Coliban WATER

Sustainability Strategy

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1. Introduction

Vision and Mission

To meaningfully contribute to improving living standards in our region through:

- Engaging our communities and stakeholders to understand and meet their water cycle related needs
- Building, operating and maintaining sustainable water cycle infrastructure to meet the needs of our community
- Ensuring that improved services, increased standards of living and commercial viability are incorporated into our financial planning
- Actively contributing to the sustainability of the region.

Sustainability is our framework for balancing the environmental, social, economic and governance dimensions of this vision, including business sustainability.

Figure 1. *Coliban Water's sustainability environment*

Sustainability means balancing these dimensions to meet current needs, without compromising the ability for future generations to meet their needs. The focus of the strategy is to implement practical, short-medium term actions based on a solid business case to provide benefits to our customers and community.

The business case for sustainability aims to improve decision-making and enhance our efficiency and effectiveness by:

- Considering social, economic environmental and governance dimensions
- Innovating in terms of products and services
- Meeting customer service expectations and providing benefits to the community
- Lowering operating and capital costs and achieving water savings
- Optimising supply
- Considering whole-of-life costs.

More specifically, the sustainability drivers are:

- Rising standards of customer service for water & wastewater driven by state/regional policy
- Climate variability impacts on supplies threatens long term water security
- Energy costs of meeting standards in a carbon constrained future
- Demographic driven land use change in catchments impacting on water quality
- Support for a stronger water conservation ethic
- Increasing expectations for business to be minimising environmental impacts
- Management of ageing infrastructure assets in the face of financial constraints on pricing

2. Sustainability challenges

We currently service 140,000 customers across 16,500 square kilometres of central and northern Victoria, covering 49 towns that include the major centres of Bendigo, Echuca, Castlemaine and Kyneton. The services we currently provide to deliver clean drinking water, sewerage network and recycled water include:

- Water harvest, storage, treatment and distribution
- Urban wastewater collection
- Treatment, re-use and disposal, including trade waste
- Rural water supply
- Recycled water to some rural customers and some urban non-residential customers.

Figure 2. Map of Coliban Water Service Region

In the next decades, we expect strong growth in:

- Regional population, driven by regional development policies focused on Bendigo and other centres in our southern service area closer to Melbourne. During 2006-10, Bendigo's annual population growth increased to 2%. This places Bendigo among the fastest growing regional centres in Victoria.
- Regional Growth Plans (Department of Transport, Planning and Local Infrastructure) developed for the Loddon Mallee identify further growth challenges and opportunities that are intrinsically linked to our business through the provision of water and wastewater services.
- Northern 'lifestyle' locations including communities along the Murray River, particularly around Echuca including associated rural residential areas. Echuca has been experiencing the highest growth rate for all towns in our service area in the last 10 years.
- Pressures on land and water resources, driven by population growth, as well as changes in agricultural production (currently both dry land and irrigation farming) and other economic activities (including mining, manufacturing and tourism).

This growth challenges our ability to supply clean water from catchments, given:

- Public land that currently comprises approximately 13 per cent of the region, much of it managed for specific purposes including national, state and regional parks, flora reserves and reference areas, as well as catchments
- Private land surrounds a number of key catchment areas.

Our challenge is to sustainably manage such supply-side impacts on catchments and demand-side changes in service delivery, in the context of extreme climate variability.

Climate variability is the key challenge to us sustainably delivering value to our customers. In the last ten years, we have experienced two of the driest years on record, as well as two of the wettest.

This experience has required us to manage and adapt to the extremes of climatic conditions. We have responded to evidence of the significant community costs of harsh drought-era restrictions, including impacts on business and investor confidence in our region, by adopting:

- The objective that, "Even if we experience three consecutive years where inflows are equal to previous record lows, our water restrictions will be no worse than level 1".
- Supporting strategies that aim to guarantee and optimise supply at least cost.
- Resulting investments to ensure integrated supply options for Bendigo and surrounding centres – including our recycled water factory, pipeline giving access to the water market, upgrades to ensure plants can treat water from various sources, and use of alternative supply methods, such as mini-desalination.

3. Sustainability principles

The sustainable management principles in the *Water Act 1989* are reflected in the principles adopted by the Board's Sustainability Committee.

Sustainability Element	Principle	Description	What this means in practice to Coliban
Economic	**Sustainable economic development**	To enhance individual and community well-being and welfare by following a path of economic development that safeguards the welfare of future generations	Understanding the projected development needs of the region and ensuring we support growth that is 'sustainable' through effective water and wastewater services
	Sustainable growth	The need to develop a strong, growing and diversified economy which can enhance the capacity for environmental protection should be recognised	Sharing the benefits of sustainable development of the region equitably
	Economic instruments	Cost effective and flexible policy instruments should be adopted, such as improved valuation, pricing and incentive mechanisms	Use of effective economic instruments to reflect the community cost of providing water and wastewater services
	Enhance efficiency and effectiveness	Decision making should be undertaken so as to enhance our efficiency and effectiveness	Supporting earnings improvement to improve our debt situation, as well as to control the prices we charge our customers, especially through appropriate monitoring and governance of capital portfolio
Social	**Intergenerational equity**	To provide for equity within and between generations	Ensuring our current operations take into account the future needs of the region and do not adversely affect the ability of future generations to secure water and wastewater services
	Community engagement	Decisions and actions should provide for broad community involvement on issues which affect them	Genuine engagement with community and stakeholders in major decision making, regularly reviewing and reporting our performance
Environmental	**Ecological integrity**	To protect biological diversity and maintain essential ecological processes and life-support systems	Managing our operations and facilities in a manner that is not detrimental to the region's ecological systems (e.g.: reducing discharges, ensuring abstractions are within sustainable limits)
	Precautionary principle	Where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation	Taking a precautionary approach where potential for environmental damage is uncertain (e.g.: potential impact of new abstractions, application of new treatment technologies)
	Global impacts	The global dimension of environmental impacts of actions and policies should be recognised and considered	Reducing our dependency on non renewable resources, and increasing renewables, particularly in the area of energy and greenhouse gas emissions
	Environmental responsibility	The need to maintain and enhance international competitiveness in an environmentally sound manner should be recognised	Avoiding, minimising and mitigating the environmental impacts of our operations and our partners' operations (e.g.: office based impacts, treatment processes) while maximising efficient use of resources (e.g. water recycling) minimising wastes and preventing pollution (e.g. biosolids)
Governance	**Systems thinking**	Decision making processes should effectively integrate both long and short-term economic, environmental, social and equity considerations	Understanding the implications of strategy implementation across all areas of our business, identifying conflicts and trade offs and how to manage these in the short, medium and long term; considering life cycle impacts in all our decisions

Table 1. Coliban Water sustainability principles

4. Strategic framework

This strategy will link to the emerging priorities of our stakeholders at national, state, regional, municipal, basin and catchment levels.

These priorities are set within the context of the implementation of the Murray Darling Basin Plan. The Plan sets sustainable diversion limits for each of the major water sources in the Basin, along with other Basin-scale arrangements for environmental water, water quality and water trading.

States are responsible for the detailed water planning and management within that framework, including:

- Catchment water resource plans
- Seasonal water allocations
- Issuing and managing water entitlements.

Victorian state policy focusses on Whole-of-Water-Cycle ("WOWC") management, as reflected in Coliban Water's Statement of Obligations. The SOO requires Integrated Water Cycle Strategies be developed by 31 March 2017, identifying the best mix of measures to:

- Maintain a balance between the demand for water and the supply of water in cities and towns.
- Facilitate efficient investment in all water sources, including recycling sewage or trade waste, stormwater capture and re-use, and demand management.
- Improve the resilience of water supply systems (including fit-for purpose) through scenario based planning and adaptive management having regard to risk and uncertainty.

In particular, *Melbourne's Water Future (November 2013)*, issued by the Office for Living Victoria, articulates priorities and benefits to be reflected in our annual corporate plans.

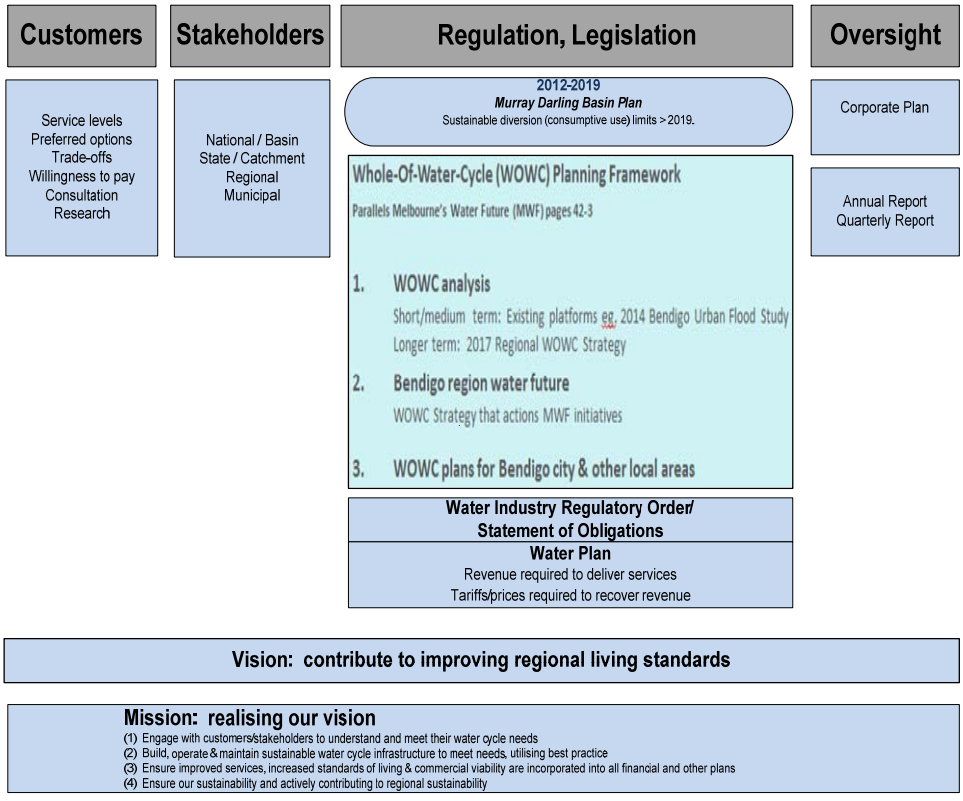

Figure 5. Coliban Water strategic framework (2014)

A key priority is the WOWC approach that will provide benefits in terms of deferring or scaling down future big capital investments. This approach sits at the heart of our strategic framework.

The benefits from this approach include:

- Reduction in energy use, with generating emissions savings
- Reduction in mains water demand
- Reduction in wastewater discharge
- Reduction in the variance or 'peakiness' of system flows
- Healthier waterways due to reductions in nutrient discharge
- Reduction in stormwater runoff volumes.

These benefits will manifest in:

- Financial benefits from improved efficiency
- Non-financial benefits such as improved community wellbeing and liveability.

A second priority is economic reform aimed at financial benefits from improved efficiency, a resilient water cycle, security of supply and water quality, lower costs and improved value for money in meeting our water needs, greater environmental and amenity benefits, increased innovation across the water sector, and improved transparency and decision making by sector participants.

These will require a new approach to incentives and frameworks to:

- Encourage greater efficiency and innovation in the water sector
- Improve price signals, including signalling the value of water
- Improve the allocation of funding for purposes such as environmental works
- Establish a whole-of-water-cycle approach to investment planning, including a common framework for assessing investment decisions

The third priority is to adopt and test innovation through new approaches and projects – at different sizes, scales and geographies.

The fourth priority concerns cost benefit analysis for looking at options for improving the water performance of houses, buildings, precincts and communities.

5. Strategic delivery

Our ability to deliver strategically on sustainability depends on us:

- Implementing initiatives that are based on strong business cases
- Making clear choices and tradeoffs about resource allocation
- Integrating strategy into key management processes, especially maintenance of our assets and capital expenditure (capex) approval
- Ensuring that in decision-making to reallocate resources, our financial projections are supported by sustainability and other macro level trends
- Internalising uncertainty by reviewing strategy as part of our planning cycle, instead of external events (drought, flood etc.).

This strategy is supported by decision-making in the business that helps us better manage risk and achieve value for money, especially in terms of the decades-long investment decisions we need to make. Our decision-making approach will integrates evaluation, optimisation, and prioritisation elements through a gateway process. This approach will help us manage any results that emerge from our customer consultation and research in terms of:

- Expectations for sustainability performance, particularly given drought- and flood-related impacts of climate variability on regional development
- Willingness to pay to achieve such performance, particularly given customer-community hardships being experienced from higher energy and other living costs.

Our efforts to deliver strategically are also supported by ongoing certification of the Environmental Management System, Occupational Health and Safety System and Quality System. Delivery of this sustainability strategy is also underpinned by existing sustainability commitments including:

- Board-endorsed Environmental Policy (Attachment 2)
- Water Plan and Corporate Plan
- Coliban Water Customer Charter.

Attachment 1

Sustainability goals

Goal 1	Improved service delivery and customer satisfaction	The provision of water and wastewater services is at the centre of our business. To be sustainable we seek to continuously improve service delivery through the capital works program and responsiveness of staff to enquiries and service failures. Customer satisfaction is a product of service delivery. It is our intent to work closely with our customers to help them develop their businesses and create new markets.
Goal 2	Promote stakeholder involvement and increase regional partnership opportunities	We want to facilitate new ideas and practices and assist industries and communities to understand, manage and adapt to change related to water and the generation of wastewater. Sustainability requires bringing together different perspectives from across the business, stakeholders and the community. By integrating these perspectives, we can develop effective responses and create opportunities for innovation.
Goal 3	Understand and optimise the water-carbon-energy relationship	The energy-water-carbon nexus represents the 'interconnections' or 'cause-and-effect' relationships between these three elements. When there is a connection, a change in one leads to a change in another. For example, more water supply requires more energy for pumping and treatment. It also means more wastewater pumping and treatment. More energy use typically produces more carbon and also consumes more water, for example for cooling power plants.
Goal 4	Increase resource efficiency and opportunities	We need to adopt an integrated approach to the delivery of services, water efficiency measures include demand-side options, the ability to substitute products and the optimisation of existing water sources.
Goal 5	Contributing to clean waterways and biodiversity	Our region's waterways provide significant ecosystem services including drinking water and recreational opportunities. We aim to minimise impacts to the waterways through extraction for drinking water or treated effluent discharge. We aim to minimise operational impacts in terms of land use, biodiversity, noise, odour, water quality and greenhouse gas emissions
Goal 6	Support innovation and process improvement for sustainable outcomes	We are committed to developing or investing in promising new technology to support sustainability where it occurs and where it meets business objectives. Incremental improvement in process and business activities is an additional priority of the Sustainability Strategy to strive for cleaner and more efficient services
Goal 7	Develop business management systems to integrate sustainability principles	Understanding the implications of strategy implementation across all areas of our business, identifying conflicts and trade offs and how to manage these in the short, medium and long term; considering life cycle impacts in all our decisions. Fundamental to the creation of a sustainable business are the tools to develop sustainable people and processes. To integrate sustainability, our decision-making process need to be transparent, defendable and give due consideration to social, environmental and economic criteria.
Goal 8	Promote the valuation of externalities to improve investment decision-making in the region	In order to make the economic value that nature provides visible, we need to estimate and disclose values for nature's goods and services (or 'ecosystem services'). These estimated values can inform policy choices, executive actions, business decisions and consumer behaviour.

Attachment 2

Environmental Policy

It is the policy of Coliban Water:

Our vision is to meaningfully contribute to improving the living standards in our region.

We will realise this vision by actively contributing to the sustainability of our region by:

- Embracing sustainable innovation and technology
- Maximising the efficient use of water, energy and other resources
- Minimising waste and preventing pollution
- Managing facilities and land in a manner that demonstrates good environmental stewardship
- Contributing to catchment management and promoting a conservation ethic within our community
- Minimising biodiversity losses
- Considering the life-cycle of our supply processes, products and by-products to enhance environmental performance
- Maintaining an Environmental Management System certified to AS/NZ ISO 14001
- Complying with legislative and applicable other requirements relating to our environmental aspects.
- Working in partnership with our environmental stakeholders
- Ensuring our employees have the environmental awareness, skill, motivation and resources to implement the policy
- Annually developing, setting and reporting performance against environmental targets, particularly for energy efficiency and greenhouse gas emission reduction
- Regularly reviewing our performance and reporting our progress
- Pursuing the goals outlined in the Sustainability Strategy and those developed in conjunction with the Environment Protection Authority in our Corporate Licence
- Operating in line with strategic priorities established by the Board and its Sustainability Committee.

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Managing Director

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Coliban WATER