

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

WATER UTILITY PERFORMANCE INDICATORS REVIEW
(Roundtable Discussion)

Tribunal Members

Ms Deborah Cope

Members of the Secretariat

Mr Hugo Harmstorf, Ms Pamela Soon, Mr Rob O'Neill,
Ms Erin Cini, Ms Narelle Berry, Mr Jean-Marc Kutschukian,
Mr Javier Canon

At

The offices of IPART
Level 15, 2-24 Rawson Place, Sydney

On Tuesday, 20 March 2018, at 9.30am

1 MS COPE: Good morning, everyone, and thank you all for
2 coming. I would like to welcome you all to this
3 stakeholder roundtable workshop. We are conducting a
4 review of water utility performance indicators.
5

6 I am Deborah Cope. I am an IPART tribunal member.
7 Assisting me today are members of the IPART secretariat,
8 including Hugo Harmstorf, who is IPART's Chief Executive
9 Officer, Pamela Soon, Rob O'Neill, Erin Cini, Narelle
10 Berry, Jean-Marc Kutschukian and Javier Canon.
11

12 I would like to begin by acknowledging that we are
13 meeting on the Gadigal land of the Eora people and wish to
14 pay my respects to the traditional custodians of the land
15 and Elders past present.
16

17 Also I would like to thank those who have provided
18 written submissions in response to our issues paper for
19 this review.
20

21 Our issues paper and submissions are on our website,
22 and this stakeholder roundtable is a very important part of
23 our consultation process for this review.
24

25 In addition to the views expressed in the written
26 submissions, we will consider the views provided today in
27 making our decisions for performance indicators for water
28 utilities.
29

30 Following this roundtable, we will release a draft
31 report and draft reporting manuals for comment in April
32 2018, and people will then have about four weeks to provide
33 written submissions before we make our final decisions.
34

35 Final reporting manuals, including performance
36 indicators, will be released in June 2018, to apply
37 from July 2018. We may decide to take a bit longer in our
38 approach to some of the performance indicators if we are
39 looking at major change; for example, if we decided to
40 implement customer satisfaction indicators.
41

42 This review provides us an opportunity to ensure that
43 the information we collect is useful and we are not
44 imposing unnecessary regulatory costs. This means that the
45 benefits derived from requiring water utilities to report
46 performance indicators should outweigh the costs of
47 collecting and reporting.

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A performance indicator is something that can be simply and reliably used to measure changes and assess performance against a goal or target. Performance indicators are only one of the many tools available to regulators to monitor performance. Indicators can be useful in providing information to the public, to other regulators, and to us about performance and compliance of watee utilities.

Such indicators are useful when the data collected aligns and reflects the desired performance outcomes. They can identify areas where increased attention is needed by the water utility or water regulator. Performance indicators are not good or effective when they, effectively, become an outcome in themselves and where the utility focuses on improving the indicator rather than the desired performance. Reporting on its own does not ensure performance or compliance, and we intend to continue to use a mix of tools to monitor water utilities.

Currently, we do not use all of the performance indicator information that we collect to analyse water utilities' performance, and we are unsure of the extent to which the general public, or other entities, use performance indicator information.

As part of the this review, we are not reviewing performance standards, which may have performance indicators attached to them. We are also not considering outcomes and changes to the Water Industry Competition Act, as, in the absence of any amended regulation, it is not possible to fully consider the appropriate performance indicators in the context of the proposed amended licensing framework.

Before we commence today, I would like to set out how the roundtable will work.

As the first item on the agenda, we will address the areas of water utility performance that we are monitoring including water quality and quantity, assets, environment and customers.

In the second agenda item, we will consider our approach to performance monitoring, including regulatory outcomes, incentivising performance, collecting and reporting

1 indicators, and the application of a single set of
2 indicators.

3
4 I am looking forward to today's discussion. Because
5 we have a long table, and I cannot necessarily see around,
6 if you have been trying to get attention and I have missed
7 you for some reason, please turn your name tag on its end.
8 That would help identify that you wish to speak.

9
10 Also the hearing is being transcribed. Can you,
11 please, assist the transcriber by making sure that you turn
12 on your microphone, which is the little square button in
13 the corner, and identify yourself and your organisation
14 before you speak. I also ask you to speak clearly and
15 loudly.

16
17 A copy of the transcript will be available on our
18 website. Thank you

19
20 Session 1: Performance areas

21
22 MS COPE: We move now to the first agenda item, which is
23 around water quantity and quality. There was broad
24 agreement in the feedback that we received in submissions
25 on this area and we have proposed to take a
26 compliance-based approach to water quality and quantity.

27
28 We are interested in whether, in particular,
29 NSW Health has any views regarding water quality
30 indicators. With regard to water quantity, we are
31 interested to understand further the performance indicators
32 that the Department of Planning and Environment has
33 suggested, including best practice performance metrics for
34 water conservation and water usage and demand forecast lead
35 indicators. We are also interested in any other broader
36 issues that people have on what sort or sort of indicators
37 should be around water quantity and quality and whether the
38 ones we have at the moment are useful.

39
40 I will now open up the discussion to anybody who would
41 like to start, but, first, let's go round the table and
42 introduce ourselves.

43
44 MR SHINE: Ben Shine, from WaterNSW and Yolanda from
45 WaterNSW will be here soon.

46
47 MR CANON: My name is Javier Canon and I am with IPART.

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2 MS BRADFORD-HARTKE: Zenah Bradford-Hartke from
3 NSW Health.
4
5 MR NARELLE BERRY: Narelle Berry from IPART.
6
7 MS TURNER: Emma Turner from Hunter Water.
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9 MR SHIELDS: Peter Shields from Hunter Water.
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11 MS SPARGO: Sandy Spargo from Sydney Water.
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13 MR NEDELKOVSKI: Peter Nedelkovski from Sydney Water.
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15 MR O'NEILL: Rob O'Neill from IPART.
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17 MR DUTTA: Dulip Dutta from the Department of Industry -
18 Water.
19
20 MR REILLY: Mark Reilly from Fire and Rescue NSW.
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22 MR KUTSCHUKIAN: Jean-Marc Kutschukian from IPART.
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24 MS SOON: Pamela Soon, IPART.
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26 MR PAREKH: Dhawal Parekh from the Department of Planning
27 and Environment.
28
29 MS EVANS: Kirsten Evans, Flow Systems.
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31 MR HORTON: Andrew Horton, Flow Systems.
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33 MS CINI: Erin Cini, IPART
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35 MS COPE: And Deborah Cope, IPART.
36
37 NSW Health, given water quality is something that is
38 of interest, what is your view on performance indicators?
39
40 MS BRADFORD-HARTKE: The current indicators are probably
41 not widely used by us, so they are of limited benefit. For
42 us, the most useful indicator is whether a utility is
43 implementing the frameworks that are in the Guidelines for
44 Water Recycling and the Australian Drinking Water
45 Guidelines.
46
47 MS CINI: Zenah, would you consider that there is an

1 indicator that could show how well utilities are
2 implementing the frameworks or is it best left to a
3 compliance-based approach?
4

5 MS BRADFORD-HARTKE: It is probably tricky to put it in a
6 single indicator. There is probably a longer discussion
7 required to decide what those indicators should be.
8

9 MS COPE: Are there any other views around the extent to
10 which the quality indicators are actually used and can be
11 useful? Is the information already reported elsewhere?
12

13 MR SHIELDS: Our compliance and performance report sets
14 out how we apply the Australian Drinking Water Guidelines
15 and the Australian Guidelines for Water Recycling. For
16 each of the elements, there is a description of performance
17 throughout the year, so we have a more comprehensive way of
18 describing how we perform on water quality.
19

20 MR HARMSTORF: Do you do that for internal purposes or
21 just for external? What do you use internally?
22

23 MS TURNER: We also publish monthly monitoring results
24 of water quality online. We use those ourselves
25 internally. We have comprehensive sampling and then
26 exception-based reporting to internal management right
27 through to NSW Health and notification of incidents or
28 non-compliance with a CCP.
29

30 It is a combination of internal management as well as
31 external. We feel that the current water quality
32 indicators are largely superfluous because they are covered
33 through the National Water Initiative indicators, and that
34 comprehensive compliance monitoring supplies a framework
35 through the licenses and the other aspects of the reporting
36 manual.
37

38 MS COPE: Sydney Water do you have a similar view?
39

40 MS SPARGO: We agree with Hunter. We provide monthly
41 fluoride reports to NSW Health. We have the quarterly
42 drinking water quality reports that are on our website for
43 the public and also a comprehensive report that goes to NSW
44 Health. As well as that, we do an annual report for IPART
45 around our drinking water quality management system and
46 recycled water quality management system. It is quite
47 comprehensive, so additional indicators would not be useful

1 as far as we are concerned. Thank you.

2

3 MS COPE: Do you have similar views around water quantity?

4

5 MS SPARGO: That's right, because for water quantity, we
6 have our comprehensive water conservation report that we
7 provide to IPART annually. A lot of indicator-type
8 information goes into report and it is quite well covered
9 there as well.

10

11 MS COPE: Flow Systems, you have utilities of a very
12 different scale and size to the larger utilities. In terms
13 of water quality and quantity indicators, what is your view
14 from your perspective?

15

16 MR HORTON: We immediately review our analysis results as
17 they come in. We prepare them in the monthly reports as
18 well. Probably the most intensive scrutiny is the annual
19 audits that we undertake. As to compliance, they cover
20 every element of both the Australian Drinking Water
21 Guidelines as well as the Australian Recycled Water
22 Guidelines. It is not just analysis results; it is our
23 management systems and practices as well. We think that is
24 a good way of checking that we are complying.

25

26 MS COPE: In your submission, you mentioned it would be
27 useful to track how much drinking water has been saved from
28 recycling water or the replacement of drinking water with
29 recycled water.

30

31 MR HORTON: Yes, I think Flow Systems' whole business
32 model is about a decentralised system, recycling sewage
33 into recycled water, which does save drinking water and
34 reliance on, for example, Warragamba Dam, and other things
35 that might be under threat through water restrictions
36 should we go through a drought. I think water recycling is
37 an important part of the infrastructure requirements for
38 Sydney and it is a good measure of our performance in that
39 area.

40

41 MS COPE: Is it the sort of thing that you think should be
42 reported as a performance indicator?

43

44 MR HORTON: Yes, because I think it should be encouraged,
45 really. It has benefits from even saving money in leading
46 infrastructure as well as a reliance on, say, the water in
47 Warragamba Dam, so I think it is a good performance

1 indicator.

2

3 MS CINI: The public water utilities report on the volume
4 of recycled water as part of their NWI indicator. We
5 wanted to understand that approach - so reporting on the
6 breakdown of where volume is delivered for other sources of
7 water through the NWI indicators - since the public water
8 utilities are reporting that way, perhaps utilities such as
9 Flow could have a requirement in our indicators to report
10 on a similar set of source indicators. Would that work, do
11 you think?

12

13 MR HORTON: Yes, something similar like that would be
14 fine. That was more really a suggestion perhaps for
15 discussion today as well. That is our viewpoint, that
16 water recycling should be encouraged, but I do not know
17 what everyone else's view is.

18

19 MR HARMSTORF: Are there views around the table?

20

21 MS SPARGO: As part of Sydney Water's operating licence,
22 we have just developed a methodology for the economic level
23 of water conservation. We are reporting on what is
24 economic in terms of our water conservation. We do have
25 recycling schemes in place. As part of our water
26 conservation report, I think we actually include the
27 quality of water that is replacing drinking water, as part
28 of those recycled water schemes, as well as the total
29 recycled water that is produced. So, yes, I think there is
30 some transparency there already in terms of what we do.

31

32 MS COPE: I think there is a general issue around some of
33 the obligations on the larger operators to report and
34 whether it is both useful and sensible to look at some of
35 those indicators for small operators to the point that it
36 does not impose unnecessary costs. You are obviously
37 saying that you think that that is one of them that would
38 be worthwhile - that is, reporting across the board so you
39 have consistent reporting across all organisations.

40

41 MR HORTON: Yes, because I don't believe the cost of
42 reporting on the water quality, quantity, or the amount of
43 drinking water saved by use of recycled water, is cost
44 prohibitive, in getting that information, from our point of
45 view.

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47 MS COPE: The Department of Industry, you go first.

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MR DUTTA: The Department of Industry oversees the performance of the regional water utilities. They vary in size, maybe a few hundred with the Central Coast, and Shoalhaven is 139,000 connected properties. With regard to the smaller operators, I think there is a scope for having consistency and synergy.

Our bigger utilities - those with more than 10,000 properties - report on NPR, but those with under 10,000 properties do not have to report on NPR under the Water Management Act. Nevertheless, we do collect that water quality and recycling information, such as the percentage of the population that complies with the ADWG, or having to have a risk-based water quality management plan, and having to review and implement it and also recycled water. I suppose for the small operators with a WICA licence, that is a case for consideration that they can report on a similar platform.

MS COPE: Have you identified any particular areas where you think there is inconsistency or where more consistency would have a lot of benefit to it?

MR DUTTA: We have not thoroughly identified those yet, but we are going through a process now. We are reviewing our regulatory framework. After that, gradually we will be looking into to what kind of things we can eliminate, what adds value and what ought not be in there.

The important message is that there needs to be consistency across the board to be able to meaningfully compare and to be able to look at whether a performance area can be improved.

MS COPE: Flow, from a WICA licensee point of view, do you have a view on the benefits of capacity to compare your operations with the smaller urban water services around the state?

MR HORTON: Sorry, I am not quite sure what you mean. You mean us comparing to, say, Sydney Water, the bigger --

MS COPE: No, no. Dilip was saying that they regulate all of the smaller local urban systems and that there would be benefit from a greater consistency between the indicators that are reported for those and those that are reported,

1 more broadly, including across the WICA licensees.

2
3 From your point of view, is there benefit in a
4 capacity to be able to map the sorts of indicators that
5 they are collecting for local authorities with the
6 information that you are reporting?

7
8 MR HORTON: Yes, I think that would be good. Again,
9 I guess my main thrust is all about what the water is used
10 for. If it is just treating sewage into a some sort of
11 secondary effluent grade and putting it into a river,
12 compared with reusing it for irrigation, or some other
13 beneficial use, if we could compare against those sorts
14 of application uses, I think that would be well worthwhile.

15
16 MS COPE: Did you have anything you wanted to ask the
17 department, Erin?

18
19 MS CINI: Yes, thanks. In the Department of Planning and
20 Environment's submission, you mentioned that IPART should
21 consider around water quality indicators some best practice
22 performance metrics for water conservation and water usage
23 as well as demand forecast lead indicators. We would be
24 interested in whether you have examples of those, where
25 they have worked, what you are sort of talking about with
26 regard to them. Then we will open it up for the other
27 utilities to comment - and I know that's short notice -
28 about those indicators.

29
30 MR PAREKH: We mostly commented on quantity not quality.
31 We use quantity metrics for our Metropolitan Water Plan,
32 which comes out every few years, to come up with supply and
33 demand measures. Currently we get the volume data from the
34 National Performance Report, which comes out every year.
35 We just got 2016-2017 out a few days back, so it is already
36 seven or eight months delayed.

37
38 We do not have regular updates on the usage metrics
39 right now, so we have to rely on these two reports. We are
40 looking for something at the more desegregated level,
41 currently it only reports back at the Sydney level for
42 recycled water and drinking water volume. It is one number
43 at that level, but we are looking at more desegregated
44 metrics around usage so that it can help us in terms of
45 better policy decisions for the future.

46
47 MS CINI: Have you thought about whether the operating

1 licence and reporting manual is the best place for those
2 metrics in terms of what you are looking to achieve or
3 whether it would be better through some other sort of
4 mechanism in dealing with the urban water utility?

5
6 MR PAREKH: No, we have not thought about where to put
7 that, but in terms of what we are looking for, it is much
8 more granular data in terms of the usage by the sectors
9 usage by dwelling types, maybe, or family size - those
10 sorts of metrics can help us in better decision making.

11
12 MS COPE: Is that information collected now internally?

13
14 MS TURNER: We are in a sort of different position in the
15 Lower Hunter. Around September/October of every year, we
16 provide a suite of performance indicator information that
17 now goes to DoI-Water as part of the MERI - the monitoring
18 evaluation, reporting and implementation - of the Lower
19 Hunter water plan. There is not necessarily the same delay
20 or lag in getting the information across to them.

21
22 I might also add that, in addition to the National
23 Water Initiative, National Performance Report, we, and most
24 likely, Sydney Water fill in an Australian Bureau of
25 Statistics water and sewerage survey annually. That also
26 has a suite of performance information around recycled
27 water sources and destination and potable water
28 substitution as well as usage information.

29
30 MR NEDELKOVSKI: In terms of the National Performance
31 Report, the National Water Initiative, and the ABS report
32 as well, I do not think any of them provide the detail that
33 you are after.

34
35 MR PAREKH: Yes.

36
37 MR NEDELKOVSKI: But, once again, whether that detail is
38 beneficial to multiple agencies as indicators is probably
39 another question. Maybe Sydney Water could work with your
40 department to provide you with that information.

41
42 MR PAREKH: Thank you. I think there was quarterly
43 monitoring earlier. I do not know why it was stopped two
44 years back, but I think there were reports which were in
45 place earlier which were much more regular than the annual
46 reports.

47

1 MS COPE: Do you need that information continuously and
2 regularly or do you need it for a particular point of time
3 when you are doing the planning? So are you using it to
4 monitor or are you using it to plan?

5
6 MR PAREKH: Both. So our role is to monitor the
7 performance of the SOCs, as well as plan for the future.

8
9 MS COPE: Was there anything else on quality and quantity
10 that --

11
12 MS CINI: Just checking that that covers the demand
13 forecast lead indicators as well.

14
15 MR PAREKH: That's right, yes.

16
17 MS CINI: What are some examples? In the submission that
18 the department made, there was discussion around making
19 sure there were consistent assumptions in population and
20 demand forecasting. I just want to understand, again,
21 I guess, the purpose of those indicators and whether this
22 is the best place for them.

23
24 MR PAREKH: For example, Sydney Water comes out with its
25 own demand forecast, which is based on various inputs. We
26 want all those inputs to be agreed - so what is the latest
27 population projection they have based their demand forecast
28 on?

29
30 By the way, the Department of Planning and Environment
31 comes out with its own population projection, which is
32 cabinet approved. We want something very similar in terms
33 of standard demand forecast on the basis of which everyone
34 works for the future planning.

35
36 MS CINI: So you want consistent assumptions that
37 everyone --

38
39 MR PAREKH: Yes, yes

40
41 MS CINI: Not necessarily an indicator; you are more
42 interested in making sure that everyone uses the same
43 assumptions?

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45 MR PAREKH: The same assumptions, yes.

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47 MS COPE: Thank you. Is there anything else? Zenah?

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MS BRADFORD-HARTKE: Coming back to the indicators for different size utilities, there was a comment that you might consider different indicators based on the utility size or their number of connections. If any outcome were health-related, you would really have to consider carefully why you were having a different indicator based on the size of the utility. That is something that we would be very interested in.

MS COPE: Is there anything else on that topic or are we right to move on to our second topic, which is assets?

Across the submissions there was broad agreement with the approach to have the same reports indicated for public water utilities and with the licensees.

For interruptions, we are interested in considering further the differing views on whether a threshold or an average approach is the best way to measure performance, including how to set a threshold performance indicator for utilities that currently do not have one in place.

Regarding water pressure, we are interested in how water utilities are currently managing firefighting requirements, in particular, and considering whether a performance indicator is the best way for addressing that particular issue.

Moving into wastewater overflows, Flow Systems and Sydney Water have identified opportunities to further categorise the current performance indicators. We are interested in hearing whether there are benefits in setting further categories for those performance indicators.

Do we want to start with any views around threshold or an average approach to setting asset performance indicators?

MR HORTON: From Flow's point of view, our biggest concern is that if we have certain outages, the number of customers we have is really in the hundreds or thousands and not in the tens of thousands, so that is why we are suggesting a threshold might be a better way to view it. I would like to know what other people's thoughts are on that.

MS CINI: If IPART were to set a threshold for Flow

1 Systems or other WIC Act utilities, how do you think we
2 would come up with the number for the threshold?

3
4 MR HORTON: I am not sure.

5
6 MS CINI: That is fine. We will do some thinking about
7 that.

8
9 MS COPE: Are there any other views on the benefits of
10 threshold versus average approach?

11
12 MR PAREKH: The only concern was if we use average, then
13 it might hide the information on extremes or outliers. If
14 we want average, we need to have a balanced level for
15 outliers or extremes.

16
17 MS SPARGO: Our view is that it is not one size fits all;
18 depending on the indicator, it may be an average or a
19 threshold. It depends on whether or not you want a
20 comparator in the costs of utilities, and whether the
21 indicator is one that could be comparable. That is the
22 premise we have to think about, if we want to compare, what
23 is the better way to do it, through either an average or a
24 threshold, and I think it should be case by case.

25
26 Where it is a threshold, I guess it is just about
27 having a consistent approach to how you develop that
28 threshold. So can you develop a threshold that then makes
29 the indicator comparable across the various utilities?

30
31 MS COPE: Would anybody else like to comment? No. Next
32 is firefighting and water pressure.

33
34 MR REILLY: Thank you. Whilst we focus mainly on fire
35 flows, we are actually very keen to see a performance
36 indicator for flow across the systems, across the state,
37 across all operators. This would provide a benefit to us
38 inherently so we can't shy away from that, but we believe
39 it would also provide a benefit to planning, to local
40 governments, and to developers to be able to see where
41 flows are across New South Wales and across the different
42 networks.

43
44 We see it as assisting the land zoning developments.
45 For us, for firefighting, it allows us to preplan. We can
46 currently get the spot pressure and a spot flow, but there
47 is no real diagram of equal flows across the networks, and

1 that is what we are looking for.

2

3 MS COPE: The impression I got from your submission is
4 that what you are looking for was a mapping that identified
5 where the flow pressure was across the system..

6

7 MR REILLY: Correct, a mapping tool, yes.

8

9 MS COPE: There are two issues. The first question is:
10 is that a good idea? That is not necessarily something
11 that we have time to debate completely today - whether a
12 performance indicator is the best way of doing it or
13 whether when we are, for example, looking at later
14 processes with Sydney Water, a different process is needed
15 to deliver that.

16

17 Do you have a view on whether you think a performance
18 indicator is the right way of delivering that or is it just
19 that that is something that you need? .

20

21 MR REILLY: It is definitely something that we need
22 operationally. It is a component of our day-to-day
23 operations. We have had a really good memorandum of
24 understanding between Fire and Rescue and Sydney Water. We
25 have had some great developments on both sides. We have
26 reviewed a lot of Sydney Water's operating practices and we
27 have adopted our practice to fit those.

28

29 One of the things we are currently looking at is flows
30 across the Sydney Water network and how we can more
31 effectively use that for firefighting and identify
32 different areas. The Fire and Rescue Commissioner has a
33 regulatory responsibility under the Environmental Planning
34 and Assessment Act with regard to providing water standards
35 in different areas.

36

37 Currently we are putting the onus on people in older
38 areas, where the flow is reduced because of 100-year old
39 pipes. If we were able to look at that through a flow as a
40 performance measure, then we might be able to get that
41 upgraded, but there is not the impetus to do that, if we do
42 not know what it is.

43

44 MS CINI: Mark, in the current MOU with Sydney Water and
45 the pending MOU with Hunter Water, are you talking about
46 having that as an item that is a requirement output of the
47 MOU, or is it just the discussions are continuing to

1 progress and you may get there? Where are you at in terms
2 of coming to an agreement with the utilities about
3 producing that type of mapping?
4

5 MR REILLY: Can I just refer to my technical expert?
6

7 MR PORTER: My name is Mark Porter, Fire and Rescue NSW
8 I meet the representatives from Sydney Water once a month
9 and we have a very productive relationship. What they are
10 currently looking at is a new model which could predict
11 flow more accurately across their network. So there is
12 significant progression in that space in regards to
13 measuring flow.
14

15 Again I would say I am a believer in what gets
16 measured, gets done. If flow is never measured or reported
17 on by the network, then that would not be a concern. But
18 in the space we operate in, we see the consequences of no
19 flow, such as in planning where if there is no flow, there
20 are implications for the fire systems that get installed in
21 buildings. At the moment, we are seeing industrial
22 solutions being put in on residential properties only
23 because there is no flow.
24

25 We look at a performance indicator like flow as a
26 means of looking at an area holistically, planning to say,
27 "We are going to make this an area of class 2 developments.
28 Whoops, we have some issues with flow in this space", then
29 maybe Sydney Water could say, "Maybe we need to go to the
30 government and speak about infrastructure improvements."
31

32 At the moment there is a disconnect - this is my
33 opinion - between the rate of planning change. Planning is
34 occurring rapidly across a space where the renewal of the
35 network is not occurring at the same space. Take, for
36 example, the older areas of Bondi and Dee Why. They are
37 serviced by 100-year old mains. However there are 2018
38 developments occurring in that space, and that issue has to
39 be addressed. That can only be addressed if you understand
40 flow, I guess, across the networks. That would be my
41 opinion as to why they exist.
42

43 MR REILLY: Thanks, Mark. I said that without moving my
44 lips.
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46 MS CINI: Do the utilities have views, any views from
47 Flow?

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MS TURNER: We are in our early stages of working more closely with Fire and Rescue NSW, and we certainly recognise the importance of providing both fire protection and the capability of dealing with fires when they unfortunately occur. We look forward to working very closely on an ongoing basis with Fire and Rescue.

At this stage, we feel that the scope of the MOU, as it is written in the operating licence covers arrangements regarding information sharing and agreeing the timelines and format for providing a report on network performance. We think there would be broader benefits rather than providing a once-off static list of people that do not meet a 10-litre per second threshold at 15 metres head, perhaps working more closely with Fire and Rescue to provide something more dynamic, such as GIS systems that actually talk to each other that the fire appliances could reference on their way to a fire. In parallel, working with Fire and Rescue on those places which are deficient and defining which ones are the priority to enhance, we think that would be better value than publishing a list once a year for public consumption.

MS COPE: Thank you, Sydney Water?

MS SPARGO: We currently have a water pressure standard in our licence and report on properties that receive pressure of less than 15 metre head for more that a 15-minute period. Our position is probably the same as Hunter.

We absolutely recognise the issue that Fire and Rescue have in this space. It is about providing good information to them in an appropriate way. I am not sure that an indicator is necessarily the best way, and I have not spoken to our technical people about what is possible in terms of the monitoring we have across our network for pressure flows and the cost of reporting on an indicator that they propose.

I cannot really say too much at this stage, but certainly we have been actively trying to work with Fire and Rescue NSW on the MOU and we are willing to discuss what might be useful going to forward.

I agree with Emma that maybe just a list of properties every year, as part of our reporting, might be the most

1 useful way to deal with that.

2

3 MR HORTON: This is not an area of my expertise, but from
4 what I understand, we do not have an MOU with you guys at
5 all. Our development areas or licence areas are very
6 prescriptive, and they very small compared with other
7 schemes. Part of our licence application involves quite a
8 detailed water balancing report, which goes into the flows
9 and pressures at different parts of the network for both
10 drinking water and recycled water.

11

12 I am not sure - maybe Narelle can answer this - but if
13 you guys are involved as a stakeholder when we apply for
14 our licence to see whether our water balance report meets
15 all your requirements and that, I am not sure.

16

17 Anyway, all I am saying is that information is
18 available when we apply for a licence. Obviously that
19 would be a time and a point for input if there was concern.
20 And I am not even sure whether the fact that there are two
21 networks in the same street helps you guys or not?

22

23 MS BERRY: We make the application public to take
24 submissions, but we have never practically sought input
25 from Fire and Rescue. If that would be beneficial to you,
26 then we can let you know when an application is made
27 public.

28

29 MR REILLY: Yes.

30

31 MR IYADURAI: Roshan Iyadurai from the Department of
32 Industry. There are two things to recognise here. I think
33 with regard to the fire flows, it is the responsibility of
34 the premises holder to provide that. If you are looking
35 now at shifting that responsibility back on to the water
36 utilities, perhaps as a performance standard, how so we
37 actually deal with it? As Mark was saying, perhaps a
38 performance standard might be linked to zoning, perhaps not
39 necessarily as a performance monitoring indicator.

40

41 In addition to that, I would say when you are looking
42 at it, the importance of it being a performance strategy is
43 because they are not static; it is dynamic. As you are
44 fighting a fire, the pressure could be varying, depending
45 on how many fires you are trying to fight. It is best as a
46 performance standard rather than as a performance
47 monitoring indicator. Thank you.

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MS CINI: I think Deborah alluded earlier that we have an intention, as part of the Sydney Water operating licence, of considering firefighting performance and firefighting flows and pressure as a performance standard. Certainly performance standards is something that we are considering, and the Tribunal has already had some preliminary thinking and discussions about that. Thanks, Roshan. I think we will certainly be considering that as an option.

MS COPE: Is there anything else on that or should we move on to wastewater overflows?

In both the Flow Systems and Sydney Water submissions, there was some discussion about having further categorisation of different types of wastewater overflows. We were hoping to understand a little bit more about why you thought those sorts of split-ups were useful and what are the costs and benefits of reporting against those sorts of splits?

MR HORTON: I am happy to start off, if you like. With regard to wastewater spills and overflows, our point was more about just putting some sort of measure on it as to what caused it. Some causes could be inadequate infrastructure or ageing infrastructure or insufficient capacity, or something like that. That is a lot different from perhaps an excavator driver not using a diagram beforehand and digging up the main in the street, which can still cause a sewage spill. It is more just that that is what our comments were about; namely, that any sort of sewage spills or overflows should be categorised.

MS SPARGO: We suggested that there might be some usefulness in splitting up some of the parameters, so private versus public properties affected, or dry and wet weather overflows, internal surcharges. We are not particular one way or the other about keeping these indicators in. If these indicators were removed, it would not be a problem for Sydney Water.

If we do have indicators on these things, we feel there might be some benefit in demonstrating where the customer impacts or the system impacts are. It was really around getting a bit more insight into whether the overflow is in dry weather or wet weather, whether it's about system capacity or whether it's about weather events. Maybe there

1 is some insight to be gained out of just having a bit more
2 understanding.
3
4 MS COPE: It sounds like what both of you are saying is
5 that, in its current form, there is not enough information
6 in the indicator to really tell the story about what the
7 actual performance is. So if it stays in there, we need to
8 think about what information we actually want to get out of
9 it and redesign the indicator to be able to deliver that
10 indication.
11
12 MR O'NEILL: Can I ask both of you perhaps, are we talking
13 about the concept of excludable events from the performance
14 indicators, or would you still want to report on them and
15 just have a different indicator? We would like to
16 understand your thinking there.
17
18 MR HORTON: I still think it is important just to
19 categorise it and put a bit more granularity on it.
20
21 MS SPARGO: I am not 100 per cent sure about the
22 excludable events question. I would have to talk to our
23 technical people. The feedback we received from them was,
24 we report our indicators, we have to do a lot of explaining
25 around what the results mean and where the overflows were,
26 where they occurred to, I guess, prevent in correct
27 assumptions being made about the information recorded. So
28 I am not 100 per cent about excludable events.
29
30 MS COPE: Does Hunter have a view?
31
32 MS TURNER: We felt that the performance indicators
33 largely duplicated the system performance standards,
34 particularly where there are high and medium priority
35 overflows per kilometre of sewer mains, although we have no
36 objection to normalising it by length of main.
37
38 In regard to the residential customers who are
39 affected by sewer spills not contained within one hour of
40 notification, I think a formulation of the indicator can
41 motivate behaviour. It is whether we are motivating
42 containment, whether or we are motivating clean-up, or
43 whether we are motivating rectification of the cause, and
44 whether the indicator is the best way to achieve that.
45 There is a lot of nuance in the way the indicator is
46 measured.
47

1 MS CINI: Would you consider that, at the moment, with the
2 use of the term "contained" rather than "ceased" or
3 "rectified"? Because the indicator uses the word
4 "contained", which means you could just come and contain it
5 and that would still be flowing, is that currently leading
6 to outcomes perhaps that are prioritising containment over
7 ceasing?

8
9 MS TURNER: It is not in our case at the moment. We
10 obviously aim to address the customer experience first and
11 foremost. However, I think it is a grey area in terms of
12 getting consistency of reporting across all utilities, and
13 there is a risk that it could lead to unintended
14 consequences.

15
16 There is also a lot of nuance around causation -
17 whether it is a third party caused event, and whether you
18 count the customer connection from the customer's plumbing
19 that has caused the overflow versus something that is
20 deficient within the water utility's infrastructure. We
21 prefer simpler, clear, well-defined indicators over a
22 comprehensive suite of indicators.

23
24 MS CINI: In effect you are open to categorisation if it
25 provides more information, and I guess the question is who
26 is the audience? Is it the regulator? Who else is the
27 audience in terms of getting to that granularity?

28
29 MS TURNER: For us it is really the system performance
30 standards and the rebates that we have under our customer
31 contract, which more relates to the customer experience.
32 We think those two are stronger incentives for us to
33 improve our performance rather than indicators themselves.

34
35 MS SPARGO: Just adding to that conversation, particularly
36 about the responsibility to contain overflows, we addressed
37 that in our submission as well. With these indicators, we
38 definitely need to go back to thinking about the intent.
39 Is the intent about understanding environmental impacts,
40 customer impacts? Is it an asset focus? Perhaps we should
41 go back to that initial intent of the indicator.

42
43 For us, obviously containing the flow is important,
44 but again, I echo what Emma said around maybe remediating
45 the cause of the overflow is the more important aspect.
46 I think we need to go back to that intent and have a big
47 discussion around that and formulate which of these

1 indicators is important.

2

3 MS CINI: I have another question on assets. I thought
4 WaterNSW might have a view on relevant indicators for
5 assets. I am not sure if you do, but --

6

7 MR SHINE: We currently do not collect any indicators
8 around assets. We think, though, with minimum performance
9 standards, we could capture our performance around assets.
10 Obviously the wastewater overflows do not apply to us. [We
11 have obviously different market functions compared to the
12 other utilities, so performance indicators do not apply to
13 us.

14

15 MS COPE: Thank you. We might move on to environment now.
16 There seemed to be in the submissions general agreement
17 that the compliance-based approach is appropriate where
18 there is no legislative requirement for environmental
19 performance indicators.

20

21 We are interested in your views on whether all of the
22 water utilities should report on the same environmental
23 indicators - possibly beyond the legislative requirements.
24 We are also interested in whether stakeholders can give an
25 indication of what the costs and benefits are of the
26 current approach to reporting environmental indicators

27

28 MS SPARGO: Sydney Water's Act requires us to prepare a
29 public report on environmental indicators, so obviously we
30 have indicators. We have indicators in our operating
31 licence for the environment and we have the environmental
32 indicators as well that we use. That is the mechanism that
33 we use to publicly report on our environmental indicators,
34 as proposed by the relevant clause in the Act.

35

36 We are generally happy with the suite of indicators we
37 have in our operating licence, although we have suggested
38 some minor changes.

39

40 As far as other utilities go, we do not have a view
41 that other utility should have environmental indicators
42 necessarily in their reporting manual if IPART or other
43 stakeholders are not using them. But what we would say is
44 if we are all reporting on environmental indicators, it
45 would be good.

46

47 MR NEDELKOVSKI: We would report on environmental

1 indicators regardless, as Sandra said, because it is in our
2 Act. At the moment, it suits us to have it in our licence
3 for clarity, but if there weren't indicators, we would
4 continue to report on them, so it would have no impact on
5 Sydney Water.

6
7 MR SHINE: We are in the same position. We are required,
8 under the Act, to report on those things. Our issue is
9 that we have to report on the declared catchment, because
10 we have a statewide footprint. There is a cost associated
11 with just aggregating that amount of information. It would
12 be much easier if we did report on it statewide.

13
14 MS COPE: Do you think you would lose anything in the
15 information that this conveys to people by reporting it on
16 a broader scale?

17
18 MR SHINE: I don't think so. It is total energy use and
19 waste producing. I don't think so, no.

20
21 MS COPE: Hunter, do you have any views on the indicators
22 you are currently reporting on?

23
24 MR SHIELDS: We do use a lot of these indicators
25 internally. We put up a monthly performance report on the
26 environment and planning, and a number on this list of 11
27 for us are included in that monthly report.

28
29 Our preliminary position was to remove these
30 indicators from the operating licence. IPART indicated
31 that they were not using this information for other
32 purposes. We were not sure whether other stakeholders were
33 using this information, and there is the threat of
34 non-compliance for us. Time and effort goes into ensuring
35 that we get these things exactly right because we do have
36 auditors through the business annually.

37
38 We would be interested to know whether other
39 stakeholders do use this information, but also think about
40 other ways of reporting it. I suppose, as a general
41 comment, we are a public water utility, so we would be
42 more than happy, if we had the data, to share that
43 information with others. Contact Hunter Water and we can
44 provide this sort of information, rather than having it
45 mandated in the licence and the time and costs that go
46 along with that.

47

1 MS COPE: So you are saying there is a different time and
2 cost because of the need for internal quality control to
3 reporting it as a licence condition as opposed to just
4 reporting it?

5
6 MR SHIELDS: Yes, that's right. So something like that
7 total area of clearing native vegetation where the number
8 is, like, one-sixth of a hectare. However, there is a
9 whole lot of time and effort involved in going through all
10 the projects that we have to try and get that precisely
11 right; whereas if we can get it roughly right, it is still
12 a useful number.

13
14 MS COPE: Does Flow Systems have any views on the
15 environmental indicators that should be required or not
16 required?

17
18 MR HORTON: This is probably the area that I have least
19 involvement in, and I am not even sure how we came up with
20 some of our responses, to be brutally honest. I mainly
21 deal with the environmental impacts of incidents and the
22 like, which we do report, and they obviously vary in size.
23 I think that is where some of our comments might have come
24 from about frequency and volume of wastewater overflows.
25 Other than that, unless Kirsten has anything else to say,
26 I can't really comment on that.

27
28 MS EVANS: No.

29
30 MS COPE: Did you have any other questions, Erin?

31
32 MS CINI: I was going to say we might follow up with the
33 water utilities about their indicators and the
34 conversations that they have with the EPA or OEH as well,
35 but we probably could do that later.

36
37 MS COPE: Are there any other questions on that topic? We
38 might move on to customers. There was general support for
39 the view of investigating qualitative customer satisfaction
40 surveys for public water utilities, but recognising that
41 there are differences in the sizes of water service
42 providers that can affect what is the most appropriate way
43 of gauging customer satisfaction.

44
45 If we decided to implement a qualitative customer
46 satisfaction measure, what would be the best approach?
47 What would be the timelines that you would need and the

1 transition that you would need? We are interested in
2 whether there is a view on how you might apply it to large
3 water service providers compared to smaller providers, and
4 is it a practical way of gauging customer satisfaction?
5

6 Did you want to start, Peter?
7

8 MR LEMON: Sure. Peter Lemon from Sydney Water. We would
9 envisage it rather as a desirable outcome to measure our
10 customer experience. Whether it is enforceable or not is
11 another question.
12

13 Looking at the models applied in Victoria and the UK,
14 gives clearly useful information about what the standard is
15 across the board. I think one the challenges of the
16 organisational approach is that benchmarking would be quite
17 difficult. We will be collecting measurements of this sort
18 as a business. Whether the indicators are used, I don't
19 know. That is another question.
20

21 MR SHIELDS: We are currently trialling a monthly
22 robo-poll, asking a similar set of questions to the list
23 that was developed by the Essential Services Commission -
24 around value for money, reputation, trust and the like.
25

26 We have had board sign-off on that. As a business, we
27 think that information is useful. We can compare ourselves
28 with some of the other published data on that service
29 provider and we can track our performance through time.
30 Internally, we think that is useful information and
31 we think it is prospective to look at having a common set
32 of questions applied to other utilities in New South Wales
33 and we can actually benchmark against other utilities in
34 Australia.
35

36 We would be more than happy to do some further work on
37 that as a sort of separate post 1 July exercise, but, yes,
38 again it is reflecting our corporate understanding that
39 this is useful and powerful information.
40

41 MS COPE: WaterNSW?
42

43 MR SHINE: We support the principle of a quality survey.
44 We do our own annual survey which asks customers to rate us
45 on customer service, reputation and value for money. There
46 is the problem, though, of comparing us with urban water
47 utilities. We obviously perform a different function. If

1 you were to look at our performance say, in Sydney, you
2 would not get an adequate sample size, because we do not
3 have that many customers in Sydney - although we have one
4 very big one. We would caution against comparing apples
5 with oranges there. I think that would have to be taken
6 into account.

7
8 In terms of the methodology as well, I know there a
9 survey was recently done by WSAA around this and it enabled
10 a respondent's postcode and assigned them to a different
11 utility. If you are in a regional area and you are
12 answering that survey, you might not be a customer of
13 WaterNSW, but you might be a customer of another utility.
14 So it is kind of hard to define utility they are commenting
15 on. That is just one thing that we would point out.

16
17 MS COPE: Andrew?

18
19 MR HORTON: I think we have all touched on this a bit.
20 Trying to come up with a common set of measurement criteria
21 to benchmark us all together is potentially fraught with
22 danger. We do offer different services. We have our
23 sewerage system and we use pressure sewer systems. Some
24 customers are sort of unhappy with that because there is a
25 pot in their front yard, but then they are happy with other
26 things we do, which might be a welcome pack and other
27 customer incentive stuff.

28
29 Then you also have a joint customer with Sydney Water.
30 We might do the sewerage service and the recycled
31 water service, but Sydney Water or Hunter Water might do
32 the drinking water service. I think it will require a lot
33 more discussion to see if we can properly benchmark that.

34
35 MS COPE: How do you currently go about measuring your
36 customer satisfaction?

37
38 MR HORTON: We do customer service surveys. Our retail
39 team does that. There are also other feedback forms where
40 there might have been an issue on somebody's lot or with us
41 providing a service to them. Our retail team contacts them
42 and fills in forms as to what we can improve on, what they
43 liked about us, what they didn't like. They are really
44 just customer satisfaction surveys.

45
46 MS COPE: The Department of Industry, do you do work at
47 the moment with customer satisfaction on the regional water

1 utilities?

2

3 MR IYADURAI: The Department of Industry, as such, does
4 not do any customer service, but the local water utilities
5 generally do. It is the medium size I am talking about,
6 not the likes of Sydney Water. They are the big ones for
7 us. They generally do customer satisfaction surveys every
8 two or three years. Then they publish it as well. With
9 some of the smaller ones, what we found is they generally
10 tend to do it occasionally, depending on the circumstances
11 and because of the cost of it.

12

13 In addition to that, what they always say - especially
14 the smaller ones, because mostly the water and sewer
15 operating people are living within the community - is, "We
16 hear this from our publicans in the pub on a regular
17 basis." That is why they do not necessarily run those
18 surveys. I would actually be careful there.

19

20 In addition to that, the other point is when you are
21 running a customer satisfaction survey, the questions need
22 to be very carefully thought through. They could be
23 driving one way or the other depending on what the current
24 issue is. If there is a drought and if they are on
25 restrictions, and you ask, "What do you think about the
26 service these guys offer", everybody might say, "No, not
27 good", because they are all on restrictions. It needs to
28 be very carefully thought through. Then you need to come
29 back and say, "What is the intent of it? What is it
30 exactly that we are trying to measure?" That is very
31 important if you are thinking of putting that in as part of
32 performance metrics. Thank you.

33

34 MS COPE: Hunter, you said that you had started doing some
35 work around mirroring what the Victorians were doing with
36 their customer surveys. One of the questions was, sort of
37 more broadly, would it be useful to pick up something that
38 has similar questions or a similar methodology to what
39 Victoria is doing to allow cost comparisons between New
40 South Wales and Victoria?

41

42 MR SHIELDS: That's right, we were involved in a WSAA
43 exercise and, through that, became aware of what was going
44 on in Victoria. Again, we think this is something worth
45 exploring in terms of the design and how and when you do
46 it.

47

1 As a water utility, I think it would be useful to see
2 how we compare with others, and not just with Sydney Water
3 but more broadly. It does require a more broad sign-off on
4 something, but we do generally think this is something that
5 is prospective and we want to work more closely with you
6 guys on that.

7
8 MR LEMON: We have both engaged in that exercise, and it
9 is very useful to have the information to compare ourselves
10 with others and to learn what is working elsewhere. I
11 think that, as a regulatory tool, it is possibly not that
12 useful to compare with other jurisdictions.

13
14 I would also say that the core of the ESC survey
15 captures quite a lot of the service interactions, but it
16 does not capture very well the environmental issues, and we
17 need to capture that as well.

18
19 MR HARMSTORF: Back to Dilip's question, what are you
20 trying to measure? We have covered off all the engineering
21 ones - water quality and assets and environment. If you
22 get all the engineering right, what is the extra piece that
23 you are trying to measure?

24
25 Hunter, you said you keep doing that to gauge value
26 for money, trust and reputation and so on, but to what
27 extent does that just flow from having got the engineering
28 right in the first place?

29
30 MR SHIELDS: It does flow from getting the basics right.
31 I suppose it is a measure, otherwise you are just running
32 on an anecdote. It is a way of us getting some feedback
33 from our customers and our community. A broader sample
34 size does provide that feedback loop, so you can track
35 through time what perceptions are out there amongst our
36 customer base rather than just guessing.

37
38 MR HARMSTORF: How do you use that? What decision, what
39 management decisions would change with data on that? You
40 say is anecdote, but it is not, because you have indicators
41 through time on what water quality is and how quickly you
42 can clean up an environmental wastewater spill.

43
44 With all that in place, what is missing that this
45 customer service thing then picks up and that drives a
46 management decision, or a regulator decision in particular,
47 but I am coming at it from your perspective first.

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MS TURNER: I can take that question. I guess the broader suite of indicators are, to some extent, from the asset perspective, so they are very clean-cut in terms of there was an overflow or there wasn't an overflow and, if there was, it lasted for a certain amount of time where you were disrupted.

The customer satisfaction is more around the customer experience. It is bringing the human factor into the interaction and it is seeing how we dealt with that lack of service - was the customer satisfied that we dealt with them appropriately that we resolved the issues? Some of that reputation and trust is, "I trust that when I have a problem, you will come and fix it, and you will fix it quickly and reliably and your people will be courteous to us when they are on our property."

We have been tracking the results of our customer satisfaction survey and, because we do it quite frequently, we can often relate a poor result to something that may have happened in the last month and whether we addressed that issue well or not.

I think an example is in Elermore Vale, where we had a pipe burst. There was actually water going into people's houses and they had furniture floating in their houses. We were there straight away, in the middle of the night addressing it. We said, "Yes, we will do everything to make you more comfortable in the short term and we will work with you in the longer term to resolve some of the damage and ensure that does not happen again." That is the type of measure that we are trying to measure through the qualitative surveys.

MR HORTON: From Flow's point of view, Hugo, it is a big driver in our company. It is part of our mission statement to be innovative and have customers who want us as a preferred utility - but that may be more of a vision than a mission.

We find in our communities - because we are in the community; we have a recycling facility in the community - that if something bad happens and people have a bad customer experience, especially with all the social media around, that can snowball. That has quite a few effects on our business. Our clients - not our customers, our

1 clients - are developers. When they are choosing whether
2 to use us as a utility or anyone else, they know we are
3 going to meet all the engineering solutions. They know we
4 will meet the right water quality, and so on. But what
5 they really want to know is, "Will it make me sell property
6 faster and bring cash in faster?" That is one of the big
7 drivers for developers. All the developers talk to each
8 other and if word gets around that Flow's customers are not
9 very happy, or something like that, it affects our future
10 business, so it is a big driver for us.

11

12 MR DUTTA: I think, again, it comes to the intent of what
13 you want to do with this qualitative information. The
14 service that we provide, and that Sydney Water and Hunter
15 Water and others provide, you can measure with a
16 quantitative or qualitative way on the basis of how well
17 they are providing that service.

18

19 There is another side, which is the aspirational side
20 of the customers, which is the way we provide the
21 technological enforcement and all the other things that are
22 happening around the world. The customer might look for
23 something completely different for that. I think this is
24 important. If we are looking for a continual improvement
25 of business in the way we provide the services, then to
26 capture the essence of the aspirational aspects of the
27 customer is important and we need to design carefully how
28 we capture that.

29

30 MS SPARGO: I want to add one distinction, I suppose,
31 around the benefit of benchmarking customer satisfaction
32 across utilities and the benefit of the utilities
33 themselves understanding their customer satisfaction.
34 I think Sydney Water will always do customer satisfaction
35 work because our corporate strategy and our vision is about
36 putting the customer at the heart of everything we do.

37

38 What we want to know, more than just how quickly did
39 we respond to something or how responsive we are with our
40 assets when there are failures, is more around
41 understanding the customer experience, like Emma was
42 talking about. Did we communicate with you through the
43 process? Did we keep you informed? What was the quality
44 of the service when we came to your property? Were our
45 crews courteous? That is something that is useful for
46 Sydney Water to understand as a business because we want to
47 put the customer at the heart and we want to make sure we

1 are giving a good service to the customer. It may not
2 necessarily be something that is of value in benchmarking
3 across utilities because it is a service thing with Sydney
4 Water, but as we have said in our submission, we are more
5 than happy to have a customer satisfaction indicator
6 developed.

7
8 It does come back to the intent of what do we want to
9 get out of benchmarking? If we are benchmarking the
10 utilities, what do we want to get out of that and what
11 would be useful for IPART or other stakeholders?

12
13 MS COPE: Is there anything else on customer satisfaction?

14
15 MR IYADURAI: May I mention one more thing, please?

16
17 MS COPE: Yes.

18
19 MR IYADURAI: With customer satisfaction, there are two
20 parts to providing a service - one is the assets and the
21 other one is the human resources. Sometimes when you are
22 actually developing your customer experience and your
23 quality of service and the response that you are going to
24 have, some of these indicators would be actually helping
25 that as well. Rather than just comparing so many employees
26 per kilometre of main, you might actually have to look at
27 what is the sort of response the customers are giving in
28 terms of their satisfaction? That might also decrease or
29 increase their levels of resources as well. Most of the
30 local water utilities in New South Wales actually do that
31 to balance their resourcing need as well. Thank you.

32
33 MS COPE: So they are delivering on what the customers
34 want?

35
36 MR IYADURAI: That's right.

37
38 Session 2: Approach to performance monitoring.

39
40 MS COPE: We might move on to section 2, which is about
41 the approach. We have been talking about the what; this is
42 more the how and the when.

43
44 In the feedback we got, there was reasonably strong
45 agreement on the proposed criteria that we had for
46 assessing what is a good performance indicator. People
47 seemed to agree generally with that.

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Are there any views that anyone wants to express about those criteria at this stage or are you happy with the sorts of things that we were saying would help us to make a decision about whether a performance indicator should be included or not? Is there anything anybody wants to raise on that topic? No.

Then we will move on to the issue around incentivising performance. There was general agreement about the value of incentivising for investigating the appropriateness of what sort of indicators are suitable for getting incentives in schemes to improving performance. We are interested in people's views on what they thought that might look like in practice. Is it about what are the right performance indicators to report so that it is the indicators that are incentivising performance, or is there a view that it is useful to move beyond that and actually use the performance indicators to feed in to other types of regulatory or financial incentives to improve performance?

I think, Hunter, you mentioned it in your submission, didn't you?

MS TURNER: Yes, there is a range of different incentives. Inherently at the moment there is an incentive just through pure publication, but there is also the incentive associated with comparison. That is clearly recognised in the national performance for Hunter, NWI, where they publish league tables and highlight the best and the worst performers in the class.

There was some concern when that was first introduced that that would encourage a race to the top of the league table that may potentially outstrip the customers' willingness to pay for that performance. We certainly think, whether it is incentive by comparison or a financial incentive, it should be linked to the indicators that are most relevant to customers, the things that they value. We also think that the performance is where you set the target performance or where you set the benchmark performance beyond which you get some kind of incentive for under or over-performing that responds and should be linked to customers' willingness to pay for those services.

MS COPE: Sydney Water?

1 MR ENGLISH: Michael English from Sydney Water. I would
2 probably agree with everything Hunter has just said. The
3 discussion we had about customer indicators and the like
4 demonstrates the issues that you can get into just with
5 using an indicator itself to drive performance,
6 particularly if they are not necessarily doing the same
7 thing across different people.

8
9 I guess your pool of comparison would be much smaller
10 than an NPR type, so that does not necessarily lend itself
11 to IPART coming up with a league table approach of its own
12 or putting out nasty press releases or nice press releases
13 about our performance.

14
15 That leads into maybe saying that the pricing
16 framework or some other mechanism is the best way to
17 address that. I don't think we have a fully formed view of
18 what that might look like, but we would note that we have
19 an inefficiency carry-over mechanism in the last price
20 determination, which provides incentives to reduce costs.
21 That may or may not equate with better or worse customer
22 service, but it would be handy to have.

23
24 It is a nice idea to think about a mechanism whether
25 it is something like that or whether there is a financial
26 incentive for better system performance on customer
27 performance and, equally, facing disincentives for going
28 backwards. Thank you.

29
30 MS COPE: Flow, across WICA licensees, is there any value
31 in having the capacity for people to compare across the
32 different providers of those services?

33
34 MR HORTON: For the public to compare; is that what you
35 are saying?

36
37 MS COPE: Yes.

38
39 MR HORTON: I am not really sure. I was just thinking
40 then about all these incentives. You are talking about
41 providing incentives and the like. We have a lot of stuff
42 within our company, and it probably exists within the
43 public water utilities as well, where the executive
44 managers have very hard and fast performance indicators.
45 We are held accountable. Even though mine are probably
46 more about the network and engineering-type solutions, they
47 fit into the business objectives and they are there to

1 minimise spills and overflows.

2
3 Candice Sutton is not here today but her area is about
4 customer satisfaction surveys so she has certain targets.
5 But that is all internal and it is just to meet our
6 business objectives. I am not sure about comparing them in
7 a public arena amongst all of us. No, I am not sure about
8 that.

9
10 MS COPE: Thank you.

11
12 WaterNSW, your situation is slightly different because
13 you do not have like organisations providing similar
14 service to similar customer groups. Is the role of
15 incentives different there with your performance
16 indicators?

17
18 MR SHINE: Yes, unless we were compared interstate, but
19 I don't think that is under the remit. Yes, there is that
20 problem. I think, generally speaking, there are a lot of
21 incentives already built in to the operating licence and
22 there are targets set by treasury, and the like.

23
24 MS COPE: Department of Industry?

25
26 MR DUTTA: Obviously. As I say, our regulatory models for
27 the smaller regional local authorities are different. We
28 are not heavily based on a licensing system. Therefore, it
29 comes to the public accountability.

30
31 One of the things we do is not only produce a report,
32 but also encourage the utilities to put those critical
33 indicators to their council and to the community. That is
34 the way that is driving the outcomes for the utilities.
35 Public disclosure and public accountability is the key in
36 our regulatory framework. Also it works; it works in many
37 cases, very well. In some cases, we have to do some
38 further improvements to link and look at how we sort of
39 personalise and streamline and all those other things that
40 we are trying to do now.

41
42 In regards to the incentive, one of the thoughts that
43 we had with the performance monitoring is how we can link
44 that with the regulation. How can we remove some of the
45 regulatory burden from the utilities, if a utility is
46 performing better or improving or whatever?. Indirectly
47 obviously, whether it is the cost, or something like that,

1 but something of direct benefit that you can figure out,
2 either through the licensing or relaxing the licensing
3 system, could be the way that one needs to consider the
4 options of.

5
6 MS COPE: We do already have a lot of risk-based processes
7 built into our system on how we decide what we audit and
8 when we audit things. So, yes, I agree that the importance
9 of being able to think about scaling the regulatory
10 activity according to the indicators of risk and
11 performance across the organisations is good.

12
13 MR DUTTA: Thank you.

14
15 MS COPE: Anything else on incentives?

16
17 I suppose the idea of collecting and reporting on how
18 you are requiring your organisations to use the information
19 leads us on to our next section, which is about collecting,
20 reporting and how we use the information.

21
22 At the moment, we currently report annually, and we do
23 it without much analysis and very limited commentary on the
24 indicators. There seemed to be some differences of views
25 amongst the water utilities about the format of reports and
26 what that should be in the future.

27
28 We want to understand people's views on how they think
29 we should use the existing indicators. Can we prove the
30 way that we present the reports? Should we include further
31 analysis in the reports or commentary, or should it just be
32 the information that is available for others to use? What
33 are people's views on what the reporting should be and how
34 it should be used?

35
36 MS SPARGO: Our view is that the current format is quite
37 all right. I suppose our caution would be if IPART were
38 considering doing a more comparative report across
39 utilities, the indicator information, that we would need to
40 get the indicator sets right so they are comparable.
41 I think that has always been the drawback in the past.

42
43 When IPART first started publishing the indicators it
44 was a different kind of report initially. It was a bit
45 more comparative. Then it went to an approach of just
46 presenting the indicator information without trying to make
47 comparisons and talking about performance. At the moment,

1 the way they are presented, stakeholders can go in, and if
2 there is transparency see how performance is happening.

3
4 Again it is a little bit like the NPR - not all
5 indicators are comparable. There are reasons why utilities
6 perform differently against different indicators. If there
7 is going to be a comparative type report that is put out to
8 the public, we need to make sure that we are dealing only
9 with indicators that are comparable. Maybe it would be a
10 limited set of indicators we know are comparable from
11 utility to utility that are put into that type of report.

12
13 MS TURNER: We echo Sandra's comments. At Hunter Water,
14 we are comfortable with the current reporting format that
15 IPART uses. If you are going to make a comparison between
16 performance, sometimes it is inherently due to something
17 that is beyond the utility's control, such as geography or
18 population density, particularly when there is a normaliser
19 involved in the indicator. In those comparisons, we would
20 need to take those factors into account and whether the
21 utility is inherently capable of improving its performance
22 or whether it is always likely to be below another utility,
23 due to some of those inherent factors.

24
25 Noting that, we would be receptive if other people use
26 the reports that IPART currently publishes, we are open to
27 suggestions on alternative formats that people may prefer.

28
29 MS COPE: That steals my next question, which was: for
30 the other people around the table who might be using this
31 information, is it in the form and in the time frame that
32 is useful?

33
34 MR PAREKH: We use a lot of demand forecast data, but we
35 had to take it out from the PDF and put it into Excel, kind
36 of thing. If it is in a commonly accessible format, it is
37 very easy for us to do further analysis.

38
39 MS COPE: Any views from NSW Health?

40
41 MS BRADFORD-HARTKE: We don't use it a lot. We rely more
42 on the utilities to report an issue to us.

43
44 MS COPE: Flow, there were some views in your submission
45 around what should or should not be public because, at the
46 moment, we publicly report across all of the indicators.
47 Did you have anything there that you wanted to raise?

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MR HORTON: Nothing sort of specifically. It is just my nature that I find when things go into the public domain, they are often scrutinised by people who do not understand what is going on and they can be misconstrued, that's all. It is just a general thing that I find that certain things are not really construed in the right framework.

MS COPE: Does that mean that we need more explanation around the indicators when they are published - maybe not comparison, but to explain what the indicator means?

MR HORTON: Yes, I agree with that, and also just the definition. We all have been touching on here about getting the definition right. When I go to do the annual report, it might be just me, but I have to read the reporting manual about six times before it can sink in because the definitions are quite complex or specific. So, yes, if anything is going into the public domain or will be used as a comparator amongst utilities, definitely the objective of what it is for needs to be specified and the definition as well, in my opinion.

MS COPE: Did you have any other questions, Erin?

MS CINI: No, thank you.

MS COPE: We will move on to the last session. We have touched on this in a variety of ways so far. It is about whether it is possible and appropriate to try and develop up a single set of indicators, given there are some things that some organisations are legislatively required to report and, separate to that, whether there are benefits in trying to get a suite of indicators that is consistent, and a single set across the organisations, or whether they should be designed to the specific organisations.

MR NEDELKOVSKI: At the risk of being repetitive, I think the intent is the most important thing there. If the intent is for comparisons, that is one thing, but if the intent is to drive performance, then individualisation is probably preferable. That is my point.

MS COPE: Do you have a view on what you think would be the most valuable of those two options? Do you think, from your point of view, it is more valuable to have a comparison or is it more valuable for them to be targeted

1 to drive performance?

2

3 MR NEDELKOVSKI: From my perspective, because New South
4 Wales has a limited number of comparable utilities, the
5 benchmarking aspect is not, in my opinion, that useful. On
6 a national scale, it is useful. However, on the New South
7 Wales scale, as I said, because of the limited number, it
8 is not as useful in terms of proportion and the like.

9

10 I am sorry, I think I lost my trail of thought in
11 terms of your question.

12

13 MS COPE: What should be the objective? Should we be
14 setting up a set of performance indicators that are focused
15 on being able to benchmark or a set of performance
16 indicators that are focused on driving the performance
17 aspects that are important to the individual organisation?

18

19 MR NEDELKOVSKI: From Sydney Water's perspective, my
20 understanding is indicators were always intended to be
21 linked to the licence to probably illustrate more clearly
22 the performance against our standards and particularly
23 elements of the licence. From that perspective, it is a
24 useful tool.

25

26 As I said, in terms of benchmarking, it is always nice
27 and useful to see how you are comparing, but as Sandra
28 pointed out, it is not always comparable, so that element
29 is always there. My view is it is more useful in terms of
30 individual utilities to try and look at their performance
31 or to highlight aspect of their performance rather than
32 benchmark it.

33

34 MS CHORA: Yolanda Chora from WaterNSW. It is our view
35 that where we do have comparable market functions, they
36 should be able to do their set of comparators, through the
37 performance indicators. Yes, they do need to be explained
38 and put into context.

39

40 In terms of driving performance, it seems a bit odd
41 that IPART would be seeking to do that through an
42 indicator. There are a number of complex overlapping
43 things that drive performance, primarily our shareholders,
44 our customers, there are already a number of mechanisms
45 there. These indicators should be a metric that inform
46 performance, but to say that they could actually drive
47 performance, there is some issue in that terminology from

1 my perspective. However, definitely having a comparator
2 point across the utilities where the functions are common
3 and which can be compared in a sensible manner would seem
4 to be a sensible idea.

5

6 MS COPE: So you are saying that both comparisons should
7 be accessible and in a way that helps you understand
8 performance, but not necessarily drive performance?

9

10 MS CHORA: Obviously an indicator falls sharply, within
11 one year, yes, that is a good information point and,
12 hopefully, in the right kind of utility it would drive the
13 performance back up, but in terms of setting overall
14 strategy, direction for the corporate, et cetera, I am just
15 seeing that that is a stretch for an indicator.

16

17 MS COPE: Did you have anything more to add, Ben?

18

19 MR SHINE: No, thank you.

20

21 MS SPARGO: I agree with what Yolanda was saying. I don't
22 think the indicators in the reporting manual are really
23 necessarily about driving performance. That might be
24 something that does happen as a result of the indicators,
25 but the indicators primarily should be around giving IPART
26 or stakeholders a bit more insight into our performance.

27

28 We have requirements in our operating licences. We
29 have different performance standards, and the indicators
30 provide, I guess, some supplementary understanding of
31 performance, but I don't think the key for the indicators
32 is about necessarily driving performance.

33

34 I had another thought and I can't think of what it
35 was. It has just escaped my mind. I'll think about it and
36 I'll come back.

37

38 MR HORTON: Reviewing the categories that we did last
39 year, for us quite a few of them are listed as not
40 applicable. I think that is fine because it is something
41 that we do not do, but a public water utility might. It
42 can still be an indicator, but it may not be applicable.
43 It does not necessarily drive performance, but at an annual
44 review looking backwards, it would be duration of service
45 interruptions. I am seeing here that we have 120 minutes.
46 If, next year, that went to 600 minutes, I am sure somebody
47 would be asking me a question. It is not a lead indicator,

1 it is a lag indicator, but that would probably be the one
2 that is more about performance in our eyes.

3
4 MS SPARGO: I remembered what I was going to say. It was
5 really around the difference between utilities having their
6 own internal performance indicators. A lot of those are
7 what drive our performance, what we monitor in the business
8 in terms of our internal performance monitoring.

9
10 Then there are the regulatory indicators. I see
11 regulatory indicators really as being something that is
12 useful for IPART, as our regulator, or other stakeholders.
13 There would be a lot of other internal indicators that we
14 measure that are what we look at for monitoring and driving
15 performance and not necessarily the ones that are in the
16 reporting manual.

17
18 MS COPE: Should they be?

19
20 MS SPARGO: Yes, maybe. It does go back to the intent of
21 the indicators. There was some discussion in the IPART
22 issues paper about lead and lag indicators. Our position
23 was that we all have lead indicators that we use internally
24 to understand our processes and how our processes are
25 operated.

26
27 However, in terms of regulatory indicators, we are
28 more wedded to lag indicators because they report on
29 outcomes. There is a balance between the two, but it is
30 really about what is useful for IPART as the regulator and
31 the stakeholders' understanding our performance. But our
32 licence really is about outcomes, about impacts on
33 customers and making sure that we are providing the correct
34 service levels to customer. I think it all comes back to
35 intent. Obviously, the indicators that are in our
36 reporting manual are not the only indicators that we would
37 be monitoring. I guess that is my point.

38
39 MS CINI: Following up on that, Sandra, earlier in the
40 discussion, Sydney Water, I guess, prosecuted the option of
41 further categorising wastewater overflows. In that sense,
42 I am interested in understanding whether that is something
43 that is useful for Sydney Water or whether your view is
44 that that could be useful for IPART or could be useful for
45 other stakeholders. Going back to what you just said,
46 which is that they are regulatory indicators and they
47 should be for the regulator and other stakeholders, if you

1 further categorise wastewater overflows, who is the
2 audience there?

3
4 MS SPARGO: The audience is the regulator and
5 stakeholders. It is about, I guess, providing better
6 insight so that incorrect assumptions do not get made about
7 our performance. Where things are bundled up together,
8 unless in our indicators report, we provide an explanation
9 of what was driving that or what the causes were of that,
10 I think there could be a misinterpretation of performance.

11
12 So, yes, it is about regulator and stakeholder
13 understanding. That is why we want to separate them out
14 because, from our perspective, we already have our own
15 internal indicators where we understand the granularity of
16 that performance across different areas.

17
18 MS CINI: Thank you.

19
20 MS COPE: Yes, Emma?

21
22 MS TURNER: I just want to add to that conversation around
23 comparison versus incentivising. There is inherently a
24 linkage between system performance standards, performance
25 indicators and service level rebates. I note that it is a
26 complex matter and that this current review is limited to
27 the performance indicators, but which is the best mechanism
28 to actually compare and motivate is a matter that probably
29 needs to be discussed, but possibly through other
30 mechanisms, like the operating licence reviews. They
31 should all work in concert with each other and motivate the
32 same behaviours so people are pulling together in the same
33 direction.

34
35 MR DUTTA: In the context of NPR reporting, it compares
36 really well with the utilities across Australia. When we
37 are thinking about comparing, we need to look at how do we
38 add in value? By the NPR, are you duplicating the same
39 thing? Also there could be an option if there is not an
40 indicator that would be meaningful to everyone - the
41 stakeholders - then why not include that in the NPR
42 reporting? This is one point that needs to be considered
43 carefully. Thank you.

44
45 MS COPE: Anything else on that particular topic? Is
46 there anything that we have left out? Is there anything
47 else anybody wants to raise? I take that as a no.

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Closing Remarks

MS COPE: On behalf of IPART, I thank you all very much for participating today. It has been extremely useful to hear your views, and we appreciate the effort and the contributions that you have made here today.

As I said, a transcript of today's proceedings will be available on the website in a few days. We will consider everything that people have said today and we will make our draft decisions on performance indicators for water utilities.

As previously mentioned, we plan to release the draft report and draft reporting manuals for public comment in April. Stakeholders, and yourselves, will all have an opportunity of about four weeks to make their submissions on that before we make the final decision.

The final report will be available in June, for commencement in July, but, as I said, we may take longer to work through some of those issues if they are substantial and if we thinking of making substantial changes.

I encourage you all to monitor the website for updates for further information on the timetable.

That brings us to a close today. Thank you very much. We look forward to seeing you next time when consulting on all things to do with water. Thank you very much

AT 11.20AM, THE TRIBUNAL WAS ADJOURNED ACCORDINGLY