

Received 17 September 2014

From: South Australian Turf and Irrigation Technical Working Group

The ESCOSA report on pricing to reflect the costs of decisions makes some assumptions which for many councils, sporting clubs and schools can not be substantiated. For example, it is assumed that customers have a choice in using high quality drinking water for irrigating public open space. The mains water quality for irrigating public open space is higher than what is actually required. Hence the cost of irrigating public open space is by default higher than what it could be if a lower quality, but fit for purpose, water source was available. Hence, for irrigating public open space many consumers don't have a choice and they have to use high quality, fixed price water. Alternative water sources are sometimes available, but for many users these are not economically viable options and recent investment in stormwater schemes, for example has only occurred due to large capital grants.

The use of Tariffs is important and at the moment the more consumers use the higher the tariff. ESCOSA should consider the opposite for large consumers of water, using the water for irrigating public open space, for community good, a lower tariff should apply. The benefits of irrigating public space have been provided to ESCOSA previously. Our submitted report is supported by a detailed research. The cost of these benefits should not be borne by the Councils, Dept of Education and Sports clubs alone.

In regards to recovering costs for customer connection assets, and linking this to a usage charge, this would effectively result in higher water charges for some irrigators of public open space who need the larger flows/pressure to operate large irrigation systems. In addition in some cases alternative water sources are available such as G/W or treated stormwater/waste water. On occasion, this alternative supply may not be available and operators would want to retain the ability to "switch" back to mains supplies. Having a large supply on stand-by, to ensure high value irrigated public open space, would, using this pricing methodology, result in higher charges for these end users. Hence we do not agree that all fixed charges should be allocated to the users responsible for them. ESCOSA is only considering the economic argument in this debate and not the environmental, social and cultural aspects that the NWI Water pricing policy requires. To be clear we do not support the draft recommendation to base water supply charges on the size of the meter, for consumers responsible for irrigating public open space. In addition many Councils qualify for exemptions from fixed supply charges and this exemption is important as it keeps costs down. Sports clubs and the Education Dept do not qualify and would be disproportionately disadvantaged by any costing methodology based on meter size.

The Industry would want to see some transparency in seasonal costs, for example we understand that during a wet winter, the cost of supplying water would reduce, as the cheapest form of water is from our local reservoirs, whilst keeping the Desal plant on stand-by (which is a fair and reasonable cost for consumers to cover). In a dry year the cost of supply would rightly increase as the desal plant would gear up to full production. In the middle of this operating spectrum is the cost of supplying water from the Murray. We understand SA Water constantly balances these three main sources with the ultimate aim of reducing costs, yet these costs variations are not reflected in the price. We understand that if we had 3 consecutive wet years operating profit would increase and dividend paid to Treasury would increase. We believe this seasonal influence is not picked up from any savings perspective and passed onto the customers, but a conservative approach is taken and worst case cost exposures are taken into account and prices set against this

context. A pricing methodology should be set where any excess revenue, due to wet weather should be passed back to customers in the form of a rebate. This rebate could be linked to an efficiency program such as IPOS CoP and a registration scheme, or a grant program for improving water efficiency by investing in smart irrigation systems or upgraded irrigation infrastructure. Hence the SA TIT WG agree with ESCOSA in that any savings should be passed on using a fixed payments, or more effectively the cash should be sunk into a ring fenced water efficiency program. This potential needs further investigation by ESCOSA. Fundamentally we agree that SA Water costs do not reflect the true costs of supply.

Regards Glynn Ricketts for and on behalf of the South Australian Turf and Irrigation Technical Working Group