

19.1.2 February 2022



Quarterly Report to Owners' Representatives

Progress update to 31 December 2021



Document Approval and Issue Notice

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(For release) Michael Mulley, Acting Department Manager Business Performance Date: 12 January 2022

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1. Introduction

TasWater is pleased to present its second quarter (Q2) FY2021/22 Quarterly Report to Owners' Representatives in accordance with the requirements of the Shareholders' Letter of Expectations.

Outlined within the report are key aspects of TasWater's performance for the quarter ended 31 December 2021. This includes performance against key performance indicators outlined in the FY2022-26 Corporate Plan as well as financial performance compared to the FY2021/22 Budget.

Consistent with the approach taken in FY2020/21, the report also includes a dedicated section outlining TasWater's performance against a range of operational key performance indicators.

2. Executive Summary

2.1 Operating performance

Key points to note for the quarter include:

- TasWater's net profit of \$29.7 million as at 31 December 2021 is \$4.6 million favourable to budget
- Capital expenditure is at \$117.5 million for the quarter end being ahead of the YTD budget of \$109.6M
- Four Lost Time Injuries (LTIs) occurred during the quarter, resulting in a total of five YTD
- One notifiable safety incident occurred during the quarter, an investigation has been undertaken into the root cause and the report findings are being finalised.

2.2 Innovations

H2Go Inventory Management

TasWater has continued to leverage our digital platform to improve stores and inventory management. A new stock take and inventory application has been implemented, enabling more efficient and accurate inventory counting in comparison to prior years, with no disruption to business as usual. The application also allows for cycle counts, an improved user interface and navigation for data entry, improved use of a device camera for product photographs and QR code scanning.

Divisional Safety Innovation Focus

An innovation focus on safety is currently underway, with two current innovations of note.

A valve signage pilot is currently in progress, which involves replacing faded road markings with metal plates on gutters. This will allow integration with virtual reality for real-time valve status, ensuring safer work practices.

The second innovation is usage of QR codes at work locations, enabling quick access to work instructions before commencing work to increase safety. This has future potential to also check the operator has completed the required training to perform the task.

2.3 Customer Experience Initiatives

New Billing Print provider

TasWater moved to new bill print provider ABCorp in October 2021. ABCorp partner with Payreq, our new digital billing provider. Both contracts were the result of a tender process and will result in greater efficiencies across TasWater's range of billing activities. TasWater is in the final stages of redesigning its bills to be simpler and easier for our customers to understand. Implementation is forecast to commence from 1 April 2022.



Water Night

Water Night was held on 22 October 2021 during National Water Week. The aim was to raise awareness of how often we all use our water throughout the day. The event is in its second year, and although the numbers are currently relatively low, they will continue to grow with the support of utilities like TasWater. Tasmania had the highest per capita participation in Water Night of any state in Australia.

2.4 Diversity and Inclusion

No significant Diversity and Inclusion update during quarter 2.

3. Performance Results for the Quarter

3.1 Strategic performance summary

Customer priorities	Key performance indicators	RESULT	TARGET	RESULT
Customer and Community – Deliver a positive customer experience to you		FY2020/21	FY2021/22	Q2 FY2021/22
Identify and close critical customer service gaps	Customer experience percentage	62%	64%	Research is conducted every six months with the next results due January 2022
	Customer satisfaction percentage	69%	68%	
	Brand perception percentage	54%	60%	
Improve our community engagement and understanding	Community and stakeholder satisfaction percentage	62%	68%	68% ¹
Water and Environment – Provide you with safe drinking water and responsibility manage your sewage		FY2020/21	FY2021/22	Q2 FY2021/22
Meet agreed regulatory compliance targets	Customers supplied by drinking water systems meeting best practice risk mitigation (per cent)	4.1%	10.7%	4.1%
	Number of dams above the ANCOLD Limit of Tolerability	4	2	4
	Number of wastewater systems considered high risk to the environment	22	20	22
	Real losses: water mains (kL/km water main/day) - (less than or equal to)	8.9	10.0	8.8 ²
Optimise system performance	Number of critically notifiable spills (less than or equal to)	8	4	7
	Treated wastewater compliant with EPA requirements (flow-weighted)	90.4%	89.0%	87.2%
People and Culture – Build culture and skills for the long-term benefits of Tasmania		FY2020/21	FY2021/22	Q2 FY2021/22
Enhance workforce capability and culture	Fifty per cent constructive leadership styles by 2023	Material improvement in pulse cultural survey results	Constructive styles between the 25 th and 50 th percentile. Defensive styles at or below the 50 th percentile.	Next survey results expected in June 2022

¹ Satisfaction score relates to 'community' only and doesn't include 'stakeholder', based on a change in the way the research is conducted. A change to this metric is being proposed as part of the development of the next corporate plan

² This is based on previous years value modified with known leakage reduction initiatives. System/process limitations do not allow full reporting beyond an end of year result.

Customer priorities	Key performance indicators	RESULT	TARGET	RESULT
Relentless focus on safety (Zero Harm)	Total recordable injury frequency rate (TRIFR) - (less than or equal to)	9.4	8.5	11.3
	Notifiable injury frequency rate	2.5	1.1	2.1
Commercial and Economic – Give you value for money		FY2020/21	FY2021/22	Q2 FY2021/22
Deliver Price and Service Plan commitments	Capital Expenditure	\$177.6M	\$229.9M	\$117.5M
Achieve further efficiencies	EBITDA	\$155.7M	\$163.7M	\$83.0M
	Interest cover ratio	3.2	3.3	3.8

3.2 Operational performance summary

Key performance indicators	RESULT	TARGET	RESULT
Customer and Community – Deliver a positive customer experience to you	FY2020/21	FY2021/22	Q2 FY2021/22
Total complaints	2,800 ³	2,500	1,258
First point resolution percentage for calls	95.1%	90%	94.9%
Percentage of calls answered by an operator within 30 seconds	92.1%	85%	85.1%
Percentage of response times within 60 minutes to attend priority 1 bursts and leaks	90.0%	90%	66.7%
Water and Environment – Provide you with safe drinking water and responsibility manage your sewage	FY2020/21	FY2021/22	Q2 FY2021/22
Number of BWAs and DNCs throughout the year	0	1	0
Percentage of customers where microbiological compliance has been achieved	100%	100%	100%
Percentage of trade waste volume covered by a meaningful agreement	58%	70%	76%
Percentage of industrial customers on a long term agreement	13%	20%	40% ⁴
People and Culture – Build culture and skills for the long-term benefits of Tasmania	FY2020/21	FY2021/22	Q2 FY2021/22
Lost-time injury frequency rate (LTIFR)	2.8	2.4	3.1
Number of lost-time injuries (LTIs)	9	7	5

³ This figure was reported as 1,012 in the June 2021 report but has been adjusted to reflect a revised interpretation of water quality complaints to enable a meaningful comparison with FY2021/22 results.

⁴ This KPI is already above the full-year target as a recent process and legal review of existing agreements identified that a number with automatic extensions were not being included in the results.



Key performance indicators	RESULT	TARGET	RESULT
Number of notifiable incidents	8	3	2
Number of full time equivalent (FTE) ⁵	919	932.3	929
Commercial and Economic – Give you value for money	FY2020/21	FY2021/22	Q2 FY2021/22
Productivity - savings realised	\$3.7M	\$2.2M	\$0.5M
Productivity - Increased revenue initiatives	\$10.3M	\$6.5M	\$4.6M
Total overdue debtors as a percentage of revenue at end of year	4.7%	4.0%	4.6%

⁵ Includes TasWater FTEs in the Capital Delivery Office.

3.3 KPI Gaps and Responses

Table 1: Gaps and responses

Gap	Cause and response
Customers supplied by drinking water systems meeting best practice risk mitigation (per cent) at 4.1% against a year-end target of 10.7%	Asset upgrades and improvements, including the UV program, will improve the result over the next two quarters.
Number of critically notifiable spills at 7 against a year-end target of 4.	A further two spills occurred during the quarter. Refer to section 3.5 for additional detail.
Treated wastewater compliant with EPA requirements (flow-weighted) at 87.2% against a target of 89%	Result only just outside target with results over coming two quarters expected to improve to meet the year-end target.
Total recordable injury frequency rate (TRIFR) at 11.3 against a target of 8.5.	Increase from Quarter 1 result but focus on Safety Interactions and Leadership Walks should bring result within target by year end.
Notifiable Injury Frequency Rate at 2.1 against target of 1.1.	Has improved from 2.5 in Quarter 1 and are currently on track to meet our target for the year.
Percentage of response times within 60 minutes to attend priority 1 bursts and leaks at 66.7% against a target of 90%	The quarter only had one priority 1 burst, and this was handled within the appropriate timeframe. A priority 1 burst in St Helens in Quarter 1 is still the only instance to fall outside of target.
Lost-time injury frequency rate (LTIFR) at 3.1 against a target of 2.4.	There were three Lost Time Injury incidents in the month of December which has impacted the quarterly result. Two of these injuries were on the lower end of actual severity, however, the treating GPs took a cautious route to avoid aggravation of the injuries and declined to discuss/consider suitable alternative duties. Continued focus on Safety Interactions and Leadership Walks are expected to ensure that target is met by year end.

3.4 Financial Performance

Table 2: Financial summary

KPI	FY2020/21		FY2021/22	
	Actual Result	Q2 Target	Q2 Result	Q2 Variance
Net Profit (\$M)	43.5	25.1	29.7	4.6
Underlying Net Profit ⁶ (\$M)	16.3	10.6	13.1	2.5
Dividends (\$M)	10.0	10.0	10.0	-
Special Dividend Target (\$M)	-	-	-	-
Debt (\$M)	619.8	720.8	678.4	42.4
Gearing ratio	39.1%	47.4%	40.4%	7.0%
Interest cover ratio (times)	3.2	3.1	3.8	0.7

TasWater's net profit of \$29.7 million as at 31 December 2021 is \$4.6 million favourable to budget. This is primarily driven by a favourable variance in developer revenue (\$2.0 million), profit on disposal of motor vehicles (\$0.4 million), grant received for training programs (\$0.4 million), lower depreciation (\$0.5 million) and lower interest expense (\$0.5 million). Underlying net profit of \$13.1 million is \$2.5 million above budget.

⁶ Underlying net profit adjusted for contributed asset revenue



Two interim dividends of \$5.0 million each were paid to Owner Councils on 30 September and 17 December 2021 as planned.

As at 31 December 2021, total debt of \$678.4 million was \$42.4 million lower than budget predominantly due the opening debt position in FY2021/22 being lower than originally forecast and the early receipt of the FY2021/22 state government equity instalment. Total debt is well within TasWater's approved facility limit.

3.5 Significant incidents

Coronavirus (COVID-19) pandemic

The business continues to operate in accordance with COVID-safe guidelines and government requirements by maintaining COVID safe practices, including appropriate physical distancing measures, check ins and hygiene and cleaning protocols at its sites.

From 21 December 2021, the government also introduced a direction that wearing masks is mandatory for all indoor settings except a persons' place of residence, including on public transport. This is now required at TasWater sites too.

December also saw Tasmania open its borders to interstate and international visitors (with various controls and restrictions), and positive COVID-19 cases began to appear in the community as a result of this. TasWater is confident that our procedures, processes and contingency planning effectively respond to this dynamic environment.

Sewage spills impacting shellfish leases

Tasmania experienced a number of significant rainfall events during the quarter and this has resulted in numerous shellfish lease closures across the harvest areas of Dover, Pittwater, Smithton, Dunalley, Orford, Triabunna and Cygnet. Most leases were closed multiple times, all during wet weather events, but no closures occurred during December.

TasWater have completed inflow and infiltration investigations in Dunalley, Sorell and Woodbridge and are working through the process to rectify issues. Some rectification will involve working with councils where cross-connections have been identified.

Updates have been presented to both Pittwater and Dunalley growers on planned infrastructure upgrades and timelines.

Ridgeway Dam

The remaining work for the dam's investigation is being considered. The following outlines the proposed activities that are required and a high-level review of the schedule.

- Re-assess budget and undertake additional sensitivity analysis that are required to complete this phase of the design works (February 2022) including:
 - Undertake corrections to the structural model
 - Undertake sensitivity analysis and update engineering report
- Develop scope of work and Request for Quotation, that will incorporate the work done to date by the consultant (GHD) and what will be required to be done for the dam's arch
- Tender further consulting activities
- Select preferred consultant
- Undertake additional design, investigation, selection of Contractor (proposed approach - early contractor involvement – ECI) and detailed Business Case incorporating:
 - Preliminary design up to Dam Works Permit



- Selection of suitable ECI contractor
- Additional investigation.

Howrah Beach Project

We are supporting the Clarence City Council to identify and rectify infrastructure issues following the downgrading of the water quality rating at Howrah Beach. On the 13 November we participated in a community information session with council and the Derwent Estuary Program. This was well received by the community, alderman and resulted in significant media coverage. The community was supportive of our collaborative approach. The situation is a result of a combination of both sewer and stormwater issues, with a number of issues identified and rectified so far. Recent beach results have been good, but the water quality rating is determined annually using a 5-year rolling average.

Westbury Sewage Overflow

On 14 June 2021, a sewer manhole at 115 Meander Valley Road, Westbury became blocked with debris, causing an overflow of approximately 650kL of raw sewage into a small farm dam via the stormwater system. The EPA was notified, and actions undertaken including a solids clean-up, drainage pathway remediation and pump-out of the dam. The dam contents were returned to our sewerage system for treatment.

Sludge removal is now largely complete, and refilling of the dam is expected to occur in the coming weeks. We have continued to engage with the impacted property owners and legal and insurance processes are ongoing.

3.6 Capital expenditure

Summary

The FY2022 Capital Work Program (CWP) expenditure (as at 31 December 2021) is \$117.5M. This figure is above the year to date (YTD) budget of \$109.6M and reflects the positive position this program is in. At this stage, TasWater is confident it will deliver the full year target for capital expenditure of \$229.9M.

During the quarter, TasWater's largest capital project at the Bryn Estyn WTP has progressed well. It is forecasted that the commissioning process for the first of the new tanks will commence in Q4 FY2021/22. Good progress was also made during the quarter on several of our other major projects with TERHAP, Macquarie Point STP and North West Water Strategy all achieving project milestones. Most notably, construction work has commenced on the first of the TERHAP related projects for the St Johns Sewer Rising Main Upgrade.

In the last three months we have made considerable progress on Stage 1 of the UV Disinfection program, including completion of the first site at Bracknell. The completion of the UV sites will provide the systems with Best Practise Risk Mitigation water quality.

The current status of the Top 25 projects by total project budget are shown in Table 3 below. The list of Top 25 projects has been refreshed to reflect the commencement of the FY2021/22 Capital Works Program, including removal of projects completed in FY2020/21. For projects that have continued into FY2021/22, the table outlines changes in project budget estimates and completion dates since the September 2021 quarter report.

Table 3: Status updates - Top 25 by total project budget

No.	Project Title	Current Project Stage	Forecast Completion Date	Total Project Budget ('000)	Project Status Comments
1	Bryn Estyn WTP Major Upgrade	Project Delivery	May-23	243,944	Commissioning of first tank to commence in Q4 FY2021/22.
2	Northern Midlands Sewerage Improvement Plan - Longford STP Upgrade	Project Delivery	Dec-21 Apr-22	33,672	Commissioning of the new plant has commenced however some delays have arisen whilst JBS complete upgrades to their pre-treatment infrastructure. Domestic waste is currently being treated by the new Longford STP with the JBS effluent expected to be cut over in January/February 2022.
3	UV Program – Burnie, Chimney Saddle, Distillery Creek, Mt Leslie & West Tamar (Stage 2a)	Project Development Target Out-turn Cost/Project Budget Estimate	Jun-23	5,032	On Track
4	Lake Mikany Dam Upgrade	Project Delivery	Aug-22 Jun-22	20,067	Site works recommenced in September 2021, with outlet works currently in progress and embankment works to commence in the near future.
5	Tamar Estuary Health River Action Plan (TEHRAP)	Target Out-turn Cost/Project Budget Estimate Project Delivery	TBD Mar-25	128,500	This plan will be delivered as a series of projects, with the first currently under construction (St Johns Sewer Rising Main).
6	Rosebery, Triabunna, Tunbridge and Coles Bay Reservoir	Project Delivery	Dec-22	12,821	Construction has commenced on the first reservoir at Rosebery.
7	Upper Reservoir Dam Upgrade	Project Delivery Completed	Nov-21	6,085	Construction completed. Project finalisation underway.
8	UV Program – Campbell Town/Ross, Fingal, Queenstown, South Esk, Swansea, Triabunna, Tullah, West Tamar and Zeehan (Stage 2b)	Project Development Target Out-turn Cost/Project Budget Estimate	Oct-23 Jul-23	8,513	Project brought forward following success of Stage 1
9	Davis St, Smithton SPS Upgrade	Project Development	Aug-22 Sep-23	17,628	Revised Business Case developed and under review to deliver project benefits for a substantial overall saving.
10	Geeveston Outfall	Target Out-turn Cost/Project Budget Estimate	Nov-23	9,890	On Track
11	Tasman Highway, Orford - Trunk main	Project Delivery Project Development ⁷	Sep-22 Feb-23	2,358	Project deferred whilst value engineering work is undertaken.
12	Lake Fenton Pipeline (Gateway) , New Norfolk Water Main Renewal	Project Delivery	Jun-22	2,238	Construction of the pipeline has commenced.
13	North West Water Supply Upgrade - NWWS (Old Forth Leven)	Target Out-turn Cost/Project Budget Estimate Project Development	May-26 Jun-28	Not yet approved	SBC completed in the quarter. The SBC has provided a more accurate timeframe for the project and report has been updated to reflect this new information.

⁷ This project stage was incorrectly reported in prior quarter and also applies to item #13.

No.	Project Title	Current Project Stage	Forecast Completion Date	Total Project Budget ('000)	Project Status Comments
14	Bicheno STP Recycled Water Scheme Expansion (EPA Top 20)	Project Development	Dec-24 Feb-25	7,380	On track.
15	Bridport Water Supply Improvements	Project Development	Oct-25	30,160	On track.
16	Ridgeway Upgrade	Project Development Strategy	Apr-26 Jun-26	Not yet approved	Further information available within this report.
17	Upper Prosser scour valve	Project Delivery	Feb-22	1,521	Construction 90% complete
18	Hamilton STP Relocation	Project Development	Feb-24 Feb-22	Not yet approved	Project prudency being reviewed and subsequent document to be provided to the Board in January 2022.
19	Macquarie Point Relocation	Project Development	TBD	Estimate to be updated as part of the detailed design phase	Detailed design commenced and environmental impact assessment underway.
20	Turriff Lodge STP Outfall Relocation (EPA Top 20)	Project Development Project Delivery	Aug-22 May-22	2,225	Design process continuing, major procurement items contracted.
21	Chimney Saddle Clarifier & Flocc Tank	Project Delivery Completed	Oct-21	2,832	Completed.
22	Queenstown STP remediation	Project Delivery	Oct-22 Jun-22	2,659	On Track
23	Zeehan Raw Water Pump Station Replacement	Project Delivery	May-22 Mar-22	1,755	Construction works commenced in January 2022.
24	UV Program Stage 1 (Glen, Westbury, St Helens, Scottsdale, Bridport, Deloraine, Longford, Bracknell)	Project Delivery	May-22	10,481	On track Bracknell completed and several other sites underway.
25	Whitemark raw water storage upgrade - Hendersons Dam raising	Project Delivery	Feb-22 Apr-22	11,868	Dam construction works underway, new spillway walls under construction, embankment construction commenced.

3.7 Externally funded major projects

Port Arthur Historic Site Management Authority (PAHSMA)

During the previous quarter, TasWater and the State Government executed a Grant deed under which TasWater received \$500,000 to undertake a feasibility study into the potential transfer of the water and sewerage assets currently owned and managed by PAHSMA to TasWater. Under the deed, TasWater has 15 months to complete the feasibility study.

Investigations have now commenced on the Tasman Peninsular Feasibility Study. The study will address water security, water and sewerage treatment and network issues within the study area as well as consideration of the wider servicing of the peninsular.

The investigation report is expected to be completed in the first quarter of FY2022/23.

3.8 Matters of public and key stakeholder interest

Water Supply Outlook

The outlook for the remainder of the summer period is generally favourable, with rainfall during winter and spring close to long-term averages and most storages at or near full supply levels. The

Bureau of Meteorology also confirmed that La Niña conditions were established as of late November, which are expected to remain until early Autumn. La Niña typically brings higher than average rainfall in eastern Tasmania during summer.

Despite this outlook, restrictions are still planned in some communities and are possible in others, particularly those with limited raw water storage. A summary of the outlook for all systems is provided in Table 4 below.

In relation to the Greater Hobart system, water quality in multiple storages is currently being affected by elevated turbidity and colour, due in part to wet and windy conditions during spring. The Hobart Water Supply Working Group is overseeing management of the supply and has co-ordinated short-term actions including low-level water restrictions to mitigate potential supply/demand imbalance in the system, as well as taking steps to ensure high utilisation of good quality water sources over the summer period.

Table 4: Seasonal outlook for all systems

System Name	Restriction Likelihood	System Name	Restriction Likelihood
Adventure Bay	Likely	Longford	Possible
Bell Bay	Possible	Manuka River (Strahan)	Possible
Bicheno	Possible	Mathinna	Possible
Bothwell	Unlikely	Maydena	Possible
Bracknell	Possible	Mole Creek	Possible
Bridport	Likely	Mountain River	Unlikely
Bronte Park	Unlikely	National Park	Possible
Campbell Town/Ross	Unlikely	Oatlands	Possible
Coles Bay	Unlikely	Orford	Possible
Conara	Possible	Ouse – Hamilton	Unlikely
Cornwall	Unlikely	Pet River (Burnie)	Possible
Deep Creek (Smithton – Stanley)	Possible	Queenstown	Possible
Deloraine	Unlikely	Ringarooma	Unlikely
Dover	Possible	Rocky Creek	Possible
Dowlings Creek (Yolla)	Possible	Rosebery	Possible
Epping Forest	Possible	Rossarden	Possible
Fentonbury – Westerway	Possible	Scamander	Possible
Fingal – Avoca	Possible	Scottsdale	Possible
Forth River (Devonport)	Possible	St Helens	Possible
Gawler (Ulverstone)	Possible	St Marys	Unlikely
Gladstone	Possible	Swansea	Unlikely
Grassy	Unlikely	Triabunna	Possible
Greater Hobart	In Place	Tullah	Unlikely
Gretna – Glenora – Bushy Park	Possible	Tunbridge	Possible
Herrick	Unlikely	Waratah	Possible
Huon Valley	Unlikely	Wayatinah	Unlikely
Lady Barron	Unlikely	Westbury	Unlikely
Lake Barrington	Unlikely	Whitemark	Likely
Launceston	Possible	Zeehan	Unlikely
Leven (Penguin)	Possible		

Waratah Dam Decommissioning

In December, the full supply level of the reservoir was again lowered (by approximately one metre). This was done to assist in flood management and to largely drain the upper reaches of the reservoir (as the lake is relatively shallow) so that revegetation can commence prior to the embankment being removed.

Figure 1: Waratah Dam Spillway



Waratah Dam – Dam safety improvements (spillway deepening, looking upstream)



Waratah Dam – Dam safety improvements (spillway deepening, looking downstream)

Service Replacement at Pioneer

Work on the detailed design for the reticulated water supply has commenced following positive meetings with the Pioneer community and Dorset Council in September 2021. Pioneer residents are being kept informed as the project progresses.

Legislative Council Select Committee

Following its establishment in June 2020, the Legislative Council Select Committee inquiring into TasWater's operations published its final report in November 2021. The report contained eleven recommendations and where TasWater has primary responsibility, work addressing these was already underway or complete. While the report referenced evidence heard by the Committee that had previously been noted by TasWater to be flawed or incorrect, it was largely as expected and received very little media coverage.

The CEO, Mike Brewster, wrote to the Committee Chair on 6 December 2021 providing a summary of TasWater's responses to its findings. A copy of this correspondence has been provided to Owners' Representatives.

Enterprise Agreement Negotiations

After the first unsuccessful ballot and the commencement of protected industrial action in September 2021, negotiations continued with a second ballot on proposed Enterprise Agreements conducted in November 2021; without in-principle agreement with Employee Representatives.

The TasWater Senior Employees Enterprise Agreement was approved by 65 per cent of employees covered by it, and it received formal approval from the Fair Work Commission on 24 December 2021.



The TasWater General Employees Enterprise Agreements were not approved by employees. Following further negotiations, in-principle agreement (including the cessation of all protected industrial action) was reached with Employee Representatives in early December 2021. The agreed base wage increases are a 2.5 per cent increase in year one, a 2.5 per cent increase or CPI capped at 3.0 per cent in year two and a 2.8 per cent increase or CPI capped at 3.0 per cent in year three. In addition, a 0.5 per cent increase to superannuation each year is proposed to maintain the current 3.5 per cent gap between the Superannuation Guarantee and employer contributions. Ballots will be held on the three General Employee Agreements in January/February 2022.

Engagement with Aboriginal Land Council of Tasmania

In September 2021 we received a letter from the Aboriginal Land Council of Tasmania (ALCT) with a request to consider the return of certain TasWater land to Aboriginal ownership. On 12 November 2021 an initial meeting was held between representatives of the ALCT and TasWater.

Whilst discussions are still in their early days, and there are many matters still to be explored before any decisions can be made, engagement with the ALCT was highly constructive and an important part of TasWater's broader journey towards reconciliation.

Coles Bay Sewerage

TasWater have had discussions with the Freycinet Association Inc (FAI) on various wastewater and water quality matters following the Freycinet Peninsula Master Plan, which highlighted sewage management as a community concern. TasWater has no sewerage infrastructure at Freycinet.

In 2019 the Department of Premier and Cabinet asked TasWater to develop a Freycinet Peninsula Wastewater Feasibility Study (FPWFS) to supplement the Master Plan and funded this through a \$365,000 grant deed. The FAI has requested that future work incorporates Swanwick, which was not included in the scope of the original feasibility study. The study recommended upgrades to the Parks & Wildlife infrastructure, which has been funded by state government and is underway.

The monitoring of existing septic systems is a responsibility of council.

In a recent FAI media interview FAI highlighted elevated E. coli levels on the Coles Bay Beach after heavy rainfall.

As part of the FPWFS, testing showed no evidence of contamination pathways between sewerage systems and the marine environment, however under different conditions such as heavy rainfall, contamination pathways could occur. Heavy rain will also wash a range of nutrients including faecal matter into waterways from their catchments, and as such reticulated sewerage would not fully eliminate this issue.

The long-term recommendation (6 years plus) in the FPWFS aligns with the stated FAI conclusion of the need for reticulated sewerage and a sewerage treatment plant to address the issue.

This long-term solution requires a detailed engineering investigation. External funding would be required to undertake this study and for building sewerage infrastructure. This would involve a service introduction. TasWater currently has no funding for this and has completed the commitment to develop the FPWFS.

4. Key policy, risk and strategy matters

4.1 Price and Service Plan 4 (PSP4) update

In this quarter, work has continued with the Investigation team appointed by the Tasmanian Economic Regulator (TER) to provide independent draft findings for consideration in the final Price and Service Plan 4. Due to a number of issues including the volume of responses to the initial



findings, the investigation timeline has been revised. The Draft Report is now scheduled to be released for consultation on 7 February 2022 and be open until 11 March 2022. This is two months later than the initial timelines, however the final approved PSP date remains unchanged.

TasWater will respond to the final draft report and submit the final revised PSP4 on 31 May 2022 with an approved PSP expected to be endorsed by the TER on 15 June 2022. Preparation for implementation of the updated pricing in our billing system has recently commenced.

4.2 Hydrogen

During the quarter, TasWater continued to engage with the Office of the Coordinator General (OCG) on the potential development of a hydrogen project in the Bell Bay area. Renewables Tasmania submitted a bid for Federal funding in November 2021 to support a Hydrogen Hub in Bell Bay. A decision regarding whether the submission was successful is expected in February 2022.

In addition, an initial draft term sheet containing various provisions related to the water supply for a proponent's planned hydrogen production facility in Bell Bay has been drafted and will be used for negotiating water supply options.

4.3 Reduction in water losses

Consistent with TasWater's strategic focus to reduce water losses in its networks, leakage control initiatives are continuing in Greater Hobart Region and in other parts of TasWater's water network. This includes the use of leak noise correlating loggers, leak noise correlators and acoustic ground microphones to localise and pinpoint leaks.

Establishment of the DMAs in the Clarence system commenced in October 21 with the installation of six DMA meters at the outlets of Lindisfarne, Pilchers Hill, Oakdowns and Risdon Vale reservoirs. Each DMA meter is equipped with a data logger monitoring the flows. The flow data is sent to a cloud-based monitoring system where it is monitored via the Technology Utilicor web site.

4.4 Executive Resignations

As advised in the previous report, two members of the Executive team, Cathy Cuthbertson (GM People & Safety) and Juliet Mercer (GM Corporate & Community Relations) announced their resignations. They both departed TasWater during December 2021, with interim arrangements put in place until the new CEO commences in March 2022.

4.5 Cybersecurity

On Friday 10 December 2021 (Australia time) a new Zero Day vulnerability⁸ was announced which affected organisations globally, including potentially hundreds of TasWater systems (Log4J/Log4Shell). Since then the Digital & Technology team have been evaluating and addressing vulnerability to this exploit across all systems commencing with the higher risk systems.

This evaluation found no vulnerabilities to external systems and only a few internal systems with vulnerability that could not be immediately resolved (patched, removed or switched off). The internal systems are considered a low risk as the vulnerability is non-exploitable as they do not have the necessary internet access. This is due to the existing good security architecture with most systems having very limited access to the internet preventing the described payload being delivered.

TasWater are now working with our vendors to implement any further mitigations recommended as well as working with our partners (which either host or provide us IT services) to confirm that they have done likewise. The findings have been validated by repeatedly running penetration testing and

⁸ A Zero Day vulnerability is a software or hardware vulnerability discovered by hackers before the vendor has become aware of it. If exploited, the Log4J vulnerability allowed for the remote execution of code on compromised systems.



vulnerability scanning over the systems. TasWater will continue to monitor for changes in advice and will adjust the approach as required.

4.6 Climate Change mitigation

TasWater are developing new corporate strategies focusing on the environment and climate change adaptation, with final drafts due in June 2022. One of the key themes being progressed in the climate change adaptation strategy is reducing our contribution to climate change: i.e. reducing TasWater's greenhouse gas emissions. Initially work in this key area will focus on ensuring TasWater are accurately accounting for our emissions, followed by identifying opportunities to reduce our Scope 1 and Scope 2 emissions.⁹

⁹ Scope 1 – direct emissions from company-owned and controlled resources (fugitive gases, fleet, etc)

Scope 2 – Indirect emissions from the generation of purchased energy

Scope 3 – Indirect emissions not included in Scope 2 resulting from the value chain (waste generated emissions, manufacturing and transport of consumables, concrete, etc)

5. Responses to queries from prior updates

Date	Region	Issue	Raised by	Response
4 November 2020	All	Publish the Water Surety Strategy on TasWater's website	Gary Arnold (Kingborough Council)	This had initially been scheduled to be addressed at the ORG General Meeting (Planning) on 24 June 2021. However, key elements of the overarching strategy continue to be developed and are expected to be completed by the end of FY2021/22.
24 June 2021	All	Consider the structure of future Corporate Plans in relation to compliance with the Shareholders' Letter of Expectations (SLE).	Gary Arnold (Kingborough Council)	Will be addressed in the process of development of future Corporate Plans and review of the SLE.
10 November 2021	All	Further information to be provided regarding the calculation of TasWater's greenhouse gas emissions, specifically in relation to electricity	Ian Nelson (Clarence City Council)	Will be addressed in the quarterly meetings in February 2022.
10 November 2021	All	Advising any learnings in relation to the process of utilising TasWater's enforcement powers regarding unauthorised connections	Mayor Peter Freshney (Latrobe Council)	Update to be provided to the General Meeting (Planning) in June 2022.

19.1.2 February 2022

Taswater

Quarterly Report to Owners' Representatives

Progress update to 31 December 2021