

5<sup>th</sup> November, 2013

*Hon Sandra Kanck*

Dr Pat Walsh – Chairman  
ESCOSA  
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Dear Dr Walsh,

**Submission to the Inquiry into the reform of SA Water's drinking water and sewerage retail services pricing**

The Government has asked the independent regulator, amongst related issues, to examine price structures that may benefit economic efficiency and water security. It is therefore important to recognise that the current system is demand-driven, and this will need to be altered to create those efficiencies and security.

In making any recommendations, ESCOSA must take into account the state government's determination to increase South Australia's population on top of any natural increase. At the current rate of 1.2% annual increase, our population of 1.7m will reach 1.9m within 10 years, 2.3m within 25 years, 3.1m within 50 years and will double by 2071, ie in less than 60 years. If the government and developers hold sway, it will be larger still. A growing population will increase the demand for water, associated services and water infrastructure. It is therefore in the financial interests of SA Water and those who pay – the consumers - to find ways of maximising water conservation. If that is not done, then SA Water will be faced with the difficult and expensive task of doubling the water supply, services and infrastructure: this is likely to be contrary to any concept of water security.

Desalination and the pumping of water over long distances require large amounts of electricity, adding both to consumer costs and to greenhouse gas emissions for our state. A system that does not provide incentives for people to reduce water usage combined with a growing population will increase the amount of electricity used and consequent GHG emissions. That extra electricity cost will have to be passed on to consumers, and the additional emissions will negatively impact on South Australia's obligations under the Kyoto Protocol.

**Supply and usage charges**

The current charging system provides minimal financial incentive to reduce water use. I refer to my most recent household water account. After some glitches over the last few years with pipe leaks (which we recognised on seeing our comparative water usage as supplied in our account), the installation of rainwater tanks, and the addition of drought-tolerant plant to our garden, our two-person household has stabilised our water usage at 119 litres per day, despite a larger than average block of land. According to information provided with the account, this compares to a single-person

household with no garden, so we are pleased with the lower impact we are having on the environment.

However, this reduced impact is far from reflected in the total account we were required to pay in September 2013. The water we used for that three month period cost us \$28.16 but on top of that there was a supply charge of \$68.70, a sewerage (property value) charge of \$118.22, and the Save the River Murray Levy of \$9.70, giving a total account payable of \$224.78. The cost of water usage made up just 12.5% of the total. With these add-on charges making up 87.5% of the total cost, it is difficult for consumers to lower their costs through conserving water. Yet with the prospect of SA's population doubling in less than 60 years, it is highly desirable that there be strong signals to consumers to reduce the amount of water they use.

To provide such signals would require changes to the billing system as reflected in the accounts received by consumers, for instance reducing the percentage of the account that is billed as supply and sewerage charges and increasing the water usage charge component.

### **Sewerage charges**

As currently structured, and based on property value, SA's sewerage charges provide absolutely no incentive for the consumer to reduce water usage. Being environmentally conscious consumers, our household keeps showering and toilet flushing to a minimum yet it makes no difference to our financial bottom-line. We will continue to do so, despite a lack of incentive, but suggest that others who lack that environmental consciousness would respond if there was a financial incentive. As things stand we provide a cross-subsidy to those who use water profligately.

It is fairly obvious that household water usage will be for drinking water, gardening, personal hygiene and toileting, washing of dishes and perhaps washing of cars. The 119 litres of water we use per day gives an indication of what our use of the sewerage system might be. The value of our house and land does not.

In Option 2 of ESCOSA's discussion paper on the matter of sewerage charges, it is acknowledged that the volume of water supplied "may be a better indicator of the actual impact on the sewerage system than the current arrangements". Not only that, the difference in cost to the consumer would give signals to the consumer about their levels of consumption. The observation in the paper about possible costs in moving to this approach with some ongoing administration costs ought not prevent ESCOSA from recommending it. If it results in consumers lowering consumption, then in the context of my initial observations about population increase, extra electricity usage and greenhouse gas emissions, this will assist in creating water security

### **Customer subsidies**

I know a number of people on Centrelink benefits who receive customer subsidies, and even with the subsidies the issue for them is the large single outlay on a quarterly payment, particularly if it coincides with a fortnight that requires the payment of quarterly council rates or car registration. It should be made easier for bills to be split into three single monthly payments, and there should be no further financial impost on those monthly payments: that is to say the payment should be simply one-third of the quarterly amount payable with no extra costs for the processing of collecting three amounts instead of one. Those who seek to do this are usually in a situation of financial insecurity, and they should not be penalised for being in that situation.

The ESCOSA discussion paper talks of concessions for families with three or more children under the UK's Watersure program. A system which provides extra support to such larger families should be avoided. In a society in which family planning and contraceptives are readily obtainable, having

three or more children is a choice informed by culture and beliefs, not rational science. Those who have made the responsible decision to limit the number of their children to a level that is environmentally sustainable should not be forced to cross-subsidise families who make a cultural choice to ignore environmental limits.

A system such as those operating in Tasmania and NSW which offer the concessions on supply charges only would be preferable as this allows subsidised customers to exercise some choice in reducing their water consumption.

Yours sincerely

A handwritten signature in black ink that reads "Sandra M Kanck". The signature is written in a cursive style with a large initial 'S' and a distinct 'M'.

Sandra Kanck