

To: CEO, Essential Services Commission of SA (ESCOSA)

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CC: as per listing below

### Submission on the ESCOSA draft documents:

#### 1. Robusto Investments Pty Ltd: Drinking Water Draft Regulatory Determination

<https://www.escosa.sa.gov.au/ArticleDocuments/21573/20201119-Water-RobustoInvestments-DraftPriceDetermination-StatementOfReasons.pdf.aspx?Embed=Y>

#### 2. Robusto Investments Pty Ltd CAN 117 034 545 Price Determination Draft

<https://www.escosa.sa.gov.au/ArticleDocuments/21573/20201119-Water-RobustoInvestments-RegulatoryDeterminationInstrument-DraftForConsultation.pdf.aspx?Embed=Y>

These documents relate to the supply of potable water by Robusto Investments (trading as Compass Springs with a [REDACTED]) to properties located in the Mount Compass Golf Course Estate and which also includes a number of allotments bounded by Sand Mine Rd, Arthur Rd and Alexandra Crt.

#### Summary of the current and proposed charging regimes are as follows:

- a. Compass Springs currently supplies drinking water to the 174 properties at charges that average some 15% above what is charged by SAWater in the remaining part of Mount Compass (and indeed to the whole of South Australia).
- b. Compass Springs have lodged application with ESCOSA to increase the average annual charge for the water supplied to each property by 264% above what they currently charge which represents 279% above that charged by SAWater.
- c. ESCOSA, having investigated the claims made by Compass Springs and are considering an increase of 21% above the current charge is 'justified' which represents 36% above that currently charged by SAWater.
- d. In monetary terms, Compass Springs currently charge the property owners on average \$900 pa (SAWater approx. \$765 pa). They want to increase this to \$3,300 pa for the 2020-21 year and ESCOSA have suggested a \$1,089 pa. charge.

*This makes a mockery of Premier Stephen Marshall's announcement in June 2020 that ALL South Australians will pay on average, \$200 pa less for their water.*

#### Introduction

At the outset, we believe the Price Determination, which has taken over three years to reach this stage, is totally at odds with the community expectations. Not only are the proposed charges significantly excessive, but it will also make a mockery of good regulation because ESCOSA will be unable to administer it in practice and is therefore an invitation for Compass Springs as a monopoly market power, to do as they please. This is no way to administer or regulate an essential service.

We are very disappointed and angry that ESCOSA appears to lack the will and capacity to deliver a determination that provides certainty to residents in relation to a fair and equitable

pricing schedule which should be in line with that provided by the state's primary supplier of potable water; that is SAWater.

### **A Bit of History:**

The original owner, water retailer and developer of the Golf Course Estate some 20 years ago, had a charging regime that he based on SAWater but at rates about 10-15% below; he specifically stated this in his application documents. He was also known to provide free water for a period for those who were new to the estate and as an incentive for locals to patronise his golf course restaurant.

When the property passed to his daughter, the charges were increased a little to align more to that charged by SAWater.

On the sale of the golf course and the water supply system in 2016, the new owner (Compass Springs) introduced a totally different charging regime. Charges were increased immediately to 10-15% above SAWater rates, an infrastructure charge of \$250 per quarter was added and then a GST was applied to all charges. Following complaints from customers the infrastructure and GST charges were withdrawn.

The Hon Robert Brokenshire MP, then member of the Legislative Assembly, arranged two community meetings, one in August 2017 and the other in December 2017, at which almost all affected residents attended as did the state member for Finniss Mr Michael Pengilly and now Minister Hon David Basham MP. It was made quite clear at those meetings that residents were prepared to pay at no more than the SAWater rates applied at the time. Indeed, most of the residents have been paying at these rates since that time while this dispute is supposed to be settled.

We were pleased when in June 2020 Premier Steven Marshall announced that he is delivering cheaper water bills for every single South Australian household and businesses amounting to an average of \$200 per household and \$1,350 for businesses beginning 1 July 2020. He further announced that 'this would provide much-needed relief to households and businesses across South Australia'.

However, when we received our bill for the July – Sept quarter, SAWater had adjusted their charges in line with the State Government announcement yet Compass Springs maintained their charging regime as per the previous.

### **What does the supply entail?**

Compass Springs, in supplying the water to the property owners and the golf course, has three operating bores in the golf course area where water is pumped from the extensive aquifer beneath Mount Compass. With little or no treatment nor addition of any fluoride or other chemicals, it is then pumped into a storage tanks at an elevated site on the golf course. From there it is gravity fed via an infrastructure on community land to some 172 residential and two commercial properties.

Compare this to a SAWater state-wide infrastructure that includes costs for pumping water from the Murray, for a \$1.8 billion desalination plant, storage in huge weirs and dams, chemical treatments and large pumps to distribute the water into households; and they can do this by charging some 15% less.

## Compass Springs as a Corporate entity

ESCOSA in their Draft Determination relating to Compass Springs have stated that:

- There are inconsistencies about the costs in their various submissions.
- Have overstated their costs by almost 50%.
- Questions whether the costs of water to the golf course and land development are being included with the current water retailing to the households.
- Has exaggerated annual depreciation and the process used for calculating it.
- Is using differing asset valuations for different submissions.
- Claims a capital expenditure of \$1.5 million is required without any justification.
- Overstated the requirement for a 15% rate of return and exaggerated costs of finance by almost 300%.
- The operating costs are well above any other similar sized water entities.
- Questions the claim that much of the infrastructure is at or near the end of its functional life and a complete overhaul of the system would be required in the very near term.
- Has significantly exaggerated the future investment required for water mains, pipes, meters and storage tanks.

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## Uncompetitive practices

With both Compass Springs and SAWater infrastructures located within same streets on the boundaries of MC Golf Course Estate and the rest of the Mount Compass township, we cannot understand how ESCOSA does not allow for or encourage competition. This anti-competitive arrangement amounts to exclusive dealing where potential choice with whom, in what or where a customer deals is not allowed. We suggest that the ACCC should be asked to be involved as they are the administrator of these activities.

We think that that SAWater should be required to have access to the Compass Springs infrastructure (by inter-connection) and then all users in Mount Compass can choose the supplier of their choice. This is also a way of ensuring an adequate water pressure as SAWater have their tank on top of Alexandra Court which is at a higher elevation than that of Compass Springs.

We believe that government funds should be made available to SAWater for them to immediately investigate the potential for expanding their network and supply the water needs of all of the residents in Mount Compass.

## Poor Accounting practices

There have been many comments made by locals about the poor accounting practices by ██████████ Compass Springs. The former owner had two part-time dedicated administrative persons who mostly ensured meters were read on time (first day of each quarter), prepared and sent an informative and accurate account to customers, was responsive to any queries and followed up on issues in a timely manner.

What we get with the current owner (Compass Springs) is haphazard meter readings, delays in sending accounts, un-responsive replies to queries and claims for payments already made.

### **The setting of a maximum revenue control**

ESCOSA in making its determination has set a maximum revenue control for the drinking water retail business at \$283,337 plus CPI. Nothing has been stated about individual supply charges or charging tiers and this appears to be left to the supplier. This creates a significant amount of uncertainty on the part of the customers as, despite meters still to be read whenever the supplier chooses, ■ can then apply any kind of formula ■ chooses so that collectively, ■ meets the revenue target.

This is unacceptable and the determination must include a table of charges relating to supply and usage similar to or exactly as per the current SAWater information.

### **Claims of infrastructure depreciation**

We think that the whole issue of depreciation being considered by Compass Springs and by the ESCOSA is significantly flawed because unlike a business owning and supplying its equipment and infrastructure and depreciating this in the charging regime, this is not the case in relation to the water supply infrastructure in the Mount Compass Golf Course Estate.

We submit the following explanation:

When the residential subdivision was developed some 20 years ago, all costs associated with the development and ongoing maintenance, including roads, footpaths, utilities and landscaping was an overhead and these costs and charges were distributed to all the purchasers by way of the selling prices for the land. This meant that that anyone who bought a block of land fully paid for the mentioned infrastructure plus ongoing maintenance and hence this should be owned by the community or by the local Council on behalf of the community. For example, the roads and footpaths passed on to the Council as did the power supply to SA Power Networks. Each of these organisations then calculated the costs of maintaining their infrastructure and apportioned this into their charging regime by way of a regular service charge.

The same must therefore be applied to the water supply where it has no value as it was fully apportioned at the land sale stage and thus the only charge that may be passed on to the customer is a 'connection' charge that takes into account the long-term future maintenance and replacement of the system as necessary and the accounting and administration costs.

In Compass Springs' calculation, the annual depreciation is \$88,300 pa which represents an annual additional charge of \$507 for each of the 174 customers.

Hence, we totally reject the assertion that the infrastructure has a value that can be depreciated and should therefore not be a consideration in the charging determination.

### **Capacity of the water supply**

There have been numerous reports of low water pressure by customers initially because of a lack of back up capacity when the inevitable power supply breaks occur and the pumps are not able to operate. This has been an ongoing issue. Another issue is when the call for water during summer is at its greatest and the pumps are not able to maintain adequate tank capacity levels.

The ongoing effects on the supply to customers on higher grounds (e.g. on the higher side of George Francis Drive near the storage tanks and those who live on the Sand Mine Road and Alexandra Crt blocks) is significant and the response by the supplier is unsympathetic.

Lately, this has been exacerbated with the new land development at the cul-de-sac end of George Francis Dve where the construction crew are drawing a huge amount of water from the system to fill their tanker vehicle to be utilised in dust mitigation and road construction.

The question is also how are the costs of this water being considered? [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

### **Common Law principles**

The current infrastructure and supply have been in place for some 20 years and customers should be able to receive what was previously delivered. If there are to be changes then those on the current arrangements should continue per those arrangements until, at least, such time as they sell their property and a new owner takes responsibility. A new arrangement can then be negotiated with the new owner but in a staged manner.

### **Conveyancer interference**

Whilst utility services have a regulated role when properties are sold and conveyancers request information about any due payments at the time of property sales, any work that contractors like plumbers, electricians and builders may have undertaken is not captured and is considered to be solely a contractual arrangement between the homeowner and the contractor.

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

### **Mental health effects**

Residents of the estate have been subjected to this issue now for over four years and it has had a significant detrimental emotional and health effect on a many. Having to continuously deal with Compass Springs on billing and supply matters has been debilitating and it is time that government stepped in and resolved this matter.

### **Our recommendations:**

1. Link the charging regime to that which applies to SAWater and does not allow charging to exceed that of SAWater.

2. Maintain the current arrangement where the determination includes a table of charging arrangements including, supply charge and three charging tiers and a requirement for timely quarterly meter readings.
3. Introduce competition into the retail water supply by an interconnection between the infrastructures of Compass Springs and SAWater and allow customers to choose their supplier.
4. [REDACTED]
5. Maintain an active and continuing regulating role to ensure all of the provisions of final determination applying to Compass Springs are met.
6. Ensure that the costs for supplying water to the 18 hole golf course, the restaurant and to any new developments are separated from the charging regime for the residential customers.

Bill Coomans JP & Denise Coomans  
Residents  
Mount Compass  
South Australia  
8 January 2021

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Cc:

Residents of the Mount Compass Golf Course Estate  
Premier Stephen Marshall  
Hon David Basham - Finnis  
Hon David Spears – Minister for Environment and Water  
Peter Malinauskas – Croydon - Leader of the Opposition  
David Parnell, Greens - Legislative Assembly  
Dr Susan Close – Pt Adelaide - Shadow Minister for Environment and Water  
Hon Robert Brokenshire  
Journalist Jack Manning Victor Harbor Times

**Media Release:**

*'The residents of Mount Compass who obtain their drinking water from Compass Springs are up in arms at the proposal by the government's Essential Services Commission (ESCOSA) to allow Compass Springs to increase the water charges by almost 40% above that charged by SAWater for their customers living in the town and the rest of the state. Compass Springs original claim was for an increase of almost 280% above SAWater.*

*This makes a mockery of the Premier's statement in 2020 that ALL South Australians will benefit from lower water prices with an average reduction of \$200 per household.*

*Well Mr Marshall, Compass Springs may be receiving an increase of over \$500 in the yearly charges for water above your \$200 announced reduction. Where is the fairness in that?'*

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