

WATER INDUSTRY ACT 2012 (SECTION 35)

PRICING ORDER

FOR THE REGULATORY PERIOD 1 JULY 2020 – 30 JUNE 2024

Pursuant to section 35(4) of the *Water Industry Act 2012* (**the Act**), the Treasurer hereby issues the following pricing order (**this Order**).

1. PREAMBLE

- 1.1 On 28 October 2018, I issued a pricing order (**the 2020-2024 Pricing Order**) pursuant to section 35 of the *Water Industry Act 2012* for the regulatory period 1 July 2020 to 30 June 2024.
- 1.2 The preamble to the 2020-2024 Pricing Order noted that the 2020-2024 Pricing Order may be varied in response to the Independent Inquiry into Water Pricing in South Australia and prior to the Essential Services Commission of South Australia (**the Commission**) issuing its Final Price Determination under section 35 of the Act and Part 3 of the *Essential Services Commission Act 2002* (**the ESC Act**) in respect of retail services.
- 1.3 Section 35(5) of the Act permits a pricing order to be varied as contemplated by the order. Clause 7 of the 2020-2024 Pricing Order provides that the pricing order may be varied by a subsequent pricing order issued under section 35 of the Act.
- 1.4 The Independent Inquiry into Water Pricing in South Australia concluded on 30 June 2019.
- 1.5 The Commission has yet to issue its Final Price Determination pursuant to section 35 of the Act and Part 3 of the ESC Act.
- 1.6 The purpose of this Order is to vary the 2020-2024 Pricing Order to specify the monetary value of the regulated asset base for drinking water retail services which is to be rolled forward consistently with Principle 5 of the NWI Principles for the Recovery of Capital Expenditure, as required in clause 6.2.1 of the 2020-2024 Pricing Order, and otherwise to address matters arising from the Commission's Draft Price Determination.

2. APPLICATION

- 2.1 This Order is to take effect from the date that it is signed.
- 2.2 This Order applies so as to vary the 2020-2024 Pricing Order and, as such, applies to a determination for the regulatory period from 1 July 2020 to 30 June 2024 in respect of drinking water retail services provided by SA Water.

3. VARIATION OF THE 2020-2024 PRICING ORDER

3.1 Clause 5.3 of the 2020-24 Pricing Order is deleted and replaced with the following:

"5.3 The determination must apply separate total revenue controls for drinking water retail services and sewerage retail services (respectively), each expressed as a single dollar value in real terms. The determination must not provide for or permit the total revenue controls to vary in real terms during the regulatory period, except as required by clauses 5.5 and 5.6 or where such variation would allow SA Water to recover during the regulatory period such costs (less any relevant contributions) as are provided for in clause 5.8.2 of the Pricing Order."

3.2 Clause 5.7 of the 2020-2024 Pricing Order is deleted and replaced with the following:

"5.7 The determination must adopt or apply the NWI Principles for the Recovery of Capital Expenditure, subject to the following:

5.7.1 the determination must adopt or apply the value of \$7.25 billion as at 1 July 2013 (in December 2012 dollars) as the regulated asset base (RAB) in relation to assets used by SA Water in the provision of drinking water retail services;

5.7.2 the determination must allow SA Water to recover the efficient cost of assets acquired (or to be acquired) after 1 July 2016, which are required to support activities that SA Water is required to provide in accordance with a direction under section 6 of the *Public Corporations Act 1993*."

4. VARIATION

This order may be varied by a subsequent pricing order issued under section 35 of the Act.



Hon Rob Lucas MLC
Treasurer

25 May 2020