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Nathan Petrus
Director, Consumer Protection and Pricing
Essential Services Commission of South Australia
Level 1, 151 Pirie Street
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Dear Nathan,

RE: UDIA (SA) submission on the ESCOSA Review of SA Water

About the UDIA

The Urban Development Institute of Australia (UDIA) has been active in South Australia since 1971 and has over two hundred-member companies.

We boast an active membership of around fifteen hundred individuals who are involved in policy development on committees, professional development, event attendance as well as other activities, all aimed at improving the outcomes for our sector and State.

It is through these members that the UDIA provides an important voice on development matters, particularly in relation to initiatives for homebuyers, urban developers, professionals and others who are involved in the sector.

The UDIA (SA) and its members interact regularly with SA Water. Given this, the UDIA (SA) appreciates the opportunity to give feedback in order to hopefully strengthen its relationship with SA Water and to encourage greater efficiency in the sector.

The UDIA's position

Following the meeting with ESCOSA on the 3rd May, the UDIA (SA) would like to raise the following observations and then offer some suggestions:

- As part of the review, the most relevant consideration for UDIA members will be the connection or augmentation charges to developers. The UDIA understands there needs to be a balance struck between setting charges to keep prices as low as possible, while also being high enough to allow SA Water to recover its efficient costs.

- The UDIA believes that the separation of upfront costs versus ongoing costs is absolutely necessary and ought to be clarified to ensure developers aren't left to cover costs going forward, when SA Water is responsible for ongoing operation and maintenance of assets gifted by developers.
- The point has been raised that the method for evaluating the price of assets upfront does not motivate any competition in pricing and ought to be reviewed.
- Consideration should be given to reviewing the cost estimates of external infrastructure annually to establish fairer pricing for augmentation fees in new growth areas. The UDIA believes that cost estimates should be undertaken by independent experts. The pricing of augmentation works needs to avoid the 'front end loading' that causes works to be paid off early and not evenly spread over time.
- It was suggested that there would be benefit in reviewing and potentially removing the contingencies and conservatism currently factored into cost estimates.
- Concern raised that pricing can also stifle or discourage development of certain lot types, so the development sector is unable to provide a broader range of housing available as the pricing influences what is more commercially viable.
- Ongoing administration costs need to be reviewed to ensure they are reasonable.
- It has been raised that project management charges tend to have been slowly increasing, however under new Land Development Agreement, which requires the developer to have an engineer involved, SA Water project management fees do not reflect the transfer of project management responsibility.
- A review of how insurance charges (including public liability) are being allocated is necessary, as the new Developer Agreement moves the responsibility from SA Water to developers.
- The timeliness of connections should also be reviewed as the service standards currently taking place need improvement.
- The developer supply of water meters from July 1st will increase the risk of theft and exacerbate coordination challenges for developments as SA Water is required to unlock them prior to being connected. For example, some builders will need to be able to test water strength prior to an owner taking control of the property. The UDIA believes the easiest solution is to have water unlocked and this way water pressure can be tested.
- Sewer and water rate charges for ongoing holding costs can be quite costly. Like land tax, it can generate a preference to do less than more.
- The UDIA has noted however, that collaboration between developers and SA Water when staging developments has been largely efficient and has improved significantly.
- Some concerns have been raised with regards to sewer pump stations through an increase in seeking additional features as part of safety and design requirements. This creates two issues for developers on this issue;
 1. Costs are exaggerated and increased
 2. Time delay caused in determining and agreeing to standards
- There has been an unnecessary supply of purple pipes for recycled water, which the UDIA believes is totally inefficient and the cost is largely transferred to the new home land owner despite not being used or connected to network. Remove the requirement to supply recycled water for all new developments.

- The UDIA has observed that non-standard connection issues have generally settled down, pricing has been largely sensible, and that the time that SA Water takes to give a costing for connectivity is generally acceptable.
- Mostly, SA Water has been highly collaborative, treating developers like customers now which has been a positive improvement.

Again, we appreciate the opportunity to provide you with this letter, outlining the key points the UDIA would like taken into consideration through the review.

We would be appreciative if we could be kept informed as to the outcome of the review.

Yours sincerely,

UDIA (SA)