

## Summary of findings

The report is structured as responses to the fourteen questions posed in the brief. This section brings together the main findings to provide a short overall summary.

The benefits identified in the Marchmont Hill Consulting Report for Southern Water (MHC-SW Report) are heavily dominated by capital costs savings resulting from water savings (63% to 75% of all savings depending on the case). (p5)

Marchmont-Hill Consulting prepared two reports on water meter cost benefits: one for Treasury on the state wide roll out (MHC-Treasury) and one for Southern Water on the cost benefit of different meter types (MHC-SW) (p7). There were some inconsistencies between the assumptions used in the two reports with the MHC-SW Report showing greater proportional water savings than the MHC-Treasury Report.

Neither report considered alternatives to meters other than the status quo. (p5)

The benefits case is highly dependent on assumptions about water savings but the claimed reduction in water use is not well supported, resulting in uncertainty about the claimed savings.

Based on a review of examples cited in the MHC-SW Report of water savings elsewhere provided – “Thus the claimed reduction is not well supported by published evidence for the cases cited.” (p16) and “This is significant as it affects the potential for capital deferral, the largest single source of savings cited and one which is sensitive to changes in assumptions.” (p13)

The assumed current leakage rate in the MHC-SW report is 20%. This is higher than that assumed in the MHC-Treasury report of 15%. The degree of savings assumed is higher in MHC-SW than in MHC-Treasury. This change in assumption has a significant impact on the potential savings (p13-14)

Some cost elements of operating and maintaining meters, including maintenance and additional customer contact were not included in the MHC-SW analysis, although the expected impacts of these costs are relatively low (p10-13)

Two-part pricing of water is intended under the State Government legislation and this is to eventually expected to be based on water meters. However, there is no clear mandatory requirement for meters nor by implication a deadline for their installation (p24-27)

Available information implies that the \$5 million grant is specifically tied to water meter rollout, though SGS has been unable to obtain a copy of the terms of the grant. (p8-9)

It is not possible to prepare a full, independent assessment of the benefit/cost to customers without more detailed information being made public. (p28-30) Savings are expected to increase relative to costs if a longer time horizon is included. Based on the MHC-SW pessimistic scenario, which is believed to better represent likely water savings achievable, and some allowance for additional costs (maintenance, leakage repairs brought forward and customer costs), the estimated NPV for 15 years would be -\$1.2 million and for 30 years would be \$2.2million. (p29)