



SA Water Regulatory Performance Report

2013-14

October 2015

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Glossary of Terms

TERM	DESCRIPTION
Act	Water Industry Act 2012
Commission	Essential Services Commission
CPI	Consumer Price Index
Ombudsman	Energy & Water Ombudsman SA
Price Determination	SA Water Price Determination

1 Executive summary

SA Water met 65 out of 66 service standards in 2013-14, in some areas outperforming the required customer service and supply reliability targets set by the Commission. In doing so, its actual operational and capital expenditure was lower than the benchmarks assumed in the SA Water Price Determination (**Price Determination**).

Although SA Water's expenditure was lower, customers will benefit from that outcome through lower prices in future regulatory periods. This is a positive outcome of the regulatory regime.

SA Water is performing well in managing customers requiring financial assistance, offering flexible payment plans and, where appropriate, providing entry to its hardship program. The Essential Services Commission (**Commission**) is satisfied that SA Water is providing assistance to customers facing payment difficulties in accordance with the Water Retail Code and its approved Hardship Policy.

The increased number of customers entering the hardship program, and the low number of water supply restrictions, is indicative of SA Water's application of the regulatory framework to assist financial hardship customers with their bill payments who continue to actively engage with SA Water.

1.1 Service outcomes

The key service outcomes in 2013-14 were:

- ▶ SA Water met 65 out of 66 service standards
- ▶ Fewer SA Water complaints were escalated to the Energy and Water Ombudsman of SA (**Ombudsman**) than in previous years, due to improved complaints management
- ▶ The number of customers participating in SA Water's hardship program remained at similar levels to the previous year (5.3 per 1000 customers).
- ▶ The majority of customers exiting the hardship program had no bill debt or only current quarter bill debt owing to SA Water
- ▶ The number of individual water restrictions applied remained low, at less than one per 1000 customers.

1.2 Pricing outcomes

The key pricing outcomes in 2013-14 were:

- ▶ The Price Determination delivered a 5.5 per cent reduction in drinking water average revenue and a 1.6 per cent increase (less than inflation) in sewerage average revenue
- ▶ SA Water's operational and capital expenditures for drinking water services were seven per cent and 17 per cent lower respectively than the benchmarks assumed in the Price Determination
- ▶ SA Water's operational and capital expenditures for sewerage services were 19 per cent and 25 per cent lower respectively than the benchmarks assumed in the Price Determination.

2 Key Outcomes

2.1 Introduction

This is the Commission's report on regulatory performance outcomes for SA Water (a licensee under the *Water Industry Act 2012 (Act)*) for the period 1 July 2013 to 30 June 2014.

That Act applies to all water and sewerage retailing operations, with three retail licence classes:

- ▶ Major: more than 50,000 customers (currently only SA Water)
- ▶ Intermediate: between 500 and 50,000 customers (37 licences)
- ▶ Minor: fewer than 500 customers (26 licences)

Collectively, the retailers licensed under the Act provide drinking water services to 750,000 properties (servicing 1.6 million people) and sewerage services to 675,000 properties (1.46 million people) in South Australia. SA Water is the largest retailer, servicing over 99 per cent of total drinking water connections and 87 per cent of total sewerage connections. The other licences are held by councils (56) and private businesses (seven).

This report focuses on SA Water's customer service and operational performance, and reviews outcomes under the Price Determination, for both drinking water and sewerage services for the period 1 July 2013 to 30 June 2014.

Other matters, such as pricing, finance, assets and water resources are separately reported on in a related document, the National Performance Report: urban water utilities 2014. That report, prepared by the Australian Bureau of Meteorology on behalf of State and Territory Governments and economic regulatory agencies (available on the Bureau and the Commission's website), should be read along with this report to provide a complete picture of SA Water's performance.

A separate report on water retail businesses other than SA Water (Regulatory Performance Report for Water Industry Retailers with 50,000 or fewer customers) can also be found on the Commission's website.

2.2 Customer service

2.2.1 Water Retail Code

The Water Retail Code – Major Retailers is the principal consumer protection document setting out behavioural standards and requirements that SA Water must comply with. It covers the following areas: customer charters; customer enquiries; complaint and dispute resolution procedures; hardship programs; payments and payment difficulties; and supply restrictions for non-payment.

2.2.2 Service standards

SA Water has an annual obligation to use best endeavours to achieve specified levels of customer service. The key service standards are:

- ▶ telephone responsiveness
- ▶ complaint responsiveness
- ▶ drinking water complaint responsiveness

2.2.3 Best endeavours

The standards have two elements. First, a target is set (for example, a minimum average time to respond to all telephone calls received in a year). Second, they require the use of best endeavours to meet that target.

Where a target is not met, SA Water can still meet the standard if it can demonstrate to the Commission's satisfaction that best endeavours were used in attempting to meet the target. Best endeavours means "to act in good faith and use all reasonable efforts, skill and resources to achieve an outcome in the circumstances".

2.2.4 Telephone responsiveness

SA Water met the telephone responsiveness standard, answering 88 per cent of all calls within 30 seconds, an improvement from 82 per cent in 2012-13.

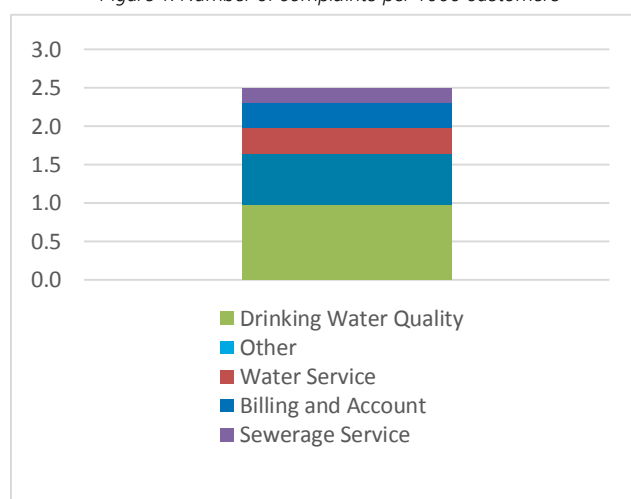
Table 1: Telephone responsiveness

Standard	Target	2013-14 result	Target met	Best endeavours
Telephone calls answered within 30 seconds	85%	88%	●	●

2.2.5 Complaint data

SA Water received 1823 customer complaints in 2013-14, equating to 2.5 complaints per 1000 customers (Figure 1). 40 per cent of those complaints related to drinking water quality (noting that the quality of drinking water is regulated by SA Health and not the Commission).

Figure 1: Number of complaints per 1000 customers



Of the total complaints received, 19 per cent were escalated to the Ombudsman. This is a material improvement from 2012-13 (when 28 per cent of complaints were escalated). This improvement resulted from internal process changes made by SA Water, resulting in fewer complaints being referred to the Ombudsman.





2.2.6 Complaint responsiveness

There are two annual standards relating to SA Water’s written responses to customers following receipt of a complaint.

The first relates to complaints which can be resolved without investigation - requiring a response in writing to 90 per cent of all complaints within 10 business days. The second relates to complaints which need further investigation (for example, site visits) - requiring a response in writing to 90 per cent of all complaints within 20 business days.

In 2013-14, SA Water met all of the standards for responding in writing to complaints (Table 2).

Table 2: Written complaints responsiveness

Standard	Target	2013-14 result	Target met	Best endeavours
Written complaints that do not require investigation responded to within 10 business days	90%	89%		
Complaints where an investigation is required responded to within 20 business days	90%	92%		

2.2.7 Drinking water complaint responsiveness

















SA Health has established water quality guidelines for the provision of drinking water. The Commission has no role in monitoring or enforcing those guidelines but has set timeliness of response standards for complaints made to SA Water about water quality.

The best endeavours standards require different response times depending on the potential severity or priority of the issue, as follows:

- ▶ Priority 1 – where there is a potential for serious risk to human health
- ▶ Priority 2 – where there is the potential for low risk to human health
- ▶ Priority 3 – all other complaints

SA Water met seven out of the eight standards for timeliness to respond to water quality complaints (Table 3). It did not meet the Priority 3 water quality complaints target for the Adelaide Metropolitan area and, having investigated the issue, the Commission is not satisfied that SA Water used its best endeavours in attempting to meet the standard.

Table 3: Timeliness of response to water quality complaints

Standard	Adelaide Metropolitan				Regional			
	Target	2013-14 result	Target met	Best endeavours	Target	2013-14 result	Target met	Best endeavours
Priority 1 complaints responded to within 1 hour	95%	95%			99%	100%		
Priority 2 complaints responded to within 2 hours	90%	95%			95%	100%		
Priority 2 complaints responded to within 12 hours	95%	100%			99%	100%		
Priority 3 complaints responded to within 48 hours or next business day	99%	96%			99%	100%		

2.2.7.1 Best endeavours assessment – Priority 3 water quality complaints, Adelaide Metropolitan area

SA Water did not respond to five out of 121 Priority 3 water quality complaints within the required timeframe; therefore only 96 per cent of complaints were responded to within the timeframe. While this is not a significant margin (96 per cent versus 99 per cent), in this case there is a broader context to be considered. Analysis shows that the average response time was significantly slower than required. There was an average response time of 71 hours, 23 hours slower than the 48 hours standard.

SA Water submitted that its performance was reasonable and should be considered in the context of higher priority customer impact complaints taking precedence over lower priority jobs.

The Commission has considered SA Water's response but, for the following reasons, does not consider that best endeavours were used:

- ▶ the standard reflects historical performance as reported by SA Water and was accepted by SA Water as appropriate at the time it was set
- ▶ in responding to the Commission's queries, SA Water did not provide any additional information about its operational practices or procedures in this area to satisfy the best endeavours test
- ▶ although a Priority 3 event does not involve a risk to human health, underperformance in this area reflects lower than expected customer service.

The Commission expects SA Water to implement improvements and will closely monitor its performance in future years.

2.3 Financial assistance

SA Water must comply with the Water Retail Code's financial assistance requirements. These include flexible payment arrangements, customer hardship policies and rules governing the circumstances in which supply may be restricted or debt recovery commenced.

The framework allows those customers who are willing to pay, but are unable to do so due to financial difficulty, to maintain their supply and avoid restriction or debt recovery action. It requires SA Water to actively engage with its customers to assist them in meeting their payment obligations.

However, where a customer is not willing to participate or ceases making payment for reasons other than financial difficulty, restriction or debt recovery may apply.

2.3.1 Hardship program

The Minister for Communities and Social Inclusion has developed and published a Residential Customer Hardship Policy for SA Water, which must adopt that policy or a modified version. The policy outlines processes and programs that SA Water must use to assist customers identified as experiencing payment difficulties. Where a customer is participating in a hardship program, SA Water cannot arrange for water restrictions and legal actions to be applied for non-payment.

2.3.2 Debt recovery options

SA Water is not permitted to disconnect a sewerage service or water service for non-payment of a bill. It may, however, restrict the supply of a water service (but not a sewerage service) by constraining the maximum flow of water into a property or commence debt recovery action for non-payment of a bill (although not both simultaneously).

2.3.3 Concessions

To assist customers with the cost of water and sewerage services, the South Australian Government offers a concession to eligible South Australians on low or fixed incomes.

The water concession is calculated as up to 30 per cent of the total annual bill, subject to different minimum and maximum thresholds depending on the customer category. The current maximum sewerage service rate remission is \$110 per annum.

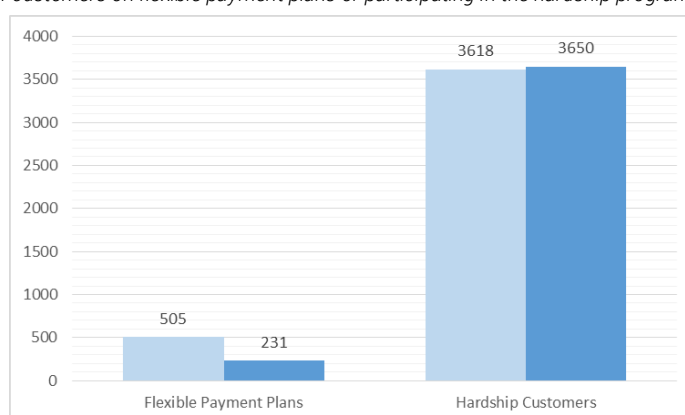
2.3.4 Assistance programs

As at 30 June 2014, 26 per cent of SA Water's residential drinking water customers (174,000 customers) were in receipt of the South Australian Government water concession, with 21 per cent of SA Water sewerage service customers (113,000 customers) in receipt of the sewerage concession. These numbers were similar to the previous year.

SA Water is managing customers requiring financial assistance as required by the regulatory framework, offering flexible payment plans and, where appropriate, entry to its hardship program.

The proportion of customers participating in a hardship program remained relatively steady from the previous year, averaging around 5.3 per 1000 customers (Figure 2), with more customers participating in its hardship program than were on a flexible payment plan.

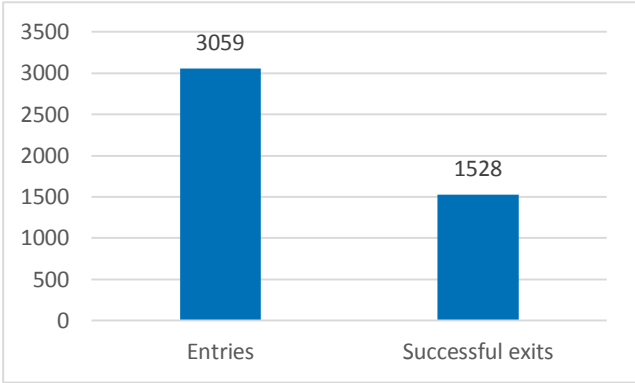
Figure 2: Total number of customers on flexible payment plans or participating in the hardship program as at 30 June 2014



While customers are entering the hardship program with high levels of debt, the majority exited the program with no debt or only current quarter debt. During the year about half of the customers who entered the hardship program successfully exited it (Figure 3). Others remained on the program or did not to comply with the terms of the hardship program.

Of those who did not to comply with their obligations, some may have been liable to debt recovery or supply restriction action; nevertheless, those customers remain entitled to the notification and payment plan provisions of the Water Retail Code.

Figure 3: Hardship program customer entry and successful exit during 2013-14



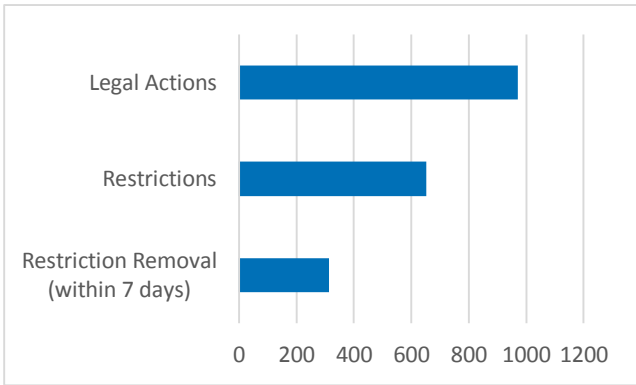
During 2013-14, 4.9 per 1000 Adelaide metropolitan customers participated in SA Water’s hardship program. The average debt of those customers was \$1269 (just less than the annual combined typical residential water and sewerage bill in the Adelaide Metropolitan area of \$1282).

The proportion of customers participating in the hardship program was higher in regional areas, at 7.1 per 1000 customers, as was the average debt of \$1638 (equivalent to around 18 months’ worth of an annual SA Water typical residential water and sewerage bill in regional areas).

SA Water advised that it intensified collection activity in regional areas in late 2013-14, introducing restrictions for non-payment, with a priority focus on high value debts, many of which accumulated, but were not pursued, during periods of drought. As a result, there has been an increase in referrals to the hardship program of customers who have accrued debt over a long period of time.

In total, SA Water applied 653 water restrictions (one per 1000 customers) and commenced 971 debt recovery actions (1.4 per 1000 customers) for non-payment of bills during 2013-14 (Figure 4). Of the households that had water supply restricted for non-payment, 48 per cent had that restriction removed within 7 days.

Figure 4: Number of legal actions, restrictions and restriction removal in 2013-14



It is useful to compare the number of restrictions against the number of customers on hardship programs. If the number of restrictions is higher than the number of customers entering the hardship program, this may indicate that customers experiencing financial hardship are not being effectively assisted prior to restriction.

However, this was not the case for SA Water in 2013-14. Nearly five times more SA Water customers were on the hardship program than had been restricted, with three times more on a hardship program than had debt recovery action commenced against them.

2.4 Drinking water – operational outcomes

















2.4.1 Attendance at supply interruptions

The Commission has established service standards to attend the location of breaks, bursts and leaks within specified timeframes. Recognising that not all such incidents are of the same scale or impact, and that not all bursts lead to a loss of supply, the service standards distinguish between different priority classes:

- ▶ Priority 1: high-priority events where a leak or burst may result in total loss of supply to a customer, major loss of water or damage to property, or may pose immediate danger to people or the environment
- ▶ Priority 2: all other bursts or system failures

During 2013-14, SA Water met all eight standards for timeliness to attend water breaks, bursts and leaks (Table 1).

Table 4: Timeliness to attend water breaks, bursts and leaks

Standard	Adelaide Metropolitan				Regional			
	Target	2013-14 result	Target met	Best endeavours	Target	2013-14 result	Target met	Best endeavours
Priority 1 events attended within 1 hour	95%	99%			95%	94%		
Priority 1 events attended within 2 hours	99%	100%			99%	99%		
Priority 2 events attended within 5 hours	95%	98%			95%	99%		
Priority 2 events attended within 12 hours	99%	100%			99%	99%		

2.4.2 Restoration of water supply interruptions

The Commission has set service standards for restoration times according to the priority given to restorations.

- ▶ Category 1: the interruption could be life threatening or otherwise have serious consequences (for example impacting critical needs customers, hospitals, nursing homes, schools, child care centres etc.)
- ▶ Category 2: the interruption causes a disruption to a customer's business activities
- ▶ Category 3: all other cases.

During 2013-14, SA Water met all 12 targets for timeliness to restore water supply interruptions (Table 5).

Table 5: Timeliness to restore water supply interruptions

Standard	Adelaide Metropolitan				Regional			
	Target	2013-14 result	Target met	Best endeavours	Target	2013-14 result	Target met	Best endeavours
Category 1 events restored within 5 hours	90%	100%	●	●	95%	100%	●	●
Category 1 events restored within 12 hours	99%	100%	●	●	99%	100%	●	●
Category 2 events restored within 5 hours	Not applicable				95%	86%	●	●
Category 2 events restored within 8 hours	90%	100%	●	●	Not applicable			
Category 2 events restored within 18 hours	99%	100%	●	●	99%	100%	●	●
Category 3 events restored within 12 hours	90%	99%	●	●	90%	99%	●	●
Category 3 events restored within 18 hours	99%	100%	●	●	99%	100%	●	●

2.4.3 Timeliness of new water connections





There are two service standards relating to SA Water's installation of new water connections.

- For standard connections, 95 per cent of connections are to be provided within 25 business days of an application having been processed and the relevant fees received by SA Water.
- For non-standard connections, 95 per cent of connections are to be provided within 35 business days of an application having been processed and the relevant fees received by SA Water.

A standard water connection is where there is an existing water network adjacent to the property being connected. A non-standard water connection requires an extension of water mains/network or other specific construction work.

During 2013-14, SA Water met both service standards for timeliness of new water connections (Table 6).

Table 6: Timeliness to install a water connection

Standard	Target	2013-14 result	Target met	Best endeavours
Standard water connections installed within 25 business days	95%	95%		
Non-standard water connections installed within 35 business days	95%	87%		

2.4.4 Duration and incidence of unplanned interruptions

As unplanned water supply interruptions can cause significant disruption and inconvenience to customers, the Commission monitors two measures relating to the impact of unplanned interruptions on customers.

- The **incidence** (or frequency) of unplanned supply interruptions, as measured by the number of customers experiencing a loss of water supply during the year per 1000 customers.
- The average **duration** of customer interruptions in minutes.

SA Water's performance for duration and incidence of unplanned interruptions improved in 2013-14 compared to 2012-13 (Table 7).

During the year there were 1924 unplanned interruptions to drinking water customers in the Adelaide metropolitan area, with 1120 SA Water customers affected by three or more of those events. In regional areas, there were 1172 instances of unplanned interruptions and 662 customers experienced three or more unplanned interruptions.

Table 7: SA Water interruptions performance

	SA Water (Adelaide Region)	
	2012-13	2013-14
Duration of interruptions (minutes)	158	153
Incidence of interruptions (per 1000 customers)	156	152

2.4.5 Water main breaks

For 2013-14, the number of breaks per 100 km of water main was 16 for the Adelaide Metropolitan area and nine in regional areas. This compares to 17.5 breaks per 100km in Adelaide Metropolitan during 2012-13.

2.5 Sewerage – operational outcomes

2.5.1 Restoration of sewerage service interruptions

The Commission has set service standards for sewerage service restoration within specified timeframes.

- ▶ full loss Category 1: where the interruption could be life threatening or otherwise have serious consequences (impacting critical needs customers, hospitals, nursing homes, schools, etc)
- ▶ full loss Category 2: where the interruption causes a disruption to a customer’s business activities
- ▶ full loss Category 3: all other interruptions
- ▶ partial loss of service

In 2013-14, SA Water met all 14 targets for timeliness to restore sewerage service (Table 8).

Table 8: Timeliness to restore sewerage service loss events

Standard	Adelaide Metropolitan				Regional			
	Target	2013-14 result	Target met	Best endeavours	Target	2013-14 result	Target met	Best endeavours
Category 1 events restored within 5 hours:	99%	100%	●	●	99%	100%	●	●
Category 2 events restored within 5 hours:	90%	92%	●	●	95%	100%	●	●
Category 2 events restored within 18 hours	99%	100%	●	●	99%	100%	●	●
Category 3 events restored within 12 hours:	90%	97%	●	●	90%	100%	●	●
Category 3 events restored within 24 hours	99%	100%	●	●	99%	100%	●	●
Partial loss events restored within 18 hours	95%	91%	●	●	95%	99%	●	●
Partial loss events restored within 36 hours	99%	100%	●	●	99%	100%	●	●

2.5.2 Attendance at sewerage overflows

The Commission has established service standards to attend sewerage overflows events within specified timeframes. Recognising that not all overflow events have the same impact, the service standards distinguish between where the overflow occurs – inside the building (higher priority), outside the building (but on customers' property), and not on customers' property - for example, road or footpath (lower priority).

SA Water attended 7393 sewerage overflow events during 2013-14, and met all six targets for timeliness to attend at sewerage overflow events in Adelaide Metro and regional areas (Table 9).

Table 9: Timeliness of attendance at sewerage overflow events following restoration of service





















Standard	Adelaide Metropolitan				Regional			
	Target	2013-14 result	Target met	Best endeavours	Target	2013-14 result	Target met	Best endeavours
Inside building overflows attended within 1 hour	95%	99%	●	●	99%	100%	●	●
Outside building overflows attended within 2 hours	95%	96%	●	●	99%	100%	●	●
External overflows attended within 4 hours	99%	99%	●	●	99%	100%	●	●

2.5.3 Sewerage overflow clean up

The Commission has set service standards to clean up overflow events. The service standards distinguish between where the overflow occurs (as with the service standards for attendance at overflows). The timeframes for overflow clean ups begin once the event has been attended.

SA Water met all ten targets for timeliness to clean up sewerage overflow events in Adelaide metropolitan and regional areas (Table 10).

Table 10: Timeliness of cleaning up sewerage overflow events

Standard	Adelaide Metropolitan				Regional			
	Target	2013-14 result	Target met	Best endeavours	Target	2013-14 result	Target met	Best endeavours
Inside building clean ups completed within 4 hours	95%	99%			99%	100%		
Outside building (on property) clean ups completed within 6 hours	95%	98%			95%	99%		
Outside building (on property) clean ups completed within 15 hours	99%	99%			99%	99%		
External clean ups completed within 8 hours	95%	98%			95%	100%		
External clean ups completed within 15 hours	99%	99%			99%	100%		

2.5.4 New connections service standards







There are three service standards relating to SA Water's installation of new sewerage service connections.

- ▶ For standard connections, 95 per cent of connections are to be provided within 30 business days of application having been processed and the relevant fees received by SA Water.
- ▶ For non-standard connections, 95 per cent of connections are to be provided within 50 business days of application having been processed and the relevant fees received by SA Water.
- ▶ For trade waste applications, 99 per cent are to be processed within 10 business days of application.

A standard sewer connection is where there is an existing sewer network adjacent to the property being connected. A non-standard sewer connection requires an extension of sewer mains/network or other specific construction work.

In 2013-14, SA Water met all three service standards (Table 11).

Table 11: Timeliness to install a sewer connection and to process a trade waste application

Standard	Target	2013-14 result	Target met	Best endeavours
Standard sewer connections installed within 30 business days	95%	95%		
Non-standard sewer connections installed within 50 business days	95%	89%		
Trade waste applications processed within 10 business days	99%	99%		

2.5.5 Duration of unplanned interruptions

The average duration of unplanned sewerage service interruptions was 361 minutes for the Adelaide metropolitan area, consistent with SA Water's performance in 2012-13 of 359 minutes, and 133 minutes for regional areas (125 minutes in 2012-13).

2.5.6 Sewer main breaks and chokes

There were 52 sewer main breaks per 100km of sewer main in the Adelaide metropolitan area and 15 breaks per 100 km of sewer main in regional areas. The performance in the Adelaide metropolitan area improved slightly in 2013-14 after deteriorating in the previous two years.

2.5.7 Property connection breaks and chokes

There were 31 property connection breaks/chokes per 1000 properties in the Adelaide metropolitan area and 18 breaks/chokes per 1000 properties in regional areas.

The number of incidents in the metropolitan area stabilised in 2013-14 after generally increasing in the previous four years.

3 Price Determination outcomes

The Commission sets the maximum revenue that SA Water can recover from customers through the Price Determination. SA Water, in consultation with the South Australian Government, sets the prices it charges customers its own prices; however, those prices must comply with the Price Determination.

3.1.1 Drinking water

The Price Determination delivered a nominal reduction in drinking water average revenue of 5.5 per cent in 2013-14, reflecting material reductions the Commission made to SA Water's proposed expenditure allowances. In 2013-14, the revenue outcome met the revenue control requirements of the Price Determination (Table 12). Average drinking water revenue will only increase in line with the annual rate of change in the Consumer Price Index (CPI) in 2014-15 and 2015-16.

Table 12: Average water revenue yield (nominal)

	2012-13	2013-14	2014-15	2015-16
Price determination revenue cap (\$/kL)	4.34	4.098 (-5.5%)	CPI	CPI
Actual revenue (\$/kL)	N/A	4.078		

In line with the Price Determination, SA Water reduced its residential drinking water charges by an average of 6.5 per cent in 2013-14 (Table 13).

Table 13: SA Water residential drinking water prices

	SA Water tariffs for 2012-13	SA Water tariffs for 2013-14	% Change
Supply Charge	\$293.00	\$274.80	-6.2%
0-30 kL	\$2.42/kL	\$2.26/kL	-6.6%
30-130 kL	\$3.45/kL	\$3.23/kL	-6.4%
>130 kL	\$3.73/kL	\$3.49/kL	-6.4%

3.1.2 Sewerage

The Price Determination delivered a less than inflation increase in sewerage service average revenue of 1.6 per cent. In 2013-14, the revenue outcome met the revenue control requirements of the Price Determination (Table 14).

Average sewerage service revenue will only be allowed to increase in line with the annual rate of change in the CPI in 2014-15 and 2015-16.

Table 14: Average sewerage service revenue yield (nominal)

Year	2012-13	2013-14	2014-15	2015-16
Price Determination revenue cap (\$/connection)	600.40	610.11 (+1.6%)	CPI	CPI
Actual revenue (\$/connection)	N/A	608.10		

