

MONARTO WATER NETWORK LTD'S

RESPONSE TO THE DRAFT INQUIRY REPORT

ESCOSA'S INQUIRY INTO REGULATORY ARRANGEMENTS FOR SMALL-SCALE WATER, SEWERAGE AND ENERGY SERVICES

16th October 2020

KEY POINTS:

1. Verified Trust and Accountability model – support
2. Harmonisation project – neutral
3. Compulsory EWOSA membership – strongly opposed

DISCUSSION OF KEY POINTS:

1. VTA

We strongly support the proposal to reduce the burden of compliance reporting as a small operator.

2. Harmonisation

We are not sure if this would affect us, and if so, what it would mean for us. In a general sense it would appear to be an opportune time to make changes, if there were clear benefits for the long term.

3. Compulsory EWOSA membership

We express in the strongest terms possible our total and utter rejection of the notion that compulsory membership of EWOSA would in anyway be a positive step for our small Network.

The statement made in Clause 5.4 on page 44 that "it is the Commission's view that there is overall benefit in mandating EWOSA membership which outweighs the costs..." is rejected outright. In our view the risk of even a single claim reaching the Determination stage, (\$5,000), would be financially detrimental for our Network and would inflict long-term financial harm.

In fact we believe the very suggestion of exposing us to this financial risk is at complete odds with the purpose of ESCOSA and this Inquiry. The only thing it would do for our customers is to expose them to additional costs and risk the viability of the Network. In practical terms that means if there is no Network, our customers lose their water supply and that conflicts with ESCOSA's stated aims.

4. Micro vs Small

We are not opposed to larger operators being required to join EWOSA but we feel there needs to be differentiation between "Micro" operators compared to simply "Small" operators. Of the 83 licensees about one quarter (22 of 83) have less than 100 customers – we have 26 customers. There should be some consideration given to these micro operators when compared with the three quarters (or approx. 60) operators with 100 to 20,000 customers. It should be recognized that an operation with 26 customers cannot spread those costs easily when compared to an operator with 20,000 customers.

Micro operators should not be burdened with compulsory membership of EWOSA. It should be a voluntary option for micro operators to join should they wish. There are no-cost / low-cost alternative dispute resolution processes available.

5. Long-term sustainability

We appreciate that ESCOSA acknowledges in various sections of the Report concerns about the long-term sustainability of small operators and we believe that is justified. Risks include personnel changes, property ownership turnover, theft-leaks-un-accounted water, under-investment in pipeline renewal, debtors, claims, cost increases (insurance is one of our biggest expenses). No amount of compliance reporting or regulatory arrangements can mitigate every risk we face nor can it ensure our long-term sustainability.

6. Pricing

If you asked our customers about pricing they would tell you that they are not happy about paying a premium for raw river water. Their firm belief has always been that the Government should own, supply and manage essential services such as water and that they should have access to filtered mains water like other South Australians. No-one around here supports the Water Industry Act 2012.

Nevertheless, they are generally happy that the community-run scheme has kept the supply flowing.

Our pricing is based around repaying a debt to SA Water (the contribution or advance from SA Water – effectively a loan - was several hundred thousand dollars). That is to be paid back, through water charges, over 30 years. It was a much more palatable option than a large upfront charge which was not affordable. However, it means that our price for water is at the upper level of the customers 'willingness to pay'. The Advance has paid for essential renewal works to about half of the supply network. There are no funds to renew the other half. There was no room left to charge a sinking fund for future upgrades. There is some contingency built in to operate so long as there are no major breakdowns or problems. We wouldn't have the capacity to service a bank loan. Government grants may be a future option to help fund renewal.

When the Statewide price for water reduced, our customers asked where was their discount?

7. Support and Education – Templates

We feel ESCOSA could provide increased support to Micro and Small operators by way of education sessions. The provision of Templates for operational and asset management plans would also assist.

8. Licence exemptions

At the commencement of the MWN we were told not to bother seeking an exemption as they are no longer being granted. We note that exemptions are still being sought and granted. We feel this sets up an uneven playing field with rules for some and rules for others. ESCOSA should preside over a fair and equitable system.

An option for Micro Operators may be to exempt them altogether from the need to be licensed – that would be another way to address the matter of compulsory membership of EWOSA – if the micro operators were exempt from being licensed, then membership of EWOSA would not be necessary. For example, could consideration be given to exempting operators with less than 50 customers?

9. Unregulated schemes

We know there are many schemes operating in our region that are unregulated. Individuals carry the burden of managing these systems on behalf of neighbours. There is no support available to them and there is no incentive for them to come forward. If all micro operators were exempt from licensing that would remove a barrier and they may come forward and register their schemes.

10. Service Standards

We feel our service standards are excellent. Due to the current personnel, we respond virtually immediately to maintenance calls (there have been no maintenance calls in the upgraded part of the network). They are excellent, not because of ESCOSA and all its regulations and compliance, but because we are conscientious people who are determined to do our best to operate the supply network for the local community (the customers).

In addition to the practical / operations side, we also do the meter reading, invoicing, banking and reconciliation, chase up overdue accounts, pay bills. We have ATO and ASIC requirements to meet. There are many aspects to operating the Network and as a group of volunteer members of the community it is an enormous and ongoing commitment.

11. Hardship and Disconnection

We note a submission in relation to Customer Protections suggesting that “disconnection be prohibited for hardship customers and customers adhering to a payment plan”. This is an important matter for our Network. Firstly, it goes without saying that disconnection is a last resort – similarly, if a customer is adhering to a payment plan, then there would be no basis for disconnection. However, it is essential for our Network to retain the ability to disconnect in the event of non-payment. The threat of disconnection (after implementing all the stages in the process and including payment plans) has been effective in securing a payment (and no disconnections have ever proceeded). In a very small community Network it is unreasonable to expect your neighbours to pay for your water supply if you are a non-payer. Hardship can be addressed through payment plans. Non-payers respond to the threat of disconnection.