

# SIMPLIFYING ANNUAL REPORTING REQUIREMENTS FOR MINOR AND INTERMEDIATE RETAILERS

*Draft Decision*

May 2015



## REQUEST FOR SUBMISSIONS

The Essential Services Commission of SA (**the Commission**) invites written submissions from members of the community on this paper. Written comments should be provided by **19 June 2015**.

It is the Commission's policy to make all submissions publicly available via its website ([www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)), except where a submission either wholly or partly contains confidential or commercially sensitive information provided on a confidential basis and appropriate prior notice has been given.

The Commission may also exercise its discretion not to publish any submission based on length or content (for example containing material that is defamatory, offensive or in breach of any law).

Responses to this paper should be directed to:

### **Simplifying Annual Reporting Requirements for Minor and Intermediate Retailers – Draft Decision**

It is preferred that submissions are sent electronically to:  
**[escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au)**

Alternatively, submissions can be sent 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: [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au)  
Website: [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

**Contact Officer:** Richard Webster

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)

# TABLE OF CONTENTS

- Glossary of Terms \_\_\_\_\_ ii
- 1. Introduction \_\_\_\_\_ 1
  - 1.1 Purpose of this Draft Decision \_\_\_\_\_ 1
  - 1.2 The Commission’s role in water and sewerage service regulation \_\_\_\_\_ 1
  - 1.3 Reporting requirements for Minor and Intermediate Retailers \_\_\_\_\_ 2
- 2. Proposed Amendments \_\_\_\_\_ 3
  - 2.1 Price monitoring reports - submission date extension \_\_\_\_\_ 4
  - 2.2 Pricing Policy Questionnaire simplifications \_\_\_\_\_ 4
  - 2.3 Sign-off requirements simplification \_\_\_\_\_ 5
- 3. Next Steps \_\_\_\_\_ 6

## GLOSSARY OF TERMS

<b>Commission</b>	Essential Services Commission of South Australia
<b>Guideline No. 1</b>	Compliance Systems and Reporting, Water Industry Guideline No. 1 (WG1/02)
<b>Guideline No. 3</b>	Water Regulatory Information Requirements, Water Industry Guideline No. 3 for Minor and Intermediate Retailers (WG3/03)
<b>Price Determination</b>	means the a price determination made by the Commission under the WI Act and Part 3 of the ESC Act
<b>Retailers</b>	means the holder of a licence issued by the Commission under Part 4 the <i>Water Industry Act 2012 (SA)</i>

# 1. INTRODUCTION

## 1.1 Purpose of this Draft Decision

The Essential Services Commission of South Australia (**Commission**) is seeking comment from all interested parties on draft changes to the reporting requirements for Minor and Intermediate Retailers (**Retailers**). The proposed changes aim to reduce red tape and address matters raised by stakeholders by:

- Simplifying and aligning the sign-off requirements for all annual reporting to the Commission.
- Streamlining the price monitoring reporting requirements relating to compliance with the pricing principles.

Retailer reporting requirements are contained in the following Commission documents:

- *Water Industry Guideline No. 1 – Compliance Systems and Reporting* (**Guideline No. 1**).
- *Water Industry Guideline No. 3 – Water Regulatory Information Requirements for Minor and Intermediate Retailers* (**Guideline No. 3**).
- *Price Determination for Minor and Intermediate Retailers* (**Price Determination**).

## 1.2 The Commission's role in water and sewerage service regulation

Under the *Water Industry Act 2012*, the Commission is responsible for the economic regulation of water and sewerage services. The Act applies to all water and sewerage service retailing operations, regardless of the number of customers to whom those services are provided. This includes services provided by SA Water, Local Government and private operators. Our role includes licensing, consumer protection, performance monitoring, compliance and retail pricing matters.

The regulatory regime is twofold: a Price Determination which guides the cost of water and sewerage retail services; and a consumer protection framework which sets minimum levels of service. In administering the regulatory framework, the Commission:

- seeks sustainable prices, rather than the lowest short-term prices possible, to ensure that regulated businesses have sufficient funds to invest and operate to ensure continuity in the supply of essential services.
- establishes consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices. Overall, we seek to play our part in improving the productivity of the South Australian economy.
- keeps regulated businesses accountable by monitoring and reporting on service standards and regulatory requirements.

### *1.2.1 Performance Monitoring for Minor and Intermediate Retailers*

For Minor and Intermediate Retailers performance monitoring focuses on:

- whether retailer prices reflect the full, efficient costs of service provision, to ensure customers pay a fair price and the service is financially sustainable.
- customer service and reliability of supply metrics to highlight systemic issues that are impacting on the quality and reliability of supply for customers.
- that retailers are providing appropriate financial assistance and consumer protection, as required by the Water Retail Code.

A minor retailer means a retailer which provides retail services to 500 or fewer connections.

An intermediate retailer means a retailer which provides retail services to more than 500 but less than 50,000 connections.

A retail service is the sale and supply of water to a person for use through a reticulated system, or the sale and supply of sewerage services for the removal of sewage.

## 2. PROPOSED AMENDMENTS

In summary, the proposed amendments are to:

- Extend the submission date for the price monitoring reports in Guideline No. 3 to 30 November.
- Simplify the Pricing Policy Questionnaire (one of the price monitoring reports).
- Simplify sign-off arrangements by requiring only a single sign-off for all annual reports.
- Correct any minor errors identified in Guidelines No. 1 and 3.

Table 1 below contains a summary of current and proposed reporting due date and sign-off requirements for Minor and Intermediate Retailers.

**Table 1: Reporting requirements for Minor and Intermediate Retailers**

Reference Document	Report	Reporting Description	Current reporting due date and sign-off requirements	Proposed reporting due date and sign-off requirements
<i>Water Industry Guideline No. 3 – Water Regulatory Information Requirements</i>	<b>Financial Report</b>	Revenue, costs and asset data relating to the retail service	30 November	30 November
	<b>Operational Report</b>	Customer service, financial assistance measure and reliability of supply data relating to the retail service	Responsibility Statement	
	<b>Price Monitoring Report</b>	Prices charged, how prices are set, and compliance with pricing principles	31 August Responsibility Statement	Annual Compliance Report Declaration to cover all annual reports
<i>Water Industry Guideline No. 1 – Compliance Systems and Reporting</i>	<b>Annual Compliance Report</b>	Compliance with regulatory obligations, e.g. information provision, customer service, quality, safety and reliability of supply etc.	30 November Declaration	

No substantive changes are proposed at this time to the information being collected. This is intended to ensure that processes set up by retailers to collect data are not affected. Prior to 1 July 2017, the Commission will consult on a full review of regulatory documents to ensure that the framework is operating effectively, reporting requirements are appropriate and that consumers' interests are being protected.

The specific proposed changes are detailed below, including the amendments to the Price Determination and Guidelines No. 1 and 3 required to enact those changes.

## 2.1 Price monitoring reports - submission date extension

Retailers are currently required to submit their price monitoring reports by no later than 31 August of each year. These reports consist of a completed Pricing Schedule, Pricing Policy Statement and Pricing Policy Questionnaire.

The Commission has received feedback from retailers requesting the submission date of the price monitoring reports be aligned with the submission date of the financial, operational and compliance reports, which are due on 30 November each year.

### **Draft Decision**

It is proposed to extend the submission date for the pricing annual return (Pricing Schedule, Pricing Policy Statement and Pricing Policy Questionnaire) from 31 August to 30 November of each year, by amending Guideline No. 3 and the Price Determination. Retailers may continue to submit returns to the Commission early if preferred. Retailers will still be required to publish their Pricing Schedule on their website by 31 August 2015.

## 2.2 Pricing Policy Questionnaire simplifications

The Price Determination requires retailers to apply various pricing principles in setting their water and sewerage service prices.<sup>1</sup> The pricing principles relate primarily to cost recovery of services.

The Pricing Policy Questionnaire (Proforma PM 3.1) allows the Commission to collect information so that it may determine a retailer's compliance with the pricing principles. For the first regulatory year, retailers were required to provide information demonstrating how each pricing principle was being met (positive assurance).

The Commission is seeking to simplify reporting in this area. A reduction in the number of questions being asked is proposed. It is proposed that retailers state their level of compliance with the pricing principles (compliant, partially compliant or non-compliant) and provide detailed information only where they are not fully compliant. Retailers will explain the remedial action being undertaken to ensure full compliance is achieved.

---

<sup>1</sup> The Essential Services Commission of South Australia, *Economic Regulation of Minor and Intermediate Retailers of Water and Sewerage Services*, Final Decision, June 2013, pp79-80, available at <http://www.escosa.sa.gov.au/projects/182/economic-regulation-of-minor-and-intermediate-water-retailers.aspx>



Such reporting should be less onerous for retailers, particularly those that completed a full self-assessment against the pricing principles in the first regulatory year. The Commission will provide further guidance on the pricing principles, including a sample completed questionnaire, to help retailers complete the Pricing Policy Questionnaire.

The proposed Pricing Policy Questionnaire is available on the Commission's website.<sup>2</sup>

#### **Draft Decision**

It is proposed to simplify the price monitoring requirements of the Pricing Policy Questionnaire, including:

- Removing some questions.
- Providing further guidance on the pricing principles and the level of detail required to explain non-compliances.

### *2.3 Sign-off requirements simplification*

At present, retailers give assurance over the information provided through the provision of three separate declarations. Retailers are required to provide a separate responsibility statement (signed by the Chief Executive Officer) to accompany each of their price monitoring and financial and operational annual returns. Retailers also provide a signed declaration (in accordance with Guideline No. 1) when submitting their Annual Compliance Report.

The Commission is seeking to simplify the sign-off arrangements by merging all annual return sign-off requirements into the Annual Compliance Report. Therefore, each year only one signed declaration will be required which will cover financial, operational, price monitoring and compliance reporting, as part of the Annual Compliance Report. Guideline No. 1 specifies who in an organisation may approve and sign the Annual Compliance Report on behalf of the licensed retailer (for example the Chief Executive Officer under delegation). The person(s) responsible for approving and signing the Annual Compliance Report, will provide a warranty to the Commission, regarding the accuracy of the data and information provided in all reports.

#### **Draft Decision**

It is proposed to simplify annual report sign-off requirements by removing Annexure A – Proforma Responsibility Statement from Guideline No. 3 and amending Annexure D of Guideline No. 1 to include a specific reporting declaration.

---

<sup>2</sup> Available at <http://www.escosa.sa.gov.au/projects/223/simplifying-annual-reporting-requirements-for-minor-and-intermediate-retailers-.aspx>.

### 3. NEXT STEPS

After taking into consideration feedback received on this Draft Decision, the Commission will release its Final Decision on its website in July 2015, detailing any amendments to the Price Determination and approved changes to Guidelines No. 1 and 3. At this time, the following updated documents will be released (as required):

- Price Determination for Minor and Intermediate Retailers
- Water Industry Guideline No. 1 – Compliance Systems and Reporting
- Water Industry Guideline No. 3 – Water Regulatory Information Requirements for Minor and Intermediate Retailers
- Financial, Operational and Price Monitoring Reporting excel template (Excel)
- Pricing Policy Questionnaire template (Word)
- Annual Compliance Report template (Word)

For information on how to make a submission to this Draft Decision, please refer to the inside front cover of this report.

Current versions of **Water Industry Guidelines No. 1 and 3** can be found at:

<http://www.escosa.sa.gov.au/water-overview/codes-guidelines/water-guidelines.aspx>.

More information on reporting for Minor and Intermediate Retailers can be found at:

<http://www.escosa.sa.gov.au/water-overview/reporting-and-compliance/reporting-minor-intermediate-retailers.aspx>.



The Essential Services Commission of South Australia

Level 8, 50 Pirie Street Adelaide SA 5000

GPO Box 2605 Adelaide SA 5001

T 08 8463 4444 | F 08 8463 4449

E [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au) | W [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

