

08 September 2014

The Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Dear Sir

Re: Inquiry into reform options for SA Water's drinking water and sewerage prices

I provide the following comments on behalf of the District Council of Lower Eyre Peninsula towards the inquiry into reform options for SA Water's drinking water and sewerage prices.

Drinking Water Usage / Supply Charges

Council supports the principle of efficient water pricing reflective of the actual cost of the supply of water on a state wide basis, however this support is contingent on the separate study to be undertaken by the Commission and the Government to ensure that pricing is fair in terms of the overall return to SA water.

It is noted that 85 percent of SA Water's total drinking costs are fixed (independent of the amount of water consumed), while only 32 percent of SA Water's drinking water revenue is derived from fixed charges.

While reform of the revenue mix is supported, the need to manage the impacts on disadvantaged customers, in particular residential customers and those receiving concession payments will be important. The report suggests that cost reflective pricing would see an additional \$93m received from residential customers, being a 17 percent increase. If this transcends into a 17 percent increase in usage charges for residential customers the recommendation in relation to the State Government providing fixed payment support payments to vulnerable customers is strongly supported.

The recommendation to set individual connection charges in a full cost recovery manner is supported. Likewise the principle that some level of augmentation costs are worn by developers as a result of expansion of the network is supported, however it is unfair that the cost of augmentation to some areas is significantly higher than to other areas.

Augmentation charges need to be transparently supported by actual science or engineering on “the real cost” of the augmentation, rather than a figure which cannot be adequately justified or articulated.

The principle that all beneficiaries of a scheme expansion receive a similar benefit eg supply of drinking water, should mean that the augmentation cost to all areas should be equalized.

Regional Drinking Water Charges

The recommendation to initially set water supply charges on a State wide basis is supported, however any proposal to adjust supply charges based on new infrastructure costs to a region should be exercised with caution. This comment is made noting that significant investment has been made in the Adelaide Desalination Plant. While this plant has increased capacity and has the potential to reduce usage charges in the metropolitan area, it must be realized that the infrastructure provided in other areas is often reflective of a ‘whole of system’ approach. In other words more expensive infrastructure may be provided in various regions to provide stand alone water supply systems in support of a state wide system which includes the Adelaide desalination system, which has been the beneficiary of significant government funding.

Consideration should be given to the principle that everyone is receiving a service (supply of drinking water), with higher costs in some regions being reflective of the most cost effective solution across the whole of the State.

There are valid reasons why the cost of water should be amortised across the entire state.

Any decision to increase the cost of water to various regions needs also to consider the investment disincentive that such an additional cost may have on a region. This can relate both to the cost of residential living, and importantly impact on business viability.

Our regions need to be supported as it is noted that they currently provide a significant proportion of the states produce, in particular in relation to primary production.

Sewerage Charges

No comment is provided in relation to the pricing schedules for SA Water sewerage charges.

Trade Waste Charges

Billing End Users / Debt Risk

The recommendation to bill end users rather than the owner of premises is likely to make cost recovery a more expensive and difficult issue for SA Water as users come and go. The current arrangement of billing the land owner is simple and likely to be more effective for SA Water as any water usage is billed to the property address.

Cost recovery can currently be undertaken as a charge against the land, with a change to billing users requiring court action to recover outstanding debt.

Non Connected Properties

No comment is provided in relation to Trade Waste charges.

Individual Metering

No comment is provided in relation to individual metering.

Smart Metering

No comment is provided in relation to individual metering.

Water Planning and Management Costs

Council supports the recommendation that an independent public review be carried out to review the prudence and efficiency of all water planning and management related costs incurred by SA Water.

Implementation / Transition Costs

Council supports the recommendations in relation to transitional arrangements to smooth out impacts of cost increases to various sectors, and a review of targeted exemptions / concessions to ensure that subsidies are targeted and effective.

In this regard concessions for sporting ovals should be considered, as the cost of water to sporting groups is becoming prohibitive to the provision of quality sporting facilities in regional areas. This should apply equitably to metro and country areas.

On going concessions to pensioners and other people considered to be under hardship should also be maintained, and the recommendations in the report to make such payments as fixed payments are supported, noting that this will be a matter for discussion with the state government.

General

The District Council of Lower Eyre Peninsula is supportive that this review does not include Community Water Management Schemes (CWMS).

The costs of operating CWMS's vary very much dependent on scheme size, and it would not be appropriate or fair on customers to peg the costs of CWMS to SA Water charges.

Proposals as discussed above in relation to billing users (as against property owners), and the recommendation to not charge for non connected properties would not be supported if the pricing review was to ever be applied to CWMS's. Council has generally supported the principle that all properties to which a service is made available (whether accessed or not), should contribute towards the infrastructure costs by way of a reduced supply charge.

I trust that the above comments will be considered by the Essential Services Commission in its reform of water pricing.

Yours faithfully

**ROD PEARSON
CHIEF EXECUTIVE OFFICER**