

# Excluded Retail Services Pricing Policy Statement

## Description of Excluded Retail Services

Excluded retail services generally represent services that are provided for the benefit of a single customer (or group of customers), rather than uniformly supplied to all customers. The cost of such services is recovered through specific charges to the customer (or potential customer), rather than being paid for by all customers.

Excluded retail services revenue and prices are set by the state government working with SA Water. The Essential Services Commission of South Australia (ESCOSA) monitors prices for excluded services to ensure SA Water applies appropriate pricing principles in determining these prices.

## Excluded Retail Services offered in 2025-26

Excluded retail services include, but are not limited to:

- standard and non-standard connection services (water and sewerage);
- trade waste services;
- non-domestic hauled waste services;
- easement extinguishment and encumbrance services;
- hydrant and fire plug services;
- meter services; and
- network analysis and audit services.

It does not apply to:

- Extensions (both lengthening or altering) to existing mains to supply existing or new properties; and augmentation of water or sewerage networks which are both considered in the Developer Charges Framework; or
- Costs associated with infrastructure within a development area which are met directly by developers.

## Regulatory Framework

The Essential Services Commission of South Australia (ESCOSA) takes a principles-based approach to regulating excluded retail services. Prices for the excluded retail services are subject to relevant [National Water Initiative \(NWI\) Pricing Principles](#) and [ESCOSA pricing principles](#).

### 3 Price Regulation of Excluded Retail Services

#### 3.1 Price control for excluded retail services

3.1.1 In setting prices for excluded retail services for each regulatory year, SA Water must comply with the following NWI pricing principles:

- (a) Principle 1 for the Recovery of Capital Expenditure: Cost recovery for new capital expenditure
- (b) Principle 7 for Urban Water Tariffs: Differential water charges
- (c) Principle 8 for Urban Water Tariffs: Setting developer charges
- (d) Principle 9 for Urban Water Tariffs: Capping developer charges, and
- (e) Principle 10 for Urban Water Tariffs: Revenue from developer charges.

Fig 1.1 Extract from ESCOSA Price Determination "SA Water's Excluded and Recycled Water Retail Services – Price Determination"

## Pricing Policy Statement

Excluded retail service prices seek to recover the full cost of providing the service from the customers who benefit from it.

The state government with support from SA Water, aims to set prices that recover the full cost of providing the service and meet the Corporation's strategic priorities. This takes into consideration:

- customer impacts and affordability;
- ongoing viability of SA Water;
- compliance with service standards and regulatory requirements; and
- pricing signals that encourage the most efficient use of resources.

SA Water's guiding principle is that fees and charges also take into account that:

- prices should be simple and transparent;
- in some cases, it may not be possible to remove all cross-subsidies between customers and services offered within a service classification;
- prices may be set below cost in some circumstances or above cost to promote efficient use of resources; and
- overall profitability of fees and charges should be fair and reasonable.

In general, where a service has:

- high volume/low cost with little variation between individual jobs, SA Water sets a standard charge based on the average cost of these job types; and
- low volumes/ high cost with a high degree of variation between jobs, SA Water charge based on an individual estimate of the job.

For excluded services, where a rate of return is used, it is consistent with the rate of return used in ESCOSA's Regulatory Determination.

## Achievement of Principles as set out in ESCOSA's Regulatory Determination

SA Water is required to demonstrate that 2025-26 excluded retail service fees and charges are compliant with section 3.1 of ESCOSA's Regulatory Determination. These principles include five NWI Pricing Principles and four additional pricing principles determined by ESCOSA. The principles are set out in the following table:

Pricing Principle	2025-26 Applicable Pricing Policy Statement
<b>NWI – Principle 1 for the Recovery of Capital Expenditure:</b> Cost recovery for new capital expenditure	Developer Contribution Framework Excluded Retail Services
<b>NWI – Principle 7 for Urban Water Tariffs:</b> Differential water charges	Developer Contribution Framework Excluded Retail Services
<b>NWI – Principle 8 for Urban Water Tariffs:</b> Setting developer charges	Developer Contribution Framework

<b>NWI – Principle 9 for Urban Water Tariffs:</b> Capping developer charges, and	Developer Contribution Framework
<b>NWI – Principle 10 for Urban Water Tariffs:</b> Revenue from developer charges.	Developer Contribution Framework
<b>ESCOSA – Principle 1:</b> Where a service is provided for the sole benefit of the recipient, the beneficiary should pay the full efficient cost of the service, and other consumers should not be required to contribute to the cost of the service	Developer Contribution Framework Excluded Retail Services
<b>ESCOSA – Principle 2:</b> Where a service is provided to a distinct group of customers, prices to a customer should reflect the cost of supplying the service to the customer and a reasonable allocation of the fixed costs of providing the service, where relevant	Developer Contribution Framework Excluded Retail Services
<b>ESCOSA – Principle 3:</b> Prices should reflect the efficient cost of the particular service provided, although in circumstances where the cost of implementing differentiated prices to different customers is likely to outweigh the benefits, non-differentiated prices can be implemented	Developer Contribution Framework Excluded Retail Services
<b>ESCOSA – Principle 4:</b> SA Water must also comply with any principles, requirements or matters specified by the Commission in an industry code, industry rule or guideline (as in force from time to time) applicable to the provision of excluded retail services.	Developer Contribution Framework Excluded Retail Services
<b>ESCOSA – Principle 5:</b> SA Water must, at the request of a customer, provide credible, evidence-based and transparent information as to how the costs and prices for excluded retail services have been calculated, derived and applied.	Developer Contribution Framework Excluded Retail Services

The following provides an explanation of how charges relating to **Excluded Retail Services** comply with the relevant pricing principles outlined above.

Other pricing policy statements are available from SA Water's corporate website [sawater.com.au](http://sawater.com.au).

### **NWI Principle 1: Capital Expenditure Recovery**

*For new or replacement assets, charges will be set to achieve full cost recovery of capital expenditures (net of transparent deductions/offsets for contributed assets and developer charges and transparent community service obligations) through either:*

- a) Return of capital (depreciation of the Regulated Asset Base (RAB)) and return on capital (generally calculated as rate of return on the depreciated RAB); or*
- b) Renewals annuity and a return on capital (calculated as a rate of return on an undepreciated asset base)*

In contrast to regulated retail services which normally require significant levels of capital expenditure to deliver services, excluded retail services are generally activities where SA Water employs a smaller number of assets to deliver the service to fewer customers.

It is the approach of SA Water to recover the direct and indirect costs (including an allowance for overheads) of providing an excluded service. This approach is applied as follows:

## COST-PLUS APPROACH

$$\text{Cost of Service (fee)} = \text{Direct cost} + \text{Indirect cost} + \text{Rate of Return}$$

Where:

- Direct cost** = costs that can be directly associated with providing a service e.g. labour (including on costs), transport, materials and contractor costs
- Indirect cost** = applicable overheads
- Rate of Return** = consistent with regulatory rate of return used in the ESCOSA Regulatory Determination

The considerations behind the cost-plus approach for excluded services are:

- Where the excluded retail service will benefit individual customers, is likely to be infrequent and/or is administrative in nature. An example is a water connection where a single customer benefits from the one-off service.
- Most work associated with the direct cost of an excluded retail service (i.e. meter installation or connections) in a metropolitan area will be outsourced to a third party contractor and is subject to a competitive tendering process.
- SA Water may set prices below (or above) full cost to promote customer behaviour which provides net benefit, for example disconnection fees and overdue payment fees.
- A cost-plus approach ensures recovery of incremental capital expenditure and direct and indirect operating costs and provides for a reasonable rate of return.

### NWI Principle 7: Differential water charges (Urban Water Tariffs)

*Water charges should be differentiated by the cost of servicing different customers (for example, on the basis of location and service standards) where there are benefits in doing so and where it can be shown that these benefits outweigh the costs of identifying differences and the equity advantages of alternatives.*

*Note: Differential pricing may be achieved by upfront contributions, including developer charges.*

### ESCOSA Additional Principle # 1

*Where a service is provided for the sole benefit of the recipient, the beneficiary should pay the full efficient cost of the service, and other consumers should not be required to contribute to the cost of the service.*

Consistent with both NWI Pricing principle 7 and ESCOSA Additional Pricing Principle 1, SA Water applies differential charges to customers where there are benefits to the customer and SA Water from doing so. For excluded retail services SA Water seeks to ensure that the full and efficient costs of service provision are met only from the beneficiaries of the service.

SA Water periodically undertakes comprehensive reviews of the costs to provide the various services. Where the fee or charge is no longer reflective of the underlying costs, SA Water seeks

to move towards recovery of the efficient cost in a structured way that manages the impact on all customers.

When determining the cost of some excluded services, for simplicity it may be necessary to utilise average costs. This approach recognises that where the activity is high volume/low cost with low variation between individual jobs a standard charge best applies. In contrast, where volumes are low/cost is high and variation between jobs are also high, charges based on an individual estimate of the job best applies.

By way of example, SA Water's Connections Policy differentiates between standard and non-standard connections (for both water and sewerage connections). If a connection is deemed non-standard the customer charge will reflect the relevant construction costs and overheads.

### **ESCOSA Additional Principle # 2**

*Where a service is provided to a distinct group of customers (e.g. trade waste audits are provided to trade waste customers only), prices to a customer should reflect the incremental cost of supplying the service to the customer, and a reasonable allocation of the fixed costs of providing the service, where relevant.*

As discussed under NWI Principle 1, excluded retail service charges are recovered employing a cost-plus approach which ensures the incremental costs (direct cost) and fixed costs (e.g. overhead type costs) are charged to customers.

### **ESCOSA Additional Principle # 3**

*Prices should reflect the efficient cost of the particular service provided, although in circumstances where the cost of implementing differentiated prices to different customers is likely to outweigh the benefits, non-differentiated prices can be implemented.*

It is noted that the issues raised in this principle are materially the same as:

- NWI Principle 7: Differential water charges (Urban Water Tariffs) with regard to the need for charges to be differentiated; and
- ESCOSA Additional Principle # 1 with regard to the need for prices to reflect efficient costs.

To demonstrate how charges for excluded retail services meet this principle, please refer to the above discussions under these respective principles.

### **ESCOSA Additional Principle # 4**

*SA Water must also comply with any principles, requirements or matters specified by the Commission in an industry code, industry rule or guideline (as in force from time to time) applicable to the provision of excluded retail services.*

SA Water complies with the principles, requirements and matters specified by the Commission in relevant industry codes, industry rules and guidelines applicable to the provision of excluded retail services.

### **ESCOSA Additional Principle # 5**

*SA Water must be able to provide transparent information to customers on how the costs for these services have been calculated, or are to be applied, and must be able to support its position in the event of a dispute.*

SA Water sets out prices clearly for customers using a variety of mediums which include information/fact sheets, publishing prices on the Corporation's website and in the Government Gazette. Customers are also provided with relevant price information on request.

Fact sheets provide information on SA Water's overarching policies and more specific information on individual charges as appropriate.

Where SA Water charges are based on the estimated cost of the work the customer can be provided with information outlining the basis of the estimation on request.

As stated above, SA Water has a clear and reproducible methodology for ascertaining costs and charges. SA Water is able to produce the workings to demonstrate how these have been derived.

## Basis of Price Movements 2024-25 to 2025-26

SA Water periodically undertakes comprehensive reviews of the costs to provide the various excluded services. Where the fee or charge is no longer reflective of the underlying costs, SA Water seeks to move towards recovery of the efficient cost in a structured way that manages the impact on all customers. SA Water works with the state government to set its fees and charges each year.

For 2025-26 fees and charges, fees are moving towards cost recovery, with increases capped at 3.5% plus CPI, equivalent to 6.0%. Consistent with the National Water Initiative, SA Water will move towards full cost recovery gradually to help manage customer impacts.

This has resulted in:

- 17 fees increasing by less than inflation.
- 99 fees increasing by more than inflation (but not more than 6%).
- 9 fees reducing to cost.
- 1 fee remaining the same.

**Note:** In addition to the items listed above:

- 6 new fees are being introduced and 1 fee has been re-costed.
- 34 fees have been estimated based on the cost of service delivery.
- 3 council wastewater management scheme charges will increase in line with the average smoothed metropolitan residential sewerage revenue increase of 8.1 per cent.
- 4 augmentation charges have been set in accordance with government direction.

## Where to find further information regarding our excluded retail service prices

A full list of our miscellaneous fees and charges is published on our website. We also provide information to customers on how our prices are calculated if requested.



D. Ryan, Chief Executive, South Australian Water Corporation

23/06/2025