

SA Water Service Standards: Draft Decision
Essential Services Commission of SA
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25th June 2013

Dear Commissioners,

Re: **SA Water Service Standards 13/14-15/16 Draft Decision.**

As the peak body for the community services sector in South Australia, SACOSS has had a long-standing interest in the delivery of essential services. The cost of basic necessities, like water, impact greatly and disproportionately on vulnerable and otherwise disadvantaged people.

We thank ESCOSA for the opportunity to respond to the SA Water Service Standards 2013/14 - 2015/16 Draft Decision¹.

Background and Introduction

The economic regulation of SA Water by ESCOSA involves the complex formulation of what is, in essence, a balance between the water prices paid by consumers and the quality and quantity of the service provided by SA Water. In general, better service comes at a higher cost.

Following a submission from SA Water, ESCOSA are considering a proposal to relax some of the service standards that will apply during the 2013/14 to 2015/16 Regulatory Period. ESCOSA had tried to set the standards based on historical performance and now SA Water has responded that some of the data they provided previously (upon which ESCOSA set the DRAFT standards) can not be relied upon and has proposed new ones.

The changes come at an awkward time in the regulatory process. The revenue determination has been made by ESCOSA and SA Water has announced its 2013-14 pricing. A change to the service standards now plays to opposing incentives for SA Water and consumers.

Discussion

Now that the regulated revenue allowance has been set, the regulatory and financial incentives for SA Water are to have lower service targets. For consumers, the incentive is the direct opposite: higher service standards should be sought from the fixed revenue.

However, SACOSS also acknowledges that this is the very beginning of independent regulation of the water industry and some flexibility must be provided.

¹ <http://www.escosa.sa.gov.au/projects/199/sa-water-service-standards-2013-14-2015-16.aspx>

SACOSS accepts a 'historic performance' approach to standard setting in this first period of regulation for SA Water. SACOSS also support the 'best endeavours' approach to compliance as a pragmatic and transparent one that has been successful in ESCOSA's regulation of the electricity industry

SACOSS is concerned that, other than for two cases where a missing metric is added in, all of the proposed changes to the metrics from the draft standard are for a weakening of the targets.

SACOSS acknowledges the Commission's comments about the misalignment of some targets and agrees that this is best left to a comprehensive review of service standards in the lead up to a subsequent revenue reset. However, this also reinforces the role of this first regulatory period as being one of transition and flexibility. On this basis, SACOSS does not support the lowering of targets based on data that is not demonstrably more reliable than that provided for the draft standards and used during the revenue determination.

Summary

SACOSS is concerned that SA Water is proposing to lower service standard targets. SACOSS is of the view that the regulatory approach should be flexible enough to acknowledge the limitations of the data currently available and use this first regulatory period to engage closely with SA Water, closely monitor performance and take a pragmatic approach to compliance. A comprehensive review of service standards after, for example, the first two years of monitoring and reporting, seems to be a more reasonable approach than second-guessing past data at this point in time.

On this basis, SACOSS does not support the lowering of targets based on data that is not demonstrably more reliable than that used during the revenue determination.

SACOSS would be pleased to engage further on these matters. We thank you in advance for your consideration of our comments. If you have any questions relating to the above responses, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via jo@sacoss.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ross Womersley', written in a cursive style.

Ross Womersley
Executive Director