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Dr Robert Argent  
General Manager Water  
Bureau of Meteorology  
700 Collins Street  
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Dear Dr Argent

**Submission to the Review of the National Urban Water Utility Performance Reporting Framework**

I write on behalf of the Independent Pricing and Regulatory Tribunal of NSW (IPART). Thank you for the opportunity to provide a submission to the Bureau of Meteorology's Review of the National Urban Water Utility Performance Reporting Framework.

As IPART is the licence regulator for Hunter Water, Sydney Water and WaterNSW, the IPART Secretariat participates as a jurisdictional member of the Urban National Performance Report (Urban NPR) Roundtable Group. The IPART Secretariat is also the data coordinator for the provision of data for the Urban NPR dataset.

We use some data in the Urban NPR in our regulatory functions, including in our roles as the licence regulator for Hunter Water and Sydney Water,<sup>1</sup> and price regulator for the Central Coast Council, Essential Water (Broken Hill), Hunter Water, and Sydney Water.<sup>2 3</sup> However, we do not rely on the Urban NPR, as we collect other information from the water utilities we regulate under licence reporting manuals and information requests to inform our regulatory functions.

In our view, the review of the Urban NPR Framework should focus on clearly identifying the objective of the Urban NPR dataset and identifying the minimum dataset required to achieve that objective.

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<sup>1</sup> We use NWI indicator A3 and A4 as part of our IPART performance indicator set.

<sup>2</sup> We note that WaterNSW also provides data under the Urban NPR Framework but we do not use this data; and utilities licensed under the *NSW Water Industry Competition Act 2006* are not required to report under the Urban NPR Framework as currently each licensee has less than 10,000 connections and is therefore exempt.

<sup>3</sup> Our use of NPR data in our pricing reviews has been limited to high level comparisons across water utilities – eg, to compare customer bills across water utilities to put pricing decisions into context.

We have identified five matters that we wish to comment on based on our regulatory functions and recent reviews. In summary:

- ▼ we support an Urban NPR objective to provide benchmarking of Australian water utilities
- ▼ improvements are required to allow reliable productivity benchmarking
- ▼ there is an opportunity to include customer satisfaction indicators
- ▼ there is an opportunity to take advantage of digital transformation
- ▼ costs and benefits of the performance reporting framework should be assessed in this review:
  - performance reporting should only occur if the benefits of doing so exceed its costs, and
  - of all potential options, the form and content of the performance reporting framework should seek to maximise net benefits.

### **We support an Urban NPR objective to provide benchmarking of Australian water utilities**

The original purpose of the Urban NPR dataset was to provide comparable performance benchmarking of water utilities across Australia, consistent with the National Water Initiative (NWI).<sup>4</sup>

We support this objective. While no substitute for genuine competition, 'competition by comparison' (along with independent economic regulation) can play a valuable role in driving innovation and efficiency in service provision in the water sector.

We have an existing regulatory framework in place to collect data from those utilities we regulate. Therefore, the value of the Urban NPR dataset to us is to provide access to data from water utilities that we do not regulate, for benchmarking.

### **Improvements are required to allow reliable productivity benchmarking**

There is the potential for economic regulators and other stakeholders to make greater use of the Urban NPR reports and datasets in benchmarking water utilities, particularly in productivity benchmarking. The Urban NPR is the most comprehensive dataset on Australian water utilities, consisting of about 120 indicators across water resources, pricing, customer service, environment, assets, finance and health. The dataset is also subject to audit, which occurs every 3 years at a minimum.

The Urban NPR contains some key input and output indicators that have been used in benchmarking assessments to date and/or have the potential to be used in future benchmarking assessments. However, some improvements are required to enable the Urban NPR datasets to be used reliably for productivity benchmarking, notably:

- ▼ Changes are required to ensure consistency in the data reported across water utilities for certain indicators, especially in terms of capital measures and customer numbers.
- ▼ Greater granularity and transparency in the data reported across water utilities for certain indicators may be required, such as operating costs.

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<sup>4</sup> Intergovernmental Agreement on a National Water Initiative, 25 June 2004.

A clear objective for the Urban NPR Framework would also permit a more focussed dataset. We consider a data set that is too expansive and is seeking to serve too many purposes would risk not being fit for anypurpose and may not achieve its objective.

### **There is an opportunity to improve customer indicators**

The vast majority of customers of the water utilities in NSW cannot change their provider if they are unhappy with the service they receive. For this reason, there are customer service obligations in the licences of the public water utilities and WIC Act licensees<sup>5</sup> that we regulate. However, meeting customer service obligations does not necessarily mean that customers are satisfied.

We consider the existing customer data in the Urban NPR does not provide an understanding of customer satisfaction. There is an opportunity for the Urban NPR to apply customer satisfaction measures for water utilities across Australia. While the design of customer satisfaction indicators varies, they typically include a qualitative customer survey of a water utility's perceived performance in relation to its customers. This may also be coupled with quantitative indicators that provide a snapshot of customer interactions (for example, the number of complaints received).<sup>6</sup>

Through comparative competition, such measures can provides incentives for water utilities to better understand the needs and preferences of their customers and drive improvement in customer service.

### **The Framework could take advantage of digital transformation**

Since the Urban NPR Framework was developed over 10 years ago, there have been significant advances in the digital capabilities of water utilities. Many water utilities collect large amounts of data from their customers and assets. There may be opportunities for data collected by the Urban NPR Framework to take advantage of 'big data' and sophisticated analytics to better serve customers and manage assets.

The existing Urban NPR is released more than eight months after the end of the reporting period (ie, the report is released in March, providing data from the previous financial year). Where the benefits outweigh the costs, there may be an opportunity to report on some indicators in real-time, similar to the way the Bureau of Meteorology reports on storage volumes and other parameters for bulk water sources.

### **Costs and benefits should be assessed in this review**

Finally, but most importantly, the Urban NPR and potential changes to it should be subject to cost benefit analysis. That is, in deciding on the indicators and definitions, frequency of reporting and method of publishing the Urban NPR, we consider the Bureau of Meteorology should assess the associated costs and benefits. This cost benefit analysis should clearly identify the objective of the NPR, consider all viable options to achieve this objective, and assess costs and benefits relative to the 'base case' of no data collection and reporting.

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<sup>5</sup> Water utilities licensed under the *Water Industry Competition Act 2006*.

<sup>6</sup> We provided a summary of performance indicators relating to customer satisfaction outcomes from relevant jurisdictions in section 7.2 of our Issues Paper for the 2018 Review of water utility performance indicators (pp 30-36).

Water utilities should only report on performance indicators where the benefits of doing so exceed the costs, and the indicators and framework with the greatest net benefit should be preferred over all options.

Currently, we do not use all of the Urban NPR information reported by the water utilities we regulate and we are unsure of the extent to which the general public or other entities use the performance indicators information. Where the Bureau of Meteorology is unable to determine whether and/or how a particular indicator is used, this suggests the benefit of that indicator would likely be zero.

We look forward to continuing to contribute to this important review.

IPART's contact officer for this submission is Erin Cini, Director Regulation and Compliance, contactable on 02 9113 7778.

Yours sincerely



**Hugo Harmstorf**  
Chief Executive Officer