



DIRECTION TO THE SOUTH AUSTRALIAN WATER CORPORATION
PURSUANT TO SECTION 6 OF THE PUBLIC CORPORATIONS ACT 1993

BACKGROUND:

1. Pursuant to section 6 of the *Public Corporations Act 1993*, and sections 6 and 7(2)(f) of the *South Australian Water Corporation Act 1994*, the South Australian Water Corporation (SA Water) is subject to control and direction by its Minister, and has the functions conferred on it by its Minister.
2. The *South Australian Water Corporation Act 1994* is committed to the Minister for Water and the River Murray (the Minister) by way of *Gazettal* notice dated 21 October 2011 (p. 4289).
3. The *Water Industry Act 2012* provides for the regulation of prices for water and sewerage retail services by declaring the water industry to constitute a regulated industry for the purposes of the *Essential Services Commission Act 2002*, and providing for the Essential Services Commission of South Australia (the Commission) to make a determination under the *Essential Services Commission Act 2002* regulating prices, conditions relating to prices, and price-fixing factors for such retail services.
4. In making such a determination, the Commission must comply with the requirements of any pricing order issued by the Treasurer under s35 of the *Water Industry Act 2012*.
5. The Treasurer has, on 24/09/2012, issued such a pricing order (the Initial Pricing Order) which applies to, amongst other things, a determination in respect of drinking water and sewerage retail services provided by SA Water for the three year period commencing 1 July 2013 (the initial regulatory period).
6. As part of the Initial Pricing Order, the Treasurer has required that any determination of the Commission in respect of such services allow SA Water to recover:
 - (a) 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*;
 - (b) the costs of externalities (including water planning and management) 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*;
 - (c) 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.

7. The Minister considers it appropriate, in the interests of transparency, to direct SA Water to:
- (a) provide certain services, in addition to the services it is required to provide pursuant to s7 of the *South Australian Water Corporation Act 1994*, and the Charter for SA Water;
 - (b) purchase renewable energy certificates or carbon offsets for the purpose of operating the Adelaide Desalination Plant;
 - (c) maintain State-wide pricing in respect of the drinking water and sewerage retail services it provides to customers;
 - (d) continue to contribute to water planning and management charges; and
 - (e) continue to annually reimburse the Minister in respect of fees paid to the Valuer-General for copies of the valuation roll,
- the costs of which may be recovered by SA Water in accordance with the terms of the Initial Pricing Order.
8. The Minister intends that this Direction revoke and replace the previous Direction made to SA Water pursuant to section 6 of the *Public Corporations Act 1993* on 25 February 2013 and published in the Gazette on 7 May 2013.

DIRECTION:

I, Ian Hunter, Minister for Water and the River Murray, direct SA Water to purchase or provide the following services, facilities and contributions until further notice, subject to and in accordance with the following provisions:

A. Emergency Management Services

Emergency engineering functional services as required for compliance with the State Emergency Management Plan prepared by the State Emergency Management Committee under the *Emergency Management Act 2004*, up to the following cost in each financial year of the initial regulatory period:

2013-14	2014-15	2015-16
\$517 000	\$531 000	\$545 000

The South Australian Government will make the following contributions to SA Water in relation to such costs in each financial year of the initial regulatory period:

2013-14	2014-15	2015-16
\$517 000	\$531 000	\$545 000



B. Government Radio Network Services

Services required for SA Water's ongoing connection to and participation in the South Australian Government Radio Network, up to the following cost in each financial year of the initial regulatory period:

2013-14	2014-15	2015-16
\$520 000	\$533 000	\$546 000

The South Australian Government will make the following contributions to SA Water in relation to such costs in each financial year of the initial regulatory period:

2013-14	2014-15	2015-16
\$520 000	\$533 000	\$546 000

C. Save the River Murray Levy Administration Services

Administration of the Save the River Murray Levy in accordance with s93 of the *Water Industry Act 2012*, up to the following cost in each financial year of the initial regulatory period:

2013-14	2014-15	2015-16
\$60 000	\$60 000	\$60 000

The South Australian Government will make the following contributions to SA Water in relation to such costs in each financial year of the initial regulatory period:

2013-14	2014-15	2015-16
\$60 000	\$60 000	\$60 000

D. Fluoridation Services

Services required for:

- (i) the continuation of the fluoride dosing program in metropolitan Adelaide and the existing country fluoride dosing installations;
- (ii) the construction and operation of any new fluoride dosing installations;

as recommended or agreed by or on behalf of the Chief Executive, Department for Health and Ageing, from time to time.

E. Purchase of renewable energy or carbon offsets for the Adelaide Desalination Plant

SA Water must purchase applicable renewable energy certificates (RECs) for the purposes of the operation and maintenance of the Adelaide Desalination Plant and associated infrastructure, or otherwise fully offset the carbon impact of that operation and maintenance, sufficient to maintain South Australia's commitment at clause 17 of the *Implementation Plan for Augmentation of the Desalination Plant (100 gigalitres per annum)*, *National Partnership Agreement on Water for the Future*.



F. State-wide Pricing Facility

SA Water must set tariffs for the provision of the drinking water and sewerage retail services it provides on the basis of State-wide pricing i.e. the tariffs or tariff components for such services must be the same, or result in a similar outcome, for all customers in an equivalent class irrespective of the customer's location.

The South Australian Government will make the following contributions to SA Water in each financial year of the initial regulatory period in order to support the lowest levels of State-wide tariffs possible:

(i) in relation to SA Water's drinking water retail services

2013-14	2014-15	2015-16
\$67 416 173	\$67 416 173	\$67 416 173

(ii) in relation to SA Water's sewerage retail services

2013-14	2014-15	2015-16
\$40 162 827	\$40 162 827	\$40 162 827

G. Water Planning and Management Charges Contribution

SA Water must make the following contributions to the Department for the Environment, Water and Natural Resources in each financial year of the initial regulatory period in order to support water planning and management activities.

2013-14	2014-15	2015-16
\$16 710 000	\$17 128 000	\$17 556 000

H. Annual reimbursement of fees paid for valuation roll

SA Water must make the following contributions to the Minister in each financial year of the initial regulatory period in order to reimburse the Minister for fees paid to the Valuer-General pursuant to s21(a) of the *Valuation of Land Act 1971* for a copy of the valuation roll or any addition, correction or amendment to the roll.

2013-14	2014-15	2015-16
\$4 432 000	\$4 601 000	\$4 779 000

**The Hon Ian Hunter MLC
MINISTER FOR WATER AND THE RIVER MURRAY**

9 May 2013