

**REVIEW OF SYSTEM PERFORMANCE STANDARDS
IN HUNTER WATER CORPORATION'S
OPERATING LICENCE**

**SUBMISSION BY TOTAL ENVIRONMENT CENTRE
IN RESPONSE TO HALCROW MANAGEMENT
SCIENCES LTD REPORT**

December 2001

INTRODUCTION

Total Environment Centre (TEC) welcomes the opportunity to comment on the Halcrow Management Sciences Review of System Performance Standards in the Hunter Water Corporation (HWC) Operating Licence. In the short time available to review the report we offer the following comments.

Regulating performance

TEC supports the conclusion that current system performance standards do not provide an appropriate means of regulating performance or allowing judgements to be made on the efficiency of systems and services.

TEC sees merit in the proposed three tier system of core standards, service commitments and indicators (Option A). We believe that the proposed standards and commitments would provide for greater transparency and accountability. Proposed indicators will also be valuable in providing a clearer picture of the Corporation's environmental performance. We welcome in particular the reduced 'headroom' proposed for service commitments.

In the event that the two tiered Option B is chosen, TEC recommends that the System performance standards be tightened to reduce the degree of 'headroom' inherent in the standards.

Performance measurement and reporting

TEC supports the recommendation that reporting be based on absolute numbers rather than percentages. As noted in our original submission, this provides a more meaningful indication of the number of customers affected than percentages. The gradual tightening of standards over time as population grows will also provide an incentive for HWC to improve performance and ensure adequate investment in the maintenance of its assets. We note, in particular, the comment in the Halcrow report that a percentage target implies that it is acceptable that more customers will receive service below the reporting threshold over time. We concur with the view that this is a not an acceptable situation.

As indicated in our initial submission, TEC believes that standards should be based on numbers of incidents rather than customers properties. This would provide a more accurate picture of performance by capturing events on public land as well as private property. Alternatively, additional indicators identifying number of incidents could be used to support core standards which are reported on a customer or property basis

TEC strongly supports the introduction of indicators to reveal numbers of repeat events. This is essential to provide a more accurate assessment of HWC's performance and identify localised problems. A major shortcoming of present standards is that areas suffering recurring problems due to localised system deficiencies (such as repeat sewerage overflows in Swansea) are effectively obscured by overall figures showing compliance with targets. The information collected from these indicators should be used as the basis for developing standards for repeat events to be included in the licence at mid term or end of licence review.

Specific comments on the range of proposed core standards, service commitments and indicators are provided below.

Supply and demand balance

TEC disputes the statement in the report that the approach used in the Sydney Water Operating Licence places excessive weight on demand management with a stringent target for which there is no economic rationale. This ignores the fact that the demand management targets in the Sydney Water Licence are designed to prevent augmentation of supply and the construction of Welcome Reef Dam on the Shoalhaven River.

We recognise, however, that due to deficiencies in available data it may not be possible to establish a meaningful target at this point in time. We support the proposal to develop a target for total water saved for inclusion in the licence at the time of the next price path determination. We are concerned however that it is proposed that, under Option B, the system performance standard would require that the sum of metered consumption by customer sector and leakage saved is not less than zero. This is far from adequate. The figure for a standard (if Option B is chosen) should be the same as that included in a service commitment under Option A.

TEC supports the proposed indicators, however we are concerned to note that indicators for reuse are only proposed for direct and indirect reuse in irrigation. An indicator for volume of water reused in industry should also be included..

Water service

TEC supports the proposed standards, service commitments and indicators for water service, particularly in relation to repeat events. As noted above, however, we believe there are benefits in using number of incidents, rather than properties affected as the basis for reporting.

It is difficult, however, to determine whether the proposed figures for standards and service commitments provide an appropriate degree of headroom. While the report provides comparisons between proposed and current standards in terms of number of properties, comparisons with current performance are less clear cut. In general TEC believes that the figure chosen should effectively rule a line under current performance levels. We are concerned that providing too much headroom could allow HWC to under invest in asset maintenance, resulting in a deterioration of service levels. For this reason we are concerned at the increased headroom provided under Option B.

TEC also supports reducing the reporting threshold for water pressure at the main tap to 15 metres. This would assist in reducing leakage and main breaks, thus assisting water conservation.

Sewerage service

TEC welcomes the recommendation for service commitments (Option A) or standards (Option B) for uncontrolled dry weather overflows and repeat overflows to support the standard for total overflows. Coupled with the proposed indicators, these will provide a more accurate reflection of performance and assist in the identification of localised system

problems. We are pleased to note that service commitments/standards for uncontrolled dry weather and repeat overflows are based on number of incidents, ensuring that overflow on public land are included in the statistics. Comments above relating to headroom in water service service/service commitments are also applicable to sewerage services.

TEC also welcomes the proposed indicators of environmental performance in relation to sewerage services. The proposed indicators would ensure that the operational audit is able to provide a comprehensive review of performance against EPA licences.

Drainage service

TEC supports the proposed indicators for stormwater services. We repeat the view expressed in our original submission, however, that Hunter Water should meet measurable performance targets for both the quantity and quality of stormwater that flows through its drains. These standards should be developed (using the recommended indicators) in cooperation with other relevant agencies, including local government and the targets written into the Operating Licence. The fact that local councils are generally responsible for top-of-catchment stormwater drainage is not a justification for maintaining inadequate performance.

Operating Licence stormwater standards would also encourage HWC to vigorously pursue source control initiatives and encourage cleaner production amongst local industries.

We reiterate our view that, as a further step toward improving stormwater management, the Operating Licence should include a requirement to develop a program of canal restoration along with a target for km's of stream to be restored over the course of the licence.