

5 November 2020

Ms Amber Miller  
Manager, Regulatory Policy  
Essential Services Commission of South Australia  
Level 1, 151 Pirie Street  
ADELAIDE SA 5000

**Dear Ms Miller**

ESCOSA has played a pivotal role to maintain competitive pressure on SA Water since 2013, and substantive price reductions from 1 July 2020 have provided much needed relief to the business community, particularly during the COVID-19 pandemic period.

I write in relation to your consultation on monitoring and evaluating performance in relation to SA Water's 2020-24 regulatory determination. It is critical that ESCOSA maintain an appropriate watch on outcomes, particularly those driven by SA Water's consumer surveys.

Business SA has been an active member of SA Water's Business Customer Panel since its inception in 2012. Consequently, we have a long memory for the issues that have been raised with businesses and the priorities communicated to SA Water on behalf of the business community.

We have also made ourselves available for various other consultation pieces over the years and continue to maintain a constructive working relationship with SA Water. Business SA would specifically like to acknowledge the consultative approach taken by SA Water CEO Mr David Ryan since his appointment in late 2019.

Business SA raises the following key points in relation to matters discussed in your paper:

1. In relation to the 2020-24 SA Water regulatory business proposal, one of the most surprising aspects was the inclusion of a \$126m metropolitan water quality improvement project. The evidence to justify this project had not been communicated to SA Water's Business Customer Panel and subsequently, Business SA objected to its inclusion in ESCOSA's final determination. We also raised concerns about the extent to which SA Water had relied upon discrete choice customer surveys to justify this and other projects, particularly when not all phases of the consumer survey research had been communicated via the Business Customer Panel including that which justified the metropolitan water quality improvement project.
2. Now that ESCOSA has approved a range of projects SA Water justified upon the basis of consumer research, it is critical that associated outcomes communicated through those surveys to validate consumer's 'willingness to pay' are closely tracked throughout the 2020-24 regulatory period. For example, where improvements to water quality or sewerage overflows were justified based on consumer preferences (even if partly), there



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should be a robust way of tracking the actual outcomes of budgeted capital investments. At present, there is no performance standard applied to SA Water specifically related to an objective measure of water quality, or sewerage overflows to the environment.

3. Business SA previously raised concerns that savings from SA Water's planned IT investments needed to be made more visible to consumers. Again, this should form part of ESCOSA's evaluation and monitoring approach. ESCOSA also needs to ensure its IT benchmarking adequately reflects comparable companies, a point which Isle Utilities raised through its analysis of SA Water's business 2020-24 business proposal on behalf of Business SA.
4. Business SA acknowledges ESCOSA's final determination decision that costs related to SA Water's \$390m Zero Cost Energy Future initiative do not fit within the definition of a retail service under the *Water Industry Act 2012*. It will be important that ESCOSA embeds a mechanism to ensure that costs related to this project are not directly or indirectly passed onto SA Water customers, and that customers continue to receive benefits from SA Water's wholesale energy market trading operations which were already in place ahead of any capital spending related to Project Zero.
5. Business SA supports ESCOSA's suggestion that SA Water regularly report on long-term asset plans, although this should only be required on a biennial as opposed to an annual basis. We are not of the view that customers need to see this type of information updated annually, but likewise every four years is likely to leave us in a similar situation to the status quo where we are surprised with decisions which should be evident through a better understanding of SA Water's long-term investment plans.
6. Business SA asks how the myriad of Ministerial directions associated with SA Water's 2020-24 regulatory proposal will also be monitored for outcomes. Again, this should be clear to customers who ultimately pay the bills.

If you would like to discuss any aspects of this letter further, please contact me on (08) 8300 0009 or [andrewm@business-sa.com](mailto:andrewm@business-sa.com).

Yours sincerely,



Andrew McKenna  
Director, Policy and Advocacy  
Business SA, South Australia's Chamber of Commerce and Industry