

Understanding what customers value - Question 1:

1(a) What issues are current customers of small-scale utility services concerned about? How do you know customers are concerned about these issues?

Mount Barker District Council (MBDC) is primarily a wastewater service provider with some non potable supplies (bore and recycled water). As such our commentary is limited to water and wastewater services.

We have been in the business for 40+ years. Historically we have had very few complaints. Most customers want to flush and forget, provided they get a good service at the right price.

During major adverse weather events there can be isolated issues impacting on a very small number of properties. The cause and impact will vary. Examples include a surcharge within the council infrastructure network and stormwater intrusion including where an individual property has unauthorised connection of stormwater to the wastewater network.

Where such circumstances do arise Council has a 24 hour/365 days of the year process to ensure that customers can report any concerns and prompt remedial action is then initiated by Council to enable relief to the customer from the immediate concern.

Our customers are well informed of Council's services and their rights via our website, information leaflets, annual reports, rates notices etc. Council investigated the provision of a separate billing notice to our wastewater customers in order to provide enhanced and more regular customer information. This has not been proceeded with given the legislative constraints in the Local Government Act which prevent Council from achieving this objective. This barrier has been notified to the LGA and State Government.

We have had zero complaints in the recent past from the Water and Energy Ombudsman as well.

1(b) Does our current regulatory framework allow suppliers the flexibility to respond to the issues raised by customers? What improvements to our framework are required?

Local Government authorities have always been customer focused (irrespective of regulatory regimes) and have responded to customer issues. This is a necessity given our close relationship with the community and elected members who represent and advocate for the benefit of the community. Added to this, if we do not respond adequately, we may also be subject to scrutiny from the Ombudsman, ICAC and other regulatory bodies such as yourselves. Apart from the above, we also have a Code of Conduct for our employees.

We do not believe there are any current impediments on a supplier to address the concerns/issues of customers in a regulatory framework context.

1(c) Where customers are not provided with a choice of supply arrangements, what information do they need to understand the service they receive?

In your discussion paper (Page 13) you discuss giving ("off-grid") choices such as storing rain water and installing septic tanks. It is admirable that ESCOSA is considering choices for customers. However, individual choices needs to be balanced with health, environmental impacts on other

community members if these fail (on mass scale or individually). This is particularly important given the current trend where block sizes are very limited to facilitate such opportunities.

The need for "centralised" water and wastewater services stemmed from poor public health and environmental outcomes of individual systems failing. These include issue such as failed septic tanks, mosquito breeding, water borne diseases etc. Due to community concerns, councils and water authorities have invested significantly on centralised schemes and the viability of these schemes is dependent on the targeted community (to whom the service is applicable) contributing to the scheme. With ever increasing regulatory costs and environmental expectations, operation of these schemes are also expensive to run and operate.

If ESCOSA is considering opening up "off-grid" options for water and wastewater, due consideration should be given to who is responsible for bearing the cost of environmental and public health monitoring and rectifying issues that may emanate. Monitoring costs and potential legal cost are likely to be significant and these matters need to be investigated before any legislation/guidelines are passed. It would be unfair for local government entities to bear the cost.

Further, if individuals do not wish to financially contribute towards the centralised schemes, then those schemes will also become less viable (or become a bigger burden for those who are connected). Various legislation enables service providers to recover reasonable expenses where blocks/individuals have access to but are not connected. These longstanding provisions should not be removed as the infrastructure has come at a cost and provides a clear benefit to the land and that is reflected in the value of the land.

There will always be individuals with a high degree of expertise and commitment to running individual systems and there are already approval processes via SA Health and the relevant Councils to satisfy this niche market.

MBDC recognises that this inquiry also covers power supply. It is worth mentioning that a failure of an off-grid solution to power will only impact that individual. A failure of an off-grid solution to wastewater is likely to impact surrounding neighbours and the broader environment.

It is not known what information is in practice provided by a vendor to a prospective purchaser where a wastewater service is in place and there is no choice for the end user. The likely perception (particularly with prospective purchasers who are not 'local' which is often the case) is that Council is the wastewater service provider.

1(d) What are the appropriate indicators to allow us to monitor customer confidence, engagement and satisfaction in these markets?

Annual Customer complaint reporting (already provided) and Ombudsman reports may also provide information. Our annual business planning process (ABP) requires community consultation (pursuant to the Local Government Act) and also encourages customers to provide feedback.

Improving supplier efficiency in the longer term - Question 2:

2(a) Are there any difficulties for small-scale utility suppliers in setting prices to recover the long-term efficient costs of running their businesses? If so, how could our regulatory framework assist to address this issue?

Given the competitive nature of the Waster industry it is difficult to establish long term pricing that encourages sustainable growth of wastewater systems with varying infrastructure requirements for treatment. This is an area that requires attention and Council would welcome the opportunity to have further input to this via ESCOSA.

2(b) Are there any concerns that suppliers are over-recovering their long-term efficient costs? If so, how could our regulatory framework assist to address this issue?

If ESCOSA believes that there is potential for community perceptions to develop of "over recovering long term efficient costs we believe ESCOSA can play an important role in establishing additional guidelines (that are not too prescriptive). We are happy to discuss this further with you.

Guidance for customers considering alternative supply options- Question 3:

3(a) Does our current regulatory framework present any issues or challenges for new entrants offering new small-scale utility services? If so, how?

None that we are aware of.

3(b) Are there any new or emerging business models that will create a different relationship between suppliers and customers? If so, will this relationship create new financial, service reliability or other risks that customers need to be aware of when making their decisions?

We believe the pricing structure should also cater for Levels of Service (LOS) increases.- The community and regulators such as the EPA are expecting higher levels of service, particularly in the wastewater area E.g.: Higher treatment and environmental standards for effluent discharges etc.. Currently the costs associated with these "upgrades" (as opposed to replacing the asset, like-with-like) can only be included if there is a separate policy. This should not be the case. It should be part of setting the long-term price path and we believe the guidelines should be amended to reflect this requirement.

3(c) Where customers are provided with a choice of supply arrangements, what information will they need to make informed decisions about new supply options? Who should provide this information?

In most cases the end user will have little or no choice but to accept what a developer has negotiated with a service provider. Refer 1 (c) above.

The cost of regulation and effectively managing market risks – Question 4

Question 4:

4(a) How much does it cost for suppliers to comply with their obligations under our current regulatory framework?

We believe that there are substantial costs in developing financial models, compliance and reporting. We have not as yet quantified them but the trend is increasing.

4(b) Are you aware of any areas where more than one regulator is seeking to deal with the same matter (regulatory overlap)?

There needs to be better coordination between regulators to ensure that licensees deliver on their commitments. This is particularly important as ESCOSA is not only the licensor but also the Operator of the Last Resort (OoLR) under the Water Act.

4(c) Are there any areas where you believe that no regulator is dealing with a matter but should be (regulatory gap)?

MBDC believes there are improvements that can be made to the current regulatory system to better protect the interests of customers.

We have had inquires from a particular community on a non-potable water supply managed by an Association that has concerns about the long-term management of the system and wish to pass it on to someone else . This system was passed on by a developer to the community Association.

While ESCOSA was not involved in the setup of this scheme, it signifies the issue a regulator such as ESCOSA faces in evaluating new proposals/ entities where the long-term viability or the technical capability may not have been addressed adequately.

We believe that matters such as who will be the Operator of the Last Resort (OoLR) and the Retailer of the Last Resort (RoLR) need to be addressed. This also includes how the OoLR & RoLR will be funded, when it takes over these assets (additional upgrades, connection costs etc). This is an area that requires attention and Council would welcome the opportunity to have further input to this via ESCOSA.

4(d) Are you aware of any emerging risks that we need to take into account?

Refer to commentary made in 4 (c).

Other issues - Question 5:

Are there any other issues that you think we should consider as part of this Inquiry?

No