

## Determining customer support to mitigate greenhouse gas emissions and climate change impacts

For its 2018–2023 pricing submission to the Victorian Essential Services Commission, Yarra Valley Water utilised two innovative customer engagement techniques – a Citizens’ Jury and a conjoint analysis to determine its customers views on a wide range of matters.

### CLIMATE THEMES ADDRESSED



CUSTOMERS +  
COMMUNITY



REGULATORY  
OBLIGATIONS



WILLINGNESS  
TO PAY



EDUCATION

This was informed by an extensive jury information pack which included the challenges Yarra Valley Water faces with climate change their pledge to reduce emissions. This material was followed up by some expert ‘witnesses’ who spoke on climate change impacts amongst other matters. The Citizens’ Jury’s recommendation to save water now for the future was driven by the impacts of climate change. They also endorsed Yarra Valley Water’s commitment to reduce greenhouse gas emissions.

While customer sentiment was clear in not wanting a bill increase, customers endorsed seven outcomes to be delivered over the 5-year period, including strengthening Yarra Valley Water’s targets for per capita water consumption and greenhouse gas emissions. This resulted in a \$1m per year increase in expenditure for the utility’s work to protect the environment over the price period.

### Background

To understand what customers expect and value, there were three main elements to Yarra Valley Water’s customer-led engagement that underpinned its price submission:

- Several foundational pieces of research to understand what was important to customers in a broader sense
- Conjoint choice modelling across packages of services
- Citizens’ Jury

The main driver was to get a deeper level of understanding of what customers value. Rather than asking customers quick survey questions, customers were armed with the business information and access to experts of their choosing to weigh the available evidence find common ground, and explore necessary trade-offs.

The Jury made ten recommendations. All were accepted and incorporated into the pricing submission. This included a specific recommendation – to keep pace with climate change impacts and population growth to ensure efficient and uninterrupted water, the Citizens’ Jury expects the business to continue to undertake research and development initiatives with a focus on:

- Ensuring sufficient water supplies for the future
- Reducing short- and long-term costs
- Delivering services with minimal interruptions.

Several other recommendations contained elements of saving water for the future. And whilst no specific recommendation was made by the jury associated with greenhouse gas emissions, the jury information pack asked a number of questions which the jury responded to over the course of their deliberations. This included endorsing greenhouse gas emission reductions consistent with Yarra Valley Water’s pledge to government.

In parallel with the Citizens Jury, Yarra Valley Water undertook conjoint choice modelling with a representative sample of 1100 customers. The trade-off technique replicates a purchase situation, comparing packages of services and their associated price. Consistent with the citizens jury, this process identified additional value from water savings and reductions in greenhouse gas emissions. However, customers did not see additional value if there was an increase in their bill overall.

### Benefits to the utility, and to climate-related outcomes

Customers demonstrated that, equipped with all the information and time they needed, they were able to provide recommendations on the important questions facing Yarra Valley Water.

Customer sentiment was clear: they did not want a bill increase, and they valued increased services over a bill decrease. At a minimum, customers wanted a continuous supply of safe clean drinking water and safe removal of waste. Customers also expected the utility to maintain the service and manage future challenges such as population growth, ageing infrastructure, affordability, and climate change.

In the short to medium term, the challenge is how to maintain existing customer service levels in the face of more extreme climate events and predicted temperature variations, without significant customer and community inconvenience, cost and bill impacts.

Overall, when Yarra Valley Water's customers think about looking after the environment, their main concern is climate change and its impact – reflected in their recommendations to save water and reduce greenhouse gases. Further, when thinking about what they valued, customers identified caring for and protecting the environment alongside assisting vulnerable customers and water saving as most important.

As a result of all research and engagement activities, Yarra Valley Water proposed seven outcomes, two of which were: 'Care for and protect the environment', and 'Water availability and conservation'. Taking a long-term planning view of climate change and environmental sustainability, the climate change-relevant elements in these outcomes included:

- Targeted water conservation resources, education and programs for customers and the community
- Proactive leak detection programs
- Providing recycled water to over 100,000 customers in mandated recycled water areas to the north of Melbourne

- Targeted research and development and new asset innovations, to keep pace with the impacts of climate change and population growth, to reduce maintenance costs and optimise infrastructure investment to ensure a sustainable water source in the future
- Minimising impacts on the environment, including inflow and infiltration and sewerage spills and proposing to reduce emissions by 53.4% by the end of the pricing period (2022-23) from the 2016-17 baseline, consistent with the pledge to government.

The Essential Services Commissions price review framework (PREMO) incentivised Yarra Valley Water to ensure that their proposals sought to understand customers' priorities and maximise community value. The outcomes from this process provided the business with a clear understanding of customers' needs and expectations including their support and preferences for both mitigating and reduce climate change impacts.

The final pricing determination included a \$1m per year increase in investment to deliver the 'Care for and protect the environment' outcome' over the pricing period.