

APPENDIX 1: REGISTER OF ISSUES

*Final Inquiry Report: Inquiry into Reform Options for
SA Water's Drinking Water and Sewerage Prices*

December 2014



Enquiries concerning this report should be addressed to:

Essential Services Commission of South Australia
GPO Box 2605
Adelaid SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

Contact Officer: Stuart Peevor

The Essential Services Commission of South Australia is the independent economic regulator of the water, electricity, gas, ports and rail industries in South Australia. The Commission's primary objective is the *protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services*. For more information, please visit www.escosa.sa.gov.au.

THEME OF ISSUE	SPECIFIC POINT RAISED	REFERENCE	COMMISSION'S RESPONSE
Supply charge based on meter size	Pricing based on meter size for consumers responsible for irrigating public open space is not justified.	SA TITWG (p.1)	As discussed in Chapter 2, the Inquiry recommends cost-reflective pricing rather than pricing based on the value of water to consumers. The value to the community of irrigated public spaces is likely to be significant, but is best addressed outside the pricing framework (e.g. through direct subsidies). Further information on charges based on meter size is contained in Chapter 6.
	Issue of implementing a charge based on meter size is not discussed in detail in the draft report. Meter-based charging would result in a single charge for the majority of customers as most customers have standard water meters.	SA Water (p.6)	
Environmental concerns/externalities arising from water pricing	Price structures should retain a component that discourages wastefulness.	EPA (p.2)	The Inquiry has found that cost-reflective pricing, which includes environmental costs, best promotes economically efficient consumption decisions by customers. Where the benefit of consumption exceeds the cost, that consumption is not wasteful. Efficient water and sewerage prices should include all associated environmental costs that can be quantified. In the case of SA Water, this may include any impacts to sea grass, land degradation, impacts from weeds, or impacts that arise from use of the Adelaide Desalination Plant. Where no current value for an environmental cost is identified, a value should be determined where feasible. Generally, this value is best determined by governments and their relevant agencies or environmental regulators, as they
	Proposed water pricing approach does not provide for environmental performance standards, including impacts to sea grass loss and weed management.	Conservation Council SA (p.4, 5)	
	Farming viability. Enterprise change from beef cattle to sheep due to high water costs can lead to serious environmental impacts.	Adam Merry (p.2), Adrian Barber (p.3), Conservation Council SA (p.4, 5), Coorong	

	<p>Net benefit may not exist after allowing for environmental externalities.</p>	<p>District Council (p.1-2), EPA (p.2), Livestock SA, PPSA (p.2)</p>	<p>determine the level of environmental impact that is acceptable to society.¹ This is not normally the role of economic regulators to determine.</p> <p>It is noted that managing these impacts can occur through a combination of market (e.g. through pricing) and non-market approaches (e.g. through legislation and policy) where there is considered to be market failure. In support of this view, the National Water Initiative (NWI) recognises that environmental externalities are best managed through a range of regulatory measures and market-based mechanisms, and that implementing pricing that includes externalities may not always be feasible.² <i>Water for Good</i> also recognises that such pricing should be limited to where it is feasible and practical.³</p> <p>For those externalities which government has decided are appropriately addressed through pricing mechanisms, once costed they will be reflected in the price of supplying water – in the supply and/or usage charge.</p> <p>For the environmental externalities that have been costed at this time, the Inquiry has concluded that there is still an economic benefit of reducing the usage charge from the current level. The Inquiry has undertaken analysis where it doubled the current environmental cost components in the LRMC estimate</p>
--	----------------------------------------------------------------------------------	----------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

¹ For example, the Productivity Commission advocates environmental water allocations be largely determined outside the water sector by the Government, noting the need for judgment in determining the value of water for environmental use relative to general consumption (Productivity Commission 2011, pp.59-60). Also, Freebairn states that *'The public good nature of most benefits provided by environmental flows requires direct government intervention informed by ecological assessments and non-market valuation of these services'* (John Freebairn, "Issues in the Design of Water Markets", *Melbourne Institute Working Paper Series*, Working Paper No. 18/05, December 2005, p.2). Given free-riding behaviour a competitive market would be expected to allocate too little water for the environment (Freebairn, p.14).

² Intergovernmental Agreement on a National Water Initiative, June 2004, p.15, paragraph 73, available at http://www.nwc.gov.au/data/assets/pdf_file/0008/24749/Intergovernmental-Agreement-on-a-national-water-initiative.pdf.

³ *Water for Good*, 2010, p.139.

			<p>(from 2 to 4 cents per kilolitre). The result of this analysis still resulted in a positive economic case for reducing the LRMC usage charge.</p> <p>The issues raised in submissions highlight the complexity of trying to account for externalities using pricing alone. For example, pricing for the environmental impacts raised by the CCSA and EPA would suggest that water prices should rise, whilst the environmental impacts raised by Adam Merry, Adrian Barber, PPSA and Coorong District Council are related to high water prices, suggesting that water prices should decrease.</p>
	<p>Reduced usage charges and increased supply charges may provide incentives for higher water use. The incentive to conserve water, recycle and develop stormwater harvesting is virtually extinguished.</p>	<p>AIG (p.1), Conservation Council SA (p.2), Haydn Reynolds (p.1), Justin Lang</p>	<p>It is acknowledged that a lower usage price, and possibly a higher supply charge, is likely to result in a higher level of water consumption.⁴</p> <p>The terms of reference of the Inquiry requires it to recommend price structures that improve economic efficiency. As discussed in Chapter 2 (section 2.2), this requires prices to be cost-reflective.</p> <p>To artificially increase the cost of water in order to promote alternative water supplies, or water conservation, would lead to economically inefficient outcomes and lead to an inefficient allocation of resources. For example:</p> <ul style="list-style-type: none"> • At this time, there is an abundance of water available to SA Water and its customers. It is appropriate under the principles of cost reflective pricing, that this should be reflected in the price of water. • Under the analytic framework being used in this Inquiry, the proposed price is one that is cost-reflective and incorporates the full value of costed environmental externalities at this
	<p>Can SA Water be paid for conserving water?</p>	<p>John Hunwick (p.1)</p>	

⁴ Chapter 6 provides the results of modelling showing a 30% increase in water consumption over five years.

			<p>time. Therefore, any additional consumption, resulting from the adoption of an efficient price lower than existing prices, would reflect that individuals' valuation over the true costs and in this context could not be seen as wasteful. Water conservation for conservation's sake, rather than being linked to the balance between water supply and demand, will not improve efficiency.</p> <ul style="list-style-type: none"> • If, in practice, the water usage charge is higher than the <i>efficient price</i>, as an input to industry the cost of the final product is higher than it needs to be, making South Australian industry less competitive. High water usage charges may also encourage water-intensive businesses to change the way they operate so they are less reliant on water. This may involve expensive equipment. • Householders would also face higher bills than they need to for a given level of water consumption, and this particularly impacts financially vulnerable customers. Some will also forgo the gardens they would like, or potentially make larger investments in water saving devices than they might if the price was lower.
Water cartage	Arrangements for water cartage businesses, which include small businesses are not covered by ESCOSA's report. ESCOSA should clarify its position in the final report.	Business SA (p.12)	The terms of reference of this Inquiry are limited to SA Water only, and do not extend to prices charged <i>by</i> water cartage businesses. However, if water cartage businesses are customers of SA Water's drinking water services, then the findings do apply to them in that capacity.
Switching away from SA Water	Further rise in water bills in Eyre Peninsula will make people switch to installing rain water tanks and away from SA Water.	John Hunwick (p.2)	If the efficient cost of alternative water is lower than the efficient cost of supply from SA Water, switching to the alternative source may be an economically efficient outcome. Consumers would, however, have to have regard to the different quality and security of supply of each source.

			Cost-reflective prices that recover efficient costs encourage efficient investment decisions, including decisions on installing rain water tanks.
Anti-competitive effects of current pricing proposal	For some councils who have invested in stormwater capture and reuse lower usage charge may have negative effects.	LGA (p.2)	<p>While this Inquiry has considered the issue of competition to SA Water, it has done so in the context of competition for the provision of drinking water and sewerage service (refer to section 2.5 in Chapter 2).</p> <p>It is recognised that a lower usage price will affect the economics of alternative water sources, such as recycled water and stormwater. At lower prices, it is likely that some schemes will be unable to compete and may become unviable in the absence of being subsidised. This is an important matter that extends beyond the terms of reference of this Inquiry, and one that needs to be considered when taking into account a range of economic and non-economic issues.</p> <p>In any instance, to continue to price water higher than cost-reflective levels will only encourage the continuation in such investments, and possibly exacerbate any negative impacts that may arise under a situation where the water usage cost is reduced.</p> <p>The Inquiry's terms of reference focus on the objectives of economic efficiency and water security. As discussed in chapter 2, these objectives are best promoted through cost reflective pricing.</p> <p>To artificially increase the cost of water in order to promote alternative water supplies, or influence the viability of alternative water sources, would lead to economically inefficient outcomes and lead to an inefficient allocation of resources. For example:</p>

		<ul style="list-style-type: none"> • At this time, there is an abundance of water available to SA Water and its customers. It is appropriate under the principles of cost reflective pricing, that this should be reflected in the price of water. • Under the welfare maximising framework being used for this Inquiry, the proposed price is one that is cost-reflective and incorporates the full value of costed environmental externalities at this time. Therefore, any additional consumption, resulting from the adoption of an efficient price lower than existing prices, would reflect that individuals' valuation over the true costs and in this context could not be seen as wasteful. Water conservation for conservation's sake, rather than being linked to the balance between water supply and demand, will not improve efficiency. • If, in practice, the water usage charge is higher than the <i>efficient price</i>, as an input to industry the cost of the final product is higher than it needs to be, making South Australian industry less competitive. High water usage charges may also encourage water-intensive businesses to change the way they operate so they are less reliant on water. This may involve expensive equipment. • Householders would also face higher bills than they need to for a given level of water consumption, and this particularly impacts financially vulnerable customers. Some will also forgo the gardens they would like, or potentially make larger investments in water saving devices than they might if the price was lower.
--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Alternative approach to water charging: flat rate	Advocates strict user-pays system with flat rates for usage.	Peter Jackson (p.1)	The submission argues for a single usage charge rather than a multi-tiered usage charge. For the reasons discussed in Chapter 6 (section 6.1), this Inquiry supports a single usage charge.
Supply charges based on customer capacity requirements	Incentives needed for non-residential customers to downsize their meters for reduction in fixed charges.	AIG (p.1), Business SA (p.8)	There are likely to be some SA Water customers with either a larger water meter or a larger sewerage connection than they now require. These may have been installed, for example, based on the previous use of a non-residential premises. Under a capacity based water and sewerage charging methodology, there may be merit in these customers seeking to downsize their water and/or sewerage connection, to reduce their future capacity-based charges. This is discussed in section 7.1 of the final Inquiry report. Any decision to downsize should be taken based on the particular circumstances (i.e. costs and potential future benefits) of an individual customer. Capacity-based charges are intended to provide the incentive to customers with more capacity than is needed, to downsize their connections. No further incentive is considered to be necessary.
Cost reflectivity of essential services	True cost should be assured as prudent and efficient.	City of Port Lincoln (p.1)	As discussed in Chapter 1, the costs of SA Water's drinking water and sewerage services should be prudent and efficient. While the costs of SA Water are not the focus of this inquiry, there are various processes for reviewing its costs, including the Commission's reviews of SA Water's capital and operating expenditure and through the setting of Pricing Orders and Ministerial Directions.
Connection/Augmentation charges to new developments	Reasonable cost recovery of new development to minimise disincentive to development investment. Augmentation charges should be supported by actual science or engineering. Development, connection and augmentation charges should be	City of Port Lincoln (p.1), Eyre Peninsula LGA (p.6), District Council of Lower Eyre Peninsula (p.2), UDIA (p.7)	Water/sewerage connection and augmentation charges should be set to recover the efficient costs of the work required. Actual charges will vary by location depending on the specifics of the work required. Any movement from this position would create cross-subsidies from other water/sewerage customers, which would be inconsistent with the pursuit of economic efficiency. Under the current revenue determination for SA Water, connection and augmentation charges are classed as 'excluded

	part of SA Water's 'cost of doing business', i.e. selling the product via its infrastructure, failure to do so renders SA Water as an inefficient business. Seeking sewerage augmentation fees from developers/new house and land owners in new growth areas is unfair.		services'. Specific provisions exist around transparency of pricing and dispute resolution. Further information is provided in SA Water's Water and Sewerage Revenues 2013/14-2015/16 Final Determination Statement of Reasons, Chapter 12. ⁵
Alternative approach to sewerage charges: hybrid	Advocates a hybrid approach covering both the size of sewerage connection and water consumption.	Conservation Council SA (p.5)	A hybrid approach to sewerage charging is theoretically attractive in terms of economic efficiency, as it attempts to match charges to both the fixed and variable costs of providing a sewerage service. However, due to SA Water's sewerage costs being 97% fixed and independent of sewage volumes, there is likely to be minimal benefit in setting variable, usage-based, sewerage charges to collect the (3%) variable costs of service provision. Furthermore, this option is likely to be administratively complex and potentially confusing for customers. For these reasons, the Inquiry has not recommended a hybrid approach.
Alternative approach to sewerage charges: fully variable	Variable charges based on the amount and strength of wastewater discharged into the sewerage network.	Envirofriendly (p.7)	As discussed in Chapter 7, there are very few usage driven costs of sewerage and the benefit of volumetric sewerage charging is likely to be far outweighed by the cost.
Sewerage billing equity issues	Removing property rate charges for a flat charge would benefit highest income households at the expense of lowest income households; would result in higher bills for Community Housing	SA Water (p.22), Community Housing Council SA (p.2), DPTI (p.2), Uniting Communities (p.7), UDIA (p.7)	Some stakeholder submissions supported the continuation of the property value based approach to sewerage charging for equity reasons, while others identified this as an unfair or inefficient way to implement social policy. The terms of reference require the Inquiry to focus on pricing structures that improve economic efficiency. As stated in Chapter 2 of this

⁵ Available at: http://www.escosa.sa.gov.au/library/130527-SAWater_Water_SewerageRevenues_2013-16-FinalDetermination-StatementOfReasons_0.pdf.

	<p>Providers; sewerage pricing based on property valuation is therefore as good a proxy as currently exists for equitable pricing where equitable pricing is understood to be progressive in the sense that all households pay a similar proportion of income rather than paying a flat charge; social equity issue since higher and lower valued houses will have to pay the same.</p>		<p>report, social equity matters are best considered by the Government. This Inquiry has, however, provided transition options to the Government which may address equity concerns at the same time as achieving greater economic efficiency.</p>
	<p>Meddling with charges for goods and services is neither efficient nor a fair way to implement redistributive social policy.</p> <p>Sewerage charging based on water meter size (or capacity to use) is somewhat fairer than 'capacity to pay' based on property value (there are 'asset rich but cash poor' sewerage customers disadvantaged by current system).</p> <p>Connection capacity fixed charges is probably the only option - property valuation is irrelevant.</p>	<p>John Standingford (p.2), Justin Lang (p.1), COTA (p.8), CS Shipard (p.5), Christine Hauser (p.1)</p>	
<p>Pricing of sewerage services for residential versus non-residential customers</p>	<p>It is common practice for interstate utilities to charge non-residential customers more than residential customers for sewerage services.</p>	<p>SA Water (p.26)</p>	<p>There are a wide variety of sewerage charging mechanisms in use across Australian jurisdictions and that it is not uncommon for non-residential customers of sewerage services to be charged different rates, or on a different basis, from residential customers. However, to maximise economic efficiency, the</p>

			charges for sewerage services should reflect the costs of providing those services. As it generally costs the same to provide a standard sewerage service to non-residential premises as it does to residential premises, the charges should, therefore, be the same.
SA Water's pricing parity	Impacts on funding arrangements between SA Water and Local Government for funding CWMS schemes.	LGA (p.2)	The current CWMS subsidy funding arrangements that are in place between Local Government and State Government include references to SA Water's sewerage charges. However, it is understood that these funding arrangements are set in a way that subsidise Local Government CWMS retailers by an amount that is equal to the difference between the costs of providing the CWMS service and the <i>costs that SA Water would normally charge to provide an equivalent service</i> . Therefore, in the current arrangements, <i>SA Water's total costs</i> are the important factor, not the way those costs are recovered through individual customers – which is the focus of the Commission's Inquiry. The recommendations should have no impact on SA Water's total costs. In any instance, it may be appropriate for Government to revisit this funding agreement before implementing the sewerage recommendations to ensure that the intent and objectives of the agreement are still able to be met.
Alternative Basis of sewerage charging	Impact on DPTI's budget of SA Water not continuing to purchase Valuation Roll information.	DPTI (p.2)	It is recognised that the current arrangements provide a large proportion of DPTI's revenue source. However, it is important that cost-reflective pricing for sewerage services be the overarching objective for determining an appropriate pricing regime for these services. In that respect, property-based charging is not considered an appropriate practice for the reasons outlined in Chapter 7 of the report. However, in calculating the costs and benefits of moving away from property-based charging, the Inquiry recognises that, at this point in time, the saved costs to SA Water (and its customers) from not requiring property valuation data, would

			be merely transferred to other data users under the Valuer General’s funding model. As such, these ‘savings’ do not represent a societal benefit and have not been taken into account in the cost-benefit analysis.
Trade waste LRMC estimates	Should be set as a package of changes to ensure both water and sewerage services are set at more cost-reflective levels for all users such there is no cross-subsidisation. Trade waste LRMC estimates will increase cost of manufacturing in SA. Trade waste LRMC estimates are too high and will make businesses unviable. Trade waste cost estimated by the Commission is very low and misconception over volume of wastewater generated. The industry cannot meet costs increases well above 250% from previous bills, with no positive incentives and in short, unrealistic time frames. SA Water could recover too much revenue if customers are charged ESCOSA's LRMC for trade waste. High price sensitivity of trade waste customers may lead to lower revenue recovery and may lead to further increase in price.	AIG (p.2), Coca-Cola Amatil (p.1), Coopers (p.3), GHD, Food SA (p.13), SA Water (p.8)	<p>It is recognised that cost reflective pricing for volume and load-based (VLB) trade waste customers will negatively impact some manufacturers, who have previously faced prices that are below cost-reflective. The Inquiry is of the view, however, that cross subsidies are not economically efficient and should be unwound. However, the impact upon some manufacturers needs to be carefully managed and the transitional option presented in Chapter 8 would to allow more time for industry to adjust to the impacts of more cost-reflective pricing.</p> <p>The concern about revenue over-recovery through the implementation of cost-reflective trade waste volume charges can be offset by adjusting the fixed charges by the necessary amount. This still allows the marginal usage (waste disposal) decisions to be made with regard to the LRMC. Lower revenue recovery from reduced trade waste volumes will not result in higher prices, as this would be equally offset by lower costs (at LRMC pricing).</p> <p>While the forecast LRMC of flow represents the Inquiry’s best estimate at this point in time, suggestions that the LRMC is too low is noted. The Inquiry has recommended that further work be undertaken to ensure that the LRMC estimates for all flow and non-flow parameters are robust.</p>

Incentives for capex in trade waste	The State Government could provide incentives for capital expenditure that would lead to reduced trade waste.	Food SA (p.16)	This is a matter for the Government to consider, although an increase in trade waste charges to the LRMC would be expected to provide an incentives to reduce trade waste.
Reduction in trade waste and SA Water revenue	Reduction in trade waste flows should not lead to increase in prices to maintain revenue shortfall.	Food SA (p.17)	Lower revenue recovery from reduced trade waste volumes will not result in higher prices, as this would be equally offset by lower costs (at LRMC pricing).
Reward for waste minimisation practices	SA Water and State Government should adopt methods of rewarding adoption of waste minimising practices.	Food SA (p.18)	This is a matter for Government and SA Water to consider. However, reduced trade waste would itself lead to lower trade waste bills.
Increase in trade waste due to ageing infrastructure	Proposed trade waste charges which do not reflect the actual waste by the seafood industry, deters plans for future expansion.	Port Lincoln Seafood Processors Action Group (p.1)	This submission relates to saline discharge from seafood processing and the higher amounts of salt entering the sewerage system from saline groundwater. The submission considers the charge for the former is meeting the cost of the latter. This Inquiry has recommended that the LRMC relate specifically to the usage/discharge decisions of consumers; any variable costs that are not attributable to usage/discharge by consumers should be treated as a fixed cost recoverable from all sewerage customers, to the extent that the fixed cost is prudent and efficient.
Billing end users and community housing tenants	Some community housing providers provide housing in group home arrangements for tenants with disabilities. The provider receives water and sewerage bills and manages the payment arrangements according to the tenants needs. There may be some circumstances where it is not appropriate for the tenant to	Community Housing Council SA (p.2)	The Inquiry recognises that there may be situations where it is beneficial for the landowner to remain the customer of SA Water and pass on appropriate charges to the tenant. In the case of rooming houses, the owner of the land would remain the customer. In those cases, the nature of the occupancy is such that the landowner is properly the customer (as is the case for the energy sector). For example, community housing providers may remain the customer of SA Water where

	<p>receive the bill and the provider should continue to receive the bill.</p> <p>There would need to be transitional arrangements for community housing tenants.</p>		<p>they are providing group housing arrangements for tenants with disabilities.</p> <p>There may be other circumstances where community housing providers remain the customer of SA Water, and pass on all or parts of their charges to tenants.</p> <p>Where tenants in a community housing arrangement do become the customer of SA Water, the tenant would be able to access SA Water's customer protection mechanisms including its hardship program.</p>
Billing end users	Strong consumer protection regime for tenants and protection for landlords.	COTA (p.7)	<p>Residential end users would gain access to the full suite of consumer protection measures under the Commission's Water Retail Code. This would provide extra protections to tenants that are not currently available such as access to SA Water's hardship program.</p> <p>Tenants will be able to detect leaks immediately through receiving the bills directly. The onus would still be on the landlord to address faulty pipework in a timely manner. The Inquiry expects that a tenant would be able to be reimbursed for water loss that occurred where a landlord failed to fix any leaks in accordance with the <i>Residential Tenancies Act 1995</i>.</p> <p>Consequential to this recommendation, it is recommended that SA Water's ability to recover debts from the landowner – and use land as a security – be removed. This would mean that SA Water could not recover amounts owing by tenants from the landowner.</p>
Billing end users	Cost recovery will be more expensive and difficult issue for SA Water due to move ins and move outs. It is simpler to bill the land owner. Issues exist with current	District Council of Lower Eyre Peninsula (p.2), Jayne Warwick (p.2)	There will be additional administrative processes for SA Water in billing end users. The costs of these processes have been taken into account in the Inquiry's cost-benefit analysis and the benefits still outweigh the costs.

	arrangements of relying on landlords to take initial and final readings.		Further, while billing the land owner is a simpler process for SA Water, it is administrative complex for landowners or Property Managers to pass on water charges to tenants. The main benefit of billing end users is the costs avoided through the removal of this process.
Billing end users and billing system	Billing system changes may lead to price increases. Local Government has existing databases tied to landowners and any changes to end users would require the establishment of secondary customer databases.	Eyre Peninsula Local Government Association (p.7), SA Water (p.8), DPTI (p.2)	The Inquiry has factored the cost of SA Water upgrading its billing system in its cost-benefit analysis and the benefits of end user billing outweigh the associated costs.
Billing end users	Reduced costs to property managers or landlords may not be passed on to tenants as lower rental charges.	SACOSS (p.2,3), COTA (p.7), Uniting Communities (p.7)	The rental market is expected to be competitive enough to see prices adjust over time. The Productivity Commission has indicated that the retail store rental market is competitive and it may be expected that this would be the same for the residential market, which has the characteristics of a competitive market, (e.g. transparency, low barriers to entry, high switching and a large number of providers).
Billing end users and shared metering arrangements	Inconsistency between Chapter 3 (Billing end users) and Chapter 5 (Metering)	SACOSS (p.2,3), COTA (p.7), Uniting Communities (p.7)	The recommendation for billing end users is independent of the recommendation for individual metering and is able to apply in shared metering arrangements. Under current arrangements, where a Strata or Community Title Corporation have a shared meter, SA Water issues a single supply charge to each property, with all water use charges raised against a Common Supply (body corporate) account. However, if all property owners agree, SA Water will apportion water use charges against each individual account. Under end user billing, SA Water could continue to apportion these charges and issue an account to each tenant, without any need for individual metering.

Billing end users	Tenants only need to be exposed to marginal costs to promote economic efficiency.	SACOSS (p.2,3)	The Inquiry considered the option of tenants being responsible to their water and sewerage service provider for water usage only. In Victoria, tenants are responsible to their water and sewerage service provider for water usage and sewage disposal charges where the property is separately metered. However, there are additional costs associated to issuing separate bills to tenants and landlords. Details of this option can be found in Appendix 3.
Removing debt provisions	Will lead to increase in SA Water's debt levels and debt recovery costs, increase in customer's bills and a greater incidence of restriction of service.	SA Water (p.9,34), District Council of Lower Eyre Peninsula (p.3)	The impact of these increased costs on customer bills have been taken into account in the customer impacts section.
Removing debt provisions	Clarification on whether SA Water will be allowed to disconnect for non-payment like other utilities.	SA Water (p.9,32-33)	See discussion in section 3.1.3 of the final Inquiry report.
Removal of rating on abuttal	User pays should mean that all beneficiaries pay for a service, including those that have the potential to benefit. SA Water does not have an incentive to install new mains due to rating on abuttal. Growth in SA Water's distribution network is determined by developers and property owners, not SA Water. SA Water cannot earn additional revenues as allowable revenue is based on SA water's efficient costs and not number of customers.	SA Water (p.7)	The Inquiry has found that paying for a service that is not received, or for "potential benefits", is not economically efficient. Only those costs that are attributable to a customer's decision (e.g. to connect or disconnect) should be charged to the customer. It is accepted that network growth is largely driven by developer and customer requirements and that rating on abuttal impacts of the way in which revenues are recovered, rather than the absolute amount of revenue that SA Water can earn. It must also be noted that the developers and property owners pay for the infrastructure via developer charges.

Rating on abuttal, lack of viable alternatives	<p>Removal of ROA (especially the ability to 'opt out' of a service has ramifications for the sustainability of small water and sewerage schemes.</p> <p>An inference that people may choose to provide their own septic and soakage solution in preference to connection to SA Water's sewer (or a council CWMS) is irresponsible and shows a lack of understanding of the importance of common schemes on community health.</p>	EPLGA (p.7)	<p>This Inquiry has only been tasked with looking at pricing options for SA Water, not Local Governments or any other utility. Therefore, these recommendations should not be applied to other entities without detailed consideration of whether or not their individual circumstances would lead to different costs and benefits and hence different findings and conclusions.</p> <p>Opting out of a common effluent scheme should only be possible if it can be demonstrated that a viable alternative exists. In many locations, especially with denser populations, the only viable alternative will be a common effluent scheme. There are existing, rigorous standards governing the installation and maintenance of alternative sewerage treatment and disposal options. Those outcome-based standards are more appropriate than mandating the use of any particular scheme.</p>
Individual metering	New properties should be fitted with individual meters.	Consumers SA (p.4)	As discussed in Chapter 5, the Inquiry has generally found that the cost of mandating the installation of new meters for all new properties outweighs the benefits. There are, however, likely to be particular properties where the benefits outweigh the costs and consideration should be given to metering in those instances.
Water planning and management costs	These costs are general overhead cost to SA Water and should not be recovered via direct charge to customers.	UDIA (p.12)	As stated in Chapter 9, in the normal course of supplying water and sewerage services, environmental impacts arise, including those relating to water planning and management activities. Where practical to do so, these impacts should be costed and allocated appropriately to those entities that are responsible for them. All efficient environmental costs attributable to SA Water should be recovered from its customers through water and sewerage prices.
Prudent and efficient cost of infrastructure assets	NWI and Water Charge Rules do provide a prudent and efficient framework for infrastructure.	MDBA (p.20)	As stated in Chapter 9, in conducting an independent public review of the prudence and efficiency of all water planning and management costs incurred by SA Water and incorporated into

	Regulating SA Water in accordance with the Water Charge Infrastructure Rules and Water Charge Planning and Management (Information) Rules would improve consistency with the NWI and assist in meeting efficiency and prudency objectives.		customers' charges, there is merit in considering existing frameworks, such as the NWI and Water Charge Rules.
Clarity in final report regarding local government operations	It should be made clear that the findings and recommendations are not applicable to local government operations in the areas of water re-use and Community Wastewater Management Schemes; concerns over council policies on use and charging for recycled water.	City of Port Lincoln (p.2), CS Shipard (p.5)	This Inquiry deals only with SA Water's drinking water and sewerage services. The Inquiry's recommendations should not be applied to Councils until a cost and benefit analysis relevant to those services is conducted.



The Essential Services Commission of South Australia

Level 1, 151 Pirie Street Adelaide SA 5000

GPO Box 2605 Adelaide SA 5001

T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

