

PUBLIC CORPORATIONS ACT 1993

Direction to the South Australian Water Corporation Pursuant to Section 6 of the Public Corporations Act 1993

BACKGROUND:

1. Pursuant to section 6 of the *Public Corporations Act 1993*, and sections 6 and 7(2)(f) of the *South Australian Water Corporations Act 1994*, the South Australian Water Corporation (**SA Water**) is subject to control and direction by its Minister, and has the functions conferred on it by its Minister.
2. The *South Australian Water Corporation Act 1994* and the *Water Industry Act 2012* are committed to the Minister for Environment and Water (**the Minister**) as per Gazettal notice dated 22 March 2018 (p. 1256).
3. The *Water Industry Act 2012* provides for the regulation of prices for water and sewerage retail services by declaring the water industry to constitute a regulated industry for the purposes of the *Essential Services Commission Act 2002* and authorising the Essential Services Commission of South Australia (**the Commission**) to make a determination under the *Essential Services Commission Act 2002* regulating prices, conditions relating to prices, and price fixing factors for water and sewerage retail services.
4. In making such a determination, the Commission must comply with the requirements of any pricing order issued by the Treasurer under section 35 of the *Water Industry Act 2012*.
5. The Treasurer issued a pricing order under section 35 of the *Water Industry Act 2012* (**the pricing order**) on 28 October 2018 which applies to a determination made by the Commission in respect of drinking water and sewerage retail services provided by SA Water for the four year period commencing 1 July 2020 and ending 30 June 2024 (**the third regulatory period**).
6. As part of the pricing order, the Treasurer has required that any determination of the Commission in respect to such services allow SA Water to recover:
 - a. the efficient cost of assets acquired (or to be acquired) after 1 July 2016, which are required to support activities that SA Water is required to provide in accordance with a direction under section 6 of the *Public Corporations Act 1993*;
 - b. costs relating to externalities (including water planning and management) attributable to and payable by SA Water in accordance with the law, including a direction under section 6 of the *Public Corporations Act 1993*; and
 - c. such costs (less any relevant contributions to such costs that it receives) that are attributable to activities that SA Water is required to provide in accordance with a direction under section 6 of the *Public Corporations Act 1993* and are either:
 - i. specified in the relevant direction, or if not specified,
 - ii. determined by the Commission to be efficient.
7. The Minister considers it appropriate, in the interests of transparency, to direct SA Water, over the course of the third regulatory period, to:
 - a. provide certain services, in addition to the services it is required to provide pursuant to section 7 of the *South Australian Water Corporation Act 1994*, and the Charter for SA Water;
 - b. purchase renewable energy certificates or carbon offsets for the purpose of operating the Adelaide Desalination Plant;
 - c. maintain state-wide pricing in respect of the drinking water and sewerage retail services it provides to customers;
 - d. continue to contribute to water planning and management charges;
 - e. continue to annually reimburse the Minister in respect of fees paid to the Valuer-General for copies of the valuation rolls;
 - f. flush the Torrens Lake to prevent algae green-blue blooms in a manner that is consistent with its water licence for the prescribed water resource of the Western Mount Lofty Ranges (WMLR) that will apply from 1 July 2020;
 - g. use surplus water to meet environmental water obligations in a manner that is consistent with its water licences for the River Murray Prescribed Watercourse that will apply from 1 July 2020;
 - h. improve the security and water supply on Kangaroo Island through the construction of a 2 megalitres per day desalination plant and associated delivery infrastructure;
 - i. commence the upgrade of the water supply of SA Water customers in regional areas to potable water during the third regulatory period, with the intent that the remaining regional areas be upgraded in a future regulatory period(s);
 - j. continue to provide services for potable water and wastewater supplies to aboriginal communities;
 - k. progressively assume responsibility for the Tea Tree Gully community wastewater management scheme with the agreement of the City of Tea Tree Gully (with the intent that from transfer of the relevant assets to SA Water, the assets, and their operation and upgrade, will be treated as part of SA Water's sewerage retail services);
 - l. continue to meet community and owner expectations on water reticulation main performance; and the costs of which may be recovered by SA Water in accordance with the terms of the pricing order.
8. The Minister intends that, from 1 July 2020, this Direction will revoke and replace the previous Direction made to SA Water pursuant to section 6 of the *Public Corporations Act 1993* on 25 June 2015 and published on the Gazette on 2 July 2015 (p. 3367).
9. This Direction may be revoked and replaced by a subsequent direction pursuant to section 6 of the *Public Corporations Act 1993*.

DIRECTION:

I, David Speirs, Minister for Environment and Water, direct SA Water to purchase or provide the following services, facilities and contributions from 1 July 2020 and until further notice, subject to and in accordance with the following provisions:

A. Emergency Management Services

Emergency engineering functional services as required for compliance with the State Emergency Management Plan prepared by the State Emergency Management Committee under the *Emergency Management Act 2004*, up to the following cost in each financial year of the third regulatory period:

2020-21	2021-22	2022-23	2023-24
\$625 000	\$641 000	\$657 000	\$673 000

The South Australian Government will make the following contributions to SA Water in relation to such costs in each financial year of the initial regulatory period:

2020-21	2021-22	2022-23	2023-24
\$625 000	\$641 000	\$657 000	\$673 000

B. Government Radio Network Services

Services required for SA Water's ongoing connection to and participation in the South Australian Government Radio Network, up to the following cost in each financial year of the third regulatory period:

2020-21	2021-22	2022-23	2023-24
\$618 000	\$633 000	\$649 000	\$665 000

The South Australian Government will make the following contributions to SA Water in relation to such costs in each financial year of the third regulatory period:

2020-21	2021-22	2022-23	2023-24
\$618 000	\$633 000	\$649 000	\$665 000

C. Fluoridation Services

Services required for:

- (i) the continuation of the fluoride dosing program in metropolitan Adelaide and the existing country dosing installations;
- (ii) the construction and operation of any new fluoride dosing installations;

as recommended or agreed by or on behalf of the Chief Executive, Department for Health and Wellbeing, from time to time.

D. Purchase of renewable energy or carbon offsets for the Adelaide Desalination Plant

SA Water must purchase applicable renewable energy certificates (RECs) for the purposes of the operation and maintenance of the Adelaide Desalination Plant and associated infrastructure, or otherwise fully offset the carbon impact of that operation and maintenance, sufficient to maintain South Australia's commitment at clause 17 of the *Implementation Plan for Augmentation of the Adelaide Desalination Plant (100 gegalitres per annum)*, *National Partnership Agreement on Water for the Future*.

E. State-wide Pricing Facility

SA Water must, in fixing standard terms and conditions governing the provision of services pursuant to section 36 of the *Water Industry Act 2012*, set such standard terms and conditions relating to the prices of, or tariffs for, the provision of drinking water and sewerage retail services it provides on the basis of state-wide pricing, i.e. the tariffs or tariff components for such services must be the same, or result in a similar outcome, for any customer in the class of customer to which the terms and conditions are expressed to apply, irrespective of the customer's location.

The South Australian Government will make the following contributions to SA Water in each financial year of the third regulatory period in order to support the lowest levels of state-wide standard terms and conditions relating to price as possible:

- (i) In relation to SA Water's drinking retail services:

2020-21	2021-22	2022-23	2023-24
\$67 416 173	\$67 416 173	\$67 416 173	\$67 416 173

- (ii) In relation to SA Water's sewerage retail services:

2020-21	2021-22	2022-23	2023-24
\$40 162 827	\$40 162 827	\$40 162 827	\$40 162 827

F. Water Planning and Management Charges Contribution

SA Water must make the following contributions to the Department for Environment and Water in each financial year of the third regulatory period in order to support water planning and management activities:

2020-21	2021-22	2022-23	2023-24
\$31 556 000	\$32 345 000	\$33 154 000	\$33 983 000

G. Annual reimbursement of fees paid for valuation roll

SA Water must make the following contributions to the Minister in each financial year of the third regulatory period in order to reimburse the Minister for fees paid to the Valuer-General pursuant to section 21(a) of the *Valuation of Land Act 1971* for a copy of the valuation roll or any addition, correction or amendment to the roll:

2020-21	2021-22	2022-23	2023-24
\$5 476 000	\$5 613 000	\$5 753 000	\$5 897 000

H. Flushing of Torrens Lake

Subject to the availability of water from prescribed water resources, SA Water must provide water as necessary to meet annual dilution flow requirements for Torrens Lake (up to a total of 2.5 gegalitres per annum), as part of SA Water's contribution of up to 16.5 gegalitres under the existing environmental water provisions of the WMLR Water Allocation Plan. SA Water must also make the following contributions to associated operating costs:

2020-21	2021-22	2022-23	2023-24
\$600 000	\$615 000	\$630 000	\$646 000

I. Environmental Watering Volume

SA Water must provide the full environmental watering volume required in eligible years under clause S-IV(ii) of Schedule 1 of the *Implementation Plan for Augmentation of the Adelaide Desalination Plant (100 gegalitres per annum), National Partnership Agreement on Water for the Future* (up to 12 gegalitres), prior to trading to third parties any unused allocations obtained on account of water access entitlements on its South Australian River Murray licences.

In order of priority, this environmental contribution must come from allocations obtained on account of the following water access entitlements held by SA Water: Class 3 (High Security); Class 6; and then Class 2.

J. Improving the security and water supply on Kangaroo Island

To construct a 2 megalitres per day desalination plant and associated delivery infrastructure (including energy supply) on Kangaroo Island to improve the security and supply of water on Kangaroo Island.

SA Water will fund capital expenditure of up to \$28 million over the four years to 30 June 2024 (as per the table below):

2020-21	2021-22	2022-23	2023-24
\$28 000 000	\$0	\$0	\$0

Additional capital expenditure of \$19.8 million is to be funded through South Australian and Commonwealth Government contributions.

SA Water will also fund the associated operating expenditure (as per the table below):

2020-21	2021-22	2022-23	2023-24
\$0	\$372 000	\$1 144 000	\$1 173 000

SA Water's construction and funding of the desalination plant and associated delivery infrastructure are conditional on securing a Commonwealth Government contribution of \$14.9 million.

K. Upgrading the water supply of SA Water customers in regional areas

To upgrade the water supply of SA Water customers in certain regional areas to potable water.

During the third regulatory period, SA Water must upgrade the water supply to potable water in the regional areas of Yunta, Oodnadatta, Maree, Terowie, Marla, Manna Hill (and the associated filling station at Peterborough).

SA Water will fund capital expenditure of up to \$40.5 million over the third regulatory period together with associated operating costs not exceeding \$5.3 million (as per the tables below):

(i) In relation to SA Water's capital expenditure:

2020-21	2021-22	2022-23	2023-24
\$9 743 000	\$9 986 000	\$10 236 000	\$10 492 000

(ii) In relation to SA Water's operating expenditure:

2020-21	2021-22	2022-23	2023-24
\$538 000	\$1 006 000	\$1 694 000	\$1 993 000

L. Aboriginal communities serviced by SA Water through a CSO funded by Government

Services required for the provision of potable water and wastewater supplies to the communities of Amata, Davenport, Gerard, Indulkana, Kalka, Kaltjiti, Kanpi, Koonibba, Mimili, Murputja, Nepabunna, Nyapari, Oak Valley, Pipalyatjara, Point Pearce, Pukatja, Raukkan, Umoona, Umuwa, Watinuma, Yatala and Yunyarinyi up to the following operating cost in each financial year of the third regulatory period:

2020-21	2021-22	2022-23	2023-24
\$10 899 000	\$10 809 000	\$10 435 000	\$10 618 000

The South Australian Government will make the following contributions to SA Water in relation to such costs in each financial year of the third regulatory period:

2020-21	2021-22	2022-23	2023-24
\$8 383 000	\$8 594 000	\$8 809 000	\$9 029 000

M. Tea Tree Gully Community Wastewater Management System

With the agreement of the City of Tea Tree Gully (and on terms and conditions acceptable to SA Water), SA Water must:

- (i) provide sewerage services to properties serviced by the Tea Tree Gully Community Wastewater Management System (the Properties), in a staged manner over the third regulatory period; and
- (ii) acquire assets currently owned and operated by the City of Tea Tree Gully Council for the provision of sewerage services to Properties where they meet SA Water standards or can be upgraded to meet standards, and where the assets currently owned and operated by the City of Tea Tree Gully cannot provide the services, SA Water must make prudent and efficient investments to provide the services to the Properties.

During the third regulatory period, SA Water will fund up to \$64.1 million of capital expenditure progressively as it acquires, upgrades or constructs assets together with associated operating costs not exceeding \$963,000 (as per the tables below):

- (i) In relation to SA Water's capital expenditure:

2020-21	2021-22	2022-23	2023-24
\$3 834 000	\$23 376 000	\$27 385 000	\$9 471 000

- (ii) In relation to SA Water's operating expenditure:

2020-21	2021-22	2022-23	2023-24
\$82 000	\$160 000	\$328 000	\$393 000

These services and assets will form part of SA Water's sewerage retail services from 1 July 2020 or a date of their provision and acquisition, whichever is later.

N. Continue to meet community and owner expectations on water reticulation main performance

SA Water will fund up to \$155.5 million of capital expenditure to meet community and owner expectations on water main performance as follows:

2020-21	2021-22	2022-23	2023-24
\$37 288 000	\$39 072 000	\$39 066 000	\$40 043 000

Dated: 28 May 2020

HON DAVID SPEIRS
Minister for Environment and Water