



WATER SERVICES
ASSOCIATION OF AUSTRALIA



WSAA submission to
Urban national performance
reporting framework
indicator review

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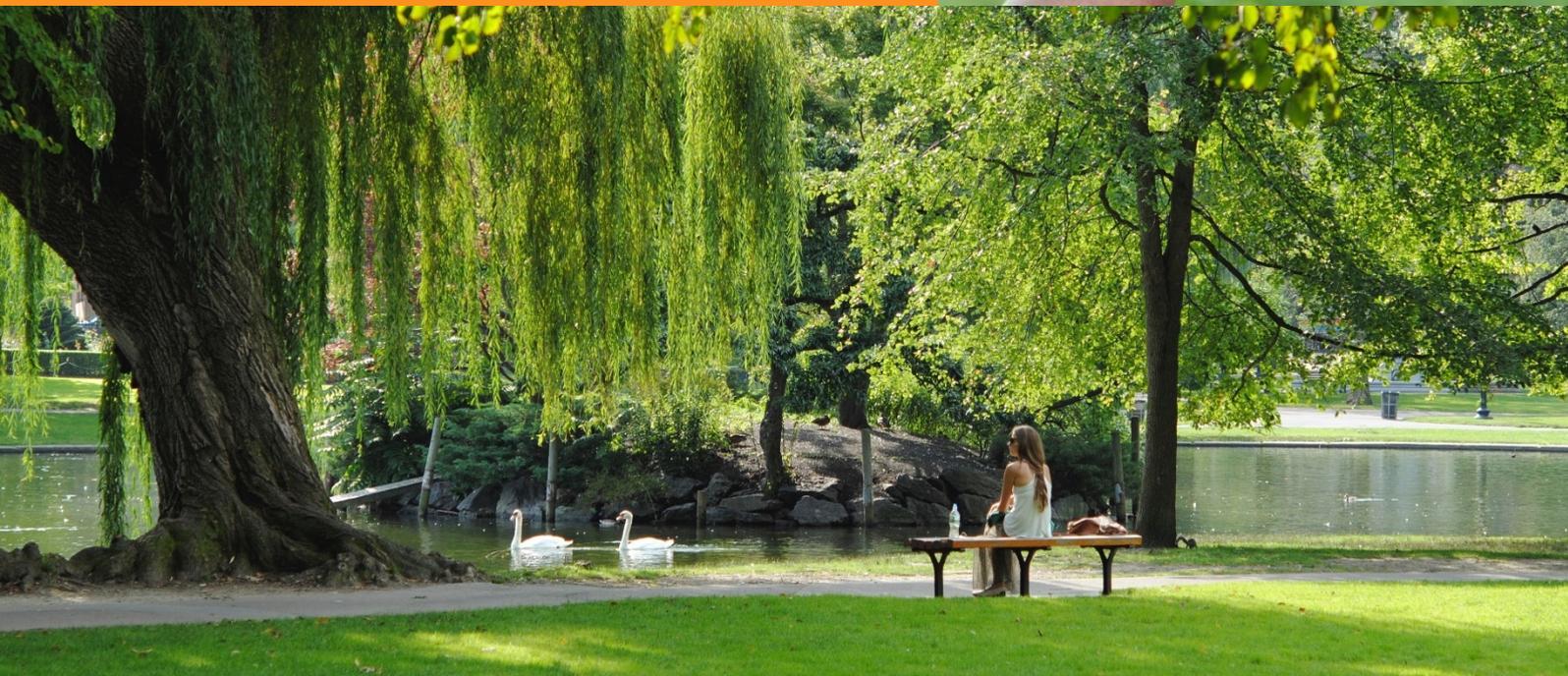


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NPR indicator review submission and survey

WSAA and its members welcome the review of the NPR indicators. As both the producers of the data and one of its main users, water utilities are in a unique position to appreciate the strengths of the NPR but also the strong need for revision of the indicators. The indicators are important for transparency and are widely used within the industry. However, many of the definitions need refinement and there are a number of redundant indicators.

As set out in the indicator survey, the NPR needs major revision and refresh if it is to deliver value. This submission concentrates on the current indicator set. We support new indicators where they deliver value and benefits exceed the costs of collection. We are discussing possible new indicators across the industry and are interested in what other stakeholders suggest.

WSAA has consulted widely with members in preparing this submission. While it represents a broad industry consensus, we have also encouraged individual utilities to contribute to the review and note special circumstances in their jurisdiction that will affect particular indicators.

The indicator survey is a critical companion to this brief submission. In it WSAA comments on every indicator and sets out whether it is necessary, needs revision or can be deleted. In completing the survey, we note where there is not consensus across the industry on particular indicators.

Following are comments against the key issues outlined in the submission guide.

1. Issue 1 – The relevance of existing reporting themes and indicators

1.1 Priorities for revision

The key themes covered in the NPR remain relevant. The main task for the first stage of the review is to identify within each theme what indicators remain relevant and what definitions need to be updated.

The survey provides a comprehensive view on what needs to change in the existing indicator set.

In summary.

Water resource

Most of the water resource indicators remain relevant. However, even for those within the industry they are not easy to use or manipulate. It appears that these indicators are collected in the form they are collected to meet the needs of the Bureau of Meteorology or the ABS rather than general users. There is a strong case to simplify this indicator theme. At a minimum the review should better define the logic underpinning the classification. For example, recycled water is classified as a use whereas most regard it as a rainfall independent *source* of water. Similarly, the role and purpose of transfers should be clarified and potentially rationalised.

WSAA has received specific comments in relation to the indicator on the volume of wastewater losses and discharges. These include system overflows upstream of the wastewater treatment plant. Utilities consider this very difficult to estimate, particularly after the event. As such there is unlikely to be consistency in reporting and a case needs to be made by those who want to retain this indicator.

Customer indicators

Customer indicators are a key theme that needs revision. The average duration and number of unplanned interruptions data is well defined and used, though there are perhaps improvements that can be made to ensure they reflect customer priorities. The complaint indicators cause the biggest issue as most are not reported consistently. Complaints as a performance measure actually sends the wrong message and can drive the wrong behaviour in water utilities if complaints are seen as 'bad'. Best practice in utilities is to 'treat complaints as a gift' and actively seek out, capture and report as many complaints as possible from all channels resulting in better customer insight.

Some indicators such as Grade of Service are redundant due to the range of different channels customers now use. We also know that time taken to answer the phone is not a major driver of customer satisfaction unless it is an emergency. The indicators relating to restrictions and legal actions as a result of non-payment of bills are **compliance** indicators as opposed to **performance** indicators. While one could argue that they are still desirable for transparency, they are out of date compared with current practice and would require amendment if we wished to retain them.

A key area for later stages of the review is what should replace redundant customer indicators.

Finance indicators

Major revisions also need to be made to the finance indicators. The finance indicators create the illusion of accuracy and consistency where none exists. This data has been used in a number of econometric exercises with predictably meaningless results.

Capital expenditure indicators are important but need to be defined better. Similarly, asset values are important but are very poorly defined leading to widely different reporting practice by utilities.

There is a case for removing the opex per property indicator from the data set as it cannot be consistently compared across utilities and creates confusion (we note that the data to calculate it, opex and properties, would still be reported separately so no actual information is lost if this is not reported as a stand-alone indicator). The review should seek views on whether there is a better indicator to track and compare genuine operating costs of utilities. Options include more detailed breakdown of operating costs or a different high level indicator.

Beyond the specific problems, there is a need to modernise the finance indicator set. For example, it does not allow the calculation of key credit metrics that are widely used by the sector. And in a highly regulated environment there is an argument to report the Regulatory Asset Base (RAB). However, this does create a threshold reporting issue as many smaller utilities are not subject to economic regulation and do not have a RAB.

Indicators such as Economic Rate of Return is widely disregarded and can be deleted. WSAA is seeking the views of its members on what indicators should be reported, and is also interested in stakeholder views.

One option being discussed in the industry is whether the BOM could draw in the audited statutory accounts when published. This would allow significant financial analysis from the NPR which is not possible at present.

Asset indicators

Asset indicators overall are generally well defined and used. Indicators such as the International Leakage Index are used by some major utilities, but smaller utilities may struggle to provide accurate data. This is an indicator where thresholds may be set for its reporting.

The asset theme is an area where additional indicators may be appropriate to supplement those currently collected. A number of utilities have suggested additional asset indicators such as repeat wastewater overflows as research has shown that this is important to customers.

Similarly, the indicators on leaks, breaks and water continuity are well defined and consistently reported. However, without contextual information it is difficult to draw any conclusions about utility performance from differences in reported outcome. This is because the age of assets, asset condition and environmental factors play a strong role in determining results. To make this data more useful it may be that additional indicators on age and asset condition are appropriate. These indicators measure the state of a utility's assets and are leading indicators of longer term performance. This is an issue the industry is keen to explore as the review progresses.

Environment indicators

The environment indicators provide a useful compendium of data on greenhouse emissions reported elsewhere. Whether small utilities can and should report this data accurately should be explored.

However, while it is important to report net greenhouse emissions, there is little value in reporting the derived indicators such as greenhouse emissions per property, as the outcomes are highly context dependent on what activities the utility performs. This limits the value of comparisons across utilities. For example, a retailer who does not perform their own wastewater treatment will naturally have much lower emissions than an integrated utility that does.

The number of greenhouse indicators could be reduced without losing any underlying data. This would allow additional information in relation to scope 2 emissions and potentially offsets to be reported.

In relation to the indicators on the levels of wastewater treatment, some utilities are suggesting that this information is of little relevance to outcomes for the environment. They have raised replacing these indicators with those that would report the level of discharges to particular receiving waters. WSAA believes the review is an opportunity to further discuss this issue and determine whether the wastewater treatment indicators should be amended.

Pricing indicators

The bill indicators are a valuable reference across the industry, and should be retained.

However, it would be worth considering whether the tariff structure indicators remain relevant. Water pricing is evolving and the tariff structure indicators may become redundant. For example, jurisdictions have introduced drought pricing whereby tariffs can vary within a year. The current indicator cannot handle such pricing innovations. Prices can also vary as desalination plants are switched on or off. Again, it is becoming more difficult to capture this richness in pricing in simple reporting.

Public Health

The existing state and territory public health regulatory frameworks are robust and world class. All utilities undertake extensive reporting under these frameworks, including, in many cases, real time reporting of water quality monitoring.

Nevertheless, utilities support reporting on national public health indicators. Reporting compliance with the Australian Drinking Water Guidelines provides an indication of water utility performance for water quality outcomes. While there is little evidence of significant use of the indicators there is a case for retaining them for general public assurance purposes and as part of transparent reporting.

The industry would be happy to consider suggestions for more contemporary or meaningful indicators in relation to public health and water quality.

1.2 New themes and indicators

WSAA has been actively involved in considering indicators around SDG's, the circular economy, liveability and water security and has published a number of papers on these themes.

We look forward to being part of the conversation about whether indicators for these themes are sufficiently well developed to include in the NPR.

In considering indicators for inclusion, the review will need to consider whether utilities are responsible for the data and the outcomes. For example, water security reporting could be enhanced across Australia. However, water security is rarely the sole responsibility of the water utility. Often water security is a responsibility of the state government. As such, any inclusion of water security indicators would need to be negotiated between governments. Utilities could not unilaterally agree to report on suggested indicators without the policy support from governments.

2. Issue 2 – The basis for reporting

2.1 Reporting thresholds

WSAA notes the review is investigating whether to extend reporting to utilities with less than 10,000 connections.

WSAA considers that reporting thresholds are wider than just above or below those with 10,000 connections. A utility with 20,000 connections has very different operations and capacity to report compared to a utility with 1 million connections. WSAA can envisage more granular and differentiated reporting requirements for utilities of different sizes.

Many indicators that may be appropriate for major utilities will not be appropriate for smaller utilities. While compliance costs may not be a critical issue for all larger utilities with established systems and regulatory reporting requirements, compliance costs may be critical for smaller utilities.

A one size fits all approach will necessarily limit what can be reported on and limit the ambition of the indicator set as smaller utilities cannot be expected to have the information or capacity to report like larger utilities.

3. Issue 3 – Alignment with jurisdictional reporting practices

WSAA strongly supports aligning with existing reporting requirements such as ABS and regulators. Because of the size and number of utilities regulated by the NSW Independent Pricing and Regulatory Tribunal and the Victorian Essential Services Commission, their reporting requirements would provide a starting point for alignment. We understand that the ESC, IPART and Escosa are also collaborating on collecting customer indicators which would be worth investigating in the NPR context.

4. Issue 4 – Data quality

4.1 Report data or indicators?

A practical issue for the review to consider is whether utilities need to provide the derived indicators to the BOM as part of the annual collection or whether the BOM should calculate these indicators within its system.

If utilities provided the underlying data, modern business tools may allow users to choose how they express this data — per property, per population, length of main etc.

4.2 Role of auditing

Creating clear and unambiguous definitions and continually refining the definitions manual will contribute far more to ongoing data quality than auditing. Auditing has not been able to improve the consistency or quality of the data of the NPR over the previous years.

WSAA considers that the NPR should be more selective on what needs to be audited. Close attention should be paid to what needs auditing and why. Utilities operate under strong reporting frameworks subject to internal or regulator auditing and it is not clear what NPR audits add to the process, particularly if there is greater alignment between regulatory and NPR reporting.

An alternative to full scale auditing is mechanisms such as managing directors or CEO's attestation to the quality assurance followed.

4.3 Use of the NPR data

Related to data quality is the interpretation of that data. The NPR represents a transparent reporting of outcomes across a wide range of utility activities. However, WSAA does not believe targets are relevant to the large majority of indicators. Circumstances with respect to climate, geography, topography and customer preferences differ widely across utilities. Different performance outcomes across utilities are consistent with good practice, and it is inappropriate to attempt to derive a target from such high-level data. As noted above there is a case for additional asset indicators to enable better interpretation of utility outcomes.

Trends are often more important over time for the indicators. For example, water consumption per property over time is very useful. It is also interesting to compare the outcome between say Perth and Melbourne. However, it is not valid to judge which is better or set a target without taking account of very different climates and soil types between utilities.

Targets also result in unintended consequences. For example, IPART has removed response time targets from utility operating licences because in order to meet a tight response time, utilities were forced to disconnect more customers for longer providing a worse customer outcome.

Contact

WSAA welcomes the opportunity to discuss this submission further.

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