

Proposed introduction of a

WATER METERING CODE

Final Decision

November 2014



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.

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GLOSSARY OF TERMS

Commission	Essential Services Commission of South Australia
CWMS	Community Wastewater Management Systems
EPA	Environment Protection Authority
ESC Act	Essential Services Commission Act 2002
EWOSA	Energy & Water Ombudsman of South Australia
NMI	National Measurement Institute
SA	South Australia
WI Act	Water Industry Act 2012
WSAA	Water Services Association of Australia

EXECUTIVE SUMMARY

The Commission is established under the *Essential Services Commission Act 2002 (ESC Act)* as a regulator of certain essential services in South Australia, with a primary objective of protecting the long-term interests of South Australian consumers with respect to the price, quality and reliability of those essential services.

This Final Decision paper sets out the Commission's decision not to introduce a Water Metering Code at this time, as well as the reasons for that decision.

The Commission consulted on the need (or otherwise) to introduce regulatory consumer protection provisions in relation to water metering, for example, through the introduction of an industry code under the *Essential Services Commission Act 2002*. Underpinning the review is the proposition that water customers should be satisfied that consumption of water is accurately metered and that they are billed accordingly.

Of note, this review did not extend to metering for sewerage retail services or trade waste services, nor to a consideration of whether or not meters should be rolled-out to all connection points at which water retail services are supplied as the Commission has separately inquired on those issues. This review has focussed only on whether or not additional regulation of water metering is beneficial.

To date, the Commission has developed two broad-ranging consumer protection codes. Those codes are: the *Water Retail Code – Major Retailers*; and, the *Water Retail Code – Minor and Intermediate Retailers*. They set behavioural standards which apply to licensed water and sewerage services retailers in their dealings with customers. The matters covered by the codes include customer information provision, connection obligations, reliability of supply standards, billing and payment requirements, complaint handling and dispute resolution processes and disconnection rules. These codes deal with consumer-focused metering issues, such as a request to base bills on meter readings (where available).

In developing the codes, the Commission noted an intention to review the need for further regulatory instruments or controls which might enhance consumer protection (where the benefits outweigh the costs of regulation) once the overarching Water Retail Code was in place. One matter identified for further consideration was whether or not the combined operation of the Water Retail Codes together with other technical standards (such as mandatory standards developed by the National Measurement Institute) would provide sufficient consumer protections in respect of water metering arrangements.

The Commission reviewed the terms of both the codes and those other technical standards. With the benefit of submissions received in response to an Issues Paper on this matter it released in May 2014, a Draft Decision released in August 2014 and further research it has undertaken, it has reached the conclusion that, at this time, there is no need to introduce a Water Metering Code.

The Water Retail Codes already provide that, where a meter is in place, a customer must be billed on the basis of meter readings and any changes to prices or tariffs must be pro-rated

based on such readings. Further, customers have the right to seek meter tests where they suspect the relevant readings are inaccurate.

In terms of technical standards, the National Measurement Institute has developed mandatory standards that deal with matters such as metrological and technical requirements, pattern approval and initial verification and model test reports. Standards Australia has a suite of voluntary standards which include such things as in-service compliance testing. Further, the Water Services Association of Australia has developed a number of non-binding national codes governing a range of metering related issues.

The Commission notes the low number of water metering complaints reported by customers to the Energy and Water Ombudsman (13 in the period March 2012 – May 2014). Further, of the 303 complaints made by customers to SA Water regarding meter accuracy in that same period, less than one per cent (only one meter) was found to be over-recording water use, about nine per cent were found to be under-recording water use, with the remaining ninety per cent found to be accurate.¹ While not conclusive, those data indicate that metering issues are not a significant source of customer concern and that existing technical standards appear to work effectively.

¹ For the calendar year 2013 (the first year in respect of which the Commission collected data as the economic regulator of SA Water), SA Water reported 1713 complaints across all elements of its regulated business activities.

1. INTRODUCTION

The purpose of this Final Decision is to set out that the Commission will not, at this time, implement a Water Metering Code, taking into account stakeholder and community views provided through the consultation process.

1.1 Background

The Commission is established under the Essential Services Commission Act 2002 (**ESC Act**) as a regulator of certain essential services in South Australia, with a primary objective of protecting the long-term interests of South Australian consumers with respect to the price, quality and reliability of those essential services.

The *Water Industry Act 2012* (**WI Act**) establishes the regulatory framework for the water and sewerage industry covering economic regulation, technical regulation, water planning and customer complaint handling. All retail water and sewerage services are covered by the WI Act, including non-drinking water, recycled water and stormwater retail services. A retail service is defined as the sale and supply of water by a person for use where the water is to be conveyed by a reticulated system; or the sale and supply of sewerage services for the removal of sewerage.

Under the WI Act, the Commission is responsible for the economic regulation of water and sewerage retail services in South Australia, which includes services provided by SA Water, Local Government and private operators. That role includes industry licensing, consumer protection, performance monitoring, compliance and retail pricing matters.

The WI Act requires the Commission to establish a consumer protection framework through the use of industry codes made under the ESC Act. Industry codes prescribe detailed rules of conduct and procedure that must be followed by industry participants.

1.2 Purpose

While existing industry codes made by the Commission already deal with consumer protection-related issues in water metering, the Commission consulted on the need (or otherwise) to introduce separate and specific regulatory consumer protection provisions in relation to water metering, for example, through the introduction of a further industry code under the ESC Act.

Underpinning the review is the proposition that water customers should be satisfied that consumption of water is accurately metered and that they are billed accordingly. The key consideration in that context is to ensure that no gaps in customer protection exist between the Commission's existing regulatory framework and the provisions of current industry-based technical standards.

1.3 Scope

In considering the need (or otherwise) for additional regulation of water metering, this review did not extend to metering for sewerage retail services or trade waste services, nor to a consideration of whether or not meters should be rolled-out to all connection points at which water retail services are supplied. In terms of a mandatory roll out of meters, the Commission has separately inquired into the costs and benefits of such a program and found that the costs would significantly outweigh any benefits.² This review has focussed only on whether or not additional regulation of water metering is beneficial.

1.4 Process

On 2 May 2014, the Commission published an Issues Paper entitled *South Australian Water Metering Code* for public consultation. That Issues Paper sought submissions on the need for a Water Metering Code in the water industry in South Australia. Five submissions were received in response to the Issues Paper.

A Draft Decision was published by the Commission on 14 August 2014 for consultation over a period of five weeks, closing on 19 September 2014. One submission was received, from SA Water, in response to the Draft Decision.

The Issues Paper, Draft Decision and all submissions are available on the Commission's website.³

The Commission has been assisted by the submissions it has received through the consultation process. In making this Final Decision the Commission has had regard to the views raised by stakeholders in response to the Issues Paper and Draft Decision.

² In 2013, under the Water Industry Act the Commission undertook a review into the costs and benefits of rolling-out metering to all public housing customers. A copy of the final report for that review is available from the Commission's website at <http://www.escosa.sa.gov.au/projects/188/water-industry-act-review-of-water-meter-arrangements.aspx>. The Commission is currently inquiring into Reform Options for SA Water's Drinking Water and Sewerage Prices which, in part, includes consideration of a roll-out of meters to all SA Water customers. A copy of the draft Inquiry report is available at <http://www.escosa.sa.gov.au/projects/189/inquiry-into-drinking-water-and-sewerage-retail-services-pricing-reform.aspx>

³ Refer: <http://escosa.sa.gov.au/projects/210/water-metering-code.aspx>

2. DISCUSSION

To date, the Commission has developed two broad-ranging consumer protection codes under the ESC Act. Those codes are: the *Water Retail Code – Major Retailers*; and, the *Water Retail Code – Minor and Intermediate Retailers (Retail Codes)*.⁴ The Retail Codes set behavioural standards which apply to licensed water and sewerage services retailers in their dealings with customers.

In developing the codes, the Commission noted an intention to review the need for further regulatory instruments or controls which might enhance consumer protection (where the benefits outweigh the costs of regulation) once the overarching Retail Codes were in place.⁵

One matter identified for further consideration was whether or not the combined operation of the Retail Codes, together with other technical standards (such as mandatory standards developed by the National Measurement Institute), would provide sufficient consumer protections in respect of water metering arrangements.

2.1 Market Overview

The water retail market in South Australia comprises 61 licensed water retailers. These are categorised as minor, intermediate or major, depending on the scale of their operations. A minor retailer provides retail services to 500 or fewer connections, an intermediate retailer to more than 500 but less than 50,000 connections and a major retailer to 50,000 or more connections (SA Water is the only major retailer).⁶

A Retail Code applies to each licensee (based on their categorisation) and compliance with the terms of that Retail Code is a condition of their licence.

2.2 Current consumer protection arrangements

There are two current regimes providing consumer protections in respect of metering for water retail services. The first is the Commission's Retail Codes; the second is the suite of industry-based technical standards (such as standards developed by the National Measurement Institute and Standards Australia).

2.2.1 Scope of the Retail Codes

The Retail Codes provide customer protections associated directly with metering, such as billing frequency and the basis for billing, including that a bill must be based on a meter reading (where a meter is installed).

In particular, they contain requirements on billing disputes and the process to be followed where a customer requests a meter reading or metering data to be checked, or the meter

⁴ Water Retail Codes <http://www.escosa.sa.gov.au/water-overview/codes-guidelines/water-codes.aspx>

⁵ Economic Regulation of the South Australian Water Industry <http://www.escosa.sa.gov.au/library/120607-EconomicRegulationWaterIndustry-FinalAdvice.pdf>

⁶ A complete list of licensees can be found on the Commission's website at <http://www.escosa.sa.gov.au/water-overview/licensing/retail-licences.aspx>

Water Metering Code

tested. Further, in the event a customer is undercharged or overcharged as a result of a metering inaccuracy, the Retail Codes specify the process to be followed by a retailer when correcting the error.

Under the provisions of the Retail Codes, if a customer is dissatisfied with their meter accuracy, an application can be made to the retailer for a meter test. The customer's meter is tested alongside a test meter to prove accuracy and, if proven inaccurate, is replaced. If the meter proves satisfactory, the customer may still insist on a further test which is carried out by an accredited organisation. If the meter proves within specification the customer is charged for the test.

Any undercharged or overcharged amounts will be corrected on the customer's bill in accordance with the provisions in the Retail Code. If the customer remains dissatisfied with the results of the meter test, they may escalate their complaint in accordance with the retailer's Enquiries, Complaints and Dispute Resolution Procedure for resolution.

2.2.2 Industry Technical Standards

The National Measurement Institute has developed a suite of mandatory standards that are underpinned by the *National Measurements Act 1960*⁷. Standards Australia has also developed various standards (these standards are voluntary unless they are stipulated in State or Commonwealth legislation). Further, the Water Services Association of Australia (WSAA) has developed a number of non-binding national codes governing a range of metering related issues.

Generally, water meters are reliable and they accurately record consumption. They are sealed for tamper protection to prevent, as best as possible, any bias in meter performance. They are replaced at their end-of-life (following batch testing), when measuring accuracy is determined to be out of specification.

In-service compliance testing is carried out by SA Water in accordance with AS 3565 – Meters for Water Supply, Part 4. That standard requires a sample of meters to be taken from service and tested for accuracy. If the sample of meters fails the accuracy test, the population of that meter type and age is replaced. Testing is carried out on a three year cycle. The Commission monitors those matters through its compliance program.

⁷ As water meters are used for trade measurement the NMI standard has become the mandatory industry standard.

3. FINAL DECISION

In combination, the provisions of the Retail Codes and the industry technical standards are wide-ranging and include consumer-facing issues (Retail Codes) and technical metrological matters (technical standards). In its review, the Commission considered current consumer protection arrangements, feedback raised in submissions, customer complaints regarding metering and market settlement arrangements.

When taking into account mandatory water metering technical standards and the customer protections contained in Water Retail Codes, there is not currently a gap in consumer protection which would justify the introduction of additional regulation for the metering of water retail services. Feedback received in submissions to the Commission's earlier Issues Paper largely supported this view. The Commission received a submission from SA Water in response to the Draft Decision which supported the Commission's position that a specific code is not required.

The Commission notes the low number of water metering complaints reported by customers to the Energy and Water Ombudsman (13 in the period March 2012 – May 2014). Further, of the 303 complaints made by customers to SA Water regarding meter accuracy in that same period, only one meter was found to be over-recording water use, about nine per cent were found to be under-recording water use, with the remaining ninety per cent found to be accurate. While not conclusive, those data indicate that metering issues are not a significant source of customer concern and that existing technical standards appear to work effectively.

Further, the design of water meters may provide a financial incentive to water retailers to ensure accuracy which, in turn, also reduces financial risks for customers. This is because meters tend to under-read consumption as they wear, due to additional water being able to slip through the meter where gaps are created between contact surfaces of the moving parts. Therefore, a retailer can seek to manage its meter fleet to minimise the revenue impact of inaccurate meters.

It is the Commission's final position that, at this time, there is not a gap in consumer protection in respect of water retail services metering which would justify the introduction of further regulatory requirements. The Commission considers that water metering has to date, been adequately regulated in terms of meeting retailer and customer requirements by the existing technical and consumer protection framework.

The Commission will continue to monitor retailer's compliance with metering obligations and also consumer complaints regarding metering. Further, the Commission has requested that SA Water audit metering related obligations to provide further assurance that the current suite of metering related consumer protections are functioning as intended.

FINAL DECISION

Taking into account mandatory water metering standards and the customer protections contained in the Commission's Water Retail Codes, at this time there is no need to introduce a Water Metering Code.

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Final Decision



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