

Notice of an Inquiry into regulatory arrangements for small-scale water, sewerage and energy services

Pursuant to Part 7 of the Essential Services Commission Act 2002

1. BACKGROUND

- 1.1. Pursuant to section 34 of the Essential Services Commission Act 2002 (**Act**), the Essential Services Commission (**Commission**) may, following consultation with the Treasurer, conduct an Inquiry if it considers an Inquiry is necessary or desirable for the purpose of carrying out its functions.
- 1.2. The Commission has statutory licensing and related regulatory powers and functions in relation to the water, sewerage, electricity and gas industries in South Australia.
- 1.3. The Commission is aware of recent and emerging technological, operational, environmental and other, similar, developments which will have impacts on each of the water, sewerage, electricity and gas industries and, as a result, for South Australians and the State economy generally.
- 1.4. Further, in relation to the water and sewerage industries, the current regulatory determination which applies to small-scale water and sewerage retailers serving 50,000 connections or less is due to expire on 30 June 2017.
- 1.5. In order to meet its primary statutory objective of protecting South Australian consumers' long term interests with respect to the price, quality and reliability of essential services, it is appropriate for the Commission to consider the above matters in the context of its regulatory powers and functions.
- 1.6. Having regard to these matters, the Commission has formed the view that an inquiry into the way in which it regulates small-scale utility operations is necessary and desirable at this time to ensure that the regulatory frameworks it applies under industry regulation Acts is consistent with its primary statutory objective, and is proportionate and responsive to recent and emerging issues.

2. TERMS OF REFERENCE

- 2.1. Following consultation with the Treasurer, the following are the Terms of Reference for the Inquiry:
 - 2.1.1. The Commission will inquire into appropriate regulatory arrangements administered by the Commission under the Act (including subsidiary regulatory instruments made by the Commission such as industry codes) and price regulation arrangements for small-scale operations for the purposes of carrying out its functions in the following markets:
 - 2.1.1.1. water retail services
 - 2.1.1.2. sewerage retail services
 - 2.1.1.3. the sale and/or supply of electricity outside of the national electricity market, and
 - 2.1.1.4. the sale and/or supply of reticulated liquid petroleum gas.

- 2.1.2. In undertaking the Inquiry, the Commission will:
 - 2.1.2.1. Analyse consumer protection issues associated with the delivery of small-scale water, sewerage and energy services, with a view to ensuring that any regulatory arrangements it administers are targeted, efficient and appropriate.
 - 2.1.2.2. Identify an appropriate regulatory framework that:
 - 2.1.2.2.1. has relevance for customers and for licensees and exempted entities currently providing small-scale water, sewerage and energy services, and
 - 2.1.2.2.2. will be relevant in the context of new participants, business models and/or technologies which could deliver more effective and innovative outcomes for customers in the future.
 - 2.1.2.3. Have regard to other relevant contextual matters.
- 2.1.3. The Commission may address such other matters as it thinks fit, consistent with the powers provided to the Commission by the relevant industry regulation Acts, for the licensing, pricing, quality and reliability of services associated with the delivery of small-scale water, sewerage and energy services.

3. REQUIREMENTS FOR THE INQUIRY

- 3.1. Consultation with stakeholders will be undertaken in accordance with the Commission's Charter of Consultation and Regulatory Practice. This will include a:
 - 3.1.1. call for submissions to an Issues Paper in August 2016, and
 - 3.1.2. call for further submissions to a Draft Report in January 2017.
- 3.2. The Commission will complete this Inquiry by publishing a Final Report by the end of June 2017.
- 3.3. In accordance with section 38 of the Act, the Final Report will also be:
 - 3.3.1. provided to the Treasurer, and
 - 3.3.2. laid before both Houses of Parliament, within 12 sitting days of receipt by the Treasurer.



Brett Rowse

Chairperson