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Mr Stephen Pearce
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Dear Mr Pearce

**Submission to the Essential Services Commission of South Australia:
Inquiry into Regulatory Arrangements for Small-Scale and Off-Grid
Water, Sewerage and Energy Services**

The Energy and Water Ombudsman (SA) Limited ("EWOSA") welcomes the opportunity to comment on the Essential Services Commission of South Australia's (Commission) Issues Paper: *Inquiry into Regulatory Arrangements for Small-Scale and Off-Grid Water, Sewerage and Energy Services*.

In this submission, the EWOSA primarily addresses matters that are specifically of interest to the EWOSA Scheme.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

We support the Commission conducting a review of the regulatory arrangements for small-scale and off-grid water, sewerage, electricity and reticulated LPG services in South Australia. Our primary interest in the review is the application of protections to the customers of these services. We believe that many of the protections afforded to the customers of traditional electricity, gas and water retailers should also generally be afforded to the customers of small-scale and off-grid water, sewerage, electricity and reticulated LPG service providers, particularly when the benefits of doing so outweigh the costs. Such protections include standard contracts, minimum requirements regarding bills and restrictions on disconnection, as well as a performance monitoring regime.

We are also aware that new products, technologies and business models are entering these markets, particularly for electricity, and generally believe that customer protections should not be diluted as a result. However, it is also important that regulatory arrangements do not discourage the development of such products, technologies and business models.

Our submission will focus on another protection: customer access to free and independent dispute resolution services, such as those provided by EWOSA.

Regarding a high-level principle, it would be preferable for all customers of all essential services to have access to the external dispute resolution services of an Ombudsman. However, there are commercial and regulatory realities which would make the application of this principle very costly. In particular, small-scale and off-grid providers of water, sewerage and energy services that have a very small customer base are unlikely to have the number of complaints (if any) to warrant becoming a member of an Ombudsman scheme, both from a fees and regulatory burden perspective.

Cost and regulatory burden are likely to be the main rationales behind the fact that small-scale water retail licensees, off-grid electricity retail licensees and LPG retail and distribution licensees are currently only required to become a member of an Ombudsman scheme if they specifically receive a written direction from the Commission to do so. They may also become members on a voluntary basis.

Reflecting this, a major factor to consider when deciding whether or not to extend the customer protection of access to free and independent dispute resolution services to customers of small-scale and off-grid water, sewerage, electricity and reticulated LPG service providers is the number of customers of the provider.

Providers with very small customer bases are unlikely to receive many complaints and the cost of becoming a Member of EWOSA, both in terms of fees and the need to develop appropriate processes, would be likely to outweigh the benefits.

The threshold number of customers at which these service providers should become members is therefore open to debate, but we suggest 30 or above as a way of opening the discussion. For those with fewer customers, were they to receive complaints and be unable to adequately resolve them, it could be left up to the discretion of the Commission as to whether or not they would be required to become a Member of the EWOSA Scheme. This could be assessed through the effective performance monitoring regime established by the Commission.

This would mean the requirement to become a Member of the EWOSA Scheme would apply to all intermediate water service providers, which are those with between 500 and 50,000 customers. It may also apply to most off-grid electricity and reticulated LPG service providers.

In the case of water licenses, additional issues are the type of service and types of customers. If drinking water is being supplied to households, the need for a free and independent dispute resolution service is likely to be higher than if recycled water is being provided to maintain a number of sporting clubs' ovals and public gardens. Indeed, minor water service providers that sell recycled water or other non-drinking water to customers are unlikely to be providing what could reasonably be described as an essential service. For most of these providers and their customers, requiring them to become a Member of the EWOSA Scheme would provide very little benefit and they could be exempted from becoming members, or could do so on a voluntary basis.

Such an approach would require substantial communication between the relevant license holders and EWOSA. This would most likely take the form of information provision and education, application processes and the payment of fees to join the Scheme, as well as possibly training.

Should you require further information or have any enquiries in relation to this submission, please email me at antony.clarke@ewosa.com.au or telephone me on (08) 8216 1851.

Yours faithfully



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