

25 May 2012

Ms Victoria Hein
Regulatory Analyst
Level 2, 35 Spring Street,
Melbourne, VIC 3000

By email: victoria.hein@esc.vic.gov.au

Dear Ms Hein

Review of Water Performance Report Indicators Staff Discussion Paper (April 2012); Water Performance Indicator Review Working Group 1 Minutes (May 2012)

The Consumer Utilities Advocacy Centre Ltd (“CUAC”) is an independent consumer advocacy organisation. It was established to ensure the representation of Victorian consumers in policy and regulatory debates on electricity, gas and water. In informing these debates, CUAC monitors grass roots consumer utilities issues with particular regard to low income, disadvantaged and rural consumers.

We welcome the opportunity to comment on the Essential Services Commission’s (ESC) Review of Water Performance Report Indicators Staff Discussion Paper (April 2012) (“Discussion Paper”) and the issues raised in the Water Performance Indicator Review Working Group 1 Minutes (May 2012) (“Minutes”). We appreciate the extension in time to allow us to submit to this process. We have responded to those sections of the review which we have particular concerns with.

Proposed new categories and indicators

Question

Do you have any comments regarding the indicators proposed for inclusion?

Can you identify any further indicators for inclusion based on our principles?

Do you have specific views associated with the development of a measure for innovation?
How can we - and the sector - seek to measure innovation?

Can you identify any other issues?

Customer responsiveness and service

In our experience, consumers, and consumer organisations like CUAC, are interested in indicators that measure the responsiveness of a water business, and the level and quality of service they are providing. In particular, it is important to monitor the experiences of vulnerable consumers in accessing essential services.

There are limitations on what performance indicators can capture. For example, indicator data may not reveal the quality of the customer experience or whether a retailer program is effective or even appropriate for a customer. Nonetheless, quantitative indicators, like the existing phone contact indicators, are still useful in measuring the customer experience. Further, an effective performance regime should involve more than performance indicators. There are other ways to measure the quality of service, such as through customer satisfaction surveys. Research projects on targeted communities or vulnerable groups can provide valuable information on how customers from these communities are doing vis-a-vis their water provider. For example: Hall & Partners Open Mind (May 2012), *Customers of water and energy providers in financial hardship: A consumer perspective*. Community agencies can also provide feedback about their clients' experiences with their water businesses.

We therefore strongly disagree with the ESC's views regarding the non-exclusion of additional indicators associated with measuring hardship related issues and the specific levels of service customers experiencing hardship receive. In particular, we disagree with the ESC's comments below:

Our experience in the electricity sector has shown us that this type of indicator can overemphasise hardship issues and the number of hardship customers that exist. We anticipate that similar outcomes would result from the inclusion of such measures in the performance indicator data set, particularly as hardship customers are a very small proportion of the overall customer base of water businesses in Victoria. On this basis we do not propose to include such measures.¹

There are a range of obligations relating to how water businesses are to assist customers experiencing payment difficulties. We believe that one of the objectives of a performance regime should be to help protect the interests of residential consumers, particularly low income and vulnerable consumers. Therefore, indicators which: (a) measure the effectiveness of water businesses' programs, especially programs to assist customers experiencing payment difficulties; and (b) indicators which provide information about the extent to which customers are experiencing payment difficulties, and the extent to which customers are being restricted from supply through failure to pay, are important. In the energy space, the Australian Energy Regulator's (AER) and the ESC's performance reporting regime include hardship indicators.

In addition, any indicators on hardship should not be considered in isolation, but within the context of the other data related to financial difficulties including payment plans and restrictions for failure to pay. For example, performance indicators examining entry into, and exit from, hardship programs will be influenced by how the water business addresses hardship and payment difficulties across its customer base. If the ESC's concern is that,

¹ Essential Services Commission, Review of Water Performance Report Indicators Staff Discussion Paper (April 2012), at 9.

hardship indicators can overemphasise hardship issues and the number of hardship customers, it may be that the actual indicator needs to be better designed to capture the specific information. CUAC believes that the comments made by the ESC regarding the overemphasis of hardship in electricity performance do not provide sufficient explanation of how this occurs. In fact, CUAC's reading of the ESC and EWOV industry performance trends show a worrying trend. The ESC's performance report for the period 2010-2011, indicates an increase in disconnections and yet correspondingly fewer customers in hardship programs.² EWOV statistics reveal a rise in the number of credit complaints; that is, many customers who contacted them were concerned about paying their bills and making ends meet.³

CRS 1 Website mystery shopper

We support the proposed approach. The parameters mentioned may encourage water businesses towards continuous improvement of their websites.

CRS 2 First call resolution ("FCR") statistics

This is key; "achieving a high level of FCR usually improves the level of customer satisfaction reported." This indicator also creates a direct incentive for industry to make sure problems get resolved early. It potentially could result in fewer complaints reaching EWOV. We support having the call centre operator asking the customer if their issue was resolved (part of the script). This is a useful tool in assisting customers to identify whether their matter has been handled satisfactorily and to invite the customer to nominate any outstanding issues. It is a standard customer service approach in many other industry sectors.

CRS 3 Net promoter score (NPS) or Customer effort score (CES)

Measuring "customer loyalty" (NPS) by asking a customer how likely they are to recommend the business to someone else is not useful in our view as the customer does not have retail choice in water. A more appropriate indicator may be a level of customer satisfaction.

We agree that data associated with CES (customer's experience with the business regarding how much effort was required to initiate and resolve a service request) appears more relevant as a measure of customer satisfaction.

CRS 4 Customer satisfaction surveys

We support customer satisfaction surveys as a measure.

² Essential Services Commission, 2011 *Victorian retail energy market overview 2010-11* December 2011, Melbourne, at 9. Available at: <http://www.esc.vic.gov.au/getattachment/cb3cb11d-8b32-43fe-890b-c731cb687b70/Energy-Retail-Performance-Report-2010-11-Market-Ov.pdf>

³ Energy and Water Ombudsman (Victoria) ("EWOV"), 2011 Annual Report, at 15. Available at: http://www.ewov.com.au/_data/assets/pdf_file/0008/3779/EWOV_AR2011_web.pdf

Financial information

While acknowledging the fact that water businesses report financial information in other forms such as through annual reports, CUAC is still supportive of the inclusion of financial indicators as part of the performance reporting regime. The inclusion of such measures will allow interested parties to assess the financial position of the water businesses and would provide useful context. The inclusion of this data provides for benchmarking of financial data between firms and allows interested parties to quickly keep pace of any financial issues in water businesses between price reset processes.

Resource security

The inclusion of indicators on resource scarcity is of great interest and CUAC would support transparency and access to this data. We are concerned however, that it may not be an effective indicator. Would the inclusion of performance indicators on resource scarcity or security of supply incentivise businesses to “gold plate” and over invest in capacity to ensure that they would be seen as delivering the most secure supply under these indicators? CUAC is of the view that further thought may be required as to the appropriate design of resource scarcity indicators for water businesses and how they could effectively be compared between businesses.

Productivity

We note that productivity benchmarking is increasingly seen as an important tool for economic regulators and other interested parties to assess the performance of natural monopoly businesses. We are supportive of the inclusion of the measures that allow stakeholders to analyse the productivity performance of the various Victorian water businesses. We do caution though that there are a range of reasons why performance against these measures may differ between businesses including factors such as geography, asset life cycles and such like. As the ESC further considers the inclusion of these measures, it may also like to closely analyse the work currently being undertaken by the Productivity Commission into productivity benchmarking for energy network businesses to ensure any applicable lessons are adapted to the water sector.

Usage, price trends and payment management

UPP 7 Physical visits

The ESC has stated that:

Consistent with the final decision relating to the implementation of a hardship related Guaranteed Service Level (GSL) measure, we are proposing the inclusion of a measure that tallies the number of physical visits made to customer’s premises in the event of a customer having their water supply restricted due to non-payment, or legal action having commenced.⁴

⁴ Essential Services Commission, Review of Water Performance Report Indicators Staff Discussion Paper (April 2012), at 12.

We support the proposed approach; the incorporation of indicators on the total number of personal visits made by water business representatives associated with non-payment, hardship and legal actions.

Innovation

We are not persuaded that an innovation measure is necessary as a performance indicator. The success of any innovation (“turning of ideas into actions that result in efficiency and/or effectiveness gains”)⁵ will be evidenced by what is revealed in the suite of performance indicators. Unless, innovation produces something which people ascribe value to, it will not be regarded as a good innovation. We are concerned that a considerable amount of resources, time and effort would be spent in trying to measure something which is quite amorphous and intangible.

Proposed Indicators for Removal

Question

Do you have any comments regarding the indicators proposed for removal?

Can you identify any further indicators for removal based on our principles?

Can you identify any other issues?

Water network reliability and efficiency

REW 4 Bursts and leaks rectified

The ESC has stated that the rationale for removing REW 4 (bursts and leaks fully rectified) is due to the difficulty of consistently defining and measuring what “full rectification” means. Each water business has different policies and procedures that result in non-comparable measures of “full rectification.” The ESC’s proposed approach is to rely on separate indicators to provide more meaningful information:
REW 2 - total minutes to respond to bursts and leaks (min)
REW 3 - time taken to rectify bursts and leaks

We agree with REW 2 as it seems a sensible indicator to have. But, REW 3 would result in the same problem as REW 4, that is, the difficulty of defining what rectifying means. We seek clarification from the ESC.

⁵ Essential Services Commission, Review of Water Performance Report Indicators Staff Discussion Paper (April 2012), at 25.

Sewage network reliability and efficiency

RES 5 Customers receiving 1, 2, 3 & 4 + sewer blockages in year

The Discussion Paper questions the reliability of the data currently collected; RES 5 (customers receiving 1, 2, 3 & 4 + sewer blockages in year). The proposed approach is to remove the reference to anything other than 3 + sewer blockages experienced by customers in any given reporting period. The rationale is that this would improve the measurement accuracy and maintain alignment with the approved service standard as applied by Schedule 2 of the Customers Service Code.

It is unclear how aggregating the number of sewer blockages (customers receiving 3 + sewer blockages in year) would provide a more accurate measurement. Could the ESC please clarify?

Drinking water quality

DQ 1 Standards for drinking water quality

The 2011 Australian Drinking Water Guidelines (ADWG) is an authoritative reference on what defines safe, good quality water, how it can be achieved and how it can be assured. We suggest that the ESC seek the views on the National Health and Medical Research Council (NHMRC) Water Quality Advisory Committee (WQAC) as to the proposed approach to DW1 (Standards for drinking water quality).

Proposed Indicator Modification

Question

Do you have any comments regarding the proposed modifications?

Can you identify any further indicators for modification based on our principles?

Can you identify any other issues?

Water network reliability and efficiency

REW7 Water supply customer interruptions (No.)

We believe that the number of planned and unplanned interruptions is a key benchmark. This should be retained. It is also data which is relatively easy to gather.

We support having a separate indicator on the accuracy of communication regarding the length of supply interruptions as customers value this information. However, because there is no set timeframe for supply restorations, there is the possibility (as mentioned in the Discussion Paper) that a water business would overestimate the time advised for a planned interruption. The result is that the water business would score high on this indicator; it would not be an accurate indicator.

REW 10 Customers affected by planned water supply interruptions greater than 5 hours

We support the proposed approach to split the performance measure and the definition to reflect the inclusion of “unplanned” water supply interruptions. We note, however, that the definition on page 37 of the Discussion Paper has omitted the inclusion of “unplanned” water supply interruptions.

Usage, price trends and payment management

UPP 1 Instalment plans

We agree with the ESC that collecting instalment plan data on a domestic and non-domestic basis does not fully capture information associated with the management of potentially vulnerable customers. CUAC is pleased that the proposed approach includes the number of customers on instalment plans who are on concessions.

Customer responsiveness and service

CRS 7 Affordability complaints

CRS 8 Billing complaints

As previously mentioned, it is critical that a performance reporting regime monitor the experiences of vulnerable consumers in accessing essential services. We disagree with the proposed approach to merge the two indicators CRS 7 and CRS 8. Affordability complaints are different in nature to billing complaints. EWOV, for example, distinguishes billing complaints (High bills, fees and charges, billing errors) and credit complaints (Collection, payment difficulties, supply restriction). Credit complaints are essentially about a customer’s capacity to pay; a sole indicator on affordability would provide more specific insight on how water businesses are responding towards vulnerable customers and how such customers are faring.

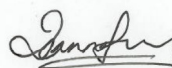
Therefore, we are of the view that it is important to track the affordability and billing complaints separately.

If you have any queries on our submission, please do not hesitate to contact us at (03) 9639 7600.

Yours sincerely,



Jo Benvenuti
Executive Officer



Deanna Foong
Policy & Research Advocate