

Attachment B.1
**SA Water Strategic
Plan 2012-2016**

SA Water
**Regulatory Business
Proposal 2013**



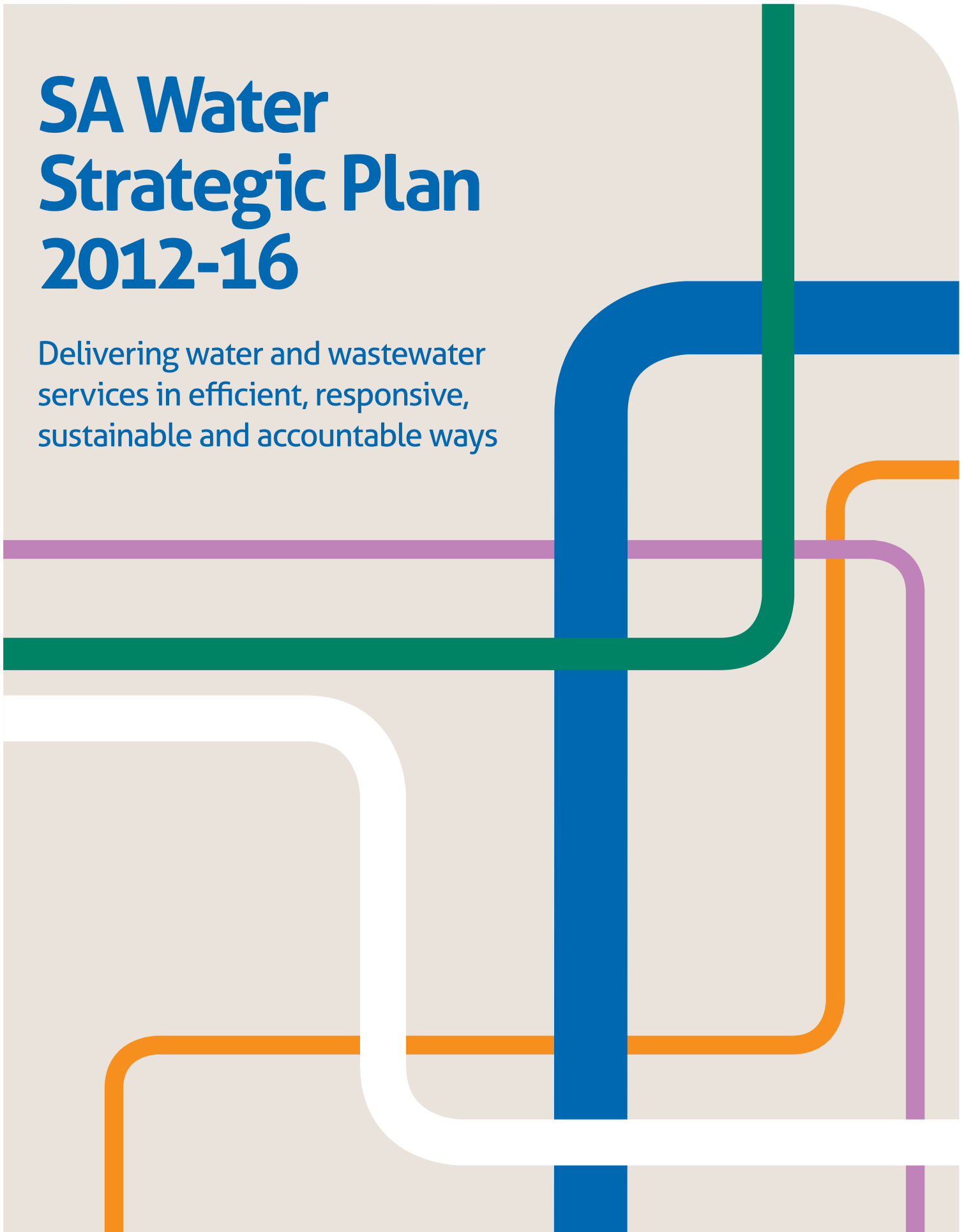


Government
of South Australia



SA Water Strategic Plan 2012-16

Delivering water and wastewater
services in efficient, responsive,
sustainable and accountable ways



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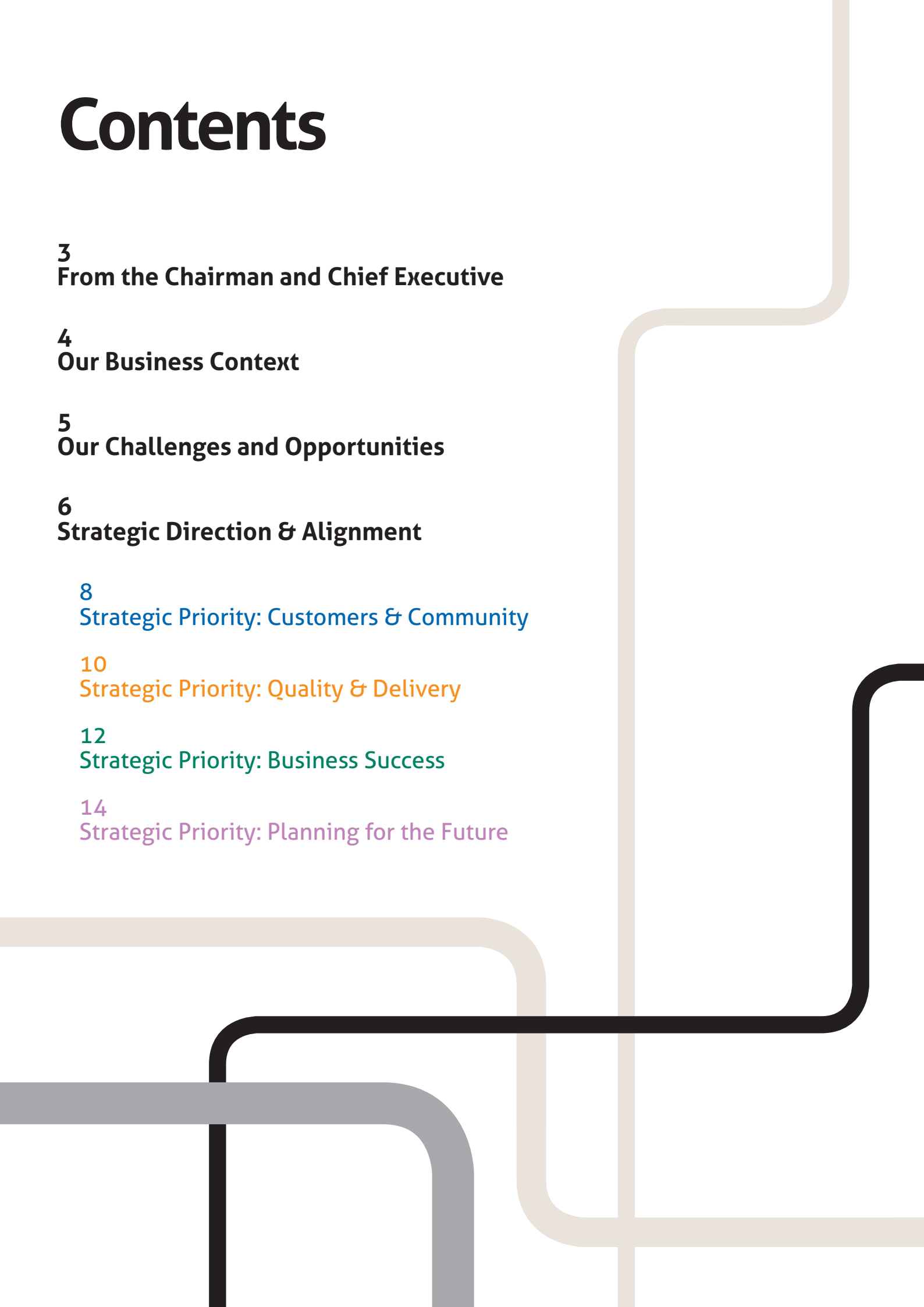
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From the Chairman and Chief Executive

At the heart of the SA Water Strategic Plan is our purpose:

Delivering water and wastewater services in efficient, responsive, sustainable and accountable ways.

Our Strategic Plan sets a clear direction for SA Water through to June 2016, in what will be a period of significant change. The Strategic Plan will drive our decision making at all levels throughout the organisation and ensure we have a sustainable business. We will regularly monitor our performance and our progress towards the Strategic Priorities identified within this plan.

We are committed to working with our customers and key stakeholders so that we understand their expectations and can prioritise our activities accordingly.

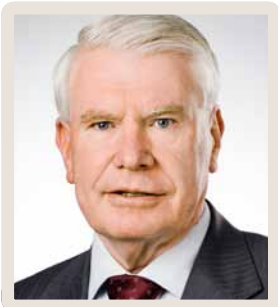
We will pursue innovation to drive efficiency in our business to manage the cost of providing services to our customers.

We are here to deliver water and wastewater services to more than 1.5 million South Australians – services that we have provided 24 hours a day, seven days a week since 1856.

The direction set by this Strategic Plan will ensure that we not only continue to deliver these services, but deliver them in an efficient, responsive, sustainable and accountable manner.



Lew Owens
Chairman




John Ringham
Chief Executive



Our Business Context

SA Water is wholly owned by the Government of South Australia and manages all aspects of water and wastewater service delivery to our customers.

Our water and wastewater networks and operations span vast distances and, unlike many other Australian water utilities, cater for the needs of households, businesses and industries across metropolitan, regional and rural areas. In many cases, customers receive water that has been delivered from distant sources.

SA Water is subject to more than 120 Federal and State Acts, along with regulations, codes, industry guidelines, internal policies and operating procedures. Strong commitment to sound governance is evident at all levels of the business to ensure SA Water's Board, management and employees perform their duties in line with those directions.

The SA Water Board - which is appointed by the Minister for Water and the River Murray - is guided by a charter that seeks to balance a commitment to community service with prudent commercial principles.

Key legislation guiding SA Water includes:

- *Public Corporations Act 1993* - subject to this Act, SA Water is a commercial entity, striving to provide a commercial return to Government.
- *South Australian Water Corporation Act 1994* - establishes SA Water's primary functions, including:
 - Supply of water by means of reticulated systems
 - Storage, treatment and supply of bulk water
 - Removal and treatment of wastewater by means of sewerage systems.
- *Water Industry Act 2012* - includes the provision for independent regulation of water and sewerage pricing, ensuring the safety and quality of services and ongoing technical regulation.
- *Environment Protection Act 1993* - establishes the framework for the protection of South Australia's land, air and water environments.
- *Safe Drinking Water Act 2011* - requires drinking water to be fit for purpose.

A snapshot of SA Water (June 2011):

Population served (water)	1,557,000 (almost 95% of the State's population)
Population served (wastewater)	1,239,000
Total water delivered	196,665 Megalitres*
Water sources	Surface water (48%) River Murray (46%) Groundwater (6%) Seawater (<0.1%)
Wastewater reuse	21% (Avg past 5 yrs around 25%)
Asset value	Approx \$13 billion
Length of water mains	26,552 kilometres
Length of sewer mains	8,703 kilometres

* 1 Megalitre = 1,000,000 litres

Our Challenges and Opportunities

There are a number of challenges and opportunities facing SA Water in the future, including:

- **Safety:** SA Water currently has a reasonable record in regard to safety, due to targeted organisational safety programs. However, this record needs to be improved, never compromised and driven by all employees and contractors.
- **Demand and pricing:** Water restrictions and changes in water use patterns have seen a significant fall in water consumption over the past decade, which has negatively affected revenue generation. With significant investment in water security infrastructure in recent years, water prices have also risen sharply. Further research will enable SA Water to understand better the balance between prices and service standards expected by customers.
- **Asset reliability:** SA Water has an extensive portfolio of physical and natural assets, which includes a mix of ageing assets and brand new, high-cost capital investments. Appropriate lifecycle planning, management and maintenance will ensure continuity in supply and quality while maintaining the best value for customers.
- **Changing demographics:** The South Australian population, as well as SA Water's customer demographics, are changing. The population is both increasing and ageing, while also consolidating onto smaller land holdings. SA Water needs to gain a greater appreciation of what this means for domestic water use and the customer's ability to pay.
- **Regulatory environment:** The introduction of independent economic regulation from 1 July 2013 reinforces the objective to be prudent and efficient. SA Water must also ensure that all existing regulatory requirements (in terms of the environment, health and water) are maintained.
- **Competition:** It is likely that over time SA Water will face increasing pressure from new industry participants. This may come either in the form of third party access to SA Water's infrastructure or the provision of water services to smaller groups of customers from independent sources like small desalination plants.
- **Changing workforce:** SA Water's workforce includes many employees reaching retirement age. We are also experiencing competition from rapidly expanding industries (like mining) for certain key skills. SA Water needs to remain competitive as an employer of choice in order to maintain business operations effectively.
- **Innovation:** The source of many of SA Water's past successes has been innovation. While innovation is a means, rather than an end in itself, SA Water will always be looking for ways to improve in all areas. Innovation will be the key to responding proactively to many of the challenges and opportunities identified within the Strategic Plan.
- **Changing climate:** The climate is changing. Over time, temperatures are expected to increase and rainfall reduce (although rainfall will most likely be more intense when it does occur). Also, due to market factors, energy prices will rise. SA Water must be prepared for climate change, in terms of water security (which may also be affected by the future Murray-Darling Basin Plan) and exposure to the energy market, while managing the associated impacts on customers.
- **Network capability:** Projections show a significant increase in Adelaide's population over the next 30 years. Many outer urban areas will expand and there will also be a greater focus on infill housing in the metropolitan area. SA Water needs to ensure that networks can cater for this growth.
- **Water Quality:** South Australia has always faced water quality challenges due to poor quality source water. In order to reduce risks to customers, SA Water needs to continue to enhance detection and treatment processes, in accordance with legal frameworks.

Strategic Direction & Alignment

Our Strategic Priorities are an extension of our purpose statement and intentionally focus on addressing the key challenges and opportunities we face. The four strategic priorities are:

- Customers & Community
- Quality & Delivery
- Business Success
- Planning for the Future

Our approach to setting priorities and decision making will ensure we strike a balance between strategic alignment, risk and financial impact.

Our Strategic Priorities, together with the key performance outcomes through which we will measure our success, are represented in Figure 1.

SA Water Strategic Priorities

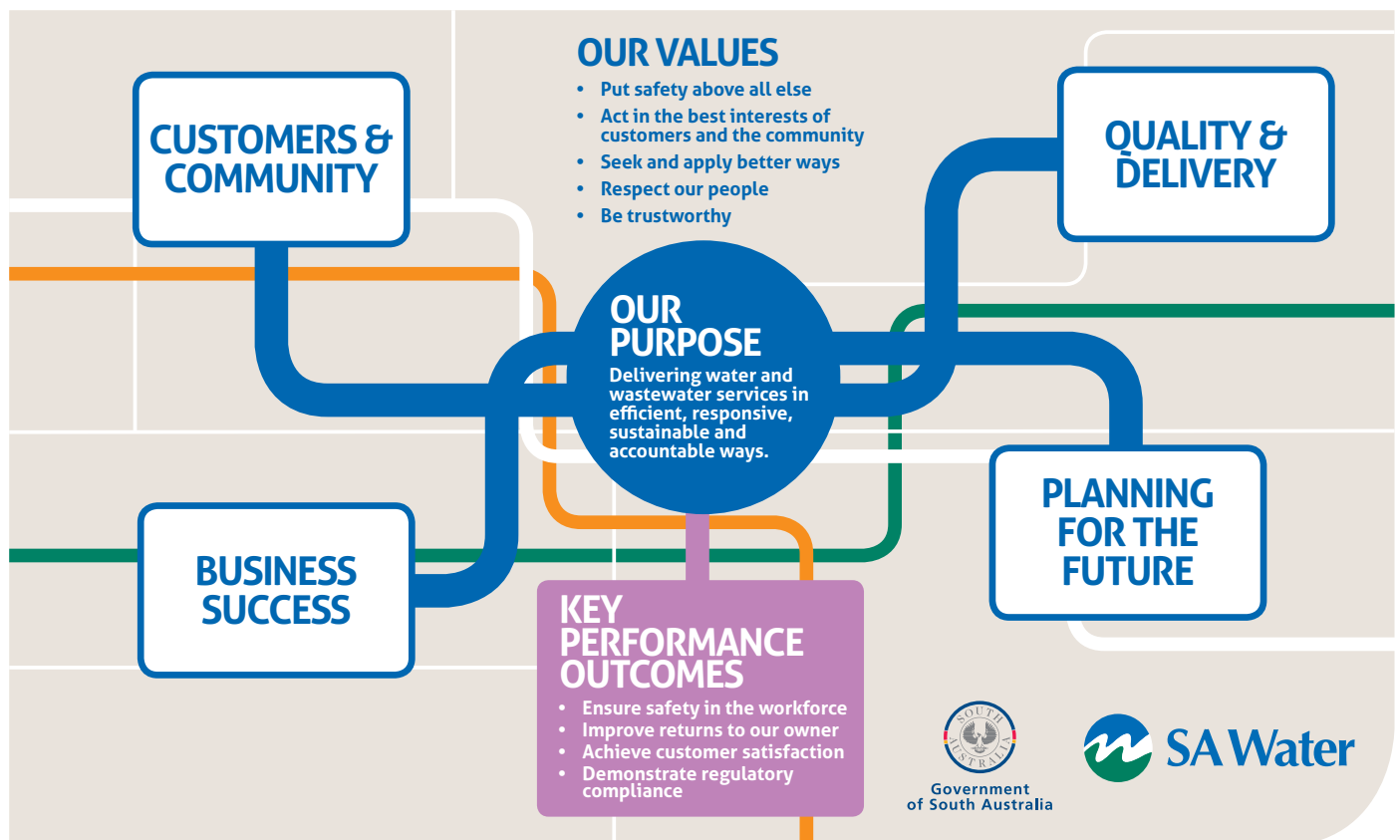


Figure 1: SA Water Strategic Priorities 2012-16

Each of our strategic priorities is supported by a suite of key strategies that seek to meet the overall objective and drive the achievement of the key performance outcomes. The key strategies for each of the strategic priorities are represented in Figure 2.

Strategic Priorities	Customers & Community	Quality & Delivery	Business Success	Planning for the Future
Key Strategies	Customer Services Strategy	Water & Wastewater Services Strategy	Regulation & Governance Strategy	Integrated Water Planning Strategy
	Stakeholder Engagement Strategy		Financial Management Strategy	Asset Stewardship Strategy
			Workforce & Culture Strategy	

Figure 2: SA Water Key Strategies

To enable implementation of the key strategies, a strategic management framework has been developed. It has been designed to align and distribute the high level corporate strategies into business group and team plans (where more detailed activities and targets are set). In turn these plans flow into Personal Achievement and Development Plans as represented in Figure 3.

SA Water Strategic Management Framework

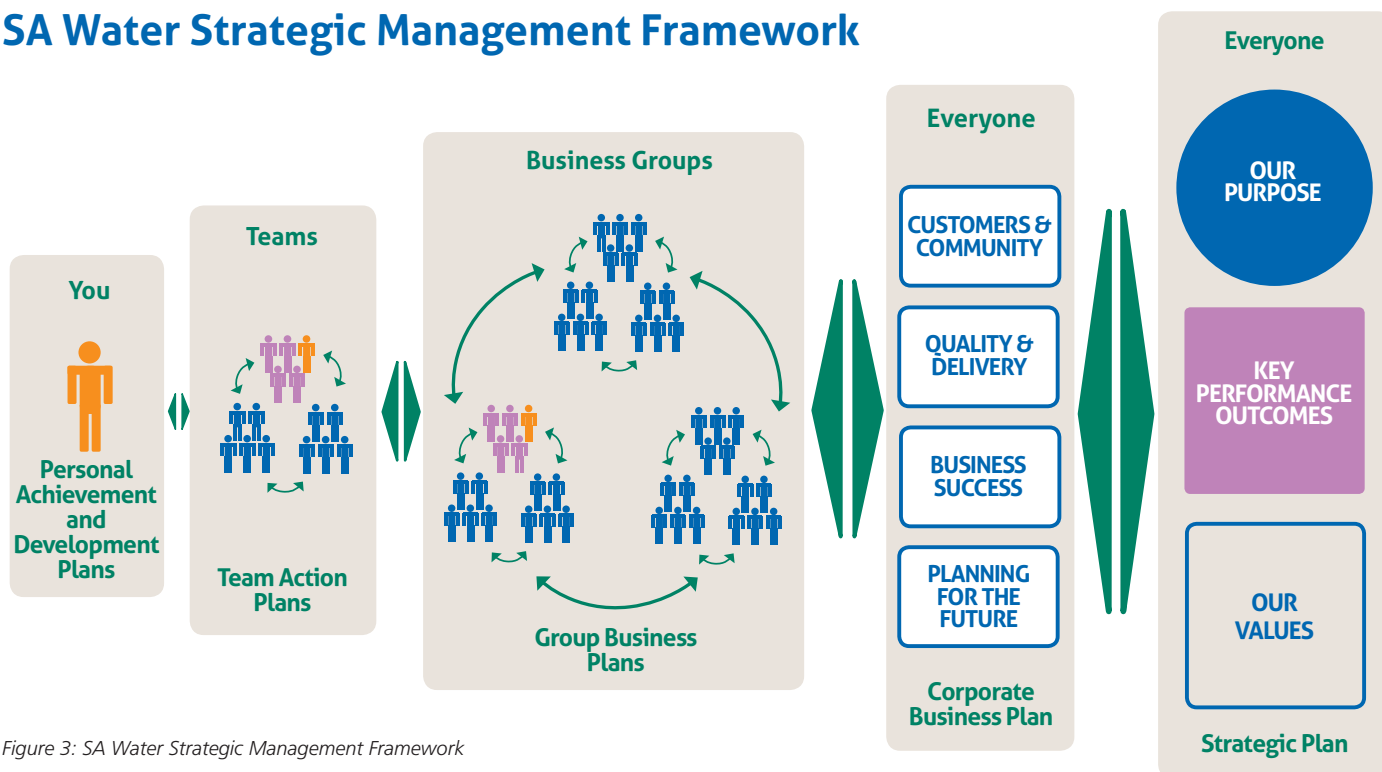


Figure 3: SA Water Strategic Management Framework

Integral to the Strategic Management Framework is the concept of line of sight. This is essentially about individuals and teams understanding how they contribute to the whole of business priorities and outcomes, and also the way in which individuals and teams work together to deliver the corporate wide strategies.

Customers & Community

Statement of Intent

To achieve customer satisfaction by delivering the services they value, enhance our reputation within the community and build strategic relationships with our key stakeholders.



Customer Services Strategy

Our approach to **customer participation** will focus on understanding customer expectations, the services they value and are willing to pay for, and providing opportunities for customers to contribute to SA Water's decision making processes.

We will work with the Essential Services Commission of South Australia (ESCOSA) to review and refine **service standards** that are cost effective, adaptive and align to customer expectations. We will also ensure that SA Water is accountable and has the **capability** to deliver on these service standards through appropriately trained customer-focussed staff who are supported with the right systems and processes.

We will support our customers through the delivery of an efficient and effective **customer service interface** that incorporates a customer enquiry and response management framework together with a billing interface that is tailored to customer needs. We will also continue our focus on building collaborative relationships with key industrial and commercial customers in managing local water and wastewater solutions.

Stakeholder Engagement Strategy

We will build on our reputation, maintain effective relationships and raise community awareness in regard to SA Water's services through timely, targeted and relevant **communication**, **education** and **community investment** programs.

We will actively listen and engage through **community involvement** to ensure we are informed about stakeholder opinions, concerns and issues in relation to capital works, so we can improve the delivery of project outcomes and demonstrate our responsiveness to community expectations.

We will focus our efforts to identify the stakeholders involved in likely future changes in the business operating environment that may present risks or opportunities for SA Water. We will build and maintain effective strategic relationships as we seek to **influence** the delivery of our strategic priorities.



What success will look like:

- Customer satisfaction is improved
- Customer Service Centre responsiveness is maintained
- Number of customer complaints is reduced
- Value of SA Water's brand is maintained
- Effectiveness of SA Water's communications is improved
- Our stakeholders are engaged and we have influence in key policy areas

Key initiatives that support our strategies:

- Customer service research program
- Advisory Councils for residential and business consumers
- Customer service charter detailing our commitments and expectations
- 24/7 customer contact centre
- Customer assist program for customers experiencing difficulties
- Membership of Energy & Water Ombudsman SA scheme
- Communications and media relations
- Education and community investment programs
- Community engagement for major capital projects
- Local Government liaison
- Participation in industry networks and forums

Quality & Delivery

Statement of Intent

To deliver water and wastewater services that are fit for purpose, cost effective and comply with regulatory requirements.



Water & Wastewater Services Strategy

We will provide a consistent and reliable supply of high quality, safe **drinking water** as well as seek to deliver improved aesthetics in our water supply systems. We will ensure that our response to any customer concerns regarding water quality are addressed in accordance with agreed timeframes. In regard to **non-drinking water** supplies, we will provide products that are fit for purpose and economically viable for our industrial, agricultural and residential customers.

We will also continue to work closely with our industrial customers to ensure that the quality of **trade waste** discharged to our wastewater systems (especially from trade waste customers) meets defined standards so that our wastewater systems can produce reliable and safe recycled water and biosolid products.



We will **maintain and extend** our infrastructure to defined standards of reliability and responsiveness with a focus on efficiency. We will continue to work with our key strategic partners in delivering services to customers and pursue innovation to drive efficiencies.

We will actively manage **residuals and emissions** from our water and wastewater supply and treatment processes in line with community expectations, regulatory requirements and financial impacts. We will pursue opportunities to realise value for money reuse of residuals, including productive reuse of sludge and improved energy efficiency/recovery.

Where we are required to deliver **Government Policy Initiatives**, we will ensure that quality and cost effective outcomes are delivered within the agreed timeframes.

What success will look like:

- Drinking water quality is compliant with Safe Drinking Water Act
- Trade waste customers are compliant with permits
- Frequency of service interruptions attended within target timeframes
- Attendance, restoration and clean up of service interruptions are within target timeframes
- Extensions and connections to water and sewerage services are within target timeframes
- All relevant operations are compliant with Environment Protection Authority licences
- Renewable energy targets are in line with the Climate Change Sector Agreement

Key initiatives that support our strategies:

- Infrastructure operation
- Drinking Water Quality Management System and water treatment
- Sampling and analytical testing services
- Water and wastewater incident notification
- Trade waste audits and monitoring
- 24/7 Operations Control Centre management
- Emergency management planning
- Land development and connections services
- Joint Research Alliance
- Environmental improvement programs
- Sludge and biosolid management
- Management of odour and noise at SA Water sites
- Climate Change Sector Agreement delivery
- Energy efficiency planning
- River Murray Operations
- Services to remote Aboriginal communities
- Metropolitan drainage management

Business Success

Statement of Intent

To ensure long term financial success, with a safe, skilled and committed workforce demonstrating excellence in regulatory management and governance.



Regulation & Governance Strategy

We will implement a governance framework for **economic regulation**, working collaboratively with ESCOSA, as we pursue an equitable balance between delivering customer value and returns to our owner. The development of structures, efficiencies and cultural reform to meet the needs of the regulatory environment will be a key priority.

We will deliver comprehensive **strategy, risk and compliance** frameworks that align the organisation to the Strategic Plan, drive performance and ensure the effective integration of risk management in all decision making processes.

We will develop and maintain effective **business systems and technology**. We will employ processes and systems to capture information accurately and consistently, ensuring corporate information requirements are understood by our entire workforce.

Financial Management Strategy

We will deliver systems and frameworks that drive **accountability** for financial outcomes to all levels of management. We will ensure that we have a **financially sustainable** capital structure that provides flexibility to deal with future challenges and delivers an appropriate level of financial risk and return for our owner.

We will maintain our focus on **business efficiency and control** to limit price impacts for water and wastewater customers by driving reductions in the real operating cost of delivering services.

We will pursue high quality **non-regulated business opportunities** produced or created in the course of SA Water's operations that contribute towards profit.

Workforce & Culture Strategy

We will maintain our commitment to workplace **safety and wellbeing**. This will be achieved through engagement of our workforce and strategic partners to embed a safety culture in everything we do. Ensuring our leaders continue to demonstrate strong safety leadership will be critically important.

We will develop our **workforce capability** to ensure that we have people with the requisite skills and capabilities to meet our current and future business needs. We will also encourage high performance and support our workforce to create strong career development prospects and pathways.

We will implement **workforce planning** and talent management processes to identify and respond to current and future resource requirements. By establishing SA Water as an employer of choice that supports **diversity** and a work-life balance, we will ensure we are able to attract and retain the right people.

We will build a strong workforce **culture** that aligns us to our strategic priorities, values and key performance outcomes. A commitment to continuous improvement and innovation is central to delivering tangible value to our customers and owners. We will ensure that our **values** are embedded and demonstrated in all the work we do.

What success will look like:

- Economic regulatory compliance is achieved and maintained
- Core systems availability maintained for critical business systems
- Corporate risks have mitigating strategies with assigned accountability
- Group Business Plans are developed and aligned to team/individual plans
- Profit before tax, return on assets and dividend are delivered according to forward estimates
- Credit rating is maintained to manage financial sustainability
- Profitable returns from non-regulated activities
- Employee satisfaction is improved to mitigate potential loss of critical staff
- Diversity in our workforce contributes to enhanced performance
- Significant progress towards zero Lost Time Injuries

Key initiatives that support our strategies:

- Regulatory Business Proposal development
- Review and establish network access regime
- Strategic management framework implementation
- Corporate risk management and internal audit
- Corporate policy and legislative compliance framework
- Information services, applications and infrastructure
- Financial Governance, Commercial Management and Treasury Services
- Water and wastewater pricing structures
- Procurement frameworks (including energy) to manage price risk
- Growth of non-regulated services, including AWQC and the Berri (WET) Workshop
- Employer branding and attraction
- Leadership capability and skills development
- Review of the performance management framework
- Staff engagement survey and SA Water Values week
- Staff diversity programs
- Safety leadership programs
- Workforce planning programs
- Hazard Management planning for critical OHS risks
- Health and wellbeing program for employees
- Innovation framework development

Planning for the Future

Statement of Intent

To plan for a sustainable future through integrated water planning and stewardship of our physical and natural assets.



Integrated Water Planning Strategy

We will deliver **water resource security** through a water supply mix which considers reliability and cost of supply and recognises the principles of integrated water management and uncertainties of climate change. We will develop a portfolio of tradable and non-tradable water rights as a key component in providing long term security at least cost.

We will develop a framework which ensures the role of **stormwater and recycled water** in the water security mix for South Australia is well defined and understood by the community. We will continue to support investment in stormwater and recycled water projects that are economically viable.

We will work collaboratively with the community, development sector and industry in updating our existing plans of when and where investment is required to increase **system capacity**. Importantly, this will be supported by system models to prepare robust supply and demand forecasts that meet ESCOSA's expectations.

Asset Stewardship Strategy

We will ensure our asset management framework integrates the principles of **accountability, direction and asset information**. We will achieve this through our systems and processes that enable the development of robust consolidated asset management plans, ensuring our infrastructure standards are up to date and supported by relevant and timely information on asset condition and performance.

We will undertake **asset lifecycle planning** of all our infrastructure assets to ensure robust asset management plans and strategies, while clearly articulated stakeholder outcomes will be developed and maintained. Each asset management plan will articulate the performance and condition monitoring regime, maintenance requirements and capital investment required to meet stakeholder outcomes.

We will review and update the SA Water 25 year capital works program to support **service level delivery** of capital projects and provide input to the regulatory submission process. We will make portfolio spend recommendations and monitor the delivery of the approved portfolio. We will ensure our capital delivery models achieve efficiency and demonstrate portfolio outcomes. Asset condition monitoring and preventive maintenance regimes will ensure SA Water assets reach their useful lives.

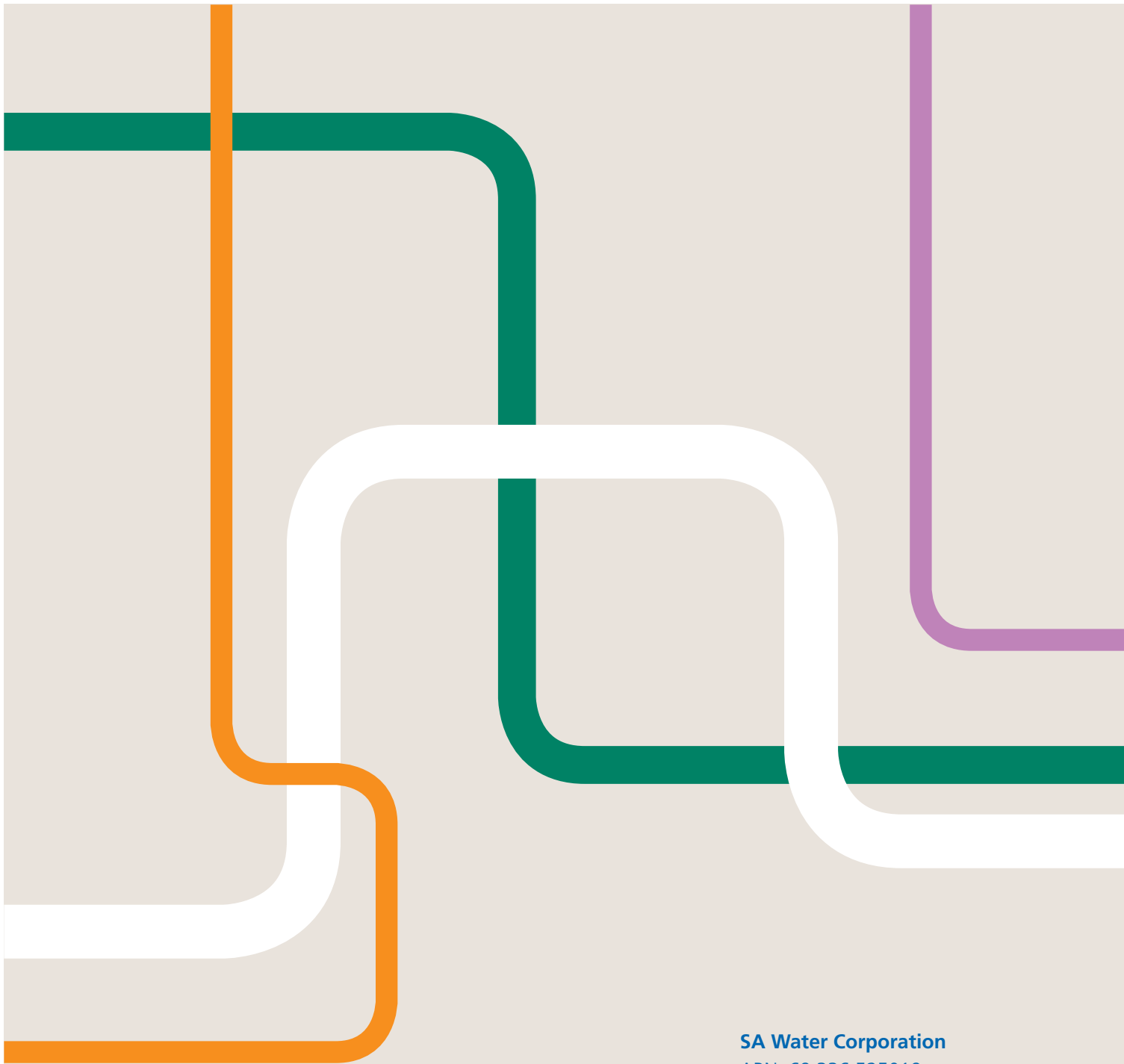


What success will look like:

- Compliance with water licence and allocation provisions
- Treated wastewater is being recycled
- Long term system capacity plans are regularly updated
- Asset reliability and failure rates are optimised
- Capital projects are delivered on time and on budget

Key initiatives that support our strategies:

- Water resource and security portfolio strategy
- Develop and maintain robust demand forecast model
- Stormwater and wastewater planning
- Long term plans for system capacity augmentation
- 25 year risk based asset management plans
- Asset condition monitoring strategy
- Reliability centred maintenance plans to mitigate impact of asset failure
- Land use and fire management programs for critical land holdings
- Portfolio management and capital prioritisation framework
- Project Management and Procurement (PMP) contract for metropolitan capital project delivery
- Deliver key growth projects for water and wastewater services
- Facilities management services



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Government
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SA Water