

Mr Sean McComish
Director, Advisory and Research
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

14 October 2020
Our ref: CM 20/90066

Dear Mr McComish

Re – Draft Inquiry Report – Inquiry into regulatory arrangement for small-scale water, sewerage and energy services

Please find herein the submission for the City of Tea Tree Gully (CTTG) in response to the Draft Inquiry Report (August 2020) – Inquiry into regulatory arrangements for small-scale water, sewerage and energy services. This submission to ESCOSA was endorsed by Council at the Council Meeting held 13 October 2020.

The following table contains the responses from Council in relation to the consultation questions raised by ESCOSA in the Draft Inquiry Report.

Consultation Question from ESCOSA	Responses to Consultation Questions
Question 1 Do stakeholders have any fundamental concerns with the proposed regulatory framework as outlined, noting that its proposed implementation is discussed in subsequent chapters?	Taking into consideration the uncertainty of the future of City of Tea Tree Gully's CWMS scheme, Council request for ESCOSA to consider an exemption for the implementation of the VTA Model for the City of Tea Tree Gully until such time where there is clear direction of the Scheme's future and a strategy adopted by Council for sewer conversion and/or transition of Customers to SA Water. SA Water are in the midst of preliminary investigations of this undertaking and have indicated that this will be completed by March 2021 with a response to Council forthcoming.
Question 2 Is the assessment process for categorising licensees appropriate? If not, why not, and how might it be improved?	<ol style="list-style-type: none"> 1. Council agrees with the positive outcomes that could arise from the implementation of the proposed VTA model and the definitions/expectations of a competent operator as detailed in the Draft Inquiry Report. 2. Council cannot endorse the assessment process because there is insufficient detail in the Draft Inquiry Report. Although there is an overview of

Consultation Question from ESCOSA	Responses to Consultation Questions
	<p>the assessment process, it lacks detail on the assessment criteria. Council assumes that all small-scale network operators in the same industry will be assessed against a set of measurable criteria. However, there are factors outside of the sphere of control of the small-scale network operator that have an impact on assessment criteria that may be considered in the assessment process. These include factors such as -</p> <ul style="list-style-type: none"> a. Different Price Determinations and regulatory arrangements between competitors operating in the same area that places the small-scale network operator at a disadvantage. For example, Council and SA Water provide the same services in the same area but are under different regulatory arrangements that place Council at a commercial disadvantage. b. Different operating environments which may impact price and minimum service levels. c. Legacy assets which may have been poorly designed and constructed and require additional expense to manage in the short to long-term and impact asset sustainability. <p>3. In regards to the verification process, The Draft Inquiry Report states that the Commission will analyse available information and make a determination based on key performance areas such as complaints resolution, non-compliances with the OTR and licensee's performance. However, no benchmarks for criteria have yet been set that will enable Council to self-assess how it would fare in the verification process.</p>
<p>Question 3</p> <p>Should the Commission publish results of its assessments, as proposed by maintaining a list of licensees that do not demonstrate a competent operation to the Commission's satisfaction?</p>	<p>1. Transparency is an important aspect of Council's operations and can improve the customer experience by providing the customers with an inside view of Council's efforts in service provision. It is also consistent with Council's strategic objective to provide services that are transparent. However, the publishing of information that categorises an organisation like a score card is concerning for Council. This information may unnecessarily penalise Council's customers who own property serviced by the CWMS scheme. A Category B assessment may have an impact on the demand of the property and hence impact the</p>

Consultation Question from ESCOSA	Responses to Consultation Questions
	<p>valuation of the property or rental performance, in particular where SA Water is a service provider in the same suburb.</p> <p>2. As such, Council do not endorse the publishing of its assessments. However, we propose an alternative form of performance reporting used by Water NSW, which is an Annual Performance Benchmarking Report for the 93 Water utilities in NSW. The Report summarises the individual performance measures for each of the water utilities. The Report publishes facts and figures with statistics where stakeholders are able to compare, evaluate and draw their own conclusions. https://www.industry.nsw.gov.au/water/water-utilities/lwu-performance-monitoring-data</p> <p>3. In addition, publishing information that would effectively act as a score card could damage the reputation of the councils which are also responsible for delivering other services and discourage local government from taking on water-reuse or alternative water initiatives that would reduce reliance on the River Murray as a water supply.</p> <p>4. Publishing information that would effectively act as a score card goes against proposed approach of ESCOSA to work collaboratively with small-scale network operators.</p>
<p>Question 4</p> <p>Are the reduced reporting requirements for Category A licensees appropriate (Draft Inquiry Report - Chapter 3.5, page 31)? If not, what should reporting requirements look like?</p>	<p>1. The reporting requirements for Category A licensees are appropriate. However, the cost savings from reporting would be insignificant considering the duplication that exist when undertaking annual compliance reports for other regulators. In addition, the information requested by ESCOSA in the current annual compliance report will continue to be monitored and be readily available even when there is a reduction in reporting requirements as a competent operator.</p>
<p>Question 5</p> <p>Are guidelines on materiality required (Draft Inquiry Report – Chapter 3.5.1, page 33)? If so, what might they cover and why?</p>	<p>1. The examples provided by ESCOSA regarding material change are vague and up to the discretion of the reporting organisation. Establishing guidelines will assist small-scale network operators in submitting accurate reports ensuring that it is not penalised unduly for under-reporting</p>

Consultation Question from ESCOSA	Responses to Consultation Questions
	which may lead to penalties that affect its categorisation.
<p>Question 6</p> <p>Are the proposed checks and balances – assurance statement (Draft Inquiry Report - Chapter 3.5.3, page 34, audits and compliance – appropriate?</p>	<ol style="list-style-type: none"> 1. Council does not oppose assurance statements and compliance audits. The assurance statement is essentially a declaration from Council that it is operating in accordance to the expectations of ESCOSA as a licensee. Audits are an effective mechanism for continuous improvement and provides assurance to Council and customers that it is operating well and progressing in the right direction. 2. In regards to “ad hoc audits,” Council request that adequate notification be given to ensure that staff members are available to assist in the audits. Two weeks advance notice would be reasonable notice. Two weeks notice is consistent with the notification provided by the Office of Technical Regulator when it undertook a compliance audit of the City of Tea Tree Gully’s Water Industry Entity.
<p>Question 7</p> <p>What information should be reported in annual performance reports? For each piece of information, who should report this information, the Commission or licensees, and why?</p>	<ol style="list-style-type: none"> 1. The current performance reports produced by ESCOSA are high level and a summary of the performance of all the small and intermediate network operators. There is insufficient detail for network operators to compare their performance with other similar service providers and drive performance and innovation. 2. Council agrees that there is a benefit to publishing performance information. Licensees should report on the same performance measures which will enable service providers and customers to make meaningful comparisons. For recycled water and sewage service providers, it is suggested that the following performance areas could be included <ol style="list-style-type: none"> a. Service charge per connection (\$/connection) b. Number of connections c. Number of mains break/chokes per 100km of pipe d. Number of EPA Type 1 and Type 2 incidences e. Operating and maintenance (OMA) expenditure per household connection (\$/connection) f. Total revenue g. Economic rate of return h. Return on assets i. Energy consumption and greenhouse gas production j. Total production (water supply)

Consultation Question from ESCOSA	Responses to Consultation Questions
	<ul style="list-style-type: none"> k. Water losses per 100km of pipe l. Number of complaints per number of connections m. Number of planned and unplanned service interruptions per 100km of pipe n. Number of full time employees per 100 connections <p>3. Council disagrees with ESCOSA's approach for licensees to publish their own performance data for the following reasons –</p> <ul style="list-style-type: none"> a. There needs to be consistency in the presentation of performance information that is easily accessible by customers and other licensees in the same industry in order to fully realise the benefits of performance reporting. b. Performance reports do not benefit only customers but the industry as a whole because it drives improvements in performance, service delivery and innovation. c. There needs to be oversight and control of the published data to ensure that accurate data is published.
<p>Question 8</p> <p>Should the Commission undertake harmonisation? If not, why not?</p>	<p>Council support the Harmonisation Project taking into consideration that ESCOSA has acknowledged that changes in the regulatory arrangement will only be implemented if the Commission considers the net benefits outweigh the cost based on evidence.</p>
<p>Question 9</p> <p>If harmonisation is undertaken, how important is it that the timing for the implementation of any outcomes from harmonisation align with the implementation of the VTA model?</p>	<ul style="list-style-type: none"> 1. Although the VTA model does not alter the licensees' obligations built into existing regulatory instruments, there is an impact to the licensees' reputation through the publication of information that could be a result of non-compliances with the licensees' obligations set out in changes to the regulatory arrangement from the harmonisation of standards and codes. 2. Council request to be consulted and given sufficient time for consideration on the findings of the Harmonisation Project before the implementation of the VTA model.
<p>Question 10</p> <p>Do you support the proposed role of EWOSA as outlined in this chapter?</p>	<ul style="list-style-type: none"> 1. Council does not support the proposed role of EWOSA.

Consultation Question from ESCOSA	Responses to Consultation Questions
<p>Question 11</p> <p>If so, please provide the reasons for this view.</p>	<ol style="list-style-type: none"> 1. Council agrees that EWOSA plays an important role in ensuring consumer protection and ensuring that licensees have transparent decision making process. However, Council's CWMS and recycled water customers have an existing avenue for making complaints through the South Australian Ombudsman, an independent officer. 2. In addition, Council have policies in place that are supported by the Local Government Act 1993 to assist customers with request and complaints, which have historically proven to be effective in resolving issues matters before getting to a point of an investigation or audit.
<p>Question 12</p> <p>If not, why not? What approach would you prefer and why would that provide a better outcome?</p>	<ol style="list-style-type: none"> 1. An alternative suggestion to ESCOSA is to mandate licensees participate in ombudsman scheme approved by ESCOSA. Council is a participant of the South Australian Ombudsman scheme.

Yours sincerely



Thornton Harfield
Director, Assets & Environment