



Price Determination

SA Water's water and sewerage retail services: 1 July 2020 – 30 June 2024

Price Determination

1 July 2020

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1 General

1.1 Authority

- 1.1.1 This price determination is made by the Commission:
- (a) pursuant to the price determination powers under the Essential Services Commission Act 2002, as authorised by section 35(1) of the Water Industry Act 2012, and
 - (b) in accordance with the requirements of Pricing Orders issued under section 35(4) of the Water Industry Act 2012 (as in force from time to time).

1.2 Application

- 1.2.1 This price determination applies to SA Water and:
- (a) regulates the total revenues which SA Water may recover from the provision of drinking water retail services and sewerage retail services during the regulatory period
 - (b) establishes mechanisms for adjusting revenues under a subsequent price determination to account for:
 - (i) material variances in drinking water retail service demand during the regulatory period as compared with the forecasts assumed in this price determination
 - (ii) material variances in sewerage retail service demand during the regulatory period as compared with the forecasts assumed in this price determination
 - (iii) the occurrence of material changes in costs incurred by SA Water, in respect of the provision of drinking water retail services or sewerage retail services, arising from pass-through events (as the Commission determines appropriate) during the regulatory period
 - (iv) any revenue earned by SA Water in connection with the temporary leasing of a River Murray Water Licence
 - (v) variances between forecast and actual revenue earned by SA Water from the provision of services that are not retail services, but are provided through the use of regulated infrastructure used to provide retail services, and
 - (vi) a new major capital project/program, the efficient costs of which are not incorporated into revenue caps under this price determination because of a contingency (or trigger) or adverse event which means it is not currently a project/program for which SA Water can reasonably commit expenditure.
 - (c) regulates the manner in which SA Water must set prices for:
 - (i) recycled water retail services, and
 - (ii) excluded retail services.

1.3 Term and commencement

- 1.3.1 This price determination applies for the period 1 July 2020 to 30 June 2024 (inclusive).
- 1.3.2 Nothing in clause 1.3.1 affects the operation of any provision of this price determination that requires something to be done before 1 July 2020.

1.4 Revocation of previous determination

- 1.4.1 Pursuant to section 26(8) of the Essential Services Commission Act 2002, on and from 1 July 2020, this price determination revokes the previous determination made by the Commission under Part 3 of the Essential Services Commission Act 2002 and section 35(1) of the Water Industry Act 2012.
- 1.4.2 Nothing in this price determination affects anything done or omitted to be done or rights or obligations accrued under the previous determination made by the Commission under Part 3 of the Essential Services Commission Act 2002 and section 35(1) of the Water Industry Act 2012.

1.5 Definitions and interpretation

- 1.5.1 Where a term used in this price determination is defined in the Water Industry Act 2012, it has the meaning given in that Act, unless the contrary intention appears.
- 1.5.2 Subject to clause 1.5.1, in this price determination, unless the contrary intention appears:

business day means any day apart from a Saturday, Sunday or public holiday in South Australia (within the meaning of the Acts Interpretation Act 1915).

change in a legal obligation event means the occurrence of an event under which a new and legally binding obligation is placed on SA Water which has a material impact on the cost of provision of a drinking water retail service or a sewerage retail service during the regulatory period.

Commission means the Essential Services Commission established under the Essential Services Commission Act 2002.

drinking water retail services means retail services constituted by the sale and supply of water of a quality fit for human consumption, but does not include excluded retail services.

excluded retail services means:

- (a) standard and non-standard connection services (including developer services)
- (b) trade waste services
- (c) non-domestic hauled waste services
- (d) easement extinguishment and encumbrance services
- (e) hydrant and fire plug services
- (f) meter services, or

- (g) network analysis and audit services.

extraordinary event means an event the occurrence of which meets each of the criteria below:

- (a) the event was unforeseen or alternatively, if it was foreseen or should reasonably have been foreseen, the timing and impacts of which could not be reasonably quantified at the time that this price determination was made
- (b) the event was or is (as the case may be) beyond the control of SA Water (acting prudently and efficiently), and
- (c) the event has or will have (as the case may be) a material impact on the cost of provision of a drinking water retail service or a sewerage retail service during the regulatory period.

NWI pricing principles means the pricing principles endorsed by the Natural Resource Management Ministerial Council on 23 April 2010 for the purposes of the National Water Initiative.

Pricing Order means any pricing order issued by the Treasurer under section 35(4) of the Water Industry Act 2012 (and includes any variations made to a Pricing Order in accordance with the terms of the Pricing Order and section 35 of the Water Industry Act 2012).

pass-through event means either of the following:

- (a) a change in a legal obligation event; and/or
- (b) an extraordinary event.

recycled water retail services means the sale and supply of water which has been generated from sewage, greywater or stormwater and treated to a standard that is appropriate for its intended use.

regulated infrastructure means, for the purposes of clauses 2.1.1(e) and 2.12, infrastructure owned or leased by SA Water which is used for the dominant purpose of providing drinking water retail services, recycled water retail services and/or sewerage retail services.

regulatory period means the period 1 July 2020 to 30 June 2024 (inclusive).

regulatory year means each 12-month period commencing 1 July and ending on 30 June the following calendar year (for example, the regulatory year for 2020 will commence on 1 July 2020 and will end on 30 June 2021), during the regulatory period.

retail services means the sale and supply by SA Water of either drinking water retail services, recycled water retail services and/or sewerage retail services

River Murray Water Licence means a licence granted to or held by SA Water under the Natural Resources Management Act 2004 or the Landscape South Australia Act 2019 for the purposes of extracting water from the River Murray.

SA Water means the South Australian Water Corporation established under the South Australian Water Corporation Act 1994.

sewerage retail services means the sale and supply of sewerage services for the removal of sewage, but does not include excluded retail services.

subsequent price determination means any later price determination made by the Commission pursuant to the Essential Services Commission Act 2002, in accordance with section 35 of the Water Industry Act 2012, to apply to the subsequent regulatory period following the end of the regulatory period in this price determination.

subsequent regulatory period means the operational period of any later price determination made by the Commission pursuant to the Essential Services Commission Act 2002 and in accordance with section 35 of the Water Industry Act 2012, to take effect from 1 July 2024.

1.5.3 This price determination must be interpreted according to the following principles:

- (a) words denoting persons include corporations, statutory corporations, unincorporated associations, firms, governments and governmental agencies
- (b) a reference to a person includes that person's agents, guardian(s) successors and permitted assigns, persons who have control over any assets of a person and receivers, managers, trustees, administrators and liquidators and similar persons appointed over:
 - (i) a person, or
 - (ii) any assets of a person
- (c) headings are only included for convenience and do not affect interpretation
- (d) unless specified otherwise, a reference to a section, clause, Chapter, Part or Schedule is to a clause, Chapter or Part of or Schedule to this price determination
- (e) a reference to an agreement, document, regulatory instrument or part thereof is a reference to that agreement, document, regulatory instrument or part thereof as varied, replaced or substituted from time to time and includes any Schedules or attachments to the agreement, document or regulatory instrument, and
- (f) a reference to any statute, regulation or proclamation includes all statutes, regulations or proclamations, varying, consolidating, re-enacting, extending or replacing them and a reference to a statute includes all regulations, proclamations and determinations issued under that statute.

1.6 Revoking or varying decisions

- 1.6.1 If the Commission has made a decision under this price determination and it subsequently becomes aware that the decision was made on the basis of, or relying upon, information provided to the Commission that was false or misleading in a material particular, or if any material information was withheld, then the Commission may, in its discretion:
- (a) revoke that decision and substitute a new decision, or
 - (b) vary that decision.

- 1.6.2 If the Commission revokes and substitutes a new decision or varies a decision under clause 1.6.1 (as the case may be), that new or varied decision takes effect on the date specified by the Commission in a written notice.
- 1.6.3 A new or varied decision made under this clause may only differ from the original decision to the extent necessary to correct for:
- (a) the false or misleading information on which the original decision was based on or taken into account in making the decision, or to take into account relevant information that was withheld and was not taken into account when making the original decision, and
 - (b) the application of the original decision during the period in respect of which that decision was in effect.

1.7 Modification of time periods

- 1.7.1 The Commission may, by written notice, extend the time by or within which anything required to be done pursuant to this price determination must be done.
- 1.7.2 If the Commission makes a request to SA Water for information or documents for the purposes of making a decision or exercising any of its powers under this price determination, or issues a written notice requiring any person to provide information under section 29 of the Essential Services Commission Act 2002, any time period within which the Commission is required to make a decision, notify any person or exercise any of its powers under this price determination:
- (a) stops running on the date the request or requirement is made; and
 - (b) starts to run again on the date that the Commission notifies SA Water in writing that the Commission is satisfied that the requested or required information or documents have been provided.
- 1.7.3 If the Commission acts under clause 1.7.2, it will notify SA Water:
- (a) as soon as practicable after the relevant request or requirement (as the case may be) has been made, of the date the relevant time period stopped running; and
 - (b) as soon as practicable after the Commission has determined that any information or documents received satisfies the relevant request or requirement, of the date the relevant time period started to run again.

1.8 Review of decisions

- 1.8.1 SA Water may make a written application to the Commission for a review of a decision made, or deemed to have been made, under this price determination.
- 1.8.2 The grounds for a review under this clause 1.8 are that a decision made, or deemed to have been made, under this price determination:
- (a) was not made in accordance with the requirements of this price determination
 - (b) is unreasonable having regard to all of the relevant circumstances,
 - (c) is based wholly or partly on an error of fact in a material respect, or

- (d) should otherwise, at the discretion of the Commission, be subject to review.
- 1.8.3 An application for a review of a decision must:
 - (a) be in writing
 - (b) set out the decision made, or deemed to have been made, under this price determination to which the application relates
 - (c) set out in detail the grounds on which SA Water seeks the review and the decision sought on the review
 - (d) be accompanied by any information or supporting documents that SA Water considers should be taken into account by the Commission in the review, and
 - (e) be lodged with the Commission within 10 business days after the decision is made, or deemed to have been made, under this price determination, is published, or within such further time as approved by the Commission in accordance with clause 1.7.1 below.
- 1.8.4 The Commission will not review a decision made, or deemed to have been made, under this price determination, where it determines that:
 - (a) the application for review is frivolous or vexatious
 - (b) the subject matter of the application is trivial, misconceived or lacking in substance, or
 - (c) there is some other good reason as determined by the Commission not to proceed with the review.
- 1.8.5 If the Commission reviews a decision made, or deemed to have been made, under this price determination the Commission:
 - (a) will publish a copy of the application on its website, and
 - (b) may invite submissions on the matter the subject of the review in a manner and within a period specified by the Commission.
- 1.8.6 A review will be determined within 6 weeks of the application being lodged with the Commission.
- 1.8.7 Subject to clause 1.7.1, if a review is not determined within that period, the Commission will be taken to have confirmed the decision made, or deemed to have been made, under this price determination on the same grounds on which the original decision was made.
- 1.8.8 After conducting the review, the Commission may confirm, vary or substitute the decision.
- 1.8.9 Where an application is made for a review under clause 1.8.1, the Commission may, in its discretion, stay or suspend the implementation or enforcement of any decision.
- 1.8.10 The Commission will give SA Water and any other person who provides a submission to the review written notice of the Commission's decision under clause 1.8.8 and the reasons for that decision.

- 1.8.11 A decision of the Commission made under clause 1.8.8 may not be the subject of a subsequent application for review under this clause 1.8 or subject to any other reconsideration by the Commission.

1.9 Forecasts and estimates

- 1.9.1 For the purposes of statements provided by SA Water under this price determination, all:
- (a) forecasts of demand and revenue for the regulatory period must be based on the best forecasts available at the time the statement is prepared, and
 - (b) estimates of demand and revenue for the regulatory period must be based on the actual results available for the regulatory period at the time the statement is prepared and the best forecasts available for the remainder of the regulatory period.

2 Revenue Regulation of Drinking Water Retail Services and Sewerage Retail Services

2.1 Drinking water and sewerage retail services revenue control

2.1.1 Clauses 2.2 to 2.13 (inclusive) establish:

- (a) in accordance with the Pricing Orders, a separate total revenue control for drinking water retail services and sewerage retail services, respectively, which will not vary in real terms during the regulatory period, except as allowed by the Pricing Orders
- (b) in accordance with the Pricing Orders, a demand variation revenue adjustment mechanism
- (c) in accordance with the Pricing Orders, a pass-through revenue adjustment mechanism
- (d) an adjustment mechanism to net off any revenue earned by SA Water associated with the temporary leasing of its River Murray Water Licences
- (e) an adjustment mechanism to net off 10 percent of any revenue earned by SA Water from the provision of services that are not retail services, but which are provided through the use of regulated infrastructure that is used for providing drinking water retail services, recycled water retail services and/or sewerage retail services, and
- (f) an adjustment mechanism allowing for the recovery of efficient costs associated with a new major capital project/program, which have not been incorporated into the revenue caps under this price determination because of a contingency (or trigger) or adverse event which means it is not currently a project/program SA Water can reasonably commit expenditure to, but could reasonably be considered for inclusion in a subsequent price determination

2.1.2 The revenue adjustment mechanisms referred to in clauses 2.1.1(a) to (f) (inclusive) will, in combination, be used in determining any revenue adjustment amount to be incorporated into a subsequent price determination for drinking water retail services and sewerage retail services provided by SA Water (as the case may be).

2.2 Maximum drinking water retail services revenues

2.2.1 In setting drinking water retail services prices to apply during the regulatory period, SA Water must ensure that forecast drinking water retail services revenues during the regulatory period do not, subject to clause 2.2.2, exceed \$2,541.2 million (expressed as a present value at 1 July 2020, in dollars of December 2018).

2.2.2 Where actual drinking water retail services demand exceeds forecast drinking water retail services demand, SA Water may recover drinking water retail services revenues in excess of the maximum drinking water retail services revenues specified in clause 2.2.1, in the amount calculated under clause 2.4.2 as the sales revenue adjustment amount (RA_D).

2.3 Calculation of present values of drinking water retail services revenues

- 2.3.1 In calculating the present value of revenues under clause 2.2 and clause 2.4, the Commission will apply the following discount factors in the following manner:
- (a) for the 2020-21 regulatory year, actual drinking water retail services revenues (in dollars of December 2018) will be multiplied by 0.98390
 - (b) for the 2021-22 regulatory year, actual drinking water retail services revenues (in dollars of December 2018) will be multiplied by 0.95344
 - (c) for the 2022-23 regulatory year, actual drinking water retail services revenues (in dollars of December 2018) will be multiplied by 0.92558, and
 - (d) for the 2023-24 regulatory year, estimated drinking water retail services revenues (in dollars of December 2018) will be multiplied by 0.89997.
- 2.3.2 In calculating the present value of drinking water retail services revenues under clause 2.2 and clause 2.4, the Commission will deflate actual drinking water retail services revenues in each regulatory year to revenues in dollars of December 2018 using the change in March to March Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australian Bureau of Statistics for each relevant year, as a proxy for the December to December change in Consumer Price Index for that year.

2.4 Drinking water retail services revenue adjustment mechanism

- 2.4.1 Prior to the commencement of the subsequent regulatory period, the Commission will calculate a drinking water retail services sales revenue adjustment amount (RA_D), which will be subtracted from the maximum drinking water retail services revenues determined as part of the subsequent price determination.
- 2.4.2 RA_D will be calculated as follows (and expressed as a present value at 1 July 2020, in dollars of December 2018):
- RA_D equals:
- (i) $0.5 \times (A_D - N_D)$, where A_D (as defined in subclause (i) below) differs from N_D (as defined in subclause (ii) below) by one percent or more, or alternatively
 - (ii) zero, where A_D (as defined below in subclause (i) below) differs from N_D (as defined in subclause (ii) below) by less than one percent,
- (i) A_D (expressed as a present value at 1 July 2020, in dollars of December 2018) is the actual drinking water retail services sales revenue received during the regulatory period, and
 - (ii) N_D (expressed as a present value at 1 July 2020, in dollars of December 2018) is the notional drinking water retail services sales revenue that would have been received during the regulatory period if forecast drinking water retail services sales prices applied by SA Water during the regulatory period were applied to actual drinking water retail services demand as specified in the Forecast Schedule in Part 5 of this determination.
- 2.4.3 For the purposes of clause 2.2 and clause 2.4:

- (a) actual drinking water retail services demand is drinking water retail services demand to be submitted by SA Water by 30 April 2024 based on actual drinking water retail services demand up to 31 March 2024 and SA Water's best estimate of drinking water retail services demand for the period between 1 April 2024 to 30 June 2024 (inclusive).
- (b) actual drinking water retail services sales revenue is drinking water retail services revenue to be submitted by SA Water by 30 April 2024 based on actual drinking water retail services sales revenue up to 31 December 2023 and SA Water's best estimate of drinking water retail services revenue for the period 1 January 2024 to 30 June 2024.

2.5 Drinking water retail services revenue adjustment statement

- 2.5.1 By a date and in a manner and form specified by the Commission in writing, SA Water must submit to the Commission a drinking water retail services sales revenue adjustment statement in relation to the regulatory period, which must include (without limitation):
 - (a) actual revenues attributable to the sale and supply of drinking water retail services for each regulatory year during the period between 1 July 2020 to 30 June 2023 (inclusive)
 - (b) estimated revenues attributable to the sale and supply of drinking water retail services for the period between 1 July 2023 to 30 June 2024 (inclusive)
 - (c) actual demand for drinking water retail services for each regulatory year during the period between 1 July 2020 to 30 June 2023 (inclusive), and
 - (d) estimated demand for drinking water retail services for the period between 1 July 2023 to 30 June 2024 (inclusive).

2.6 Maximum sewerage retail services revenue

- 2.6.1 In setting sewerage retail services prices to apply during the regulatory period, SA Water must ensure that sewerage retail services revenues during the regulatory period do not, subject to clause 2.6.2, exceed \$1,215.0 million (expressed as a present value at 1 July 2020, in dollars of December 2018).
- 2.6.2 Where actual sewerage retail services connections exceed forecast sewerage retail services connections, SA Water may recover sewerage retail services revenues in excess of the maximum sewerage retail services revenues specified in clause 2.6.1, in the amount calculated under clause 2.8.2 as the revenue adjustment amount (RA_S).

2.7 Calculation of present values of sewerage retail services revenue

- 2.7.1 In calculating the present value of revenues under clause 2.6 and clause 2.8, the Commission will apply the following discount factors in the following manner:
 - (a) for the 2020-2021 regulatory year, actual sewerage retail services revenues (in dollars of December 2018) will be multiplied by 0.98390
 - (b) for the 2021-22 regulatory year, actual sewerage retail services revenues (in dollars of December 2018) will be multiplied by 0.95344

- (c) for the 2022-23 regulatory year, actual sewerage retail services revenues (in dollars of December 2018) will be multiplied by 0.92558, and
 - (d) for the 2023-24 regulatory year, estimated sewerage retail services revenues (in dollars of December 2018) will be multiplied by 0.89997.
- 2.7.2 In calculating the present value of sewerage retail services revenues under clause 2.6 and clause 2.8, the Commission will deflate actual sewerage retail services revenues in each regulatory year to revenues in dollars of December 2018 using the change in March to March Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australian Bureau of Statistics for each relevant year, as a proxy for the December to December change in Consumer Price Index for that year.

2.8 Sewerage retail services revenue adjustment mechanism

- 2.8.1 Prior to the commencement of the subsequent regulatory period, the Commission will calculate a sewerage retail services revenue adjustment amount (RA_S), which will be subtracted from the maximum sewerage retail services revenues determined as part of the subsequent price determination.
- 2.8.2 RA_S will be calculated as follows (and expressed as a present value at 1 July 2020, in dollars of December 2018):
- RA_S equals:
- (i) $0.5 \times (A_S - N_S)$, where A_S (as defined in subclause (i) below) differs from N_S (as defined in subclause (ii) below) by one percent or more, or alternatively
 - (ii) zero, where A_S (as defined in subclause (i) below) differs from N_S (as defined in subclause (ii) below) by less than one percent,
- (i) A_S (expressed as a present value at 1 July 2020, in dollars of December 2018) is the actual sewerage retail services revenue received during the regulatory period, and
 - (ii) N_S (expressed as a present value at 1 July 2020, in dollars of December 2018) is the notional sewerage retail services revenue that would have been received during the regulatory period if forecast sewerage retail services prices applied by SA Water during the regulatory period were applied to actual sewerage retail services connections as specified in the Forecast Schedule in Part 5 of this determination.
- 2.8.3 For the purposes of clause 2.6 and clause 2.7:
- (a) actual sewerage retail services connections is the number of sewerage retail services connections to be submitted by SA Water by 30 April 2024 based on actual sewerage retail services connections up to 31 March 2024 and SA Water's best estimate of sewerage retail services connections for the period 1 April 2024 to 30 June 2024.
 - (b) actual sewerage retail services revenue is sewerage retail services revenue to be submitted by SA Water by 30 April 2024 based on actual sewerage retail services revenue up to 31 December 2023 and SA Water's best estimate of

sewerage retail services revenue for the period 1 January 2024 to 30 June 2024.

2.9 Sewerage retail services revenue adjustment statement

- 2.9.1 By a date and in a manner and form specified by the Commission in writing, SA Water must submit to the Commission a sewerage retail services revenue adjustment statement in relation to the regulatory period, which must include (without limitation):
- (a) actual revenues attributable to the sale and supply of sewerage retail services for each regulatory year during the period between 1 July 2020 to 30 June 2023 (inclusive)
 - (b) estimated revenues attributable to the sale and supply of sewerage retail services for the period between 1 July 2023 to 30 June 2024 (inclusive)
 - (c) actual demand for sewerage retail services for each regulatory year during the period between 1 July 2020 to 30 June 2023 (inclusive), and
 - (d) estimated demand for sewerage retail services for the period between 1 July 2023 to 30 June 2024 (inclusive).

2.10 Pass-through revenue variation adjustment mechanism

- 2.10.1 SA Water may, in a manner and form specified by the Commission in writing, submit to the Commission for approval a pass-through event revenue adjustment statement, setting out any revenue amounts which SA Water claims are attributable to the occurrence of a purported pass-through event(s) and for which SA Water seeks a revenue adjustment to a subsequent price determination.
- 2.10.2 A pass-through event revenue adjustment statement submitted under clause 2.10.1 must include (without limitation):
- (a) details of the purported pass-through event (including identification of the retail service or retail services affected by the event)
 - (b) the date on which SA Water purports the pass-through event took place
 - (c) the best estimates of the financial impacts of the pass-through event on the provision of the relevant retail service by SA Water
 - (d) the reasons why the financial impacts of the pass-through event (being either a change in a legal obligation event or an extraordinary event) are considered material, having regard to the factors outlined in clause 2.10.4.
 - (e) the reasons why the financial impacts of the pass-through event could not otherwise have been reasonably practicably controlled or substantially mitigated by SA Water (acting prudently and efficiently)
 - (f) the revenue amount that SA Water proposes is incorporated within a subsequent price determination, and
 - (g) the basis on and period over which SA Water proposes to apply the pass-through revenue amount within the subsequent price determination.

- 2.10.3 In respect of a pass-through event revenue adjustment statement submitted under clause 2.10.1, the Commission will determine whether or not:
- (a) the purported pass-through event has occurred
 - (b) the financial impacts of the purported pass-through event are material (having regard to the factors in clause 2.10.4), and
 - (c) the purported pass-through event could not otherwise have been reasonably practicably controlled or substantially mitigated by SA Water (acting prudently and efficiently).
- 2.10.4 For the purposes of this clause, a purported pass-through event will be material if it satisfies one or more of the following factors:
- (a) the total cost/expense of the event meets or exceeds \$10 million, and
 - (b) the total cost/expense of the event does not meet or exceed \$10 million, but the Commission considers that, in the specific circumstances, the pass-through event is of such significance so as to justify the classification of the event as being material having regard to the:
 - (i) impact of the event on SA Water and/or its customers, and/or
 - (ii) practical consequences of the event not being classified as a pass-through event.
- 2.10.5 The Commission may require SA Water to provide further information or documents in relation to any purported pass-through events, prior to completing its assessment of whether an event is a pass-through event.
- 2.10.6 If the Commission determines:
- (a) in respect of a pass-through event revenue adjustment statement submitted under clause 2.10.1, that each and every one of the criteria specified in clause 2.10.3 are satisfied, or
 - (b) where a pass-through event revenue adjustment statement is not submitted by SA Water in respect of a pass-through event, that:
 - (i) a pass-through event has occurred, and
 - (ii) each of the criteria specified in clause 2.10.3 are satisfied,
- then it will determine a pass-through event revenue amount (including the time cost of money to be applied) to be incorporated into a subsequent price determination.

2.11 River Murray Water Licence adjustment mechanism

- 2.11.1 SA Water must, in a manner and form specified by the Commission in writing, submit to the Commission a River Murray Water Licence revenue adjustment statement, setting out any and all revenue amounts it has earned which are attributable to the temporary leasing of a River Murray Water Licence during the regulatory period, to be incorporated into a subsequent price determination.
- 2.11.2 A River Murray Water Licence revenue adjustment statement submitted under clause 2.11.1 must include (without limitation):

- (a) for any River Murray Water Licence leased by SA Water:
 - (i) the associated volume of water leased
 - (ii) the date of the lease
 - (iii) the cost incurred by SA Water relating to the lease, and
 - (iv) the price obtained.
- (b) information which demonstrates that the leasing of a River Murray Water Licence over the regulatory period was prudent and efficient, and
- (c) information that demonstrates SA Water received an appropriate market price for any River Murray Water Licence it leased at the time that the lease was entered into.

2.11.3 In respect of a River Murray Water Licence revenue adjustment statement submitted under clause 2.11.1, the Commission will determine:

- (a) whether or not the decision by SA Water to lease a River Murray Water Licence was prudent and efficient,
- (b) whether or not the costs incurred by SA Water as a result of the lease were prudent and efficient, and
- (c) whether or not the price obtained represents an appropriate market price at the time that the lease was entered into,

and, subject to those determinations, may determine a River Murray Water Licence revenue adjustment amount to be incorporated into a subsequent price determination to reflect revenue earned (or, if necessary, taken to be earned according to appropriate market prices) on account of the relevant lease or leases, less the prudent and efficient lease costs.

2.12 Shared infrastructure revenue adjustment mechanism

2.12.1 SA Water must, in a manner and form specified by the Commission in writing, submit to the Commission a shared infrastructure revenue adjustment statement, setting out any and all revenue amounts it has earned during the regulatory period through the use of regulated infrastructure, but which are not attributable to the provision of drinking water retail services or sewerage retail services (shared infrastructure services), to be incorporated into a subsequent price determination.

2.12.2 A shared infrastructure revenue adjustment statement submitted under clause 2.12.1 must include (without limitation):

- (a) the total revenue amounts earned during each year of the regulatory period through the use of SA Water's regulated infrastructure required to provide drinking water retail services but which are not attributable to the provision of drinking water retail services or sewerage retail services
- (b) the total revenue amounts earned during each year of the regulatory period through the use of SA Water's regulated infrastructure required to provide sewerage retail services but which are not attributable to the provision of drinking water retail services or sewerage retail services, and

- (c) descriptions of each shared infrastructure service provided by SA Water which has resulted in SA Water earning the revenues amounts reported in 2.12.2(a) and 2.12.2(b).
- 2.12.3 Ten percent of the revenue amounts reported by SA Water under clause 2.12.2(a) (expressed as a present value at 1 July 2020, in dollars of December 2018), less \$3.515 million (present value in December 2018 prices), which represents ten percent of the drinking water shared infrastructure revenue amounts forecast under this price determination, will be deducted from the maximum revenue allowable for drinking water retail services determined by a subsequent price determination.
- 2.12.4 Ten percent of the revenues reported by SA Water under clause 2.12.2(b) (expressed as a present value at 1 July 2020, in dollars of December 2018) will be deducted from the maximum revenue allowable for sewerage retail services, determined by a subsequent price determination.
- 2.12.5 At its discretion, the Commission may request further information from SA Water to verify and understand the revenues and shared infrastructure services reported and described by SA Water under this clause.
- 2.12.6 For the avoidance of doubt, this clause 2.12 does not apply to any revenue amounts earned by SA Water which are attributable to the provision of electricity generation or electricity retail services.

2.13 Intra-period review mechanism

Approval of a new major capital projects/programs list

- 2.13.1 By no later than 5:00 pm on 31 December 2020, SA Water may submit to the Commission for approval, a written statement, containing all of the information required by clause 2.13.2, in respect of a robustly scoped and non-discretionary new major capital project/program that it has not incorporated into its forecast capital expenditure for the regulatory period because of a contingency (or trigger) or adverse event (for example, unconfirmed customer demand) which means it is not currently a project/program SA Water can reasonably commit expenditure to.
- 2.13.2 SA Water must provide the following supporting information for any new, robustly scoped and non-discretionary major capital project/program specified in a written statement submitted to the Commission:
 - (a) a description of the project/program, the project's/program's anticipated goals/objectives and the proposed benefits to consumers
 - (b) an explanation of the contingency (or contingencies) or adverse event that has prevented the project/program from being included in SA Water's forecast capital expenditure for the regulatory period and which has a bearing on the viability and objectives of the project/program
 - (c) particulars and outcomes of any public consultation SA Water has undertaken in respect of the project/program
 - (d) the estimated efficient costs/expenses associated with the project/program and any underlying assumptions associated with those costs
 - (e) the estimated efficient costs that SA Water seeks to recover from consumers for the project/program

- (f) a description of the expenditure associated with the project/program in the context of SA Water's overall forward investment program for the current and subsequent regulatory period
 - (g) any external funding provided for the project/program (for example, from government or other corporations)
 - (h) the estimated time frame for the completion of the project/program
 - (i) any identified risks associated with the project/program
 - (j) an explanation as to why the project/program cannot be appropriately funded by the maximum revenues allowed under the price determination,
 - (k) an explanation of why the project/program is urgently required and cannot be deferred to the subsequent regulatory period, and
 - (l) any further information that SA Water considers appropriate or important for the Commission to consider.
- 2.13.3 The Commission may require SA Water to provide any further information or documents in relation to a proposed new major capital project/program or require it to undertake further public consultation, as appropriate.
- 2.13.4 The Commission will determine whether a new major capital project/program specified on the written statement submitted by SA Water under clause 2.13.1 for inclusion on the project/program list is pre-approved, and the reasons for that decision, within twelve weeks of receiving a completed and finalised written statement.
- 2.13.5 The new major capital projects/programs list, which identifies pre-approved new major capital projects/programs (if any) will be published by the Commission on its website.

Application for approval of the recovery of efficient costs associated with a new major capital project/program

- 2.13.6 During the regulatory period, SA Water may make a written application to the Commission requesting that it consider allowing SA Water to recover the efficient costs of a new major capital project/program on the new major capital projects/programs list (**pre-approved project/program**) as part of a subsequent price determination, if the following requirements are met:
- (a) the pre-approved project/program has advanced to the point where SA Water is firmly committed to completing the project/program
 - (b) the identified contingency or adverse event associated with the pre-approved project/program no longer exists
 - (c) the pre-approved project/program is urgently required to be undertaken within the regulatory period, and
 - (d) there is a reasonable prospect of the anticipated goals/objectives of the pre-approved project/program being realised during the current and/or subsequent regulatory period, and

- (e) there is sufficient evidence and information that can be provided to the Commission to allow it to appropriately assess:
 - (i) the efficiency of the up to date costs of the pre-approved project/program
 - (ii) its purported benefits to consumers
 - (iii) why the pre-approved project/program is urgently required, and
 - (iv) any risks associated with the pre-approved project/program.
- 2.13.7 An application from SA Water for the recovery of the efficient costs associated with a pre-approved capital project/program, made in accordance with clause 2.13.6, must include the following information (without limitation) with appropriate supporting evidence:
- (a) confirmation of the benefits to be (or being) provided to consumers as a result of the completed pre-approved project/program, which includes up to date information and evidence about the views expressed by consumers on the merits and/or any consumer reported problems or detriments regarding the pre-approved project/program
 - (b) the total efficient costs that will be (or, to some extent, have been) incurred by SA Water in undertaking the pre-approved project/program
 - (c) any external funding provided for the pre-approved project/program (for example from government or other corporations)
 - (d) the efficient costs that SA Water seeks to recover from consumers for the pre-approved project/program
 - (e) an explanation of the outcome or resolution regarding the contingency or adverse event identified by SA Water under clause 2.13.2(b),
 - (f) an explanation why the pre-approved project/program cannot be appropriately funded by the maximum revenues allowable under the price determination, and
 - (g) an explanation of why the pre-approved project/program is urgently required.
- 2.13.8 The Commission may require SA Water to provide or obtain further information or documents to enable it to assess the application.
- 2.13.9 The Commission may decline to assess an application submitted under clause 2.13.6, if the Commission considers that:
- (a) the current information associated with the pre-approved project/program regarding its efficient costs/expenses, purported benefits to consumers, urgent need, or any other particulars are not sufficiently certain or adequate to properly assess the application at the time
 - (b) the application cannot be finally determined in sufficient time (including the time required for any further public consultation) to justify any efficient costs being allowable under a subsequent price determination, or

- (c) for any other reason it is inappropriate for the Commission to assess and determine the application.
- 2.13.10 The Commission will (subject to the need to make any appropriate redactions):
 - (a) publish any application on its website and invite public submissions on the application, and
 - (b) in its discretion, directly engage with any other parties it considers appropriate and provide them with the application and any supporting information.
- 2.13.11 Following the assessment of an application submitted by SA Water under clause 2.13.7, the Commission may determine
 - (a) to approve the efficient costs (or part of the efficient costs) of pre-approved project/program (such costs to be determined by the Commission) being recovered under a subsequent price determination, or
 - (b) that the costs (or part of the costs) of the pre-approved project/program will be assessed as part of the making of a subsequent price determination, subject to the usual principles and processes utilised for assessing prudent and efficient expenditure.
- 2.13.12 For the avoidance of doubt, nothing in this clause 2.13 binds, or requires, the Commission to allow SA Water to recover any costs associated with a pre-approved project/program as part of any subsequent price determination.

3 Price Regulation of Recycled Water Retail Services

3.1 Price control for recycled water retail services

- 3.1.1 In setting prices for recycled water retail services for each regulatory year, SA Water must comply with the following NWI pricing principles for recycled water and stormwater use:
- (a) Principle 1: Flexible regulation
 - (b) Principle 2: Cost allocation
 - (c) Principle 3: Water usage charge
 - (d) Principle 4: Substitutes
 - (e) Principle 5: Differential pricing
 - (f) Principle 6: Integrated water resource planning
 - (g) Principle 7: Cost recovery
 - (h) Principle 8: Transparency, and
 - (i) Principle 9: Gradual approach.
- 3.1.2 In addition to the matters specified under clause 3.1.1, in setting prices for recycled water retail services for each regulatory year, SA Water must also comply with any principles, requirements or matters specified by the Commission in an industry code, industry rule or guideline (as in force from time to time) applicable to the provision of recycled water retail services.

3.2 Pricing justification for recycled water retail services

- 3.2.1 By a date and in a manner and form specified by the Commission in writing, SA Water must prepare a pricing statement in respect of each regulatory year, containing at least the following matters:
- (a) a pricing policy statement which demonstrates the manner in which the prices that SA Water will charge customers for the sale and supply of recycled water retail services for that regulatory year meet the requirements of clause 3.1, and
 - (b) a pricing schedule, setting out the prices which SA Water will charge customers for the sale and supply of recycled water retail services for that regulatory year.
- 3.2.2 SA Water must prepare the pricing statement required under clause 3.2.1 in respect of the 2020-21 regulatory year (and provide a copy of that pricing statement to the Commission) as soon as practicable after a copy of this price determination is sent to SA Water under section 26(3)(a) of the Water Industry Act 2012 (and in any event before 1 July 2020 and without the need for the Commission to specify a date under clause 3.2.1).

3.3 Publication obligations in respect of recycled water retail services

3.3.1 In respect of each pricing statement prepared under clause 3.2.1, SA Water must:

- (a) provide a copy of that pricing statement to the Commission
- (b) publish a copy of that pricing statement on its website, in a prominent and readily accessible position, and
- (c) provide a copy (free of charge) to a customer on request (provided that SA Water may charge for the provision of a copy of the pricing statement upon a second or subsequent request by the same customer within the period of that regulatory year).

4 Price Regulation of Excluded Retail Services

4.1 Price control for excluded retail services

- 4.1.1 In setting prices for excluded retail services for each regulatory year, SA Water must comply with the following NWI pricing principles:
- (a) Principle 1 for the Recovery of Capital Expenditure: Cost recovery for new capital expenditure
 - (b) Principle 7 for Urban Water Tariffs: Differential water charges
 - (c) Principle 8 for Urban Water Tariffs: Setting developer charges
 - (d) Principle 9 for Urban Water Tariffs: Capping developer charges, and
 - (e) Principle 10 for Urban Water Tariffs: Revenue from developer charges.
- 4.1.2 In addition to the requirements of clause 4.1.1:
- (a) where an excluded retail service is provided for the sole benefit of one customer, that customer should pay the full efficient cost of the service and other customers should not be required to contribute to the cost of the service
 - (b) where an excluded retail service is provided to a distinct group of customers, the prices charged to those customers should reflect:
 - (i) the incremental cost of supply of that excluded retail service to those customers, and
 - (ii) a reasonable allocation of the fixed costs of providing that excluded retail service, and
 - (c) prices should reflect the efficient cost of provision of the relevant excluded retail service, provided that in circumstances where the cost of implementing differentiated prices to different customers is more likely than not to outweigh the benefits, undifferentiated prices may be implemented.
- 4.1.3 In addition to the matters specified under clause 4.1.1, 4.1.2 and clause 4.2.4, in setting prices for excluded retail services for each regulatory year, SA Water must also comply with any principles, requirements or matters specified by the Commission in an industry code, industry rule or guideline (as in force from time to time) applicable to the provision of excluded retail services.

4.2 Pricing justification for excluded retail services

- 4.2.1 By a date and in a manner and form specified by the Commission in writing, SA Water must prepare a pricing statement in respect of each regulatory year, containing at least the following matters:
- (a) a pricing policy statement which demonstrates the manner in which the prices that SA Water will charge customers for the sale and supply of excluded retail services for that regulatory year meet the requirements of clause 4.1, and

- (b) a pricing schedule, setting out the prices which SA Water will charge customers for the sale and supply of excluded retail services for that regulatory year.
- 4.2.2 Clause 4.2.1(b) does not apply in respect of an excluded retail service that is of a nature which precludes SA Water (acting reasonably and in good faith) from publishing the relevant prices or unit prices in advance of a request from a customer for the provision of the particular excluded retail service.
- 4.2.3 SA Water must prepare the pricing statement required under clause 4.2.1 in respect of the 2020-21 regulatory year (and provide a copy of that pricing statement to the Commission) as soon as practicable after a copy of this price determination is sent to SA Water under section 26(3)(a) of the Water Industry Act 2012 (and in any event before 1 July 2020 and without the need for the Commission to specify a date under clause 4.2.1).
- 4.2.4 SA Water must, at the request of a customer, provide credible, evidence-based and transparent information as to how the costs and prices for excluded retail services have been calculated, derived and applied.

4.3 Publication obligations in respect of excluded retail services

- 4.3.1 In respect of each pricing statement prepared under clause 4.2.1, SA Water must:
 - (a) provide a copy of that pricing statement to the Commission
 - (b) publish a copy of that pricing statement on its website, in a prominent and readily accessible position, and
 - (c) provide a copy (free of charge) to a customer on request (provided that SA Water may charge for the provision of a copy of the pricing statement following any second or subsequent request by the same customer within the period of that regulatory year).

5 Forecast Schedule

5.1 Forecast demand

- 5.1.1 For the purposes of clause 2.4 and 2.8 of this price determination, the forecast level of drinking water retail service demand (expressed in total GL) and sewerage retail service demand (expressed in number of connections) in each regulatory year is as submitted by SA Water in writing by 31 August 2020 and subsequently approved by the Commission.



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