



**SACOSS Submission to the  
Government of South Australia's  
Draft Water Security Statement 2021**

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## Introduction

The South Australian Council of Social Service (SACOSS) is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that exacerbate disadvantage for South Australians in vulnerable circumstances.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake research, policy and advocacy work in areas that impact low-income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequalities of our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of necessities like water and electricity impacts greatly and disproportionately on those on low-income, living in regional and remote areas, living with disability, among other structural inequalities.

SACOSS would like to thank the Department of Environment and Water (DEW) for the opportunity to comment on the Draft Water Security Statement 2021 ("draft Statement").

In summary, our submission addresses the following:

- The definition and scope of the draft Water Security Statement;
- The development of water security strategies (currently being trialled in 'priority growth industries');
- Water security investment in self-supplied remote communities;
- The setting of objective water security standards to prioritise critical human needs;
- The importance of community-led, fit for purpose and fit for place solutions; and
- The findings and recommendations of the [review of the Water Industry Act 2012](#).

SACOSS recommends that:

- The definition of water security should explicitly consider social equity imperatives, balancing environmental, economic, social, human health and cultural outcomes.
- The draft water Security Statement acknowledge the negative health outcomes inherent in not providing citizens with access to safe, affordable and reliable drinking water.
- The planned water security audit and risk assessment for self-supplied remote communities is expanded to include those serviced by SA Water under the remote communities' scheme. Further, the audit should incorporate a socio-ecological framework and not be limited by a "supply and demand" approach.

- Objective water security standards or a 'basic level of service' are prioritised.
- Water security strategies also need to be developed **urgently** in regional and remote communities where there is not an immediate economic imperative, using a tailored, community-led approach.
- The *Water Industry Act 2012* Review process further investigates/consults on:
  - Whether the regulation of 'stand-alone' water supply options acts as a disincentive for SA Water to propose a 'stand-alone' option as opposed to a network option
  - The follow-up to the *SA Inquiry into Water Prices* investigates the influence of pricing and price setting processes in supporting an efficient water industry; the transparency and independence in price setting processes; and the prudence and efficiency of all water planning and management-related costs incurred by SA Water, including the manner in which they are recovered; and
  - The proposed removal of section 37 of the *Water Industry Act 2012*

## Definition of Water Security

The draft Water Security Statement defines ‘water security’ as:

**“Having an acceptable quantity and quality of water for people, industry, agriculture and the environment now and into the future.”<sup>1</sup>**

While managing the availability and quality of our precious water resources is important, SACOSS encourages a broader definition of water security which considers the complex and interconnected challenges of water. A review of the different ‘water security’ framings in Australian policy found that there is no formal national approach or agreed definition for water security.<sup>2</sup> Crucially, the framing of ‘water security’ implicitly establishes ‘what’ is being secured, against what threats, who water security is for, and who/what is being centred or excluded.<sup>3</sup> A well-considered definition is particularly critical as water planning and management has historically decentred Aboriginal voices.

SACOSS suggests that South Australia’s definition of Water Security should go beyond the narrow lens of “water security for sustainable growth”. The need for an integrated approach to water security has been brought into focus by the impacts of climate change. This was evident in the response to the Black Summer bushfires of 2019/20 and the related threat to water quality and ecosystems. Critically, the impacts of climate change are likely to disproportionately affect water consumers on low-incomes, and those located in regional and remote areas. This is particularly the case for those living in remote Aboriginal communities who face exacerbated health risks from climate change because of factors such as remoteness, quality of the infrastructure, limited economic resources and pre-existing health burdens.<sup>4</sup>

The current definition of water security adopted in the draft Statement foregrounds the water resource management perspective above the public health, environmental and human rights imperatives. Achieving balance between environmental, economic, human health and cultural values may be inherently political, but it is achievable with adequate ambition and leadership. A worthwhile starting base is UN-Water’s definition of water

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<sup>1</sup> Government of South Australia (2021) [Draft Water Security Statement 2021: Water for Sustainable Growth](#), p. 2

<sup>2</sup> Taylor, K.S (2019) [What does ‘water security’ mean for Australia? A review of Australian policy](#), Parliamentary Library, Canberra.

<sup>3</sup> Taylor, K.S (2021) [Australian water security framings across administrative levels](#), Water Security, Volume 12

<sup>4</sup> Hall, N.L & Crosby, L (2020) [Climate change impacts on health in remote indigenous communities in Australia](#), International Journal of Environmental Health Research 1-16; Delany-Crowe, T, Marinova, D, Fisher, M, McGreevy, M & Baum, F (2019) [Australian policies on water management and climate change: Are they supporting the sustainable development goals and improved health and well-being?](#) *Globalization and Health*, vol. 15, 68.

security, which balances the essentiality of water for sustainability, development and human well-being:

***“The capacity of a population to safeguard sustainable access to adequate quantities of acceptable quality water for sustaining livelihoods, human well-being, and socio-economic development, for ensuring protection against water-borne pollution and water-related disasters, and for preserving ecosystems in a climate of peace and political stability.”<sup>5</sup>***

Ensuring that the definition of water security is fit for purpose is critical for ensuring greater policy direction and cohesion. Water-borne pollution and water-related disasters are prominent risks considering the challenges of climate change. As noted by researchers from ANU in their policy response to the devastating 2019-20 bushfires, “recognising the intrinsic value of water beyond its so-called ‘productive’ use must be central to our collective response to Australia’s water emergency.”<sup>6</sup>

As such, SACOSS recommends that the definition of water security should explicitly consider social equity imperatives, balancing environmental, economic, social, human health and cultural outcomes, in line with the draft recommendations made by the Productivity Commission in its review of the National Water Initiative<sup>7</sup> (see below):

DRAFT NWI RENEWAL ADVICE 3.2: MODERNISED OVERARCHING OBJECTIVES

The National Water Initiative has a strong focus on water resource management. A renewed agreement should give greater emphasis to water service provision and this should be reflected in the overarching objective. The objective should also include reference to cultural outcomes to recognise the aspirations of Aboriginal and Torres Strait Islander people. Suggested wording follows.

The overarching objectives of the Parties in implementing this Agreement are to:

- optimise economic, environmental, social and cultural outcomes through best-practice management of Australia’s water resources. In the process, this will provide certainty for investment, water users and the environment
- enable entitlement holders, communities and the environment to contend with climate variability and adapt to a changing climate
- ensure effective, efficient and equitable provision of water services that meet the needs of customers and communities in a changing climate.

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<sup>5</sup> UN-Water (2013) [What is Water Security? Infographic](#)

<sup>6</sup> ANU Crawford School Policy Brief (2020) [Water reform for all: a national response to a water emergency](#) Canberra, ACT, p. 4

<sup>7</sup> Productivity Commission (2021) [National Water Reform 2020 Draft Report](#), p.44

## Water Security for All South Australians

### Differential outcomes for those on the SA Water network and those not on the network

The draft Water Security Statement references significant investments and developments (both undertaken and planned) targeting remote and regional water security.<sup>8</sup> However, we note that these investments relate to areas under the responsibility of SA Water, and exclude areas outside its network. This is particularly crucial given that for regional and remote communities not part of the SA Water network, cost recovery and availability of finance for capital expenditure can be difficult.

While we acknowledge that SA Water provides drinking water for 99% of the state's population and collectively, minor and intermediate retailers provide drinking water for less than 1%, this inadvertently makes the challenge seem small and insignificant.<sup>9</sup> In reality, the 1% of the population are also among the most disadvantaged in the state, located in regional and remote areas where access to safe, affordable and reliable drinking water has inherent difficulties. This burden falls most keenly on Aboriginal people living in remote communities and homelands, who already experience poor health outcomes, exacerbated by a lack of access to safe and secure water. These concerns are outlined in further detail in the joint Community Submission to the draft Water Security Statement 2021.<sup>10</sup>

As identified by Aither<sup>11</sup>, the Water Security Statement and next wave of water reforms presents a unique opportunity to set the agenda for foundational change in how we plan for, manage, regulate and monitor water services in regional and remote communities. Given the high degree of water security for the greater Adelaide area, now is the time to once and for all address the embarrassing situation where some citizens in our state do not have access to safe, affordable and reliable drinking water.

We note the qualifications applied in **Strategic priority 6** of the draft Statement and encourage a clear path for investment is made for areas outside of SA Water's network:

“Building on SA Water's planned investments in remote communities out to 2024, further investigate the case for additional water security investments in self-supplied remote communities and continue to support the provision of potable supplies for

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<sup>8</sup> These includes: \$41 million in remote community water supply upgrades for regional areas including Yunta, Oodnadatta, Maree, Terowie, Marla, and Manna Hill

<sup>9</sup> Aither (2021) [Falling through the gaps: A practical approach to improving drinking water services for regional and remote communities in South Australia](#)

<sup>10</sup> [Joint Community Submission to the Government of South Australia's draft Water Security Statement 2021](#)

<sup>11</sup> Aither (2021) [Falling through the gaps: A practical approach to improving drinking water services for regional and remote communities in South Australia](#)

critical human water needs in exceptional circumstances, where such communities have identified risks to existing supplies.”<sup>12</sup>

## **Water security investment in self-supplied remote communities**

### **Water security audit**

The draft Statement notes that ***“DEW will complete a water security audit and risk assessment for self-supplied remote communities. This will involve confirming the existing water supply arrangements, assessing short and long-term risks so as to better understand future requirements, and identifying investment options to address potential water shortages.”***<sup>13</sup>

SACOSS welcomes the proposed water security audit as a worthwhile starting point; however, we believe that a full stocktake of the entire State needs to be considered – both self-supplied remote communities and those serviced by SA Water under the remote communities’ scheme. We note that much of this information may already be available, and the issue may be one of consolidation of data from different sources. This will enable a basis for **state-wide decision making**, identifying priorities, investigating the root causes of challenges (including any systemic barriers), and determining the level of investment required to address to totality of the problem.<sup>14</sup>

Further, for self-supplied communities, the stocktake needs to incorporate a socio-ecological framework and not be limited by a “supply and demand” approach.<sup>15</sup> This is critical as research has consistently shown that issues with water supply in remote communities are not solely a technical challenge to be solved.

Indeed, challenges with provision of safe drinking water services in remote South Australian communities have long been documented,<sup>16</sup> with various studies pointing to issues around lack of co-ordination and governance, poor quality and ageing infrastructure, lack of infrastructure to the (household) door, lack of sustainable funding models to maintain infrastructure; and small economies of scale.<sup>17</sup> It is worth noting that initial investment to

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<sup>12</sup> Government of South Australia (2021) [Draft Water Security Statement 2021: Water for Sustainable Growth](#), p. 46

<sup>13</sup> Government of South Australia (2021) [Draft Water Security Statement 2021: Water for Sustainable Growth](#), p. 31

<sup>14</sup> Aither (2021) [Falling through the gaps: A practical approach to improving drinking water services for regional and remote communities in South Australia](#)

<sup>15</sup> Satur, P. & Robertson, H. (2020). [Safe Water Access on Remote Indigenous Homelands: Applying a Socio-Ecological Framework](#). OzWater’20: Thirst for Action, Australian Water Association.

<sup>16</sup> Commonwealth of Australia (1994) [Water: A Report on the Provision of water and sanitation in remote Aboriginal and Torres Strait Islander communities](#), Canberra

<sup>17</sup> Willis E.M., Pearce M.W., Jorgensen B.S., and Martin J.F. (2015) [Water supply and governance options for outback towns in remote South Australia](#), Goyder Institute for Water Research Technical Report Series No.

upgrade remote communities water infrastructure in South Australia during the early 1990s did not include ongoing funding for planned maintenance services.<sup>18</sup> This has led to ad-hoc maintenance, usually in response to major breakdowns.

Crucially, as noted by Willis et al. (2015),<sup>19</sup> providing sustainable water services requires a **number of factors working together**, including:

- ‘soft’ factors such as skills, behaviours, norms and practices;
- ‘hard’ factors such as suitable technologies;
- availability of finance for capital expenditure; and institutional factors that can provide for long-term support to community system;
- *Motivation* – Community support to use the scheme;
- *Maintenance* – a viable maintenance and renewal strategy with appropriate training and resourcing;
- *Cost Recovery* – The metering, billing method and its administration and accounting need to be able to generate revenue for ongoing costs. These processes must be transparent;
- *Continuing Support* – Ongoing cooperation between the community, government(s) and the water provider are required. Support is usually necessary for ongoing financial support and maintenance.

**As such, SACOSS recommends that a genuinely comprehensive water security audit needs to consider:**

- **Supply and demand / biophysical dimensions** (e.g. main source of drinking water; adequacy of drinking water supply; treatment method of drinking water; quality of water supply, including frequency of water testing and issues such as salinity with may affect the life of infrastructure)
- **Technology and infrastructure requirements** (e.g. Age and viability of current technologies and water sources; housing and infrastructure requirements; Power access and requirements)
- **Systems and governance arrangements** (e.g. Current ownership, operating and service arrangements of infrastructure, including responsibility for maintenance and ownership arrangements both outside and inside community boundaries; supply and billing arrangements; funding arrangements);

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15/7, Adelaide, South Australia; SACOSS (2020) [Scoping Study on Water Issues in Remote Aboriginal Communities](#), Unley, SA; Aither (2021) [Falling through the gaps: A practical approach to improving drinking water services for regional and remote communities in South Australia](#)

<sup>18</sup> Willis, E., Pearce, M., McCarthy, C., Ryan, F., & Wadham, B. (2009) The provision of water infrastructure in Aboriginal communities in South Australia. *Aboriginal History*, 33, 157-173. Retrieved June 1, 2021, from <http://press-files.anu.edu.au/downloads/press/p74631/html/ch07.html?referer=1055&page=10>

<sup>19</sup> Willis E.M., Pearce M.W., Jorgensen B.S., and Martin J.F. (2015) [Water supply and governance options for outback towns in remote South Australia](#), Goyder Institute for Water Research Technical Report Series No. 15/7, Adelaide, South Australia, p. 11

- **Social, cultural, economic, material resource dimensions** (e.g. Current/required community water access processes; existing water use cultures; water needs for health and cultural practices; affordability and willingness to pay);

## Community led, fit for purpose, fit for place solutions

In their 2015 review of water supply and governance options for outback towns in South Australia, Willis et al. (2015) observed that “there has currently been little input from residents of remote towns as to what water supply scheme and level of service they require. A process of including the potential users of improved water supply schemes is a fundamental requirement of good governance.”<sup>20</sup>

An example of the importance of genuine community-led, fit for purpose, fit for place solutions is the ‘Outback Drinking Station’ which was installed in Oodnadatta by the Outback Communities Authority (OCA) in 2018. The reverse osmosis desalination plant delivers clean drinking water at a cost of \$4 per 20 litres of water.<sup>21</sup> However, it has been reported that the drinking station is mainly used by tourists passing by the township, with (mostly young) residents preferencing cheaper sugary drinks.<sup>22</sup>

SACOSS notes that SA Water are upgrading the non-drinking water at Oodnadatta to a drinking water standard as part of its 2020-24 regulatory period and suggests that it is crucial that community are involved in decision making processes about how this upgrade is achieved. We support the Productivity Commission’s view that all options should be on the table for best-practice system planning.<sup>23</sup> However, we are unsure if the *Water Industry Act 2012* currently allows for “all options to be on the table”, including non-network solutions. This is discussed in further detail in “Review of the Water Industry Act 2012” section of this submission.

## Objective water security standards: Developing a basic level of service

SACOSS supports the draft Statement’s strategic priority to ***“work proactively with water retailers and other stakeholders to ensure critical human water needs continue to be prioritised appropriately and that water planning processes support the setting of objective water security standards where required.”*** [Strategic priority 5]

The setting of an objective water security standard or “basic level of service” is critical for providing a clear direction for government policy, and to enable the Essential Services Commission of South Australia (ESCOSA) to have a benchmark to regulate against.

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<sup>20</sup> Ibid, p. 11

<sup>21</sup> Outback Communities Authorities (2018) [OCA commissions Outback Water Stations](#), Government of South Australia

<sup>22</sup> [https://www.michellelensink.com/question\\_clean\\_water\\_oodnadatta](https://www.michellelensink.com/question_clean_water_oodnadatta);  
<https://indaily.com.au/news/2019/12/06/not-a-safe-drop-to-drink-sa-towns-water-scandal/>

<sup>23</sup> Productivity Commission (2021), [National Water Reform 2020 Draft Report](#), p.143

ESCOSA has previously called for objective water security standards in its 2015 Inquiry into Reform Options for SA Water’s Drinking Water and Sewerage Prices, suggesting that:

“To facilitate greater economic efficiency, water security standards should be made explicit, so that decisions about future capacity expansion and policies for water conservation can be clearly linked to security-of-supply. In the absence of a clear security-of-supply standard, it is difficult to determine the most efficient way to manage the supply/demand balance. Further work on such an objective standard should be undertaken.”<sup>24</sup>

SACOSS also notes that the Productivity Commission has recommended that governments commit to a “basic level of service”, which sets a minimum level of service Governments agree not to fall below, and acts as a mechanism to ensure that adequate and safe drinking water is delivered to all citizens. The Productivity Commission suggests that:

“The precise definition of a basic level of safe and reliable water is a decision for each State and Territory Government, based on their own circumstances (although a definition of ‘safe’ water should align with existing health guidelines under the Australian Drinking Water Guidelines). Service reliability could encompass judgments at the local scale over the quantity of water available, the frequency of water restrictions, and/or clear arrangements to maintain services during extreme events.”<sup>25</sup>

## Development of water security strategies

SACOSS notes that the draft Statement only considers developing water security strategies for key water resources or priority growth industries, beginning with a trial in the Barossa Valley and McLaren Vale and through the Water and Infrastructure Corridors initiative (**Strategic Priority 1**). SACOSS strongly submits that water security strategies also need to be developed urgently in regional and remote communities where there is not an immediate economic imperative, using a tailored, community-led approach.

We recommend that water security planning is broadened to consider a community's overarching water service arrangements (based on a comprehensive water security audit as described above), and its ability to meet a basic level of service.

The draft Water Security Statement notes that:

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<sup>24</sup> ESCOSA (2015) Inquiry into Reform Options for SA Water’s Drinking Water and Sewerage Prices, <https://www.escosa.sa.gov.au/ArticleDocuments/436/20150128-Water-InquiryReformOptionsSAWatersDrinki.pdf.aspx?Embed=Y>, p. 46

<sup>25</sup> Productivity Commission, [National Water Reform 2020 Draft Report](#), p.153

“For those remote communities that are ‘self-supplied’, the state government will also continue to subsidise emergency water carting in exceptional circumstances, where a community has identified that its existing potable supply is at risk.”<sup>26</sup>

While the government’s commitment to continue subsidising emergency water carting is positive and welcome, SACOSS acknowledges that emergency water carting may not be the most economic, efficient, or desired policy response, either now or in the future. Taking the remote Aboriginal community of Scotdesco as an example, emergency water carting may very well be the appropriate policy response (for the sake of argument) every 1 out of 10 years the community runs out of fresh drinking water due to low rainfall. Indeed, the State Government stepped in to offer such support following water supply reaching severe emergency levels.<sup>27</sup> While the community has an innovative and workable solution in the remaining 9 out of 10 years it has sufficient rainfall, water carting may not be the preferred option when emergency levels are reached every, say, 1 out of 7 years, or 1 out of 5 years. Accordingly, the increased frequency and severity of drought conditions brings into focus the need for more robust and adaptive water security planning, rather than reaching for the most reactive response.

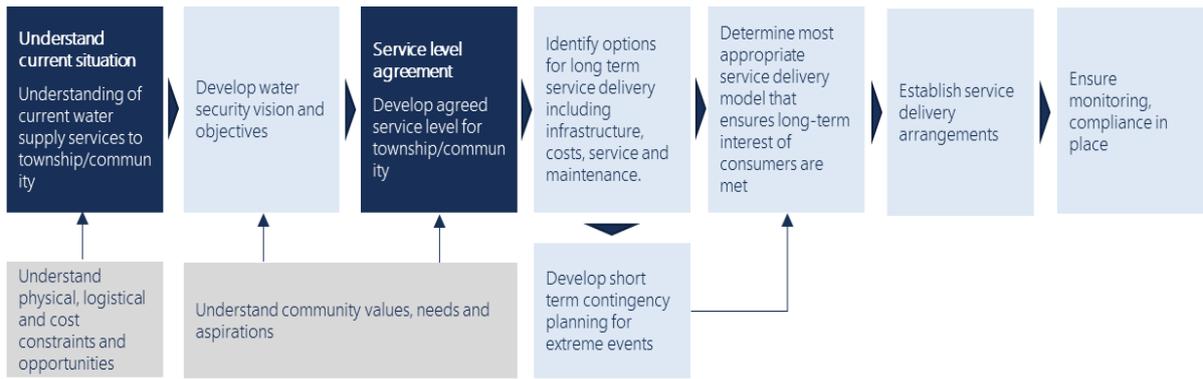
Therefore, SACOSS recommends a process of water security planning as summarised in the figure below and includes:

- an understanding of the current and future available water sources and needs (with consideration of climate change impacts)
- developing a water security vision and objectives for the community
- developing agreed levels of service and identifying and articulating the gap between the basic level of service and the agreed level of service (if there is one)
- identifying possible servicing options, including sources, infrastructure needs, delivery arrangements and costs to meet a basic and/or agreed level of service
- short term contingency planning to maintain water supply and quality during extreme events (integrated with water security plans at the local and catchment scale)
- developing an appropriate service delivery model and arrangements, including options for long-term funding. This funding may include a combination of external funding, user charges and the application of CSO (if appropriate)

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<sup>26</sup> Government of South Australia (2021) [Draft Water Security Statement 2021: Water for Sustainable Growth](#), p. 31

<sup>27</sup> <https://www.lindaburney.com.au/speeches/2019/10/28/the-water-emergency-in-scotdesco>



Source: Aither (2021)

## Review of the Water Industry Act 2012

SACOSS welcomes the State Government’s commitment to **“progress the findings and recommendations of the review of the Water Industry Act 2012 to further drive innovation and competition in the water industry sector”** as one of the strategic priorities for the draft Water Security Statement.<sup>28</sup>

Pricing, service standards and customer protections are important components of water security. We would therefore like to comment on the following recommendations of the *Water Industry Act 2012* review (“WI Act Review”):

### Recommendation 11

SACOSS has several queries in relation to the regulation of ‘stand-alone’ water supply options – and whether there is a disincentive for SA Water to propose a ‘stand-alone’ option as opposed to a network option, even where the stand-alone option might be more efficient and cost-effective. We question whether ‘stand-alone’ water supply options fall within the definition of ‘retail services’ under the WI Act, and therefore, whether it falls under WI Act regulations.

SACOSS questions whether this could work against SA Water properly costing and proposing ‘place-based’ solutions for regional locations where it has an obligation to supply (as it would potentially not be permitted to recover the costs of stand-alone systems through its allowed revenue).

#### Definition of ‘retail services’

Section 17 of the WI Act declares that the water industry is a regulated industry for the purposes of the ESC Act. Accordingly, ESCOSA has a general power to regulate prices in the water and sewerage industries.

In terms of ESCOSA’s price regulation function, section 7 of the WI Act provides that:

#### *7 — Functions and powers of Commission*

*(1) The Commission has (in addition to the Commission's functions and powers under the Essential Services Commission Act 2002) —*

*(a) the licensing, price regulation and other functions and powers conferred by this Act.*

Section 35 of the WI Act provides ESCOSA with the discretionary power to make a price determination for ‘retail services’:

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<sup>28</sup> Government of South Australia (2021) [Draft Water Security Statement 2021: Water for Sustainable Growth](#), p. 31

### 35 — Price regulation

(1) *Subject to this section, the Commission may make a determination under the Essential Services Commission Act 2002 regulating prices, conditions relating to prices, and price fixing factors for **retail services**.*

A 'retail service' is defined in section 4 of the WI Act to mean a service constituted by:

*(a) the sale and supply of water to a person for use (and not for resale other than in prescribed circumstances (if any)) **where the water is to be conveyed by a reticulated system**; or*

*(b) the sale and supply of sewerage services for the removal of sewage, (even if the service is not actually used) but does not include any service, or any service of a class, excluded from the ambit of this definition by the regulations*

In a previous Regulatory Determination, this has been interpreted by ESCOSA to **exclude** the provision of network services on a stand-alone basis (see [SAWRD16](#) p. 22):

*'Accordingly, any operations or services falling outside the scope of the above definition are not subject to price regulation by the Commission – for example, the provision of network services on a stand-alone basis.'*

This would indicate that even where a 'stand-alone' option would be more efficient, SA Water will always seek 'reticulated system' options for the sale and supply of water to customers in its network, as these are the only operations or services that fall within the scope of the definition of 'retail services' and are therefore subject to price regulation by ESCOSA (allowing SA Water to recover the costs of these services from consumers). Notably, in the most recent price determination ([SAWRD20](#)), SA Water sought to recover costs associated with the Zero Cost Energy Future program, but ESCOSA found this program did not constitute a 'retail service' and was therefore not a 'regulated activity'. ESCOSA removed all costs and savings of ZCEF from the revenue determination, stating 'All risks of the project will accrue to SA Water and its owner, the South Australian Government' (page 49). ESCOSA also found that SA Water's water testing service provided through the Australian Water Quality Centre, was not a retail service and was not subject to price regulation under the WI Act.

SACOSS has been unable to get confirmation of ESCOSA's view on 'stand-alone' options. SA Water's Regulatory Business Proposal for 2020-24 proposed to invest \$37.7 million during SAW RD20 to provide potable water supplies to 340 properties across 19 systems that currently have a non-potable water supply. Seventeen of these systems are in the upper north of South Australia. The initial focus was on northern railway towns, with the remaining 310 properties to be addressed during SAW RD24. SA Water identified a range of options for providing upgrades, which include: **water carting and storage, extension of pipelines, desalination, and point of use treatment**. It stated that the selection of which properties to upgrade was informed by multi-criteria analysis, conducted in September

2019, and that the analysis considered water quality impact, rainwater availability, water security, community resources, economic potential, current cost of water and cost of upgrades (see [Appendix 3](#) p.263). As far as SACOSS are aware, there was no specific 'stand-alone' solution costed and compared to a 'network' option as part of the proposal.

It is unclear whether 'stand-alone' options would have fallen within the definition of 'retail services' as ESCOSA's [Draft Determination](#), was not to include expenditure for this project on another basis (page 130):

*'...the extent of SA Water's obligation to supply, and the broader matters of where and how potable water supplies are provided, and funded, **are matters of South Australian Government policy** that are likely to require wider consideration. The Commission agrees that these are matters of South Australian Government policy. Notwithstanding the mixed views of stakeholders on this program, in its current form, it proposes a partial solution that provides limited incremental benefits to a small number of customers at a very high cost per directly-benefitting customer. Therefore, the draft decision is to not include the \$37.7 million proposed to upgrade non-potable water supply for 340 properties.'*

Expenditure for the project (\$40.5 million in capex and \$5.2 million in operating expenditure) was included in the Final Determination 2020-24 to be recovered from all SA Water customers, as a result of the Minister's Direction to SA Water on 28 May 2020. SACOSS notes that in evidence given to the Legislative Council Budget and Finance Committee, SA Water are still investigating technical assessments:

*"SA Water's planning for the Oodnadatta upgrade is currently in the 'Asset Investigations' phase and moving into the 'Capital Delivery' phase. The investigations are nearing completion and are being used to inform the technical solutions. These early investigations indicate a reverse osmosis desalination solution would likely be best suited in Oodnadatta. To date, SA Water's work has included early community engagement, concept planning with the Environment Protection Authority (EPA), trialling of new technologies, and selection of a construction partner that has been engaged to develop the design and pricing of the project. Oodnadatta will be the first to be progressed in the program of upgrades for six remote communities which will be delivered over the course of the 2020-24 period. Construction is currently scheduled to commence in March 2022 with completion expected by September 2022."*<sup>29</sup>

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<sup>29</sup> Parliament of South Australia (2021) [Transcript of Evidence and supplemental- SA Water - David Ryan 9.03.21](#), Legislative Council Budget and Finance Committee, p. 38

While, a reverse osmosis desalination solution appears to be favoured at this stage, it is unclear whether 'stand-alone' options have been considered or costed for the Oodnadatta upgrade project.

#### K. Upgrading the water supply of SA Water customers in regional areas

To upgrade the water supply of SA Water customers in certain regional areas to potable water.

During the third regulatory period, SA Water must upgrade the water supply to potable water in the regional areas of Yunta, Oodnadatta, Maree, Terowie, Marla, Manna Hill (and the associated filling station at Peterborough).

SA Water will fund capital expenditure of up to \$40.5 million over the third regulatory period together with associated operating costs not exceeding \$5.3 million (as per the tables below):

(i) In relation to SA Water's capital expenditure:

2020-21	2021-22	2022-23	2023-24
\$9 743 000	\$9 986 000	\$10 236 000	\$10 492 000

(ii) In relation to SA Water's operating expenditure:

2020-21	2021-22	2022-23	2023-24
\$538 000	\$1 006 000	\$1 694 000	\$1 993 000

From an energy perspective, it is worthwhile to note that the Australian Energy Market Commission (AEMC) reviewed the regulatory arrangements for stand-alone power systems in the last couple of years (as currently the national energy laws and rules only apply to the interconnected electricity grid). The [Statutes Amendment \(National Energy Laws\) \(Stand-Alone Power Systems\) Act](#) was passed this month and came after the AEMC's [2019](#) and [2020](#) reports recommending changes to energy laws and rules **to enable distributor-led SAPS when this is cheaper than maintaining a grid connection**. The AEMC has made a suite of recommendations for changes to energy laws and rules to enable the use of stand-alone power systems by distributors. On 25 March 2021, the AEMC announced the Energy Ministers are consulting on changes needed to ensure consistency between the changes to the Law.

### Recommendation 3

SACOSS is of the view that the 2018 SA Inquiry into Water Prices was particularly narrow in its scope and would welcome further investigations into the influence of pricing and price setting processes in supporting an efficient water industry.

SACOSS would support further consideration of the NWI Pricing Principles, including Principle 3 of the NWI Pricing Principles, which covers the recovery of costs from water planning and management (WPM) activities, and provides for a cost-effectiveness test:

***Clause 16: 'Having identified water planning and management costs to be recovered from water users, in whole or in part, activities should be 'tested' for cost-effectiveness by an independent party and the findings of the cost-effectiveness review are to be made public'.***

SACOSS would also support further investigation into the issues of transparency and independence in price setting processes; in line with recommendations in the Productivity Commission's Draft Report:

**'Regulators must also be supported by appropriate governance and institutional arrangements. Ensuring that economic regulation is transparent and independent provides accountability, better aligning regulatory decisions with long-term consumer interests. And institutional separation, with a clear relationship between utilities and their government shareholders and regulators, remains important and should be retained as a principle under the NWI.'**<sup>30</sup>

The Essential Services Commission of South Australia's 2014 *Inquiry into Reform Options for SA Water's Drinking Water and Sewerage Prices* found that water planning and management charges paid by SA Water's customers may not be economically efficient. The Final Inquiry Report recommended that (recommendations 12 and 13):

- The Government should consider commissioning an independent public review of the prudence and efficiency of all water planning and management-related costs incurred by SA Water, including the manner in which they are recovered.
- Until such a review is conducted, SA Water should make it clear on customers' bills that a water planning and management payment is being collected through them – and that this is being done for the benefit of the wider South Australian public.

In 2014 ESCOSA also expressed a view that SA Water's WPM costs should be balanced (trued-up) prior to the commencement of the next price determination period (which was on 1 July 2016), allowing for any excess revenue or additional costs to be taken into account so SA Water customers only face true WPM costs in the next regulatory period.<sup>31</sup>

In its 2013 Regulatory Determination for SA Water<sup>32</sup>, ESCOSA indicated the (then) Department of Environment, Water and Natural Resources had stated the WPM arrangements were a *'transitional measure, and that it is intended that the amounts attributed to, and recovered from, SA Water (and its customers) and other beneficiaries will be reviewed before the end of the current SA Water Revenue Determination'* (i.e. by 2016).

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<sup>30</sup> Productivity Commission, [National Water Reform 2020 Draft Report](#), p.147

<sup>31</sup> <https://www.escosa.sa.gov.au/ArticleDocuments/436/20150128-Water-InquiryReformOptionsSAWatersDrinki.pdf.aspx?Embed=Y>

<sup>32</sup> [https://www.escosa.sa.gov.au/ArticleDocuments/488/130527-SAWater\\_Water\\_SewerageRevenu.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/488/130527-SAWater_Water_SewerageRevenu.pdf.aspx?Embed=Y)

For SA Water PD2013 ESCOSA found these charges will total \$51.4 million (equating to approximately \$78 for each water customer across the three years) (Table 9.1). For SA Water PD 2016, these charges will total \$74.8 million (equating to approximately \$113 for each water customer across the four years) (Table 9.1).

As far as SACOSS is aware, none of these recommendations or promised reviews of WPM costs have occurred. The 2018 Water Pricing Inquiry **specifically excluded from consideration** the ‘costs included by the Essential Services Commission of South Australia (ESCOSA) by virtue of them being included in a Direction issued by the Minister for Environment and Water under section 6 of the *Public Corporations Act 1993*’.<sup>33</sup>

At the Direction of the Minister for Environment and Water, SA Water is required to pay water planning and management (WPM) costs to the Department for Environment and Water. By virtue of the Treasurer’s Pricing Orders to the Essential Services Commission,<sup>34</sup> the WPM charges SA Water incurs are ultimately paid for by its customers. These costs are not publicly scrutinised, not visible on customers’ bills and send distorted price signals to water users.

\$131m in WPM costs were included in Direction ‘F’ of the Minister’s Direction made on 28 May 2020.<sup>35</sup> Applying the Treasurer’s Pricing Order, ESCOSA have allowed SA Water to recover the \$131m in WPM operating expenditure from its customers, over the coming four-year period. Given there is no clarity around what this money will pay for, there is no guarantee the activities are cost-effective or costs incurred by customers are reflective of the cost of providing water services, and therefore the recovery of these costs arguably deviates from the [NWI Pricing Principles](#) (COAG Agreement, 23 April 2010).

Under the NWI Pricing Principles, Governments agreed that ‘if a decision was made not to apply these principles in a particular case, the reasons for this would be tabled in parliament’. To our knowledge the \$132m in WPM costs has not been tested for cost-effectiveness and the reasons for this have not been table in parliament.

## Recommendation 7

SACOSS does not support reduced regulatory reporting obligations for small scale water retailers, particularly in relation to important consumer protections for customers who may already be disadvantaged by remote locations, inadequate water supply and increased costs. SACOSS is looking forward to the opportunity to provide further feedback on this

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<sup>33</sup> [https://www.treasury.sa.gov.au/\\_data/assets/pdf\\_file/0010/93646/2018-12-A-Cautious-Conclusion-report.pdf](https://www.treasury.sa.gov.au/_data/assets/pdf_file/0010/93646/2018-12-A-Cautious-Conclusion-report.pdf) p.3

<sup>34</sup> [https://www.treasury.sa.gov.au/\\_data/assets/pdf\\_file/0011/41123/Pricing-Order-for-the-Regulatory-Period-1-July-2020-to-30-June-2024.pdf](https://www.treasury.sa.gov.au/_data/assets/pdf_file/0011/41123/Pricing-Order-for-the-Regulatory-Period-1-July-2020-to-30-June-2024.pdf)

And [https://www.treasury.sa.gov.au/\\_data/assets/pdf\\_file/0003/215139/Second-Pricing-Order-for-the-Regulatory-Period-1-July-2020-to-30-June-2024.pdf](https://www.treasury.sa.gov.au/_data/assets/pdf_file/0003/215139/Second-Pricing-Order-for-the-Regulatory-Period-1-July-2020-to-30-June-2024.pdf)

<sup>35</sup> Direction to SA Water pursuant to section 6 of the *Public Corporations Act 1993*, <https://www.escosa.sa.gov.au/ArticleDocuments/21489/20200611-Water-DirectionsUnderSection6PublicCorporationsAct1993-GazetteNotice.pdf.aspx?Embed=Y>

proposed recommendation, in line with our submission to ESCOSA on the small-scale networks inquiry.<sup>36</sup>

### **Recommendation 8**

SACOSS has concerns about exemption regimes which exclude customers from accessing important consumer protections and refers the Department to our recent submission to the Parliamentary Inquiry into embedded networks in SA.<sup>37</sup>

### **Recommendation 15**

SACOSS is looking forward to further consultation on the proposed removal of section 37 of the *Water Industry Act 2012*. SACOSS is extremely concerned about the proposed removal of this section which currently provides for customer hardship policies that must be adopted by water retailers across the State. These hardship policies specifically apply to tenants in accordance with section 37(5) of the Act. SACOSS considers the removal of this section in line with the recommendation would operate to significantly reduce supports and consumer protections for water consumers across South Australia. Given the potential harm the removal of this section could cause on water consumers, SACOSS is expecting more involved consultation on this proposed recommendation. We strongly oppose progressing this recommendation without further consultation taking place.

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<sup>36</sup> SACOSS, [Submission to ESCOSA's Draft Inquiry Report into the regulatory arrangements for small-scale water, sewerage and energy services](#), September 2020

<sup>37</sup> SACOSS, [Submission to the Economic and Finance Committee Parliament of South Australia: Inquiry into Embedded Networks in South Australia](#), May 2021