



20 December 2011

Mr Adam Wilson
Director, Regulatory Development and Implementation
Essential Services Commission of SA
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Dear Mr Wilson

Re. Economic Regulation of the South Australian Water Industry – Draft Advice

I write in respect of the *Economic Regulation of the South Australian Water Industry – Draft Advice* released to us for consultation in November 2011.

We appreciate the opportunity to provide our feedback, as stakeholder feedback will be essential in the development of the final regulatory regime.

Having considered the draft Advice, I advise that Ai Group has no major issues with its content.

We acknowledge the starting point of the advice i.e. that little competition is likely to exist during the period of the 3-year First Price Determination. On that basis, we agree that the Commission will be unable to rely on competitive forces to ensure that the long-term interests of consumers are protected.

Ai Group accords with the Commission's proposals to apply a relatively "heavy-handed" regulatory framework in respect of the SA Water's drinking water and sewerage services, in conjunction with a lighter approach to other entities and services.

We also acknowledge accept that a good deal of work remains to be done and that some of this will be implemented during either the Commission's first determination of SA Water's prices, or as part of the price review process.

Ai Group would ask to be kept informed of the development of principles, procedures and processes on which the Commission will rely for pricing and access issues.

Should you have any question in relation to these submissions, please do not hesitate to contact our James Rock (08) 8394 0004 or by email to james.rock@aigroup.asn.au .

Yours sincerely

Stephen Myatt
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Australian Industry Group