



MEDIA RELEASE

ESCOSA determines real reductions in SA Water's average water and sewerage revenues

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The Essential Services Commission of South Australia (ESCOSA) has released its final decision on SA Water's revenues for the three-year regulatory period, 1 July 2013 to 30 June 2016.

This decision sets out the maximum revenue per unit sold that SA Water can recover from its drinking water and sewerage customers over the regulatory period.

ESCOSA's final decision results in a nominal reduction in SA Water's current average drinking water revenue of 5.5% per cent from 1 July 2013; this represents a real (inflation adjusted) reduction of 7.8%. SA Water's average nominal sewerage revenues from 1 July 2013 will increase by 1.6%, which is a 0.9% real decrease.

ESCOSA has made this decision in accordance with its primary objective of promoting the long-term interests of consumers.

"This decision will significantly reduce overall drinking water and sewerage prices for SA Water's customers" ESCOSA Chief Executive Officer Paul Kerin said.

"A key driver of the reduction is that ESCOSA's final decision allowed significantly lower operating expenditures than those on which current prices were based" Mr Kerin said.

"A further key driver is a substantial reduction in financing costs" Mr Kerin explained. "The impact of those lower financing costs have, however, been largely offset by the Treasurer's decision to increase the value of SA Water's regulated assets, as determined through a pricing order" Mr Kerin added.

"The decision provides sufficient revenue for SA Water to supply its water and sewerage retail services effectively while meeting all relevant service standards and also the obligations placed on SA Water by SA Government" Mr Kerin said.

In making its final decision ESCOSA carefully scrutinised SA Water's Regulatory Business Proposal, including operating and capital expenditure forecasts, for the supply of water and sewerage retail services. ESCOSA released its draft decision in February 2013 and considered all submissions made throughout the public consultation process.

ESCOSA determined that the prudent and efficient amounts of capital and operating expenditure over the three-year period were, respectively, \$166m and \$145m lower than SA Water's Regulatory Business Proposal requested. The capital and operating expenditures that the Commission determined were also significantly lower than those adopted by the Government around 12 months ago, when it projected average price changes of slightly above CPI each year over the three years.

ESCOSA became the independent economic regulator of SA Water following the passage of the Water Industry Act in 2012. This is the first independent determination of SA Water's drinking water and sewerage revenues.

Further information about the Final Revenue Determination can be found on the Commission's website at www.escosa.sa.gov.au.

MEDIA CONTACT: Dona Attard – 8463 4444 or 0400 202 689. Paul Kerin - 8463 4444

The Essential Services Commission is the independent economic regulator of essential services in South Australia. The Essential Services Commission's primary objective is the protection of the long-term interests of South Australians.

The Essential Services Commission of South Australia
Level 8, 50 Pirie Street Adelaide SA 5000 | GPO Box 2605 Adelaide SA 5001
T 08 8463 4444 | F 08 8463 4449
E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au