



Media Release

Customers to gain from cap on SA Water revenue

10 February 2016

South Australians could save around \$160 million on their water and sewerage bills over the next four years under new revenue caps proposed for SA Water.

The Essential Services Commission of South Australia (ESCOSA) today released for public consultation its draft Regulatory Determination for the period beginning 1 July 2016.

(This Media Release and an Executive Summary of the draft Regulatory Determination is available via the ESCOSA website www.escosa.sa.gov.au from 11.30am on 10/2/16)

After analysing a business proposal put forward by SA Water, ESCOSA has proposed reductions of 1% in drinking water revenue and 9% in sewerage service revenue in real annual average terms, resulting in a total revenue reduction of 3%.

"We estimate that under current market conditions these caps would deliver revenue reductions of around \$160 million dollars, which would be passed on to consumers through lower prices," said ESCOSA's Chairperson, Dr Patrick Walsh.

"Exactly how those price changes take effect will be up to SA Water. ESCOSA's role is only to set the total revenue limit, not to determine individual components."

The proposed saving, averaging \$40 million each year, will add to the ongoing \$50 million annual savings arising from the first regulatory determination in 2013. This will lead to annual revenue reductions of around \$90 million per annum for SA Water's customers, as compared with revenue outcomes in 2012, prior to the Commission commencing its independent regulatory role.

Submissions in response to the Draft Determination can be made until Thursday, 24 March 2016 via the ESCOSA website at www.escosa.sa.gov.au. The final Regulatory Determination will be released in June.

Dr Walsh said that ESCOSA was pleased with SA Water's response to incentives to transform its business operations and bring about customer savings.

"SA Water has generally met all service standards we set, its performance is now more transparent, and there is a much stronger customer focus," he said.

"The story here is the positive impact of regulation - which is driving SA Water to deliver business changes and efficiencies for customers over time, rather than trying to get short term wins at the expense of long-term and sustainable gains," he said.

"Even so, following its review, the Commission has found that SA Water should be able to make further expenditure savings over the next four years, compared to current outcomes."

This includes operation of the Adelaide Desalination Plant as a part of an overall optimised water supply portfolio.

The financial difference between running the plant in a 'minimum production' mode of no more than eight GL per annum (its maximum capacity is 100 GL per annum) and not running it at all is minimal (\$4 million per year if it is run versus approximately \$5 million per year in alternative water sourcing costs if it is not run). The Draft Determination therefore provides for - but does not require - the operation of the plant, at that level, over the coming four years.

SA Water also will be required to comply with a set of pricing principles in setting prices for recycled water and other retail services.

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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.

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