

Lewis Owens
Independent Inquirer
SA Water Pricing Inquiry
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[By email Ann.Pataki2@sa.gov.au](mailto:Ann.Pataki2@sa.gov.au)

8 November 2018

Dear Mr Owens,

Thank you for the opportunity to provide a further response on the SA Water Pricing Inquiry.

As the peak body for the health and community services sector in South Australia, the South Australian Council of Social Service (SACOSS) has an established history of interest, engagement and provision of proposed advice on the necessary market mechanisms for and regulation of essential services. Our research shows that the cost of basic necessities like water impacts greatly and disproportionately on vulnerable people. Our advocacy is informed by our members and direct consultations with consumers and other consumer organisations: organisations and individuals who witness and experience these impacts in our community.

1.1. Should the Inquiry limit itself to recommending a new RAB to replace the Initial RAB set in the Second Pricing Order of May 2013?

1.2. Alternatively, should the Inquiry expand its approach to include consideration of other factors in coming to a view about a revised Initial RAB, including the consequences of any change?

1.3. If (2), should the preferred value of the RAB be changed to reflect these other factors, or should their impact simply be considered in the recommended implementation program and timetable?

SACOSS believes that the Inquiry should expand its approach to include consideration of other factors in coming to a view about a revised Initial RAB, including the consequences of any change. SACOSS is extremely concerned about the impact on the operations of SA Water, revenue to the Government, the overall budget implications and the consequences for programs including CSOs, support for vulnerable consumers and broader health and social welfare programs. SACOSS believes the preferred value of the RAB should be changed to reflect these other factors in line with the view that the regulatory valuation of SA Water's assets is a matter for the SA Government and should therefore reflect broader Government policy and objectives.

2.1. Is the proposed approach a satisfactory starting point for the Inquiry? Are there any modifications that should be made to improve the analysis?

2.2. Are there any other factors that should be reviewed to complement this approach?

2.3. Are stakeholders comfortable with the proposal not to explore all of the elements identified in the Essay that impacted on the yearly pricing outcomes?

SACOSS supports the proposed approach as a starting point for the Inquiry.

3.1. How important is it that an effort is made to estimate the value of contributed assets prior to 1995, if the "line in the sand" approach for setting RAB is to be adopted for the opening RAB in 2004?

3.2. Is there any justification for removing the full or incremental cost of the desalination plant from the allowable capital expenditure in the RAB roll-forward?

SACOSS supports the Inquiry position that “contributed assets and gifts are not included in the RAB, as there is no justification for an Owner to receive a return on assets they did not pay for.” (Diving Deeper, p.14). SACOSS welcomes the Inquiry pursuit of the reasons why it is claimed that an estimation of the value of contributed assets pre 1995 cannot be made. In terms of the total cost of the desalination plant, SACOSS supports the inclusion of the total cost of the desalination plant as this recognises that the expenditure was deemed justifiable at the time of commitment. Full plant utilisation may occur at a future date.

Would key stakeholders wish to participate in a combined Workshop in first Quarter 2019 to discuss the wider issues outlined above, with a view to providing input to the Inquiry’s Term of Reference 2 concerning a possible implementation program and timetable for any proposed reduction in the RAB identified in the first Term of Reference?

SACOSS would welcome participation in a combined Workshop.

We thank you in advance for consideration of our submission. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on (08) 8305 4211 or via jo@sacoss.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Womersley', written over a light grey rectangular background.

Ross Womersley
Chief Executive Officer