

28 March 2022

Drinking Water Network Environmental Performance Measures
Taumata Arowai
PO Box 628
Wellington 6140

Email: korero@taumataarowai.govt.nz

Dear Sir/Madam,

SUBMISSION FOR WATER NEW ZEALAND ON THE PROPOSED DRINKING WATER NETWORK ENVIRONMENTAL PERFORMANCE MEASURES

INTRODUCTION AND OVERVIEW

1. Water New Zealand (“Water NZ”) appreciates the opportunity to provide a submission on the discussion document, Drinking Water Network Environmental Performance.
2. Water NZ is a national not-for-profit organisation which promotes the sustainable management and development of New Zealand’s three waters (drinking water, wastewater and stormwater).
3. Water NZ is the country’s largest water industry body, providing leadership and support in the water sector through advocacy, collaboration and professional development. Its 2,600 members are drawn from all areas of the water management industry including regional councils and territorial authorities, consultants, suppliers, government agencies, academia and scientists.
4. Membership of our association is broad, and accordingly there are a range of views amongst our membership on the Network Environmental Performance Measures. Many members will be making their own submissions on the Discussion Document - Drinking Water Network Environmental Performance and these submissions are intended to complement those, and to capture the range of views amongst our membership. We do not attempt to arrive at a consensus position, noting that the views expressed here will need to be balanced by Taumata Arowai against the other submissions received.
5. Water NZ convenes several interest groups, to provide a forum for subject matter experts to share knowledge and undertake collective projects. These include a Climate Change group and the Water Efficiency and Conservation Action Network (WeCAN). Comments on the insight areas have primarily been prepared by members of the Climate Change and WeCAN groups, with a focus on water efficiency and climate issues. Introductory questions have been answered by drawing on conversations with our policy group and the broader membership.

6. Data collection and reporting systems amongst water service providers are at varying levels of maturity. It is important that in addition to the performance measures collected through this report information is also collected on the associated data confidence.

Do you agree with the insights and measures we have proposed?

7. Amongst our membership there are mixed views on whether several of the insights and measures proposed are within the remit of Taumata Arowai. Most were of the view that measures associated with the insight area “are services economically sustainable” would be better dealt with by a future economic regulator. We discuss this further later in our submission. Some also felt that measures in the reliability and resilience insights area would also be better addressed by an economic regulator.
8. Many of our members were unclear on how the functions of Taumata Arowai would interface with the responsibilities of regional councils. One of our members expressed surprise that the measures do not address the environmental condition of freshwater bodies that may be impacted by water services. Attributes such as temperature and the macroinvertebrate index are often used as an indication of environmental health. Others highlighted that performance measures related to fish passage, environmental flows and the impact of capital works were the domain of regional council consenting processes. We think there is a need to collaborate with regional councils on how the environmental performance measures interact with their existing functions and articulate this more clearly.
9. It is not clear where customer complaints issues sit in relation to these measures or proposed future regulatory reporting structures. If it is beyond the scope of Taumata Arowai to report on this, it should be explicitly stated who is expected to address this aspect of performance in the future. We note MBIE’s consultation paper on Economic Regulation and Consumer Protection in 2021 suggested certain consumer protection matters would likely lie with the Commerce Commission, and others with potentially a Consumer Advisory body. We note that this has become a significant focus area for more mature frameworks for regulating water internationally.
10. The insight areas do not align with other national instruments for improving the quality of our water environment. Mapping measures to insight areas that are associated with Te Mana o Te Wai and the National Policy Statement of Freshwater Management 2020 would improve linkages between the water sector and New Zealander’s broader freshwater management aspirations. Ideally this mapping would be undertaken in a collaborative way with regional council representatives, water infrastructure providers and officials involved with the drafting of freshwater policy. This would also provide an opportunity for Taumata Arowai to clarify where these measures sit within the broader policy environment for water management.

Do you agree with the proposed phasing of the measures over three years?

11. All the members we spoke to have agreed with the approach of phasing in the measures.
12. Many of our members have raised questions about how these measure will apply to the four new entities proposed as part of the governments water reform. We have received mixed views on whether introducing them prior to the introduction of entities is a good idea.

13. Some of our members have expressed the view that common performance measures provide a helpful reference point for councils to align reporting systems, which may help smooth transition into the new entities. On the other hand, it has been noticed that there are significant time and costs involved in the set-up of reporting systems, and this effort will be wasted effort once the new entities take effect. The view associated with the later perspective is that the time frame for introducing measures that are difficult to report on should be extended beyond three years, to a point in time when the new entities are established.

Do you agree with the measures and data associated with the insight: Is the environment and public health protected?

14. Some of our members suggested that public health and environmental protection be separated into two separate insight areas. It was noted that there can be a tension between these two outcomes. Protecting public health to meet necessary human needs may compromise available environmental flows.
15. Some of our membership queried whether environmental protection was the responsibility of Taumata Arowai, and accordingly whether this should be included in performance measures. Refer to paragraph eight which addresses this issue in more detail.
16. Some of our membership questioned how drinking water service coverage relates to public health or environmental protection. While most could see value in this information being available it was questioned whether this insight area was the appropriate place for this performance measure.
17. Water abstraction within environmental limits is challenging to measure, particularly for catchments where no clear environmental limits have been set. We suggest that this could be addressed by amalgamating this with the subsequent measure on resource consents. The performance measure could relate to whether resource consent limits have been achieved for:
 - (a) Total abstraction volumes
 - (b) Average flows
 - (c) Peak instantaneous flows
 - (d) Peak daily flows
18. Contamination of backwash and the need for adequate chemical bunding were identified as environmental performance issues that could be addressed in this insight area.

Do you have any suggestions for how we could give effect to *Te Mana o te Wai* through the drinking water network environmental performance measures and the Network Environmental Performance Annual Report?

19. Some of our members have expressed the view that these performance measures should encapsulate and/or align with the principals expressed in *Te Mana o Te Wai*. We have expanded on this in paragraph 10 of this submission.

Do you agree with the proposed outcomes and principles?

20. The significant expense and effort required for performance reporting has been expressed by many of our members. We suggest an additional principle that the benefits

of the information being collected and reported should exceed the cost of that collection and reporting. Each of the performance measures needs to be screened against this principle.

21. A related principle is to reduce duplicate reporting requirements. This may be captured under the kaitiakitanga principle but could be more clearly articulated. Many of our members have expressed concern that these measures duplicate existing reporting required by the Department of Internal Affairs, Regional Councils and Water New Zealand's National Performance Review. How duplicate reporting requirements are being addressed and avoided needs to be more clearly articulated.

Do you agree we should include the insight: Are services economically sustainable?

22. Most of the members we spoke with were of the view that measures associated with the insight area: "Are services economically sustainable?" should be the responsibility of a future economic regulator. Concerns were raised that having Taumata Arowai collect information on financial performance could be problematic because:
 - (a) There is a tension between improved quality outcomes and cost. Collecting financial information may signal that managing cost and affordability issues should be given equal weight to quality outcomes in the eyes of Taumata Arowai.
 - (b) That there is the ability for Taumata Arowai to set standards, and that this in the future may lead to Taumata Arowai setting financial performance standards. This was seen as inappropriate because of the incentives addressed above.
 - (c) The financial measures proposed lack sufficient detail to provide an understanding of financial performance, and therefore do not serve a purpose.
 - (d) There is a risk of duplicate reporting when the economic regulator is introduced.
23. Our membership holds differing views on whether financial performance information should be initially collected by Taumata Arowai and phased out when a regulator is introduced, or not collected by Taumata Arowai at all. There was universal agreement that the measures associated with economic sustainability should not be collected by Taumata Arowai once an economic regulator is established.
24. Many in our membership questioned what value would be obtained from a measure on water supply capital investment projects. We suggest that if this measure is retained the threshold at which it applies should be higher. While \$100,000 could constitute significant expenditure for smaller water service providers, for larger entities the number of projects where the investment is in excess of this value suggests this would be an excessive reporting burden.

Do you agree with the measures and data associated with the insight: Are services reliable?

25. As stated in our response to question 10, some of our members felt that reliability issues should fall within the remit of an economic regulator, not Taumata Arowai.
26. We suggest that the customer water use metric on the percentage of customers with water usage is better dealt within the insight area "are resources used efficiently". This

measure provides supporting context for understanding the accuracy of network water losses and efficient consumer use of water but is not an outcome in and of itself.

27. We anticipate that several entities will not be able to respond to the water pressure measure “properties below reference level of flow at end of year” as it is likely a reference level will not have been set. We suggest a staged approach to reporting with an initial question that could be implemented in the 2023 reporting period “Have minimum service levels been set for water pressure”.
28. Assessing the percentage of assets that have received an above ground condition assessment requires a lot of data. This is likely to require a data collection effort that is not proportional with the value of the information retained. It also means comparative information is likely to be of little use, due to various approaches to its collection. We suggest this measure is removed.
29. We suggest adding an additional performance measure that asks if an assessment has been undertaken to identify critical assets. This could lead to the phased introduction of a performance measure assessing the frequency of assessment of critical assets over time.
30. We suggest an additional measure could be added if drought levels of service have been initiated. This could lead to the phased introduction of a performance measure asking about what drought levels of services have been set.

Do you agree with the measures and data associated with the insight: Are resources used efficiently?

31. We agree with the inclusion of performance measures on water loss, but do not think all these measures need to be included. We suggest that ‘Current annual real losses (L/connection/day)’ and ‘Current annual real losses (m³/year)’ and the ‘Infrastructure Leakage Index’, be retained. Collectively these three measures provide sufficient information to enable an understanding of water loss performance.
32. We do not agree that percentage estimated total water losses should be included as a performance measure. Variations in water demand can skew the interpretation of this measure, accordingly it is not a recommended performance measure for assessing water losses.
33. We recommend that estimated network water losses are required to be reported at a district, rather than a network level. This will allow the data to be used to target interventions to reduce water losses.
34. We note that it is important to provide clarity on the types of energy use covered by the energy use performance metric. We suggest that the energy use performance measure be broken into two performance measures that examine electricity use, and energy use associated with alternative fuels (such as natural gas biogas, petrol, diesel) separately to avoid confusion in reporting.
35. We suggest the energy generation measure should be improved to be based on both 1) the % that is generated versus imported and 2) the volume for the m³ of drinking water supplied (GJ/m³).

Do you agree with the measures and data associated with the insight: Are services resilient?

36. As stated in our response to question 10, some of our members felt that resilience issues should fall within the remit of an economic regulator, not Taumata Arowai.
37. We suggest additional performance measures are needed to provide an overview of all aspects of performance. We suggest yes/no type performance measures be introduced to provide a basis for the introduction of more sophisticated performance measures in the future:
 - (a) Have you developed an emergency continuity plan
 - (b) Have you undertaken an assessment of water continuity risks
38. We support inclusion of a performance measures related to the return to service post natural disaster. This will become an increasingly important aspect of service delivery as climate change impacts on our water assets become more acute. We suggest that this be a phased measure introduced over time, as developing post disaster levels of service requires significant investment and is an exercise that has not yet been undertaken by many utilities. We suggest an initial question could be; have you developed post disaster levels of service. In time more sophisticated measures based on the Guideline for Assessing Technical Resilience of Three Waters Networks, published by the Quake Centre could be introduced. Refer <http://resources.quakecentre.co.nz/guideline-for-assessing-technical-resilience-of-three-waters-networks/>
39. We support the inclusion of future performance measures related to management of climate risks. However, it is difficult to measure climate change adaptation and significant work needs to go into understanding this area better to ensure appropriate reporting. The Zero Carbon Act includes the provision for lifeline utilities to report on managing climate change risk and we suggest that any performance measure in this framework is aligned with that work. We note that the Financial Services Act is establishing climate disclosure requirements for several entities in New Zealand that will be mandatory by 2023. This is based on the Taskforce for Climate Related Financial Disclosure and learnings from this process could be applied to this performance framework, noting it has a requirement for metrics and targets to be established by reporting entities.
40. If you have any questions in relation to this submission please contact Lesley Smith, Insights & Sustainability Advisor.

Ngā mihi nui



Gillian Blythe
Chief Executive
M: 021 388 469