

Draft  
TasWater Corporate Plan  
Financial years 2021 to 2025  
(excluding Financials and Capital Expenditure)

3 February 2020, Version 0.3

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Message from our Chairman and CEO.....	4
About our Plan .....	6
Our purpose .....	7
Our Long Term Strategic Plan .....	8
Our strategy .....	9
Our customer promises and outcomes .....	10
Our priorities and primary strategies.....	10
Our enabling strategies.....	10
Our shared values .....	11
Our progress .....	12
Our key challenges and opportunities.....	16
Customer and Community.....	20
Commercial and Economic .....	21
Water and Environment .....	24
People and Culture .....	26
Measuring our success.....	27
Our organisational risks .....	29
Financial Forecasts.....	30
Capital Expenditure.....	37
Appendix 1 – Key strategic risks.....	40
Appendix 2 – FY2020-24 Top 25 Capital Projects .....	43
Appendix 3 – FY2020-24 Top 10 Capital Programs.....	45

TasWater proudly acknowledges the traditional and original owners of this land lutruwita, the Tasmanian Aboriginal people, to pay respect to those who have passed before us and to acknowledge today's Tasmanian Aboriginal people who are the custodians of this land.

DRAFT

## Message from our Chairman and CEO

Our vision is to be “a trusted and respected provider of essential services that is making a positive difference to Tasmania” and we are working hard to achieve our goal by 2023.

Our vision is the foundation for our Corporate Plan for FY2021–25 (our Plan). It guides our strategy for the delivery of safe, reliable and environmentally responsible water and sewerage services that support the health, wellbeing and lifestyle of all Tasmanians.

TasWater has celebrated several significant achievements in the past 12 months that have improved services for customers, reduced our environmental impact and provided economic benefit for the state.

The new Burnie-Cam pipeline which services the town of Cam has negated the need to upgrade the Cam water treatment plant, the Kingborough Sewerage Strategy has improved the quality of effluent released into the River Derwent, and the Ti-Tree Bend biosolids treatment upgrade has minimised odours for our neighbours. In addition, the King Island drinking water upgrade is providing safe, reliable and good tasting drinking water that is essential to the island community’s planned economic growth.

These projects are examples of our ongoing commitment to deliver to our customers and the Tasmanian community what they have told us is important to them – and that we are keeping our promises while making a positive difference to Tasmania.

We have once again enjoyed the full support of our 29 Tasmanian councils and Tasmanian Government owners this year. Working with our Owners’ Representatives Group and other stakeholder bodies gives us many insights into how best to serve the needs of our customers and the Tasmanian community.

As we move into the new financial year, our focus remains on our customers. Our customer promises are at the centre of our Plan, and our strategies align our activities with the customer outcomes we have set out to achieve.

Our Customer Experience and Community, Stakeholder and Customer Relations strategies provide a framework for keeping our customers and community informed. Equipped with a better understanding of customer needs and expectations, we are working towards making every interaction with us a positive one.

As the global focus on climate change intensifies, we continue to pursue improved water management practices. We work closely with the Environment Protection Authority, the Department of Health, the Department of Primary Industries, Water and Environment and the Office of the Tasmanian Economic Regulator to deliver on our compliance obligations while reviewing priorities and responding to emerging needs.

Our Drinking Water and Sewerage strategies highlight an ongoing commitment to further improve public health and environmental outcomes. These improvements rely upon further investments in system quality and risk management plans, instrumentation upgrades, new sensors, improved management systems and embracing data analytics.

We are implementing a range of information, communication and operational technology strategies to meet growing customer expectations in a manner that is efficient and affordable. We continue to invest in our innovation program, to make it easier for our people to support our customers and to reduce our costs. We are also looking to adopt emerging new technologies such as the Internet of Things and cloud-based applications.

Our infrastructure can last for 100 years or more and, as we integrate the old with the new, our Asset Management and Productivity strategies ensure investment decisions that are prudent, efficient and deliver value for money.

On 1 July 2019 our Capital Delivery Office (CDO) became operational and is poised to drive our next five years of capital investment. The CDO provides the additional personnel, processes, systems and tools needed to increase our project planning and management capacity and achieve our ambitious program on schedule. Our increased capacity to implement complex construction projects extends to the priority engagement of local contractors and suppliers.

Over the five years of our Plan period, we intend to invest \$1.1 billion in capital upgrades. This includes externally funded major projects such as the relocation of the Macquarie Point sewage treatment plant and improvements to the Launceston combined sewage and stormwater system. In addition, a significant number of unfunded possible asset transfers and service introduction requests will need to be considered. A new policy position is being developed in anticipation of the end of the current moratorium on asset transfers (to occur in October 2020). This new policy will consider which projects may be funded and the source of that funding.

As the global talent market intensifies, we continue to invest in our people by building capability and empowering our workforce to deliver a more personalised customer experience. To support our People Strategy we have initiated programs to complement our technical skills and evolving technology with improvements in our soft skills. This will help us adapt to the changing needs of our customers.

Our Health and Safety Strategy is focused on the health and wellbeing of our people and the need for safe workplaces. We have joined the growing list of water industry leaders and organisations across Australia and New Zealand, including the Water Industry Association of Australia, to pledge our commitment to a positive change in health and safety performance and action a holistic approach that supports mental health.

The projected underlying net profit is \$xx million in FY2020–21 and is at similar levels through the period of our Plan. This level of profitability will

help fund our capital investment program and continue to support the provision of \$20 million in distributions to owner councils over our Plan period. Retained earnings at the end of our Plan period are expected to be \$xx million with a closing total equity of \$xx million.

Our Plan demonstrates our dedication to our vision, our commitment to our customers, and the depth of capability that exists within our people. It will deliver water and sewerage services for Tasmania that support the growth and prosperity of our state for today, tomorrow and generations to come.



Dr Stephen Gumley AO  
Chairman



Michael Brewster  
Chief Executive Officer

## About our Plan

### What is the purpose of our Plan?

Our Plan describes our purpose, activities, strategies, performance measures and capability requirements, and will lead our business activities towards achieving our vision.

Our vision is “**to be a trusted and respected provider of essential services that is making a positive difference to Tasmania**”.

### What does it contain?

Our Plan outlines:

- An overview of our business
- An overview of our key challenges and opportunities
- Our strategic direction as identified by our strategic priorities and primary strategies
- Our key performance measures and targets
- An overview of our operating and capital works program forecasts that demonstrate the sustainability of our Plan
- An overview of the key strategic risks that we will need to manage to ensure that we are able to deliver on our strategy.

### How was it developed?

Our Plan incorporates analyses of our internal and external environment, reviews of current performance, and responses to community, stakeholder and owner feedback.

It aligns with our Long Term Strategic Plan and outlines priorities and focus areas for the FY2021–25 period which underpin a program of work that follows strategic priorities agreed with key industry regulators, shareholders and customers.

### What has changed?

Our Plan reflects updated initiatives focused on achieving our vision. Our strategic direction does not differ from that contained in our previous corporate plan.

## Our purpose

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. We source, treat and deliver reliable, quality water to our customers. We collect, transport and treat sewage and safely return it to the environment. We were established under the *Water and Sewerage Corporation Act 2012* and the *Corporations Act 2001*, and commenced operations on 1 July 2013.

We operate under a range of legislative and regulatory instruments, including:

- *Water and Sewerage Corporation Act 2012*
- *Corporations Act 2001*
- *Water and Sewerage Industry Act 2008*
- *Environmental Management and Pollution Control Act 1994*
- *Public Health Act 1997*
- *Land Use Planning and Approvals Act 1993*
- *Water Management Act 1999*
- TasWater's Constitution
- TasWater's Shareholders' Letter of Expectations.

Our key regulators are:

- The Tasmanian Economic Regulator
- The Environment Protection Authority
- The Department of Health
- The Department of Primary Industries, Parks, Water and Environment.

The 29 Tasmanian councils and the Tasmanian Government are the shareholders of TasWater.

## TasWater responsibilities

Figure 1 TasWater responsibilities



## Key facts as at 30 June 2019

- Provided water and sewerage services to more than 426,514 customers<sup>1</sup>
- Delivered 67,000 megalitres of drinking water
- Treated 50,180 megalitres of sewage
- Supplied 5,755 megalitres of recycled water

<sup>1</sup> 185,441 connections x 2.3 (census 2017) residents per connection. Remaining connections are businesses and excluded from population calculation.

Figure 2 Hierarchy of planning documents

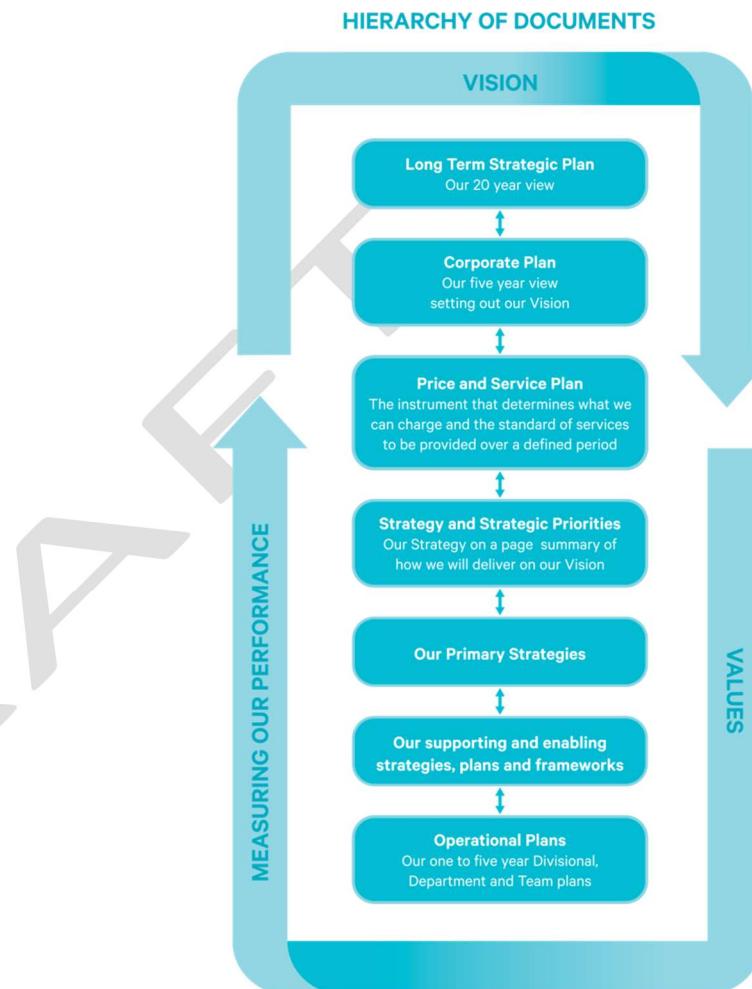
## Our Long Term Strategic Plan

The inaugural TasWater Long Term Strategic Plan (our LTSP) was developed in 2017. Our LTSP identifies customer outcomes to be delivered over a 20-year period and the resulting balance between prices, service standards and the time to reach full compliance. It is based on customer and regulator feedback and integrates with long term financial plans that provide the financial constraints for our LTSP.

Our LTSP provides direction to the whole business. It outlines goals, customer preferences – for improving compliance, drinking water quality, environment and dam safety – and stakeholder support. It will be delivered as an integrated set of strategies, plans and frameworks, as outlined in Figure 2.

We are three years into the 10 year \$1.7 billion<sup>2</sup> capital expenditure program to address the state's water and sewerage compliance challenges. Our LTSP has been fully modelled and provides a sustainable approach to improving infrastructure and balancing the needs of current and future generations.

It is our intention to refresh our LTSP in the middle of the 2020 calendar year. The primary aim of the refresh is to ensure our LTSP reflects developments since its inception in 2017 and is more holistic in nature, incorporating more of our long term operational goals, the outcomes agreed to in the Memorandum of Understanding with the Tasmanian Government, and our financial plan. While some change is envisaged, the primary objectives set out in our LTSP are largely expected to remain unchanged.



<sup>2</sup> This has increased from \$1.55 billion previously under the MOU entered into with the Tasmanian Government in May 2018.

## Our strategy

TasWater is operating in a time of significant change. This creates opportunities and challenges across four key strategic theme areas: Customer and Community, Commercial and Economic, Water and Environment, and People and Culture.

The strategy inherent in these themes provides the foundation for our Plan and will help us achieve our vision. It has been developed through careful consideration of the key outcomes our customers, regulators and owners expect from us.

Figure 3 Our strategy



## Our customer promises and outcomes

### Our promises

Our customer promises set out what we understand our customers expect from us and outline the standards that we have set ourselves in key areas of service that we know are important. These promises are the foundation upon which we will build trust and respect with our customers.

### What you expect

The outcomes we are working to achieve have been developed through feedback from customer and community forums. They represent the level of service our customers expect from us and state what we aim to achieve.

## Our priorities and primary strategies

Within the four strategic themes outlined in Figure 3 above we have identified eight priorities and eight primary strategies to guide delivery of what matters to our customers in the most effective and affordable way. Together these provide a roadmap for delivering safe, reliable and environmentally responsible water and sewerage services.

## Our enabling strategies

We have refined and consolidated the six enabling strategies from our previous plan. The eight primary strategies are now supported by four enabling strategies that underpin our customer promises and what our customers expect from us. They cover knowledge management, risk management, financial sustainability and technology and innovation.

Our new Technology and Innovation Strategy is underpinned by our Information Communication Technology, Operational Information Systems and Innovation strategies, and will provide the foundation for the digital transformation of our business.

We continue to maintain our governance framework to ensure we have a well-articulated strategy and direction, clearly defined management structures, robust management standards, internal and external accountability measures and sound risk management practices.

## Our shared values

Our shared values set the expectation for how we work together to deliver our strategy and what customers expect of us.

Our values, as developed by our employees, reflect how we aim to operate in providing services to our customers, community and stakeholders.



### Honest and straight forward

We uphold the values and behaviours of TasWater in every action and decision.



### Getting it right

We will develop responsible solutions and strive for continuous improvement.



### Long term thinking

We will deliver outcomes that are in the best interest of the Tasmanian community.



### Working together

We will work together as one TasWater to meet the expectations of our customers.



### Taking ownership

We will take personal responsibility for meeting commitments.

## Our progress

In the past year we have progressed key initiatives designed to help us meet the customer promises set out in our strategy. Some of these initiatives are outlined below.

### Our role in the community

To build community confidence, TasWater strives to be recognised as a capable, reliable and accountable utility supporting the wellbeing and health of all Tasmanians.

Our research indicates that to improve trust TasWater needs to demonstrate greater customer care and community interest. To address this, we will continue to increase our support, sponsorship and attendance at local events, provide employment for Tasmanians, and raise the visibility and effectiveness of our Customer Support Program.

We want our customers to know and understand what we do – to trust and respect TasWater as a provider of essential services that is making a positive difference to Tasmania.

We will also continue to raise awareness of our collaborations with councils, the Tasmanian Government, industry groups, and organisations that support the state's clean green brand and the economic growth opportunities underpinned by our services.

### Price and Service Plan 4

We are mid-way through developing our Price and Service Plan 4 (PSP4), which is due to be submitted to the Tasmanian Economic Regulator (TER) on 1 July 2020.

We are striving to deliver a PSP4 which is strongly informed by customer feedback, particularly in relation to levels of service, performance measurement and sewerage and trade waste approaches.

Following our PSP4 submission, we will focus on supporting the TER's subsequent regulatory investigation process and responding to the TER's draft position. We will then update and finalise the PSP4 for commencement on 1 July 2021.

### Service Delivery

Continuing our focus on the efficient delivery of services for our customers, we have removed non-value-adding tasks, further embedded our Management Operating System<sup>3</sup> and expanded the Active Management Behaviours Program.<sup>4</sup> These changes have allowed our 24|7|365 Operations Control Centre (OCC) to further improve dispatch and scheduling of work and realise benefits across Tasmania.

A pilot program initiated to increase the quality of interactions with our customers has centralised dedicated fault and emergency officers within the OCC. These subject matter experts operate from the point at which a fault is reported through to dispatch. This means we can respond with increased speed, accuracy and efficiency, including to regulated faults such as sewer overflows and blockages.

### Capital Delivery Office

The Capital Delivery Office (CDO) uses a program management alliance model with our partners UGL and CPB and their sub-alliance partner WSP. Extensive engagement across the business has enabled the integration of the CDO into TasWater. Continued engagement with consultants and contractors will build confidence in the CDO across market participants servicing our industry.

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<sup>3</sup> The Management Operating System (MOS) is a productivity improvement project that was first piloted in 2017 to review and improve our processes for forecasting, planning, scheduling and reporting

<sup>4</sup> The Active Management Behaviours Program was established to complement the MOS by providing clear plans, targets and strategic alignment to drive our performance

After a period of mobilisation, the CDO is working through considerable planning, investigation and project development activities. This will ensure the steady delivery of projects in the current and upcoming price and service plan periods.

The first major projects to be fully delivered by the CDO include upgrade works at Mikany Dam at Smithton, and Henderson Dam on Flinders Island. These projects will increase water surety and dam safety for local communities.

The CDO has commenced work on a significant number of projects including the design work for the Bryn Estyn water treatment plant upgrade, which will increase water supply capacity to the greater Hobart area, and the Macquarie Point sewage treatment plant relocation.

## **Growth and capacity plans**

TasWater growth and capacity plans (GCPs) provide planning authorities and developers with information critical to new developments and proposed rezoning. They provide essential knowledge on the ability of our systems to meet current demand and future growth scenarios.

We are streamlining the development of our GCPs by introducing an online tool to automatically generate real time content from existing data sources. This innovation will reduce the manual input of content and improve growth forecast accuracy, giving our engineering teams a greater opportunity to engage with stakeholders.

The online tool is in the prototype phase, and we are on target to complete development of our GCPs for our 61 drinking water systems and 110 sewerage treatment plants by July 2020.

## **Water and sewer optimisation**

Our optimisation programs continue to manage the risks in our water and sewer systems so we can deliver reliable and quality services to our

customers. The aims are to improve compliance, increase visibility of plant processes, and develop plans for upgrade or optimisation.

Improvements to infrastructure and procedures have reduced the assessed risk rating of some systems, and we continue to progress the achievement of a number of outcomes. These include:

- Improved understanding of water quality risk at water treatment plants and networks
- Improved visibility of water quality performance of water treatment plants and networks
- Improved treatment unit processes through detailed assessments and implementation of capital and operational improvements
- Significant reduction in critical control point breaches at water treatment plants
- Implementation of a holistic approach towards the improvement of water quality in terms of taste, colour and odour.

The next area of focus for the optimisation teams will be to investigate opportunities to reduce our operating costs using recently acquired benchmarking data and identify key opportunities for cost reduction.

## **Zero Harm**

We have achieved significant reductions in our injury experience. A well-developed and robust process will be needed to sustain this improvement and eliminate the risk of serious incidents and achieve our Zero Harm vision.

A rigorous process of reviewing and redefining the Health and Safety Strategy has provided both the short term and long term action plans.

A comprehensive Health and Safety Improvement Plan has been developed to facilitate the implementation of the new Health and Safety Strategy. The improvement plan will be deployed in three phases over the

next four years. Progress towards our Zero Harm vision and the execution of the Health and Safety Strategy will be monitored at all levels across all areas of business.

### **Injury prevention**

A dedicated internal team has been established to lead safety improvements aimed at reducing soft tissue injury rates. The Soft Tissue Injury Taskforce (Taskforce) has initially focused on manual lifting risks. The team has successfully introduced innovations to minimise or eliminate hazards associated with chlorine cylinders, filter handling, grit management, access chamber lids and general site material management.

Reducing the number of soft tissue injuries will have a positive impact on the health and wellbeing of our workforce and demonstrate our commitment to proactively improving the operational work environment for our people. We would also expect to see financial benefits through a reduction in our workers compensation claims and increased availability of our people.

The Taskforce will continue to address a range of capital and operational upgrades in priority areas identified through extensive workplace health and safety audits.

### **Organisational culture**

We have continued to invest in increasing leadership capability as a critical platform for our evolving organisational culture.

Our senior people leaders have benefited from a Leader as Coach development program and the Life Styles Inventory™, an organisational tool that uses self-assessment and colleague feedback to identify individual and behavioural styles. These coaching and development tools have now been extended to our broader team of people leaders across the business.

In March 2019, 64 per cent of employees provided feedback on the organisation's culture by completing the Human Synergistics Organisational Culture Inventory® (OCI). The survey results showed that significant commitment is required to evolve towards a more constructive and positive culture.

In response to the OCI survey, we have invested in a culture program called Blue Bus Revolution™, and all employees will have the opportunity to participate by June 2020. Employees report an overwhelmingly positive experience from participating in the program.

A culture pulse check survey has been developed to test the effectiveness of our culture initiatives and a second OCI will be conducted in March 2021.

Our Knowledge Management Strategy provides the framework required to move us to a learning organisation by supporting a culture of collaboration, continual learning and improvement. Connecting people to relevant knowledge is critical to the success of our primary and enabling strategies and our delivery of our customer promises.

### **Innovation**

Innovation is the process of translating an idea into a reality that creates value.

Our Innovation Strategy centres on connecting our people, ideas and opportunities to create a strong, innovative business that is valued by our customers and people.

Our goal is to embed innovative skillsets and mindsets into our everyday operations that enable our business to adapt to a continuously changing environment.

Our people have already produced several impressive and nationally recognised innovations. We continue to build our innovation foundation

and momentum through design thinking workshops and the development of innovation toolkits, frameworks and processes.

## **Information and communication technology**

Our comprehensive Information and Communication Technology (ICT) Strategy supports our customer outcomes and aligns our ICT investment with immediate, medium and longer term business objectives.

This year's key achievements include:

- Developing our first Operational Information Systems (OIS) Strategy to provide the future direction for our operational technologies and accelerate our journey to becoming a digital utility
- Building a new mobility platform to digitise our field processes and provide staff with reliable and user friendly mobile access to real time digital records
- Establishing a new integration platform to increase automation and minimise manual processing
- Updating and migrating our desktop fleet to Windows 10/Office 365 to enable our Digital Workplace Program.

## **Productivity**

Productivity improvement activities have achieved efficiencies valued at over \$24.6 million since the commencement of TasWater in 2013 through to the end of FY2018–19.

We forecast to deliver additional benefit of \$4.2 million for FY2019–20. These benefits are due to the negotiation of procurement contracts, Retail Value Creation Program and the Productivity Improvement Program's Lean and top 10 process improvement initiatives.

Over the next five years, productivity improvement activities will target the reduction of operating expenses by focusing on reducing unit costs of

consumables, inventory, wastage, rework and double-handling, and facilitating end-to-end business processes.

## **Retail Value Creation Program**

The Retail Value Creation Program (RVCP) commenced in July 2017 with two primary goals. The first goal is to develop an operating model that is fit for purpose to consistently deliver our agreed customer service levels. The second goal is to deliver those services at the lowest possible cost to serve.

The RVCP is scheduled to conclude in June 2020 and is on track to deliver ongoing operating expenditure efficiencies in the vicinity of \$5 million per annum. This sustained improvement has been achieved through considering the experiences and expectations of our customers, streamlining processes, removing duplication and increasing automation.

New opportunities to assist our customers have been enabled by the RVCP such as the Customer Support Program, which is an enhanced, targeted offering for residential customers experiencing financial hardship.

## **Procurement**

We have achieved considerable process improvements across the procurement chain through the realignment of our accounts payable and purchasing teams and the development of a closer working relationship between these two related functions.

## Our key challenges and opportunities

Tasmania's water and sewerage sector has navigated substantial changes in the past decade. Throughout this transition our business has evolved into a unified, statewide organisation that is striving to make a positive difference to Tasmania.

We monitor our operating environment to identify emerging trends and opportunities and to guide our responses to the challenges that lie ahead. At the same time, our Plan prescribes a continued focus on our customers, our community, our people, and the impact of climate change on our business and the Tasmanian way of life.

### Responding to customer needs

The way that customers interact with businesses is changing. Customers are increasingly choosing to connect with retail outlets and service centres through online and mobile platforms, and to manage their transactions when it is convenient for them.

As part of our Information and Communication Technology Strategy, we are seeking to provide customers with access to real time account data. This will enable quick and simple interactions, personalised services and timely access to information.

We also understand there may be circumstances in which our residential customers find it difficult to manage their account and household expenses. Guided by our Customer Experience Strategy, we have introduced a Customer Support Program to assist in this time of need.

We have seen increased interest in services such as recycled water and our teams are working with regulators to determine how such services can be harnessed and delivered.

As a provider of essential services, we are perpetually looking at ways to make a positive difference to our community, and these initiatives illustrate how we are working to deliver our customer promises.

### Supporting the community

We have a responsibility to the Tasmanian community to provide clean and safe drinking water and to collect and treat sewage safely while minimising the impact of our activities on the environment. The provision of these essential services supports the Tasmanian economy and way of life, and we take pride in ensuring safe and reliable services.

With the increasing number of visitors coming to Tasmania, we are committed to working with the state's visitor economy leaders, broader industry and local communities to ensure we plan now for future infrastructure needs.

Our industry is implementing an array of solutions to improve community outcomes and benefits for stakeholders. Our Technology and Innovation Strategy will help us capitalise on the evolution of digital technology and test and implement solutions developed by our frontline teams.

### Investing in our people

Infrastructure development in Australia is experiencing a period of stimulus. TasWater is committed to delivering a \$1.1 billion program over the next five years involving numerous upgrades of existing infrastructure and construction of new plant and water storages. The Capital Delivery Office has injected infrastructure planning and project management resources into our business to help deliver our ambitious capital works program.

The global demand for science, technology, engineering and mathematics skills is high, and critical skill areas such as adaptability, critical thinking, industry-specific knowledge and leadership are also in demand. Our People Strategy will guide our workforce planning through this

competitive skills market, ensuring we attract and retain expertise and harness existing capability to strengthen the delivery of our capital works program.

## **Emerging technologies and innovation**

Technology is continuously evolving and changing the way we do things, and utilities are turning their strategic focus to the digital world. In particular, the digital world and its interconnected technologies are growing at an exponential rate, and adoption speed is increasing.

Faced with a challenging environmental future, we are continuously looking at how to introduce new innovations into our business to improve efficiency, safety and environmental outcomes for our customers and the community and maintain sustainable business practices.

Being a digital water utility means having the flexibility, culture and capability to seek out and leverage emerging digital technologies to deliver our customer promises faster and more efficiently. It also requires having a culture that embraces innovation and change, challenges its thinking and looks for ways to operate in a more efficient and effective manner.

The Internet of Things is changing the way people operate and interact at home and at work, and we are working on how we can provide digital and automated solutions to keep pace with our customers' digital needs and expectations.

Our Technology and Innovation Strategy focuses on how we will harness innovation and emerging technologies to make a positive difference for customers and better deliver on their expectations.

## **Climate change**

TasWater is developing a climate change adaptation and mitigation strategy. The impacts of climate change are being felt globally and we can expect the challenges associated with climate change to increase in both

frequency and magnitude.

Climate change will have an impact on the way we operate, design, build and manage our assets and we need a clear direction to allow us to continue to deliver essential services.

The strategy will consider the impact of climate change on all parts of our business and help bring a systematic, consistent and coordinated focus. This is the first step in building climate resilience into our 'business as usual' processes and will allow us to appropriately manage risks to our customers.

## **Water security**

An increasing population, as well as seasonal population booms, will put more pressure on existing water supplies. This may lead to service introduction or require augmentation to our water treatment plants or water storages.

Increased demand when water is scarce (i.e. summer) may require investment in raw water storages or alternative water supplies.

We recognise water security as a risk to our ability to deliver services to our customers and the community, and that this risk spans the full water system from water catchment to tap. We manage these risks by:

- Reducing our water losses
- Strengthening demand management with behaviour change programs on water conversation measures
- Understanding our water catchments
- Implementing treatment infrastructure and operational practices that can achieve the our water quality and surety objectives
- Protecting water quality while water is in transit to our customers.

## Catchment management

Increased activity in drinking water catchments can reduce raw water quality, with consequences for the design of water treatment plants.

A key challenge is TasWater's limited control of activities that occur within the drinking water catchments. Unlike some other Australian water utilities, we do not own or manage Tasmania's water catchments, and in most cases do not own or manage land around water storages or extraction points.

Our Catchment Management Strategy, a subset of our Drinking Water Strategy, outlines our approach in addressing these challenges.

## Environmental impact

We are learning more about the environmental impacts of our ageing infrastructure and including this knowledge in the prioritisation of capital works projects. This will help to protect public health and Tasmania's clean green image.

We continue to look at ways of using electricity more wisely and exploring new avenues for reducing energy costs and emissions.

In addition to reviewing energy usage and price, we continue to research the potential use of biosolids, solar, hydro and wind energy generation across the TasWater network.

## Asset transfer and service introduction

Following the formation of TasWater in 2013, a significant number of asset transfer and service introduction requests were received for both water and sewerage systems.

Service introductions are an extension to a current system or an entirely new system to service residents and businesses who are currently not within the serviced land area and do not have access to shared water or

sewerage services. An asset transfer occurs when an existing system is transferred from its current owner to TasWater, along with assets, customers, responsibilities and liabilities associated with that system.

Due to the focus on improving systems already under our management, we have had a five-year moratorium in place on accepting any asset transfers.

As the moratorium is due to end in October 2020, a framework for addressing asset transfers is under development. A high-level financial assessment has been completed to investigate the potential implications of accepting asset transfers and performing service introductions.

A key consideration in the development of a new asset transfer policy is how capital upgrades and ongoing operations and maintenance activities of any transferred schemes are funded. A preliminary estimate of the cost to satisfy all requests for asset transfers and service introductions is between \$600 million and \$1.2 billion.

We have committed to capping prices for customers until 2025, which makes any projects outside the forecast capital works program difficult to progress without external funding or deferring other priority projects. The infrastructure involved in asset transfers generally do not meet acceptable standards and regulated levels of service, and typically require significant upgrades to meet these requirements.

In the absence of a sustainable funding mechanism, the acceptance and/or development of new schemes would come at the expense of other scheduled projects which improve compliance with best practice risk management of drinking water quality and environmental regulation.

## Productivity and efficiency expectations

As we build infrastructure for the future of Tasmania and meet our compliance obligations, our productivity and efficiency efforts must support these plans. We are ahead of productivity targets outlined in our

Long Term Strategic Plan, and to maintain momentum we must deploy the right mix of people, process and technology to improve service delivery during the period of our Plan.

As our business matures, we will draw on better practices within our own business, as well as those throughout the industry, to further increase efficiency. Our objective is to minimise price increases by becoming more efficient, without sacrificing the required investments in infrastructure, compliance and service.

Our Productivity Strategy provides our blueprint for the progression of our productivity program.

## Customer and Community

### Our promise

Deliver a positive customer experience to you

### What you expect

- You are satisfied with our service
- You find it easy to do business with us
- You are kept informed

### Our priorities

- Identify and close critical customer service gaps
- Improve our community engagement and understanding

### Our strategies

#### Customer Experience Strategy

Our customers, stakeholders and people are at the centre of all that we do. Our Customer Experience Strategy is focused on improving both the experience our customers have when interacting with us, and their satisfaction with our services.

The key objectives of this strategy are to build trust, respect and transparency by understanding and meeting the key expectations of our customers.

We want to ensure positive customer experiences. We will be there to help customers and the community with any problems – from billing inquiries to the provision of reliable water supplies and sewerage services.

We are investing in the way we communicate to make it easier to access information. This includes the redesign of our website, active social media engagement and a communication and marketing program that fosters a deeper understanding of what goes into the services we provide.

We will continue to build a culture across the organisation that values our people and recognises their contribution to ensuring our customers are at the centre of our business.

#### Community, Stakeholder and Customer Relations Strategy

TasWater is an integral member of the Tasmanian community and our activities support lifestyle and commerce across the state. We want our communities, stakeholders and customers to have confidence in our engagement approach and to trust us to deliver outcomes that benefit them now and into the future.

Our Community, Stakeholder and Customer Relations Strategy aims to guide proactive engagement and consultation, and foster collaboration to achieve creative solutions and mutually beneficial outcomes.

We will do this through meaningful engagement and a focus on what matters to communities, including demonstrating our commitment to incorporate feedback in decision-making processes.

## Commercial and Economic

### Our promise

Give you value for money

### What you expect

- Your price increases are minimised
- The local economy benefits from our investment and capacity building

### Our priorities

- Deliver Price and Service Plan commitments
- Achieve further efficiencies

### Our strategies

#### Asset Management Strategy

TasWater delivers water and sewerage services across an extensive network of infrastructure which has a current replacement cost of approximately \$5.5 billion.

These assets can last for more than 100 years. The decisions that we make about them must balance this longevity with pricing, compliance and customer and community expectations.

Our Asset Management Strategy provides for continuous improvement in the way we manage our assets to ensure the delivery of our customer promises.

Our asset management activities are measured against leading industry practice standards<sup>5</sup>. We aim to increase our asset management maturity

and compliance to those benchmarks and improve the transparency and quality of our decisions making processes. This will demonstrate to our customers that we can be trusted to make the right decisions at the right time and make a positive difference to Tasmania.

Our Asset Management Strategy, together with our Asset Management Plan, asset class strategies, asset class management plans and planned maintenance program, support us to reliably and efficiently manage our asset portfolio using a whole of life cycle approach.

#### Macquarie Point – planning works

TasWater is progressing planning phase activities of the Macquarie Point Sewage Treatment Plant (STP) relocation project, which includes:

- Construction of a new Sewage Pump Station (SPS) and emergency storage at Macquarie Point
- Construction of a rising main from Macquarie Point SPS to Selfs Point
- Expansion of the Selfs Point STP
- Decommissioning of the existing Macquarie Point STP.

In line with commitments made to the Tasmanian Government and the Macquarie Point Development Corporation (MPDC), we are progressing with immediate works to support redevelopment of the site. This includes the preparation of concept designs for the Macquarie Point SPS to assist with integration of the site into the MPDC master plan.

Discussions are ongoing with key stakeholders. For example, the Environment Protection Authority has an interest in numerous levels of the project, from environmental approvals of the increased discharge volumes from the Selfs Point STP to construction of the new SPS at Macquarie Point. We are forming a close working relationship with MPDC to coordinate the proposed designs and construction schedules.

<sup>5</sup> ISO 550001 Asset Management

### Tamar Estuary River Health Action Plan

We have continued to work with the Tasmanian Government, the City of Launceston and other stakeholders to progress a funding agreement based on the Investment Plan previously prepared by the Tamar Estuary Management Taskforce (TEMТ).

The Investment Plan outlined a number of projects aimed at reducing the frequency and volume of overflows from Launceston's combined sewage and stormwater drainage system. The projects include new trunk pipelines and pump station upgrades to transfer increased flow volumes and construction of storage basins to hold peak flows and reduce discharges.

In 2019 we prepared a project delivery plan to better understand the project components, planning requirements and risk elements. We have also continued to participate in the broader Tamar Estuary management process through our role as a member of the TEMТ.

Following the development of this plan we have worked with the Tasmanian Government on a project proposal outlining milestones, an expenditure forecast and funding requirements. The project proposal document is contributing to the development of a funding deed to be agreed between the parties (Tasmanian Government, Australian Government, City of Launceston and TasWater).

In 2020 we intend to finalise funding arrangements. Once this is undertaken we will commence detailed planning, design and approvals for the nominated projects.

### Business readiness

The planning and building portal (the Portal) is an initiative we are introducing to streamline the development process for our customers and stakeholders.

The Portal will provide property owners and developers with a single, statewide system that integrates all planning, building and approvals relating to TasWater, and includes:

- Online access to information and regulatory requirements
- Online planning, building and related application lodgement, which will allow property owners and agents to lodge applications and documents electronically
- An application tracking service, which will allow applicants to view and track applications from lodgement to determination.

The Portal will deliver an easier, faster and more streamlined development application and approval process for our customers. Systems and processes are being prepared for a successful implementation.

### Service connections

We want to improve the provision of new water and sewerage connections to our customers by simplifying the way that property owners connect to our infrastructure.

A new operational model will provide a simple and standardised process for connecting to our services. It will be developed in conjunction with a significant engagement program across a broad range of internal and external shareholders. We want the process to meet the needs of all users.

We are working with regulators and the Tasmanian Government to ensure that our new process will satisfy the necessary regulatory and legislative requirements.

It is anticipated that the new service connections operating model will commence on 1 July 2021.

### Asset transfer and service introduction

We have an existing Service Introduction Policy which at this stage we intend to continue to apply consistent with our Price and Service Plan 3 regulatory obligations. We are developing an Asset Transfer policy and strategy to evaluate the implications of asset transfers once the moratorium ends in October 2020.

### **Productivity Strategy**

To give our customers value for money, we are always looking for ways to reduce our operating costs and improve our processes. The focus of our Productivity Strategy is to instil a continuous improvement mindset and embed productivity as a ‘way we work’ behaviour.

Our goal is to solve our own productivity challenges by providing our people with the right tools, coaching and support. They will be empowered to treat the root cause of an issue and take an end-to-end process approach to problem solving.

To support this goal we have developed the Productivity Improvement Strategy Execution (PrISE) program – a series of productivity, accountability and benefits realisation frameworks. We have also introduced the Lean program, which includes frameworks, training and certification and reporting.

### **Knowledge Management Strategy**

Our Knowledge Management Strategy empowers our people and supports the achievement of each of our customer promises. The strategy enables informed decision-making based on effective and efficient access to relevant information, and enables more timely and higher quality customer responsiveness.

### **Technology and Innovation Strategy**

Our Technology and Innovation Strategy focuses on technology and innovation investment across the organisation and provides a vision of how we connect our people, ideas and opportunities to create a strong, innovative business that delivers value for our customers and employees. It will also improve risk mitigation and efficiency and simplify, integrate, consolidate and modernise our technology.

By empowering our people with the skillsets, mindsets and tools needed to deliver innovative solutions, we will continue to improve our customer and community outcomes and deliver on our promises.

### **Financial Sustainability Strategy**

The primary focus of the Financial Sustainability Strategy is to maintain our financial and infrastructure capital over the long term to ensure the delivery of our customer promises.

Our primary financial objectives are to:

- Deliver water and sewerage services to our customers in the most cost-efficient manner
- Operate our activities in accordance with good commercial practice
- Deliver returns to our owner councils through forecast dividend payments of \$20 million per annum over the Plan period.

This strategy is essential to monitor sustainable operations, support effective asset management, and deliver efficient and reliable services to our customers into the future.

## Water and Environment

### Our promise

Provide you with safe drinking water and responsibly manage your sewage

### What you expect

- Your drinking water is clean and safe to drink
- You have a reliable supply of water
- Your sewage is efficiently collected and transported
- Your sewage is treated and disposed of with minimal impact to the environment and its users

### Our priorities

- Meet agreed regulatory compliance targets
- Optimise system performance

### Our strategies

#### Drinking Water Strategy

The focus of our Drinking Water Strategy is to consistently and reliably provide safe drinking water that is aesthetically pleasing for customers using best practice risk management principles.

Our Water Optimisation Program continues to improve our water quality and risk management plan and operational systems and processes to:

- Enhance our capability for protecting public health across our drinking water supply systems
- Consider productivity improvements to increase delivery efficiencies
- Adapt to and mitigate the impacts of climate change.

Our use of quality management and sophisticated data analytics enables us to make informed and timely decisions to manage a water supply that tastes good and is safe to drink, and supply and maintain consistent delivery for our customers.

To complement the delivery of our 24glasses program in August 2018, we are investing in significant capital improvements to ensure our broader water quality objectives can be achieved. This includes upgrades to our Bryn Estyn and Forth/Leven water treatment plants, which will increase capacity for and reduce risk to some of Tasmania's major population centres.

Our Catchment Management Strategy outlines how we are mitigating our catchment challenges by better understanding Tasmania's water catchments and the impacts of climate change on our water security.

We are engaging with catchment stakeholders and regulators to foster water quality understanding and maximise water quality outcomes and to develop targeted catchment interventions.

#### Sewerage Strategy

We face some major challenges to reduce the impact of sewage treatment on our environment and maintain service reliability as we progress the replacement of our aging infrastructure.

Our Sewerage Strategy focuses on reinforcing and future proofing our infrastructure and further reducing the environmental risks associated with key sites. We intend to do this by using customised and innovative solutions that achieve low risk emission outcomes.

The Sewerage Optimisation Program involves ongoing development and introduction of improved instruments and data analysis. These will be used to monitor and control optimum system performance, accurately inform maintenance and asset replacement schedules, and manage high risk events such as adverse weather conditions and their effects on treatment sites.

We continue to work with regulators to develop standardised targets to provide a consistent benchmark, improve compliance opportunities across treatment sites and simplify regulatory obligations.

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## People and Culture

### Our promise

Build culture and skills for the long term benefit of Tasmania

### What you expect

- Our work is conducted safely to protect our people, contractors and the communities we serve
- Our culture and capabilities enable us to make a positive difference to Tasmania

### Our priorities

- Relentless focus on safety (Zero Harm)
- Enhance workforce capability and culture

### Our strategies

#### Health and Safety Strategy

To facilitate the implementation of the Health and Safety Strategy we have developed the 2019–24 Health and Safety Improvement Plan. This plan is designed to deliver continual performance improvement and sustain capability. Its actions and milestones reflect the organisational capacities realistically required to deliver high quality outcomes.

Several health and safety objectives were also identified as requiring immediate attention, including:

- Our Zero Harm vision needs to reflect both our inspirational intentions and defined performance destinations
- Our health and safety practices need to be based on recognised principles of functional excellence
- We need to accommodate our evolving organisation and operational contexts

- We need to provide a central unifying position from which to promote and provide aligned direction, cooperation, communication and prioritisation on health and safety matters across the organisation.

In total, the improvement plan consists of 22 key areas requiring action. The planning framework incorporates three broad development phases. These phases were established to help prioritise plan objectives/targets, develop appropriate timelines and establish the capabilities required to support successive improvement steps.

#### People strategy

Our People Strategy supports the achievement of our promises across all the strategic themes, by building a positive, constructive TasWater culture. At the core of the strategy are our values and behaviours which are integrated into all our people practices. Three key pillars underpin the strategy:

- Leadership excellence: through ongoing leadership development and support we will foster great leaders who bring a humanistic, positive and constructive mindset across all levels of the business
- Capacity and capability: our workforce strategy and planning will determine the skills required for the future and how we can attract, grow and retain our talent to meet future needs
- Employee experience: employees will understand how they contribute to the business, and have access to development opportunities and meaningful involvement in the business, which will be an inclusive and diverse workplace

We will continue our collaboration and explore the potential for new partnerships with educational and professional institutions and secondments with other utility providers. Our Diversity and Inclusion Plan will be leveraged to increase science, technology, engineering and mathematics career opportunities for women.

## Measuring our success

To ensure we remain accountable to our customers, we work towards a set of key performance indicators (KPIs) and targets that align to each of our strategic themes, our customer promises and what is expected of us. Our measures are aligned to our LTSP, our strategic priorities, our drive to be a high performing organisation and the delivery of our strategies.

Our priorities	Measurement	Forecast	Target	Target	Target	Target	Target
<b>Customer and Community</b> – Deliver a positive customer experience to you		FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25
Identify and close critical customer service gaps	Customer satisfaction percentage	70%	72%	74%	75%	75%	75%
	Brand perception percentage	60%	66%	72%	75%	75%	75%
Improve our community engagement and understanding	Community and stakeholder feedback percentage	56%	62%	68%	75%	75%	75%
<b>Commercial and Economic</b> – Give you value for money		FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25
Deliver Price and Service Plan commitments	Value for money index <sup>6</sup>	TBC	TBC	TBC	TBC	TBC	TBC
Achieve further efficiencies							

<sup>6</sup> Methodology for measurement under development

Our priorities	Measurement	Forecast	Target	Target	Target	Target	Target
<b>Water and Environment – Provide you with safe drinking water and responsibility manage your sewage</b>		FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25
Meet agreed regulatory compliance targets	Customers supplied by systems meeting best practice risk mitigation (per cent)	24%	26%	32%	65%	75%	85%
	Number of dams above the ANCOLD LOT	4	1	0	0	0	0
Optimise system performance	Number of critically notifiable spills	6	5	4	2	2	1
	Treated waste water compliant with EPA requirements (flow-weighted) percentage	88.5%	90.0%	91.1%	91.4%	91.4%	91.4%
<b>People and Culture – Build culture and skills for the long term benefits of Tasmania</b>		FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25
Enhance workforce capability and culture	Fifty per cent constructive leadership styles by 2023	Improvement in constructive styles year on year	Constructive styles to be at the 50th percentile or better	Improvement in constructive styles year on year			
Relentless focus on safety (Zero Harm)	Total Recordable Injury Frequency Rate (TRIFR)	8	7	5	4	≤3	≤3

## Our organisational risks

Through our risk management processes, we identify and assess uncertainty that may impact positively or negatively on our ability to achieve our strategic objectives and deliver on customer promises.

Our customers and the community depend on us to manage our organisational risks appropriately. As our business matures, we are further integrating risk management into our business systems, processes and culture.

The TasWater Board and senior managers regularly review risks, controls and assurance levels. When our strategies alter, or we predict changes in our operating environment, we assess uncertainties that may have a material impact on our risk profile.

To ensure our key strategic risks are being managed appropriately, we regularly update key risks on our strategic risk register and report them to the Board and the Audit and Risk Committee. We also maintain detailed sub-risk registers for other corporate, operational and project risks.

A full list of our strategic risks and key controls is provided in Appendix 1.

FY2019-20 text and figures used as placeholder only

## Financial Forecasts

### Overview

The table below highlights the key information contained within our financial and capital forecasts for the FY2019-20 to FY2023-24 planning period:

Financial Summary	FY19 Forecast	FY20	FY21	FY22	FY23	FY24
NPAT \$M	12.9	51.8	54.8	53.9	53.7	53.9
Capital Expenditure \$M	145.1	143.5	182.6	178.4	222.7	208.9
<b>Distributions</b>						
Loan Guarantee Fees \$M <sup>7</sup>	2.7	0.0	0.0	0.0	0.0	0.0
Income Tax Equivalents \$M <sup>8</sup>	6.8	0.0	0.0	0.0	0.0	0.0
Dividends \$M	10.5	20.0	20.0	20.0	20.0	20.0
<b>Total Distributions \$M</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
Debt \$M	581.4	615.6	681.3	735.8	828.7	904.8
Gearing	35.6%	36.5%	39.1%	41.0%	44.8%	47.6%
Interest Cover (times)	4.0	3.7	3.7	3.2	3.0	3.0

It is noted that although our FY2018-19 forecast NPAT is currently recorded as \$23.2 million less than budget, it is caused by write offs of deferred tax balances of \$32.7 million as a result of being removed from the National Tax Equivalent Regime (NTER) as part of the MOU with the State Government. Our profit before tax is currently forecasted to be \$1.4 million ahead of budget. The FY2018-19 forecast result is prior to the impact of any adjustment to the value of our infrastructure assets.

<sup>7</sup> Loan Guarantee Fees only applied to 31 December 2018

<sup>8</sup> Income Tax Equivalents only applied to 31 December 2018

## FY2019-20 text and figures used as placeholder only

### Forecast growth and demand

Forecast growth and demand assumptions are consistent with Price and Service Plan (PSP3) for FY2019-21. The Plan makes conservative assumptions for FY2021-22 and FY2022-23 (the period of PSP4).

### Revenue assumptions

Revenue assumptions reflect the outcomes of the MOU with the State Government, the underlying assumptions and financial projections of which were included in the Information Memorandum of 16 July 2018. A key feature of the MOU with the State Government was to freeze price increases for our customers for regulated services for water and sewerage from 1 July 2019 to 30 June 2020. With the State Government contributing \$200 million to TasWater over a 10 year period, this will also enable us to freeze prices in FY2019-20 and cap price increases from FY2020-21 through to FY2026-27 at the lesser of 3.5 per cent and the price determination made by the Tasmanian Economic Regulator.

### Interest expense assumptions

For the period of our Plan the average interest rate for the loan portfolio is 4.1 per cent. As outlined in the MOU with the State Government we are no longer subject to Loan Guarantee Fees.

### Non-interest expense assumptions

Cost increase assumptions have been predominantly based around the projected Consumer Price Index (CPI) increase of 2.5 per cent. The following assumptions underpin the expenses contained within our Plan:

- CPI is assumed to be 2.25 per cent for FY2019-20 then 2.5 per cent for the remaining four years of our Plan
- Fixed increases have been determined through our Enterprise Agreements which provide certainty for our employees over the next three years. In addition a modest pool of funds is set aside for annual performance increases based on individual performance. These are discretionary and not guaranteed
- Salary expense increases have been partially offset by anticipated productivity savings in each year of our Plan
- Power expenses have been modelled by an external consultant and are based on network tariff outcomes, current contracts and forward price projections for recontracting.

## FY2019-20 text and figures used as placeholder only

### Comparison to the Information Memorandum financial forecasts

The financial forecasts provided in our Plan are largely in-line with the financial forecasts included in the Information Memorandum.

Revenues are higher primarily due to an increase in contributed assets revenue and revenue gains from our customer installation data validation program.

Expenditure is higher due to an increase in business improvement investments to address our ageing infrastructure, improve the performance of the business and realise our Vision by 2023. Key areas of investment that are in the Plan include our CDO, the Customer Data Installation Validation Program and the implementation of our ICT Strategy. These investments will deliver long term benefits to our customers and the Tasmanian Community. The FY2019-20 budget for depreciation has increased by \$3.8 million primarily due to additional depreciation incurred from our capital program.

### Income statement

	FY19 Forecast	FY20	FY21	FY22	FY23	FY24
Income Statement	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)
<b>Revenue</b>						
Fixed Charges	246.2	249.9	261.7	274.1	282.9	290.8
Volumetric Charges	71.4	71.0	74.8	78.8	81.5	83.8
Services & Consulting Revenue	6.7	8.5	8.8	9.1	9.5	9.8
Contributed Assets	28.4	28.4	26.5	21.6	20.4	20.6
Other Revenue	2.0	1.5	1.5	1.6	1.6	1.6
<b>Total Revenue</b>	<b>354.7</b>	<b>359.2</b>	<b>373.4</b>	<b>385.2</b>	<b>395.8</b>	<b>406.6</b>
<b>Expenses</b>						
Chemicals, Power & Royalties	25.8	25.2	25.6	26.2	27.2	28.3
Materials & Services	36.8	37.1	40.2	42.3	44.1	46.0
Salaries & Related Personnel Expenditure*	91.7	94.8	98.8	102.4	104.7	108.4
Administration Costs	43.0	45.0	45.9	46.8	47.6	48.4
<b>Total Expenses</b>	<b>197.3</b>	<b>202.2</b>	<b>210.5</b>	<b>217.7</b>	<b>223.6</b>	<b>231.1</b>

Earnings before Interest & Depreciation	157.4	157.1	162.9	167.5	172.2	175.5
Loan Guarantee Fee (LGF) <sup>9</sup>	1.3	0.0	0.0	0.0	0.0	0.0
Interest Expense	18.1	19.1	20.2	24.0	26.2	26.7
Depreciation	85.0	86.2	88.0	89.6	92.2	94.9
<b>Net Profit before Tax</b>	<b>53.0</b>	<b>51.8</b>	<b>54.8</b>	<b>53.9</b>	<b>53.7</b>	<b>53.9</b>
Income Tax <sup>10</sup>	7.4	0.0	0.0	0.0	0.0	0.0
Write Down of Deferred Tax Balances	32.7	0.0	0.0	0.0	0.0	0.0
<b>Net Profit after Tax</b>	<b>12.9</b>	<b>51.8</b>	<b>54.8</b>	<b>53.9</b>	<b>53.7</b>	<b>53.9</b>

\*Note: Salary increases have been partially offset by productivity savings

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<sup>9</sup> Loan Guarantee Fee only applied to 31 December 2018

<sup>10</sup> Income Tax Equivalents only applied to 31 December 2018

FY2019-20 text and figures used as placeholder only

## Cash flow statement

	FY19 Forecast	FY20	FY21	FY22	FY23	FY24
Cash Flow Statement	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers	329.4	326.3	341.8	358.2	373.9	389.4
Payments to Suppliers & Employees	(227.7)	(220.10)	(229.0)	(234.8)	(244.4)	(250.7)
Interest Paid	(21.7)	(20.5)	(23.8)	(28.0)	(32.2)	(38.2)
Loan Guarantee Fees Paid <sup>11</sup>	(2.7)	0.0	0.0	0.0	0.0	0.0
Income Tax Equivalents Paid <sup>12</sup>	(6.8)	0.0	0.0	0.0	0.0	0.0
GST Refund from the ATO	23.1	23.6	27.9	28.4	32.6	32.3
<b>Net Cash from Operating Activities</b>	<b>93.6</b>	<b>109.3</b>	<b>116.9</b>	<b>123.9</b>	<b>129.8</b>	<b>132.8</b>
<b>Cash Flows from Investing Activities</b>						
Payments for Property, Plant & Equipment	(145.1)	(143.5)	(182.6)	(178.4)	(222.7)	(208.9)
Equity Contributions	20.0	20.0	20.0	20.0	20.0	20.0
<b>Net Cash Flows from Investing Activities</b>	<b>(125.1)</b>	<b>(123.5)</b>	<b>(162.6)</b>	<b>(158.4)</b>	<b>(202.7)</b>	<b>(188.9)</b>
<b>Cash Flows from Financing Activities</b>						
Proceeds from Borrowings	42.2	34.2	65.7	54.5	92.8	76.1
Dividends Paid	(10.5)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
<b>Net Cash Flows from Financing Activities</b>	<b>31.7</b>	<b>14.2</b>	<b>45.7</b>	<b>34.5</b>	<b>72.8</b>	<b>56.1</b>
<b>Net Movement in Cash for the Year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Opening Cash Balance	2.5	2.5	2.5	2.5	2.5	2.5
<b>Closing Cash Balance</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

<sup>11</sup> Loan Guarantee Fee only applied to 31 December 2018

<sup>12</sup> Income Tax Equivalents only applied to 31 December 2018

FY2019-20 text and figures used as placeholder only

## Balance sheet

	FY19 Forecast (\$M)	FY20 (\$M)	FY21 (\$M)	FY22 (\$M)	FY23 (\$M)	FY24 (\$M)
<b>Balance Sheet</b>						
<b>Assets</b>						
Cash and Cash Equivalents	2.5	2.5	2.5	2.5	2.5	2.5
Receivables	47.2	39.4	37.1	42.6	39.5	39.1
Inventories	5.9	6.6	6.8	6.1	6.3	6.4
Property, plant & equipment	2,253.4	2,337.8	2,457.6	2,566.7	2,716.1	2,849.3
Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.8	5.5	5.7	5.6	5.5	5.9
<b>Total Assets</b>	<b>2,312.8</b>	<b>2,391.8</b>	<b>2,509.7</b>	<b>2,623.5</b>	<b>2,770.0</b>	<b>2,903.3</b>
<b>Liabilities</b>						
Borrowings	581.4	615.6	681.3	735.8	828.7	904.8
Employee Benefits	27.1	26.8	28.6	30.7	33.0	35.6
Payables	34.9	30.0	27.1	31.7	30.7	32.7
Unearned Income	30.4	28.5	27.1	25.8	24.4	23.0
Tax Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other	11.0	11.1	11.1	11.1	11.1	11.1
<b>Total Liabilities</b>	<b>684.8</b>	<b>712.0</b>	<b>775.2</b>	<b>835.1</b>	<b>927.9</b>	<b>1,007.3</b>
<b>Net Assets</b>	<b>1,628.0</b>	<b>1,679.8</b>	<b>1,734.5</b>	<b>1,788.4</b>	<b>1,842.1</b>	<b>1,896.0</b>
<b>Equity</b>						
Retained Earnings	56.1	87.8	122.6	156.4	190.2	224.1
Reserves	24.1	24.1	24.1	24.1	24.1	24.1
Contributed Capital	1,547.8	1,567.8	1,587.8	1,607.8	1,627.8	1,647.8
<b>Total Equity</b>	<b>1,628.0</b>	<b>1,679.8</b>	<b>1,734.5</b>	<b>1,788.4</b>	<b>1,842.1</b>	<b>1,896.0</b>

FY2019-20 text and figures used as placeholder only

## Owner distributions

	FY19 Forecast	FY20	FY21	FY22	FY23	FY24
Summary of Distributions to Owners	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)
Loan Guarantee Fees <sup>13</sup>	2.7	0.0	0.0	0.0	0.0	0.0
Income Tax Equivalents <sup>14</sup>	6.8	0.0	0.0	0.0	0.0	0.0
Dividend	10.5	20.0	20.0	200	20.0	20.0
<b>Total Distribution</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>

<sup>13</sup> Loan Guarantee Fee only applied to 31 December 2018

<sup>14</sup> Income Tax Equivalents only applied to 31 December 2018

FY2019-20 text and figures used as placeholder only

## Capital Expenditure

### Background

Our capital expenditure program aims to improve our service and environmental outcomes for the benefit of our customers. Over the past few years, we have gathered a large amount of information about the condition and performance of our assets, which has led to a decision to increase investment in our infrastructure to a total of \$1.7 billion over 10 years. We are currently in the third year of the long term financial plan and are on track to deliver on our commitments.

Our revised capital expenditure program includes a commitment to reduce risks associated with a number of our drinking water systems. This is an extension of the previous commitment that saw the removal of Public Health Alerts from townships by August 2018. The latest commitment targets 17 water treatment plants for ultraviolet disinfection or major upgrades. In addition, our program will deliver improvements in effluent compliance, reduce sewerage spills and blockages and the number of unplanned water supply interruptions, as well as lower our dam portfolio public safety risks.

### Capital expenditure overview and prioritisation basis

We are proposing a total capital expenditure of \$936.1 million for the Plan period. The proposed expenditure will allow us to improve customer outcomes by addressing some of our highest priority compliance requirements as well as necessary renewal and growth driven works.

FY19 FORECAST (\$M)	FY20 (\$M)	FY21 (\$M)	FY22 (\$M)	FY23 (\$M)	FY24 (\$M)	TOTAL (\$M)
145.1	143.5	182.6	178.4	222.7	208.9	936.1

The majority of the capital expenditure program for the Plan period has been derived from the following key plans which are subject to the approval of the technical regulators:

- The Drinking Water Quality Risk Management Plan regulated by the Department of Health and Human Services (DHHS)
- The Wastewater Risk Management Plan regulated by the Environment Protection Authority (EPA)
- The Dam Safety Management Plan regulated by the Department Primary Industry, Parks, Water and Environment (DPIPWE).

## FY2019-20 text and figures used as placeholder only

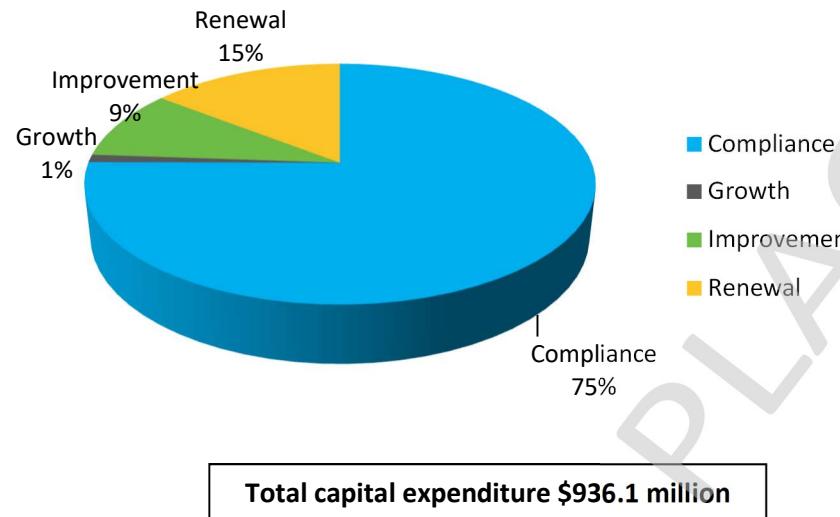
Project prioritisation generally reflects the priority rating assigned to infrastructure assets set out in each of these plans.

Due to the size and complexity of our asset base and the competing priorities for capital investment, we make use of a capital prioritisation process to ensure that projects are funded and delivered in a manner that takes into account our strategic priorities, regulatory obligations, the criticality of each potential investment and the customer impact of potentially deferring the investment.

While our approach to capital investment is highly structured, it also must be flexible enough to allow us to rapidly address unexpected issues that can significantly impact the level of service our customers receive.

As we progress through the remainder of our long term financial plan, our capital works programs will become more heavily weighted towards sewerage to deliver on the promises we have made to our customers and in the longer term address needs for asset rationalisation, water re-use and waste to energy resource opportunities. The chart below highlights that over our Plan's five year period in excess of half of our capital investment will be targeted at addressing improvements to compliance in water assets.

## FY2020-24 capital program by primary driver



## FY2019-20 text and figures used as placeholder only

Although the majority of our capital expenditure is compliance driven, a portion of this expenditure is also associated with the renewal of assets, growth in the capacity of our systems, and improvement of our assets (including safety). It is important to recognise that we have allocated a project's capital expenditure to its primary driver but realistically it may have more than one driver. For example, expenditure related to the redevelopment of a 50 year old Water Treatment Plant may address a compliance issue, renew the treatment assets and accommodate future growth in capacity. As such, the values in the chart above may not reflect the benefits realised across all four cost drivers. Details of our top 25 planned projects and top 10 planned programs based on value over the plan period are detailed in appendices 2 and 3.

### Externally funded capital expenditure projects

Where possible we seek external funding for projects that are not able to be recovered from our customers. For instance, following public commitment by the State Government for the Macquarie Point Sewage Treatment Plant move, Launceston Combined Drainage System improvement works and the feasibility study into the introduction of sewerage services to Coles Bay, we are working collaboratively with the State Government to secure funding over the Plan period. The total capital expenditure included in the Plan over the Plan period does not assume funding for these projects, or any others that are expected to be externally funded. However the Plan will be amended to reflect the additional capital expenditure as external funding is confirmed.

We will also seek Federal funding with State Government support for other unfunded but important projects such as service introductions to communities that do not currently have access to treated drinking water from our systems, and trade waste funding for industrial customers who are struggling to meet compliance costs. Accessing external funding sources is included within our Financial Sustainability framework which is included as an enabling strategy in Our Strategy (Figure 3).

#### Relocation of Macquarie Point Sewage Treatment Plant

In May 2019 the State Government affirmed its commitment to provide additional funding to TasWater over the 10-year period from FY2018-19 to support major infrastructure projects, including the decommissioning and relocation of the Macquarie Point STP. TasWater is working in conjunction with the State Government to formalise this commitment, which will be presented to TasWater's shareholders in May 2020.

## Appendix 1 – Key strategic risks

STRATEGIC RISK TITLE	DESCRIPTION	KEY CONTROLS *
<b>CUSTOMER &amp; COMMUNITY</b>		
<b>Deliver a positive customer experience to you</b>		
Customer, Community and Stakeholder Engagement	Inability to effectively engage with, manage and meet expectations of customers, community and stakeholders	<ul style="list-style-type: none"> <li>Key stakeholder engagement – customer groups, regulators, industry groups, Owners' Representatives and members of the Tasmanian Government</li> <li>Community Engagement Policy &amp; Framework</li> <li>Stakeholder Management Strategy</li> <li>Brand Strategy</li> <li>Operation Control Centre and dedicated Contact Centre</li> </ul>
<b>COMMERCIAL &amp; ECONOMIC</b>		
<b>Give you value for money</b>		
Cybersecurity	Unauthorised external access to data, financials or control systems	<ul style="list-style-type: none"> <li>Technology and Innovation Strategy</li> <li>Information Security and Acceptable Use Policy</li> <li>Business Continuity Planning</li> <li>Incident and Emergency Management Plan</li> <li>Enhanced internal cybersecurity expertise</li> </ul>
Capital program delivery	Inability to supply resources to meet delivery requirements of capital program or program may not deliver the intended business benefits, efficiencies and/or customer outcomes in a timely manner	<ul style="list-style-type: none"> <li>Strategic Asset Management Plan</li> <li>Project Management System</li> <li>Capital management processes, including procurement</li> <li>Asset Management Information System</li> <li>Capital Delivery Office</li> </ul>
Financial sustainability	Inability to fund and meet competing stakeholder demands and expectations	<ul style="list-style-type: none"> <li>Extensive modelling and analysis leading into Price and Service Plan submission (economic regulatory framework)</li> <li>Key stakeholder engagements – customer groups, regulators, industry groups, Owners' Representatives and members of the Tasmanian Government</li> <li>Annual borrowing approvals through state treasury and treasury management policies</li> <li>Long term capital and operating expenditure plans</li> <li>Financial Sustainability Strategy</li> </ul>
Regulatory change	Losing the confidence of regulators and/or regulators may impose unrealistic or more onerous requirements	<ul style="list-style-type: none"> <li>Key stakeholder engagement – customer groups, regulators, industry groups, Owners' Representatives and members of the Tasmanian Government</li> </ul>

STRATEGIC RISK TITLE	DESCRIPTION	KEY CONTROLS *
		<ul style="list-style-type: none"> <li>• Compliance and performance monitoring procedures</li> <li>• Ongoing regulators forum linked to PSP4 and future price and service plans</li> </ul>
Operational systems capability	Operational technologies and employee capability do not result in efficient, reliable and responsive practices to deliver on customer promises	<ul style="list-style-type: none"> <li>• Technology and Innovation Strategy</li> <li>• SCADA Strategy</li> <li>• Data Quality Policy</li> <li>• Operations Control Centre</li> <li>• Information management policies</li> </ul>
<b>WATER &amp; ENVIRONMENT</b>		
<b>Provide you with safe drinking water and responsibly manage your sewage</b>		
Water quality/public health	Provision of unsafe drinking water resulting in serious public health incident	<ul style="list-style-type: none"> <li>• Drinking Water Quality Risk Management Plan</li> <li>• Protocol for provision of non-drinking water supplies</li> <li>• Operations Control Centre</li> <li>• Incident and Emergency Management Plan</li> </ul>
Climate change	Failure to consider and manage impacts from climate change on all aspects of the business	<ul style="list-style-type: none"> <li>• Climate change adaptation and mitigation strategy</li> <li>• Climate prediction scenario modelling</li> </ul>
Environmental/third party	Sewerage system process/infrastructure failure or business activity causing environmental harm	<ul style="list-style-type: none"> <li>• Operation and maintenance manuals</li> <li>• Inspection regimes</li> <li>• Automated monitoring and control systems and Operations Control Centre</li> <li>• Inflow and infiltration reduction programs</li> <li>• Renewals and relining programs</li> <li>• Incident and Emergency Management Plan</li> <li>• Operations and maintenance oversight</li> </ul>
Critical asset failure	Failure or prolonged disruption of critical asset (including dam failure).	<ul style="list-style-type: none"> <li>• Dam safety emergency management plans</li> <li>• Strategic Asset Management Plan</li> <li>• Asset Management Information System Incident and Emergency Management Plan</li> <li>• Operations Control Centre</li> <li>• Network asset strategies and management plans (in development)</li> <li>• Asset class strategies and management plans (in development)</li> </ul>
Supply and demand	Failure to adequately plan for water supply security and/or demand for sewerage services (short and long term)	<ul style="list-style-type: none"> <li>• Demand modelling</li> <li>• Business Continuity Plan individual site and critical asset contingency plans</li> <li>• Water restrictions policy and guideline</li> </ul>

STRATEGIC RISK TITLE	DESCRIPTION	KEY CONTROLS *
		<ul style="list-style-type: none"> <li>• Water Supply Security Strategy and implementation plans</li> <li>• Water Supply Demand Management Steering Group</li> <li>• Growth and Capacity Plans</li> </ul>
Business continuity	Inability to respond to incidents and/or maintain business continuity after incidents or major disruption of systems, and/or loss of critical business information	<ul style="list-style-type: none"> <li>• Business Continuity Plan</li> <li>• Incident and Emergency Management Plan</li> <li>• Operation Control Centre</li> <li>• Individual site and critical asset contingency plans</li> <li>• External emergency services relationships</li> <li>• Technology and Innovation Strategy</li> </ul>
<b>PEOPLE &amp; CULTURE</b>		
Build culture and skills for the long term benefit of Tasmania		
Worker and public safety	Injury to worker or member of the public	<ul style="list-style-type: none"> <li>• Safety committees</li> <li>• Inductions and ongoing training</li> <li>• Policy and procedures</li> <li>• Fatality risk profile and associated management plans</li> <li>• Workers Compensation insurance policy</li> <li>• Ongoing investments in safety culture and implementation of Health &amp; Safety Plan initiatives</li> </ul>
Organisational culture and talent	Inability to develop an organisational culture or future workforce that can deliver the strategic objectives	<ul style="list-style-type: none"> <li>• People Strategy</li> <li>• Leadership development program</li> <li>• Performance and development agreements</li> <li>• Training and knowledge capture programs</li> </ul>
Contractor conduct risk	Conduct of employee and/or contractors carrying out core business activities in a manner that is detrimental to the organisation, the individual and/or customer outcomes	<ul style="list-style-type: none"> <li>• Corporate Governance Framework</li> <li>• Procurement Policy and Contract Management Guidelines</li> <li>• Ongoing investment in culture</li> <li>• Complaints, Enquiries and Dispute Management Policy</li> <li>• Corporate Code of Conduct</li> <li>• Clear policies relating to behaviour and conduct</li> </ul>

\*Key controls for all risks include senior management, Board and in a number of cases regulatory oversight in addition to those specifically stated in the table.

## Appendix 2 – FY2020-24 Top 25 Capital Projects

### Top 25 major capital projects (by value \$Millions)

Project Title	Driver	FY20	FY21	FY22	FY23	FY24	TOTAL
Bryn Estyn Water Treatment Plant Major Upgrade	Compliance	35.9	85.2	80.6	0.0	0.0	<b>201.7</b>
Launceston Sewer Improvement Plan (LSIP)	Compliance	0.0	1.0	14.2	76.5	94.6	<b>186.3</b>
Forth River Water Treatment Plant Major Upgrade	Compliance	8.8	25.5	2.3	0.0	0.0	<b>36.6</b>
Fern Tree Water Treatment Plant Major Upgrade/Replacement	Compliance	0.0	0.0	0.0	2.8	31.2	<b>34.0</b>
Northern Midlands Sewerage Improvement Plan - Longford Sewerage Treatment Plant Upgrade	Compliance	6.1	11.2	6.1	0.0	0.0	<b>23.4</b>
Regional Towns Water Supply Program Stage 4 – Work Package 1 (Bothwell, Dover, St Marys, Oatlands, Coles Bay)	Compliance	5.1	5.1	10.0	0.0	0.0	<b>20.2</b>
Ridgeway Dam Upgrade	Compliance	0.8	2.0	11.7	0.0	0.0	<b>14.5</b>
Lake Mikany Dam Upgrade	Compliance	10.1	4.1	0.0	0.0	0.0	<b>14.2</b>
Leven River Water Treatment Plant Major Upgrade	Compliance	1.8	11.1	0.7	0.0	0.0	<b>13.6</b>
Wynyard Sewer Treatment Plant Upgrade	Compliance	0.0	0.0	0.0	2.3	8.1	<b>10.4</b>
Sorell and Midway Point Sewerage Strategy	Improvement	0.0	0.2	3.1	4.2	2.4	<b>9.9</b>
Pet Dam Upgrade	Compliance	0.5	7.2	1.0	0.0	0.0	<b>8.7</b>
Ultraviolet Disinfection Program stage 2 - Campbell Town/Ross, Fingal, Queenstown, South Esk, Swansea, Triabunna, Tullah, West Tamar and Zeehan	Compliance	0.0	0.0	0.5	7.1	0.9	<b>8.5</b>
Prospect Vale Sewerage Treatment Plant - Upgrade	Compliance	1.0	7.3	0.0	0.0	0.0	<b>8.3</b>
Ulverstone Optimisation	Compliance	1.0	6.6	0.0	0.0	0.0	<b>7.6</b>

<b>Project Title</b>	<b>Driver</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>TOTAL</b>
Bicheno STP Recycled Water Scheme Expansion	Compliance	0.2	6.1	0.0	0.0	0.0	<b>6.3</b>
Hendersons Dam Upgrade	Improvement	5.3	0.5	0.0	0.0	0.0	<b>5.8</b>
Port Sorell Reservoir and Water Network Upgrades	Growth	0.0	0.0	4.3	0.0	0.0	<b>4.3</b>
Westbury Sewerage Treatment Plant Upgrade and Reuse	Compliance	3.7	0.3	0.0	0.0	0.0	<b>4.0</b>
Regional Towns Water Supply Program Stage 4 - Work Package 4 (Dowlings Creek/Yolla, Manuka River/Strahan, Glen Huon, Westbury, St Helens, Scottsdale, Bridport, Deloraine, Longford, Bracknell)	Compliance	0.0	0.0	0.5	3.5	0.0	<b>4.0</b>
Smithton Sewer Treatment Plant Upgrade	Compliance	0.0	0.0	0.0	1.2	2.6	<b>3.8</b>
Water Meter Installs	Improvement	0.0	1.0	2.5	0.0	0.0	<b>3.5</b>
Regional Towns Water Supply Program Stage 4 - Work Package 2 & Work Package 3 (Ellendale, Adventure Bay)	Compliance	0.0	0.0	2.7	0.5	0.0	<b>3.2</b>
Geeveston Sewerage Treatment Plant Optimisation and Outfall Upgrade	Compliance	1.5	1.5	0.0	0.0	0.0	<b>3.0</b>
Cygnet Sewerage Outfall Upgrade	Compliance	1.5	1.5	0.0	0.0	0.0	<b>3.0</b>

FY2019-20 text and figures used as placeholder only

## Appendix 3 – FY2020-24 Top 10 Capital Programs

### Top 10 capital programs (by value \$Millions)

Program Title	Driver	FY20	FY21	FY22	FY23	FY24	TOTAL
Non-network other	Renewal	4.9	6.5	4.1	4.1	4.1	<b>23.7</b>
Water Main Renewals	Renewal	2.9	3.6	4.3	4.8	2.4	<b>18.0</b>
Sewer Main Renewals	Renewal	2.9	3.2	3.6	4.1	1.8	<b>15.6</b>
Minor Projects Program	Improvement	2.4	3.3	3.3	3.3	3.3	<b>15.6</b>
Sewer Treatment Plant Renewal Program	Renewal	2.9	3.6	3.6	3.4	1.5	<b>15.0</b>
SCADA Program	Improvement	3.3	2.7	2.7	2.5	2.8	<b>14.0</b>
Non-network IT	Improvement	2.3	2.5	2.5	2.5	2.5	<b>12.3</b>
Metering Program	Renewal	2.3	2.5	2.9	2.9	1.1	<b>11.7</b>
Sewerage Pumping Station Renewals	Renewal	1.9	2.2	2.9	3.1	1.3	<b>11.4</b>
Electrical Program	Renewal	1.5	2.2	2.5	2.4	2.6	<b>11.2</b>

Note: The programs identified above contain multiple projects.