

HUNTER WATER SUBMISSION TO IPART

REVIEW OF WATER UTILITY PERFORMANCE INDICATORS



RESPONSE TO ISSUES PAPER

MARCH 2018



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TABLE OF CONTENTS

1	Introduction.....	5
1.1	This submission.....	5
2	Approach to monitoring utility performance.....	6
2.1	Review purpose and criteria.....	6
2.2	Integrated approach to performance assessment.....	7
2.3	Design and implementation of performance indicators.....	8
3	Performance – Water quality and quantity.....	10
3.1	Water quality.....	10
3.2	Water quantity.....	11
4	Performance – Assets.....	13
4.1	Service interruptions.....	14
4.2	Water pressure.....	16
4.3	Wastewater overflows.....	16
5	Performance – Environment.....	18
6	Performance – Customers.....	20
6.1	Customer service.....	20
6.2	Customer satisfaction.....	22
7	References.....	23

Appendix A: Index of Hunter Water’s responses to IPART’s issues paper questions

EXECUTIVE SUMMARY

The Independent Pricing and Regulatory Tribunal (IPART) is reviewing the water utility performance indicators it collects from public and private water utilities. We commend IPART for initiating the review, which aims to reduce the regulatory burden and improve consistency in reporting obligations between utilities without compromising transparency.

Hunter Water notes that a key focus of the review is to ensure that the performance information IPART collects is useful and not imposing unnecessary regulatory costs. We support IPART's underlying view that performance indicators, like all aspects of our regulatory regime, should result in a net public benefit.

We note that IPART's initial views, when applied to Hunter Water's performance indicators, tend towards the removal of the majority of them. Hunter Water's internal review of the relevant indicators supports a preliminary position that they could all be removed for one or more of the following reasons:

1. Performance is actively managed and reported in accordance with other elements of the operating licence framework
2. Performance is mainly managed under other compliance frameworks (e.g. environmental legislation)
3. The indicators are duplicated elsewhere through other reporting mechanisms, including the National Water Initiative performance indicators¹, and
4. The benefits of collecting the information is outweighed by the cost of collection.

We consider that a forthcoming review of Hunter Water's system performance standards and rebates that will be informed by a customer survey² would usefully be conducted in parallel with consideration of the need for any complementary performance indicators.

Hunter Water collects much of the data and information to report against IPART's current performance indicators for internal business reasons, however, there are additional costs in satisfy auditing requirements. In this context we are uncertain that the indicators are currently providing a benefit in terms of ongoing use by external stakeholders that would outweigh their regulatory cost. Accordingly, Hunter Water welcomes the opportunity provided by IPART's review to understand stakeholder views on the usefulness of our IPART performance indicators and the best means of publishing them.

We note that there are interdependencies between the performance indicators and other matters within IPART's remit, some of which are beyond the scope of this review (e.g. system performance standards). In principle, performance indicators, system performance standards, qualitative customer satisfaction surveys and incentive schemes should all be aligned and reflect customer preferences and willingness to pay.

In relation to this review, our preliminary view is that changes to performance indicators could be implemented from 1 July 2018, as indicated by IPART.³ We are also receptive to the concepts of performance incentives and alternative customer satisfaction measures, however we consider that additional research, analysis and stakeholder consultation is warranted to develop fully formulated proposals that integrate well with the form of regulation.

¹ Australian Government, 2018.

² NSW Government, 2017, page 8.

³ IPART, 2018, page 4.

1 INTRODUCTION

1.1 THIS SUBMISSION

Hunter Water welcomes the opportunity to contribute to the Independent Pricing and Regulatory Tribunal's (IPART's) *Review of water utility performance indicators*. We support the periodic review of utility regulatory reporting requirements to ensure that the information complements IPART's compliance monitoring framework and provides transparency to stakeholders.

This submission presents our preliminary position on the matters raised in IPART's issues paper, which is subject to refinement as the review progresses, specifically as we build our understanding of the views of other stakeholders. We have structured our submission as follows, to align with the structure of IPART's issues paper:

- | | |
|--|---|
| 1. Introduction | |
| 2. Approach to monitoring utility performance | Provides Hunter Water's overall views on IPART's approach, assessment criteria and Hunter Water's performance indicators. |
| 3. Performance – Water quality and quantity | Specific comments on Hunter Water's Water Quality and Water Quantity indicators. |
| 4. Performance - Assets | Specific comments on Hunter Water's Asset indicators |
| 5. Performance - Environment | Specific comments on Hunter Water's Environment indicators |
| 6. Performance – Customers | Specific comments on Hunter Water's Customer indicators and potential customer satisfaction measures |

An index of Hunter Water's responses to each of the 25 questions contained in IPART's issues paper is provided in Appendix A.

2 APPROACH TO MONITORING UTILITY PERFORMANCE

2.1 REVIEW PURPOSE AND CRITERIA

IPART is reviewing its water utility performance indicators in order to:

“...ensure that the information we collect is useful and that we are not imposing unnecessary regulatory costs. This means that the benefits derived from requiring water utilities to report on performance indicators should outweigh the costs of collection and reporting.”⁴

Hunter Water supports IPART’s objectives for this review. All regulation should provide a net benefit. It is particularly important that the resources devoted to regulatory reporting are aligned with stakeholder and legislative priorities. Otherwise, resources which could be directed to those priorities are misallocated.

We note that regulatory reporting adds additional costs to information that otherwise might be collected and used for internal purposes, and/or voluntarily reported externally. These costs reflect the additional assurance processes which must be followed, and additional documentation prepared, to ensure that performance information is of auditable quality.

IPART have proposed the following criteria for the assessment of performance indicators:⁵

- 1. Is there a regulatory purpose for the performance indicator?**
- 2. Does the performance indicator align with the desired outcome?**
- 3. Do the benefits of the information outweigh the costs of collecting the information?**
- 4. Is the information currently collected through other means?**
- 5. Is the performance indicator consistent with SMART criteria (i.e. specific, measurable, achievable, relevant and time-bound)?**

Hunter Water considers the above assessment criteria to be generally appropriate. The first two criteria are important threshold questions; they provide the rationale for monitoring and reporting the performance indicator.

Hunter Water notes that the performance area outcomes are generally broadly expressed, which makes it difficult to answer the two threshold questions. We consider there to be an opportunity to improve the specification of intended outcomes and to ensure that those outcomes are either required by regulation or align with customer preferences and expectations. The improved specification of outcomes also relates to the requirement in Hunter Water’s operating licence to survey its customers by 30 June 2020 for the purpose of informing a review of its system performance standards and rebates.⁶

Accordingly, we have emphasised criteria three and four in undertaking an internal review of our IPART performance indicators. Our preliminary view is that there is an opportunity to remove unnecessary regulatory burden ahead of a comprehensive review of our system performance standards. The need for any additional performance indicators to complement system performance standards should be considered in parallel with that review.

In relation to criteria three, we consider that in order to be beneficial, the performance information should be used by external stakeholders. We are not certain that the performance indicators, which are available on IPART’s web-site and also published in Hunter Water’s Compliance and Performance report,⁷ are, in fact, being used by stakeholders on a regular basis. However, we are keenly interested in stakeholder’s views on the usefulness of the indicators, overall and individually.

⁴ IPART, 2018, page 1.

⁵ Ibid, page 3.

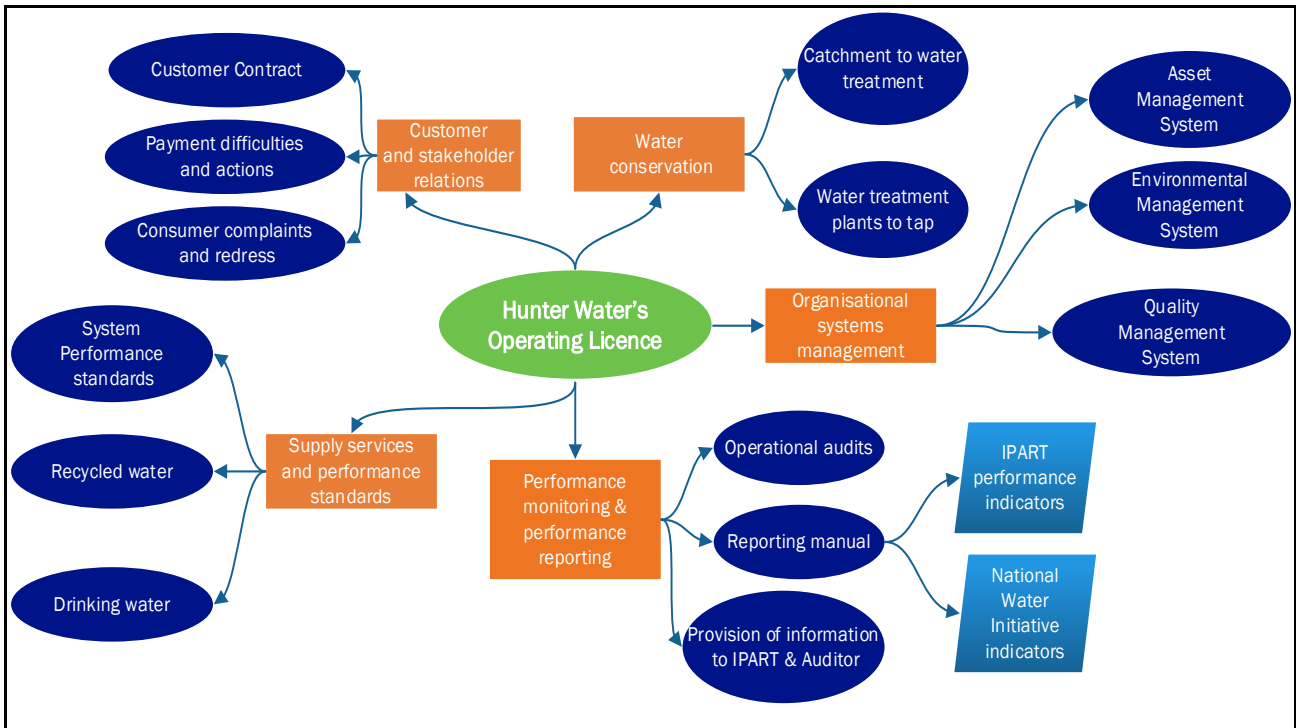
⁶ NSW Government, 2017, page 8.

⁷ Hunter Water Corporation, 2017.

2.2 INTEGRATED APPROACH TO PERFORMANCE ASSESSMENT

IPART’s performance indicators are one component of an integrated framework embedded within Hunter Water’s operating licence that governs its operations, compliance and performance monitoring as illustrated below.

FIGURE 1 OPERATIONS AND PERFORMANCE MONITORING FRAMEWORK



The value and need for indicators in each of the four performance areas (water quality and quantity, assets, environment and customers) should be considered within the context of the above framework, which comprehensively assures the process controls and realisation of the desired outcomes through multiple mechanisms.

Hunter Water notes that IPART’s initial views tend towards the removal of the majority of Hunter Water’s existing 31 performance indicators. Hunter Water’s preliminary overall position, informed by an internal review, is that all of its existing IPART performance indicators could be removed for one or more of the following reasons:

1. Performance is actively managed and reported in accordance with other elements of the above operating licence framework (Figure 1)
2. Performance is mainly managed under other compliance frameworks (e.g. environmental legislation)
3. The indicators are duplicated elsewhere through other reporting mechanisms, including the National Water Initiative performance indicators⁸, and
4. The benefits of collecting the information is outweighed by the cost of collection.

Hunter Water collects extensive information on its operations and performance in order to guide operations, undertake analysis, provide internal controls, improve efficiency, and to inform planning and decision-making. As such, we will continue to collect much of the information necessary to report against IPART performance indicators, because collecting this information provides an internal benefit.

⁸ Australian Government, 2018.

We publish a range of information on our performance in our Annual Report, Compliance and Performance report and website (for example energy efficiency data and case studies, monthly drinking water quality data, beach water quality data and an Environmental Management Plan) in order to keep our stakeholders informed. Absent a regulatory requirement to report against IPART's indicators, we are likely to choose to voluntarily report this, or similar information, to achieve this objective.

We are very interested in our stakeholder's views about the usefulness of specific indicators and the external benefit of Hunter Water continuing to publish this information, either through IPART's performance indicators or alternative publishing options.

2.3 DESIGN AND IMPLEMENTATION OF PERFORMANCE INDICATORS

2.3.1 Incentives

IPART's issues paper states that:

"We could use performance indicators either as a monitoring tool or to provide incentives for the business to improve its performance through public reporting or setting performance standards, as required. We have previously used the information from performance indicators as a monitoring tool and do not currently undertake analysis of performance outcomes or incentivise changes in performance, other than by publishing the data we collect"⁹

Hunter Water's preliminary view is that we are open to further investigation of the appropriateness and suitability of performance incentives schemes. However, we do not consider that IPART's existing performance indicators are an appropriate regulatory instrument to use as the basis of a potential incentive scheme. When an incentive (or disincentive) is provided for meeting (or failing to meet) a given performance level, a performance indicator moves closer towards being a performance standard.

We believe that any consideration of performance incentives would be best linked to a review of our system performance standards. Hunter Water is required under clause 3.3.4 of its operating licence¹⁰ to survey its customers by 30 June 2020 for the purpose of informing a review of its system performance standards and rebates. Considering incentives in parallel with performance standards would better facilitate alignment with service improvements that are most important to customers.

Further comments on this issue are provided in section 0 which addresses customer satisfaction indicators.

2.3.2 Lead indicators

IPART has expressed also interested in stakeholder views on whether there are any lead indicators available that may be relevant to its monitoring of the performance of water utilities, and whether it is appropriate for IPART to collect lead indicators¹¹.

Lead indicators would generally refer to proactive measures that are built into compliance systems. For instance, regular inspections of treatment plants and monitoring of critical control points. This type of information is already readily available to IPART and its auditors on request and is routinely provided and considered through IPART's annual operational audit process.

2.3.3 A single set of performance indicators

IPART's performance indicators currently vary across public water utilities and WIC Act licensees. This variation has arisen due to a combination of factors, such as different legislative frameworks and legacy issues. IPART's initial position is that where the service being provided to the customer is essentially the same, it will seek to capture the same performance information¹².

⁹ IPART, 2018, page 13.

¹⁰ NSW Government, 2017, page 8.

¹¹ IPART, 2018, page 14.

¹² IPART, 2018, page 14.

Hunter Water agrees that a consistent set of performance indicators would provide “*a level playing field for public and private water utilities*”¹³ in terms of regulatory costs imposed and would facilitate performance comparison within and between utilities that provide the same services. Hunter Water does not consider that ensuring consistency in performance requirements is essential if there are justifiable reasons for these requirements to differ (e.g. material differences in utility size, operating environment and customer service priorities). It is possible to preserve consistency without necessarily having identical performance indicators for all water utilities.

The cost versus benefit of collecting and reporting performance information should be considered on a utility-by-utility basis as it may differ across utilities.

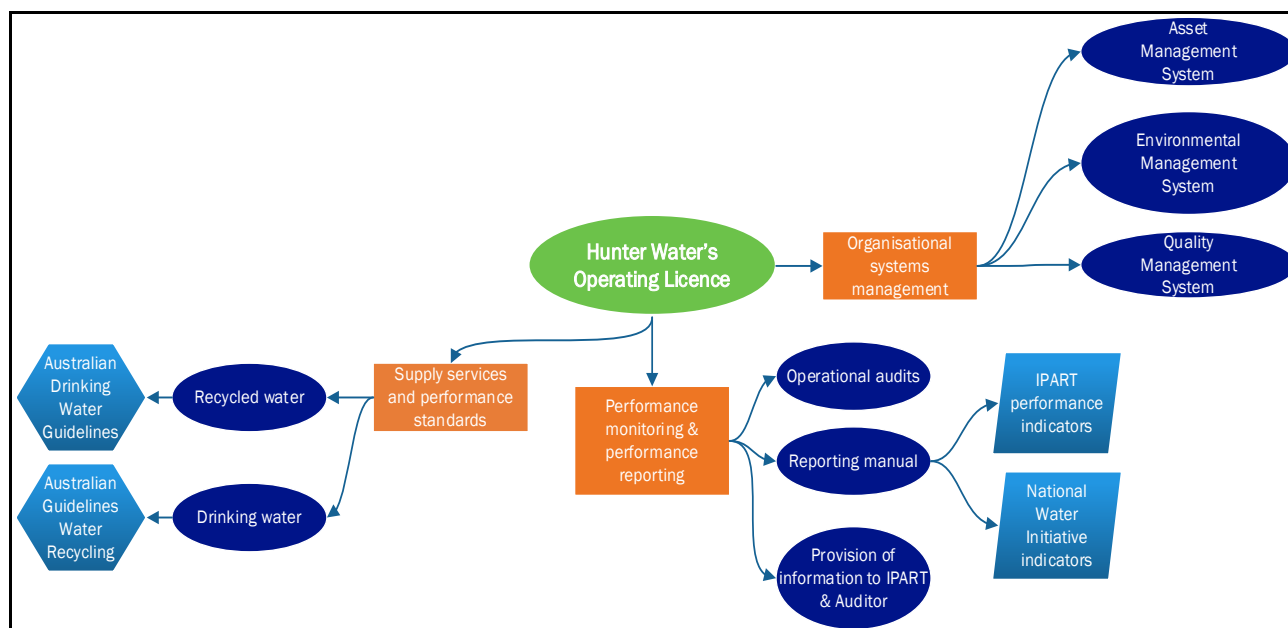
¹³ IPART, 2018, page 15.

3 PERFORMANCE – WATER QUALITY AND QUANTITY

3.1 WATER QUALITY

Hunter Water’s operating licence and reporting manual provide extensive requirements for Hunter Water to manage and report our water quality performance, as noted in IPART’s issues paper and illustrated in Figure 2. These regulatory requirements ensure that external stakeholders are provided with essential information on our water quality management system and water quality performance.

FIGURE 2 WATER QUALITY PERFORMANCE AND MONITORING FRAMEWORK



Hunter Water must maintain a management system for drinking water that is consistent with the Australian Drinking Water Guidelines (ADWG), except to the extent that NSW Health specifies otherwise¹⁴.

We must ensure that the drinking water quality management system is fully implemented and that all relevant activities are carried out in accordance with the system and to the satisfaction of NSW Health¹⁵. Our recycled water is covered by analogous operating licence requirements¹⁶ to ensure it meets Australian Guidelines for Water Recycling (AGWR).

Hunter Water’s reporting manual under clause 6.2 of the operating licence, contains comprehensive water quality reporting requirements. The requirements¹⁷ include preparing a report that summarises the results of routine monitoring of drinking water quality, which is undertaken each month and published on Hunter Water’s website.

Hunter Water agrees with IPART’s initial view that performance in the water quality area is adequately covered by the compliance framework in the operating licence that links to the relevant national guidelines.

Our current IPART and NWI water quality indicators are provided in Table 1. The existing IPART water quality indicator for Hunter Water (WQ1 (H)) relates to the ADWG and is largely duplicated by existing NWI indicators, therefore it could be removed.

¹⁴ NSW Government, 2017, page 8.
¹⁵ Ibid, page 8.
¹⁶ Ibid, page 8.
¹⁷ IPART, 2017, page 12.

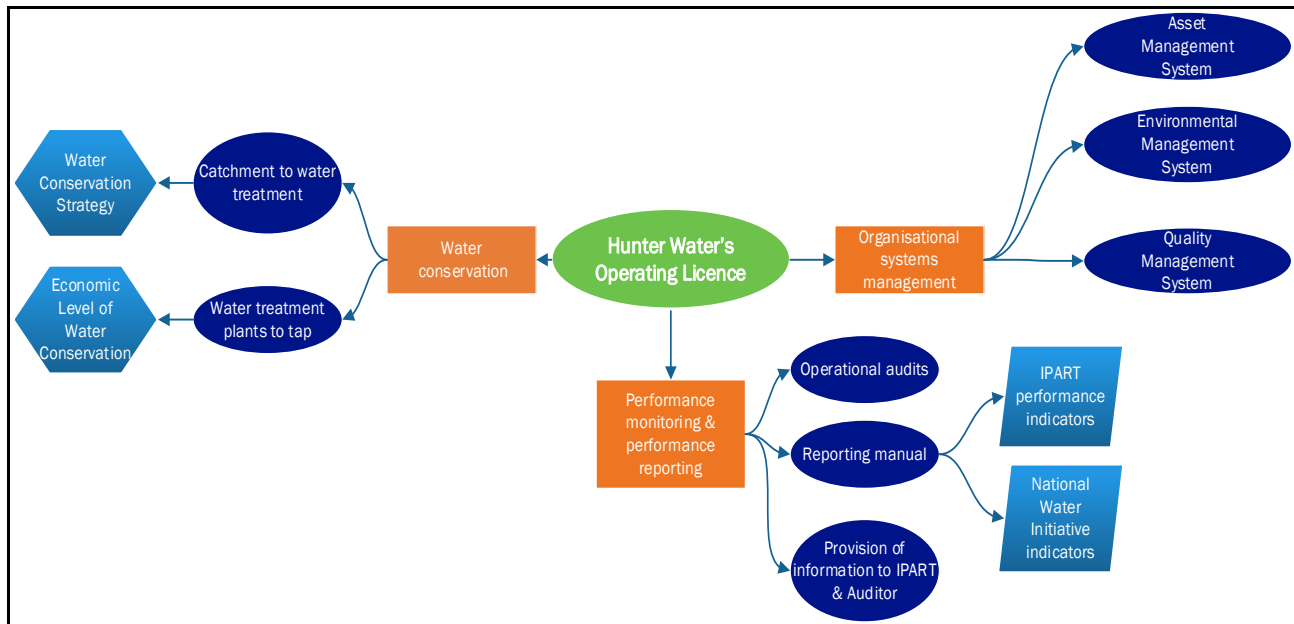
TABLE 1 WATER QUALITY INDICATORS

ID #	Indicator description
IPART Performance Indicators	
WQ 1(H)	Microbial compliance - Percentage of routine water quality samples that comply with the Australian Drinking Water Guidelines for E. coli
	Chemical/physical compliance - Percentage of routine water quality samples that comply with the Australian Drinking Water Guidelines for key chemical/physical parameters
National Performance Reporting (NWI) Indicators	
H1	Water quality guidelines (provided as text)
H3	Percentage of population where microbiological compliance was achieved (%)
H4	Number of zones where chemical compliance was achieved (zones)

3.2 WATER QUANTITY

IPART’s issues paper outlines the framework governing water conservation initiatives under Hunter Water’s operating licence, which is illustrated in Figure 3.

FIGURE 3 WATER QUANTITY PERFORMANCE AND MONITORING FRAMEWORK



Hunter Water’s 2017+3 Strategy prioritises water resilience and sets the aspirational goal of adding ten years to the timing of future water source augmentation. Water efficiency and conservation measures are an essential part of ensuring a resilient water system and striving toward this aspiration, and are a key focus for Hunter Water.

Hunter Water’s operating licence requires extensive monitoring and reporting of our water conservation performance. We must develop and submit a water conservation strategy to IPART and an associated work program for water storage and transmission¹⁸.

¹⁸ NSW Government, 2017, page 7.

We must develop and submit a proposed methodology for determining our economic level of water conservation (ELWC) which includes the following elements:

- Water leakage within and downstream of our water treatment plants
- Water recycling, and
- Water efficiency (including demand management).¹⁹

Once IPART has approved an ELWC methodology, Hunter Water must use it to develop and submit a water conservation program.

The water conservation work program will provide detailed information on initiatives and targeted water conservation savings. The work program will be a publically available document and will provide external stakeholders with detailed and meaningful information on Hunter Water's water conservation performance.

Hunter Water also currently provides detailed reporting on progress against its water conservation activities in our annual Compliance and Performance report²⁰ consistent with reporting manual requirements²¹ linked to the operating licence. The Compliance and Performance report is publicly available on Hunter Water's website.

Hunter Water currently has no IPART water quantity performance indicators,²² although we provide information on water quantity to stakeholders through the NWI water resources indicators²³. We agree with IPART's initial view that as our operating licence requires separate reporting on water conservation activities that further performance indicators are not necessary to manage performance in this area.

¹⁹ Ibid, page 7.

²⁰ Hunter Water Corporation, 2017.

²¹ IPART 2017.

²² Hunter Water's 2017-22 Operating Licence contains a Water Conservation Target that applies until superseded by an approved ELWC methodology and program of water conservation activities (clause 2.2.1). The Water Conservation Target is similar to a system performance standard.

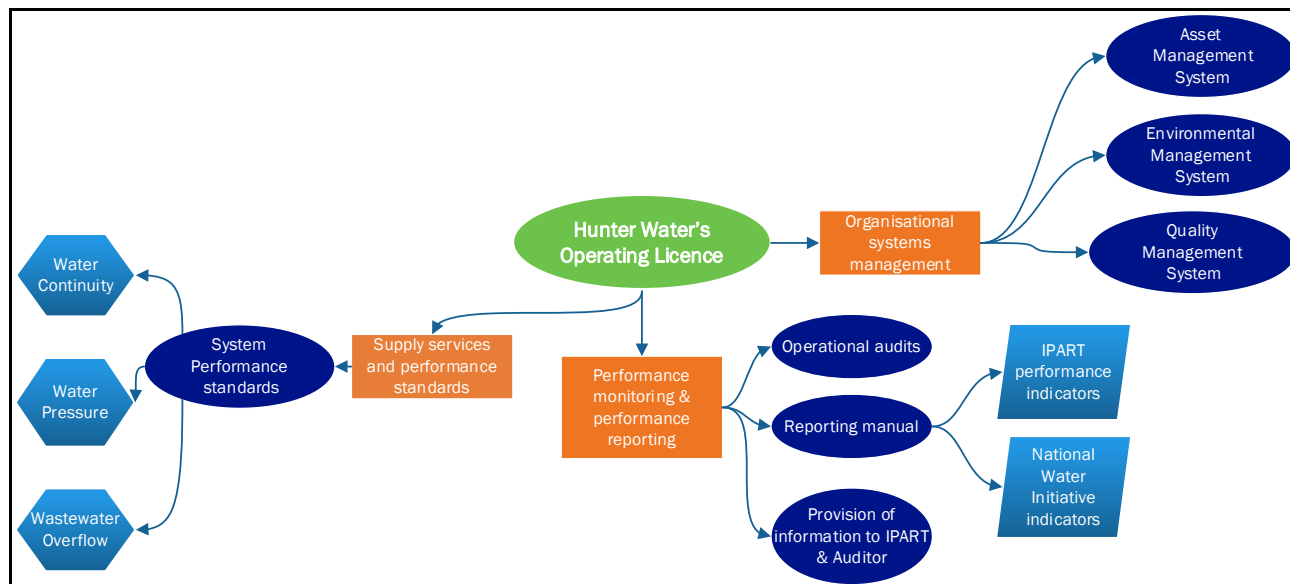
²³ Australian Government, 2018.

4 PERFORMANCE – ASSETS

This performance area relates to ensuring water utilities' assets are maintained to provide appropriate and consistent levels of water and wastewater network services to customers.

IPART's asset performance indicators are a component of an integrated framework governing asset management and performance monitoring embedded within Hunter Water's operating licence as illustrated in figure 4.

FIGURE 4 ASSET PERFORMANCE AND MONITORING FRAMEWORK



Hunter Water is required to have in place asset, environmental and quality management systems that are consistent with specified national standards.²⁴

Hunter Water must comply with reporting obligations set out in its reporting manual in relation to all of its organisational management systems.²⁵ Hunter Water is required to submit an annual report to IPART on its management systems including:

- the management activities and programs completed by Hunter Water in the financial year to meet the objectives of each management system,
- the results and outcomes from those activities and programs, and
- the activities and programs proposed to be undertaken by Hunter Water to meet the objectives of each management system in the future, including the timetable for completion.²⁶

Hunter Water's operating licence also includes system performance standards covering water continuity, water pressure and wastewater overflows.

In response to this review, we have considered the usefulness and relevance of Hunter Water's IPART asset performance indicators within the operating licence's overall asset management and performance framework. We have taken into account the performance indicators' internal and external usefulness, administrative cost and the extent to which they are duplicated by system performance standards, National Water Initiative indicators and other performance monitoring activities.

Our preliminary views in relation to the outcome areas of water continuity, water pressure and wastewater overflows are presented in the following sections. Given the apparent similarities between performance indicators and standards, Hunter Water recommends that the need for any new performance indicators be considered in parallel with the review of systems performance standards.

²⁴ NSW Government, 2017, section 4, page 10.

²⁵ IPART, 2017, page 17.

²⁶ Ibid, page 17.

4.1 SERVICE INTERRUPTIONS

IPART's issues paper notes that Hunter Water and Sydney Water have operating licence system performance standards relating to water continuity as well as performance indicators. In addition, NWI indicators relating to this outcome are collected and published annually under the National urban water utility performance framework²⁷. The relevant Hunter Water standards and indicators are shown in Table 2. Hunter Water's initial positions on each of the indicators is provided in Table 3.

TABLE 2 SERVICE INTERRUPTIONS STANDARDS AND INDICATORS

ID #	Indicator description
Operating Licence System Performance Standards	
3.3.2 a)	Hunter Water must ensure that in a financial year: no more than 10,000 Properties experience an Unplanned Water Interruption that lasts more than five continuous hours; and
	no more than 5,000 Properties experience three or more Unplanned Water Interruptions that each last more than one hour ²⁸
IPART Performance Indicators	
I1	The number of properties affected by an unplanned water interruption duration of more than 1 hour and less than or equal to 5 hours.
I2	Occurrence of water interruptions to affected properties (i.e. the number of properties experiencing three or more Planned or Unplanned water interruptions) of more than one hour duration.
I3	Events leading to planned or unplanned water interruption where 250 or more properties experience an interruption of over 5hrs duration.
I4(H)	The number of residential properties affected by planned water supply interruptions in peak hours (5am - 11pm).
National Performance Reporting (NWI) Indicators	
IA8	Number of water main breaks, bursts and leaks (mains breaks)
A8	Number of water main breaks, bursts and leaks, per 100 km of water mains (mains breaks/100km),
C15	Average duration of an unplanned interruption: water supply (minutes)
IC17	Number of unplanned interruptions: water supply (interruptions)
C17	Number of unplanned interruptions per 1,000 properties (interruptions/1000 properties),

Hunter Water agrees with IPART that there are positives and negatives associated with both the average and threshold approaches to service continuity indicators. These approaches can each provide different information to describe customer impact and service performance. Hunter Water's view is that a combination of both average and threshold indicators is preferable, as is currently the case across performance standards (threshold approach) and the NWI indicators (includes average indicators).

²⁷ Australian Government, 2018.

²⁸ For the purposes of clause 3.3.2(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 (per clause 3.3.2 b)).

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 clause 3.3.2(a) (per clause 3.3.2c).

TABLE 3 HUNTER WATER POSITIONS ON SERVICE INTERRUPTIONS INDICATORS

IPART Performance Indicator	Hunter Water Position
I1. The number of properties affected by an unplanned water interruption duration of more than 1 hour and less than or equal to 5 hours.	<p>Hunter Water supports IPART’s initial view that this indicator be removed on the basis that it seeks to collect the similar information to the system performance standards SPS 3.3.2 a) i (Table 1). The NWI provides additional service interruption performance indicators (C15, IC17, C17, Table 1).</p>
I2. Occurrence of water interruptions to affected properties (i.e. the number of properties experiencing three or more Planned or Unplanned water interruptions) of more than one hour duration.	<p>Hunter Water supports IPART’s initial view that this indicator be removed on the basis that it seeks to collect the similar information to the system performance standards SPS 3.3.2 a) ii (Table 1). The NWI provides additional service interruption performance indicators (C15, IC17, C17, Table 1).</p>
I3. Events leading to planned or unplanned water interruption where 250 or more properties experience an interruption of over 5hrs duration.	<p>Hunter Water’s internal management systems capture relevant information on events of this magnitude. These major events are thoroughly investigated internally and reducing these events is a key priority for Hunter Water.</p> <p>Hunter Water considers that the performance outcome measured by I3 is primarily captured by the system performance standard for unplanned water discontinuities SPS 3.3.2 a) i. Hunter Water breached this system performance standard in 2016-17 as a result of significant interruptions that affected a large number of customers. Only 1 planned interruption met the requirement of I3 in 2016-17.</p> <p>We are interested in IPART’s and other stakeholders’ views on the benefit provided by externally publishing this measure.</p>
I4 (H). The number of residential properties affected by planned water supply interruptions in peak hours (5am -11pm).	<p>Hunter Water’s internal management systems capture relevant information on water supply. Hunter Water intends to engage with customers to gauge the extent to which planned events are of significance to customer experience, and to understand how the timing of the interruption affects this experience. It is not clear whether the existing definition of ‘peak hours’ is representative of inconvenience caused to the customer.</p> <p>Maintaining I4 as a regulatory performance indicator has an additional cost to Hunter Water as the data must be captured, validated and documented to an auditable quality.</p> <p>We are interested in IPART’s and other stakeholders’ views on the benefit provided by externally publishing this measure.</p>

4.2 WATER PRESSURE

Hunter Water’s system performance standard and IPART performance indicator for water pressure are shown in Table 4. There are no relevant NWI indicators for this outcome area.

Hunter Water supports IPART’s initial view that our water pressure performance indicator be removed as it seeks to measure a similar outcome to the system performance standard.

TABLE 4 WATER PRESSURE STANDARD AND INDICATOR

ID #	Indicator description
Operating Licence System Performance Standard	
3.3.1 a)	Hunter Water must ensure that no more than 4,800 Properties experience a Water Pressure Failure in a financial year (Water Pressure Standard).
IPART Performance Indicators	
I5	The number of properties in the utility’s drinking water supply network experiencing a water pressure failure which is occasional or recurrent, but not permanent.

4.3 WASTEWATER OVERFLOWS

Hunter Water’s current wastewater overflow performance standards and indicators are provided in Table 5.

TABLE 5 WASTEWATER OVERFLOWS STANDARDS AND INDICATORS

ID #	Indicator description
Operating Licence System Performance Standards	
3.3.3 a)	Hunter Water must ensure that in a financial year: no more than 5,000 Properties experience an Uncontrolled Wastewater Overflow in dry weather; and
	no more than 45 Properties experience three or more Uncontrolled Wastewater Overflows in dry weather.
IPART Performance Indicators	
I6	Number of High Priority sewage overflows per 100 km of sewer main responded to in a year.
I7	Number of Medium Priority sewage overflows per 100 km of sewer main responded to in a year.
I8	Number of residential customers’ dwellings affected by sewer spills not contained within 1 hour of notification.
National Performance Reporting (NWI) Indicators	
A14	Number of sewer mains brakes and chokes per 100 km (breaks and chokes/100 km)
A15	Number of property connection sewer breaks and chokes per 1,000 properties (breaks and chokes/1,000 properties)

Hunter Water understands that when wastewater overflows occur, they can be detrimental to the environment and a major inconvenience for our customers and the broader community. Accordingly, this performance area is likely to be a key area of focus in the forthcoming survey of customers to inform a review of our system performance standards. Pending that review we consider that the information published against Hunter Water’s existing wastewater overflow performance standards and the NWI wastewater indicators provide sufficient information on this performance area. However, we would welcome IPART’s and other stakeholders’ views on the value of the current performance indicators and alternative options for publishing and reporting them.

Table 6 outlines Hunter Water’s preliminary positions on each of its current IPART wastewater overflow indicators.

TABLE 6 HUNTER WATER POSITIONS ON WASTEWATER OVERFLOWS INDICATORS

IPART Performance Indicator	Hunter Water Position
I6. Number of High Priority sewage overflows per 100 km of sewer main responded to in a year.	Hunter Water agrees with IPART’s initial view that there is no need to differentiate between high (I6) and medium (I7) priority sewage overflows. Hunter Water also considers that this indicator could be removed as the incidences of wastewater overflows are adequately covered by our system performance standards and NWI indicators.
I7. Number of Medium Priority sewage overflows per 100 km of sewer main responded to in a year.	See position on I6
I8. Number of residential customers’ dwellings affected by sewer spills not contained within 1 hour of notification.	<p>Hunter Water collects data on the duration of wastewater overflow events and the response time to address them as this is important management information.</p> <p>We are interested in IPART’s and other stakeholder views on alternative options for presenting and reporting performance in this area. In developing relevant indicators it is important that there is clarity and transparency around definitional issues such as dwellings versus properties and duration versus response time.</p>

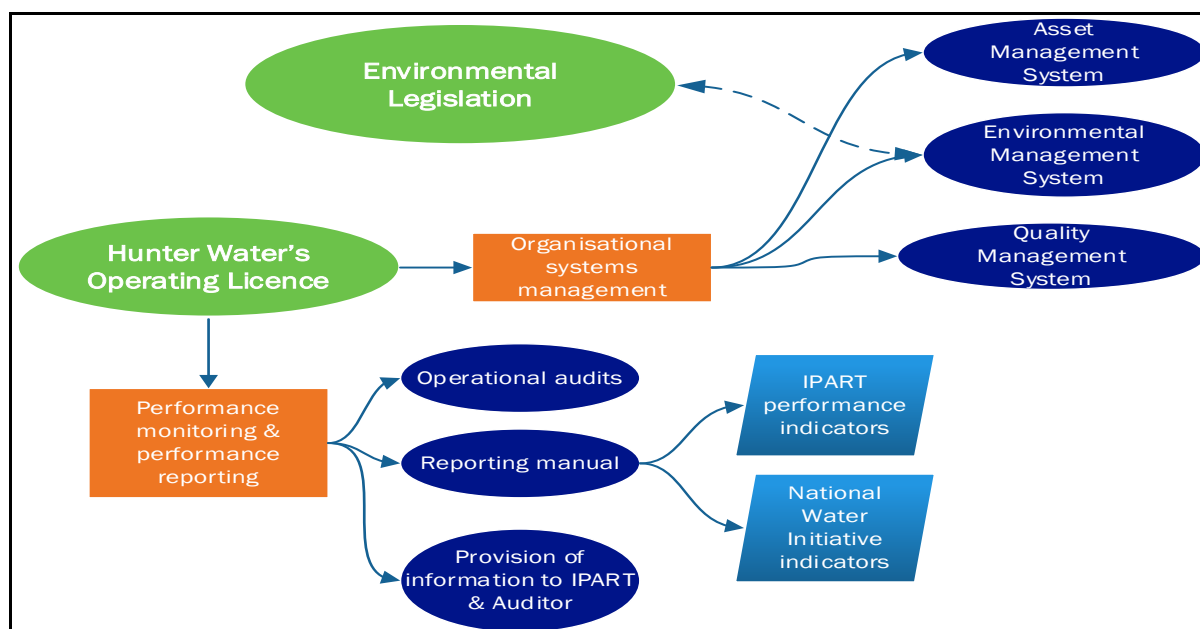
5 PERFORMANCE – ENVIRONMENT

Hunter Water has a strong commitment to integrating sustainability principles into the way in which we plan and operate our business, so that we can meet the needs of our community, while preserving the quality of life for future generations. To this end, Hunter Water has embedded the following programs within its core operations:

- Sustainable urban water planning
- Climate change action
- Energy efficiency
- Environmental management
- Catchment management, and
- Heritage management.

Information and progress reporting on each of these programs is located on Hunter Water’s website.

FIGURE 5 ENVIRONMENTAL PERFORMANCE AND MONITORING FRAMEWORK



As noted in IPART’s issues paper and illustrated in Figure 5, Hunter Water’s overall environmental performance is governed by NSW environmental legislation and our operating licence requirement to have a comprehensive, fully implemented environmental management system (EMS) that is consistent with Australian/New Zealand Standard AS/NZS ISO 14001:2016.²⁹

Under the *Protection of the Environment Operations Act 1997* Hunter Water holds 18 Environment Protection Licences that cover the operation of all of our 19 wastewater treatment works and two of our six water filtration plants. We publish monthly and annual pollution monitoring data on our website.³⁰

Hunter Water’s annual compliance and performance report also includes comprehensive reporting against specific goals and targets included in an Environmental Management Plan that is a key component of our EMS.

Hunter Water’s existing IPART environmental performance indicators are provided in Table 7.

²⁹ NSW Government, 2017, clause 4.2.

³⁰ [https://www.hunterwater.com.au/Water-and-Sewer/EPA-Monitoring/Environment-Protection-Authority-\(EPA\)-Pollution-Monitoring-Data.aspx](https://www.hunterwater.com.au/Water-and-Sewer/EPA-Monitoring/Environment-Protection-Authority-(EPA)-Pollution-Monitoring-Data.aspx)

TABLE 7

IPART'S - HUNTER WATER ENVIRONMENTAL PERFORMANCE INDICATORS

ID #	Indicator description
IPART Performance Indicators	
E1	Total number of proceedings and Penalty Notices under the Protection of the Environment Operations (POEO) Act 1997 issued to the water utility.
E2	Total number of proceedings and Penalty Notices under the Protection of the Environment Operations (POEO) Act 1997 issued to contractors engaged by the water utility.
E3	Total electricity consumption by water assets (kWh/ML of water supplied to be included).
E4	Total electricity consumption by sewer assets (kWh/ML of sewage collected).
E5	Electricity consumption from renewable sources or generated by the water utility expressed as a percentage of total electricity consumption
E6	Total mass of biosolids produced by the water utility.
E7	Percent of solid waste recycled or reused expressed as a percentage of solid waste generated.
E8	Total area of clearing of native vegetation.
E9	Total area of native vegetation rehabilitated, including due to replanting and protection by the water utility.
E10	Total area of native vegetation gain due to rehabilitation, replanting and protection by the water utility.
E11	Total number and nature of proceedings or Penalty Notices of conditions under licences issued to the water utility by DPI Water for water management.

Hunter Water agrees with IPART's initial view that performance in this area is covered by existing NSW environmental legislative requirements and the requirement in Hunter Water's operating licence to maintain and implement an Environmental Management System. Hunter Water notes that IPART does not use the information that water utilities provide in relation to the environmental indicators.³¹

We welcome the opportunity provided by this review to consider stakeholder views on which environmental indicators are most important to them and alternative options for reporting and publishing this information.

³¹ IPART, 2018, page 27.

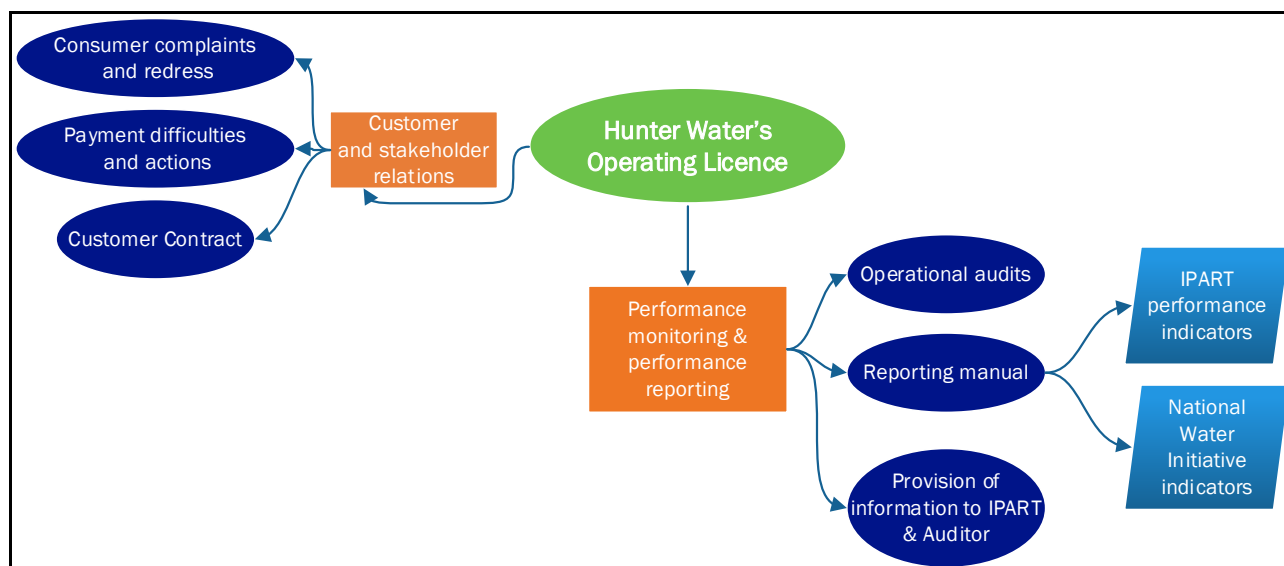
6 PERFORMANCE – CUSTOMERS

This section responds to IPART’s issues in relation to both customer service and customer satisfaction performance indicators.

6.1 CUSTOMER SERVICE

Hunter Water’s customer service performance is governed by a comprehensive framework under our operating licence as illustrated in Figure 6 below.

FIGURE 6 CUSTOMER SERVICES PERFORMANCE AND MONITORING FRAMEWORK



Hunter Water is required to submit a compliance and performance report on its Customer and stakeholder relations to IPART for each financial year.³²

The report must include details of how we have fulfilled obligations in relation to:

- consultation with the customer advisory group on key issues related to our planning and operations
- assisting customers experiencing financial hardship to better manage their bills, and
- managing, responding to and resolving complaints.

Table eight shows Hunter Water’s current IPART customer performance indicators.

Hunter Water supports IPART’s initial view that the customer services performance area is adequately covered by the customer and stakeholder relations requirements (including reporting requirements) in its operating licence (figure 6) and that no IPART performance indicators are required in the future. Hunter Water also notes that a number of IPART’s current indicators are included in NWI reporting

Hunter Water welcomes the additional opportunity afforded by this review to obtain stakeholder views on the relative priority of each of the customer performance indicators and alternative options for reporting and publishing them.

³² IPART, 2017, page 19.

TABLE 8

IPART'S - HUNTER WATER'S CUSTOMER PERFORMANCE INDICATORS

ID #	Indicator description
IPART Performance Indicators	
C1	The percentage of complaints resolved within 10 business days.
C2	Percent of calls abandoned
C3	Percent of metered accounts of customers that receive a bill not based on a business meter read for one year.
C4	The total number of residential customers disconnected for non-payment of amounts owed to the water utility.
C5	The total number of non-residential customers disconnected for non-payment of amounts owed to the water utility.
C6	Total number of residential customers on whom water flow restrictions have been imposed.
C7	Total number of non-residential customers on whom water flow restrictions have been imposed.
C8	Number of residential customers per 1000 residential properties experiencing financial difficulty who are being assisted through the water utility's hardship program or payment plans.
C9	Percentage of residential customers in C 8 who are: a) not meeting ongoing water and sewerage costs (debt increasing), b) covering ongoing water and sewerage costs (debt stable), and c) covering ongoing costs and portion of arrears (debt reducing).
C10	Percentage of residential customers in C 8 who pay by: a) Payment plan, and b) Centrepay
C11	Break up by percentage of residential customers who no longer meet C 8 by exiting the water utility's hardship program or payment plans because: a) they have paid off their outstanding debt, b) they have been flow restricted, and c) other.

6.2 CUSTOMER SATISFACTION

Hunter Water supports IPART's interest in considering customer satisfaction surveys as performance indicators. Well-designed qualitative surveys that capture comprehensive information on customer preferences concerning the type, quality and price of a water utility's services can usefully inform decision-making by both the business and the regulator.

Hunter Water's 2017+3 Strategy has renewed the focus of Hunter Water to engage with customers in order to understand and be responsive to their needs and expectations and to provide great services. A number of initiatives are planned or being undertaken, such as including trialling a new monthly telephone survey to better understand how we are performing relative to community expectations. The questions are based on those now being used by Victorian water utilities as part of their reporting to regulators.

Hunter Water also conducts regular larger customer satisfaction surveys, which among other functions, serves to inform our pricing submissions.

Hunter Water welcomes IPART's proposal to consult with water utilities on the design and application of any future customer satisfaction performance indicators.

IPART's issues paper includes brief summaries of other economic regulators approaches or proposed approaches to collecting indicators related to customer satisfaction.

The applicability to NSW utilities of approaches being implemented or trialled in other jurisdictions requires careful consideration. For instance, Ofwat's proposed trial introduction of customer and developer services measures of experience (C-Mex and D-Mex) has been developed over a number of years building on earlier experience with a Service Incentive Mechanism (SIM). Moreover the proposed C-Mex and D-Mex measures are tailored to be part of an integrated regulatory package that includes 14 common specific performance commitments and financial and reputational outcome delivery incentives.

Hunter Water considers that, as a first step, a thorough assessment of existing customer satisfaction performance indicators could be undertaken by IPART in consultation with the water utilities. The scope of the assessment could include the jurisdictional approaches identified in IPART's issues paper, as well as the NSW utilities existing initiatives and any other relevant approaches identified (which may include examples from outside the sector). The assessment could usefully:

- Clarify the purpose(s) of customer satisfaction indicators within the NSW regulatory context
- Identify any significant differences in jurisdictional operational, business and regulatory environments that may be relevant to the design of their specific customer satisfaction performance indicators and their applicability within the NSW context
- Quantify the administrative costs associated with different approaches
- Examine any unintended consequences, both positive and negative, of approaches that have been implemented to date
- Identify any clear evidence of benefits in terms of improved customer performance outcomes associated with the different approaches
- Consider the pros and cons of linking customer satisfaction indicators to financial incentives and penalties, taking into account possible funding mechanisms and bill impacts, and
- Identify preferred options for introducing or trialling recommended customer satisfaction performance indicators.

Hunter Water considers that it would be practical to undertake this review following the completion of the next pricing reviews for Sydney Water and Hunter Water with a view to potential implementation in the following price path.

7 REFERENCES

Australian Government, 2018, National performance report 2016-17: urban water utilities. Bureau of Meteorology, Melbourne.

Independent Pricing and Regulatory Tribunal of NSW (IPART), 2018, Review of water utility performance indicators. Issues Paper Water, February.

Independent Pricing and Regulatory Tribunal of NSW (IPART), 2017, Hunter Water Reporting Manual – Operating Licence 2017-2022. Reporting Manual Water Licensing, Sydney, May.

Hunter Water Corporation, 2017, Compliance and Performance Report. Newcastle, September.

NSW Government, 2017, Hunter Water Corporation Operating Licence 2017-2022, Hunter Water Corporation, Newcastle.

APPENDIX A: HUNTER WATER RESPONSE TO IPART'S ISSUES PAPER QUESTIONS

INTRODUCTION

1. Do stakeholders agree with the proposed assessment criteria for the review?

Hunter Water considers the criteria to be generally appropriate subject to comments in section 2.1.

APPROACH TO MONITORING UTILITY PERFORMANCE

2. Should IPART take a more active approach in incentivising performance through the use of performance indicators?

Hunter Water's response is provided in section 2.3.1.

3. Do stakeholders have a view on the format of reporting performance indicators?

Hunter Water's submission focusses on the usefulness of its existing IPART indicators rather than reporting formats.

4. Do stakeholders agree that it is appropriate for water utilities providing the same service to be subject to the same performance indicators?

Hunter Water's response is provided in section 2.3.3.

5. Do stakeholders agree with our proposed approach to the collection of licence data to allow IPART to calculate WIC Act licence fees?

This is considered a matter for IPART and Water Industry Competition Act licensees.

PERFORMANCE – WATER QUALITY AND QUANTITY

6. Do stakeholders agree with the proposed compliance-based approach to water quality?

Hunter Water supports the compliance based approach as explained in section 3.1.

7. Are there any performance indicators, including lead indicators, that stakeholders consider should be adopted for water quality?

Hunter Water does not consider there is a need to adopt new performance indicators in this area. Hunter Water's general view on lead indicators is set out in section 2.3.2.

8. Do stakeholders agree with the proposed compliance-based approach to water quantity?

Hunter Water supports the compliance based approach as explained in section 3.2.

9. Are there any performance indicators, including lead indicators, that stakeholders consider should be adopted by IPART for water quantity?

Hunter Water does not consider there is a need to adopt new performance indicators in this area. Hunter Water's general view on lead indicators is set out in section 2.3.2.

PERFORMANCE - ASSETS

10. Do stakeholders agree on the proposed approach to have the same performance indicators for service interruptions for PWUs and WIC Act licensees?

Hunter Water's response is provided in section 2.3.3.

11. Do stakeholders have a view as to which approach (threshold or average) would result in a better measure of performance?

Hunter Water's response is provided in **Error! Reference source not found.**

12. Do stakeholders have views on the potential performance indicators for service interruptions?

Hunter Water's views on service interruption indicators are provided in section 4.1

13. Do stakeholders agree with our initial view that there is no need for any additional performance indicators for water pressure?

Yes. See section 0

14. Do stakeholders have views on the potential indicators for wastewater overflows?

Hunter Water's views on wastewater overflow indicators are provided in section 4.3.

15. Are there any performance indicators, including lead indicators, that stakeholders consider should be adopted by IPART for asset performance?

Hunter Water does not consider there is a need to adopt new IPART performance indicators in this area. Hunter Water's general view on lead indicators is set out in section 2.3.2.

PERFORMANCE - ENVIRONMENT

16. Do stakeholders agree with the compliance-based approach to environmental performance with the exception of where there is a legislative requirement for environmental indicators?

Hunter Water supports the compliance based approach as explained in section 5.

17. Do stakeholders have a view as to what would be the most appropriate environmental indicators Sydney Water should report on?

This is considered a matter for Sydney Water and its stakeholders.

18. Do stakeholders have a view as to what would be the most appropriate environmental indicators WaterNSW should report on?

This is considered a matter for WaterNSW and its stakeholders.

19. Are there any environmental performance indicators that stakeholders consider should be adopted for Hunter Water and WIC Act licensees?

Hunter Water does not consider there is a need to adopt new IPART performance indicators in this area.

20. Are there any lead indicators available for environmental performance that should be included as an IPART performance indicator?

Hunter Water's general view on lead indicators is set out in section 2.3.2.

PERFORMANCE - CUSTOMERS

21. Do stakeholders agree with our proposed compliance-based approach to customer service?

Hunter Water supports the compliance based approach as explained in section 6.1.

22. Are there any performance indicators, including lead indicators, that stakeholders consider should be adopted by IPART for ~~water quantity~~(sic) customer service?

Hunter Water does not consider there is a need to adopt new performance indicators in this area. Hunter Water's general view on lead indicators is set out in section 2.3.2.

23. Do stakeholders consider qualitative customer satisfaction surveys as an appropriate performance indicator for water utilities?

Hunter Water's response is provided in section 0.

24. Do stakeholders have views on the design of a qualitative performance indicator for customer satisfaction and how it could be implemented?

Hunter Water's response is provided in section 6.2.

25. Do stakeholders agree with our preliminary view that other indicators are not necessarily required if the qualitative measure of customer satisfaction is adopted?

See response to question 21.