

1 November 2013

Mr Nathan Petrus
The Essential Services Commission of South Australia
Water Pricing Reform Consultation
GPO Box 2605
Adelaide SA 5001
escosa@escosa.sa.gov.au

Dear Mr Petrus,

I write to you in relation to the discussion papers and consultation by the Essential Services Commission of South Australia into water pricing reform. Water Pricing Reform – Inquiry into the reform of SA Water's drinking water and sewerage prices is a wide ranging inquiry and Business SA intends to limit our comments to those specific areas that will have a direct impact on our members.

Business SA will provide comments in relation to specific issues, such as water pricing and trade waste pricing, but will also provide overarching feedback on the scope of the inquiry and the direction that Business SA believes that SA Water should be taking with regards to charging business for all of their services.

Issue Paper No.2 deals specifically with the issue of water pricing. Business SA believes that the discussion around water pricing needs to be much broader than that allowed for under the terms of reference in this inquiry.

Water pricing must also address issues, such as the ability and incentives, for business to shift its water usage from potable water to grey water or stormwater. It is unfortunate that this inquiry is unable to include a discussion about regulatory changes and infrastructure that would need to be put in place to provide for this potential shift.

With regards to non-residential customers, Issue Paper No.2 discusses options for water pricing reform that includes scarcity pricing and pricing based on geographical areas, amongst other issues. In principle, Business SA supports the movement towards a user pays approach for water usage, i.e. the costs of water reflects its true value and cost of delivery.

However, a move to a user pays approach needs to be considered with changes to the entire water supply and pricing system. Business needs to have viable and reliable access to other options of water supply, such as treated wastewater, grey water or stormwater where appropriate, so that they can make a choice for example to use potable water or grey water.

Adopting a user pays system would provide an incentive for business to change their water usage; however, Business SA believes that this cannot be considered in isolation. Changes to the water pricing structure must also take into account availability of alternate options, something which this inquiry is not considering.

In addition, Business SA does not believe that scarcity pricing is a viable option for business. Unlike householders whom may be able to shower for shorter periods or water the garden less often, business often does not have a choice about using water particularly not only in the manufacturing sector but in also in other industry sectors..

The use of user pays or cost reflective pricing will encourage business to be more efficient with their water usage, however, as highlighted above this option cannot be considered without significant investment in infrastructure by SA Water and changes to regulations that would allow business to use different types of water, other than potable water, where appropriate.

Along with Issue Paper No. 2 on water pricing, Business SA was also particularly keen to respond to Issue Paper No.3 that dealt with sewerage, trade waste and property based charging.

Business SA has recently participated in consultations with SA Water about trade waste charges and SA Water's Restricted Wastewater Acceptance Framework.

SA Water has stated that it intends to increase trade waste charging so that it reflects the actual cost of the service delivery.

As highlighted in our previous submissions to SA Water, Business SA was principally concerned about the lack of certainty the new trade waste pricing provided to business in South Australia and also the increased costs that businesses may face due to investing in treatment infrastructure on their site.

SA Water indicated that for the first three years of the pricing period the price increases would be limited to CPI across all trade waste parameters, however, the price increases from 1 July 2017 to 30 June 2020 remain relatively unknown. The price increases from 2017-2020 therefore provided great uncertainty for business that often plan five to seven years ahead, especially for large capital expenditure such as waste water treatment facilities.

Business SA is concerned that these changes do provide sufficient detail and leaves

business open to potentially large price increases post 2017. In general, as also highlighted in our feedback to SA Water's Restricted Wastewater Acceptance Framework, these price increases will add to the already high cost of doing business in South Australia.

Business SA remains concerned that over time the costs of wastewater treatment, an important aspect for healthy eco-systems; have increasingly been shifted from Government costs to business costs.

Many business do and will continue to invest in their own wastewater treatment, however, it is often the case that these businesses continue to pay the same if not more charges to SA Water for wastewater treatment.

Business SA believes that there should be adequate incentives for those businesses that invest in their own wastewater treatment facilities, as this ultimately reduces the impact on SA Water infrastructure.

It is also important that water pricing and trade waste charges are considered simultaneously due to concentration limits that are applied to trade waste. It is often the case that is cheaper for a business to use more water as this ensures they meet their trade waste concentration limits. Serious reform needs to encourage efficient usage of water and this must be across water pricing as well as trade waste.

The final paper of particular relevance to Business SA and our members is Issue Paper No.5 Metering, which deals with the potential introduction of smart meters.

Business SA believes that smart meters could be a useful tool for business to assist with managing their water usage, however, their introduction should not be mandatory and where possible the cost impact should be minimised.

Smart meters can have a wide variety of functions and it will be important to ensure that the functionality suits business needs. It is also vital that there are options or actions that businesses can adopt based on the information provided by the smart meters. Similar to the water pricing changes, without options to change water usage, the smart meters will be prove to be of limited use.

Business SA has attempted to address the issues that are most relevant to business in South Australia throughout this submission. We also greatly appreciate the face to face meeting with ESCOSA to discuss this inquiry and ESCOSA's willingness to engage one on

one with businesses that are significant water users.

As you may know we are 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. The proposed legislation is likely to impact on a variety of businesses and hence our desire to remain involved.

Business SA looks forward to continuing to be consulted throughout the ongoing inquiry process.

If you have any further issues, please do not hesitate to contact Mr Rick Cairney, Director of Policy, Business SA, phone: 08 8300 0060.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nigel McBride', with a stylized flourish at the end.

Nigel McBride
Chief Executive, Business SA