

## Essential Services Commission of South Australia (ESCOSA)

### Submission on Water Retail Licensing, by

### North Para Environment Control P/L (NPEC) and JJC Operations P/L (JJC)

#### Background:

NPEC is a joint venture company owned by Treasury Wine Estates (70%) and Tarac Technologies (30%). NPEC own a waste water treatment plant and reuse scheme in the Barossa Valley that receives 250ML of waste water from four local wineries and Tarac's distillery and distributes it to twelve neighbours, primarily for irrigation of grapevines and gardens. The treatment plant has been operational since 2002, and the reuse scheme commenced in 2004. JJC operate the waste water treatment plant under a long term contract with NPEC.

The operation of the scheme is regulated by the EPA and JJC hold an authority (EPA Licence #14546) with strict monitoring and reporting requirements to the EPA. Each customer has an agreement with NPEC for the supply of treated water and each reuse site has an Irrigation Management Plan that has been accepted by the EPA.

The Barossa also has a reticulated irrigation scheme run by Barossa Infrastructure Limited (BIL) that supplies River Murray water to vineyards throughout the valley. Each of NPEC's customers has access to BIL water, and some have contracted to supply from both sources. NPEC charge their customers for the supply of treated water at a rate of 80% of the cost of BIL water. In 2001/12, the BIL water price (including an allocation of \$0.42/kL for infrastructure) was \$1.15/kL and the NPEC price was \$0.92/kL.

#### Water Industry Act:

We understand that the South Australian Government has introduced the Water Industry Act 2012 and that ESCOSA has been given the role as independent regulator for the water industry. Entities that provide Retail Services in the water Industry may be required to hold a Retail Licence from 1 January 2013. Retail services extend to the sale of recycled water, and it appears that either NPEC (as owners of the treated water) or JJC (as operators of the treatment plant) or both may need to be licensed under the act.

In addition to the function of Licensing, the objectives of the act and role of ESCOSA are to provide **consumer protection** and **retail price regulation**.

The NPEC scheme is collaborative in the sense that: NPEC needs irrigators to constantly and consistently use the treated water (or wine production stops), and our customers need a sustainable and consistent source of irrigation water to produce their crop. Each is reliant on

the other and so we share common objectives; good quality treated water, available on demand, consumed at rates that keep the water storages in balance and at a sustainable price. It is difficult to see what benefit the scheme will derive from regulated consumer protection.

Each of our customers has an option to receive BIL water and have freely made a choice to take NPEC treated water. Treated water pricing has been benchmarked against BIL water supply pricing. It is difficult to see what benefit our scheme will derive from regulated retail pricing.

NPEC and JJC believe that the imposition of an additional licensing regime, with requirements for further documentation, monitoring and reporting, licence returns and fees, compliance with codes of conduct etc. appears to provide little benefit to the operators and customers of our scheme. We encourage the Commission to consider offering an exemption from the requirement to hold a Licence for schemes with a customer base of less than say 25 customers. This will enable the Commission to focus on implementing the reforms for larger schemes that have a genuine need for consumer protection.

Should you wish to discuss any aspects of this submission further, please contact either of the following:

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