

18 July 2019

Consumer Experts Panel
C/- ESCOSA
Level 1, 51 Pirie Street
ADELAIDE SA 5000

Dear Panel members,

SA Water Regulatory Determination 2020: Priorities Report

Thank you for providing us with your SA Water Regulatory Determination 2020: Priorities Report (the Priorities Report).

The report provides valuable feedback which we are currently using to inform our draft regulatory proposal, including discussions with the Customer Negotiation Committee, and for our ongoing day-to-day operations.

Broadly, the feedback you have provided falls into three categories:

1. Matters within the scope of ESCOSA's revenue determination or which will be addressed through the revenue determination process
2. Matters outside of the scope of the revenue determination that are for us to consider and address as best as we can, and
3. Matters that form part of "business as usual" for us, or that represent opportunities for us to better communicate what we currently do in those spaces.

We have grouped your feedback within these three categories and have responded in detail in Appendix A.

Please be assured that where feedback falls within scope of the revenue determination, we are addressing and prioritising these matters. Please refer to the attachment for specific details and how you can influence the outcomes.

Where the matters you have raised fall outside the scope of the revenue determination, they often fall outside the scope of our operations as a commercial water entity. Where possible, we will advocate on your behalf with other regulators, and government entities responsible for these issues. We will always act in the best interests of customers.

The final category is covered by our ongoing day-to-day operations. In some instances, we already operate in a way that is in keeping with the matters you have raised, but can better communicate our efforts with you and our customers more broadly. There are also other areas where we can make small changes that will address these matters and we will keep you informed of our progress against these.

Once again, thank you for this valuable feedback that has informed our draft regulatory proposal as well as our day-to-day operations.

If you have any further comments or feedback, we would welcome the opportunity to discuss these with you directly and look forward to ongoing, consultative relationships with you all.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Gobbie', with a long horizontal flourish extending to the right.

Mark Gobbie
Acting Chief Executive

Appendix A SA Water priorities

A1 Priorities being addressed as part of RD20

CEP Priorities	How it is being addressed
<p>AI Group 4.1 Wider customer input into business plan and results publicly available and EWOSA 4.15 Seeks confidence services are based on what customers value and at most efficient cost</p>	<p>We have been engaging customers and stakeholders to inform our business planning (and resultant regulatory submission) for over 2 years in the following ways:</p> <ul style="list-style-type: none"> • Customer engagement program to understand what customers value most about our services (to advise us on what to focus on, and what to do better) – this informed our corporate strategy and performance measures • Royal Adelaide Show presence to gain information on what is most important (to support the other activities) • Water Talks website to engage customers in surveys and discussions about their services and expectations • 'What Matters to You' survey to understand customer willingness to pay for initiatives developed by us to deliver on the values customers advised us were important in the earlier engagement • Customer Working Group established to advise us on the 'What Matters to You' survey, service standards and other key issues • Ongoing customer satisfaction and brand health research • 'Would You Invest In This?' survey to gain further willingness to pay data. <p>Summaries of the customer engagement program and feedback themes have been published progressively on the public Water Talks website.</p> <p>The public regulatory proposal document 'Our Plan 2020' will further outline the customer engagement process that has supported its development, and how customer feedback has shaped it.</p>
<p>AI Group 4.2 Expenditure linked to services valued by customers and EWOSA 4.15 Seeks confidence SA</p>	<p>Our corporate strategy was designed based on the extensive customer engagement activities listed above, and our proposed expenditure is linked to our strategy. We have then further tested expenditure with customers through multiple avenues set out above. We are confident our proposed expenditure is well aligned to what our customers value, given that</p>

CEP Priorities	How it is being addressed
Water services are based on what customers value and are efficient	<p>what our customers value now drives our organisation from the strategy, through to the way we interact with customers on the phones and in the field.</p> <p>Our proposed service standards are also aligned to customer values.</p>
<p>AI Group 4.3 Cost-benefit analysis to support any expenditure not directly linked to services customers value and</p> <p>EWOSA 4.15 Seeks confidence SA Water services are based on what customers value and are efficient</p>	<p>All expenditure we propose must be deemed "prudent" and "efficient" by ESCOSA, to be allowed as part of the regulatory determination. Prudent means it is necessary. Efficient means we are proposing to achieve the objective in the best, most cost-effective way possible, over the long-term. Sometimes cost-benefit analysis will be required to support this, and at other times the benefits very clearly outweigh the costs and the assessment is much simpler. In many other instances, we are required to invest to meet legal or regulatory obligations. In this instance a cost-benefit analysis is not performed because we must achieve the outcome. In these situations, the remaining question is, are we proposing to meet the outcome in the most efficient way possible? ESCOSA can engage experts to assist with these assessments and they have also formed the Regulators Working Group to assist them on understanding the regulatory requirements and ways we can meet our objectives.</p>
BSA 4.4 Project Zero costs are prudent and other options explored first	<p>Prior to developing Project Zero (now known as Zero Cost Energy Future) a number of options were considered to address the rising cost of electricity and the impact this has on customer prices. The Zero Cost Energy Future Project was selected as, through a number of differing mechanisms, it provides the lowest cost solution for our customers. It has a robust gated assessment process for every site individually considered for alternate energy solutions. No investment will be undertaken unless each individual location meets the prudence and efficiency requirements of this gated assessment process. ESCOSA are also reviewing this project as part of "ex post capital review" and if any expenditure is found not to be prudent or efficient it will be excluded from our regulatory asset base. Ex post capital review is a protection to ensure expenditure requirements that emerge during a regulatory period and were not considered as part of a determination, still go through the same rigour and external review as any expenditure proposed prior to a regulatory period.</p>
BSA 4.5 Communicate price impacts at varying levels of consumption not just residential and small business	<p>When making decisions on behalf of customers that will impact on their bills, we consider these impacts across all of our varying customer groups. Often we communicate this more simply because of the diversity of our customer base, but we will endeavour to demonstrate in Our Plan 2020 where we have considered the impacts for all customers.</p>
BSA 4.6 Ensure careful consideration given to price being main concern vs	<p>Price impact has been at the forefront of our planning processes and an important element of our strategy is to ensure low and stable prices. Our ongoing research and engagement activities, as well as our willingness to pay studies for Our Plan 2020, have shown us that price is</p>

CEP Priorities	How it is being addressed
willingness to pay for service level improvements	<p>a priority for customers, and specifically so for business customers and customers with bill stress. In our studies we aimed to measure what (changes to) services our customers value and how much they value them. In both studies, customers were shown the bill impact of potential changes on either their actual average bill or their stated average bill.</p> <p>The insights we obtained from this research confirms how important price is to customers, but also shows us that price is not the only priority.</p> <p>This spread in preference tells us that we need to find a balance between impacting customers' bills and improving services, where customers told us they want us to do so. As an example, there are some investments that we propose to spread over three regulatory periods (i.e. taking a little longer to deliver the outcomes) to smooth out the price impact to customers, even though our customers supported the bill impact for the investment in one regulatory period.</p>
CASA 4.10 Price increases limited and PPSA 4.24 Limit prices	<p>Price is an important consideration for our customers and has been at the forefront of our planning as well as our 4-year regulatory submission. We have tried to balance our legal obligations and regulatory requirements, with what customers have told us is important to them, and the long-term price path. Our aim is to keep prices low and stable for customers for the long-term. That is why it has been critical for us to be innovative in the way we intend to deliver for our customers and look for cost savings in our business wherever we can. We will continue to plan, operate and deliver in this way to limit price increases into the future.</p>
CASA 4.12 SA Water to communicate how it intends to recycle water going forward	<p>Recycling water is important to our customers. However, price is also very important to customers and recycling water can be expensive. We plan to look for ongoing recycled water opportunities that either benefit the state economically and there is a commercial market for these services, or is the least cost method of disposal for wastewater. This means, the costs of treating the recycled water do not outweigh the benefits. When considering this we take a holistic approach and consider the costs if we had to treat the wastewater to an acceptable standard to release to the marine environment.</p>
COTA 4.13 SA Water to explain how it plans for infrastructure needs in the regions	<p>Our approach to planning is consistent state-wide. The emphasis is placed on understanding the long-term needs of customers and stakeholders, understanding the gaps between the current asset performance and expected future performance and then developing and executing plans that deliver the best whole of life cost.</p>

CEP Priorities	How it is being addressed
EWOSA 4.17 Electronic tools for SA Water to communicate with customers during faults, new connections etc.	<p>We have a significant scope of work underway as part of our Digital Transformation Program. A key project within this is Service Continuity which is focussed on the end-to-end fault management process. The newly implemented customer relationship management (CRM) system is being leveraged to provide a single view of our customers and the interactions they have with us. This enables our customer service people to efficiently communicate the status of issues or to identify repeat issues affecting a customer. Customers who have registered a mobile phone number or email address with us can now receive an electronic notification when water is turned off and restored to their property, and can also receive confirmation that a fault report has been received from them and when that fault is fixed. The online service outage map is currently being enhanced for ease of use and greater functionality. This work will be completed in the next few months.</p> <p>Additional digital upgrades are being planned for the next regulatory period but are the subject of regulatory approvals and the regulatory determination.</p>
MCCSA 4.22 Better engagement with CALD community and addressing of needs	<p>As part the engagement program for Our Plan 2020 and business planning purposes, we have strengthened our relationships with many key stakeholders including the MCCSA in order to better engage with the CALD community and understand their needs. CALD community needs have been factored into our planning and also into our stakeholder engagement and communications planning and we thank the MCCSA for their ongoing support and dedication to ensuring utilities are well informed of the unique and widespread needs of the CALD community. We will continue to work closely with the MCCSA to ensure we continue to understand and meet the needs of the CALD community.</p>
PPSA 4.26 Reduction of costs and fit for purpose services for agriculture	<p>We aim to develop affordable and fit for purpose products where we can, as well as ensuring our drinking water services are as efficient and affordable as possible. We welcome all primary producers contacting us to discuss their specific water needs, taking into consideration their specific requirements and our operating environment and the impact on other customers.</p>
PCASA 4.27 and UDIA 4.43 Pricing of connection services (particularly for developers)	<p>Our "excluded" services prices, which include connections, are reviewed by ESCOSA as part of the regulatory determination (and annually) and must meet national pricing requirements. This does mean the full cost of the service must be recovered from the entity receiving the benefit of the service, rather than spread across the wider customer base. We will continue to explore innovative ways to share these costs equitably and appreciate your views and working together with you to come up with the best solution.</p>

CEP Priorities	How it is being addressed
RCCC 4.31 Focus on future infrastructure investment to bring down long-term costs for customers	<p>SA Water and ESCOSA both focus on long-term impacts when assessing investment decisions. We have a 25 year capital plan that sets out the infrastructure needs for South Australian water and sewerage assets over the next 25 years taking into consideration the age and current condition of assets, expected performance, customer expectations and future growth so that investment decisions can be balanced over the long-term, ensuring a balance between price and performance, now and into the future.</p> <p>ESCOSA's legislated objective is to protect the long-term interests of customers with respect to price and reliability so it reviews our long-term plans to ensure what is being proposed for the 4-year regulatory period in question is ensuring the lowest possible price for customers over the long-term.</p>
RCCC 4.32 Balancing future investments with lowest prices possible	<p>We have been balancing this carefully since the inception of independent regulation and the application of efficiency targets. In order to meet efficiency targets we have restructured our business and developed a new strategy aligned to what customers value and want from us. Our business planning process that produced our 4-year regulatory proposal was designed to test and facilitate this balance with various gated approvals processes taking a holistic view of the business and balancing expenditure to achieve the outcomes our customers want.</p>
SAFRA 4.36 and 4.38 Affordability	<p>To achieve low and stable prices for our customers in the short and longer term, we continue to improve the services available to our customers. Where customers are struggling, our hardship program is considered appropriate by customers (hardship and non-hardship) and industry groups, and customers were willing to continue to support the current service in the 'What Matters to You' survey.</p> <p>In reference to helping customers afford and achieve the things that are important to them such as nice gardens, we also provide advice to customers on their water use, efficiencies they could gain in and around their home and ways they can manage their bills with respect to their personal circumstances.</p>
UC 4.39 Affordability and transparency of expenditure	<p>The independent economic regulatory process is designed to ensure the long-term interests of consumers with respect to price and quality of service are protected, and to provide a level of public transparency. Most of the determination process is conducted publicly with our submission, ESCOSA's determination published online and for consultation regularly throughout the process. Performance data is regularly published on our website and through Data SA. Faults are live on our website at all times. Long-term planning information is published online where possible and ESCOSA publishes non-sensitive financial and performance data regularly.</p>

CEP Priorities	How it is being addressed
	Financial and performance data is available to ESCOSA at all times. Key capital projects are also reviewed as part of the Parliamentary Public Works Committee and this is publicly available.
UC 4.41 and UDIA 4.42 Transparency of longer term plans and PCASA 4.27 Collaboration with PCASA in planning for the future	<p>As part of the ongoing planning process we undertake, we regularly update our long-term plans in consultation with the community. The most recent example is that of the Kangaroo Island Long-Term Plan which sets out the long-term solutions to water challenges in that area and has been developed in full consultation with the community. Long-term plans of this nature can be found on our website and get refreshed at regular intervals or when there are changes to our understanding of the demands to water supply.</p> <p>The UDIA is correct in saying that our planning is based on known growth requirements in order to be as prudent and efficient as possible. However, we would welcome closer engagement with the UDIA to plan for expected growth where this could result in even more efficient expenditure over the long-term.</p>

A2 Priorities outside of the scope of RD20 or rest with other stakeholders

CEP priorities	How it is being addressed
COTA 4.14 Price reform to lower fixed charges	A review of tariff structures is outside of the scope of the determination process, but we understand it is an important issue for customers. Where there is an opportunity to review tariff structures SA Water will work with Government to seek to deliver the best balanced outcomes for all our customers.
EWOSA 4.16 Seeks mechanisms for customers being extended to tenants	Tenant billing/customer entity will require reform to many different legal instruments including those external to the legal and regulatory framework under which we operate, as well as major changes to our internal systems.
LGA 4.18 Infrastructure and water pressure for firefighting above SA Water's legal requirements PCASA 4.29 and UDIA 4.44 Flow rates for medium to high density infill developments above regulated levels	SA Water works with building owners to support them to meet their obligations by allowing for water pressure during firefighting instances, and when a building has increased water demand (medium to high density buildings for example). These need to be factored in to design at the outset. Nevertheless, tanks, pumps and other kits may be required onsite to ensure water pressure is appropriate for requirements.

CEP priorities	How it is being addressed
	It is our responsibility to provide a water pressure within our network for reasonable use but where a customer has special needs it is not appropriate that our system meet these needs at the cost of all customers.
PPSA 4.24 SA Water role in limiting reduced water allocations to primary producers	This is regulated by the Department for Environment and Water.
PPSA 4.25 Assistance to primary producers dependent on SA Water water supplies, to be less dependent	We aim to develop affordable and fit for purpose products where we can, as well as ensuring our drinking water services are as efficient and affordable as possible.

A3 Priorities requiring better communication from SA Water

CEP priorities	How it is being addressed
CCSA 4.7 Clearly communicate SA Water's role in SA with regards to the environment and be open and transparent about the way it manages water and electricity use	We agree it is important for us to concisely share our role in this space, and our activities.
CCSA 4.8 Co-design solutions with community	We engage the community to co-design solutions in a number of instances: <ol style="list-style-type: none"> 1. Customer engagement – We worked closely with customers and key customer stakeholder groups 2. Through various activities, we are effectively co-designing our regulatory submission with customers from testing their values, the things they were willing to pay for and then re-testing these with the Customer Negotiation Committee.
CCSA 4.9 Seeks information on where SA Water is open to competition and business information that would assist in developing alternate supplies	SA Water is supportive of the provisions of the Water Industry Act that allow for third party access to its infrastructure as part of developing competition and currently there are over 100 access agreements that are in direct competition to SA Water's retail services. Genuine competition is welcomed and aids industries to strive towards efficiency and innovation.

CEP priorities	How it is being addressed
	As part of the access regime, provisions exist to allow competitors to seek information on opportunities about SA Water's infrastructure as part of providing alternative services.
CASA 4.11 Prioritising customers with special needs and/or disabilities and ensuring hardship programs are effective	<p>We have developed a plan to support customers with special needs with equitable and accessible services through our Wider World program. A wide range of improvement initiatives have been identified and a high-level plan spanning a number of years has been developed. Priority areas that have commenced include services to enable customers with critical health needs to self-identify allowing us to support them through water outages and the expanded language aide program to enhance services for those customers with communication challenges. Development of the CRM system over the next 4-year period will facilitate preference management for customers to access priority and tailored service offerings.</p> <p>All of our usual hardship support mechanisms are available to customers with disabilities and we take their personal circumstances into careful consideration.</p>
CASA 4.12 (dupl) SA water to communicate how it intends to recycle water going forward	Our recycling plans are currently being finalised and will be clearly communicated in Our Plan 2020 because it is a service highly valued by our customers.
LGA 4.19 Liaison with councils around infrastructure requirements	We are committed to working closely with the State's 68 councils, exchanging information on activities and strategies that may be of interest to, or impact on, our organisations in order to achieve better outcomes for the community. Based on ongoing interactions with councils and feedback received, we aiming to provide more support to improve engagement with local government, enabling stronger relationships to be established and providing a more effective, ongoing interface. The LGA will be consulted on the proposed approach before it is finalised.
LGA 4.20 Clarity on SA Water responsibilities re River Torrens and reservoir releases	<p>We have responsibilities in managing the western reaches of the River Torrens at Breakout Creek pursuant the Metropolitan Drainage Act 1935. These works fall outside of the corporation's statutory regulated activity, and, as such, are funded through a State Government appropriation.</p> <p>Responsibilities outside of Breakout Creek area are shared between Local Government and State Government landholders. The Adelaide and Mount Lofty Natural Resource Management Board is presently leading a governance reform process with representatives from Local Government, State Government and the community to arrive at a preferred approach for managing the River Torrens.</p> <p>Our dams are specifically designed for water storage and most do not play a role in flood mitigation. Water levels are maintained in a way that balances the need for sufficient supply</p>

CEP priorities	How it is being addressed
	<p>during the warmer months with the need for environmental flows, as well as ensuring the continued integrity of dam infrastructure. Decisions regarding the maintenance of water levels and the controlled release of water during severe weather events are informed by the Bureau of Meteorology with regard for any impacts on the downstream community.</p>
<p>MCCSA 4.21 Different needs of culturally and linguistically diverse (CALD) customers considered in all aspects of SA Water business and MCCSA 4.23 Better communication strategies for CALD communities to understand SA Water business</p>	<p>We are continuing to improve our understanding of the different needs of culturally and linguistically diverse (CALD) customers through a process of relationship building using a variety of community engagement techniques. Concerted efforts were made to ensure CALD customers were engaged in our recent engagement process for our regulatory submission, including convening a customer working group where a number of members of identified themselves as CALD. Throughout the process, we used drop-in sessions, survey workshops in targeted languages and language specific advertising to ensure engagement from CALD communities with high population numbers in South Australia. Participation in a range of the engagement activities was supported by MCCSA. We intend to broaden our engagement and have conversations with 'new arrivals', both direct customers and tenants, through a series of workshops aimed at better understanding their water use and knowledge of our services. This information will help us improve services, inform business planning, and develop future communication and education pathways, as well as assisting CALD customers to better understand our business.</p>
<p>RCCC 4.30 SA Water needs to better communicate the water conservation advice it gives to consumers</p>	<p>We provide water conservation advice on our website, on bill inserts from time to time, and specifically to customers in the hardship program through a water use audit of their homes to specifically identify areas they could save water and reduce their bills.</p> <p>We would welcome more specific feedback from the CEP on how to better communicate this information.</p>
<p>SACOSS 4.33 SA Water to work harder at identifying customers experiencing "water poverty" earlier and offering effective assistance</p>	<p>We have developed a strong hardship support program over many years, consulting with customers experiencing temporary and enduring financial hardship, financial counsellors within South Australia and other utilities to understand the financial environment our customers are in and the type of support that will best assist them. We have trained, experienced staff and processes to proactively identify customer hardship as early as possible, ways for customers to self-identify and seek support and many support tools such as payment extensions (including self-help options if customers need extra time to pay and feel uncomfortable asking), a dedicated support team for those customers who do want personal support, a robust hardship program to assist customers with tailor-made solutions and a payment matching scheme to help them out of hardship faster and reward them for making</p>

CEP priorities	How it is being addressed
	<p>positive steps to manage their financial situation, and free water use audits to help customers identify things in the home that may be contributing to high water costs for their family.</p> <p>We would welcome more specific feedback from the CEP on how to identify customers earlier.</p>
SACOSS 4.34 Identifying unique needs of customers with disabilities	<p>We have developed a plan for expansion of services to support customers with special needs with equitable and accessible services through our Wider World program. A wide range of improvement initiatives have been identified and a high-level plan spanning a number of years has been developed. Priority areas that have commenced include services to enable customers with critical health needs to self-identify allowing us to support them through water outages and an expanded language aide program to enhance services for those customers with communication challenges. Development of the CRM system over the next 4 year period will facilitate preference management for customers to access priority and tailored service offerings. We are also committed to expanding our understanding of our customers through our customer research and customer segmentation programs. We also work closely with other organisations, such as the Department of Human Services, JFA Purple Orange and with the Thriving Communities Partnership as a founding partner to further our understanding and to identify ways we can work together to deliver tailored services for these customers.</p>
SACOSS 4.35 Greater clarity around SA Water's role as a service provider and input into water policy	<p>We are one of the largest service providers in the state, servicing approximately 1.7 million South Australians. Our primary concern is delivering those services safely, reliably, within customer service expectations and at the lowest and most stable price as possible. We do not play a role in water policy in South Australia, or nationally, other than to provide information that may assist the policy decision makers and advocating for our customers when water policy may affect the services they receive or the price they receive them at.</p>
SAFRRA 4.37 Safety nets to ensure customers can pay their bills and UC 4.40 Support for vulnerable customers including tenants	<p>We have developed a strong hardship support program over many years, consulting with customers experiencing temporary and enduring financial hardship, financial counsellors within South Australia and other utilities to understand the financial environment our customers are in and the type of support that will best assist them. We have trained, experienced staff and processes to proactively identify customer hardship as early as possible, ways for customers to self-identify and seek support and many support tools such as payment extensions (including self-help options so customers don't have to talk to us if they need extra time to pay and feel uncomfortable asking), a dedicated support team for those customers who do want personal support, a robust hardship program to assist customers with tailor-made solutions and a payment matching scheme to help them out of hardship faster and reward</p>

CEP priorities	How it is being addressed
	them for making positive steps to manage their financial situation, and free water use audits to help customers identify things in the home that may be contributing to high water costs for their family. Where possible we extend provisions to tenants. For support for tenants to be further reaching there would need to be a revision of the legal frameworks that applies to us and to tenants and landlords.