



Regulatory Determination



Robusto Investments Pty Ltd ACN 117 034 545

Regulatory Determination as varied by subsequent
determination on 1 July 2022

DRAFT FOR CONSULTATION

1 July 2022

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Table of contents

- 1 General.....1
 - 1.1 Authority.....1
 - 1.2 Purpose and application1
 - 1.3 Term and commencement.....1
 - 1.4 Previous regulatory determination applying to Robusto Investments1
 - 1.5 Variation and revocation1
 - 1.6 Definitions and interpretation1
- 2 Price Regulation of Drinking Water Retail Services3
 - 2.1 Revenue control3
 - 2.2 Price control3
 - 2.3 Price monitoring4
 - 2.4 Assessing compliance.....4
- 3 Price schedule.....4
 - 3.1 Formula6
 - 3.4 Example.....7

1 General

1.1 Authority

- 1.1.1 This regulatory determination is made by the Commission pursuant to the price determination powers under the *Essential Services Commission Act 2002*, as authorised by section 35 of the *Water Industry Act 2012*.

1.2 Purpose and application

- 1.2.1 This regulatory determination applies to Robusto Investments during the regulatory period and:
- (a) regulates the total revenue which Robusto Investments can recover from its residential customers and Mount Compass Sand and Loam from the sale and supply of drinking water retail services
 - (b) specifies the maximum nominal prices that Robusto Investments can charge its residential customers
 - (c) specifies the formula that must be adopted by Robusto Investments in calculating the maximum nominal prices it can charge its residential customers, and
 - (d) specifies the NWI pricing principles that Robusto Investments must comply with when setting prices for its drinking water retail services.

1.3 Term and commencement

- 1.3.1 This subsequent determination takes effect on and from 1 July 2022 until 30 June 2023 (or until such other time as it ceases to have effect).

1.4 Previous regulatory determination applying to Robusto Investments

- 1.4.1 On and from the date on which this regulatory determination takes effect, the 2013 Regulatory Determination, originally dated 1 July 2013, no longer applies to Robusto Investments.
- 1.4.2 Nothing in this regulatory determination affects anything done or omitted to be done or rights or obligations accrued under the 2013 Regulatory Determination.

1.5 Variation and revocation

- 1.5.1 This regulatory determination may be varied or revoked by subsequent determination, in accordance with section 26(8) of the *Essential Services Commission Act 2002*.

1.6 Definitions and interpretation

- 1.6.1 Unless otherwise defined below, where a term used in this regulatory determination is defined in the *Water Industry Act 2012*, it has the meaning given in that Act.

1.6.2 Subject to clause 1.6.1, in this regulatory determination, unless the contrary intention appears:

Commission means the Essential Services Commission, established under the *Essential Services Commission Act 2002*.

Mount Compass Sand and Loam means the non-residential customer, Sand & Loam Pty Ltd ACN 126 159 206 that is supplied drinking water retail services by Robusto Investments

drinking water retail service means a retail service constituted by the sale and supply of water of a quality fit for human consumption to customers.

kL means kilolitres

Price Schedule means the price schedule contained in part 3 of this regulatory determination.

NWI pricing principles means the pricing principles endorsed by the Natural Resource Management Ministerial Council on 23 April 2010.

regulatory period means the period from the date on which this regulatory determination takes effect up to and including 30 June 2023.

residential customers mean all residential customers that are supplied drinking water retail services by Robusto Investments

Robusto Investments means Robusto Investments Pty Ltd ACN 117 034 545.

2013 Regulatory Determination means the 2013-2017 Price Determination for Minor and Intermediate Retailers, the term of which was extended in June 2018 through the release of the variation to 2013-2017 price determination for minor and intermediate retailers.

1.6.3 This regulatory determination must be interpreted according to the following principles:

- (a) words denoting persons include corporations, unincorporated associations, firms, governments and governmental agencies
- (b) a reference to a person includes that person's agents, successors and permitted assigns, persons who have control over any assets of a person and receivers, managers, trustees, administrators and liquidators and similar persons appointed over:
 - (i) a person; or
 - (ii) any assets of a person
- (c) headings are only included for convenience and do not affect interpretation
- (d) unless specified otherwise, a reference to a section, clause, Chapter, Part or Schedule is to a clause, Chapter or Part of or Schedule to this regulatory determination

- (e) a reference to an agreement, document, regulatory instrument or part thereof is a reference to that agreement, document, regulatory instrument or part thereof as varied, replaced or substituted from time to time and includes any Schedules or attachments to the agreement, document or regulatory instrument; and
- (f) a reference to legislation or regulatory instrument, or to a provision of the legislation or regulatory instrument, includes a modification, re-enactment or re-making of it, a provision substituted for it and a regulation or other statutory instrument issued under it.

2 Price Regulation of Drinking Water Retail Services

2.1 Revenue control

2.1.1 In setting prices for drinking water retail services to apply to residential customers and Mount Compass Sand and Loam during the regulatory period (1 July 2022 to 30 June 2023), Robusto Investments must not exceed the following maximum revenue control for drinking water retail services:

- (a) \$179,736 (in dollars of December 2018), and
- (b) \$196,944 (in nominal terms).

2.2 Price control

2.2.1 Taking into account the maximum revenue control specified in clause 2.1.1, the maximum nominal prices that Robusto Investments can charge its residential customers from 1 July 2022 to 30 June 2023 are:

- (a) a quarterly supply charge of \$84.59
- (b) a Tier 1 charge of \$3.09 per kL
- (c) a Tier 2 charge of \$4.41 per kL, and
- (d) a Tier 3 charge of \$4.77 per kL.

2.2.2 Taking into account the maximum revenue control specified in clause 2.1.1, in setting prices for drinking water retail services to apply to residential customers during the regulatory period, Robusto Investments must adopt the formula set out in the Price Schedule.

2.2.3 In setting prices for drinking water retail services during the regulatory period in accordance with clauses 2.1.1, 2.2.1 and 2.2.2, Robusto Investments must also comply with the following NWI pricing principles:

- (a) Principles 1, 2, 3, 4, 5 and 6 for the Recovery of Capital Expenditure set of principles; and
- (b) Principles 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 of the Setting Urban Water Tariffs set of principles.

- 2.2.4 In addition to the matters specified in clause 2.1.1, 2.2.1, 2.2.2 and 2.2.3, in setting prices for drinking water retail services, Robusto Investments must also comply with any principles, requirements or matters specified by the Commission in an industry code, industry rule or guideline (as in force from time to time) applicable to the provision of drinking water retail services by Robusto Investments.

2.3 Price monitoring

- 2.3.1 The Commission may, during the regulatory period:
- (a) monitor the prices charged by Robusto Investments; and
 - (b) publish reports on those prices or monitor and publish reports on matters relating to the prices charged by Robusto Investments.

2.4 Assessing compliance

- 2.4.1 In a manner and form specified by the Commission in writing, by 30 April 2023, Robusto Investments must provide to the Commission the following information for the purposes of assessing compliance against clauses 2.1.1, 2.2.1, 2.2.2 and 2.2.3:
- (a) Actual drinking water retail services revenue, which must be based on actual drinking water retail services revenue from 1 April 2021 to 31 March 2023 and Robusto Investments' best estimate of drinking water retail services revenue for the period between 1 April 2023 to 30 June 2023 (inclusive).
 - (b) Actual drinking water retail services demand (sales volumes), which must be based on actual drinking water retail services demand from 1 April 2021 to 31 March 2023 and Robusto Investments' best estimate of drinking water retail services demand for the period between 1 April 2023 to 30 June 2023 (inclusive).
 - (c) Actual drinking water retail services prices for residential customers, which must be based on actual drinking water retail services prices from 1 April 2021 to 31 March 2023 and Robusto Investments' best estimate of drinking water retail services prices for the period between 1 April 2023 to 30 June 2023 (inclusive). The actual drinking water retail services prices for residential customers must also specify the Tier 1, Tier 2, Tier 3, and supply charges charged.
- 2.4.2 In assessing compliance with the regulatory determination, the Commission will:
- (a) take into account the period from 1 April 2021 to 30 June 2023
 - (b) in calculating the real (inflation-adjusted) drinking water retail services revenues recovered under clause 2.1.1, adjust Robusto Investments' actual drinking water retail services revenues using the change in the September 2018 to March 2023 Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australian Bureau of Statistics, as a proxy for the December 2018 to June 2023 change in the Consumer Price Index, and

- (c) have regard to any material differences between:
 - (i) actual and forecast water retail services demand (sales volumes) during the period 1 April 2021 to 30 June 2023
 - (ii) actual and forecast customer numbers during the period 1 April 2021 to 30 June 2023, and
 - (iii) actual and forecast Consumer Price Index inflation during the period 1 April 2021 to 30 June 2023.

3 Price schedule

3.1 Formula

3.2 In setting prices for drinking water retail services to apply to residential customers in accordance with clause 2.2.2, Robusto Investments must adopt the following formula in calculating the nominal prices it can charge its residential customers:

$$(a) \quad P_s = \frac{\alpha R}{QN}$$

where:

P_s is the quarterly supply charge

N is the number of customers (defined below) (including residential customers and Mount Compass Sand and Loam)

$R \leq \$196,944$ (maximum revenue control for the regulatory period in nominal terms)

$\alpha = 32.12849\%$

where α is the proportion of R recoverable via supply charges

where $(1 - \alpha)$ is the proportion of R recoverable via usage charges

$$(b) \quad P_{T1} = \frac{(1-\alpha)R}{(V_1 + (1+\lambda_{T12})V_2 + (1+\lambda_{T12})(1+\lambda_{T23})V_3)N}$$

where the Tier 1 unit charge (per kL) is P_{T1}

$$(c) \quad P_{T2} = (1 + \lambda_{T12})P_{T1}$$

where the Tier 2 unit charge (per kL) is P_{T2}

$$(d) \quad P_{T3} = (1 + \lambda_{T23})P_{T2}$$

where the Tier 3 unit charge (per kL) is P_{T3}

3.3 The inputs for the formulas above are fixed and set out as follows:

The price differential between P_{T1} and P_{T2} must be in percentage terms

$$(a) \quad \lambda_{T12} = 42.90909\%$$

The price differential between P_{T2} and P_{T3} must be in percentage terms

$$(b) \quad \lambda_{T23} = 8.14249\%$$

The number of customers, N , is

$$(c) \quad N = 187$$

The number of quarters (or part thereof) in the regulatory period, Q , is

$$(d) \quad Q = 4$$

The average customer usage, in kL, applicable to Tier 1 is

$$(e) \quad V_1 = 120$$

The average customer usage, in kL, applicable to Tier 2 is

(f) $V_2 = 78.150289$

The average customer usage, in kL, applicable to Tier 3 is

(g) $V_3 = 0.00$

3.4 Example

3.5 On the basis that the regulatory determination sets out the maximum revenue control, maximum prices and specifies the price formula, the table below shows an example of how the maximum prices for residential customers could change, depending upon the revenue chosen (parameter R, as outlined in clause 3.2) to be recovered during the regulatory period. The example illustrates the choice of R being made at the start of the period at 80 percent and 90 percent of the maximum allowed, and other variables held fixed.

	Prices prior to this determination	Maximum prices and revenues	Illustrative examples	
			90% of maximum revenue control chosen	80% of maximum revenue control chosen
<i>Revenue level to be recovered (nominal terms)</i>		\$196,944	=0.9 multiplied by \$196,944	=0.8 multiplied by \$196,944
Supply charge per quarter	\$86.74	\$84.59	\$76.13	\$67.67
Tier 1 charge per kL	\$3.16	\$3.09	\$2.78	\$2.47
Tier 2 charge per kL	\$4.52	\$4.41	\$3.97	\$3.53
Tier 3 charge per kL	\$4.89	\$4.77	\$4.29	\$3.81
Supply charge revenue		\$63,275	\$56,948	\$50,620
Tier 1 revenue		\$69,233	\$62,310	\$55,387
Tier 2 revenue		\$64,435	\$57,992	\$51,548
Tier 3 revenue		\$0	\$0	\$0
Total revenue		\$196,944	\$177,250	\$157,555
Supply charge change relative to current price		-2%	-12%	-22%
Tier 1 charge change relative to current price		-2%	-12%	-22%
Tier 2 charge change relative to current price		-2%	-12%	-22%
Tier 3 charge change relative to current price		-2%	-12%	-22%

This regulatory determination, was made by the Commission on 21 August 2021, and varied by a subsequent determination on [tbc] 2022, pursuant to Part 3 of the *Essential Services Commission Act 2002*, as authorised by section 35 of the *Water Industry Act 2012*, to take effect on 1 July 2022.

The COMMON SEAL of)
the ESSENTIAL)
SERVICES COMMISSION)
was hereunto affixed by)
authority of the)
ESSENTIAL SERVICES)
COMMISSION)

.....
Commissioner

.....
Date



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