



Water

SA Water Regulatory Performance Report 2015-16

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Glossary of terms

Term	Description
Commission	Essential Services Commission
CPI	Consumer Price Index
ESC Act	Essential Services Commission Act 2002
kL	Kilolitres
Ombudsman	Energy and Water Ombudsman of South Australia
Regulatory Determination	SA Water’s Water and Sewerage Revenues: 2013-14 to 2015-16 – Final Determination
Water Retail Code	Water Retail Code for Major Retailers
WI Act	Water Industry Act 2012
SA Health	Department for Health and Ageing
SA Water	South Australian Water Corporation

A traffic light system is used to display SA Water’s performance against its service standards

Traffic Light	Description
	SA Water met the service standard
	SA Water did not meet the service standard

Executive summary

The Essential Services Commission (**Commission**) has functions under the Water Industry Act 2012 (**WI Act**) for licensing, consumer protection, performance monitoring, compliance and retail pricing. The WI Act applies to all water and sewerage service retailing operations, regardless of the number of customers to whom those services are provided. This includes services provided by the South Australian Water Corporation (**SA Water**), Local Government and private operators.

The Commission regulates the customer service and revenue aspects of SA Water's retail operations because SA Water holds a monopoly provider position in the market for those services on its network. In the absence of competition, the potential exists for SA Water to exploit its monopoly position in its network, either by reducing services or earning excessive revenue.

Economic regulation provides a counterbalance to that position, with the Commission able (under statutory powers) to set binding consumer protection obligations and make determinations on revenue and some pricing matters. For example, in the case of drinking water and sewerage retail services, the Commission's regulatory approach aims to provide an incentive for efficient behaviour by encouraging SA Water to incur lower expenditure than that reflected in the maximum revenue caps, while still delivering its regulatory obligations.

The formal mechanisms of economic regulation therefore provide strong incentives for SA Water to deliver services at a level valued by customers, recover no more than prudent and efficient revenues and seek out management and financial efficiencies to reduce its costs over time. However, the regulatory process does not determine the specific projects and programs which SA Water must undertake.

Customers benefit from these regulatory arrangements because they can have confidence that SA Water is meeting its customer service obligations – with strong incentives to deliver cost reductions over time – and with any reductions being passed on to customers through lower prices.

To provide South Australian consumers with information on prices and the level of service that they received, the Commission reports annually on the performance of water and sewerage retailers. This is the Commission's fourth annual report on the performance of SA Water against its service and reliability standards and the consumer protection framework. The Commission reports separately on the performance of other water and sewerage retailers.

2015-16 was the last year of the first three-year regulatory period. In June 2016, the Commission released the SA Water Regulatory Determination 2016 (for the period 1 July 2016 to 30 June 2020).¹

The Commission's key observations in regard to SA Water's performance during 2015-16 are:

- ▶ SA Water met 65 out of 66 service standards set by the Commission. It did not meet the service standard for restoration of partial sewerage loss events in the Adelaide Metropolitan area.
- ▶ The average duration of unplanned water supply interruptions for customers increased in the year to 190 minutes for the Adelaide Metropolitan area (165 minutes in 2014-15) and 175 minutes for regional areas (158 minutes in 2014-15).
- ▶ The average duration of unplanned sewerage service supply interruptions for customers decreased in the year to 454 minutes for the Adelaide Metropolitan area (462 minutes in 2014-15) and 126 minutes for regional areas (238 minutes in 2014-15).

¹ Essential Services Commission, *SA Water Regulatory Determination 2016*, 6 June 2016, available at <http://www.escosa.sa.gov.au/projects-and-publications/projects/water/sa-water-regulatory-determination-2016/sa-water-regulatory-determination-2016>.

- ▶ The number of complaints received by SA Water fell to 2.29 complaints per 1,000 customers in 2015-16, compared to 2.45 complaints per 1,000 customers in 2014-15.
- ▶ The number of customers participating in SA Water's hardship program increased during 2015-16, coinciding with SA Water recommencing legal actions and restrictions following a temporary six-month reduction in activity in 2014-15 (as SA Water transitioned to a new debt collection agency).
- ▶ The average debt of Adelaide Metropolitan customers participating in SA Water's hardship program was \$1,266 (equivalent to just less than the annual combined typical residential water and sewerage bill). For regional customers participating in the program, the average debt was \$1,827 (equivalent to about 1.5 times the annual combined typical regional residential water and sewerage bill).

While this Regulatory Performance Report assesses SA Water's performance against its regulatory obligations, events may occur during the year that warrant special ad hoc reporting outside of that standard framework (for example, an event that may result in large numbers of customers being without a retail service for an extended period). These events are assessed in accordance with the Commission's Significant Event Reporting Framework to determine whether or not they constitute a significant performance event.²

In March 2016, the Commission determined that a significant performance event had occurred as a result of a series of bursts on SA Water's water distribution network in Campbelltown, Paradise and Newton. The event resulted in substantial property damage and disruption to nearby residents. In response, the Commission initiated a Review on 8 March 2016 to examine the circumstances of the event and SA Water's responsiveness to the event.

The Review focused on SA Water's systems, processes, controls and responses in relation to the main bursts – with particular emphasis on telephone call responsiveness, attendance at the bursts and restoration of supply. The Commission sought to understand the course of events, SA Water's response and actions and to identify opportunities for improvements in outcomes for affected residents. Community views and the views of affected residents were also sought to inform the Review.

The Commission's review of the event found that SA Water's timeliness of attendance at the bursts was satisfactory and consistent with its annual service standards. However, it identified opportunities for improvement in SA Water's operational response to significant and emergency situations and found that better outcomes for affected customers may have been achieved if SA Water's response efforts had been better coordinated. In response to the Commission's review, and its own internal review, SA Water has implemented various remedial actions in the areas of emergency management, communications, regulatory compliance and asset management. A summary of the event, the Commission's review and SA Water's responses can be found in section 5.1 of this Regulatory Performance Report.

² Refer: <http://www.escosa.sa.gov.au/industry/water/reporting-compliance/significant-performance-event-reporting-framework>.

1 Introduction

The Essential Services Commission (**Commission**) is a statutory authority established as an independent economic regulator and advisory body under the Essential Services Commission Act 2002 (**ESC Act**).

The Commission has economic regulatory responsibility in the water and sewerage, electricity, gas, maritime and rail industries, conducts formal public inquiries and provides advice to Government on economic and regulatory matters. The ESC Act, together with various industry Acts, provide the Commission with those regulatory and advisory powers and functions.

Under the ESC Act the Commission has the primary objective of:

“...protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services”.

The ESC Act, the Water Industry Act 2012 (**WI Act**) and the regulations under the WI Act establish the Commission’s regulatory powers and functions in relation to the water and sewerage industries.

The Commission’s role includes the licensing of water and sewerage retail service providers, service standard setting, consumer protection, retail price regulation and performance monitoring and reporting.

1.1 Purpose

The Commission publishes annual regulatory performance reports for the South Australian Water Corporation (**SA Water**) to inform stakeholders and consumers of regulatory performance outcomes for SA Water (a licensee under the WI Act).

Reporting of service and operational performance outcomes helps provide greater transparency of these matters to SA Water’s customers. Further, it forms part of the evidence base for future regulatory reviews (for example, identifying baselines for the setting of future service standard targets).

This report covers regulatory outcomes for SA Water for the period 1 July 2015 to 30 June 2016.

1.2 Regulation of the water and sewerage service industry

The WI Act commenced on 1 July 2012 and governs all water industry entities providing ‘retail services’ to South Australian customers. It establishes the regulatory framework for the water and sewerage industry covering economic regulation, technical regulation, water planning and customer complaint handling.

The Commission’s regulatory role includes industry licensing, consumer protection and retail pricing (Table 1). It does not have any role in environmental, health or social policy. Those matters are addressed by other regulators and Government agencies such as SA Health.

Table 1: Commission's regulatory functions in the water industry

Legislation	Regulatory functions
Water Industry Act 2012	Water and sewerage retail service providers: <ul style="list-style-type: none"> ▶ licensing ▶ retail price regulation ▶ consumer protection ▶ service/reliability standard setting, and ▶ performance monitoring and reporting.

As a condition of its retail licence, SA Water is required to comply with a Regulatory Determination. That determination fixes the maximum revenue that SA Water can recover, sets operational service standards and a consumer protection framework. The overall regime is summarised below:

- ▶ **Water and sewerage services prices** – the Regulatory Determination sets out the maximum average revenue per unit sold that SA Water can recover from its drinking water and sewerage customers over the regulatory period. SA Water is responsible for setting specific charges (such as supply and usage charges) for residential and non-residential customers; however, those charges must comply with the average revenue caps set out in the Regulatory Determination.
- ▶ **Operational service standards** – SA Water has an annual obligation to use its best endeavours to meet the customer service and retail service reliability targets set by the Commission.
- ▶ **Consumer protection measures** – the Water Retail Code for Major Retailers (**Water Retail Code**) sets out the behavioural standards and minimum requirements to be complied with by SA Water when dealing with its customers. It also details SA Water's requirements in respect to consumers of retail services in tenancy arrangements who are, nevertheless, granted limited consumer protections, but do not have a direct contractual relationship with SA Water.

Where regulatory obligations are not met by SA Water, the Commission will investigate the underlying reasons for the non-compliance and, if warranted, undertake compliance action.

1.3 Overview of the water industry

The WI Act gives the Commission broad regulatory powers and functions within the South Australian water industry related to economic regulation of water and sewerage services. The WI 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), and
- ▶ **Minor** – fewer than 500 customers (29 licences).

Collectively, the retailers licensed under the WI Act provide drinking water services to 764,000 customers and sewerage services to 683,000 customers in South Australia. SA Water is the largest retailer, servicing over 99 percent of all drinking water customers and 87 percent of sewer customers. The other licences are held by councils (55) and private businesses (11).

2 Customer service

2.1 Background

The Water Retail Code places obligations on SA Water relating to customer responsiveness and complaints. These obligations include requirements for handling customer enquiries, complaints and dispute resolution processes, and compliance with customer service standards.

2.2 How performance is measured

The Regulatory Determinations set maximum average revenues that SA Water can earn in return for meeting certain regulatory obligations – for example, reliability and customer service standards set by the Commission. The Commission monitors SA Water’s customer service performance to assess whether or not the standards are being met.

2.2.1 Customer service standards

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

- ▶ telephone responsiveness
- ▶ complaint responsiveness, and
- ▶ drinking water complaint responsiveness.³

These service standards have two elements. Firstly, SA Water is set a target (for example, a minimum average time to respond to all telephone calls received in a year). Secondly, SA Water is required to use 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 that target. Under the Water Retail Code, best endeavours means ‘to act in good faith and use all reasonable efforts, skill and resources’ to achieve an outcome in the circumstances.

2.2.2 Other metrics

The Commission monitors other customer service metrics that impact on South Australian customers, notably:

- ▶ complaints, and
- ▶ number of complaints escalated to the Energy and Water Ombudsman of South Australia (Ombudsman).

2.3 Customer service performance in 2015-16

In the customer service category, SA Water met all 16 service standards (Table 2). In doing so, it did not meet one target for responding to Priority 3 water quality complaints in the Adelaide Metropolitan area and four targets for timeliness to install a water or sewer connection; however, the Commission assessed that SA Water used best endeavours in attempting to meet those targets (refer sections 2.3.4 and 2.3.5).

³ The service standards applicable for the 1 July 2013 to 30 June 2016 determination period are available at: http://www.escosa.sa.gov.au/library/130926-SAWaterServiceStandards_2013-2016-Schedule.pdf.


Table 2: SA Water 2015-16 performance against customer service standards

Standard category		Number of standards met
Telephone responsiveness		1 out of 1 met
Complaints responsiveness		2 out of 2 met
Water quality complaint responsiveness	Adelaide metropolitan	4 out of 4 met
	Regional	4 out of 4 met
Timeliness of connection		4 out of 4 met
Timeliness of processing trade waste applications		1 out of 1 met

2.3.1 Telephone responsiveness

SA Water met the telephone responsiveness standard, answering 85 percent of all calls within 30 seconds (Table 3).

Table 3: Telephone responsiveness

Standard	Target	2015-16 result	Service standard met
Telephone calls answered within 30 seconds	85%	85%	

2.3.2 Complaints

SA Water received 1,733 customer complaints in 2015-16, equating to 2.29 complaints per 1,000 customers (Figure 1), compared to 2.45 complaints per 1,000 customers in 2014-15. Forty two percent of those complaints related to drinking water quality (noting that the quality of drinking water is regulated by SA Health and not the Commission). Of the total complaints received by SA Water, 27 percent were escalated to the Ombudsman (Figure 2).

The number of complaints escalated to the Ombudsman increased by 25 percent in 2015-16, driven by an increase in the number of complaints about high water and/or sewerage bills. Of the total complaints received by the Ombudsman, 69 percent of the complaints were related to billing (including issues such as high water and/or sewerage bills, incorrect accounts or disputes over meter readings).

Figure 1: Number of complaints per 1,000 customers

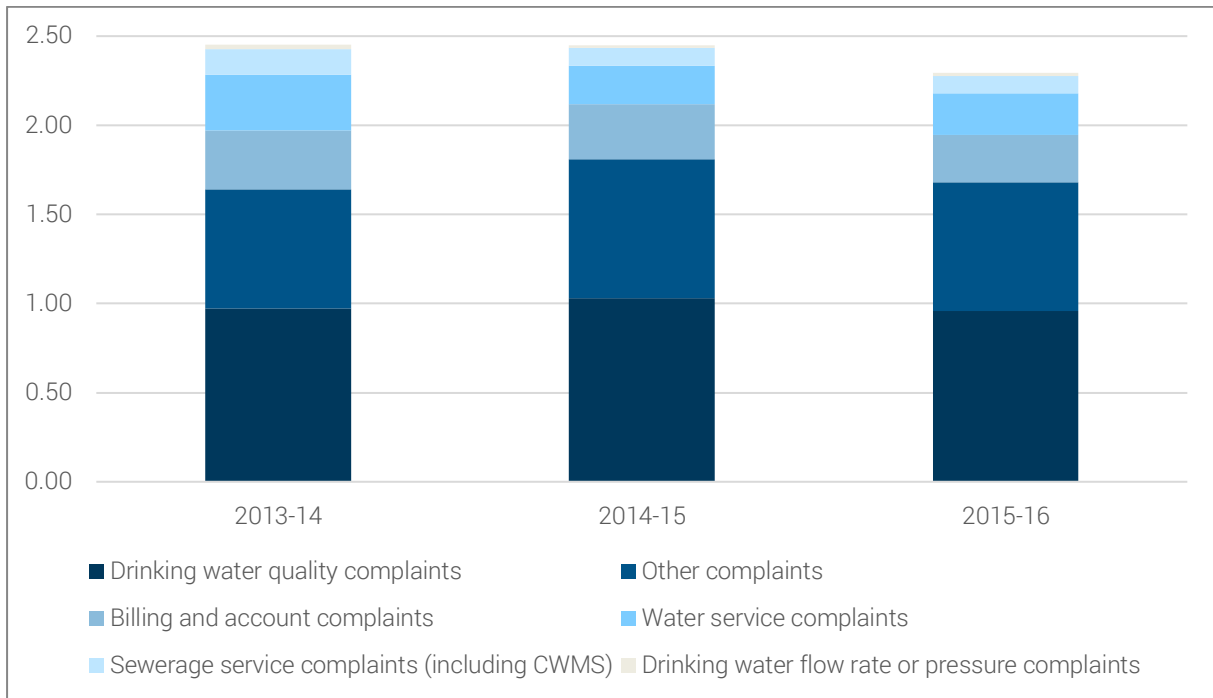
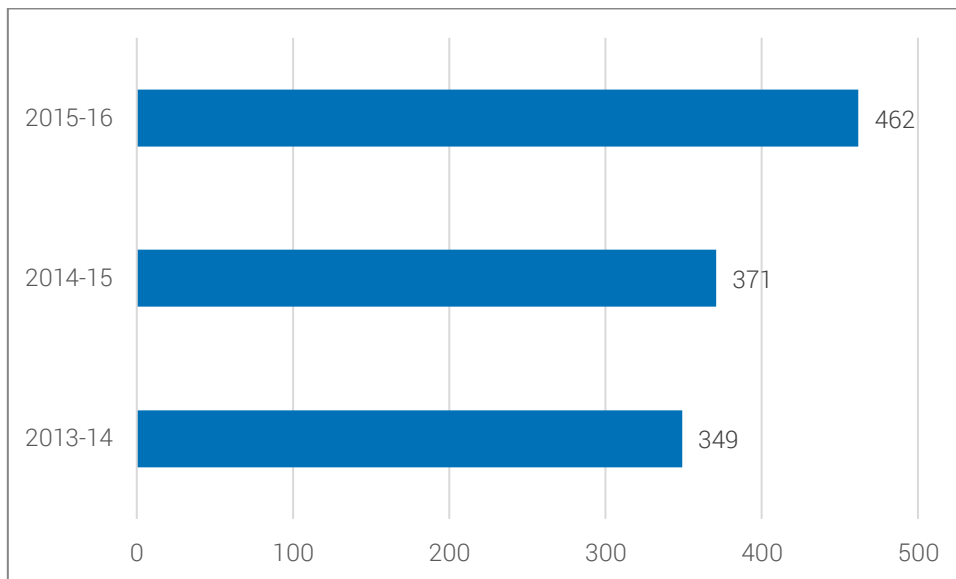


Figure 2: Number of SA Water complaints escalated to the Ombudsman





2.3.3 Complaint responsiveness

The Commission has set two service standards relating to SA Water's response to customers following receipt of a written complaint.

In 2015-16, SA Water met both service standards for responding to written complaints (Table 4).

Table 4: Written complaints responsiveness

Standard	Target	2015-16 result	Service standard met
Written complaints that do not require investigation responded to within 10 business days	90%	99%	
Complaints where an investigation is required responded to within 20 business days	90%	93%	









2.3.4 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 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, and
- ▶ **Priority 3** – all other complaints.

SA Water met all eight service standards for timeliness in responding to water quality complaints (Table 5). It did not meet one target for responsiveness to Priority 3 water quality complaints in the Adelaide Metropolitan area (missing the target by two percent) but the Commission assessed that SA Water used its best endeavours in attempting to meet the standard (refer to discussion in the box below).

Table 5: Timeliness of response to water quality complaints

Standard	Adelaide metropolitan			Regional		
	Target	2015-16 result	Service standard met	Target	2015-16 result	Service standard met
Priority 1 complaints responded to within 1 hour	95%	100%		99%	100%	
Priority 2 complaints responded to within 2 hours	90%	98%		95%	99%	
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%	97%	 *	99%	100%	

* SA Water has been assessed as having used its best endeavours to meet the service standard despite not meeting the target.

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

SA Water did not respond to three out of 95 Priority 3 water quality complaints within the required timeframe of 48 hours.

The Commission has considered the circumstances of the missed events and the information provided by SA Water and has assessed that SA Water **used its best endeavours to meet the standard** for the following reasons:

- ▶ All three missed events were isolated and were as a result of the complaint handling procedure not being followed. The procedure requires attempts to be made to respond to the complaint initially by telephone and, failing that, a site visit by a network technician. In all three incidents, the complaint was not escalated to the network technical group for resolution.
- ▶ SA Water took immediate remedial action once the issue was identified, with the complaint handling procedure reinforced, through targeted training, with the dispatching team to prevent such incidents from happening in the future. SA Water has advised that the issue has not reoccurred since those remedial actions were taken.

2.3.5 Customer connections

The Commission has set four service standards relating to SA Water’s timeliness for installation of standard water or sewer connections, and non-standard water or sewer connections. There is also a service standard for processing of trade waste applications.

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

In 2015-16, SA Water met all five service standards for timeliness of new water or sewer connections (Table 6). It did not meet four of these targets but the Commission assessed that SA Water used its best endeavours in attempting to meet the standards (refer to discussion in the box below).

Table 6: Timeliness to install a new water or sewer connection

Standard	Target	2015-16 result	Service standard met
New water connections			
Standard water connections installed within 25 business days	95%	93%	● *
Non-standard water connections installed within 35 business days	95%	79%	● *
New sewer connections			
Standard sewer connections installed within 30 business days	95%	91%	● *
Non-standard sewer connections installed within 50 business days	95%	86%	● *
Trade waste applications processed within 10 business days	99%	100%	●

* SA Water has been assessed as having used its best endeavours to meet the service standard despite not meeting the targets.

Best endeavours assessment – Timeliness for installation of new water or sewer (both standard and non-standard) connections

SA Water did not install 624 out of 8,998 water (both standard and non-standard) connections and 221 out of 2,299 sewer (both standard and non-standard) connections within the required timeframes. Non-standard connections (both water and sewer) made up approximately four percent of total connections in 2015-16.

The Commission has considered the circumstances of the missed events and the information provided by SA Water and has assessed that SA Water **used its best endeavours to meet the four standards** for the following reasons:

- ▶ SA Water's overall connection performance has progressively improved in 2015-16 as a result of ongoing improvement initiatives. In 2015-16, 93 percent of connections were installed within the required timeframes, a three percent improvement from the overall performance of 90 percent in 2014-15. Activity levels were also higher in 2015-16 than the prior year, with a three percent increase in the number of connections installed.
- ▶ Third party and customer delays (which are outside of SA Water's control) are the biggest causes of underperformance. If these delays were excluded, SA Water would have met two of the service standard targets. Performance against all four connection targets (when third party and customer delays are excluded) was also better than in 2014-15.
- ▶ SA Water has continued with its connections improvement program in 2015-16, with a focus on not only improving the timeliness to connect but also the overall customer experience. Those improvement initiatives have contributed to a 50 percent reduction in the average time to advise or invoice the customer from the date of their application. The Commission is satisfied that the improvement initiatives undertaken, and planned, by SA Water will lead to improved future performance and better customer outcomes.

3 Customers facing payment difficulties and debt recovery

3.1 Background

The Water Retail Code places obligations on SA Water relating to financial assistance requirements. These include flexible payment arrangements, customer hardship policies and rules governing the circumstances in which customer supply may be restricted or debt recovery commenced.

It 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. 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.

The Minister for Communities and Social Inclusion has developed and published a Residential Customer Hardship Policy for SA Water. 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.

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).

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 percent 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.⁴

3.2 How performance is measured

SA Water has an obligation to actively engage with those of its customers who are in financial hardship by assisting them in meeting their payment obligations.

To monitor the financial assistance offered to SA Water customers that are in financial hardship, the Commission monitors the following:

- ▶ the number of customers given access to flexible payment plans
- ▶ the number of customers on a hardship program, debt levels of customers entering a hardship program and the number of successful exits from the program, and
- ▶ the number of legal actions or restrictions of supply.

3.3 Financial assistance performance in 2015-16

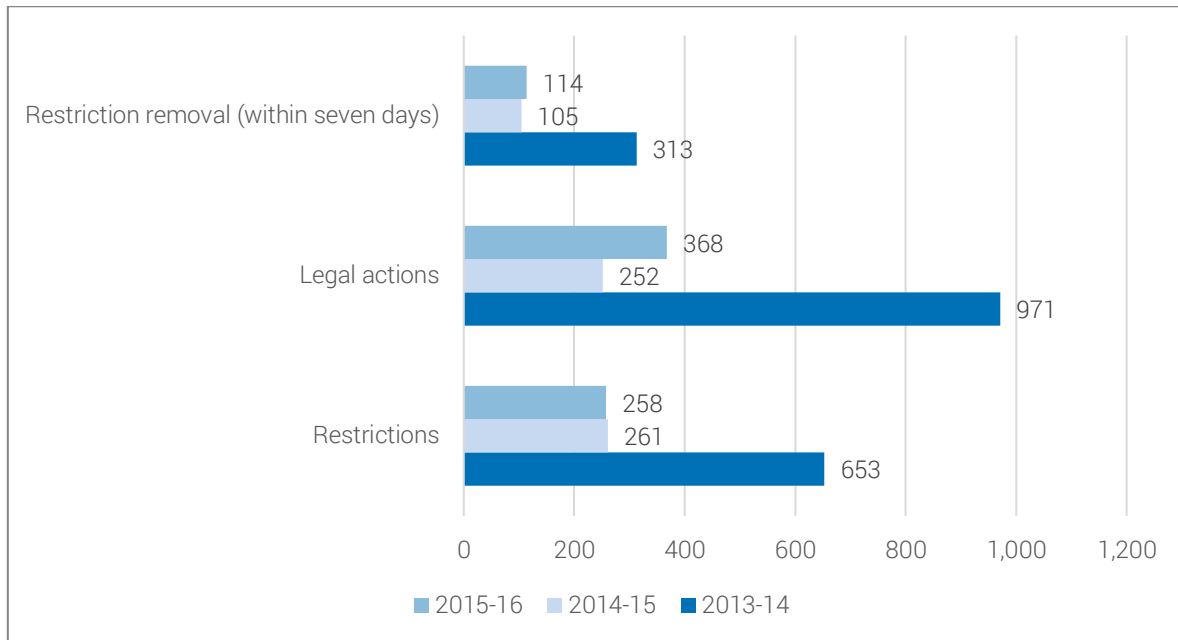
In 2015-16, SA Water undertook fewer restrictions but more legal actions than the previous year. Both the numbers of restrictions and legal actions have been lower since SA Water employed a new credit management agency at the start of 2014-15.

⁴ Refer: <https://www.sa.gov.au/topics/employment-money-taxes/financial-support/concessions-and-benefits/concessions/water-and-sewerage-rate-concession>.

3.3.1 Legal actions, restrictions and restriction removals

In total, SA Water applied 258 water restrictions (0.38 per 1,000 customers) and commenced 368 debt recovery actions (0.54 per 1,000 customers) for non-payment of bills by residential customers during 2015-16 (Figure 3). Of the households that had water supply restricted for non-payment, 44 percent had that restriction removed within seven days.

Figure 3: Number of legal actions, restrictions and restriction removals (residential customers only)



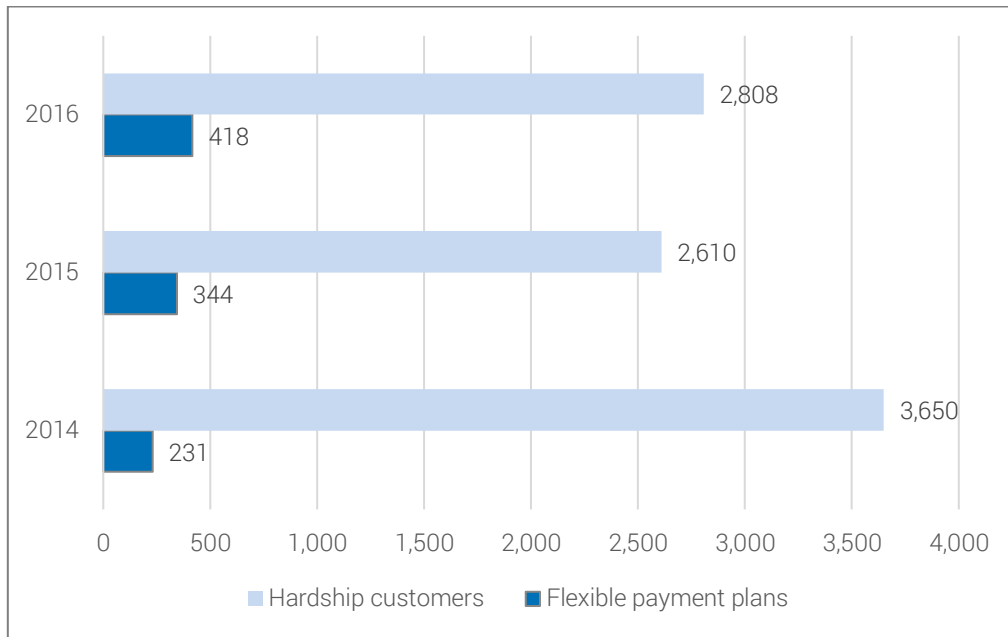
3.3.2 Flexible payment plans and hardship customers

At 30 June 2016, 3.7 per 1,000 Adelaide Metropolitan residential customers participated in SA Water's hardship program, compared to 3.4 per 1,000 customers at 30 June 2015. The average debt of those customers was \$1,266 (just less than the annual combined typical residential water and sewerage bill for the Adelaide Metropolitan area of \$1,368).

The proportion of residential customers participating in the hardship program at 30 June 2016 was higher in regional areas, at 5.4 per 1,000 customers, as was the average debt of \$1,827 (equivalent to around 1.5 times the typical annual SA Water residential water and sewerage bill in regional areas of \$1,204).

SA Water largely relies on customers identifying themselves as experiencing financial hardship. Residential customers tend to do this after receiving late payment notifications from SA Water or receiving debt recovery action including site visits through a debt collection agency. As debt recovery action recommenced following a temporary six-month reduction in activity in 2014-15 (as SA Water transitioned to a new debt collection agency), both the number of customers participating and entering the financial hardship program have increased (Figure 4).

Figure 4: Number of residential customers on a flexible payment plan or participating in the hardship program at 30 June



4 Retail service reliability

4.1 Background

The Water Retail Code sets out minimum requirements to be complied with by SA Water when dealing with its customers and includes obligations relating to the quality, safety and reliability of the water and sewerage supply (including the requirement for SA Water to minimise supply interruptions and provide information to customers on planned interruptions).

While the Commission assesses some aspects of a water retailer's performance against annual service standards and regulatory obligations, events may occur during the year that warrant special ad hoc reporting outside of that standard framework (for example, an event that may result in large numbers of customers being without a retail service for an extended period). These events are assessed in accordance with the Commission's Significant Event Reporting Framework to determine whether or not they constitute a significant performance event.⁵

In March 2016, the Commission determined that a significant performance event had occurred as a result of a series of bursts on SA Water's water distribution network in Campbelltown, Paradise and Newton. The event resulted in substantial property damage and disruption to nearby residents. In response, the Commission initiated a review on 8 March 2016 to examine the circumstances of the event and SA Water's responsiveness to the event. A summary of the event and the Commission's review can be found in the section 5.1 of this Regulatory Performance Report.

4.2 How performance is measured

The Regulatory Determinations set maximum average revenues that SA Water can earn in return for meeting certain regulatory obligations – for example, reliability and customer service standards set by the Commission. The Commission monitors SA Water's retail service reliability performance to assess whether or not the standards are being met.

The water and sewerage reliability service standards focus on SA Water's responsiveness to burst events (for example, attendance at the bursts and restoration of supply) and not the number of burst events that may occur in a given year.

4.2.1 Reliability service standards

SA Water has an annual obligation to use best endeavours to achieve service standards relating to retail service reliability performance. The key service standards are:

- ▶ attendance at supply interruptions
- ▶ restoration of supply interruptions, and
- ▶ sewerage overflow clean up.⁶

The standards have two elements. Firstly, SA Water is set a target (for example, a minimum average time to restore water supply interruptions in a year). Secondly, SA Water is required to use best endeavours to meet that target.

⁵ Refer: <http://www.escosa.sa.gov.au/industry/water/reporting-compliance/significant-performance-event-reporting-framework>.

⁶ The service standards applicable for the 1 July 2013 to 30 June 2016 determination period are available at: http://www.escosa.sa.gov.au/library/130926-SAWaterServiceStandards_2013-2016-Schedule.pdf.

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. Under the Water Retail Code best endeavours means ‘to act in good faith and use all reasonable efforts, skill and resources to achieve an outcome in the circumstances’.

4.2.2 Other metrics

The Commission monitors other reliability service metrics that impact South Australian customers, notably:

- ▶ duration and incidence of unplanned interruptions, and
- ▶ incidence of water and sewerage supply interruptions.

4.3 Water retail services reliability performance in 2015-16

For the water services reliability category, SA Water met all 20 service standards (Table 7). In doing so, it did not meet two targets for restoration of Category 1 events in the Adelaide Metropolitan area and one target for restoration of Category 2 events in regional areas. However, the Commission assessed that SA Water used best endeavours in attempting to meet those three service standard targets (section 4.3.2).

Table 7: SA Water 2015-16 operational performance against water retail service reliability standards

Standard category		Number of standards met
Timeliness of attendance at water breaks, bursts and leaks	Adelaide Metropolitan	4 out of 4 met
	Regional	4 out of 4 met
Timeliness of water service restorations	Adelaide Metropolitan	6 out of 6 met
	Regional	6 out of 6 met









4.3.1 Attendance at water breaks, bursts and leaks

The Commission has set eight 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 results or may result in total loss of supply to a customer, major loss of water or damage to property, or poses or may pose immediate danger to people or the environment.
- ▶ **Priority 2** – all other bursts or system failures.

During 2015-16, SA Water met all eight standards for timeliness to attend water breaks, bursts and leaks (Table 8).

Table 8: Timeliness to attend water breaks, bursts and leaks

Standard	Adelaide Metropolitan			Regional		
	Target	2015-16 result	Service standard met	Target	2015-16 result	Service standard met
Priority 1 events attended within 1 hour	95%	99%		95%	98%	
Priority 1 events attended within 2 hours	99%	100%		99%	100%	
Priority 2 events attended within 5 hours	95%	98%		95%	100%	
Priority 2 events attended within 12 hours	99%	100%		99%	100%	

4.3.2 Restoration of water service 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, and so on).
- ▶ **Category 2** – the interruption causes a disruption to a customer’s business activities.
- ▶ **Category 3** – all other cases.

During 2015-16, SA Water met all 12 standards for timeliness to restore water supply interruptions (Table 9). It did not meet two targets for restoration of Category 1 events in the Adelaide Metropolitan area and one target for restoration of Category 2 events in regional areas but the Commission assessed that SA Water used its best endeavours in attempting to meet the standards (refer to discussion in the boxes below).

Table 9: Timeliness to restore water supply interruptions

Standard	Adelaide Metropolitan			Regional		
	Target	2015-16 result	Service standard met	Target	2015-16 result	Service standard met
Category 1 events restored within 5 hours	90%	88%	● *	95%	100%	●
Category 1 events restored within 12 hours	99%	96%	● *	99%	100%	●
Category 2 events restored within 5 hours	Not applicable			95%	94%	● *
Category 2 events restored within 8 hours	90%	94%	●	Not applicable		
Category 2 events restored within 18 hours	99%	100%	●	99%	100%	●
Category 3 events restored within 12 hours	90%	97%	●	90%	99%	●
Category 3 events restored within 18 hours	99%	100%	●	99%	99%	●

* SA Water has been assessed as having used its best endeavours to meet the service standard despite not meeting the targets.

Best endeavours assessment - Timeliness in restoration of Category 1 water supply interruptions, Adelaide Metropolitan area

In 2015-16, SA Water did not restore three out of 24 events within five hours, one of which also was not restored within 12 hours.

The Commission has considered the circumstances of the missed events and the information provided by SA Water and has assessed that SA Water **used its best endeavours to meet the standards** for the following reasons:

- ▶ All three events missed the required timeframe due to circumstances which made restoration difficult. The first event required a shutdown of the water main and multiple valves before repair could take place. A second restoration effort was also required after the water main burst again on recharge. For the second event, the on-call restoration crew could not be dispatched to the event as they were about to exceed the number of hours that they were allowed to work (under work health and safety requirements), and restoration could not occur until an alternative restoration crew could be assembled and dispatched. The third event took an extended time to restore due to two competing events, both requiring a specialist welding crew. Because the welding crew was already in attendance at an outage, they could not be diverted to the second outage.

- ▶ On average, SA Water attends around 18 such events each year, and is unable to restore supply on time for two events per year.
- ▶ The Commission has examined the information provided by SA Water in relation to the three missed events. Given their relative infrequency, the costs of having additional crews available and that none of the events involved life threatening situations, the Commission is satisfied with SA Water's performance for these events.

Best endeavours assessment - Timeliness in restoration of Category 2 water supply interruptions, Regional areas

SA Water did not restore two out of 32 events within the required timeframe of five hours.

The Commission has considered the circumstances of the missed events and the information provided by SA Water and has assessed that SA Water **used its best endeavours to meet the standards** for the following reasons:

- ▶ Both events missed the required timeframe due to circumstances which made restoration difficult. For the first event, it occurred in a regional location with limited resourcing. Although an additional restoration crew was sourced from a nearby regional location, the required timeframe was missed due to the travelling time involved. The second event involved a burst water main which required a shutdown of the water main and multiple valves before repair could take place.
- ▶ On average, SA Water attends to around 23 such events each year, and is unable to restore supply on time for three events per year.
- ▶ The Commission has examined the information provided by SA Water in relation to the two missed events. Given their relative infrequency, the costs of having additional crews available and that none of the events involved life threatening situations, the Commission is satisfied with SA Water's performance for these events.

4.3.3 Service 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, measured by the number of customers experiencing a loss of water supply during the year (per 1,000 customers).
- ▶ The average **duration** of customer interruptions in minutes.

Both the average duration and incidence of unplanned customer interruptions increased in 2015-16 (Table 10).

SA Water reported 2,385 unplanned interruptions to drinking water for the Adelaide Metropolitan area. Each event is likely to have affected multiple customers with 2,363 SA Water customers affected by three or more of those events. In regional areas, there were 1,310 instances of unplanned interruptions and 681 customers experienced three or more unplanned interruptions.

Table 10: SA Water unplanned water supply interruptions performance

Interruptions	SA Water (Adelaide Metropolitan area)			
	2012-13	2013-14	2014-15	2015-16
Duration of interruptions (minutes)	158	153	165	190
Incidence of interruptions (per 1,000 customers)	156	152	145	165

4.4 Sewerage retail services reliability performance in 2015-16

For the sewerage reliability category, SA Water met 29 out of 30 service standards (Table 11). In doing so, it did not meet one target for clean-up of outside building sewerage overflow and one target for timeliness to restore partial loss events in the Adelaide Metropolitan area.

The Commission assessed that SA Water used best endeavours to meet the service standard target for clean-up of outside building sewerage overflow events in the Adelaide Metropolitan area but that SA Water did not use best endeavours to meet the service standard target for restoration of partial-loss sewerage events in the Adelaide Metropolitan area (refer to discussion in sections 4.4.1 and 4.4.3).

Table 11: SA Water 2015-16 annual operational performance against sewerage services standards

Standard category		Number of standards met
Timeliness of sewerage service restorations	Adelaide Metropolitan	6 out of 7 met
	Regional	7 out of 7 met
Timeliness of sewerage overflow attendances	Adelaide Metropolitan	3 out of 3 met
	Regional	3 out of 3 met
Timeliness of sewerage overflow clean ups	Adelaide Metropolitan	5 out of 5 met
	Regional	5 out of 5 met

4.4.1 Restoration of sewerage service interruptions

The Commission has set 14 service standards for sewerage service restoration according to the priority given to restorations:

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

In 2015-16, SA Water met 13 out of 14 standards for timeliness to restore sewerage service (Table 12). It did not meet the target for restoration of partial loss events within 18 hours in the Adelaide Metropolitan area and the Commission assessed that SA Water did not use best endeavours to meet the service standard (refer to discussion in the box below).

Table 12: Timeliness to restore sewerage service loss events

Standard	Adelaide Metropolitan			Regional		
	Target	2015-16 result	Service standard met	Target	2015-16 result	Service standard met
Category 1 events restored within 5 hours	99%	100%	●	99%	100%	●
Category 2 events restored within 5 hours	90%	96%	●	95%	100%	●
Category 2 events restored within 18 hours	99%	100%	●	99%	100%	●
Category 3 events restored within 12 hours	90%	95%	●	90%	100%	●
Category 3 events restored within 24 hours	99%	99%	●	99%	100%	●
Partial loss events restored within 18 hours	95%	88%	●	95%	100%	●
Partial loss events restored within 36 hours	99%	100%	●	99%	100%	●

Best endeavours assessment –Timeliness to restore partial-loss sewerage events, Adelaide Metropolitan area

In 2015-16, SA Water did not restore 638 out of 5,508 partial-loss sewerage events within the required timeframe of 18 hours.

The Commission has considered the circumstances of the missed events and the information provided by SA Water and has assessed that SA Water **did not use its best endeavours to meet the standard** for the following reason:

- ▶ SA Water has consistently missed the target (for 12 consecutive quarters), has not demonstrated improvement in its performance during the year, and has not been able to progress remedial action so as to improve service during the year.







The Commission continues to monitor SA Water’s progress in restoring partial loss sewer events. SA Water plans to gradually introduce new dual-purpose vehicles that can respond to partial loss events and expects that will lead to improved future performance for customers impacted by such events. The 95 percent target was achieved within 21 hours, and 99 percent of partial loss restorations were completed within less than 26 hours. Informed by SA Water customer feedback about the value customers give to service responsiveness, for the 2016-2020 regulatory period, SA Water will have a combined service standard of 95 percent (for all category events) to restore sewerage service loss events in the Adelaide metropolitan area. If measured against this new standard, SA Water’s performance in 2015-16 of 94 percent would have narrowly missed the service standard target.

4.4.2 Attendance at sewerage overflows

The Commission has set six service standards to attend sewerage overflow 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, on roads or footpaths (lower priority).

SA Water attended 7,928 sewerage overflow events during 2015-16, and met all six standards for timeliness to attend sewerage overflow events in the Adelaide Metropolitan area and regional areas (Table 13).

Table 13: Timeliness to attend sewerage overflow events (following restoration of service)

Standard	Adelaide Metropolitan			Regional		
	Target	2015-16 result	Service standard met	Target	2015-16 result	Service standard met
Inside building overflows attended within 1 hour	95%	99%		99%	100%	
Outside building overflows attended within 2 hours	95%	98%		99%	100%	
External overflows attended within 4 hours	99%	99%		99%	100%	

4.4.3 Sewerage overflow clean ups

The Commission has set 10 service standards to clean up overflow events within specified timeframes. The service standards distinguish between where the overflow occurs (as with the service standards for attendance at overflows). The timeframes for overflow clean up begin once the event has been attended.

SA Water undertook 3,484 sewerage overflow clean ups during 2015-16, and met all 10 standards for timeliness to clean up sewerage overflow events in Adelaide Metropolitan and regional areas (Table 14). It did not meet one target for clean-up of outside building sewerage overflows within 15 hours in the Adelaide Metropolitan area but the Commission assessed that SA Water used its best endeavours in attempting to meet the standard (refer to discussion in the box below).

Table 14: Timeliness of cleaning up sewerage overflow events

Standard	Adelaide Metropolitan			Regional		
	Target	2015-16 result	Service standard met	Target	2015-16 result	Service standard met
Inside building clean ups completed within 4 hours	95%	96%	●	99%	100%	●
Outside building (on property) clean ups completed within 6 hours	95%	97%	●	95%	100%	●
Outside building (on property) clean ups completed within 15 hours	99%	98%	●*	99%	100%	●
External clean ups completed within 8 hours	95%	99%	●	95%	100%	●
External clean ups completed within 15 hours	99%	100%	●	99%	100%	●

* SA Water has been assessed as having used its best endeavours to meet the service standard despite not meeting the target.

Best endeavours assessment – Timeliness of outside building sewerage overflow clean up, Adelaide Metropolitan area

SA Water did not clean-up 32 out of 2,133 events within the required timeframe of 15 hours.

The Commission has considered the circumstances of the missed events and the information provided by SA Water and has assessed that SA Water **used its best endeavours to meet the standards** for the following reasons:

- ▶ Of the 32 missed events, three events were missed as the customer requested deferral of the clean-up so as to minimise inconvenience. If these events were excluded, SA Water would have met the service standard target.
- ▶ Another four events were missed due to incorrect classification based on information available to SA Water at the time the incidents were reported. The events were reported as slow drainage as opposed to overflow events. By the time the issue was identified and the events correctly reclassified, the clean-up timeframe had already been exceeded. Although the Commission is satisfied that there are no systemic failures, it considers that it would be prudent for SA Water to review call scripts to ensure that suitable information is sought from callers to ensure accurate classification of events.

4.4.4 Service interruptions

As unplanned sewerage service 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 sewerage service interruptions, as measured by the number of sewer breaks and chokes during the year per 1,000 properties, and
- ▶ The average **duration** of customer interruptions in minutes.

The average duration of interruptions fell in 2015-16, but the average incidence of interruptions increased (Table 15).

During the year, SA Water reported 4,216 unplanned interruptions to sewerage service events for the Adelaide Metropolitan area and 64 events in regional areas. Each event is likely to have affected multiple customers.

Table 15: SA Water sewerage supply interruptions performance

Interruptions	SA Water (Adelaide Metropolitan area)			
	2012-13	2013-14	2014-15	2015-16
Duration of interruptions (minutes)	406	361	462	454
Incidence of interruptions (per 1,000 properties)	20	31	32	34

5 Compliance

5.1 Significant event reporting

While the Commission assesses SA Water's performance against annual service standards and regulatory obligations and publicly reports on these annually in the Regulatory Performance Report, events may occur during the year that warrant special ad hoc reporting.

5.1.1 Significant event reporting framework

In determining whether or not an event constitutes a significant performance event, the Commission has regard to the following criteria:⁷

- ▶ A significant number of customers are affected for a lengthy duration, or there is reason to believe that a significant number of customers may have been affected for a lengthy duration.
- ▶ The event is likely to seriously impact on the licensed entity's ability to meet one of more of its annual service standard(s).
- ▶ The Commission needs to undertake a review to be confident that the licensed entity has complied with its obligations under the relevant industry code(s).
- ▶ There is strong stakeholder interest, or there is anticipated to be strong stakeholder interest.

The criteria recognise that a balance needs to be struck between reporting on every event and the resources it entails, and meeting stakeholder expectations on the provision of information in such situations.

5.1.2 Significant event on 7 March 2016

On 7 March 2016, there were a series of bursts on SA Water's water distribution network in Campbelltown, Paradise and Newton. Those bursts resulted in substantial property damage and disruption to nearby residents, and was determined by the Commission to constitute a significant performance event in accordance with the Significant Performance Event Reporting Framework.

In response, the Commission initiated a Review on 8 March 2016 to examine the circumstances of the event and SA Water's responsiveness to the event. The Review focused on SA Water's systems, processes, controls and responses in relation to the main bursts – with particular emphasis on telephone call responsiveness, attendance at the bursts and restoration of supply. The Commission sought to understand the course of events, SA Water's response and actions and to identify opportunities for improvements in resident outcomes. Community views and the views of affected residents were also sought to inform the Review.

The Review did not cover issues relating to the cause of the bursts and associated technical, safety, maintenance and reliability considerations, as those fall within the remit of the Technical Regulator.

⁷ Refer: <http://www.escosa.sa.gov.au/water-overview/reporting-and-compliance/significant-performance-event-reporting-framework.aspx>.

5.1.3 Review findings

The Review found that SA Water's timeliness of attendance at the bursts was satisfactory and consistent with its annual service standards. However, it identified further opportunities for improvement in SA Water's operational response to significant and emergency situations and found that better outcomes for affected customers may have been achieved if SA Water's response efforts had been better coordinated.⁸

In particular, the Review found that SA Water should:

- ▶ review its policies and procedures to formalise notification and other procedures for residents being impacted by property damage as a result of a burst (even if that resident's water supplies have not been affected)
- ▶ give consideration to the role contact centre staff play in identifying and escalating events which may be considered an emergency, including whether current procedures allow jobs to be escalated where multiple reports have been made alerting SA Water to an emergency situation, and
- ▶ consider the implementation of a more integrated communications strategy, as there would be benefit in SA Water maintaining reliable, accurate and timely information on its website to inform affected parties and stakeholders following significant or emergency events.

SA Water also undertook an internal review of its business processes in response to the significant performance event. As a result of the reviews carried out by SA Water and the Commission, SA Water identified remedial actions in the following areas:

- ▶ **Emergency management** – clarify the emergency escalation procedure, emergency media and communications plan and provide additional scenario testings for customer response and communication teams.
- ▶ **Communications** – establish a new Community Support Liaison team within SA Water to provide direct contact with affected customers during major incidents, improve the communications role definition for on-site representatives during a major incident and ensure early involvement of SA Water insurance team to provide targeted support to affected customers.
- ▶ **Regulatory compliance** – review the centralised distribution of information through the Emergency Response Team in the event of a major incident to ensure a single point of information and carry out an internal audit to review if SA Water complied with all applicable laws and technical or safety legislative requirements.
- ▶ **Asset management** – undertake a detailed assessment of the impacted water mains and conditional assessment of the failed pieces of water mains and develop an asset management response plan.

While many of the remedial actions identified by SA Water have now been implemented, a small number of remedial actions have not yet been implemented as those actions relate to SA Water's long term asset management plan. The Commission will continue to liaise with SA Water on these outstanding matters and will provide an update in future regulatory performance reports.

⁸ The Commission's, *March 2016 Water Main Burst Event – Review of SA Water's performance*, June 2016, available at: <http://www.escosa.sa.gov.au/projects-and-publications/projects/water/march-2016-water-main-burst-event>.

5.2 Other compliance issues

During 2015-16, SA Water also reported the following incidences of non-compliance with the Water Retail Code:

- ▶ **Meter reading** – SA Water is required to use its best endeavours to ensure that there are frequent actual reads of a customer’s meter, and that a read occurs at least once every 12 months. In 2015-16, SA Water did not receive actual reads for approximately 1,600 customers in 2015-16 as these customers did not provide SA Water’s meter readers reasonable access to their meters and SA Water failed to gain access for four consecutive quarters.
- ▶ **Planned interruptions** – SA Water is required to provide a customer with at least four business days’ notice of any planned interruption to their supply. In 2015-16, 50 customers did not receive the required notice due to the direct consent that some of those customers had given to SA Water for a shorter notice, administrative errors or complications with the network arising from a separate project carried out by the Department of Planning, Transport and Infrastructure.
- ▶ **Billing** – SA Water is required to notify a customer within 10 business days of it being aware that a customer has been overcharged. In 2015-16, four hundred customers received an overcharged bill because their concession amounts had not been correctly applied to their bills. SA Water did not notify those customers of the error until the billing issue had been rectified.

The Commission has reviewed the above non-compliances notified by SA Water and is satisfied with the remedial actions taken. The Commission will continue to monitor SA Water’s compliance with its obligations under the WI Act, its Water Industry Licence and the Water Retail Code.

The Commission assessed that SA Water did not use its best endeavours to meet the service standard for restoration of partial-loss sewerage events in the Adelaide Metropolitan area (see section 4.4.1).

5.3 Compliance with the Regulatory Determination

SA Water, in consultation with the South Australian Government, sets the prices it charges customers; however, those prices must comply with SA Water’s Regulatory Determination⁹, which sets two revenue caps: average water revenue per kilolitre (kL) and average sewerage revenue per connection. The Regulatory Determination provided that average drinking water and sewer revenues must only increase in line with the annual rate of change in the Consumer Price Index (CPI)¹⁰ in 2015-16 (Table 16).

Table 16: Annual allowable average water and sewerage revenue caps

Revenue	2012-13	2013-14	2014-15	2015-16
Water revenue (\$ per kL)	4.34	4.098 (-5.5%)	4.217 (+2.9%)	4.272 (+1.3%)
Sewerage revenue (\$ per connection)	600.40	610.113 (+1.6%)	627.806 (+2.9%)	635.968 (+1.3%)

The Commission has confirmed that SA Water’s 2015-16 water and sewerage revenues did not exceed the revenue caps in the Regulatory Determination.

⁹ SA Water’s Water and Sewerage Revenues: 2013-14 to 2015-16 - Final Determination, available at: <http://www.escosa.sa.gov.au/projects-and-publications/projects/water/determination-of-sa-waters-drinking-water-and-sewerage-revenue-2013-14-2015-16>.

¹⁰ The Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australia Bureau of Statistics for the March Quarter of the regulatory year.



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