

2023 Water Price Review

Supporting Paper 1:
Service Standards and GSLs

Table of Contents

1	Executive Summary	2
2	Purpose.....	4
3	Service Standards 2018-23	5
3.1	Performance during 2018 Regulatory Period.....	5
3.2	Holding ourselves accountable for our performance.....	5
3.2.1	Tracking our performance.....	5
3.2.2	Annual reporting	6
3.2.3	Monitoring our civil maintenance services.....	6
3.3	Proposed Service Standard Targets 2023-28.....	7
4	Guaranteed Service Levels.....	9
4.1	Current Approved GSLs 2018-23	9
4.2	Sewer Spill Investigation Program.....	10
4.3	Engagement throughout the 2018-23 regulatory period.....	10
4.4	Current performance	12
4.5	Proposed GSLs for the 2023-28 regulatory period	12
4.6	Exclusions for guaranteed service levels.....	13
4.7	Rationale for new GSL	13
4.8	Inflation	14
4.9	Payments.....	14

1 Executive Summary

Barwon Water proposes the following Minimum Flow Rates, Service Standards and GSLs for the 2023-28 price period:

Table 1 Minimum Flow Rates

Service Standard	2018-23	2023-28
Minimum Flow Rates	Current target (l/min)	Proposed target (l/min)
20mm	20	20
25mm	35	35
32mm	60	60
40mm	90	90
50mm	160	160

Minimum flow rate targets remain unchanged for the next period.

Table 2 Service Standards

Service Standard	2018-23	2023-28
Water	Current target	Proposed target
Maximum number of unplanned water supply interruptions a customer may experience in any 12-month period	5	5
Average time taken to attend bursts and leaks (priority 1) (minutes)	27	27
Average time taken to attend bursts and leaks (priority 2) (minutes)	43	43
Average time taken to attend bursts and leaks (priority 3) (minutes)	226	226
Average duration of unplanned water supply interruptions (minutes)	125	125
Average duration of planned water supply interruptions (minutes)	210	165
Sewerage		
Maximum number of sewer blockages a customer may experience in any 12-month period	3	3
Average time to attend sewer spills and blockages (minutes)	53	53
Average time to rectify a sewer blockage (minutes)	178	150
Maximum time taken to contain a sewer spill (minutes)	300	300

Note: numbers have been rounded

Table 3 Guaranteed Service Levels

Service attribute	Guaranteed level of service	Current payment 2022/23 (\$2022/23)	Proposed payment 2023-28 (\$2022/23)
Water supply reliability	No more than five unplanned water supply interruptions per customer per year	\$88	\$88
Sewerage service reliability	No more than three unplanned sewerage service interruptions to a customer's property per year	\$88	\$88
Sewerage service reliability	No more than two sewer spills on a customer's property per year	\$675	\$675
Hardship	We will not restrict water supply or take legal action against a customer prior to making reasonable efforts to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying a bill.	\$404	\$404
Sewerage service reliability (NEW)	No incidence of sewage spill inside a residential customer's built premises, caused by Barwon Water or a failure in Barwon Water's system(s)	n/a	\$1,000

2 Purpose

This document sets out the rationale for Barwon Water's proposed Service Standards and Guaranteed Service Levels (GSLs) for the next regulatory period. It sets out current and new levels of service, which:

- reflect the main service priorities and concerns of customers, informed by customer engagement
- incentivises us to deliver efficient service levels to all customers
- includes an explanation of the basis for a new GSL, including how it has been informed by customer engagement
- specify whether benefits to customers will take the form of payments or rebates
- explain the reasons for the proposed size of the customer payment or rebate that applies to each GSL.

3 Service Standards 2018-23

3.1 Performance during 2018 Regulatory Period

Performance is measured from 1 July to 30 June every year, detailed in Table 4 below. Note numbers have been rounded. Green text indicates results at or below target; red text indicates results outside target.

Table 4 2018-23 Performance

Service Standard	2018-23	2018/19	2019/20	2020/21	2021/22
Water	target	actual	actual	actual	actual
Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	100	0	5	0	0
Average time taken to attend bursts and leaks (priority 1)	27	30	31	27	21
Average time taken to attend bursts and leaks (priority 2)	43	45	41	36	36
Average time taken to attend bursts and leaks (priority 3)	226	216	209	177	171
Average duration of unplanned water supply interruptions	125	94	89	113	101
Average duration of planned water supply interruptions	210	158	158	154	123
Sewerage					
Customers receiving more than 3 sewer blockages in the year (number)	1	0	0	0	0
Average time to attend sewer spills and blockages	53	39	45	38	38
Average time to rectify a sewer blockage	178	130	139	135	136
Spills contained within 5 hours (per cent)	100	100	99.6	98.4	98.4

We have met our performance targets for all but one service standard where we fell outside our target in the first two years of this regulatory period but focussed our efforts in making improvements allowing us to perform favourable to target.

3.2 Holding ourselves accountable for our performance

We hold ourselves accountable for our performance in a variety of ways including through our Performance Incentive Mechanism (PIM) whereby we put at risk \$11.5M over the five-year regulatory period if we failed to deliver. We report on our performance via our website, to the ESC, Department of Environment, Land, Water and Planning (DELWP), Australian Bureau of Statistics (ABS) and the Bureau of Meteorology (BoM), regularly monitor our civil maintenance services and benchmark ourselves against our peers.

3.2.1 Tracking our performance

The service standard for unplanned water supply interruptions (number of customers experiencing more than 5 in the year) is one of the metrics in our Performance Incentive

Mechanism (PIM) for the current regulatory period¹, with a total of \$575,000 at risk should we exceed the target of 100 per annum. To date, performance has been well below target, achieving results of zero, five, zero and zero to year 4 for customers experiencing more than the maximum number of unplanned water supply interruptions.

Both the PIM (13 metrics) and our Customer Outcomes (33 metrics) are internally tracked monthly, reported to the Board quarterly and published on our website around the end of August every year.

3.2.2 Annual reporting

We report annually to the Department of Environment, Land, Water and Planning (DELWP) on our Corporate Plan with targets, for some Service Standards, set out in our Corporate Plan as per Ministerial direction.

We provide quarterly updates on performance to DELWP, as well as in our Annual Report, which is independently audited by VAGO. Comments are provided for significant favourable or unfavourable variation between performance and targets.

We also report to the Australian Bureau of Statistics (ABS) and the Bureau of Meteorology (BoM) via their National Performance Report annually.

No service standards are included in the Customer Outcomes outlined in our Price Submission for the next period. These measures are reported annually through the ESC and BoM for purposes of developing the Water Performance Report and the National Performance Report.

3.2.3 Monitoring our civil maintenance services

Barwon Asset Solutions (BAS) provide civil maintenance services to maintain our network performance. Reporting and accountability of these Service Standards is built into their contract and overseen by Barwon Water's operations department. The software used for data capture is the cloud based FOCUS3 from FieldTec. This application has inbuilt ESC reporting and in addition Barwon Water use Sherwin reporting to extract information from the database.

¹ 2018 Price Submission section 9.2 Performance Incentive Mechanism ([link](#))

3.3 Proposed Service Standard Targets 2023-28

The table below highlights the proposed Service Standard targets for the next period. We are proposing to maintain levels of service for all but three service standards, improving targets by reducing the number of incidents, the interruption and rectification times.

Table 5 Proposed Service Standard Targets 2023-28

Service Standard	2018-23 <i>Industry average</i>	2018-23 Current target	2023-28 Proposed target	Note
Water				
Maximum number of unplanned water supply interruptions a customer may experience in any 12-month period*		100**	5*	1
Average time taken to attend bursts and leaks (priority 1)	31	27	27	2
Average time taken to attend bursts and leaks (priority 2)	54	43	43	2
Average time taken to attend bursts and leaks (priority 3)	438	226	226	2
Average duration of unplanned water supply interruptions	95	125	125	3
Average duration of planned water supply interruptions	150	210	165	4 ▼
Sewerage				
Maximum number of sewer blockages a customer may experience in any 12-month period*		1**	3*	5
Average time to attend sewer spills and blockages	42	53	53	6
Average time to rectify a sewer blockage	122	178	150	7 ▼
Maximum time taken to contain a sewer spill (minutes)*	99	100**	300*	8

*Updated to reflect revised wording as per 27 September Water Industry Standard – Urban Customer Service.

**As per previous Customer Service Code (refer to Table 4 2018-23 Performance above)

▼ target tightened

Note: numbers have been rounded

Notes:

1. No change to maximum number of 5. This aligns with the GSL. Voice of Customer (VOC) track correspondence with customers in our billing system, Gentrack Velocity. Barwon Water's Customer Channels & Operations Section reviewed all comments in the first few years of the current period and categorised feedback against Service Standards and GSLs. No VOC feedback was received against this measure.
2. No change to target. No significant customer feedback was received in support of tightening this target. The target has been met historically but not overachieved by a significant amount and is tracking favourably versus other Victorian water businesses (4th fastest P1 Attendance time), indicating an efficient level of spend for the level of service expected by customers. VOC feedback highlighted customers place higher value on being kept informed during interruption and when the repair will be completed.
3. No change to target. VOC feedback highlighted customers place higher value on being kept informed during interruption and when the repair will be completed.

4. Proposed target 165, reducing from current target of 200. The average performance over the last 4 years is 148 minutes, with a maximum of 158 minutes. This is an improvement on the previous period (2013-18), which had an average of 155 minutes and a maximum of 169 minutes. This brings us closer to the industry average of 150 minutes. Customers are looking for Barwon Water to be responsive to issues that arise. One in four (24%) customers surveyed ranked 'faster response time' as their most important service standard, and six in ten (58%) ranked it within their top three according to the independent Customer Willingness to Pay survey conducted in March 2022, Figure 1.
5. No change to maximum number of 3. This aligns with the GSL. Proposed internal target 0 customers, reducing from current target of 1. Six of our peers already have a target of 0 in the 2018-23 period. Six in ten customers surveyed are willing to support Barwon Water to invest in digital technology to reduce sewer spills (59%), including through the use of digital technology, according to the independent Customer Willingness to Pay survey conducted in March 2022, Figure 1.
6. No change to target. No significant customer feedback was received in support of tightening this target. VOC feedback highlighted customers place higher value on being kept informed during interruption and when the repair will be completed. Historical performance has been strong and close to the industry average.
7. Proposed target 150 minutes, reducing from current target of 178 minutes. Average performance over the last 4 years is 135 minutes with a maximum of 139 minutes. This is an improvement on the previous period (2013-18), which had an average performance of 165 minutes and a maximum of 169 minutes. This brings us closer to the industry average of 122 minutes. Customers surveyed ranked restoration as their second most important service standard, with 54% surveyed ranking it in their top three according to the independent Customer Willingness to Pay survey conducted in March 2022, Figure 1.
8. No change to target. VOC feedback highlighted both positive and negative sentiment in relation to field staff's response to a sewer spill. Barwon Water wishes to seek clarification from the ESC about whether this measure is for Priority 1 spills (as was the case in 2013-18), or for all spills (both P1 & P2). If the former, we would like to reinstate Priority 1 into the target name.

4 Guaranteed Service Levels

4.1 Current Approved GSLs 2018-23

The GSL scheme should compensate customers who receive a level of service that does not meet the expectations of our customers and the community.

Our GSLs are designed so that they:

- reflect the main service priorities and concerns of customers, informed by customer engagement; and
- provide incentives for the business to deliver efficient service levels to all customers.

Our approved GSLs in the 2018-23 regulatory period are shown below.

Table 6 Barwon Water's current approved GSLs for the 2018-23 regulatory period

Service attribute	Guaranteed level of service	Current payment (\$2022/23)
Water supply reliability	No more than five unplanned water supply interruptions per customer per year	\$88
Sewerage service reliability	No more than three unplanned sewerage service interruptions to a customer's property per year	\$88
Sewerage service reliability	No more than two sewer spills on a customer's property per year	\$675
Hardship	We will not restrict water supply or take legal action against a customer prior to making reasonable efforts to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying a bill	\$404

It should be noted that Barwon Water is one of the few Victorian water corporations that applies annual CPI adjustments to our GSL payments in order for the compensation to remain unchanged in real terms.

In relation to our current GSLs, it is worth noting the following points:

- **>5 unplanned water supply interruptions:** The GSL payment we make to customers (\$88) is the second highest amount offered compared to our peers.
- **>3 unplanned sewerage service interruptions:** The GSL payment we make to customers (\$88) is the second highest amount offered compared to our peers.
- **>2 sewage spills on a customer property:** Victorian water businesses generally make a GSL payment to customers experiencing more than **three** unplanned sewer

spills in the year. We make a GSL payment to customers experiencing more than **two** spills in the year.

- **Hardship:** The GSL payment we make to customers (\$404) is more than 30% above that offered by most of our peers (\$300).

4.2 Sewer Spill Investigation Program

In 2018, as part of our current price period, we implemented a Sewer Spill Investigation Program.

We investigate all sewer incidents that affect customer properties. Currently, where there has been a failure of our system, we place an ex gratia sewer incident credit of 50% of the annual residential sewer service charge on the customer's account (2022/23 \$584.37 x 50%). This is independent of, and in addition to, any GSL payment if the customer experiences more than two spills on their property per year.

We will not make a credit to the customer's account if our investigation reveals that an event is caused by, or is the responsibility of, the customer or a third party.

Where a property is occupied by a tenant and the tenant is a customer, only the tenant's account will be credited for the failure of our sewer system.

Furthermore, our response to spills is tailored to the consequence of the event. Our maintenance team are the primary respondents to all reported spills, but escalate the incident to the customer team for high consequence spills (e.g. where there is property damage, inundation, escalation from BAS is requested, or an alert has been generated that a GSL breach is approaching). Our customer team then assists the impacted customer by communicating the process to achieve the most favourable outcome, such as:

- Where the customer is insured, they are supported by Barwon Water to pursue clean-up / restoration works through their insurer to achieve the best outcome in terms of replacement value
- In the event the customer is uninsured, Barwon Water will engage specialist contractors to facilitate clean-up and catalogue any property / content loss

Fair consideration is given to both insured and uninsured customers to an ex-gratia payment for any out of pocket expenses incurred by the customer. Barwon Water may also contribute financially to part or all of any non-return valve plumbing works pending specific circumstances.

We have been engaging our customer throughout this process and received feedback that is helping to inform an improvement to our GSL of no incidence of sewage spill inside a residential customer's built premises, caused by Barwon Water or a failure in Barwon Water's system(s) which is detailed in section 4.5.

4.3 Engagement throughout the 2018-23 regulatory period

We have engaged extensively with our customers and community about our levels of service including via our Customer Willingness to Pay Survey conducted by EY Sweeney in March 2022. A key theme has been the critical importance to customers of Barwon Water's response and restoration times when incidents occur. The likelihood and consequence of sewerage spills, in particular, is something that customers would prefer to minimise.

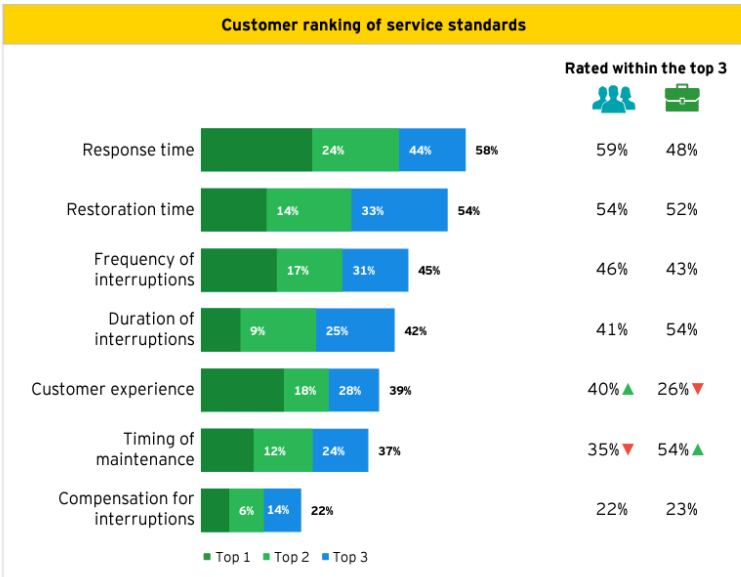
Evidence of customers' views on Service Standards and GSLs is shown in Figure 1 and includes:

- Customers surveyed understand that issues can arise, however they would like to see Barwon Water continue to keep these to a minimum. Response time, restoration time and frequency of interruptions were the top three priorities for residential customers².
- Businesses surveyed ranked timing of maintenance and duration of interruptions equal top priority (54%), with restoration time a close second (52%)³.
- Customer Advisory Committee (CAC) members said they support the GSL performance reporting and like how they are clear, measurable and make sense as a customer. They advised the metrics look good, but would need to be benchmarked from feedback of those customers who had experienced the service interruptions directly⁵.
- Our Voice of Customer data highlights customers are generally happy with our services. Customer complaints around general works and repairs are around 9 per month (over a 24 month rolling average from June 2022). In June 2022, we had 157 pieces of feedback around service, with 90% positive, and 10% negative⁶.

Figure 1 Extract from detailed Customer Willingness to Pay Survey conducted by EY Sweeney, March 2022

Response and restoration times are critically important service standards

- ▶ Customers are looking for Barwon Water to be responsive to issues that arise. One in four (24%) customers rank 'faster response time' as their most important service standard, and six in ten (58%) rank it within their top three.
- ▶ Sentiment around responsiveness came through in the qualitative research with customers noting that when and if there are issues with their water supply, they want to know Barwon Water will respond and respond quickly.
- ▶ Customers understand that issues can arise, however they would like to see Barwon Water continue to keep these to a minimum.
- ▶ Qualitatively, customers highlight the lack of time they spend thinking about their water and want that to continue. Their trust in Barwon Water largely centres on the reliability of the water service.



Base: Total sample (n=1,683), Residential (n=1,603) Business (n=80)
 QN11. Barwon Water is reviewing the service standards it aims to provide customers and would like to know what is most important to you. Please rank three of the following service standards in order of importance, with the most important ranked 1st.
 ▲ ▼ Significant difference between residential and business customers

² Detailed [Customer Willingness to Pay Survey](#) conducted by EY Sweeney, March 2022

³ Detailed [Customer Willingness to Pay Survey](#) conducted by EY Sweeney, March 2022

⁵ Customer Advisory Committee [Discussion Report](#), October 2021

⁶ [Voice of Customer summary report](#), June 2022

4.4 Current performance

GSLs are tracked on a 12 month rolling average so as to rebate customers as soon as possible after they are GSL eligible. This differs from the Service Standards that are reported 1 July to 30 June every year.

Table 7 GSL performance in this regulatory period to 2021/22

GSL	2018-19	2019-20	2020-21	2021-22
No more than five unplanned water supply interruptions per customer per year	0	33	34	0
No more than three unplanned sewerage service interruptions to a customer's property per year	0	0	0	0
No more than two sewer spills on a customer's property per year	1	0	0	0
Hardship	0	0	0	0
No incidence of sewage spill inside a residential customer's built premises, caused by Barwon Water or a failure in Barwon Water's system(s) (NEW)	7	3	9	11

4.5 Proposed GSLs for the 2023-28 regulatory period

Feedback from customers supports the importance and relevance of our existing GSLs. We are proposing to maintain our existing GSLs, given that:

- the service levels align with the standards that customers indicate as most important to them
- customers support the current service levels as the right balance between performance and investment
- the service levels and compensation compare favourably with that of our peers.

However, we do propose an additional GSL in the next regulatory period. This is in recognition of the continuous feedback we have received from customers about the likely impact of sewerage spills should they occur inside a premises. The additional GSL is provided in Table 8.

Table 8 Barwon Water’s proposed GSLs for the next regulatory period

Service attribute	Guaranteed level of service	Payment in 2023-28 (\$2022/23)
Water supply reliability	No more than five unplanned water supply interruptions per customer per year	\$88
Sewerage service reliability	No more than three unplanned sewerage service interruptions to a customer’s property per year	\$88
Sewerage service reliability	No more than two sewer spills on a customer’s property per year	\$675
Hardship	We will not restrict water supply or take legal action against a customer prior to making reasonable efforts to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying a bill	\$404
Sewerage service reliability (NEW)	No incidence of sewage spill inside a residential customer’s built premises, caused by Barwon Water or a failure in Barwon Water’s system(s)	\$1,000

4.6 Exclusions for guaranteed service levels

We will not make a credit to an account for failure to meet a guaranteed service level if an event is caused by, or is the responsibility of, customer or a third party.

Where a property is occupied by a tenant and the tenant is a customer, only the tenant’s account will be credited for our failure to meet a guaranteed service level.

If customers are supplied with water by a separate written agreement, this clause does not apply. Refer to the terms and conditions set out in customers agreement.

4.7 Rationale for new GSL

The new GSL proposed is the first added in in eight years, which is indicative of the strong customer sentiment and rationale for introducing this new GSL at this time. This includes:

- Feedback from customer engagement that has demonstrated the importance of avoiding spills inside a customer’s premises
- Internal sewer spills being one of the most unpleasant experiences for a customer, and by quickly assisting them financially it offers some level of comfort to know we are helping
- There is no material cost to capture the data, which is already monitored through RES 10 in Water Performance Reporting

- Most Victorian water businesses have this GSL or a variation of it, with a payment anywhere from \$300 to \$1,500 (average \$900). Our proposed \$1,000 is slightly above the average of our peers. This immediate payment amount caters for the cost of insurance excess and associated costs, or in the event the customer is uninsured it helps fund clean-up and/or accommodation and associated costs.
- It holds us to account for our Strategy 2030 target toward zero sewer spills
- It demonstrates acceptance of greater risk on customers' behalf, as part of the PREMO risk element.

Exclusions for this new GSL include:

- As stated in the general exclusions (Section 4.6 Exclusions for guaranteed service levels)
- Non-residential customers
- Where the failure is not caused by the business or a failure of the business' system. This can include situations such as:
 - Failure caused by customers' internal plumbing
 - Failure caused by foreign objects or flushable wipes
 - Non-compliant overflow relief gully (ORG)
 - A storm event greater than one in 5 years
 - Reported spills are identified as non-sewer related, such as water, recycled water or storm water
 - Event is caused by, or is the responsibility of, the customer or a third party.

4.8 Inflation

Barwon Water will continue to increase GSL payment amounts in line with inflation set out in our annual tariff adjustment process to ensure that GSL payments are not being eroded in real terms..

4.9 Payments

Customer(s) account will be credited with the rebate amount as soon as possible for all existing GSLs. We will make payment as soon as possible to the customer(s) for the new GSL.