UrbanUtilities

Annexure 2 – Service Standards

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).

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1 Executive Summary

This technical appendix sets out our service standards and performance in the context of the Queensland Competition Authority's (QCA's) price monitoring investigation. It addresses the element of the QCA's referral notice that requires the QCA to assess our service quality and reliability.

Urban Utilities has a strong and sustained record of delivering reliable, safe and high-quality water and wastewater services to our customers. Over the past 15 years, we have consistently met or exceeded our service standard targets across key performance indicators and have generally outperformed the average performance of other major water utilities.

Our strong performance demonstrates the asset management and operational strategies implemented since Urban Utilities was established. Customers continue to receive reliable services, high levels of water quality compliance and wastewater performance that compares favourably with peer utilities across Australia. Maintaining this performance requires ongoing and proactive investment.

Importantly, strong service standard performance should not be interpreted as evidence that future capital expenditure requirements are low or declining.

While we have consistently met or outperformed our service standards, these results align with the level of service our customers expect and are reflected in the sustained trust and confidence the community places in Urban Utilities. The indicators used are standard across the water sector and are collected by both State and Federal agencies to monitor utility performance. Service measures are inherently lag indicators, meaning that deterioration often becomes visible only after underlying asset, operational or compliance risks have emerged. By that point, corrective action is typically more reactive, costly and disruptive. Waiting for performance to decline before investing is therefore not in the long-term interests of customers or the community.
Consequently, Urban Utilities' capital expenditure requirements are driven by a broader set of obligations and risks than those reflected in published service standards because our network and the demands on it are not static. The principal drivers of investment include:

- accommodating population growth and increasing demand across one of Australia's fastest-growing regions;
- maintaining compliance with an increasingly demanding environmental and regulatory landscape;
- protecting public health through the continued delivery of safe drinking water and resilient wastewater services;
- renewing and maintaining critical infrastructure to manage asset condition and long-term reliability risks; and
- improving system resilience to climate variability, extreme weather events and future operational challenges.

Many of these obligations are not captured in the performance indicators identified by the QCA, yet they remain significant drivers of our proposed expenditure.

As community expectations evolve, including increasing expectations regarding environmental stewardship, resilience and sustainability, the gap between what current performance measures assess and what customers expect us to deliver will continue to widen. At the same time, there is a growing disconnect between regulated service standards and the underlying investments required to maintain safe, reliable and sustainable services. Balancing these obligations and expectations with the provision of affordable services remains a key consideration in our expenditure decisions.

Looking forward, we remain committed to maintaining the reliability and quality of service our customers expect. An important aspect of this commitment is listening to our customers to ensure we are delivering levels of service that meet their needs and expectations.

Our levels of service are used to align our operational performance to customer needs and regulatory requirements. We recognise that our existing service standards have not been formally shaped by our customers, and whilst we consider those standards remain an appropriate basis for the current monitoring period given their close alignment to standards utilised across other Australian water utilities and the QCA initial service performance indicators, we remain committed to completing a customer-anchored service standards review during the monitoring period.

The outcome of this review will be a robust evidence base, combining internal expertise, customer perspectives and Customer and Community Reference Group (CCRG) guidance to inform future customer service standards and future price monitoring reviews. The outcomes of this review will also be shared with regulatory stakeholders including the QCA, Department of Local Government, Water and Volunteers, Department of Environment, Tourism, Science and Innovation and Queensland Health and with our bulk water provider, Seqwater to enable alignment with current and emerging regulation and supply constraints.

A summary of our service performance indicators for the period is shown below. These are consistent with the QCA's initial service performance indicators for retailer assessment.

Table 1-1: Service performance indicators summary

Indicator	Comment
Drinking water compliance (% of population per year)	• Key indicator of water quality that combines two National Performance Report indicators: microbiological compliance and chemical compliance. • Compliance is assessed against the Australian Drinking Water Guidelines (ADWG). • Retailers have a customer service standard to supply safe and clean drinking water that complies with the ADWG.
Water main breaks (per 100 km of water main per year)	• A break, burst or leak in water main may result in reduced water pressure or loss of supply to customers. • It is an indicator of the resilience and condition of the water network and service reliability.

	• Retailers are required to set a customer service standard, including a performance target.
Unplanned water interruptions (number of incidents per 1,000 properties per year)	• Refers to an unplanned interruption resulting in a loss of supply to customers. • It is an indicator of the condition of the water network and service reliability. • Retailers are required to set a customer service standard, including a performance target.
Average duration of unplanned water interruptions (minutes per year)	• Refers to the average length of time customers are without water supply as a result of an unplanned interruption. • It is an indicator of the condition of the water network and service reliability, as well as the effectiveness of responding to incidents and restoring services.
Sewerage main breaks and chokes (per 100 km of sewer mains per year)	• Occurs when sewage cannot flow freely due to a break or blockage in the sewer main, which may lead to sewage overflows. • Is an indicator of the condition of the network and service reliability. • Retailers are required to set a customer service standard, including a performance target.

2 We have a strong track record of a reliable and quality service

This section reports our service performance over the 14-year period from FY12 to FY25 against the service performance indicators identified by the QCA. The performance data is drawn from the National Performance Report (NPR) published annually by the Australian Bureau of Statistics (ABS). Where we present comparative performance, our benchmarking focuses on other major water utilities as defined in the NPR.

The performance information demonstrates strong evidence of providing our customers with a reliable and quality service. We have consistently met or outperformed our service standard targets across key performance indicators. Our performance has also generally outperformed the average performance of other major water utilities.

2.1 Our performance reflects our asset management journey

We know from our customer engagement that a core customer need for both residential and commercial customers is the provision of a reliable water and wastewater service.

Consistent with the QCA's interim report, we use three NPR indicators to assess water reliability performance. These are:

- the number of water main breaks per 100 km of water mains, noting that neither a break not its repair may cause an interruption, providing an indication of asset performance and reliability
- the incidence of unplanned water interruptions per 1,000 properties
- the average duration of unplanned water interruptions in minutes.

There are two key drivers of our historical performance across each of these metrics – weather variability and the evolution of our asset management practices.

Weather variability affects the above performance measures because rapid changes in soil moisture levels – whether through drought or heavy rainfall – cause ground movement that places stress on buried infrastructure. Shifting soil leads to an elevated incidence of pipe breaks, which in turn flows through to the frequency and duration of unplanned interruptions to water supply or wastewater leakage.

Asset management practices have evolved over the past 14 years, reflecting our journey from an amalgamation of individual councils to a modern water and wastewater business. We have progressively refined our approach to managing main breaks and leaks. We have moved from monitoring slow leaks until they warranted cost-effective repair to adopting interim “clamping” as a primary intervention before adopting pipe section replacement as the preferred long-term response. Each of these approaches address the underlying asset condition issues to varying degrees, while the extent of intervention and therefore interruptions to supply also varies.

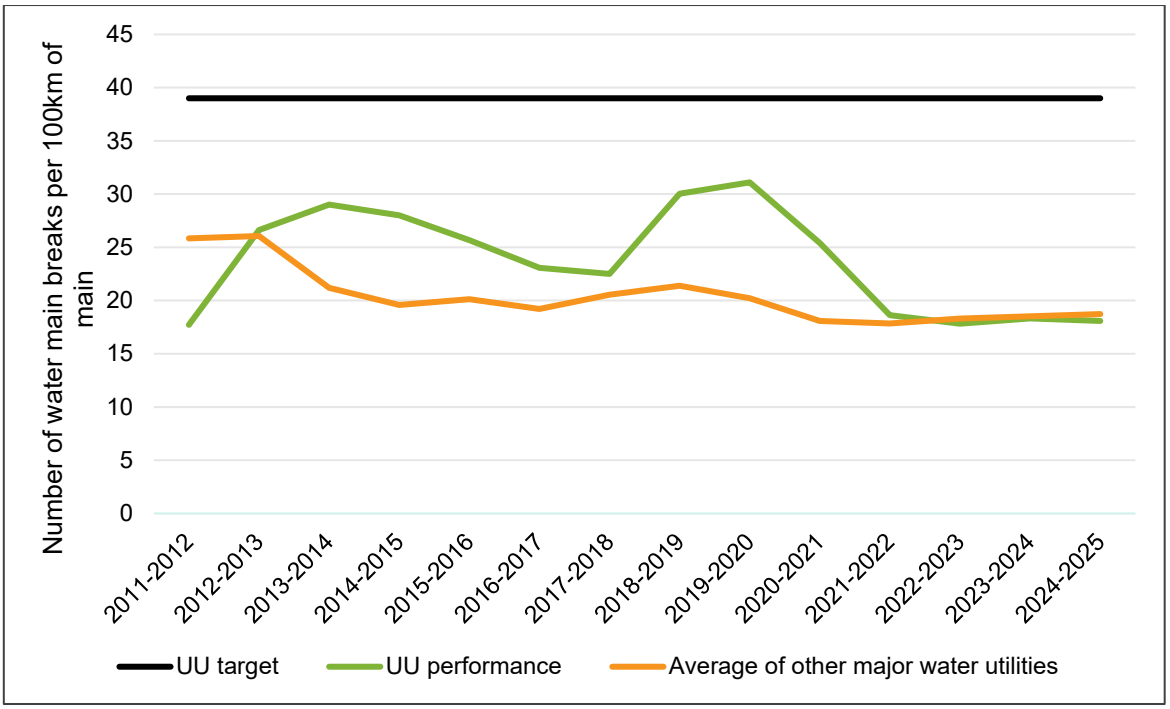
By way of example, Figure 2-1 shows that our number of water main breaks per 100 km has consistently outperformed our service target, while we have performed at or below the average outcomes of other major water utilities. The variation in our performance over time is driven by the factors introduced above.

The performance challenges in the mid-2010s and again around 2019/2020 are consistent with periods of significant climatic variability, where rapid drying or wetting of soils caused ground movement and subsequent main breaks.

From around 2016-17, we adopted a clamping approach to address main breaks, which provided an effective short-term response that minimised service disruption but did not necessarily eliminate the underlying asset condition issues driving failures. From around 2019-20, we transitioned to a pipe section replacement approach, recognising that excavation is required irrespective of the type of intervention and that efficiencies were possible where future re-excavation could be avoided. This shift has contributed to a sustained reduction in break frequency in subsequent years.

Looking further ahead, the continued growth of our network means there is a gradually increasing proportion of modern main infrastructure in the overall asset mix. This is reinforced by our pipe section replacements using modern equivalents that are inherently less susceptible to breaks. These factors are very gradually lowering the average age of the asset base, placing downward pressure on the number of breaks over the longer term.

Figure 2-1: Water mains breaks per 100km

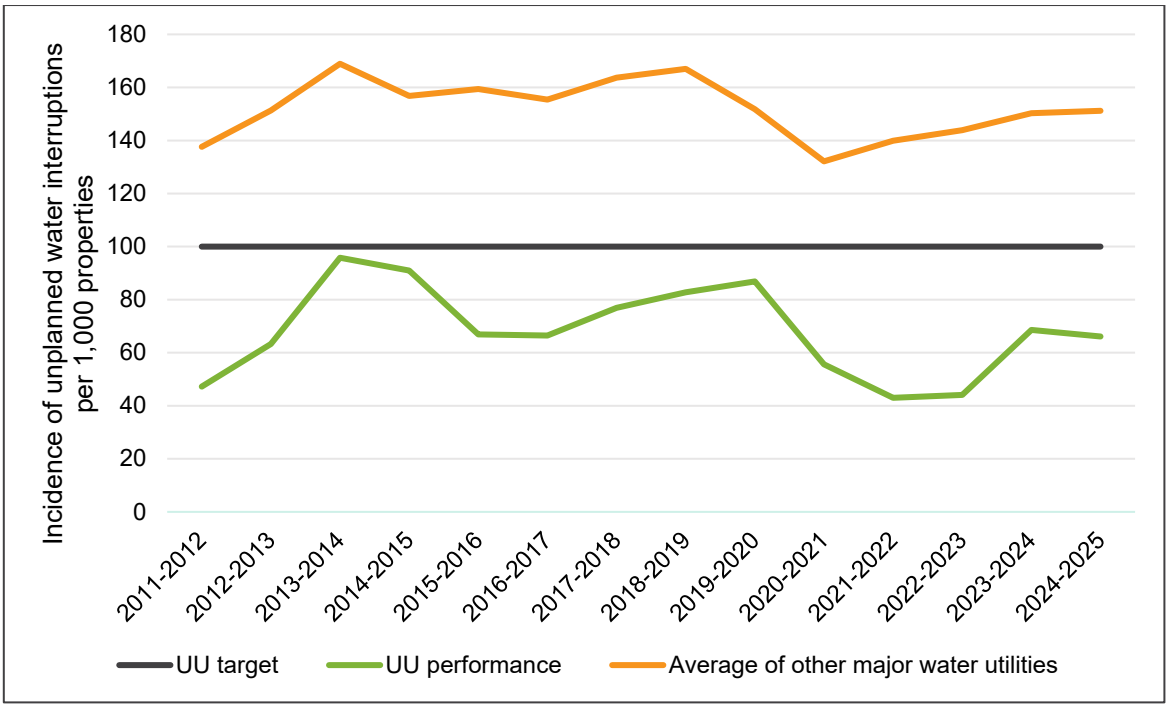


The incidence of unplanned water interruptions per 1,000 properties over the past 14 years reflects the same underlying influences of weather variability and evolving asset management practices. Specifically, in Figure 2-2:

- the peak in the mid-2010s is consistent with the period of significant climatic variability noted above
- between 2016 and 2020 we monitored slow leaks and allowed them to reach the point where they warranted cost-effective repair – this approach deferred intervention costs but meant that when repairs were undertaken, they were often more serious in nature and so required unplanned interruptions to complete
- from 2019-20 to 2022 we altered our practices to address small leaks more promptly, with our focus on clamping as an intervention, which does not require a supply interruption, leading to a notable reduction in the incidence of unplanned interruptions
- from 2022 onwards, we progressively moved towards undertaking more repairs and replacements relative to clamping, leading to greater supply interruptions because they were necessary to complete the works.

Notwithstanding the fluctuations in the number of outages over the past 14 years, we have consistently kept interruptions below our service standard target and better than the average performance of other major water utilities. Being a South East Queensland water retailer requires a concerted focus on water security and leak management compared with other Australian jurisdictions particularly with new levels of service requirements being introduced by the State Government.

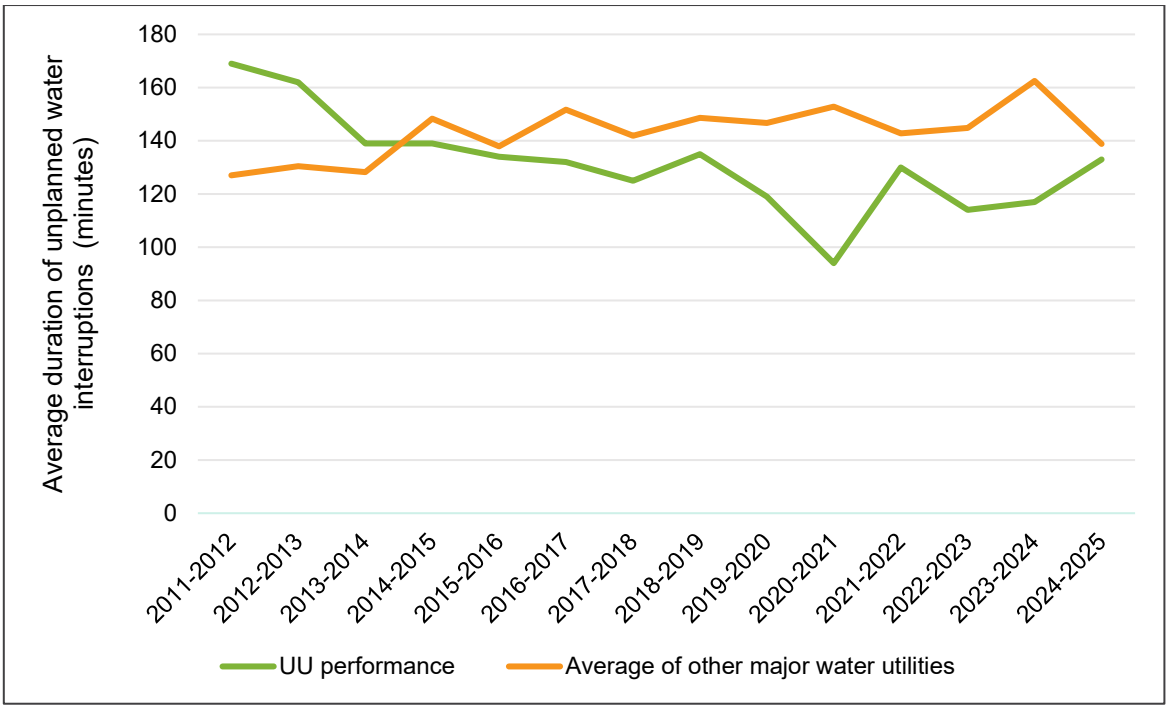
Figure 2-2: Incidence of unplanned interruptions – water



The average duration of unplanned interruptions over the past 14 years is similarly shaped by the evolution of our asset management practices, particularly the shift between clamping and pipe replacement as the primary approach. This reflects our broader shifts to asset management practices that provide long-term efficiencies as opposed to short term interruptions, all while maintaining performance within our service targets.

The general decline in average interruption duration through much Figure 2-3 reflects the increasing prevalence of clamping as an intervention method. Clamping is a relatively quick intervention that does not require significant supply interruption and, in many cases, does not require an interruption at all. As clamping became the dominant response to main breaks and leaks, average interruption duration fell accordingly. However, the more recent move towards pipe section replacement requires a greater duration of outage to completely address the defective section of the asset.

Figure 2-3: Average duration of unplanned interruptions – water



2.2 Our adoption of technology has improved wastewater reliability

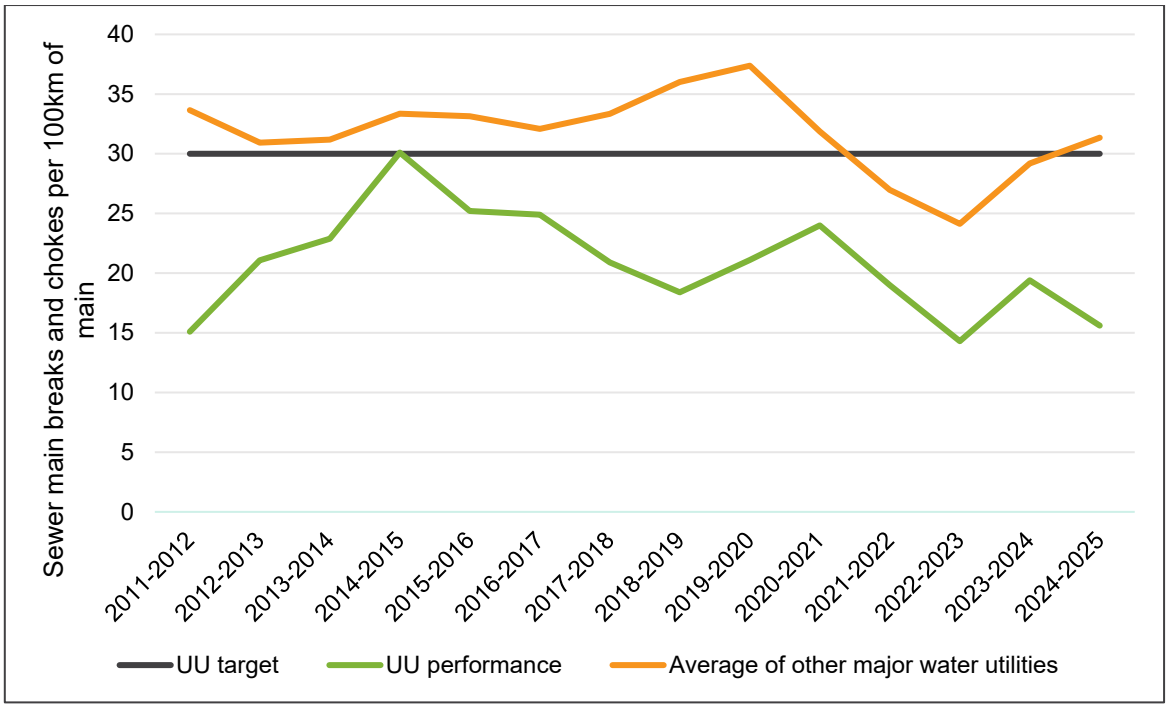
Figure 2-4 shows that we have consistently met our service target for sewer main breaks and chokes throughout the reporting period.

The elevated rate of breaks and chokes in the early years of the reporting period reflects the challenges associated with our formation through the amalgamation of individual council networks. Inheriting a collection of disparate assets of varying age, condition and maintenance history contributed to an elevated rate of breaks and chokes as we worked to understand and manage our consolidated asset base. This effect was compounded by floods in 2011 and 2013 that required us to focus our investment outside of the wastewater network.

The general downward trend from 2015 onwards reflects the impact of tactical interventions including CCTV monitoring and sewer cleaning. We have also increasingly deployed smart sensing devices to detect changes in network conditions and schedule sewer inspections and cleaning based on predictive analysis. These technologies have materially improved our ability to detect early warning signs, enabling a proactive rather than reactive response to emerging network risks.

More broadly, sewer main breaks and chokes are also influenced by weather conditions. The decline between 2015 and 2018 is partially attributable to steady rainfall patterns that reduced the incidence of tree root blockages. Conversely, as Queensland entered drought conditions from 2018-20, tree root blockages increased again as roots sought moisture in the sewer network.

Figure 2-4: Sewer mains breaks and chokes



2.3 We have a strong record of compliance with water quality standards

Water quality compliance is fundamental to public health as well as our customers' needs and is accordingly one of our highest service priorities. Consistent with the QCA's interim report, we assess water quality performance using NPR data relating to:

- the percentage of the population where microbiological compliance was achieved
- the percentage of the population where chemical compliance was met.

Both indicators reflect our risk management approach to drinking water quality, which is embedded in our Drinking Water Quality Management System (DWQMS). The DWQMS is based on the Australian Drinking Water Guidelines (ADWG) framework and provides the systematic basis through which we identify and manage risks to drinking water quality in collaboration with Seqwater.

Reflecting the effectiveness of our water quality management approach, we have maintained 100 per cent microbiological compliance across our entire service population throughout the 14-year reporting period – Table 2-1.

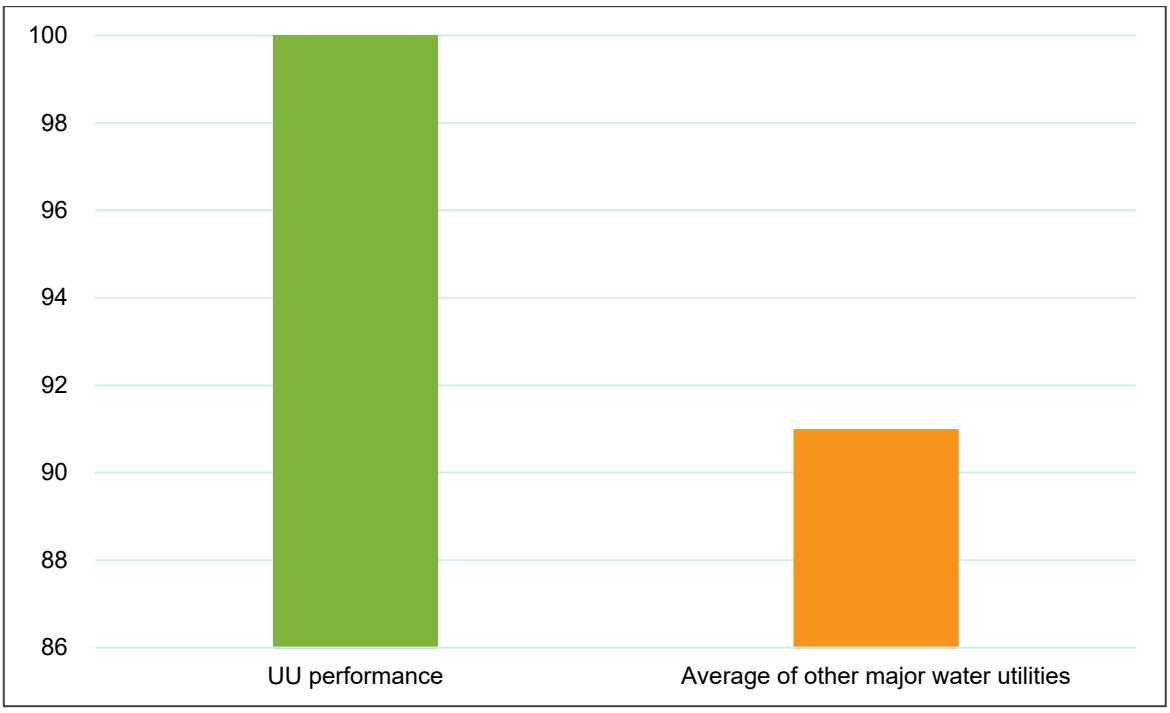
Table 2-1: Percentage of the population where microbiological compliance was achieved

Year	Urban Utilities (%)	Average of other major water utilities (%)
2011-2012	100.00	100.00
2012-2013	100.00	100.00

2013-2014	100.00	99.92
2014-2015	100.00	99.84
2015-2016	100.00	99.93
2016-2017	100.00	99.94
2017-2018	100.00	99.98
2018-2019	100.00	100.00
2019-2020	100.00	100.00
2020-2021	100.00	99.99
2021-2022	100.00	100.00
2022-2023	100.00	99.99
2023-2024	100.00	100.00
2024-2025	100.00	100.00

We have also achieved 100 per cent chemical compliance across our entire service population in FY25 – figure 2-5. We note that the indicator relating to chemical compliance has only been published in the NPR data since FY25, meaning a trend comparison is not yet possible. We also note that the peer average of approximately 91 per cent is affected by two outlier utilities and is not representative of typical performance across major water utilities, where compliance is generally close to 100 per cent.

Figure 2-5: Percentage of the population where chemical compliance is met



3 We will shape future service standards in partnership with our customers

We are committed to maintaining the reliability and quality of service that our customers expect. Over the price monitoring period we will maintain our current service standards because it is these service levels that our customers are accustomed to. Further, the compressed timeframe of the price investigation limits our ability to undertake meaningful engagement with our customers on current service standards.

We recognise that an important aspect of delivering on our commitment to reliability and quality is listening to our customers to ensure we are delivering services that meet their needs and expectations in the context of the costs of meeting these expectations for both the current and future customer base. We will therefore complete a formal customer-focussed service standards review during the price monitoring period to inform our service standards beyond the current price monitoring period.

3.1 We are maintaining service standards over the price monitoring period

While our existing service standards have not been formally driven by a structured customer engagement process, our customers have benefited from the existing standards for many years. We use several approaches to integrate our customers' voice into all aspects of our activities. Leveraging the insights of these approaches, we understand our customers' needs and expectations and are confident the current service standards reflect what customers value.

By way of example, we operate a comprehensive Voice of the Customer Program that includes up to 10,000 surveys annually. The core components of the program include:

- the Customer Relationship Study, which includes 2,000 participants per year and:
    - tracks overall perceptions of trust and value for money and key drivers of performance
    - revealed in the 2025 study that customers identified avoiding sewer odours and spills and preventing water outages, lower pressure and poor water quality as the top two areas of priority customers considered to be more important than keeping bills as low as possible
    - includes customer satisfaction surveys across key segments (residential, commercial, non-residential and development) to understand the moments that matter, pain points and improvement opportunities
- the Water Services Association of Australia (WSAA) National Perceptions Study, which we use to benchmark community perceptions of our reliability, responsiveness, water quality and wastewater services against more than 20 other providers
- the AustraliaNOW tracking, which we use to understand broader community context, including cost of living pressures and changing expectations across myriad of topics.

Our Voice of the Customer Program is complemented by our Customer and Community Reference Group (CCRG). Established in 2010 and reframed in 2023 as a strategic advisory

group, the CCRG provides an independent perspective on our strategic challenges and key decisions.

CCRG members bring expertise across key customer interests and segments including First Nations, vulnerable customers, families, youth, small business, Culturally and Linguistically Diverse communities, not-for-profit and environmentally focused customers. This group established and agreed on its own terms of reference and applies a consistent customer lens focussed on affordability, capital investment and its impact on customer bills.

The research and insights captured through the Voice of the Customer program engagements clearly identify key customer priorities including:

- Customers consistently identify safe and reliable water and wastewater services as their highest priority, with the majority agreeing we currently deliver on this expectation.
- Customers also rank the provision of safe drinking water as a top priority, with majority agreeing we deliver water that is safe to drink.
- Customers also indicate a clear preference for proactive investment in infrastructure to prevent disruptions rather than reactive responses after failures occur.

Accordingly, we consider that our existing service standards represent a reasonable and appropriate basis for the current price monitoring period, particularly considering the time available in the review to complete meaningful customer and stakeholder engagement. As discussed below, we will undertake a detailed review of our service standards with our customers over the price monitoring period.

3.2 We will undertake a customer-focussed service standards review to inform future standards

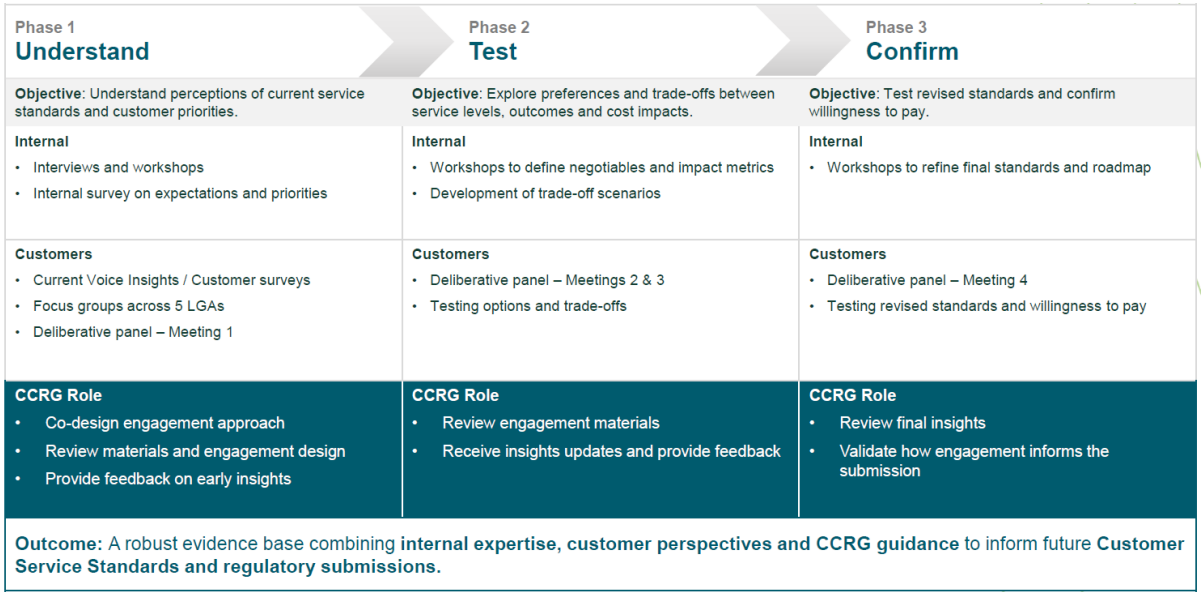
We are committed to undertaking a formal customer-focussed service standards review during the price monitoring period. This review will be:

- meaningful and influential, with our customers having a genuine opportunity to shape our service standard decisions
- inclusive and representative, with the customer input reflecting the diversity of our customer base including regional and vulnerable customers
- transparent, with the options, trade-offs and constraints clearly explained
- clear and accessible, with information presented in plain language in order to support informed participation
- integrated and evidenced, with customer feedback demonstrably considered in our decision-making, including justification for decisions that depart from customer views.

By conducting the service standards review based on the above principles it will provide a robust evidence base that combines internal expertise, customer perspectives and CCRG guidance to inform future customer service standards and regulatory submissions.

Figure 3-1 provides an overview of our three-phase engagement plan for completing the service standards review.

Figure 3-1: Overview of the engagement plan for the service standards review



As figure 3-1 indicates, a key element of our service standards review will be to engage with our customers about the trade-offs between expenditure (and therefore prices) with the level of service provided. Exploring these trade-offs is important because we generally possess a reasonable degree of discretion for setting the specific target for our service standards (noting that in practice our discretion is limited through compliance with our broader statutory obligations). The South East Queensland Customer Water and Wastewater Code is prescriptive with respect to the metrics we must publish but is not prescriptive with respect to the specific targets.

Exploring these trade-offs forms part of our broader customer engagement pathway over the price monitoring period, which will better embed meaningful customer engagement on key investment decisions and price paths in the future.

4 Delivering what our customers expect goes beyond meeting our current service standards

Meeting our service standards is necessary but not sufficient to deliver the outcomes our customers expect over the long term. Our published performance indicators provide a useful window into customer-facing service outcomes, but they capture only part of what drives our expenditure. Two broader considerations are important to understand our expenditure.

First, maintaining current service performance requires proactive investment informed by lead indicators. We invest before any asset deterioration becomes observable in these indicators because this is a more prudent and efficient approach to delivering long term services to customers. This approach seeks to optimise the cost trade-offs between current and future generations through ensuring investments are made prior to deterioration that is costly for future customers both in terms of standard of service provided and in reactive investment.

Second, we operate within a comprehensive statutory framework that imposes significant obligations beyond those captured in our published performance measures. These obligations are material drivers of our expenditure.

4.1 Ongoing investment is required to maintain service quality

For long-lived water and wastewater infrastructure, time is a critical consideration. The risks that ultimately cause service failures, such as ageing assets, growing demand and emerging environmental pressures, often take many years to manifest as problems that customers actually experience. By the time a service failure becomes visible, the window for cost-effective, planned intervention has largely closed. What remains are reactive, more disruptive and more expensive responses which also serve to erode customer trust and social licence.

We have historically, and continue, to perform well against our current customer service standards, however these are lag indicators for total service outcomes. It is the product of both active and systematic management of lead indicators that drive service outcomes that address our customers' expectations. Thus, it is important that continuous investment simultaneously integrates regulated service standards and a view of customer outcomes to sustain wholistic performance.

Deferring investment until service failures become observable would ultimately impose greater disruption on customers and higher costs on the community over the long term. We do not consider this to be a responsible approach to managing infrastructure that serves millions of people and has an economic life measured in decades.

We apply this principle across each dimension of our investment program, as summarised in table 4-1 below.

Table 4-1: Investment drivers and how we identify emerging risks early

Investment driver	How we identify emerging risks early
Asset condition and renewal	• Condition and performance data are used to identify and prioritise emerging risks, enabling planned intervention before critical failures occur. • Renewal investment is increasingly directed towards our highest consequence assets, trunk mains and key system infrastructure, where failure would have the most significant customer impact.
Growth and demand	• Demand forecasts, growth projections and hydraulic modelling are used to identify capacity constraints before they manifest as service failures. • Particular focus on high-growth areas where the consequences of underinvestment are systemic and difficult to reverse.
Environmental compliance	• Load trajectories, process performance trends and system capacity utilisation are monitored to enable intervention before licensed discharge limits are breached, rather than in response to exceedances
Public health	• Water quality trends, barrier performance and system resilience metrics provide early warning of risks to drinking water safety, enabling mitigation before risks translate into public health incidents

4.2 Publicly available indicators do not capture all of the outcomes our customers expect

The performance indicators presented in the discussion of our historical performance are limited to customer-facing outcome measures available through the NPR. They do not reflect the full scope of our statutory obligations or the breadth of outcomes our customers and the community expect us to deliver.

We operate within a comprehensive and evolving legislative framework spanning water supply, wastewater services, environmental performance, public health and safety. Environmental legislation requires us to operate within licensed discharge limits and to meet broader environmental duty obligations. Public health legislation requires us to maintain certified Drinking Water Quality Management Plans, robust monitoring systems and effective incident response capability.

These obligations require ongoing and forward-looking investment to ensure compliance is maintained prospectively, rather than restored reactively following a breach or incident. Neither category of obligation is captured in our published service standard indicator, yet both are significant drivers of our proposed expenditure.

4.3 Understanding Future Customer Expectations

Looking further ahead, the gap between what our current service standards measure and what customers will expect is likely to widen. Population growth, ageing infrastructure, climate change and evolving community expectations, including growing customer interest in environmental outcomes, will progressively expand the scope of what constitutes an acceptable standard of service. Our investment requirements are therefore shaped by not only the need to maintain existing service levels, but by the need to anticipate and respond to these broader trends.

These ever-evolving trends are an important reason why the customer-focussed standards review, as well as our broader customer engagement program, are critical. In the absence of a formal regulatory framework, we have developed a phased approach to customer engagement that will progressively build the evidence base needed to align our investment program with customer expectations and inform future pathways. This will move beyond service standards to encompass deeper engagement on investment priorities and the relationship between service levels and bill impacts. This will provide customers with a genuine and informed voice in the decisions that affect them most.