



WATER SERVICES
ASSOCIATION OF AUSTRALIA



**WSAA submission to
Urban National Performance
Reporting Framework
Indicator Review - Draft Report
November 2021**



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1. Introduction and Overview

WSAA welcomes the release of the Draft Findings and Recommendations of the National Urban Water Performance Reporting Framework Indicator Review.

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 National Performance Report (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 significant number of redundant indicators.

WSAA and water utilities have engaged extensively and constructively with the review over the last year. WSAA would like to recognise the broad engagement undertaken throughout the review process with utilities and with other stakeholders by the reviewers and the BOM. WSAA thanks the reviewers for their positive approach.

Nevertheless, it is also fair to say this review has proved a voyage of discovery for those outside utilities, who, up till now, have had little understanding of the breadth and complexity of the issues surrounding the NPR. For example, this review will appropriately enter its second year, yet it was initially put to market as a three-month exercise. One of the most important outcomes of the review is the understanding that the NPR requires an ongoing review process, and that utilities must be central to that process. This lesson must not be forgotten in subsequent indicator development and implementation phases (see below).

The October Draft Report is an important milestone in the review. It is the first consolidated view of what a new indicator set may look like. WSAA considers that it provides the foundations for building a new national reporting framework of urban water data.

By its nature this process has generated many suggestions for new data from within and outside the industry. While there is still a considerable amount of development work ahead on a new indicator set, WSAA considers that the balance the review has struck is appropriate. For example, the report emphasises criteria for indicator selection in the original terms of reference, including among others:

- Enable comparison without significant additional effort
- Avoid complex or jurisdiction-specific definitions
- Not materially grow in number over time
- Be harmonised with existing indicators or reporting requirements where possible
- Be easy to understand and straightforward to derive data.

While the number of indicators in the draft has broadly stayed the same, we understand that further planned rationalisation of water resources indicators will see the number of total indicators fall.

Critically, with respect to the scope of the collection the review has recognised that this is a data set provided by water utilities:

The National Performance Report is an urban water utility performance report – it is not a water sector performance report. As such, the NPR is not the defacto tool for all collection of water sector data. Its mandate is to collect core data related to urban utility performance areas. The Review supports the view that the indicator set should focus on core areas of utility.

As an example, water security is a key issue across the water sector. But the ultimate responsibility for water security often lies with governments or jointly with utilities and governments. Utilities alone would not have the authority to report on behalf of their governments. This explains why comprehensive data collection on water security is beyond the scope of the current NPR.

Implementation

WSAA considers that the BOM should provide more clarity around the implementation pathway for the review. WSAA understands that the BOM wishes to finalise the handbook for the 2022-23 collection year early in 2022.

Therefore, for the 2022-23 collection this report provides the opportunity to clean up the existing indicator set and introduce some new indicators where there is strong agreement across industry and other stakeholders. This represents a substantial achievement.

The report also provides a roadmap to future work. Many of the proposed new indicators represent concepts rather than fully fleshed out indicators or definitions. They will require substantial further work with the industry and other stakeholders to determine whether it is feasible and cost effective to define and collect the data necessary to support them. For example, as the report notes:

It is not envisaged that age and condition reporting would be introduced for utilities in the 2022-23 reporting year. A pathway for its implementation will be developed as part of the Review's deliverables.

In addition to the age and condition indicators, the proposed indicators that fall into this category include:

- Customer Satisfaction indicators
- Water efficiency indicators
- Operating cost indicators
- Proposed replacement cost indicators
- Water Restrictions indicators.

The industry is supportive of exploring new indicator concepts and continuing to work with the BOM in the development of the NPR.

This submission represents an overall view on behalf of the industry, not a universal consensus view and individual utilities will also provide their own submissions.

Following are summary comments against each of the indicator themes.

2. Comments against indicator themes

2.1 Customer indicators

Customer indicators have proven to be one the most challenging themes for the review. All stakeholders agree that the current indicators are not fit for purpose, however, it is challenging to develop national customer indicators that would not require additional resourcing and independent data collection.

WSAA supports the recommendation to retire redundant indicators related to the percentage of calls answered by an operator within 30 seconds.

However, contrary to the review recommendations we have not seen any evidence to justify keeping the other complaints indicators other than for water quality complaints. For example, neither the Essential Services Commission (ESC) or the Independent Pricing and Regulatory Tribunal (IPART) use customer complaints as representative and as set out below Ofwat, the UK water regulator has removed complaints from its incentive framework for utilities. Complaints are not a nationally relevant comparison of performance. If some state and territory officials wish to access complaints data from their utilities, they are free to do so on a case by case basis.

The effort directed at the complaints indicators would be better directed at developing customer service and value measurement across the water sector.

Customer Satisfaction

The report contains a placeholder for a customer satisfaction indicator. As the report says, understanding and measuring customer satisfaction is central to engaging with customers and assists to foster strong relationships between utilities and the communities within which they operate. All utilities undertake their own work on customer satisfaction and WSAA coordinates a national customer perceptions survey every two years.

WSAA also supports developing national customer satisfaction indicators such as customer satisfaction, value for money and trust for inclusion in the NPR.

The framework for such indicators exists in the work undertaken by the ESC and IPART and could be expanded, at least to larger utilities nationally. However, this would entail an annual survey independent of utilities. It would require the agreement of jurisdictions to adopt the common method and a commitment to ongoing funding. We consider this would be a worthwhile investment for governments, but it is not an area that utilities control.

Water utilities are willing to assist with the development of customer satisfaction indicators but the impetus would need to come from the state and territory governments and be supported by regulators. This issue will take time to resolve, and we would not expect these indicators to be in a 2022-23 collection.

Complaints

WSAA recognises that the reviewers through a technical working group are seeking to better define and achieve greater consistency in reporting against complaints. However, the industry's view remains that in the absence of a balanced set of indicators, inclusion of all the proposed complaints indicators would drive the wrong behaviours in utilities and lead to perverse outcomes. In summary:

- A higher number of complaints does not necessarily reflect an increase in customers who are dissatisfied or a decrease in customer service.
- Improved practices in utilities mean that MORE inquiries are being recorded as complaints in line with the interpretation of the AS/NZ standard. The WSAA guideline encourages more capturing and recording of complaints.
- Improved practices mean complaints are being captured and recorded across more channels (social media, in-field staff, contractors)
- The culture around complaints is shifting to consider complaints as a valuable source of customer data as opposed to a 'black mark' against an individual or organisation.
- Due to the above points, those utilities who are employing best practice in regard to complaints are likely to report higher number of complaints.
- This subtly would be lost if the complaints indicators are retained in the NPR and risks utilities moving away from best practice to avoid adverse reporting particularly by the media.
- WSAA recommends that we use 'complaints to the Ombudsman' instead of complaints received by the organisation. While we recognise there are issues with this as council-run utilities have a different Ombudsman, we believe that this is far preferable and more reflective of where utilities either are not adequately resolving complaints or are not providing appropriate channels for customers to communicate complaints.

Measuring and reporting on complaints over time can indeed help drive performance improvement at a utility level through root cause analysis. However, the suggestion that public reporting will drive

improvement through ‘competition by comparison’¹ is flawed and outdated. This is also shown by the fact that the UK economic water regulator, Ofwat, no longer include complaints in their C-MEX index, which is the way they benchmark water businesses in the UK. It is recognised that while it is important for utilities to report complaints for transparency, they are not part of the C-MEX which determine both reputational and financial incentives.

In Australia, rather than seeing complaints as a ‘bad’ thing, water utilities now view them as valuable voice of customer data and insight. As such utilities are actively looking for ways to capture these across more channels and we are interpreting the definition of a complaint to correctly assign any ‘expression of dissatisfaction’ as a complaint. While this results in us recording and reporting a higher number of complaints, this does not correlate with poorer customer service. In fact, this will lead to more data, better analysis, and better outcomes for customers.

While number of complaints may be of interest to policy agencies, the question is why. For reasons provided above, using number of complaints to benchmark satisfaction is outdated and inappropriate and is likely to drive perverse outcomes and hinder improved customer outcomes (from discouraging more active collection and analysis of complaint data).

Note that we are happy with water quality complaints remaining as part of the indicator set as these are more reflective of service and produce quality issues as opposed to dissatisfaction.

WSAA has chosen not to respond in detail to the issues raised around the definition of complaints. We agree that many of these definition issues can be resolved but do not believe that the increased effort required to provide consistency and auditing will deliver benefit to water utilities or deliver improved transparency to customers and stakeholders. The reason being is that the biggest issue with complaints is getting frontline employees to report a complaint in the first place. Our work over the last 2 years with water utilities has demonstrated that this is a cultural thing that must be driven throughout the business from the Board and Leadership team down. That we treat complaints ‘as a gift’ and a valuable source of customer data instead of a black mark against an individual or the organisation.

Hardship

- WSAA supports the changes to IC18, C18. While WSAA did not support the original indicator on number of restrictions, we do accept the reasoning behind its inclusion if it is modified to include the time threshold.
- WSAA supports retiring IC19. However, we question the usefulness of the new indicator “Percentage of restrictions resulting in legal action”. This is not a measure of debt recovery and is only taken against customers who are able but unwilling to pay, as opposed to hardship customers who are unable to pay.
- WSAA’s members in general support the new indicator of number of customers enrolled in hardship programs, and percentage of customers successfully exiting a hardship program however, we are aware this view is not shared universally among utilities.
- Even though WSAA supports the above two new indicators in principle, it will take many months to reach a point where water utilities can reach agreement on a definition and be able to consistently measure and report against these new indicators.

WSAA agrees with the changes to the restriction indicators (IC18, C18) to include a time threshold value, as the real impact to customers is if these restrictors remain on the meter. Some water utilities use restrictors as a last attempt to engage with customers where numerous other attempts at contact have failed and in these cases the restrictors are removed with a few days. Note that the ESC includes this indicator with a time threshold of 3 days.

¹ BOM0003_Draft Indicator Set Recommendations, pg22

It should be noted that in general, restriction and legal action are considered debt recovery actions as opposed to hardship actions. While we accept the reasoning for continuing to include a restriction indicator with a time threshold, we do not see the benefit of an indicator around percentage of restrictions resulting in legal action. Many utilities, beyond a restriction will not engage in legal action as it is time consuming and costly. Some utilities will engage in legal action but not restriction. Most importantly, legal action is clearly in the realm of debt recovery and not reflective of the hardship practices of a water utility. Customers deemed, or even suspected to be in hardship will not have legal action brought against them for non-payment. This has little relevance to hardship and should be removed.

For the new indicators, WSAA supports the inclusion of the number of customers enrolled in or entering hardship programs but notes that utilities may need to reach some basic agreement of a hardship program. This data is already collected by the ESC so this can be used as the basis. For example, most utilities do not agree that a payment plan would constitute a hardship program, even though a payment plan will make up part of the hardship program.

We also support, in principle the new indicator of the percentage of customers in hardship programs meeting instalment plans and/or successfully exited. Again, we will need to work out how a successful exit is classified.

Affordability

The report proposes including a new indicator on affordability, which expresses bills as a proportion of gross household income. Utilities generally, though not universally, support the inclusion of such an indicator as affordability of water and wastewater services is critical to customers.

We need to note that if average bill data is provided by the utility, the household income data would be best collected and applied in calculating the affordability by the BOM to ensure consistency. Income data is not something that should come from the utility.

The relevance of an affordability indicator lies in the ability to track bills in relations to income over time. It is trends in affordability that are important.

Some of the concern around an affordability indicator relates to the inappropriate use of targets or benchmarks for affordability. This concern is justified as the industry notes that arbitrary affordability targets have been applied in other industries, and some policy makers are seeking to impose them in the water industry. As WSAA has always maintained the NPR should not be seen as a benchmarking tool. It is more correctly viewed as a mechanism to compare performance outcomes across the water industry that matter to customers.

Engagement

The report contains a placeholder for a customer engagement indicator.

WSAA, based on feedback from utilities, does not believe that the engagement theme lends itself to reporting against indicators. While many utilities have measures of success for their engagement programs internally, these would be difficult to apply and measure consistently across water utilities.

Measuring engagement is better suited to a maturity assessment framework or similar with principle-based guidance. This makes it inappropriate (among other reasons) for the NPR.

First Nations engagement would be considered part of inclusive and universal engagement, which is a key principle of engagement. Again, while we agree that First Nations is important, it is only one part of successful engagement. In addition, how this is measured is difficult. While we could use the development of a Reconciliation Action Plan (RAP) as an indicator, the real outcomes are an enduring relationship and improved outcomes for First Nations people. Some smaller water utilities may be doing this without a RAP.

2.2 Pricing indicators

The bill indicators are a valuable reference across the industry, and should be retained. We support the proposed deletion of redundant tariff indicators.

The report includes under the pricing indicators theme a number of real replacement cost asset indicators.

WSAA can see the in-principle case for having a physical value of the capital stock of the water industry. However, as a number of utilities have reported, most for-profit utilities do not have asset values on a replacement cost basis. For their statutory accounts they are required to report on a different basis.

To value assets on a replacement cost generally involves a rolling series of reviews by engineering companies, and even then there generally exists a strong element of subjectivity in the estimates. Even large water utilities have not seen the value in this exercise as it is not related to their condition based assessment of assets and play no role in their asset management plan.

While the industry is willing to explore this issue further a strong case would need to be made for this indicator to pass a cost benefit test.

2.3 Finance indicators

The financial performance of utilities as government owned businesses is a critical component of overall performance. All stakeholders have agreed over the course of the review that the finance indicators require significant revision.

WSAA is pleased that the review is recommending removal of a number of the redundant indicators.

While the current financial indicators please no-one, there are challenges of devising financial indicators that meet all needs. Utilities have subtly different approaches to calculating financial performance and policy makers have also expressed preferences for indicators in a particular form. For example, the Productivity Commission have suggested that performance be compared including and excluding developer charges from revenue. Catering to these differing needs could multiply the number of indicators considerably.

WSAA has suggested that this is an opportunity to modernise the collection of financial data. We have suggested that the NPR could evolve from capturing calculated indicators to capturing the underlying financial data. This would allow bespoke financial analysis across the utility sector.

To progress this issue, WSAA has circulated a simple template to collect publicly available financial statement information. It contains summary data published by all utilities in the Profit and Loss Statement, the Balance Sheet and the Cashflow statement. From this data the template calculates a wide range of financial indicators, some of which could be reported formally in the NPR.

While discussions are continuing, this approach has been supported within the industry.

With appropriate development and quality assurance on the 'proof of concept' template we consider it could be trialled in the 2022-23 collection. The template is attached to this submission and is available for wider comment.

Importantly, the template contains only publicly available financial information. Compliance cost would multiply if the template was expanded to include data which are not readily available. WSAA recognises that there may be value in reporting other indicators in addition to those provided by the template. These should be justified on a case by case basis.

For example, the report includes recommendations to collect various operating cost indicators. While there is support for a high-level efficiency indicator such as operating costs per property from within and outside the industry, in previous submissions WSAA has documented the current problems comparing opex per property across utilities.

While the proposed indicators in the draft report are a step forward, they may not solve all the issues and we consider further development and consultation is required if the ambition to achieve a comparable indicator across utilities is to be realised.

2.4 Asset indicators

Asset indicators overall are generally well defined and used and WSAA supports the retention of the core set of system performance indicators

The findings and recommendations propose new indicators in two areas: asset age and condition and staff capacity. It also recommends modifying the indicator for the number of unplanned interruptions to the water supply.

Asset age and condition

The industry supports exploring further what indicators may be appropriate to assess asset age and condition. For example, in the UK utilities report their proportion of the network assets by different age bands as part of the Annual Performance Report to the water regulator Ofwat. This data is worth exploring for inclusion in the NPR.

Larger utilities prepare state-of-the-assets reports using detailed condition based assessments to inform their Asset Management Plans and general business planning. However, we are very cautious about the ability of simple indicators to shed light on asset condition. For example, a range of ratios use replacement cost data and replacement cost levels of depreciation. There are two problems with this. The first is data availability. For-profit utilities are required to calculate asset values on a fair value basis which is different to a replacement cost basis. Most large utilities do not see the value in the expensive task of also calculating the replacement cost of their assets given these estimates are often quite subjective. Second, and more deeply, assets do not depreciate uniformly over time. Comparing a straight-line value of replacement cost depreciation with the actual profile of required maintenance often does not yield useful data.

The industry supports continuing to explore asset condition indicators, but this is an area that is unlikely to be resolved for the 2022-23 collection.

Staff capacity

We understand there is support across the industry for smaller utilities — with known staff capacity and capability issues — to report on staff training and capacity. However, the industry would need to discuss further the value of these indicators for larger utilities.

Utilities are undergoing rapid digital transformation, deploying the internet of things across their networks, automating treatment plants and engaging in sophisticated alliances with the private sector for service deliver.

Unplanned water supply interruptions

The report proposes reviewing the unplanned water supply interruptions indicators (C15 to C17). We support aligning these indicators more with what customers care about. A number of concepts have been put forward which we are happy to explore. In general customer feedback and research shows that it is multiple interruptions (for water) or multiple overflows (for wastewater) that customers care about and we consider that this should be the direction for reporting in the NPR.

Further work is required to determine whether 'more than one' interruption is the right number of unplanned interruptions as different utilities have different repeat interruptions metrics, and to better understand what is proposed for the 80th percentile of duration of interruptions.

2.5 Environment indicators

Greenhouse emission

The Report proposes removing a number of the greenhouse emissions indicators which express emissions as per property, or ML of water supplied. It proposes retaining the total emissions indicator and introducing a new indicator on greenhouse emissions reduction targets.

The industry is generally supportive of these changes. However, whilst it is in theory a good idea to try to reduce duplication by sourcing CER data, in practice this would be quite problematic. The scope of emissions data included in the NPR is different to what is included in the data reported to the CER. For example, the CER data is also reported as gross emissions - there is no allowance for reducing emissions through carbon offsetting or the purchase of renewable energy via the grid.

Overall, the direction of the proposal is appropriate but the detail will need to be worked through with utilities.

Water efficiency

This sub-theme and indicators require more work given that data would only be an estimate as it is very hard to determine exact measurements. Further consideration would need to be given to defining the basis and period for measurement and whether data is attached only to campaigns in the community or system distributions improvements. Also need to consider how to factor in rainfall and other climatic influences into the outcomes of community water conservation improvements.

2.6 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.

Water quality research investment

Feedback across utilities was mixed in relation to this proposed indicator, while some considered it may be an appropriate leading indicator, others questioned the link between individual utility research and water quality performance. All utilities raised questions on how it would be defined, such as what is considered research spend versus operational improvement spend.

2.7 Water Resources

Most of the water resource indicators remain relevant. However, even for those within the industry they are not easy to use or manipulate. We understand 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. In its previous submissions WSAA suggested 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.

While not covered in the draft findings and recommendations, WSAA understands that the reviewers have been working with the ABS and BOM and plan to rationalise the number of water resource indicators. We strongly support that process.

WSAA is pleased that the indicator on the volume of wastewater losses and discharges is to be discontinued. Reporting on system overflows upstream of the wastewater treatment plant has been of little value. Utilities consider this very difficult to estimate, particularly after the event.

Restrictions

While reporting on restrictions could be useful, at present, the water industry does not have a consistent definition for water restrictions. Given there is no uniform approach, the proposed indicators around the numbers of days spent at levels 1, 2 and 3 would result in inconsistent measurement across water utilities.

The industry would be happy to work with the BOM and other policy makers on nationally consistent definitions.

3. Contact

WSAA welcomes the opportunity to discuss this submission further.

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