period from 2020 to 2025.

Opportunities for further initiatives to deliver our goals will continue to emerge. We will search for additional opportunities and through assessment criteria guided by our goals expand, develop and adopt new initiatives to deliver the outcomes set by this plan.