



Minor and Intermediate Retailers Regulatory Performance Report 2017-18

Key messages

- ▶ Collectively, Minor and Intermediate Retailers provides drinking water services to approximately 4,000 customers and sewerage/CWMS services to approximately 94,000 customers.
- ▶ More retailers have reported being compliant with all of the relevant pricing principles and fully recovering the costs of service provision, compared to previous years.
- ▶ Of the retailers that reported operating deficits, many are still transitioning to full cost recovery and are gradually adjusting prices to limit the potential for price shocks.
- ▶ The scale and scope of water and sewerage services offered varies considerably across retailers, contributing to the spread of customer prices and service performance.
- ▶ Retailers reported receiving fewer complaints (334) in 2017-18, compared to 375 in the previous year.
- ▶ At 30 June 2018, 15 retailers reported having a total of 114 residential customers participating in their hardship programs, and 36 retailers reported having a total of 5,393 residential customers on their flexible payment arrangement plans.
- ▶ Retailers reported fewer unplanned water and sewerage interruptions (127 in total), compared to 156 in the previous year.
- ▶ Retailers reported an increase in the number of legal actions and water restrictions (908 in total) to recover debts, compared to 621 in the previous year.

The Essential Services Commission (**Commission**) is the economic regulator of the South Australian water industry. One of the Commission's key regulatory functions is to monitor and publicly report on the performance of water businesses.

This report covers the performance of water and sewerage service retailers with 50,000 or fewer connections (**Minor and Intermediate Retailers**). A separate report on South Australian Water Corporation, which is the largest provider of water and sewerage services in South Australia, can also be found on the Commission's website at: <http://bit.ly/water-regulatoryperformancereports>.

Collectively, retailers licensed under the WI Act provides drinking water services to approximately 4,000 customers and sewerage/CWMS services to approximately 94,000 customers.

Minor and Intermediate Retailers are required to comply with a Regulatory Determination¹, a Water Retail Code which outlines the consumer protection measures set by the Commission and reporting requirements.

How were Minor and Intermediate Retailers pricing their drinking water and sewerage retail services?

Minor and Intermediate 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 service (including Community Wastewater Management System) prices.

¹ The Essential Services Commission, *Economic Regulation of Minor and Intermediate Retailers of Water and Sewerage Services – Final Decision*, June 2013, available at:

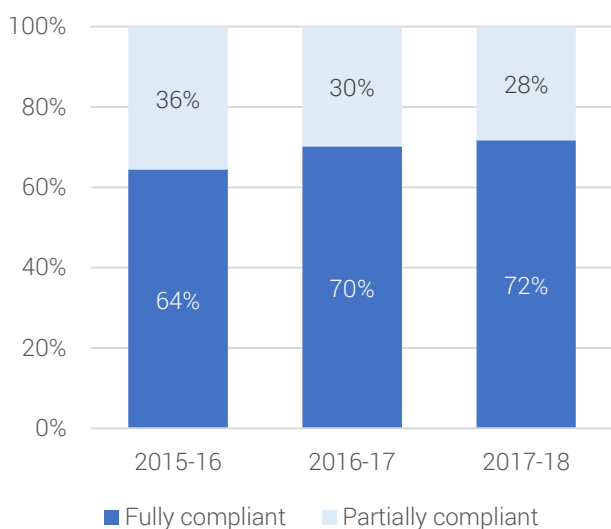
<http://www.escosa.sa.gov.au/projects-and-publications/projects/water/economic-regulation-of-minor-and-intermediate-water-retailers>

Further information on the pricing of water and sewerage services by Minor and Intermediate Retailers can be found at: <http://bit.ly/water-regulatoryperformancereports>.

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

Figure 1 shows that 72 percent of retailers reported full compliance with all of the relevant pricing principles in 2017-18. The remaining 28 percent reported meeting some but not all of the relevant pricing principles.

Figure 1: Reported level of compliance with the NWI pricing principles



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

- ▶ 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.

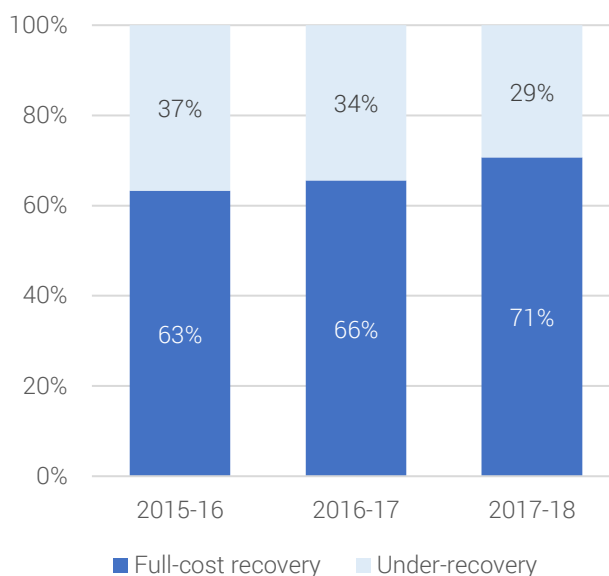
More retailers are fully recovering their cost of service

Figure 2 shows that 71 percent of retailers reported operating income which covered operating costs and depreciation in 2017-18. This measure is a reasonable proxy for whether or not

retailers are recovering the costs of service provision.

For the remaining 29 percent of retailers that reported operating deficits, many are still transitioning to full cost recovery and are gradually adjusting prices to limit the potential for price shocks. 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 such as supply to school grounds and community areas).

Figure 2: Reported level of cost recovery



Drinking water service prices vary among drinking water retailers

The annual residential drinking water bills based on an annual consumption of 200 kilolitres (kL) for drinking water retailers in 2017-18 ranged from \$660 to \$1,487 (excluding the Rural City of Murray Bridge).²

When comparing drinking water retail prices, it is important to appreciate that the costs of managing each system (for example, number of connections, length of system per connection and quality of the source water) will be unique to that system. Further, the methodology used to set prices (for example, whether prices are set on a cost recovery basis or linked to SA Water's prices) also differs between retailers. . Prices paid by

² 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. Pricing data for the District Council of Coober Pedy were unavailable.

different retailers' customers of will therefore also differ, for those and related reasons.

Sewerage services prices also vary among sewerage/CWMS retailers

Similarly, the average annual charge (for occupied land only) for sewerage/Community Waste Water System differs between retailers in 2017-18, ranging from \$240 to \$964.

Again, when considering sewerage retail prices, it is important to consider the nature of the service provided (for example, fully sewerer 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).

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.

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

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.³

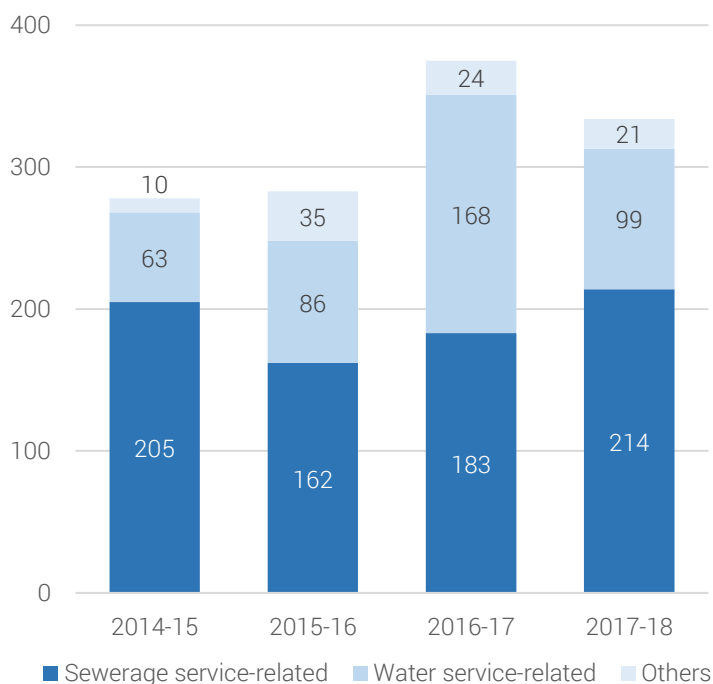
The Water Retail Code is the principal consumer protection document that sets out the behavioural standards and requirements with which retailers must comply when dealing with their customers.

Further information on the customer service and financial assistance obligations that Minor and Intermediate Retailers must comply with when dealing with their customers can be found at: <http://bit.ly/water-regulatoryperformancereports>.

Minor and Intermediate Retailers reported fewer customer complaints

In 2017-18, 27 retailers reported receiving a total of 334 customer complaints. The majority of complaints received by retailers related to sewerage services.

Figure 3: Number of complaints by service



Of those 27 retailers, Alexandrina Council was the only retailer whose reporting system is unable to differentiate customer complaints separately from other reporting metrics (for example, third-party notification of sewerage overflows).

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.

³ Customer service and financial assistance data for District Council of Coober Pedy was unavailable.

In 2017-18, EWOSA did not receive any complaints in relation to the water and/or sewerage services provided by Minor and Intermediate Retailers.

Customers were accessing financial assistance offered by Minor and Intermediate Retailers

Fifteen retailers reported that they were having 114 residential customers participating in their hardship programs in 2017-18. Thirty six retailers further reported having 5,393 residential customers on a flexible payment arrangement plan, as at 30 June 2018.

Of those retailers, four (Alexandrina Council, Port Pirie Regional Council, Tatiara District Council and Yorke Peninsula Council) were 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 4: Number of residential customers on a hardship program and flexible payment plans



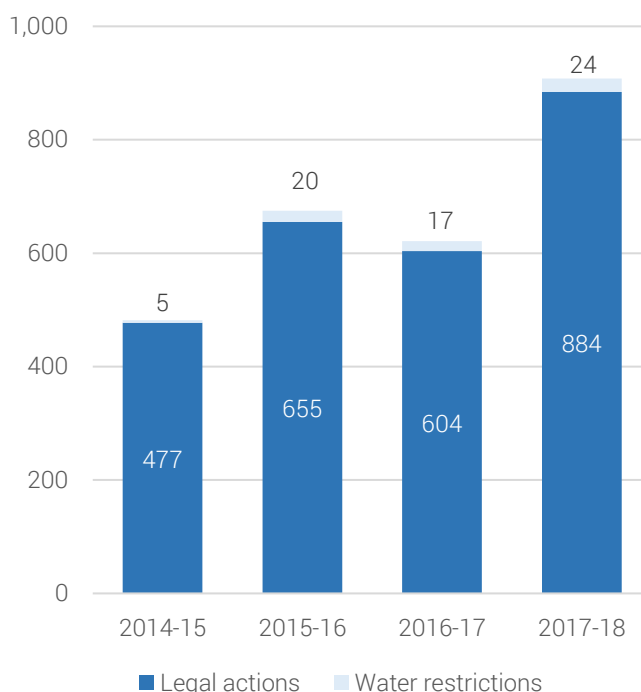
Minor and Intermediate Retailers reported an increase in the number of legal actions and water restrictions to recover bad debts

Four retailers reported that 11 water restrictions were applied to residential customers for non-payment of a water bill in 2017-18. Twenty one retailers reported having commenced legal actions against a total of 884 residential customers for non-payment of a water or sewerage service bill.

Of those retailers, only Alexandrina Council was 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 5 shows that in total, both the number of water restrictions and legal actions undertaken for non-payment of a water or sewerage service bill have increased in 2017-18, compared to the previous year.

Figure 5: Number of water restriction and legal action undertaken against residential customers for non-payment of a water or sewerage bill



Minor and Intermediate Retailers' reliability performance

The Water Retail Code sets quality, safety and reliability of supply requirements for Minor and Intermediate Retailers.⁴ 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.

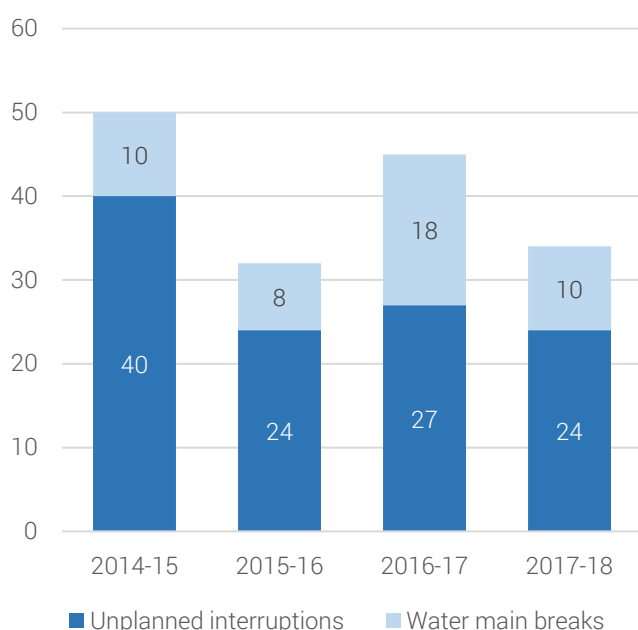
⁴ Infrastructure reliability data for District Council of Coober Pedy was unavailable.

Further information on the reliability service obligations that Minor and Intermediate Retailers must comply with in providing water and/or sewerage services can be found at: <http://bit.ly/water-regulatoryperformancereports>.

Minor and Intermediate Retailers reported fewer unplanned interruptions and mains breaks for drinking water services

Six drinking water retailers reported a total of 24 unplanned interruptions, affecting 311 customers. Four retailers reported a total of ten water main breaks.

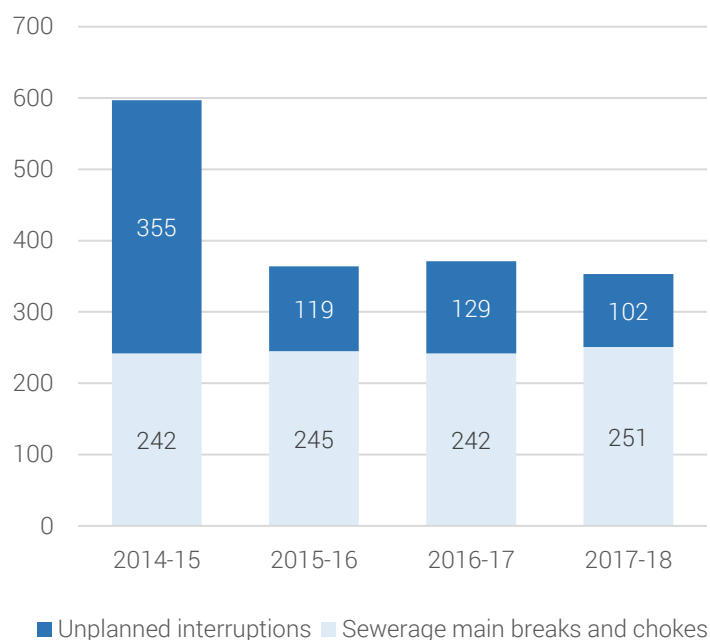
Figure 6: Number of unplanned interruptions and mains breaks for drinking water services



Minor and Intermediate Retailers reported fewer unplanned interruptions but more mains breaks for sewerage services

Twelve sewerage retailers reported a total of 103 unplanned interruptions to customers' supply. Twenty retailers reported 251 sewerage main breaks and chokes.

Figure 7: Number of unplanned interruptions and mains breaks for sewerage services



The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, visit www.escosa.sa.gov.au.

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