



## Fact Sheet



# SA Water Regulatory Determination 2016

## The Review

The Commission has commenced its review of SA Water's plans for delivering water and sewerage retail services for the four year regulatory period commencing 1 July 2016 (**SA Water Regulatory Determination 2016** or **SA Water RD 2016**).

Through SA Water RD 2016, the Commission will undertake an assessment of:

- the costs to make, produce or supply water and sewerage retail services
- the costs to comply with laws and regulatory requirements (including the consumer protections developed by the Commission and various environmental, public health, safety, technical and social policy obligations set by other regulators and government agencies)
- the return on assets in the regulated industry
- any relevant interstate and international benchmarks for prices, costs and return on assets in comparable industries, and
- the financial implications of its determination on SA Water.

The Commission's assessment will ensure that:

- wherever possible, the costs of regulation do not outweigh the benefits, and
- its decision takes into account and clearly articulates any trade-off between costs and service standards.

## Prudent and Efficient

The Commission assesses SA Water's expenditure proposals using 'prudent' and 'efficient' tests:

- The 'prudent' principle tests whether the benefits of the expenditure outweigh the costs: *Should the project be undertaken?*
- The 'efficiency' principle tests whether the proposed expenditure is the least-cost solution to achieve the intended outcome: *Have various options been*

*considered and has the option with the lowest overall long-term cost been chosen?*

SA Water RD 2016 will determine:

- consumer protections and service standards with performance targets for areas of water and sewerage retail services that SA Water's customers value, and
- the maximum amount of revenue that SA Water can recover from its customers to deliver water and sewerage retail services, in line with its statutory obligations, for the 2016-2020 regulatory period.

Once the Commission has determined the maximum revenue that SA Water will require to deliver water and sewerage retail services, SA Water will determine the prices to recover that revenue from its customers.

## Public Consultation

The Commission's review process allows the South Australian community to provide submissions on SA Water's proposals and the Commission's proposed decisions prior to a final decision being made.

## Stage 1 – Feedback on SA Water's Proposal

To commence the Commission's public consultation process, SA Water has prepared a Regulatory Business Proposal 2016. That proposal outlines SA Water's strategic direction, its response to the expectations of its customers and stakeholders, the levels of service it commits to provide and its view on the efficient expenditure and investment required to deliver that overall program.

Its proposal is available at <http://www.sawater.com.au/about-us/legislation-and-policies/regulation-of-sa-water/regulatory-business-proposal-2016-2020>.

While SA Water's proposal is an important submission for this review, the Commission needs to consider the broadest range of evidence available to it in reaching its decisions. This review is not simply about reviewing SA Water's proposal.

The Commission is seeking feedback on:

- the levels of service SA Water is proposing to provide
- SA Water's proposed investments to deliver long-term benefits to customers and the environment
- any of the other issues raised by SA Water in its proposal
- the consumer protections contained in *Water Retail Code-Major Retailers* and *Water Industry Rule 1- Excluded Retail Services*, or
- any other issues that stakeholders feel the Commission should take into account in its review.

In addition to seeking feedback from consumers, the Commission will also consult with other regulators and government agencies to ensure that SA Water's proposal is consistent with the obligations they have set.

## Stage 2 – Considering the Submission

This stage of the Commission's review focuses on considering the evidence and feedback provided by SA Water and other stakeholders.

## Stage 3 – Consultation on a Draft Determination

This stage of the Commission's review process allows stakeholders to comment on its proposed decisions, before a Final Determination is made.

Public consultation will occur for a minimum of six weeks, commencing in early February 2016.

## Stage 4 – Considering the Submissions

This stage of the Commission's review focuses on considering the evidence and feedback provided by stakeholders on the Draft Determination.

## Stage 5 – Explaining the Final Determination

This stage of the Commission's review is about communicating the reasons for the Final Determination.

### Timetable

DATE	ACTION
September 2015	SA Water submitted its Regulatory Business Proposal to the Commission.
September 2015 to October 2015	Interested parties are able to make submissions to the Commission on SA Water's Regulatory Business Proposal or other issues related to the water and sewerage retail services to be provided by SA Water in the four year period commencing 1 July 2016.
February 2016	The Commission will release its Draft Determination for public consultation.
February 2016 to March 2016	Interested parties will be able to make submissions to the Commission on the Draft Determination.
May 2016	The Commission will release its Final Determination.
July 2016	Implementation of SA Water RD 2016, which will include the setting of new water and sewerage service prices by SA Water, based on the maximum revenue allowable, as determined by the Commission.

### Further Information

Further details on SA Water RD 2016 are available at: <http://www.escosa.sa.gov.au/water-overview/retail-pricing/sa-water-price-determination-2016.aspx>. Any queries relating to this project should be directed to: Nathan Petrus Director, Consumer Protection and Pricing.

The Essential Services Commission of South Australia 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, please visit [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au).

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

Telephone: (08) 8463 4444 E-mail: [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au) Web: [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)