

Melbourne Water is a statutory corporation, fully owned by the Victorian Government.

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Melbourne Water is committed to managing our business efficiently to achieve our vision of ‘working together to ensure a sustainable water future’.

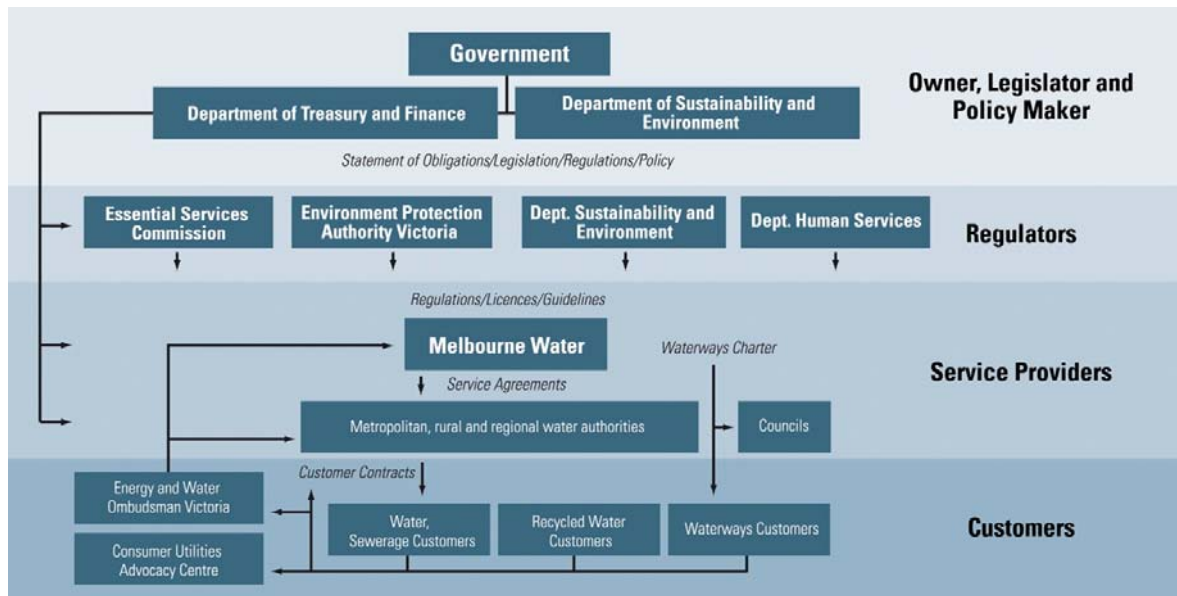
Melbourne Water’s waterways and drainage responsibilities include providing river health, water quality, floodplain and regional drainage services across the Port Phillip and Westernport catchments.

This chapter outlines the current structure of the metropolitan water industry as well as the nature and scale of activities provided by Melbourne Water. The industry’s current operating environments as well as future challenges are discussed in Chapter 4.

1.1 Industry structure and regulation

The structure of the Melbourne metropolitan water industry is illustrated in Figure 1.1. The roles and accountabilities of the principal participants are outlined below.

Figure 1.1 – Industry structure and regulatory framework



The State Government sets the policy and legal framework, specifies water business obligations and monitors water business performance. Legislation (e.g. Water Act 1989), regulations (e.g. drinking water quality regulations), legal instruments (e.g. bulk water entitlements) and policy documents (e.g. Our Water Our Future and Melbourne 2030) are issued by the State Government and guide business and regulatory decisions.

The Minister for Water, supported by the Department of Sustainability and Environment, sets out specific requirements for each business through Statements of Obligations. The Minister for Water is also responsible for allocating water resources. In the metropolitan sector, the Treasurer, in consultation with the Minister for Water, monitors financial performance and represents the State Government's shareholder interests, including returns to government and borrowing requirements.

The Essential Services Commission (the Commission) regulates prices and customer service standards for prescribed water, sewerage, waterways and drainage and recycled water services across Victoria consistent with its legislative requirements¹ and the Water Industry Regulatory Order.

The Environment Protection Authority (EPA) Victoria sets and enforces environmental standards consistent with key principles set out in the Environment Protection Act 1970. The Department of Human Services sets and enforces water quality standards to ensure water provided by the water businesses complies with relevant State Government legislation and regulations as well as national and international water quality guidelines.

The Energy and Water Ombudsman Victoria provides retail customer dispute functions. The Consumer Utilities Advocacy Centre provides retail customer advocacy functions.

Waterways and drainage services standards are set out in Melbourne Water's Waterways and Drainage Operating Charter which is developed in consultation with its Waterways Advisory Committee representing key stakeholder and customer interests and the Department of Sustainability and Environment. Local government manages the local drainage network (catchments generally less than 60 hectares) and work with Melbourne Water to provide flood protection and manage stormwater quality.

Melbourne Water also provides wholesale water, sewerage and recycled water services to the retail water businesses who provide reticulation services and manage the interface with water and sewerage customers, consistent with State Government, regulatory and customer requirements. Service standards for wholesale water, sewerage and recycled water services are set out in supply agreements that are commercially negotiated between Melbourne Water and the retail water businesses.

1.2 Melbourne Water

Melbourne Water is a water resource manager, providing waterways and drainage services to the greater Melbourne community and wholesale water, sewerage and recycled water services to the retail water businesses. In doing so, we are committed to managing our business efficiently to achieve a vision of 'working together to ensure a sustainable water future'.

1.2.1 Governance

Melbourne Water is a statutory corporation, fully owned by the Victorian State Government.

An independent Board of Directors responsible to the Minister for Water undertakes the governance of Melbourne Water. The Board previously operated under the provisions of the Melbourne Water Corporation Act 1992. However, the passage of the Water (Governance) Act in 2007 has seen the Melbourne Water Corporation Act 1992 repealed and the establishment of a more consistent governance framework for Victorian water authorities.

¹ Legislative provisions relevant to the Commission's regulation of the water industry include those of the Essential Services Commission Act 2001 and the Water Industry Act 1994 as amended by the Water Legislation (Essential Services Commission and Other Amendments) Act 2003.

1.2.2 Service responsibilities

Melbourne Water's service responsibilities span the urban water cycle ensuring integration of planning and operating decisions and include provision of:

- Waterways services, including flood and drainage management, waterway management and water quality protection to around 1.5 million people in the greater Melbourne metropolitan area, including the extended boundary area (see Figure 1.2). Melbourne Water also administers diversion licenses for the Yarra and Maribyrnong catchments
- Water to the three metropolitan retail water businesses (City West Water, South East Water and Yarra Valley Water) and two non-metropolitan water authorities (Western Water and Gippsland Water)². In 2006/07, Melbourne Water supplied around 412 GL, representing over 60%³ of the State's potable water and around 11% of total water supplied
- Sewerage services to the three metropolitan retail water businesses. In 2005/06, this involved transferring and treating 300 GL of sewage of which approximately 14.6% was recycled
- Recycled water services to metropolitan retail water businesses, Southern Rural Water and a private sector recycled water supplier.

Melbourne Water also engages in a limited number of activities related to the provision of its core services that add value to the business without impacting on the cost or quality of its core services. Significant activities in this regard include Werribee Agriculture, which undertakes agricultural operations at the Western Treatment Plant, and hydro electricity generation.

1.2.3 Strategic framework

Melbourne Water's strategic framework, Sustainable Water, reflects relevant legislation and State Government policy, and provides the context for Melbourne Water's planning and service delivery, ensuring that social, environmental and economic issues are all considered.

Key elements of the strategic framework are outlined below:

Our Vision

Working together to ensure a sustainable water future.

Our sustainability principles

Melbourne Water's commitment to sustainability will be demonstrated by:

- Protecting and conserving Melbourne's water resources
- Protecting and improving the environment, including biodiversity
- Our leadership, scientific research, creativity and innovation
- Ensuring responsible risk management
- Sharing information and fostering collaborative working relationships
- Maintaining long-term financial viability
- Contributing to the health of the community
- Demonstrating corporate social responsibility

² The Government's Our Water Our Future, The Next Stage of the Government's Water Plan, notes that supply will be extended to Geelong (Barwon Water) and towns in the Westernport' (Westernport Water) and the South Gippsland region (South Gippsland Water) by late 2011.

³ Victorian Water Review 2005/06.

- Ensuring intergenerational equity by considering short term and long term implications in all decision making
- Providing an environment where employees are encouraged to achieve their full potential.

Our values

- We recognise that we achieve more by working collaboratively
- We behave with integrity
- We attain excellence through creativity and innovation
- We celebrate our achievements and learn from our experiences
- We work with openness, transparency and accountability.

Our goals

Water resources

- Protect and conserve Melbourne's existing water resources
- Protect our water supply catchments from bushfire
- Develop alternative water resources, including recycled water, that meet our customers' current and future needs
- Increase water resource efficiency.

Public health

- Supply high quality and reliable drinking water
- Deliver safe sewage transfer, treatment and disposal
- Manage flood risk.

Natural environment

- Improve environmental outcomes from all aspects of our business
- Improve river health and the marine environment
- Improve biodiversity
- Preserve and promote our cultural heritage.
- Meet planned reductions in greenhouse emissions and increased use or export of renewable energy.

Financial viability

- Increase business value through innovation and efficiency
- Balance investments and levels of risk and service
- Maximise resource efficiency
- Maintain sound governance
- Ensure investment decisions are sustainable
- Deliver planned shareholder returns.

Infrastructure

- Ensure stringent regulatory obligations are met
- Provide efficient and effective capital planning processes and maintenance programs
- Develop and implement efficient capital investment and operations programs
- Minimise waste disposal and maximise resource recovery.

Our people

- Provide a safe and enjoyable work environment which brings out the best in people
- Attract and retain a diverse, motivated, skilled and experienced workforce
- Encourage our people to develop and share knowledge gained from each other and stakeholders
- Implement a framework, which rewards employees' performance against the delivery of our business objectives.

Relationships

- Identify and meet customer service expectations
- Develop enduring partnerships with retail water businesses, developers and other customers through open and transparent communication
- Build cooperation with all levels of government and regulators
- Further develop programs to support corporate social responsibility
- Foster the exchange of knowledge with the community
- Develop collaborative relationships with suppliers to gain support for our sustainability principles.
- Engage and inform the community to seek its support for our projects and priorities.

Our workplace

- Foster a culture that encourages sustainable behaviour
- Ensure that sustainability principles underpin our workplace policies and practices
- Encourage and recognise innovation and ideas for sustainable improvements.

1.2.4 Scale of activities

Melbourne Water's revenues for 2006/07 are set out in Table 1.1.

Table 1.1 - Melbourne Water revenue – 2006/07

Services	Revenue (\$M)
Waterways and drainage	140.1
Drainage developer	46.4
River diversion licences	0.2
Water	175.4
Sewerage	181.4
Recycled water	1.83
Unregulated services	48.5
Total	593.8

By the end of the current regulatory period, Melbourne Water will manage water, sewerage, waterway, drainage, recycled water and corporate assets worth more than \$5.3 billion⁴.

Melbourne Water's asset base includes:

- Around 8,400 kilometres of waterways, 221 water quality treatment systems, comprising 107 wetland systems; 67 sediment traps; 32 litter traps and 15 combined sediment and litter traps
- Nine major water supply reservoirs, with a total capacity of 1,773 GL; 64 service reservoirs; 1,030 kilometres of water distribution mains; more than 200 kilometres of aqueducts and tunnels; 44 water treatment plants
- 343 kilometres of sewers, two main sewage treatment plants (the Western Treatment Plant and the Eastern Treatment Plant), three major sewage pumping stations at Kew, Hoppers Crossing and Brooklyn, and several minor pumping stations
- 46 drainage, sewage and water pumping stations.

Melbourne Water's assets are characterised by long lives. In the case of waterway and drainage services, asset lives range from ten years (pump station instrumentation) to up to 100 years (treatment carrier drains). Melbourne Water also manages a large number of natural assets including rivers, creeks and 156,756 hectares of protected water supply catchments.

1.2.5 Private sector involvement

While Melbourne Water is owned by the State Government, it makes extensive use of the private sector to access specialist expertise and improve service efficiency. For example, in 2005/06 some 75% of operating expenditure and 99% of capital expenditure was outsourced to the private sector.

1.3 Waterways and drainage services

Melbourne Water is responsible for the provision of waterways, floodplain and drainage services across the Port Phillip and Westernport catchments.

Melbourne Water's operating area was extended by Order-in-Council in November 2005, to include parts of the Westernport, Werribee and Maribyrnong catchments, for which there was previously no designated regional authority responsible for managing waterways and drainage (as illustrated in Figure 1.2). In those areas, it was up to the combined efforts of State agencies, local government, landowners, catchment management authorities and community groups to carry out local improvements. Under the new arrangements outlined in the State Government's White Paper, *Our Water Our Future*, Melbourne Water has been designated the caretaker of river health and is responsible for waterway management, regional drainage and floodplain management, the management of the environmental water reserve, and water quality monitoring for the whole Port Phillip and Westernport region.

Melbourne Water generally manages and maintains waterways and main drains that serve sub-catchments greater than 60 hectares and local government manage the local drainage systems upstream, below this limit.

Through these institutional arrangements, Melbourne Water is able to ensure an integrated and coordinated approach to planning and managing the system across the region.

⁴ Regulatory asset value as at the start of the 2008 regulatory period.

This is especially important because local government boundaries are generally not catchment related, and independent decisions in one municipality can have significant effects on downstream or adjacent areas.

Floodplain management and drainage (including for developer services)

Melbourne Water manages the quantity and quality of run-off from rural and urban catchments to ensure new development achieves a safe level of flood protection and undertakes actions to manage flooding to tolerable levels for existing communities. This is achieved by:

- Undertaking strategic planning for proposed development areas and establishing and maintaining schemes for new urban areas and areas where considerable redevelopment is expected
- Undertaking mapping activities to identify areas at risk of flooding and providing advice on flooding issues and onsite development to the general public, developers and prospective landowners
- Implementing planning controls to prevent flood risks from increasing by managing development in floodplains and overland flowpaths to protect these areas for storage and conveyance of floodwaters
- Building and operating infrastructure such as drains, levees, and retarding basins to contain, detain and convey stormwater or floodwater to minimise existing flood risks
- Operating a flood warning network.

River health

As caretaker of river health and the waterway management authority for the Port Phillip and Westernport catchment, Melbourne Water has overall responsibility for achieving healthy rivers, creeks and floodplains that meet the environmental, economic, recreational and cultural needs of current and future generations. This is achieved by:

- Working with stakeholders and the community to manage practices that impact on waterway health
- Undertaking works programs to improve or create habitat, stabilise channels and improve water quality
- Ensuring development of land is planned to protect and enhance waterway values
- Managing the environmental water reserve
- For the Yarra catchment and several smaller western catchments, managing water extractions (diversions) to ensure that the needs of both our customers and the environment are met
- Implementing research and monitoring programs.

Water quality

As the caretaker of river health, Melbourne Water manages water quality and run-off from rural and urban catchments to protect the health of waterways and bays by:

- Working with stakeholders and the community to manage practices that impact on waterway and bay water quality
- Undertaking works to improve stormwater quality and rural run off entering waterways and bays
- Ensuring development and management of land is planned to protect waterway and bay water quality
- Implementing research and monitoring programs.

Figure 1.2 Existing and extended service area

