

5 August 2022

Mr Adam Wilson
Chief Executive Officer
Essential Services Commission of South Australia
GPO Box 2605
ADELAIDE SA 5001

Dear Adam

Submission on Guidance Paper 3: Assessing the Regulatory Business Plan

We write in response to the release of *Guidance Paper 3 – Assessing the Regulatory Business Plan* (Guidance Paper 3), as part of the 2024 Regulatory Determination process.

SA Water supports the principles outlined in Guidance Paper 3, particularly the reference to proposed expenditure to address climate change risks, and ensuring this regulatory period is integrated with our long-term strategy.

Guidance Paper 3 (section 2.1.4) does, however, note that it appears the 'impacts of COVID-19 on SA Water's operating expenditure are immaterial'. While the costs directly related to managing COVID-19 have been able to be managed (around \$1.7m in 2021-22), the associated cost increases because of COVID-19, such as supply chain issues, have been significant to SA Water's capital delivery and operating program and will impact the expenditure for 2024-28. Cost increases have been experienced in many areas including chemicals, input costs to construction (e.g., steel, freight), energy and skilled labour. These have been communicated with the Commission and will be detailed in our RD24 proposal.

SA Water supports further work to be done on the Intra-period mechanism to improve this process for RD24 (as per section 6.1), as the current mechanism does not allow for mid period projects to be reviewed in a reasonable and timely manner. As discussed at Officer level, SA Water would request an additional mechanism for RD24 to deal with unprecedented development growth. In RD20, following Government stimulus and other COVID-19 measures, SA Water experienced significant increases in connections and growth-related capital projects, beyond historical levels. This level of growth was not able to be predicted and a mechanism should be in place to allow SA Water to respond to such events in future without needing to defer other customer outcomes.

It should be noted that while SA Water will use its best endeavours to meet the requirements of Guidance Paper 3, it has been released around ten months after the Commission released the Framework and Approach for the next determination, and within the latter part of SA Water's business planning process for RD24. As such, the timing may constrain SA Water's ability to meet ESCOSA's expectations on all aspects of the guidance within the time available. We ask that ESCOSA take this into consideration as part of its evaluation.

We would welcome the opportunity to work with you on the Guidance Paper process to further consider timelines to ensure we are best positioned to incorporate the Commission's expectations of SA Water into our processes in future.

If you require any further information please contact Jadyne Harvey, Senior Manager Pricing and Regulation on 0434 654 923 or jadyne.harvey@sawater.com.au

Yours sincerely



David Ryan
Chief Executive