

Wellington City Council's three waters investment and delivery snapshot - 22/23

Below is an overview of Wellington City Council's investment decisions and the levels of service Wellington Water can deliver based on levels of funding.

Wellington City Council's (WCC) role

- Owns their water assets in their council area
- Set rates
- Decides the level of funding for Wellington Water & water services
- Sets the level of water services for their residents
- Tasks Wellington Water to deliver water services based on level of funding
- Sets performance targets, measures & policy

Wellington Water Ltd's (WWL) role

- Provides Wellington City Council with advice on the level of investment needed to maintain, improve & renew their water infrastructure
- Deliver water services to customers on the Council's behalf within the funding that is provided
- Prioritises their work programme based on the level of funding provided

Services	Level of service WWL is able to provide	Level of service WWL is unable to provide
<p>Customer service</p>	<ul style="list-style-type: none"> • >70% customer satisfaction with services on call-back (region-wide) • Aim to keep complaints below 20 per 1,000 drinking and stormwater connections, and below 30 per 1,000 wastewater connections • Set baseline for time to process resource consents 	<ul style="list-style-type: none"> • Won't meet targeted consumption level of 365 litres/person
<p>Drinking water</p>	<ul style="list-style-type: none"> • Provide safe drinking water • Fluoridate the water • Provide reliable water • Respond to faults as quickly as possible 	<ul style="list-style-type: none"> • Won't meet <17% loss target • Won't meet drinking water security measure (for GWRC) in all but a 1-in-50 year drought – currently only 1 in 14 is covered • Won't always meet targets of: <ul style="list-style-type: none"> ◦ Urgent jobs attended within 1 hour ◦ Urgent jobs resolved within 4 hours ◦ Non-urgent jobs attended within 36 hrs ◦ Non-urgent jobs resolved within 5 days
<p>Stormwater</p>	<ul style="list-style-type: none"> • Respond to flooding events as quickly as possible • Meet resource consent conditions for discharges • Keep flooding events below 2, affecting less than 0.13 floors/1000 connections 	<ul style="list-style-type: none"> • Won't meet the average response time target of within 1 hour for flooding events
<p>Wastewater</p>	<ul style="list-style-type: none"> • Wastewater treatment plants will operate as expected • Meet resource consent conditions for discharges • Respond within 1 hour and resolve any wastewater overflows from the network in 6 hours or less 	<ul style="list-style-type: none"> • Won't meet target of zero dry weather overflows
<p>Asset management</p>	<ul style="list-style-type: none"> • Set benchmark for ratio of reactive to planned maintenance (currently 95:5) • Complete 100% of renewals that are funded • Deliver our capital programme within agreed range of \$174M & \$276M for WCC • Complete Growth Studies and plans in Wellington Central and the northern suburbs (SO110) 	<ul style="list-style-type: none"> • Planned maintenance is forecast to reduce as reactive maintenance increases

Operational expenditure

Situation

Around 20% of assets are past useful life with 20%-30% more over next 30 years. The network is getting older & experiencing increasing leaks, bursts & service interruptions.

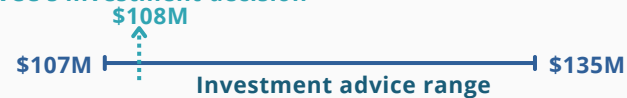


Investment advice & decisions

In 2020 WWL provided WCC with LTP opex investment advice for a 3-year period (2021-2024).

An investment range of **\$107M - \$135M** was provided with a low end to meet minimum levels of service & a high end to meet optimal levels of service & reduce a backlog of work. **WCC invested \$108M.**

WCC's investment decision



Actual for FY22 (including Government's Stimulus Funding): **\$48.8M**
Budget for FY23: **\$41.6M**



Result of funding decision

- Minimum levels of services & reactive work is funded in a largely reactive environment
- Limited funding for WWL to carry out planned & preventative maintenance
- Backlog of work continues to grow
- The network will experience increasing levels of faults & breaks
- Underinvestment in condition assessments, future investigations & asset data completeness and integrity
- Increasing operational costs: aging infrastructure, inflation, labour shortages

Capital expenditure

Situation

Water assets are aging at a faster rate than WCC is replacing them. Currently an approx. \$525M backlog of work needed to be done.

The city is facing significant population growth - 50,000 - 80,000 people by 2050. Without increased investment, most parts of the city's water infrastructure won't be able to meet future demands.

Increasing demands on water supply and quality & growing public expectations on positive environmental outcomes.

Increasing regulatory demands & need to respond to climate change.

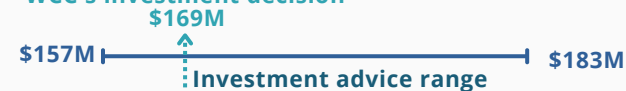


Investment advice & decisions

In 2020 WWL provided WCC with LTP capex investment advice for the 2021-2024 period.

An investment range of **\$307M - \$333M** was provided. This advice included \$150M for the Moa Pt Sludge Minimisation Project, which is now being delivered by directly by WCC. So the actual investment advice range was \$157M-\$183M **WCC invested \$169M.**

WCC's investment decision



Result of funding decision

- Backlog of assets requiring replacement will continue to grow
- Increasing faults, leaks & bursts
- Growth is ahead of investment & demand on the network & services will outstrip ability to supply
- Funding has gone to a small number of high-cost projects
- Very low investment in improving water quality, & addressing climate change
- More environmental impacts will occur
- Low investment in reducing water usage and water security measures

Remaining key risks at current level of WCC funding

- Increased likelihood of not being able to provide safe and healthy water, meet duty of care obligations nor give effect to Te Mana o te Wai.
- Increased likelihood of environmental incidents due to population growth compromising the capacity of the networks.
- Assets continue to age at a rate faster than they can be replaced, increasing the backlog of work needed. This results in increasing operational costs, as old infrastructure costs more to maintain and operate.
- Increased risk of unplanned failures due to under- investment in condition assessments, investigation and asset data.
- Increased likelihood of climate change impacting three waters activities and carbon emissions continue to increase.

WWL's advice has been peer reviewed

The 21-31 Long Term Planning renewals forecast provided by WW was based primarily on age, with reference to the (limited) available asset condition information and application of recognised guidelines. Independent review by internationally recognised water services regulator concluded that WWL had a reasonable understanding of the assets and their likely lives and replacement costs as a basis for the advice, and that WWL needed to do more work to understand asset condition and performance.