



Mr M. Philipson
Essential Services Commission of SA
GPO Box 2605
ADELAIDE SA 5001

2 October 2019
Our ref: D19/65019

Dear Mr Philipson

Small Network Inquiry Submission

The City of Tea Tree Gully (CTTG) takes the opportunity in this submission to ESCOSA to raise a number of concerns that have impacted our Council and subsequently our Community Wastewater Management System (CWMS) customers, in particular over the last five years.

CTTG is part of metropolitan Adelaide where wastewater services are provided to our residents by SA Water and Council’s CWMS. CTTG has approximately 4,700 CWMS customers located in the suburbs of Highbury, Vista, Tea Tree Gully, Hope Valley, St Agnes, Ridgehaven, Modbury, Surrey Downs, Redwood Park, Fairview Park, Banksia Park and Yatala Vale. The map of the City shown below shows the extent of the CWMS network and distinct islands of CWMS catchments surrounded by properties connected to SA Water sewerage.

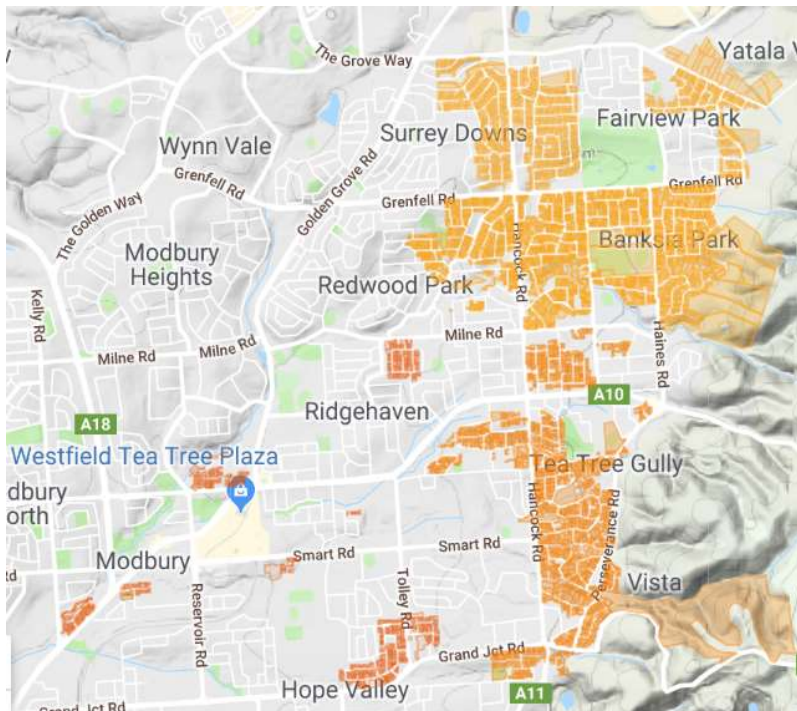


Figure-1 Map of CTTG showing CWMS connected properties (in orange) and properties serviced by SA Water (not in orange)

An underlying reason why CTTG have provided CWMS services since 1963 is because there was a reluctance at the time by State Government agencies such as the E&WS to provide wastewater services to the area. It was understood that the State Government would take over the Council installed system which was only ever seen as a short-term solution. The City has grown since and ninety percent of households within CTTG are serviced by SA Water while the remainder (approximately 4,700 properties) are serviced by Council's CWMS scheme.

It is unusual for such a dichotomy of wastewater services to exist within metropolitan Adelaide. In addition to the difference in service levels, SA Water is not governed by the same ESCOSA regulatory framework as Councils who typically fall in the category of small to intermediate water retailers. SA Water pricing for sewerage services is based on property valuation, which functions as a taxation on wealth rather than the user-pay principle set out in the National Water Initiative (NWI) pricing principles. CTTG are required to comply with the price determination set by ESCOSA, which leads to significantly different pricing for our residents that may live in the same suburb, which subsequently leads to customers being dissatisfied with Council's services.

As one of the primary functions of ESCOSA is to advise the Minister on matters relating to the economic regulations of regulated industries, we are seeking comment from ESCOSA regarding this matter.

Please refer to the following table, which contains our response to the Small-Scale Networks Inquiry.

Item	Comments
Section 2.3.1.1 Pricing of water and sewerage Services	<p>CTTG engaged BRM Holdich to undertake an independent review and audit of CWMS pricing in 2019. The audit showed that the annual service charge taking into account full cost recovery should be \$781 per year in 2018-2019, which is 32% higher than our current service charge. We are proceeding towards full cost recovery and compliance with ESCOSA Price Determination. In order to minimise the potential hardship for our customers, we are adopting an incremental increase in our CWMS annual service charge over the next four years commencing 2019-2020.</p> <p>The average annual service charge levied by SA Water in suburbs serviced by Council's CWMS scheme is approximately \$400 to \$450 per annum, which is approximately 48% less than Council's charges. SA Water customers living in more affluent suburbs will be paying a sewerage service charge consistent with higher property valuations.</p> <p>SA Water does not fall into the category of small and intermediate water retailer and therefore is not required to comply with ESCOSA regulatory framework. The cross-subsidisation of services practiced by SA Water makes it impossible for Council to price compete with SA Water.</p>

Item	Comments
	<p>NWI pricing principles is regarded as best practice management for water utilities ensuring long-term sustainability of the business. However, excluding SA Water from the same set of guiding principles places CTTG at a commercial disadvantage.</p>
<p>3.1 Potential Changes to regulation: Harmonisation</p>	<p>We are not opposed to harmonisation of some aspects such as maintaining consistency in the consumer protection. CTTG have established policies and procedures setup to respond to customer enquiries, complaints and resolution of disputes that are consistent with our values and culture as an organisation and the needs and expectations of our community, Unlike CTTG, a large proportion of small to intermediate water retailers are situated outside the metropolitan Adelaide area. Environment factors, community needs and expectations are likely to differ between regional and metropolitan areas. Therefore, harmonisation of all elements may not be in the best interest of our customers and community.</p>
<p>3.2 Potential Changes to regulation: Prescriptive approach</p>	<p>CTTG regards the current regulatory framework as highly prescriptive requiring comprehensive monitoring and reporting requirements. In addition to ESCOSA's monitoring and reporting requirements, Small-scale network operators are also required to comply with the requirements of the Office of Technical Regulator (OTR), which ensure that water utilities provide safe and reliable services to our customers. The approach proposed by OTR mirrors the approached used by the OTR, which is to undertake random audits of licensed water retailers. This would be our preferred approach. We would support a reduction in duplication of reporting requirements with other regulatory bodies.</p>
<p>4.1 Essential Services Ombudsman Scheme (EWOSA) and Dispute Resolution</p>	<p>ESCOSA proposes that all small-scale service providers become a member of the Energy & Water Ombudsman South Australia (EWOSA) scheme. As stated above, CTTG are not opposed to harmonisation of some aspects such as maintaining consistency in the consumer protection. CTTG has a General Complaints Policy, which provides guidance in resolving disputes. CTTG sees the benefit of becoming members of the EWOSA, which will enable consumers to have a single transparent avenue where complaints can be escalated when resolution cannot be achieved with the service provider.</p>
<p>4.4.1 Trust-verify approach</p>	<p>In Box 1, a description for Competent Operation is provided:</p> <ol style="list-style-type: none"> 1. Sustainability of the business

Item	Comments
	<ol style="list-style-type: none"> 2. Price that accounts for customer's willingness to pay 3. Compliance with legislative requirements. 4. Affordability of the service 5. Managing conflicting tensions between factors 1 to 4. <p>In the description provided in the document Small-Scale Network Inquiry, the regulatory instruments would remain in the trust-verify approach, which would include ESCOSA's Price Determination for small and intermediate water retailers. As discussed above, one of the challenges faced by CTTG is the dichotomy of wastewater services that exist within metropolitan Adelaide where members of our community on CWMS living in the same suburb are required to pay significantly higher wastewater service charges due to different service providers operating under different ESCOSA license requirements.</p> <p>Therefore it would be difficult for us to demonstrate that we are a competent operator and would not be able to benefit from the trust-verify approach and pass on the benefits to our customers.</p>

Yours sincerely



Thornton Harfield
Director, Assets & Environment