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Review of SA Water's Regulatory Business Proposal: Issues Paper  
Essential Services Commission of South Australia  
GPO Box 2605  
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To Whom It May Concern

**Re: Review of SA Water's Regulatory Business Proposal: Issues Paper**

Primary Industries and Regions South Australia (PIRSA) welcomes the opportunity to provide comments on your issues paper in response to SA Water's Regulatory Business Proposal (RBP) for 2013/14 –2015/16.

I note under section 2.1 of the issues paper ('Form of Revenue Control') that the current Pricing Order "prevents the Commission from differentiating these controls between class of customers ... or by location...". However, it appears that such differentiation already exists between residential, other non residential and commercial consumers. Regardless of this potential restriction I trust that you will take the comments below into consideration either in making the current revenue determination, as input to the foreshadowed second determination in 2016, or perhaps as part of a separate determination for "excluded" services (2.1.1. p9).

PIRSA is concerned that current water pricing policy may negatively impact on the State's ability to deliver on the Government's strategic initiative, "Premium Food and Wine from our Clean Environment". A key issue that PIRSA asks the Commission to consider is the impact of the state-wide pricing strategy on regional, primary industry sectors that rely on SA Water for irrigation or stock water supply such as:

- Wine Grape growers in the Clare region and McLaren Vale.
- Livestock producers on the Narrung Peninsula as well as intensive pig and poultry enterprises in the Mid- North.
- Greenhouse vegetable producers on the Northern Adelaide Plains (Virginia) and around Murray Bridge.

The profitability of these businesses is being challenged by the unforeseen size of the rises in retail water charges. Further these businesses are not able to reduce their costs by reducing their use of the retail water because they do not have direct access to surface or groundwater resources. In addition, a significant contributor to the increase in charges has been the provision of new infrastructure e.g. the Adelaide Desalination Plant and the North South Interconnector System largely intended to

increase the security of water for customers in Adelaide. However, these other non-residential customers will not be gaining the benefits of that new infrastructure.

As an example, in the Clare Valley about 80 to 100 of the 280 grape growers in the district are reliant on pipeline water to meet their irrigation needs. These producers paid up to \$2000/ML capital contribution to the pipeline, gave up their ground water entitlements and now find themselves in an unprofitable situation in part due to a 250 percent increase (\$0.97 to \$3.45) in water costs over the past ten years. It is estimated that water costs for some growers are around half the cost of production which is exacerbating the negative impacts of low grape prices.

The Statement of Approach Paper does provide some areas which seem to touch on our concerns i.e. the need to comply with National Water Initiative (NWI) Pricing Principles, reference to cost reflective pricing and the influence of water security considerations on major infrastructure investments rather than on-going water supply needs.

Also the July 2012 'Economic Regulation of SA Water's Revenues: Statement of Approach' report refers to a public inquiry addressing a range of issues including the merits of alternative price structures; scarcity pricing and the impact of state wide pricing to be completed prior to the second determination.

It is these later concepts that PIRSA would like Essential Services Commission of South Australia (ESCOSA) to consider with regard to the industry sectors highlighted above in the current revenue determination. The concept of 'peak / off-peak' charging could also be considered for those enterprises that have the capacity to receive and store water in low demand times for later use.

In a similar vein to water supply, rising trade (liquid) waste disposal charges are a concern to some, particularly smaller food processors some of whom are also obliged to implement measures to improve waste quality in order to avoid additional penalty charges. SA Water has indicated that increased stringency of Environment Protection Authority regulation obliges it to improve discharge quality and it is passing the cost to polluters. Accordingly, it is understood to be on what it believes to be a trajectory to cost-reflective pricing.

As with the increase in water charges discussed above, the increased sewerage costs are adversely affecting the profitability of these businesses. PIRSA would like ESCOSA to investigate the scope and magnitude of the issue to ensure it is in-line with the appropriate policies and revenue guidelines.

If you would like to pursue any of the matters outlined above you can contact Mr Andrew Manson, Director Strategic Policy on telephone 8226 0533 or email [andrew.manson@sa.gov.au](mailto:andrew.manson@sa.gov.au).

Thank you for the opportunity to present our concerns.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ian Nightingale', with a long, sweeping flourish extending to the right.

Ian Nightingale  
**CHIEF EXECUTIVE**