



newDEMOCRACY

YARRA
VALLEY
WATER

PRICE
SUBMISSION
PROCESS
2017

STRATEGIC DESIGN

1. CONTEXT

Yarra Valley Water is the largest of Melbourne's three water retailers covering the area from Wallan to Warburton. It provides water and sanitation services to almost 2 million people and 50,000 businesses. To give a sense of scale, it serves 250,000 people more than the next largest retailer, while covering 16 different local government areas with almost 20,000 kms of water pipe. Over the next twenty years, the Yarra Valley Water catchment population is expected to grow by 500,000.

All water authorities in Victoria are required to prepare a price submission to the Essential Services Commission (ESC) to set the price for water and sewerage services for 2018-2023.

1.1 The challenges in setting a price (the dilemma)

Yarra Valley Water is at its core a customer service organisation tasked with navigating the provision of ideal water and sewerage services.

There are many challenges in setting a price for water and sewerage services. Yarra Valley Water must strike the right balance between several outcomes including the prices that customers pay, the long-term level of water security, and the service levels delivered by its water and sewerage networks.

As well as the almost 2 million customers, the area population is steadily growing and the asset base is aging: the 20 000kms of pipe laid down over the generations is gradually either breaking down or not servicing the increased load adequately. It needs to be replaced, but efficiently! This means carefully picking those pipes that need replacing and not touching those that are working. A delicate and difficult balance. Yarra Valley Water has a proactive approach to renewals and upgrades e.g. on average they renew over 40kms of sewer each year.

This is coupled with increased variability of climate and overall climate change. These factors change the predictability of both how much and when the rain falls. This intermittent drying and wetting regime causes pipes to break. Hence the phenomena we face - more pipes are breaking and more people need water.

Financial hardship in the community, and intergenerational infrastructure equity are other fundamental challenges that Yarra Valley Water must navigate both now and into the future.

The combination of these challenges sheds light on the difficult trade-offs laying in a service most customers take for granted. Broadly, service retailers are expected to operate in a way that reduces rates while at the same time providing flawless continued service. An impossible task.

Finding a way through these challenges involves making complex **trade-off decisions** between major projects and areas of investment; or exposing what level of tolerance consumers have for service disruption and bursting water mains. The decision to improve infrastructure stability at the cost of increased rates is a difficult choice, one with often exponential pricing implications.

Often, these decisions are subject to public criticism from a small section of the community who feel they have not been adequately consulted. Additionally, fairness is subjective – Is it fair if 100 people of 2 million experience three service disruptions in a year? Is it fair if a fix costing tens of millions of dollars is paid by unaffected people already struggling with their bill?

1.2 Engaging customers

In the absence of a substantial community/customer consultation process, there is a high likelihood that any amendments to pricing or service levels will face an ever-increasing degree of public cynicism

and skepticism which sees any change interpreted as being solely for the benefit of a special interest group or the organisation itself.

In the past, the decisions about pricing have been undertaken by water authorities staff and approved (or not) by the Essential Services Commission. Yarra Valley Water has decided to undertake a substantive and quality engagement process – involving its customers as well as expert staff in the decision-making process. There are many methods for engaging communities in decision making and Yarra Valley Water has decided to build on the deliberative engagement approach taken for their last price submission by undertaking a citizens' jury to help deal with the **dilemma and complex trade-offs** that are involved in price setting.

1.3 Best method for engaging the community - why a jury

In developing its 5-year costed plan, Yarra Valley Water must pair customer and community feedback with their own in-depth knowledge of their water and sewerage networks, and the challenges these services face. Pricing cannot simply be an expert task.

Additionally, Yarra Valley Water is faced with the fact that water and sanitation services are not top-of-mind for most customers. Instead, their consciousness of the importance of these services is typically only elevated when access is compromised (for instance, through water restrictions, a water main burst or a sewer blockage/spills).

The community is often thought to be averse to increasing rates and raising household costs, based on their top of mind opinions, but we don't know the considered view.

Yarra Valley Water's 5-year plan will be judged successful only if its priorities are seen to reflect fair decision making based on evidence and a willingness to reflect customer and community priorities - not everything can be done, and the decision to invest in Option A rather than Option B needs to reflect a community view of what is important and fair.

The community must feel that they are part of the decision, not just the subject of it. The difficulty herein is that sufficiently engaging the community at a depth that reveals the difficulties within water and sewerage service provision is often hindered by the time investment required to do this well. The familiarity of water services, that they're an everyday essential service, acts to gloss over the nuances involved in its provision and complexity.

It is not possible to both sufficiently inform Yarra Valley Water's almost 2 million wide population base and facilitate a meaningful open public deliberation.

Hence, a 35 person citizens jury meeting over 5 days is the best method of engagement – to hand the time, resources, and authority to a descriptively representative slice of the community and empower them with the task of becoming sufficiently informed enough to participate in the weighing up of trade-offs within this service provision. More information on the selection of the jury is provided in Appendix 1.

Getting past the default 'something for nothing' frame of reference that surrounds water and sewerage provision requires a method of public deliberation that allows the time and expertise required to bridge the gap between public opinion and public judgement. Sharing the problem with the community benefits Yarra Valley Water because it dramatically increases the depth of the engagement. Whilst also enabling the community to participate in a more equitable deliberative process that unpacks the water and sewerage process and helps to address the provision of an intergenerational essential service.

When the community sees 'people like me' engaging in high level co-planning exercises, they are significantly more likely to trust the complex trade-off decisions that need to be made. This process offers a way in which the community can co-plan aspects of an essential public service that facilitates meaningful deliberation on complex trade-offs, all the while producing a trusted public decision.

This process assists Yarra Valley Water in getting to the core of community concerns through considered engagement. In turn, it provides an unprecedented opportunity for the community to directly participate in a co-planning exercise on issues of intergenerational equity and trusted decision making.

2. JURY METHOD & OUTCOME

After five days of deliberation, the jury will present Yarra Valley Water with their report that will contribute to Yarra Valley Water's 5-year Essential Services Commission (ESC) price submission plan. The jury will deliver a considered consensus position on a level of tolerance regarding the balance between service quality and service price.

There is no expectation that citizens will become experts. nDF and MosaicLab have full confidence that the jury will be able to weigh competing viewpoints, identify experts of their own choosing, integrate other sources and reach agreement on fair tradeoffs. We have confidence that the recruitment and operations of the jury will defy a cynical view that they are somehow 'staged' as jury selection is visibly hard to cheat – the participants themselves are the proof. Communicating this from the outset needs to be a shared objective.

Yarra Valley Water should expect to receive clarity of intent and direction from these citizens. It is not an audit. Importantly, we give citizens considerable latitude in how to solve the issue – we start from a blank sheet of paper and encourage them not to be limited by "how we've always done things".

There is one key measure of success from a community process: is the final decision taken different from the decision you would otherwise have taken?

As with all jury-style processes, nDF and MosaicLab's implicit objective is to design a process with sufficient rigour as to withstand (understandable) skeptical scrutiny – one which visibly cannot be influenced by a politician, an interest group, or financial interest. Equally, those active interests must be engaged sufficiently early and substantively as to see the process as worthy of an investment of their time.

2.1 newDemocracy Foundation's Role

Equally, the role of nDF as non-partisan operators with no interest in the issue nor a desire for ongoing work with Yarra Valley Water must be emphasised. Citizens have grown wary of consultants and experts delivering the result which government pays for in order to earn further work. The Foundation's own brutal self-interest – to prove that citizens can solve problems for themselves if given the scope to do so – should be openly and actively shared.

This project objective aligns to nDF's desire to deliver public decisions earning widespread public trust. To do this, nDF will oversee all planning and delivery of the process, including the facilitation and facilitators (in this case MosaicLab), any speakers or presenters at jury sessions, the input from YVW staff or Board members, and in fact by jury members themselves - to ensure the jury is not lead, coerced or lobbied in any way.

2.2 MosaicLab's Role

MosaicLab's objective is to design and facilitate the stakeholder consultation sessions, the jury days and project manage the overall approach. MosaicLab will maintain an independent, unbiased role within the project working to ensure the best outcomes for all involved. MosaicLab will oversee the activities within jury sessions, whilst nDF will manage processes that feed in and out of the jury process.

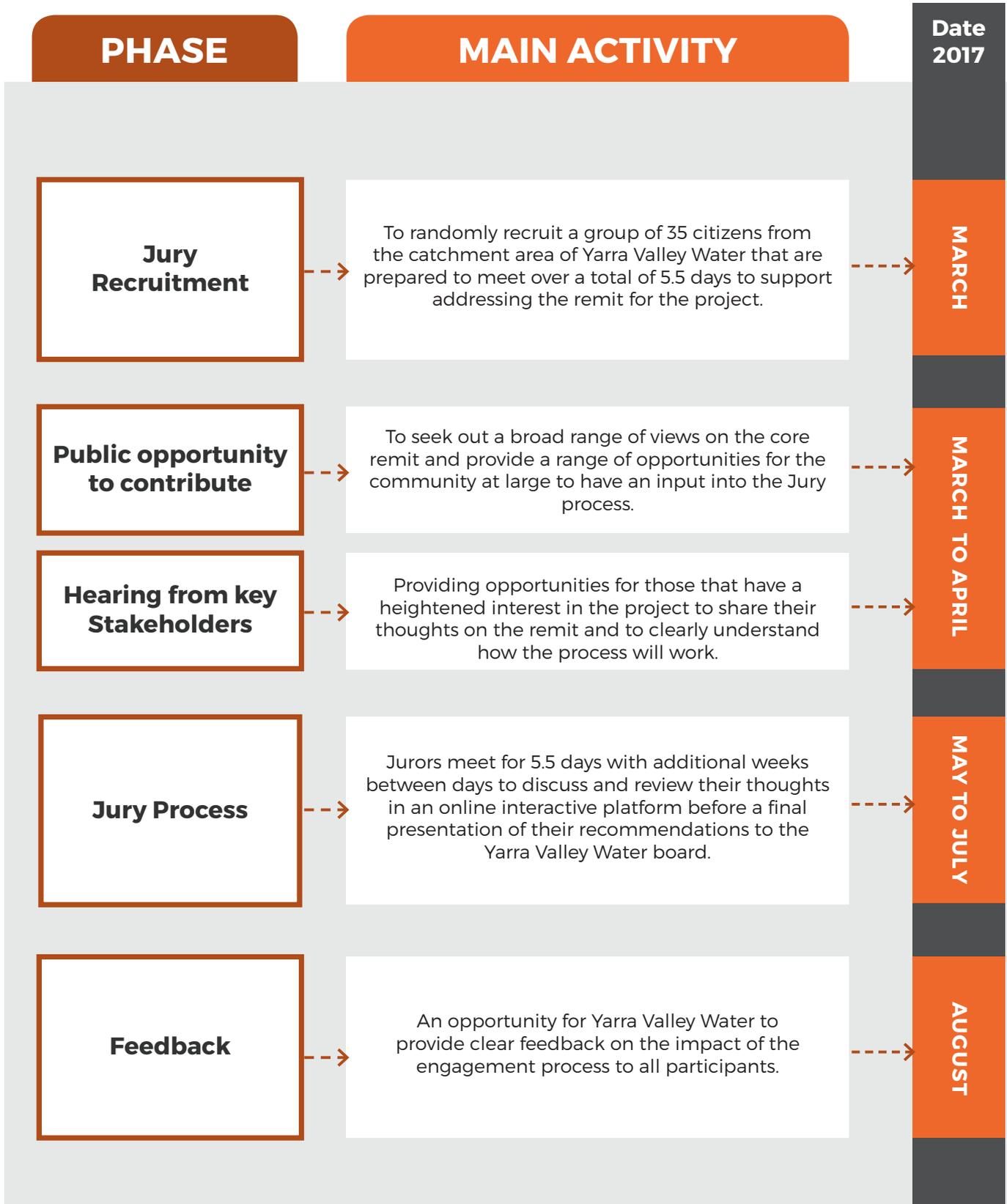
3. DELIBERATIVE ENGAGEMENT PRINCIPLES

Activities such as citizens juries are designed around a core set of principles. These are outlined below:



4. THE PROCESS ROADMAP

This project involves several steps. The following diagram outlines the key milestones and events in the process and the roles of each of the project team.



KEY ROLES

newDemocracy Foundation

To lead on all recruitment and communications activity.

To support with providing briefings to the public, stakeholders and media on the overall intent and process attached to the Citizen Jury.

To provide oversight and overall integrity of the process.

To monitor and respond on the final results of the process.

MosaicLab

To focus on detailing the process for the Jury phase.

To help facilitate briefings and focus on preparations for the Jury process.

To deliver all facilitation aspects of the Jury process.

To implement debrief process with the participants.

Yarra Valley Water

To provide administration support to NDF as required.

To lead on the planning, implementation and reporting for all wider engagement opportunities.

To support with communications and logistics surrounding the Jury Process.

To report on the impact of the engagement process.

5. THE JOB FOR THE JURY (THE REMIT)

Water and sanitation are essential services. With increasing population and changing weather impacting wear and tear across the water and sewer services network, we need to continually invest to meet your needs now and into the future.

No one wants to pay what's needed for a 'perfect' network. But no one wants a network which is unreliable.

OUR CHALLENGE:

We need to find a balance between price and service which is fair for everyone.

HOW SHOULD WE DO THIS?"

5.1 Rationale

- Positioning statements that are not part of the formal remit will help people understand the context and accept the invitation. Further information will be provided in an 'INFORMATION KIT' provided to the jury.
- Share the problem – and do so forcefully with the use of the additional sentence, while leaving the core question concise.
- Express it plain English so anyone picking it up casually can understand it. It passes the café test.
- We ask an open question open to any response.
- It shows a trade-off problem rather than opening the door for a wish list (i.e. its tethered to 'how' not 'what').
- We can use the Information Kit to explain that Yarra Valley Water requires specific direction on pricing levels. The jury is free to provide additional comment on tariff structures, but this is not the core task.
- A complementary use of scenarios within the Information Kit (no change to prices, reduction in prices, small increase, large increase) will accelerate understanding.

5.2 Authority

The recommendations of the jury will be responded to within 40 days by the Managing Director and Chair of Yarra Valley Water – both in writing and in person.

The jury's entire report will be attached – unedited and unchanged – to our pricing review for the Essential Services Commission.

Rationale

- It is essential that an everyday person (i.e. without an acute interest) sees that this is worth their time.
- The authority level does not compromise the ability of Yarra Valley Water to make its own final decision.

6. RECRUITMENT AND SELECTION

6.1 Selection

We will operate a jury of approximately 35 randomly selected citizens meeting for five Saturday sessions (plus a preceding 'Meet & Greet' session), interspersed with two-week intervening periods between each session.

The participant count is slightly fluid to allow for the demographic profile match to be maintained even if there is a shortfall in a single category. This approach places an emphasis on the quality of descriptive representation in jury selection by recognising that the more citizens can identify with individual participants and see "people like me" making a decision, the greater the chance of having the wider community amenable to the content of the decision.

In order to achieve a descriptively representative sample, nDF recommends using the four standard stratification variables of age, gender, household type (owner occupiers, landlords and tenants) and geographic locality. nDF will also include a business-resident variable, the purpose of which is to descriptively represent the unique way in which commercial business engages with Yarra Valley Water. Commercial and Industrial water use make for 7% of service locations yet account for 20% of usage. To translate this usage dynamic into the jury, nDF will allow for 10% of the jury to consist of local business members. This business stratification will be size neutral, large industrial contributors will be included in the Stakeholder Reference Group, while all other businesses will be included in the pool for stratified selection.

In addition to this standard stratification, nDF will incorporate the personas Yarra Valley Water have produced from their human-centred qualitative research and its quantification within their customer base. The statistical benefit of randomisation and probability will deliver people across a range of professions, lifestyles, ethnic and cultural backgrounds without having to specifically call this out in recruitment. This approach has consistently delivered a diversity of local faces and voices addressing the 'people like me' objective of the stratification process.

nDF's use of Yarra Valley Water's qualitative personas will improve the depth of this catchment through its use as an additional selection stratification variable. Persona quantification will not be completely mapped onto the jury, instead, a minimum quota of each persona will ensure jury diversity. These qualitative personas will deliver discursive representation of the different ways various individuals relate to their community – further reinforcing the diversity of perspectives in public deliberation (see Dryzek and Niemeyer 2008)¹. This synthesis of the standard stratification process with Yarra Valley Water's own analysis of their customer base ensures there are unlikely to be gaps within the Yarra Valley community that the jury does not draw from.

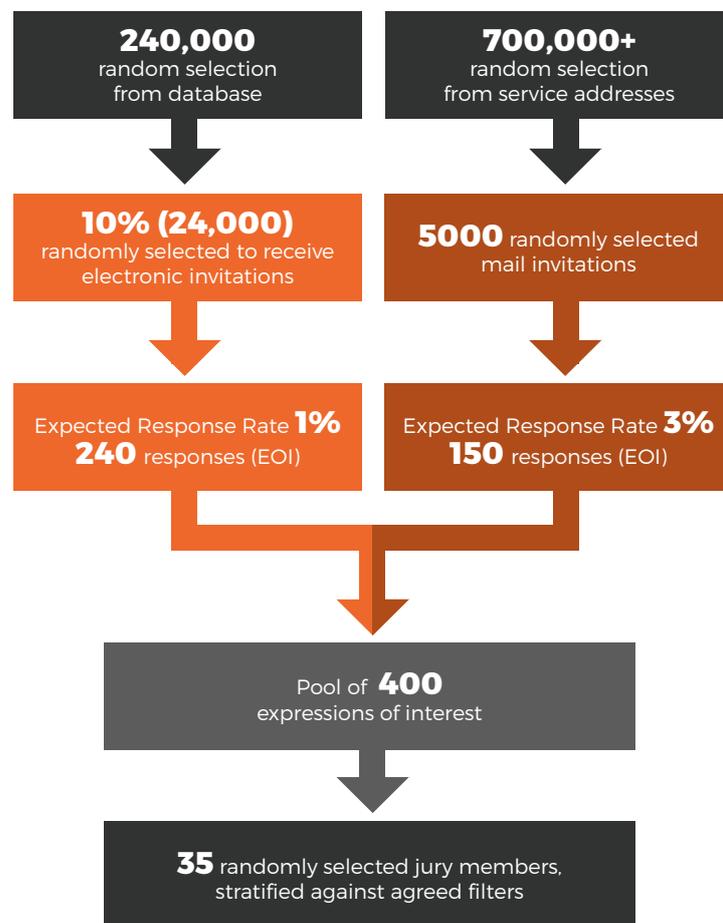
This stratification is not claimed as a statistically perfect method, instead it delivers a more representative sample than any other community process. The strength of this selection process lies in the wider community clearly seeing "people like me" in decision making positions – descriptive representation in this way fosters trust in substantive representation and ultimately trust in decision making.

¹ Dryzek, J and S. Niemeyer. 2008 'Discursive Representation', *American Political Science Review*, 102:4, pp. 481-493.

6.2 Recruitment

To achieve the appropriate level of randomness, it is necessary to avoid an overemphasis on connecting with those who are traditionally likely to opt-in to customer and community engagement processes, while also casting the net of invitations sufficiently wide. To generate a sufficient pool of individuals from which to randomly select, nDF will work with Yarra Valley Water to extend an electronic invitation to a random sample of the 240 000 Yarra Valley Water customers whose email addresses are available. This database is sufficiently large (one third of Yarra Valley Water's customers) to avoid any specific skew. From this we will randomly draw 10% of the large database - diluting any self-selection skew within Yarra Valley Water's digital engagement. From this round of invitations, an expected response rate of 1% will return a pool of approximately 240. The size of this pool in combination with random selection sufficiently dissolves concerns of the narrowness of the customer email reach and any possible skew that might entail.

These electronic invitations will be complemented by 5000 random mail-out invitations sent by nDF from a 700,000+ random sample of the service addresses. Mail-out invitations are designed to compensate for the digital access skew of the email invites, reaching those without or limited digital access. Invitations will be sent to random physical service addresses within Yarra Valley Water's customer base. This combination of readily available randomised digital contact with randomised mail invitations will produce a large pool for the stratified random selection to draw from. When combined with the stratification parameters outlined above, there will be no risk of an inherent self-selection skew within the jury sample.



The invitations will carry the authority of Yarra Valley Water, emphasising the remit and commitments made by Yarra Valley Water to the authority of the jury's final report. We will also emphasise the newDemocracy name to note the independence of the selection process as outside the control of Yarra Valley Water, placing an emphasis on jury ownership of the project. This link to democratic reform and juror autonomy is crucial to capturing juror interest, it builds upon latent social disaffection with public decision making by reinforcing the uniqueness of this opportunity. nDF will use this platform to explain and step jurors through the process when asking the recipient to confirm availability for selection. This exercise in personal communication establishes a relationship between nDF and the juror – emphasising the independence of the process and the role of the juror.

Interested participants will register online with nDF to indicate that they are available for the final selection (as a fall back, nDF also provides a phone number for people who prefer to contact us to register). This registration process involves collecting relevant stratification data, including qualitative persona questions. Based on the registrations received, the stratified random draw will be conducted by nDF seeking to randomly match to the stratification detail set out above. The sample drawn will be contacted by email seeking a confirmation in writing from the participant, and nDF will additionally contact each participant by phone prior to the first meeting to build a strong personal commitment to participating, noting that once underway we cannot backfill for non-attendees.

Importantly, nDF will not provide any juror information to Yarra Valley Water (personal or contact details). Public cynicism around potential vetting is sufficiently high that nDF's goal of public trust is threatened by any perception that lists are reviewed. Yarra Valley Water will meet the participants for the first time on the first day of meet and greet for the jury.

Just as in juries, payment of per diems are strongly advised to avoid excluding participants who may find participation difficult through hardship: this is proposed as \$500 per participant in total. Invitations will clearly note that this payment will be made for time, and that meals are provided at the weekend meetings.

6.3 Stratification table

Jury size: 35 (plus reserves: recruitment of 38)

The table below outlines the demographic stratification used in the random selection process. This is both who the community is, and who will be in the room.

Stratification Variable	Area %	Jury No.
Gender: Male	49	19
Female	51	19
Age: 18-24	14	5
25-29	11	4
30-39	21	8
40-49	20	8
50-59	17	7
60+	17	6
Inner North	23	9
Inner East	21	8
Central East	17	6
Outer North	28	11
Outer East	11	4
Household: Owner	78	29
Tenant	22	9
Landlord	16	6
Resident	90	34
Business	10	4

7. ORGANISATION PROFILES

7.1 newDemocracy Foundation

The newDemocracy Foundation (nDF) is a not-for-profit research institute registered as a charity, with a particular focus on demonstrating the practical application of a fundamental change to democratic involvement by citizens. nDF considers that many consultation processes consist of feedback forum events largely attended by interest groups and hyper-interested individuals and singularly fail to engage everyday people.

Such processes do not result in citizens feeling they have had a say. In contrast, nDF's proposal is to apply the principles of deliberation to a series of activities: this enables a more representative section of the community to be involved in a considered way. By combining the three elements of random selection, the provision of time and access to all information, and independently facilitated forums for dialogue, a much more robust and publicly trusted outcome can be obtained which can assist Government in achieving public acceptance of hard tradeoffs.

We are not a think-tank and hold no policy views. Our Research Committee is led by Geoff Gallop and Nick Greiner as we build on the experience of those who understand the challenges of politics while demonstrating that nDF does not have any partisan alignment.

We take every step to ensure best practice with our projects and integrate independent third party research to further the understanding of how citizens can successfully improve trust in democracy through process innovation.

Our aspiration is to prove that everyday people have a role in making public decisions which affect their lives. Our interest in working with Yarra Valley Water is to deliver the standard by which all monopoly utility providers elect to share the decision making tradeoff with their customers such that this becomes the norm in our society.

For more information visit www.newdemocracy.com.au

7.2 MosaicLab

Mosaic Lab is led by three founding directors with specialist skills in workshop design and facilitation and engagement process design and delivery. We're a diverse, highly skilled collective of industry leaders with strongly aligned values and a focus on the delivery of tangible outcomes. We deliver both small and large scale projects. We also regularly partner with a trusted selection of specialist providers, enhancing our capacity and furthering our ability to deliver tailored services for our clients.

Comfortable with complexity and experienced in engaging people around highly charged and sensitive issues, we're not afraid to have difficult conversations. From decades of baggage to sudden, unexpected challenges, we can help you to navigate difficult landscapes and address the problems and opportunities that conflict, emotion and outrage bring to an issue or decision.

MosaicLab works with government agencies, community members, industry and commercial organisations looking to invest in quality, effective, high-influence and deliberative engagement processes. Our focus is on long term outcomes and tangible results and we work with you to co-design tailored, robust processes with impact. We bring diverse people and views together to find new solutions to challenging problems and make a positive difference to decision making.

For more information visit www.mosaiclab.com.au