



Water

Regulatory Determination



Robusto Investments Pty Ltd ACN 117 034 545

Preservation Regulatory Determination

1 July 2023

Enquiries concerning this document should be addressed to:

Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: reviews@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

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 revocation2
 - 1.6 Definitions and interpretation2
- 2 Regulation of Drinking Water Retail Services4
 - 2.1 Revenue control4
 - 2.2 Price control4
 - 2.3 Price monitoring5
 - 2.4 Reporting Requirement5
 - 2.5 Assessing compliance.....5
- 3 Price schedule.....7
 - 3.1 Pricing for 2023-2024.....7
 - 3.2 Example of pricing for 2023-2024.....8
 - 3.3 Pricing for 2024-2025.....9

1 General

1.1 Authority

- 1.1.1 This preservation 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 preservation 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 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
 - (d) requires that Robusto Investments report certain information to the Commission including copies of customer invoices, and
 - (e) 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 preservation regulatory determination takes effect on and from 1 July 2023 until 30 June 2025 (or until such other time as it ceases to have effect).

1.4 Previous regulatory determinations applying to Robusto Investments

- 1.4.1 On and from the date this preservation regulatory determination takes effect, the further varied regulatory determination made by the Commission ceases to have effect.
- 1.4.2 In the event this preservation regulatory determination is revoked or expires and no subsequent price determination is made by the Commission to take effect at that time, the 2013 Regulatory Determination will apply to Robusto Investments until such time as a new price determination is made.
- 1.4.3 Nothing in this preservation regulatory determination affects anything done or omitted to be done or rights or obligations accrued under the further varied regulatory determination or the 2013 Regulatory Determination.

1.5 Variation and revocation

- 1.5.1 This preservation regulatory determination may be varied or revoked by a 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 preservation 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 2025.

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

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

further varied regulatory determination means the regulatory determination made by the Commission applying to Robusto Investments, which took effect on 1 July 2022 and expires on 30 June 2023, and which was made pursuant to the price determination powers the under the *Essential Services Commission Act 2002*, as authorised by section 35 of the *Water Industry Act 2012*

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 preservation 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 assignees, 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 Regulation of Drinking Water Retail Services

2.1 Revenue control

- 2.1.1 The maximum revenue that Robusto Investments may recover from the sale and provision of drinking water to residential customers and Mount Compass Sand and Loam during the regulatory period (1 July 2023 to 30 June 2025) must not exceed the following:
- (a) \$359,472 (in dollars of December 2018), and
 - (b) \$414,189 (in nominal terms).
- 2.1.2 For the period 1 July 2023 to 30 June 2024, the annual maximum revenue (in nominal terms) that Robusto Investments may recover from the sale and provision of drinking water to residential customers and Mount Compass Sand and Loam must not exceed \$204,034.
- 2.1.3 For the period 1 July 2024 to 30 June 2025, the annual maximum revenue (in nominal terms) that Robusto Investments may recover from the sale and provision of drinking water to residential customers and Mount Compass Sand and Loam must not exceed \$210,155.

2.2 Price control

- 2.2.1 Taking into account the maximum revenue control specified in clauses 2.1.1 and 2.1.2 the maximum nominal prices that Robusto Investments can charge its residential customers from 1 July 2023 to 30 June 2024 are:
- (a) a quarterly supply charge of \$92.59
 - (b) a Tier 1 charge of \$3.80 per kL
 - (c) a Tier 2 charge of \$5.43 per kL, and
 - (d) a Tier 3 charge of \$5.88 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 clause 3.1.1 in the Price Schedule.
- 2.2.3 Taking into account the maximum revenue control specified in clause 2.1.1 and 2.1.3, the maximum nominal prices that Robusto Investments can charge its residential customers from 1 July 2024 to 30 June 2025 will be determined by the Commission in accordance with the formula set out in clause 3.3 of the Price Schedule. The maximum nominal prices that Robusto Investments can charge its residential customers from 1 July 2024 to 30 June 2025 will be published on the Commission's website at a date no later than 31 May 2024.
- 2.2.4 The maximum nominal prices determined by the Commission in respect of the matters specified in clause 2.2.3, will be based on information submitted by Robusto Investments in accordance with clauses 2.4.1 and 2.4.2 and/or any related information requested of Robusto Investments, or otherwise obtained, by the Commission.

- 2.2.5 In setting prices for drinking water retail services during the regulatory period in accordance with clauses 2.1.1, 2.2.1, 2.2.2, 2.2.3 and 2.2.4, 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.
- 2.2.6 In addition to the matters specified in clause 2.1.1, 2.2.1, 2.2.2, 2.2.3 and 2.2.4, 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 Reporting Requirement

- 2.4.1 Robusto Investments must provide to the Commission a copy of all customer invoices relating to the billing period November 2023 to January 2024 and/or any related information as requested by the Commission.
- 2.4.2 Robusto Investments must provide the information specified in 2.4.1 to the Commission no later than 20 business days after all customer invoices for that billing period have been issued, or at such later time as determined by the Commission.
- 2.4.3 Should the information provided by Robusto Investments in respect of the matters specified in clauses 2.4.1 and 2.4.2 be determined by the Commission to be incomplete for the purposes of clauses 2.2.3 and 2.2.4, the maximum nominal prices that Robusto Investments can charge its residential customers from 1 July 2024 to 30 June 2025 will be set as follows:
- (a) a quarterly supply charge of \$90.75
 - (b) a Tier 1 charge of \$3.73 per kL
 - (c) a Tier 2 charge of \$5.33 per kL, and
 - (d) a Tier 3 charge of \$5.76 per kL.

2.5 Assessing compliance

- 2.5.1 In a manner and form specified by the Commission in writing, by 30 April 2025, 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 2025 and Robusto Investments' best estimate of drinking water retail services revenue for the period between 1 April 2025 to 30 June 2025 (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 2025 and Robusto Investments' best estimate of drinking water retail services demand for the period between 1 April 2025 to 30 June 2025 (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 2025 and Robusto Investments' best estimate of drinking water retail services prices for the period between 1 April 2025 to 30 June 2025 (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.

2.5.2 In assessing compliance with the preservation regulatory determination, the Commission will:

- (a) take into account the period from 1 April 2021 to 30 June 2025
- (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 2025 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 2025 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 2025
 - (ii) actual and forecast customer numbers during the period 1 April 2021 to 30 June 2025, and
 - (iii) actual and forecast Consumer Price Index inflation during the period 1 April 2021 to 30 June 2025.

3 Price schedule

3.1 Pricing for 2023-2024

3.1.1 In setting prices for drinking water retail services to apply to residential customers in accordance with clause 2.2.1, 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 weighted number of customers (defined below) (including residential customers and Mount Compass Sand and Loam)

$210 = N\text{-supply}_{2023-24}$ is the number of customers that are charged for their connection

$162 = N\text{-usage}_{2023-24}$ is the number of customers that are charged for water usage through the retail service

$R \leq \$204,034$ (maximum revenue control in nominal terms for the period 1 July 2023 to 30 June 2024, as set out in clause 2.1.2)

$$\alpha = 32.12849\%$$

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}

3.1.2 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 $= \alpha * N\text{-supply}_{2023-24} + (1 - \alpha) * N\text{-usage}_{2023-24}$

$$(c) \quad N = 177$$

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

(d) $Q = 4$

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

(e) $V_1 = 120$

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

(f) $V_2 = 60$

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

(g) $V_3 = 0.00$

3.2 Example of pricing for 2023-2024

3.2.1 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 3.1.1) 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>		\$204,034	=0.9 multiplied by \$204,034	=0.8 multiplied by \$204,034
Supply charge per quarter	\$84.59	\$92.59	\$83.33	\$74.07
Tier 1 charge per kL	\$3.09	\$3.80	\$3.42	\$3.04
Tier 2 charge per kL	\$4.41	\$5.43	\$4.89	\$4.35
Tier 3 charge per kL	\$4.77	\$5.88	\$5.29	\$4.70
Supply charge revenue		\$65,553	\$58,998	\$52,442
Tier 1 revenue		\$80,768	\$72,691	\$64,615
Tier 2 revenue		\$57,713	\$51,941	\$46,170
Tier 3 revenue		\$0	\$0	\$0
Total revenue		\$204,034	\$183,631	\$163,227
Supply charge change relative to current price		9.46%	-1.49%	-12.43%

	Prices prior to this determination	Maximum prices and revenues	Illustrative examples	
Tier 1 charge change relative to current price		23%	11%	-2%
Tier 2 charge change relative to current price		23%	11%	-1%
Tier 3 charge change relative to current price		23%	11%	-1%

3.3 Pricing for 2024-2025

3.3.1 In setting prices for drinking water retail services to apply to residential customers in accordance with clause 2.2.3, 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 weighted number of customers (defined below) (including residential customers and Mount Compass Sand and Loam)

$N\text{-supply}_{2023-24}$ is the number of customers that are charged for their connection. This number will be determined by the Commission based on the information submitted by Robusto Investments to the Commission in accordance with clauses 2.4.1 and 2.4.2.

$N\text{-usage}_{2024-25}$ is the number of customers that are charged for water usage through the retail service. This number will be determined by the Commission based on the information submitted by Robusto Investments to the Commission in accordance with clauses 2.4.1 and 2.4.2.

$R \leq \$210,155$ (maximum revenue control in nominal terms for the period 1 July 2024 to 30 June 2025, as set out in clause 2.1.3)

$$\alpha = 32.12849\%$$

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}

3.4 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) $\lambda_{T12} = 42.90909\%$

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

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

The number of customers, N, is $= \alpha * N\text{-supply}_{2024-25} + (1 - \alpha) * N\text{-usage}_{2024-25}$

(c) N will be determined in respect of the matters in section 2.4.1 and 2.4.2.

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

(d) $Q = 4$

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

(e) $V_1 = 120$

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

(f) $V_2 = 60$

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

(g) $V_3 = 0.00$

This preservation regulatory determination was made by the **Commission** on 14 June 2023, pursuant to Part 3 of the *Essential Services Commission Act 2002*, as authorised by Part 4 of the *Water Industry Act 2012*, to take effect on 1 July 2023.

Adam Wilson

Chief Executive Officer and Commission authorised signatory



.....

Date

22 June 2023

.....



The Essential Services Commission of South Australia
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au