



Hunter Water Corporation
ABN 46 228 513 446

PO Box 5171
HRMC NSW 2310
36 Honeysuckle Drive
NEWCASTLE NSW 2300
1300 657 657 (T)
(02) 4979 9468 (F)
enquiries@hunterwater.com.au
hunterwater.com.au

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Our Ref: HW2016-82/9

Mr Hugo Harmstorf
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO BOX K35
HAYMARKET POST SHOP NSW 1240

Dear Mr Harmstorf

WATER UTILITY PERFORMANCE INDICATORS

Hunter Water appreciates the opportunity to comment on IPART's Draft Report for the Review of Water Utility Performance Indicators and the associated Draft Reporting Manual, as published in April 2018.

Hunter Water's response to IPART's issues paper took the preliminary view that IPART should remove almost all of Hunter Water's performance indicators. This followed a detailed internal review that looked at whether the indicators served a useful regulatory purpose, the costs of data collection and auditing, and an analysis of whether the indicators were reported elsewhere.

We said that we would revisit our preliminary positions if another stakeholder identified a relevant ongoing use for particular indicators. If that were the case, Hunter Water would look at alternative ways of providing the information or propose the retention of specific indicators.

Hunter Water is unaware of any other party raising a concern with the proposed removal of performance indicators, either in responses to IPART's issues paper or at IPART's public workshop in March 2018.

In our view, IPART's decisions, if implemented in final form, will:

- reduce the regulatory burden on Hunter Water by appropriately recognising those performance areas that are covered by other operating licence and/or external compliance or reporting requirements, and
- allow for a stronger focus on system performance standards and their ongoing improvement.

Asset performance indicators

Hunter Water appreciates IPART’s draft decision to include specific outcomes for each of the asset performance areas (i.e. service interruptions, water pressure and wastewater overflows) that are to provide a level of service consistent with our performance standards.

IPART’s proposed alignment of indicators with Hunter Water’s asset performance standards (see table 1) will facilitate a stronger focus on continued improvement in this area, linked to meaningful engagement on what matters most to our customers.

Table 1 Hunter Water's asset standards and indicators

IPART proposed performance indicators	Hunter Water System Performance Standards	National Water Initiative (NWI) Indicators
A1 Number of properties that experience an unplanned water interruption that lasts for more than five continuous hours	3.3.2 Water Continuity Standard a) Hunter Water must ensure that in a financial year: i. no more than 10,000 Properties experience an Unplanned Water Interruption that lasts more than five continuous hours; and	
A2 Number of properties that experience three or more unplanned water interruptions that each lasts for more than one hour	ii. no more than 5,000 Properties experience three or more Unplanned Water Interruptions that each last more than one hour.	
A3 Total number of unplanned interruptions – water supply*		IC 17 Total number of unplanned interruptions
A4 Average duration of unplanned water interruptions – water supply*		C15 Average duration of an unplanned interruption— water (minutes)
A10 Number of properties that experience a water pressure failure	3.3.1 Water Pressure Standard a) Hunter Water must ensure that no more than 4,800 Properties experience a Water Pressure Failure in a financial year.	
A11 Number of properties (other than public properties) that experience an uncontrolled wastewater overflow in dry weather	3.3.3 Wastewater Overflow Standard a) Hunter Water must ensure that in a financial year: i. no more than 5,000 Properties experience an Uncontrolled Wastewater Overflow in dry weather; and	
A12 Number of properties (other than public properties) that experience three or more uncontrolled wastewater overflows in dry weather.	ii. ii) no more than 45 Properties experience three or more Uncontrolled Wastewater Overflows in dry weather	

*IPART does not propose to include A3 and A4 in Hunter Water’s IPART performance indicators as they are separately reported under the NWI.

Customer satisfaction indicators

Hunter Water supports IPART's interest in both the use of incentives as part of the regulatory framework and developing measures of customer satisfaction.

Hunter Water welcomes IPART's statements that linking performance incentives to the performance standards in the each utility's operating licence is a better approach than linking incentives to IPART's performance indicators.

IPART and Hunter Water also agree that this subject warrants further investigation, including research, analysis and stakeholder consultation. This work would consider incentive regimes beyond the reputational incentives arising from publishing information. Hunter Water considers that our suggested scope for the investigation of customer satisfaction indicators would also be relevant to the investigation of incentives (as noted in IPART's draft report, pages 73-74).

IPART's draft report (p.26) indicates that, as part of Sydney Water's operating licence review, IPART will consider linking incentives (reputational or financial) to licence obligations including performance standards.

Both incentives and customer satisfaction indicators require careful consideration of the resourcing and time-frames required to develop and implement them effectively. Accordingly, we suggest that IPART seek early agreement with the metropolitan water utilities on the scope and timing of these investigative exercises.

Hunter Water is of the view that any work on a performance incentive regime would be best linked to a review of our system performance standards. Hunter Water is required under clause 3.3.4 of its operating licence to survey its customers by 30 June 2020 for the purpose of informing a review of its system performance standards and rebates. The parallel consideration of incentives with our system standards review would ensure a focus on performance improvements that are closely linked with customer preferences and values.

Draft reporting manual

Hunter Water supports the proposed amendments in IPART's Draft Reporting Manual – Hunter Water Corporation (April 2018). We note that the main changes are:

- the proposed draft IPART performance indicators for Hunter Water in Appendix B
- inclusion of a Licence data Appendix C that requires the annual provision of data on connected residential properties – recycled water supply and connected non-residential properties – recycled water supply, and
- a Statement of Compliance template in Appendix E, which is consistent with Hunter Water's existing compliance letter format.

We have identified a number of minor drafting matters in the Reporting Manual's appendices. Hunter Water has provided a marked up version of the relevant appendices with suggested amendments and clarifications for IPART's consideration (attached).

Summary

Hunter Water appreciates the fact that IPART initiated this review and supports the work that IPART has undertaken to date. IPART started out with the right criteria for assessing whether a performance indicator is necessary. This was followed by a comprehensive assessment of every indicator in each operating licence.

IPART has not sought to retain an indicator just because there may be some doubt about the possible usefulness of published data, now or in the future. IPART has removed reporting requirements where there is a weak regulatory purpose and the administrative

costs exceed any likely benefits. IPART's draft report is well researched and well written, and demonstrates IPART's commitment to good regulatory practice.

Hunter Water looks forward to working with IPART on its proposed investigations of performance incentives and customer satisfaction measures.

Yours sincerely,

Peter Shields

Manager Regulatory Policy

Attachment

Hunter Water's proposed amendments to the Draft Reporting Manual's appendices





Appendices

A Timeline for reporting

Table A.1 Periodic reporting under Hunter Water's Licence and reporting manual

Date	Report to	Reporting on	Reporting Manual Section
Monthly	Public (web)	Water quality monitoring report on Drinking Water	3.1.1
Monthly	NSW Health	Fluoride monitoring report	3.1.2
Quarterly	NSW Health	Exception report on Drinking and Recycled Water quality	3.1.3
31 March	IPART	Audit recommendation status update	6.1.2
31 March	IPART	Significant changes report	6.1.3
1 September	IPART	Annual report on: <ul style="list-style-type: none"> ▼ Water conservation ▼ Supply services and performance standards ▼ Organisational systems management ▼ Customer and stakeholder relations ▼ IPART performance indicators ▼ NWI Performance Indicators (<u>except for environment indicators</u>). 	2.1.1, 2.1.2 3.1.4, 3.1.5 4.1.1 5.1.1 6.1.1 6.1.1
1 September	IPART	Statement of Compliance	6.1.4
1 September	IPART	Licence Data	Appendix C
1 October	IPART	NWI environment performance indicators	6.1.1

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Table A.2 As required reporting under Hunter Water's Licence and reporting manual

Date	Report to	Reporting on	Reporting Manual Section
1 November 2017	IPART	Approach and principles to developing its Economic Level of Water Conservation Methodology	2.2
1 July 2018	IPART	Strategic Asset Management Plan	4.2.1
1 November 2018	IPART	Economic Level of Water Conservation Methodology	2.2
1 November 2018	IPART	Water Conservation Strategy for Water Storage and Transmission	2.2
1 September 2019	IPART	Water conservation work program	2.2.4
30 June 2020	IPART	Customer Survey Report	3.2.3
As triggered	IPART	Obtain written consent to make changes to the approved Economic Level of Water Conservation Methodology	2.2
As triggered	NSW Health	Drinking Water and Recycled Water Incident and emergency notification	3.2.1
As triggered	IPART, NSW Health	Notification of proposed significant change in drinking and recycled water quality management systems	3.2.2

As triggered	IPART	Notice of variation to Customer Contract	5.2
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B IPART performance indicators

Table B.1 in this Appendix B sets out the performance indicators developed by IPART that Hunter Water must report on.

Table B.1 Proposed IPART performance Indicators - definitions

Performance area	Indicator number	Indicator	Definition
Assets	A1	Number of properties that experience an unplanned water interruption that lasts for more than five continuous hours	Number of properties that experience an unplanned water interruption that lasts for more than five continuous hours in the financial year.
	A2	Number of properties that experience three or more unplanned water interruptions that each lasts for more than one hour	Number of properties that experience three or more water interruptions that each lasts for more than one hour in the financial year.
	A10	Number of properties that experience a water pressure failure	Number of properties that experience a water pressure failure in the financial year.
	A11	Number of properties (other than public properties) that experience an uncontrolled wastewater overflow in dry weather	Number of properties (other than public properties) that experience an uncontrolled wastewater overflow in dry weather in the financial year.
	A12	Number of properties (other than public properties) that experience three or more uncontrolled wastewater overflows in dry weather	Number of properties (other than public properties) that experience three or more uncontrolled wastewater overflows in dry weather in the financial year.

Performance indicators definitions

Property¹

Means real property within the Area of Operations, excluding Public Property, which is owned by a person (whether individually or otherwise) and, for the avoidance of any doubt, includes the following: a) an individual dwelling or individual premises used for any purpose, which forms part of the land; and b) a lot in a strata plan that is registered under the Strata Schemes Development Act 2015 (NSW).

Uncontrolled wastewater overflow²

Means an overflow of Wastewater that is not a Controlled Wastewater Overflow and will be taken to have commenced on the earlier of the following:

- a) when a person notifies Hunter Water that a Property has experienced a Wastewater overflow which Hunter Water confirms is an Uncontrolled Wastewater Overflow; and
- b) when Hunter Water's systems identify that a Property has experienced an Uncontrolled Wastewater Overflow

Water Pressure Failure³

Means a situation in which a Property experiences water pressure of less than 20 metres head for a continuous period of 30 minutes or more measured at the point of connection of the Property to the Water Supply System (usually at the point of connection known as the 'main tap'), but does not include a situation in which the Property experiences low water pressure on a day when peak day demand exceeds 370 megalitres per day.

For the purpose of this indicator:⁴

- ~~a) where connected properties are in multiple occupancy, each separately billed or occupied part shall be counted as one connected property. Connected properties currently unoccupied shall be included.~~
- ~~b) c) a Property is taken to have experienced a water pressure failure at each of the following times:
 - i) when a person notifies the water utility that the Property has experienced a water pressure failure and that water pressure failure is confirmed by the water utility; or
 - ii) when the water utility's systems identifies that the Property has experienced a water pressure failure; and~~
- ~~e) a) a property will not be taken to have experienced a water pressure failure if that water pressure failure occurred only because of:~~

Commented [PC1]: Separately include multiple occupancy definitions section covering water pressure failure, unplanned water interruptions and uncontrolled wastewater overflows that is consistent with the interpretation of standards in clause 3.3.5 of Hunter Water's operating licence (see next page).

¹ Hunter Water Operating Licence 2017-2022 7.1 Definitions

² Hunter Water Operating Licence 2017-2022 7.1 Definitions

³ Hunter Water Operating Licence 2017-2022 7.1 Definitions

⁴ Current indicator I 5 in Hunter Water Reporting Manual

- i) a planned water interruption or unplanned water interruption;
- ii) water usage by authorised fire authorities in the case of a fire; or
- iii) a short term or temporary operational problem (such as a main break) which is remedied within 4 days of its occurrence.

Unplanned Water Interruption

Means an event which:⁵

- a) commences when the supply of Drinking Water at the first cold water tap of a Property is interrupted without the Customer or Consumer having received prior notice of that interruption from ~~Sydney-Hunter~~ Hunter Water; and
- b) ceases when a normal supply of Drinking Water is restored to the Property referred to in paragraph (a).

Hunter Water must use the best available data (taking account of water pressure data where that data is available) to determine: i) whether a Property has experienced an Unplanned Water Interruption; and ii) the duration of the Unplanned Water Interruption.

If a Property experiences an Unplanned Water Interruption that was caused by a third party, that Property is taken not to have experienced an Unplanned Water Interruption for the purposes of these indicators.

Multiple Occupancy Properties

For the purposes of the Water Pressure Failure and Unplanned Water Interruption performance indicators, each separately billed part of a Multiple Occupancy Property is to be counted as a separate Property.

[Note: For example, a complex of five townhouses where each townhouse receives a separate bill from Hunter Water is to be counted as five separate Properties. However, a block of flats that only receives one bill from Hunter Water is to be counted as one Property.]

For the purposes of the uncontrolled Wastewater Overflow performance indicators, a Multiple Occupancy Property is considered to be one Property.

[Note: For example, a complex of five townhouses where each townhouse receives a separate bill from Hunter Water is to be counted as one Property.]

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Commented [PC2]: Consistent with clause 3.3.2 (b) in Hunter Water's operating licence.

Commented [PC3]: Consistent with clause 3.3.2 (c) in Hunter Water's operating licence.

Commented [PC4]: Consistent with clauses 3.3.5 (a) and (b) in Hunter Water's operating licence.

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⁵ Sydney Water Operating Licence 2015-2020 12.1 Definitions and Hunter Water Operating Licence 2017-2022 7.1 Definitions

C Licence data

We require the information outlined in this Appendix C to identify the number of customers Hunter Water supply non-potable water.

Table C.1 Licence data - definitions

Data number	Licence data	Definition
L8 ^a	Connected residential properties – recycled water supply (000s)	The number of connected residential properties receiving recycled water services from the utility during the reporting year (properties 000s).
L9 ^b	Connected non-residential properties – recycled water supply (000s)	The number of connected non-residential properties receiving recycled water services from the utility during the reporting year (properties 000s).

^a NWI indicator C6

^b NWI indicator C7

Commented [PC5]: C6 and C7 are unrelated NWI indicators for wastewater connections.

Definitions

Property: as per performance indicators definitions.

Connected residential properties include:⁶

- ▼ each apartment in a high-rise apartment complex
- ▼ each property in a department of housing unit complex
- ▼ each individual stand-alone residential property within a retirement village.

Connected non-residential properties include:⁷

- ▼ commercial and municipal properties
- ▼ shopping centres
- ▼ schools, universities, and technical colleges (TAFEs),
- ▼ hospitals and nursing homes
- ▼ shopping centres with separate connections for each shop are to be counted as one non-residential connection.

⁶ Supporting notes to NWI indicator C2, National urban water utility performance reporting framework: indicators and definitions handbook, January 2018

⁷ Supporting notes to NWI indicator C3, ibid

