



Annexure 11 – Benchmarking and Efficiency

QCA Price Monitoring Investigation – Part 2 Submission

Public Release

This Annexure is a key component, and forms part of, the overall Urban Utilities' Part 2 Submission to the Queensland Competition Authority's (QCA) price monitoring investigation for the period 1 July 2026 to 30 June 2030. The Urban Utilities' Part 2 Submission should be read as a whole and, because of the interrelated nature of the subject matter, no part should be read in isolation or taken out of context.

The Executive Narrative provides a summary of the entire Urban Utilities' Part 2 Submission, and this Annexure should be read in conjunction with that narrative.

Amongst other items, the Executive Narrative outlines how this technical Annexure, along with the other Annexures provided with the Part 2 Submission, specifically addresses different elements of the Part 2 Stated Matters of the QCA investigation covering the period FY28–30 (1 July 2027 to 30 June 2030).

Contents

1 Overview	3
2 Efficiency targets are embedded into our forecast prices	5
2.1 Operating Efficiency Through Top-Down Benchmarking	5
2.1.1 Our Operating Context.....	5
2.1.2 Operating Cost Benchmarking.....	6
2.1.3 Bottom-up benchmarking to determine deliverable efficiencies	9
2.2 Our Operating Efficiency Program	10
2.2.1 Building our digital capabilities.....	10
2.2.2 Enterprise workforce planning	10
2.2.3 Cost rationalisation	10
2.2.4 Optimising our maintenance and operations processes	10
2.3 Capital Efficiencies	11
3 We are enhancing the governance of the OEP	14
3.1 A six-step annual process to identify and deliver efficiencies	14
3.1.1 Step 1: Set direction	15
3.1.2 Step 2: Identify opportunities	15
3.1.3 Step 3: Consolidate into an enterprise program	16
3.1.4 Step 4: Prioritise the pipeline	16
3.1.5 Step 5: Commence delivery.....	16
3.1.6 Step 6: Monitor, validate and embed	17
4 Our pursuit of broader improvement initiatives	18
4.1 Enhancing our customer engagement practices	18
4.2 Leveraging our in-house innovation and technology teams	19
4.3 Enhanced enterprise risk management framework.....	20

1 Overview

This technical annexure sets out our productivity and efficiency strategy in the context of the Queensland Competition Authority's (QCA's) price monitoring investigation. This strategy is a key aspect of our commitment to ensure that our prices remain as low as sustainably possible.

We have developed the strategy:

- undertaking a detailed top-down assessment of external benchmarks provided by the Water Services Association of Australia (WSAA) and the Bureau of Meteorology National Performance Reporting (NPR) to assess our performance against our peers, and
- developing a comprehensive bottom-up assessment of our cost base through the development of a zero-based budget (ZBB) and rebuilding our base-step-trend (BST) operating expenditure forecast.

Together, this top-down and bottom-up analysis has directed effort to where genuine, controllable efficiency opportunities exist and has enabled us to identify opportunities to deliver the next stage of productivity and efficiency initiatives over the FY28–30 price monitoring period (price monitoring period). This extends the strong productivity and efficiency program that has occurred over the last five years, continuing our practice of maintaining top-down constraint on our expenditure borne by our customer base.

In total, the productivity and efficiency initiatives outlined for the price monitoring period are anticipated to deliver \$68 million in savings by the end of the period. These expenditure savings are removed from our forecast revenue, meaning the customer benefit is therefore embedded from the time these are removed from the forecasts. This efficiency target, which has already been fully incorporated into our forecast prices, comprises:

- \$30 million in operating expenditure efficiencies, being a \$10 million up-front efficiency dividend plus a further \$20 million by the end of the period, which is equivalent to a 1.5% annual compounding efficiency factor (as applied in Annexure 4 - Operating Expenditure)
- \$38 million in capital efficiencies, reflecting a 2% efficiency factor applied across our infrastructure capital program (as outlined in Annexure 5 - Infrastructure Capital Expenditure).

The productivity and efficiency initiatives will be governed and tracked through the continued implementation of an enhanced enterprise-wide governance framework, the Operational Efficiency Program (OEP). We acknowledge the QCA's assessment in its Part 1 Interim report that our productivity governance and measurement arrangements are consistent with good industry practice and appear capable of supporting sustained productivity improvements if applied effectively.¹ We welcome this finding and are building on it to more effectively drive efficiencies going forward, with a particular focus on reinforcing an enterprise-wide model.

¹ QCA, *Price monitoring review 2026-27: Urban Utilities*, Interim report, May 2026, p 21.

While the productivity and efficiency measures identified to date are not anticipated to impact on customer service levels, we are also focused on identifying further potential efficiency and productivity opportunities, and will be providing transparency of our governance mechanisms through ongoing engagement through the Community and Customer Reference Group (CCRG). Further we recognise that non cost productivity improvements and initiatives may also drive improved value for money for our customers through improved services or enhanced service experiences. In this respect, over the price monitoring period we will undertake a significant enhancement of our customer engagement practices, moving to customer engagement that embeds customer and community expectations into service standards, investment decisions, pricing, customer experience and communications across the business.

2 Efficiency targets are embedded into our forecast prices

2.1 Operating Efficiency Through Top-Down Benchmarking

As outlined in our Part 1 Submission, our efficiency approach continues our practice of constraining our expenditure with a top-down assessment of efficiency, and builds on our previous practice in applying a base-step-trend methodology.

Since FY24, we have applied a top-down operating expenditure budget envelope through an embedded efficiency factor to constrain the operating costs we recover from customers and to put downward pressure on customer bills. This process was supported by a base-step-trend (BST) approach to inform a top-down expenditure envelope and to inform top-down expenditure constraints and efficiency targets applied in each annual budget (see the discussion of the BST approach in Annexure 4 - Operating Expenditure for further detail).

This process was established to provide operating expenditure guardrails using a combination of benchmarking, trend analysis and parameter controls based on prudent and efficient expenditure. This fiscal approach has also provided a platform to support the identification, development, embedding and monitoring of operational cost benefits to support customer affordability in the future. We are now building on this ongoing practice with a refreshed approach to BST, informed by benchmarking and ZBB, as applied and outlined in this annexure.

2.1.1 Our Operating Context

To assess our cost management practices and identify potential improvement opportunities, we compare our operating costs to other major water utilities in Australia through the NPR and WSAA benchmarks. This assessment makes use of both cost and contextual factors to assess Urban Utilities performance.

When benchmarking utilities against one another, we acknowledge several limitations. These include the possibility of reporting errors, incomplete data, variations in the operating context and the inability to capture efficient trade-offs between operating and capital expenditure where higher operating costs are proposed to deliver equivalent reductions in capital costs.

A detailed review of the operating context that we operate in (and how it compares relative to other water utilities) has been undertaken to assist in the analysis of cost benchmarking. This review uses the NPR benchmarking and other publicly available information on similar water utilities. This review identifies that there are several key drivers that influence our underlying efficiency. These are:

- Queensland's environmental regulation drives us to treat wastewater to higher standard than all but one of the other major water utilities across the country. This high treatment standard drives up the cost of wastewater treatment through more complex treatment plants, increased equipment and process units and higher operating costs.
- We have a below median number of customers per square km of service territory. This low customer density results in higher operating costs per property.
- Our wide geographical area results in a higher than median number of small water and wastewater supply schemes when compared to other utilities.

- The water industry is heavily influenced by the weather. The water Utilities of South East Queensland must manage in an aggressive and unpredictable climate that includes the highest rainfall intensity when compared to the other major water utilities but also periods of drought.

In addition, there are a range of other performance measures that place our services in context and influence the decisions that we make around our productivity and efficiency opportunities. We:

- have the second lowest water consumption per property when compared against major Utilities. This limits the opportunities through further demand reduction activities over the price monitoring period.
- perform at the median for the duration of unplanned water interruptions. This means that our service response times are in line with the other major utilities.
- perform at the median for water main breaks per 100km. Our water network is performing as expected for a network of its age.
- have a lower than median sewer main breaks, leaks and chokes per 100km performance. This means that the sewer network is performing better than the other major utilities, noting however that we are receiving increased regulator pressure to further reduce overflows from the network including those from breaks in our reticulation network.
- have lower than median result for real water losses from the water system. This is a result of the focus on reducing non-revenue water to date. While we continue to pursue further opportunities, the potential benefits are diminishing.

2.1.2 Operating Cost Benchmarking

When benchmarking our operating cost, we place a greater emphasis on the confidential WSAA benchmarking. This benchmarking:

- provides a more granular breakdown of operating costs
- allows benchmarking to be normalised by the underlying drivers of cost.

Table 2-1 below provides a high-level overview of our benchmarking performance in the most recent WSAA report covering FY25. This analysis places utilities in quartiles:

- first quartile means that the utility's normalised operating cost for that expenditure category is below 75% of utilities in the sample
- second quartile means that the utility's normalised operating cost for that expenditure category is below 50% of utilities in the sample
- third quartile means that the utility's normalised operating cost for that expenditure category is above 50% of utilities in the sample
- fourth quartile means that our normalised operating cost for that expenditure category is above 75% of utilities in the sample.

In using the WSAA benchmarking analysis for the purpose of identifying potential efficiency opportunities, it is recognised that benchmarking can be imprecise due to:

- data definition and treatment differences used by the businesses participating in the benchmarking exercise. WSAA has worked hard to minimise these differences over many years, but they likely contribute to some differences between utilities; and
- differing operating contexts outside of the control of the business, which can lead to different costs that are not adequately addressed through data normalisation metrics.

We have therefore had regard to our unique operating circumstances in evaluating how our benchmarking performance should inform our productivity and efficiency program.

Table 2-1 Overview of our WSAA operating expenditure benchmarking performance for FY25

Expenditure category	FY25 WSAA result	Our assessment
Water network	3 rd (lower end)	We are operating close to the median of the peer group. This is appropriate given the stage of the lifecycle our network is in. Limited efficiency opportunity.
Wastewater network	3 rd (lower end)	Key operating environment factors affecting our benchmarking position are: • increasing rainfall intensity in our service region • differing network lifecycle stage • differing application of safety standards • differing treatment of non-chargeable work. Given these factors, median performance is appropriate for our business. Limited efficiency opportunity.
Wastewater treatment	3 rd	Key operating environment factors affecting our benchmarking position are: • treating wastewater to a higher standard than most other utilities • servicing a broad geographic area. Given these operating environment factors, 3 rd quartile performance is appropriate for our business. Limited efficiency opportunity.
Wastewater quality operational compliance	1 st	Limited efficiency opportunity due to 1 st quartile performance.
Scheduling, dispatch and control	4 th	Key operating environment factors include having a high number of treatment plants per head of population. This has led us to a high level of centralisation compared to our peers. The high scheduling dispatch and control costs are offset with lower operator costs resulting in minor opportunities.
Retail	3 rd	Performance is close to the median of the peer group. Limited efficiency opportunity.

Expenditure category	FY25 WSAA result	Our assessment
Asset management	1 st	Limited efficiency opportunity due to 1 st quartile performance.
Finance	2 nd	Limited efficiency opportunity due to 2 nd quartile performance.
Corporate governance	2 nd	Limited efficiency opportunity due to 2 nd quartile performance.
Human resources	4 th	No clear contextual factors influencing benchmarking result. Potential area of efficiencies to be assessed in bottom-up analysis.
Strategy and regulation	3 rd	Performance is close to the median of the peer group. Limited efficiency opportunity.
Communications	1 st	Limited efficiency opportunity due to 1 st quartile performance.
Information technology	3 rd	Key operating environment factors include: • differing capitalisation approaches • differing levels of system transition • differing levels of complexity in business functions. Benchmark performance is stronger on a total expenditure basis.
Property	3 rd	Performance is close to the median of the peer group. Limited efficiency opportunity.
Fleet management and maintenance	1 st	Limited efficiency opportunity due to 1 st quartile performance.
Insurance premiums	4 th	Key operating environment factors include: • sitting on a flood plain and greater exposure to extreme weather events • experiencing major flood events in recent years • lacking access to government insurance schemes. Potential area of efficiencies, limited by our operating characteristics.

Source: Confidential WSAA benchmarking report

Based on this assessment our view is that some degree of efficiency opportunities exist in the areas of

1. Water Network
2. Wastewater Network
3. Schedule, Dispatch and Control
4. Indirect Costs
5. Corporate Costs

We have conducted a bottom-up analysis (outlined below) of our efficiency gaps to build on benchmarking insights to identify areas of efficiency focus for the price monitoring period (outlined in Section 2.3.3 below).

2.1.3 Bottom-up benchmarking to determine deliverable efficiencies

To support the top-down benchmarking, we have undertaken a bottom-up assessment of our cost base to identify where in these focus areas there are controllable costs that can be reduced while maintaining our service levels.

A key aspect of our bottom-up assessment has been the application of ZBB. The ZBB initiative provides greater transparency and confidence in budgets, strengthen financial discipline, and align expenditure with operational priorities. Budgets are linked to strategic priorities cost drivers, demand drivers and unit rates rather than relying on historical spend.

As committed in our Part 1 submission, the ZBB process has informed the refreshed BST operational expenditure baseline (refer to Annexure 4 - Operating Expenditure). A detailed assessment was undertaken to establish the FY27 baseline, using FY25 actual expenditure as the starting point and applying a growth factor, price factor and adjustments for non-recurrent and one-off expenditure items. The resulting FY27 ZBB and FY27 adopted budget were compared to validate the BST derived forecast was broadly aligned and to highlight if anything significant was omitted or variances requiring further consideration.

ZBB analysis has identified a range of potential efficiency opportunities, in areas including:

- Strategic Workforce Planning
- Finance Systems and Data Uplift
- Process Optimisation
- Ways of Working Governance
- Contract Management.

These opportunities are being shaped into a pipeline of productivity and efficiency initiatives to be pursued over the price monitoring period. This will include an immediate efficiency dividend to our customers by reducing the base operational expenditure at the start of the price monitoring period (See details in Annexure 4 - Operating Expenditure). This efficiency dividend is committed to and carried through prices over the pricing period.

In addition to strategic reviews such as ZBB, identifying productivity and efficiency initiatives is embedded into our annual enterprise planning process. Informed by our annual enterprise business plan, the group plan outlines how each of our business units will help deliver the in-year targets and help the organisation achieve our strategic goals.

Each of our business units define their annual operating expenditure, providing an estimate of spending in relation to the delivery of the in-year targets set by the group plan. Given our top-down discipline on operating expenditure growth, the development of this budget requires examination of efficiency opportunities. This includes considering the implications of our capital expenditure plans, such as in the digital estate, for the spending needs of the relevant group.

2.2 Our Operating Efficiency Program

Together, this top-down and bottom-up analysis has directed effort to where genuine, controllable efficiency opportunities exist and has enable us to identify opportunities to deliver the next stage of productivity and efficiency initiatives for Urban Utilities over the price monitoring period.

Operating expenditure efficiencies represent \$30 million of our efficiency target. These opportunities will be realised through four key areas of focus.

2.2.1 Building our digital capabilities

Our first area of focus is building our digital capabilities to change the way we work, particularly through data-driven decision making and a shift to digital billing. Better data reduces the time staff spend investigating problems manually, so faults are identified and addressed before they escalate, and staff are free to focus on higher-value work such as preventative maintenance. Moving customers from paper to digital bills will remove the printing and postage cost incurred each billing cycle. This digital transformation will benefit our customers through fewer unplanned outages and faster fault resolution as well as more convenient billing practices.

2.2.2 Enterprise workforce planning

We are also undertaking enterprise workforce planning to build a workforce model aligned to our strategic objectives. This includes forecasting future workforce requirements, identifying critical capability needs, and implementing strategies to attract, develop and retain the skills required to deliver our services. By better aligning workforce capacity and capability with business demand, we will improve organisational effectiveness and support more efficient service delivery.

2.2.3 Cost rationalisation

We are pursuing cost rationalisation opportunities, particularly through our procurement process and strategic reviews of specific cost categories. This will involve testing whether the price we pay for recurring inputs, such as software, property and standing contracts reflects the best terms available. This will be aided by our contract management improvement project, which is designed to ensure our contracts are delivering value or money while, along with performance measures and practices, delivering a reliable service to customers.

2.2.4 Optimising our maintenance and operations processes

We are continuing to optimise our maintenance and operations processes, particularly through the centralisation of wastewater treatment plant operations and changing the balance between planned and unplanned maintenance. Bringing dispersed operational functions under a single point of control allows decisions about where to direct effort to be made centrally rather than separately by each site or team. Continuing our shift from reactive to preventative maintenance allows work to be planned and scheduled in advance, avoiding the overtime, after-hours callout rates and urgent parts sourcing that reactive repairs typically require. This will benefit our customers through a more consistent standard of service across the network and few unplanned interruptions to supply.

2.3 Capital Efficiencies

Capital expenditure efficiencies of 2% (outlined in further detail in our Annexure 5 - Infrastructure Capital Expenditure) represent approximately \$38m of our overall efficiency target. This will be achieved through optimisation and efficiency to be realised in the capital infrastructure delivery program. This efficiency has been removed from our forecast Capital expenditure representing a commitment to delivering these benefits to customers.

The nature of capital expenditure makes the identification of discrete productivity and efficiency initiatives challenging. Driving efficiencies in capital expenditure relies on a robust planning and delivery framework.

As discussed in our Part 1 Submission, we are currently transitioning our end-to-end Project Management Approach (PMA) to the Next Generation for Delivery (NG4D) program. The purpose of the NG4D is to increase capital efficiency and generate more value for our customers by adopting a more integrated, outcomes-focused model for water and wastewater infrastructure.

The NG4D program will build on the successes of the PMA by:

- retaining program management discipline, structured governance and probity
- maintaining competitive exposure and transparent procurement
- aligning with regulated peers' collaborative contracting frameworks.

We expect the NG4D program to drive productivity and efficiency in a capital expenditure program through:

- sharper performance incentives, with stronger alignment between commercial returns and customer outcomes
- lower commercial fees
- sustained competitiveness
- forecast annual savings
- productivity gains through early partner involvement and innovation that will reduce duplication and enhance efficiency
- long-term partnerships provide pipeline visibility, while non-exclusive arrangements preserve access to the wider market.

The NG4D program will feature independent assurance, ensure rigour and transparency.

NG4D represents a natural and prudent evolution of our current PMA program. It embeds stronger financial alignment, lower margins and productivity levers while retaining the proven benefits of competition, governance and transparency. It will serve as a solid foundation for driving capital expenditure efficiencies over the price monitoring period.

To this end, the program includes a number of capital efficiency aspirational targets. These are:

- standardisation, which involves 80% of any selected solution being developed with the supply chain from repeated solutions, such as reuse of standard designs and approved standard products. This will be achieved through the application of consistent methods and fewer bespoke engineering solutions.

- better value, which involves 20% of any selected solution providing 20% more value to the organisation through saving, efficiency or a greater benefit. Measurement will depend on the investment and will be achieved through smarter design, optimised scope and supply chain innovation.
- time, which involves a 50% reduction in time onsite duration when compared to a similar investment through standardisation, modularisation and offsite fabrication. This will be achieved through maximising offsite work, digital rehearsals and constructions-ready packages to reduce field exposure hours.

In addition to seeking productivity and efficiency enhancements through planning and delivery, we will actively trade off capital and operating expenditure to deliver the lowest cost over our assets' lifecycles. Our Asset Management Framework requires capital and operating expenditure trade-offs to be tested at the asset class level as part of the investment planning process. For each major investment class, we consider whether:

- higher maintenance and operating costs would prudently defer capital expenditure
- bringing forward capital expenditure would avoid future operating costs or risk exposures
- the lowest whole-of-life cost can be achieved through a different mix of expenditure.

The largest area where these trade-offs are actively made is digital and information infrastructure. The capital build in that area delivers operating benefits over time including:

- fewer reactive maintenance call outs
- earlier detection of failure precursors
- lower consequence costs from incidents that would otherwise have escalated
- reduced chemical, energy and labour costs through optimisation.

Modelled against a counterfactual of continued reactive operation, this digital investment balances capital expenditure with improved operational outcomes. This digital investment, including operational technology, enhances our understanding of our assets and so can aid in efficiently deferring or avoiding capital expenditure without compromising service levels. Taken together, these investments are designed to improve cost efficiency, lift asset performance, strengthen our management of risk and sustain the level of service we deliver to customers.

Another area where we make these trade-offs is in leakage and network performance. We combine capital investment in district monitoring and pressure management with operating expenditure in active leakage detection and pressure modelling. Capital and operating expenditure are therefore complementary because:

- the capital investments create the visibility of the asset
- the operating expenditure converts that visibility into reduced water losses, deferred main renewals and lower energy costs.

These examples show how actively trading off between capital and operating expenditure will contribute to meeting our capital efficiency target. They also illustrate the importance of considering this target as part of a broader commitment to whole-of-life cost discipline as opposed to a standalone capital expenditure saving.

Together, these capital efficiency initiatives are expected to deliver \$38 million in capital expenditure savings over the monitoring period.

3 We are enhancing the governance of the OEP

We acknowledge the QCA's assessment in its Part 1 Interim report that our productivity governance and measurement arrangements are consistent with good industry practice and appear capable of supporting sustained productivity improvements if applied effectively.²

Notwithstanding this finding, we remain committed to enhancing our productivity and efficiency governance processes, with a particular focus on an enterprise-wide model. We believe such an approach will improve the effectiveness of how we identify, prioritise and track productivity and efficiencies across the business over the price monitoring period and into the future.

The following sections provide an overview of an ongoing six-step cycle for our OEP that will drive improvement year-on-year. We are now building on the detailed efficiency opportunities identified through the detailed ZBB process to outline the specific implementation details of the enhanced OEP governance model. This will deliver on our commitments to:

- enhance the executive mandate for the OEP with clear accountability measures
- establish a cross-functional team structure
- engage in a systematic peer benchmarking approach
- develop a staged opportunity pipeline
- embed delivery support into the OEP
- embed internal and external accountability.

This is not a new process, rather this enhances a program which has already delivered demonstrated efficiencies and cost reductions as outlined in our Part 1 Submission. This strengthened program governance will provide enhanced accountability and discipline as we finalise the detailed initiatives to deliver these already committed efficiency targets in coming months.

3.1 A six-step annual process to identify and deliver efficiencies

Our enhanced OEP governance model will operate through a continuous six-step annual cycle that drives improvements year-on-year. The cycle will repeat each financial year and be fully integrated with our group planning and budget process, ensuring that productivity and efficiency commitments translate directly into functional budget envelopes and are tracked and reported alongside our broader financial performance.

Figure 3-1 sets out the six steps in our enhanced OEP, which are described in greater detail in the following sections.

² QCA, *Price monitoring review 2026-27: Urban Utilities*, Interim report, May 2026, p 21.

Figure 3-1 Overview of our enhanced OEP governance process



3.1.1 Step 1: Set direction

Our annual OEP cycle will commence with our Board endorsing the enterprise strategy which will guide the prioritisation criteria against which productivity and efficiency opportunities will be assessed. This process involves taking our enterprise strategic direction, which defines the high-level, long-term strategic direction of the business, into an annual enterprise business plan to help measure and track business performance.

The executive team, led by our CEO, will then translate this strategic direction into the OEP mandate and the annual efficiency targets that will be pursued over the coming year. This step ensures that the OEP is anchored to our overarching strategic objectives and that the criteria for prioritising initiatives are agreed and supported at the highest level of the organisation before the identification process begins.

3.1.2 Step 2: Identify opportunities

As set out in the previous section, opportunity identification operates through parallel top-down and bottom-up assessments of our cost base to provide a comprehensive and rigorous view of where productivity and efficiency gains are potentially available across the business.

This is equivalent to the process undertaken as part of developing our BST efficiency adjustments for the price monitoring period.

Under our current arrangements these processes are embedded across the organisation in each of our group functions. However, we are now building a dedicated and more centralised team to coordinate this work.

The purpose of establishing this team would be to bring together cross-functional expertise in a manner that focuses on enterprise-wide opportunities.

The bottom-up aspect of opportunity identification will continue to be owned by group functions as part of their annual planning processes. This will ensure their operational knowledge and subject matter expertise is brought to bear on the productivity and efficiency program.

Taken together, the top-down and bottom-up assessments would result in a list of candidate efficiency initiatives to be considered as part of the OEP.

3.1.3 Step 3: Consolidate into an enterprise program

In enhancing our OEP governance process we are focused on continuing to improve how effectively we embed an enterprise-wide perspective. We recognise that there is a need to synthesise the top-down and bottom-up inputs into a single coherent enterprise program. This consolidation step is important because it:

- resolves overlaps between the two identification streams
- groups related work into single enterprise-level initiatives where doing so improves delivery efficiency
- ensures the pipeline reflects a whole-of-business view rather than a collection of disconnected functional commitments.

3.1.4 Step 4: Prioritise the pipeline

Another central aspect of an enterprise-wide approach to the OEP will be effective prioritisation of initiatives. This prioritisation framework will determine which initiatives are progressed, deferred or set aside to maximise the outcomes achieved through the effort invested in efficiency initiatives. We are currently developing our enterprise-wide prioritisation framework, which will also be applied to productivity and efficiency initiatives in the OEP.

3.1.5 Step 5: Commence delivery

Once the initiative list is prioritised, the executive owners of the OEP will identify an initiative owner for each active initiative. The level of effort and governance applied to each initiative will be scaled to its size and complexity. Quick wins with straightforward implementation paths will be mobilised rapidly. Material initiatives with significant financial, operational or customer implications will require a formal business case before delivery commences.

We are applying this proportionate approach to ensure that the OEP does not create unnecessary administrative burden for smaller opportunities while maintaining appropriate rigour for larger ones.

3.1.6 Step 6: Monitor, validate and embed

To ensure clear accountability for our productivity and efficiency initiatives we will establish independent monitoring and reporting of OEP outcomes. An OEP tracker will provide a real-time RAG (Red Amber Green – traffic light reporting) status view across the full enterprise pipeline and be updated continuously throughout the year. Savings will be independently validated against the approved baseline before they are recognised and confirmed. Once confirmed, these savings will be embedded in the forward budget and so reduce the functional cost envelopes for the following years.

The outputs of this monitoring and reporting process will form the basis of our internal and external accountability measures. This will include regular reporting to the Board as well as engagement with our Customer and Community Reference Group (CCRG) regarding our progress against our targets.

4 Our pursuit of broader improvement initiatives

Beyond cost efficiency, we are also focused on process improvements that may not lower costs directly but will improve value for money for our customers over time. Our key improvement initiatives over the price monitoring period include:

- enhancing our customer engagement practices
- leveraging our in-house innovation team to improve the way we work
- updating our risk appetite to better balance service outcomes and customer affordability.

4.1 Enhancing our customer engagement practices

A key pillar of our productivity and efficiency strategy over the price monitoring period is to complete a significant enhancement of our customer engagement practices.

We believe that our current engagement model can be incrementally enhanced to deliver improved value for money outcomes for customers. We are continuing to strengthen our Voice of Customer (VoC) Program to build a deeper understanding of customers' evolving needs, expectations and priorities. As part of this work, a structured Customer Engagement Pathway has been established to support more meaningful and deliberative engagement on the issues that matter most to customers and the long-term sustainability of our services.

These enhancements seek to engage on:

- investment priorities rather than simply explaining decisions that have been largely determined
- expenditure trade-offs, which have to date been limited with the exception of some specific projects
- our expenditure program to build a deeper understanding amongst customers.

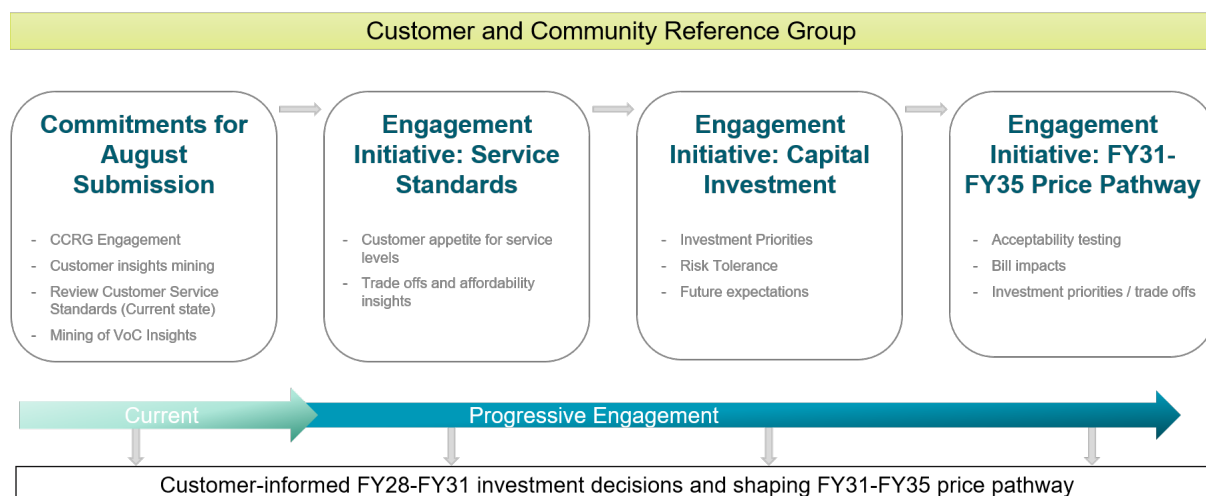
To drive better value for money we are moving towards a future engagement model over the price monitoring period that will be characterised by:

- early engagement integrated into strategy and decision-making frameworks
- meaningful customer engagement on key investment decisions and price paths, including difficult trade-off discussions
- broader community engagement in partnership with the State and other service providers to elevate understanding, such as why investment is needed, enhanced understanding of concepts, improved water literacy, true costs and links to billing.

It follows that the purpose of our customer engagement strategy is to embed customer and community expectations further into service standards, investment decisions, pricing, customer experience and communications across the business.

Figure 4-1 provides an overview of our customer engagement pathway to deliver our enhanced engagement practices.

Figure 4-1 How we will transform our approach to customer-informed investment and pricing decisions



4.2 Leveraging our in-house innovation and technology teams

We are committed to using innovation and technological advancement in our business over time to the benefit of our customers. We believe that innovation and continuous improvements thrives when people feel supported, connected and empowered to think differently.

To that end, we have an in-house innovation team that works across the organisation to improve how we operate. The team's approach is built on collaboration, curiosity and clarity with a focus on:

- enterprise connection – connecting across departments to unlock value by bringing together diverse perspectives and capabilities
- independent and objective advice – focusing on helping teams to achieve their goals and create benefits for Urban Utilities
- multidisciplinary thinking – bringing a mix of skills that can be tailored to support business challenges
- empowering others – building confident, momentum and clarity across the business to promote an enduring continuous improvement mentality
- creative problem solving – bringing fresh ways of thinking and working to help solve new and long-standing problems.

Our commitment to innovation is embedded in our Ripple platform, which provides a central, transparent way to capture, evaluate and track ideas from across the organisation. Giving every employee a voice, it unlocks diverse perspectives and increases engagement as a gateway for innovation and continuous improvement ideas. This strengthens our innovation culture, breaks down silos, accelerates problem solving and improves the conversion of ideas into tangible business outcomes.

We also have a well-established Technology Program, investing in research and development activities to support core business. We engage with universities and delivery

partners through our innovation precinct to leverage our investment, support local technology development and manage intellectual property.

Over the last two years the Technology Program has been reshaped to focus on four key priorities. These focus areas position us to address increasing regulatory, environmental, operational and customer driven challenges. These are:

- biosolids and organics, where we are assessing best practice technologies in alignment with critical decisions in our capital plans, addressing the emerging regulatory risks associated with new contaminants and ensuring long-term, sustainable management pathways
- wastewater network performance, where we are advancing novel sensing, data/AI capabilities, process modelling and new technologies to support more proactive network management and source control interventions
- wastewater treatment approaches, where we are exploring adaptation of leading-edge scientific understanding of treatment processes, process intensification technologies (including AI integration) and implementing next generation treatment options
- water science and contaminants, where we are supporting best practice approaches for drinking and recycled water management while improving our capability to protect waterway health and recreational values through deployable, efficient and sustainable technologies.

More broadly, we have a number of well-established commercial ventures that leverage existing assets to provide services to customers and generate additional revenues to put downward pressure on pricing for our broader customer base. We are currently developing a commercial growth strategy with the objective of generating a pipeline of new and expanded commercial opportunities to meet emerging customer demand and create financial value.

4.3 Enhanced enterprise risk management framework

Our risk management requirements are incorporated in a number of organisation-wide processes that support the application of enterprise risk management principles. These include:

- capital project and investment governance processes, which require risk-informed decision-making to support project approval, delivery and investment prioritisation
- procurement and contract management processes, which require procurement risk assessments to be undertaken as part of sourcing and supplier management activities
- asset management planning processes, which apply risk-based methodologies to support asset planning, criticality assessments, renewal investment decisions and lifecycle management activities.

We acknowledge that there is an opportunity to further strengthen awareness, understanding and consistent application of enterprise risk management practices. In some areas, risk management requirements are documented and referenced within business processes. However, application is not always consistent and may be focused on functional risk considerations rather than broader enterprise risk impacts.

The rollout of the refreshed enterprise risk management framework is intended to address this by promoting the value of risk-informed decision-making, strengthening organisational capability and embedding enterprise risk management processes more consistently into day-to-day activities and decision-making across the organisation. The refreshed risk appetite statement further supports this by providing clearer guidance on decision-making and risk-tolerance expectations.

As this refreshed framework is embedded, we expect it to generate further opportunities to refine how risk is assessed and weighted within our existing capital, procurement and asset planning processes, helping us better target investment towards our highest genuine enterprise risks over time.