

10.1 Introduction

Bulk utilities are those utilities that do not have end-use customers of their own. Instead, their primary purpose is to provide services to other water utilities. The usual services they provide include all or some of:

- harvesting and storing water in reservoirs (referred to as 'bulk' water);
- treating and transferring water from storages to other utilities' reticulation networks; and
- treating and disposing of (or recycling) large volumes of sewage collected from other utilities' customers (referred to as 'bulk' sewage).

Seven bulk utilities reported data for the *2014 Urban NPR*:

- from New South Wales: Fish River Water, Goldenfields Water, Rous Water and Sydney Catchment Authority;
- from Queensland: Seqwater and Gladstone Area Water Board; and
- from Victoria: Melbourne Water (which is also the only provider of bulk sewerage services).

There are significant differences in the scale of the bulk utilities. For example, Melbourne Water and Sydney Catchment Authority are responsible for providing Melbourne and Sydney, respectively, with the vast bulk of those cities' water. Rous Water, on the other hand, provides bulk water to utilities owned by regional councils on the New South Wales north coast, an area with a total population of around 100,000. It is therefore difficult to draw any comparisons between these bulk utilities and, as a result, the commentary in this chapter is limited.

Because the bulk utilities provide bulk water services to other water utilities, rather than reticulated services to residents, they do not report results for most of the national performance indicators. Therefore, they have not been reported with the other utilities in the preceding chapters of this report.

This chapter focuses on nine indicators reported upon by most of the seven bulk utilities listed above:

- W7—Total sourced water
- F1—Total revenue—water
- F14—Total water supply capital expenditure
- F11.1—Operating costs
- F24—Net profit after tax (NPAT)
- F30—NPAT ratio
- F20—Dividends
- F21—Dividend payout ratio
- E12.1—Total net greenhouse gas emissions

In addition, Melbourne Water, which also provides bulk sewerage services and earns significantly more revenue than other bulk utilities, has a number of utility-specific indicators reported in section 10.2.8 below.

Financial figures in tables and charts in this report are in real 2013–14 dollars.

10.2 W7—Total sourced water

Total sourced water is the volume of water from all of the sources from which water is abstracted to supply to bulk water customers and, in some cases, to provide environmental flows. Virtually all of the water sourced by bulk utilities is from surface water.

Goldenfields Water, Rous Water, Melbourne Water, Sydney Catchment Authority, and Seqwater reported little variation in total sourced volumes from 2012–13 to 2013–14.

Fish River reported a substantial increase in demand for sourced water (32%), as did Gladstone Area Water Board (52%) (Table 10.1).

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Table 10.1 W7, 2009–10 to 2013–14 (ML), for bulk water utilities

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Gladstone Area Water Board		42,226	53,736	51,460	78,426	52%
Fish River Water	5,124	7,946	6,273	8,107	10,713	32%
Seqwater	251,960	241,370	271,413	282,235	295,877	5%
Rous Water	12,070	11,142	11,132	11,077	11,521	4%
Goldenfields Water (B)	8,716	7,007	7,301	8,667	8,875	2%
Sydney Catchment Authority	582,623	736,874	880,597	848,637	826,889	–3%
Melbourne Water	375,619	370,490	379,891	443,489	411,739	–7%

10.3 F1—Total revenue—water (\$000)

This indicator captures all of the water-related revenue earned by a utility. It conveys a sense of the scale of the utility and is presented in Table 10.2.

Total revenue for Goldenfields Water, Sydney Catchment Authority, and the Gladstone Area Water Board remained very similar to that reported for previous years.

Rous Water and Seqwater reported a 10% increase in total revenue for the 2013–14, this was in contrast to a reported decrease in 2012–13, while Fish River Water reported an increase of 12%.

Melbourne Water reported the most substantial change in total revenue with an increase of 51% from 2012–13 to 2013–14. This is attributed to a large increase in water prices to reflect the full cost of the Wonthaggi desalination plant, and is also amplified by the 2012–13 price freeze across all services (Melbourne Water 2014).

Table 10.2 F1, 2009–10 to 2013–14 (\$000)

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Melbourne Water	362,244	397,330	547,225	563,693	851,606	51%
Fish River Water		6,940	7,314	8,999	10,045	12%
Rous Water	18,326	19,159	21,291	20,383	22,516	10%
Seqwater	335,581	378,617	706,096	622,777	686,818	10%
Gladstone Area Water Board		45,650	53,544	54,972	56,288	2%
Goldenfields Water (B)	7,385	3,509	3,998	4,882	4,933	1%
Sydney Catchment Authority	217,472	205,164	215,570	203,665	205,240	1%

10.4 F4—Total water supply capital expenditure

Total capital expenditure is presented in real 2013–14 dollars. It shows the total capital investment by the utility and provides an indication of the size of the utility and its capital responsibilities. Data for this indicator is presented in Table 10.3.

Substantial increases in capital expenditure from 2012–13 to 2013–14 were reported by Fish River Water (135%), Rous Water (116%), and Sydney Catchment Authority (78%). Expenditure reported by the Sydney Catchment Authority included environmental flow investigations, water supply infrastructure upgrades, and improvements throughout the catchment (SCA 2014). The Rous Water result is comparable to expenditure reported in 2009–10 and 2010–11.

Table 10.3 F14, 2009–10 to 2013–14 (\$000), for bulk water utilities

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Fish River Water		2,378	5,886	422	994	135%
Rous Water	5,532	5,010	3,029	2,568	5,537	116%
Sydney Catchment Authority	60,228	29,649	20,972	18,177	32,273	78%
Melbourne Water	533,293	166,862	89,521	39,484	44,177	12%
Seqwater	211,579	128,809	555,695	90,348	69,711	–23%
Gladstone Area Water Board		8,640	49,059	58,883	16,904	–71%

10.5 F11.1—Operating cost (water) (\$/ML)

This indicator reports the water-related operating costs (operation, maintenance, and administration costs) of each bulk utility (Table 10.4). Due to the large variation between the utilities in size and cost-effectiveness of supply, operating costs are normalised by measuring the cost per megalitre sourced.

Melbourne Water reported a 38% increase in operation costs from 2012–13 to 2013–14. This is a significantly lower increase than the 199% increase reported in 2012–13. Seqwater reported a 26% decrease, which is lower than operating costs reported for the last two reporting years. Sydney Catchment Authority reported a 16% increase from 2012–13, although this is lower than the 2011–12 value. The remaining utilities reported minimal variation in operating costs, with variances between –2% and 4% from 2012–13 to 2013–14.

Table 10.4 F11.1 Operating cost (water), 2009–10 to 2013–14 (\$/ML), for bulk water utilities

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Melbourne Water	293	289	445	1,331	1,835	38%
Sydney Catchment Authority			236	160	186	16%
Fish River Water		1,548	710	472	493	4%
Gladstone Area Water Board		398	320	470	480	2%
Goldenfields Water (B)	603			314	308	-2%
Rous Water	837	809	866	987	965	-2%
Seqwater	537	690	1,088	1,052	781	-26%

10.6 F24—Net profit after tax (\$000) and F30—NPAT ratio (%)

A utility's net profit after tax (NPAT) is simply the NPAT disclosed in its annual financial statements. NPAT is driven by the factors that contribute to a utility's revenue and expenditure, including pricing structures, water restrictions, Government policy, asset condition, climate, and utility size. As with income, NPAT indicators can be highly sensitive to movements in capital grants and contributions, which are treated as income and can change significantly from year to year. NPAT also reflects depreciation but not dividend payments. Because of these factors, NPAT can vary significantly between years and utilities.

The NPAT ratio has been included here (Table 10.5) to indicate how large a utility's profit is compared with its income, to make it easier to compare utilities. The NPAT ratio is defined as NPAT (Indicator F24) divided by total income for the utility (F3). It can be considered as the utility's net profit margin earned after tax.

Table 10.5 F24 (\$000) and F30 (%), 2011–12 to 2013–14

Utility	F24—Net profit after tax (\$000)			F30—NPAT ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Fish River Water		3,609	4,492		40	45
Goldenfields Water (B)	0	783	862	0	16	17
Gladstone Area Water Board	12,679	8,570	10,558	23	14	15
Sydney Catchment Authority	42,720	36,639	25,879	20	18	12
Rous Water		574	1,890		3	9
Melbourne Water	283,685	30,913	89,889	30	-3	7
Seqwater	49,333	28,248	9,510	-7	0	-1

10.7 F20—Dividend (\$000) and F21—Dividend payout ratio (%)

This indicator reports the dividend payable by a utility for the reporting year (not the dividend paid during the year but relating to the previous year) and the dividend payout ratio (that is, dividend payable divided by net profit after tax). It gives an indication of the funds returned to the Government or other shareholder, or retained by the utility for reinvestment in the business.

The dividend payable reflects Government dividend policy, pricing policies, the profitability of the utility and the utility's future cash requirements. It is possible to have a dividend payout ratio of more than 100%, since dividends can be paid from prior years' retained earnings. Dividend policies are usually set by Government and are often outside the utility's control.

Sydney Catchment Authority and Gladstone Area Water Board were the only bulk utilities to have a dividend payable for 2013–14 (Table 10.6). This reflects the trend for previous reporting years.

Table 10.6 F20 (\$000) and F21 (%), 2010–11 to 2012–13, for bulk water utilities

Utility	F20 – Dividend (\$000)			F21 – Dividend payout ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Sydney Catchment Authority	26,376	27,479	27,900	75	75	108
Gladstone Area Water Board	2,464	2,478	3,338	19	29	32
Melbourne Water	124,438	0	0	44	0	0
Fish River Water		0	0		0	0
Goldenfields Water (B)	0	0	0	0	0	0
Rous Water		0	0		0	0

10.8 E12.1 – Total net greenhouse gas emissions – bulk utility (net t CO₂ equivalent per ML)

This indicator reports the contribution of the utility’s operations to greenhouse gas (GHG) emissions. Utilities’ calculations are required to refer to the National Greenhouse Accounts Factors published by the Australian Government Department of the Environment and updated annually. GHG emissions are reported in net terms, that is, any volumes of carbon sequestered through activities such as the purchase of carbon offsets are deducted. A discussion of the methodology used to calculate GHG emissions is in chapter 8, section 8.1, of this report.

Fish River Water and Sydney Catchment Authority reported no change in GHG emissions from 2012–13 to 2013–14 (Table 10.7). Melbourne Water and Goldenfields Water both decreased GHG emissions by 8% and 13% respectively. Rous Water increased GHG emissions by 13%.

Table 10.7 E12.1, 2009–10 to 2013–14 (net t CO₂ equivalents/ML), for bulk water utilities

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Rous Water	0.40	0.70	0.70	0.80	0.90	13%
Fish River Water		0.20		0.10	0.10	0%
Sydney Catchment Authority			0.06	0.02	0.02	0%
Melbourne Water	0.94	1.00	0.99	0.92	0.85	–8%
Goldenfields Water (B)	1.00	1.10	1.20	0.80	0.70	–13%

10.9 Melbourne Water’s sewerage indicators

Melbourne Water, unlike the other bulk utilities, provides bulk sewerage services. Those services are a significant part of its business, so to report only water-related indicators would be to underestimate Melbourne Water’s true size and scope of operations. This section provides summary information on Melbourne Water’s sewerage indicators.

Melbourne Water reported a small increase in total sewage collected in the 2013–14 reporting year. There was a 52% decrease in total sewerage capital expenditure, which continued the trend of previous reporting years. Revenue per property for sewerage services increased by 35%, reflecting increases in sewerage pricing (Melbourne Water 2014). Sewerage operating costs increased by 90% from 2012–13 to 2013–14 (Table 10.8).

From 2009–10 to 2011–12, Melbourne Water used the Water Services Association of Australia methodology for the calculation of GHG emissions from sewage treatment activity. In 2012–13, the Clean Energy Regulator advised on a different methodology to meet its requirements. The result of this change in methodology was a decrease in Melbourne Water’s reported emissions. Emissions were reduced by a further 15% in the 2013–14 reporting year.

Table 10.8 Melbourne Water's sewerage indicators, 2009–10 to 2013–14

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Operating cost—sewerage: bulk utility (\$/ML)	383	271	183	221	420	90%
Revenue per property for sewerage services (\$/property)	182	198	241	221	298	35%
Revenue for sewerage services: bulk utility (\$/ML)	1,064	995	1,265	1,235	1,668	35%
Recycled water (percent of effluent recycled)	21	9	11	11	12	15%
Total sewage collected (ML)	271,739	325,308	320,067	305,901	314,067	3%
Greenhouse gas emissions—bulk utility sewerage (t CO ₂ equivalents per ML)	1	1	1.1	1.0	0.9	-15%
Total sewerage capital expenditure (\$000s)	387,571	602,130	291,599	127,299	60,476	-52%
Sewer overflows reported to the environmental regulator (per 100km of sewer main)	2	5	2	1	0	-100%
Compliance with environmental regulator: sewerage (yes/no)	Yes	Yes	No	No	Yes	