

SA WATER SERVICE STANDARDS 2013/14 – 2015/16

Final Decision

October 2013



Enquiries concerning the currency of this Final Decision should be addressed to:

Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Facsimile: (08) 8463 4449
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au

The Essential Services Commission of South Australia is the independent economic regulator of the electricity, gas, ports, rail and water industries in South Australia. The Commission's primary objective is the *protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services*. For more information, please visit www.escosa.sa.gov.au.

TABLE OF CONTENTS

Glossary of Terms	iii
Executive Summary	1
SA Water Service Standards	2
Low Occurrence Events	2
Regional & Metropolitan Differentiation	3
Measure & target refinement	3
Excluded events	3
1. Introduction	5
1.1 Service Standards	5
1.2 Process Adopted in Setting SA Water Service Standards and Targets	5
1.3 Best Endeavours	7
2. SA Water Service Standards	9
2.1 Issues Raised In Submissions	9
2.2 Commission’s Consideration	10
2.3 Final Decision	11
3. Low occurrence Events	12
3.1 Issues Raised in Submission	12
3.2 Commission’s Consideration	13
3.3 Final Decision	14
4. Regional & Metropolitan Differentiation	15
4.1 Issues Raised in Submissions	15
4.2 Commission’s Consideration	15
4.3 Final Decision	15
5. Measure & Target Refinements	16
5.1 Issues Raised in Submissions	16
5.2 Commission’s Consideration	17
5.3 Final Decision	17
6. Excluded Events	18
6.1 Issues Raised in Submissions	18

6.2	Commission’s Consideration	18
6.3	Final Decision	18
7.	Final SA Water Service Standards	19
7.1	Issues Raised in Submissions	19
7.2	Commission’s Consideration	19
7.3	Final Decision	20
	Annexure A	21
	WATER SERVICE STANDARDS SCHEDULE	21
	1 July 2013 to 30 June 2016 PERIOD	21

GLOSSARY OF TERMS

Commission	Essential Services Commission of South Australia
Draft Decision	SA Water Service Standards 2013/14 – 2015/16 Draft Decision
Draft Revenue Determination	SA Water’s Water and Sewerage Revenues 2013/14-2015/16, Draft Determination – Statement of Reasons
ESC Act	Essential Services Commission Act 2002 (SA)
Final Revenue Determination	SA Water’s Water and Sewerage Revenues 2013/14 – 2015/16, Final Determination Statement of Reasons
SA Water	South Australian Water Corporation
WI Act	Water Industry Act 2012 (SA)

EXECUTIVE SUMMARY

The Essential Services Commission of South Australia (**Commission**) is the independent economic regulator of a number of industries which provide essential services in South Australia. The Commission is a statutory authority, established under the *Essential Services Commission Act 2002 (ESC Act)* with 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 Water Industry Act 2012 (**WI Act**) commenced on 1 July 2012. The WI Act establishes the regulatory framework for the water and sewerage industry covering economic regulation, technical regulation, water planning and customer complaint handling. Under the WI Act, the Commission has various regulatory functions in relation to water and sewerage retail services in South Australia; including industry licensing, consumer protection and retail pricing.

Central to monopoly regulation is that the regulated business (SA Water) is permitted to recover specified revenue allowances in return for delivering mandated standards of service to customers.

In the absence of binding standards, it would be possible for SA Water to make financial “windfall gains” by lowering standards of service over time while continuing to recover revenue at a level consistent with its original allowance.

The performance of an individual retailer can be monitored and assessed at either the individual customer or a whole-of undertaking level. Service standards can also have specific financial penalties and rewards associated with them.

This Final Decision summarises the key issues raised by stakeholders in respect of the *SA Water Service Standards 2013/14 – 2015/16 Draft Decision*¹ (**Draft Decision**), released for public consultation in May 2013. This last round of consultation was in response to a submission from SA Water leading to concern by the Commission over the veracity of some of the historical performance data used to develop the draft service standards targets, as discussed in the Commission’s recently released Final Revenue Determination for SA Water (**Final Revenue Determination**).²

This Final Decision sets the final set of service standards (incorporating measures, targets, and metrics) to apply to SA Water for the initial regulatory period 1 July 2013 to 30 June

¹ Essential Services Commission of South Australia, *SA Water Service Standards 2013/14 – 2015/16 Draft Decision*, May 2013: available at: http://www.escosa.sa.gov.au/library/130529-SAWaterServiceStandards_2013-2016-DraftDecision.pdf.

² Essential Services Commission of South Australia, *SA Water’s Water and Sewerage Revenues 2013/14 – 2015/16, Final Determination Statement of Reasons*, May 2013, Chapter 4; available at <http://www.escosa.sa.gov.au/projects/186/determination-of-sa-water-s-drinking-water-and-sewerage-revenue-2013-14-2015-16.aspx>

2016, subject to further review during the regulatory period. The final service standards schedule is provided in Annexure A, which is also available on the Commission's website at: <http://www.escosa.sa.gov.au/water-overview/codes-guidelines/service-standards.aspx>.

SA Water Service Standards

For some areas of SA Water's operations, the Commission has not been able to determine with confidence the historical level of service provided, with SA Water now not in a position to attest the veracity of components of the 2006/07 to 2010/11 historical data provided previously to the Commission. Having only taken over regulatory responsibility for SA Water from 1 January 2013, the Commission has also not had the opportunity to satisfy itself as to the veracity of more recent data received from SA Water. Further, the Commission understands SA Water's position to be that, while it considers recent performance (in 2012/13) as equivalent with historical performance, in certain areas this cannot be confirmed by reference to SA Water's own historical performance data.

The Commission considered two possible options in addressing the data issue in the Final Revenue Determination. In the circumstances, the Commission considered the only acceptable course of action would be for the performance metrics to be set at a level designed to reflect current and historic performance and, as a consequence, the Commission would be better placed to test the veracity of best endeavours, should SA Water fail to meet the reset target in any given year.

The approach adopted by the Commission has been to retain all standards (i.e., the nature of obligation such as telephone responsiveness) that applied for the period 1 January to 30 June 2013 but to adjust the targets within those standards. Where targets were amended, in most cases they were only amended for Adelaide metropolitan area measures, reflecting advice from SA Water that only Adelaide metropolitan data was affected by the data issue.

Further review of SA Water's performance framework (including independent audit of the veracity of the SA Water performance data) will be undertaken during 2013, which may result in service standards being amended further during the regulatory period.

Low Occurrence Events

SA Water has argued for a particular approach to be adopted for "low occurrence events", employing a target number rather than percentage based performance (e.g. where if less than 50 occurrences of an event occurred within a year, the target would be met if no more than 3 events per quarter (cumulative) were missed, rather than set a target such as 95%).

The Commission is seeking to adopt a consistent approach and not one that might vary over time (e.g. on this basis if the number of events subsequently exceeded 50, then the percentage (%) standard would become appropriate). A consistent approach should assist customers in interpreting the results. It might be expected that providing adequate systems are in place then it should be possible to address low occurrence events without material resource implications.

In any event, the Commission notes that, under a best endeavours regime (as described in section 1.3), the actual number of events is not necessarily determinative: when a target is not met the determinative consideration is whether or not, despite the failure to meet the target, SA Water did all it could in its attempts to do so. Missing a target does not necessarily mean that the Commission will determine that best endeavours have not been applied by SA Water.

Accordingly, the Commission will set targets for individual measures included in the service standard schedule and will monitor performance for each measure and will not adopt SA Water's suggested approach

Regional & Metropolitan Differentiation

The Commission recognises that the service standard review exercise has resulted in a misalignment of targets between regional and Adelaide metropolitan areas for some measures. The Commission considers that the resulting targets best reflect historical performance, given the current information available to the Commission. Further, there is no basis to require customers in regional areas to accept lower performance simply as a result of data issues identified for the Adelaide metropolitan area.

Any consideration of a re-alignment should only take place as part of a subsequent comprehensive review of service standards, in consultation with customers.

Measure & target refinement

The results of the service standard review exercise provided in the Draft Decision included an apparent misalignment across some categories and priorities. For example, the target percentage of category 2 water service events to be restored within 18 hours was set at 99%, the same percentage of category 3 events to be restored within 12 hours.

The approach adopted by the Commission for the current exercise is one of minimum change and the Commission considered it reasonable that if 90% of category 2 events were restored within 8 hours (first step of category 2 measures), then only a small number of events should remain to be restored within 18 hours (second step of measure). Further, the category 3 service standard in its current form is reflective of SA Water's recent performance. Nevertheless, on further consideration the Commission accepts that it is not appropriate that the service standard framework provides an incentive for any lower priority events to be pursued ahead of higher priority events. Therefore, the Commission's decision is to adopt a two-tiered approach with the majority of category 3 events restored within 12 hours and the remaining restored within 18 hours. This approach will be adopted for category 3 events for water and sewerage service restoration standards.

Excluded events

Consistent with the Commission's current approach in monitoring performance in other industries, the Commission does not support the exclusion of any events. If extraordinary events affect SA Water meeting the targets, it is SA Water's responsibility to advise the

Commission of such instances to assist the Commission in determining whether best endeavours has been achieved, notwithstanding any failure to meet a target.

1. INTRODUCTION

The Essential Services Commission of South Australia (**Commission**) is the independent economic regulator of a number of industries which provide essential services in South Australia. The Commission is a statutory authority, established under the *Essential Services Commission Act 2002 (ESC Act)* with 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 Water Industry Act 2012 (**WI Act**) commenced on 1 July 2012. The WI Act establishes the regulatory framework for the water and sewerage industry covering economic regulation, technical regulation, water planning and customer complaint handling. Under the WI Act, the Commission has various regulatory functions in relation to water and sewerage retail services in South Australia; including industry licensing, consumer protection and retail pricing.

1.1 Service Standards

Service standards are a separate set of measures by which the performance of an individual licensee can be monitored and assessed at either the individual customer or a whole-of-undertaking level. The WI Act provides the Commission with the power to set service standards as part of a cohesive and legally binding framework for licensees that provide retail services in South Australia. The setting of service standards enables scrutiny by the Commission of the levels of service provided in exchange for prices charged by water businesses.

This paper uses the terms of ‘service standard’, ‘measure’, ‘target’ and ‘metric’. In its specific use, service standard refers to the broad standard, such as telephone responsiveness. Measure refers to the basis on which the service standard will be measured, such as the *percentage of telephone calls answered within 30 seconds*. Metric refers to specific numeric values. In this latter example, the metric would be ‘*within 30 seconds*’. The term metric also incorporates the target, with the target referring to the required performance, such as the telephone measure being achieved *85% of the time*. In the broad use of the term service standard may refer to all terms collectively.

1.2 Process Adopted in Setting SA Water Service Standards and Targets

The Commission determined that it would set the initial service standards for SA Water with targets at a level that reflected underlying historical performance. This would allow the determination of a base level of service, enabling any future proposals for change to be assessed against a robustly determined initial set of service standards.

In the absence of SA Water having a published set of service standards, the Commission developed service standards and associated targets under a process whereby the Commission:

- ▲ undertook a review of data for five years (2006/07 to 2010/11), supplied by SA Water in response to Commission data request;
- ▲ verified the simple averages in the SA Water data, having regard to the maximum performance achieved over the historic period;
- ▲ had regard to the importance of the metric in terms of the importance to the customer in receiving prompt service;
- ▲ adopted a “best endeavours” approach (defined below) rather than a “must achieve” approach;
- ▲ set targets at a level that achieves an appropriate balance in the extent of reporting by SA Water on reasons for any failed performance; and
- ▲ rounded targets to nearest 5%, unless, in the case of rounding to 100%, there were sufficient factors in favour of setting at 99%.³

This approach, undertaken in close consultation with SA Water, resulted in a service standards schedule (including targets) for SA Water for the period 1 January 2013 to 30 June 2013 being published in November 2012.⁴

As stated in the Draft Revenue Determination for SA Water’s retail water and sewerage services (**Draft Revenue Determination**), the Commission proposed to apply that initial set of standards for the regulatory period 2013/14 to 2015/16.⁵

In its submission to that Draft Revenue Determination, SA Water advised that the accuracy of some of the 5-year historical data (2006/07 to 2010/11), provided by SA Water to the Commission, could no longer be verified by SA Water.

This resulted in an issue for the Commission given that, as indicated above, it had relied on the historic performance provided by SA Water as a key element in setting targets for the service standards.

As a result, as outlined in the Commission’s Final Revenue Determination,⁶ the Commission considered it necessary to consult on a revised set of targets for the service standards set for

³ Essential Services Commission of South Australia, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 55; available at <http://www.escosa.sa.gov.au/projects/186/determination-of-sa-water-s-drinking-water-and-sewerage-revenue-2013-14-2015-16.aspx>.

⁴ A copy of the SA Water service standards schedule for this period is available at <http://www.escosa.sa.gov.au/library/121116-WaterServiceStandardsSchedule-InitialRegulatoryPeriod.pdf>.

⁵ Essential Services Commission of South Australia, *SA Water’s Water and Sewerage Revenues 2013/14-2015/16 Draft Determination-Statement of Reasons*, February 2013, page 20; available at http://www.escosa.sa.gov.au/library/130206-SAWatersWaterSewerageRevenues_2013-16-DraftDetermination-StatementOfReasons.pdf.

SA Water, to cover the period 1 July 2013 to 30 June 2016. The Commission released the “SA Water Service Standards 2013/14-2015/16, Draft Decision”⁷ on 29 May 2013, with submissions closing 26 June 2013. In addition to posting the paper on the Commission’s website, a notice advising of the consultation process was placed in the Advertiser of Monday, 3 June 2013.

This Final Decision summarises the key issues raised by stakeholders in respect of the Draft Decision and sets the final set of service standards (incorporating measures, targets, and metrics) to apply to the initial regulatory period 1 July 2013 to 30 June 201.

1.3 Best Endeavours

As outlined in the Explanatory Memorandum to Water Industry Guideline No.2, the Commission will adopt a *best endeavours* approach to determining if a specific service standard target has been met. The Commission’s definition of best endeavours in the regulatory context is “to act in good faith and use all reasonable efforts, skill and resources to achieve an outcome in the circumstances”.⁸

As explained in the Draft Advice to the Treasurer:

*Although a “best endeavours” obligation is not as onerous as an absolute obligation (like “must” or “shall”), the test to be applied in determining whether a party has satisfied its obligation is that of what is prudent and reasonable in the circumstances. Best endeavours are something less than the efforts which go beyond the bounds of reason, but are considerably more than casual and intermittent activities They must at least be doing all that a reasonable person could reasonably do in the circumstances. An obligation to use best endeavours means a party is required to act honestly, reasonably and make a positive effort to perform the relevant obligation.*⁹

⁶ Essential Services Commission of South Australia, *SA Water’s Water and Sewerage Revenues 2013/14 – 2015/16 Final Determination, Statement of Reasons*, May 2013, page 27; available at: http://www.escosa.sa.gov.au/library/130527-SAWater_Water_SewerageRevenues_2013-16-FinalDetermination-StatementOfReasons.pdf.

⁷ Essential Services Commission of South Australia, *SA Water Service Standards 2013/14-2015/16, Draft Decision*, May 2013; available at: http://www.escosa.sa.gov.au/library/130529-SAWaterServiceStandards_2013-2016-DraftDecision.pdf.

⁸ Essential Services Commission of South Australia, *Water Regulatory Information Requirements Water Industry Guideline No2 (WG2/01), Explanatory Memorandum*, page 17; available at http://www.escosa.sa.gov.au/library/121220-WaterIndustryGuidelineNo2_WG2_01-ExplanatoryMemorandum.pdf.

⁹ Essential Services Commission of South Australia, *Economic Regulation of the South Australian Water Industry-Draft Advice-Public Version*, August 2011, page 51; available at <http://www.escosa.sa.gov.au/library/111110-EconomicRegulationWaterIndustry-DraftAdvice.pdf>.

The Commission adopts a two-fold test in assessing performance against the best endeavours standards:

1. first, has the target been met?;
2. if not, did the relevant licensee nevertheless use its best endeavours in its attempts to meet the target?

Where targets are not met, SA Water is required to advise the Commission why the target was not met, what action it took at the relevant time in an attempt to ensure the target was met, the nature of any preparations undertaken prior to the event(s) (e.g. internal procedures and protocols set for handling such instances, the level of planning and the ability to call on additional resources when required) and any subsequent improvements implemented. In short, SA Water must provide the Commission with sufficient information to enable the Commission to form a view as to whether or not best endeavours were employed in those circumstances.

It is only in cases where both elements of this test are not satisfied that SA Water will be found to have failed to meet the standard. That is, SA Water may fail to meet a target but, provided it used its best endeavours in attempting to meet that target, it would still satisfy the standard. A test of this sort allows for a more discretionary assessment of performance, focussing on customer service delivery in a wide range of circumstances. Such a test can also better protect consumer interests, on the basis that it permits the Commission to undertake a detailed assessment of particular circumstances or events on their merits and to report those events publicly. It can also drive process improvements for regulated businesses.

The Commission sets high targets for best endeavours service standards where the level of service performance is critical to the customer and the resulting level of reporting by the licensed entity is not unduly onerous.

2. SA WATER SERVICE STANDARDS

The approach adopted in the Draft Decision was to retain all standards that applied for the first six month period since SA Water first became a licensed retailer under the WI Act (1 January to 30 June 2013), but where targets were amended, in most cases they were only amended for Adelaide metropolitan area measures, reflecting advice from SA Water that only Adelaide metropolitan data was affected by the data issue.

For some areas of SA Water's operations the Commission has not been able to determine with confidence what has been the historical level of service provided, with SA Water now not in a position to attest to the veracity of components of the 2006/07 to 2010/11 historical data used previously by the Commission. Having only taken over regulatory responsibility for SA Water from 1 January 2013, the Commission has not had adequate opportunity to satisfy itself as to the veracity of more recent data received from SA Water. Further, the Commission understands SA Water's position to be that, while it considers recent performance (in 2012/13) as equivalent with historical performance, in certain areas this cannot be confirmed by reference to SA Water's own historical performance data.

In the circumstances, the Commission has adopted a pragmatic approach in setting service standards from 1 July 2013.

Following SA Water's submission to the Draft Revenue Determination, the Commission undertook further consultation with SA Water on setting service standards targets for the period 2013/14 to 2015/16, with SA Water providing further performance data, in early May 2013, covering the period 2011/12 and 2012/13 (year to date March 2013). The Commission has had regard to those data, and to advice received from SA Water that, for certain measures, it would be prepared to work to higher targets than would be supported by recent performance data.

Three submissions were received to the Draft Decision, from SA Water, SACOSS and Business SA, and the matters raised in these submissions are discussed below and in subsequent chapters of this paper.

2.1 Issues Raised In Submissions

SACOSS argues in its submission that the proposed changes to the service standards as outlined in the Draft Decision "... come at an awkward time in the regulatory process. The revenue determination has been made by ESCOSA and SA Water has announced its 2013-14 pricing. A change to the service standards now plays to opposing incentives for SA Water and consumers".¹⁰

SACOSS accepts the Commission's historic performance approach to determining service standards and the best endeavours approach for monitoring performance. However,

¹⁰ SACOSS, *SA Water Service Standards 13/14-15/16 Draft Decision*, June 2013, page 1; available at http://www.escosa.sa.gov.au/library/130926-SAWaterServiceStandards_2013-2016-DraftDecisionSubmission-SACOSS.pdf

SACOSS is concerned that most of the proposed service standard target revisions outlined in the Draft Decision involves “...a weakening of the targets”. SACOSS “... does not support the lowering of targets based on data that is not demonstrably more reliable than that provided for the draft standards and used during the revenue determination”. SACOSS’ preferred approach would be to closely monitor performance and “... take a pragmatic approach to compliance” and for the Commission to review service standards after two years of monitoring and reporting.¹¹

2.2 Commission’s Consideration

The Commission understands the concerns raised by SACOSS; the SA Water data issue created a dilemma for the Commission.

The Commission considered an option that is consistent with the SACOSS proposal when considering how best to deal with the SA Water data issue in SA Water’s Final Revenue Determination, namely confirm that the January 2013 to June 2013 service standards and metrics apply for the initial regulatory period unamended. As outlined in the Final Revenue Determination, this option is not considered acceptable, as it would result in the Commission reporting:

“... SA Water achieving poor performance for the relevant standards across the regulatory period, with neither the Commission nor SA Water expecting the service standards metrics to be met. In effect, SA Water would be in breach of the service standards, and the Commission would report this breach.”¹²

The option adopted by the Commission and reflected in the Draft Decision allows performance metrics to be set at a level designed to reflect current and historic performance (on best data available) and, as a consequence, the Commission is better placed to test the veracity of best endeavours, should SA Water fail to meet the reset target in any given year. Given the nature of the data issue (where SA Water argues that actual performance is less than that reported by the data provided to the Commission), and any revisions would inevitably result in a lowering of targets.

The Commission also noted in the SA Water Final Revenue Determination that further review of SA Water’s performance framework would be required:

“... which may result in service standards metrics being amended further during the course of the initial regulatory period, whilst seeking to ensure that SA Water maintains service standards at least at historic levels.”¹³

¹¹ SACOSS submission, page 2.

¹² Draft Decision, page 27.

¹³ Final Revenue Determination, page 27.

2.3 *Final Decision*

Final Decision

The Commission will set service standards to apply for SA Water from 1 July 2013 that best reflect what the Commission understands to reflect historic performance.

Further review of SA Water's performance framework (including independent audit of the veracity of the SA Water performance data) will be undertaken, which may result in service standards being amended further during the initial regulatory period

3. LOW OCCURRENCE EVENTS

As noted in the Draft Decision, SA Water has previously argued for a specific approach to be adopted for “low occurrence events”, employing a target number rather than percentage based performance (e.g. where if less than 50 occurrences of an event occurred within a year, the target would be met if no more than 3 events per quarter (cumulative) were missed, rather than set a target such as 95%).

The Commission is seeking to adopt a consistent approach, and not one that might vary over time (e.g. on this basis if the number of events subsequently exceeded 50, then the percentage (%) standard would become appropriate). A consistent approach should assist customers in interpreting the results. It might be expected that, providing adequate systems are in place, it should be possible to address low occurrence events without material resource implications.

In any event, the Commission notes that, under a best endeavours regime (as described in section 1.3), the actual number of events is not necessarily determinative: when a target is not met the determinative consideration is whether or not, despite the failure to meet the target, SA Water did all it could in its attempts to do so. Missing a target does not necessarily mean that the Commission will determine that best endeavours have not been applied by SA Water. For example, in the case of “low occurrence events” (e.g. less than 7 events) where even one failure may result in a performance of 85% or less, the Commission will have regard to this in assessing best endeavours. This is one of the reasons the Commission requests the underlying data for each measure reported, rather than only requesting the resulting percentage outcome.

3.1 Issues Raised in Submission

SA Water has again raised concern in its submission to the Draft Decision with measures involving low numbers of occurrences on the basis that “... *missing even one event will cause SA Water to miss its performance target*”.¹⁴ SA Water’s solution is that for four of the service standards (Timeliness of water service restoration, Timeliness of sewerage service restoration, Timeliness of sewerage overflow attendance and Timeliness of sewerage overflow clean up) that one “top level target” be assigned to all the Draft Decision measures relating to the service standard. Using the water service restoration service standard as an example, there would be no targets set for the individual measures, only a global target of 95%. The performance data for each of the measures would, however, be reported by SA Water, which would enable the Commission to report performance for each measure, albeit not against a set target.

¹⁴ SA Water, *SA Water service standards: Draft Decision*, June 2013, page 8; available at http://www.escosa.sa.gov.au/library/130926-SAWaterServiceStandards_2013-2016-DraftDecisionSubmission-SAWater.pdf

3.2 Commission's Consideration

SA Water's most recent proposal is not considered a workable solution to the issue raised. Continuing to use the water service restoration service standard as an example, the performance year to date (YTD) for 2012/13 (as at end of February 2013) for each of the measures under this service standard is provided in Table 3.2.1 (based on Draft Decision measures and targets):

Table 3.2.1: SA Water Timeliness of Water Service Restoration Performance – 1 July 2012 to 28 February 2013

Timeliness of Water Service Restoration Performance	No of Events Restored within Standard	No of Events	Percentage (%)
Adelaide Metro			
Percentage of category 1 events restored within 5 hours	37	41	90%
Percentage of category 1 events restored within 12 hours	N/A		
Percentage of category 2 events restored within 8 hours	40	54	74%
Percentage of category 2 events restored within 18 hours	N/A		
Percentage of category 3 events restored within 12 hours	1,735	1,772	97%
Regional			
Percentage of category 1 events restored within 5 hours	0	0	100%
Percentage of category 1 events restored within 12 hours	N/A		
Percentage of category 2 events restored within 5 hours	2	3	67%
Percentage of category 2 events restored within 18 hours	3	3	100%
Percentage of category 3 events restored within 12 hours	314	314	100%
Total	2,131	2,187	97%

An example of the issue SA Water is raising is highlighted by the measure “*percentage of category 2 events restored within 5 hours*” for regional, which shows YTD performance of 67%, based on a failure to attend to one-only event. Using the SA Water approach, the ‘global performance’ would be 97% and hence compared with SA Water’s proposed target of 95%, if achieved for the year (noting standards are set on an annual basis), the Commission would report the service standard as having been met. However, in this example, if none of the category 1 events were restored within 5 hours the global target would still be 96% and hence the service standard would be reported as being achieved even though, in this extreme example, none of the potentially life threatening category 1 events had been attended to within the global performance target.

As discussed later in Chapter 5, the Commission proposes to support SA Water’s submission that there should not be an incentive for field workers to pursue low priority events ahead of high priority events. SA Water’s proposal for dealing with low occurrence events risks high priority events being overlooked with no detriment to assessed performance and hence the outcome could be a similar result.

The Commission once again stresses that best endeavours means that even if the performance was 67% as in the example above (category 2 events restored in the regional area), if an appropriate reason could be provided for the failure to meet the one event within the target then SA Water might not be assessed as failing to meet the standard. Whilst SA Water might be concerned over the level of resources required to ensure that one event is not missed in this example (whereas there is much more leeway when a large number of events occur for an individual measure), to the extent that the low occurrences are associated with high priority categories then a concentration of resources may be appropriate: if not, then SA Water has the avenue under best endeavours to justify why this was not the case.

3.3 Final Decision

Final Decision

The Commission will set targets for individual measures included in the service standard schedule and will monitor performance for each measure.

4. REGIONAL & METROPOLITAN DIFFERENTIATION

The Commission recognised in the Draft Decision that the review exercise resulted in a misalignment of targets between regional and Adelaide metropolitan areas for some measures. The Commission considered that the resulting targets best reflected historical performance, given the current information available to the Commission, and so there was no basis to require customers in regional areas to accept lower performance as a result of data issues identified for the Adelaide metropolitan area.

4.1 *Issues Raised in Submissions*

In its submission to the Draft Decision SA Water raised concern over the cases where regional targets have been set higher than the Adelaide metropolitan area targets.¹⁵ SA Water proposed that regional targets be re-aligned to match their Adelaide metropolitan counterparts.

Business SA, in its submission, stressed the importance of setting service standards for regional areas that delivered good service, given that a major part of the South Australian economy is outside the metropolitan area.¹⁶

4.2 *Commission's Consideration*

The issue of 'misalignment' between Adelaide metropolitan and rural targets was identified in the Draft Decision, with the approach adopted being to continue to set targets that best reflect historical performance. Any consideration of a re-alignment would only take place as part of a subsequent comprehensive review of services standards, in consultation with customer.

4.3 *Final Decision*

Final Decision

Service standard measures and targets will be set to reflect the Commission's best understanding of SA Water historical performance even if this results in regional targets being set higher than targets for the Adelaide metropolitan area.

¹⁵ SA Water submission, pages 5-7.

¹⁶ Business SA, *SA Water service standards performance for the regulatory period of 1 July 2013 to 30 June 2016*, page 2; available at http://www.escosa.sa.gov.au/library/130926-SAWaterServiceStandards_2013-2016-DraftDecisionSubmission-BusinessSA.pdf

5. MEASURE & TARGET REFINEMENTS

As outlined in the Draft Decision, the approach of focussing on achieving service standards targets that reflect historic performance resulted in an apparent misalignment across some categories and priorities. For example, the target percentage of category 2 water service events to be restored within 18 hours was set at 99%, the same target for the percentage of category 3 events to be restored within 12 hours. In the Draft Decision this was seen as reasonable, all things considered, as 90% of category 2 events were required to be restored within 8 hours (Adelaide metropolitan) compared with a metric of 12 hours for any category 3 events – hence the service standard would promote the restoration of most category 2 events ahead of category 3 events.

The Draft Decision stated that given the emphasis on determining historical levels of performance, it was appropriate that any consideration of a re-alignment only take place as a part of a comprehensive review of service standards, in consultation with customers, that if deemed warranted would be implemented for a future regulatory period.

5.1 Issues Raised in Submissions

SA Water proposed in its submission to the Draft Decision that the category 3 water service restoration responsiveness target be revised to 99% of events within a minimum of 18 hours, to ensure all category 2 events (where interruption causes a distribution to business activities) are prioritised ahead of any category 3 events (remaining events).¹⁷ Category 1 events relate to those where the interruption could be life threatening or otherwise have serious consequences.

The relevant measures and targets in the Draft Decision for timeliness of water service restoration for the Adelaide metropolitan region are presented in Table 5.1.1

Table 5.1.1: SA Water Draft Timeliness of Water Service Restoration Performance Service Standard – Adelaide Metropolitan

Timeliness of water service restoration- Adelaide metropolitan	Target
Percentage of category 1 events restored within 5 hours	90%
Percentage of category 1 events restored within 12 hours	99%
Percentage of category 2 events restored within 8 hours	90%
Percentage of category 2 events restored within 18 hours	99%
Percentage of category 3 events restored within 12 hours	99%

¹⁷ SA Water submission, page 5.

As can be seen from Table 5.1.1, the risk exists that where a category 2 event takes longer than 8 hours in the Adelaide metropolitan area (5 hours Regional) to restore there could be an incentive for operational staff to deal with the less critical category 3 events (where the Draft Determination requires 99% restoration within 12 hours) ahead of the balance of category 2 events (99% within 18 hours).

5.2 Commission's Consideration

The approach adopted in the Draft Decision was one of minimal change, with no change proposed for category 3 events as the draft targets reflected recent performance. Also, if 90% of category 2 events were restored within 8 hours (first step of category 2 measures), then only a small number of events should remain to be restored within 18 hours (second step of measure). Further, the category 3 service standard in its current form is reflective of SA Water's recent performance. Nevertheless, on further consideration it is not appropriate that the service standard framework provide a general incentive for lower priority events to be pursued ahead of higher priority events. Therefore, the Commission's view is to adopt a two-tiered approach with the majority of category 3 events restored within 12 hours and the remaining restored within 18 hours.

Whilst not identified by SA Water in its submission, this issue also occurs in relation to timeliness for the sewerage service restoration measure. As a two-tiered approach has already been adopted in this instance the Commission's view is to have lower the percentage to 90% for 'percentage of category 2 events restored within 12 hours', to achieve consistency across the measures.

5.3 Final Decision

Final Decision

While the Commission's intention is to achieve service standards that reflect SA Water historic performance, it will also adhere to the principle that the service standard framework not provide a general incentive for lower priority events to be pursued ahead of higher priority events.

Accordingly, the category 3 water service restoration responsiveness measure will be amended to 90% of category 3 events restored within 12 hours and an additional measure will be included of 99% of category 3 events restored within 18 hours.

Similarly, the category 3 sewerage service restoration measure will be amended to 90% of category 3 events restored within 12 hours.

6. EXCLUDED EVENTS

As discussed in the Draft Decision, SA Water proposed to exclude a range of events; for example, situations where a customer has provided inaccurate information leading to an unnecessary response or diversion of SA Water resources or where SA Water staff cannot reach a site due to flooding.

6.1 *Issues Raised in Submissions*

None of the submissions received to the Draft Decision raised this matter noting, as identified above, SA Water had previously proposed to exclude a range of events.

6.2 *Commission's Consideration*

If extraordinary events affect SA Water meeting the targets, it is SA Water's responsibility to advise the Commission of such instances to assist the Commission in determining whether best endeavours has been achieved, notwithstanding any failure to meet a target.

The Commission maintains the position not to support the exclusion of any events.

6.3 *Final Decision*

Final Decision

The Commission requires that the service standard event data provided by SA Water includes all events, regardless of whether or not SA Water believes it was in a position to control the level of performance achieved against the relevant target.

7. FINAL SA WATER SERVICE STANDARDS

This chapter provides the Commission's final position on service standards (incorporating measures and metrics) to apply to SA Water for the initial regulatory period covering 1 July 2013 to 30 June 2016, subject to further review during this period.

7.1 Issues Raised in Submissions

The Commission has been assisted by the submissions it has received through this review process. In making this Final Decision, the Commission has had regard to submissions from all interested stakeholders. Submissions received indicated a good level of support for what the Commission is attempting to achieve in setting service standards for SA Water and the manner in which it undertook the exercise. While the Commission has not adopted all positions put forward in submissions, the submissions have been helpful in assisting the Commission's identification and consideration of the relevant issues and this has enabled the Commission to gain a comprehensive understanding of the views held within the community.

Where appropriate, the Commission has acknowledged, either by direct quotation or by reference to themes or points of view, certain arguments and submissions in the text to assist stakeholders in understanding the positions it has reached. However, failure to reference an argument or submission does not mean that the Commission has not taken that argument or submission into account in its deliberations.

7.2 Commission's Consideration

Having reviewed the service standards, measures and metrics for SA Water and submissions received, the Commission considers that the schedule of SA Water service standards provided in Annexure A to this Final Decision represents the best available set, at this stage of the Commission's understanding of SA Water's operation and its current performance levels.

SA Water only became licensed as a water retailer on 1 January 2013 and, by the end of this initial regulatory period, the Commission expects to have a much clearer understanding of the veracity of SA Water's performance data and its performance in providing customer service.

7.3 Final Decision

Final Decision

The Commission's final decision on the service standards (incorporating measures, metrics and targets) to apply to SA Water from 1 July 2013 is to adopt the Water Service Standards Schedule contained in Annexure A to this Final Decision paper.

Given the data veracity issues surrounding the development of service standards to apply to SA Water for the period 1 July 2013 to 30 June 2016, the Commission will continue to review the standards during the initial regulatory period, which may result in service standards metrics being amended further during the course of the initial regulatory period, whilst seeking to ensure that SA Water maintains service standards at least at historic levels.

Any amendments identified in this Final Decision will be incorporated into a revised Water Retail Guideline No.2 (version WG2/02) and accompanying Explanatory Memorandum

ANNEXURE A

WATER SERVICE STANDARDS SCHEDULE

1 July 2013 to 30 June 2016 PERIOD

Licensee: SA Water

Best Endeavours: The licensee is required to apply a *best endeavours* approach to meeting the service standard targets set in this Schedule.¹⁸

SERVICE STANDARDS	TARGET
1. Telephone responsiveness	
Percentage of telephone calls answered within 30 seconds	85%
2. Complaint responsiveness	
Percentage of written complaints that do not require investigation responded to within 10 business days	90%
Percentage of complaints where an investigation is required responded to within 20 business days	90%
3. Drinking water quality complaint responsiveness	
Adelaide Metropolitan	
Percentage of Priority 1 complaints responded to within 1 hour	95%
Percentage of Priority 2 complaints responded to within 2 hours	90%
Percentage of Priority 2 complaints responded to within 12 hours	95%
Percentage of Priority 3 complaints responded to within 48 hours or next business day	99%
Regional	
Percentage of Priority 1 complaints responded to within 1 hour	99%
Percentage of Priority 2 complaints responded to within 2 hours	95%
Percentage of Priority 2 complaints responded to within 12 hours	99%
Percentage of Priority 3 complaints responded to within 48 hours or next business day	99%

¹⁸ Refer to section 2.1 of the *Water Regulatory Information Requirements Water Industry Guideline 2 – Explanatory Memorandum* for an explanation of what constitutes “best endeavours”; available at <http://www.escosa.sa.gov.au/library/130926-WaterRegulatoryRequirements-MajorRetailers-G2-ExplanatoryMemorandum.pdf>.

SERVICE STANDARDS	TARGET
4. Timeliness of connection	
Percentage of standard water connections installed, within 25 business days of application processed and fees received	95%
Percentage of non-standard water connections installed, within 35 business days of application processed and fees received	95%
Percentage of standard sewer connections installed, within 30 business days of application processed and fees received	95%
Percentage of non-standard sewer connections installed, within 50 business days of application processed and fees received	95%
5. Timeliness of processing trade waste applications	
Percentage of trade waste applications processed within 10 business days	99%
6. Timeliness of attendance at water breaks, bursts & leaks	
Adelaide Metropolitan	
Percentage of Priority 1 events attended within 1 hour:	95%
Percentage of Priority 1 events attended within 2 hours	99%
Percentage of Priority 2 events attended within 5 hours	95%
Percentage of Priority 2 events attended within 12 hours	99%
Regional	
Percentage of Priority 1 events attended within 1 hour	95%
Percentage of Priority 1 events attended within 2 hours	99%
Percentage of Priority 2 events attended within 5 hours	95%
Percentage of Priority 2 events attended within 12 hours	99%
7. Timeliness of water service restoration	
Adelaide Metropolitan	
Percentage of Category 1 events restored within 5 hours:	90%
Percentage of Category 1 events restored within 12 hours	99%
Percentage of Category 2 events restored within 8 hours	90%
Percentage of Category 2 events restored within 18 hours:	99%
Percentage of Category 3 events restored within 12 hours	90%

SERVICE STANDARDS	TARGET
Percentage of Category 3 events restored within 18 hours	99%
Regional	
Percentage of Category 1 events restored within 5 hours:	95%
Percentage of Category 1 events restored within 12 hours	99%
Percentage of Category 2 events restored within 5 hours	95%
Percentage of Category 2 events restored within 18 hours	99%
Percentage of Category 3 events restored within 12 hours	90%
Percentage of Category 3 events restored within 18 hours	99%
8. Timeliness of sewerage service restoration	
Adelaide Metropolitan	
Percentage of Category 1 events restored within 5 hours	99%
Percentage of Category 2 events restored within 5 hours	90%
Percentage of Category 2 events restored within 18 hours	99%
Percentage of Category 3 events restored within 12 hours	90%
Percentage of Category 3 events restored within 24 hours	99%
Percentage of partial loss events restored within 18 hours	95%
Percentage of partial loss events restored within 36 hours	99%
Regional	
Percentage of Category 1 events restored within 5 hours	99%
Percentage of Category 2 events restored within 5 hours	95%
Percentage of Category 2 events restored within 18 hours	99%
Percentage of Category 3 events restored within 12 hours	90%
Percentage of Category 3 events restored within 24 hours	99%
Percentage of partial loss events restored within 18 hours	95%
Percentage of partial loss events restored within 36 hours	99%

9. Timeliness of sewerage overflow attendance	
Adelaide Metropolitan	
Percentage of inside building overflows attended within 1 hour	95%
Percentage of outside building overflows attended within 2 hours	95%
Percentage of external overflows attended within 4 hours	99%
Regional	
Percentage of inside building overflows attended within 1 hour	99%
Percentage of outside building overflows attended within 2 hours	99%
Percentage of external overflows attended within 4 hours	99%
10. Timeliness of sewerage overflow clean up	
Adelaide Metropolitan	
Percentage of inside building clean ups completed within 4 hours following restoration of service	95%
Percentage of outside building (on property) clean ups completed within 6 hours following restoration of service	95%
Percentage of outside building (on property) clean ups completed within 15 hours following restoration of service	99%
Percentage of external (e.g. road or footpath) clean ups completed within 8 hours following restoration of service	95%
Percentage of external (e.g. road or footpath) clean ups completed within 15 hours following restoration of service	99%
Regional	
Percentage of inside building clean ups completed within 4 hours following restoration of service	99%
Percentage of outside building (on property) clean ups completed within 6 hours following restoration of service	95%
Percentage of outside building (on property) clean ups completed within 15 hours following restoration of service	99%
Percentage of external (e.g. road or footpath) clean ups completed within 8 hours following restoration of service	95%
Percentage of external (e.g. road or footpath) clean ups completed within 15 hours following restoration of service	99%

SERVICE STANDARD DEFINITIONS

<p>Drinking water complaint priorities</p> <p>Priority 1: Where there is a potential for serious risk to human health</p> <p>Priority 2: Where there is the potential for low risk to human health</p> <p>Priority 3: All other cases.</p>	<p>Water services restoration priorities</p> <p>Category 1: Where the interruption could be life threatening or otherwise have serious consequences (e.g. impacting critical needs customers, hospitals, nursing homes, schools, child care centres etc.)</p> <p>Category 2: Where the interruption causes a disruption to a customer’s business activities.</p> <p>Category 3: All other cases.</p>
<p>Attendance at water breaks, bursts & leaks priorities</p> <p>Priority 1: a leak or burst that:</p> <ul style="list-style-type: none"> ▲ results, or may result, in a total loss of supply to a customer; ▲ results, or may result in, a major loss of water; ▲ causes, or may cause, damage to property; or ▲ poses, or may pose, an immediate danger to people or the environment. <p>Priority 2: any other burst or system failure.</p>	<p>Sewerage services restoration priorities</p> <p>Full Loss Category 1: where the interruption could be life threatening or otherwise have serious consequences (e.g. impacting critical needs customers such as hospitals, nursing homes etc. or organisations such as schools, child care centres etc.).</p> <p>Full Loss Category 2: where the interruption causes a disruption to a customer’s business activities.</p> <p>Full Loss Category 3: all other cases.</p> <p>Partial Loss: all cases (without reference to a full loss of service).</p>



The Essential Services Commission of South Australia

Level 1, 151 Pirie Street Adelaide SA 5000

GPO Box 2605 Adelaide SA 5001

T 08 8463 4444 | F 08 8463 4449

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

