



In reply please quote our reference: ECM 645239 ST/DB

23 November 2016

Mr Adam Wilson
Chief Executive Officer
Essential Services Commission of South Australia
GPO Box 2605
ADELAIDE 5001

Dear Mr Wilson *Adam*

Small-scale and off-grid water, gas and electricity services inquiry

The Local Government Association (LGA) has enjoyed a close working with ESCOSA since the commencement of the Water Industry Act 2012 (the Act) and ESCOSA's role as a regulator of the water industry.

The current inquiry into regulatory arrangements for small-scale and off-grid water, gas and electricity services is welcomed. A large number of councils, particularly in regional South Australia, offer a retail water or wastewater service to the community. In comparison, relatively few councils have current interests in off-grid and electricity and gas services. However, this may change in the future as energy sources and energy mixes continue to evolve.

ESCOSA would be aware of a number of key challenges that have been faced by councils in meeting the regulatory requirements of being a retailer under the Act. ESCOSA, the LGA and the local government sector having been working collaboratively for some time to resolve outstanding issues. In light of the ongoing inquiry, it is an opportune time to raise these issues again for consideration by ESCOSA.

Three specific areas where we could work together to develop solutions to challenges include pricing, adoption of a hardship policy, and reporting requirements.

Pricing

The LGA has invested heavily in developing a suite of information papers and tools for councils to use when setting a price for their service that meets the requirements of ESCOSA's pricing determination. While the LGA is supportive of efforts to improve council processes and planning, it is often raised by councils that meeting the principles in the current pricing determination can be onerous. Section 155 of the Local Government Act 1999 is the legislative mechanism by which a council can charge a fee for a service, and this section stipulates that the cost to be recovered cannot exceed cost to the council of establishing, operating, maintaining, improving and replacing the service. I would be interested to understand from ESCOSA if this existing provision satisfies the purposes of the pricing determination, or if not, how the current approach can be improved and simplified based on a review of the past reporting periods.

Hardship Policy

Section 37 of the Act requires the Minister to develop and publish a customer hardship policy. This has been delegated from the Minister for Water to the Minister for Communities and Social Inclusion. As it stands, this policy must be adopted as a distinct policy, separate from a council's rating policy. This duplication is inefficient and I encourage ESCOSA to investigate the possibility of a council's existing policy being sufficient for the purposes of the Act. Or alternatively, a council's existing policy being amended to include provisions relating to a retail service under the Act. As a part of this review, the number of times and the extent of the DCSI hardship policy being applied should be considered.

Reporting Requirements

As you would be aware, reporting requirements of a council with a retail licence is a complex issue involving a number of government agencies. Some councils have a requirement to report to up to five separate agencies, often with duplication and inconsistent timing. It is our position that the current approach is excessive and inefficient. There is also uncertainty of how this data is used by the respective agencies and in turn the value of providing it in the first place. Going forward, the LGA is keen to ensure that reporting is driven by clear, agreed outcomes and objectives, and that the data is of a suitable quality.

The LGA has been invited to participate in a 90 Day Change project involving the relevant agencies to attempt to reach a positive outcome on reporting, and ESCOSA will no doubt be a key participant in this project.

It is noted that further consultation will take place in 2017 on a draft inquiry report and I look forward to ESCOSA engaging closely with the LGA and councils during this period. The LGA would encourage face to face opportunities for discussions during this next period, which we would be happy to assist you with. Other opportunities for feedback outside of consultation periods can also be arranged should ESCOSA require further input during the drafting of the Inquiry report. A high level of engagement may be needed to gain further input in to gas and electricity matters, given the sector's current limited role.

If you would like to discuss any of the above points further, please contact Simon Thompson – Policy Officer at the LGA on 8224 2049 or simon.thompson@lga.sa.gov.au.

Yours sincerely



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