APPLICATION FORM FOR THE ISSUE OF A LICENCE BY THE ESSENTIAL SERVICES COMMISSION OF SA UNDER THE WATER INDUSTRY ACT

Application Form – Water Utilities Australia Pty Ltd

THIS REGULATORY DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE FINAL ADVICE

Enquiries concerning the currency of this form should be addressed to:
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Facsimile: (08) 8463 4449
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INFORMATION FOR APPLICANTS BEFORE FILLING OUT THIS FORM

Purpose of this form

This form is to be completed by persons making an application to the Essential Services Commission of South Australia (the **Commission**) for the issue of a licence to provide a retail service (or undertake any other activity for which a licence is required by the regulations) in the water industry in South Australia.

The Commission may consider joint applications from two or more persons who wish to hold a licence jointly. Persons making joint applications must ensure that each of the applicants completes a separate application form together with a covering letter explaining that the application is for a licence to be jointly held.

Basis for this form

Section 19(1) of the *Water Industry Act 2012* (the **Act**) provides that an application for the issue of a licence must be made to the Commission in a form approved by the Commission. This is the form approved by the Commission.

Use of this form and applicant's responsibility

For the purpose of this application form, a reference to the term "Officer" include the applicant's directors and secretary, and/or other persons who make or participate in making decisions that affect a substantial part of the business of the applicant (e.g. Chief Executive Officer, Chief Financial Officer, General Manager etc.).

Applicants should list the information requested in the spaces provided in this form and enclose additional information when required. Applicants must take all reasonable steps to ensure the information provided in the application form is complete, true and correct and are required to make a declaration to that effect. Failure to disclose information or misrepresent any matter relevant to such information may result in a licence not being issued or in the suspension or cancellation of a licence at a later time.

Applicants are responsible for providing the Commission with current, accurate and relevant information. This will ensure that the application is processed promptly and without delay. All applications are assessed on a case-by-case basis. If insufficient information is provided with an application, the Commission will request additional information to be submitted before the application is considered further. This may cause delays in the assessment of the application.

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Prior reading

It is essential that licence applicants read the Commission's Water Bulletin – *"Licensing Arrangements for the Water Industry"* before they fill out this form. This Bulletin is available on the Commission's website www.escosa.sa.gov.au under water/licensing. Applicants should also familiarise themselves with the regulatory obligations set out in the Act and the Water Retail Code that will apply to entities that provide retail services.

Licence conditions

Section 25 of the Act requires the Commission to impose certain conditions in licences. The Commission strongly recommends that applicants review these mandatory conditions. Applicants must be familiar with the relevant conditions and be confident that they can comply with the conditions. The Commission will have regard to the scale and nature of the operations undertaken by an applicant in imposing these conditions and will be available to consult with an applicant in this regard.

Consultation and Confidentiality

The Commission will consult with relevant government, industry and consumer groups in the conduct of its licensing functions through a public consultation process. Consequently, applications and/or supporting information will be made available on the Commission's website and in hard copy from the Commission's office for this purpose.

If applicants believe that they are providing confidential information when completing this form they should write "this information is confidential" after any such information. It is the applicant's responsibility to ensure this is clearly highlighted on the form. Applicants should also provide a 'non-confidential' version of the form capable of publication on the Commission's website.

The Commission will use information supplied in applications and in support of applications in accordance with the requirements of Part 5 of the *Essential Services Commission Act 2002*. Applicants claiming confidentiality are encourage to familiarise themselves with Part 5. Applicants should note that the Commission may be required to disclose confidential information in some circumstances.

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How to lodge an application

Applicants should send their completed application form in writing and electronically.

In writing to: Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

Electronically to: licensing@escosa.sa.gov.au

Application fee

Applicants must also enclose an application fee (which is to be set by the Treasurer) with their application. This fee must be received by the Commission in cleared funds before it can commence assessing an application.

Annual licence fee

Holding a licence incurs an annual licence fee. The licence fees are set by the Treasurer, however, are collected by the Commission. At annual intervals, the Commission, on behalf of the Department of Treasury and Finance, will send to each licensee an invoice for the relevant annual licence fee. Licence fees are to be paid on receipt of an invoice via one of the payment options set out in the invoice.

A licence cannot be issued until the first annual licence fee has been paid.

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1. THE APPLICANT

Applicants must answer all questions in this section.

1.1. Identity of applicant

State the full name of the applicant. The applicant should be the person/entity that will be providing a retail service (e.g. retail or distribution operations etc). The Commission can also consider joint applications from two or more persons who wish to jointly hold the licence. Joint applicants should each complete an application form, and submit their application forms at the same time, with a covering letter explaining that a joint application is being made.

Name: Water Utilities Australia Pty Limited

1.2. Legal identity of applicant

Provide information about the applicant, (i.e. whether the applicant is a natural person, proprietary limited or public company, partnership or local government body etc). If the applicant is a body corporate, please also state the jurisdiction in which the applicant is registered, and the applicant's ABN/ACN.

Water Utilities Australia Pty Limited
ABN 129 876 213
ABN 48 129 876 213

1.3. Address and Contact Details of applicant

Business Address:
Level 1, 315 Wakefield Street, Adelaide

State: South Australia.....**Post Code:** 5000

Postal Address (if different to Business Address):
PO Box 7319, Hutt Street, Adelaide

State: South Australia.....**Post Code:** 5000

Telephone: +61 8 7220 0970

Facsimile: +61 8 8232 2107

E-mail: jwood@blueskyfunds.com.au

1.4. Contact Person on behalf of applicant

The full name, title and contact details of a person to whom the Commission can direct enquiries and correspondence about the application.

Full Name: Dimitrios (Jim) Papanicolaou

Title: Chief Operating Officer

Business Address:

Level 1, 315 Wakefield Street, Adelaide

State: South Australia..... **Post Code:** 5000

Postal Address (if different to above):

PO Box 7319, Hutt Street, Adelaide

State: South Australia..... **Post Code:** 5000

Telephone: +61 8 7220 0978

Facsimile: +61 8 8232 2107

E-mail: jpapanicolaou@blueskyfunds.com.au

1.5. Contact person for licence fees

The full name or title of the person to whom the Commission can direct enquiries and correspondence about licence fees.

Full Name: Dimitrios (Jim) Papanicolaou

Title: Chief Operating Officer

Business Address:

Level 1, 315 Wakefield Street, Adelaide

State: South Australia.....**Post Code:** 5000

Postal Address (if different to above):

PO Box 7319, Hutt Street, Adelaide

State: South Australia..... **Post Code:** 5000

Telephone: +61 8 7220 0976

Facsimile: +61 8 8232 2107

E-mail: jpapanicolaou@blueskyfunds.com.au

2. THE LICENCE

Applicants must answer all questions in this section.

2.1. A detailed description of the retail services for which a licence is sought

For example:

Water: drinking- residential and/or non-residential;

Water: non-drinking – residential and/or non-residential;

Sewerage: residential and/or non-residential; and

Sewerage – trade waste – non-residential.

Applicants should provide detailed information in respect of where the retail services will be provided and to whom (i.e. type and number of customers)

Water Utilities Australia Pty Ltd (WUA) is applying for a licence for non-potable water supply services and wastewater reticulation services in housing and industrial estates across South Australia.

The first estate is the Lightsview development in the Adelaide suburb of Northgate for which there are 300 customers, rising to 2700 at full development. WUA is in detailed negotiations with developers of other estates in the context of sewerage and reclaimed water services.

2.2. Date from which Licence is sought

If the applicant seeks to have the licence issued by a certain date, provide this date. Please note that the Commission does not undertake to issue the licence by this date. Applicants should usually allow the Commission a minimum of eight weeks to consider an application, as a public consultation period of several weeks forms part of the Commission's consideration of licence applications.

1 January 2013

3. SUITABILITY OF APPLICANT TO HOLD A LICENCE

Applicants must answer all questions in this section.

3.1. Standard of honesty and integrity shown by applicant

In deciding whether the applicant is a suitable person to hold a licence, the Commission may:

- *consider the applicant's previous commercial and other dealings, and*
- *the standard of honesty and integrity shown in those dealings.*

Please provide information that will assist the Commission in its consideration of this matter. If the applicant:

- *has been found guilty of any criminal offence,*
- *has been successfully prosecuted under any Territory, State or Commonwealth legislation (such as the Australian Securities and Investments Commission Act 2001 or the Competition and Consumer Act 2010); or*
- *has been the subject of disciplinary action,*
- *details of such matters must be disclosed. Failure to disclose such information or misrepresent any matter relevant to such information may result in the cancellation of a licence.*

The Commission may use the service of an external expert to assist with the assessment of the applicant's standard of honesty and integrity.

Water Utilities Australia Pty Ltd (WUA) and its Investment Manager Blue Sky Water Partners Pty are subsidiaries of and controlled by Blue Sky Alternative Investments Ltd (BSAIL) which is a listed company on the Australian Stock Exchange (ASX : BLA).

WUA and its officers have not been found guilty of any criminal offence;

WUA has not been prosecuted under any Territory, State or Commonwealth legislation; and

WUA has not been the subject of disciplinary action.

WUA has previously operated under the Australian Financial Services Licence held by Blue Sky Water Partners Pty Ltd (AFSL - 344439) and now operates under Blue Sky Private Equity Ltd (AFSL - 314177).

The standards required for compliance and stewardship of assets of Funds by holders of an AFSL is regulated by ASIC standards, which are extremely high and entirely compatible with the ESCOSA standards.

3.2. Standard of honesty and integrity shown by officers and major shareholders (if relevant) of the applicant

Applicants should address responses to this question in the same manner as 3.1 above.

Water Utilities Australia Pty Ltd (WUA) and its Investment Manager Blue Sky Water Partners Pty are subsidiaries of and controlled by Blue Sky Alternative Investments Ltd (BSAIL) which is a listed company on the Australian Stock Exchange (ASX : BLA)

None of the Directors and Officers of WUA has been found guilty of any criminal offence;

None of the WUA Directors and Officers have been prosecuted under any Territory, State or Commonwealth legislation; and

WUA has not been the subject of disciplinary action by any regulatory body.

3.3. Names and addresses of the officers of applicant

State the names and addresses of the officers of the applicant. "Officers" of the applicant include the applicant's directors and secretary, or other persons who make or participate in making decisions that affect a substantial part of the business or operations of the applicant that will be licensed.

Full Name: Mark Sowerby

Date of Birth: 29/07/1971

Office Held: Director

Business Address:
Level 2, Port Office Suites
40 Edward Street
Brisbane

State: Queensland..... **Post Code:** 4000

Full Name: Graham John Dooley

Date of Birth: 14/11/1951

Office Held: Chairman / Director

Business Address:
Level 1, 315 Wakefield Street
Adelaide

State: South Australia..... **Post Code:** 5000

Full Name: John Bruce Kain

Date of Birth: 18/3/1967

Office Held: Director

Business Address:
Level 1, 315 Wakefield Street
Adelaide

State: South Australia..... **Post Code:** 5000

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Full Name: Robert Ian Thomas

Date of Birth: 27/1/1950

Office Held: Director

Business Address:
17 Valmai Avenue
Kings Park

State: South Australia..... **Post Code:** 5034

Full Name: Dimitrios (Jim) Papanicolaou

Date of Birth: 21/12/1963

Office Held: Company Secretary

Business Address:
Level 1, 315 Wakefield Street
Adelaide

State: South Australia..... **Post Code:** 5000

(attach additional pages if necessary)

3.4. Names and addresses of major shareholders of applicant (not relevant for local council applicants)

State the full names and addresses of the major shareholders of the applicant.

Full Name: Water Utilities Australia Infrastructure Holdings Limited
ACN 161 509 575

Date of Birth (if applicable): .....

Office Held: .....

Business Address:
2nd Floor
40 Edward Street
Brisbane

State: QLD..... **Post Code:** 4000

Full Name: .....

Date of Birth (if applicable): .....

Office Held: .....

Business Address:

.....

State: ..... **Post Code:** .....

Full Name: .....

Date of Birth (if applicable): .....

Office Held: .....

Business Address:

.....

State: ..... **Post Code:** .....

(attach additional pages if necessary)

3.5. Details of the group members (not relevant for local council applicants)

This is information about entities controlled by the applicant, or by the ultimate parent entity of the applicant (if applicable).

3.6. Additional information

Please answer the following questions.

- *Is the applicant a resident of, or does it have permanent establishment in, Australia? If the answer to this question is "no", please provide further details.*

Yes, applicant is a resident in Australia.

- *Is the applicant under external administration (as defined in the Corporations Act 2001) or under a similar form of administration under any laws applicable to it in any jurisdiction? If the answer to this question is "yes", please provide further details.*

No.

- *Is the applicant immune from suit in respect of the obligations under the Water Industry Act 2012? If the answer to this question is "yes", please provide further details.*

No.

- *Is the applicant capable of being sued in its own name in a court of Australia? If the answer to this question is "no", please provide further details*

Yes.

3.7. Financial resources available to the applicant

Provide information about the financial resources available to the applicant which provides sufficient evidence of the current and ongoing financial capacity of the applicant to effectively provide the relevant retail services (e.g. bank guarantees, credit history and business continuity arrangements).

If the applicant is a company, please enclose a copy of the audited (and Board approved) profit and loss statement and balance sheet for the previous two financial years, including the director's report and the audit opinion. If the applicant is a subsidiary company, please also provide a copy of the audited profit and loss statement and balance sheet of the applicant's parent company for the previous two financial years.

If an applicant is a local council, please enclose a copy of the audited profit and loss statement and balance sheet for the previous two financial years.

Applicants should also submit copies of business plans which detail the strategic direction of the applicant, including its objectives, identified opportunities in the market place and forecast results.

Please see attached being the latest financial statements available for the group:

- Blue Sky Alternative Investment Limited (ASX : BLA) Annual Report for year ending June 2012
- Blue Sky Alternative Investment Limited Audited Financial Statements December 2011

In December 2012 as part of a corporate restructure, Water Utilities Australia Infrastructure Limited was formed and became the new shareholder of Water Utilities Australia taking over from Blue Sky Water Partners Pty Ltd. Between June and December 2011 Blue Sky Water Partners Pty Ltd and Water Utilities Australia Pty Ltd were restructured to become subsidiaries of BSAIL. Therefore the Dec 2011 consolidated audited statements of the group are attached.

3.8. Human resources available to the applicant

Provide information about the human resources available to the applicant, for example, the number of employees and the experience of these employees in providing the services for which the licence is sought. If the applicant will employ contractor/s to assist with the licensed operations, please provide the name of that contractor/s, and details about the experience of the contractor/s in such operations and details of the processes in place to ensure the contractor/s will comply with the regulatory obligations imposed by the licence.

Name: Graham Dooley

Position: Chairman

Over 40 years' experience in the water industry. Previously Managing Director of United Utilities Australia (1991 to 2008), senior manager at Sydney Water (1970

to 1988). National President-elect of the Australian Water Association, present Chairman of Osmoflo Holdings Limited, Australia's leading supplier of reverse osmosis desalination technology. Former member of the National Water Commission's Urban Water Advisory Group. Chairman Salisbury Water, Chairman Water Australia and Director National Centre of Excellence in Desalination Australia.

Name: Dimitrios (Jim) Papanicolaou

Position: Chief Operating Officer & Company Secretary

Provides valuable operational, corporate governance and funds management administration experience: a qualified CPA; a senior funds management administrator for Bankers Trust and JP Morgan from 1997 to 2005 including Risk Management and Quality Assurance Management; and recently General Manager and Company Secretary for Kinsmen Securities Limited, a property funds manager.

Name: Antony Whiteley Sims

Position: Engineering & Operations Manager

Tony, a wastewater treatment and reuse specialist, has over 38 years' experience in the water and related industries. Previously General Manager of Willunga Basin Water Company (2008 – 2010), Manager Wastewater Systems Development and Wastewater Operations Manager at United Utilities Australia (2000 to 2008) following 6 years consulting in water based projects throughout Australia and over 14 years managing process operations of a major SA wastewater treatment plant.

Name: Julie Francis Wood

Position: Operations Administrator

Has over 15 years' experience in the water utility business. Over 12 years at United Utilities Australia in its business development team, responsible for compilation of complex major tenders, implementation and management of tender database, and office management. Over 12 months at Osmoflo Pty Ltd as Sales Administrator.

Sub-contractors:

WUA currently uses the following contractors and consultants:

Name	Scope
Hydramet	Suppliers of water treatment products.
Hindmarsh Plumbing	Providers of plumbing services 24/7.
Utilibill	CRM System and billing services.
AECOM	Design engineers for Lightsview.
Catcon	Construction of Lightsview network.
Hydraplan	Engineering services.
Australian CleanTech	Consultancy services to develop management and compliance plans.

3.9. Technical resources available to the applicant

Applicants are asked to provide details about the availability of technical resources to be used in carrying out the services for which a licence is sought. The information should include details about the technically qualified staff available to the applicant and (if relevant) of experience gained in similar operations.

Applicants must also provide sufficient details of the systems and processes to be used to market and/or communicate with customers, to provide bills, to follow up payments and process customer move-ins and move-outs and deal with customer enquiries and complaints.

Graham Dooley and Tony Sims have over 7 decades of experience in water utilities between them.

Jim Papanicolaou has 28 years in funds management and accounting compliance.

Julie Wood has 15 years' experience in the water utility business.

WUA has access to resources of its ultimate controlling entity Blue Sky Alternative Investments Limited (ASX : BLA) which provides operational, finance, funds management, marketing and corporate governance services.

WUA has documented systems, procedures and processes in place for customer services administration which is overlayed by risk management compliance assessment procedures and reporting ensuring integrity at all levels.

WUA uses a combination of internal systems and industry standard billing systems and databases to provide billing, payment follow-up and tracking of customer transfers as well as dealing with customer enquiries and complaints. The entities risk management and compliance tracking and reporting systems provide reporting on compliance through to Board level.

3.10. Contracts

Applicants must provide reasonable evidence that they are able to meet reasonably foreseeable obligations under contracts for the sale and supply of water or the sale or supply of sewerage services (or both) as the case may be. Such contracts would include contracts whereby the applicant is reliant on a supply of water or specific sewerage service from a third party which is intends to on sell to its customers.

City of Salisbury – ReWater Supply Agreement (water supply to Lightsview Estate)

WUA has entered into a Bulk ReWater Supply Agreement with the City of Salisbury to provide reWater from the Salisbury Water network to the infrastructure at Lightsview for subsequent chlorine disinfection prior to being re-pumped to the residences and reserves within the development at Northgate.

The City of Salisbury has undertaken to deliver the reWater at a maximum 25 L/sec flow rate and a maximum 1.87 ML/d volume via a pressurised main from their Unity Park Pump Station. This flow rate and volume has been contractually specified to ensure that sufficient reWater will be available to meet the ultimate projected demand from 2,655 residences for toilet flushing, garden watering and car washing together with irrigation of 20 reserves.

In the event of a failure occurring within the City of Salisbury network that prevents supply of reWater to the WUA infrastructure at Lightsview, the Council has an obligation to repair their network and resume supply of reWater. During this period, WUA will continue to meet the essential supply of water for toilet flushing from the balancing storage tank located within the Lightsview development, supplemented from a SA Water potable water supply connection installed for this purpose and eventuality. In the event of the failure extending beyond reasonable time, the City of Salisbury is obligated to find alternative sources to resume supply to WUA, with both parties using their best endeavours to ensure continuity of supply to customers.

CIC Australia/URA (customers and networks)

CIC Australia and URA as developers of the Lightsview estate are contractually bound to WUA to construct infrastructure comprising a connecting main, balancing storage tank, pumping station, chlorine disinfection system and distribution network for the supply of rewater to the residences and reserves of their development at Lightsview Northgate. CIC Australia also has a contractual obligation to supply a connection to the reWater network for each residence within the Lightsview development at Northgate as well as to the Port Adelaide and Enfield Council reserves. The sales agreement between the purchaser of an allotment and CIC/URA mandates that a separate purple pipe system to that of the SA Water potable water system is to be installed by the purchaser's builder or other contractor to distribute reWater within the allotment for the purpose of flushing toilets and for proscribed activities such as garden watering and car washing.

Immediately prior to occupancy, CIC is obligated to make the connection of each residence's purple pipe system to the reWater supply network via a purple coloured water meter that is quite separate to the SA Water potable supply meter. At this time, CIC's licenced plumber will carry out a documented audit of the premises to ensure that no cross connection exists between the purple pipe system and the domestic potable water system. Following this audit, CIC is required to supply a copy of the certified audit check sheet to WUA together with the initial meter reading at which time, the property owner becomes a customer of WUA.

3.11. Suitable and appropriate infrastructure

The Commission may not issue a licence unless it is satisfied that the infrastructure to be used in connection with the relevant service is appropriate for the purposes for which it will be used. Applicants are therefore asked to provide a detailed description of the infrastructure that will be utilised by the applicant in providing the retail services for which the licence is sought and verify that the infrastructure has been (or will be) developed in accordance with relevant Australian Industry Codes and Australian Standards with reference to technical specifications or reports.

If an applicant does not own the infrastructure to be used in delivering the relevant retail services, the applicant must provide information regarding the appropriateness of that infrastructure and of the binding arrangements that are (or will be) in place with the owner of the infrastructure in regards to the use of the infrastructure.

All Lightsview Rewater Infrastructure has been designed and built to SA Water infrastructure standards, certificate of compliance issued at end of each construction phase.

All materials are to SA Water standards.

All disinfection is to relevant public health standards.

3.12. Risk management

Provide confirmation and reasonable evidence that the applicant's management has identified the risks associated with the retail services it intends to provide and has established, utilises and relies upon risk management systems and processes which are adequate, accurate and current to address those risks. A copy of the applicant's risk management strategy should be submitted.

Please see attached WUA Risk Management Plan for its water utilities.

3.13. Licences held by the applicant in other Australian jurisdictions

If the applicant holds, or has previously held, a retail services licence or equivalent in other Australian jurisdictions please provide details. If a licence previously held has been suspended or cancelled, please provide details.

The applicant has not held or previously held a retail services licence or equivalent in other Australian jurisdictions.

Mr Dooley is chairman of Osmoflo Pty Ltd which holds WICA (NSW) Retail Supplier Licence No 11_019R.

3.14. Previous unsuccessful licence applications in other Australian jurisdictions

Please state whether the applicant has applied for a water retail licence or equivalent in another Australian jurisdiction and not been issued with a licence, and provide relevant details.

The applicant has not applied for a water retail licence or equivalent in another Australian jurisdiction and not been issued with a licence.

3.15. Licences held by associates of the applicant

If an associate of the applicant (within the meaning of the Corporations Act) holds a water retail licence in South Australia or in other Australian jurisdictions, please provide details.

No associates of the applicant hold a water retail licence in South Australia or other Australian jurisdictions.

3.16. Compliance program

Applicants are required to submit a copy of their Compliance Program which details what compliance systems the applicant has (or will have) in place and a description of how these systems will ensure compliance with the applicable regulatory obligations imposed by a licence and the Water Retail Code. The Commission expects that a Compliance Program will, as a minimum, document:

- *the obligations that will apply to the applicant;*
- *the processes that are (or will be) in place to ensure the applicant's compliance with obligations;*
- *details on how compliance is monitored;*
- *details of how non-compliance will be reported and rectified; and*
- *details of any internal audit programs in place that review (or will review) the effectiveness of the Compliance Program from time to time.*

Please see attached WUA's Compliance Program which addresses:

- Water Utilities Group's obligations;

- Water Utilities Group's processes to ensure compliance with its obligations;
- how compliance is monitored;
- how non-compliance will be reported and rectified; and
- its internal audit and quality assurance programs that review the effectiveness of the Compliance Program from time to time.

3.17. Additional information

The Commission encourages applicants to provide any additional information they consider would be of assistance in supporting the application. Please provide below.

Please see attached:

- Previous and current AFS Licence Standards under which WUA operates.
- Blue Sky Water Fund – Information Memorandum
- Water Utilities Australia – Information Memorandum
- Blue Sky Water Partners Pty Ltd – Letter of Consent to Transfer of Licence

4. FACTORS SPECIFIED IN THE ESSENTIAL SERVICES COMMISSION ACT 2002

In considering a licence application, the Commission must have as its primary objective the protection of the long term interests of consumers with respect to the price, quality and reliability of essential services, and must also have regard to the need to:

a) *promote competitive and fair market conduct;*
b) *prevent misuse of monopoly or market power;*
c) *facilitate entry into relevant markets;*
d) *promote economic efficiency;*
e) *ensure consumers benefit from competition and efficiency;*
f) *facilitate maintenance of the financial viability of regulated industries and the incentive for long term investment;*
g) *promote consistency in regulation with other jurisdictions.*

If the applicant believes that information about their application would assist the Commission in its consideration of these factors, the applicant should provide such information below.

Blue Sky Water Partners (BSWP) is predominantly a manager of superannuation funds invested in water. The new class of investments called "alternative investments", in which BSWP specialises, seeks to invest in both water entitlements and water infrastructure (via Water Utilities Australia). In this latter investment activity, BSWP as investment manager with WUA intend to invest in and, where needed, operate water utilities across Australia. It is not intended that these investments be highly geared. The nature of the utilities being invested in, and the level of returns determined by economic regulators across Australia, including ESCOSA, suggest that most or all of the capital invested will be equity. Both water entitlements and water utilities have an investment return profile (i.e. modest capital growth and an annual yield) that is highly attractive to superannuation investors.

This Application allows WUA to invest in and operate water utilities in South Australia. Similar applications are being or will be made in other States which have licencing regimes along similar lines. WUA's objective is to create an investment portfolio of multiple water utilities across Australia. WUA is neither a process contractor, nor a builder. Where needed, WUA will engage skilled companies to undertake this work. WUA has a long investment and business outlook, focused on delivering water utility outcomes to customers that meet regulatory and community needs and expectations.

The large urban and rural water utilities of Australia are entirely owned by Government, so it is improbable that non-Government investment capital will be able to be introduced to those businesses. Pleasingly, the SA Government, in

enacting the Water Industry Act, has created a good opportunity for investors and operators to bring a new class of investment capital and a new set of utility management skills to all those "micro-utilities" that are created as part of the urban development or urban renewal processes.

The WUA Chairman has been a very active industry voice in the development of the legislation and framework which now forms the basis for the Licencing regime being implemented by ESCOSA. He is expected to continue to do so.

Water utilities are mostly monopolies and so need to be regulated, both as to price and customer service standards and delivery. This is accepted.

WUA submits that the manner in which ESCOSA regulates the larger and smaller water utilities will also have a significant impact on:

- The ready flow of investment capital into micro-utilities;
- The ongoing viability of a micro-utility industry;
- The exercise of monopoly power by larger utilities over adjacent smaller utilities; and
- The promotion of competitive forces, probably more likely to be "competition by comparison" than competition for customers.

In all this, we submit that ESCOSA has some clear objectives, expressed in multiple pieces of legislation, in relation to:

- Public health;
- Environmental compliance;
- Customer protection; and
- Risk/reward parameters for investment capital.

We commend ESCOSA for creating a regulatory regime that promotes competition by comparison, economic efficiency and a level playing field for large and small utilities commensurate with their scale and access to capital. It would be undesirable, and contrary to Government objectives, to regulate an emerging industry out of existence by heavy handed regulation and intervention, but it would be equally undesirable to allow compromise of public health and other important standards.

WUA is very pleased to be in a position to participate in this micro-utility industry and bring a new source of long term, patient capital to water infrastructure. Equally, WUA will be very pleased to consult with the Government and its agencies and departments on progress as this industry develops and matures.

5. APPLICATION FEES

Applicants for a licence must pay the Commission an application fee which is fixed by the Treasurer. Please enclose this fee with the application. An application cannot be considered until this fee has been received.

An application fee of $1,000.00 and annual licence fee of $1,000.00 have previously been paid as part of the initial application lodged by Blue Sky Water Partners Pty Ltd who has consented and approved to the transfer of the Licence to Water Utilities Australia Pty Ltd – Refer to required letter of Consent attached.

6. DECLARATION

All information in this application for the issue of a licence to authorise the provision of retail services in the water industry in South Australia must be verified by a Statutory Declaration of the applicant, in accordance with the provisions of the *Oaths Act 1936 (SA)*[1], stating that the information contained in the application is true and correct to the best of the applicant's knowledge, information and belief.

In conjunction with this declaration, evidence of the relevant authority of the declarant to sign on behalf of the applicant must also be provided to the Commission.[2]

Statutory Declaration

I, Graham John Dooley

of Water Utilities Australia Pty Ltd, Level 1, 315 Wakefield Street Adelaide SA 5000

do solemnly and sincerely declare that the information contained in this Application for the issue of a licence to authorise the provision of retail services in the water industry in South Australia is true and correct to the best of my knowledge information and belief.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the *Oaths Act 1936.*

Date 22/1/2013

Signature .....

(Where the applicant is a body corporate, the declaration must be made by a person authorised by body corporate to sign on its behalf)

Declared at: Adelaide this 22nd day of January 2013.

Before me:.....

(Signature of Justice of the Peace or other person authorised under the Oaths Act 1936)

Jim Papanicolaou
Justice of the Peace in
and for the State of
South Australia
No. 23944

1 Or equivalent legislation in other Australian jurisdictions.

2 The Commission will accept a copy of a Board or Council minute (or circulating resolution) giving approval for the declarant to sign on behalf of the applicant as evidence of the relevant authority.

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