



**MAX HARDY
CONSULTING**

Customer Forum Report

"Beneath the Waterline"

for

Goulburn-Murray Water

PREPARED BY
MAX HARDY &
CATH BOTTA

PRESENTED ON
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Introduction

Goulburn Murray Water (GMW) manages the water resources in northern Victoria and supplies the largest irrigated agricultural region in the nation. GMW supply more than 21,000 customers, manages assets in excess of \$5 billion and are custodians of 70 per cent of Victoria's stored water and half its groundwater supplies. Irrigated agriculture in the Goulburn-Murray Irrigation District generates more than \$6 billion in production. GMW are also delivering the largest irrigation modernisation upgrade in Australia, the \$2 billion Connections Project.

Every four years, GMW must submit their proposed fees and charges to the independent umpire – the Essential Services Commission (ESC). GMW are required to submit their Price Submission for 2020-2024, in November 2019. The ESC mandates that that development of the Price Submission requires broad, deep and meaningful engagement with customers on a range of subjects. The pricing must be seen as fair and equitable by GMW's customers and as much as possible, must address their service needs and preferences.

GMW designed an eight-stage engagement program, including a deliberative forum, specifically designed to engage more broadly across the customer base - particularly with those customers who are not members of the Water Services Committees. GMW engaged Max Hardy Consulting to design and facilitate the deliberative process for their Price Submission for 2020 - 2024.

This report focuses on the deliberative process workshops – Beneath the Waterline - held on Sunday 4th August, Friday 9th of August and Saturday 10th of August. The workshops were held in Echuca. A total of 35 participants were recruited by an independent party from across the GMW region in an attempt to achieve a random sample representative of the range of customer types. Participants were required to actively engage in deliberation and making judgments based on the information provided. This report provides a summary of the recommendations from the deliberative process, including the rationale.

The Remit

The purpose of the three days was to provide a response to the following remit:

“The customer perspective and input into the development of the next GMW price path and price submission”

The remit also included several more specific questions on the topics of guaranteed service standards, the option of offering 365-day irrigation delivery, customer hardship policy, customer billing and fees, and customer communication. These questions are detailed in the following sections of this report.

The Process

The deliberative process workshops were held on Sunday 4th August, Friday 9th of August and Saturday 10th of August, starting around 10am and finishing around 4.30pm (except day 3 started earlier and finished earlier). The first workshop focused on providing participants with an opportunity to get to know each other, getting to know the deliberative forum process, and getting started on some initial deliberations. Participants were then asked to spend a week reflecting on what they had learnt in this initial workshop before returning for the final 2 days of deliberations. The final day was dedicated to providing participants the opportunity to raise other issues they wanted to explore and discuss with GMW, preparing and confirming the final recommendations and confirming the rationales.

Workshop Outcomes

Principles for Decision making

The first item for discussion in the Day 1 workshop was on the key principles for decision making. Participants were asked to consider the most important principles that should underpin the decisions on the price path and price submission. The key principles that customers feel should be considered include:

- Equity - striving to achieve a fair price result for all customer groups
- Cost-reflective- ensuring water prices reflect the true cost of supplying water services
- Affordability- optimising the provision of water services to reduce costs and water losses
- Core business - making sure we focus on what is of greatest importance to customers
- Responsiveness - ensuring timely responses to customer needs
- Environmental sustainability - maintaining a healthy natural environment and ensuring water quality
- Community well-being - demonstrating empathy and understanding of customers' needs and community aspirations

Guaranteed Service Standards

The conversation around Guaranteed Service Standards was conducted on day one with information presented by Fabian McCloy and Peter Clydesdale. Participants were told that the strong message from customers in the engagement process so far has been “keep them simple and make them matter”. Participants were presented the current service standards and those that are proposed by GMW based on customer feedback. The questions posed to the forum participants were: Do the proposed changes look right? Is there anything that is important to you that we have missed?

Recommendations

There was broad agreement on the proposed changes to the Service Standards. There were 2 general areas that forum participants provided comment and advice:

For the General Customer Service - Licensing and administration standards:

- GMW should consider applying a premium fee for faster turnarounds on:
 - allocation of trade
 - change of ownership and
 - water share applications

For the General Customer service standards:

- GMW should consider increasing the “Rate of first Point of resolution” target up to 80%
- And/or ‘having the right person follow up within 24 hours to resolve issues’ would also be acceptable for customers
- The value of a customer complaints to GMW or to EWOV target was questioned

365-day Irrigation

The irrigation season currently runs from August 15 to May 15. GMW has been approached by new irrigation businesses in the area for all year-round water delivery. GMW is currently dealing with these requests on a case by case basis, issuing a 12-week agreement for out-of-session water.

Participants were asked to explore the risks and benefits of GMW offering 365 days of water delivery for irrigation. A regional development perspective was provided by Sam Birrell (EO for Committee for Greater Shepparton) and a GMW perspective on the risks and challenges was provided by Sam Green.

The key questions asked at the forum was:

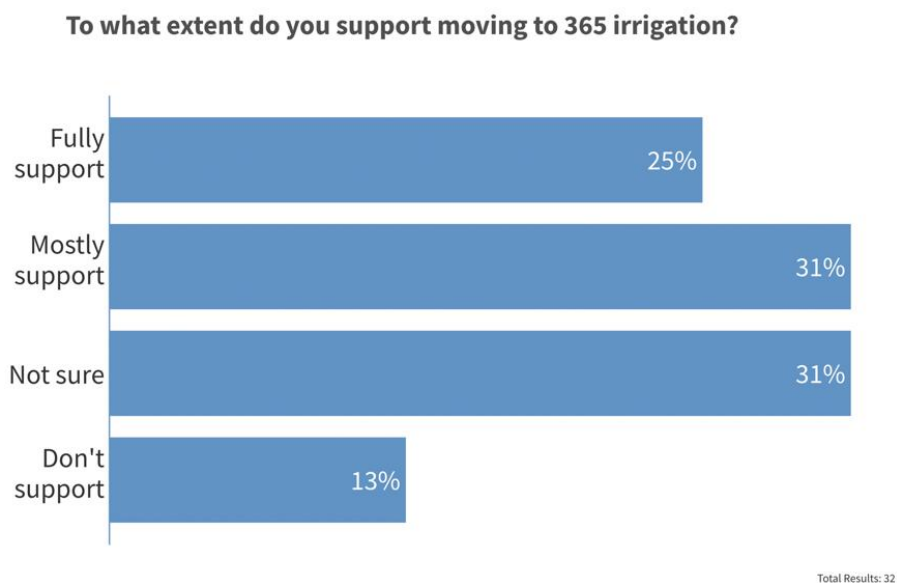
- To what extent do you support the proposal of offering 365-day water delivery for irrigation?
- Should GMW investigate the 365-day proposal further?

Proposals to consider

- GMW should offer 365-day water delivery for irrigation
- GMW should investigate the 365-day proposal further

Vote

Participants were asked to vote anonymously on the proposal presented. The results of this vote are shown below.



There was moderate support for the proposal, but it was thought that some key questions will need to be investigated.

There was strong support for a major project to investigate the options for offering 365-day delivery for irrigation, as shown below.

To what extent do you support a major project to explore ways to provide 365 day irrigation across the region? (including how to tackle maintenance issues)



Total Results: 31

Rationale

The principles that participants thought were most relevant to consider in weighing up the benefits versus the risks of the proposal were:

- cost – reflective – full user pays with no cross subsidies
- efficiency and cost effectiveness
- User co- contribution – a partnership approach
- Ensure there is a coordinated approach
- Equity - Don't stop at the GMID – needs a policy for all of the GMW region

The main reasons for supporting the proposal were:

- Overall Community prosperity and resilience
- Ability to attract new investments to the irrigation districts and potentially higher value water uses – diversification (eg, could create vegetable precincts)
- Ability to generate revenue out of season
- Potentially retains more water in the district
- Provides existing water users the potential to irrigate later or earlier in the season
- Creating more employment opportunities and new jobs
- More efficient use of existing system
- Greater opportunity to generate money

The key questions that will need to be understood or explored further included:

- What is the risk of continuing with current case by case basis?
- What is the community benefit?

- What services do growers actually need? Do they need 52 weeks or 50 weeks
- What is the demand for this service? How much of the vegetable industry is likely to move to GMID?
- What is the cost – full and true cost of water delivery; how can the cost spread – who pays?
- What are the transmission losses? What are the risks to current water users?
- How much of the GMID could be made into 365day?
- Other options for ops maintenance
- Will it be controlled – regulated development
- Other options - Is it more cost effective if the 365-day farmers provide their own on farm storage
 - Allow off stream storage or off channel storage eg turkeynest dam
 - Surface and ground water options

Customer Billing and Payment Options

Fabian McCloy (GMW) presented information to the forum on the current payment options offered by GMW. GMW currently provides a range of flexible payment options for all customers regardless of their financial position.

The key question to the forum was: Are the payment options currently available suitable?

Proposals to consider

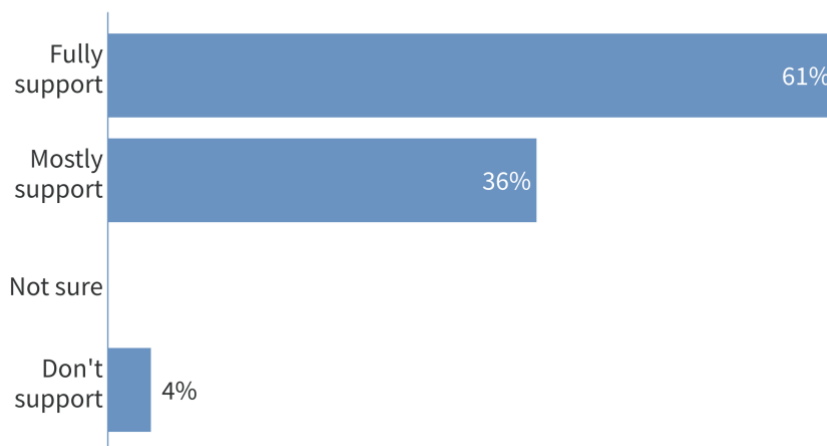
The forum participants put forward 2 proposals for consideration:

- Consider having payments due end at the end of month
- Consider incentivising the payment of the full amount if paid by September

Vote

Participants were asked to vote anonymously on these proposals. The results of this vote are shown below.

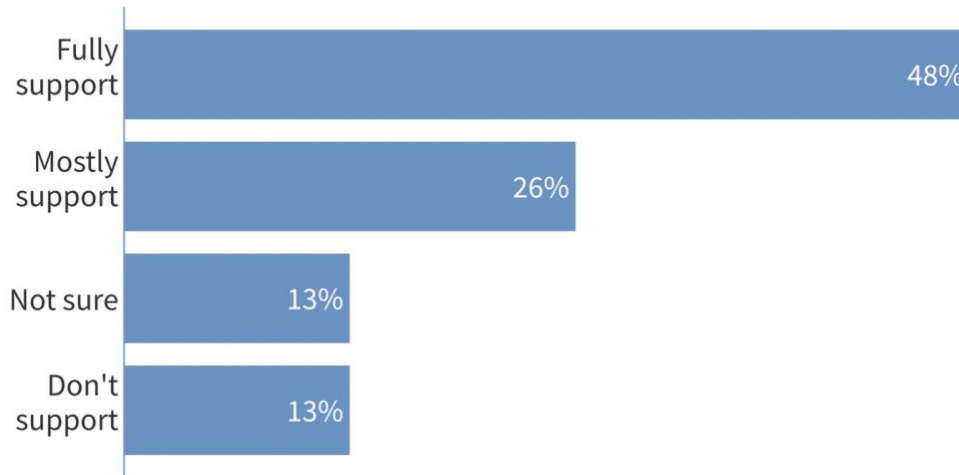
To what extent do you support payments being due end of the month?



Total Results: 28

There was strong support for the recommendation that payments be due at the end of month.

To what extent do you support increasing incentives to pay full amount by September?



Total Results: 31

There was reasonably strong support for incentivising full amounts paid by September.

Customer Hardship

Fabian McCloy (GMW) presented information to the forum on the current policy for supporting customers in hardship. A customer experiencing financial hardship is someone who intends to pay but who does not have the financial capacity to make the required payments within the timeframe set out in GMW's water payment terms. GMW is committed to work with customers to find solutions that best suit their individual needs but would like to further explore the options for further assistance to those customers in hardship.

The key question to the forum was: do we need to change the way our customers in hardship are assisted?

Proposals to consider

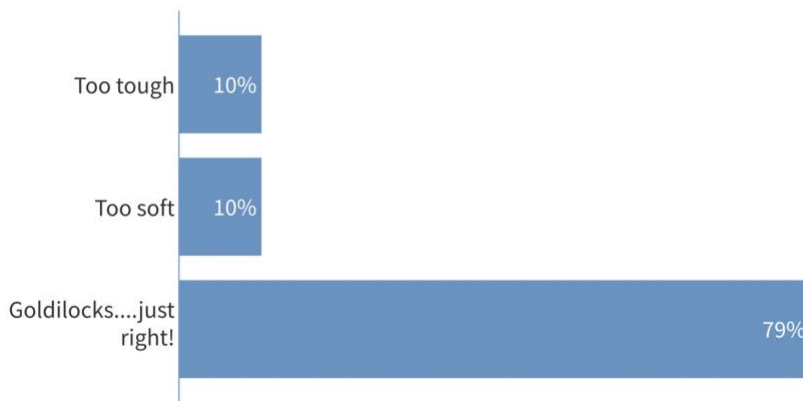
GMW put forward 1 proposal for consideration:

Customers pay an additional \$5 per year to support those customers who are really doing it tough.

Vote

Participants were asked to vote anonymously on these recommendations. The results of this vote are shown below.

Do you think GMW's policy regarding hardship is:



Total Results: 29

There was strong affirmation for the current GMW hardship policy.

To what extent do you support customers paying an additional \$5 per year to support those customers who are doing it really tough?



Total Results: 30

There was little support for an additional payment to assist farmers in hardship.

Price paths

Tim White from KPMG, currently engaged as a regulatory advisor to GMW, presented to the forum the basis for price regulation and explained how the prices and price paths are built. The tariff structure was presented for each of the main GMW service segments. Participants were asked to sit at a table discussing the service segment that was most relevant to them. The service segments discussed included:

- Gravity
- Pumped
- Water districts
- Diversions

Each service segment was presented with at least 2 price path options. The key question to the table group was: Which price path would you advise GMW to implement?

Proposals to consider

Gravity service Segment – the price reduction was welcomed, and the majority of the customers supported the red line price path.

Pumped Service Segment – the Tres/Woor segment support for green line price path. The Nyah segment cannot support either line as the need for an increasing price path was not well explained. GMW needs to be able to explain the past under-recovery, and hence the need for an increasing price path.

Water districts segment – the majority of customers support the green line price path.

Diversions segment – the unregulated and groundwater customers support the red price path. The regulated customers support a new path starting at red and then moving somewhere between the red and green price path proposed.

Rationale

Gravity - The red price path will ensure customers are at the best starting point for WP6. The Yellow price path is too variable and will mean customers start WP6 at a higher point.

Pumped – the green line is more stable and provides customers with a better path for planning and budgeting.

Water districts – the green price path is more stable. Under recovery should be recovered over 2 water plan periods to mitigate price shocks.

Diversions – Regulated – feel that there is a lack of trust and confidence in the figures presented. Really need to know how under-recovery has occurred.

Pricing Equity

One important aspect of the pricing structure is the consideration of price equity across water customers. Currently there is a distinction between water users (those customers using water to for production eg irrigate land) and non-water users (water traders). In addition, some water users are subject to basin pricing mechanisms and others are subject to system pricing mechanisms.

Daniel Irwin (GMW) presented to the forum on the current arrangements and the feedback from customers involved in the engagement process. Richard Anderson, representing the VFF water policy group, presented on the current inequities in the current arrangements.

The key question to the forum was: how can the principle of equity be better reflected in these arrangements?

Proposals to consider

The forum participants put forward 2 recommendations for consideration:

- Remove the price differential between Water Users and Non-water users
- The storage tariff needs to more strongly reflect the principles of user pays and transparency

Vote

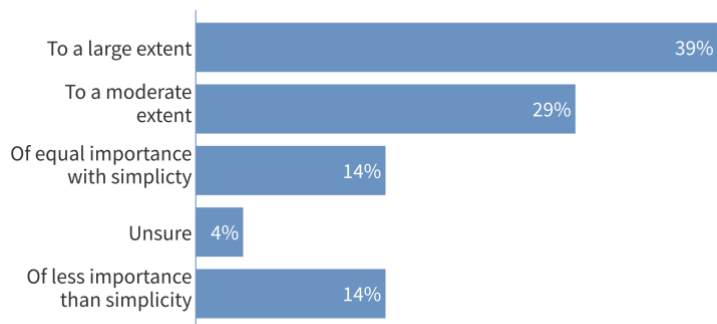
Participants were asked to vote anonymously on these recommendations. The results of this vote are shown below.

Should the price differential between Water Users and Non Water Users be removed?



There was strong support for removing the price differential between Water Users and Non-water use.

To what extent should our storage tariff reflect the principle of user pays and transparency, as opposed to simplicity?



Total Results: 28

There was majority support for the storage tariff to more strongly reflect principles of user pays and transparency, rather than simplicity.

Customer Service Point fees

Sam Green (GMW) presented to the forum the current arrangements with customer service point (CSP) fees. The CSP is the physical interface – or meter - between GMW’s delivery network and the customer’s private infrastructure. For the customers, meters ensure they can account for and manage water allocation. For GMW they provide the basis to apply the correct infrastructure use charge.

The Connections Project’s modernised meters have increased water measurement accuracy and allow the collection of real time data, which has improved the overall efficiency of our delivery system. They are also providing benefits through automation and better flow rates.

New Customer Service Point Fees were introduced for GMID gravity customers at the start of Water Plan 4.

GMW has heard that customers would like a review of the customer Service Point Fees.

The key question to the forum was: how can we improve the arrangement of the customer service point fees.

Proposals to consider

GMW put forward 5 recommendations:

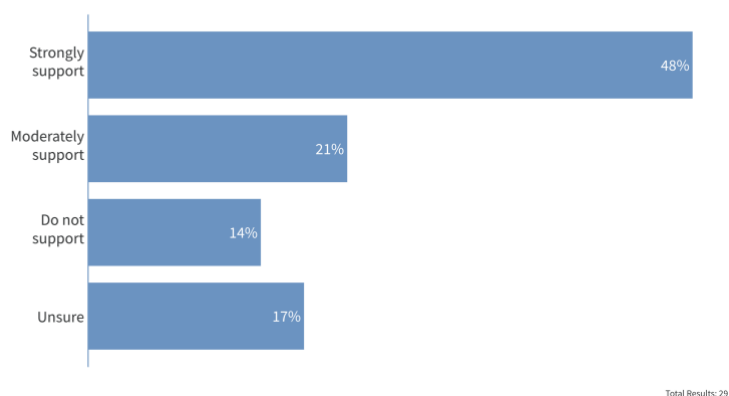
- remove of the cost recovery for Total Channel Control from the Customer Service Point Fee
- the introduction of a new Customer Service Point Fee for mothballed outlets
- Apply the Customer Service Point Fee principles to all Customer Service Points
- keep the cost of meter compliance testing as an operational overhead.
- require customers to enter a meter read at the end of each irrigation

Vote

Participants were asked to vote anonymously on these recommendations. The results of this vote are shown in figure 4.

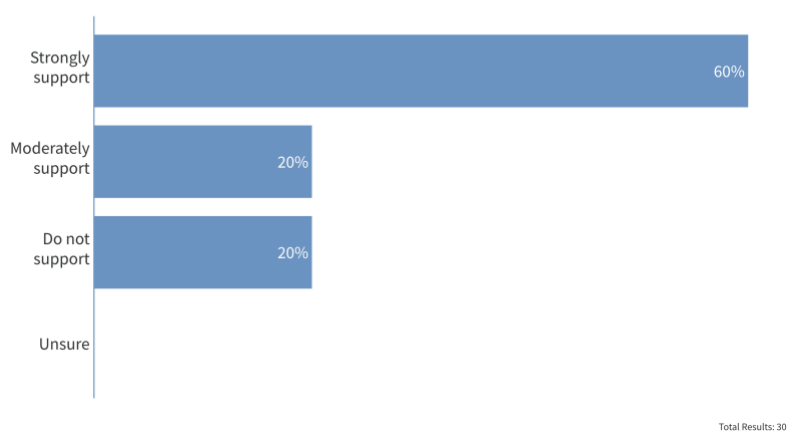
Majority support for the removal of the cost recovery for Total Channel Control from the Customer Service Point Fee

To what extent would you support the removal of the cost recovery for Total Channel Control from the Customer Service Point Fee and for GMW recover it more equitably from everyone connected to the channel network?



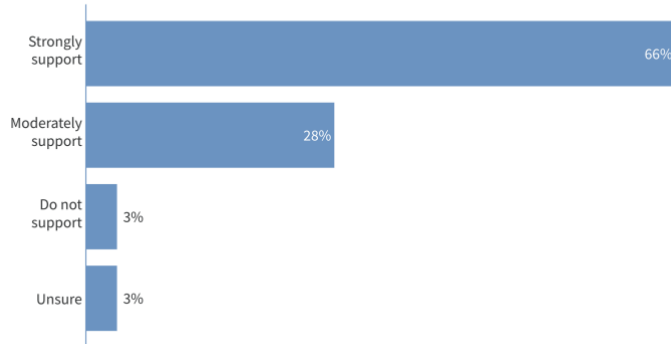
Majority support for the introduction of a new Customer Service Point Fee for mothballed outlets

To what extent would you support the introduction of a new Customer Service Point Fee for mothballed outlets to enable customer choice?



Strong support for applying the Customer Service Point Fee principles to all Customer Service Points in the same way

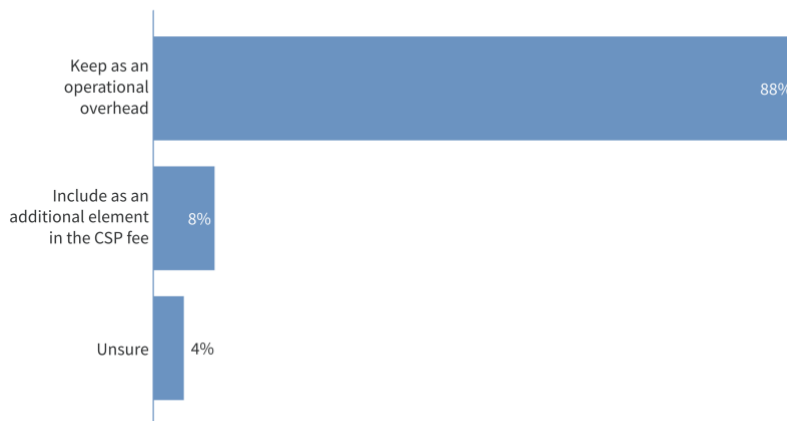
Would you support GMW in applying the Customer Service Point Fee principles to all Customer Service Points the same way?



Total Results: 29

Very strong support for GMW to keep the cost of meter compliance testing as an operational overhead.

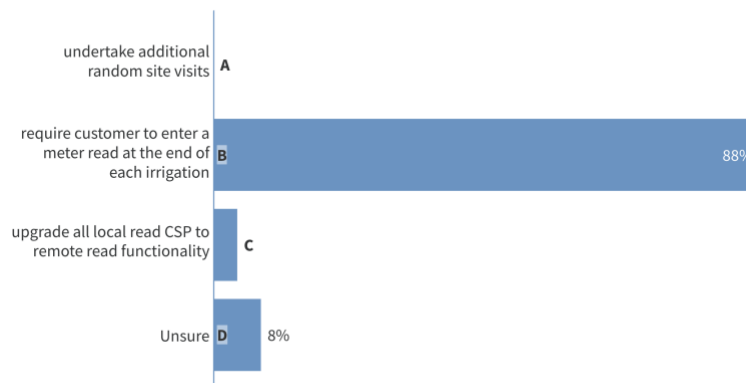
How should GMW recover the cost of meter compliance testing?



Total Results: 24

Very strong support to require customers to enter a meter read at the end of each irrigation

How best should GMW monitor customer compliance with ordered use for local read Customer Service Points?



Total Results: 26

Other issues

On day 3, participants were asked what other issues had they wanted to discuss and explore with GMW but have not been on the agenda. Participants in table groups, discussed other issues and identified key issues that they thought were worthy of discussion for the Pricing Submission. These included:

- Infrastructure Access Fee (IAF)
- Customer Bills
- Carry Over water
- Environmental Water

These issues were allocated to tables and participants were given the opportunity to move to the table with the issues they most want to discuss. The advice provided to GMW is summarised in the tables below.

Infrastructure Access Fee	
Advice to GMW	Rationale/Principles to consider
<ul style="list-style-type: none"> • Consider what costs can be taken out of the IAF • Environment should be paying for their share • The Shepparton/broken creak is an outlier – need to consider alignment with the other systems. 	<ul style="list-style-type: none"> • User pays/price reflective • Equity • Responsiveness
Customer Bills	
Advice to GMW	Rationale/Principles to consider
<ul style="list-style-type: none"> • Proceed with DELWP Itemised fees – make it transparent • Support for the new billing layout • Implement single customer fee – start with the simple cases first • Opt in system for electronic bills • Opt in system for single customer fee for the more complex situations 	<ul style="list-style-type: none"> • Equity • Affordability • Cost reflective
Carry Over	
Advice to GMW	Rationale/Principles to consider
<ul style="list-style-type: none"> • Remove the spillable water account • Advocate to Government policy makers for change • One set of rules within each of the systems for all customers 	<ul style="list-style-type: none"> • Core business • community well-being • Equity

Environmental Water	
Advice to GMW	Rationale/Principles to consider
<ul style="list-style-type: none"> • GMW must be properly consulted and confident that the outcomes of the Environmental water review is fair and equitable – the review must reflect the views of all customers • Pricing must be fair and equitable for all customers – including the EWH, they should pay the same prices as other customers • We need to build the confidence and relationship between the EWH and the other customers – recognise that each party can be challenged with respect for other views • We need a better partnership between the EWH and irrigators – better discussions and understanding to avoid us and them dynamic 	<ul style="list-style-type: none"> • Equity • • Cost reflective

Additional Issues raised at a table for miscellaneous issues included:

- Uncapped and Not Metered Stock and Domestic water users
- Transmission Losses of the water
- Damages from Environmental water flows
- GMW Debt profile
- Rubicon Contract
- Price of temporary water

Customer Communications

On day 3 Kristin Favaloro (GMW) gave an overview of the ways GMW communicates with customers and sought feedback from customers on ways customer communications could be improved. While there was a lot of specific feedback captured at the workshop for GMW, there were a few key themes including:

- Customers are looking for more information from GMW
- Customers support using local news publications eg; country news
- The GMW Website needs more work to make it friendlier and easier
- Customers support reducing costs by using black and white bills and electronic communication (though some indicated problems with internet coverage)
- Customers encourage GMW to engage more broadly than just with Water Services Committees to hear the customer voice.
- Customers support the use of more structured forums and face to face meetings.
- Customer relationship consultants are not well known by the customer base
- Social media is not a big thing for the customer base

Conclusion

Many participants were quite sceptical about the process on Day 1. However, by the end of Day 3 the vast majority were feeling more positive and pleased with where they landed on many and varied issues, as shown in the wordcloud below.

One word to describe your experience today (Day 3)



Participants expressed interest in receiving progress reports on the Price Submission, and hoped their advice would make a difference.

From the perspective of the facilitators a considerable amount of trust was built between participants in the process and GMW officers. There was also a greater appreciation of the challenges faced by the region, and the complexity of developing a Price Submission.

Appendix

Appendix A – Forum Agendas

AGENDA – Day 1 Sunday 4 August

#	Item	Who
1.	Welcome	Daniel Irwin Acting Managing Director
2.	Introductions	Max Hardy and Cath Botta
3.	Why we're here	Ann Telford
4.	Morning tea	
5.	Topic 1: Service standards	Fabian McCloy / Peter Clydesdale
6.	Lunch	
7.	Topic 2: 365 Day Irrigation	Sam Green / Sam Birrell
8.	Topic 3: Customer Hardship	Fabian McCloy
9.	Wrap up and questions	Max Hardy and Cath Botta
10.	Evaluation and close	Ann Telford

AGENDA – Day 2 Friday 9 August

#	Item	Who
11.	10.00am Welcome back and introduction of Charmaine Quick MD	Ann Telford and Charmaine Quick (10 mins)
12.	Perspectives on Environmental Water	Mark Bailey GMW - Introduction (10 mins) Victorian Environmental Water Holder (10 mins) DELWP (10 mins) Mark Turner GBCMA (10 mins)
13.	Price regulation, how prices are built.	Tim White KPMG (Regulatory advisor to GMW) (20 mins)
14.	Tariff structure by service segments	Table groups with SME for each service (30 mins)
15.	Topic 4: Price paths by segments	Table groups with SME for each service (20 mins)
16.	12.15pm Lunch	
17.	Topic 5: Pricing equity and the Entitlement Storage Fee	Daniel Irwin GMW – Introduction (10 mins) Richard Anderson (20 mins)
18.	Afternoon tea	
19.	Topic 6: Service Point Fees	Sam Green (45 mins)
20.	Wrap up	Max Hardy and Cath Botta
21.	Evaluation and close	Max Hardy and Cath Botta
22.	6.30pm Dinner at Radcliffe's Echuca	

AGENDA – Day 3 Saturday 10 August

#	Item	Who
23.	Welcome back	Ann Telford (5 mins)
24.	Deliberation on other issues as identified by participants	
25.	<ul style="list-style-type: none"> • Infrastructure Access Fee (IAF) • Customer Bills (topic 8) • Carry Over water • Environmental Water 	
26.	Topic 7 Customer communications	Kristin Favaloro
27.	Confirming our recommendations	Max Hardy / Cath Botta
28.	Price Submission engagement next steps	Ann Telford
29.	Thanks, evaluation and close	Charmaine Quick MD GMW
30.	1.00pm Lunch (or leave)	

Appendix B – GMW Customer Forum – Participants by Revenue Tier & Service Type

