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**From:** Lynne Jolley <Lynne.Jolley@plcc.sa.gov.au>  
**Sent:** Saturday, 27 June 2015 1:22 PM  
**To:** Dixon, Julie (ESCOSA); Cheshire, Natasha (ESCOSA); Webster, Richard (ESCOSA)  
**Cc:** Rob Donaldson; Nigel Melzner  
**Subject:** O20154019 - 5.73.2.3 - Response to Matters from 2013-14 Annual Reporting & Draft Decisions for Consultation  
**Attachments:** 5.37.2.3 Response to Matters arising from Water Retail Licence 2013-14 Annual Reporting requirements .docx

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Please find attached our responses to matters arising from our non-compliance with the Water Industry Act 2012 Reporting requirements.

Please also note for ease of responding to these matters a word version of your table would be helpful next time.

We have reviewed the Proforma PM3.1 – Draft for Consultation and support the changes in the draft document. We agree that it will assist minor retailers to meet their reporting requirements. Streamlining the retail service types into a table format will assist Councils to understand their obligations and ensure that they have considered all the relevant pricing principles.

The changes outlined in ‘Simplifying Annual Reporting Requirements for Minor and Intermediates Retailers – Draft Decision’ is also supported. Simplifying and aligning the sign-off requirements into the Annual Compliance Report and extending the submission date to 30 November each year will make meeting the reporting requirements more realistically achievable for most Council’s.

In addition to the draft changes we would like to see further reporting concessions considered for Water Retailers like our organisation, who only have 3 connections (from 2015-16 - previously 2), which is less than 1% of the maximum connections (500) of a Minor Retailer.

Regards

Lynne Jolley

Manager Corporate Governance



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## Schedule A – Annual Compliance

OBLIGATION	COMMISSION'S STATUS	RESPONSE REQUIRED	DUE DATE	COMMENTS
<p><i>Clause 9 - Water Industry Licence and Clause 3.2 -Water Retail Code</i></p> <p>Retailers must prepare a <b>Complaints and Dispute Resolution Procedure</b>, and submit it to the Commission for approval.</p>	<p>According to the Commission's records, a <b>Complaints and Dispute Resolution Procedure</b> has not been submitted to the Commission for approval.</p>	<p>Please provide the Commission with a copy of a <b>Complaints and Dispute Resolution Procedure</b> for approval</p>	<p>31 May 2015</p> <p>Extension to 3 July 2015</p>	<p>At the time of compiling the Annual Compliance report, not having the opportunity to attend any information sessions, I contacted the Commission for clarification re some of the procedures /policies required and was advised that as we did not have any residential clients we were not required to have a specific <b>Complaints &amp; Disputes Resolution Procedure</b>. In 2013/14 we only had 2 business clients 'connected' to the reuse water network and 2 Civil Construction companies that bought the water from us from our site. We are currently developing a Complaints &amp; Disputes Policy for council and once adopted by council we can submit to the Commission for approval if it meets your requirements.</p>
<p><i>Clause 3.1-Water Retail Code</i></p> <p>Retailers are required to develop a <b>customer charter</b> and submit it to the Commission.</p>	<p>As noted in the Annual Compliance Report, a <b>customer charter</b> has not been submitted to the Commission</p>	<p>Please provide the Commission with a copy of a <b>customer charter</b> that fulfills the requirements of the Water Retail Code. For further information about the Customer Charter please see <a href="http://www.escosa.sa.gov.au/projects/209/water-retail-code-minor-and-intermediate--retailers.aspx">http://www.escosa.sa.gov.au/projects/209/water-retail-code-minor-and-intermediate--retailers.aspx</a></p>	<p>31 May 2015</p> <p>Extension to 3 July 2015</p>	<p>We have not had the resources to develop a customer charter to date and we have since been advised by the Commission that a customer charter is now only required if we have residential customers which do not have.</p>
<p><i>Clause 3.6.1 of Water Guideline No 1</i></p> <p>Retailers must provide an Annual Compliance Report to the Commission by no later than 30 November immediately following the end of each regulatory year</p>	<p>The Commission notes that the Annual Compliance Report was not submitted by the due date of 30 November 2014</p>	<p>The late submission of this year's report is a non-compliance and should be reported to the Commission in the next Annual Compliance Report</p>	<p>Submit with Next Report</p>	<p>Noted and we will report in our next report. For information the noncompliance was due to staffing resource shortages which resulted in no-one being able to attend any information sessions to get an understanding of the new requirements and no-one being available to complete the reporting requirements by the due date.</p>
<p><i>Clause 13.2 of the licence</i></p> <p>Retailers must annually provide the Commission with evidence of holding appropriate insurance to an acceptable level in a form approved by the Commission</p>	<p>According to the Commission's records, a copy of a confirmation of membership in the Local Government Association Mutual Liability Scheme has not been submitted</p>	<p>Please provide a copy of a confirmation of membership in the Local Government Association Mutual Liability Scheme with the next Annual Compliance Report</p>	<p>Submit with Next Report</p>	<p>Noted. We will include with next years report and also record this year's non-compliance of this requirement not being met for 13-14. For information we are a member of the Local Government Association Mutual Liability Scheme and the scheme review our insurance levels annually to ensure we have an acceptable level of insurance.</p>

## Schedule B - Price Monitoring Report

OBLIGATION	COMMISSION'S STATUS	RESPONSE REQUIRED	DUE DATE	COMMENTS
<p><i>Clause 6.1 and Proforma PM1.1 of Schedule 3 of Water Industry Guideline No 3.</i></p> <p>Retailers are required to provide the Commission with a <b>Pricing Schedule</b> containing the prices for this financial year compared to the previous financial year.</p>	<p>A <b>Pricing Schedule</b> was not provided to the Commission.</p>	<p>Please provide the Commission with a <b>Pricing Schedule</b> containing 2015-16 prices, 2014-15 prices and the percentage change between these prices for all services offered by you <u>in the next operational performance report</u> (2014-15)</p>	<p>Submit with Next Report</p>	<p>I have checked our email submission of the annual reports and the pricing schedule as per PROFORMA PM1.1 provided by ESCOSA for reporting requirements was completed and submitted with our other reports on 10 December 2014</p>
<p><i>Clause 6.3.3(i) of Water Industry Guideline No. 3</i></p> <p>A retailer must publish on its website by no later than 31st August immediately following the start of each year a copy of a completed <b>Pricing Policy Statement</b>.</p>	<p>It appears that a copy of the completed <b>Pricing Policy Statement</b> has not been published.</p>	<p>Please ensure you publish a copy of the completed <b>Pricing Policy Statement</b> setting out how the current pricing policies have been developed and the rationale for price movements between the current year and previous year <u>in the next operation performance report period</u> (2014-15)</p>	<p>Submit with Next Report</p>	<p>We misunderstood this requirement and interpreted it that as all our fees &amp; charges are put to council with a report outlining the rationale for any price movements from one financial year to the next, and that once endorsed by Council resolution the adopted fees &amp; charges are posted on our website, we believed we had met the requirements of this clause. We now understand that we also have to post the Pricing Policy Statement as submitted to the Commission.</p>
<p><i>Clause 2.1 of the Price Determination for Minor and Intermediate Retailers (Cost Recovery Principles)</i></p> <p>The retail prices charged by a licensee for each regulatory year must comply with the pricing principles for <b>Cost Recovery including asset valuation</b>.</p>	<p>Based on responses provided, the Commission has been unable to establish whether an <b>asset valuation</b> or other cost identification exercise has been undertaken</p>	<p>Please indicate whether the existing water/sewerage assets have been subject to an <b>asset valuation</b> or other cost identification exercise</p>	<p>31 May 2015  Extension to 3 July 2015</p>	<p>The reuse water scheme infrastructure is of various ages. The older assets were revalued in 2007 and/or 2011. The capital acquisition costs are the costs being used for depreciation for the newer infrastructure. As per legislation &amp; regulations "A council, council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirements of Australian Accounting Standard AASB 116." Council is currently undertaking the revaluation of several classes of assets with 'filtration' being one of the classes being revalued.</p>

Schedule B - Price Monitoring Report Continued

OBLIGATION	COMMISSION'S STATUS	RESPONSE REQUIRED	DUE DATE	COMMENTS
<p><i>Clause 2.1 of the Price Determination for Minor and Intermediate Retailers (Cost Recovery Principles)</i></p> <p>The retail prices charged by a licensee for each regulatory year must comply with the pricing principles for <b>Cost Recovery Methodology for setting tariffs</b></p>	<p>Based on responses provided, the Commission has been unable to establish the methodology used for setting retail service charges and whether these are compliant with the pricing principles.</p>	<p>Please provide more information on the methodology used for setting retail service charges and how these are compliant with the pricing principles.</p>	<p>31 May 2015</p> <p>Extension to 3 July 2015</p>	<p><u>Principle 1 – Flexible Regulation:</u> In 2013-14 we only had 2 business clients connected to the reuse water network and 2 Civil Construction companies that bought the reuse water from us for dust dampening etc. The reuse water scheme that was implemented for Council’s operations only initially and the majority of the reuse water produced is used to water council’s ovals &amp; reserves. Due to the very minor nature of our retail water services to a limited customer base, flexible regulation by the Commission is essential for Council to be able to continue to offer this an add on service, which has environmental benefits to the whole community.</p> <p><u>Principle 2 – Cost Allocation:</u> Cost allocation to beneficiaries is broadly applied as the majority of the expenditure for the reuse program is to water council’s parks &amp; ovals and the expenditure is paid from council annual budget mainly from rate revenue and some water reuse user charges revenue..</p> <p><u>Principle 3 – Water Usage Charges:</u> Water Usage Charges has been determined to be the most equitable pricing methodology to use to set tariffs due to the nature of our retail service. The usage charges per kilolitre are calculated by the dividing the total operational expenditure, including depreciation, by the total volume of reuse water produced to obtain a cost per kilolitre.</p> <p><u>Principle 4 – Substitutes:</u> Once determining a price per kilo litre we compare that price to the SA Water’s prices. The methodology behind this is not to deliberately undercut SA Water but, as water is a major natural resource management issue facing the region and the City of Port Lincoln is the only provider of recycled water for irrigation purposes in Port Lincoln, the price needs to be set at a level such that it is an incentive for our limited number of customers to substitute potable water for reuse water in order to reduce the demand on the regions potable water supplies.</p> <p><u>Principle 5 – Differential Pricing:</u> We do not use differential pricing as there is no variation in the quality or reliability between customers. If this became an issue in the future we would take this into account. We did have a pricing differential based on type of customer, eg: business vs community, but that has been discontinued in 15/16 as we only business clients with no plan/ intention to extend the service to other users types.</p> <p><u>Principle 6 – Integrated Water Resource Planning:</u> The Regional Climate Change Adaptation Plan for the Eyre Peninsula predicts that demand for potable water in the region is expected to exceed supply within 10 years if no mitigating action is taken. Implementing a reuse water irrigation scheme for council parks &amp; reserves is a decision that Council as made to try and reduce the pressure on the potable water supply and by making it available to the schools to irrigate their ovals, and civil construction operators, it is an add on benefit to the community &amp; the region from council undertaking this project.</p> <p><u>Principle 7 – Cost Recovery:</u> Using the volume of reuse water sold compared to the total volume produced for Council’s own use, we believe the price per kilolitre charged is at a cost recovery level in comparison to the cost per kilo litre to produce and is also at a WTP level as evidenced by the fact that the customers continue to use the service over the other supply options available to them.</p> <p><u>Principle 8 - Transparency:</u> As stated council fees &amp; charges are prepared and presented to council for endorsement. Once adopted they are published on our website and advertised in the local paper that they are available for viewing.</p> <p><u>Principle 9 - Gradual Approach:</u> This principle is not relevant to our operations as the our customers have other water supply options available to them but they have requested to have access to Council’s reuse water scheme to irrigate their ovals and Civil Construction business for dust dampening etc. Our customers have made a voluntary choice for environmental and/or economic reasons to use reuse water and therefore do not need to</p>

				adapt to an 'imposed' cost for an essential service as they normal supply options available to them.
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### Schedule C - Financial Reporting

OBLIGATION	COMMISSION'S STATUS	RESPONSE REQUIRED	DUE DATE	COMMENTS
<p><i>Clause 3.4 of Water Industry Guidelines No. 3</i></p> <p>All transactions and balances relating to regulated retail services should be disclosed by activity areas in accordance with the requirements of the Schedule 1 proformas.</p> <p>Clause 4.5 -Operating costs should be allocated to the appropriate categories as listed in Schedule 1 proformas.</p>	<p>The 2013-14 financial performance report did not include operating costs properly allocated between different activity areas. No operating costs were allocated to customer service and billing activities or licence fees</p>	<p>In FR1.2, please allocate operating costs between different activity areas in the next financial report (2014 -15). If you choose not to allocate any costs to customer service and billing activities, please include notes on what activity area those costs have been allocated to.</p>	<p>Submit with Next Report</p>	<p>We have split our operating costs to the different activity areas that are applicable to regulated retail service we provide. With only 3 to 5 customers the Customer Service and billing costs are not material and are therefore not separately accounted for. We do not charge licence fees and treatment costs are included under operations &amp; maintenance. This information will be included in the notes on the next report.</p>