

**WATER REGULATORY  
INFORMATION  
REQUIREMENTS  
WATER INDUSTRY  
GUIDELINE NO.2  
EXPLANATORY  
MEMORANDUM**

**November 2012**



## REQUEST FOR SUBMISSIONS

The Essential Services Commission of SA (the Commission) invites written submissions from interested parties in relation to the issues raised in this paper and the accompanying draft Water Industry Guideline No.2 (WG2/01). Written comments should be provided by **Friday, 14 December 2012**. It is highly desirable for an electronic copy of the submission to accompany any written submission.

It is Commission policy to make all submissions publicly available via its website ([www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)), except where a submission either wholly or partly contains confidential or commercially sensitive information provided on a confidential basis and appropriate prior notice has been given.

The Commission may also exercise its discretion not to exhibit any submission based on their length or content (for example containing material that is defamatory, offensive or in breach of any law).

Responses to this paper should be directed to:

### **Water Industry Guideline No.2**

Essential Services Commission of SA

GPO Box 2605

Adelaide SA 5001

**E-mail:** escosa@escosa.sa.gov.au

**Facsimile:** (08) 8463 4449

**Telephone:** (08) 8463 4444

**Contact Officer:** Mike Philipson

### ***Public Information about ESCOSA's activities***

Information about the role and activities of the Commission, including copies of latest reports and submissions, can be found on the ESCOSA website at [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au).

## TABLE OF CONTENTS

---

### **Request for Submissions**

Public Information about ESCOSA's activities

<b>Glossary of Terms</b>	<b>iii</b>
<b>1 Overview</b>	<b>1</b>
1.1 Categorising Water Industry Guideline No.2 metrics	2
<b>2 Performance Monitoring Framework</b>	<b>4</b>
2.1 Submissions	5
2.2 Commission's Consideration	7
<b>3 Service Standards</b>	<b>13</b>
3.1 Best Endeavours	13
3.2 Approach to determining SA Water initial service standards	14
<b>4 Reporting Guideline</b>	<b>17</b>
4.1 Nature of the Guideline	19
4.2 Informational Requirements	19
4.3 Operational Performance Proformas	20
4.3.1 Timeliness of response to telephone calls (OP1.1)	20
4.3.2 Customer complaints (OP1.2)	22
4.3.3 Timeliness of response to complaints (OP1.3)	23
4.3.4 Timeliness of response to water quality complaints (OP1.4)	25
4.3.5 Timeliness of connection (OP1.5)	27
4.3.6 Timeliness of processing trade waste applications (OP1.6)	28
4.3.7 Restrictions & legal action for non-payment (OP2.1)	28
4.3.8 Financial hardship customers (OP2.2)	30
4.3.9 Price movements (OP2.3)	31
4.3.10 Water infrastructure reliability (OP3.1)	32
4.3.11 Timeliness of attendance at water bursts & leaks (OP3.2)	33
4.3.12 Timeliness of water service restoration (OP3.3)	34
4.3.13 Sewerage infrastructure reliability (OP3.4)	35
4.3.14 Timeliness of sewerage service restoration (OP3.5)	35
4.3.15 Timeliness of sewerage overflow attendance (OP3.6)	36



4.3.16	Timeliness of sewerage overflow clean up (OP3.7)	37
4.3.17	Customer Numbers (OP4.1(a))	38
4.3.18	Sales (OP4.1(b))	39
4.3.19	Assets (OP4.1(c))	40
4.3.20	Miscellaneous (OP4.1(d))	40
4.4	Responsibility Statement (OP5)	40
4.5	Glossary	41
<b>5</b>	<b>Next Steps</b>	<b>42</b>

## GLOSSARY OF TERMS

---

<b>AER</b>	Australian Energy Regulator
<b>COMMISSION</b>	Essential Services Commission of South Australia
<b>CONSUMER PROTECTION FRAMEWORK EXPLANATORY MEMORANDUM</b>	Consumer Protection Framework for the South Australian Water Industry – Explanatory Memorandum, released by the Commission in November 2011
<b>COTA SA</b>	COTA SA
<b>CWMS</b>	Community Wastewater Management System
<b>DRAFT ADVICE</b>	Economic Regulation of the South Australian Water Industry – Draft Advice, released by the Commission in November 2011
<b>ENERGY INDUSTRY GUIDELINE NO.2</b>	Energy Retailer Operational Performance Information, Energy Industry Guideline No.2 (EG2/03)
<b>ESC ACT</b>	<i>Essential Services Commission Act 2002 (SA)</i>
<b>FINAL ADVICE</b>	Economic Regulation of the South Australian Water Industry – Final Advice, released by the Commission in June 2012
<b>GSLs</b>	Guaranteed Service Level
<b>GUIDELINE</b>	Water Industry Guideline No.2 (WG2/01)
<b>ILI</b>	Infrastructure Leakage Index
<b>KPIs</b>	Key Performance Indicators
<b>LICENSEE</b>	Water industry entity and the holder of a retail service licence granted under Part 4 of the Water Industry Act
<b>LGA</b>	Local Government Association of South Australia
<b>NATIONAL PERFORMANCE FRAMEWORK OR NPF</b>	National Performance Framework: Urban Performance Reporting Indicators & Definitions Handbook
<b>NPR</b>	National Performance Reporting
<b>NWC</b>	National Water Commission
<b>NWI</b>	National Water Initiative
<b>OP</b>	Operational Proforma, as contained in Water Industry Guideline No.2
<b>SACOSS</b>	South Australian Council of Social Services
<b>STATEMENT OF ISSUES</b>	Statement of Issues on the Economic Regulation of the South Australian Water Industry, released by the Commission in December 2010



<b>WATER INDUSTRY ACT</b>	<i>Water Industry Act 2012 (SA)</i>
<b>WATER INDUSTRY ENTITY</b>	Person licensed under the Water Industry Act to provide retail services, and may include a person exempted from a requirement to hold a licence under Part 4, where the Commission has so determined that the person be treated as a water industry entity for the purposes of specified provisions of the Water Industry Act (section 108(3))
<b>WATER INDUSTRY GUIDELINE No.1</b>	Compliance Systems and Reporting, Water Industry Guideline No.1 (WG1/01)
<b>WATER INDUSTRY GUIDELINE No.2</b>	Water Regulatory Information Requirements, Water Industry Guideline No.2 (WG2/01)-Draft
<b>WATER RETAIL CODE</b>	Water Retail Code-Major Retailers (WRC-MR/01)

## 1 OVERVIEW

---

This Explanatory Memorandum has been prepared to accompany the release of draft Water Industry Guideline No.2 (version WG2/01) (**Water Industry Guideline No.2**), which will apply to major licensees.<sup>1</sup> This Explanatory Memorandum is intended to provide a plain English description of the provisions of Water Industry Guideline No.2 (WG2/01).

Water Industry Guideline No.2 will provide for the collection, allocation and recording of certain business data, to be reported to the Commission in accordance with the requirements and proformas specified in the Guideline. This version of the Guideline (i.e. WG2/01) will be used to assist the Commission monitor the operation of the Water Retail Code – Major Retailers (version WRC-MR/01) (**Water Retail Code**).<sup>2</sup>

Data collected under Water Industry Guideline No.2 will be used by the Commission to monitor the performance of major licensees in meeting set service standards. The data collected under this Guideline will form an important input into the Commission’s Water Industry Annual Performance Report.<sup>3</sup> That Annual Performance Report, which will ultimately report on the performance of all water licensees, will provide South Australian consumers with information on the operation of the water industry – one of the functions of the Commission under section 5 of the Essential Services Commission Act (**ESC Act**).<sup>4</sup>

Water Industry Guideline No.2 does not deal with the reporting of compliance by a licensee. That is dealt with separately by the Compliance Systems and Reporting Guideline (**Water Industry Guideline No.1**).<sup>5</sup> Water Industry Guideline No.1 outlines the Commission’s expectations and requirements in relation to a licensee’s compliance system and compliance reporting arrangements. Nor does Water Industry Guideline No.2 currently include any financial reporting requirements that may be required for revenue or price monitoring purposes.

While all water industry entities licenced under Part 4 of the Water Industry Act 2012 (**Water Industry Act**) will ultimately be required to report on their performance in a manner specified by the Commission, Water Industry Guideline No.2-WG2/01 will only apply to SA Water in the first instance. Consistent with the Final Advice to the Treasurer

---

<sup>1</sup> Essential Services Commission, *Water Regulatory Information Requirements-Water Industry Guideline No.2 (WG2/01)-Draft*, November 2012; available at <http://www.escosa.sa.gov.au/library/121116-WaterIndustryGuidelineNo2-Draft>

WG2/01 identifies the version of the Guideline, with “WG2” referring to Water Industry Guideline No.2 and “01” signifying version 1

<sup>2</sup> Essential Services Commission, *Water Retail Code-Major Retailers (WRC-MR/01)*, November 2012; available at <http://www.escosa.sa.gov.au/library/121116-WaterRetailCode-MajorRetailers>

<sup>3</sup> The Commission will employ a similar format for the Water Industry Annual Performance Report to that used for reporting energy industry performance; available at <http://www.escosa.sa.gov.au/electricity-overview/market-information/energy-performance-monitoring/annual-performance-report-2010-11-sa-energy-supply-industry.aspx>

<sup>4</sup> Refer sections 5(b), (c) and (d) of the ESC Act

<sup>5</sup> Essential Services Commission, *Compliance Systems and Reporting, Water Industry Guideline No.1(WG1/01)*; available at <http://www.escosa.sa.gov.au/library/121116-WaterIndustryGuidelineNo1-ComplianceReporting>



**(Final Advice)**,<sup>6</sup> version WG2/01 may also only apply for SA Water's initial regulatory period (1 January 2013 to 30 June 2013), unless the service standards adopted for this initial period are also determined to be appropriate for the following first determination period (1 July 2013 to 30 June 2016).

As indicated in the Final Advice, the Commission's "... *initial focus (will be) on reporting requirements for SA Water, with reporting requirements for small licensees to achieve an appropriate balance between the benefits of the information and the cost to the entity of providing it*".<sup>7</sup> Nevertheless, Water Industry Guideline No.2 has been drafted in manner which should enable it to accommodate the reporting requirements of other licensees as developed, unless a more tailored Guideline proves a better approach for non-SA Water licensees.

When finalised, Water Industry Guideline No.2 (WG2/01) will operate (applying to SA Water only) from 1 January 2013.

### **1.1 Categorising Water Industry Guideline No.2 metrics**

Table 1 of Schedule 1 of Water Industry Guideline No.2 effectively provides a table of contents for the metrics licensees will be required to report. This table is reproduced in part below as Table 1.1 categorising the metrics according to key areas, as a means of further demonstrating the purpose for each metric, as follows:

- ▲ Water Retail Code – monitors the operation of sections of the Code;
- ▲ Service Standard – separate set of metrics by which the performance of an individual licensee can be monitored and assessed at either the individual customer or whole-of-undertaking level;
- ▲ Operational Reliability – monitors the level of performance similar to a service standard, but no specific targets are set;
- ▲ Statistical Information – provides information on the nature and scale of the licensee's operation and also assists in making comparisons between licensees. In relation to the latter point, for example, customer numbers allows certain metrics such as complaints to be reported in terms of "per 100 customers"; and
- ▲ Data integrity – measures such as CEO verification of the data provided to the Commission.

As indicated by Table 1.1 (below), a key aspect of the performance monitoring framework is the monitoring and reporting of service standards and, accordingly, this Explanatory Memorandum discusses both.

---

<sup>6</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

<sup>7</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 66; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>



**TABLE 1.1: PERFORMANCE MEASURES BY CATEGORY**

<b>Proforma Reference</b>	<b>Performance Measure</b>	<b>Purpose</b>
<b><u>Customer Service</u></b>		
OP1.1	Timeliness of response to telephone calls	Service Standard*
OP1.2	Customer Complaints	Water Retail Code (clauses 3.1 & 3.2)*
OP1.3	Timeliness of response to complaints	Service Standard
OP1.4	Timeliness of response to water quality complaints	Service Standard
OP1.5	Timeliness of connection	Service Standard
OP1.6	Timeliness of processing trade waste applications	Service Standard
<b><u>Financial</u></b>		
OP2.1	Restrictions & legal action for non-payment	Water Retail Code (section 30)*
OP2.2	Financial hardship customers	Water Retail Code (section 9)
OP2.3	Price movements	Water Retail Code (section 9)*
<b><u>Reliability</u></b>		
OP3.1	Water infrastructure reliability	Operational Reliability*
OP3.2	Timeliness of attendance at water bursts & leaks	Service Standard
OP3.3	Timeliness of water service restoration	Service Standard
OP3.4	Sewerage infrastructure reliability	Operational Reliability*
OP3.5	Timeliness of sewerage service restoration	Service Standard
OP3.6	Timeliness of sewerage overflow attendance	Service Standard
OP3.7	Timeliness of sewerage overflow clean up	Service Standard
<b><u>Statistical</u></b>		
OP4.1	Statistical Information	Statistical Information*
<b><u>Assurance</u></b>		
OP5	Responsibility Statement	Data Integrity

\* Incorporates one or more National Performance Framework measures.<sup>8</sup>

<sup>8</sup> For example, refer to National Water Commission, *2011-12 National Performance Framework: Urban performance reporting indicators and definitions handbook*, June 2012; available at <http://www.nwc.gov.au/>

## 2 PERFORMANCE MONITORING FRAMEWORK

---

As outlined in the Final Advice, the Act requires licensees to monitor and report, as required by the Commission, on indicators of service performance determined by the Commission.<sup>9</sup> Good regulatory practice requires that information only be collected that is relevant and useful to the regulator and/or other participants.

Performance monitoring and reporting is a useful tool for informing customers about the level of service they are receiving (at an aggregate level) and identifying reasons for any poor performance. It allows for the comparison of businesses, by gauging relative performance within an industry (comparative competition) or with businesses performing comparable operations in other industries; and identifies baseline performance of individual businesses, providing incentives for improvement.

Performance monitoring also provides the information and data required for developing service standards (or targets) and for ongoing assessment of compliance with such standards; and informs the decision making processes of regulatory agencies, water businesses and the Government.

Principles underpinning the performance monitoring framework were identified in the Draft Advice, and reiterated in the Final Advice, as:<sup>10</sup>

- ▲ *performance indicators need to be relevant to the services provided by each licensee;*
- ▲ *performance indicators need to be meaningful and relate to key issues of importance to both licensees and their customers;*
- ▲ *performance indicators need to be defined and collected on a consistent basis across licensees to provide a valid measure of actual performance and to allow reasonable comparisons;*
- ▲ *the costs of collecting information and data need to be balanced against the benefits of collecting the information. The performance monitoring framework should focus on a reasonable range of meaningful indicators, so it is not excessively onerous or costly to implement;*
- ▲ *wherever possible, the framework should draw on accepted existing performance indicators to minimise the costs of collecting information and to aid comparison; and*
- ▲ *the accuracy and reliability of information provided by businesses must be verifiable.*

---

<sup>9</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 62; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

<sup>10</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 62; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

Table 1.1 above identifies the purpose being served by each Water Industry Guideline No.2 operational performance proforma, as a first step in identifying the usefulness of the data being sought the Guideline. The majority of metrics are designed to monitor licensee performance in meeting key aspects of the Water Retail Code (handling of complaints and hardship customers) and service standards.

Whilst this is the first draft of the proposed Water Industry Guideline No.2 released for consultation, the broad features of the Commission's approach to performance monitoring have previously been consulted on through the:

- ▲ Statement of Issues paper;<sup>11</sup>
- ▲ Draft Advice to the Treasurer (**Draft Advice**);<sup>12</sup>
- ▲ Final Advice to the Treasurer (including proposed service standards to apply to SA Water for the initial regulatory period of 1 January 2013 to 30 June 2013);<sup>13</sup> and
- ▲ Water Retail Code Consultation Draft (**Draft Water Retail Code**).<sup>14</sup>

## 2.1 Submissions

The Commission has been assisted by the large number of submissions it has received through this review process. While the Commission has not adopted all positions put in submissions, all submissions have been helpful in allowing the Commission to consider each of the relevant issues under consideration and to understanding the competing viewpoints held.

The Commission has given consideration to and acknowledged all arguments and submissions in this review process. Where appropriate, the Commission has, either by direct quotation or by reference to themes or arguments, mentioned certain arguments and submissions in the text to assist stakeholders in responding to the positions it has reached; however, a 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.

Where submissions also put views which are not directly relevant to the particular matter at hand the Commission acknowledges the issues raised and plans to consider them after the current review is completed.

---

<sup>11</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Statement of Issues*, December 2010; available at <http://www.escosa.sa.gov.au/projects/162/economic-regulation-of-the-south-australian-water-industry.aspx#stage-list=0>. Submissions are available at <http://www.escosa.sa.gov.au/projects/162/economic-regulation-of-the-south-australian-water-industry.aspx#stage-list=1>

<sup>12</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Draft Advice*, August 2011; available at <http://www.escosa.sa.gov.au/library/111110-EconomicRegulationWaterIndustry-DraftAdvice.pdf>. Submissions are available at <http://www.escosa.sa.gov.au/projects/162/economic-regulation-of-the-south-australian-water-industry.aspx#stage-list=5>

<sup>13</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

<sup>14</sup> Essential Services Commission, *Water Retail Code Consultation Draft*, July 2012; available at <http://www.escosa.sa.gov.au/projects/183/water-retail-code.aspx#stage-list=0>. Submissions are available at <http://www.escosa.sa.gov.au/projects/183/water-retail-code.aspx#stage-list=1>

Key themes in submissions received to date in relation to the performance monitoring framework include:

- ▲ general support for the Commission’s approach to performance monitoring, whilst raising some specific issues;<sup>15</sup>
- ▲ importance of monitoring matters relevant to residential customers and, specifically, on those customers experiencing payment difficulties;<sup>16,17</sup>
- ▲ concern expressed in some quarters with a Commission proposal to tailor service standards and performance monitoring requirements to size of operation, unless the Commission can demonstrate good justification for doing so;<sup>18,19</sup>
- ▲ concern by Councils as to how Water Industry Guideline No.2 requirements would interact with a myriad of existing reporting obligations;<sup>20</sup>
- ▲ any material changes to systems and protocols could only be achieved at significant cost;<sup>21</sup> and
- ▲ Councils seeking adequate time for consultation on applicable service standards.<sup>22</sup>

In submissions received to date, there has been general support for the Commission’s approach to performance monitoring. There has been recognition that transparency is an extremely important aspect of regulating essential services and comprehensive performance monitoring not only assures compliance but can also identify trends and emerging issues that may warrant regulatory intervention. Measures of particular importance highlighted were: the number of concession recipients and hardship customers; direct debit default numbers; price fluctuations; compliance with hardship provisions; telephone responsiveness; and, compliance with agreed service standards.

---

<sup>15</sup> COTA SA, *Economic Regulation of the South Australian Water Industry-Draft Advice*, COTA SA submission to ESCOSA, January 2012, page 10; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-COTASA.pdf>

<sup>16</sup> SACOSS, *Economic Regulation of the South Australian Water Industry-Draft Advice*, SACOSS submission to ESCOSA, 30 January 2012, page 5; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-SACOSS.pdf>

<sup>17</sup> COTA SA, *Water Retail Code Consultation Draft*, COTA SA submission to ESCOSA, August 2012, page 8; available at <http://www.escosa.sa.gov.au/library/120828-WaterRetailCodeSubmission-COTASA.pdf>

<sup>18</sup> COTA SA, *Economic Regulation of the South Australian Water Industry-Draft Advice*, COTA SA submission to ESCOSA, January 2012, page 9; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-COTASA.pdf>

<sup>19</sup> SA Water, *Economic Regulation of the South Australian Water Industry-Draft Advice*, SA Water submission to ESCOSA, 30 January 2012, page 3; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-SAWater.pdf>

<sup>20</sup> LGA, *Economic Regulation of the South Australian Water Industry-Draft Advice*, LGA submission to ESCOSA, 30 January 2012, page 4; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-LGA.pdf>

<sup>21</sup> SA Water, *Water Retail Code Consultation Draft*, SA Water submission to ESCOSA, 24 August 2012, section 1.3; available at <http://www.escosa.sa.gov.au/library/120824-WaterRetailCodeSubmission-SAWater.pdf>

<sup>22</sup> LGA, *Water Retail Code Consultation Draft*, LGA submission to ESCOSA, August 2012, page 11; available at <http://www.escosa.sa.gov.au/library/120924-WaterRetailCodeSubmissionFinal-LGA.pdf>

However, support has also been expressed for adopting a light-handed approach, with the costs of collecting information and data being balanced against the benefits gained from its collection. The Commission's intention to draw on accepted existing performance indicators was supported as a means of minimising data collection costs and to aid comparison over time and between licensees.

## **2.2 Commission's Consideration**

Chapter 4 of this Explanatory Memorandum discusses key aspects of each proposed metric to be collected in Water Industry Guideline No.2. Most of the measures of particular importance identified above have been addressed in the draft Guideline.

The Act (section 37) requires the Minister to *"develop and publish a customer hardship policy in respect of the residential customers of water industry entities ..."*. Compliance with hardship provisions will be monitored through a number of mechanisms, of which Water Industry Guideline No.2 is one. The Commission will monitor the appropriateness of introducing the equivalent of the energy retailer annual hardship statement, as modified to reflect the customer hardship policy developed and published by the Minister, as part of future reviews of Water Industry Guideline No.2.<sup>23</sup>

The Commission's position in relation to a performance monitoring framework for the water industry remains as provided in the Final Advice, that it will comprise:<sup>24</sup>

- ▲ a Water Industry Reporting Guideline to specify licensees' performance against key requirements of the Commission's Water Retail Code;
- ▲ an initial focus on the reporting requirements for SA Water, with reporting requirements for smaller licensees to achieve an appropriate balance between the benefits of the information and the cost to the entity of providing it;
- ▲ annual reporting on industry performance by the Commission to give consumers information on whether or not the water businesses are meeting, exceeding or failing the service standards and how prices are changing over time; and
- ▲ reporting under the National Water Initiative National Performance Reporting requirements and ad hoc reports to be released to respond to any significant events occurring throughout the year.

Consultation on the draft Water Industry Guideline No.2 (WG2/01) is an initial step in implementing the performance monitoring framework for the South Australian water industry.

While the issues identified in submissions received to date in relation to consultation on the regulatory framework have been considered in the development of the draft Water

---

<sup>23</sup> If the Minister's hardship policy is published before finalisation of this Guideline, then its requirements will be assessed in finalising the Guideline

<sup>24</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 66; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>



Industry Guideline No.2, the Commission welcomes submissions from stakeholders on the extent to which they believe the issues have been adequately addressed.

SA Water raised a general concern that, in its view, the proposed water regulatory framework did not treat between utilities equally, with potentially more detailed performance reporting required of SA Water than other water entities. SA Water argued for the Commission to “... adopt a consistent, light-handed approach to applying and enforcing regulatory obligations on all water entities”.<sup>25</sup>

SA Water also:

- ▲ stated that any material changes to systems and protocols could only be achieved at significant cost; and
- ▲ argued that the service standards in the Final Advice represented increased performance requirements in some cases.<sup>26</sup>

In response to SA Water’s call for equity of treatment between individual entities, it should be noted that the Water Industry Act 2012 requires differing treatment of water industry entities in a number of areas. For example, the Act requires that:

*The Commission must, in acting under subsection (1), have regard to the scale and nature of the operations of the water industry entity (with scale and nature being determined by the Commission after consultation with the entity or a person or body nominated by the entity).*<sup>27</sup>

As a result, in developing a reporting guideline applicable to non-SA Water licensees regard will be had to the scale of their operations, whilst attempting to ensure sufficient reporting occurs to enable the Commission to make a proper assessment of performance.

This is not in conflict with the general Commission principle that licensees in direct competition should generally face the same standards and reporting requirements regardless of size of operations, which is the approach adopted in the energy sector. However, at this time, SA Water does not face any material direct competition, and is unlikely to do so in the most significant areas of its operation for some time.<sup>28</sup>

The exact scope of reporting obligations for non-SA Water licensees has yet to be determined, but it is envisaged to be less than for SA Water, given:

---

<sup>25</sup> SA Water, *Economic Regulation of the South Australian Water Industry-Draft Advice*, SA Water submission to ESCOSA, 30 January 2012, page 3; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-SAWater.pdf>

<sup>26</sup> SA Water, *Water Retail Code Consultation Draft*, SA Water submission to ESCOSA, 24 August 2012; available at <http://www.escosa.sa.gov.au/library/120824-WaterRetailCodeSubmission-SAWater.pdf>

<sup>27</sup> Section 25(2) of the Water Industry Act 2012. Section 25(1) sets out conditions the Commission must address in making a licence which, *inter alia*, requires “... the water industry entity to monitor and report as required by the Commission on indicators of service performance determined by the Commission” (section 25(1)(i)).

<sup>28</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 10; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

- ▲ most non-SA Water licensees will not be engaging in the full range of operations;
- ▲ there may be some measures for which, at least initially, it is not feasible for non-SA Water licensees to report on; and
- ▲ the size of the operation and the smaller number of customers affected, it may be appropriate to require annual reporting, rather than the quarterly reporting proposed to be required of SA Water for most of the performance measures.

As indicated in the Final Advice, it is likely that smaller entities would only be required to report annually, on the basis that ad hoc reporting requests could be made by the Commission should poor performance become apparent during the year.<sup>29</sup>

The Commission is concerned that any new requirements achieve benefits commensurate with any additional costs. The Commission recognises that SA Water currently has a billing system rather than a customer information system and that its billing system is relatively old, with a limit to the extent that enhancements can be made at reasonable cost. In this regard, the Commission will work with SA Water to ensure net benefit to customers, which may involve accepting a transitional period to when the full range of measures can be reported, coinciding with an eventual implementation by SA Water of a modern integrated customer information system.

SA Water's advice in relation to service standards is addressed in detail in Chapter 3 of this paper, however it is worth stating that the intent in the Final Advice was to determine SA Water's existing performance to set as a benchmark, not to propose any increases in performance for the initial regulatory period.

SACOSS submitted that ESCOSA should:

*... focus its early work on Performance Monitoring and Compliance on the matters relevant to residential consumers and, specifically, on those customers and consumers experiencing payment difficulties.<sup>30</sup>*

Further, SACOSS put the view that:

*Robust reporting is critical to the development of meaningful consumer advocacy in this new water market.*

*Of particular interest to SACOSS is for comprehensive reporting of matters relating to payment difficulties, concessions, hardship programs and restrictions on supply.<sup>31</sup>*

---

<sup>29</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 64; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

<sup>30</sup> SACOSS, *Economic Regulation of the South Australian Water Industry-Draft Advice*, SACOSS submission to ESCOSA, 30 January 2012, page 5; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-SACOSS.pdf>



#### COTA SA:

- ▲ raised concerns in relation to the definition of customer proposed in the Draft Water Retail Code, considering it to be too narrow;<sup>32</sup>
- ▲ advised that it would be:

*... particularly concerned to see that service to residential customers is of a high standard in recognition of the essential nature of this service.*

*In meeting the needs of older residents, COTA SA would emphasise the need for industry to respond to customer complaints, manage supply interruptions in a timely and effective manner, provide adequate means for customers to communicate with the retailer and vice versa and develop effective mechanisms to support older people in emergency situations.<sup>33</sup>*

The draft Water Industry Guideline No.2 focuses on monitoring performance in relation to residential customers, and includes a number of measures relating to payment difficulties, concessions, hardship programs and water supply restrictions in response to the SACOSS submission.

Water Industry Guideline No.2 incorporates a number of National Performance Framework measures, in order for the Guideline to serve as a comprehensive manual for the data needs of the Commission.

The Commission will employ a definition of customer that is consistent with the Act, but in the case of certain measures Water Industry Guideline No.2 seeks additional information, such as number of concession and hardship customers.

COTA SA submitted that:

*COTA supports ESCOSA's approach to performance monitoring with limited reservation. COTA notes that ESCOSA is concerned with maintaining current reporting requirements in the short term whilst working through the Urban Round Table Group (URTG) to amend the reporting requirements under the National Performance Framework: Urban Performance Reporting Indicators & Definitions Handbook (the 'Handbook').*

***Whilst COTA does not dispute that this is a valid approach in order to maintain consistency with the National Water Initiative (NWI) framework, ESCOSA should recognise that South Australian consumers will still look to it as the regulator to monitor performance and will not consider the NWI framework when doing so. While ESCOSA should have reference to national processes, agreements and***

---

<sup>31</sup> SACOSS, *Economic Regulation of the South Australian Water Industry-Draft Advice*, SACOSS submission to ESCOSA, 30 January 2012, page 17; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-SACOSS.pdf>

<sup>32</sup> COTA SA, *Water Retail Code Consultation Draft*, COTA SA submission to ESCOSA, August 2012, page 5; available at <http://www.escosa.sa.gov.au/library/120828-WaterRetailCodeSubmission-COTASA.pdf>

<sup>33</sup> COTA SA, *Water Retail Code Consultation Draft*, COTA SA submission to ESCOSA, August 2012, page 8; available at <http://www.escosa.sa.gov.au/library/120828-WaterRetailCodeSubmission-COTASA.pdf>



***initiatives, the long terms interests of South Australian water consumers are paramount and must trump other considerations where necessary.***<sup>34</sup>

(emphasis added)

COTA SA further submitted that:

*... COTA does not accept that for local governments, logging and reporting on customer contacts related to water services is not practical in the context of the wide range of services provided to customers and ratepayers. As noted above in the context of other provisions, individual exemptions should be sought individually, with a public and transparent process. **The onus should be on a local government provider to prove that meeting a service standard is impractical ....***

*In regards to other water providers, COTA proposes close monitoring of Ombudsman contacts as a means to ensuring that minimum licence standards are being met.*<sup>35</sup>

(emphasis added)

Water Industry Guideline No.2 has supplemented measures under the National Performance Framework, where additional measures have been deemed necessary for performance monitoring, consistent with COTA SA's submission. Also, as is currently the case with energy retailers, once the water regulatory framework has been established the Commission will liaise closely with the Ombudsman to ensure that licence requirements are being met, again this addresses the concern raised by COTA SA.

The LGA submitted:

*A Council's performance in providing the CWMS service is already subject to monitoring by a number of agencies. The performance of the scheme itself is monitored by the Department of Health and, depending on the size of the scheme, the EPA. Just like any other Council matter or issue, procedures for complaints grievances and external review are set out in the LG Act. The Ombudsman has the right to investigate and review (Chapter 6 Part 7). External auditors also review expenditure and provisions for future capital works etc (Chapter 8 Part 4 Division 3). There are requirements for Codes of Conduct for staff (Chapter 7 Part 4 Division 1). The relevant Minister for Local Government also has certain powers to investigate should issues arise (Chapter 13).*

*It is unclear how the proposed ESCOSA regulatory frame work will apply to Councils. Will the regulatory regime supersede existing legislative obligations of Local Government or will it add another level of regulatory process.*<sup>36</sup>

---

<sup>34</sup> COTA SA, *Economic Regulation of the South Australian Water Industry-Draft Advice*, COTA SA submission to ESCOSA, January 2012, page 10; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-COTASA.pdf>

<sup>35</sup> SA Water, *Economic Regulation of the South Australian Water Industry-Draft Advice*, SA Water submission to ESCOSA, 30 January 2012, page 3; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-SAWater.pdf>



In addition to providing useful background information, the LGA submitted:

*The applicable standards, exemptions (if any) scale of operation, definition of urban etc. need to be determined and documented before the license requirements are implemented. This will enable the impact on local government to be clearly defined.*<sup>37</sup>

Timing does not permit this to occur, given that licences will need to be granted before 1 January 2013. However, it is not considered that Councils will be placed at a disadvantage given the Commission's approach of setting initial service standards on current average performance. The accompanying draft Water Industry Guideline No.2 incorporates definitions, with the proposal to commence with two broad regions of "Adelaide metropolitan" and "regional".

As the Commission has done with SA Water, it will work with non-SA Water licensees over the coming months to determine a suitable set of metrics for regular reporting, having regard to existing reporting but noting the benefits of having consistency in sector-wide reporting requirements. The Commission will continue to consult with the LGA and any Council that wishes to have direct discussions with the Commission. However, in doing so, the Commission will have regard to COTA SA's submission on the importance of establishing service standards for local government providers.<sup>38</sup>

---

<sup>36</sup> LGA, *Economic Regulation of the South Australian Water Industry-Draft Advice*, LGA submission to ESCOSA, 30 January 2012, page 4; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-LGA.pdf>

<sup>37</sup> LGA, *Water Retail Code Consultation Draft*, LGA submission to ESCOSA, August 2012, page 11; available at <http://www.escosa.sa.gov.au/library/120924-WaterRetailCodeSubmissonFinal-LGA.pdf>

<sup>38</sup> COTA SA, *Economic Regulation of the South Australian Water Industry-Draft Advice*, COTA SA submission to ESCOSA, January 2012, page 9; available at <http://www.escosa.sa.gov.au/library/120209-EconomicRegulationWaterIndustry-DraftAdviceSubmission-COTASA.pdf>

### 3 SERVICE STANDARDS

---

As water and sewerage services are essential services, it is appropriate for the Commission to require high levels of customer service from licensees.

As indicated in Table 1.1, the service standards of key interest to the Commission, noting that there are other standards monitored by other regulators (e.g. water health overseen by Department of Health), relate to the performance of licensees in providing services, such as responsiveness to requests for services and dealing with any interruptions to such services.

#### 3.1 Best Endeavours

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"*.

As explained in the Draft Advice:

*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.<sup>39</sup>*

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, the licensee 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 preparation activity 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, the licensee must provide the

---

<sup>39</sup> Essential Services Commission, *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>

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 the licensee will be found to have failed to meet the standard. That is, the licensee 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.

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.

### **3.2 Approach to determining SA Water initial service standards**

The Final Advice provided a draft set of service standards and targets to apply to SA Water for the initial regulatory period of 1 January 2013 to 30 June 2013.<sup>40</sup>

As summarised in the Final Advice, the approach adopted (in consultation with SA Water) in developing these draft service standards and targets was to:

- ▲ *review data for the last five years (2006/07 to 2010/11) supplied by SA Water in response to a Commission data request;*
- ▲ *verify the simple averages in the SA Water data, having regard to the maximum performance achieved over the historic period;*
- ▲ *have regard to the importance of the metric in terms of the importance to the customer in receiving prompt service;*
- ▲ *adopt a “best endeavours” approach (defined above) rather than a “must achieve” approach;*
- ▲ *set standards at a level that achieves an appropriate balance in the extent of reporting by SA Water on reasons for any failed performance; and*
- ▲ *round targets to nearest 5%, unless in the case of rounding to 100% there are sufficient factors in favour of setting at 99%.<sup>41</sup>*

SA Water’s submission to the Draft Water Retail Code<sup>42</sup> suggests that the draft service standards developed by the Commission were above current levels, whereas as stated in

---

<sup>40</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, pages 57 to 60; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

<sup>41</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, pages 55; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

<sup>42</sup> SA Water, submission on *Water Retail Code Consultation Draft*, August 2012, section 1.4; available at <http://www.escosa.sa.gov.au/library/120824-WaterRetailCodeSubmission-SAWater.pdf>

the Final Advice, the Commission's intention was for *"service standards for this initial period ... to be based on the level of SA Water's current performance"*.<sup>43</sup>

SA Water went on to argue that *"(i)t is not reasonable to expect operational staff to always meet the specified timeframes. A target of 99% allows for these exceptional circumstances"*.

The Commission has reviewed the initial regulatory period service standards set at 100% in the Final Advice. Whilst the Commission has received performance data for 2011/12 from SA Water since setting the service standards provided in the Final Advice, the Commission proposes to continue to use the five year data (2006/07 to 2010/11) as the benchmark performance. It is not considered appropriate for customers to accept lower performance standards as a result of any potential reduced service in some areas associated with implementation of the new Adelaide Metropolitan operations contract. Lower standards should only be accepted in return for lower prices paid by customers.

In reviewing the benchmark performance data, there were some occasions where less than 100% performance had been achieved and the Commission had rounded the results up to 100%. This was rather than have two categories of 99% and 100%, given the impact on customers of a 1% differential would not be expected to be material in most instances.

The Commission notes that SA Water has set internal performance targets not exceeding 99% and that SA Water has advised the Commission that such targets are reflected in its new Metropolitan Adelaide operations contract.

The Commission sets standards to achieve a minimum level of service, and setting a standard at 99% does not prevent a licensee achieving 100% performance on a consistent basis. Examples exist in the energy sector of entities setting higher internal targets than Commission set standards for commercial reasons.

Setting a standard at 99% also acknowledges the realities of operational performance, noting that the data supplied by SA Water includes what could be deemed "exception" instances (e.g. where OHS&W, lack of access, extreme environmental events and significant third party damage to licensee infrastructure prevent a target being met), notwithstanding that SA Water reported achieving 100% performance over the period examined for a number of the service standards in question.

Consequently, all things considered, the Commission has reset any 100% target to 99% in the proposed final standards targets for SA Water for the initial regulatory period.

However, it is important that SA Water performance data provided under Water Industry Guideline No.2 includes any exceptions, noting that the 99% target has been set on the basis of incorporating exceptional circumstances.

---

<sup>43</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 55, available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>



Some other minor amendments have been made to the draft service standards provided in the Final Advice, and these are discussed in the relevant section of Chapter 4. The final approved list of service standards to apply to SA Water for the initial regulatory period (1 January 2013 to 30 June 2013) is available as a schedule on the Commission's website.<sup>44</sup>

It should be noted that the list of service standards approved by the Commission may not be exhaustive, as the licensee may set additional internal service standards for itself.

As identified in the Final Advice, service standards have yet to be determined for non-SA Water licensees and hence reporting performance against such measures will not be required at the commencement of Water Industry Guideline No.2 (i.e. version WG2/01).

As service standards are further developed over the coming months, the relevant reporting requirements will be incorporated into subsequent versions of the Guideline, unless a more tailored approach proves appropriate for non-SA Water licensees. This process will involve collecting historic performance data from the licensees, as a separate exercise to any future reporting under Water Industry Guideline No.2.

The Commission's position in developing services standards for individual licensees remains as provided in the Final Advice:

- ▲ it will implement a best endeavours service standards regime for all licensees;
- ▲ the details of that regime may vary between licensees depending on the scale and scope of their operations.<sup>45</sup>

---

<sup>44</sup> Service Standard Schedules are available at: <http://www.escosa.sa.gov.au/library/121114-WaterServiceStandardsSchedule-InitialRegulatoryPeriod>

<sup>45</sup> Essential Services Commission, *Economic Regulation of the South Australian Water Industry-Final Advice*, June 2012, page 56; available at <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

## 4 REPORTING GUIDELINE

---

The Water Industry Act applies to a large number of operators,<sup>46</sup> ranging from very small operators to SA Water. SA Water is the dominant supplier of water and wastewater services to Adelaide and many regional centres across South Australia, supplying drinking water to approximately 95% of the State's population.

In this initial phase of implementing a regulatory framework for the South Australian water industry, the extent of individual licensee's reporting requirements will be determined by the size of the entity's customer base. This is consistent with the licensing provision in the Water Industry Act requiring the Commission to "... have regard to the scale and nature of the operations of the water industry entity".<sup>47</sup>

The larger the customer base, the higher the expectation that entities will have in place systems that can record the full range of performance and operational metrics. For example, an entity such as SA Water is expected to have a dedicated telephone system which can record response times for water-related enquiries; however, a small council-run operation is more likely to only have a general telephone number and not be in the position to time the response to water or sewerage-related enquiries only.

Determining the extent of reporting requirements on customer base ensures that similar sized organisations face the same obligations and similar compliance costs.

As discussed in Chapter 2, such a distinction is unlikely to hold where entities of different size are in direct competition with each other, such as in the energy retail market. Energy retailers have the same reporting obligations, whether they have a customer base of 4,000 or 400,000.

Nevertheless, given the current stage of development of the regulatory system, and in the absence of full retail competition, it is considered appropriate to commence with simplified reporting obligations for small water industry entities.

Should experience, including stakeholder requirements, indicate a need to increase the level of reporting by smaller entities, then this will further reviewed by the Commission.

Accordingly, reporting responsibilities are proposed to be determined for individual water industry entities according to the following three reporting classes, based on the licence categories determined by the Treasurer:<sup>48</sup>

---

<sup>46</sup> In addition to SA Water, there are 68 Councils and other organisations (e.g. remote community organisations) that are potentially covered by the provisions of the Act

<sup>47</sup> Water Industry Act 2012, clause 25(2). Refer to Chapter 2 of this paper for further discussion of this point

<sup>48</sup> A copy of the Treasurer's licence application and licence fees for retail services advice to the Commission (August 2012) is available at <http://www.escosa.sa.gov.au/library/120831-WaterLicenceApplicationFeeandAnnualLicenceFee-Treasurer.pdf>. Note as for licence fee purposes, the number of connections for a licensee is determined by the sum of connections for each retail service provided. For example, a licensee providing 30,000 water services and 25,000 sewerage services would be determined to have 55,000 connections

- ▲ Major: greater than 50,000 connections;
- ▲ Intermediate: 501 to 50,000 connections; and
- ▲ Minor: 1 to 500

Water Industry Guideline No.2 (WG2/01) does not include reporting responsibilities for Intermediate and Minor classes, as these are yet to be developed in consultation with licensees. Nevertheless, initial comment on whether the above indicative thresholds appear reasonable for reporting purposes would be welcomed.

Whilst the distinction between reporting requirements for each class has yet to be determined, Table 4.1 shows potential approaches for Intermediate and Minor classes compared with that proposed for Major (Proforma OP references relate to those included in Water Industry Guideline No.2 (WG2/01)):

**TABLE 4.1: EXAMPLE REPORTING REQUIREMENTS BY CLASS**

Proforma Reference	Performance Measure	Reporting Frequency		
		Major	Intermediate	Minor
OP1.1	Timeliness of response to telephone calls	quarterly	annually	nil
OP1.2	Customer Complaints	quarterly	quarterly	component - annual
OP1.4	Timeliness of response to water quality complaints	quarterly	Nil-pending development of service standards	
OP2.1	Restrictions & legal action for non-payment	quarterly	quarterly	annually
OP2.2	Financial hardship customers	quarterly	quarterly	annually
OP2.3	Price movements	annually	annually	annually
OP3.1	Water infrastructure reliability	quarterly/ annual	quarterly/ annual	annually
OP3.4	Sewerage infrastructure reliability	quarterly/ annual	quarterly/ annual	annually
OP4.1	Statistical Information	quarterly	quarterly	annually

As indicated, the key difference in reporting obligations between Intermediate and Minor licensees in most cases may be the regularity of reporting.

Generally accepted water industry definitions have been used in Water Industry Guideline No.2 (WG2/01) where available.<sup>49</sup> However, where a definition used by a licensee differs, the benefits of maintaining a valid time series of data should not be overlooked.

<sup>49</sup> For example, as employed under the National Performance Framework.



Given the coverage of SA Water operations, Water Industry Guideline No.2-WG2/01 draws heavily on existing measures reported by SA Water for its internal purposes and for the National Performance Framework. The Commission recognises that other water industry entities may need some transition time to enable them to have systems in place to collect this information, where it is determined appropriate to require it.

The following sections discuss key aspects of each proposed Water Industry Guideline No.2 (WG2/01) Operational Proforma (OP), which provides a template for each data reporting requirement. The relevant OP measure in Water Industry Guideline No.2 is identified in the headings below.

As previously indicated, the standards set out in Water Industry Guideline No.2 (WG2/01) cover the initial regulatory period from 1 January 2013 to 30 June 2013, applying only to Major licensees, being SA Water.

Standards for the period commencing 1 July 2013 to 30 June 2016 will be developed as part of the first revenue determination process for SA Water, resulting in a revised Water Industry Guideline No.2 (WG2/02) to operate from 1 July 2013 should revised standards be determined for SA Water. A revised Guideline may also be required to incorporate any service standards developed for non-SA Water licensees.

#### **4.1 Nature of the Guideline**

Section 1 of Water Industry Guideline No.2 (WG2/01) provides a preamble to the Guideline stating:

- ▲ authority for making the Guideline (section 1.1);
- ▲ which organisations are bound to report under the Guideline, with initially only SA Water bound (section 1.2);
- ▲ the basis for interpreting the Guideline (section 1.3);
- ▲ confidentiality provisions applying to any information collected (section 1.4);
- ▲ processes for revising the Guideline (section 1.5); and
- ▲ that the Commission welcomes suggestions from stakeholders on how to improve the Guideline (section 1.6).

#### **4.2 Informational Requirements**

Section 2 of Water Industry Guideline No.2 (WG2/01) states requirements for providing information to the Commission:

- ▲ information is to be provided by completing the operational performance proformas in Schedule 1 of the Guideline (section 2.1);
- ▲ ability for the Commission to seek additional information from time to time (section 2.2);

- ▲ for those licensees required to provide quarterly returns (licensees with medium to large scale operations), the manner and timing of submission (section 2.3);
- ▲ for those licensees only required to provide annual returns, the manner and timing of submission (section 2.4);
- ▲ requirement for a responsibility statement to accompany data submitted, the required organisation level of sign-off and manner of sign-off, as a means of providing assurance to the Commission on the accuracy of the data (section 2.5);
- ▲ data quality assurance requirements (section 2.6); and
- ▲ process for submitting any variations to data previously submitted by the licensee to the Commission (section 2.7).

In relation to data quality assurance requirements:

- ▲ a reference to “a true and accurate representation” (clause 2.6.1) means that the licensee must use *best endeavours* to provide accurate data that materially reflects the relevant circumstances, transactions or event at the time the data is submitted, noting the processes for submitting subsequent material data variations (clause 2.7);
- ▲ where independent assurance is required, reference is made to the requirement for the licensee to submit a report to the Commission in the form of an “agreed-upon procedures report” (clause 2.6.4). The term “agreed-upon procedures report” is defined in the Glossary to Water Industry Guideline No.2 (WG2/01) and the exact form of the report would be developed at the time, in accordance with the requirements of the relevant auditing standard; and
- ▲ reference is made that “substance is to prevail over legal form” (clause 2.6.6). Again this addresses an accounting requirement, that the reporting must reflect the true purpose of the relevant circumstance, transaction or event, not a contrived outcome.

Clause 2.3.3 requires a licensee to provide a draft of an Annual Return no later than 31 August immediately following the end of each regulatory year, with a final to be provided no later than 30 September. This is to recognise that some entities are not able to achieve a statutory sign-off of accounts before 31 August. The receipt of a draft before the end of August should enable the Commission to meet an end of year November public reporting timeline.

### **4.3 Operational Performance Proformas**

The following discussion refers to the data templates (operational performance proformas) contained in Schedule 1 of Water Industry Guideline No.2 (WG2/01).

#### **4.3.1 Timeliness of response to telephone calls (OP1.1)**

*Service Standard: Percentage of telephone calls answered within 30 seconds - 85%*

This service standard is consistent with the generally adopted standard in the energy industry, although restricting the definition to “calls to a telephone operator” in accordance with the National Performance Framework definitions published by the National Water Commission (**NWC**) excludes a number of calls, such as IVR calls where the customer does not select an operator.<sup>50</sup>

However, given IVR calls are responded to instantaneously, adopting the water industry approach is not expected to negate the ability to compare water industry performance with the level of telephone responsiveness achieved by energy entities.

This performance measure is reported annually under the National Performance Framework. Water Industry Guideline No.2 will require quarterly reporting by SA Water, to enable close monitoring of this standard by the Commission.

It is not proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). The National Performance Framework does not require such a disaggregation and energy retailers to date have not been required to report their performance on a regional basis.

To date, SA Water has not collected telephone call centre responsiveness data separately for metropolitan and regional areas and it may be technically difficult to do this automatically (i.e. without an exercise to link each call with customer account and then subsequently link to location).

It is also not proposed that this performance measure be disaggregated into separate types of water and sewerage services, nor according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost. Energy retailers to date have not been required to report their performance on such a basis.

For most metrics three categories of information are required being: the gross total (e.g. total number of telephone calls), the number dealt with in the standard time period (e.g. number of telephone calls answered within 30 seconds) and the percentage achieved (e.g. percentage of telephone calls answered within 30 seconds). The percentage can be compared directly with the standard and the three pieces of information enable the accuracy of the percentage to be checked. However, the gross total also allows the Commission to assess the importance of the metric, e.g. if a standard is not met but affects few customers then this might suggest a different compliance approach than if the failure affected a large number of customers.

---

<sup>50</sup> IVR refers to an Integrated Voice Response, an automated system used for answering telephone calls

### 4.3.2 Customer complaints (OP1.2)

The level of complaints and how well they are handled is an indication of the level of customer service being provided by a licensee.

The Commission proposes to use a combination of the number of complaints reported by water industry entities and the number of complaints handled by the Industry Ombudsman as an indicator as to how well water industry entities are responding to customers' needs. The monitoring of this measure has proven particularly important in the energy industry, amongst other things enabling early warning of systemic issues.

Separate initial service standards for timeliness of response to any complaint requiring a written response or investigation and timeliness of response to water quality complaints has been set (refer discussion on OP1.3 and OP1.4 below).

This performance measure (OP1.2) is reported annually under the National Performance Framework. Water Industry Guideline No.2 will require quarterly reporting by SA Water, to enable close monitoring of each complaint category.

Statistics on the number of complaints handled by the Industry Ombudsman will be sought directly from the Ombudsman, as currently occurs for the energy industry.

Consistent with the National Performance Framework (albeit with some augmentation), reporting on the following customer complaint categories by water industry entities is proposed:

- ▲ billing and account complaints (water and sewerage/CWMS);<sup>51</sup>
- ▲ water service complaints;
- ▲ drinking water flow rate or pressure complaints;<sup>52</sup>
- ▲ drinking water quality complaints;
- ▲ sewerage service complaints (including CWMS);
- ▲ other; and
- ▲ total water and sewerage (including CWMS) complaints.

As indicated, complaints associated with Community Wastewater Management Systems (**CWMS**) will be grouped with the relevant sewerage complaint category. This general approach will be adopted in relation to other Operational Proformas, noting that SA Water provides CWMS services in a number of regional centres.

---

<sup>51</sup> CWMS refers to Community Wastewater Management Systems. CWMS (formerly STEDS) provide approximately 10% of all public wastewater services in South Australia, servicing around 130,000 South Australian residents (source: <http://www.lga.sa.gov.au/site/page.cfm?u=1792>)

<sup>52</sup> Included within *water service complaints* in the National Performance Framework complaint categories

In order for the Commission to be in a position to concentrate on a limited number of key service standards, the Commission is not proposing to require water industry entities to meet a water flow rate standard, even though some water industry entities may have established their own standards. By having this as a separate complaint category, the Commission can monitor over time the extent to which customers have concerns in this area.

It is not proposed that complaint categories be reported by region (i.e. Adelaide metropolitan vs regional (country)) for this measure (OP1.2). Energy entities to date have not been required to report the level of complaints on a regional basis.

It is also not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost at this time. Energy retailers have not been required to report the level of complaints on a customer type basis under the Commission's Energy Industry Guideline No.2, although the Australian Energy Regulator will require reporting by residential and small business categories under the National Energy Customer Framework.<sup>53</sup>

The complaint performance of water industry entities will be compared by deriving a figure of "complaints per 100 customers" for each entity, to assist in identifying any licensee that may warrant closer scrutiny.

### 4.3.3 Timeliness of response to complaints (OP1.3)

#### *Service Standards:*

*Percentage of written complaints that do not require investigation responded to within 10 business days – 95%*

*Percentage of complaints where an investigation is required responded to within 20 business days – 95%*

It is important that customers receive timely responses to any complaints they may have, in accordance with the implementation of Commission-approved customer enquiry and complaint handling processes mandated by the Water Retail Code, as follows:

**Customer** complaints and dispute resolution procedures must deal with at least the following matters:

- (a) how complaints may be notified by **customers**;
- (b) the handling of complaints for both **customers** and tenants brought within the definition of **customer** by regulations;
- (c) response times for complaints;
- (d) method of response (for example, in writing);

---

<sup>53</sup> Australian Energy Regulator, *AER (Retail Law) Performance Reporting Procedures and Guidelines*, June 2012; available at <http://www.aer.gov.au/sites/default/files/D12%2090627%20%20AER%20Performance%20Reporting%20Procedures%20and%20Guidelines%20-%20June%202012.pdf>

- (e) referral to the **industry ombudsman scheme** where the complaint is not satisfactorily resolved; and
- (f) any other matter required by the **Commission**.<sup>54</sup>

A licensee will be able to provide an immediate response to a large number of customer complaints received, where the customer is making the complaint face-to-face or via telephone contact. However, this may not always be possible, such as where a complaint:

- ▲ has been made in writing; and/or
- ▲ requires some investigation before a response can be provided.

The initial service standards allow the licensee a longer response time for those complaints requiring investigation.

Of note, the Final Advice proposed a 5 business days standard for complaints not requiring investigation but, subsequently, SA Water advised the Commission that this was a typographical error in the performance data supplied by it to the Commission: the standard adopted by SA Water is in fact 10 business days. The Commission has accepted this advice, on the basis that for this initial regulatory period the general approach being adopted by the Commission is to set service standards on the basis of existing performance.

The standard permits a written complaint to be responded to either in writing or by telephone. The complaint requiring investigation may be delivered by the customer either verbally (i.e. face-to-face or via telephone) or in writing and can be responded to either in writing or by telephone.

Whilst it is noted that there is no comparable National Performance Framework performance measure, under the Commission's Energy Industry Guideline No.2 energy retailers are required to report on timeliness in responding to written enquiries, which includes complaints. It is considered that the proposed complaint standards will be important in ensuring an appropriate level of licensee responsiveness to issues raised by customers.

For both complaint standards, where the complaint cannot be resolved within the set timeframes, "responded to" means the customer has at least been advised of the licensee's suggested course of action, identified when the action will be taken and the name of the appropriate contact person for further enquiries. Refer to next section for further discussion on the definition of "respond" or "response".

It is not proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). To date, SA Water has not collected complaint responsiveness performance separately for metropolitan and regional areas.

---

<sup>54</sup> Essential Services Commission, *Water Retail Code-Major Retailers (WRC-MR/01)*, November 2012, clause 3.2.2; available at <http://www.escosa.sa.gov.au/library/121116-WaterRetailCode-MajorRetailers>

Energy entities have not been required to report their performance on a regional basis.

It is also not proposed that this performance measure be disaggregated into separate types of water and sewerage services. The Customer Complaints measure (OP1.2) records the level of complaints received by whatever medium (i.e. written or verbal) and that measure is disaggregated into key categories.

Finally, it is not proposed that this performance measure (OP1.3) be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost at this time.

#### **4.3.4 Timeliness of response to water quality complaints (OP1.4)**

*Service Standards:*

*Percentage of Priority 1 complaints responded to within 1 hour (Adelaide metropolitan and regional) – 99%*

*Percentage of Priority 2 complaints responded to within 2 hours (Adelaide metropolitan and regional) – 95%*

*Percentage of Priority 2 complaints responded to within 12 hours (Adelaide metropolitan and regional) – 99%*

*Percentage of Priority 3 complaints where further action is required and the customer is contacted within 2 hours to negotiate attendance within 24 hours (Adelaide metropolitan and regional) – 99%*

The quality of drinking water has clear health implications and any risk to human health needs to be addressed in a timely manner.

The Department of Health has responsibility for ensuring compliance with quality of water guidelines which it has established; the Commission has no regulatory remit in that area. Rather, the Commission's role is in ensuring compliance with service standards it has established for economic regulation purposes, with an initial service standard set requiring differing response times to customer complaints concerning water quality depending on the potential severity or priority of the issue.

Of note, the Final Advice proposed standards for:

- ▲ Priority 1 and 2 in terms of being “attended to”, rather than “responded to” as now proposed; and
- ▲ Priority 3, an additional branch of “... and the resulting attendance is not more than 15 minutes late [excluding lateness due to circumstances beyond the reasonable control of the licensee]”.

In relation to the first point, the Commission has accepted advice from SA Water that having the complaint responded to is most important for the customer, with the customer asked a series of questions by the SA Water operator at the time of

raising the complaint to ascertain the seriousness of the issue. In addition, any attendance may not be at the customer's house but at the source of any issue (e.g. the affected water source may be a considerable distance away from the customer).

The Commission is, however, proposing the following robust definition of what constitutes a valid response by a licensee, contained in the glossary to Water Industry Guideline No.2:

***respond** or **response** means an action to resolve a **water service complaint**, **sewerage service complaint** or other **complaint** by communicating with the **customer** by phone or personal attendance dependent on the appropriate action required to resolve the issue. Where the complaint cannot be resolved within the set timeframes, "responded to" means the customer has been advised of the **licensee's** suggested course of action, identified when the action will be taken and the name of the appropriate contact person for further enquiries.*

In relation to the second point, SA Water advises that it does not currently collect information on this aspect and the cost of doing so, together with the relatively low number of Priority 3 complaints (0.09 per 100 customers, Adelaide metropolitan 2010/11) and that even if attendance is required this does not necessarily require the customer to be at home, indicates that any benefit by having the additional branch to the metric has yet to be justified. Consequently, it is proposed to delete this additional branch.

As outlined in Chapter 3, following further consideration, the Commission accepts that there are legitimate reasons for not setting standard targets at 100%, and has accordingly reset a number of targets for this standard to 99%.

There is no comparable National Performance Framework performance measure. Some energy distributors are required to report on quality of supply (voltage variation) and make customer compensation payments for voltage variation, but the South Australian electricity distributor (SA Power Networks<sup>55</sup>) does not have a service standard relating to timeliness of site attendance.

Data supplied by SA Water for the last five years (2006/07 to 2010/11) shows, for where data is available, that there have been relatively few water quality complaints for events posing a potential risk to human health in the Adelaide metropolitan area, and whilst more were reported for those posing potential low risk in the regional area (priority 2), the level in the regional area declined markedly in 2010/11. Nevertheless, it is proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)), given that different standards are proposed to be set for each region, to determine if performance

---

<sup>55</sup> SA Power Networks formerly trading as ETSA Utilities



varies over time. The differing standards reflect existing service standard differentials, which in turn reflect differences in cost of providing service in regional areas compared to the Adelaide metropolitan region. Different regional standards have also been adopted for other standards, as outlined below.

Analysis of the benchmark data shows SA Water only achieving 95.3% for the category of Priority 2 complaints responded to within 12 hours in regional areas, against an internal target of 99%. Whilst given the evidence of the data the Commission would be prepared to set the standard at 95%, in this instance it has set the standard at 99%, given that the standard for “responding within 2 hours” has been set at 95%, which would make redundant setting the “within 12 hours standard” at 95%.

It is not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost at this time.

#### **4.3.5 Timeliness of connection (OP1.5)**

*Service Standards:*

*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%*

Customers seeking to be connected to water and/or sewer services should achieve connection in a timely manner. Accordingly, service standards for connection that vary according to complexity (i.e. standard or non-standard) and type of service have been set for SA Water.

There is no comparable National Performance Framework performance measure. SA Power Networks is required to make a Guaranteed Service Level payment where electricity is not connected to a property within the set timelines.

It is not proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional) as the service standard is the same for both areas, and with a standard of 95% it would be difficult for a licensee serving both areas to allow service to deteriorate much below this standard in the regional area alone before it would fail to be met for the operation as a whole.

SA Water has not been able to supply the Commission with trend data that enables comparison of the performance for regional areas with the Adelaide metropolitan area for this metric, with data to be collected in both regions from

the beginning of 2011/12. Energy entities to date have not been required to report their performance on a regional basis. This matter will remain under review, but disaggregated data will not be required for the initial version of Water Guideline No.2.

It is not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost.

#### **4.3.6 Timeliness of processing trade waste applications (OP1.6)**

*Service Standard: Percentage of trade waste applications processed within 10 business days – 99%*

Whilst water industry entities have discretion as to whether they allow the discharge of trade (non-residential) waste into their system, customers should still be confident that applications to do so will be handled in a timely manner.

It is not proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). To date, SA Water has not collected complaint responsiveness performance separately for Adelaide metropolitan and regional areas.

#### **4.3.7 Restrictions & legal action for non-payment (OP2.1)**

Disconnection (or restriction) of a customer's water and/or sewerage services should be the last resort for a licensee attempting to recover debt. Further, customers should not have their water and/or sewerage services restricted or disconnected due to incapacity to pay alone.

To ensure that public health is protected at all times, under the Water Retail Code, all licensees will be prohibited from disconnecting water and sewerage services for non-payment.

Licensees may restrict water supply, but will not be permitted to restrict sewerage services, where a customer fails to pay its bills on an ongoing basis and is not participating in a Hardship Program providing specified Water Retail Code provisions have been met. The Water Retail Code places other prohibitions on water service flow restrictions. In addition, SA Water will not be permitted to impose a water restriction (i.e. fit a flow restriction device) where it is pursuing debt recovery through other means (i.e. legal/collection action), or vice versa. That is, SA Water cannot pursue both flow restriction and collection action at the same time.

Licensees would only be permitted to disconnect a customer's services for other reasons as permitted by the Act (e.g. in the event of illegal use of sewerage services, such as the disposal of unauthorised material to sewer (e.g. stormwater or trade waste) without an appropriate permit, or contrary to the conditions of a

permit granted to the extent there are no sanitary implications). Sewerage should be read to include CWMS.

The Commission proposes to require reporting on the number of restrictions and legal actions applied by water industry entities.

It is not proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). Data provided by SA Water for the 5 year period (2006/07 to 2010/11) shows no regional customers had a water restriction imposed over the entire period, with no disconnections reported in either region. Energy entities to date have not been required to report their performance on a regional basis.

It is, however, proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as in this case additional benefit is seen to warrant the additional cost, recognising that for non-residential customers water services are simply another business input cost and so the consumer protections extended to non-residential customers are more limited. That is, it is important to be able to separately monitor the level of restrictions applying to residential customers. The data supplied by SA Water show that very few non-residential customers have had restrictions imposed in recent times up to 30 June 2012. Energy retailers are required to report their performance on a customer type basis under the Commission's Energy Industry Guideline No.2.

The Australian Energy Regulator (**AER**) will require energy retailers to report additional customer categories of hardship program, energy concession, residential customers who have been on a payment plan in the previous 12 months and residential customers who have been disconnected on more than one occasion in the previous 24 months.<sup>56</sup> In relation to the last three metrics, similar metrics were included in an earlier version of the Commission's Energy Industry Guideline No.2 but were removed for the most recent version, in part as reliance could not be placed on the data collected. The Commission also took the view that a purely statistical reporting approach to measuring the success or otherwise of a retailer's hardship program is not sufficient, and instead introduced an annual hardship program reporting requirement for energy retailers.<sup>57</sup>

The water industry has generally experienced relatively low rates of service restrictions, possibly in part due to the ability for some operators to place a charge over property. Accordingly, the Commission will monitor the appropriateness of introducing the equivalent of the energy retailer annual hardship statement, as

---

<sup>56</sup> AER, *AER (Retail Law) Performance Reporting Procedures and Guidelines*, June 2012, Version 2; available at <http://www.aer.gov.au/sites/default/files/D12%2090627%20%20AER%20Performance%20Reporting%20Procedures%20and%20Guidelines%20-%20June%202012.pdf>

<sup>57</sup> Commission, *Review of Energy Regulatory Information Energy Industry Guideline No.2-Final Decision*, June 2010; available at <http://www.escosa.sa.gov.au/library/100618-EnergyGuidelineNo2Review-FinalDecision.pdf>

part of future reviews of Water Industry Guideline No.2. In the interim, it is proposed that Proforma OP2.1 include additional categories for residential water restrictions applied for non-payment: financial hardship program, concession and tenant.

The Commission recognises that any reporting on tenants will represent a fundamental change for SA Water and depend on the timing and extent to which, if at all, tenants are prescribed to be customers. This is an example of a Water Industry Guideline No.2 transitional requirement, where the Commission might not expect such a specific metric to be reported in the short term.

The potential for overlap within these categories is recognised, i.e. it is possible for one customer to receive a concession and be in a hardship program. Nevertheless, the statistics at this level should be feasible to collect, rather than the more complex interrelationships of the Energy Industry Guideline No.2 that failed to produce reliable data.

This metric can be read as: of the total number of water restrictions applied to residential customers, a reported number were in a financial hardship program, received a concession and/or were a tenant. As noted, it is recognised that there may be some difficulty in licensees that only have a relationship with property owners (and hence landlords) to determine if a particular customer was a tenant. The Commission will liaise with the licensee on the requirements for reporting tenant information in such circumstances.

The level of reconnections/restriction removal occurring at the same premises in the same name within 7 days of restriction is also proposed to be monitored. Whilst it is possible to interpret this measure in more than one way, the primary purpose is to determine the extent to which customers are able to resolve their issue quickly and return to full service. The adoption of “7 days” is to be consistent with the time period generally adopted for the energy sector.

#### **4.3.8 Financial hardship customers (OP2.2)**

The Water Industry Act requires retailers to have an approved Customer Hardship Policy in place.

A number of measures have been proposed to monitor the number of customers facing hardship and how well they are assisted by water industry entities. As discussed in chapter 2 of this paper, the Minister must develop and publish a customer hardship policy with the Water Retail Code incorporating hardship provisions (section 9). Water Industry Guideline No.2 contains measures designed to monitor the extent to which licensees are meeting their obligations under the hardship policy.

It is proposed that this metric be reported by region (i.e. Adelaide metropolitan vs regional (country)). Data provided by SA Water shows that for 2010/11, on a per

100 drinking water customer basis, the number of regional customers participating in a hardship program was two-thirds higher than for the Adelaide metropolitan area. Given SA Water already separately collects the data there is considered small cost in continuing the separation, given there are significant numbers of regional customers participating in hardship programs.

The measures proposed concentrate on residential customers as they are the primary group being targeted for assistance.

It is proposed that average bill debt for hardship customers be monitored over time, with any material increases indicating a potential cause for concern.

The number of customers on a water concession and the number on a sewerage concession will be sought, noting that the State Government provides a separate concession for each.

The AER is proposing to apply some 13 separate financial hardship indicators for energy retailers.<sup>58</sup> The Commission is proposing to rely on a relatively small number of indicators, at least initially. As indicated above, the Commission will monitor the appropriateness of introducing the equivalent of the energy retailer annual hardship statement, as part of future reviews of Water Industry Guideline No.2. This may be required if water price increases result in a level of water restrictions being imposed for non-payment comparable to the level of disconnections occurring in the energy industry.

#### **4.3.9 Price movements (OP2.3)**

Price movements provide a potential indicator of financial stress, particularly if large increases are occurring.

The proposed measures draw on the National Performance Framework indicators of “typical residential bill” and “residential bill for a fixed consumption of 200 kL”.

Monitoring changes in bills for a fixed consumption over time effectively monitors movements in prices.

In the case of the typical residential bill, changes are likely to be occurring in both consumption and price, so this measure attempts to monitor changes in the bill paid by the average residential customers (i.e. the customer with average consumption).

It is proposed that this measure be reported by region to enable changes over time to be monitored. For example, any changes in community service obligation

---

<sup>58</sup> Australian Energy Regulator, *AER (Retail Law) Performance Reporting Procedures and Guidelines*, June 2012, page 24; available at <http://www.aer.gov.au/sites/default/files/D12%2090627%20%20AER%20Performance%20Reporting%20Procedures%20and%20Guidelines%20-%20June%202012.pdf>

payments could result in regional bills changing at a different rate than metropolitan counterparts.

Requiring this data to be reported through Water Industry Guideline No.2 would capture all water industry entities to which the Guideline applies, not only those reporting through the National Performance Framework. Requiring only annual reporting should result in minimal additional costs for SA Water which is required to report on a similar basis under the National Performance Framework.

The Commission's Energy Industry Guideline No.2 also requires energy retailers to provide data on revenue from sales by energy and customer type. This enabled a gross average revenue (proxy for price) to be determined. However, in the case of the water industry, it is proposed to only monitor price movements in terms of the above metrics and not require water industry entities to provide gross revenue data. The proposed metrics are considered to provide a better indicator of price movements and would avoid any potential concern of water industry entities in providing potentially commercially sensitive revenue information through the Water Industry Guideline No.2, even though it would only be published as an aggregate industry figure.

#### **4.3.10 Water infrastructure reliability (OP3.1)**

There are a range of measures for monitoring the reliability of water infrastructure, a number of which are reported routinely under the National Performance Framework.

The proposed measures draw on the National Performance Framework indicators.

At least in the initial period these measures will not be subject to service standards.

It is proposed that these measures be reported by region (i.e. Adelaide metropolitan vs regional (country)), to enable any differences in performance to be monitored over time.

SA Water has advised that it is not currently in a position to report a number of the reliability measures and for the categories required. For example, SA Water currently is not able to report planned interruptions for recycled water. A transition period will need to be determined, with the Commission discussing its requirements with SA Water (and other licensees) in order that water industry entities can plan and implement the necessary systems and procedures to enable them to report these measures in a timely manner.

In relation to the proposed infrastructure leakage index (**ILI**), SA Water advises that it only calculates this measure for Adelaide metropolitan and the large regional townships (Murray Bridge, Mt Gambier, Port Lincoln, Port Pirie, Port Augusta and Whyalla). SA Water further advises that the majority of mains in regional areas

outside of larger regional townships would have a lower ILI than urban areas given that such mains:

- ▲ are largely above ground (major pipelines) and therefore any leakage is readily observed and repaired;
- ▲ have a very low service connection density (number of service connections per length of main); and
- ▲ generally have lower pressure than urban areas (and therefore smaller losses).

SA Water has determined it is more appropriate for ILI to be calculated on discrete systems, on a risk-basis, rather than in aggregation. On this basis, SA Water has not installed the master meters that would be necessary to determine leakage on a broader scale. Nevertheless, SA Water has advised the Commission that this metric as reported by SA Water will cover 78% of its customer connections. The Commission is prepared to accept the SA Water position in relation to this metric, subject to review once it gains experience in monitoring SA Water's performance in this area.

It is not proposed that these performance measures be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost. The Commission's Electricity Industry Guideline No.1 does not require distributors to report similar measures by type of customer affected.

#### **4.3.11 Timeliness of attendance at water bursts & leaks (OP3.2)**

*Service Standards:*

*Percentage of Priority 1 complaints attended within 1 hour – Adelaide metropolitan 99%, regional 95%*

*Percentage of Priority 1 complaints attended within 2 hours –regional 99%*

*Percentage of Priority 2 complaints attended within 5 hours – Adelaide metropolitan and regional 95%*

*Percentage of Priority 2 complaints attended within 12 hours – Adelaide metropolitan and regional 99%*

An important factor in minimising supply outages is the timeliness of a licensee attending bursts and leaks.

There is no comparable National Performance Framework performance measure while some energy distributors face guaranteed service level (**GSL**) payments, the level of which varies according to the duration of loss of supply.

As outlined in Chapter 3, following further consideration, the Commission accepts that there are legitimate reasons for not setting standard targets at 100%, and has accordingly reset a number of targets for this standard to 99%.

It is proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). Consistent with current practice, it is proposed that some of the service standard targets would be set lower for regional areas, in recognition of the large service areas that may be involved, requiring additional time for field crews to travel to site.

It is not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost. The Commission's Electricity Industry Guideline No.1 does not require distributors to report similar measures by type of customer affected.

#### **4.3.12 Timeliness of water service restoration (OP3.3)**

##### *Service Standards:*

*Percentage of Category 1 events restored within 5 hours – Adelaide metropolitan 99%, regional 95%*

*Percentage of Category 1 events restored within 12 hours –regional 99%*

*Percentage of Category 2 events restored within 5 hours – Adelaide metropolitan 99%, regional 95%*

*Percentage of Category 2 events restored within 18 hours –regional 99%*

*Percentage of Category 3 events restored within 12 hours – Adelaide metropolitan and regional 99%*

An important factor in minimising the impact of supply outages is the timeliness of a licensee in restoring services.

There is no comparable National Performance Framework performance measure and some energy distributors face GSL payments, the level of which varies according to the duration of loss of supply.

As outlined in Chapter 3, following further consideration, the Commission accepts that there are legitimate reasons for not setting standard targets at 100%, and has accordingly reset a number of targets for this standard to 99%.

It is proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). Consistent with current practice, some of the service standard targets would be set lower for regional areas, in recognition of the large service areas that may be involved, requiring additional time for field crews to travel to site.

It is not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost. The Commission's Electricity Industry Guideline No.1 does not require distributors to report similar measures by type of customer affected.



#### **4.3.13 Sewerage infrastructure reliability (OP3.4)**

There are a range of measures for monitoring the reliability of sewerage infrastructure, a number of which are reported routinely under the National Performance Framework.

The proposed measures draw on the National Performance Framework indicators.

At least in the initial period these measures will not be subject to service standards.

It is proposed that these measures be reported by region (i.e. Adelaide metropolitan vs regional (country)), to enable any differences in performance to be monitored over time.

It is not proposed that these performance measures be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost. The Commission's Electricity Industry Guideline No.1 does not require distributors to report similar measures by type of customer affected.

#### **4.3.14 Timeliness of sewerage service restoration (OP3.5)**

*Service Standards:*

*Percentage of Category 1 events restored within 5 hours – Adelaide metropolitan and regional 99%*

*Percentage of Category 2 events restored within 5 hours – Adelaide metropolitan and regional 95%*

*Percentage of Category 2 events restored within 18 hours – Adelaide metropolitan and regional 99%*

*Percentage of Category 3 events restored within 12 hours – Adelaide metropolitan and regional 95%*

*Percentage of Category 3 events restored within 24 hours – Adelaide metropolitan and regional 99%*

*Percentage of partial loss events restored within 18 hours – Adelaide metropolitan and regional 95%*

*Percentage of partial loss events restored within 36 hours – Adelaide metropolitan and regional 99%*

An important factor in minimising the impact of sewerage or effluent interruptions is the timeliness of a licensee in restoring such services.

There is no comparable National Performance Framework performance measure while some energy distributors (which supply the energy) face GSL payments for duration and frequency outages above a set level, the amount of which varies according to the duration of loss of service.

As outlined in Chapter 3, following further consideration, the Commission accepts that there are legitimate reasons for not setting standard targets at 100%, and has accordingly reset a number of targets for this standard to 99%.

It is proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). For the initial period it is proposed to have the same standards for both regions.

It is not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost. The South Australian Energy distributors to date have not been required to report their performance on a customer type basis.

#### **4.3.15 Timeliness of sewerage overflow attendance (OP3.6)**

##### *Service Standards:*

*Percentage of inside building overflows attended within 1 hour – Adelaide metropolitan and regional 99%*

*Percentage of outside building overflows attended within 2 hours– Adelaide metropolitan and regional 99%*

*Percentage of external overflows attended within 4 hours – Adelaide metropolitan and regional 99%*

An important factor in minimising the impact of sewerage or effluent overflow is the timeliness of a licensee in attending to overflow events.

There is no comparable National Performance Framework performance measure nor South Australian energy entity equivalent.

As outlined in Chapter 3, following further consideration, the Commission accepts that there are legitimate reasons for not setting standard targets at 100%, and has accordingly reset a number of targets for this standard to 99%.

It is proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). For the initial period it is proposed to have the same standards for both Adelaide metropolitan and regional areas.

It is not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost.

#### 4.3.16 Timeliness of sewerage overflow clean up (OP3.7)

*Service Standards:*

*Percentage of inside building clean ups completed within 4 hours following restoration of service – Adelaide metropolitan and regional 99%*

*Percentage of outside building (on property) clean ups completed within 6 hours following restoration of service – Adelaide metropolitan and regional 95%*

*Percentage of outside building (on property) clean ups completed within 15 following restoration of service – Adelaide metropolitan and regional 99%*

*Percentage of external (e.g. road or footpath) clean ups completed within 8 hours following restoration of service – Adelaide metropolitan and regional 95%*

*Percentage of external (e.g. road or footpath) clean ups completed within 15 hours following restoration of service – Adelaide metropolitan and regional 99%*

An important factor in minimising the impact of sewerage or effluent overflow is the timeliness of a licensee in cleaning up any overflow events.

Of note, the Final Advice stated these standards in terms of achieving the target completion rate within set times of the licensee being notified of the event. Following further review, having received advice from SA Water, the Commission considers that addressing a sewerage *overflow* incident should be best considered in terms of the following three-stage process:

1. overflow attendance (OP3.6);
2. restoration of service (OP3.5); and
3. overflow clean up (OP3.7).

with each stage having set service standards and the timeliness of those service standards triggered at the completion of the prior stage (noting that overflow attendance is triggered by notification of incident). As a consequence, this timeliness of sewerage overflow clean up standard is now stated in terms of achieving the targets following restoration of the service.

There is no comparable National Performance Framework performance measure nor South Australian energy entity equivalent.

As outlined in Chapter 3, following further consideration, the Commission accepts that there are legitimate reasons for not setting standard targets at 100%, and has accordingly reset a number of targets for this standard to 99%.

It is proposed that this measure be reported by region (i.e. Adelaide metropolitan vs regional (country)). For the initial period it is proposed to have the same standards for both regions.

It is not proposed that this performance measure be disaggregated according to type of customer (e.g. residential vs non-residential), as the additional benefit is not seen to warrant the additional cost.

#### 4.3.17 Customer Numbers (OP4.1(a))

It is proposed to collect a range of statistical information, covering customer numbers, sales and assets.

It is proposed to collect customer number statistics for a number of reasons, including:

- ▲ indication of the size of the licensee operation; and
- ▲ to enable many of the performance measures to be placed in terms of “per 100 customers”, to allow performance to be more readily compared across water industry entities and for a given licensee over time.

Customer numbers will be sought for each type of retail service.

Where possible, the Commission will rely on definitions employed in existing licensee reporting systems, rather than seek to impose new definitions.

In the energy industry, customers numbers are often defined in terms of NMI (National Metering Identifier) or MIRN (Meter Installation Registration Number), effectively recording the number of meters. Given a competitive market with transfer systems in place the NMI and MIRN represent the basic “building block” for electricity or gas respectively.

**Table 4.2: Comparison of SA Water billed customer numbers vs connected properties (Adelaide metropolitan)**

	2006/07	2007/08	2008/09	2009/10	2010/11
NPR connected residential properties('000s)	475	481	487	494	502
SA Water residential drinkwater account holders	463	467	474	481	488
Percentage difference (%)	97%	97%	97%	97%	97%
NPR connected non-residential properties('000s)	29	29	29	30	30
SA Water non-residential drinkwater account holders	29	29	30	30	31
Percentage difference (%)	100%	100%	103%	100%	103%

In the absence of a competitive market at this time, the National Performance Framework provides a potential definition, defining customers in terms of connected properties. SA Water, however, routinely reports customer numbers in

terms of account holders, undertaking a special exercise annually to report in terms of connected properties for the National Performance Framework.

Data provided by SA Water shows that the number of residential connected properties generally exceeds account holders by 3%, on a consistent basis, as shown in Table 4.2. The relationship between the two measures is even closer for non-residential customers.

In addition, account holder is the only definition possible for sewerage services, as this service is not metered.

For at least the first regulatory period the Commission will define customers in terms of account holder for each type of retail service, which will enable “per 100 customer” metrics to be developed on a quarterly basis. For SA Water at least, the Commission will be able to undertake a “sensitivity” to determine whether this definition results in any bias compared to using “connected properties”, but based on the data in Table 4.2 there should not be an issue.

#### **4.3.18 Sales (OP4.1(b))**

There is a range of potential statistics available on volume of water services including:

- ▲ volume of water sourced (e.g. from surface water, groundwater or desalination);
- ▲ volume of water received (e.g. from bulk supplier);
- ▲ volume of water exports (e.g. bulk water); and
- ▲ volume of water supplied (e.g. potable water supplied to urban residential customers).

The Commission is concerned with monitoring various aspects of retail water services and thus it is proposed to require the reporting of the “volume of water supplied” by various categories (OP4.1(b)). In addition, the Commission proposes to monitor the volume of sewerage and trade waste collected, as this represents the equivalent waste retail services.

From the data received, the Commission will monitor trends in overall consumption by types of water (e.g. drinking water, recycled and non-potable), by types of customer (e.g. residential and non-residential) and by area (e.g. metropolitan and regional). Combined with the customer number data (OP4.1(a)), trends in average consumption across these categories can also be monitored.

The key customer types are residential and non-residential.

Proforma OP4.1(b) also makes provision for reporting of any sales of urban stormwater, given that the National Performance Framework definition of recycled water specifically excludes urban stormwater use.

In relation to recycled water and urban stormwater, the assumption used will be that it is not intended for potable use, but this assumption will be checked from time to time with the relevant licensee.

Given that the focus of the Water Retail Code is on services to customers, Water Industry Guideline No.2 will not seek information on the volume of water supplied for environmental flows.

In the case of Councils operating a CWMS, the volume of “sewage” reported would need to cover the volume of effluent collected through the system plus the amount of sewage collected through emptying septic tanks (where the Council is responsible for providing both services), to achieve a comparable measure with that reported by water industry entities providing a full sewerage service.

It is not proposed to require reporting of the volume of sewage supplied to other infrastructure operators as, once again, the focus of Water Industry Guideline No.2 and the Water Retail Code is on end use customers.

#### **4.3.19 Assets (OP4.1(c))**

It is proposed to collect a range of asset statistics for a number of reasons through OP4.1(c), including:

- ▲ indication of the size of the licensee’s operation; and
- ▲ to enable many of the performance measures to be placed in terms of “per 100 km of mains”, to allow performance to be more readily compared across water industry entities and for a given licensee over time.

#### **4.3.20 Miscellaneous (OP4.1(d))**

OP4.1(d) will be used to request miscellaneous statistics to assist in monitoring the application of the Water Retail Code, such as the number of special needs customers.

### **4.4 Responsibility Statement (OP5)**

As discussed above under Information Requirements (also section 2.5 of Water Industry Guideline No.2), in order for the Commission to have confidence in the integrity of the data, formal sign-off of the data by a senior officer, to the level specified, is required. The Responsibility Statement is the mechanism by which this formal sign-off is provided.

The Responsibility Statement also makes provision for an explanation for any variation or failure to meet the service standard and in the event of failure to meet the service standard, how and when the licensee intends to improve performance to meet the service standard.

## 4.5 Glossary

The Glossary provides key definitions used in Water Industry Guideline No.2. For avoidance of doubt, unless specified to the contrary in the Guideline, where a definition for a data item in the Operational Proformas is provided in the National Performance Framework (NPF) Definitions Handbook,<sup>59</sup> the “NPF definitions handbook” definition applying at the time of completion of the Guideline report will apply to the exclusion of any other definition contained in Water Industry Guideline No.2. This aims to avoid licensees reporting under the NPF being required to collect and report on the basis of multiple definitions for the same metric.

---

<sup>59</sup> For example, refer to National Water Commission, *2011-12 National Performance Framework Urban performance reporting indicators and definitions handbook*, June 2012; available at: <http://nwc.gov.au/publications/topic/urban/handbook-2011-12>



## 5 NEXT STEPS

---

The Commission seeks stakeholder comment on the various matters raised in this paper and the accompanying draft Water Industry Guideline No.2 (WG2/01), with submissions sought by close of business **Friday, 14 December 2012**.

Responses from consumers, industry participants and other stakeholders in the water sector will assist the Commission in developing a final Water Industry Guideline No.2 (WG2/01). Details on the manner in which submissions may be made is contained on the inside front cover of this document.

While the Commission strongly encourages written submissions, it is also keen to discuss relevant issues with stakeholders in other formats. As such, should any stakeholder wish to hold discussions with the Commission on any matters raised in this Explanatory Memorandum, they should contact the Commission to arrange such discussions.

Following receipt of submissions, the Commission will consider any issues raised before releasing a final revised version of Water Industry Guideline No.2. The intention is for the Guideline to operate from 1 January 2013 and to apply to SA Water only at that time.