

Fact sheet

Guide to SA Water's Regulatory Business Proposal 2013

Background information fact sheet

SA Water snapshot

Every hour of every day SA Water provides water and sewerage services to meet the needs of almost 1.5 million customers - we have been part of the fabric of the South Australian community since 1856.

Wholly government owned, SA Water is one of only three water utilities in Australia to manage the water supply process for customers from catchment to their taps. The area we cover is significant and includes both regional and metropolitan South Australia. Our assets include catchments, dams, reservoirs, bores and treatment plants through to water and wastewater networks, including individual connections and meters at customer properties.



SA Water was named *Public Water Agency of the Year* at the *Global Water Awards* earlier this year.

Population served (water)	1.576 million people
Population served (wastewater/ sewerage)	1.254 million people
Length of water mains	26 591 km
Length of sewerage mains	8 712 km
Number of water treatment plants	30
Number of wastewater treatment plant	24
Water delivered by water source	
River Murray	45.6 %
Surface water	46.6 %
Ground water	6.0 %
Sea water/ desalination	1.8 %

Figures as at 30 June 2012.



Fact sheet

What is a Regulatory Business Proposal?

Our Regulatory Business Proposal (RBP) is SA Water's 'plan' for how we propose to operate and invest in the interests of our customers over the next three years (1 July 2013 – 30 June 2016). Our proposal has drawn on past research, community and customer feedback and benchmarking against our peers.

Following submission on 28 September 2012, our proposal will now be independently reviewed and approved by the Essential Services Commission of South Australia (ESCOSA). ESCOSA were appointed the independent regulator of the water industry in South Australia following introduction of the *Water Industry Act 2012*.

What does SA Water's proposal cover?

Our RBP outlines our approach to ensure we can continue to meet the needs and expectations of our customers and the South Australian community. It recognises the community's expectations in relation to cost, reliability and quality of water and wastewater supply and includes appropriate levels of investment to ensure we can continue to provide the services in the most responsible and efficient way possible.

The RBP takes into account South Australia's environmental context and is based on knowledge gained from our 156 year history in this state. It covers all regulated aspects of SA Water's business and service delivery for customers including:

- Our estimated costs for running the business, including operational and fixed costs.
- Expected demand for water and sewerage services.
- How we will invest in our water and sewerage network to ensure we can meet the needs of customers.

What is not included in the RBP?

SA Water's RBP does not cover aspects of our business that are non-regulated. This includes:

- Services provided on a commercial basis (including laboratory services provided on a commercial basis through the Australian Water Quality Centre and project management services)
- Water transportation services provided to third parties;
- Operation and maintenance of the River Murray lock system; and
- Soil and sand testing services.

Fact sheet

What does the RBP mean for SA Water customers?

We acknowledge that significant investment in water security initiatives over recent years has increased the cost of water for our customers. In preparing the RBP and our approach for the next three years, SA Water has focussed on protecting customer and community interests in relations to cost, reliability and quality of water supply and sewerage services. We have prioritised areas of service delivery our customers have told us are most important to them including:

- Providing safe and healthy drinking water;
- Maintaining water and sewerage infrastructure; and
- Responding quickly if something goes wrong.



SA Water is committed to working with customers and the South Australian community to understand their needs and expectations both now and in the future and will continually review our approach to ensure we are providing services they expect.

What does the RBP say about water prices?

Proposed future water prices are not included in the RBP. The regulatory regime we are operating within requires ESCOSA to determine and set the maximum allowable revenues for drinking water and sewerage retail services in South Australia. The revenue determination is needed in order to set the price of water and wastewater services - this means prices can only be set after ESCOSA's revenue determination has been made. The State Government has indicated that price increases for the first year of the regulatory period (2013-14) will be more in-line with inflation. Prices for this period are likely to be released in June 2013, following ESCOSA's final determination.

How has SA Water identified where, and how much, it will invest?

The capital investment priorities outlined in our RBP have been determined because they support us to meet the needs and expectations of our customers and to ensure we are delivering services in the most efficient way possible. A thorough risk assessment and review of every capital project has underpinned development of our capital investment proposal contained in our RBP. Where our capital expenditure has been dominated by drought response initiatives in the recent past, necessary capacity upgrades and asset renewal works will act as key drivers of the capital expenditure through to 2015-16. Our



Fact sheet

capital program will reduce from its peak (2009-10) of \$1.1 billion to an annual capital expenditure proposed for the initial regulatory period averaging approximately \$368 million.

What does the RBP say about the Adelaide Desalination Plant?

The RBP outlines our approach for the operation of the Adelaide Desalination Plant (ADP) based on a consideration of the range of different water sources available to supply the South Australian community. Use of these water sources is a careful balancing act to ensure we are using the water available to us in the most efficient way. In developing the RBP, SA Water has selected the least cost option for customers, which involves placing the ADP in 'standby mode', following the proving period, when sufficient, cheaper water is available. This will be subject to ongoing reviews and is a decision we will make only if natural inflows into the River Murray and our catchments are at levels that can support sustainable use and will be subject to relevant licences. The ADP remains South Australia's insurance policy in times of drought and provides a flexible, climate independent water source when we need it.

What are the next steps?

10 October 2012	ESCOSA publicly releases its Issues Paper along with SA Water's RBP
7 November 2012	Closing date for stakeholder submissions to the Issues Paper
1 February 2013	ESCOSA publicly release the Draft Determination for comment
15 March 2013	Closing date for stakeholder submissions to the Draft Determination
10 May 2013	Commission's Draft of Final Determination provided to Treasurer
14 May 2013	Pricing Order issued, specifying initial Regulatory Asset Base
17 May 2013	ESCOSA release Final Determination on Revenue Requirements
May-June 2013	Water and wastewater prices developed by SA Water
1 July 2013	First three year revenue determination period begins

Where can I go for more information?

- To read SA Water's Regulatory Business Proposal or access information about other SA Water activities and initiatives please visit our website: www.sawater.com.au
- You can also visit ESCOSA's website: www.escosa.sa.gov.au