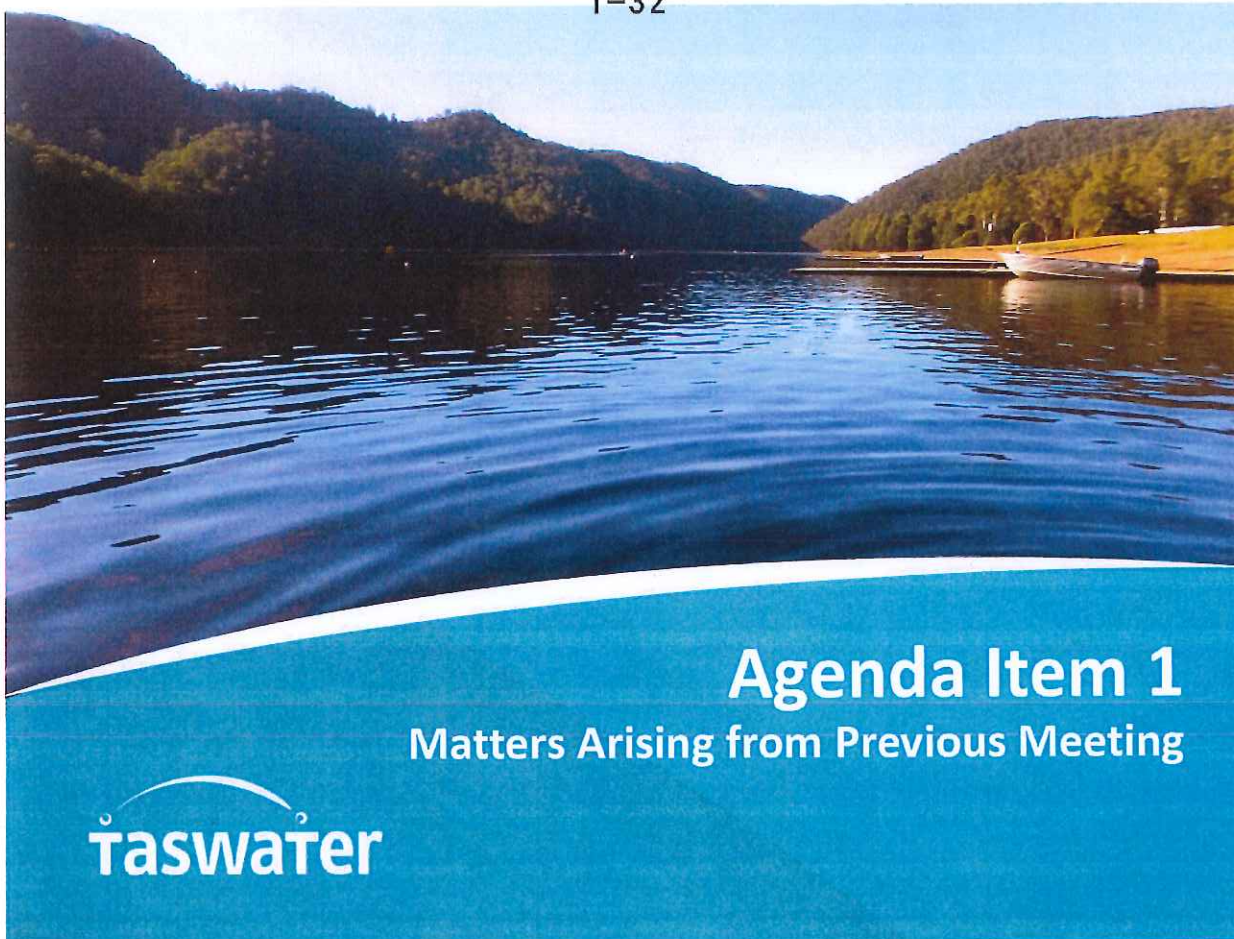


Owners' Representatives Quarterly Briefing  
3 and 4 February 2021

**Taswater**

## Agenda

1. Matters Arising from Previous Meeting
2. Chairman's Policy and Strategic Update
3. Chief Executive Officer Operational Performance Update
4. Capital Delivery Office update
5. Other Business



# Agenda Item 1

## Matters Arising from Previous Meeting

**TasWater**

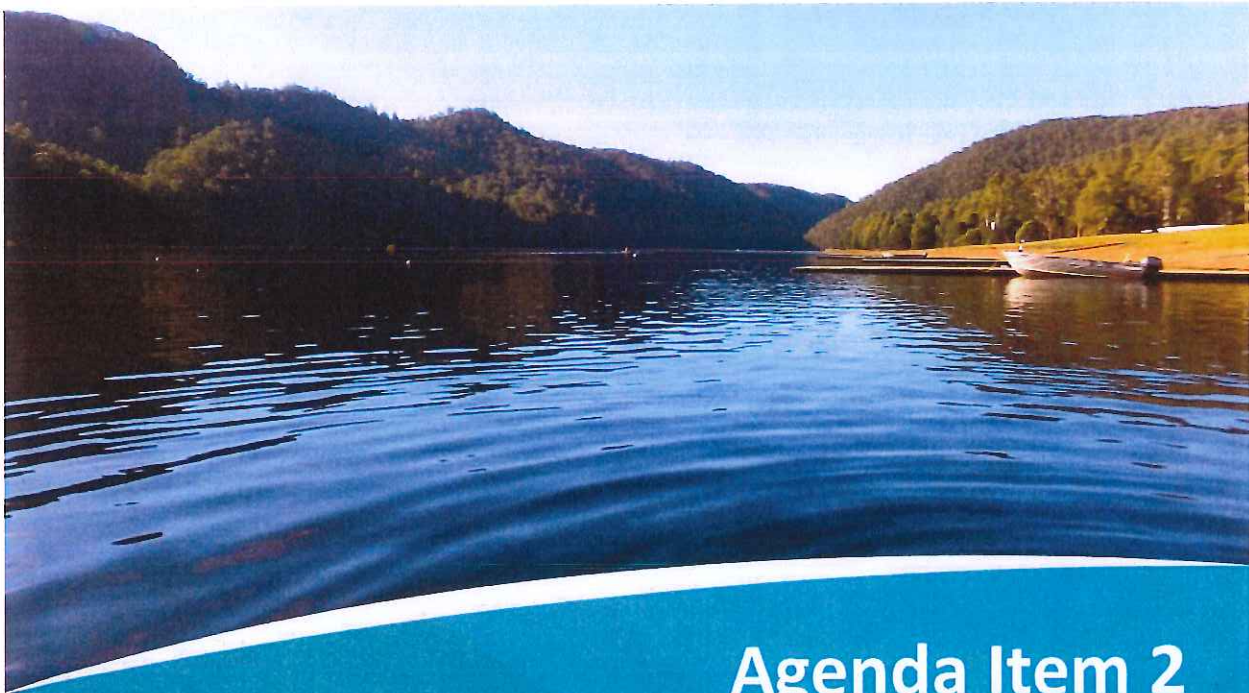
### Agenda Item 1 Actions Arising from Previous Meeting

General Meeting 24 September 2020						
3	Tag 7 Questions from Owners	What proportions of the CDO costs are related to labour and/or infrastructure CDO costs and value	Gary Arnold (Kingborough Council)	Provide a break-down of the CDO costs based on infrastructure provided versus CDO labour costs. Provide information about benchmarking of CDO costs against similar alliances	Matthew Pigden Tony Willmott	2021 General Meeting (Planning)
4	Tag 7 Questions from Owners	Politicisation of pricing – should this be noted as a key strategic risk?	Mayor Kristie Johnston (Glenorchy City Council)	Consider inclusion as part of the development of the Corporate Plan FY2022-26	Mike Brewster	2021 General Meeting (Planning)
5	Tag 8 CFD Briefing on regulatory v statutory asset values and depreciation	Insight into the review of the Long Term Strategic Plan (LTSP)	Mayor Wayne Johnston (Meander Valley Council)	Discuss the outcome of the review of the LTSP once approved by the TasWater Board	Matthew Pigden	2021 General Meeting (Planning)
General Meeting 4 November 2020						
1	Tag 7b 2020 Annual Report	There is no explanation of how the modelling works and the assumptions used. Which assumptions have changed since last financial year and why each year?	Mayor Ben Shaw (Derwent Valley Council)	Include additional information to show the changes from the previous year in future Annual Reports.	Matt Pigden	2021 General Meeting (Reporting)
2	Tag 7b 2020 Annual Report	What changes are there from year to year and what are the reasons for the changes? What are the material issues?	Mayor Ben Shaw (Derwent Valley Council)	Include additional information in future Annual Reports.	Matt Pigden	2021 General Meeting (Reporting)
3	Tag 7b 2020 Annual Report	Is it possible to have two values - one that councils can use for their purposes?	Mayor Doug Chipman (Clarence City Council)	Provide a more detailed explanation in future Annual Reports.	Matt Pigden	2021 General Meeting (Reporting)
16	Tag 7d Questions on Notice	Section 11.3 of the SLE relates to TasWater adopting principles of Corporate Social Responsibility but this is not included in the Annual Report.	Gary Arnold (Kingborough Council)	Outline our corporate social responsibility activities in the Annual Report.	Juliet Mercer	2021 General Meeting (Reporting)

Agenda Item 1

Actions Arising from Previous Meeting

General Meeting 4 November 2020 (cont'd)						
17	Tag 7d Questions on Notice	The TasWater Drought Response is supposed to be available to the public but is not on the website, has this work been done?	Gary Arnold (Kingborough Council)	Whilst TasWater does not have a single "Drought Response Plan (DRP)", the majority of areas addressed in a typical DRP are addressed through a range of strategies, plans and activities.  A Demand Management Strategy is already in place, and a Water Surety Strategy will be published on the website when approved by the Board, then reviewed and updated on an annual basis.	Tony Willmott	2021 General Meeting (Planning)



Agenda Item 2

Chairman's Policy and Strategic Update



Policy, risk and strategy matters of importance this quarter:

- Draft Rural Water Use Strategy

Matters of public and key stakeholder interest this quarter  
(excludes key incidents covered by CEO in the quarterly report):

- Water supply security
- Legislative Council Select Committee
- Waratah Dam (see next slide)

### Waratah Dam

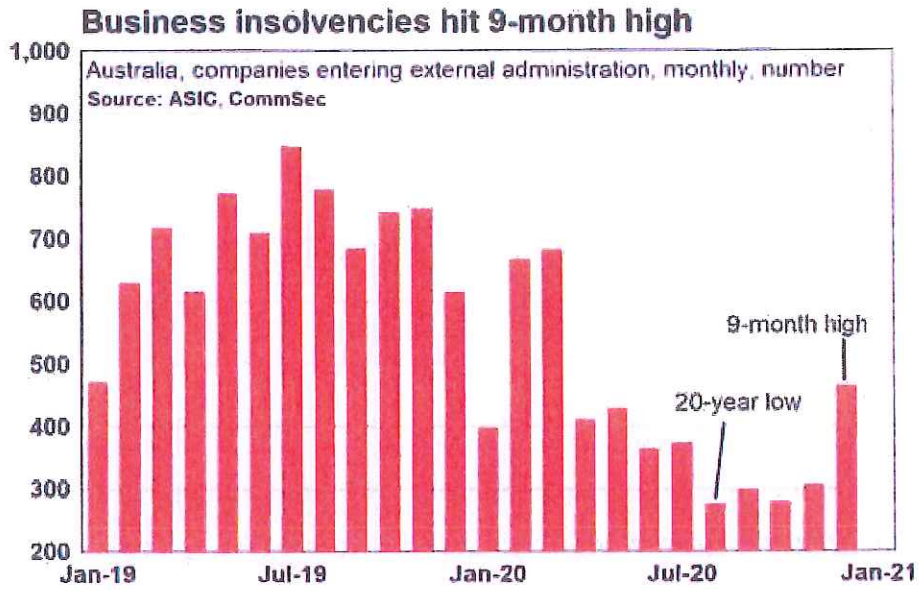
- TasWater understands that there is significant community interest in the Waratah Dam
- The decision to proceed to decommissioning reflects a range of factors, including the costs of repair work, capital costs to make the dam safe, redundancy of the dam, and significant number of other infrastructure priorities in Tasmania
- Due diligence has been undertaken around heritage values, impacts on flora and fauna, the need for the dam for firefighting purposes
- Discussions ongoing with a potential proponent for ownership of the dam

Externally funded major projects:

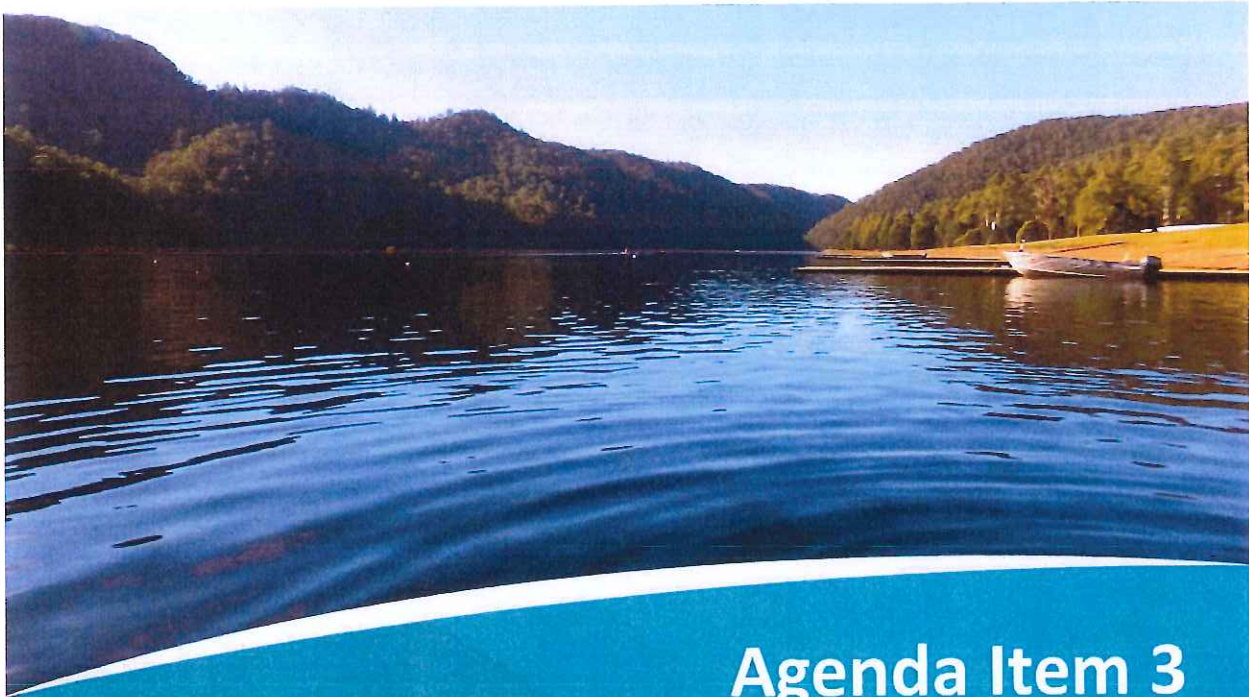
- Tamar Estuary River Health Action Plan
- Macquarie Point STP Funding and Relocation
- Port Arthur Feasibility Study

### **FY2020-21 Interim Dividend**

- The decision to suspend dividend payments in April 2020 was prudent at that time due to the considerable uncertainty associated with COVID-19
- However, TasWater's six-monthly results to 31 December 2020 are materially better than forecast with an underlying profit of \$5.9M achieved, primarily reflecting:
  - lower bad debt expenses (\$6.1M)
  - reversal of a component of the small business rebate provision (\$5.7M)
- The Board has recently approved the payment of an interim dividend of \$5.0M to be paid 15 February 2021
- A further dividend will be considered in June 2021 if this is supported by the underlying full-year results



Source: ASIC, CommSec



### Agenda Item 3

CEO operational performance update



Significant incidents that occurred this quarter:

- COVID-19: Continued easing restrictions and Return to Site
- Ridgeway Dam
- Hobart Water Supply Turbidity
- Risdon Vale Wet Weather Overflows
- Risdon Brook Dam Water Supply Issue

Key incidents that have occurred since the end of the quarter:

- Midway Point Sewage Spill

Notable results:

- Financial performance – ahead of target YTD
- Capital Expenditure – below target YTD
- TRIFR – improvement on FY2019/20 results YTD
- Lost-time injuries – 4 LTIs YTD (1 in Q2)
- Customer Service Centre performance – ahead of target YTD
- Total overdue debtors – below target YTD, provisioning to be reviewed

## Agenda Item 3

## CEO update

KPI	FY2019-20	FY2020-21			FY2020-21 Target
	Actual Result	YTD Result	YTD Target	YTD Variance	
Net Profit (\$M)	15.0	22.1	4.4	17.7	(8.7)
Capital Expenditure (\$M)	128.8	65.4	80.9	(15.5)	193.3
Debt (\$M)	579.6	609.7	632.3	(22.6)	687.0
Gearing ratio	40.0%	41.3%	43.4%	2.1%	47.1%
Interest cover ratio (times)	1.7	3.2	1.3	1.9	0.5

## Agenda Item 3

## CEO update

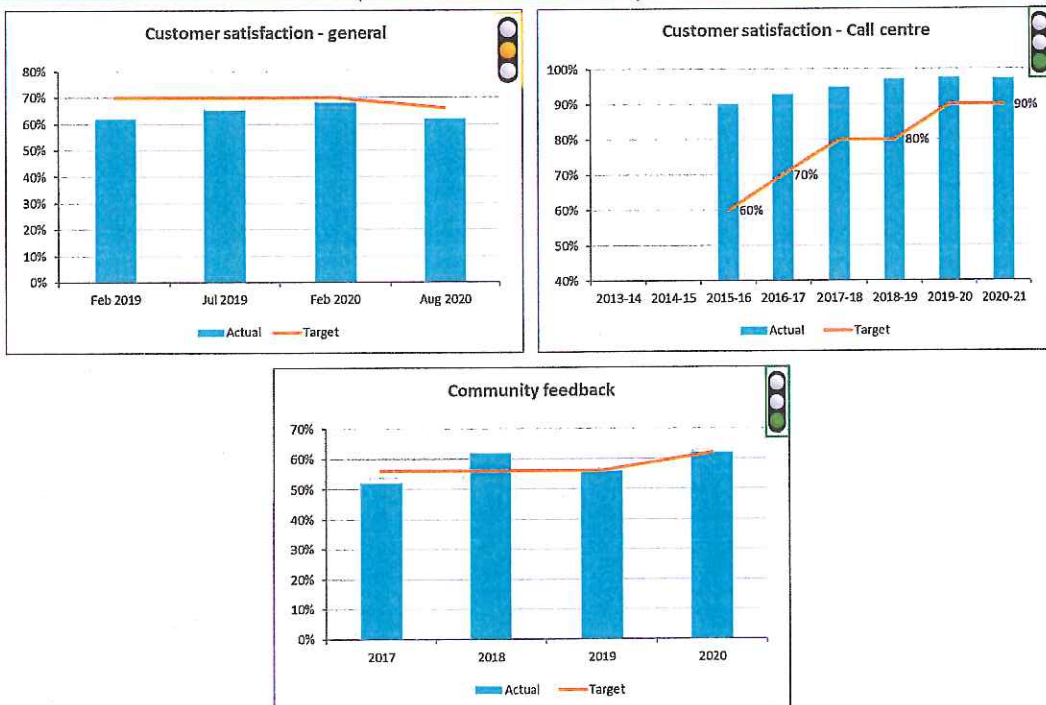
- The table on the following slide shows material changes in budgets or completion dates for current Top 25 projects at the Project Delivery stage relative to the most recent Quarterly Report for the September 2020 quarter.



**Agenda Item 3** **CEO update**

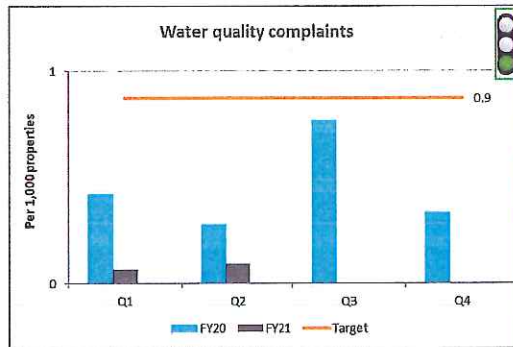
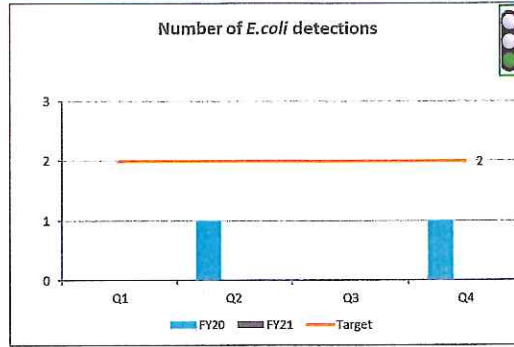
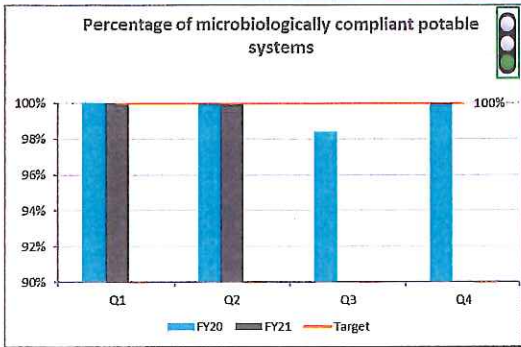
Project	Completion Date	Project Budget ('000s)	Change since September 2020 Quarterly Report	Reason for change
Bryn Estyn Water Treatment Plant (WTP) Major Upgrade	Jan-24	243,944	Was Aug-23	Project budget adjusted to reflect advice provided by the CEO at the last quarterly owners update. Note the budget includes the approved TOC (\$224M) and the out of scope items managed by TasWater.
Blackstone Rd SPS Upgrade	Jul-21	3,230	Was Apr-21	Project extension required to analyse tenders.
Bichenon STP	May-24	TBD	Was Mar-24	Minor change in completion date resulting from better understanding of the project.
Pioneer Water Supply	Sep-22	TBD	Was Jul-22	Construction and commissioning expected to be complete by June 2022, with project closure expected by September 2022.
Tasman Highway, Orford - Trunk main	Sep-22	2,358	Was Sep-20	Project on hold as we wait for development to progress.

**Agenda Item 3** **CEO update**



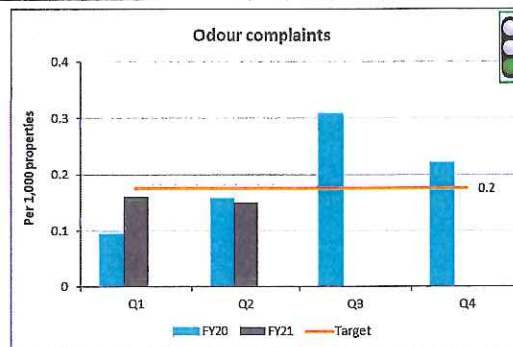
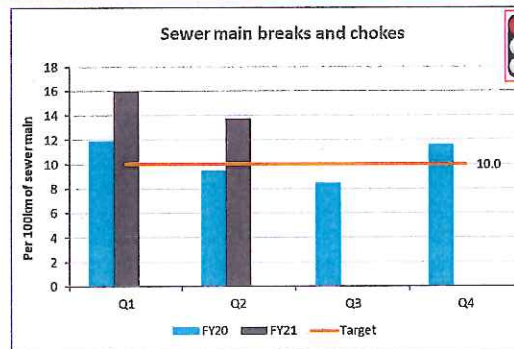
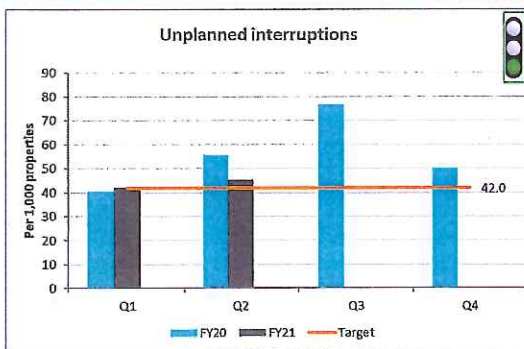
Agenda Item 3

CEO update

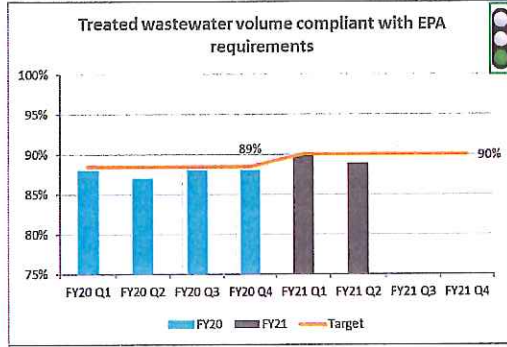
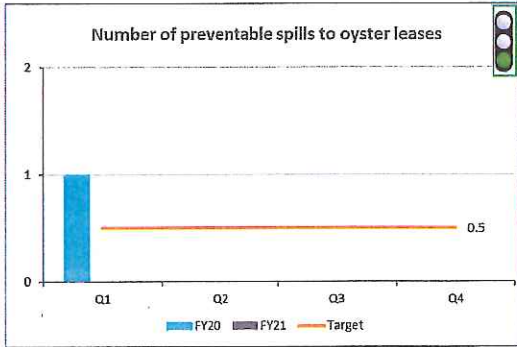


Agenda Item 3

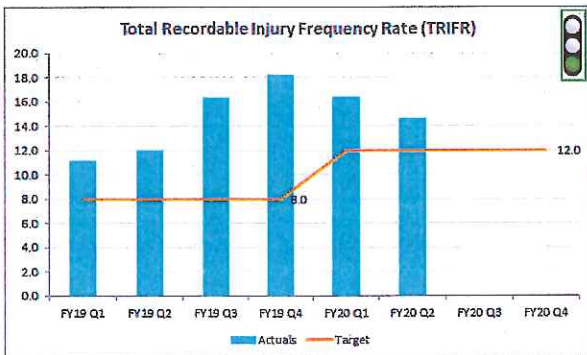
CEO update

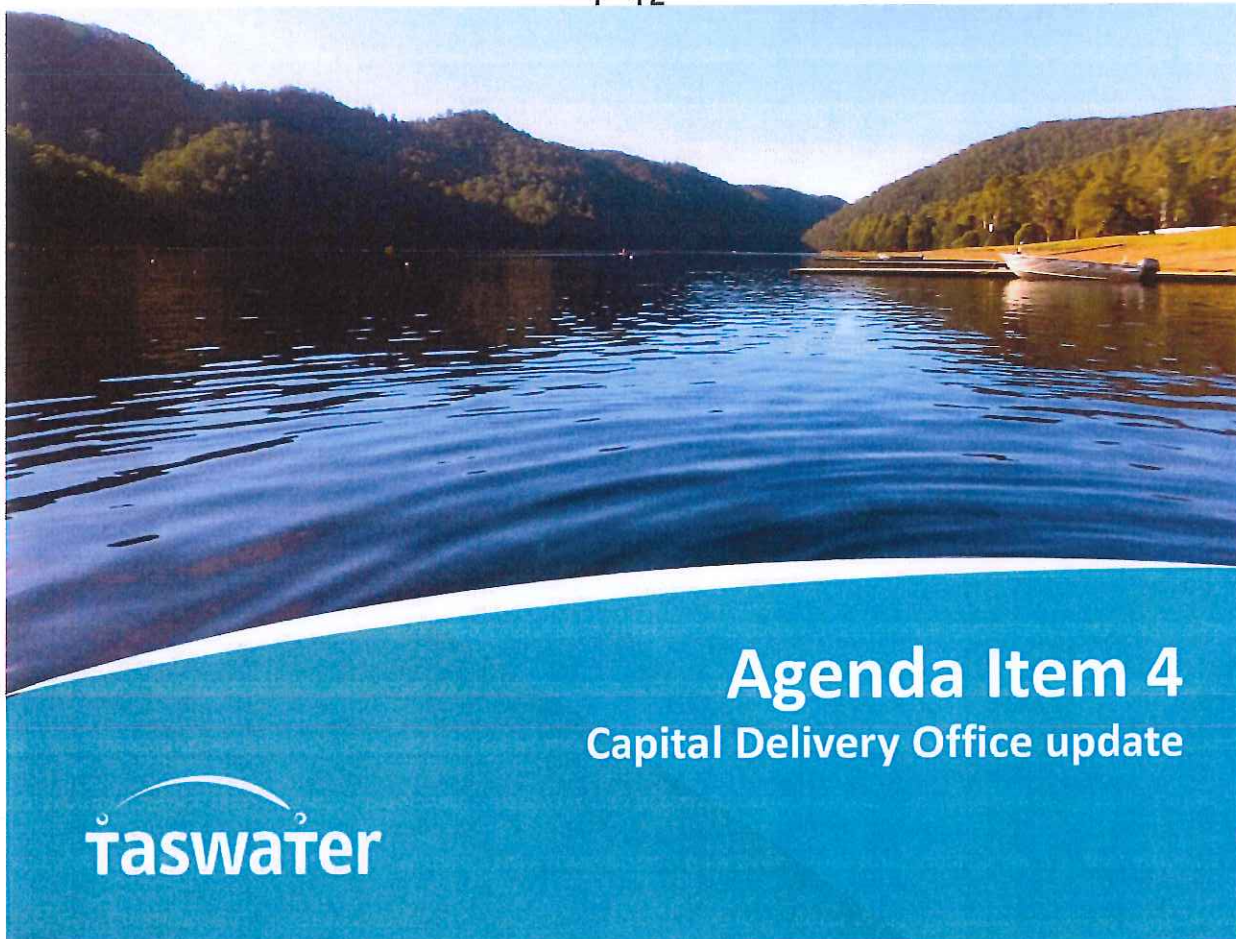


Agenda Item 3 CEO update



Agenda item 3 CEO update





## Agenda Item 4

### Capital Delivery Office update



#### Rationale

- Prior to establishing the Capital Delivery Office it was clear that achievement of TasWater's ambitious forward capital delivery program would require a step change in its delivery model
- At that time, an external review found that there were a number of weaknesses in TasWater's capital delivery model:
  - Too many safety incidents, particularly involving contractors
  - Ability to consistently deliver on time, to budget and meeting quality expectations
  - Inadequate project reporting to management
  - Stakeholder consultation that was not consistently timely and effective and
  - Inadequate planning for approvals, land access issues, exceedance of cost estimates, and insufficient consideration of design requirements business cases.
- It was determined that a Capital Delivery Office should be established to address these weaknesses.

## Scope

The CDO has four distinct and highly related functions:

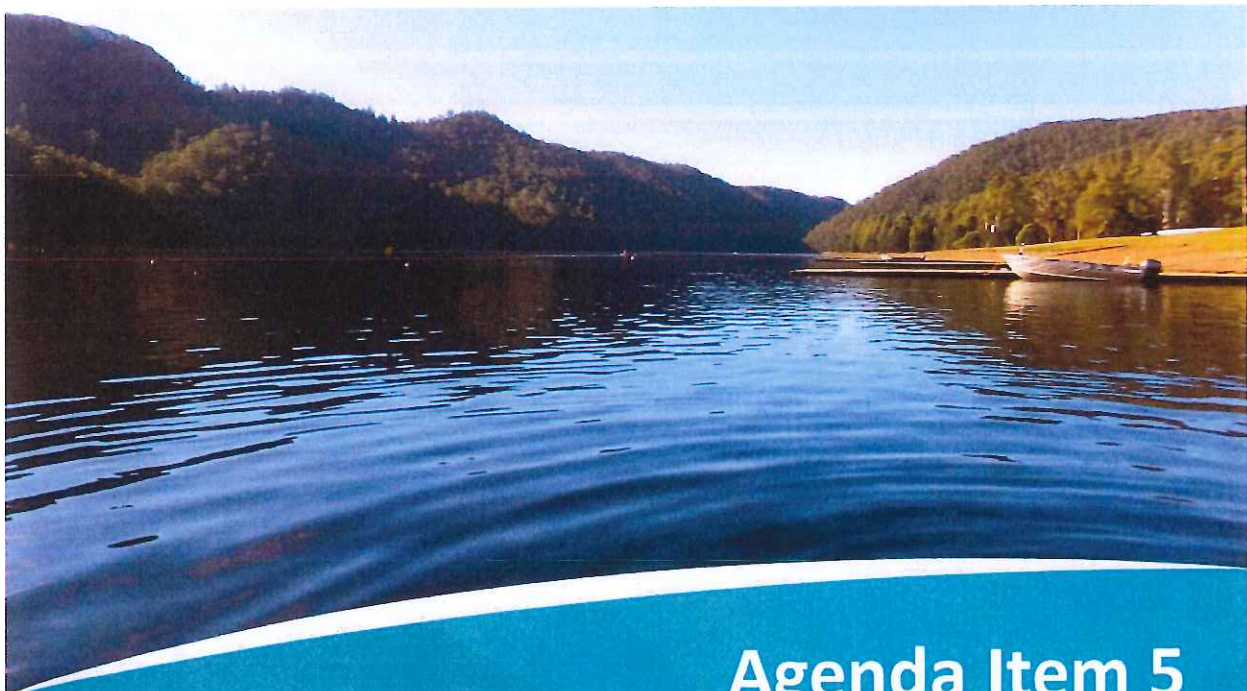
- **Program Management**
  - Program Office (PO)
  - Alliance Program Manager & Program Support staff
  - PM Methodology and Systems
- **Planning & Investigations**
- **Project Development**
- **Project Delivery**

## Risk Management

- Three TasWater General Managers are on the Alliance Leadership Team (ALT)
- Senior TasWater staff are on Alliance Program Management Team (APMT)
- TasWater staff are involved in all planning, project development, delivery and management activities
- See 'everything' in the commercial parties' program related work ('open book' model)
- External Alliance Advisor – ongoing role
- Client's Cost Estimator engaged by TasWater – 'market based' estimate and reviews for all key projects based on their extensive Australia wide experience
- Financial auditor engaged by TasWater for quarterly transaction audits and for specific project reviews as required

## Recent Change to Delivery Model

- In December 2020, the decision was made for TasWater to resume direct responsibility for lower-risk, lower-complexity capital works
- The objective of this change is to enable these projects to progress more quickly and for the CDO to focus on delivering the larger multi-disciplinary projects that it is best set up to deliver
- Structural realignment is underway within both TasWater and the CDO
- Revised CDO contractual terms and conditions have been issued for industry feedback and conversations are ongoing with key stakeholders
- These projects include linear renewals, SPS replacements, switchboard upgrades, CCTV and cured insitu re-linings.



## Agenda Item 5

Other Business