

24 May 2018

Water Utility Performance Indicators Review  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

## **Response to Draft Report - Water Utilities Performance Indicators Review**

Thank you for the opportunity to comment on IPART's draft report on performance indicators.

WaterNSW acknowledges and supports IPART's guiding principle – to collect useful information from Public Water Utilities (PWUs) without imposing unnecessarily regulatory costs. We therefore welcome IPART's draft decision in line with this principle to reduce the overall number of indicators collected, where these are collected elsewhere or reported as part of regular compliance activities.

### ***Removal of Catchment Health indicators***

For WaterNSW, IPART recommends removing the annual reporting requirement for five catchment health indicators, as these are reported to other Government agencies and are collected as part of the catchment audit. The collection of these indicators had represented a duplication, and as outlined in our submission, we support their removal (noting we will continue to report these measures through other processes).

### ***New water quantity indicators & new asset indicator***

IPART proposes to include new performance indicators for WaterNSW which align with the performance standards in our Operating Licence. This comprises performance indicators for water quantity which align with our performance standards for water released for extraction and use under a customer access licence, and service interruptions as they relate to water orders. These indicators provide a fair indicator of our performance as it relates to serving our customers.

Previously WaterNSW has not been required to report a performance indicator relating to asset performance. IPART's draft decision includes a requirement for WaterNSW to report on service interruptions as they relate to water orders, which reflects a performance standard in WaterNSW's Operating Licence and current reporting requirements through our compliance and performance report.

In the future IPART may wish to consider adopting indicators based on performance standards (relevant to market function) across the entire industry to provide a useful performance comparison.

### ***Changes to environment indicators***

IPART proposes to continue collecting four performance indicators relating to WaterNSW's environmental performance.

We note that IPART has not accepted WaterNSW's recommendation to amend these measures to cover WaterNSW's statewide operational footprint, with the proposed new indicator set to continue to relate solely to the Declared Catchment. We accept IPART's rationale that this indicator is

required to meet a legislative requirement under the *Water NSW Act 2014*, noting that previously this reflected the performance of the whole business of the former Sydney Catchment Authority, whereas environmental performance in the Declared Catchment is not reflective of WaterNSW's environmental performance in totality.

With regard to the new indicator E7 "Total mass of solid waste generated by the water utility", we seek clarification on the definition of "Total mass". As defined in the reporting manual, "Total Mass means the quantity in dry tonnes of biosolids captured and removed from sewage treatment plants". WaterNSW does not operate sewerage treatment plants in the Declared Catchment area, and therefore this indicator should not apply to us. We recommend the removal of this definition, so that E7 refers exclusively to the mass of "solid waste", a term that is separately defined in the reporting manual.

Further, we note this indicator is difficult to measure accurately, particularly as it relates to only one section of WaterNSW's operations (the Declared Catchment). We can obtain the actual figure, however doing so will be more onerous under the proposed new wording. We therefore recommend amending the wording of E7 to reflect the "estimated total mass" of solid waste.

IPART also propose to amend indicator E2 to capture renewable resources consumed or generated by WaterNSW. While we have previously reported on the amount of renewable energy consumed, the amount generated may prove more difficult to measure, in particular given the presence of multiple third-party pumped hydro projects on WaterNSW assets (the number of which may expand following our upcoming expression of interest process to develop further projects of this nature). There is a question as to whether WaterNSW would include this electricity generation in our calculations, as we are not the primary proponent for these projects (although they could not exist without our support and involvement). Our preference is to include this data in our calculation, however this information will be difficult to obtain as we will have to consult with third parties to obtain their data.

The factors outlined above may constrain our ability to produce this data in time for the 1 October reporting deadline, which is less than six months' away. In light of these issues, we propose a transition period of one year for the reporting of environmental indicators. This would mean WaterNSW reports on the existing set of environmental indicators for 2018, with the new set of environmental indicators to be collected from 2019 onwards. This transition period would provide WaterNSW with enough time to collect the information required to comply with the new indicators in 2019.

### ***Investigation of customer indicator/s***

WaterNSW supports IPART's recommendation not to introduce new performance indicators for customer service, and to instead continue to monitor the customer performance of water utilities using a compliance-based approach. We note that IPART will further investigate the introduction of a customer satisfaction indicator/s during 2018-19, and we look forward to participating in that process. As a general principle, we support a qualitative measure of customer satisfaction, but to allow for meaningful comparison across the industry, the design of this indicator would need to consider the different market functions and customer footprints of the respective PWUs.

### ***A single set of performance indicators***

WaterNSW supports IPART's intention to create a single set of performance indicators that reflect PWU functions. This is consistent with WaterNSW's recommendation for performance standards that relate to market functions, with PWUs providing the same service to customers to be treated the same under the performance indicator framework.

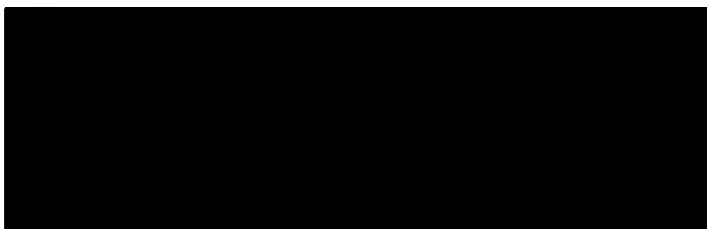
### ***Incentivizing performance standards***

We note that while IPART is not currently considering incentivizing PWU performance through performance indicators, it will investigate this option in the future. WaterNSW maintains that performance standards contained within our Operating Licence, in addition to those contained within agreements with our shareholders and customers, are the best mechanisms for driving performance. While indicators provide a useful comparison across the industry (when compared

by function) by providing a snapshot of performance, it is inappropriate for them to be used to drive performance where other more effective mechanisms are already in place.

***Timing/publication***

IPART proposes consistency in reporting of performance indicators, with all utilities reporting on 1 September each year, with environmental indicators to be reported on 1 October, and using a consistent spreadsheet format. WaterNSW supports this approach, with the exception regarding environmental indicators (as noted earlier).



Chief Executive Officer

