

SA Consumer Experts Panel

SA Water Regulatory Determination 2020: Priorities Report

1 Summary

- 1.1 This Priorities Report summarises the key priorities of the SA Consumer Experts Panel (**Panel**) for SA Water Regulatory Determination 2020 (**SAW RD20**).
- 1.2 The SAW RD20 review process will raise issues for consideration earlier and introduce a greater level of direct customer challenge and negotiation into the preparation of SA Water's draft business plan. One way this will be achieved is through the use of the Panel.
- 1.3 The Panel is a joint sitting of the existing South Australian water consumer expert advisory groups: the Commission's Consumer Advisory Committee and SA Water's Customer Advisory Groups. It draws from the existing expertise of individuals and representative bodies in South Australia, acknowledging the skills and experience that the proposed members have, collectively, developed over nearly 20 years of utility regulatory experience in this State.
- 1.4 The purpose of the Panel is to allow the members to identify and raise the issues that are important to the customers they represent in the context of the SAW RD20 process.
- 1.5 This Priorities Report has two main purposes:
 - ▶ It describes the key issues that the members of the Panel expect SA Water to consider and respond to (including explanations as to why it will or will not pursue an issue) as it develops its proposed business plan for the 1 July 2020 to 30 June 2024 regulatory period, and
 - ▶ It provides guidance to the Customer Negotiation Committee on the matters that it may wish to consider in testing SA Water's draft business proposals, as part of the Negotiation Forum process.
- 1.6 The Panel will help to ensure that SA Water's proposed business plan, which SA Water will submit to the Commission in October 2019, has been prepared with a sound understanding of the key issues raised by members.
- 1.7 In developing this report, each Panel member was asked to discuss the top three issues they would like to see SA Water consider as it finalises its proposed business plan. The Panel noted that it was made clear to members that a consensus view was not required; rather, it was important for the diversity of views to be presented for SA Water to consider.
- 1.8 This Priorities Report, and other evidence or supporting information, will be provided to SA Water's Board and to the Negotiation Forum, and will be made publicly available by the Essential Services Commission.
- 1.9 The Essential Services Commission will assess SA Water's response to the issues raised in the Priorities Report as part of its overall assessment of SA Water's proposed business plan through SAW RD20.
- 1.10 In that context, this Priorities Report is a report on the views and positions of the Panel and does not reflect the positions or views of either the Essential Services Commission or SA Water.

2 What would success for SAW RD20 look like?

2.1 The Panel approached this question from two perspectives:

- ▶ The success of the outcomes actually delivered for SA Water's customers and the broader community, in the context of the matters raised by the Panel.
- ▶ The success of the SAW RD20 review as an open, transparent and inclusive decision making process, including an assessment of the roles and performance of the Commission and SA Water.

2.2 Section 3 provides a summary of the key themes that arose from the discussions about what a good process would look like. Section 4 provides a summary of the top three issues that each Panel member would like to see considered as SA Water finalises its proposed plan.

3 The process

An inclusive process

3.1 The Panel notes its consistent view that the SAW RD20 process should have the following broad characteristics:

- ▶ SA Water will model best practice customer and community engagement, with its processes being transparent, open and inclusive.
- ▶ The perspectives of the wider community—and not just SA Water's customers—should be sought through the process.
- ▶ Success is likely to be judged by considering the collective understanding of those involved in the process at the end of the review.

3.2 The Panel will establish a set of indicators of success that will be used to inform its evaluation of the SAW RD20 process. The indicators will be published once finalised.

Greater transparency and accountability

3.3 There is broad agreement amongst Panel members that SA Water should be providing more, earlier and more transparent information about its operations and plans, particularly its longer-term plans. The limited publicly available details about its current corporate strategy is an example of an area where SA Water could make an immediate improvement.

3.4 There is also an expectation that, for SA Water to hold itself accountable for being a customer-focused organisation, it should be tracking, and publicly reporting on, trends in customer satisfaction and community trust over time.

Recognition that innovation is a means to an end

3.5 It is seen as important that SA Water recognises that innovation is a means to an end not an end in itself. It should not lose its focus on providing its core services as efficiently as possible in pursuit of being a 'world leading' innovative business.

3.6 For example, there are some questions about whether SA Water should be investing in its own energy infrastructure through its 'Project Zero', rather than drawing on the existing energy infrastructure in the market.

SA Water's role as a policy influencer

- 3.7 Panel members note the issue of the need for greater clarity around the intersection between SA Water's roles as a provider of essential services and its contributions to the wider public policy environment.
- 3.8 In noting this, the Panel is also cautious to observe that there may be difficulty in drawing a line between an expectation that SA Water should be providing "thought leadership" in the industry and the dangers of being seen to be exerting undue influence on the government about what should be done. The Panel also notes that there is uncertainty about whether SA Water should have a role in water policy setting and whether or not SA Water sees itself as having a role in this area.
- 3.9 However, the Panel is in broad agreement that a reasonable starting point would be for SA Water to provide a clear, concise and accurate articulation of what it must do, what it can do, and what it ultimately chooses to do.

4 What are the top three issues that the Panel would like to see SA Water consider in its proposed business plan?

Australian Industry Group

- 4.1 Supports SA Water implementing a wider customer input into its 2020 business plan and the results of that process being made publicly available in some form.
- 4.2 Urges SA Water to link and explain all expenditure proposals in its business plan 'to services valued by customers'.
- 4.3 Where suggested proposals in the business plan do not easily directly link to existing 'services valued by customers', is of the view that a clear cost benefit analysis must be provided.

Business SA

- 4.4 Seeks assurance that the capital costs associated with Project Zero are prudent, and that all other possible avenues of reducing electricity costs via the grid have been fully explored.
- 4.5 Seeks assurance that any impacts of changing prices are understood at various levels of consumption, and not just residential or very small business customers.
- 4.6 Seeks assurance that any move to use customer willingness to pay survey data to justify additional expenditure are carefully considered against the finding that price is the clear priority from phase 2 results.

Conservation Council of SA

- 4.7 Wants SA Water to articulate its role as an environmental citizen. This includes SA Water providing more visibility of its longer-term plans for how it considers that the State's water resource usage can best be optimised and how it is managing its responsibilities as a major electricity user in this state.
- 4.8 Seeks that SA Water works to build a genuine collaboration culture and better understanding the valuable role that citizens can play in helping SA Water develop more innovative solutions. SA Water needs to consider if there is scope for greater collaboration with the community to allow local communities to help design the solutions to meet local needs.

- 4.9 Seeks more visibility about the parts of SA Water's business that are, or could be, open to competition. This includes considering alternatives for how to supply customers and communities at the edges of the existing networks.

Consumers Association of SA

- 4.10 Is of the view that the majority of consumers are concerned with water prices (ie that prices are the lowest they can be for community-accepted levels of reliability and affordability). While customers can undertake some initiatives to save water, the fixed sewerage/supply rate is something they have no power to reduce. While sustainability of supply is not so much of an issue due to the desalination plant, they do fear that there will be a hefty rise in their water rates to cover the cost of this should it be necessary.
- 4.11 Shares the concern of those consumers who have special needs and or disabilities, particularly with regard to hardship programs which should be flexible and tailored to suit the individual.
- 4.12 Wants to better understand how SA Water intends to capture, recycle and otherwise use waste water and feels this is something that should be addressed in its forward planning.

COTA SA

- 4.13 Would like to better understand SA Water's strategy for planning for the infrastructure needs in regional areas. Older persons make up a high percentage of customers in regional areas and this is likely to continue. Wants to have confidence that people in regional areas will continue to have access to services, noting that providing services is often not going to be economically efficient.
- 4.14 Would like to see greater support for people wanting to lower and manage their bills, particularly those with a low or fixed income. It is difficult to change one's income; but it should be easier to change one's costs. However, the high fixed supply charge limits customers' ability to manage their costs.

EWOSA

- 4.15 Seeks confidence that services provided accurately reflect what end-use customers (including occupiers) value and that they are provided at the most efficient cost.
- 4.16 Supports (ie hardship) mechanisms for customers being extend to all end users (notably tenants), not just the proprietor of the property who can simply pass the cost on to the tenant.
- 4.17 Seeks that SA Water considers best practice electronic tools for communicating with customers in terms of faults, new connections and other services it provides.

Local Government Association SA

- 4.18 Seeks a focus from SA Water in terms of Infrastructure and water pressure in rural areas and rural towns, with a particular issue in respect to building fire safety. Also, that water pressure is a growing issue within metropolitan Adelaide, with SA Water reducing pressure to protect infrastructure which is in turn an issue for fire fighters.
- 4.19 Seeks that SA Water liaise with councils on infrastructure requirements for infill developments and greenfield sites also including issues of reasonable reinstatement of council infrastructure following repairs.
- 4.20 Seeks articulation of SA Water responsibilities with respect to the River Torrens and, in particular, managing reservoir releases from major dams to avoid downstream flooding.

Multicultural Communities Council of SA

- 4.21 Seeks that the different needs of culturally and linguistically diverse (CALD) customers are addressed in all aspects of SA Water's business.
- 4.22 Seeks SA Water to become more engaged with the CALD sector, to better understand their specific community and consumer needs.
- 4.23 Seeks SA Water to develop different communication and education pathways to assist CALD customers better understand the business of SA Water.

Primary Producers SA

- 4.24 Notes that cost continues to be a key consideration for primary producers, where SA Water prices form part of the costs of production and influence cost-competitiveness – along with the role of SA Water (and the desalination plant) in mitigating reduced water allocations to primary producers in dry times.
- 4.25 Would like to see those primary producers who are more dependent on water supplied by SA Water assisted to be independent/less reliant on SA Water.
- 4.26 Linked with this, wants SA Water to examine ways to reduce costs to supply water required for agriculture by supplying water which is fit for purpose (eg where this water does not need to be treated to potable water standards),

Property Council of Australia, SA

- 4.27 Is of the view that there is an opportunity for SA Water to work more collaboratively and cooperatively with the property development industry to plan for the future, rather than just responding to growth and development. Ideally, this would occur earlier in a planning process than is currently the case.
- 4.28 Would like to see a more fair and equitable system for the cost of connecting to SA Water's networks. There is some concern that the first developer on a new site is the worst off by being required to pay the most for the new connection.
- 4.29 Sees a need to ensure that water pressure/flow rate standards remain appropriate for medium to high-density infill developments. In some instances, this may require an increase in previous flow rates.

Regional Communities Consultative Council

- 4.30 Notes some concern that the ordinary consumer only thinks about their water consumption in times of drought. However, regional communities are more likely to be concerned at the certainty of their water supply on an ongoing basis. Is there more that SA Water could be doing, in its broader role as an environmental citizen, to assist consumers to more actively manage their water usage at all times?
- 4.31 Recognises the work that has been done to provide customers experiencing hardship with assistance, but would like to see greater focus in future infrastructure investments on helping customers to reduce the cost of their water usage.
- 4.32 Seeks that SA Water carefully consider the balance between undertaking future investments and doing less of the 'nice to do' in favour of keeping bills as low as possible for customers.

SACOSS

- 4.33 Is of the view that the level of customers experiencing 'water poverty' is currently unclear and SA Water should develop metrics to assess this. Options for early intervention and making payment assistance and hardship programs more accessible should be considered (for example, evidence of water bill debt as a trigger, eligibility for tenants who are consumers but not direct customers).
- 4.34 Is of the view that more work needs to be done to understand the unique needs of customers with a disability.
- 4.35 Is of the view that greater clarity is required around SA Water's roles as a service provider and a contributor to wider water policy debates.

SA Federation of Residents and Ratepayers Association

- 4.36 Considers that the most important issue is ensuring that the price of services is affordable.
- 4.37 Considers that it is important to ensure that appropriate safety nets are provided so that individuals can pay for their water.
- 4.38 Notes that providing affordable services needs to include consideration of the wide uses of water (for example, people still like to have gardens, but it is becoming increasingly expensive for customers to continue to maintain them).

Uniting Communities

- 4.39 Is of the view that affordability of services is extremely important. SA Water need to assure and transparently demonstrate to customers and the community that it is not spending a dollar more than needed to provide services.
- 4.40 Considers that more could be done by SA Water to provide support and advice for vulnerable customers, and in particular, tenants who are not direct customers. There are also some practical issues with financial counsellors experiencing difficulties in assisting customers to access the existing hardship program.
- 4.41 Is of the view that SA Water needs to be more transparent about its longer-term plans so that the community can have greater confidence about issues of intergenerational equity.

Urban Development Institute of Australia, SA

- 4.42 Considers that, currently, the strategic direction of SA Water is unclear with respect to its responsibility to plan for the future water supply and wastewater needs of South Australia in line with growth policies. There is an opportunity for SA Water to be proactive about the future rather than just react to growth and development.
- 4.43 Is of the view that greater transparency and clarity in longer term capital expenditure programs is required to ensure there is not only fair and equitable augmentation costs, but that these programs also contribute to a more productive and efficient rollout of infrastructure across greater Adelaide. There is concern from developers that often the 'first-in' is required to pay a significant portion of the initial infrastructure costs, and that sometimes 'gold-plating' lumps unfair additional costs to developers which are ultimately passed on to the end consumers/first home buyers.
- 4.44 Given the focus on increasing infill housing supply, considers that the challenge for SA Water will be the need to maintain appropriate water pressure levels for medium to higher-density infill

developments. It would be beneficial for the industry if the known areas of 'pressure' or concern were publicly available and the future program of works associated with rectifying this issue was available.

Appendix 1: SA Consumer Experts Panel membership

Organisation	Representative	Role
Australian Industry Group	Stephen Myatt	SA Branch Director
Business SA	Andrew McKenna	Senior Policy Adviser
Conservation SA	Heather Smith	Energy and Climate Change Specialist
Consumers Association of SA	Elaine Attwood	Member of Executive Committee
COTA SA	Jane Mussared	Chief Executive
EWOSA	Sandy Canale	Ombudsman
Local Government Association SA	Stephen Smith	Director Policy
Multicultural Communities Council of SA	Helena Kyriazopoulos	CEO
Primary Producers SA	Grant Dalwood	CE, Nursery & Gardening Industry Association
Property Council of Australia, SA	Torie Brown	SA Deputy Executive Director
Regional Communities Consultative Council	Kay Matthias	Consultant
SA Council of Social Service	Ross Womersley	Executive Director
SA Federation of Residents and Ratepayers Association	Kevin Kaeding	President
Uniting Communities	Mark Henley	Manager, Advocacy and Communication
Urban Development Institute of Australia, SA	Glenn Hordacre	Chair of the UDIA Infrastructure Committee