

**Waterproofing Northern Adelaide Regional Subsidiary
c/o City of Salisbury
12 James St
Salisbury SA**

3 April 2008.

Commissioner,
Essential Services Commission of SA
GPO BOX 2605
ADELAIDE 5001

Dear Sir,

Re: Review into water and wastewater pricing processes for SA Water prices 2008/9.

On behalf of the Waterproofing Northern Adelaide Regional Subsidiary (WNARS) I make the following submission:

1. WNARS remains unaltered since our submission last year and while WNARS has practical experience of its own operating costs it has no specific knowledge of the structure and magnitude of SA Water's costs.
2. WNARS main concern is that the price structure proposed for water remains too low and that it is diverging from CoAG pricing principles in the ways which are set out below.
 - a. Valuation of Assets, CoAG principles suggest Deprival Value as the basis of pricing, some consideration of the effect of this on price should be discussed and a higher asset base included.
 - b. Externalities, while waiting for a national approach some form of interim calculation of the entire contribution of catchment management and the environmental damage caused by over extraction of which domestic water is a part should be attempted.
 - c. Return on Assets, with an unrealistic low valuation the return is commensurately low
 - d. Efficient resource pricing, with the announcement of the Desalination Plant, the LRMC would appear to WNARS to be the cost of supply and delivery of desalinated water and not the averaged cost of surface collected plus desalinated water. From the information available to us the cost of desalinated water ex plant would appear to be \$4-6/KL and some discussion of why this is not the top tier price should be included.
 - e. Revenue direction, as set out above WNARS is of the view that the Upper Bound Price being calculated and then pursued is far too low and hence the direction is correct but too slow and the target too low.

It appears to WNARS that whenever considering policy options the approach taken for SA Water pricing is to select the one which will give the lowest price and the cumulative effect of these is to propose an Upper Bound which is well below that which should be set and is even further below the LRMC. This means that the price rises proposed will never meet the UBP and always fall short of the LRMC.

For others considering entering the water market the observation of the Government setting too low a price is a source of uncertainty and a disincentive for investment in alternative water sources.

If you wish to follow up on this submission please contact the Executive Officer at ckaufmann@salisbury.sa.gov.au.

Yours truly,

C. Kaufmann
Executive Officer