Summary of Three Waters Request for Information Clinic

# Tuesday 10 November 2020, 8am to 11am

## Common questions received separate to the clinic

Q. What approach should councils take to providing information in Long Term Plans that have not yet been approved? Should the 2018-28 Long Term Plan information be provided?

A. Councils are encouraged to provide the latest available information they have. Where this has yet to be approved, Councils may wish to assign a lower confidence grade. The intent of this request for information is to collect the most relevant and up to date information available locally so that there is a reliable evidence base for decisions made as part of the reform programme.

Q. Should the Long Term Plan figures be adjusted for inflation?

A. For Sections E and G the supporting guidance is that forecast information should be based on internal budgets or management accounts and should be reported in nominal terms (i.e. including projected inflation). Please provide the inflation assumptions in Table E12 and G5.

For section F the supporting guidance is that forecast information should be based on internal budgets or management accounts and should be reported in real terms (i.e. excluding inflation) based on the price base in 2019/20 prices. Please include a note in the comment field that the forecasts exclude inflation. (Where easily available forecast information e.g. draft LTPs already includes inflation assumptions and have been provided, please include a note in the comment field that the forecasts include inflation and state the inflation assumptions in the comments field).

However, to enable to councils to provide the information in the most readily available format, we are happy to receive the information in either real or nominal terms in all sections as long as the assumptions are clearly stated and provided, and the inclusion or exclusion of inflation is consistent within the each section of the RFI.

Q. How should councils approach information around asset values and investment requirements given these will go through a process of prioritisation as part of the Long Term Plan process?

A. Councils are encouraged to provide this information based on their best estimate and judgment in relation to the state of their existing assets and the likely investment requirements (i.e. in the absence of a budget constraint). The request for information is intended to deepen our understanding of the state of the system and the full extent of the investment that is likely to be required.

## General questions related to the RFI

Q. Can you please confirm when the video tutorials will be released?

A. The video tutorials will be uploaded to the DIA website by the end of the week (13 November).

Q. Can you please advise when the workbooks will be updated?

A. The workbooks will be updated either today or tomorrow, incorporating some of the comments from last week’s clinic. Note the updated workbooks will include a detailed change log for your reference.

Q. If the supporting schedules are going to be updated periodically, can the website indicate the date each was last updated so project leads can manage the roll-out of new guidance to our various knowledge holders?

A. Yes, the updated workbooks will have a new version number, and the updated guidance documents will have a new issue date on its cover page. The updated workbooks will also include a detailed change log for your reference. Going forward the intention is to keep any further changes to a minimum, however, any future updates will be communicated in the same way.

Q. How many changes to the workbook do we envisage?

A. Going forward the intention is to keep any further changes to a minimum. Please note that the pending updates are also relatively minor. They include fixing some of the check and drop-down cells, formatting, and adding stormwater to J tables.

Q. Are there updates to the definition documents coming also?

A. Yes, there will be a reissue of the guidance documents alongside the updated workbooks either today or tomorrow.

Q. Will there be new questions coming in that could mis-align any copy and paste exercise in the updated workbook?

A. There are no changes to the calculations in the updated workbook so the copy and paste exercise should be relatively straightforward. The change log will provide an indication of any sheets that cannot be easily copied and pasted.

Q. Are we going to get a copy of the presentation that Alan Sutherland shared?

A. Yes this will be shared.

Q. Thinking ahead to the submission on 1 February, will it just be the completed Workbook, and will it be uploaded or emailed?

1. The completed workbook should be emailed to threewaters@dia.govt.nz, alongside any additional documents required (e.g., copies of valuation reports). However, if you have completed sections of the workbook you are encouraged to submit these in advance of others to reduce the need for further follow-up after the due date

Q. Can we leave cells in the workbook blank?

A. Please provide an answer in every cell, even if it is a best guess estimate with a low confidence grade. If the line is not applicable (e.g. as it asks for information on an asset that you do not have), please enter zero in the cell and provide further detail (e.g. this relates to type of assets that we do not own) in the commentary cells.

Q. What does I/C stand for in the workbook?

A. I/C in the field type stands for input or calculation.

Q. Will local authorities be required to provide evidence at some stage for the information they will be providing into the sheets?

A. No this is not anticipated. The information source boxes are included so that you can revert back to information easily as needed (e.g., if we have clarification questions or if you wish to update the information in the future).

Q. Where a cell says "Information source" we presume we are not required to upload significant amounts of data just refer to the base data and where it lives on our internal system?

A. Yes that is okay. Note that the information source boxes are included so that you can revert back to information easily as needed (e.g., if we have clarification questions or if you wish to update the information in the future).

Q. We have six rural water supplies, and they are very different to our urban supplies – how should we aggregate that information? If it is all aggregated the results may look strange.

A. Councils can decide whether to separate rural and urban schemes. One council, for example, explained that it would copy each sheet and populate one of the sheets with the aggregate information for rural schemes and the other with the aggregate information for urban schemes. However, councils are still asked to provide values for rural and urban supplies in aggregate (e.g., rather than provide individual values for the six rural water supplies).

As a related point, councils can decide whether to report the cost information in the E tables in aggregate or by sub operating area where costs are captured (as originally requested in the schedule for Section E). This is clarified in Schedule E (v2.0) which was reissued on 10 November 2020. However, please still provide values for rural and urban supplies in aggregate (e.g., rather than provide individual values for the six rural water supplies).

Q. If we separate rural and urban supplies (as discussed in the question above), there may be some blanks – what should we do?

A. Please enter zero into these cells and note ‘not applicable’ in the commentary cells.

Q. In the context of LTP what timeline are you referring to?

A. 10 years.

Q. We are currently completing a large SCADA upgrade project as part of our DIA CIP 3W funding. This will significantly change the data we are including as by Feb 1st we will be part way through. I suppose as long as we note where we currently are and what is expected to change, that is the best approach?

A. Yes, that is correct.

## Questions related to sections A - I

Q. A1.44: With population – does this include bed nights available or just the standing population?

A. Please state bed nights occupied. This is generally reported by Stats NZ. However, if bed nights available is the only information available please use it and make a note in the comments (with a lower confidence grade to reflect the uncertainty).

Q. A3.17: Can you please explain what "relief of charges" mean. Is this a rates rebate?

A. Effectively this refers to any time the council decides the person should not pay a full charge for any reason. e.g., social inclusion measure, charitable relief, etc.

Q. A3.17: Referring to the question above, would that include a leak credit if they fix it (we meter water use)?

A. Yes.

Q. A3.60: This request asks for the estimated volume of delivered water going to the wastewater system. Are you looking for annual average, summer average or peak day?

A. Annual average. Line 3.60 is the assumed percentage of water returned to wastewater system. This allows councils to report their assumption of water returned to the wastewater system.

Q. B3b 22-24: We expect the response will require the use of modelling that will not be undertaken until the LTP process next year. How should we approach this if they do not have the latest modelling?

A. Please provide your best estimate and apply a confidence grade to reflect this uncertainty. Note that we are not expecting councils to commission any new work or develop new models to complete this information request.

Q. B5 & B6: What do ‘telephone contacts’ mean?

A. All contacts that are received by councils, including complaints or any issue that is raised or noticed. This line excludes telephone contact or enquiries for a new request for service (e.g., a request for a connection). Note that the definition has been updated in the guidance document to reflect this.

Q. B8: In reference to ‘stormwater sewers’ does this just mean stormwater pipes?

A. Yes.

Q. C6.1 refers to the total number of Wastewater Treatment Plants subject to improvement works in the LTP. If we are NOT planning to update the Wastewater Treatment Plants, is the number zero?

A. Yes.

Q. C6.10: CSO and Stormwater, do we just treat these as stormwater?

A. Yes, if you do not have Combined Sewer Overflows (CSOs).

Q. E: Schemes identified for data capture; Taupo has a number of schemes. Should these all be included separately, i.e., is it simply a matter of adding more lines?

A. We have requested for the costs to be split by sub operating area. For the purposes of our work we would be happy for it to be aggregated up to the local authority level, noting that you may want to keep rural and aggregate schemes separate (as discussed above). This would not require additional lines.

Q. E1, E2, E2b: Could you please define a concession contract?

A. This includes any contact with a third party that is for the provision of a service e.g., a design, build, finance and operate (DBFO) contract or a simple operating contact. It is noted that these arrangements are not uncommon in New Zealand. For example, Veolia has a contract for the provision of wastewater services at four wastewater treatment plants that serve metropolitan Wellington. Please provide a brief explanation of the type of arrangement in the commentary cells.

Q. F2: There are specific items (e.g., tangible assets and debt) that can be easily split out but we do not track cash/receivables/payables etc., by activity. There would be a significant amount of work to try and split these (with a fairly low confidence rating for a number of lines). Should we only be including what we can?

A. Please provide a best estimate. You may choose to use as proxy for the split (e.g., based on a % of revenue, debt or asset values). Please state any assumptions in the commentary and use an appropriate confidence grade to reflect the uncertainty. Note that a run through of the financial sheets (Section F) will be provided in the clinic hosted on the 24th of November.

Q. F2a: These are some of the main items that we only track at Council level. To provide these with any version of accuracy would require a significant amount of work. What approach should we take for consistency with other councils?

A. Please state any assumptions in the commentary and use an appropriate confidence grade to reflect the uncertainty. Note that a run through of the financial sheets (Section F) will be provided in the clinic hosted on the 24th of November.

Q. F: Do we make an arbitrary split (with a very low confidence rating)? If we are to do make an arbitrary split and to ensure consistency should there be guidance on the basis of an arbitrary split?

A. Please provide a best estimate. Rather than use an arbitrary split we suggest using a proxy (e.g., based on a % of revenue, debt or asset values). Please state any assumptions in the commentary and use an appropriate confidence grade to reflect the uncertainty. Note that a run through of the financial sheets (Section F) will be provided in the clinic hosted on the 24th of November.

## Questions related to J1

Q. J1: Some councils have a funding basis for assets but they are not on the asset register – should these be included?

A. Yes, please include anything the council supplier maintains. In the case of lateral sewers and communication pipes, for example, councils could maintain these assets because they are legally responsible for these assets or under their own council policies (e.g. a goodwill gesture).

Q. J1 columns I & J: We value our assets every two years. This is a single figure for each asset type not a low and high estimate. Can we put the same single figure in both and express a "range" in the reliability band?

A. Councils are requested to provide a full range based on information from the asset inventory and recent contractor rates or estimates and capital unit costs.

**[Post meeting note:**

As noted above, Councils are encouraged to provide this information based on their best estimate and judgment in relation to the state of their existing assets and the likely investment requirements (i.e. in the absence of a budget constraint). The request for information is intended to deepen our understanding of the state of the system and the full extent of the investment that is likely to be required.

Q. J1 columns I & J: Following from the previous question, the low/high values in both replacement cost and economic life need to be put in the context of proportion for the given asset class?

A. If more than one asset class is reported in the line, then the range for asset lives should be weighted based on the relative value of each asset. If this applies, councils are asked to use the commentary cells to explain which assets are included in each line.

Q. J1 columns I & J: Can we use the confidence level stated in the valuation peer review report to calculate high and low value?

A. If the valuation peer review report is outdated or out of line with contractor rates observed in the market, then this would suggest that a lower level of confidence (and therefore a wider range for optimized replacement cost) is appropriate.

As an example, one council that completed this exercise observed higher contractor rates in the market and therefore used the valuation from the peer report as the lower range and the asset value implied by recent contractor rates as the upper range.

**[Post meeting note:** As noted in the meeting, in the valuation peer review reports that it has reviewed, the WICS team has not observed the use of ranges in asset valuations. As such, WICS are happy to discuss the J tables with councils (including those completing Workbook II) on an individual basis to get into the detail of these points.

As noted above, Councils are encouraged to provide this information based on their best estimate and judgment in relation to the state of their existing assets and the likely investment requirements (i.e. in the absence of a budget constraint). The request for information is intended to deepen our understanding of the state of the system and the full extent of the investment that is likely to be required.

It is also worth noting the responses to later questions on this same area and the importance of taking a fresh look at the underlying asset base and how much it would cost to replace it and the expected asset life.]

Q. J1 columns I & J: Will using the approach suggested with low and high replacement estimates have a negative impact on the confidence levels?

A. We are not expecting high reliability bands in this section of the request. We are anticipating Cs (i.e. information extrapolated from a limited sample) and Ds (i.e. unconfirmed verbal reports, cursory inspections or analysis).

Q. J1 columns I & J: Wouldn't annual depreciation for each asset type be the most accurate, because that's built up from a sum of individual assets? It would also account for short and long-life asset components

A. It is important to take a fresh look at the underlying asset base and by understanding how much it would cost to replace it and the actual expected life (based on accumulated experience gained), there can be confidence that we will understand an appropriate range for the economic depreciation that is required to be funded by customers. From a customer perspective, it is critical if price volatility and future shocks are to be avoided that there is a good understanding of economic depreciation and that this is covered by the level of charges paid by customers. It does not mean that the economic depreciation needs to be spent each year- actual expenditure on replacement in any one year may be higher or lower than the economic depreciation, the balancing item would normally be the level of debt outstanding. Good practice in regulatory accounting would involve the creation of a contingent asset or liability on the three waters balances sheet.

**[Post meeting note:**

As noted above, Councils are encouraged to provide this information based on their best estimate and judgment in relation to the state of their existing assets and the likely investment requirements (i.e. in the absence of a budget constraint). The request for information is intended to deepen our understanding of the state of the system and the full extent of the investment that is likely to be required.]

Q. J1.8: Water Supply/Communication pipes – is this lateral connections to properties?

A. Yes, water supply/communication pipes are the lateral connections to the premises. If you are responsible for maintaining or upgrading the pipe, then it should be included even if the council has no legal responsibility for the asset and maintains the asset under its own council policies (e.g. as a goodwill measure).

Q. J1.12: Is this only talking about responsibility for laterals in road reserve i.e., to boundary of property?

A. No, please include anything which the council supplier maintains. In the case of lateral sewers and communication pipes, for example, councils could maintain these assets because they are legally responsible for these assets or under their own council policies (e.g. as a goodwill gesture).

Q. J1.12: I understand Wellington does not own the wastewater lateral, only the main. This would give a significant difference in value with other councils. How should this be captured and accounted for?

A. Councils should report information on the assets that they are responsible for maintaining. In the case of lateral sewers and communication pipes, for example, councils could maintain these assets because they have legal responsibility for these assets or under their own council policies (e.g. as a goodwill gesture). Councils should explain which assets are included in each line in the commentary cells.

Q. J1.7, J1.17 & J1.26: For pumpstations, is the lifetime range from the shortest life asset to longest life asset?

A. The lifetime range should provide the lowest conceivable asset life for that class of assets (as a group), to the longest conceivable asset life for that class of assets. We expect councils to provide very broad ranges. When Scottish Water completed this exercise, for example, it estimated an asset life for pumping of 25 to 50 years.

It may be worthwhile and useful to break down a pumpstation into its constituent parts: the hard standing/ housing in which the pump is located, the actual pump, the control equipment and any sub-parts that will need replacing during the lifetime of the actual pump.

Q. J1 columns Q, R, S & T: Could you fill in the third set of boxes as an example? Years, Unit, Nr, average capacity.

A. An example of each for entering data for 5 pumping stations with an average pumping capacity of 10,000 litres per minute and average age of 10 years is below:

* Years = 10.
* Unit of measurement corresponding to the value of measure = number of pumping stations.
* Value of measure = 5.
* Capacity = 10,000 litres per minute.

Q. J1 Column Q: Average install year to be weighted by value or unit of measure (or doesn't matter)?

A. Either would be fine.

Q. J1 Column Q: Is the year the date? Is this the average installation year as stated or average age?

A. Average installation year refers to the number of years since installation (i.e., age) rather than the date.

Q. J1 Column Q: In terms of average installation years we have assets installed ranging from mid-1930 right up to 2010's how should be address this in terms of the installation years. Also is the diameter of water mains not as relevant as material type when it comes to considering asset life?

A. Please use the average and note in the comments if the range is large.

Material type is important. As such, councils should use the asset lives which reflect the material type of the assets that they own or maintain.

Q. J1.7, J1.17 & J1.26: Which asset type should we use for the install date for the pumping stations?

A. It should be the installed age of the asset that has the longest life.

Q. J1.7, J1.17 & J1.26: Pumping stations are not stations with a life of its own, in my asset management system each child asset is separate and managed at the child level. It is difficult to give an estimated life as the pump station will continue in perpetuity with the child assets being replaced – how do I give you an estimate for the pump?

A. See answer above.

Q. J1: For pipes – I maintain the fixtures and fittings separately. Do I add the fixtures and fittings to the value? How should I reaggregate it?

A. Councils may want to keep the pipes fixture and valves separate and provide two values in the worksheet, or reaggregate them using their best judgement. More detail is fine in this case.

Q. J1: Our sewers are mainly PVC. They will break and be replaced and are not really assets in perpetuity?

A. The asset lives should reflect the material type of the assets that they own or maintain. In Scotland, we have also found that first generation plastic pipes (PVC) have not lived up to their expectations. We have no settled view on PE pipes.

Q. J1.19: What does cess mean?

A. An open septic tank.

## Questions related to J2 and J3

Q. J2 only the sewer mains that cover depth limit of 2 meters. Do we exclude deeper pipes? Same for water.

A. This information is used to compare unit rates across councils for standardised work for specific asset and surface types. If there is a particular category of asset that councils want to highlight (e.g. they have higher unit rates), councils may want to report these separately and provide an explanation in the commentary cells.

Q. J2.1 What utility does this request relate to? Water?

A. Water mains.

Q. J3: These rates are for brownfield assets (i.e., renewal), what about greenfield rates for growth?

A. Growth investment is covered in Section G. Table G1 requests a summary of growth investment. Tables G2 to G4 requests information on individual projects for the period of the long-term plan.

Q. J3: The rates you are talking about are for open cut replacement. We do a lot of relining etc., how should that be considered?

A. If relining is the asset management strategy of choice, please add the cost of the relining to the expected future replacement cost in Table J1 and use the extended (extra) asset life achieved by laying a new pipe and relining part way through the pipe’s life.

Q. How should we treat the pipes on footpath?

A. If there is a particular category of asset that councils want to highlight (e.g. they have higher unit rates), for example, councils may want to report these separately and provide an explanation in the commentary cells.

Q. J2: We value water valves, hydrants etc. as part of the main. This is different for wastewater, so we will have to make the valuation basis clear in the comments?

A. Yes.

Q. J2: What about low pressure sewerage systems?

A. If there is a particular category of asset that councils want to highlight (e.g. they have higher unit rates), for example, councils may want to report these separately and provide an explanation in the commentary cells.