

COMMERCIAL WATER REWARDS - AN INNOVATIVE PROJECT FOR DEMAND MANAGEMENT OF COMMERCIAL WATER THROUGH REWARDS FOR REDUCED CONSUMPTION

Water Rewards Background

The Water Rewards concept is the result of almost two years planning and consultation by a consortium made up of the eWater CRC, the Ecos Corporation (better known for its "easy being green" campaign) and the Canberra based IT company Edentiti. It has both a '**Household**' and a '**Commercial**' application. This paper focuses on just the commercial/business sector application.

Overall, the concept of the Water Rewards program is intuitive. Consumers understand the concept of rewards because of their familiarity with Frequent-Flier Points and similar rewards systems. The community also understands that the Water Rewards concept is socially equitable, as the consumers who use more, pay more, but those that save water are rewarded. From a community social equity perspective, it assists the lower socioeconomic demographic to be able to more easily afford water saving products by participation and expenditure of Rewards that they would otherwise struggle to be able to pay for, under ordinary circumstances.

Water Rewards (Commercial): is an initiative for commercial and government water consumers.

The major economic impact on the ACT economy through job losses and business closures projected from the implementation of Stage 4 water restrictions is a major concern to the commercial sector. The business community needs certainty of water supply, particularly those who have a heavy dependence on water to enable their businesses to exist eg. the building and construction and nursery industries. The government needs to reduce water demand as a finite resource and/or increase supply. The Water Rewards organisation has consulted widely with industry participants and has received written support for the Water Rewards concept from the ACTEW Corporation and in-principle support from a number of businesses and sector groups, indicating a willingness to pro-actively support commercially and politically acceptable initiatives aimed at water savings.

The Water Rewards commercial program requires establishment funds of approximately **\$690,000** and can operate as either a not-for-profit or a for-profit commercial operation depending on funding stipulation. If the funds were in the form of a low-interest short-term loan, the nature of the business model allows repayment of the principal and interest in full after 12 months of operation at which point, the program is expected to be fully self-sustaining. (**see financial summary on page 2 attachment**).

It is proposed that Commercial Water Rewards be established for all commercial water consumers. All commercial consumers would have a small surcharge applied to all water use. Each organisation would be set a water allocation based on accepted best practices for their type of organisation/industry sector. The funds generated by the surcharge would be placed in a special purpose account. Funds from this account would be distributed as "Reward Points" to all organisations that sign up to participate in the Rewards program. The number of Rewards distributed to each organisation would be based on how much water was saved relative to their target allocation.

Rewards must be spent on approved water saving goods and services from approved suppliers. The suppliers are paid in Rewards Points and the suppliers claim their costs back from the Rewards special purpose account. Organisations, which cannot use Rewards for additional efficiencies in their own organisation can sell their Rewards in an on-line market operated by Water Rewards, to those who can. Businesses can also donate accumulated Rewards to approved community water saving projects. Accumulated Water Rewards can also be used for reimbursement of retrospective expenditure on eligible water saving projects.

As a modelled example, a 50-cent surcharge per kilolitre on commercial consumers would generate \$6 million annually in the Water Rewards pool. Based on our models and validated by other programs such as water harvesting, we can expect each \$5 of Rewards spent will generate a permanent saving of 1 kilolitre per year. \$5 Million per year of Water Rewards expenditure will generate 1 Gigalitre in savings. At the end



of 5 years this would amount to an annual recurrent saving of 5 Gigalitres. This is recurring annually and not a one-time saving.

Based on our models and validated by similar rewards programs like "Frequent Flier" and "Fly-Buys" programs, the Water Rewards system will cost approximately 10-13% of annual turnover to operate beyond initial establishment.

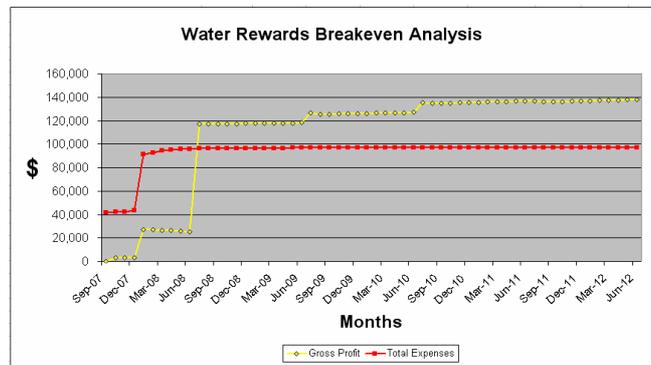
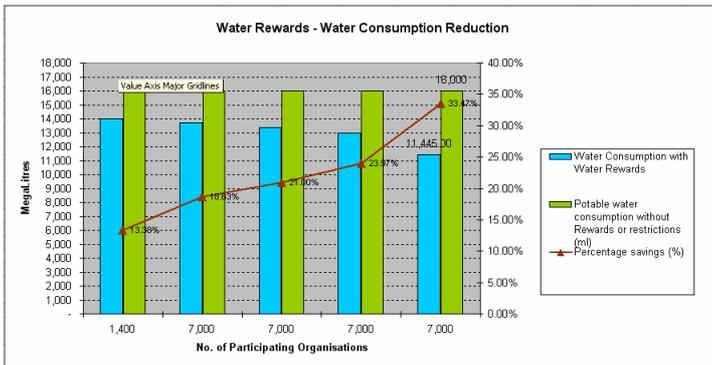
Financial & Saving Summary

Financial Summary	2007/08	2008/09	2009/10	2010/11	2011/12	5-Years
Total Revenue	720,046	6,664,204	7,143,607	7,631,787	7,646,319	29,805,963
Gross Profit	167,046	1,410,704	1,514,857	1,627,787	1,642,319	6,362,713
Total Expenses	574,725	926,066	1,166,250	1,166,250	1,166,250	4,999,541
Operating Profit	407,679	484,638	348,607	461,537	476,069	1,363,172
Cash Position	122,321	373,625	479,913	767,147	1,012,447	1,012,447
Funds Paid To Businesses As Rewards	480,130	4,561,235	5,628,750	6,004,000	6,004,000	22,678,115

Capital	2007/08	2008/09	2009/10	2010/11	2011/12	5-Years
Seed Capital	690,000	-	-	-	-	690,000
Seed Capital Repayment (+ Interest)	-	765,135	-	-	-	765,135
Dividend Payments	-	-	242,319	174,303	230,769	647,391
Total	690,000	765,135	242,319	174,303	230,769	572,256

33% reduction in potable water use over 5-years.

\$22.7m paid as rewards over 5-years.



Conclusion

The Commercial Water Reward initiative targets non-residential water users. The program works by the setting of a best-practice sector allocation to businesses and rewarding those that save water relative to their allocation threshold. The accumulated rewards must be spent on approved water saving goods and services from approved suppliers.

Water Rewards offers the ACT Government a highly efficient, equitable and cost effective method of involving the ACT business community in a program that will improve usage efficiency and reduce the overall usage of water in the Territory to help safeguard against Stage-4 restriction economic impact.

We would welcome ACT government financial support for the establishment on an initial 12-month trial of Commercial Water Reward as a very low risk/high return innovation from an ACT based business initiative. Funds provided for the 12-month pilot, (if in the form of a low interest loan), would be available to be repaid after 12-months assuming pilot success.

In supporting the initiative, the benefits to the ACT government would be a genuine and enduring water saving via a socially equitable and business friendly way demonstrating thought leadership and a sincere effort to address non-residential business community concerns. This could be a high-profile demonstration to other governments, of an innovative program supported by the ACT Government at a very low risk and in a very cost effective manner in comparison to other water saving and infrastructure alternatives.

