

# Water & Wastewater Services

## Economic & Financial Consulting

FTI Consulting's water market experts advise governments, regulators, companies and their investors in the pursuit of regulatory outcomes that strike a balance between the promotion of efficient operations, investment incentives, competition and continued investment in asset and service quality. Our experienced team have advised water utilities, regulators and governments on regulation and pricing, governance, industry structure, market reform and performance monitoring.

### WHY FTI CONSULTING

#### Global offering

We seamlessly combine our global resources to support you where you need us most, adapting and diversifying our team based on your needs.

#### Hands-on experience

Our Australian professionals have senior-level commercial, government, regulator and public service experience.

#### Comprehensive services

Our Australian team has expertise across all long life infrastructure sectors including water, energy, transport and precincts.

We have expertise in water treatment, storage, reticulation, resource and environmental economics.

#### Specialist skills

Our team has deep expertise in economic and financial advisory services, including economic regulation, investment analysis, benchmarking, economic modelling, government policy and advising on commercial decisions.

### Our Services



#### Cost measurement and analysis

Allocation of costs between activities, customer types and tariff bands based on an understanding of accounting and economic costing principles and methods.



#### Demand modelling

Analysis of water demand and underlying drivers. Economic scenario analysis and specific industry modelling to generate predictions.



#### Price, productivity and efficiency benchmarking

Applying best practice methods to measure efficiency and benchmark prices and performance to drive profit improvement.



#### Regulatory strategy and advice

Advising regulated businesses on all aspects of economic regulation.



#### Governance

Developing governance arrangements for regulated entities.



#### Water investment and planning

Advising on investment proposals, business cases, masterplans and asset management. Advising on financial and economic analysis of project options, incorporating due diligence, and consideration of risk and uncertainty.



#### Policy frameworks

Advising on appropriate policy for the water sector, including designing and implementing reforms and access pricing arrangements.

## Our Water Services Offering

FTI Consulting’s water markets team comprises specialist expertise across economics, finance, accounting, econometrics, strategy and valuation to deliver advice to clients on complex and high impact commercial and policy problems. Our team is made up of a diverse mix of experts including former regulators, in-house regulatory economists, engineers, and highly-qualified academics, who have conducted influential research in their respective fields. Our advice has spanned all states and territories in Australia and includes advising on demand

forecasting and analysis, financial modelling (OPEX, CAPEX), estimating WACC and developing price models. Our team has a wide range of experience building and auditing financial models (often incorporating tools to make sensitivity and simulation analysis simple) as inputs to decision making. We advise on the appropriate form of regulation, for example, high level performance monitoring and prices oversight, revenue cap v. price cap and have significant cost of capital experience in the context of valuations, disputes and investigations by competition authorities.

## CASE STUDIES

### Water price review – Essential Services Commission, Victoria

Advising the Essential Services Commission on the adequacy of water corporations’ proposed operating and capital expenditure forecasts for the next water price review. Our water experts are assessing each corporation’s price submission to ensure that it meets the requirements of the regulatory framework. This includes working with water corporations where submissions do not meet the requirements. Our team’s advice will underpin the Commission’s determination that specifies the maximum prices that each water corporation may charge.

### Regulatory advice – Unitywater

Advising Unitywater on water and sewerage services to 300,000 customers across \$3 billion of assets. This project involved developing a policy position for Unitywater with respect to the desired form of economic regulation to apply to SEQ distribution and retail water businesses. This included liaising with the Queensland Competition Authority, Queensland Government and other water businesses. An extension of the project was analysis of trade waste services and development of a revised pricing structure consistent with economic pricing principles. The advice was adopted by Unitywater.\*

### Victoria Civil and Administrative Tribunal (VCAT) – Impacts on retail water prices

Advising the three metropolitan Melbourne water retailers in relation to a VCAT dispute about the pricing strategy for a customer group. Our advice included extensive consultation with DELWP and legal experts and resulted in a successful negotiation with the customer group. The project demonstrated the need for ongoing reform of the regulatory framework in terms of pricing for multi-dwelling residences.

### Capital investment – Gladstone Area Water Board

The Gladstone Area Water Board supplies water primarily to an industrial customer base.

To serve this need for stable water, GAWB undertook to increase the height of the dam wall at Awoonga Dam. This was recognised by the regulator as the most efficient way to accommodate future growth in demand. To date, GAWB had been unable to recover most of the efficient costs from this investment.

- Our team advised on the economic efficiency of customers making a contribution to the capital cost of the dam augmentation.
- Our team’s advice drew implications for current GAWB customers and evaluated the approach taken by IPART for the Tilegra Dam. The advice informed GAWB’s negotiations with the regulator.

\* These projects were undertaken either by FTI Consulting or by current members of our team.

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