

Dr Peter Boxall
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
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Dear Dr Boxall

Submission on Water Utility Performance Indicators Review

The Department of Planning and Environment (the Department) welcomes the opportunity to make a submission in response to IPART's issues paper on the review of water utility performance indicators.

Water utilities' performance indicators are vital in driving desired performance outcomes. The Department references information reported against performance indicators in developing strategic urban water policy, including in relation to licensees under the *Water Industry Competition Act 2006*.

We welcome this review and support IPART's intent to remove duplication and avoid the imposition of unnecessary regulatory costs. Detailed comments are provided in Attachment A.

The Department is currently in the process of developing a draft regulation to support the *Water Industry Competition Amendment (Review) Act 2014*. We expect the regulation will be remade in 2019. Given the work on the new licensing framework is ongoing, we have based our comments on current regulatory settings.

We look forward to continuing our engagement in this important review. If you have any questions in relation to the submission please contact Colette Grigg, A/Director, Water and Utilities on [REDACTED].

Yours sincerely

[REDACTED]
Dr Liz Develin
Deputy Secretary
Division of Energy, Water and Portfolio Strategy

9.3.2018.

Attachment A

Approach to monitoring utility performance

The Department of Planning and Environment (the Department) is supportive of performance indicators being actively used to incentivise performance. We consider the format of reporting on performance indicators should be accessible, easy to use and consistent with the objectives of the NSW Government's Open Data Policy.

The Department agrees it is appropriate for all water utilities providing the same service to customers be subject to the same performance indicators, including private water utilities. While the number of customers serviced by private water utilities are substantially smaller, we consider that performance indicators related to customer service should be consistent with those of the public utilities. We are supportive of a consistent framework that is made fit for purpose where justifiable differences emerge, such as differences in the legislative framework.

Performance – water quality and quantity

The Department is supportive of IPART's compliance-based approach for water quantity based on current licensing requirements for public utilities. In line with the 2017 Metropolitan Water Plan's strategy of investing in water conservation to ensure our water supply is secure and affordable, The Department recommends IPART consider best-practice performance metrics for water conservation and water usage for both residential and non-residential sectors. The Department also recommends IPART explore options around demand forecast lead indicators, based on agreed common assumptions including in relation to weather forecasts, population projects, housing demand and industry forecasts.

Performance – assets

The Department views drinking water and sewerage services to be essential services. On this basis, we consider both public and private utilities should be subject to the same performance indicators on service interruptions. We consider using a threshold based approach would result in a better measure of performance across the board.

Customer satisfaction

The Department welcomes consideration of customer satisfaction in performance monitoring to drive more responsive service provision. We consider it prudent to maintain quantitative performance indicators for both public and private water utilities whilst qualitative measures of customer satisfaction are developed. In this way the two approaches can be compared to then make an evidence-based decision if one approach best reflects customer satisfaction.

Benchmarking water utilities

The Department is supportive of IPART's consideration of performance benchmarking (separate to this review). We note that while private utilities meet their auditing requirements, their audit grades are in general lower than those of public utilities. Benchmarking private water utilities could be used to incentivise higher levels of audit grades to drive performance and service provision. In addition, benchmarking results may give prospective consumers of a private utility an indication of service provision compared to other utilities.