



Minor and Intermediate Retailers Regulatory Performance Report 2016-17

Water and Sewerage Services

May 2018

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Regulatory Performance Report 2016-17 should be addressed to:**

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Glossary of terms

Term	Description
Commission	Essential Services Commission, established under the Essential Services Commission Act 2002
CWMS	Community Wastewater Management System
EWOSA	Energy and Water Ombudsman SA
ESC Act	Essential Services Commission Act 2002
kL	Kilolitres
Minister's Hardship Policy	Residential Customer Hardship Policy for Minor and Intermediate Retailers
Minor and Intermediate Retailers	Water and sewerage service retailers with 50,000 or fewer connections
NWI	National Water Initiative
EWOSA	Energy and Water Ombudsman of SA
Water Guideline No. 1	Water Industry Guideline 1 – Compliance Systems and Reporting
Water Retail Code	Water Retail Code for Minor and Intermediate Retailers
WI Act	Water Industry Act 2012
SA Health	South Australian Department of Health and Ageing
SA Water	South Australian Water Corporation

Executive summary

The Essential Services Commission (**Commission**) reports annually on the performance of water and sewerage service retailers in South Australia. This report – Minor and Intermediate Retailers Regulatory Performance Report 2016-17 – covers the performance of water and sewerage service retailers with 50,000 or fewer customers (**Minor and Intermediate Retailers**). A separate report on South Australian Water Corporation (**SA Water**), which is the largest provider of water and sewerage services in South Australia, can also be found on the Commission's website.

There are 63 licensed Minor and Intermediate Retailers, providing drinking water services to approximately 4,000 customers and sewerage services to around 94,000 customers. The majority of retailers are local councils; however, seven private companies are now licensed to provide water or sewerage retail services to approximately 2,100 customers in South Australia.

The Commission made an initial regulatory determination to apply to Minor and Intermediate Retailers for the period 1 July 2013 to 30 June 2018. The key focus areas for the Commission during the initial regulatory period has been on introducing greater transparency around current practices and procedures and assisting retailers in their transition to compliance with the regulatory requirements.

For the 2016-17 period, the Commission's key observations on the performance of Minor and Intermediate Retailers are:

- ▶ Seventy percent of retailers reported that they are compliant with all of the relevant pricing principles. Sixty-six percent of retailers also reported that they are fully recovering the costs of service provision. Of the retailers that reported operating deficits, many are still transitioning and are gradually adjusting prices to limit the price shock to customers.
- ▶ The scale and scope of water and sewerage services offered varies considerably across retailers, resulting in a spread of customer prices and service performance.
- ▶ The cost of providing drinking water and sewerage services varies between retailers resulting in a spread of customer prices across retailers. The estimated residential water bills ranged between \$538 and \$1,412. For sewerage services, estimated bills ranged between \$240 and \$964.
- ▶ The number of complaints rose to 375, compared to 283 in 2015-16. However, the increase was driven by isolated events which led to temporary supply interruptions for some non-drinking water customers. The Energy and Water Ombudsman SA received two complaints in 2016-17.
- ▶ At 30 June 2016, 13 retailers reported that they had 96 residential customers in total participating in their hardship programs and 27 retailers reported having 5,026 residential customers in total on a flexible payment arrangement.
- ▶ Retailers took fewer legal actions to recover debt and restricted water supply to fewer customers with long-term outstanding bills.
- ▶ The number of reported unplanned drinking water and sewerage interruptions rose to 156, compared to 143 in 2015-16.
- ▶ The quality of annual reports has improved and retailers are reporting a better understanding of their regulatory obligations. The Commission appreciates the effort and resources of retailers to improve their reporting and engagement.
- ▶ Most retailers have reported having systems in place to report against the performance metrics set by the Commission. The Commission will continue to focus on data integrity to ensure accurate data is reported.

- ▶ Retailers are more actively engaging with the Commission on compliance with regulatory requirements, such as undertaking analysis to identify the extent of current cost recovery of services and developing cost reflective prices. This provides the opportunity for better customer outcomes.

The current regulatory determination framework for small-scale water and sewerage retailers is due to expire on 30 June 2018. Accordingly, the Commission is currently conducting an inquiry into regulatory arrangements for small-scale and off-grid water, gas and electricity services to inform itself on the best way to regulate such entities moving forward and, more importantly, to ensure the long-term interests of consumers of those services are protected.

Further information about the Inquiry can be found on the Commission's website at:
www.escosa.sa.gov.au.

1 Why and how the Commission regulates Minor and Intermediate Retailers

The Essential Services Commission (**Commission**) is a statutory authority established as an independent economic regulator and advisory body under the Essential Services Commission Act 2002 (**ESC Act**).

The ESC Act, the Water Industry Act 2012 (**WI Act**) and the regulations under the WI Act establish the Commission’s regulatory powers and functions in relation to the water and sewerage industries. South Australian Water Corporation (**SA Water**) is the largest monopoly provider of water and sewerage services in South Australia. Sixty three other retailers each have 50,000 or fewer customers (**Minor and Intermediate Retailers**).

The Commission made an initial regulatory determination to apply to Minor and Intermediate Retailers for the period 1 July 2013 to 30 June 2018 (**Regulatory Determination**). The key focus areas for the Commission during the initial regulatory period has been on introducing greater transparency around current practices and procedures and assisting retailers on their transition to compliance with the regulatory requirements.

To help provide greater transparency and monitor the implementation of the regulatory framework, the Commission publishes annual regulatory performance reports to inform stakeholders and consumers of service and operational performance outcomes for Minor and Intermediate Retailers. These outcomes form part of the evidence base for the Commission to assess whether the regulatory framework is working to deliver benefits for consumers.

This report covers Minor and Intermediate Retailers’ regulatory performance for the period 1 July 2016 to 30 June 2017.

Refer to Appendix 1 for information on the Commission’s statutory responsibilities and regulatory role in the South Australian water and sewerage industry.

1.1 How the Commission regulates the water and sewerage industry

The Commission’s regulatory role includes industry licensing, consumer protection and retail pricing (Table 1). Matters in relation to environmental, technical and safety, and health or social policy are separately addressed by other regulators and South Australian Government agencies such as SA Health.

Table 1: Commission’s regulatory functions in the water industry

Legislation	Regulatory functions
Water Industry Act 2012	Water and sewerage retail service providers: <ul style="list-style-type: none"> ▶ licensing ▶ price regulation ▶ consumer protection ▶ service/reliability standard setting ▶ performance monitoring and reporting, and ▶ third-party access.

As a condition of their retail licences, Minor and Intermediate Retailers are required to comply with a Regulatory Determination¹, the consumer protection measures set by the Commission and reporting requirements. The overall regime is summarised below:

- ▶ **Water and sewerage services prices** – the Regulatory Determination sets out the pricing principles that Minor and Intermediate Retailers must comply with when developing their prices. Retailer prices should reflect the full and efficient costs of service provision and to ensure customers pay a fair price.
- ▶ **Consumer protection measures** – the Water Retail Code for Minor and Intermediate Retailers (**Water Retail Code**) sets out the behavioural standards and minimum requirements to be complied with by Minor and Intermediate Retailers when dealing with their customers. It also details retailers' requirements in respect of consumers of retail services in tenancy arrangements who are granted limited consumer protections, but do not have a direct contractual relationship with a retailer.
- ▶ **Performance assessment** – Water Industry Guideline No. 1 – Compliance Systems and Reporting, and Water Industry Guideline No. 3 – Information requirements for minor and intermediate retailers, set out the Commission's performance monitoring and audit framework.

In 2018-19, the Commission will commence a collaborative monitoring and evaluation program to review retailers' compliance with consumer protection and pricing obligations. This program will be risk-based and consistent with the Commission's Better Regulation Framework, identifying key focus areas for review each year.

1.2 The South Australian water and sewerage markets

Collectively, the retailers licensed under the WI Act provide drinking water services to approximately 770,000 customers and sewerage services to approximately 693,000 customers in South Australia. The scale and scope of water and sewerage services offered varies considerably across retailers, resulting in a spread of customer prices and service performance. SA Water is the largest retailer, servicing over 99 percent of total drinking water customers and 87 percent of total sewerage customers in South Australia.

At 30 June 2017, the Commission had licensed 63 Minor and Intermediate Retailers. Of those:

- ▶ The majority relate to services provided by local councils, with several private companies also providing services to local communities through standalone networks.
- ▶ Fifty-one retailers provide sewerage services (through either a Community Wastewater Management System (**CWMS**) or a sewer system) to around 94,100 customers (serving about 13 percent of the State's population). Of these retailers, 49 are council-run schemes and two are private companies.
- ▶ Thirteen retailers provide drinking water services to around 4,000 customers (serving less than one percent of the State's population, with over half located in Roxby Downs and Coober Pedy). Of these retailers, 10 are council-run schemes and three are private companies.
- ▶ Twenty-three are licensed to provide non-drinking water services to around 3,300 customers.
- ▶ Seven private companies provide water or sewerage retail services to approximately 2,100 customers in South Australia.

¹ The Essential Services Commission, Economic Regulation of Minor and Intermediate Retailers of Water and Sewerage Services – Final Decision, June 2013, available at: <http://www.escosa.sa.gov.au/projects-and-publications/projects/water/economic-regulation-of-minor-and-intermediate-water-retailers>

In terms of scale, the majority of the retailers supply services to between 501 and 5,000 customers, as shown in Figure 1. SA Water is the largest monopoly provider of water and sewerage services in South Australia, as shown in Figure 2.

Figure 1: Water and sewerage retailers by customer class

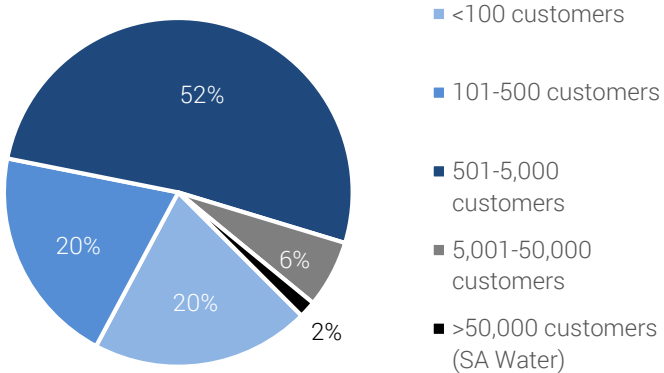
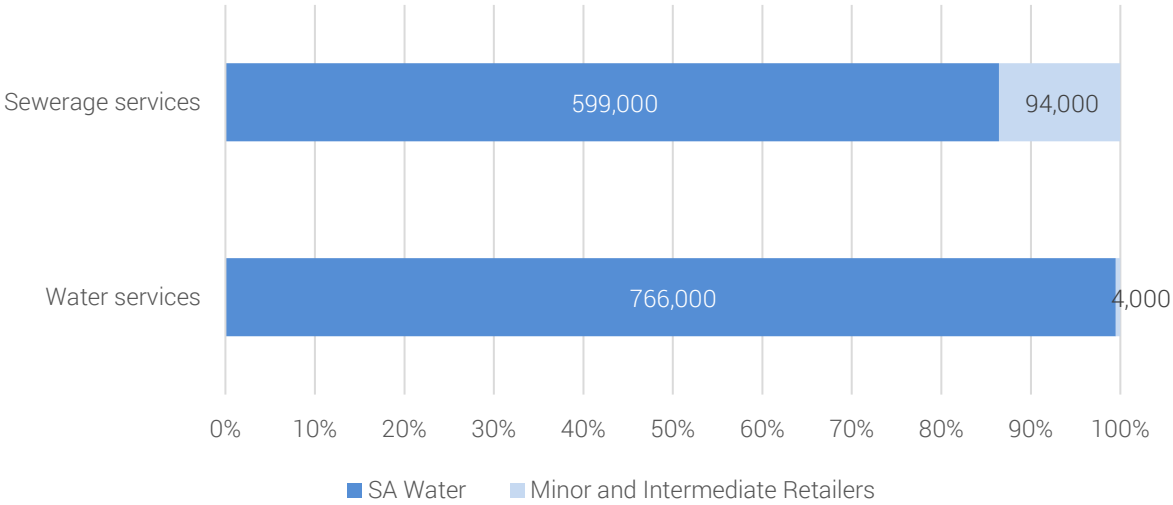


Figure 2: South Australian water and sewerage markets by number of water and sewerage services customers



2 How Minor and Intermediate Retailers priced their water and/or sewerage services

Key points

- ▶ Minor and Intermediate Retailers are still at different stages of their compliance with the National Water Initiative pricing principles.
- ▶ More Minor and Intermediate Retailers have reported being fully compliant with the pricing principles in 2016-17 compared to the previous year. More retailers also reported fully-recovering the costs of providing water and/or sewerage services.
- ▶ The scale and scope of water and/or sewerage services varies considerably across retailers, resulting in a spread of the prices paid by customers.

The Regulatory Determination that applies to Minor and Intermediate Retailers provides that retailers are responsible for determining their water and sewerage service prices. However, they must take the National Water Initiative (NWI) pricing principles into account when setting their water and sewerage (including CWMS) prices.²

To ensure that prices and revenues are sufficient to recover prudent and efficient costs, it is important for all retailers, regardless of size and scale, to achieve full cost recovery.

To monitor the application of the pricing principles and the extent to which retailers are recovering their costs, the Commission assesses the annual reports submitted by retailers in respect of the following matters:

- ▶ compliance with the pricing principles (Pricing Policy Questionnaire)
- ▶ financial data on the revenue, costs and assets employed relating to the retail service (Regulatory Accounting Statements)
- ▶ how prices were developed (Pricing Policy Statement), and
- ▶ prices charged for the current and prior year (Pricing Schedule).

Refer to Appendix 2 for information on how Minor and Intermediate Retailers set prices for their water and sewerage/CWMS services.

2.1 Most Minor and Intermediate Retailers reported being fully compliant with the National Water Initiative pricing principles

In 2016-17, seventy percent of retailers responded that they are fully compliant with all of the relevant pricing principles. The remaining 30 percent advised that they met some but not all of the relevant pricing principles.³

Of the Minor and Intermediate Retailers who had reported that they were not yet fully-compliant with the pricing principles, the key reasons were:

² Further information on the application of the NWI pricing principles (including the interpretation and what a retailer must do to meet those principles) can be found in Appendix 1 of the *Water Regulatory Information Requirements for Minor and Intermediate Retailers – Water Industry Guideline No. 3 Explanatory Memorandum* available at: <http://www.escosa.sa.gov.au/ArticleDocuments/399/20150930-Water-GuidelineNo3-ExplanatoryMemorandum-WIG3-04.pdf.aspx?Embed=Y>.

³ Data for Adelaide Hills Council, District Council of Coober Pedy and Renmark Paringa Council was unavailable.

- ▶ Difficulty in achieving full cost recovery due to a small customer base and/or customers' capacity to pay, and
- ▶ Asset management plans that were yet to be finalised.

2.2 More retailers are fully recovering their cost of service

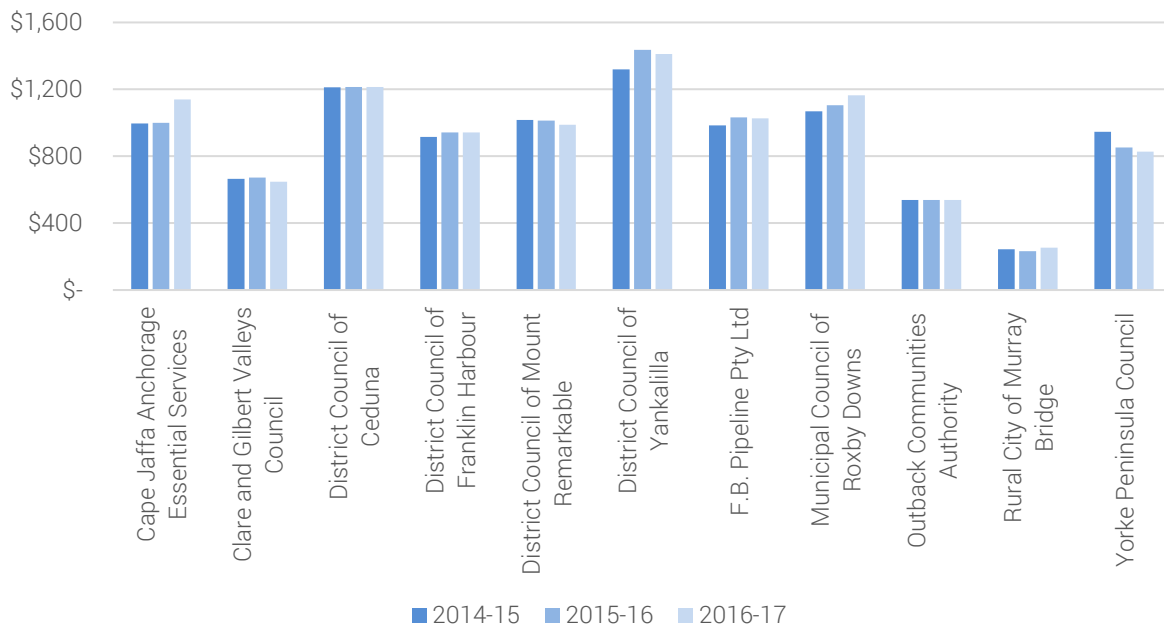
In 2016-17, 66 percent of retailers reported that operating income covered operating costs and depreciation with the remaining 34 percent reporting operating deficits.⁴ This measure is a reasonable proxy for whether or not retailers are recovering the costs of service provision. Of the retailers that reported operating deficits, many are still transitioning to full cost recovery and are gradually adjusting prices to limit the price shock to customers. Others are limited in their ability to recover the cost of service provision (for example, due to a small customer base and/or public benefit reasons).

2.3 Drinking water service prices vary among drinking water retailers

Figure 2 shows that the annual residential drinking water bills based on an annual consumption of 200 kilolitres (kL) for drinking water retailers in 2016-17 ranged from \$538 to \$1,412 (excluding the Rural City of Murray Bridge)⁵.

When comparing drinking water retail prices, it is important to consider the methodology used to set prices (for example, whether prices are set on a cost recovery basis or linked to SA Water's prices) and the costs of managing each system (for example, number of connections, length of system per connection and quality of the source water). Prices paid by customers will therefore depend on a range of factors.

Figure 3: Average annual residential drinking water service bills (\$nominal)⁶



⁴ Pricing data for the District Council of Coober Pedy and Renmark Paringa Council was unavailable.

⁵ The Rural City of Murray Bridge supplies metered water to sections of Woodlane. The rates for supply of water are only charged for any usage above 130kL per annum. Fairmount Utilities is licensed to provide drinking water but is not currently retailing. 2016-17 drinking water pricing data for District Council of Coober Pedy and Robusto Investments Pty Ltd (formerly Hillrise Investments Pty Ltd) were unavailable.

⁶ Municipal Council of Roxby Downs sets prices having regard to the Council's obligations under the *Roxby Downs (Indenture Ratification) Act 1982*.

2.4 Sewerage services prices vary among sewerage/CWMS retailers

Figure 3 shows that the average annual charge (for occupied land only) for sewerage/CWMS retailers in 2016-17 ranged from \$240 to \$964. Where charges are based on land value, the average bill is based on either the average value of the properties supplied or the average amount charged to customers.

When comparing sewerage retail prices, it is important to consider the nature of the service provided (for example, fully seweraged versus CWMS) and the costs of managing each system (for example, number of connections, age of the network, length of system per connection and the topography of the area serviced). Prices paid by customers will therefore depend on a range of factors.

2.5 Non-drinking water service prices

Non-drinking water covers recycled water, stormwater and other water that does not meet drinking water requirements. Such services include delivery of recycled water to residential customers via 'purple pipe' networks and the use of recycled water to irrigate public spaces such as parks and sporting grounds (where the water is charged for). About 90 percent of recycled water customers are residential. However non-residential customers use the majority of recycled water.

Figure 4: Average annual residential sewerage service bills (\$nominal)⁷

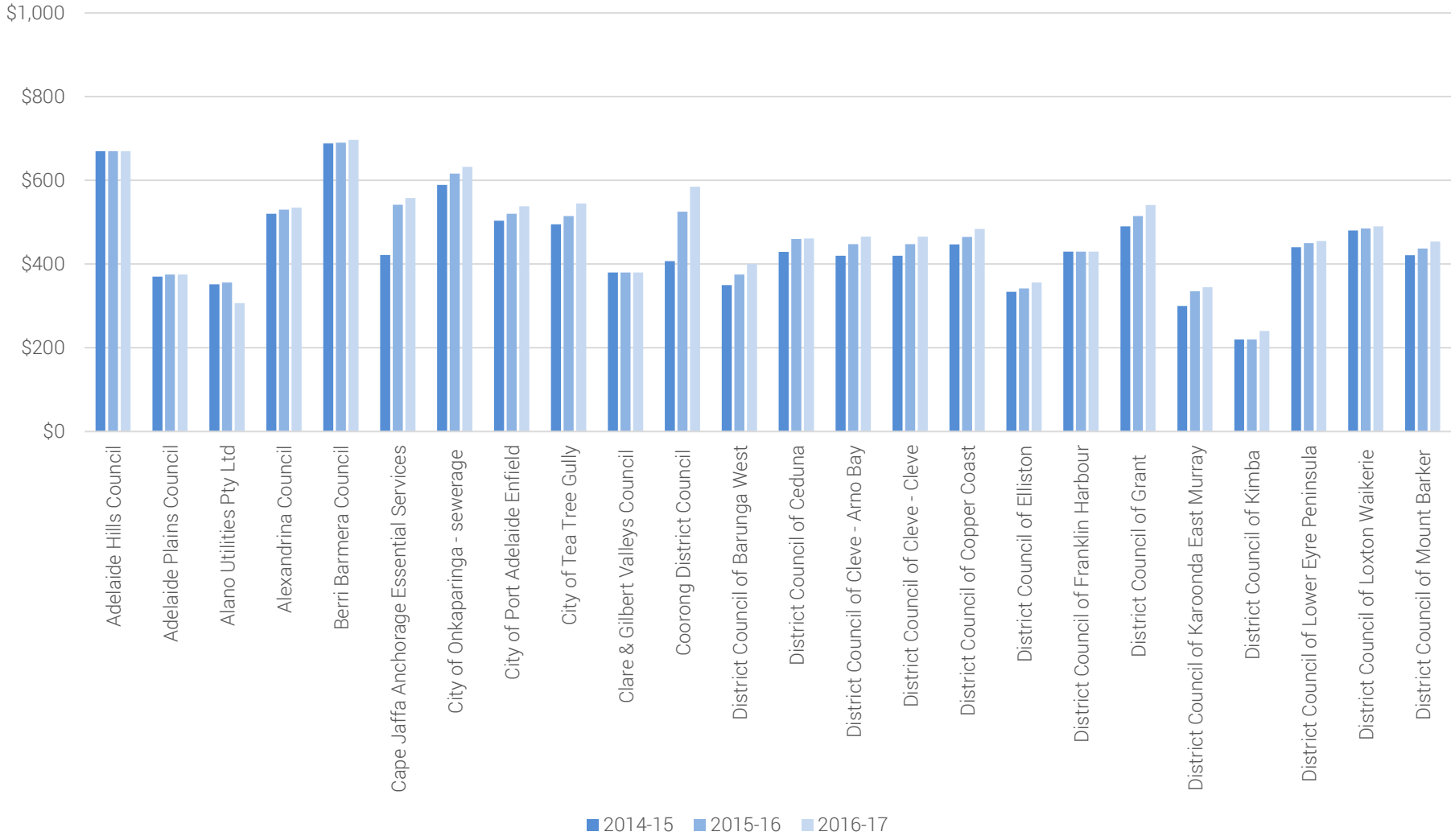
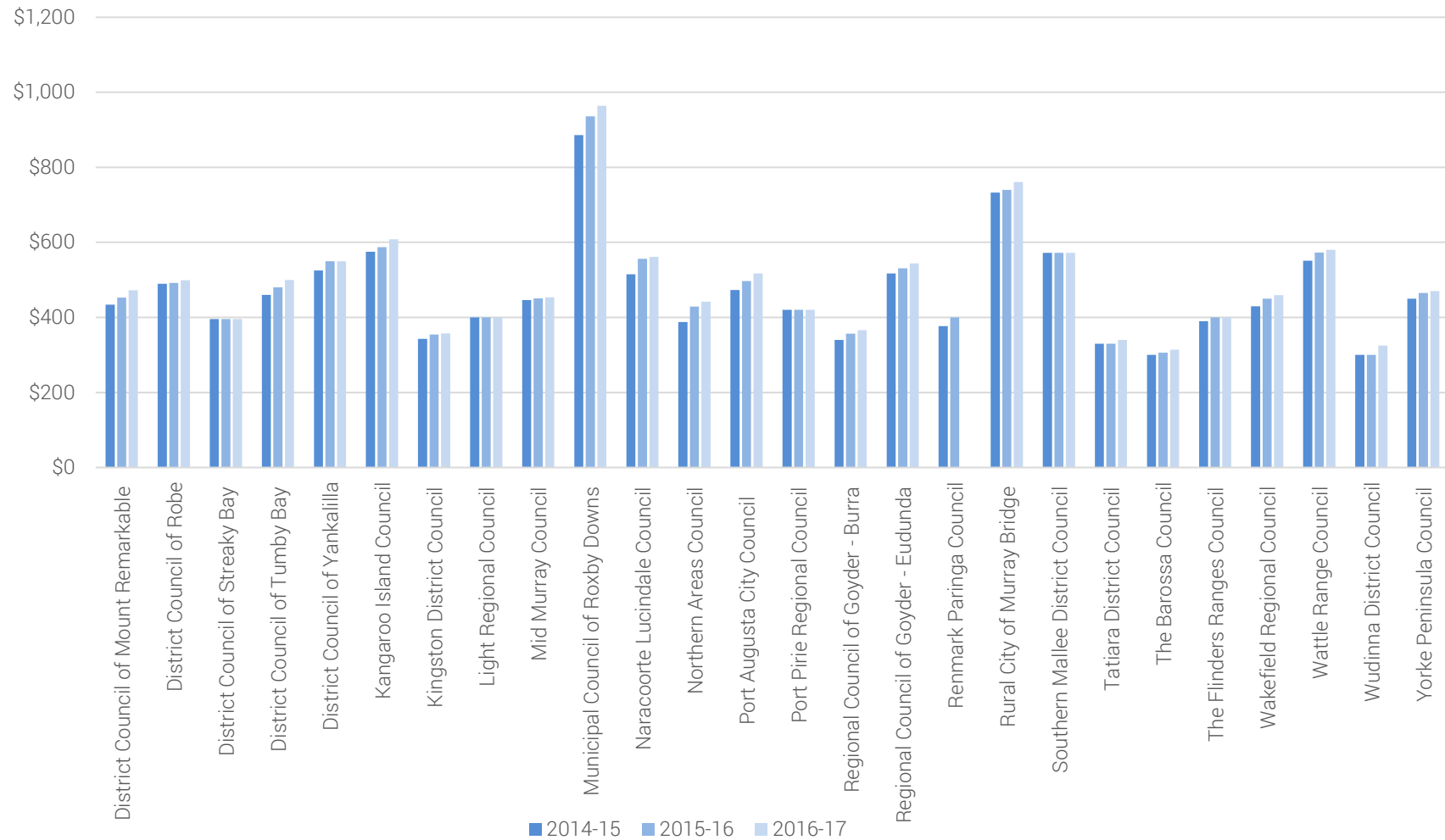


Figure 4: Average annual residential sewerage service bills (\$nominal) (continued)⁸



⁸ Municipal Council of Roxby Downs sets prices having regard to the Council's obligations under the *Roxby Downs (Indenture Ratification) Act 1982*.

3 Minor and Intermediate Retailers' customer service and how they assist customers experiencing financial hardship

Key points

- ▶ The number of complaints rose to 375, compared to 283 in 2015-16. However, the increase was driven by isolated events which led to temporary supply interruptions for some non-drinking water customers.
- ▶ Minor and Intermediate Retailers took fewer legal actions to recover debt and restricted water supply to fewer customers with long-term outstanding bills.
- ▶ There were fewer financial hardship customers but more customers on a flexible payment arrangement as at 30 June 2017, compared with 30 June 2016.

As water and sewerage services are essential services, Minor and Intermediate Retailers are required to meet customer needs by providing a high level of customer service and assisting those customers experiencing financial difficulty.

The Water Retail Code is the principal consumer protection document that sets out the behavioural standards and requirements with which retailers must comply when dealing with their customers. It covers the following areas:

- ▶ enquiries
- ▶ complaint and dispute resolution procedures
- ▶ hardship programs, payment and payment difficulties, and
- ▶ disconnections and supply restrictions for non-payment.

Refer to Appendices 3 and 4 for information on Minor and Intermediate Retailers' customer service regulatory obligations and their financial hardship assistance.

3.1 Minor and Intermediate Retailers reported fewer customer complaints

In 2016-17, 19 retailers reported receiving a total of 375 customer complaints. Of the complaints received, 57 percent were related to sewerage services. Figure 4 shows that the number of drinking water and sewerage service-related complaints both rose in 2016-17, but the number of non-drinking water service-related complaints fell.⁹

Of the 168 water service-related complaints reported in 2016-17, 62 percent were related to temporary supply interruptions experienced by some non-drinking water customers following the temporary closure of two major reticulated distribution schemes in the City of Salisbury, as customers were transitioned from native groundwater to the newly commissioned Managed Aquifer Recharge.

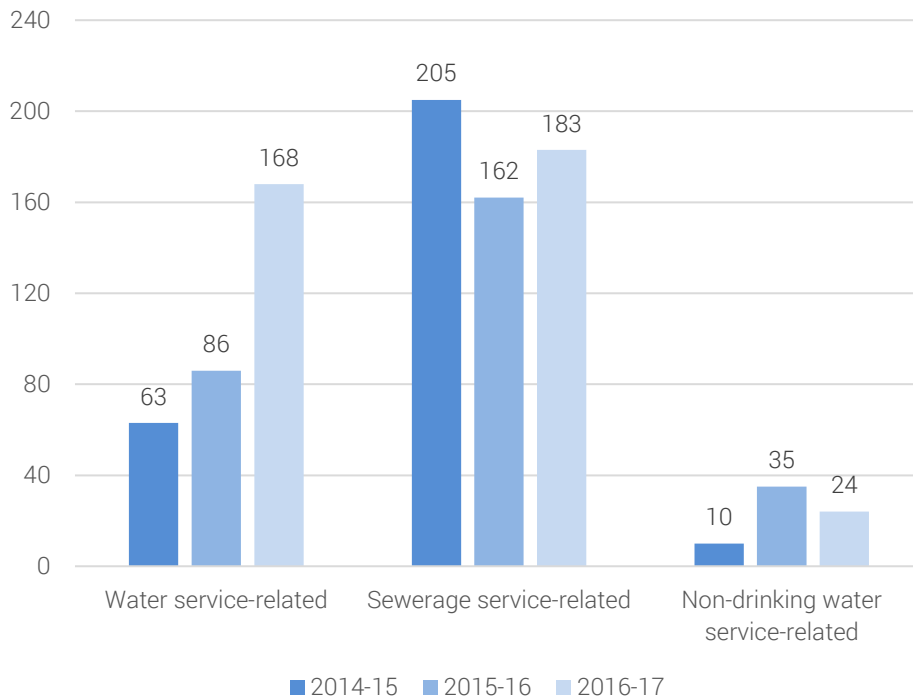
Seven retailers are currently members of the Energy and Water Ombudsman SA (EWOSA) scheme. EWOSA deals with customer complaints that cannot initially be resolved between a retailer and the customer. The Ombudsman South Australia deals with general complaints about local councils.

⁹ Complaints data for District Council of Coober Pedy and Renmark Paringa Council was unavailable.

In 2016-17, EWOSA received two billing complaints from customers of Water Utilities Australia.

All Minor and Intermediate Retailers are required to have enquiries, complaints and dispute resolution procedures in place that have been approved by the Commission. These procedures should clearly set out how customers can make an enquiry or complaint about the water and sewerage retail services they receive.

Figure 5: Number of complaints by service

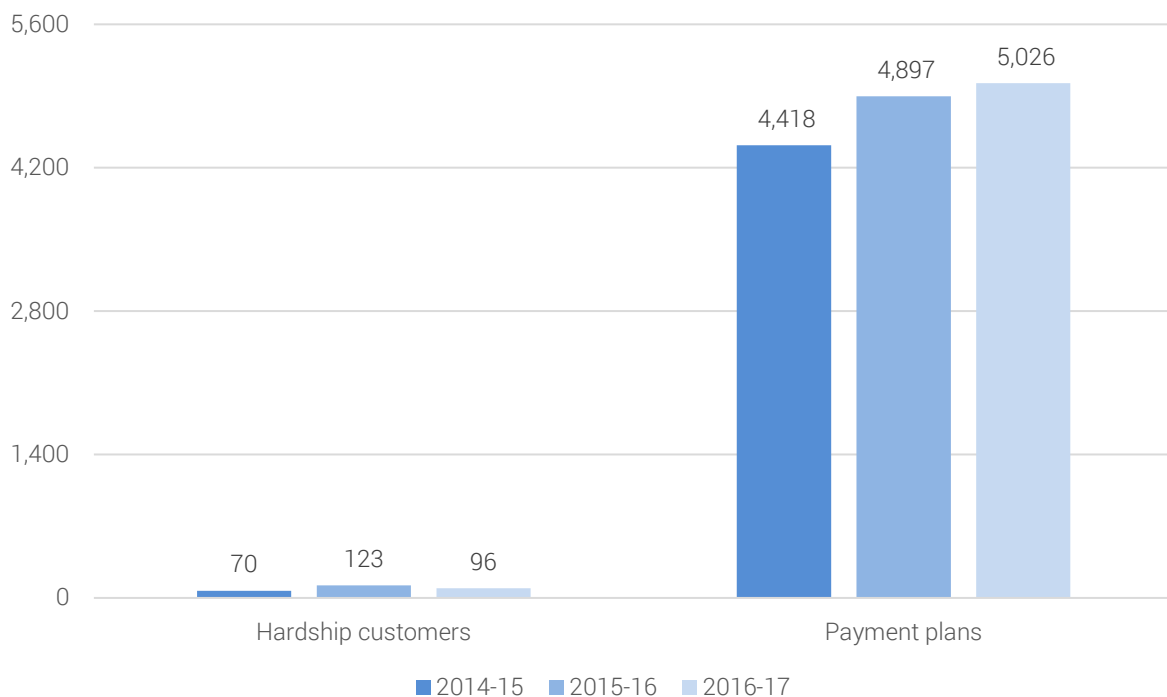


3.2 Customers were accessing financial assistance offered by Minor and Intermediate Retailers

At 30 June 2017, 13 retailers reported that they had 96 residential customers participating in their hardship programs and 27 retailers reported having 5,026 residential customers on a flexible payment arrangement.¹⁰ Figure 5 shows that the number of residential customers participating in hardship programs has fallen but the number of residential customers participating in payment plans have risen in 2016-17, compared to the previous year.

Of the 63 licenced retailers, only the District Council of Barunga West was unable to separately report on the number of water and sewerage service customers participating in hardship programs and flexible payment plans from their general ratepayers on comparable programs and plans.

Figure 6: Number of residential customers on a hardship program and flexible payment plans



¹⁰ Financial assistance data for District Council of Coober Pedy and Renmark Paringa Council was unavailable.

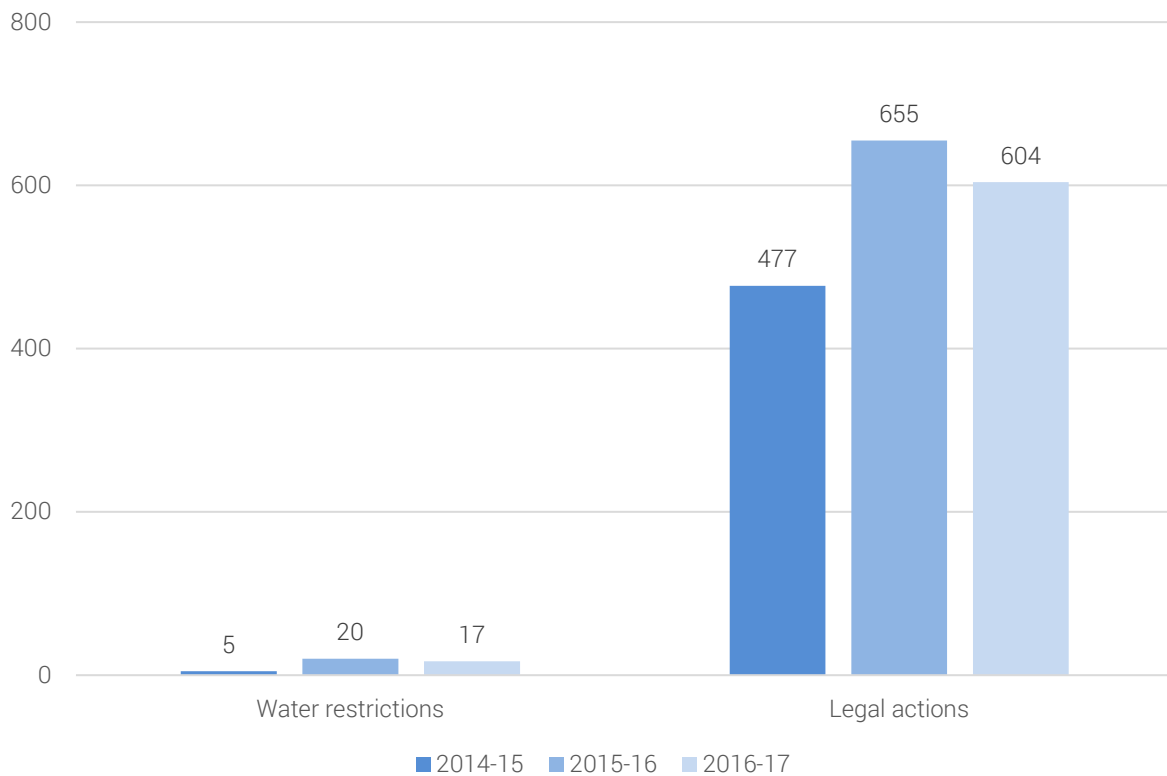
3.2.1 Minor and Intermediate Retailers took fewer legal actions and restricted water supply to fewer customers to recover debts

In 2016-17, three retailers reported that 17 water restrictions were applied to residential customers for non-payment of a water bill. Eighteen retailers reported having commenced legal actions against a total of 604 residential customers for non-payment of a water or sewerage bill.¹¹

Of the 63 licenced retailers, only Alexandrina Council and District Council of Barunga West were unable to separately report the number of legal actions undertaken for non-payment of a water or sewerage service bill from their general ratepayers on comparable programs and plans.

Figure 7 shows that both the number of water restrictions and legal actions undertaken for non-payment of a water or sewerage service bill have fallen in 2016-17, compared to the previous year.

Figure 8: Number of water restrictions and legal action undertaken against residential customers for non-payment of a water or sewerage bill



¹¹ Data for District Council of Coober Pedy and Renmark Paringa Council were unavailable.

4 Minor and Intermediate Retailers reliability performance

Key points

- ▶ Minor and Intermediate Retailers reported more unplanned interruptions for both water and sewerage services, compared to the previous year.
- ▶ Retailers reported more water main breaks, but fewer sewerage main breaks and chokes.

The Water Retail Code sets quality, safety and reliability of supply requirements for Minor and Intermediate Retailers. Notably, retailers must:

- ▶ provide a reliable supply to customers
- ▶ minimise the frequency and duration of interruptions, and
- ▶ have in place policies, practices and procedures to minimise the impact of unplanned interruptions.

Refer to Appendix 4 for information on Minor and Intermediate Retailers' reliability service regulatory obligations.

The Commission monitors the following reliability of supply measures (for both water and sewerage services) to assess how well retailers are adhering to these requirements:

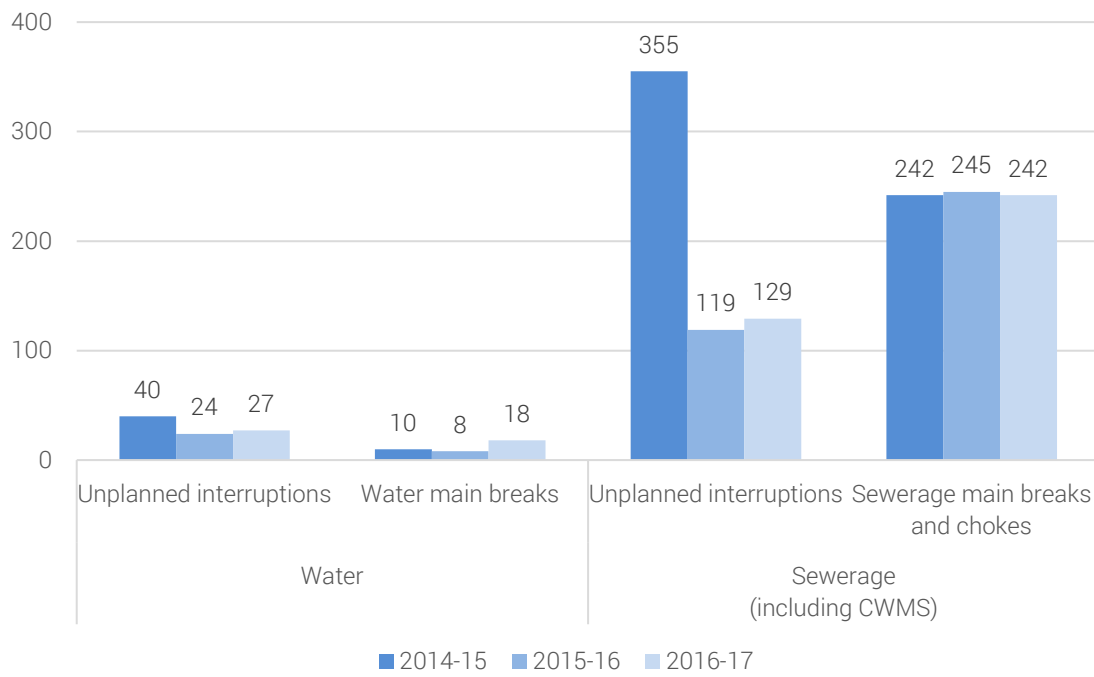
- ▶ for unplanned interruptions – number of events, customers affected and the average duration of interruptions
- ▶ number of main breaks and chokes, and
- ▶ number of sewerage overflow events.

The Commission's key observations in regard to Minor and Intermediate Retailers' reliability performance during 2016-17¹² are:

- ▶ Seven drinking water retailers reported a total of 27 unplanned interruptions, affecting 420 customers. Five retailers reported a total of 18 water main breaks.
- ▶ Eleven sewerage retailers reported a total of 129 unplanned interruptions to customers' supply.
- ▶ Most sewerage schemes are CWMS (where a customer has a septic tank on their property) and the incidence of supply outages are expected to be lower than with seweraged systems. Sixteen retailers reported 242 sewerage main breaks and chokes.

¹² Infrastructure reliability data for District Council of Coober Pedy and Renmark Paringa Council were unavailable.

Figure 9: Number of unplanned interruptions and main breaks for water and sewerage services



Appendix 1: The Commission's role in regulating Minor and Intermediate Retailers

The Essential Services Commission (**Commission**) is a statutory authority established as an independent economic regulator and advisory body under the Essential Services Commission Act 2002 (**ESC Act**).

The Commission has economic regulatory responsibility in the water and sewerage, electricity, gas, maritime and rail industries, conducts formal public inquiries and provides advice to Government on economic and regulatory matters. The ESC Act, together with various industry Acts, provide the Commission with those regulatory and advisory powers and functions.

- ▶ Under the ESC Act, the Commission has the primary objective of protecting the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.
- ▶ The ESC Act, the Water Industry Act 2012 (**WI Act**) and the regulations under the WI Act establish the Commission's regulatory powers and functions in relation to the water and sewerage industries.

The Commission's role includes the licensing of water and sewerage retail service providers, service standard setting, consumer protection, retail price regulation and performance monitoring and reporting.

The current framework regulatory determination for small-scale water and sewerage retailers is due to expire on 30 June 2018. Accordingly, the Commission is currently conducting an inquiry into regulatory arrangements for small-scale and off-grid water, gas and electricity services to inform itself on the best way to regulate such entities moving forward and, more importantly, to ensure the long-term interests of consumers of those services are protected.

Further information about the Commission and the Inquiry can be found on the Commission's website at: www.escosa.sa.gov.au.

Appendix 2: Pricing of water and sewerage services

The South Australian Government is a signatory to the National Water Initiative (NWI), which was agreed to in 2004 by the Council of Australian Governments to increase the efficiency of Australia's water sector. To improve water pricing reforms, a set of pricing principles was developed to guide the price-setting process.¹³ These principles seek to promote cost recovery, pricing transparency and other related matters.

To monitor the application of the pricing principles and the extent to which Minor and Intermediate Retailers are recovering their costs, the Essential Services Commission (**Commission**) assesses the following annual information submitted by retailers.

Regulatory accounting statements

Minor and Intermediate Retailers are required to submit annual Regulatory accounting statements that cover all of their business activities relating to the provision of water and sewerage services.

The financial information includes:

- ▶ operating costs and income split between specified activities or revenue sources, and
- ▶ capital expenditure split between investment drivers and asset categories.

Pricing policy questionnaire

The regulatory framework for Minor and Intermediate Retailers provides retailers with the flexibility for setting their water and/or sewerage (including Community Wastewater Management Systems) prices, but require retailers to adopt the NWI pricing principles in the price-setting process.

Each retailer is required to assess their compliance against each relevant pricing principle and complete the pricing principles questionnaire on annual basis.

A retailer must assess whether it is fully compliant, partially compliant or non-compliant with each principle. Where a retailer assesses they are either partially-compliant or non-compliant with a principle, it must outline the steps planned to transition towards full compliance, including an estimated date when full compliance will be achieved, or reasons why full compliance is not achievable in the short-term.

Pricing policy statement and pricing schedule

The regulatory framework for Minor and Intermediate Retailers involves price monitoring, where the Commission observes certain aspects of the regulated business, such as prices and costs, but does not directly set prices.

To promote greater pricing transparency, Minor and Intermediate Retailers are required to maintain a pricing schedule and an accompanying pricing policy statement. The statement must explain how prices were developed by the retailer – for example, the price-setting methodology used.

¹³ The NWI Pricing Principles cover five main areas, namely: cost recovery, asset valuation, tariff structure, transparency and developer charges.

Appendix 3: How Minor and Intermediate Retailers assist customers experiencing financial hardship

Under the Water Retail Code for Minor and Intermediate Retailers (**Water Retail Code**), Minor and Intermediate Retailers must offer programs to help customers experiencing financial hardship, such as flexible payment arrangements, customer hardship policies, and rules governing supply restrictions and debt recovery. Retailers must also actively engage with their customers to assist them in meeting their payment obligations.

It allows those customers who are willing to pay, but are unable to do so due to financial difficulty, to maintain their supply and avoid restriction or debt recovery action. However, where a customer is not willing to participate or ceases making payment for reasons other than financial difficulty, restriction or debt recovery may apply.

To examine if Minor and Intermediate Retailers are offering the appropriate financial assistance to customers in financial hardship, the Essential Services Commission (**Commission**) monitors the following:

- ▶ number of customers given access to flexible payment plans
- ▶ number of customers on a hardship program, the number of customers entering the program and the number of successful exits from the program, and
- ▶ number of legal actions or restrictions of supply.

Residential customer hardship policy

The South Australian Minister for Communities and Social Inclusion has developed and published a Residential Customer Hardship Policy for Minor and Intermediate Retailers (**Minister's Hardship Policy**). Retailers must adopt the Minister's Hardship Policy or a modified version that has been approved by the Commission.

The Minister's Hardship Policy outlines processes and programs that a retailer must use to assist customers identified as experiencing payment difficulties. Where a customer is participating in a hardship program, a retailer cannot arrange for water restrictions and legal actions to be applied for non-payment.

Retailers that are councils may have a general hardship policy in place that covers all aspects of residents' interactions with the Council. Councils have the option to apply the Minister's Hardship Policy to all rated customers or only water and sewerage service customers.

Debt recovery

Under the Water Retail Code, Minor and Intermediate Retailers are required to offer residential customers flexible payment arrangements (for example, payments in advance, short-term bill extensions, instalment plans and bill referrals).

Where the retailer is a Council, the flexible payment arrangements will include instances where a ratepayer is paying their overall rate notice by instalments and the charges for water and/or sewerage are also paid by instalment.

Water restriction

Minor and Intermediate Retailers are not permitted to disconnect a customer's supply of a sewerage service or water service for non-payment of a bill. They may, however, restrict the supply of a water service by constraining the maximum flow of water into a property or may commence debt recovery action for non-payment of a bill (although not both simultaneously), but only as a last resort.

Before arranging for the restriction of water services, a retailer must use best endeavours to contact the customer personally to offer financial assistance – for example, offering access to its financial hardship program or flexible payment plan.

Appendix 4: Customer service and reliability of supply

The Water Retail Code for Minor and Intermediate Retailers (**Water Retail Code**) does not set any customer service and reliability service standards or targets for retailers. However, the Water Retail Code sets customer service, quality, safety and reliability of supply obligations for Minor and Intermediate Retailers.

During the current regulatory period (until 30 June 2018), the Essential Services Commission (**Commission**) has been focused on monitoring and assessing Minor and Intermediate Retailers' operational performance.

If the Commission determines that it is appropriate to set service standards for Minor and Intermediate Retailers for the next regulatory period, stakeholders would be consulted in the setting of those standards.

Customer service

All Minor and Intermediate Retailers are required to have in place enquiries, complaints and dispute resolution procedures that have been approved by the Commission. These procedures should clearly set out how customers can make an enquiry or complaint about the water and sewerage retail services they receive.

The Commission monitors the number of complaints received as an indicator of the level of customer service provided by Minor and Intermediate Retailers. Where a retailer has joined the Energy and Water Ombudsman scheme, the Commission uses a combination of the number of complaints reported by the retailer and the number of complaints handled by the Ombudsman as an indicator as to how well those retailers are responding to customers' needs.

Reliability of supply

All Minor and Intermediate Retailers have regulatory obligations to provide a reliable supply to customers, minimise the frequency and duration of interruptions, and have in place policies, practices and procedures to minimise the impact of unplanned interruptions.

The Commission monitors the following reliability of supply measures (for both water and sewerage services) to assess how well retailers are adhering to those regulatory obligations:

- ▶ for unplanned interruptions – number of events, customers affected and the average duration of interruptions
- ▶ number of main breaks and chokes, and
- ▶ number of sewerage overflow events.



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