



ENERGY & WATER
OMBUDSMAN SA

GPO Box 2947
Adelaide SA 5001

T 1800 665 565
F 1800 665 165

ABN 11 089 791 604

ewosa.com.au

Ms Lissa Arcoverde
Senior Manager, Policy
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

By email reviews@escosa.sa.gov.au

4 October 2023

Dear Ms Arcoverde,

**Submission to the Essential Services Commission of South Australia (Commission):
SA Water's Regulatory Business Plan**

The Energy and Water Ombudsman (SA) Limited (EWOSA) welcomes the opportunity to submit to the Commission on SA Water's Regulatory Business Plan (RBP).

EWOSA is the independent energy and water ombudsman scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

The submission provides some general comments on SA Water's RBP and specific comments on two initiatives not progressed in the 2024-28 regulatory period that are relevant to the operations of EWOSA: improving services for tenants and a rollout of smart meters. We also reiterate our suggestions on the service standards applying to SA Water that were provided in our submission to the Commission on the Water Retail Code and Monitoring and Evaluating Performance Framework.

While SA Water and the Commission may already be aware of this, it is important to note that Plan SA released updated population projections for South Australia in early August 2023 and that the next set of Australian Population Projections from the Australian Bureau of Statistics are scheduled to be released on November 23, 2023. We believe SA Water's projections of water demand and customer growth outlined in Chapter 5 of the RBP should be updated to reflect these at some stage during the regulatory determination process and ideally at a time that would enable further stakeholder feedback. This may have important implications for both capital and operating expenditure, the amount of revenue required by SA Water, as well as water and sewerage bills for customers.

To the extent that water demand and customer growth projections are not accurate, EWOSA supports the application of the "Demand variation adjustment mechanism" when appropriate. We also agree with SA Water's view that it and the other revenue adjustment mechanisms outlined in section 11.2 of the RBP are included in the Commission's determination for the 2024-28 regulatory period.

Regarding capital expenditure, EWOSA notes the deferral of around \$440 million spending from the current regulatory period to the 2024-28 regulatory period. We also note the rebasing increase in operating expenditure by just over \$30 million. While these influences will tend to raise the revenue required by SA Water and therefore water and sewerage bills for customers, we agree that they are necessary to ensure service standards are maintained.

EWOSA generally supports the prioritising of investments and expenditure to manage areas of highest risk and where capacity upgrades are most urgent, as well as to comply with statutory obligations and maintain existing customer service standard levels, given cost of living and affordability issues. Nevertheless, we have some comments on improving services for tenants and rolling out smart meters and these are provided below.

We also support the long-term expenditure approach taken by SA Water to ensure that investment spikes don't lead to bill shocks in future regulatory periods, as well as the intent to smooth price increases in the 2024-28 regulatory period.

While the 47 per cent increase in wastewater work activities in 2020-21, compared to budgeted for volumes, is a major concern, we support SA Water's preferred preventative maintenance approach to ensure that service standards are adhered to and to reduce the risk of further increases in reactive wastewater work activities in the future. We also agree with SA Water's intent to not seek to recover the extra expenses from this approach from regulated customers.

EWOSA notes that there are cost estimates for sourcing water from different water supply options, provided by the Water Services Association of Australia (Figure 8.3 on page 175 of the RBP). However, while there is a broad discussion of drinking water supply sources in Chapter 2, at no point does the RBP include a specific discussion or analysis of different approaches to sourcing water and how costs and revenue requirements would be impacted with different proportions of water sourced. This is particularly important when considering how much water requires pumping from the River Murray and the associated electricity costs. We believe that such a "portfolio management" analysis should be provided by SA Water and the share of each water supply source that is used for the RBP be made clear.

Initiatives Not Progressed in the 2024-28 Regulatory Period

Two initiatives considered by SA Water and their engagement processes, but not progressed for the 2024-28 regulatory period given the focus on complying with statutory obligations and maintaining existing customer service standard levels, that are relevant to the operations of EWOSA are:

- Improving services for tenants.
- Rolling out smart meters.

SA Water customers are property owners and landlords, creating numerous difficulties for tenants, including:

- Tenants are generally unable to access the free, fair and independent external dispute resolution services of EWOSA for any problems that they have with water. Only if they are provided with an Authority to Act by their landlord are they able to have a complaint resolved by EWOSA. The other circumstance in which tenants are able to lodge a complaint with EWOSA and have it resolved is if there is a water leak on the SA Water side of their water meter.
- Many tenants don't have visibility over their water and sewerage costs by not receiving or viewing bills, nor visibility over their water consumption and there is also the possibility of higher leakages at rented dwellings than would be the case if they did see their bills.
- Tenants are generally unable to access SA Water's hardship support and payment plans, which are primarily delivered through the Customer Assist Program.

These are important customer protections that are typically not afforded tenants in their access to and consumption of an essential service and represent major weaknesses in the regulatory environment.

In “Table 4-5: Customer research to inform specific projects”, on pages 97-99 of SA Water’s RBP, the “Key findings” associated with the “Tenants as customers” are a concern and are repeated here:

“Tenants felt they had a lack of visibility of water use, which was an issue when bills were high. This limited their ability to monitor and control consumption, and they felt they had no control over the water use information they received.

Three-quarters of tenants surveyed wanted the option to request extra time to pay their bill, 71 per cent wanted a payment plan option to spread the costs of high bills, and 68 per cent wanted to speak directly to SA Water for bill support.

Tenants felt that poorly maintained properties impacted their water bills, with unintended leaks leaving tenants out of pocket.

The majority of tenants (83 per cent) wanted to receive notifications for water supply interruptions, and 77 per cent said they would want alerts for progress on repairing faults.”

A direct relationship between SA Water and the consumer at each household would solve or at least ease these problems. Tenants would be billed directly and they would be able to access the external dispute resolution services of EWOSA. We understand that there needs to be changes to legislation, such as the *Water Industry Act 2012* and/or the *Residential Tenancies Act 1995*, to make this possible.

However, we also note that a switch to tenants getting billed could create problems in terms of the transition of cost allocations between landlords and tenants. Monitoring of the interaction between water bills and rents would most likely be required by a regulatory body, possibly the Australian Competition and Consumer Commission, to ensure that tenants weren’t being charged excessive rent and that landlords weren’t effectively double-dipping.

Another option, considered by SA Water and their engagement processes, would be to provide billing information for tenants. This is not being progressed in the 2024-28 regulatory period, due to concerns raised during the engagement process, the lack of support in the Willingness to Pay (WTP) survey and a focus by SA Water on statutory requirements, external obligations and maintaining existing service levels to account for affordability issues.

We believe the provision of billing information would help tenants, even though it would be unlikely to change their ability to access the external dispute resolution services of EWOSA. If there are no changes to the legislation referred to above and given that SA Water is modernising its billing systems over the next two regulatory periods, we urge SA Water to consider including the ability to provide billing information to renters in their billing system modernisation.

EWOSA is encouraged to see some consideration of a smart meter rollout by SA Water, but is disappointed that this has not been included in the capital expenditure for the 2024-28 regulatory period. Benefits from smart meters would include remote meter reading, which would reduce meter reading costs for SA Water, as well as reduce the number of complaints received by EWOSA associated with meter reading problems, improve customer service, provide customers with water consumption information which could improve water use efficiency and provide possible early indication of leaks.

We note that a roll out of smart meters was supported by SA Water’s WTP survey: “SA Water customers value rolling out smart meters across South Australia to replace manual meter reading. Customer WTP exceeds the potential bill impact of all proposals tested. The WTP estimates support an investment in providing 200,000 customers with smart meters by 2028”

(page 102, SA Water's RBP). We also note the small bill impact of a smart meter rollout of \$3.32 per year, as shown in Appendix 4.4 Willingness to Pay Survey.

Service Standards

EWOSA generally supports maintaining the current service standards applying to SA Water, with the minor adjustments proposed by SA Water in their RBP, such as accounting for travel times in regional areas and customer requests when responding to sewer overflows and providing wastewater cleanups, including in metropolitan areas.

However, EWOSA believes that two possible changes could be considered:

For Service Standard 5: Complaint Escalation, that the target be reduced from <15% to <10% for customer and community complaints escalated to EWOSA, following dissatisfaction with SA Water's complaint response. While this probably wouldn't have any material effect on the achievement of this target by SA Water, given that SA Water has achieved the existing target easily over the first three years of the 2020-24 regulatory period (7%, 6% and 6%), it would provide greater assurance to customers that their complaints are likely to be dealt with fairly and efficiently by SA Water.

For Service Standard 22: Sewer Overflow Clean-up Timeliness – Regional Areas, that the target be split into regional and remote areas, with different performance targets applying to both. Remote areas could be defined as those regions that are a significant distance from SA Water workshops. This would provide SA Water with a greater ability to meet the targets in a way that was still safe to their workers, the impacted customers and the broader community, without requiring unreasonable additional capital and operating expenses that would raise water and sewerage prices for all customers.

Thank you for consideration of this submission. Should you require further information or have any enquiries regarding this submission, please contact me at [REDACTED] or on [REDACTED]

Yours sincerely



Antony Clarke
Policy and Governance Lead