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August 24, 2012

Proposed Price Regulation for Service Providers other than SA Water  
Essential Services Commission of South Australia  
GPO Box 2605  
Adelaide SA 5001

**Re: Proposed Price Regulation for Water and Sewerage Service Providers other than SA Water:**



Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies.

Business SA supports a long standing Environment Committee featuring a diverse group of industry leaders. The Environment Committee has a clear mission to promote and contribute to environmentally sustainable development in South Australia through influencing legislation, regulations, policies and programs to achieve best practice in the business community.

Business SA would like to acknowledge South Australia's effort in water management, in particular the adaptability displayed to embrace new and sustainable water options. It is also important that under regulated water pricing mechanisms such innovation and initiative is not lost.

ESCOSA has identified some water services provided by Local Government Authorities have in the past been developed not as a commercial venture but out of necessity. It is also noted that under the *Water Industry Act 2012* these services will be considered a retail operation. Business SA urges careful consideration of such services that may not provide a positive retail return under full regulation, with ongoing consideration for the commitment of Local Government to their rate payers.

### Issue 3.6

ESCOSA has highlighted the National Water Initiative (NWI) pricing principles as the guide for development of South Australia's regulated water pricing principles. Business SA would like to highlight that the NWI principles as identified for Urban Water Tariffs, have little linkage to the principle of Future Water Planning or Integrated Water Resource Planning.

South Australia water planning is the responsibility of the Department of Environment, Water and Natural Resources. However, future supply and demand must be clearly articulated in the established principles to determine ongoing pricing security which will build confidence in water supply for SA consumers and in particular encourage business growth.

ESCOSA highlights the cost for future supply and demand infrastructure is within the principle of "Recovery of Capital Expenditure", and for a truly transparent system independent auditing of supply and demand should occur, providing additional security that infrastructure will meet future needs and planned infrastructure is warranted.

Business SA raises the concern that there is no definition in the NWI pricing principles for "urban"; this is an important term that without a consistent definition may create unnecessary debate or confusion.

### Issue 3.7

ESCOSA has highlighted that the NWI does not have independent sewerage pricing principles and as a result ESCOSA will be applying the principles of drinking water to sewerage. It is difficult to comment on the relevance of this pricing structure without significant background understanding and comparison of current end pricing and pricing under the proposed pricing principles.

Business SA encourages careful consideration of this issue and reiterates the analysis needed to compare principles based upon drinking water and current property based values sewerage pricing systems.

It is noted that the pricing principles identified will not be considered for the initial pricing period. Business SA encourages greater engagement with relevant stakeholders and industry representatives before any final determination is made.

### Issue 3.8

Business SA members consistently raise concerns in relation to ongoing investment in water recycling, stormwater and desalination options. Recycling and stormwater catchment are considered long-term and strategic water portfolio options.

In examining this discussion paper with regard to the application of the South Australian *Water Industry Bill 2012*, it is noted that water planning is a responsibility of the state government. Business SA highlighted in its response to the draft Water Industry Bill its concerns regarding the apparent lack of independence in water planning.

While this matter is not a direct responsibility of ESCOSA there is a clear link to ongoing water pricing mechanisms.

ESCOSA have developed a set of principles for water pricing against all current water portfolio products. However, there is no clear or direct link to ongoing water security measures and the ongoing focus to remove South Australian reliance from the River Murray system in the proposed water pricing principles.

Recycled and Stormwater have an identified principle one (1) "Flexible Regulation". Business SA supports this principle and encourages clarity on how flexible regulation will be able to not only influence greater use of both recycled and stormwater but also encourage both voluntary and government partnerships in the development of even more schemes.

Salisbury Council have led stormwater collection and reuse programs in metropolitan Adelaide, and it is understood that under the new pricing arrangements this water will be subjected to retail pricing principles. Business SA encourages ongoing support for the Salisbury Council initiative and believes pricing principles applied must reflect the initiative shown without additional burden.

ESCOSA highlight in the discussion paper, the Victorian Essential Services Commission's treatment of recycled water in relation to potable water principles. It is stated that the Victorian: "proposed prices for recycled water should represent a benefit to customers while (water) restrictions are in place". Business SA considers that recycled water pricing should also represent a benefit to customers at all times; all use of recycled water reduces demand on fresh water options. For the driest state in Australia this is fundamental to water security.

“Integrated Water Resource Planning” is essential, and as stated earlier fully supported by Business SA.

Business SA recommends an independent process be established to ensure a truly integrated water planning process occurs for the development of an optimum water portfolio. An independent process will provide ESCOSA and the government of South Australia with a clear integrated approach to securing water into the future.

Business SA supports the principle of “Gradualism”.

Business SA would also like to see the principle of gradualism expanded to ensure that in future water planning, recycled and stormwater options are considered mainstream.

#### Issue 3.10

Other Related Water and Sewerage Services is a key area of concern for Business SA members.

Business SA sees a full cost recovery principle for this “trade waste” service as problematic. While pricing principles will be established to highlight the removal and treatment of other related sewerage services to the standard identified by the Environmental Protection Authority (EPA), these standards change constantly and do not provide any certainty to business into the future.

While the principles for pricing may be established and implemented by ESCOSA, if the EPA amends environmental standards so it will the factors affecting ESCOSA’s pricing principles.

It has been identified that the quality of water contained in this category does require additional treatment, and current pricing is determined on the quality of waste removed from a site.

Business SA members continue to express the need to identify trade waste environmental standards that will be accepted and supported by the EPA as the regulator into the future. Currently there is no identified limit to environmental parameters placed upon industry in regards to trade waste.

Issue 3.11

Business SA believes that at no point should water pricing or the timing of water pricing determinations be influenced by politics. Therefore the establishment of time frames that fall in the middle of election cycles is recommended.

Business SA welcomes any questions to be addressed to Rick Cairney, Director of Policy, [rickc@business-sa.com](mailto:rickc@business-sa.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nigel McBride', written over the 'Yours sincerely' text.

**Nigel McBride**  
Chief Executive Officer