



# Price Determination

## SA Water's water and sewerage retail services: 2016-2020

Price Determination

1 July 2016

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# Table of contents

- 1 General..... 1
  - 1.1 Authority..... 1
  - 1.2 Application..... 1
  - 1.3 Term and commencement..... 1
  - 1.4 Revocation of previous determination..... 2
  - 1.5 Definitions and interpretation..... 2
  - 1.6 Revoking or altering decisions..... 4
  - 1.7 Modification of time periods ..... 4
  - 1.8 Reviews of decisions ..... 5
  - 1.9 Collection of information..... 6
  - 1.10 Forecasts and estimates ..... 6
- 2 Revenue Regulation of Drinking Water Retail Services and Sewerage Retail Services..... 7
  - 2.1 Drinking water and sewerage retail services revenue control ..... 7
  - 2.2 Maximum drinking water retail services revenues ..... 7
  - 2.3 Drinking water retail services revenue adjustment mechanism..... 7
  - 2.4 Calculation of present values of drinking water retail services revenues ..... 8
  - 2.5 Drinking water retail services revenue adjustment statement..... 9
  - 2.6 Maximum sewerage retail services revenues..... 9
  - 2.7 Sewerage retail services revenue adjustment mechanism ..... 9
  - 2.8 Calculation of present values of sewerage retail service revenue..... 10
  - 2.9 Sewerage retail services revenue adjustment statement ..... 11
  - 2.10 Pass through revenue variation adjustment mechanism ..... 11
  - 2.11 River Murray Water Licence adjustment mechanism..... 12
- 3 Price Regulation of Recycled Water Retail Services..... 14
  - 3.1 Price control for recycled water retail services..... 14
  - 3.2 Pricing justification for recycled water retail services..... 14
  - 3.3 Publication obligations in respect of recycled water retail services ..... 15
- 4 Price Regulation of Excluded Retail Services..... 16
  - 4.1 Price control for excluded retail services..... 16
  - 4.2 Pricing justification for excluded retail services..... 16
  - 4.3 Publication obligations in respect of excluded retail services..... 17
- 5 Forecast Schedule..... 18
  - 5.1 Forecast demand..... 18

# 1 General

## 1.1 Authority

- 1.1.1 This price determination is made by the Commission:
- (a) pursuant to the price determination powers under the Essential Services Commission Act 2002, as authorised by section 35(1) of the Water Industry Act 2012, and
  - (b) in accordance with the requirements of the Pricing Orders issued under, section 35(4) of the Water Industry Act 2012.

## 1.2 Application

- 1.2.1 This price determination applies to SA Water and:
- (a) regulates the total revenues which SA Water may recover from the sale and supply of drinking water retail services and sewerage retail services during the regulatory period
  - (b) establishes mechanisms for adjusting revenues under a subsequent price determination to account for:
    - (i) material variances in drinking water retail service demand during the regulatory period as compared with the forecasts assumed in this price determination
    - (ii) material variances in sewerage retail service connections during the regulatory period as compared with the forecasts assumed in this price determination
    - (iii) the occurrence of material changes in costs incurred by SA Water, in respect of the sale and supply of drinking water retail services or sewerage retail services, arising from pass through events (as the Commission determines appropriate) during the regulatory period, and
    - (iv) any revenue earned by SA Water in connection with the temporary leasing of a River Murray Water Licence, and
  - (c) regulates the manner in which SA Water must set prices for:
    - (i) recycled water retail services, and
    - (ii) excluded retail services.

## 1.3 Term and commencement

- 1.3.1 This price determination applies for the period 1 July 2016 to 30 June 2020.
- 1.3.2 Nothing in clause 1.3.1 affects the operation of any provision of this price determination that requires something to be done before 1 July 2016.

## 1.4 Revocation of previous determination

- 1.4.1 Pursuant to section 26(8) of the Essential Services Commission Act 2002, on and from 1 July 2016, this price determination revokes the previous determination made by the Commission under section 35(1) of the Water Industry Act 2012.
- 1.4.2 Nothing in this price determination affects anything done or omitted to be done or rights or obligations accrued under the previous determination made by the Commission under section 35(1) of the Water Industry Act 2012.

## 1.5 Definitions and interpretation

- 1.5.1 Where a term used in this price determination is defined in the Water Industry Act 2012, it has the meaning given in that Act.
- 1.5.2 Subject to clause 1.5.1, in this price determination, unless the contrary intention appears:

**business day** means any day apart from a Saturday, Sunday or public holiday in South Australia (within the meaning of the Acts Interpretation Act 1915).

**change in legal obligation event** means the occurrence of an event under which a new and legally binding obligation is placed on SA Water which has a material impact on the cost of provision of a drinking water retail service or a sewerage retail service during the regulatory period.

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

**drinking water retail service** means a retail service constituted by the sale and supply of water of a quality fit for human consumption, but does not include an excluded retail service.

**excluded retail services** means:

- (a) standard and non-standard connection services (including developer services)
- (b) trade waste services
- (c) non-domestic hauled waste services
- (d) easement extinguishment and encumbrance services
- (e) hydrant and fire plug services
- (f) meter services, or
- (g) network analysis and audit services.

**extraordinary event** means an event the occurrence of which:

- (a) was unforeseen or, if foreseen, the timing and impacts of which could not be quantified at the time that this price determination was made
- (b) was or is (as the case may be) beyond the control of SA Water (acting prudently and efficiently), and

- (c) has or will have (as the case may be) a material impact on the cost of provision of a drinking water retail service or a sewerage retail service during the regulatory period.

**Pricing Order** means any pricing order issued by the Treasurer under section 35(4) of the Water Industry Act 2012.

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

**pass through event** means each of:

- (a) a change in legal obligation event; and
- (b) an extraordinary event.

**recycled water retail services** means the sale and supply of water which has been generated from sewage, greywater or stormwater and treated to a standard that is appropriate for its intended use.

**regulatory period** means the period 1 July 2016 to 30 June 2020.

**regulatory year** means each 12-month period commencing 1 July during the regulatory period.

**River Murray Water Licence** means a licence granted to SA Water under the Natural Resources Management Act 2004 for the purposes of extracting water from the River Murray.

**SA Water** means the South Australian Water Corporation established under the South Australian Water Corporation Act 1994.

**sewerage retail service** means the sale and supply of sewerage services for the removal of sewage, but does not include an excluded retail service.

**subsequent price determination** means any price determination made by the Commission pursuant to the Essential Services Commission Act 2002 for the purposes of section 35 of the Water Industry Act 2012 to apply for the subsequent regulatory period.

**subsequent regulatory period** means the operational period of any price determination made by Commission to take effect from 1 July 2020 for the purposes of section 35 of the Water Industry Act 2012.

1.5.3 This price 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 price 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.

## 1.6 Revoking or altering decisions

- 1.6.1 If the Commission has made a decision under this price determination and it subsequently becomes aware that the decision was made on the basis of information provided to the Commission that was false or misleading in a material particular, then the Commission may:
- (a) revoke that decision and substitute a new decision, or
  - (b) alter that decision.
- 1.6.2 If the Commission revokes and substitutes a new decision or alters a decision under clause 1.6.1 (as the case may be), that new or altered decision takes effect on the date specified by the Commission in a written notice.
- 1.6.3 A new or altered decision made under this clause will only differ from the original decision to the extent necessary to correct for:
- (a) the false or misleading information on which the original decision was based, and
  - (b) the application of the original decision during the period in respect of which that decision was in effect.

## 1.7 Modification of time periods

- 1.7.1 The Commission may, by written notice, extend the time by or within which anything required to be done pursuant to this price determination must be done.
- 1.7.2 If the Commission makes a request for information for the purposes of making a decision or exercising any of its powers under this price determination, any time period within which the Commission is required to make a decision, notify any person or exercise any of its powers under this price determination:
- (a) stops running on the date the request is made; and

- (b) starts to run again on the date that the Commission notifies SA Water in writing that the Commission is satisfied that the requested information has been provided.
- 1.7.3 If the Commission makes a request for information under clause 1.7.2, it will notify SA Water:
  - (a) as soon as practicable after the request for information has been made, of the date the relevant time period stopped running; and
  - (b) as soon as practicable after the Commission has determined that any information received satisfies the request for information, of the date the relevant time period started to run again.

## 1.8 Reviews of decisions

- 1.8.1 SA Water may make an application to the Commission for a review of a decision made, or deemed to have been made, under this price determination.
- 1.8.2 The only grounds for a review under this clause 1.8 are that a decision made, or deemed to have been made, under this price determination:
  - (a) was not made in accordance with the requirements of this price determination
  - (b) is unreasonable having regard to all the relevant circumstances, or
  - (c) is based wholly or partly on an error of fact in a material respect.
- 1.8.3 An application for a review of a decision must:
  - (a) be in writing
  - (b) set out the decision made, or deemed to have been made, under this price determination to which the application relates
  - (c) set out in detail the grounds on which SA Water seeks review and the decision sought on the review
  - (d) be accompanied by any information that SA Water considers should be taken into account by the Commission in the review, and
  - (e) be lodged with the Commission within 10 business days after the decision made, or deemed to have been made, under this price determination, is published.
- 1.8.4 The Commission will not review a decision made, or deemed to have been made, under this price determination, where it determines that:
  - (a) the application for review is vexatious, or
  - (b) the subject matter of the application is trivial, misconceived or lacking in substance.
- 1.8.5 If an application is made for a review of a decision made, or deemed to have been made, under this price determination, the Commission:
  - (a) will publish a copy of the application on its website, and



- (b) may invite submissions on the matter the subject of the review in a manner and within a period specified by the Commission.
- 1.8.6 A review will be determined within 6 weeks of the application being lodged with the Commission.
- 1.8.7 Subject to clause 1.7.1, if a review is not determined within that period, the Commission will be taken to have confirmed the decision made, or deemed to have been made, under this price determination on the same grounds on which the original decision was made.
- 1.8.8 After considering the application, the Commission may confirm, vary or substitute the decision.
- 1.8.9 The Commission will give SA Water and any other person who provides a submission to the review written notice of the Commission's decision under clause 1.8.8 and the reasons for that decision.
- 1.8.10 A decision of the Commission made under clause 1.8.8 may not be the subject of a subsequent application for review under this clause 1.8.

## **1.9 Collection of information**

- 1.9.1 The Commission may request any information from SA Water to determine SA Water's compliance with the requirements of this price determination or in relation to the provision of drinking water retail services, sewerage retail services, recycled water services or excluded retail services provided by SA Water.
- 1.9.2 Any information required to be provided by SA Water under, or in accordance with, this price determination may be required (and utilised) by the Commission in accordance with Part 5 of the Essential Services Commission Act 2002.

## **1.10 Forecasts and estimates**

- 1.10.1 For the purposes of statements provided by SA Water under this price determination, all:
  - (a) forecasts of demand and revenue for the regulatory period must be based on the best forecasts available at the time the statement is prepared, and
  - (b) estimates of demand and revenue for the regulatory period must be based on the actual results available for the regulatory period at the time the statement is prepared and the best forecasts available for the remainder of the regulatory period.

## 2 Revenue Regulation of Drinking Water Retail Services and Sewerage Retail Services

### 2.1 Drinking water and sewerage retail services revenue control

- 2.1.1 Clauses 2.2 to 2.11 (inclusive) establish:
- (a) for the purposes of clause 3.3 of the Pricing Order issued on 2 September 2014, a separate total revenue control for drinking water retail services and sewerage retail services respectively
  - (b) for the purposes of clause 3.5 of the Pricing Order issued on 2 September 2014, a demand variation revenue adjustment mechanism
  - (c) for the purposes of clause 3.6 of the Pricing Order issued on 2 September 2014, a pass through revenue adjustment mechanism, and
  - (d) an adjustment mechanism to net off any revenue earned by SA Water associated with the temporary leasing of its River Murray Water Licences.
- 2.1.2 The outcomes of the schemes referred to in clauses 2.1.1(a) to (d) will, in combination, be used in determining any revenue adjustment amount to be incorporated into a subsequent price determination for drinking water retail services and sewerage retail services provided by SA Water (as the case may be).

### 2.2 Maximum drinking water retail services revenues

- 2.2.1 In setting drinking water retail services prices to apply during the regulatory period, SA Water must ensure that drinking water retail services revenues during the regulatory period do not, subject to clause 2.2.2, exceed \$2,841.3 million (present value at 1 July 2016, in dollars of December 2014).
- 2.2.2 Where actual drinking water retail services demand exceeds forecast drinking water retail services demand, SA Water may recover drinking water retail services revenues in excess of the maximum drinking water retail services revenues specified in clause 2.2.1, in the amount calculated under clause 2.3.2 as the revenue adjustment amount ( $RA_D$ ).

### 2.3 Drinking water retail services revenue adjustment mechanism

- 2.3.1 Prior to the commencement of the subsequent regulatory period, the Commission will calculate a drinking water retail services revenue adjustment amount ( $RA_D$ ), which will be subtracted from the maximum drinking water retail services revenues determined as part of the subsequent price determination.
- 2.3.2  $RA_D$  will be calculated as follows (and expressed as a present value at 1 July 2016, in dollars of December 2014):
- $$RA_D = V_D + R_D, \text{ where}$$
- (a)  $V_D$  (expressed as a present value at 1 July 2016, in dollars of December 2014) is the drinking water demand variation revenue adjustment and equals:

- (i)  $0.5*(A_D - N_D)$ , where  $A_D$  differs from  $N_D$  by one percent or more
  - (ii) zero, where  $A_D$  differs from  $N_D$  by less than one percent
- (b)  $R_D$  (expressed as a present value at 1 July 2016, in dollars of December 2014) is the revenue adjustment that arises if actual drinking water retail services revenue during the regulatory period exceeds the maximum drinking water retail services revenue as specified in clause 2.2.1 other than as a result of a demand variation and equals the maximum of  $(N_D - M_D)$  and zero.
  - (c)  $A_D$  (expressed as a present value at 1 July 2016, in dollars of December 2014) is the actual drinking water retail services revenue received during the regulatory period.
  - (d)  $N_D$  (expressed as a present value at 1 July 2016, in dollars of December 2014) is the notional drinking water retail services revenue that would have been received during the regulatory period if actual drinking water retail services prices applied by SA Water during the regulatory period were applied to forecast drinking water retail services demand as specified in the Forecast Schedule in Part 5 of this determination.
  - (e)  $M_D$  is the maximum drinking water retail services revenues for the regulatory period, as specified in clause 2.2.1.

2.3.3 For the purposes of clause 2.2 and clause 2.3:

- (a) actual drinking water retail services demand is drinking water retail services demand to be submitted by SA Water by 30 April 2020 based on actual drinking water retail services demand up to 31 December 2019 and SA Water's best estimate of drinking water retail services demand for the period 1 January 2020 to 30 June 2020.
- (b) actual drinking water retail services revenue is drinking water retail services revenue to be submitted by SA Water by 30 April 2020 based on actual drinking water retail services revenue up to 31 December 2019 and SA Water's best estimate of drinking water retail services revenue for the period 1 January 2020 to 30 June 2020.

## 2.4 Calculation of present values of drinking water retail services revenues

2.4.1 In calculating the present value of revenues under clause 2.2 and clause 2.3, the Commission will apply the following discount factors in the following manner:

- (a) for the 2016-17 regulatory year, actual drinking water retail services revenues (in dollars of December 2014) will be multiplied by 0.97590
- (b) for the 2017-18 regulatory year, actual drinking water retail services revenues (in dollars of December 2014) will be multiplied by 0.93032
- (c) for the 2018-19 regulatory year, actual drinking water retail services revenues (in dollars of December 2014) will be multiplied by 0.88911, and
- (d) for the 2019-20 regulatory year, estimated drinking water retail services revenues (in dollars of December 2014) will be multiplied by 0.85188.

- 2.4.2 In calculating the present value of drinking water retail services revenues under clause 2.2 and clause 2.3, the Commission will deflate actual drinking water retail services revenues in each regulatory year to revenues in dollars of December 2014 using the change in March to March Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australia Bureau of Statistics for each relevant year, as a proxy for the December to December change in Consumer Price Index in that calendar year.

## 2.5 Drinking water retail services revenue adjustment statement

- 2.5.1 By a date and in a manner and form specified by the Commission in writing, SA Water must submit to the Commission a drinking water retail services revenue adjustment statement in relation to the regulatory period, which must include (without limitation):
- (a) actual revenues attributable to the sale and supply of drinking water retail services for each regulatory year during the period 1 July 2016 to 30 June 2019
  - (b) estimated revenues attributable to the sale and supply of drinking water retail services for the period 1 July 2019 to 30 June 2020
  - (c) actual demand for drinking water retail services for each regulatory year during the period 1 July 2016 to 30 June 2019, and
  - (d) estimated demand for drinking water retail services for the period 1 July 2019 to 30 June 2020.

## 2.6 Maximum sewerage retail services revenues

- 2.6.1 In setting sewerage retail services prices to apply during the regulatory period, SA Water must ensure that sewerage retail services revenues during the regulatory period do not exceed \$1,188.1 million (present value at 1 July 2016, in dollars of December 2014), subject to clause 2.6.2.
- 2.6.2 Where actual sewerage retail services connections exceed forecast sewerage retail services connections, SA Water may recover sewerage retail services revenues in excess of the maximum sewerage retail services revenues specified in clause 2.6.1, in the amount calculated under clause 2.7.2 as the revenue adjustment amount (RA<sub>S</sub>).

## 2.7 Sewerage retail services revenue adjustment mechanism

- 2.7.1 Prior to the commencement of the subsequent regulatory period, the Commission will calculate a sewerage retail services revenue adjustment amount (RA<sub>S</sub>), which will be subtracted from the maximum sewerage retail services revenues determined as part of the subsequent price determination.
- 2.7.2 RA<sub>S</sub> will be calculated as follows (and expressed as a present value at 1 July 2016, in dollars of December 2014):
- RA<sub>S</sub> = V<sub>S</sub> + R<sub>S</sub>, where
- (a) V<sub>S</sub> (expressed as a present value at 1 July 2016, in dollars of December 2014) is the sewerage demand variation revenue adjustment and equals:

- (i)  $0.5*(A_S - N_S)$ , where  $A_S$  differs from  $N_S$  by one percent or more
  - (ii) zero, where  $A_S$  differs from  $N_S$  by less than one percent
- (b)  $R_S$  (expressed as a present value at 1 July 2016, in dollars of December 2014) is the revenue adjustment that arises if actual sewerage retail services revenue during the regulatory period exceeds the maximum sewerage retail services revenue as specified in clause 2.6.1, other than as a result of a demand variation and equals the maximum of  $(N_S - M_S)$  and zero.
  - (c)  $A_S$  (expressed as a present value at 1 July 2016, in dollars of December 2014) is the actual sewerage retail services revenue received during the regulatory period.
  - (d)  $N_S$  (expressed as a present value at 1 July 2016, in dollars of December 2014) is the notional sewerage retail services revenue that would have been received during the regulatory period if actual sewerage retail services prices applied by SA Water during the regulatory period were applied to forecast sewerage retail services connections as specified in the Forecast Schedule in Part 5 of this determination.
  - (e)  $M_S$  is the maximum sewerage retail services revenues for the regulatory period, as specified in clause 2.6.1.

2.7.3 For the purposes of clause 2.6 and clause 2.7:

- (a) actual sewerage retail services connections is the number of sewerage retail services connections to be submitted by SA Water by 30 April 2020 based on actual sewerage retail services connections up to 31 December 2019 and SA Water's best estimate of sewerage retail services connections for the period 1 January 2020 to 30 June 2020.
- (b) actual sewerage retail services revenue is sewerage retail services revenue to be submitted by SA Water by 30 April 2020 based on actual sewerage retail services revenue up to 31 December 2019 and SA Water's best estimate of sewerage retail services revenue for the period 1 January 2020 to 30 June 2020.

## 2.8 Calculation of present values of sewerage retail service revenue

2.8.1 In calculating the present value of revenues under clause 2.6 and clause 2.7, the Commission will apply the following discount factors in the following manner:

- (a) for the 2016-17 regulatory year, actual sewerage retail services revenues (in dollars of December 2014) will be multiplied by 0.97590
- (b) for the 2017-18 regulatory year, actual sewerage retail services revenues (in dollars of December 2014) will be multiplied by 0.93032
- (c) for the 2018-19 regulatory year, actual sewerage retail services revenues (in dollars of December 2014) will be multiplied by 0.88911, and
- (d) for the 2019-20 regulatory year, estimated sewerage retail services revenues (in dollars of December 2014) will be multiplied by 0.85188.

- 2.8.2 In calculating the present value of sewerage retail services revenues under clause 2.6 and clause 2.7, the Commission will deflate actual sewerage retail services revenues in each regulatory year to revenues in dollars of December 2014 using the change in March to March Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australia Bureau of Statistics for each relevant year, as a proxy for the December to December change in Consumer Price Index in that calendar year.

## **2.9 Sewerage retail services revenue adjustment statement**

- 2.9.1 By a date and in a manner and form specified by the Commission in writing, SA Water must submit to the Commission a sewerage retail services revenue adjustment statement in relation to the regulatory period, which must include (without limitation):
- (a) actual revenues attributable to the sale and supply of sewerage retail services for each regulatory year during the period 1 July 2016 to 30 June 2019
  - (b) estimated revenues attributable to the sale and supply of sewerage retail services for the period 1 July 2019 to 30 June 2020
  - (c) actual demand for sewerage retail services for each regulatory year during the period 1 July 2016 to 30 June 2019, and
  - (d) estimated demand for sewerage retail services for the period 1 July 2019 to 30 June 2020.

## **2.10 Pass through revenue variation adjustment mechanism**

- 2.10.1 By a date and in a manner and form specified by the Commission in writing, SA Water must submit to the Commission a pass through event revenue adjustment statement, setting out any revenue amounts which SA Water claims are attributable to the occurrence of a pass through event and for which SA Water seeks a revenue adjustment to a subsequent price determination.
- 2.10.2 A pass through event revenue adjustment statement submitted under clause 2.10.1 must include (without limitation):
- (a) details of the claimed pass through event (including identification of the retail service or retail services affected by the event)
  - (b) the date on which SA Water claims the pass through event took place
  - (c) the best estimates of the financial impacts of the pass through event on the provision of the relevant retail services by SA Water
  - (d) the reasons why the financial impacts of the pass through event are considered material
  - (e) the reasons why the financial impacts of the pass through event could not otherwise have been controlled or substantially mitigated by SA Water (acting prudently and efficiently)
  - (f) the revenue amount that SA Water proposes is incorporated within a subsequent price determination, and

- (g) the basis on and period over which SA Water proposes to apply the pass through revenue amount within the subsequent price determination.
- 2.10.3 In respect of a pass through event revenue adjustment statement submitted under clause 2.10.1 the Commission will determine whether or not:
- (a) the proposed pass through event has occurred
  - (b) the financial impacts of the pass through event are material, and
  - (c) the pass through event could not otherwise have been controlled or substantially mitigated by SA Water (acting prudently and efficiently).
- 2.10.4 If the Commission determines:
- (a) in respect of a pass through event revenue adjustment statement submitted under clause 2.10.1, that each of the criteria specified in clause 2.10.3 are satisfied, or
  - (b) where a pass through event revenue adjustment statement is not submitted by SA Water in respect of a pass through event, that:
    - (i) a pass through event has occurred, and
    - (ii) each of the criteria specified in clause 2.10.3 are satisfied,
- then it will determine a pass through event revenue amount (including the time cost of money to be applied) to be incorporated into a subsequent price determination.

## 2.11 River Murray Water Licence adjustment mechanism

- 2.11.1 By a date and in a manner and form specified by the Commission in writing, SA Water must submit to the Commission a River Murray Water Licence revenue adjustment statement, setting out any revenue amounts it has earned which are attributable to the temporary leasing of a River Murray Water Licence during the regulatory period, to be incorporated into a subsequent price determination.
- 2.11.2 A River Murray Water Licence revenue adjustment statement submitted under clause 2.11.1 must include (without limitation):
- (a) for any River Murray Water Licence leased by SA Water:
    - (i) the associated volume of water leased
    - (ii) the date of lease
    - (iii) the cost incurred by SA Water relating to the lease, and
    - (iv) the price obtained.
  - (b) information which demonstrates that the leasing of a River Murray Water Licence over the regulatory period was prudent and efficient, and
  - (c) information that demonstrates SA Water received an appropriate market price for any River Murray Water Licence it leased.
- 2.11.3 In respect of a River Murray Water Licence revenue adjustment statement submitted under clause 2.11.1, the Commission will determine:

- (a) whether or not the decision by SA Water to lease a River Murray Water Licence was prudent and efficient,
- (b) whether or not the costs incurred by SA Water as a result of the lease were prudent and efficient, and
- (c) whether or not the price obtained represents an appropriate market price,

and, subject to those determinations, may determine a River Murray Water Licence revenue adjustment amount to be incorporated into a subsequent price determination to reflect revenue earned (or, if necessary, taken to be earned according to appropriate market prices) on account of the relevant lease or leases, less the prudent and efficient lease costs.



## 3 Price Regulation of Recycled Water Retail Services

### 3.1 Price control for recycled water retail services

- 3.1.1 In setting prices for recycled water retail services for each regulatory year, SA Water must comply with the following NWI pricing principles for recycled water and stormwater use:
- (a) Principle 1: Flexible regulation
  - (b) Principle 2: Cost allocation
  - (c) Principle 3: Water usage charge
  - (d) Principle 4: Substitutes
  - (e) Principle 5: Differential pricing
  - (f) Principle 6: Integrated water resource planning
  - (g) Principle 7: Cost recovery
  - (h) Principle 8: Transparency, and
  - (i) Principle 9: Gradual approach.
- 3.1.2 In addition to the matters specified under clause 3.1.1, in setting prices for recycled water retail services for each regulatory year, SA Water 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 recycled water retail services.

### 3.2 Pricing justification for recycled water retail services

- 3.2.1 By a date and in a manner and form specified by the Commission in writing, SA Water must prepare a pricing statement in respect of each regulatory year, containing at least the following matters:
- (a) a pricing schedule, setting out the prices which SA Water will charge customers for the sale and supply of recycled water retail services for that regulatory year, and
  - (b) a pricing policy statement which demonstrates the manner in which the prices that SA Water will charge customers for the sale and supply of recycled water retail services for that regulatory year meet the requirements of clause 3.1.
- 3.2.2 SA Water must prepare the pricing statement required under clause 3.2.1 in respect of the 2016-2017 regulatory year (and provide a copy of that pricing statement to the Commission) as soon as practicable after a copy of this price determination is sent to SA Water under section 26(3)(a) of the Water Industry Act 2002 (and in any event before 1 July 2016 and without the need for the Commission to specify a date under clause 3.2.1).

### 3.3 Publication obligations in respect of recycled water retail services

- 3.3.1 In respect of each pricing statement prepared under clause 3.2.1, SA Water must:
- (a) provide a copy of that pricing statement to the Commission
  - (b) publish a copy of that pricing statement on its website, in a prominent and readily accessible position, and
  - (c) provide a copy (free of charge) to a customer on request (provided that SA Water may charge for the provision of a copy of the pricing statement upon a second or subsequent request by the same customer within the period of that regulatory year).

## 4 Price Regulation of Excluded Retail Services

### 4.1 Price control for excluded retail services

- 4.1.1 In setting prices for excluded retail services for each regulatory year, SA Water must comply with the following NWI pricing principles:
- (a) Principle 1 for the Recovery of Capital Expenditure: Cost recovery for new capital expenditure
  - (b) Principle 7 for Urban Water Tariffs: Differential water charges
  - (c) Principle 8 for Urban Water Tariffs: Setting developer charges
  - (d) Principle 9 for Urban Water Tariffs: Capping developer charges, and
  - (e) Principle 10 for Urban Water Tariffs: Revenue from developer charges.
- 4.1.2 In addition to the requirements of clause 4.1.1:
- (a) where an excluded retail service is provided for the sole benefit of one customer, that customer should pay the full efficient cost of the service and other customers should not be required to contribute to the cost of the service
  - (b) where an excluded retail service is provided to a distinct group of customers, the prices charged to those customers should reflect:
    - (i) the incremental cost of supply of that excluded retail service to those customers, and
    - (ii) a reasonable allocation of the fixed costs of providing that excluded retail service, and
  - (c) prices should reflect the efficient cost of provision of the relevant excluded retail service, provided that in circumstances where the cost of implementing differentiated prices to different customers is more likely than not to outweigh the benefits, undifferentiated prices may be implemented.
- 4.1.3 In addition to the matters specified under clause 4.1.1, 4.1.2 and clause 4.2.4, in setting prices for excluded retail services for each regulatory year, SA Water 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 excluded retail services.

### 4.2 Pricing justification for excluded retail services

- 4.2.1 By a date and in a manner and form specified by the Commission in writing, SA Water must prepare a pricing statement in respect of each regulatory year, containing at least the following matters:
- (a) a pricing schedule, setting out the prices which SA Water will charge customers for the sale and supply of excluded retail services for that regulatory year, and
  - (b) a pricing policy statement which demonstrates the manner in which the prices that SA Water will charge customers for the sale and supply of

excluded retail services for that regulatory year meet the requirements of clause 4.1.

- 4.2.2 Clause 4.2.1(a) does not apply in respect of an excluded retail service that is of a nature which precludes SA Water (acting reasonably and in good faith) from publishing the relevant prices or unit prices in advance of a request from a customer for the provision of the particular excluded retail service.
- 4.2.3 SA Water must prepare the pricing statement required under clause 4.2.1 in respect of the 2016-2017 regulatory year (and provide a copy of that pricing statement to the Commission) as soon as practicable after a copy of this price determination is sent to SA Water under section 26(3)(a) of the Water Industry Act 2002 (and in any event before 1 July 2016 and without the need for the Commission to specify a date under clause 4.2.1).
- 4.2.4 SA Water must, at the request of a customer, provide credible, evidence-based and transparent information as to how the costs and prices for excluded retail services have been calculated, derived and applied.

### **4.3 Publication obligations in respect of excluded retail services**

- 4.3.1 In respect of each pricing statement prepared under clause 4.2.1, SA Water must:
  - (a) provide a copy of that pricing statement to the Commission
  - (b) publish a copy of that pricing statement on its website, in a prominent and readily accessible position, and
  - (c) provide a copy (free of charge) to a customer on request (provided that SA Water may charge for the provision of a copy of the pricing statement following any second or subsequent request by the same customer within the period of that regulatory year).

## 5 Forecast Schedule

### 5.1 Forecast demand

5.1.1 For the purposes of clause 2.3 of this price determination, the forecast level of drinking water retail service demand in each regulatory year is as follows:

	2016-17	2017-18	2018-19	2019-20
Total (GL)	190.1	191.4	192.9	194.5

5.1.2 For the purposes of clause 2.7 of this price determination, the forecast level of sewerage retail service demand (expressed in number of connections) in each regulatory year is as follows:

	2016-17	2017-18	2018-19	2019-20
Total (connections as at 31 December each year)	597,345	604,513	611,767	619,109



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