

# Setting Service Levels: A Simple Task or a Major Challenge in Asset Management?



Kevin Young  
Hunter Water

# Outline

- Approaches world wide
- Categories
- Trade off – service level and cost
- Service levels vs performance indicators and penalties
- What makes a SMART measure?
- Possible Service levels for a wastewater agency

# Setting Service Levels: Approaches Worldwide

- Fixed mandatory levels under an operating contract/licence with high penalties
- Continuous improvement to higher service levels
- Maintaining condition of assets (a proxy approach)
- Determined in consultation with customers

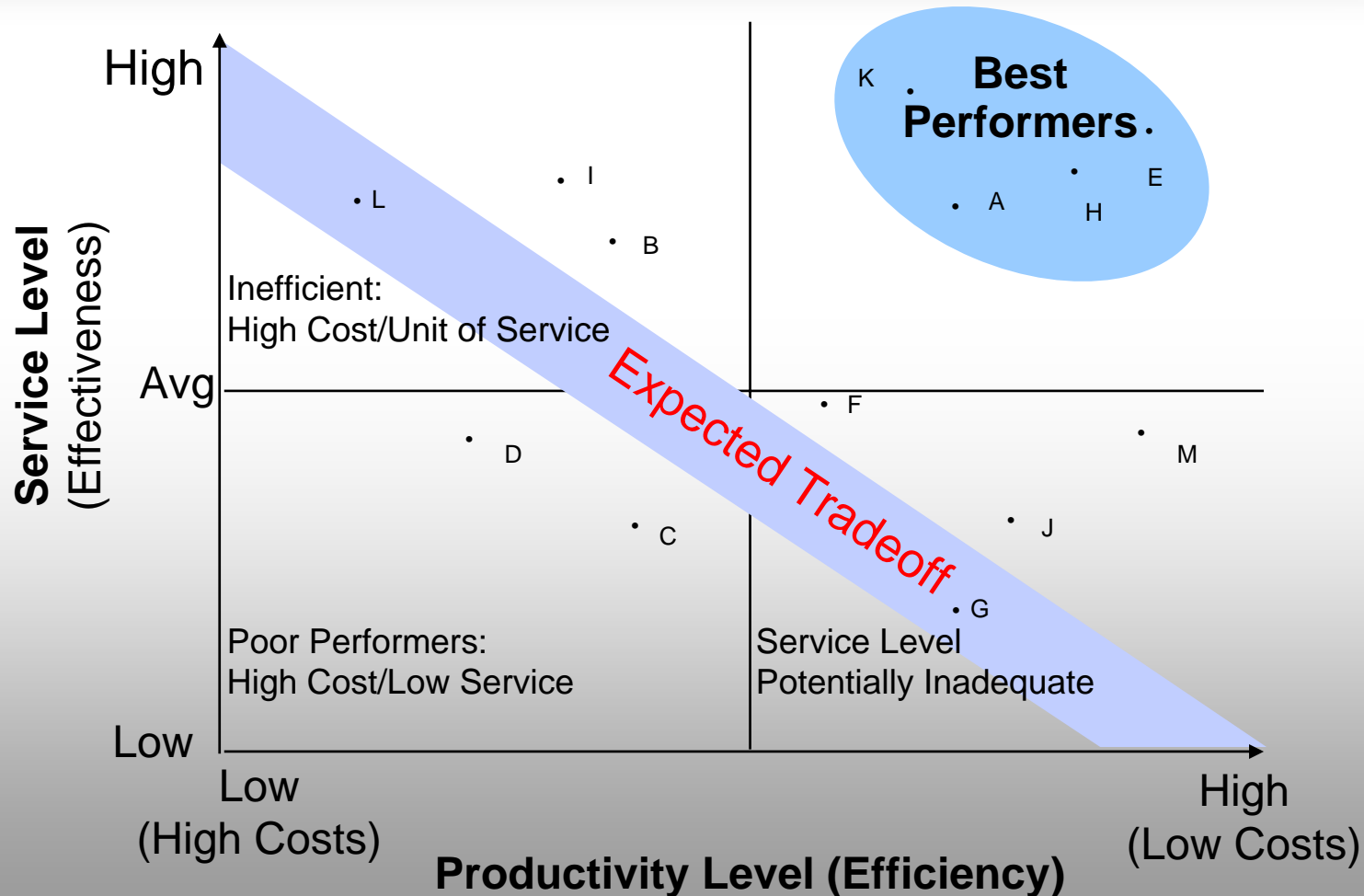
# Continuous Improvement to Higher Service Levels

- By benchmarking
- By “league tables” - comparison by embarrassment
- Need good information of cost/service level trade-off

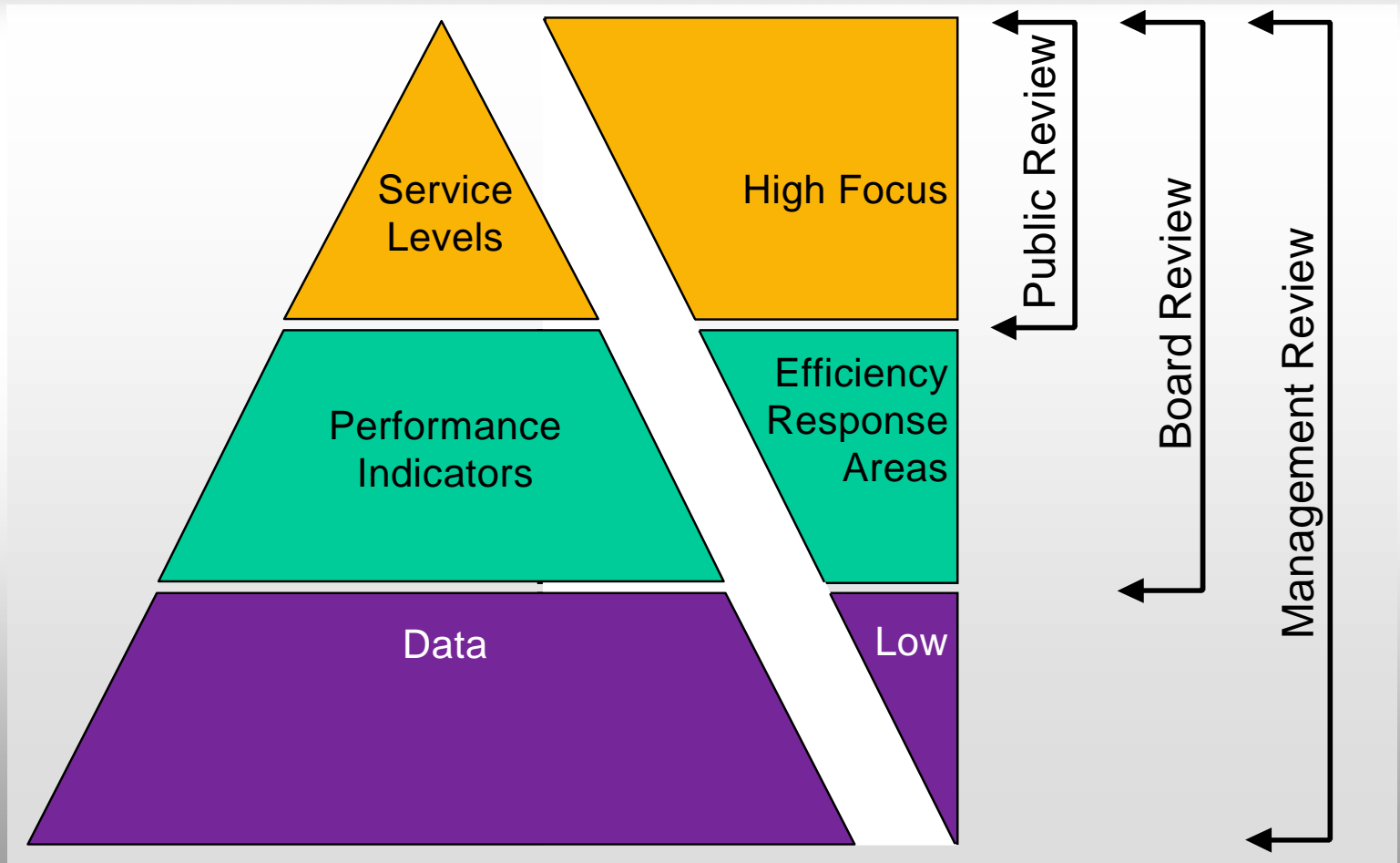
# Setting Service Levels

- Requires alignment of service levels with Business Plan/Corporate Planning
- A number of categories:
  - Environment – regulated requirements/ self imposed
  - Health
  - Safety
  - Customers
- Is cost a service level?

# Setting Service Levels and Trade-offs



# Service Levels are Supported by Performance Indicators



# SMART Measures

- **S**imple
- **M**easurable
- **A**ccurate
- **R**esponsive
- **T**arget

# Costs for Not Hitting a Service Level Target?

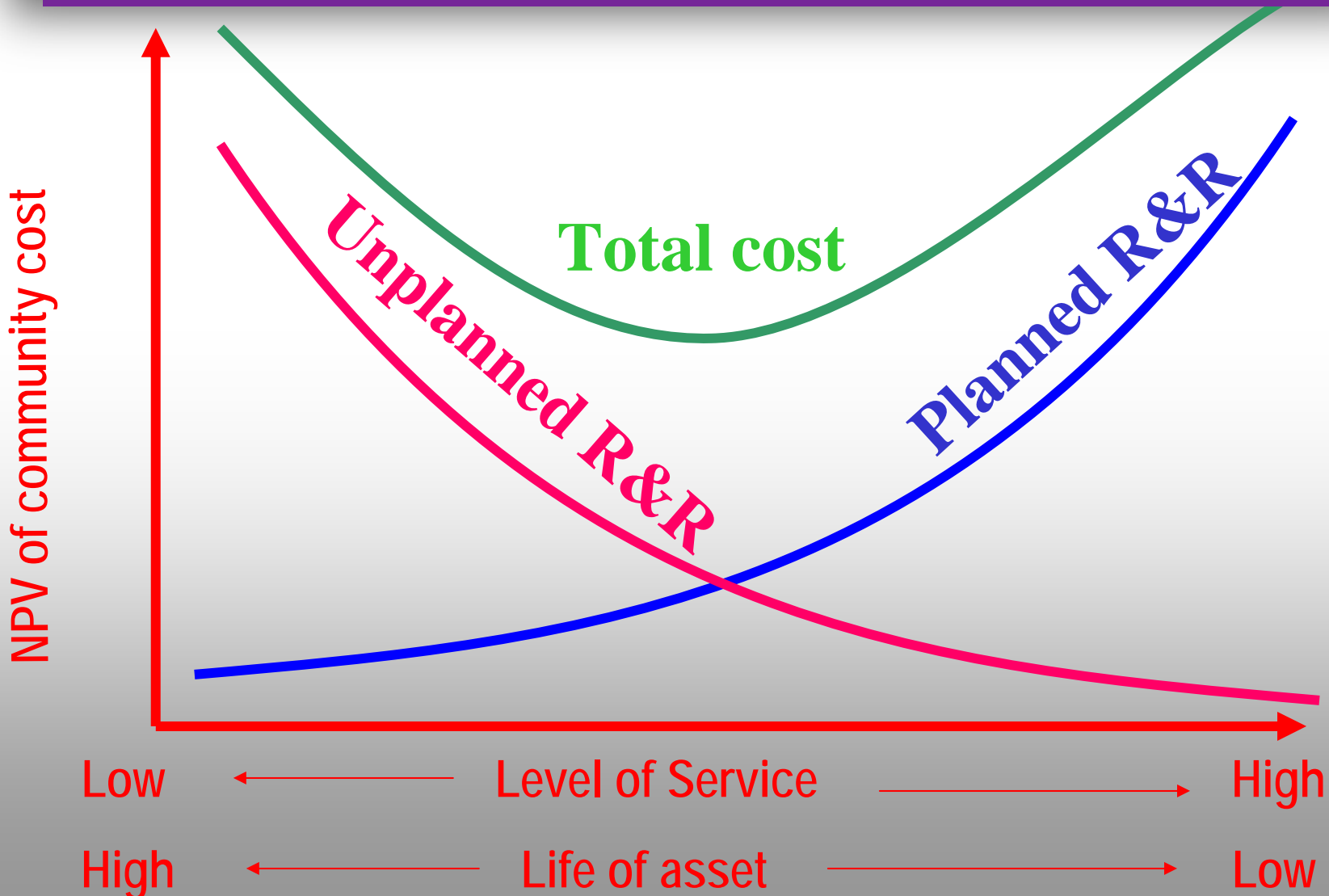
- Additional O&M costs
- Excessive community costs
- Loss of reputation/ political comment / media response
- Fines/ penalties
- Poor morale
- Other costs?

# Life Cycle Costs

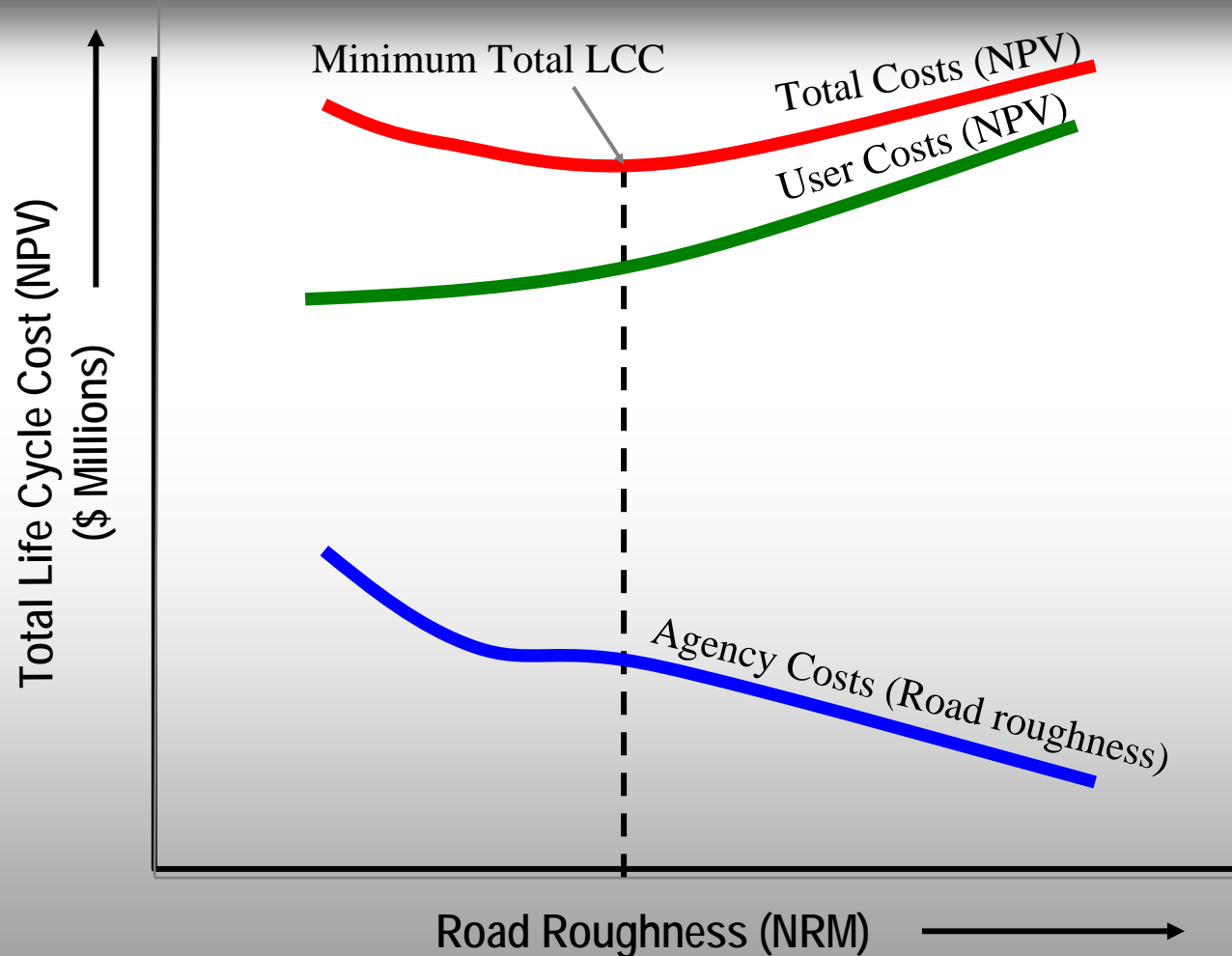
- Must include direct and community costs
  - O&M, capital direct costs
  - Social disruption costs to community
  - Property damage
  - Environmental costs
  - Intangibles



# The Balance Between Unplanned and Planned Asset Costs



# A Real Example!



Life Cycle Cost vs Network Road roughness

# Conclusions

The setting of service levels requires

- An understanding of customers' and regulator's requirements and the cost trade-offs
- Knowledge of asset life /degradation and repair/replace trade-offs
- Assessment of full community costs
- Pricing to be based on full costs of asset replacement and servicing
- Good asset management to lead regulatory debate

# Potential Levels of Service for a Wastewater Agency

- Discharge treatment compliance (*e.g.*, >99%)
- Percent effluent and biosolids reused
- Odor complaints / year
- Number and volume of spills / 100 miles
- Spill response timeliness
- Unplanned street closures
- Wet/dry weather overflow frequencies

# Questions and Discussion