



# SA Water Regulatory Performance Report 2016-17

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## Glossary of terms

Term	Description
Commission	Essential Services Commission, established under the Essential Services Commission Act 2002
CPI	Consumer Price Index
ESC Act	Essential Services Commission Act 2002
kL	Kilolitres
EWOSA	Energy and Water Ombudsman of SA
Regulatory Determination	SA Water Regulatory Determination 2016 – Final Determination
Water Retail Code	Water Retail Code for Major Retailers
WI Act	Water Industry Act 2012
SA Health	South Australian Department of 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**) reports annually on the performance of water and sewerage service retailers in South Australia. This report – SA Water Regulatory Performance Report 2016-17 – covers the South Australian Water Corporation (**SA Water**), which is the monopoly provider of water and sewerage services in South Australia. The Commission reports separately on the performance of other retailers.

The SA Water regulatory framework has two aspects: a regulatory determination, which determines the maximum amount of revenue that SA Water can recover from its customers for the delivery of water and sewerage retail services; and a consumer protection framework setting out the consumer protections and service standard performance targets with which SA Water must comply.

For 2016-17 period, the Commission's key observations on SA Water's performance are:

- ▶ SA Water met 17 out of 18 service standards set by the Commission. It did not meet the service standard for timeliness in processing connection applications due to using unreliable data to measure performance. The Commission is conducting an external audit of all four connection service standards to gain assurance as to SA Water's data collection, processes, management and reporting systems, in respect of its connection service standards. This external audit is in addition to the remedial actions that have already been implemented by SA Water in response to the issue.
- ▶ The average duration of unplanned water supply interruptions for customers in the Metropolitan area rose to 195 minutes (190 minutes in 2015-16), but the incidence of unplanned water network supply interruptions per 1,000 properties fell to 153 (165 in 2015-16).
- ▶ The average duration of unplanned sewerage service supply interruptions for customers in the Metropolitan area decreased in the year to 384 minutes (454 minutes in 2015-16). The incidence of unplanned sewerage network supply interruptions per 1,000 properties also fell to 27 (34 in 2015-16).
- ▶ The number of residential customers in the Metropolitan area participating in SA Water's hardship program fell to 1,700 as at 30 June 2017 (1,878 as at 30 June 2016), but the number of residential customers on a flexible payment plan increased to 309 (298 as at 30 June 2016).
- ▶ SA Water took fewer legal actions against residential customers to recover debt (272 in 2016-17 compared to 368 in 2015-16), but restricted water supply to more residential customers with long-term outstanding bills (443 in 2016-17 compared to 258 in 2015-16).
- ▶ The average debt of Adelaide Metropolitan customers participating in SA Water's hardship program was \$1,297 (equivalent to 1.12 times the annual combined residential water and sewerage bill). For regional customers participating in the program, the average debt was \$1,806 (equivalent to about 1.75 times the annual combined regional residential water and sewerage bill).

The Commission reviews the service standards that apply to SA Water every five years, prior to the commencement of a new price regulation period. It is currently reviewing the service standards that will apply to SA Water from 1 July 2020 to 30 June 2024. The overall objective for this review is to establish service standards for SA Water that are valued by its customers. This will include considering both average reliability standards and the effectiveness of the current service standards.

# 1 Why and how the Commission regulates SA Water

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 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. South Australian Water Corporation (**SA Water**) is the monopoly provider of water and sewerage services in South Australia.

The Commission made a regulatory determination to apply to SA Water for the period 1 July 2016 to 30 June 2020 (**Regulatory Determination**). This Regulatory Determination seeks to continue to deliver the consumer benefits achieved through the preceding regulatory period, and provides incentives to SA Water to continue delivering additional financial and management efficiencies.

To help provide greater transparency of these matters to SA Water's customers, the Commission publishes annual regulatory performance reports to inform stakeholders and consumers of service and operational performance outcomes for SA Water. This report also forms part of the evidence base for the Commission to assess whether the regulatory framework is working to deliver positive outcomes for consumers.

This report covers regulatory outcomes for SA Water for the period 1 July 2016 to 30 June 2017.

Refer to Appendices 1, 2 and 3 for information on the Commission's regulatory role and the South Australian water and sewerage industry.

## 1.1 How the Commission regulates the water and sewerage industry

The Commission's regulatory role includes industry licensing, consumer protection and retail pricing (Table 1). Matters in relation to environmental, technical and safety, and health or social policy are separately addressed by other regulators and South Australian 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"><li>▶ Licensing</li><li>▶ Retail price regulation</li><li>▶ Consumer protection</li><li>▶ Service/reliability standard setting, and</li><li>▶ Performance monitoring and reporting.</li></ul>

As a condition of its retail licence, SA Water is required to comply with the following:

- ▶ **Water and sewerage services revenue caps** – the Regulatory Determination sets out the maximum revenues that SA Water can recover from its drinking water and sewerage customers over the regulatory period.<sup>1</sup> SA Water, in consultation with the South Australian Government, is responsible for setting specific charges (such as supply and usage charges) for residential and non-residential customers.
- ▶ **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 – for example, dealing with customers experiencing financial hardship.

The Commission reviews the service standards that apply to SA Water every five years, prior to the commencement of a new price regulation period. It is currently reviewing the service standards that will apply to SA Water from 1 July 2020 to 30 June 2024. The overall objective for this review is to establish service standards for SA Water that are valued by its customers. This will include considering both average reliability standards and the effectiveness of the current service standards.

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<sup>1</sup> The Commission's *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>.

## 2 How SA Water performed against customer service standards

### Key points

- ▶ SA Water met seven out of eight customer service standards. It did not meet the service standard for timeliness in processing connection applications.
- ▶ SA Water reported more complaints in 2016-17, but responded to complaints in a timely manner.
- ▶ SA Water met the service standards for connecting new customers to water and sewerage services.

Please refer to Appendix 4 for information on SA Water's customer service standards.

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.

### 2.1 SA Water met most of its customer service standards

SA Water met seven out of eight customer service standards (Table 2). It did not meet the service standard for timeliness in processing connection applications.

These customer 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 service standard if it can demonstrate to the Commission's satisfaction that best endeavours were used in attempting to meet the target.<sup>2</sup>

Table 2: SA Water 2016-17 performance against customer service standards

Standard category		Number of service standards met
Telephone responsiveness		1 out of 1 met
Complaints responsiveness		1 out of 1 met
Water quality complaints responsiveness	Adelaide metropolitan	1 out of 1 met
	Regional	1 out of 1 met
Timeliness of connection		2 out of 3 met
Timeliness of processing trade waste applications		1 out of 1 met


<sup>2</sup> 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.



### 2.1.1 SA Water answered the majority of telephone calls in a timely manner

SA Water received approximately 381,500 telephone calls in 2016-17, and met the service standard for telephone responsiveness (Table 3). Approximately 0.9 percent of telephone calls were abandoned before being answered.

Table 3: Telephone responsiveness

Standard	Target	2016-17 result	Service standard met
Telephone calls answered within 30 seconds	85%	<b>85%</b>	

### 2.1.2 SA Water received more complaints

SA Water received 1,909 customer complaints in 2016-17, equating to 2.50 complaints per 1,000 customers (Table 4).

Table 4: Number of complaints per 1,000 customers

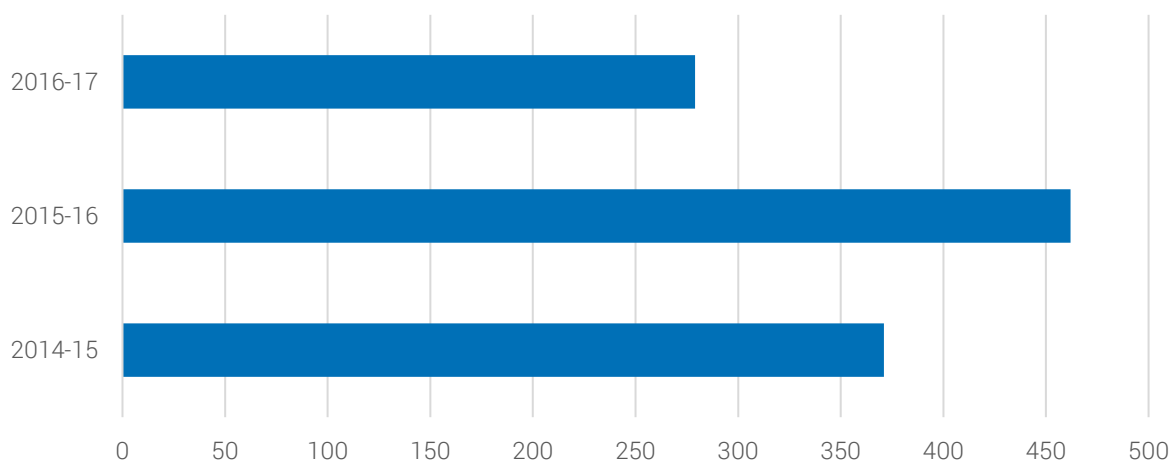
Complaint category	2014-15	2015-16	2016-17
Billing and account	0.31	0.27	0.37
Water service	0.22	0.23	0.22
Drinking water flow rate or pressure	0.01	0.02	0.02
Drinking water quality	1.03	0.96	1.01
Sewerage service (including Community Waste Management Systems)	0.10	0.10	0.10
Others	0.78	0.72	0.78
<b>Total</b>	<b>2.45</b>	<b>2.29</b>	<b>2.50</b>

Forty-percent of those complaints were related to drinking water quality (noting that the quality of drinking water is regulated by SA Health) and was primarily driven by two specific events in 2016-17.

The first event involved the release of high turbidity water (tiny air bubbles) during commissioning of new sections of trunk main at Darlington. The second event involved elevated levels of blue-green algae that formed in the surface water at the Myponga Reservoir. Neither of these events caused health concerns and the drinking water supplied still met the Australian Drinking Water Guidelines.

Of the total number of complaints received, 15 percent were escalated to the Energy and Water Ombudsman of SA (**EWOSA**) as per Figure 1. Sixty-six percent of the complaints received by the EWOSA were related to billing.

Figure 1: Number of SA Water complaints escalated to EWOSA



### 2.1.3 SA Water responded to written complaints in a timely manner

SA Water received approximately 860 written complaints in 2016-17, and met the service standard for responsiveness to customers following receipt of a written complaint (Table 5).

Table 5: Written complaints responsiveness

Standard	Target	2016-17 result	Service standard met
Timeliness of response to written complaints	95%	99%	

### 2.1.4 SA Water responded to drinking water complaints in a timely manner

SA Water received approximately 1,100 water quality complaints in 2016-17, and met both service standards for timeliness of response to water quality complaints (Table 6).

While the Commission monitors timeliness of response to complaints about water quality, it does not monitor or enforce of drinking water quality guidelines set by SA Health.





Table 6: Timeliness of response to water quality complaints

Standard	Adelaide metropolitan			Regional		
	Target	2016-17 result	Service standard met	Target	2016-17 result	Service standard met
Timeliness of response to water quality complaints	96%	97%		99%	100%	

## 2.1.5 SA Water met the majority of service standards for new water and sewerage connections

In 2016-17, SA Water met three out of four service standards for new water and sewerage connections (Table 7). It did not meet the service standard for processing connection applications within 20 business days (refer to discussion in the box below).

Table 7: Timeliness to install a new water or sewer connection

Standard	Target	2016-17 result	Service standard met
Connection applications processed within 20 business days	95%	N/A <sup>3</sup>	
Water connections constructed within the required timeframes	95%	97%	
Sewerage connections constructed within the required timeframes	90%	98%	
Percentage of trade waste applications processed within 10 business days	99%	99%	

### Assessment of missed target – Connection applications processed within 20 business days

The Commission has assessed SA Water as **not having met the service standard** for timeliness in processing connection applications due to the lack of reliable data to determine actual performance.

During an internal audit carried out in 2016-2017, SA Water identified an error in how its connections performance data was reported to the Commission. The error was caused by a combination of system and human errors, and impacted more than three quarters of the connections data reported in 2016-17.

Under the service standard for processing connection applications, an application is considered to be processed when an invoice has been issued to the customer or when the application has been assessed as not requiring a new connection (for example, an existing service is already in place).

However, an information technology integration project undertaken by SA Water approximately 12 months ago resulted in the misreporting of its connection performance. Instead of reporting the target as being met when the assessment of the connection application has been finalised within the required timeframe, the system incorrectly reported the target as being met where contact has been first established with the customer (for example, a letter informing the customer that the application has been received).

The reporting error impacted data for the first three quarters of 2016-17, and resulted in the reporting of data that did not accurately represent actual performance against the measure. SA Water acknowledged that it did not meet the service standard and has provided an assurance that appropriate remedial actions have been undertaken in response to the issue.

The Commission will conduct an external audit of all four connection service standards to gain assurance as to SA Water's data collection, processes, management and reporting systems, in respect of its connection service standards.

<sup>3</sup> Data is unavailable due to data quality issues.

This external audit is in addition to the remedial actions that have already been implemented by SA Water in response to the issue, including:

- ▶ Automating the connection application process to reduce the likelihood of human error and provide greater flexibility in how data is reported to the Commission. Until these changes are fully implemented, SA Water will ensure proper manual processes are in place to accurately report its performance.
- ▶ Improving its customer engagement to ensure customers fully understand the information requirements for a connection application to avoid unnecessary customer delays. This includes expanding the level of information available on the SA Water website to better inform customers the information requirements for a connection application.

The Commission is continuing to monitor SA Water's monthly operational performance in the area of processing connection applications to ensure customer service is maintained. If performance or data integrity is found to be deficient, further compliance action may be taken against SA Water.

## 3 How SA Water assisted customers experiencing financial hardship

### Key points

- ▶ SA Water took fewer legal actions to recover debt, but restricted water supply to more customers with long-term outstanding bills.
- ▶ Proportionally, more financial hardship customers were located in regional areas (5.53 per 1,000 customers) than in the Adelaide Metropolitan area (3.27 per 1,000 customers) as at 30 June 2017.
- ▶ As at 30 June 2017, the average bill debt for regional financial hardship customers (\$1,927) remained higher than the average debt level for Adelaide Metropolitan financial hardship customers (\$1,362).

Please refer to Appendix 5 for information on SA Water's financial hardship assistance.

Under the Water Retail Code, SA Water must offer programs to help customers experiencing financial hardship, such as flexible payment arrangements, customer hardship policies, and rules governing supply restrictions and debt recovery.

### 3.1 SA Water took fewer legal actions but restricted water supply to more customers to recover debts

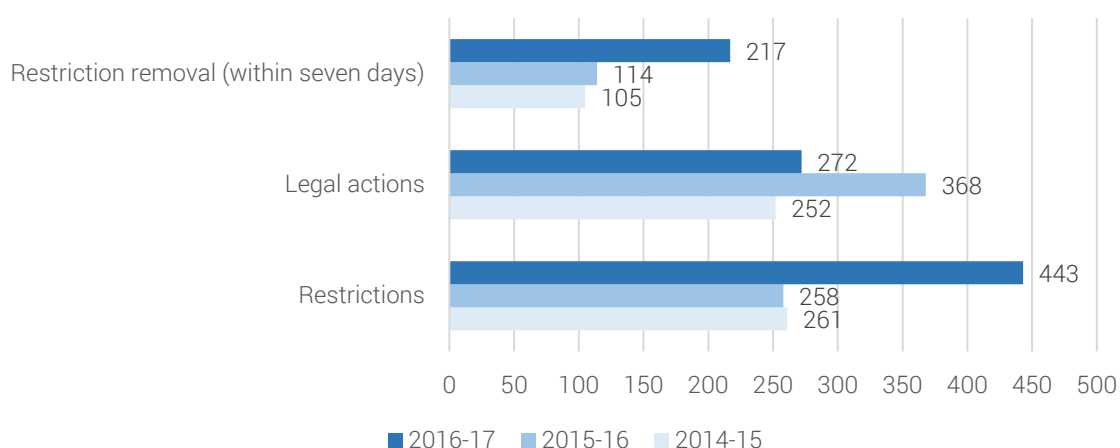
In 2016-17, SA Water took fewer legal actions but restricted water supply for more customers than the previous year.

The increase in supply restrictions was driven by SA Water's increased efforts to recover debts. There were fewer legal actions due to SA Water's increased emphasis to utilise this option only as a last resort where all other options have been exhausted (for example, where the customer chose not to pay the outstanding bill or resist efforts to participate in the financial hardship program or payment plan).

In total, SA Water applied 443 water restrictions (0.64 per 1,000 customers) and commenced 272 debt recovery actions against residential customers (0.39 per 1,000 customers) for non-payment of bills in 2016-17 (Figure 2). Of the households that had water supply restricted for non-payment, 49 percent had that restriction removed within seven days.

The Energy and Water Ombudsman of SA received one complaint in respect to the water restriction activities (including imminent) carried out by SA Water during 2016-17.

Figure 2: Number of legal actions, restrictions and restriction removals

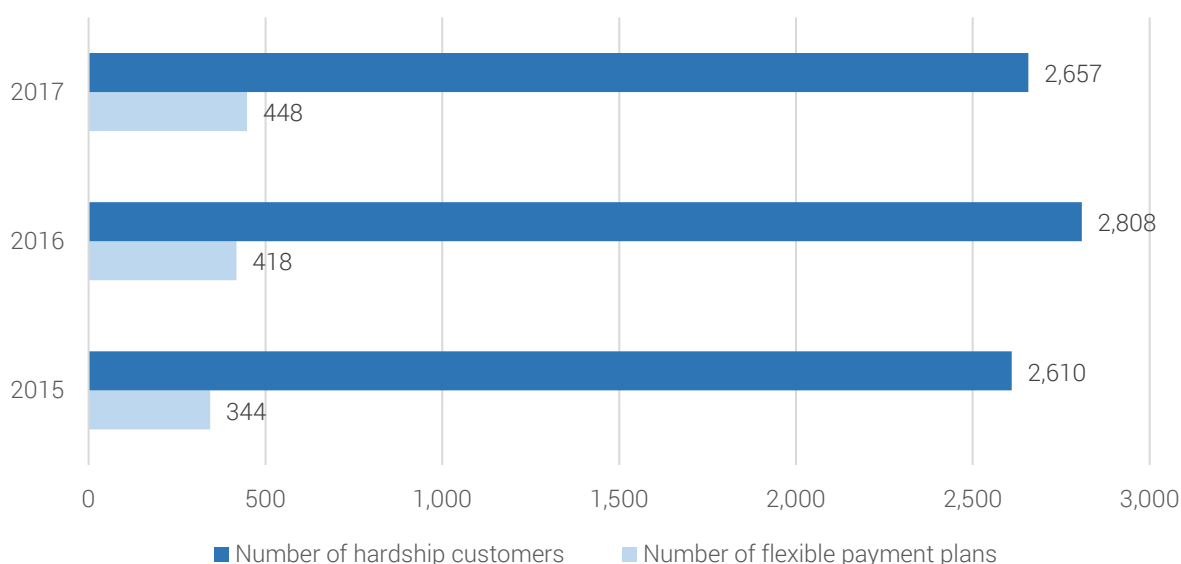


### 3.2 Customers were accessing financial assistance offered by SA Water

At 30 June 2017, 2,657 residential customers (3.83 per 1,000 customers) were participating in SA Water’s hardship program, compared to 2,808 (4.09 per 1,000 customers) in the previous corresponding quarter (Figure 3). Proportionally, more financial hardship customers were located in regional areas (5.53 per 1,000 customers) than in the Adelaide Metropolitan area (3.27 per 1,000 customers).

The average bill debt for residential customers (both in the Adelaide Metropolitan area and in regional areas) participating in SA Water’s hardship program was \$1,551 in 2016-17, compared to \$1,574 in 2015-16. The average bill debt for financial hardship customers in regional areas (\$1,806) remained higher than the average debt level for customers in the Adelaide Metropolitan area (\$1,297).

Figure 3: Number of residential customers on a flexible payment plan or participating in the hardship program at 30 June



The South Australian Government offers a concession to eligible South Australians on low or fixed incomes, to help with the cost of water and sewerage services. A concession of up to 30 percent of the total annual bill applies, subject to different minimum and maximum thresholds depending on the customer category. The current maximum sewerage service rate remission is \$111.50 each year.

## 4 How SA Water performed against network reliability standards

### Key points

- ▶ SA Water's water and sewerage service reliability performance have both improved, compared to the previous year.
- ▶ SA Water met all 10 water and sewerage network service reliability standards. It did not meet two service standard targets (one for water service and one for sewerage service) but used its best endeavours to meet both targets.
- ▶ The number of unplanned water network supply interruptions fell, but the average duration of supply interruption increased.

Please refer to Appendices 6 and 7 for information on SA Water's water and sewerage service reliability standards.

Under the Water Retail Code, SA Water must comply with obligations relating to the quality, safety and reliability of water and sewerage supply (including minimising supply interruptions and informing customers about planned interruptions).

### 4.1 SA Water's water retail services were reliable

SA Water met all four water service reliability standards. In doing so, it did not meet one service standard target for timeliness in the restoration of water network service events in the Adelaide Metropolitan area but was assessed as having used its best endeavours to meet the target (refer to section 4.1.2).

These water service reliability standards have two elements. Firstly, SA Water is set a target (for example, restoration of water network supply interruptions within specific timeframes). 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 the target (Table 8).



Table 8: SA Water 2016-17 performance against water network service reliability standards

Standard category		Number of service standards met
Timeliness of attendance at water network breaks, leaks and bursts	Adelaide metropolitan	1 out of 1 met
	Regional	1 out of 1 met
Timeliness of water network service restorations	Adelaide metropolitan	1 out of 1 met
	Regional	1 out of 1 met

#### 4.1.1 SA Water attended water network breaks, bursts and leaks in a timely manner

SA Water attended 12,216 water network breaks, bursts and leaks events in 2016-17, and met both service standards for timeliness in attending to those events, refer to Table 9.



Table 9: Timeliness to attend water network breaks, bursts and leaks

Standard	Adelaide Metropolitan			Regional		
	Target	2016-17 result	Service standard met	Target	2016-17 result	Service standard met
Timeliness of attendance at water network breaks, leaks and bursts	99%	99%		99%	99%	

#### 4.1.2 SA Water restored water network service interruptions in a timely manner

SA Water undertook 4,213 water network service restorations in 2016-17, and met both service standards for timeliness in the restoration of those events (refer to Table 10). In doing so, it did not meet the service standard target for timeliness in the restoration of water service events in the Adelaide Metropolitan area but was assessed as having used its best endeavours to meet the target (refer to discussion in the box below).

Table 10: Timeliness to restore water network supply interruptions

Standard	Adelaide Metropolitan			Regional		
	Target	2016-17 result	Service standard met	Target	2016-17 result	Service standard met
Timeliness of water network service restorations	99%	98%	 *	99%	99%	

\*Service standard subject to best endeavours assessment. Refer to discussion in the box below.

##### Assessment of missed target: Restoration of water network service events within the required timeframes in the Adelaide Metropolitan area

The Commission has assessed SA Water as **having used its best endeavours to meet the service standard** for timeliness to restore water network supply interruptions in the Adelaide Metropolitan area.

In 2016-17, SA Water did not restore 52 out of 3,268 events within the required timeframes (performance of 98 percent against the 99 percent target).



The Commission has considered the circumstances of the missed events and the information provided by SA Water and has determined that best endeavours were used for the following reasons:

- ▶ SA Water missed meeting the target by less than one percent. The underperformance was driven by the failure to restore 50 of the lower priority Category 3 events within the required timeframe.
- ▶ To help meet the attendance and restoration targets, SA Water implemented two key initiatives which have led to improved performance during 2016-17:
  - Created greater workforce flexibility by sharing resourcing between the Adelaide Metropolitan area and regional areas. Further, SA Water will implement a unified works management system between regional and metropolitan areas to drive improvements in performance, and
  - Introduced a new afternoon shift for its network restoration crew and the employment of an additional 28 full-time equivalent positions to drive improvements in performance.

#### 4.1.3 SA Water recorded fewer water network service interruptions

SA Water reported a decrease in unplanned water network supply interruptions in 2016-17, but the average duration of supply interruption rose (Table 11).

SA Water reported 2,126 unplanned water network service interruptions for the Adelaide Metropolitan area. Each event is likely to have affected multiple customers with 1,802 SA Water customers affected by three or more of those events. In regional areas, there were 1,094 unplanned interruptions and 1,416 customers experienced three or more unplanned interruptions.

Table 11: SA Water unplanned water network supply interruptions performance

Interruptions	Adelaide Metropolitan			Regional		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Duration of interruptions (minutes)	165	190	195	158	175	194
Incidence of interruptions (per 1,000 customers)	145	165	153	127	114	100

## 4.2 SA Water's sewerage retail services were also reliable

SA Water met all six sewerage network service reliability standards as shown in Table 12. In doing so, it did not meet one service standard target for timeliness in the clean-ups of sewerage overflow events in the Adelaide Metropolitan area but was assessed as having used its best endeavours to meet the target.

These sewerage service reliability standards have two elements. Firstly, SA Water is set a target (for example, restoration of sewerage network service interruptions within specific timeframes). 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 the target.



Table 12: SA Water 2016-17 performance against sewerage network service reliability standards

Standard category		Number of service standards met
Timeliness of attendance at sewerage network overflows	Adelaide metropolitan	1 out of 1 met
	Regional	1 out of 1 met
Timeliness of sewerage network service restorations	Adelaide metropolitan	1 out of 1 met
	Regional	1 out of 1 met
Timeliness of sewerage network overflow clean-ups	Adelaide metropolitan	1 out of 1 met
	Regional	1 out of 1 met

### 4.2.1 SA Water was timely in attending sewerage network overflows

SA Water attended 6,579 sewerage overflow events in 2016-17, and met both service standards for timeliness in attending to those events (Table 13).



Table 13: Timeliness to attend sewerage network overflows

Standard	Adelaide Metropolitan			Regional		
	Target	2016-17 result	Service standard met	Target	2016-17 result	Service standard met
Timeliness of attendance at sewerage network overflows	99%	99%		99%	100%	

#### 4.2.2 SA Water was timely in restoring sewerage network service interruptions

SA Water undertook 18,040 sewerage network service restorations in 2016-17, and met both service standards for timeliness in the restoration of those events (Table 14).

Table 14: Timeliness to restore sewerage network supply interruptions

Standard	Adelaide Metropolitan			Regional		
	Target	2016-17 result	Service standard met	Target	2016-17 result	Service standard met
Timeliness of sewerage network service restorations	95%	95%		99%	100%	

#### 4.2.3 SA Water recorded less sewerage network service interruptions

SA Water reported falls in both the incidence of sewerage network supply interruptions average and duration of supply interruption in 2016-17 (Table 15).

SA Water reported 3,257 unplanned sewerage network interruptions for the Adelaide Metropolitan area and 76 unplanned interruptions for the regional area. Each event is likely to have affected multiple customers.



Table 15: SA Water unplanned sewerage network interruptions performance

Interruptions	Adelaide Metropolitan			Regional		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Duration of interruptions (minutes)	462	454	384	238	126	92
Incidence of interruptions (per 1,000 properties)	10	34	27	5	17	14

#### 4.2.4 SA Water was timely in cleaning up sewerage network overflows

SA Water undertook 3,423 sewerage network overflow clean ups in 2016-17, and met both service standards for timeliness in the clean-up those events (Table 16). In doing so, it did not meet the service standard target for timeliness in the clean up of sewerage network overflow events in the Adelaide Metropolitan area but was assessed as having used its best endeavours to meet the target (refer to discussion in the box below).

Table 16: Timeliness to attend sewerage network overflows

Standard	Adelaide Metropolitan			Regional		
	Target	2016-17 result	Service standard met	Target	2016-17 result	Service standard met
Timeliness of sewerage network overflow clean up	98%	97%	 *	99%	99%	

\*Service standard subject to best endeavours assessment. Refer to discussion in the box below.

### Assessment of missed target - Clean-ups of sewerage network overflow events within the required timeframes in the Adelaide Metropolitan area

The Commission has assessed SA Water as **having used its best endeavours to meet the service standard** for timeliness to restore water network supply interruptions in the Adelaide Metropolitan area.

In 2016-17, SA Water did not restore 92 out of 3,216 events within the required timeframes (performance of 97 percent against the 98 percent target).

The Commission has considered the circumstances of the missed events and the information provided by SA Water and has determined that best endeavours were used for the following reasons:

- ▶ SA Water missed meeting the target by less than one percent. The underperformance was driven by the failure to restore 84 of the lower priority overflow events (for example, outside building) within the required timeframe. Clean-ups on private properties present particular issues for SA Water as it relies on the customer to provide accurate description of overflows or provide access for the clean-up operation.
- ▶ To help meet the attendance and restoration targets, SA Water implemented two key initiatives which have led to improved performance during 2016-17:
  - Created greater workforce flexibility by sharing resourcing between the Adelaide Metropolitan area and regional areas. Further, SA Water will implement a unified works management system between regional and metropolitan areas to drive improvements in performance, and
  - Introduced a new afternoon shift for its network restoration crew and the employment of an additional 28 full-time equivalent positions to drive improvements in performance.

## 5 Compliance

During 2016-17, SA Water reported incidences of non-compliance with the Water Retail Code, including the following:

- ▶ **Planned interruptions** – SA Water is required to provide a customer with at least four business days' notice of any planned interruption to their supply. One hundred and nine customers did not receive the required notice due to either requests by third-parties to move forward planned works or administrative errors.
- ▶ **Restoration of supply** – SA Water is required to use best endeavours to arrange for the reconnection or removal of a water flow restriction device following a customer request either on the day of the request or by the end of the next business day.<sup>4</sup> Two customers did not have their water supply reconnected/water restriction flow device removed within the required timeframe(s).

The Commission has reviewed the reported incidences of non-compliance notified 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.

In response to the reporting issue highlighted in section 2.1.5, the Commission will also conduct an external audit of all four connection service standards to gain assurance as to SA Water's data collection, processes, management and reporting systems.

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<sup>4</sup> For all customer request made after 12 pm on a business day.

## Appendix 1: The Commission's role in regulating SA Water

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 SA Water, Local Government and private operators.

The SA Water regulatory framework has two aspects: a regulatory determination that determines the maximum amount of revenue that SA Water can recover from its customers for the delivery of water and sewerage retail services; and a consumer protection framework setting out the consumer protections and service standard performance targets with which SA Water must comply. In implementing the regime, the Commission:

- ▶ establishes consumer protection frameworks to promote the delivery of levels of service valued by consumers.
- ▶ keeps SA Water accountable by monitoring and reporting on its performance and being prepared to take enforcement action where necessary.
- ▶ assures that SA Water has sufficient funds to invest and operate prudently, securing continuity in the supply of essential services.

## Appendix 2: The Commission's statutory responsibilities

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 protecting 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.

## Appendix 3: South Australia's water and sewerage industry

The Water Industry Act 2012 (**WI Act**) gives the Essential Services Commission (**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)
- ▶ **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).



## Appendix 4: SA Water's customer service standards

The Water Retail Code for Major Retailers (**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.

SA Water has an obligation to use best endeavours to achieve certain annual customer service standards.<sup>5</sup> The key service standards are:

- ▶ Telephone responsiveness,
- ▶ Complaint responsiveness, and
- ▶ Drinking water complaint responsiveness.

The Essential Services Commission (**Commission**) also monitors other customer service metrics that impact on South Australian customers such as the number of complaints received by SA Water and the number of complaints escalated to the Energy and Water Ombudsman of SA).

### Telephone responsiveness

The Commission has set one service standard for responsiveness to telephone calls. SA Water is required to answer 85 percent of telephone calls within 30 seconds.

Further, the Commission monitors the following:

- ▶ Average waiting time before a telephone call is answered, and
- ▶ Total number of abandoned telephone calls.

### Written complaint responsiveness

The Commission has set one service standard for responsiveness to written complaints. SA Water is required to respond 95 percent of written complaints within the required timeframes

Recognising that not all written complaints are of the same scale or impact, the service standards distinguish between the nature of the complaint, as follows:

- ▶ **Written complaints that do not require investigation** – SA Water is required to respond to these complaints within 10 business days.
- ▶ **Written complaints that require investigation** – SA Water is required to respond to these complaints within 20 business days.

### Drinking water quality complaint responsiveness

The Commission has set two service standards for responsiveness to water quality complaints. SA Water is required to respond 96 percent of drinking water quality in the Adelaide Metropolitan area and 99 percent of drinking water quality in the regional areas within the required timeframes.

Recognising that not all such complaints are of the same scale or impact, the service standards distinguish between different priority classes depending on the potential severity or priority of the issue, as follows:

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<sup>5</sup> The customer service standards applicable for the 1 July 2016 to 30 June 2020 regulatory determination period are available at: <http://www.escosa.sa.gov.au/industry/water/codes-guidelines/service-standards>.

- ▶ **Priority 1** – where there is a potential for serious risk to human health. SA Water is required to respond to these complaints within one hour.
- ▶ **Priority 2** – where there is the potential for low risk to human health. SA Water is required to respond to these complaints within two hours.
- ▶ **Priority 3** – all other complaints. SA Water is required to respond to these complaints within 48 hours.

### Customer connections

The Commission has set four service standards for customer connections.

Of these four service standards, two standards relate to SA Water's timeliness for installation of water or sewer connections. SA Water is required to connect 95 percent of water and 90 percent of sewer connection within the required timeframes.

Recognising that not all connections are of the same scale, the service standards distinguish between different type of connection, as follows:

- ▶ **Standard connections** – where there is an existing water or sewer network adjacent to the property being connected. SA Water is required to construct these connections within 20 business days (water) or 30 business days (sewer).
- ▶ **Non-standard connections** – where an extension of water or sewerage mains/network or other specific construction work is required. SA Water is required to construct these connections within 35 business days (water) or 50 business days (sewer).

The remaining two service standards relate to SA Water's timeliness for processing of connection and trade waste applications. SA Water is required to connect 95 percent of connection applications within 20 business days and 99 percent of trade waste applications within 10 business days.

## Appendix 5: How SA Water assists customers experiencing financial hardship

Under the Water Retail Code for Major Retailers (**Water Retail Code**), SA Water must offer programs to help customers experiencing financial hardship, such as flexible payment arrangements, customer hardship policies, and rules governing supply restrictions and debt recovery.

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.

To examine if SA Water is offering the appropriate financial assistance to customers in financial hardship, the Essential Services Commission (**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.

### SA Water's residential customer hardship policy

The South Australian 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 cannot arrange water restrictions or apply legal actions for non-payment for customers participating in a hardship program
- ▶ SA Water cannot disconnect a water or sewerage service for non-payment. But it may restrict a water service (but not a sewerage service), by constraining the maximum water flow into a property, or it may commence debt recovery action (but not both simultaneously).

### Financial hardship program

SA Water's hardship program allows residential 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.

### Flexible payment plan

SA Water's flexible payment plan allows residential customers that may be experiencing payment difficulties to access flexible payment plans or arrangements, including the ability for residential customers to make payments in advance and enter into an interest and fee free arrangement to pay arrears.

## Water restriction

SA Water can only restrict water services in very limited circumstances. Recognising that restriction of a water service is simply another means of seeking to recover debt, SA Water is prohibited from restricting a customer's water services if it is pursuing other debt collection activity.

Before arranging for the restriction of supply of water services, SA Water must use best endeavours to contact the customer personally to offer financial assistance – for example, offering access to its financial hardship program or flexible payment plan.

## Appendix 6: SA Water's water reliability standards

The Water Retail Code for Major Retailers (**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 supply (including the requirement for SA Water to minimise supply interruptions and provide information to customers on planned interruptions).

While the Essential Services Commission (**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.<sup>6</sup>

### Attendance at water breaks, bursts and leaks

The Commission has set two 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. SA Water is required to respond to these events within one hour.
- ▶ **Priority 2** – all other bursts or system failures. SA Water is required to respond to these events within five hours.

### Restoration of water service interruptions

The Commission has set two service standards to attend the location 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). SA Water is required to respond to these events within five hours.
- ▶ **Category 2** – the interruption causes a disruption to a customer's business activities. SA Water is required to respond to these events within eight hours (Adelaide Metropolitan area) or five hours (regional areas).
- ▶ **Category 3** – all other cases. SA Water is required to respond to these events within 12 hours.

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<sup>6</sup> Refer: <http://www.escosa.sa.gov.au/industry/water/reporting-compliance/significant-performance-event-reporting-framework>.

## Water service supply 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.

## Appendix 7: SA Water's sewerage reliability standards

The Water Retail Code for Major Retailers (**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 sewerage supply (including the requirement for SA Water to minimise supply interruptions and provide information to customers on planned interruptions).

While the Essential Services Commission (**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.<sup>7</sup>

### Attendance at sewerage overflows

The Commission has set two service standards to attend the location for 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 events (higher priority). SA Water is required to respond to these events within one hour.
- ▶ Outside the building events (but on customers' property). SA Water is required to respond to these events within two hours.
- ▶ External overflow events (not on customers' property) (lower priority). SA Water is required to respond to these events within four hours.

### Restoration of sewerage service interruptions

The Commission has set two service standards to attend the location for restoration times 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, etc). SA Water is required to respond to these events within five hours.
- ▶ **Full loss Category 2** – where the interruption causes a disruption to a customer's business activities. SA Water is required to respond to these events within five hours.
- ▶ **Full loss Category 3** – all other full loss of service interruptions. SA Water is required to respond to these events within 12 hours.
- ▶ Partial loss of service. SA Water is required to respond to these events within 18 hours.

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

## Sewerage service supply 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.
- ▶ The average **duration** of customer interruptions in minutes.

## Sewerage overflow clean ups

The Commission has set two service standards to attend the location for clean up of overflow events within specified timeframes. The timeframes for overflow clean up begin once the event has been attended.

The service standards distinguish between where the overflow occurs (as with the service standards for attendance at overflows):

- ▶ Inside the building events (higher priority). SA Water is required to respond to these events within four hours.
- ▶ Outside the building events (but on customers' property). SA Water is required to respond to these events within six hours.
- ▶ External overflow events (not on customers' property) (lower priority). SA Water is required to respond to these events within eight hours.





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