



Ref: 16/REG/LIC/1/MM

30 September 2016

Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

Dear Sir/ Madam,

Re: Mid Murray Council's submission for the "inquiry into regulatory arrangements for small-scale water, sewerage and energy services."

Mid Murray Council welcomes the inquiry into the regulatory arrangements for small-scale water, sewerage and energy services.

Mid Murray Council is unique in the sense that we contain the largest portion of the River Murray in South Australia which houses 52 shack areas and some 2,500 shacks. Council was initially involved with Crown Lands and the freeholding process where shack groups would approach Council to assist with the coordination and installation of their CWMS. In 2011, to ensure that our largest natural asset, the River Murray, was managed effectively and Council was seen to be removing any environmental impact on the River, our Development Plan was strengthened so that any shack area which has 5 or more shacks required the installation of a Community Wastewater Management System (CWMS) to allow development on shack allotments. This high level response to reduce the pollution entering the River Murray means that Council now has 28 CWMS, all of which would fit the definition of 'small-scale'. These sites range in size from 6 connections to more than 200 connections. We are also actively investigating how the remaining shack areas can be serviced by a CWMS to improve the amenity, reduce pollution, and promote development. We anticipate Council continuing to invest in the installation of further CWMS.

Given the large number of shack areas, Council established a STEDS Maintenance Committee (now CWMS) in 2003 with representatives from the shack areas to ensure that adequate consultation, communication and planning could occur and to this day the Committee still exists. It is through this Committee that Council can gauge customer perceptions and concerns, work with community representatives in determining future priorities, planning, implementation, funding/fee issues and determine the most effective ways of consulting and communicating with the broader CWMS customer base.

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In summary our key concerns that we wish to highlight as part of this Review include:

1. The reporting requirements seem to be pitched at the monitoring of a large scale operator and not necessarily reflect the local government operating environment and legislative framework. Even the reference to an intermediate scale provider at less than 50,000 customers is well in excess of our provision to around 2,500 customers.
2. Local Government already has a significant compliance regime. There is a duplication of reporting requirements with the Local Government Act (financial) and Environment Protection Authority (licencing) and SA Health (CWMS Annual Report). With a significant number of small-scale systems the current reporting requirements are considered onerous and unnecessary.
3. I am unsure how the efforts of ESCOSA have contributed to a higher level of transparency in respect of our customers. As CWMS is a minor element of Council's core business it has many elements of the consumer protection framework already in place. ESCOSA requirements have resulted in us duplicating a number of our legislated processes.
4. Pricing to a large extent will fall out of our long term CWMS asset management and financial plan. Prices will vary significantly according to the scale/economies of scale of the various CWMS, lifecycle and quality of system. ESCOSA's involvement in pricing needs to reflect the approach and obligations that Councils already have in place, especially in relation to the Local Government Act.

Attachment A provides a response to relevant questions associated with your survey.

For further queries please contact Council's Manager – Health Services, Caroline Thomas, on 8564 6020 or via email at cthomas@mid-murray.sa.gov.au.

Yours faithfully,



Peter Graves
Director – Development & Environmental Services

Question 1

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

Our residents are concerned with costs associated with the CWMS. They are concerned with any rise in the annual service charge, any additional licensing or legal obligation such as ESCOSA or quarterly water testing.

There are also concerns about whole of life cost replacement i.e. why should the people that are using it now, pay for something that they may not benefit from later on.

Our residents are also concerned about ensuring reliability of the CWMS. As the shack areas are flooded with tourists in the peak season, the CWMS must continue to operate and Council must ensure that they can respond to any issues that arise. Fortunately for Council, we have exceptional staff that manage these systems well and are committed to their roles.

These issues are raised through the CWMS Committee or through correspondence from the shack association.

- 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?**

The issues raised by customers can be dealt with through the Local Government Act so it is unclear whether improvements can be made to ESCOSA's framework.

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

The residents need to understand about the ongoing costs of providing these services and how we formulate these costs. They need to know what they are 'getting for their money'.

The customers should also know about operational and contingency arrangements to ensure that their respective CWMS are managed during peak times etc.

Question 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?**

Local Government is regulated by the Local Government Act which already has strict financial requirements in place including the development of Asset Management Plans and Long Term Financial Reports for all infrastructure.

ESCOSA could assist by reducing the reporting burden on Local Government to avoid further regulation.

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

As outlined above, Local Government is already heavily regulated by the requirements in the Local Government Act and must already account for their finances for example the development of Asset Management Plans and Long Term Financial Plans for sustainable management of infrastructure.

To reduce the burden placed on Councils, ESCOSA should reduce their reporting requirements.

Question 3

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

Not applicable.

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?**

Not applicable.

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

Not applicable.

Question 4

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

The current costs both financial and resourcing are the annual licence fee to ESCOSA, the cumbersome reporting that is completed annually in November for both financial and operational reporting, the development of guidelines and policy, which have previously been required as part of the Local Government Act, the maintenance of the website and the posting of the fees annually.

Unfortunately these additional costs are ultimately passed onto the ratepayer.

b) **Are there any areas where more than one regulator is seeking to deal with the same matter (regulatory overlap)?**

- The Local Government Act requires Asset Management Plans to be in place which are used to determine the annual service charge and feed into the Long Term Financial Plan. These are monitored by staff and reviewed by the Audit Committee.
- SA Health requires an annual CWMS report on the failures and breakdowns of each CWMS. This also includes flow rates and water quality.
- SA Health - development of Risk Management Plans which outline how we manage our CWMS to ensure water quality, reliability and the maintenance.

- Environment Protection Authority for annual licensing and regular inspections of each site to ensure environmental compliance.
- Office of Technical Regulator (OTR) – development of Safety Reliability Maintenance Technical Management Plans (SRMTMP) which describe how our operations and maintenance employees ensure the safe and reliable operation of our collection networks, wastewater treatment facilities and recycled water use for surface irrigation of adjacent land.

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

No.

d) **Are there any emerging risks that we need to take into account?**

Not that we are aware of.

Question 5

a) **Are there any other issues that we should consider as part of this Inquiry?**

The lack of compliance undertaken by ESCOSA on companies that are charging a service fee yet are not registered with ESCOSA. If ESCOSA are not willing to take action on businesses that are not licensed then why should registration occur?

It appears that the basis of the introduction of ESCOSA in South Australia was to monitor the big players in the service of utilities such as SA Water however in the midst of this, Local Government has been caught up this requirement also, rightly or wrongly.

As Local Government is quite heavily regulated already it would be considered appropriate to review the requirements for Local Government through ESCOSA.

There is also the requirement by SA Health when a new CWMS is installed that generally Council's are required to take over management and operation of the CWMS, which is particularly applicable in the regional areas where SA Water are generally not present.

As has been advised by the Chief Executive Officer, Russell Peate, we would be more than happy to work in partnership with ESCOSA to ensure that the needs of our residents are maintained.