



**WATERNSW SUBMISSION TO THE IPART REVIEW  
OF WATER UTILITY PERFORMANCE INDICATORS**

**MARCH 2018**

## SUMMARY

WaterNSW welcomes IPART's decision to review public water utility (PWU) performance indicators, and appreciates the opportunity to provide input into this process.

WaterNSW plays a vital role in improving the availability of water that is essential for our customers and the communities throughout NSW. We do this through the performance of our Market Functions:

- **Source Water Protection** – protection of the Greater Sydney drinking water catchment to ensure safe water is supplied to Sydney Water for treatment and distribution to its customers;
- **Bulk water supply** – supplying water in regulated systems from its storages;
- **System Operator** – efficient short term management of the state's surface and groundwater resources through the operation of the state's river systems and bulk water supply systems;
- **Infrastructure Planning and Delivery** – planning, developing, owning and operating infrastructure to increase the security and reliability of water supplies to end user customers and the communities of NSW; and
- **Customer service** – providing efficient and timely services to end use customers for their water entitlement and allocation licensing and water trade services, other water dealings and transactions, billing and to meet their information needs with respect to surface and groundwater quantity and quality.

In fulfilling our role, there are a range of reporting requirements placed upon WaterNSW. These include ongoing and periodic reporting to IPART and other regulators and Government agencies, and performance targets set by Treasury. These are in addition to requirements to review and audit our operating licence.

These robust reporting arrangements not only provide a framework to assess performance, but also help foster public trust in WaterNSW and the vital services we deliver.

As a price-regulated government business, WaterNSW is required to ensure our expenditure is both prudent and efficient to deliver a fair and affordable service to the public. When reporting becomes too onerous, duplicative or unnecessary it has the potential to hinder efficiency.

WaterNSW therefore supports the intent of IPART's review to ensure they are not *imposing unnecessary regulatory costs*, and more specifically to ensure *the benefits delivered from requiring water utilities to report on performance indicators should outweigh the costs of collection and reporting*.

To meet this objective, we recommend IPART introduce customer-focused minimum performance standards. These standards would not only better reflect WaterNSW's functions, but would also facilitate more effective benchmarking of our performance in terms of customer service delivery, and could be applied consistently across all water utilities.

Also, we believe that several of the current performance indicators could be amended or removed, without negative impact on the regulation of our business or the public benchmarking of our performance. Such a move would remove the current duplication of some indicators relating to catchment health, the environment and water quality, which are currently captured through other regulatory reporting processes. This submission expands on these matters in greater detail below, before addressing the questions posed by IPART in its discussion paper.

## INTRODUCTION

IPART currently requires WaterNSW to report on eleven performance indicators.

These indicators relate to the Declared Catchment (greater Sydney drinking water catchment) as defined in Part 4 of the *Water NSW Act 2014*.

**Table 1. List of WaterNSW – IPART performance indicators**

	Indicator Number	Category	Indicator
1	IPART H1	Water quality	Water quality in catchment waterways in the Catchment Area measured against the applicable water quality objectives specified in the Australian and New Zealand Guidelines for Fresh and Marine Water Quality 2000
2	Environment IPART H2	Water quality	Occurrence of Cryptosporidium and Giardia cysts or oocysts in catchment waterways
3	Environment IPART E1	Energy	Total annual energy consumed by Water NSW (electricity, fuel and gas) in units provided on energy bills
4	Environment IPART E2	Green electricity	Green electricity consumption as a % of total electricity consumption by Water NSW
5	Environment IPART E3	Waste	Estimated volume and type of waste annually sent to landfill from Water NSW's activities (kg per year)
6	Environment IPART E4	Waste	Waste recycled or reused expressed as a percentage of total waste generated by Water NSW's activities, by type of waste

Source: IPART, WaterNSW Reporting Manual, February 2018

**Table 2. List of WaterNSW - Catchment Health indicators**

	Theme	Sub-theme	Measurement
7	Biodiversity and habitats	Biodiversity	2001 and 2006 Spring AusRivAS scores, plus additional data from Sustainable Rivers Audit (SRA)
8	Water availability	Surface Water	Level and variability of streamflow
9	Water availability	Surface Water	Total volume of water by type released from Water NSW storages
10	Water quality	River Health	Turbidity, pH, EC, Total Al, Total Fe, Total N, Total P, NO <sub>x</sub> , NH <sub>4</sub> , FRP, Chlorophyll a, DO and water temperature – assessed against ANZECC/ARMCANZ (2000) guidelines Water quality River Health Compliance with recreational guidelines
11	Water quality	River Health	Compliance with recreational guidelines cyanobacteria for Water NSW storages only

Source: IPART, WaterNSW Reporting Manual, February 2018

# KEY ISSUES

## Development of Minimum Performance Standards

As outlined in our submission to the IPART review of the WaterNSW Operation Licence (2017), we recommend the development of performance standards consisting of minimum requirements for customers supplied or delivered with water. The minimum performance standards would relate to each of the market functions we perform, including for the conferred functions.

We recommend that performance be assessed on the outcome or purpose of the water released or supplied, rather than the function (supply, deliver, capture and store) or area of operation (declared, non-declared catchments). We believe this basis of distinction provides a more transparent approach.

We therefore support the following as minimum performance standards:

**Table 3. Minimum Performance Standards**

Type of Water	Performance Standards		
	Water Delivery	Water Quality	Service Interruption
Drinking Water made available directly by WaterNSW under its access licences	<ul style="list-style-type: none"> <li>As agreed in Customer Supply Agreement (CSA)</li> </ul>	<ul style="list-style-type: none"> <li>Must meet Australian Drinking Water Guidelines (ADWG)</li> </ul>	<ul style="list-style-type: none"> <li>As agreed in Customer Supply Agreement</li> </ul>
	<ul style="list-style-type: none"> <li>Self- determined</li> </ul>	<ul style="list-style-type: none"> <li>Must meet Australian Drinking Water Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Self- determined</li> </ul>
Water Supplied by WaterNSW using its access licences for treatment or filtration by a third party prior to consumption	<ul style="list-style-type: none"> <li>As agreed in RWSA</li> <li>As agreed in CSA</li> <li>Operating Licence could set minimum standards for default CSA</li> </ul>	<ul style="list-style-type: none"> <li>As agreed in RWSA</li> <li>As agreed in CSA</li> <li>Operating Licence could set minimum standards for default CSA</li> <li>ADWG (relevant health related parameters)</li> </ul>	<ul style="list-style-type: none"> <li>As agreed in RWSA</li> <li>As agreed in CSA</li> </ul>
Water Supplied to Small Customers not intended for consumption	<ul style="list-style-type: none"> <li>As agreed in Customer Supply Agreement</li> </ul>	<ul style="list-style-type: none"> <li>As agreed in Customer Supply Agreement</li> </ul>	<ul style="list-style-type: none"> <li>As agreed in Customer Supply Agreement</li> </ul>
Water Released for extraction and use under a Customers access licence	<ul style="list-style-type: none"> <li>99% of Customers who place a Non-complying Water Order are contacted within 1 working day to rectify that order;</li> <li>99% of Water Orders are Delivered within +/- 1 day of the scheduled day of Delivery;</li> <li>90% of complying Temporary Trades within the State are processed within five working days of Water NSW's receipt of a correct application and fee;</li> <li>90% of Interstate Temporary Trades (except to South Australia) are processed within 10 days; and</li> <li>90% of Interstate Temporary Trades to South Australia are processed within 20 days.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>100% of Water Orders rescheduled (Service Interruptions) are rescheduled in consultation with an affected Customer within 1 working day of an expected water shortage, or other delivery delay;</li> </ul>

Implementing these measures would enable WaterNSW to provide enhanced service standards to customers which meet their needs and expectations through commercial terms. It would better reflect WaterNSW's functions and our role within the water delivery chain, which would further aid in the maturation of the market.

This approach would not only provide a more accurate reflection of WaterNSW's performance, but would also satisfy IPART's objective for performance measurements to be more customer-focused. If incorporated into the operating license, we believe this approach should specify only minimum required performance standards, rather than prescriptive measures. Additional levels of service that individual or valley customers would be willing to pay more for, should be left to customers and WaterNSW to negotiate.

Performance standards, if based on market function, could also be used to compare performance across the different water utilities.

***Performance Indicators that could be amended under the current framework to reflect WaterNSW's operational footprint***

In some circumstances, it is onerous for WaterNSW to report on indicators relating solely to the greater Sydney catchment, as we collect data on a statewide basis. For example, we are currently required to report the total annual energy consumed by WaterNSW (electricity, fuel and gas) in units provided on energy bills. Given our state-wide footprint, it is difficult to disaggregate the Sydney catchment data from the state-wide data of WaterNSW more broadly.

Under Section 12 (2)(b) of the *Water NSW Act 2014*, the WaterNSW operating licence must include terms and conditions *with respect to the declared catchment area - to compile indicators of the direct impact of Water NSW's activities (including, but not limited to, the impact of energy used and waste generated) on the environment so as to provide information about its performance and enable reports to be prepared*. Reporting on this data is not only challenging and resource intensive, it is also arguably of limited value given it only captures a portion of our footprint.

Applying IPART's proposed assessment criteria of *do the benefits of the information outweigh the costs of collecting the information?*, we recommend the following indicators be amended to cover the entirety of our operational footprint:

- Environment IPART E1
- Environment IPART E2
- Environment IPART E3
- Environment IPART E4

***Performance indicators that could be removed under the current framework because they duplicate existing reporting arrangements***

There are several indicators that are currently collected, which could be removed to prevent duplication.

As identified by IPART in their issues paper, WaterNSW reports to IPART and NSW Health on the Water Quality Management System, as well as its monitoring of water quality in the Declared Catchment, which is reported in the Annual Water Quality Monitoring Report. In addition, routine

water quality monitoring results under the Water Quality Management System are reported to WaterNSW customers and NSW Health.

WaterNSW suggests the deletion of the two IPART water quality indicators as these are a subset of the water quality monitoring program developed under the Water Quality Management System (Environment IPART H1 and H2). The results of the water monitoring program are provided in the Annual Water Quality Monitoring Report, which is provided to IPART, NSW Health and made publicly available. Reporting on these indicators separately, when the information is already in the public domain, represents a duplication.

There is also duplication of the two catchment health - water availability (surface water) indicators. WaterNSW is required under its Water Access Licence and the Water Sharing Plans, as stipulated in the Works Approvals to collect and record this information. This data is reported to the Bureau of Meteorology as part of the National Water Account (required under the Water Act 2007), the Australian Bureau of Statistics, for the Annual Water Supply and Sewerage Services Survey and to Department of Industry - Water, as part of requirements set out in relevant Water Access Licences.

In other instances, it may be more efficient for another Government agency to provide the required information. For catchment health indicators, WaterNSW currently measures one indicator relating to biodiversity (2001 and 2006 Spring AusRivAS scores, plus additional data from Sustainable Rivers Audit (SRA)). This data provides information on river health, not necessarily drinking water quality, and is collected as part of the Catchment Audit. Applying IPART's proposed criteria of *where the utility is already required to provide information relating to the desired outcome under another regulatory framework, there is no need for IPART to capture the same information*, it is therefore unnecessary to report this information through IPART.

WaterNSW recommends the removal of the following indicators from our reporting requirements:

- IPART H1
- IPART H2
- Water Availability (Surface Water) – Level and variability of streamflow
- Water Availability (Surface Water) – Total volume of water by type release from WaterNSW storages
- Biodiversity and habitats (Biodiversity)

### ***Performance Indicators that could be retained under the current framework***

Other performance indicators relating to catchment health provide value and inform the community and others on key aspects of catchment condition. The data that are collected relate to attributes that best represent a subset of key elements within the catchment system.

WaterNSW recommends retaining the following indicators:

- Water quality (River Health) – Turbidity, pH, EC etc
- Water quality (River Health) – Compliance with recreational guidelines for cyanobacteria.

We note that the issues paper states that WaterNSW is required to submit a Water Conservation Strategy. This is a new requirement that came into effect 1 July 2017, with the Strategy to be submitted to IPART 1 November 2018. WaterNSW is unable to comment on this methodology as it is currently working with IPART to detail the scope of the Strategy. WaterNSW agrees that it would be inappropriate to amend this approach at this stage. Furthermore, we believe this new

requirement, when developed, could replace the reporting of the two water availability (surface water) indicators, as outline above.

### ***Customer Service***

Customers for WaterNSW vary significantly to those of other water utilities in terms of the service provided and the product offered. Users that extract untreated water from rivers or bores as part of their licence conditions (the large proportion of WaterNSW customers) will have a different customer experience when contrasted to retail water utility customers, where water is delivered through pipes and canals and treated. Urban metrics, such as water main breaks, are not applicable to WaterNSW as a bulk water supplier.

For the Declared Catchment (to which all of WaterNSW's performance indicators are concerned) the number of customers WaterNSW services is very small, although the customers themselves are may be large – i.e. Sydney Water. Limiting a customer service metric to the Declared Catchment would make assessment difficult due to the small sample size. The Raw Water Supply Agreements with Sydney Water and Councils already contain performance measures. For these reasons, comparing performance across utilities is difficult.

However, as outlined above, introducing minimum performance standards for customer service delivery based on market function, would resolve these issues by applying consistent measures along lines of market function. This would also provide for clear and consistent assessment across utilities.

# RESPONSES TO IPART'S QUESTIONS

## Introduction

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

WaterNSW supports the proposed criteria.

## Approach to monitoring utility performance

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

Setting out clear minimum performance measures, as outlined above, will allow for the transparent quantification of performance, which can drive service improvements.

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

Performance indicators should be output-based, not input-based. They should be clear, transparent and consistent across each market function to allow for benchmarking and assessment.

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

By introducing minimum performance standards, each utility performing the same market function would be subject to the same standards. This would allow comparison across the market.

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 not applicable to WaterNSW.

## Performance – Water quality and quantity

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

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

WaterNSW believes there needs to be balance between output (performance standards) and assurance measures. We agree with IPART that in cases where assurance reporting is duplicated, for instance around reporting on river health, this could be removed to improve efficiency.

The adoption of minimum performance standards, including on water quality, for example, the inclusion of an indicator of water quality performance in the Customer Supply Agreement between WaterNSW and our customers, or in the Raw Water Supply Agreements (for example with Sydney Water and Councils), may be appropriate.



8. *Do stakeholders agree with the proposed compliance-based approach to water quantity?*
9. *Are there any performance indicators, including lead indicators, that stakeholders consider should be adopted by IPART for water quantity?*

This measurement would be captured by the proposed minimum performance standards (outlined in table 3).

It should also be noted that WaterNSW is working on implementing a new reporting requirement (a Water Conservation Strategy which is a new requirement in the Operating Licence). The requirement is to be delivered by 1 November 2018.

### **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?*
11. *Do stakeholders have a view as to which approach (threshold or average) would result in a better measure of performance?*
12. *Do stakeholders have views on the potential performance indicators for service interruptions?*
13. *Do stakeholders agree with our initial view that there is no need for any additional performance indicators for water pressure?*
14. *Do stakeholders have views on the potential indicators for wastewater overflows?*
15. *Are there any performance indicators, including lead indicators, that stakeholders consider should be adopted by IPART for asset performance?*

As IPART notes in its report, whilst WaterNSW does not have an indicator for service interruptions, unlike other water utilities, it does have compliance reporting obligations.

A measure of service interruptions could be incorporated as part of the minimum performance standards, as outlined above. For example, a metric for water released for extraction and use under a customer's access licence would be that 100% of Water Orders rescheduled (Service Interruptions) are rescheduled in consultation with an affected Customer within one working day of an expected water shortage, or other delivery delay.

### **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?*

WaterNSW agrees, and does not consider change necessary to this approach. There are valid reasons for some environmental indicators being reportable to regulatory bodies such as the Environment Protection Authority (EPA). WaterNSW is obligated to report on these and also indirectly to IPART as part of its overall Environmental Management System (EMS) Reporting (internal target and objective reporting). A change to far broader reporting would be cumbersome and is not considered necessary.

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

No comment.

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

WaterNSW considers an appropriate indicator to be Environmental Management System (EMS) conformance with the ISO 14001:2015. We consider the value of reporting water, waste, greenhouse gas emissions at a declared catchment level as limited. Not only is it difficult to generate accurate data at this scale, but this data in an aggregated form is already reported to other bodies and forms part of our EMS.

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

No comment.

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

No.

### **Performance – Customers**

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

We recommend the development of minimum performance standards for WaterNSW's market functions which could be applied consistently across all water utilities.

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

See response to question 9.

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

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

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

We note that users who extract untreated water from rivers or bores as part of their licence conditions (the large proportion of WaterNSW customers) will have a different customer experience when contrasted to our declared catchment customers.

In terms of service, minimum performance standards relating to market functions could be applied consistently across all water utilities. This would allow for the measurement of customer service delivery across our entire market functions.

In terms of customer satisfaction, WaterNSW agrees with the principle of a qualitative measure.