

**NOTICE OF REFERRAL FOR AN INQUIRY INTO DRINKING WATER AND SEWERAGE  
RETAIL SERVICES PRICING REFORM IN SOUTH AUSTRALIA**

**PURSUANT TO PART 7 OF THE ESSENTIAL SERVICES COMMISSION ACT 2002**

**FROM:** Jack Snelling, Treasurer

**TO:** The Essential Services Commission of South Australia (the Commission)

**RE:** Pricing reform for drinking water and sewerage retail services provided by SA Water in South Australia

**BACKGROUND:**

1. Pursuant to s35(1) of the *Essential Services Commission Act 2002* (the Act), the Commission must conduct an Inquiry into any matter that the Minister, by written notice, refers to the Commission.
2. The Act is committed to the Treasurer by way of *Gazettal* notice dated 12 September 2002 (p. 3384).
3. The *Water Industry Act 2012* provides for the regulation of prices for water and sewerage retail services by declaring the water industry to constitute a regulated industry for the purposes of the Act, and providing for the Commission to make a determination under the Act regulating prices, conditions relating to prices, and price-fixing factors for such retail services.
4. In making such a determination, the Commission must comply with the requirements of any pricing order issued by the Treasurer under s35 of the *Water Industry Act 2012*.
5. The Treasurer has issued such a pricing order which applies to, amongst other things, a determination in respect of drinking water and sewerage retail services provided by SA Water for the three year period commencing 1 July 2013 (the initial regulatory period).
6. In July 2009, the South Australian Government released its *Water for Good* plan which outlines the actions it will take to ensure the State's water supplies are secure, safe and reliable for at least the next 40 years. *Water for Good* includes a number of actions relating to Pricing and Market Instruments.
7. The Treasurer considers that the Commission should conduct an inquiry into pricing reform for drinking water and sewerage retail services provided by SA Water:
  - (i) prior to the Treasurer issuing a further pricing order applying to a determination in respect of such services beyond the initial regulatory period; and
  - (ii) to further inform the successful implementation of *Water for Good* actions 72, 73 and 76.

## **REFERRAL:**

I, Jack Snelling, Treasurer, refer to the Commission the matter described in paragraph (a) of the Terms of Reference, including consideration of those matters in paragraph (b) of the Terms of Reference, and subject to the Requirements set out in this Notice.

## **TERMS OF REFERENCE:**

The following are the Terms of Reference for the Inquiry:

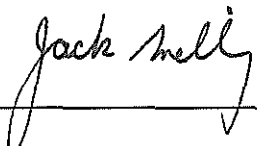
- (a) The Commission is to inquire into options for pricing reform for drinking water and sewerage retail services provided by SA Water in South Australia.
- (b) The Commission is to consider, in particular, the following matters:
  - (i) approaches to drinking water supply charges for SA Water customers, including charges based on the number and size of meters, and transition arrangements for managing significant impacts on customers;
  - (ii) alternative approaches to charging for drinking water and sewerage retail services which may improve economic efficiency and/or South Australia's water security, including analysis of the costs and benefits of such approaches for different customer classes, and in particular:
    - (A) the likely impact of billing a consumer of such services (rather than the owner of land) and the associated elimination of rating on abuttal;
    - (B) the likely impact of requiring the installation of individual meters for each customer;
    - (C) the likely impact of requiring the installation of smart meters;
  - (iii) the impact of state-wide pricing requirements on SA Water for drinking water and sewerage retail services in terms of economic efficiency, South Australia's water security, and costs and benefits for different customer classes.

## **REQUIREMENTS FOR THE INQUIRY:**

I require that the Commission undertake its Inquiry and submit Draft and Final Reports to the Treasurer and the Minister for Water and the River Murray in accordance with the following timetable:

- (a) a Draft Report on all other matters subject to the Inquiry is to be submitted by 31 May 2014;
- (b) a Final Report on all other matters subject to the Inquiry is to be submitted by 31 December 2014.

If the Commission requires further information in relation to this Inquiry, it may contact the Director, Regulatory Policy, Revenue and Economics Branch, Department of Treasury and Finance.

A handwritten signature in cursive script that reads "Jack Snelling". The signature is written in black ink and is positioned above a horizontal line.

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**JACK SNELLING M.P.**  
Treasurer

Date: 24 September 2012