

## WATER INDUSTRY ACT 2012 (SECTION 35)

### PRICING ORDER

#### FOR THE REGULATORY PERIOD 1 JULY 2013 – 30 JUNE 2016

Pursuant to s35(4) of the *Water Industry Act 2012 (the Act)*, the Treasurer hereby issues the following pricing order (**this Order**):

#### 1. INTERPRETATION

1.1 Where a term used in this Order is defined in the Act, it has the meaning given in the Act.

1.2 In this Order, unless the contrary intention appears:

*determination* means a determination of the Commission under s35 of the Act and Part 3 of the *Essential Services Commission Act 2002 (the ESC Act)* made in respect of retail services;

*drinking water retail service* means a retail service constituted by the sale and supply of water of a quality fit for human consumption;

*initial regulatory period* means the three year period commencing 1 July 2013;

*NWI Pricing Principles* means the National Water Initiative Pricing Principles 2010 agreed by Australian governments as the basis for setting water prices / charges in their jurisdictions, as amended or replaced from time to time;

*NWI Principles for Recovering the Costs of Water Planning and Management Activities* means the Principles for recovering the costs of water planning and management activities which form part of the NWI Pricing Principles, as amended or replaced from time to time;

*NWI Principles for the Recovery of Capital Expenditure* means the Principles for the recovery of capital expenditure which form part of the NWI Pricing Principles, as amended or replaced from time to time;

*NWI Principles for Urban Water Tariffs* means the Principles for urban water tariffs which form part of the NWI Pricing Principles, as amended or replaced from time to time;

*sewerage retail service* means the sale and supply of sewerage services for the removal of sewage.

#### 2. APPLICATION

2.1 This Order is to take effect from the date that it is signed.

2.2 Part 3 of this Order is to apply to any determination.

2.3 Part 4 of this Order is to apply to a determination in respect of the following retail services for the initial regulatory period:

2.1.1 drinking water retail services provided by SA Water;

2.1.2 sewerage retail services provided by SA Water,

(such services referred to in Part 4 of this Order as 'a relevant service' or 'the relevant services').

### **3. ADOPTION OF NWI PRICING PRINCIPLES**

3.1 The Commission must adopt or apply the NWI Pricing Principles (other than the Principles for Recovering the Costs of Water Planning and Management Activities) when making a determination, to the extent that those, or any of those, principles are relevant to the determination in question.

3.2 In the case of a determination to which Part 4 of this Order applies, clause 3.1 applies subject to Part 4 of this Order.

### **4. SA WATER DRINKING WATER AND SEWERAGE RETAIL SERVICES**

4.1 The Commission must adopt or apply the following parameters, principles or factors when making a determination to which this Part applies:

4.1.1 The initial regulatory period must be adopted as part of the determination.

4.1.2 The determination must only determine the revenue which may be derived from the provision of such services.

4.1.3 The determination must determine separate revenue controls for drinking water retail services and sewerage retail services.

4.1.4 In respect of each relevant service, the determination may apply either a revenue cap control, an average revenue control, or a combination of both of those forms of revenue control.

4.1.5 The determination must not establish, or require the establishment of, a revenue control for a relevant service based on customer class or location.

4.1.6 The determination must include a mechanism which allows for the adjustment of the allowable revenue to be derived where the Commission determines there to be a relevant and material variation between forecast and actual rates of water consumption or sewerage connections.

4.1.7 The determination must adopt or apply the NWI Principles for the Recovery of Capital Expenditure, subject to the following:

4.1.7.1 the determination must adopt the initial regulated asset base for SA Water as at 1 July 2013 to be specified by the Treasurer in a subsequent pricing order issued under s35 of the Act;

4.1.7.2 the determination must allow SA Water to recover the efficient cost of assets to be acquired over the course of the initial regulatory period which are required to support activities that SA Water is required to provide in accordance with a direction under s6 of the *Public Corporations Act 1993*;

4.1.7.3 for the avoidance of doubt, the Commission must only adopt or apply Principle 6 of the NWI Principles for the Recovery of Capital Expenditure in relation to contributed assets that SA Water acquires after 1 July 2013.

4.1.8 The determination must adopt or apply Principle 1 of the NWI Principles for Urban Water Tariffs, subject to the following:

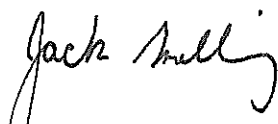
4.1.8.1 in relation to costs relating to externalities (including water planning and management), the determination must only allow SA Water to recover such costs as are attributable to and payable by SA Water in accordance with the law, including a direction under s6 of the *Public Corporations Act 1993*;

4.1.8.2 the determination must allow SA Water to recover such costs (less any relevant contributions to such costs that it receives) that are attributable to activities that SA Water is required to provide in accordance with a direction under s6 of the *Public Corporations Act 1993*, and are either:

- (i) specified in the relevant direction, or if not so specified,
- (ii) determined by the Commission to be efficient.

## 5. VARIATION

5.1 This Order may be varied by a subsequent pricing order issued under s35 of the Act.

  
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**JACK SNELLING M.P.**  
Treasurer

Date: 24 September 2012