

Corporate Plan
2018-2020



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Message from the Chairman and CEO

We are pleased to present our Corporate Plan for the period 2018-20 (the Plan). The Plan continues our progression towards the achievement of our vision which is to be “a trusted and respected provider of essential services that is making a positive difference to Tasmania”. It also outlines the framework for how we will deliver our strategic objectives and what we will focus on over the next three years.

Through customer feedback we know our customers are looking for improvements in service levels while keeping bill increases to a minimum. To sharpen our focus, we have revised our strategic framework to focus more on the needs of our customers. The revised framework provides a clear structure for us to deliver services in a manner that has the customer at the centre of our business.

We have used the recent Price and Service Plan (PSP3) customer consultation process to better align our priorities with what matters for our customers and reflected the feedback in both our PSP3 and Long Term Strategic Plan (LTSP).

Over the Plan period we aim to provide customers with maximum value for money by concentrating on what matters most to them i.e. providing all serviced towns with water they can drink straight from the tap, further reducing the number of high impact sewage spills, improving effluent compliance and finding ways to further reduce our costs.

We are currently finalising our PSP3 submission to the Office of the Tasmanian Economic Regulator (OTTER) which will outline our proposed customer pricing from 1 July 2018 to 30 June 2021. The final outcome of our PSP3 submission will be known in April 2018.

Protecting the health and safety of the public and our people continues to be our highest priority. Our Zero Harm program emphasises our ongoing commitment to workforce safety and wellbeing.

Projected Net Profit after Tax for the Plan period is \$34.7 million (FY2017–18), \$39.9 million (FY2018–19) and \$42.2 million (FY2019–20). This level of profitability will support the provision of \$30.0 million per annum in distributions to owner councils for FY2017–18 (the final year of PSP2), followed by \$20.0 million per annum in FY2018–19 and FY2019–20.

Gearing over the period is expected to increase from 34.4 per cent to 39.4 per cent with no net increase in debt arising from the payment of dividends as a result of anticipated cost savings.

Capital expenditure is projected to total \$443.4 million over the period including – \$135.3 million (FY2017–18), \$149.6 million (FY2018–19) and \$158.5 million (FY2019–20).

Retained earnings at the end of the Corporate Plan period are expected to be \$124.8 million with a closing total equity of \$1,676.7 million.



Miles Hampton

Miles Hampton
Chairman



Michael Brewster

Michael Brewster
Chief Executive Officer

TasWater at a Glance

Who we are

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 wastewater to the environment.

We commenced operations on 1 July 2013 following the merger of the three former regional Tasmanian water and sewerage corporations (Ben Lomond Water, Cradle Mountain Water and Southern Water) and the common services provider company, Onstream.

We are established under the Water and Sewerage Corporation Act 2012 and the Corporations Act 2001. In addition we are governed by a range of legislative and regulatory instruments, including the:

- Water and Sewerage Industry Act 2008
- Environmental Management and Pollution Control Act 1994
- Public Health Act 1997
- Land Use Planning and Approvals Act 1993
- ANCOLD Guidelines on Dam Safety Management 2003
- Price and Service Plan 2015-18
- TasWater's Constitution
- Shareholders' Letter of Expectations.

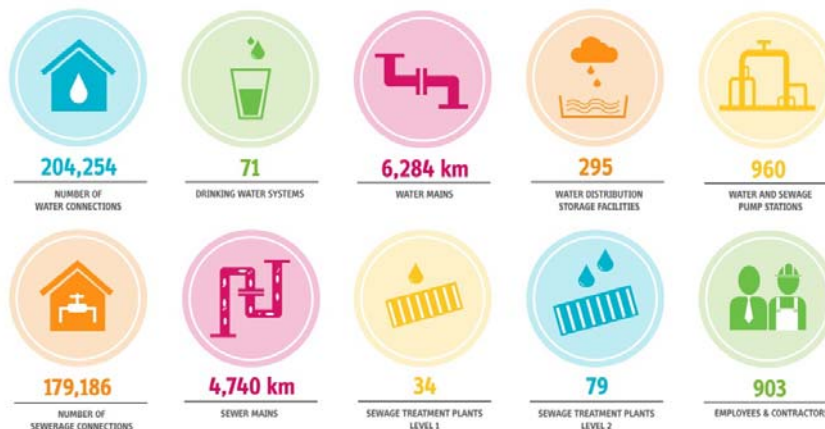
We are owned by the 29 Tasmanian councils who receive returns through dividends, tax equivalent payments and loan guarantee fees.

What we do

Our core business is to provide two essential services for Tasmanians:

- The sourcing, treatment and reliable delivery of quality drinking water
- The collection, transportation, treatment and safe return of the wastewater to the environment.

Key facts



Information as of 28 February 2017.

Key achievements since TasWater's commencement...

Water quality upgrades for 11 towns resulting in customers being able to safely drink their water straight from the tap

Winner of WorkSafe Tasmania's 2015 Workplace Health and Safety Leadership Award highlighting our commitment to keeping our employees and the general public safe

Kept price increases for our customers to a minimum through the identification of \$9.5 million in annual cost savings

Reduced odour complaints by 58% through targeted investment in our sewerage treatment plants to improve their operation, benefiting our customers and the community



Reduced reportable dry weather sewage spills by 30% resulting in increased public amenity, allowing our customers to enjoy clean beaches

Winner of the Tasmanian Training Awards, Large Employer of the Year for 2016 highlighting the capability being built to serve our customers

Removed headworks charges to improve the economic development opportunities within the state for the benefit of the community

Reduced our response time to priority one water bursts and leaks by 37% highlighting our commitment to improving our customer service

Key challenges ahead

Water and environmental compliance

Our varied and geographically dispersed infrastructure means we have many small systems that need significant investment to bring them to today's standards of compliance. We continue to face numerous challenges in ensuring consistent quality and security of our water supply.

In addition, our environmental compliance levels continue to be impacted by ageing and underperforming infrastructure. Whilst compliance levels will improve gradually through our capital expenditure program, our feedback from stakeholders is that this needs to occur sooner. We have therefore identified a range of options for more rapidly improving compliance.

Balancing stakeholder expectations

Like many businesses in the current economic environment, we are conscious of fairly balancing the needs of our key stakeholders, e.g. our customers, owners, employees, regulators and suppliers. We have been engaging with a wide range of stakeholder groups as part of developing our 2018-21 Price and Service Plan (PSP), which will assist us in better understanding their respective needs and how we can best manage any trade-offs.

We have sought feedback through our Consultation Issues Paper, focus groups, phone surveys and face to face meetings with regulators, Tasmanian Government agencies, peak representative bodies, the Office of the Tasmanian Economic Regulator (OTTER) Customer Consultative Committee and major customers. In addition, we have recently prepared a Community Perception Report to improve our understanding of how our customers perceive us.

Regulatory framework

We have been working with our regulators to find ways to improve the regulatory framework for the long term benefit of our customers. An independent review has identified a number of areas where changes to legislation would better facilitate outcomes that are in the long term interests of the Tasmanian community. As a result, we are currently in the process of seeking amendments to legislation to facilitate these outcomes. The proposed legislative changes have received "in principle" support at a state Cabinet level and will go to the 2017 winter session, however drafting is yet to be finalised.



Planning for the future

Adapting our business

The environment in which we operate is constantly changing, predominantly as a result of population changes, advances in technology, increasing community expectations and climate change. This means we must continually look outward and be prepared to rapidly respond to the changes happening around us.

To realise our vision we need to be flexible, forward looking, customer focussed and innovative. As we move forward, we will need to be prepared to constantly challenge and change the way we deliver our services, the technology we adopt, how we engage our people and how we can best deliver what matters most to our customers.

We must adapt to the changing environment in which we operate

Our Long Term Strategic Plan

The water and sewerage industry requires long term, significant investment in infrastructure that can be expected to service our customers for many decades. It is therefore essential that we are thinking long term to ensure future generations realise the benefits of today's investments, in a manner that is affordable for current and future customers.

To address this imperative, we are preparing a Long Term Strategic Plan (LTSP) underpinned by our 10 Year Financial Plan and Capital Expenditure Program. The LTSP is being prepared in parallel with our Price and Service Plan (PSP3) submission to the Office of the Tasmanian Economic Regulator (OTTER) which is due for completion in June 2017. By preparing the two plans in parallel, we are seeking to ensure that decisions made today are informed by an understanding of their impact on future investment periods.

We are thinking long term to ensure that the investments we make today deliver safe, reliable and cost effective outcomes for current and future generations of Tasmanians

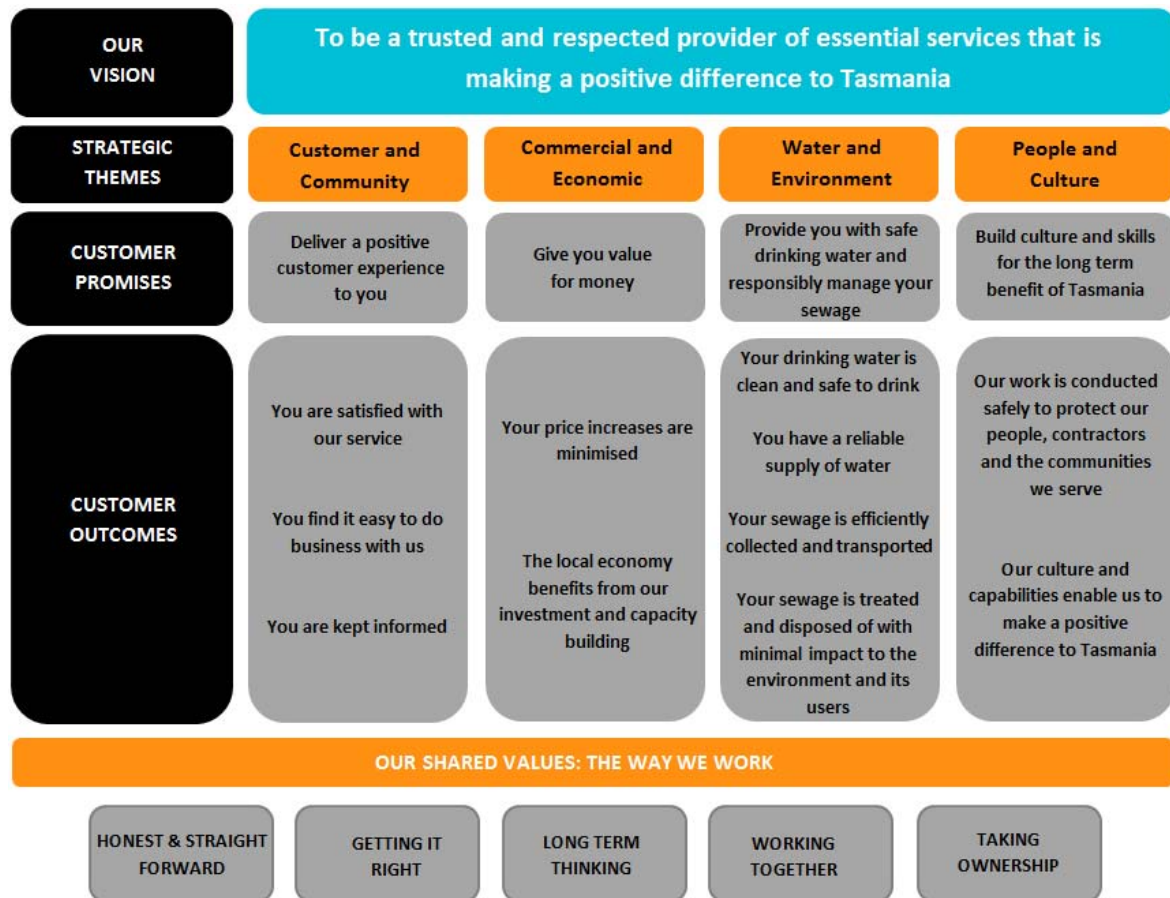
Our investment

Our 10 year \$1.55 billion capital expenditure program addresses the state's water and sewerage compliance challenges with priority given to projects that provide the fastest gains.

We plan to invest \$1.55 billion in infrastructure upgrades and renewals over the next 10 years to improve Tasmania's water and sewerage assets and our service to our customers

Our strategic framework

Our strategic framework has recently undergone some changes that were the outcome of our Long Term Strategic Plan process. In developing our strategic framework, which provides the supporting foundation for our Corporate Plan, we reviewed the expectations of our customers, regulators and owners. As a result, we have revised our framework to better incorporate what our customers and the community expect from us.



The revised framework reinforces our commitment to our customers and provides a clear structure for us to deliver services in a manner that has the customer at the centre of our business. In meeting the expectations of our customers, our focus is to deliver better customer experiences at a lower cost.

We have revised our strategic framework to better reflect what matters to our customers

Our strategic framework

Customer promises

Our customer promises set out what we understand our customers expect from us and outlines the standards that we have set ourselves in the 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.

Customer outcomes

Our customer outcomes 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 over the Plan period will progress us towards the achievement of these outcomes.

Our shared values

Underpinning our strategic framework are our shared values which describe the way we work. These values set the expectation for how we work together to deliver better outcomes for our customers.

Our values, as developed by our employees, reflect how we aim to operate in providing services to our community:

- **Honest & 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 continual improvement in all that we do
- **Long term thinking.** We will deliver outcomes that are in the best interests 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 performance focus

Our strategic planning process identifies the main activities we will undertake over the next three years.

Over the next three years, we have selected the following strategic priorities to ensure we are delivering what matters for our customers in the most effective and affordable way possible:

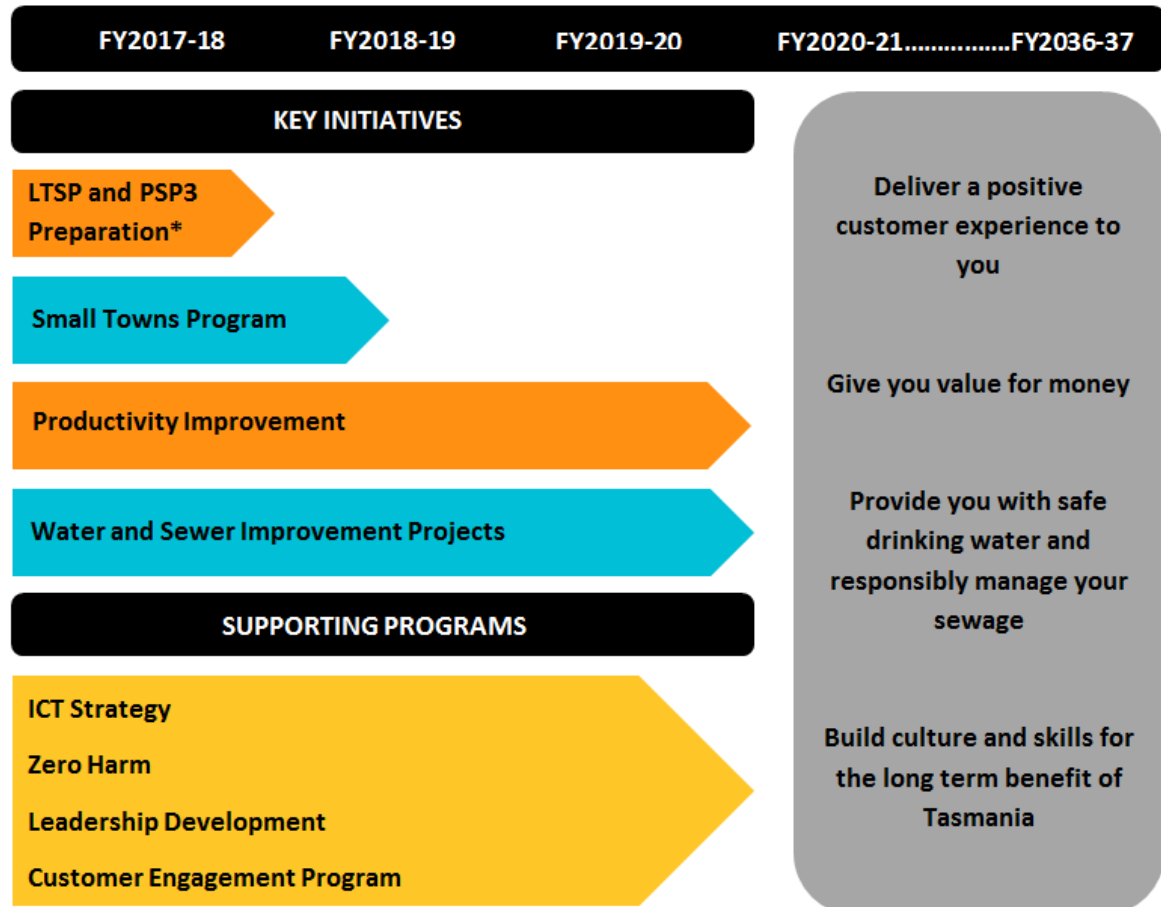


Given the extent of our challenges we can't do everything at once. Therefore we must make choices over the next few years based on what matters most to our customers

What we plan to deliver

We have identified a number of key business-wide initiatives to be delivered over the next three years.

Our key initiatives and timelines are:



* LTSP – Long Term Strategic Plan

* PSP3 – Price and Service Plan 3 (1 July 2018 to 30 June 2021)

Further details of our key initiatives and supporting programs are detailed below:

Key Initiatives

LTSP and PSP3 Preparation

The Long Term Strategic Plan (LTSP), which is due for completion in June 2017, provides the basis for our Price and Service Plan (PSP3) and the regulatory price reviews that follow. The objective of the PSP3 for the third regulatory period 1 July 2018 to 30 June 2021 is to deliver funding for improved drinking water, environmental performance, safer dams and ongoing customer service improvements.

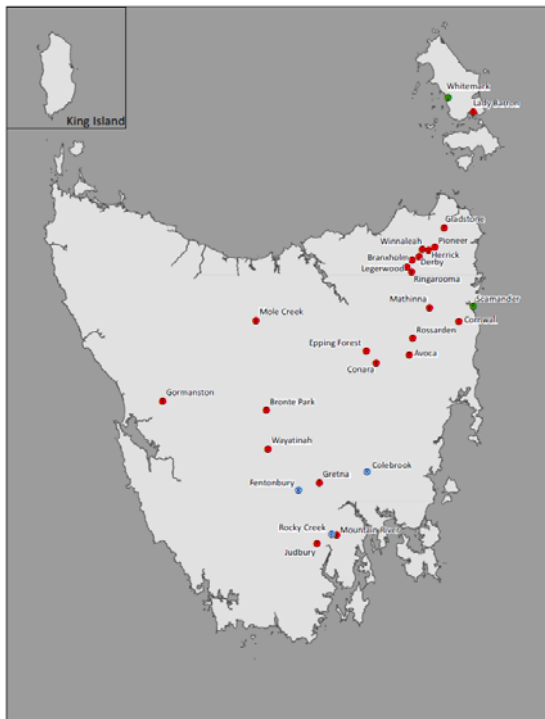
What we plan to deliver

Small Towns Program

In August 2016, we made a commitment to accelerate our program to address the water quality issues in 24 Tasmanian small towns.

Our small towns program of work will facilitate the progressive removal of the existing public health alerts, including boiled water alerts and do not consume notices that are currently in place in these towns. To date we have removed two towns, Scamander and Whitemark, with 11 more to be removed by the end of August 2017, and the remainder by August 2018.

Since this commitment was made a further three towns have had Public Health Alerts declared. These towns have been added to our small towns program.



Productivity Improvement

At the end of the corporate plan period we will have delivered \$11.5 million in annual savings from our FY2015-16 baseline. The majority of the savings are expected to be realised from the following key initiatives:

- Centralising our procurement activities and reducing the cost of externally provided services through more efficient procurement practises
- Project delivery, customer service and plant maintenance operating cost reduction programs

We will continue to challenge our costs in everything we do and deliver.

What we plan to deliver

Water and Sewer Improvement Projects

We are looking to make significant inroads into our drinking water system reliability and environmental compliance requirements over the next three years. In order to achieve this, our operators, engineers and scientists are working closely to evaluate our water catchments, plants and systems in order to develop sustained improvements in sewage treatment and drinking water compliance.

Supporting Programs

ICT Strategy

We are developing a comprehensive Information and Communication Technology (ICT) strategy to support our planned customer outcomes and align our ICT investment with our immediate, medium and longer term business objectives. Development of the strategy will provide us with a clear direction moving forward that will allow us to implement the right ICT solutions to achieve our business outcomes, improve our operational efficiencies and ultimately reduce our cost to serve.

We will also be addressing our data management practices that will enable us to improve our reporting to make better use of information that is gathered within our business. This is expected to improve the effectiveness of our decision making capability and allow us to target our investment where it is most needed.

Zero Harm

Safety of our workforce, contractors and the general public is a key priority for us. Our Zero Harm program emphasises our ongoing commitment to workforce safety and wellbeing.

The key programs of work to achieve the objectives of our Zero Harm initiative are the continued implementation of our Health and Safety Program, with a focus on risk management and incident investigations, implementation of the next stage of our Behavioural Safety Improvement program and our Fatality Risk Reduction Program. We will also be continuing our Health and Wellbeing Program, with a focus on fatigue management and mental wellbeing.



What we plan to deliver

Leadership Development

We understand the importance of having strong and capable leaders. Our leaders have the power to positively impact business performance, productivity, culture and motivation. We are developing our leaders to provide them with the capability to lead our people to successfully deliver our business objectives. This initiative will focus on coaching and mentoring skills, managing behaviours and performance, accountability and leading change.

Customer Engagement Program

Meeting the needs of our customers is a high priority for our business and is why we have developed our customer engagement program. The program is focused on building our understanding of customers, their expectations and the changes in their perception of our business resulting from our efforts. It will also help us to share information about TasWater, how we make decisions, our range of operations, our efforts to build capability within the state and the services we deliver every day.



Measuring our success

To ensure we remain accountable to our customers, we have developed a set of key performance indicators (KPIs) and targets to track performance against our customer promises.

MEASURING OUR SUCCESS						
OUR VISION						
To be a trusted and respected provider of essential services that is making a positive difference to Tasmania						
STRATEGIC THEME	CUSTOMER PROMISE	KEY PERFORMANCE INDICATOR	ACTUALS	TARGETS		
			DEC-16	FY2017-18	FY2018-19	FY2019-20
Customer and Community Deliver a positive customer experience to you	You are satisfied with our service	Customer Satisfaction Customer satisfaction %	93% [#]	80%	85%	85%
	You find it easy to do business with us	Customer Feedback Customer effort score	1.4	1.5	1.5	1.5
	You are kept informed	Customer Perception* Brand perception score	NM	TBC	TBC	TBC
Commercial and Economic Give you value for money	Your price increases are minimised	Value for Money Productivity	\$0.2M	\$8.5M	\$10.5M	\$11.5M
	The local economy benefits from our investment and capacity building	Economic Development % of growth and capacity plans completed	10%	30%	44%	58%
Water and Environment Provide you with safe drinking water and responsibly manage your sewage	Your drinking water is clean and safe to drink	Water Quality % customers where microbiological compliance has been achieved	99%	99%	99.5%	100%
		Water Quality Water quality complaints (per 1,000 properties)	3.0	4.7	4.6	4.5
	You have a reliable supply of water	Security of Supply Number of dams that plot above ANCOLD limit for tolerable societal risk	11	9	5	2
		Security of Supply Frequency of stage 3 water restrictions	NM	1 in 10 yrs	1 in 10 yrs	1 in 10 yrs
		Water Service Reliability Unplanned interruptions (per 1,000 properties)	10	170	170	170
	Your sewage is efficiently collected and transported	Sewerage Service Reliability Sewer breaks and chokes (per 100km main)	30	93	65	65
		Sewerage Service Reliability Number of odour complaints (per 1,000 properties)	0.2	0.8	0.7	0.7
	Your sewage is treated and disposed of with minimal impact to the environment and its users	Environmental Impact Number of spills to sensitive receiving waters [^]	0	2	1	1
		Environmental Impact Treated wastewater volume compliant with EPA requirements (flow-	83%	87%	89%	91%
People and Culture Build culture and skills for the long term benefit of Tasmania	Our culture and capabilities enable us to make a positive difference to Tasmania	Culture and Capability Cultural index	56%	68%	75%	83%
	Our work is conducted safely to protect our people, contractors and the communities we serve	Safety Performance Total recordable injury frequency rate	13.3	11	8	5

*Targets to be established following further research to establish baseline data

[#] Result based on monthly internal pulse survey through the Customer Service Centre. Ongoing results will utilise Customer Satisfaction Survey results provided through external provider.

[^]For rainfall events less than 1 in 5 recurrence interval

Our organisational risks

Risk management identifies and assesses uncertainty that may impact positively or negatively on our ability to achieve our strategic objectives and deliver on our 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 Board and senior management regularly review risks, controls and assurance levels. When our strategies alter, or we predict changes in our operating environment, we dynamically assess uncertainties that may have a material impact on our business.

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

The following are our top five strategic risks:

- Water quality/public health risk
- Worker and public safety risk
- Environmental/third party risk
- Asset failure risk
- Business continuity risk

For a full list of our strategic risks, including details of our key controls, please refer to Appendix 1.



Financial forecasts

Overview

The table below highlights the key information contained within our financial and capital forecasts for the FY2017-18 to FY2019-20 planning period:

Financial Summary	FY18	FY19	FY20
NPAT \$'000	34,725	39,862	42,201
Capital Expenditure \$'000	135,324	149,585	158,485
Distributions			
Loan Guarantee Fees '000	2,665	2,874	3,100
Taxation Equivalents '000	10,493	12,068	12,855
Dividends '000	16,842	5,058	4,045
Total Distributions \$'000	30,000	20,000	20,000
Debt \$'000	534,569	586,626	638,833
Gearing	34.4%	36.9%	39.4%
Interest Cover (times)	3.5	3.7	3.6

It is noted that our FY2016-17 forecast NPAT is currently tracking slightly ahead of our budget of \$26.3 million.

Forecast growth and demand

In December 2014, the Tasmanian Department of Treasury and Finance released its population projections for the state. The key outcomes of the work indicated that the medium population projection would result in an average growth rate of 0.3 per cent per annum.

In its 2015 Price Determination Investigation Final Report, the Economic Regulator adopted this annual growth rate to forecast growth in the number of customer connections and water and sewage volumes for the FY2016–18 period.

For our Price and Service Plan 3 submission, we are utilising a growth rate of 0.7 per cent per annum which is based on local government area growth trends sourced from data from the Australian Bureau of Statistics and state Government population growth trends.

Revenue assumptions

Revenue assumptions have been predominantly based upon the underlying assumptions and financial projections reflected within the 2015 Price Determination Investigation Final Report for FY2017-18. Assumptions for FY2019-20 are based on our Price and Service Plan 3 proposal currently being developed and are therefore subject to approval by the Regulator.

Interest expense assumptions

The average interest rate for the loan portfolio, including the Loan Guarantee Fee (LGF), is forecast at approximately 4.6 per cent for the Plan period.

Financial forecasts

Non-interest expense assumptions

Cost increase assumptions have been predominantly based around the projected Consumer Price Index (CPI) increase of 2.25 per cent. The following assumptions underpin the expenses contained within the Plan:

- CPI is assumed to be 2.25 per cent for all three years of the Plan
- Labour expenses will increase by 2.00 per cent in line with Enterprise Agreements. There is an additional allowance of 1.00 per cent for pay point increases per the remuneration framework, however performance appraisals will determine whether this increase is received by the employee
- Power expenses have been modelled by an external consultant and are based on network tariff outcomes, current contracts and forward price projections for recontracting.

Income statement

Income Statement	FY18 (000's)	FY19 (000's)	FY20 (000's)
Revenue			
Fixed Charges	231,100	242,655	255,273
Volumetric Charges	64,864	67,588	69,684
Services & Consulting Revenue	5,441	5,564	5,689
Contributed Assets	14,000	14,315	14,637
Other Revenue	4,298	4,362	4,360
Total Revenue	319,703	334,484	349,642
Expenses			
Chemicals, Power & Royalties	22,154	22,740	23,266
Materials & Services	32,646	33,380	34,131
Salaries & Related Personnel Expenditure	93,078	95,870	98,746
Administration Costs	35,847	37,109	38,390
Productivity and Cost Savings	(5,000)	(7,000)	(8,000)
Total Expenses	178,725	182,100	186,534
Earnings before Interest & Depreciation	140,978	152,384	163,108
Loan Guarantee Fee (LGF)	2,787	2,970	3,244
Interest Expense	17,058	17,967	19,527
Depreciation	71,526	74,501	80,049
Net Profit before Tax	49,607	56,945	60,287
Tax	14,882	17,084	18,086
Net Profit after Tax	34,725	39,862	42,201

Financial forecasts

Cash flow statement

Cash Flow Statement	FY18 (000's)	FY19 (000's)	FY20 (000's)
Cash Flows from Operating Activities			
Receipts from Customers	307,801	317,238	331,774
Payments to Suppliers & Employees	(200,450)	(205,751)	(211,262)
GST Refund from ATO	21,726	23,651	24,727
Interest Paid	(17,326)	(17,811)	(19,162)
Loan Guarantee Fees Paid	(2,665)	(2,874)	(3,100)
Income Tax Equivalents Paid	(10,493)	(12,064)	(12,850)
Net Cash from Operating Activities	98,591	102,389	110,127
Cash Flows from Investing Activities			
Payments for Property, Plant & Equipment	(135,324)	(149,585)	(158,485)
Government Contributions	200	200	200
Net Cash Flows from Investing Activities	(135,124)	(149,385)	(158,285)
Cash Flows from Financing Activities			
Proceeds from Borrowings	53,375	52,057	52,207
Dividends Paid	(16,842)	(5,061)	(4,050)
Net Cash Flows from Financing Activities	36,533	46,996	48,157
Net Movement in Cash for the Year	(0)	(0)	(0)
Opening Cash Balance	2,500	2,500	2,500
Closing Cash Balance	2,500	2,500	2,500

Financial forecasts

Balance sheet

Balance Sheet	FY18 (000's)	FY19 (000's)	FY20 (000's)
Assets			
Cash and Cash Equivalents	2,500	2,500	2,500
Receivables	48,358	50,589	52,819
Inventories	5,984	6,118	6,256
Property, plant & equipment	2,113,285	2,200,151	2,289,915
Tax Assets	57,583	56,463	55,372
Other	2,012	2,053	2,094
Total Assets	2,229,721	2,317,873	2,408,955
Liabilities			
Borrowings	534,569	586,626	638,833
Employee Benefits	26,044	26,825	27,630
Payables	24,657	26,409	27,493
Unearned Income	34,152	32,783	31,483
Tax Liabilities	886	886	886
Other	5,642	5,769	5,899
Total Liabilities	625,949	679,297	732,223
Net Assets	1,603,772	1,638,576	1,676,733
Equity			
Retained Earnings	51,844	86,648	124,804
Reserves	24,114	24,114	24,114
Contributed Capital	1,527,814	1,527,814	1,527,815
Total Equity	1,603,772	1,638,576	1,676,733

Owner distributions

Summary of Distributions to Owners	FY18 (000's)	FY19 (000's)	FY20 (000's)
Loan Guarantee Fees	2,665	2,874	3,100
Tax Equivalents	10,493	12,068	12,855
Dividend	16,842	5,058	4,045
Total Distribution	30,000	20,000	20,000

Capital expenditure plan

Background

Our capital expenditure program aims to materially 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 \$1.55 billion over the next 10 years.

Our revised capital expenditure program includes a commitment to accelerate the resolution of drinking water quality issues affecting 24 Tasmanian townships where customers cannot drink water directly from the tap. In addition, it will deliver improvements in effluent compliance, reduce sewerage spills and blockages and the number of unplanned water supply interruptions, and lower our dam portfolio public safety risks.

Capital expenditure overview and prioritisation basis

We are proposing a total capital expenditure of \$443.4 million for the Corporate 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.

FY2017/18 (\$ Million)	FY2018/19 (\$ Million)	FY2019/20 (\$ Million)	Total (\$ Million)
135.3	149.6	158.5	443.4

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

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

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 prioritisation process to ensure that projects are funded and delivered in a manner which takes into account our strategic priorities, regulatory obligations, the criticality of each potential investment and the customer impact of potentially deferring the investment.

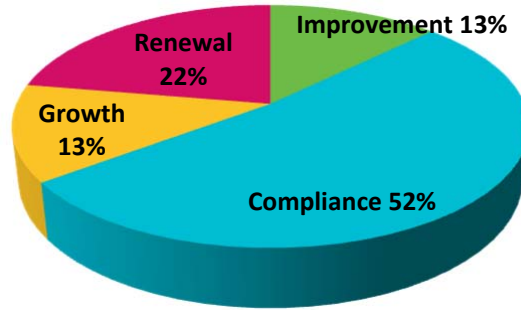
While our approach to capital investment is highly structured, it also must be flexible enough to allow us to rapidly address unexpected issues that can significantly impact the level of service our customers receive.

One of our short term priorities is our Small Towns Program as we deliver on our commitment to address the water quality issues in 24 Tasmanian small towns. Our small towns program of work will facilitate the removal of the existing public health alerts, including boiled water alerts and do not consume notices that are currently in place in these towns, by August 2018.

Capital expenditure plan

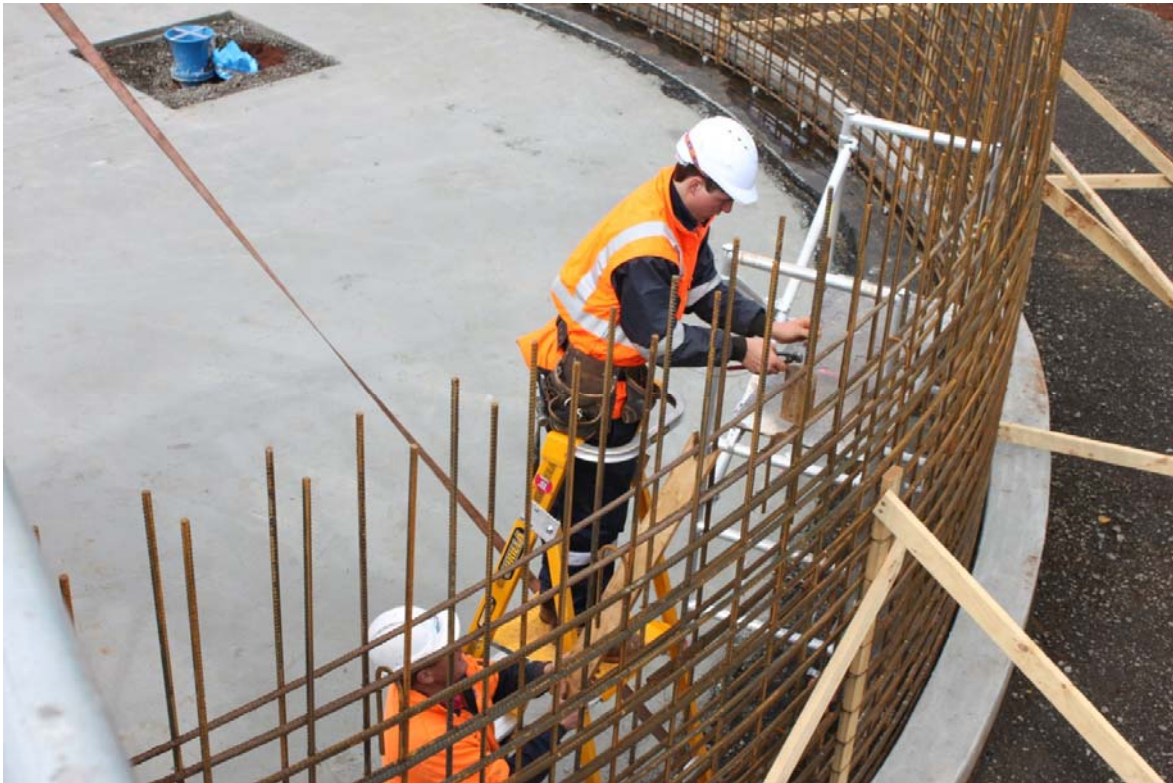
As we progress through FY2018–20 our capital works programs will become more heavily weighted towards sewerage. The chart below highlights that over the three year period in excess of half of our capital investment will be targeted at improving compliance.

FY2018-20 capital program by major driver



Total capital expenditure \$443.39 million

Details of our top 25 planned projects and top 10 planned programs based on value over the Plan period are detailed in Appendix 2 and 3.



Appendix 1 – Strategic risks

Risk Ranking	Strategic risk title	Description	Key consequences	Key controls
1	Water quality/public health risk	Provision of unsafe drinking water	<ul style="list-style-type: none"> • Serious public health incident • Impact on the Tasmania economy 	<ul style="list-style-type: none"> • Drinking Water Quality Management Plan • Protocol for provision of non-potable supplies • Network Operations Centre • Incident and Emergency Management Plan • Senior Management, Board Committee and regulatory oversight
2	Worker and public safety risk	Injury to worker or member of the public	<ul style="list-style-type: none"> • Serious injury or fatality 	<ul style="list-style-type: none"> • Safety committees • Inductions and ongoing training • Policy and procedures • Fatality risk profile and associated management plans
3	Environmental/third party risk	Sewage system process/ infrastructure failure or business activity causing environmental harm	<ul style="list-style-type: none"> • Serious or material environmental harm • Negative impact on a third party • Impact on brand and reputation, prosecution, significant financial penalties or loss of operating licence 	<ul style="list-style-type: none"> • Operation and Maintenance Manuals • Inspection regimes • Automated monitoring and control systems and Network Operations Centre • Inflow and infiltration reduction programs • Renewals and relining programs • Incident and Emergency Management Plan • Operations and maintenance oversight • Senior Management, Board Committee and regulatory oversight
4	Asset failure risk	Failure of critical asset (including dam failure)	<ul style="list-style-type: none"> • Inability to deliver products and services • Serious injury or fatality • Major financial loss 	<ul style="list-style-type: none"> • Dam Safety Emergency Management Plans • Asset Management Plan • Asset Management System (in development) • Incident and Emergency Management plan • Network Operations Centre • Senior Management, Board committee and regulatory oversight • Network asset strategies and management plans (in development) • Asset Class strategies and management plans (in development)
5	Business continuity risk	Inability to respond to incidents and/or maintain business continuity	<ul style="list-style-type: none"> • Inability to adequately responds to an incident • Inability to deliver products and services • Major financial loss 	<ul style="list-style-type: none"> • Incident and Emergency Management Plan • Network Operations Centre • Corporate Business Continuity Plan (in development) • Individual site and critical asset contingency plans • Strong external emergency services relationships • Senior Management oversight

Appendix 1 – Strategic risks (continued)

Risk Ranking	Strategic risk title	Description	Key consequences	Key controls
6	Stakeholder engagement risk	Inability to effectively engage with, manage and meet expectations of stakeholders	<ul style="list-style-type: none"> • Significant regulatory, administrative or cost burden • Impact on brand and reputation 	<ul style="list-style-type: none"> • Key stakeholder engagement – customer groups, regulators, industry groups, Owners’ Representatives and members of state government • Policies, legislation and procedures • Senior Management, Board and regulatory oversight
7	Supply and demand risk	Failure to adequately plan for water supply security and/or demand for sewerage services (short and long term)	<ul style="list-style-type: none"> • Low security of water supply • Inability to meet demand from customers for water and sewerage services 	<ul style="list-style-type: none"> • Demand modelling • Corporate Business Continuity Plan (in development) • Individual site and critical asset contingency plans • Water Restrictions Policy and guideline • Senior Management and Board Committee oversight
8	Organisational culture risk	Inability to develop an organisational culture that can deliver the strategic objectives	<ul style="list-style-type: none"> • Inefficient and inconsistent work practices • Financial loss • Strategic objectives not met and vision not realised 	<ul style="list-style-type: none"> • Cultural change program • Performance and development agreements • Training and knowledge capture programs • Senior Management oversight
9	Financial sustainability risk	Inability to fund and meet competing stakeholder demands and expectations	<ul style="list-style-type: none"> • Inability to meet key financial commitments • Inability to meet owner, customer and other stakeholder expectations 	<ul style="list-style-type: none"> • Extensive modelling and analysis leading into Price and Service Plan submission (economic regulatory framework) • Key stakeholder engagements – customer groups, regulators, industry groups, Owners’ Representatives and members of the state government • Annual borrowing approvals through state Treasury and Treasury management policies • Long term capital and operating expenditure plans • Senior Management, Board Committee and regulatory oversight
10	Service delivery risk	Inability to meet customer service expectations	<ul style="list-style-type: none"> • Customer Service Code and required service standards not met • Inefficient and inconsistent work practices • Financial loss 	<ul style="list-style-type: none"> • Active service order management • Network Operations Centre • Incident and Emergency Management Plan

Appendix 2 – FY2018-20 Top 25 capital projects

Top 25 major capital projects (by value)

Project Title	Driver	FY2017/18 (\$'000)	FY2018/19 (\$'000)	FY2019/20 (\$'000)	Total ('000)
Water Risk Projects*	Compliance	\$1,000	\$12,900	\$36,500	\$50,400
Kingborough Sewerage Strategy - Treatment	Growth	\$9,383	\$12,300	\$7,000	\$28,683
Small Town Water Supply Strategy	Compliance	\$17,500	\$5,500	\$0	\$23,000
Northern Midlands Sewerage Improvement Plan	Compliance	\$1,500	\$5,525	\$14,820	\$21,845
Kingborough Sewerage Strategy - Network	Growth	\$2,409	\$6,499	\$3,352	\$12,260
Wynyard Sewer Treatment Plant Upgrades	Compliance	\$0	\$400	\$8,100	\$8,500
Ti Tree Bend Sewer Treatment Plant Biosolids Dewatering Facility	Compliance	\$2,000	\$4,250	\$2,000	\$8,250
King Island Treated Water Supply	Compliance	\$6,000	\$2,200	\$0	\$8,200
Pet Dam Safety Upgrade	Compliance	\$100	\$3,500	\$3,664	\$7,264
Port Sorell Reservoir & Network Upgrades	Growth	\$300	\$3,200	\$2,500	\$6,000
Lake Mikany Dam Safety Upgrade	Compliance	\$2,165	\$3,307	\$0	\$5,472
Flagstaff Gully - Dam Safety Upgrade	Compliance	\$200	\$4,900	\$0	\$5,100
Tolosa Dam Replacement Infrastructure	Compliance	\$0	\$1,000	\$3,600	\$4,600
Cambridge Wet Weather Emergency Storage & Plant Process Improvements	Compliance	\$3,000	\$1,550	\$0	\$4,550
Conglomerate Dam Upgrade	Compliance	\$3,000	\$1,000	\$0	\$4,000
Ridgeway Dam - Upgrade Post Tensioned Anchors	Compliance	\$120	\$0	\$3,500	\$3,620
Orford Sewage Pump Stations & Network Upgrade	Compliance	\$0	\$1,751	\$1,800	\$3,551
Margate Water Main Upgrade Stage 2	Growth	\$3,261	\$0	\$0	\$3,261
Gretna / Bushy Park / Glenora Water Supply Upgrade	Compliance	\$3,080	\$0	\$0	\$3,080
Brighton Sewer Treatment Plant Upgrade	Compliance	\$100	\$500	\$2,460	\$3,060
Swansea (Meredith) Dam – Rectification and Improvement Project (Stage 2)	Compliance	\$1,650	\$1,350	\$0	\$3,000
Sorell and Midway Point Sewerage Strategy	Improvement	\$100	\$150	\$2,500	\$2,750
Ti Tree Bend - Digester	Compliance	\$1,450	\$1,000	\$0	\$2,450
Triabunna Water Supply Reticulation Reservoir Project	Growth	\$100	\$1,000	\$1,300	\$2,400
Huonville Main Road Sewer Pump Station Replacement	Compliance	\$2,285	\$0	\$0	\$2,285

* We have identified some risk within our water treatment assets and are currently in the final stages of defining the projects that will address this risk. The water risk projects will provide the funding to support our risk management and mitigation in this area.

Appendix 3 – FY2018-20 Top 10 capital programs

Top 10 capital programs (by value)

Program Title	Driver	FY2017/18 (\$'000)	FY2018/19 (\$'000)	FY2019/20 (\$'000)	Total ('000)
Metering Program	Renewal	\$7,140	\$6,740	\$3,000	\$16,880
Water Main Renewals Program	Renewal	\$3,770	\$4,130	\$4,030	\$11,930
Sewer Main Renewals Program	Renewal	\$3,400	\$4,080	\$3,990	\$11,470
Sewer Treatment Plant Renewal Program	Renewal	\$1,890	\$4,530	\$3,630	\$10,050
Sewer System Optimisation	Improvement	\$4,500	\$5,000	\$0	\$9,500
Water System Optimisation	Improvement	\$4,500	\$5,000	\$0	\$9,500
Electrical Switchboard Renewal Program	Compliance	\$3,330	\$2,720	\$2,770	\$8,820
SCADA Program	Improvement	\$2,800	\$3,170	\$2,660	\$8,630
Dam Safety Program of Works - Compliance Investigations	Compliance	\$2,260	\$2,180	\$2,130	\$6,570
Water Treatment Plant Renewal Program	Renewal	\$1,200	\$2,270	\$2,220	\$5,690

Note: The programs identified above contain multiple projects.