



Water

Small-scale water regulatory framework review

DRAFT Decision

August 2026

Request for submissions

The Essential Services Commission (**Commission**) invites written submissions on this draft decision by **30 October 2026**.

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Small-scale water regulatory framework review – Draft decision

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Glossary of terms

ACL	Australian Consumer Law
AMP	Asset management plan
CAC	Consumer Advisory Committee
Code	Water Retail Code – Minor and Intermediate Retailers WRC-MIR/02
Commission	Essential Services Commission, established under the Essential Services Commission Act 2002
CPI	Consumer Price Index
CSO	Community Service Obligation
CWMS	Community Wastewater Management System
DEW	Department for Environment and Water
DHS	Department for Human Services
DORC	Depreciated Optimised Replacement Cost
ESC Act	<i>Essential Services Commission Act 2002</i>
ESCV	Essential Services Commission Victoria
EWOSA	Energy and Water Ombudsman SA
GSL	Guaranteed Service Level
GSS	Guaranteed Service Standards
Guideline 5	Small-scale Networks Guideline No. 5 – Regulatory Reporting Requirements for Small-scale Networks
ISO	International Standards Organisation
LGA SA	Local Government Association SA
LG Act	<i>Local Government Act 1999</i>
Minister	Minister for Climate, Environment and Water
NAVS	New Appointments and Variations
NECF	National Energy Customer Framework
NEM	National Electricity Market
NERL	National Energy Retail Law

NERR	National Energy Retail Rules
NPR	National Performance Reporting
NWI	National Water Initiative
ORC	Optimised Replacement Cost
OTR	Office of the Technical Regulator
RAB	Regulatory Asset Base
SACOSS	South Australian Council for Social Service
SAWRD24	SA Water Regulatory Determination 2024
SNAP	Small-scale Networks Assessment Project
SRMTMP	Safety, Reliability, Maintenance and Technical Management Plan
Treasurer	Treasurer for the South Australian Government
TTY	Teletypewriter
UDIA	Urban Development Institute Australia
VTA approach	Verified Trust and Accountability regulatory approach to small-scale networks
WACC	Weighted Average Cost of Capital
WI Act	<i>Water Industry Act 2012</i>
WI Minister	Minister for Climate, Environment and Water

1 Executive summary

Following a detailed independent review and an opportunity for public submissions, the Essential Services Commission (**Commission**) is consulting on a proposed revised regulatory framework, including service standards, a price determination, and other consumer protections, to apply to small-scale water and sewerage retailers from 1 July 2027.

The key proposals are for the Commission to:

- ▶ Further tailor regulatory requirements to match the inherent risks of each retailer's operation, with less prescriptive requirements for low-risk retailers.
- ▶ Introduce a set of minimum service standards for medium and high-risk retailers that relate to responsiveness to water and sewer events, service restoration, timeliness of connection application processing and construction, and customer service.
- ▶ Continue to apply a principles-based approach to the price regulation of small-scale water and sewerage retailers and introduce a new requirement for drinking water and sewerage service retailers to maintain a long-term asset management and financial plan for their network.
- ▶ Enhance requirements to ensure retailer communication is timely, accessible and can be understood by customers, including by requiring each retailer to have an online presence and use each customer's preferred communication method.
- ▶ Publish a series of clear, concise fact sheets on key consumer protection matters, and require retailers to make fact sheets available online, on request and in response to specific matters.
- ▶ Enhance billing provisions to ensure retailers provide customers with accurate, timely, and accessible bills, including by requiring regular water meter reads, ensuring a sound basis for estimated bills, and introducing limitations on charging for paper bills.
- ▶ Improve access to hardship and payment difficulty support by encouraging retailers that are Councils to adopt a single hardship policy with provisions for both retail water and sewerage charges and non-retail charges (such as rates) and requiring that retailers offer flexible payment arrangements to small business customers.
- ▶ Extend consumer protections to tenants to the full extent possible, consistent with the provisions of the *Water Industry Act 2012*, which is in relation to limitations to service restriction and disconnection, dispute resolution, and financial hardship.
- ▶ Introduce family violence consumer protections including requirements for retailers to adopt a family violence policy, adopt processes to help customers avoid repeat disclosures, ensure confidential information is securely handled, and ensure staff capability to assist affected customers.
- ▶ Require drinking water retailers to provide updated protections for people using life support equipment, such as dialysis machines, which are the same as the protections that must be provided by SA Water and the Commission's small-scale energy licensees.

The Commission welcomes comments and feedback on those proposals by 30 October 2026. A final regulatory determination will be published in 2027.

The Essential Services Commission (**Commission**) is established under the *Essential Services Commission Act 2002* (**ESC Act**) and is the independent economic regulator of essential services in South Australia.

In South Australia, approximately 110,000 customers receive water and/or sewerage retail services from 71 small-scale retailers. Small-scale retailers are those with 50,000 or fewer connections. These retailers provide drinking water, non-drinking water, and sewerage retail services. Generally, they hold a monopoly provider position in the market in which they operate.

The regulatory framework the Commission applies to small-scale retailers is established by provisions in the ESC Act and the *Water Industry Act 2012* (**WI Act**). It is comprised of a licensing regime, consumer protections set out in the *Water Retail Code – Minor and Intermediate Retailers WRC-MIR/02* (the **Code**), a price determination, reporting requirements and a compliance and enforcement regime.

To protect the long-term interests of consumers with respect to the price, quality and reliability of retail services, the intended outcomes of the small-scale water regulatory framework are that small-scale retailers:

- ▶ deliver quality, reliable water and sewerage services that are valued by customers
- ▶ charge prices that reflect the efficient costs of delivering those services
- ▶ have in place sound long-term asset management, operating and financing strategies, which support the provision of those services for current and future customers, and
- ▶ transparently demonstrate and provide evidence of performance to the people, businesses and communities that use those water and sewerage services as an essential part of their everyday lives.

The Commission is reviewing the regulatory framework that applies to small-scale retailers to assess whether it continues to protect consumers. The scope of the review is the effectiveness of two elements of the regulatory framework – the price determination and the Code.

The Commission undertakes its role as economic regulator consistent with the functions and powers assigned to it and within the broader legislative and policy framework. The Commission and several other regulators perform roles and functions assigned to them by the South Australian Government and Parliament under that policy and legislative framework.

The approach of the review is to first broadly consider the risks to consumers supplied by small-scale retailers, how these are mitigated, and if there is a role for economic regulation in that mitigation. Risks to customers and consumers of small-scale retailers include, for example, that:

- ▶ Before becoming a customer or consumer, a person may not know or understand that services are provided by a small-scale retailer. They may miss the opportunity to consider if price, quality or reliability of the services on offer is acceptable and may need to use the service regardless because there are no viable alternatives.
- ▶ If assets are not properly maintained, water services may not be safe, of good quality, or reliable. This may not be apparent until underinvestment has been occurring for some time and is costly to rectify.
- ▶ Some customers may contribute to the cost of services they do not use if a small-scale retailer uses revenue from its water or sewerage businesses to subsidise its other businesses.
- ▶ Where there is a lower level of resources allocated to customer service, service issues may take more time or be more difficult to resolve, and there may be privacy concerns where staff and customers or consumers live in the same community.

- If the small-scale retailer becomes unwilling or unable to continue providing services, customers or consumers may be left without supply. Customers or taxpayers may face the costs of securing an alternative supply.

Analysis of these risks, engaging with other regulators involved in managing those risks, and identifying where there is a role for the Commission, is informing the need for, and design of, changes to the regulatory framework.

In weighing the use of regulation to manage risks, the review is focused on assessing costs and benefits. Regulation imposes a necessary cost on small-scale retailers, which is typically passed on to customers and consumers. The Commission will only make changes where expected benefits outweigh costs.

The Commission initiated this review by publishing a fact sheet in April 2025 and, in August 2025, published a detailed Issues Paper to inform further consultation and engagement. Consultation involved meetings with individual retailers, regulators and advocacy groups, online and in-person information sessions for retailers and consumers, and a YourSAy consumer survey. Findings from the consultation are discussed throughout this draft decision.

1.1 Approach to regulation

When customers cannot switch to other water and sewerage retailers, it is important to have an objective, regulatory framework to protect consumers' long-term interests.

This draft decision, pursuant to section 25(1) of the ESC Act and section 35(1) of the WI Act, which empower the Commission to make determinations for water retail services and sewerage retail services, is that the Commission will make a regulatory determination to apply to small-scale water and sewerage retailers from 1 July 2027. The regulatory determination will comprise a price determination and amendments to the Code.

A draft revised price determination and draft revised Code are published alongside this decision, for consultation.

VTA regulatory approach

The Commission uses the Verified Trust and Accountability (VTA) approach as the foundation for regulating small-scale networks in South Australia. The VTA approach is designed to ensure that regulatory oversight is proportionate to the scale, complexity, and risk profile of each retailer, and promotes characteristics of a competent operation.

The VTA approach applies across the regulatory life cycle. For new retailers, under the VTA approach, regulatory requirements are tailored to match the inherent risks of each retailer's operation. The draft decision proposes improvements to how this is done.

For established retailers, applying the VTA approach involves, on an ongoing basis, assessing whether each operation is being competently run for the benefit of customers, and applying appropriate scrutiny and targeted regulatory interventions. The Commission is separately reviewing its approach to determining and revising licence classes based on retailer competency.

Low-risk retailers

In issuing licences under the WI Act, the Commission must have regard to the scale and nature of the operations of the water industry entity. The Commission considers that retailers may be classified as high, medium or low risk.

High-risk retailers provide a primary water supply or sewerage service. Consumers have no or very limited access to alternatives. Approximately 85 percent of current small-scale retailers are high-risk, with failures in their operations having a critical impact on consumers.

Medium risk retailers provide a secondary water supply and include retailers supplying non-drinking water through dual reticulation. Consumers have access to alternatives such as using drinking water supply. Approximately 5 percent of current small-scale retailers are in this category.

Low-risk retailers provide supply that may be paused without critical impact, and include retailers supplying non-drinking water to irrigate parklands or open space. Approximately 10 percent of existing retailers are in this category. Failures in their operations pose a low risk to consumers.

The draft decision is that low-risk retailers will need to comply with a less prescriptive regulatory framework. They will not be required to comply with all aspects of the Code. The price determination makes specific requirements for retailers of recycled water, stormwater and other non-drinking water services, which are less prescriptive than those for water and sewerage service retailers. The Commission will identify and notify existing retailers that are low-risk.

1.2 Service continuity and asset stewardship

Long-term service continuity and asset stewardship relates to the ability of retailers to plan for and meet current and future service demand, and to cost, deliver, maintain and renew the infrastructure that underpins those services. The regulatory framework ensures long-term service continuity and asset stewardship through service standard regulation and price regulation.

Service standard regulation

Service standard regulation sets requirements about the service outcomes consumers value and rely on. The WI Act requires the Commission to make water retail licences subject to conditions that include compliance with provisions relating to minimum standards of service.

When the small-scale regulatory framework was first established in 2013, the Commission decided not to introduce minimum service standards and to be guided by performance reporting data on the need to establish minimum service standards and targets in the future. In place of minimum service standards, the framework made general service requirements.

Now, and particularly in the context of increased prevalence of multiple providers operating in the same small area (for example, in Angle Vale and Mount Barker), which have highlighted differences in price and service levels, there is a lack of clarity for consumers about what to expect and for retailers about what they must provide. Without minimum service standards, there is a risk of poor outcomes (such as unclear communications, increased interruptions or overflows, or delays in response to service issues).

The draft decision is to introduce a set of initial minimum service standards for medium and high-risk retailers (about 90 percent of currently licensed retailers). These will not apply to low-risk retailers. The minimum service standards address responsiveness to water and sewer events (including breaks, leaks, blockages and overflows), service restoration following water and sewer events, timeliness of connection application processing and construction, and customer service.

The minimum service standards address the same areas as SA Water's minimum service standards but are simpler and set at a lower level. This is to ensure the minimum service standards can be readily understood and reported against, and to manage uncertainty around the cost of their introduction. In preparation for this review's final decision, and at future reviews, the Commission will assess whether the basic minimum service standards are set at the level consumers value.

To manage the costs of monitoring compliance, which are ultimately passed on to consumers, the minimum service standards are absolute, not best endeavours requirements. Where performance is

affected by factors beyond the retailer's control, the Commission will consider that in determining any enforcement action.

Introducing minimum service standards will have cost impacts, including costs of monitoring and reporting, and costs of any changes in operational or investment decisions required to meet the standards. The Commission is seeking information from stakeholders about those costs to inform the cost-benefit analysis that will be used in making the final decision, as well as suggestions about alternative ways of achieving similar consumer protection outcomes for consumers.

Price regulation

The services provided by small-scale retailers have a monopoly nature: that is, there is only one retailer providing the services. This creates consumer risks – now and for the future. For example, absent competition (or the threat of competition) from other retailers, a small-scale retailer may be able to recover from its captive customers more money than is needed to cover the efficient cost of the services it provides. It may invest too little, too late, or in the wrong things, allowing assets and service quality to degrade over the long term. Absent external discipline, it has limited incentive to pursue efficiency in either its operating or its capital expenditure. Price regulation can provide external discipline to mitigate these risks.

The current price determination that applies to small-scale water and sewerage service retailers commenced on 1 July 2013 and required small-scale retailers to comply with pricing principles set out by the Commission, which were in turn based on National Water Initiative (NWI) pricing principles. The pricing principles promote, for example, full recovery of efficient costs, the setting of prices that are reflective of the efficient costs of providing end services, and transparency in pricing methodology.

Forms of price regulation range from the more prescriptive, such as a price or revenue cap (that is, a formal limit on price or revenue), to the non-prescriptive (that is, no formal price regulation at all). The draft decision is that a principles-based approach to the economic regulation of small-scale water and sewerage retailers will continue to be used.

The principles-based approach recognises variation in the characteristics of small-scale retailers in two ways. First, using principles, rather than detailed prescription, provides retailers with flexibility in how they comply. Second, the principles-based approach sets separate pricing principles for different types of services.

Drinking water retail services and sewerage retail services have the most detailed set of principles. Retailers of recycled water, stormwater, and other non-drinking water retail services must apply a different and lighter set of principles.

The draft decision in relation to pricing principles for water services and sewerage services is to retain the existing requirement that retailers, when determining prices, apply NWI pricing principles for the recovery of capital expenditure and for urban water tariffs.

Further, the draft decision is to retain and clarify the existing requirements that retailers, when determining developer and augmentation charges, apply principles consistent with transparency, cost efficiency and a beneficiary-pays approach. This responds to feedback from stakeholders about efficient infrastructure provision for growth.

Several stakeholders expressed interest in introducing means to ensure robust asset management is being undertaken by retailers. Robust long-term asset management contributes to long-term financial sustainability and, consequently, the viability of a retailer. Given its importance, the Commission has made a draft decision to introduce an additional principle requiring drinking water and sewerage service retailers to maintain a long-term asset management and financial plan for their network.

Given that not all retailers have long-term asset management and financial plans, and that the content of such plans may vary, the Commission considers that inclusion of this principle will promote the long-term financial sustainability of retailers.

The draft decision in relation to pricing principles for recycled water services, stormwater services, and other non-drinking water services is to retain the existing requirement that retailers apply the relevant NWI pricing principles. The NWI pricing principles represent good practice and are sufficiently flexible to accommodate the widely different scenarios under which these services are provided.

In addition, the draft decision is to retain the four current guiding principles (most of which promote the beneficiary-pays principle) to apply to the pricing of auxiliary water services. Auxiliary water services include connections and disconnections, installation of meters to community/strata units and special meter readings.

1.3 Short-term transactional and behavioural protections

Short-term transactional and behavioural protections are needed to ensure fair and equitable access to essential services. They include protections for all customers, such as requirements for information disclosure, the terms and conditions of supply, billing and payment, and complaint handling. They also include protections for specific groups of consumers, such as tenants, those experiencing financial hardship, those affected by family violence, and those dependent on life support equipment.

Protections for all customers/consumers

The draft decision proposes improvements that affect customers and consumers broadly. These relate to accessible communications, information disclosure, billing and charges.

Accessible communications

When retailers communicate with their customers and consumers, it is important that they do so in a way that is timely, and that people can access and understand. The draft decision is to make new requirements that retailers have and maintain an online presence (such as a website or social media page), provide information in a way that meets the reasonable needs of their customers, communicate using each customer's preferred communication method and provide hard copy bills, notices and documents where no other preferred communication method has been specified.

Information disclosure

Evidence suggests there is a low level of awareness about protections available to customers and consumers of small-scale retailers. To address this, the draft decision is that the Commission will publish a series of clear, concise fact sheets for customers and consumers and require retailers to make fact sheets available. The Commission will also review the standard customer charter and the standard customer contract to ensure they are complete, easy to understand, and reflect changes made in this review.

Billing and charges

Small-scale retailers must provide customers with accurate and timely bills. Current Code provisions address the contents of and basis of bills, and billing disputes. The draft decision is to make several changes to billing provisions.

In relation to metered water supply, the draft decision is to introduce a new requirement to ensure a meter read is taken at least once every 12 months (by the retailer, customer, or smart meter), to specify approved methods for the basis of estimated bills, to require that customers are informed if systems indicate an abnormal change in water consumption, and to require that retailers retain billing data for at least five years.

In relation to charging for paper bills, the draft decision is to allow charging for paper bills, so long as protections are provided, including offering free alternatives (electronic bills), appropriate notice, and operation of an exemption scheme for vulnerable customers. Limitations on charging for paper bills protect customers, or certain types of customers, from paying a specific fee for paper bills.

The Energy and Water Ombudsman SA (EWOSA) provides customers with free, independent dispute resolution services where they have been unable to resolve a matter with their retailer. It is important that customers know about and can access EWOSA's dispute resolution services. The draft decision is that EWOSA contact details must be included on customer bills except where the retailer includes charges in a Council rates notice. The Commission will ask the LGA SA to consider including EWOSA contact details and a statement that EWOSA is the correct dispute resolution body for matters related to water and sewerage retail service charges in its next Model Rates Notice.

The draft decision proposes to change the timeframe for recovering undercharged amounts from 12 months to 9 months. It also proposes revisions to postage and delivery timeframes to accommodate changes in Australia Post delivery times.

Retailers are required to disclose prices in schedules published online. The draft decision is to prohibit retailers from charging call-out fees for network faults (the costs of which must be shared by all customers) and requires that if a retailer offers a customer plumbing services (for example, in relation to a fault in the pipes on the customer's side of the meter) it does so in a manner which is consistent with Australian Consumer Law (ACL).

Protections for specific groups of customers/consumers

The draft decision proposes improvements that will affect specific groups of customers and consumers. These relate to protections for people experiencing hardship or payment difficulties, who are tenants, are affected by family violence, and use life support equipment.

Hardship and payment difficulties

Financial hardship refers to circumstances in which an individual genuinely lacks the financial capacity to meet their payment obligations. Small-scale retailers have an obligation under the WI Act to adopt the WI Minister's hardship policy, which addresses how retailers must identify and assist customers experiencing financial hardship. The hardship policy is supported by provisions in the Code.

Charges for water or sewerage services are often included on Council rates notices. This poses a challenge for small-scale retailers to first identify late payment of water and sewerage charges and then to offer the relevant hardship and payment difficulty support.

The draft decision is to improve awareness of hardship and payment difficulty support by publishing, and requiring retailers to provide, a Hardship Support Fact Sheet. Further, the Commission will encourage retailers that are Councils to adopt a single hardship policy that sets out provisions for both retail water and sewerage charges and non-retail charges, including Council rates.

Currently, the Code requires retailers to offer flexible payment arrangements to residential customers. Small business customers can experience payment difficulty in a similar way to households and often lack the bargaining power to negotiate bespoke payment arrangements. Therefore, the draft decision is to require that small-scale retailers offer flexible payment arrangements to both residential customers and small business customers.

The draft decision also proposes that retailers be required to provide residential customers with information about current Commonwealth and South Australian Government concessions, rebates and grants, including contact details for administering agencies, at the commencement of a customer's contract. Further, it proposes that retailers be required to provide payment-in-advance facilities and bill

redirection where a customer advises they are unable to manage payments due to illness or long absence.

Consumer protections for tenants

The nature of consumer protections that the Commission may establish, and where it may extend those to tenants, are set out in the WI Act. These relate to limitations on service restriction and disconnection, processes for dispute resolution, and financial hardship.

Changes to the Code are required to extend consumer protections to tenants to the full extent possible. The draft decision is to make these changes, which include making requirements that retailers provide information about services to tenants on request (including by using a Tenant Fact Sheet published by the Commission), provide billing data to tenants within defined timeframes on request, and enhance the prohibition on water service restriction for tenanted properties by removing the requirement for a tenant to provide evidence.

Family violence protections

Perpetrators of family violence can use essential services to cause harm. To address this, the Commission is progressively introducing family violence consumer protections and has already done so in relation to SA Water and a subset of residential customers of one small-scale electricity network provider.

The draft decision is to introduce new requirements which require small-scale retailers to adopt the Commission's template family violence policy (or a varied version), adopt processes to help customers avoid repeat disclosures, ensure confidential information and accounts are securely handled, provide information on family violence services, ensure staff capability to assist affected customers, and report on the number of affected customers. The draft decision is that retailers must use their best endeavours to comply with these requirements from 1 July 2027, with full compliance from 1 July 2028.

Life support protections

Operation of life support equipment, such as dialysis machines, requires the supply of water and electricity and interruptions to supply have the potential to cause harm.

In May 2026, following a thorough consultation process, the Commission made a decision on updates to life support protections to be provided by SA Water and small-scale energy licensees. The intent is that small-scale drinking water retailers will need to provide the same protections.

The updates clarify that protections apply whether a person who uses life support equipment resides at a residential or non-residential supply address, enable nomination of a secondary contact, establish a consistent process for registration and deregistration, and improve consistency across industries.

1.4 Changes to reporting requirements

The Commission requires regular reporting from small-scale retailers. The Commission will publish revisions to the reporting requirements to support policy changes made in this review, following the final decision.

While some reporting requirements must begin from 1 July 2027, such as reporting on new minimum service standards, the Commission has discretion about when to introduce other changes. The Commission is seeking views from stakeholders about whether to:

- make all changes to reporting requirements arising from this review immediately after the final decision (that is, before 1 July 2027), or

- align changes to reporting requirements arising from this review (apart from time-sensitive changes) with the Commission's next full review of reporting requirements for all small-scale networks (water, electricity and gas) which, indicatively, would occur in 2027-2028.

1.5 Next steps

The Commission thanks those who made submissions and engaged with it to provide evidence and comments, all of which have been carefully considered and have provided valuable information and insights to the draft decision.

The Commission is seeking feedback on this draft decision by **30 October 2026**. Key dates for the review are set out in Table 1.

Table 1: Key dates for the remainder of the review

Stage	Timing
Consultation on draft decision closes	30 October 2026
Final decision released	March 2027
Proposed date varied Code and new price determination comes into effect	1 July 2027

Part A – Background and context

The Commission is reviewing the regulatory framework that applies to small-scale retailers to assess how well it satisfies the Commission's primary objective – the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

In this Part A:

- ▶ Chapter 2 introduces the review, its intended outcomes, scope and approach. It explains the structure of this draft decision and the next steps for the review.
- ▶ Chapter 3 describes small-scale water and sewerage retailers licensed by the Commission as well as features and characteristics of the sector.

2 Introduction

The Essential Services Commission (**Commission**) is established under the *Essential Services Commission Act 2002* (**ESC Act**) and is the independent economic regulator of essential services in South Australia. The Commission's primary objective is the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

Small-scale retailers are those with 50,000 or fewer connections.¹ In South Australia, approximately 110,000 customers receive water and/or sewerage retail services from 71 small-scale retailers. The small-scale retailers are described in detail in Chapter 3.

The provision of water and sewerage services is regulated in South Australia, including through service level and price regulation by the Commission, generally referred to as 'economic regulation'. The Commission regulates the customer service and pricing aspects of small-scale retailers' operations because, generally, these retailers hold a monopoly provider position in the market in which they operate and are not subject to competition. This means there is a risk that consumers may pay excessive prices and/or receive poor-quality service.

Economic regulation can counteract this risk. It aims to facilitate the provision of an appropriate level of service for a price which reflects efficient costs. The objective is to ensure the retailers deliver long-term sustainable water and/or sewerage retail services, operating as efficiently as reasonably practicable in the circumstances that relate to that industry overall and to its business.

The Commission uses the Verified Trust and Accountability (**VTA**) approach as the foundation for regulating small-scale networks in South Australia. The VTA approach represents a targeted and flexible regulatory model designed to ensure that regulatory oversight remains proportionate to the scale, complexity, and risk profile of each retailer.

The VTA approach applies across the regulatory life cycle. For new regulated entities, the VTA approach involves tailoring regulatory requirements according to the inherent risks of each operation. For established retailers it involves, on an ongoing basis, assessing whether each operation is being competently run for the benefit of customers.

The Commission's economic regulation of small-scale retailers' operations is currently comprised of a price determination and the consumer protections established in the *Water Retail Code – Minor and Intermediate Retailers WRC-MIR/02* (the **Code**), which in part relate to service reliability and quality. These regulatory obligations apply to all small-scale water and sewerage retailers who hold licences issued by the Commission.

Licensing provides the foundation for other elements of the regulatory system (application of the price determination and Code, monitoring, and the compliance and enforcement regime). Through the licensing process, the Commission assesses applications to determine whether the applicant is a suitable person to be an essential services provider and likely to be capable of satisfying relevant regulatory obligations, including financial, operational and technical requirements.

The regulatory framework that applies to small-scale retailers is summarised in Box 1.

¹ A connection, as defined in the Code, is the agreed point of supply at which a customer receives a retail service from a network.

Box 1: Small-scale water and sewerage regulatory framework

The regulatory framework that the Commission applies to small-scale water and sewerage retailers currently consists of:

- ▶ **A licensing regime:** In accordance with the *Water Industry Act 2012 (WI Act)*, the Commission licences persons who provide retail services to South Australian consumers. Licences are subject to conditions that address compliance with applicable codes and industry rules, minimum standards of service, dispute resolution processes, and accounting and reporting requirements.²
- ▶ **Consumer protections:** The *Water Retail Code – Minor and Intermediate Retailers WRC-MIR/02* (the **Code**) sets out behavioural standards and minimum requirements that apply to small-scale retailers' operations.³ These relate, for example, to customer information, connections and sale contracts, customer service and service restrictions.⁴
- ▶ **A price determination:** The price determination aims to facilitate customers paying the prudent and efficient costs of service provision.⁵ Retailers are responsible for setting their own prices but must comply with National Water Initiative (**NWI**) pricing principles. The Commission monitors and enforces compliance with these principles and may make a specific price determination for an individual water retailer, if it considers one is necessary.
- ▶ **Monitoring:** Reporting requirements enable the monitoring of operational, service and financial performance. Retailers that are assessed as competent benefit from reduced annual reporting requirements.⁶ To enhance its understanding of small-scale networks, including infrastructure maintenance, asset management quality and adequacy of funding, the Commission has recently initiated the Small-scale Networks Assessment project.⁷
- ▶ **Compliance and enforcement:** The Commission undertakes compliance activities by monitoring and assessing key risk areas and applying a proportionate, risk-based approach when determining if a compliance or enforcement response is necessary.⁸

The Commission adopted the VTA approach following the 2021 release of its Final Report on the Inquiry into regulatory arrangements for small-scale water, sewerage and energy services.

The Final Report also recommended that efforts to harmonise current licence and code obligations across the small-scale industries should occur as part of the Commission's regular reviews of codes and guidelines.⁹ The implementation of this recommendation has occurred in three stages.

² WI Act, division 2, sections 18 to 34.

³ The Code is established under the ESC Act.

⁴ The Commission is empowered to make industry codes and rules regulating the conduct or operations of a regulated industry or regulated entities by Part 4 of the ESC Act.

⁵ The price determination is established under the ESC Act as authorised by the WI Act.

⁶ Essential Services Commission of South Australia, *Small-scale Networks Bulletin No. 6 – VTA approach*, available at <https://www.escosa.sa.gov.au/industry/water/licensee-information/small-scale-water-networks>.

⁷ Essential Services Commission of South Australia, 2025, *Small-scale Networks Assessment*.

⁸ The enforcement policy sets out the criteria and processes the Commission uses to determine if enforcement action is required. See: Essential Services Commission of South Australia, 2021, *Enforcement Policy*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21734/20210811-Corporate-EnforcementPolicy-V2.6.pdf.aspx?Embed=Y>

⁹ Essential Services Commission of South Australia, 2021, *Inquiry into regulatory arrangements for small-scale and off-grid water, sewerage and energy services*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/inquiries/inquiry-into-regulatory-arrangements-for-small-scale-water-sewerage-and>

- ▶ The **first stage** was to review the regulatory framework that applies to approximately 10,000 electricity and gas customer connections exclusively covered by the Commission's small-scale energy consumer protection framework. This is complete.¹⁰
- ▶ The **second stage** is this review, of the regulatory framework that applies to small-scale water and sewerage retailers, which together supply around 110,000 customer connections.
- ▶ The **third stage** is a review, also currently underway, of the regulatory framework that applies to around 2,700 electricity customer connections in small-scale networks that have a physical link to the National Electricity Market. Customers in these networks have primarily protection under the national energy framework, supported by distribution licences issued by the Commission.

2.1 Intended outcomes

To protect the long-term interests of consumers with respect to the price, quality and reliability of retail services, the intended outcomes of the small-scale water regulatory framework are that small-scale retailers:

- ▶ deliver quality, reliable water and sewerage services that are valued by customers
- ▶ charge prices that reflect the efficient costs of delivering those services
- ▶ have in place sound long-term asset management, operating and financing strategies, which support the provision of those services for current and future customers, and
- ▶ transparently demonstrate and provide evidence of performance to the people, businesses and communities that use those water and sewerage services as an essential part of their everyday lives.

2.2 Scope

This review is focusing on assessing the effectiveness of two elements of the regulatory framework – the price determination and the Code's consumer protections, in protecting consumer's long-term interests with respect to the price, quality and reliability of essential services. The review is only seeking to amend licence conditions, reporting requirements, or the compliance and enforcement regime if required to address key risks. These elements of the regulatory framework require less focus because:

- ▶ minimum licence conditions are prescribed by the WI Act (the Commission imposes additional conditions on a case-by-case basis)
- ▶ reporting requirements were substantially reviewed in 2022 and subject to a limited review that concluded in May 2025,¹¹ and

[energy-services/inquiry-into-regulatory-arrangements-for-small-scale-and-off-grid-water-gas-and-electricity-services](https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/off-grid-energy-consumer-protection-framework-review/off-grid-energy-consumer-protection-framework-review).

¹⁰ Essential Services Commission of South Australia, 2023, *Small-scale energy networks consumer protection framework review*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/off-grid-energy-consumer-protection-framework-review/off-grid-energy-consumer-protection-framework-review> and Essential Services Commission of South Australia, 2026, *Update to life support protections*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/update-to-life-support-protections>.

¹¹ Essential Services Commission of South Australia, 2022, *Verified trust and accountability regulatory approach to small-scale networks*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/corporate/verified-trust-accountability-regulatory-approach-to-small-scale-networks>, and Essential Services Commission of South Australia, 2025, *Limited review of Guideline 5 and community prepayment customer protections*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/corporate/verified-trust-accountability-regulatory-approach-to-small-scale-networks>.

- ▶ the compliance and enforcement regime was substantially reviewed in 2022 and is being refined through other work at the Commission, including through the Small-scale Networks Assessment Project.¹²

2.3 Approach

This review is assessing the effectiveness of the price determination and Code in protecting consumer's long-term interests with respect to the price, quality and reliability of essential services by considering the risks to customers and consumers of small-scale retailers, how these are controlled, and the Commission's role in responding to those risks. The range of risks to customers and consumers of small-scale retailers is introduced in Box 2.

Box 2: Risks to customers and consumers of small-scale retailers

Customers and consumers of small-scale retailers face a range of risks (a detailed initial analysis is included in Appendix 2). They include, for example, that:

- ▶ Before becoming a customer or consumer, a person may not know or understand that services are provided by a small-scale retailer. They may miss the opportunity to consider if price, quality or reliability of the services on offer is acceptable and may need to use the service regardless because there are no viable alternatives.
- ▶ If assets are not properly maintained, water services may not be safe, of good quality, or reliable. This may not be apparent until underinvestment has been occurring for some time and is costly to rectify.
- ▶ Some customers may contribute to the cost of services they do not use if a small-scale retailer uses revenue from its water or sewerage businesses to subsidise its other businesses.
- ▶ Where there is a lower level of resources allocated to customer service, service issues may take more time or be more difficult to resolve, and there may be privacy concerns where staff and customers or consumers live in the same community.
- ▶ If the small-scale retailer becomes unwilling or unable to continue providing services, customers or consumers may be left without supply. Customers or taxpayers may face the costs of securing an alternative supply.

Part of this review involves undertaking detailed analysis of these risks, by documenting the potential impact of risks on consumers, engaging with other regulators involved in managing those risks, and identifying where there is a role for the Commission. This will inform the need for, and design of, changes to the regulatory framework.

In weighing the use of regulation to manage risks, the review will focus on assessing costs and benefits. Regulation imposes a necessary cost on small-scale retailers, which is typically passed on to customers and consumers. The Commission will only make changes where expected benefits outweigh costs.

[publications/projects/energy/review-of-small-scale-networks-reporting-requirements-and-prescribed-customer-consumer-protections/review-of-small-scale-networks-reporting-requirements](https://www.escosa.sa.gov.au/projects-and-publications/projects/water/small-scale-networks-assessment).

¹² Essential Services Commission of South Australia, 2025, *Small-scale Networks Assessment*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/water/small-scale-networks-assessment>.

This approach is aligned with the Commission's Strategic Priorities of:

- ▶ **Protecting consumers:** We regulate the entities that deliver essential services. Our role is to require those entities to deal fairly and transparently with their customers, and to act when they do not.
- ▶ **Regulating for efficiency and productivity:** Effective regulation depends on understanding the sectors, communities and people our work affects. Engagement is a strategic tool that strengthens the quality and legitimacy of our decisions.
- ▶ **Performance and accountability:** Our regulatory value lies in the outcomes that regulated entities deliver to consumers. We focus on assessing whether entities are meeting expectations, and on being clear about what we find.

2.4 Small-scale retailers operate within a broader policy framework

The Commission undertakes its role as economic regulator within a broader legislative and policy framework. The South Australian Government develops and implements, through legislation, public policy in relation to public health, the environment, water supply and demand planning, technical standards, safety and social welfare. This impacts small-scale retailers.

The Commission and other regulators perform roles and functions assigned to them by the South Australian Government and Parliament under that policy and legislative framework. A summary of the key entities involved in the regulation of small-scale retailers is provided in Table 2.

The Commission's role is limited, by legislation, to considering the price, quality and reliability of essential services; it does not extend to assessing affordability or an individual customer's capacity to pay for essential services (though the Commission makes requirements related to hardship and family violence protections). The South Australian Government makes decisions about social policy, including policies about subsidising water and sewerage services¹³ and supporting customers to meet the costs of accessing essential services.¹⁴

The Commission influences the governance of small-scale retailers, including through requiring sound risk management and compliance frameworks. Small-scale retailers make the day-to-day commercial decisions about the operations and investments required to deliver water and sewerage services that meet their regulatory obligations.

Consumer and industry advocates have an important role to play in the economic regulation of small-scale retailers, through understanding and representing or reflecting the views of their constituents in consultation and engagement processes. They may advocate for changes where their constituents' interests are not being met.

The Commission has established the Consumer Advisory Committee (**CAC**), comprising consumer representatives, which advises the Commission on its regulatory functions, including the economic regulation of small-scale retailers. Those consumer advocacy representatives and associated organisations help the Commission to understand consumer experiences and expectations and provide evidence to inform the Commission's regulatory decision-making process.¹⁵

¹³ For example, decisions about the state-wide pricing policy (under which all customers on the SA Water network pay the same fixed water supply charge and the same water usage tariffs) and the Community Wastewater Management System subsidy funding partnership.

¹⁴ Through the South Australian Water and Sewerage Concession Scheme.

¹⁵ As established by section 17 of the ESC Act and section 14 of the WI Act.

Table 2: Entities involved in the regulation of the small-scale water industry

Entity	Overview of role within the small-scale water industry	Relevant legislation
Minister for Climate Environment and Water (WI Minister)	Administers the <i>Water Industry Act 2012</i> and is responsible for non-regulatory instruments (e.g. schemes) and appointing water industry entities.	<i>Water Industry Act 2012</i>
Treasurer	Sets licence fees for water industry entities and issues Pricing Orders.	<i>Water Industry Act 2012</i>
Minister for Housing and Urban Development, Housing Infrastructure and Planning	Responsible Minister for the <i>Planning, Development and Infrastructure Act 2016</i> .	<i>Planning, Development and Infrastructure Act 2016</i>
Essential Services Commission	Licences persons who provide water and sewerage retail services. Regulates customer service standards for, and makes a price determination relating to, the sale and supply of water and sewerage retail services.	<i>Essential Services Commission Act 2002</i> <i>Water Industry Act 2012</i>
Environment Protection Authority	Regulates the environmental impact of water businesses.	<i>Environmental Protection Act 1993</i>
Department for Environment and Water	Regulates State water resources, and other natural resource management matters.	<i>Natural Resources Management Act 2003</i>
SA Health	Regulates public health requirements for providing drinking water supplies.	<i>Safe Drinking Water Act 2011</i> <i>South Australian Public Health Act 2011</i>
Office of the Technical Regulator (OTR)	Regulates safety and technical matters.	<i>Water Industry Act 2012</i>
Consumer and Business Services	Responsible for administration of the Australian Consumer Law (SA), covering consumer protection and fair trading, in South Australia. Regulates the relationship between landlords and tenants for the payment of rates and charges for water and sewerage services. Regulates the professional conduct of plumbers and plumbing contractors.	<i>Competition and Consumer Act 2010 (Cth)</i> <i>Fair Trading Act 1987</i> <i>Residential Tenancies Act 1995</i> <i>Plumbers, Gasfitters and Electricians Act 1995</i>
Department of Human Services	Develops customer hardship and concession policies.	<i>Water Industry Act 2012</i>
Energy and Water Ombudsman SA (EWOSA)	Resolves complaints from customers of water retailers. Small-scale retailers are required to be members of EWOSA.	<i>Water Industry Act 2012</i> <i>Corporations Act 2001</i>
Minister for Local Government	Administers the <i>Local Government Act 1999</i> which includes requirements related to the recovery of charges for water and sewerage services, customer equity and	<i>Local Government Act 1999</i>

Entity	Overview of role within the small-scale water industry	Relevant legislation
	financial difficulty, asset management, and financial sustainability.	
Minister for Energy and Mining	Administers the <i>Roxby Downs (Indenture Ratification) Act 1982</i> which makes requirements that apply to setting of fees and charges by Roxby Downs Council.	<i>Roxby Downs (Indenture Ratification) Act 1982</i>

2.5 Consultation and engagement

The Commission initiated this review by publishing a fact sheet in April 2025 and, in August 2025, published a detailed Issues Paper to inform further consultation and engagement.

Consultation involved meetings with individual retailers, regulators and advocacy groups, online and in-person information sessions for retailers and consumers (including as part of regional visits), and a YourSAy consumer survey.

In October 2025, Commission staff visited Mount Barker, Berri, and Kadina to hold drop-in sessions for retailers and consumers. Attendance at the in-person sessions was limited. However, Commission staff met with people from GMB Water, Berri Barmera Council, the District Council of Mount Remarkable and Copper Coast Council.

The YourSAy survey received 51 responses. A summary of responses is published alongside this draft decision). The survey sought to understand consumer experiences and satisfaction with small-scale water and sewerage services.

The Issues Paper received 9 formal submissions, from GMB Water, the Alexandrina Wastewater Manager, the Energy and Water Ombudsman SA (EWOSA), the South Australian Council of Social Service (SACOSS), Office of the Technical Regulator (OTR), SA Water, the City of Onkaparinga, the Urban Development Institute of Australia (UDIA), and ERA Water.

Issues raised in consultation are addressed in detail in the relevant parts of this draft decision. The key themes that emerged during consultation that are in-scope for the review were:

- ▶ Proportionate regulation – some stakeholders called for lighter, more flexible requirements for smaller retailers, to match their capacity and capabilities. Others consider that more detailed and prescriptive requirements are needed to ensure that consumers receive similar outcomes to those served by SA Water’s network.
- ▶ Service standards – some stakeholders considered that small-scale retailers should have similar service standards to SA Water, and some are concerned that service standards should promote better asset management.
- ▶ Pricing – stakeholders generally supported continuing the approach of requiring compliance with pricing principles. Some call for more guidance on implementation and/or closer monitoring to identify entities with particularly high prices and/or where there is evidence of under-recovery.
- ▶ Other consumer protections – stakeholders generally support, and make some specific suggestions about, updates to consumer protections related to family violence, extension of provisions to tenants, improved communication and information availability, billing, and early identification of hardship.

- ▶ Growth – some stakeholders discussed the role of small-scale retailers in providing services in response to urban growth, with some noting that small-scale retailers are important for meeting demand, and others noting challenges when there are multiple retailers operating in proximity (for example, on the urban fringe).
- ▶ Specific compliance matters – consultation identified some specific compliance matters, for example, potential under-pricing of new connection fees, and customer communications that do not meet Code requirements.

Consultation also identified concern with the Commission's approach to classifying retailers based on their behaviour and demonstrated capabilities to assist with monitoring and compliance (criteria used, and update of classifications) and the Commission's approach to reporting and monitoring (completeness of reporting requirements, and public reporting by the Commission). While these are out-of-scope of the current review, these issues are the responsibility of the Commission and are discussed further in Chapter 11.

Key themes that emerged which are out-of-scope (and detailed further in Appendix 5) related to: infrastructure (risk of duplication and of variation in technical standards), equity and affordability (variation in prices across retailers, and instances of high prices), operator of last resort provisions (to ensure service continuity), and limitations on disconnecting from non-drinking water supplied by dual reticulation.

2.6 Legislative requirements, objectives and factors

The Commission considers all relevant legislative requirements, objectives and factors in making a regulatory determination, including the provisions of the ESC Act and the *Water Industry Act 2012* (**WI Act**) (including any Pricing Orders issued under the WI Act).

A key element of a regulatory determination is to set consumer protection service levels, having regard to all available evidence, including the diverse views expressed by consumers and other stakeholders. This requires the Commission to exercise careful judgement so that, wherever possible, the costs of regulation do not exceed the benefits. However, it is also noted that many aspects of water and sewerage services are regulated by other regulatory agencies (as noted above).

The decision-making process involves the exercise of discretion and judgement (to the extent permitted under the statutory framework). In such cases, given the range of possible outcomes, the Commission recognises that different minds, acting reasonably, could make different decisions on the same subject matter.¹⁶

Consequently, a regulatory determination made by the Commission will set out the Commission's considered position as to the most reasonable form and quantum of economic regulation to be applied to small-scale water and sewerage retailers, to best protect South Australian consumers' long-term interests (in the context of the nature and scope of the governing statutory regime and all the available evidence).

Detailed information about the existing legal requirements can be found in Appendix 1 of this report.

¹⁶ Refer *Re GasNet Australia (Operations) Pty Ltd* [2003] ACompT 6 (23 December 2003) at paragraph 29.

2.7 Structure of this report

The structure of this report is as follows:

► Part A – Background and context

Chapter 3 describes the 71 small-scale retailers licensed by the Commission as well as features and characteristics of the sector.

► Part B – Approach to regulation

Chapter 4 explains the rationale for the Commission's draft decision to make a new regulatory determination, and its proposed elements.

Chapter 5 explains how the proposed regulatory framework will respond to differences in small-scale retailers' operations, primarily by making less prescriptive requirements for low-risk retailers.

► Part C – Service continuity and asset stewardship

Service continuity and asset stewardship relates to the ability of retailers to deliver essential services to consumers on a prudent, efficient and sustainable basis over time.

Chapter 6 sets out the draft decision on service standard regulation – the requirements about the service outcomes consumers value and rely on.

Chapter 7 sets out the draft decision on price regulation – the requirements made to ensure consumers do not pay more, or less, than the prudent and efficient costs of service provision.

► Part D – Transactional and behavioural protections

Transactional and behavioural protections for consumers apply when consumers deal with retailers and consume essential services.

Chapter 8 addresses protections that apply broadly to customers/consumers. These relate to communications, information disclosure and transparency, and billing.

Chapter 9 addresses protections for customers/consumers experiencing various types of vulnerability, including people experiencing hardship or payment difficulty, tenants, people affected by family and domestic violence, and people dependent on life support equipment.

Chapter 10 describes a small number of other changes to the Code.

► Part E – Compliance approach

Small-scale water retailers have ongoing compliance and reporting obligations in respect of their water and sewerage service operations.

Chapter 11 provides information about, and addresses issues related to, the Commission's compliance approach and reporting regime.

A draft revised price determination, and draft revised Code, are published alongside this draft decision.

Supporting information is provided in five appendices. Appendix 1 contains information about the legal framework. Appendix 2 contains analysis of risks to consumers in small-scale networks. Appendix 3 contains a list of small-scale retailers licensed by the Commission and the services they provide. Appendix 4 contains information about the NWI pricing principles. Appendix 5 presents detail about out-of-scope issues raised during consultation.

2.8 Next steps

The Commission thanks those who made submissions and engaged with it to provide evidence and comments, all of which have been carefully considered and have provided valuable information and insights to the draft decision.

The Commission is seeking feedback on this draft decision by **30 October 2026**. Key dates for the review are set out in Table 3.

Table 3: Key dates for the remainder of the review

Stage	Timing
Consultation on draft decision closes	30 October 2026
Final decision released	March 2027
Proposed date varied Code and new price determination comes into effect	1 July 2027

Any queries relating to this draft decision should be directed to reviews@escosa.sa.gov.au.

If you would like to keep up to date with the Commission's work and the release of papers for consultation, subscribe at <http://www.escosa.sa.gov.au/subscribe.aspx>.

3 Small-scale water and sewerage retailers

Small-scale water and sewerage retailers in South Australia are diverse. This section describes the retailers as well as the features and characteristics of the sector.

3.1 Key facts and features

As at August 2025, there were 71 small-scale water and sewerage retailers in South Australia. Small-scale retailers are those with fewer than 50,000 connections.¹⁷ Of these, 58 are Councils, and 13 are private entities.¹⁸ The services they offer include:

- **Drinking water retail services:** provision of water through a reticulated system that is intended for human consumption or for purposes connected with human consumption.
- **Non-drinking water retail services:** provision of any water other than drinking water through a reticulated system, including untreated water, recycled water or stormwater.
- **Sewerage retail services:** the collection, storage, treatment or conveyance of sewage through a reticulated system. Sewerage retail services include Community Wastewater Management System (CWMS) services, which collect, treat, convey or dispose of sewage from septic tanks on individual properties.

Fourteen small-scale entities are licensed to supply drinking water services, 42 to supply non-drinking water services, 49 to supply CWMS services and six to provide other sewerage services. Several of the small-scale retailers provide more than one service (see Table 4).

Table 4: Types of services offered, by number of retailers and number of connections, as at August 2025¹⁹

Services	Number of retailers	Number of connections
Drinking water services	14	5,578
Non-drinking water services	42	5,598
CWMS services	49	94,702
Other sewerage services	6	7,874

As at financial year 2023-24, small-scale retailers reported that they collectively served 113,752 connections and had 109,782 unique customers.²⁰ Approximately 88 percent were residential customers.

The size of small-scale retailers varies considerably (as shown in Figure 1 below). For instance, there

¹⁷ Small-scale retailers include both minor retailers (those which provide retail services to up to and including 500 connections) and intermediate retailers (those which provide retail services to more than 500 and up to and including 50,000 connections). Connection, as defined in the Code, means the agreed point of supply at which a customer receives a retail service from a network.

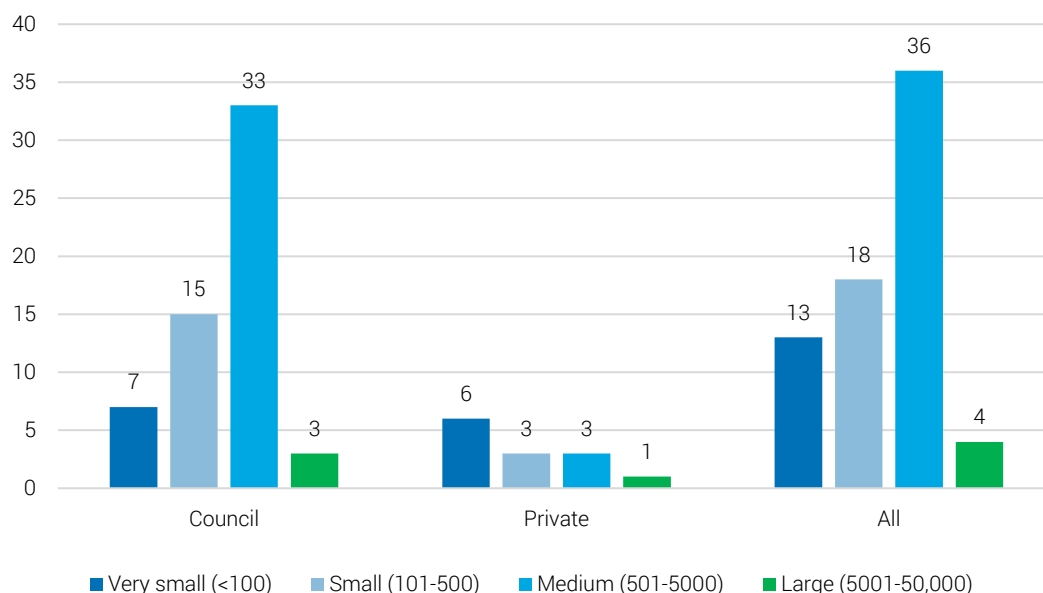
¹⁸ A list of all 71 small-scale retailers, the services they provide, and the number of connections they provide those services to, is set out in Appendix 3.

¹⁹ In February 2026, the South Australian Government announced that SA Water will take over provision of drinking water services at Coober Pedy, from late 2026.

²⁰ As defined in the Code, the term customer has the meaning given to it in the WI Act, namely a person who owns land in relation to which a retail service is provided. There are more connections than unique customers because some customers have more than one connection (for example, receive both a drinking water service and a CWMS service). Further, some connections have multiple customers (for example, a single connection may serve a block of units with several unit owners).

are 13 very small retailers (with up to 100 connections), 18 small retailers (with 101 to 500 connections), 36 medium retailers (with 501 to 5000 connections) and four large retailers (with 5001 to 50,000 connections).²¹ The largest is GMB Water with close to 15,000 connections to sewerage and non-drinking water services, while very small retailers can have less than 100 connections (for example, the Corporation of City of Whyalla has 17 connections to drinking water and non-drinking water services).

Figure 1: Number of retailers by size and ownership type, 2023-24



The 13 privately-owned retailers are predominantly small and very small.²² Of these, four are licensed to provide drinking water services, 8 are licensed to provide non-drinking water services, and 3 are licensed to provide sewerage services.

Many small-scale retailers are not stand-alone entities. For instance, Councils provide a broad range of services, of which small-scale water and sewerage retail services are one part, and some small-scale entities provide water and sewerage services directly to affiliated or related businesses.

Retailers with similar numbers of connections can have variations in the scale of their operations. For example, in 2020-21, the Rural City of Murray Bridge reported owning 5 km of mains to supply 159 connections with drinking water, while in the same year the District Council of Ceduna used 90 km of mains to supply 213 connections with drinking water.

Most small-scale retailers are similar in that they tend to exhibit natural monopoly characteristics. That is, they have a high proportion of fixed-to-variable costs, which usually makes it uneconomic to

²¹ Annual licence fees that are set by the Treasurer are based on the number of connections each licensee has, using these categories.

²² The large privately-owned retailer, Fairmont Utilities, is licensed to provide 7500 water, non-drinking water and sewerage services within the Seaford Heights Estate and at Seaford Heights. While its licence was issued in 2013, the connections have not been constructed. One medium privately-owned retailer, Select Utilities Pty Ltd, is licensed to provide 4,500 sewerage connections at Angle Vale. While its licence was issued in 2024, the connections have not yet been constructed. Another medium privately-owned retailer, Alano Utilities Pty Ltd, was initially licensed to provide sewerage services at Mount Barker. Its licence has been varied several times. It currently has 1847 sewerage connections; it is licensed to provide additional connections including at Two Wells and Angle Vale, which have not yet been constructed.

duplicate the infrastructure, and their customers likely cannot, at a low-cost, switch to an alternative supplier.

The nature of those monopoly characteristics can vary. Some customers of small-scale retailers may be able to access alternative methods of supply, placing competitive pressures on retailers. For example, some customers of retailers that only provide non-drinking water services may have the option of using drinking water services instead, if they are not satisfied with price or quality. Or, some uses of non-drinking water services, such as irrigation of open space, may be paused. In some situations, customers may have viable alternatives to supply from a small-scale retailer (such as supply from retailers in adjacent areas, or self-supplied rainwater or septic systems).

Part B – Approach to regulation

When customers cannot switch to other retailers of water and sewerage retail services, it is important to have an objective, regulatory framework to protect consumers' long-term interests. Due to monopoly service provision, consumers do not have the benefit of competition to drive the provision of service levels that are valued by customers at efficient costs over the long term.

In this Part B:

- ▶ Chapter 4 explains the rationale for the Commission's draft decision to make a new regulatory determination, and its proposed elements.
- ▶ Chapter 5 explains how the proposed regulatory framework will respond to differences in small-scale retailers' operations, primarily by making less prescriptive requirements for low-risk retailers.

4 Decision to make a new regulatory determination

Draft decision

The Commission has made a draft decision to make a regulatory determination to apply to small-scale water and sewerage retailers from 1 July 2027. The draft decision is that the regulatory determination will comprise:

- ▶ a price determination regulating prices, conditions relating to prices and price-fixing factors, and
- ▶ amendments to the *Water Retail Code – Minor and Intermediate Water Retailers* that regulates the conduct and operations of small-scale water and sewerage service retailers in the supply and sale of retail services.

4.1 Consumer protection in essential services

There are two elements to the consumer protection regimes developed and administered by the Commission: long-term service continuity and asset stewardship, and short-term transactional and behavioural protections for consumers.

These two elements give practical effect to the Commission's statutory objectives under section 6 of the ESC Act, **the protection of South Australian consumers' long-term interests with respect to the price, quality and reliability of essential services.**

The first element, service continuity and asset stewardship, relates to the ability of retailers to deliver essential services to South Australian consumers on a prudent, efficient and sustainable basis over time. This includes retailers' capability to plan for and meet current and future service demand, and to cost, deliver, maintain and renew the infrastructure that underpins those services. This demands a long-term asset management strategy, part of which involves and well-planned operational capability to respond to failures and events as they arise.

This element of consumer protection seeks to foster sound asset stewardship and efficient long-term decision making by retailers. By doing so, providers are better placed to manage their systems efficiently and to deliver essential services at a cost which is as low as possible, while maintaining and investing in the infrastructure and services that consumers value and rely on for the long term. Service standards and economic regulation underpin this element of the Commission's consumer protection regimes.

The second element, transactional and behavioural protections for consumers, applies when consumers deal with retailers and consume essential services. This includes requirements relating to information disclosure and transparency, the terms and conditions of supply (including connection and disconnection), billing and payment options, and complaint handling and dispute resolution arrangements.

It also encompasses specific protections for consumers experiencing vulnerability, including those affected by family and domestic violence, those dependent on life-support equipment, and the provision of hardship programs and assistance mechanisms.

This aspect of consumer protection aims to facilitate and maintain consumers' access to essential services at all times and requires retailers to treat customers fairly and equitably.

Through setting regulatory expectations, monitoring compliance and holding retailers to account, the Commission seeks to promote efficiency, reliability and sustainability in the long-term interests of consumers, while supporting confidence in and the productive use of essential services as contributors to economic activity and State development.

4.1.1 Why a regulatory determination for retail services is required

Consistent with its functions and powers under the WI Act and ESC Act, to protect the long-term interests of South Australian consumers, the Commission has decided to make a regulatory determination that applies to the retail services provided by small-scale water and sewerage retailers.²³

The following propositions underpin that decision:

- ▶ small-scale water and sewerage service retailers are monopoly providers of essential services to South Australian consumers, and
- ▶ as a result, consumers do not have the benefit of competition to drive economically efficient behaviour, such as providing service levels that are valued by customers and seeking cost efficiency in the provision of retail services.

When customers cannot switch to other providers of water and sewerage retail services, it is important to have an objective, regulatory framework to protect consumers' long-term interests. Having regard to the natural monopoly characteristics of the industry and the potential for inefficient prices and/or service provision (for example, through the misuse of market power), the Commission considers it appropriate to regulate small-scale water and sewerage retailers' services and to specify a consumer protection regime.

Consumer protection using economic regulation can substitute for that lack of competition by providing incentives for efficiency and for the performance that an efficient company should meet. As a result, this can ameliorate economic detriment to consumers (the costs of which may be materially greater than the costs of regulation) and protect consumers' long-term interests.

4.1.2 Draft decision

The Commission's draft decision, pursuant to section 25(1) of the ESC Act and section 35(1) of the WI Act, is that it will exercise its discretion to make a regulatory determination that applies to the sale and supply of water retail services by small-scale water and sewerage service retailers (as defined in the WI Act) from 1 July 2027.

The draft decision is that the regulatory determination will comprise:

- ▶ a price determination regulating prices, conditions relating to prices and price-fixing factors, and
- ▶ amendments to the Code that relate to the conduct and operations of small-scale water and sewerage service retailers in the supply and sale of retail services.

²³ Further information on the Commission's powers to make codes, rules and price determinations is contained in Appendix 1.

5 Approach to regulation of low-risk retailers

Draft decision

The Commission has made a draft decision that low-risk retailers will need to comply with a less prescriptive regulatory framework.

The draft decision is that low-risk retailers, those which retail non-drinking water where supply may be paused without critical impact (approximately 10 percent of existing retailers), will not have to comply with all aspects of the Code. Retailers who supply recycled water, stormwater or other non-drinking water services will have less prescriptive requirements under the price determination.

The Commission will identify retailers that meet the above criteria and advise them of changes to regulatory requirements.

When considering the form of regulation to apply to small-scale retailers, a challenge is to establish a regulatory framework that can respond to the differences in small-scale retailers' operations.

In issuing licences under the WI Act, section 25(2) requires the Commission to have regard to the scale and nature of the operations of the water industry entity. In part, this is addressed by establishing separate regulatory frameworks for SA Water and for small-scale retailers.

The Commission further considers the risk profile of each retailer to be critical in determining how the regulatory framework should apply.

5.1 VTA – a life cycle regulatory approach

The Commission uses the Verified Trust and Accountability (VTA) approach as the foundation for regulating small-scale networks in South Australia. The VTA approach is designed to ensure that regulatory oversight is proportionate to the scale, complexity, and risk profile of each retailer, and promotes characteristics of a competent operation:

- ▶ **Strong customer focus**, including genuine engagement and consultation, to deliver service outcomes aligned with customer needs at the lowest sustainable cost.
- ▶ **Long-term sustainability**, through robust financial management, asset planning, and operational practices that support reliable service delivery over time.
- ▶ **Efficient and transparent pricing**, reflecting efficient costs, **customer** willingness to pay, affordability considerations, and applicable legislative requirements, with any trade-offs clearly communicated.
- ▶ **Full compliance with all regulatory and legislative obligations**, demonstrating **accountability** across all relevant frameworks, not limited to those administered by the Commission.
- ▶ **Sufficient financial capacity**, to ensure the ongoing viability of the service and the ability to meet future obligations.

The VTA approach applies across the regulatory life cycle. For new regulated entities, the current regulatory framework sets different consumer protection requirements based on the number of connections (whether there are fewer than 50,000 connections) and separate pricing principles for water and sewerage services, and recycled water and stormwater services. The draft decision, as explained in the next section, is to improve implementation of the VTA approach by better tailoring regulatory requirements to match the inherent risks of each retailer's operation.

For established regulated entities, applying the VTA approach involves, on an ongoing basis, assessing whether each operation is being competently run for the benefit of customers. Where a retailer

demonstrates competence, the Commission will regard that entity as “trusted” (Category A) and apply a reduced level of prescriptive regulatory monitoring. Conversely, where a retailer is unable to demonstrate competent operation, the Commission will regard that entity as “not yet trusted” (Category B) and apply increased scrutiny and targeted regulatory interventions to ensure that consumer interests are appropriately protected.

5.2 Inherent risk profiles of small-scale retailers

There are many characteristics that define the scale and nature of each retailer’s operations, including size, location, service type, customer type, ownership structure, governance arrangements and access to alternative supplies.

These differences have material implications for the risks faced by customers and consumers. A proportionate regulatory framework — one that scales regulatory obligations, monitoring and compliance intensity to consumer risk rather than entity size alone — is essential to achieving efficient outcomes.

The Commission considers that the most important characteristics for determining the risk of harm to consumers are the extent to which there is monopoly supply, and the criticality of that supply. On this basis, it is possible to classify small-scale retailers as either high, medium or low risk as detailed in Table 5 below.

Table 5: Risk profiles of small-scale retailers

Licence	Supply characteristics	Details
High risk	Primary water supply OR Sewerage service supply	▶ Failures in primary supply pose a high risk to consumers. ▶ Includes drinking water supply and non-drinking water supply where it is customer’s primary reticulated water supply. ▶ Consumers have no access to alternatives or very limited access to alternatives (for example, installing self-supplied rainwater tanks where they are not already in use). ▶ Approximately 85 percent of current small-scale retailers are high risk.
Medium risk	Secondary water supply	▶ Failures in secondary supply pose a medium risk to consumers. ▶ Includes retailers supplying non-drinking water through dual reticulation. ▶ Consumers have access to alternatives such as using reticulated drinking water supply. ▶ Approximately 5 percent of current small-scale retailers are in this risk category.
Low risk	Supply that may be paused without critical impact	▶ Failures in supply that may be paused without critical impact pose a low risk to consumers. ▶ Includes retailers supplying non-drinking water to irrigate parklands or open space, for industry, or to farmers. ▶ Approximately 10 percent of current small-scale retailers are in this risk category.

The Commission considers that application of the price determination and consumer protections set out in the Code can be varied for low-risk retailers.

5.2.1 Draft decision

The draft decision is that low-risk retailers will need to comply with a less prescriptive regulatory framework. They will:

- ▶ Not be required to comply with all aspects of the Code.
- ▶ Instead, they must enter a contract with each customer with agreed and documented terms and conditions that address at a minimum:
 - the type and nature of services provided, including quality, safety and reliability
 - contract termination
 - applicable fees and charges and tariff changes
 - arrangements for billing and payment
 - provisions for dispute resolution
 - provisions for restrictions, disconnections and reconnection, and
 - confidentiality and privacy.

These requirements will be made through a section of the Code that sets out specific requirements for low-risk retailers.

The Commission will assess whether each existing retailer meets the low-risk criteria and provide written confirmation and guidance to those who satisfy the criteria. New low-risk retailers will be identified through the Commission's licensing application process.

- ▶ Be required to comply with relevant aspects of the price determination.

The requirements of the price determination, as described in Chapter 7, are tailored to the type of service each retailer provides.

Retailers of water services and sewerage services have the most detailed set of principles. These are all high-risk retailers as defined in Table 5. Retailers of recycled water, stormwater and other non-drinking water services have a less onerous set of principles.

Part C – Service continuity and asset stewardship

The first element of consumer protection regimes developed and administered by the Commission is long-term service continuity and asset stewardship.

This element relates to the ability of retailers to deliver essential services to South Australian consumers on a prudent, efficient and sustainable basis over time. It includes retailers' capability to plan for and meet current and future service demand, and to cost, deliver, maintain and renew the infrastructure that underpins those services.

The framework ensures service continuity and asset stewardship through service standard regulation and price regulation.

In this Part C:

- ▶ Chapter 6 sets out the draft decision on service standard regulation – the requirements about the service outcomes consumers value and rely on.
- ▶ Chapter 7 sets out the draft decision on price regulation – the requirements made to ensure consumers do not pay more, or less, than the prudent and efficient costs of service provision.

6 Service standard regulation

Draft decision

The Commission has made a draft decision to apply service standard regulation to medium and high-risk retailers.

Service standard regulation is critical to long-term service continuity. It sets requirements about the service outcomes consumers value and rely on. The WI Act requires the Commission to make water retail licences subject to conditions that include compliance with provisions relating to minimum standards of service.²⁴

Service standards, as defined in the Code, are *'any service standard established under a retail licence, an industry code, a guideline, customer sale contract or as advised by the Commission in writing from time to time.'*²⁵

The scope of service standards established by the Commission across industries it regulates includes customer service and some aspects of service reliability and service quality. This reflects the Commission's role in the broader regulatory setting, in which other regulators set standards related to other matters such as health, environmental protection, technical requirements and safety.

6.1 Minimum service standards

Draft decision

The Commission has made a draft decision to apply service standard regulation to medium and high-risk retailers to:

- ▶ require that retailers achieve a set of basic minimum service standards from 1 July 2028 (with necessary reporting commencing from 1 July 2027)
- ▶ require that retailer's policies, practices and procedures for dealing with interruptions, breaks, leaks, blockages or spills address how various types of requests are prioritised
- ▶ require that retailers' policies, practices and procedures that are currently required to deal with unplanned interruptions address all interruptions and limitations to supply
- ▶ require that retailers provide timely and responsive service in relation to connection enquiries, applications and construction, and
- ▶ require that retailers provide service that is consistent with the retailer's customer enquiry and dispute resolution policy.

Currently, the Commission's small-scale regulatory framework requires general service outcomes for customer service and some aspects of service reliability and service quality. It does not contain specific minimum standards of service, performance measures or targets.

The Commission monitors and enforces compliance with these general service outcome requirements and may, in accordance with the ESC Act, set entity-specific service standards for a retailer, if it considers it necessary and to be in the long-term interests of consumers.

²⁴ WI Act, section 25(1)(b)(ii).

²⁵ See definition of applicable service standards.

6.1.1 Matters raised in consultation

In consultation, SA Water and GMB Water requested introduction of prescriptive minimum service standards, like those which apply to SA Water, for all retailers, to ensure similar outcomes for all consumers. In contrast, the UDIA considered that to support contestability in water and sewerage services and the entrance and participation of new small-scale retailers, service standards should be tailored to each retailer's scale and level of risk. ERA Water considered that for its operations, which supply non-drinking water for irrigation to six customers, formal service standards are not needed. It knows each customer and issues are resolved quickly.

Stakeholders noted that the increased prevalence of multiple retailers operating in the same small area (for example, in Angle Vale and Mount Barker) highlights differences in price and service levels, and that there is a lack of clarity for consumers about those differences.

EWOSA generally supported the minimum requirements of the regulatory framework being the same for all small-scale water retailers. It noted that customers are generally satisfied with service outcomes under the current framework, and the importance of having procedures and processes in place for when things go wrong.

Stakeholders commented on specific aspects of service. EWOSA noted that it receives very few complaints about the reliability and quality of services (five supply complaints in 2024-25, from two retailers). On that basis, EWOSA commented that 'we would generally say that customers are satisfied with this aspect of their service'.

However, the Alexandrina Wastewater Manager, GMB Water and SA Water expressed concern that the regulatory framework does not adequately promote sound asset management, and that this may impact long-term service reliability. GMB Water asked that the Commission consider a requirement for small-scale retailers to have a Long-Term Financial Plan, supported by an Asset Management Plan (AMP), to provide visibility of long-term reliability outcomes. SA Water asked that the Commission consider formal measures to ensure sound asset management practices.²⁶

EWOSA identified issues with new connections, including delays, as some of the most important risks faced by small-scale water consumers. It noted that these risks are with individual retailers, not sector wide. EWOSA and GMB Water noted cases of individual retailers being, at times, hard to contact or slow to respond. In the YourSay survey, 45 percent of the 51 respondents were dissatisfied with retailer communications.

6.1.2 Analysis – minimum service standards

When the small-scale regulatory framework was first established in 2013, the Commission decided not to introduce minimum service standards and to be guided by performance reporting data on the need to establish minimum service standards and targets in the future.²⁷ The final decision on service standards was as follows:

²⁶ Note that in relation to wastewater, SA Water routinely employs construction standards that exceed SA Health's minimum requirements for other operators (which are based on Water Services Association of Australia standards and CWMS design criteria).

²⁷ Further, the decision was that if service standards were to be set, they would relate to customer service, given that other standards are monitored by other regulators. See: Essential Services Commission of South Australia, 2013, *Economic regulation of minor and intermediate retailers of water and sewerage services – final decision*, p. 21, available at <https://www.escosa.sa.gov.au/ArticleDocuments/413/130627-EconomicRegulationMinorIntermediateRetailer.pdf.aspx?Embed=Y>.

'The Commission's final decision is to not establish service standards or targets for Minor and Intermediate Retailers at this time. The focus of the initial regulatory period will be to collect data to form the basis for setting service standards for the next regulatory period.'

While the Commission has been monitoring performance outcomes since 2013, it has not established minimum service standards.

It is important that all consumers have service which meets minimum requirements. Challenges for small-scale retailers delivering the same set of service standards include that meeting specific targets might require resources to be on standby, creating inefficiencies or underutilisation of staff. There is a risk that specific minimum service standards may increase costs, which are ultimately borne by customers and consumers.

The Commission has considered four options for minimum service standards for small-scale retailers.

Option 1: General service outcomes

Option one is continuing to require general service outcomes but expanding requirements to cover the same areas as SA Water's minimum standards (customer service, connections, responsiveness and restoration).

This would be combined with requirements for retailers to have policies and procedures that document how service outcomes will be achieved, and that specify service timeframes. This would allow flexibility in how each retailer achieves outcomes. Under this approach, where compliance assessments are undertaken, they may be resource intensive, due to each retailer having a unique set of policies and procedures.

Option 2: Same service standards as SA Water

Option two is requiring small-scale retailers to achieve the same service standards and performance targets that apply to SA Water.

This would aim to ensure the same outcomes for all consumers and enable ready comparison of performance across all retailers.

SA Water's service standards are comprised of 16 performance measures, each with a performance target, across four areas – customer service, connections, responsiveness and restoration.²⁸ Annual performance targets are established based on historical performance and aim to maintain historical performance over time.

SA Water's service standards require that it must use its best endeavours to meet the performance targets.²⁹ Best endeavours means *'to act in good faith and use all reasonable efforts, skills and resources'*. If SA Water does not meet a performance target but has applied its best endeavours in attempting to do so, it is considered to have satisfied the service standard.

There would be challenges in requiring small-scale retailers to achieve the same minimum service standards and performance targets that apply to SA Water.

First, each small-scale retailer has a different capability to deliver. Some will not have systems and processes to measure relevant aspects of performance. There may be costs incurred to establish systems and processes and then, for some, costs to improve performance.

²⁸ WRC-MR/06, Schedule 1.

²⁹ Further information on the 'best endeavours' approach is available on the Commission's website at www.escosa.sa.gov.au/approach/best-endeavours

Second, measuring small-scale retailers' performance using SA Water's targets may not be meaningful. SA Water performance targets require that certain percentages of cases meet target timeframes. For example, at least 97 percent of water quality service requests in Adelaide must be assessed within target timeframes (which are one hour, two hours, or 48 hours depending on how the case is prioritised).

Using a percentage of cases as a target, and three target timeframes, is meaningful in the context of the volume and diversity of requests that SA Water receives. However, for a small-scale retailer that receives only a few requests each year, that may relate to the same underlying issue, performance may vary significantly year-to-year and be challenging to control.

Third, the best endeavours standard can make demonstrating and assessing performance resource intensive. Compiling evidence that best endeavours have been applied in pursuit of performance targets is resource intensive for retailers, and assessing use of best endeavours as part of compliance activities is resource intensive for the Commission.

Further, the best endeavours standard may mean that expectations of what retailers must deliver, and that consumers can expect, may be unclear. In the context of service standards for 71 small-scale retailers, these challenges outweigh the main benefit of the best endeavours approach, which is to recognise that retailers cannot control everything that influences performance.

Option 3: Guaranteed Service Standards like those required for UK NAVS

Option 3 is requiring small-scale retailers to achieve service standards like those required of small providers for UK Water New Appointments and Variations (**NAVS**).³⁰

In the UK, new market entrants are appointed by the regulator. They must comply with the same Guaranteed Service Standards (**GSS**) as the existing monopoly provider. GSS are service levels that relate to individual service experiences (for example, a single interruption) where payment amounts apply if service levels are not met.³¹

Benefits of this approach include that, because it does not prescribe upper limits for the number of times a service level is not met, there is both transparency of service levels and flexibility to accommodate variation in service outcomes that might reasonably be expected in small networks.

Weaknesses include that there are no upper limits for the number of times a service level is not met. The provider may fail to meet service levels so long as it makes payments to customers. There may not be an incentive to improve performance if doing so costs less than making GSS payments. Where the cost of GSS payments is ultimately recovered from customers, any incentive is further weakened.

Option 4: Basic minimum service standards and enhancements to general service outcomes

Option four is combining a set of basic minimum service standards with enhancements to general service outcome requirements.

Table 6 presents a set of basic minimum service standards that are simpler than, and set at a lower level than, SA Water's minimum service standards. These:

³⁰ Ofwat, 2026, *New Appointments and Variations*, available at <https://www.ofwat.gov.uk/regulated-companies/markets/nav-market/>.

³¹ Ofwat, 2026, *Standards of service*, available at <https://www.ofwat.gov.uk/households/supply-and-standards/standards-of-service/>.

- ▶ Exclude telephone responsiveness, customer satisfaction, and first contact resolution service standards. While retailers need to provide effective customer service to be able to deliver other service outcomes, methodologies for customer satisfaction and first contact resolution service standards are evolving, and measurement and reporting can be complex. This means they are currently not suitable requirements for all small-scale retailers.
- ▶ Have one target timeframe for each service standard, set as the longest of relevant SA Water timeframes. This means the standards are at a lower level than those for SA Water.³² Retailers must also have procedures to prioritise cases – as discussed in the following section.
- ▶ Do not have performance targets. The target service level is that the service standard is always achieved. Any potential cost impact of requiring this level of service is balanced by having one target timeframe (as described above).
- ▶ Are absolute, not best endeavours, requirements. Where targets are not met, the Commission will consider mitigating factors, such as factors beyond a retailers' control, in determining any enforcement action. The Commission's Enforcement Policy sets out matters for consideration in determining whether to impose any enforcement measure.³³

These basic minimum service standards create clear expectations of retailers and for consumers. There remains a risk that requiring the same set of basic minimum service standards of all retailers will affect costs.

Enhanced requirements for general service outcomes are discussed below in section 6.2 and are important because they allow each retailer to set out detail about their specific approach.

6.1.3 Draft decision – minimum service standards

The Commission has made a draft decision to introduce basic minimum service standards and make enhancements to general service outcome requirements (Option 4 above).

This will:

- ▶ require medium and high-risk retailers to achieve basic minimum service standards, as shown in Table 6, from 1 July 2028 (with reporting commencing from 1 July 2027), and
- ▶ require medium and high-risk retailers to comply with enhanced general service outcome requirements, as discussed below in section 6.2.

Basic minimum service standards will ensure a consistent service offering for consumers of small-scale retailers. Setting an absolute and quantifiable service expectation provides a platform for retailer planning, monitoring and compliance.

Without basic minimum service standards, there is a risk of poor outcomes for consumers (such as unclear communications, increased interruptions or overflows, or delays in response to service issues) which is potentially exacerbated by increasing contestability in the sector (noting that at this stage there is limited evidence of actual harms).

³² For example, for water quality responsiveness, the basic minimum service standard uses a single target timeframe of 48 hours. SA Water has target timeframes of 1 hour (for Priority 1 requests, where the request indicates potential risk to human health), 2 hours (for Priority 2 requests, where the request indicates tastes and odour issues or contaminated or dirty water), and 48 hours (for all other water quality reports, for example, milky or cloudy water).

³³ Essential Services Commission of South Australia, 2021, *Enforcement Policy*, section 5.1, available at <https://www.escosa.sa.gov.au/approach/enforcement>.

Introducing basic minimum service standards will have cost impacts, including costs of monitoring and reporting, and costs of any changes in operational or investment decisions required to meet the standards. The Commission is seeking information from stakeholders about those costs to inform cost-benefit analysis that will be used to inform the final decision.

Table 6: Proposed basic minimum service standards

Basic minimum service standard
Water
Response to water quality issues Water quality service requests are assessed by field staff and have resolution or a plan of action communicated to the affected customer/s within 48 hours.
Response to high priority breaks and leaks Water network breaks and leaks with high impact on customers or the community are attended by field crews, with a plan of action communicated to the affected customer/s, within 5 hours.
Response to low priority breaks and leaks Water network breaks, leaks and boundary events with low to medium impact on customer/s or the community are attended by field crews, with a plan of action communicated to the affected customer/s, within 15 calendar days.
Restoration of unplanned interruptions Unplanned interruptions to a water service are restored within 12 hours.
Sewerage
Response to interruptions, blockages and overflows Sewerage service events (interruptions, blockages, and overflows) are attended by field crews, with a plan of action communicated to the affected customer/s, within 4 hours.
Restoration of sewerage services Sewerage services are restored following interruptions and blockages within 18 hours.
Clean-up of sewer overflows Sewer overflows (inside a customer's building, outside a building on a customer's property, and external to a customer's property) are cleaned up within 8 hours.
Connections
Application responsiveness Network connection applications processed within 25 business days.
Water connection timeliness Water network connections constructed within 35 business days.
Sewer network connection timeliness Sewer network connections constructed within 50 business days.
Customer service
Complaint responsiveness Customer and community complaints are responded to within 10 business days.
Complaint escalation No more than 10 percent of customer and community complaints are escalated to the industry Ombudsman.

6.1.4 Analysis - general service outcomes

Currently, the Commission's small-scale regulatory framework requires general service outcomes for customer service and some aspects of service reliability and service quality.

Enhanced requirements for general service outcomes would allow each retailer to set out detail about their approach (which differs depending on nature of operations) and are an important complement to using a set of basic service standards.

6.1.4.1 Service reliability

Currently, retailers are required to use their best endeavours to provide a reliable supply of retail services and to minimise the frequency and duration of interruptions.³⁴ The Commission requires reporting on the duration and frequency of interruptions, which enables monitoring of this requirement.³⁵

However, there may be a long lead time between the actions of the retailer and their impact on reliability outcomes. Maintaining reliability over the long-term requires sound asset management, which involves understanding asset condition, the importance of each asset class and component, and strategies for asset operation, maintenance, repair and replacement.

Asset management for long-term service sustainability is one matter which is assessed through the Commission's ongoing Small-scale Networks Assessment Project (**SNAP**). In stage one, SNAP draws on publicly available information about the condition of the infrastructure, how assets are managed, and the financial sustainability of each network. Retailers that are Councils have asset management obligations, including to produce AMPs regularly, under the LG Act.

Not all small-scale retailers assessed through SNAP had an AMP specific to their water or sewerage operations publicly available on their website. Further, not all had publicly available financial information about operating costs specific to water or sewerage operations. Having this information, and its quality and detail, would be evidence of sound asset and financial management needed for long-term service sustainability.

Other regulators have requirements about asset management. The OTR requires asset management to be addressed in each small-scale retailer's SRMTMP but notes variability in the quality and depth of what is provided, particularly for private retailers (who do not have the asset management obligations under the LG Act).³⁶

³⁴ WRC-MIR/02, clause 4.2.2.

³⁵ For all retailers, the Commission evaluates detailed information about significant supply interruptions, as well as (from 1 July 2025) the number and duration of unplanned interruptions, and additional service reliability metrics for higher-risk retailers. These measures were included in Water Industry Guideline No. 3, which was revoked following introduction of the VTA approach in 2022 and have been reintroduced following the limited review of Guideline 5, see Essential Services Commission, 2025, *Limited review of Guideline 5*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/review-of-small-scale-networks-reporting-requirements-and-prescribed-customer-consumer-protections/review-of-small-scale-networks-reporting-requirements>.

³⁶ See Office of the Technical Regulator, 2015, *Preparing safety, reliability, maintenance and technical management plans – a guidance document for water industry entities*, p. 30, available at https://energymining.sa.gov.au/_data/assets/pdf_file/0006/844134/Preparing-SRMTMPs-Water-industry.pdf.

6.1.4.2 Responsiveness and restoration

Currently, retailers are required to have policies, practices and procedures in place that deal with minimising the impact of unplanned interruptions and bursts, leaks, blockages or spills.³⁷

The standard customer sale contract includes an undertaking to use best endeavours to minimise the frequency and duration of interruptions or limitations to supply, and, in relation to an unplanned interruption of water services, restore supply as soon as practically possible.³⁸

The draft decision to set minimum service standards (section 6.1) establishes specific timeframes for responding to and restoring water quality service requests, water breaks and leaks and sewer events. However, the single target timeframes will not be acceptable for all cases. For example, water quality requests that indicate potential risk to human health require a fast response.³⁹ It will be important that retailers set out how they will prioritise responses in the relevant policies, practices and procedures.

6.1.4.3 Connections

Currently, the Code requires that, if requested by the Commission, small-scale retailers develop a connection policy that addresses extending infrastructure at the request of a potential customer.⁴⁰ Connection policies address how retailers will respond to connection applications and may contain specific timeframes for responding to applications and constructing new connections.

Not all small-scale retailers have connections policies, and not all address these matters. Connection policies are not always needed. There is little growth in connection numbers for many existing retailers. New licensees often make new connections for whole networks, which then have little further incremental growth. It is reasonable for these retailers to respond to requests for new connections on a case-by-case basis.

A new general requirement that retailers provide timely and responsive service in relation to connection enquiries, applications and construction would set an expectation for how retailers handle connection applications, particularly where there is no connection policy.

6.1.4.4 Customer service

Currently, the Code requires that small-scale retailers have, and submit to the Commission for approval, procedures that they will comply with relating to the management and resolution of customer enquiries and disputes. These procedures address how retailers will respond to enquiries (for example, in a timely manner), and many contain specific timeframes for acknowledging receipt of and providing a resolution to complaints. Each retailer having a different policy, with its own approach and timeframes, allows flexibility in the level of service each retailer delivers and how they deliver it.

The standard customer sale contract requires retailers to address enquiries and complaints in accordance with those procedures, which results in customer service commitments being captured by the definition of applicable service standards.

These requirements complement the basic minimum service standards for responding to complaints and minimising the number of complaints escalated to EWOSA.

³⁷ WRC-MIR/02, clauses 4.2.2 and 4.2.3.

³⁸ WRC-MIR/02 - standard customer contract, sections 21.1 and 21.3.

³⁹ Note that drinking water providers also have regulatory requirements under the *Safe Drinking Water Act 2011*, including a requirement to have a Risk Management Plan in place that must contain an approved incident identification and notification protocol.

⁴⁰ WRC-MIR/02, clause 4.1.1.

Small-scale energy providers licensed by the Commission, and SA Water, are further required to make current procedures related to dispute management and resolution available on their websites.

6.1.5 Draft decision – general service outcomes

The Commission has made a draft decision to, in relation to general service outcome requirements:

- ▶ To ensure reliability and service quality over the long-term, require water and sewerage retailers to maintain a long-term asset management and financial plan for infrastructure networks, covering a period of at least 10 years. This requirement is made as an additional pricing principle (which as proposed will apply to water and sewerage retailers with the exclusion of recycled water and stormwater retailers) and is described fully in section 7.2.6.
- ▶ To expand the existing Code provision to have in place and adhere to policies, practices and procedures for dealing with interruptions, breaks, leaks, blockages or spills to address how various types of requests are prioritised.
- ▶ To expand the existing Code provision to have in place and adhere to policies, practices and procedures for dealing with interruptions, breaks, leaks, blockages or spills to address all interruptions and limitations to supply (not just unplanned interruptions).
- ▶ To require that retailers provide timely and responsive service in relation to connection enquiries and applications, and that new connections are constructed in a timely manner. This will complement the proposed minimum service standards for connection application processing and connection construction. It will remain the Commission's expectation that service provided is consistent with the retailer's connection policy, if one is in place.
- ▶ To retain current Code requirements for timely and responsive customer service, which are that service provided must be consistent with the retailer's customer enquiry and dispute resolution policy, and to further require that current procedures are made available online

6.2 Guaranteed Service Level payments

Draft decision

The Commission has made a draft decision not to introduce a Guaranteed Service Level (GSL) scheme for small-scale water retailers.

A Guaranteed Service Level (GSL) scheme is a system for making defined payments to individual customers who experience poor service. There is not currently a GSL scheme for water retail services in South Australia.

Typically, GSL scheme payments do not compensate customers for any losses they experience due to poor service; they simply provide a customer service gesture.

GSL scheme payments can relate to different aspects of service including:

- ▶ reliability (for example, duration and/or frequency of service interruptions or low water pressure)
- ▶ connections (for example, timely connections and appointments)
- ▶ customer service (for example, timely response to account queries and requests)
- ▶ not implementing protections for vulnerable customers (for example, restricting water supply to customers in financial hardship without assistance), and
- ▶ community safety and environmental impacts (for example, sewer overflows to the environment).

6.2.1 Matters raised in consultation

In its submission, SACOSS proposed the introduction of a GSL payment specifically for people experiencing financial hardship, made if their service is restricted for non-payment and the retailer did not follow the necessary steps to identify hardship or provide hardship support. It noted a GSL payment could incentivise retailers to proactively communicate with customers before restricting supply or taking debt-related action, and referred to the payment in the ESCV's GSL scheme as an example.⁴¹

6.2.2 Analysis

In South Australia, a GSL scheme is in place for customers supplied by SA Power Networks' electricity distribution network, under the Commission's Electricity Distribution Code.⁴² These GSL payments relate to instances where the frequency and duration of supply interruptions exceed certain thresholds and timeframes for new connections. In South Australia, water customers, gas customers, and off-grid electricity customers do not have access to a GSL scheme.

Typically, the cost of a GSL scheme is socialised across, and funded by, customers. The cost of a GSL scheme for small-scale retailers with reliability-related payments would be relatively high and variable, because small-scale networks have greater year-to-year variation in service outcomes (for example, a single equipment fault, or operational change, may have a widespread impact).

⁴¹ See Essential Services Commission of Victoria, 2026, *Water Industry Standard – Urban Customer Service*, clause 20(c), available at <https://www.esc.vic.gov.au/water/industry-standards-codes-and-guidelines/water-industry-standards>. This requirement was introduced following a review of hardship-related GSL payments in 2012.

⁴² Essential Services Commission of South Australia, 2020, *Electricity Distribution Code*, clause 2.3, available at <https://www.escosa.sa.gov.au/industry/electricity/codes-guidelines/codes>.

More generally, there is evidence that when customers understand that the cost of GSL payments is incorporated into tariffs, support for GSL payments is limited.⁴³ It is likely that this finding would also apply to the cost of a hardship-related GSL payment, as proposed by SACOSS.

The absence of a GSL scheme does not prevent a business from voluntarily making customer service gesture payments, where its service has been inadequate..

6.2.3 Draft decision

There is a risk that introducing a GSL scheme, or a GSL payment for a specific matter, will not change service outcomes and may increase costs for customers.

Therefore, the draft decision is not to introduce a GSL scheme or specific GSL payment for small-scale water retailers. This draft decision includes alternative provisions to ensure service outcomes and support for customers experiencing payment difficulty (see section 9.1).

⁴³ See discussion in Essential Services Commission of South Australia, 2019, *SA Power Networks reliability standards review final decision*, pp. 36-42, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/electricity/sa-power-networks-2020-reliability-standards-review> <https://www.escosa.sa.gov.au/ArticleDocuments/21502/20200626-Electricity-DistributionCodeGuideline-Implementation-FinalDecision.pdf.aspx?Embed=Y>.

7 Price regulation

Draft decision

The Commission has made a draft decision to continue to apply a principles-based approach to the price regulation of small-scale water and sewerage retailers.

Price regulation is a critical component of a consumer protection regime in the case of monopoly essential service provision. It is necessary to promote long-term service continuity and asset stewardship. It supports consumers not paying more, or less, than the prudent and efficient costs of service provision. The Commission regulates prices, conditions relating to prices and price-fixing factors of small-scale retailers' operations through the use of a price determination.

This chapter sets out the decisions with respect to the form of the price determination, and specific pricing principles, that apply to small-scale water and sewerage service retailers, in accordance with the ESC Act and WI Act. The Commission is reviewing the price determination having regard to its primary objective, as set out in section 6 of the ESC Act: **the protection of the long-term interests of South Australian consumers with respect to price, quality and reliability of essential services.**

The current price determination that applies to small-scale water and sewerage service retailers commenced on 1 July 2013, requiring small-scale retailers to comply with pricing principles set out by the Commission.⁴⁴ These principles are based on the National Water Initiative (NWI) pricing principles (which are discussed further in section 7.1). The Commission monitors and enforces compliance with these pricing principles and may, in accordance with the ESC Act, make an entity-specific price determination for a retailer, if it considers one is necessary and would be in the long-term interests of consumers.⁴⁵

The Commission has considered forms of price regulation, the benefits and costs of regulation, and has made a series of draft decisions that it considers will be in consumers' long-term interests and which, if given effect in the final regulatory determination, will result in a variation in the pricing principles currently set out in the price determination.

In this Chapter:

- ▶ section 7.1 considers the form of price regulation
- ▶ section 7.2 considers the pricing principles as they relate to drinking water and sewerage services
- ▶ section 7.3 considers the pricing principles as they relate to recycled water, stormwater and other non-drinking water services.

⁴⁴ In June 2013, the Commission made a price determination to apply to minor and intermediate retailers for the period 1 July 2013 to 30 June 2017. After initially extending this price determination for a further 12 months, in July 2018 the Commission varied its term until such time as a new price determination is made or the current one is revoked. The current price determination can be found at: <https://www.escosa.sa.gov.au/ArticleDocuments/1226/20180626-Water-PriceDetermination2013-17Extension-MIR-FinalDecision.pdf.aspx?Embed=Y>. Essential Services Commission of South Australia, *2013-2017 Price Determination for Minor and Intermediate Retailers*, 2015, available at <https://www.escosa.sa.gov.au/ArticleDocuments/414/20150723-Water-VariationTo2013-2017PriceDetermina.pdf.aspx?Embed=Y>. In 2015, the price determination was varied to give effect to the Commission's final decision relating to the simplification of annual reporting requirements for water retailers with fewer than 50,000 connections.

⁴⁵ For example, the Commission has made entity-specific price determinations to apply to water retailer, Robusto Investments Pty Ltd (trading as Compass Springs), details available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/water/decision-to-make-a-price-determination-to-apply-to-robusto-investments>.

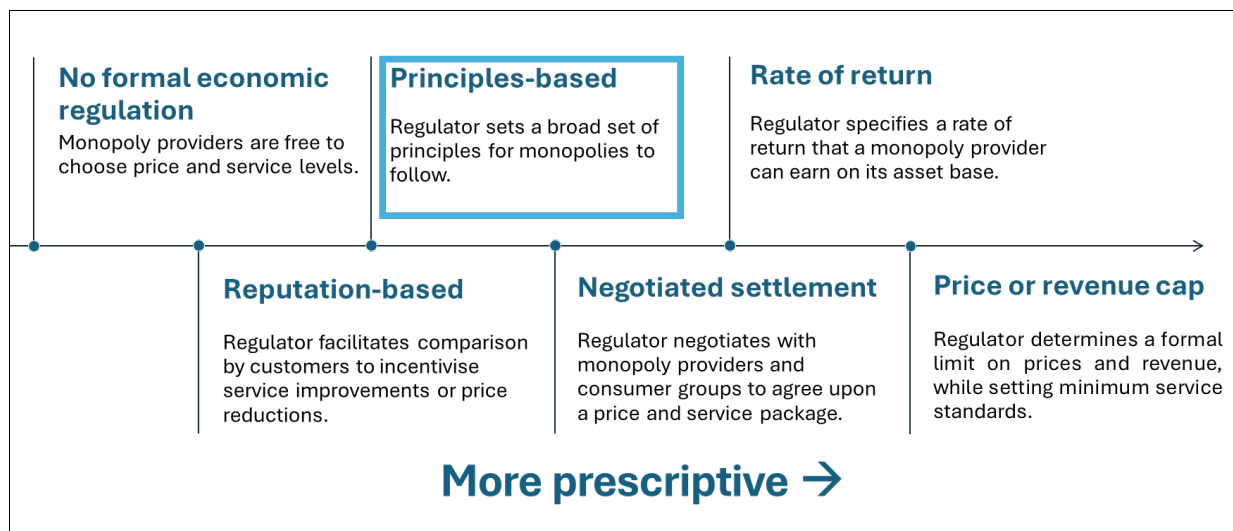
- ▶ section 7.4 considers the pricing principles as they relate to auxiliary water services, including connections and disconnections, installation of meters to community/strata units and special meter readings.

Each section presents a draft decision on whether the current pricing principles should continue, be varied (in form and nature) or be revoked, and whether each pricing principle should continue to apply to all relevant retailers.

7.1 Form of regulation

Price regulation can take many forms, ranging from the more prescriptive such as a price or revenue cap (that is, a formal limit on price or revenue) to the non-prescriptive (that is, no formal price regulation at all). Figure 2 provides a visual representation of the forms of regulation, noting that section 25(3) of the Essential Services Commission Act allows the Commission to select the manner in which to regulate prices, conditions relating to prices or price-fixing factors. The Commission currently employs a principles-based approach to the price regulation of small-scale retailers (except in unique circumstances).⁴⁶ Each form of regulation is discussed below.

Figure 2: Forms of regulation



No formal economic regulation

No formal price regulation is the least prescriptive form of regulation. In this instance, customers would still be afforded the protections provided by general customer protection legislation (for example, Australian Consumer Law, **ACL**), competition legislation (for example, Competition and Consumer Act 2010 (Cth) including in respect of misuse of market power for the purpose or effect of substantially lessening competition) and other regulation (for example, WI Act licence conditions which include some consumer protections). However, customers would not be afforded the same level of protections as provided by the current principles-based approach, such as requirements that retailers recover no more than their efficient costs, and that pricing methodologies and insights are transparently reported – which are protections typically sought by stakeholders.⁴⁷

Reputation-based regulation

Reputation-based regulation (for example, in the form of a league table of retailers, also called yardstick regulation) is a light-touch form of regulation that places minimal regulatory burden on regulated entities (typically limited to information disclosure on certain metrics, such as price). While a retailer being compared to peer organisations on certain metrics can incentivise improvement in performance, there are limitations to this form of regulation. For example, differences in size, location and available resources of a retailer may be contributing factors to a comparator metric but may not be adequately

⁴⁶ For example, the Commission has previously applied a price and revenue cap for Robusto Investments Pty Ltd.

⁴⁷ For example, SACOSS and EWOSA both advocated for pricing transparency in their submissions. South Australian Council of Social Service, *Submission to the Issues Paper*, p. 7; and Energy and Water Ombudsman of South Australia, *Submission to the Issues Paper*, p. 2.

captured. There is also a degree of subjectivity with selecting the metrics to which to compare retailers, and the publication of such information may not reach all community members.⁴⁸

Principles-based

A principles-based approach sets out a broad set of principles for small-scale retailers to follow when setting their prices. It recognises the need for regulatory oversight but attempts to not impose unnecessary regulatory burden on small-scale retailers with access to varying levels of resources. Most stakeholders supported the continuation of a principles-based approach (although SACOSS supported a more prescriptive approach).⁴⁹

Negotiated settlement

Typically, with a negotiated settlement, greater emphasis is placed on customer preferences rather than a detailed cost assessment. Setting prices for regulated entities (or in this case, negotiating prices) has received criticism in literature for its potential unintended consequences and inefficiencies, for example, due to information asymmetry between the regulator and the regulated entity.⁵⁰

Rate of return

The idea behind rate of return regulation is that it permits the regulator to limit the profit level of the regulated entity by fixing the maximum return on investment, but provides the regulated entity with a degree of autonomy in conducting its affairs.⁵¹ Under such regulation, there is typically less focus on ensuring efficient costs compared to a price or revenue cap, and there can be little incentive for a regulated entity to limit its operating costs.⁵²

Price or revenue cap

Price or revenue caps are generally the most prescriptive form of regulation. They typically involve a detailed assessment of efficient costs. While price and revenue caps are relatively thorough, they do add complexity and are more resource-intensive.

7.1.1 Analysis

Currently, the Commission employs a principles-based approach to price regulation. Small-scale retailers must adhere to a set of principles described in the price determination.⁵³ There are separate pricing principles that apply to:

- Drinking water and sewerage retail services

⁴⁸ Queensland Productivity Commission, *Guidance Note – Alternatives to traditional regulation*, March 2024, pp. 2-3, available at <https://qpc.qld.gov.au/docs/guidance-notes/guidance-note-alternatives-to-traditional-regulation.pdf>.

⁴⁹ For example, Alexandrina Wastewater Manager, *Submission to the Issues Paper*, p. 11; ERA Water *Submission to the Issues Paper*, p. 1; and GMB Water *Submission to the Issues Paper*, p. 3. SACOSS favoured a more prescriptive approach. South Australian Council of Social Service, *Submission to the Issues Paper*, p. 11.

⁵⁰ Australian Treasury, Price regulation of utilities, Economic Roundup, The Treasury, Australian Government, Issue 1, February 1999, p. 60, available at <https://treasury.gov.au/sites/default/files/2019-03/round5-5.pdf>.

⁵¹ Australian Treasury, pp. 61-62.

⁵² Australian Treasury, p. 62.

⁵³ See Essential Services Commission of South Australia, 2013, *Economic regulation of minor and intermediate retailers of water and sewerage services – final decision*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/413/130627-EconomicRegulationMinorIntermediateRetailer.pdf.aspx?Embed=Y>, and Essential Services Commission of South Australia, 2018, *Subsequent Determination to vary the 2013 – 2017 Price Determination For Minor And Intermediate Retailers*, available at: <https://www.escosa.sa.gov.au/ArticleDocuments/1226/20180626-Water-PriceDetermination2013-17Extension-MIR-FinalDecision.pdf.aspx?Embed=Y>.

- ▶ recycled water, stormwater and other non-drinking water retail services, and
- ▶ auxiliary water retail services.

The current pricing principles aim to:

- ▶ promote the economically efficient and sustainable use of water resources and the economically efficient operation of, and investment in, infrastructure assets
- ▶ promote sufficient revenue streams to allow efficient delivery of required services
- ▶ promote the principle of beneficiary-pays and achieve pricing transparency, and
- ▶ avoid perverse or unintended outcomes (for example, prevent the earning of monopoly profits).

The current principles are based on **NWI** pricing principles described in Box 3 (and listed in Appendix 4).^{54,55} The current price determination also includes four additional principles related to transparency and a beneficiary-pays approach (adopted for developer charges and auxiliary water services).

⁵⁴ As a signatory to the NWI, the South Australian Government has agreed to implement the NWI. It is worth noting that as NWI pricing principles relate only to water, the Commission has discretion about whether to apply them in relation to sewerage services. In 2013, the Commission decided to apply them to sewerage retail services.

⁵⁵ By way of background, when the price determination was initially made (in 2013), the Pricing Order issued by the Treasurer specifically required the Commission to apply the NWI principles when making any price determination under the WI Act, including for small-scale retailers. Currently, the Pricing Order only requires the Commission to apply NWI pricing principles when making price determinations regarding SA Water's services, providing the Commission with discretion as to the regulatory approach to apply to small-scale retailers.

Box 3: National Water Initiative pricing principles

The NWI is a plan for water reform that all Australian States and Territories agreed to in 2004. It aims to increase the efficiency of Australia's water sector, including by improving pricing for water storage and delivery.⁵⁶

NWI pricing principles exist to guide pricing practices to support that improvement. They require retailers to:

- ▶ set prices at a level sufficient for full recovery of the efficient costs of providing services to customers, in addition to allowing for a return on capital⁵⁷
- ▶ set prices that are reflective of the efficient costs of providing end services to customers
- ▶ set prices using a transparent methodology which is open to public scrutiny, and
- ▶ redistribute revenue to customers where prices lead to revenues that are greater than efficient costs plus an appropriate return.
- ▶ If applied correctly, the NWI pricing principles facilitate consumers paying prices that are reflective of the efficient costs of the services they receive, retailers being financially viable in the long term, and customers and consumers using water efficiently.
- ▶ The Commission has published a Fact Sheet which describes the NWI pricing principles and small-scale retailer compliance with the NWI principles.⁵⁸
- ▶ The Commonwealth Government is reviewing the National Water Agreement, which underpins the NWI. The proposed new National Water Agreement will retain much of the NWI.⁵⁹ Current NWI schedules (which include the NWI pricing principles) are not being amended at this time.⁶⁰

The Commission monitors and enforces compliance with pricing principles and may make a specific price determination for an individual water retailer, if it considers one is necessary.

In making the price determination in 2013, the Commission recognised that some retailers would require time to become fully compliant with NWI pricing principles. Up to and including 2019-20, the Commission monitored levels of self-reported compliance with the NWI pricing principles, and other indicators of compliance.⁶¹ In 2019-20, 72 percent of retailers self-reported full compliance (an increase on previous years) and 59 percent reported full cost-recovery (a decline from previous years).⁶²

⁵⁶ Department of Climate Change, Energy the Environment and Water, *National Water Initiative*, available at <https://www.dcceew.gov.au/water/policy/policy/nwi>.

⁵⁷ The return on capital should be calculated using a Weighted Average Cost of Capital. NWI principles (p. 6) state '[t]he rate of return should be consistent with the Weighted Average Cost of Capital (WACC) with the cost of equity derived from the Capital Asset Pricing Model (CAPM).'

⁵⁸ Essential Services Commission of South Australia, 2022, *Water Fact Sheet – Pricing principles guidance*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/186/20220531-Water-NWIPricingPrinciplesFactSheet.pdf.aspx?Embed=Y>.

⁵⁹ Department of Climate Change, Energy the Environment and Water, *National Water Initiative*.

⁶⁰ Department of Climate Change, Energy the Environment and Water, *The new National Water Agreement*, available at <https://www.dcceew.gov.au/water/policy/policy/national-water-agreement>.

⁶¹ Essential Services Commission of South Australia, Small-scale historical performance outcomes, available at <https://www.escosa.sa.gov.au/industry/water/regulatory-performance/small-scale-water-networks/historical-performance-outcomes>

⁶² Essential Services Commission of South Australia, 2021, *Minor and Intermediate Retailers Regulatory Performance Report 2019-20*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21836/20210604-Water-RegulatoryPerformanceReport2019-20-MinorIntermediateRetailer.pdf.aspx?Embed=Y>

As a signatory to the NWI, the South Australian Government has agreed to implement the NWI. When the price determination was initially made, the Pricing Order issued by the Treasurer specifically required the Commission to apply the NWI principles when making any price determination under the WI Act, including for small-scale retailers.⁶³ Currently, the Pricing Order only requires the Commission to apply NWI pricing principles when making price determinations regarding SA Water's services.⁶⁴ As NWI pricing principles relate only to water, the Commission has discretion about whether to apply them in relation to sewerage services. In practice, the Commission currently applies the NWI pricing principles to small-scale water and sewerage retailers.

Lastly, small-scale retailers have different levels of available support to apply the NWI pricing principles. For example, small-scale retailers that are Councils are supported by guidance from the Local Government Association of South Australia (LGA SA) (which includes the CWMS Accounting Principles and Property Units Code).

7.1.2 Draft decision

The draft decision is that a principles-based approach to the economic regulation of small-scale water and sewerage retailers will continue to be used. A principles-based approach recognises the differences in risk profiles of small-scale retailers. It balances the need to promote consumer protection and retailer financial viability, with the administrative cost imposed on retailers (who have varying levels of available resources). A principles-based approach was supported by most stakeholders.

While the two less prescriptive forms of regulation (no formal economic regulation and reputation-based regulation) are low cost, the protection they provide to consumers against the potential misuse of monopoly power is also low, as is the focus on long-term financial sustainability. Stakeholders advocated for pricing transparency in their submissions, as well as a framework that supports long-term infrastructure reliability and financial sustainability. These items are better addressed by a principles-based approach.

The three more prescriptive (and onerous) forms of regulation to a principles-based approach (negotiated settlement, rate of return, and price or revenue cap) are higher cost alternatives to a principles-based approach. They typically place more weight on restricting the ability of a regulated entity to earn excessive profits. There is limited evidence to suggest that retailers are earning excessive profits, and stakeholders generally did not support a more prescriptive approach. The additional administrative burden that the more prescriptive approaches require (such as potentially significant reporting, record-keeping, consultation and compliance costs) would likely exceed the benefit (noting the administrative burden could be particularly high for low-resourced retailers).

Nevertheless, the Commission maintains the right to increase the prescriptiveness of regulatory approach should it be deemed necessary (for example, if a retailer was experiencing performance issues, as identified as part of the VTA approach, a standalone price determination could be set for that specific retailer).

⁶³ The pricing order issued by the Treasurer in 2012 required the Commission to apply NWI pricing principles. See Department for Treasury and Finance, 2012, *Water Industry Act 2012 (section 35) Pricing Order for the Regulatory Period 1 July 2013 – 30 June 2016*, clause 2.2, available at https://www.treasury.sa.gov.au/_data/assets/pdf_file/0003/515199/initial-pricing-order-for-regulatory-period-1july2013-30june2016.pdf.

⁶⁴ As set out in the current pricing order for 2024 – 2028 and all pricing orders issued since the one for 2016 – 2020. See Department for Treasury and Finance, 2024, *Water Industry Act 2012 (section 35) Pricing Order for the Regulatory Period 1 July 2024 – 30 June 2028*, clause 2.2, available at https://www.treasury.sa.gov.au/_data/assets/pdf_file/0010/990334/Pricing-Order-for-Regulatory-period-1-July-2024-to-30-June-2028.pdf.

7.2 Pricing principles – drinking water and sewerage services

Draft decision

- ▶ The draft decision in relation to pricing principles for drinking water and sewerage services is to:
- ▶ retain the existing requirement that retailers, when determining prices, apply NWI pricing principles for the recovery of capital expenditure and for urban water tariffs
- ▶ retain the existing requirements that retailers, when determining developer and augmentation charges, apply principles consistent with transparency, cost efficiency and a beneficiary-pays approach, and
- ▶ add a new requirement that retailers maintain a long-term asset management and financial plan for their water and/or sewerage infrastructure network.

The principles that currently apply to drinking water and sewerage services are based on the NWI pricing principles for the recovery of capital expenditure (Table 7), and the NWI pricing principles for urban water tariffs (Table 8).⁶⁵ These principles relate to the subjects of cost recovery, transparency, asset valuation, tariff structure, and developer charges. Full descriptions of each principle can be found in Appendix 4.

Recycled water, stormwater and other non-drinking water services are not required to comply with the principles outlined in this section, as they are required to comply with a separate set of principles.

This section discusses and analyses the NWI pricing principles as they relate to drinking water and sewerage services. The pricing principles are grouped into categories:

- ▶ cost recovery
- ▶ transparency
- ▶ asset valuation
- ▶ tariff structure, and
- ▶ developer and augmentation charges.

It then sets out a series of draft decisions as to whether each pricing principle should apply to small-scale retailers that provide drinking water and/or sewerage services. It also considers the need for pricing principles for developer and augmentation charges, as well as the need for a principle related to a long-term asset management and financial plan.

Full descriptions of each principle can be found in Appendix 4.

⁶⁵ The NWI pricing principles relate only to the provision of water services. Given their general nature, the Commission makes the discretionary decision to apply them to sewerage services too.

Table 7: NWI pricing principles for the recovery of capital expenditure

Principle	Applies to	Subject related to
1: Cost recovery for new capital expenditure	Water, sewerage	Cost recovery, transparency
2: Valuation of new assets	Water, sewerage	Asset valuation
3: Valuation of legacy assets	Water, sewerage	Asset valuation
4: Recovery of legacy capital expenditure	Water, sewerage	Asset valuation
5: Rolling forward asset values after the legacy date	Water, sewerage	Asset valuation
6: Contributed assets	Water, sewerage	Asset valuation

Table 8: NWI pricing principles for urban water tariffs

Principle	Applies to	Subject related to
1: Cost recovery	Water, sewerage	Cost recovery
2: Tariff structures	Water	Tariff structure
3: Cost reflective tariffs	Water	Tariff structure
4: Setting the service availability charge	Water, sewerage	Tariff structure
5: Pricing transparency	Water, sewerage	Transparency
6: Over recovery of revenue	Water, sewerage	Cost recovery
7: Differential water charges	Water, sewerage	Tariff structure
8: Setting developer charges	Water, sewerage	Developer charges
9: Capping developer charges	Water, sewerage	Developer charges
10: Revenue from developer charges	Water, sewerage	Developer charges

7.2.1 Cost recovery

The NWI pricing principles that relate to cost recovery are:

- ▶ Principle 1 for the recovery of capital expenditure: Cost recovery for new capital expenditure
- ▶ Principle 1 for urban water tariffs: Cost recovery, and
- ▶ Principle 6 for urban water tariffs: Over recovery of revenue.

These principles require that charges be set to achieve full cost recovery of capital and operating expenditures, and that retailers should be moving to recover their efficient costs consistent with the following definition:

*'to avoid monopoly rents, a water business should not recover more than the operational, maintenance and administrative costs, externalities, taxes or tax equivalent regimes, provision for the cost of asset consumption and cost of capital...'*⁶⁶

In addition, in the event of an over-recovery of costs, the principles state that revenues should be redistributed to customers.

7.2.1.1 Matters raised in consultation

Several submissions expressed the view that pricing at full cost recovery is challenging.⁶⁷ For instance, retailers of water and sewerage services suggested customers may be unwilling and/or unable to pay for the full cost of water and sewerage services, especially in an environment of rising cost of living pressures, in rural and regional locations, and where the size and nature of the service means the cost of provision is relatively high.^{68,69} Consumer risks associated with cost-reflective prices (such as affordability pressures) are managed via consumer protections (for example, via hardship provisions), rather than via the pricing principles.

In the context of the challenges in pricing at efficient cost, several submissions suggested that funding from the South Australian Government, through the provision of customer service obligation (CSO) funding, should be extended to retailers. They expressed the view that doing so would enable retailers to receive funding to offset shortfalls, particularly in rural and regional locations, and would support retailers in maintaining infrastructure.⁷⁰ One submission expressed the view that, for local governments, price-setting methodologies and processes should exclude a return on capital, despite the NWI pricing principles stating that a business should recover its cost of capital.⁷¹

⁶⁶ National Water Initiative Pricing Principles, p. 10. Noting that Clause 66(v) of the NWI sets out that rural and regional retailers should be moving towards meeting this definition of cost recovery, where practicable.

⁶⁷ The challenges of pricing at full-cost recovery were raised in the Commission's previous price determination in 2013. For example, at the time, retailers were often not realising a full return on capital. Essential Services Commission of South Australia, *Economic regulation of minor and intermediate retailers of water and sewerage services*, 2013, p. 26, available at <https://www.escosa.sa.gov.au/ArticleDocuments/413/130627-EconomicRegulationMinorIntermediateRetailer.pdf.aspx?Embed=Y>.

⁶⁸ Alexandrina Wastewater Manager, *Submission to the Issues Paper*, pp. 11-12, and South Australian Council of Social Service, *Submission to the Issues Paper*, pp. 5-12. Furthermore, several YourSAy respondents from Coober Pedy, for example, expressed difficulties in meeting their bill requirements. For example, a network that serves a sparsely populated area with a low number of customers will require more infrastructure (more kilometres of pipes), have a low number of customers to recover costs from, and prices will likely be higher compared to, all else equal, a densely populated area with a high number of customers.

⁶⁹ For example, the Alexandrina Wastewater Manager expressed that cost recovery is challenging, seemingly because customers may be unwilling or unable to pay for the full cost, and it noted that this can result in retailers being reluctant to increase fees and charges. Alexandrina Wastewater Manager, *Submission to the Issues Paper*, pp. 11-12. SACOSS acknowledged the inherent tension between affordability for many small-scale consumers and the need for retailers to operate on a cost-recovery basis to support appropriate maintenance and administration of the network, and it noted the Government policy nature of the required response to it. South Australian Council of Social Service, *Submission to the Issues Paper*, pp. 5-12.

⁷⁰ City of Onkaparinga, SACOSS, EWOSA, and the Alexandrina Wastewater Manager all supported CSO funding to be extended to small-scale water and sewerage retailers - for reasons cited such as supporting equitable and sustainable outcomes for consumers. City of Onkaparinga, *Submission to the Issues Paper*, pp. 1-2; South Australian Council of Social Service, *Submission to the Issues Paper*, pp. 5-12; Energy and Water Ombudsman of South Australia, *Submission to the Issues Paper*, pp. 2-7; Alexandrina Wastewater Manager, *Submission to the Issues Paper*, p.10; all available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/water/review-of-the-small-scale-water-and-sewerage-regulatory-framework>.

⁷¹ Alexandrina Wastewater Manager, *Submission to the Issues Paper*, pp. 11-12.

Nevertheless, there were retailers and stakeholders that supported the principle of prudent and efficient cost recovery on the basis that, among other things, it would share the funding and costs of infrastructure across current and future customers.⁷²

For instance, GMB Water noted that the carving out of the water and sewerage service operations from the Mount Barker District Council would better allow for improved assessment of, and pricing at, full cost recovery.⁷³ SA Water supported pricing principles that enable and support re-investment, ongoing maintenance and responsive service delivery, and that discourage cross-subsidisation.⁷⁴

More generally, during the consultation phase, discussions with various stakeholders indicated that most understood, and were aware of, the importance of prudent and efficient cost recovery in supporting the provision of sustainable funding for water and sewerage infrastructure.

EWOSA proposed that the price determination should be amended to allow for the Commission to have the ability to approve specific price schedules of all retailers.⁷⁵

7.2.1.2 Analysis

Achieving full cost recovery is a typical objective for regulated infrastructure service providers. The key advantages of pricing water and sewerage services at full cost recovery is that they can

- ▶ promote efficiency:⁷⁶ only 'efficient' costs of providing services will be reflected in prices and customers pay (and consume) only what they value most highly now and over time,⁷⁷ and
- ▶ support sustainable use of infrastructure services and enhance a retailer's prospects of achieving financial sustainability: full cost recovery allows retailers flexibility⁷⁸ and the means to manage, fund, replace and renew assets sustainably over time (although it does not necessarily guarantee financial sustainability, as businesses can fail to operate efficiently for a wide range of reasons).

Without pricing at full cost recovery, consumers may pay too much (and thereby have fewer resources to dedicate to other more productive or valued services or goods), or customers may pay too little (and thereby cause customers in the future to pay prices that are too high).

⁷² GMB Water, *Submission to the Issues Paper*, p. 4.

⁷³ GMB Water, *Submission to the Issues Paper*, p. 4.

⁷⁴ SA Water, *Submission to the Issues Paper*, pp. 1-2. It is worthwhile noting that retailer licenses include a ring-fencing provision to have separate accounts between water and/or sewerage activities, and other business operations.

⁷⁵ Energy and Water Ombudsman of South Australia, *Submission to the Issues Paper*, pp. 2-7

⁷⁶ By way of background, there are three types of economic efficiency relevant to the discussion of water and sewerage prices. These are: productive, allocative and dynamic efficiency. As explained by Kerin P, '[a] regulatory regime that focuses on economic efficiency will deliver several key outcomes. Only 'efficient' costs of providing services will be reflected in prices (productive efficiency). Resources will be allocated to service provision as long as the marginal value to consumers exceed the marginal cost, while services produced will be allocated to those who value them most highly (allocative efficiency). Finally, the present-value approach ensures that productive and allocative efficiencies apply not only at a point in time, but over time, allowing for technological and other changes (dynamic efficiency)'; see Kerin P, *In Whose Interest, Network*, Published by the Australian Competition and Consumer Commission for the Utility Regulators Forum, p. 3, available at <https://www.accc.gov.au/about-us/publications/serial-publications/network-publication/network-issue-43>.

⁷⁷ For example, pricing encourages customers to consume only the amounts consistent with the full costs of the service. Also, the recipients of the service provided bear its costs equitably over time – whereas pricing at below-cost would advantage customers today at the expense of future customers.

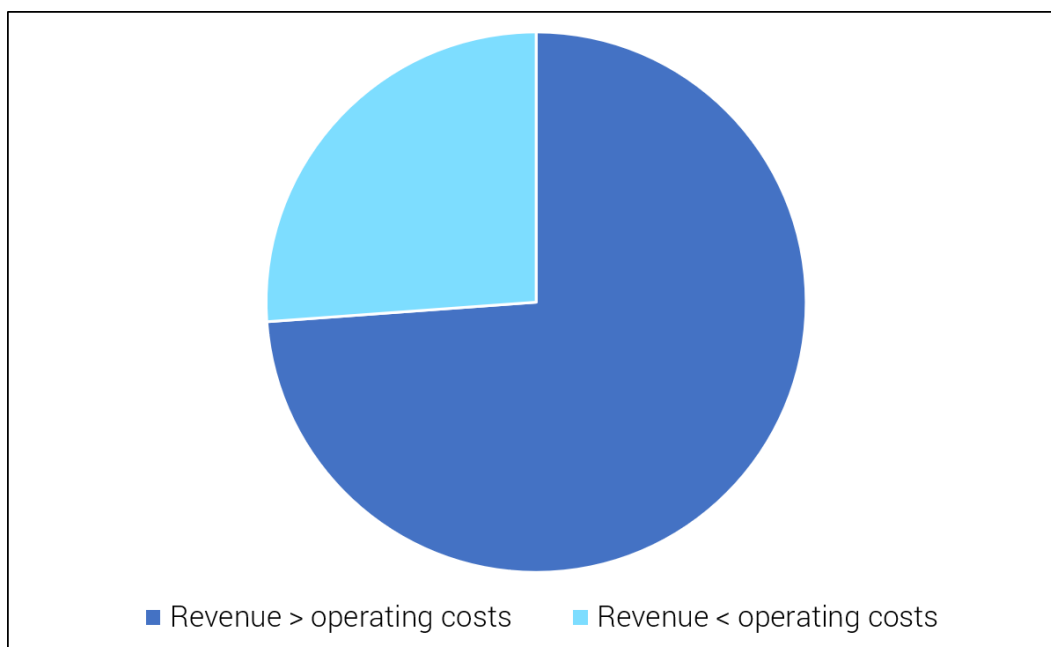
⁷⁸ Adherence to the full cost recovery principle can increase the ability of retailers to remain financially viable into the future, while providing flexibility to manage unexpected fluctuations in operating and capital costs.

Practically, the NWI recognises that there will be some small community services in rural and regional locations that may find it challenging to fully recover costs but need to be maintained to meet social and public health obligations, and provides concessions for such instances.⁷⁹

Empirical evidence is mixed, as to whether retailers have been moving towards achieving cost recovery. While not a complete measure of cost recovery, a retailer's ratio of revenue to operating costs indicates a retailer's ability to earn sufficient income to cover the costs of its day-to-day operations.⁸⁰ Since 2013-14, based on data provided to the Commission by a sample of retailers, revenue has exceeded operating costs for small-scale retailers, on average, around 60 percent of the time.⁸¹ This percentage was largely the same for the year 2013-14 as it is for 2023-24.

However, more recent, complete and public data, for the year 2024-25, indicates that the revenue of only a small number of retailers was insufficient to cover their operating costs (see Figure 3).⁸² Continual movement towards achieving efficient cost recovery increases the prospects of long-term financial sustainability, and is consistent with the Commission's position of a gradual transition to full cost recovery specified in the 2013 determination.⁸³

Figure 3: Proportion of South Australian small-scale retailers with revenue exceeding operating costs in 2024-25



Nevertheless, several stakeholders advocated for the extension of CSO payments, and the statewide pricing policy, to apply to small-scale water and sewerage retailers in order to combat cost recovery challenges, as well as to achieve more equitable customer outcomes. CSOs can be beneficial in

⁷⁹ For example, the NWI encourages continued movement towards upper bound pricing for all rural systems, *where practicable*. Clause 66(v) of the National Water Initiative.

⁸⁰ Estimating full cost recovery for small-scale retailers has challenges. For example, capital costs are typically large and infrequent, which can distort data when viewed over a short time horizon.

⁸¹ This is based on a sample of 31 South Australian retailers, covering 40 water and sewerage services.

⁸² Note that not each data observation represents a unique retailer (that is, some retailers provide both water and sewerage services), and that data is not available for all retailers. Also, data for water retailers includes drinking and non-drinking water. Bureau of Meteorology, *National performance Report*, December 2025, accessed 21 January 2026, available at <https://www.bom.gov.au/water/npr/>.

⁸³ Essential Services Commission of South Australia, *Economic regulation of minor and intermediate retailers of water and sewerage services*, pp. 26-27.

ensuring the provision of an essential service where it would otherwise be commercially unviable to do so.⁸⁴ Ultimately, CSO funding and statewide pricing are policy matters for Government.

The Alexandrina Wastewater Manager did not support retailers earning a return on their assets as part of recovering costs, particularly for publicly owned entities (such as Councils). However, the pricing principles set out by the Commission must be set with general reference to a stand-alone, benchmark efficient small-scale entity; the principles must be applicable across all entities, irrespective of ownership, size and geographic location.

A return on assets compensates a retailer for investing in the water and/or sewerage infrastructure and bearing its risk. In the absence of a return, a retailer has, all things equal, less incentive to sustainably invest in infrastructure for the long-term. Pricing at full cost recovery, including a return, allows retailers flexibility and supports effective long-term asset management and financial sustainability (for example, through the availability of retained earnings to manage short-term and long-term service delivery, which a retailer could also choose to redistribute to customers). It is important to note that the NWI already provides some leniency in achieving upper bound pricing for regional and rural retailers (where upper bound pricing includes the provision of a weighted average cost of capital, whereas lower bound pricing does not).⁸⁵

Lastly, EWOSA's suggestion of the Commission approving price schedules, when it deems it is necessary, is aimed at providing an incentive for retailers to not set prices too high.⁸⁶ This would be an increase in the prescriptiveness of the form of regulation (essentially a negotiated settlement), which was not sought by most stakeholders. Evidence does not appear to suggest that retailers have been typically recovering more than their efficient costs.⁸⁷

7.2.1.3 Draft decision

The draft decision is that NWI pricing principles related to cost recovery will apply to drinking water and sewerage retailers. These principles promote the financial sustainability of the retailer while protecting customers from paying too much.

7.2.2 Transparency

The NWI pricing principles that directly relate to transparency are:

- ▶ Principle 1 for the recovery of capital expenditure: Cost recovery for new capital expenditure, and
- ▶ Principle 5 for urban water tariffs: Pricing transparency.

These principles promote the disclosure of certain items by regulated entities when setting charges,⁸⁸ and the setting of tariffs using a transparent methodology that seeks public input and scrutiny. More generally, NWI pricing principles encourage regulated entities to be transparent with respect to pricing information.

⁸⁴ In general, if a retailer is the beneficiary of a subsidy, then at minimum the size of the subsidy should be made transparent and reported publicly. If practicable, jurisdictions should consider alternative management arrangements aimed at removing the need for an ongoing subsidy.

⁸⁵ Clause 66(v) of the National Water Initiative.

⁸⁶ Energy and Water Ombudsman of South Australia, *Submission to the Issues Paper*, p. 6.

⁸⁷ Information asymmetry between retailers and the Commission typically means that retailers are in best position to set their prices, while a price setting/approval approach can lead to unintended consequences (for example, adjusting prices lower than proposed by the retailer may lead to reduced infrastructure investment).

⁸⁸ Such as deductions/offsets for contributed assets and developer charges, and CSOs.

7.2.2.1 Matters raised in consultation

Information disclosure and transparency in general were topics raised by stakeholders.

For instance, the Alexandrina Wastewater Manager noted the potential consequences to consumers from a lack of transparency.⁸⁹ It noted a lack of transparency by retailers regarding expenditure decisions could allow retailers to cross-subsidise other areas of the organisation,⁹⁰ the result being customers paying fees and charges higher than full prudent and efficient cost recovery.

In addition, some stakeholders submitted general views regarding the transparency of retailers' performance and pricing. SACOSS suggested there should be greater reporting and publication by the Commission of the operational, compliance and pricing performance of retailers.⁹¹ An apparent implication of the SACOSS submission is that there may not be sufficient retailer self-reported pricing information available to consumers. In contrast, EWOSA supported the Commission monitoring levels of self-reported compliance with NWI pricing principles, particularly for those small-scale retailers in Category B.⁹²

7.2.2.2 Analysis

The key advantage of pricing transparency is that it informs stakeholders about current and expected prices and costs and therefore can support levels of trust.⁹³ As a result, this can support aims to promote economic efficiency, sustainable use of the service and enhance a retailer's prospects of achieving financial sustainability.⁹⁴

Pricing transparency can impose direct costs on retailers (for example, through the costs of publishing information and explaining price changes in clear, plain English). However, these costs are likely to be low (given price information will be readily available to all retailers) and, accordingly, would be well exceeded by the advantages of transparency.

Several stakeholders supported transparency as a concept more generally – however, rather than comment on the pricing principle that specifies the need for transparency, they tended to discuss transparency in the context of reporting, the compliance and enforcement regime and Commission fact sheets.⁹⁵ As explained in the Commission's Issues Paper, these topics have previously been addressed

⁸⁹ Alexandrina Wastewater Manager, *Submission to the Issues Paper*, p. 11.

⁹⁰ Alexandrina Wastewater Manager, *Submission to the Issues Paper*, p. 11.

⁹¹ South Australian Council of Social Service, *Submission to the Issues Paper*, pp. 4-11.

⁹² Energy and Water Ombudsman of South Australia, *Submission to the Issues Paper*, pp. 2-7.

⁹³ Empirical evidence suggests that transparency in regulatory sectors generally has a positive effect on public trust. Grimmelikhuijsen, S et al, *Regulators as Guardians of Trust? The Contingent and Modest Positive Effect of Targeted Transparency on Citizen Trust in Regulated Services*, Journal of Public Administration Research and Theory, Vol. 34, No. 1, Oxford Academic, 2024, p. 137, pp. 145-146, available at <https://academic.oup.com/jpart/article/34/1/136/7190842>.

⁹⁴ It does so by providing greater certainty to customers (for example, allowing customers to spend and dedicate time, effort and resources on what they value most), and providing discipline on retailers' cost and service performance (for example, although customers cannot switch away from monopoly providers, they can provide feedback to retailers, and this process of accountability can better allow retailers to manage the delivery of their services in line with what customers most value).

⁹⁵ For instance, both SACOSS and EWOSA (South Australian Council of Social Service, *Submission to the Issues Paper*, p. 7; and Energy and Water Ombudsman of South Australia, *Submission to the Issues Paper*, p. 2) submitted their support for greater disclosure of public performance of retailers. In particular, both supported reinstating the Commission's publishing of compliance of small-scale retailers with NWI pricing principles. In 2022, reporting requirements for Category A licensees were reduced as a result of the adoption of a verified trust and accountability regulatory approach. The VTA approach provides a targeted, flexible approach to regulation, consistent with the Commission's primary objective in designing and implementing regulatory systems. It incentivises retailers to pursue long-term asset and service sustainability, and to maintain genuine engagement with their customers at all times. The incentive to remain as a Category A licensee by

by the Commission; for example, the compliance and enforcement regime was substantially reviewed in 2022 and is being refined through other work at the Commission, including through the Small-scale Networks Assessment Project. In addition, the Commission has published a Fact Sheet which describes the NWI pricing principles and small-scale retailer compliance with the NWI principles.

7.2.2.3 Draft decision

The draft decision is that NWI pricing principles related to transparency will apply to drinking water and sewerage retailers. Transparency helps educate customers and increases trust in retailers.

7.2.3 Asset valuation

The NWI pricing principles that relate to asset valuation (all of which are principles for the recovery of capital expenditure) are:

- ▶ Principle 2: Valuation of new assets
- ▶ Principle 3: Valuation of legacy assets
- ▶ Principle 4: Recovery of legacy capital expenditure
- ▶ Principle 5: Rolling forward asset values after the legacy date, and
- ▶ Principle 6: Contributed assets.

These principles – which are described in detail in Appendix 4 – require that new and replacement assets should be initially valued at efficient actual cost, that legacy assets should be valued using a recognised valuation method, that legacy capital expenditure should be recovered by way of a depreciation charge or annuity charge and a positive return, and that a return on and of new contributed capital should not be recovered from customers.

In addition, the principles require that the RAB be rolled forward each year in accordance with the following formula:

$$RAB_t = RAB_{t-1} + \text{Prudent Capital Expenditure}_t - \text{Depreciation}_t - \text{Disposals}_t$$

Where t = the year under consideration

7.2.3.1 Matters raised in consultation

There were limited stakeholder submissions in respect of the pricing principles for asset valuation.

GMB Water suggested that the pricing principles should, in general, reflect lifecycle cost, and account for intergenerational equity and future maintenance costs, to avoid placing undue financial burden on initial users, and to be reflective of the enduring value of the infrastructure assets.⁹⁶ SA Water generally supported pricing principles that enable and support re-investment, ongoing maintenance and responsive service delivery.⁹⁷

7.2.3.2 Analysis

Asset valuation is an important input into the determination of prudent and efficient revenues earned by retailers from the delivery of retail services. The asset base directly influences depreciation, as well as the return on assets earned by retailers (which consequently influences the prices paid by

demonstrating competence implicitly incentivises licensees to comply with the NWI pricing principles. Regardless, an assessment of the VTA approach is out of scope of this review.

⁹⁶ GMB Water, *Submission to the Issues Paper*, p. 4.

⁹⁷ SA Water, *Submission to the Issues Paper*, pp. 1-2.

customers). The NWI pricing principles recognise that there is no single correct method to use to value existing infrastructure by allowing for discretion. A key benefit of these principles is that they provide guidance to retailers as to how to value their assets.

Using pricing principles to address intergenerational equity and to avoid placing undue financial burden on initial infrastructure users was a matter supported by GMB Water. This recommendation is principally related to prudent asset management planning. For example, applying accurate asset lives in the calculation of depreciation is important for achieving intergenerational equity. If economic asset lives are too short (that is, less than the economic lives of the assets), current customers may pay too much. However, if economic asset lives are too long then future customers may pay too much (and may pay for assets that they do not use).⁹⁸ The Commission recognises the importance of long-term asset management and financial sustainability, and further discussion on these matters can be found in later sections.

7.2.3.3 Draft decision

The draft decision is that NWI pricing principles related to asset valuation will apply to drinking water and sewerage retailers. These principles provide retailers with a form of consistent, well-accepted guidance required to achieve efficient outcomes (noting that they also act as an educative piece for retailers on a technical topic), while still allowing for some flexibility where appropriate.

7.2.4 Tariff structure

The NWI pricing principles that relate to tariff structure (all of which are principles for urban water tariffs) are:

- ▶ Principle 2: Tariff structures,
- ▶ Principle 3: Cost reflective tariffs,
- ▶ Principle 4: Setting the service availability charge, and
- ▶ Principle 7: Differential water charges.

The principles set out that two-part tariffs (comprising a service availability charge and a water charge) should be used for water,⁹⁹ that the water usage charges should have regard to the long run marginal cost of supply, and that charges should be differentiated by the cost of servicing customers.¹⁰⁰ They also provide guidance on how to set the service availability charge. Note that Principle 2 and Principle 3 relate to water services only.

7.2.4.1 Matters raised in consultation

EWOSA proposed that Pricing Principle 7 (Differential water charges), should not apply when small-scale water and sewerage retailers set prices for the same class of customers (for instance, residential customers).¹⁰¹

⁹⁸ Department of Planning and Environment (NSW Government), *Guidance on strategic planning outcome – Implement sound pricing and prudent financial management*, December 2022, p. 42, available at https://publications.water.nsw.gov.au/watergroupjsui/bitstream/100/582/1/Regulatory_and_assurance_framework_for_Local_Water_Utilities_-_Guidance_on_strategic_planning_outcome_-_Implement_sound_pricing_and_prudent_financial_management.pdf.

⁹⁹ Unless it is demonstrated to not be cost effective.

¹⁰⁰ 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.

¹⁰¹ Energy and Water Ombudsman of South Australia, *Submission to the Issues Paper*, pp. 2-7

7.2.4.2 Analysis

An effective pricing principle for tariff structures should promote the efficient use of water and sewerage services. A two-part tariff structure, as required by the NWI pricing principles for water services, recognises that water utilities have substantial fixed costs, and due to this, charging at marginal cost (likely to be significantly below average cost) would result in an under recovery of costs. Under a two-part tariff structure, the variable component signals the efficient cost of providing the service (that is, the long run marginal cost of supply)¹⁰² while the fixed component is set to recover the shortfall in revenue (that is, it is essentially set to avoid disconnections from the service).¹⁰³

Principle 7: Differential water charges encourages differential water charging where it is economical to do so. In general, differential pricing between retailers provides price signals that are more reflective of costs, and is more likely to promote better consumption decisions by customers.

With respect to *Principle 4: Setting the service availability charge*, the Commission continues to support use of the Property Units Code¹⁰⁴ as a pricing aid for small-scale sewerage retailers. The Property Units Code still appears to provide a transparent and generally acceptable methodology for charges for the provision of CWMS.¹⁰⁵

In terms of EWOSA's view, it suggested that *Principle 7: Differential water charges* should not apply to the same class of customers (for example, residential) due to equity purposes.

It is important to note that Principle 7 states:

*'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'. [emphasis added]*

Differential water charges reflect varying costs to service customers (for example, based on location or service offering). As mentioned, differential pricing between customer groups can act as a price signal and lead to better consumption decisions. The gain in equity by not differentiating prices by the cost of servicing different customers comes at the expense of economic efficiency.¹⁰⁶ Equity concerns are likely to best be addressed as a policy consideration for government, where appropriate trade-offs can be made (for example, the funding of social programs).¹⁰⁷

7.2.4.3 Draft decision

The draft decision is that NWI pricing principles related to tariff structure will apply to drinking water and sewerage retailers. Adopting these principles promotes efficient pricing and enhances the ability of retailers to be able to recover costs.

¹⁰² *Principle 2: Tariff structures* note that two-part tariffs should be used, unless it is demonstrated to not be cost effective.

¹⁰³ Queensland Competition Authority, *Statement of regulatory pricing principles for the water sector*, April 2021, p. 15, available at <https://www.qca.org.au/wp-content/uploads/2021/04/statement-of-regulatory-pricing-principles-for-the-water-sector-april-2021.pdf>.

¹⁰⁴ Local Government Association of South Australia, *Code for Establishing and Applying Property Units as a Factor for the Imposition of Annual Service Charges for Community Wastewater Management Systems*, April 2006.

¹⁰⁵ Essential Services Commission of South Australia, *Economic Regulation of Minor and Intermediate Retailers of Water and Sewerage Services*, June 2013, p. 36, available at <https://www.escosa.sa.gov.au/ArticleDocuments/413/130627-EconomicRegulationMinorIntermediateRetailer.pdf.aspx?Embed=Y>.

¹⁰⁶ Heran G, Siehlow M, and C von Hirschhausen, *The Economics of Water*, Springer Water, 2021, p. 138, available at https://link.springer.com/chapter/10.1007/978-3-030-48485-9_4.

¹⁰⁷ Australian Competition and Consumer Commission, *Challenges for Economic Regulation of Infrastructure*, p. 2.

7.2.5 Developer charges

The NWI pricing principles that relate to developer charges (all of which are principles for urban water tariffs) are:

- ▶ Principle 8: Setting developer charges,
- ▶ Principle 9: Capping developer charges, and
- ▶ Principle 10: Revenue from developer charges.

These principles set out that developer charges should reflect the investment required to serve a new development, that developer charges should not exceed the costs of serving new developments, and that revenue from developer charges should be offset against the total revenue requirement.

In addition to the NWI pricing principles, the Commission applies four further guiding principles to developer charges (as per Table 9). These additional principles promote a beneficiary-pays approach, while also promoting transparency and cost efficiency.

Table 9: Additional principles that apply to developer charges

Principle	Applies to	Subject related to
1: Where developer/augmentation services are provided for the sole benefit of the recipient, the beneficiary should pay the full cost of the service and other customers should not be required to contribute to the cost of the service through water tariffs;	Water, sewerage	Developer charges
2: Where developer/augmentation services are provided to a distinct group of customers, 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	Water, sewerage	Developer charges
3: Where developer/augmentation services are provided, 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; and	Water, sewerage	Developer charges
4: Where developer/augmentation services are provided a retailer must be able to provide transparent information to customers on how the costs for developer/augmentation services ¹⁰⁸ have been calculated, or are to be applied, and must be able to support their position in the event of a dispute.	Water, sewerage	Developer charges

7.2.5.1 Matters raised in consultation

Several stakeholders commented on developer charges directly, or matters related to developer charges.

For example, the Alexandrina Wastewater Manager suggested that developers are making high profits at the expense of customers.¹⁰⁹ Meanwhile, GMB Water stated that it had been potentially

¹⁰⁸ The current price determination currently reads 'other water services' here instead of 'developer/augmentation services'. This is proposed to be corrected.

¹⁰⁹ Alexandrina Wastewater Manager, *Submission to the Issues Paper*, p. 15.

undercharging developers for infrastructure fees in order to attract new business (in conflict with the NWI pricing principles).¹¹⁰

Regarding development in general, SA Water suggested that approaches should be taken to coordinate planning among retailers to avoid duplicate infrastructure between retailers.¹¹¹ Similarly, the Alexandrina Wastewater Manager suggested that there should be greater coordination between growth forecasts and infrastructure development.¹¹² Contrastingly, UDIA supported the facilitation of competition and growth between retailers, for example, through reduced upfront licensing and monitoring costs.¹¹³

SACOSS has previously expressed its support for applying the NWI pricing principles related to developer charges, citing the Henry Tax Review that *deliberately charging below cost for new infrastructure would effectively involve ratepayers providing a subsidy for the provision of new housing*.¹¹⁴

7.2.5.2 Analysis

Developer charges represent a cost charged by an entity (typically government or utility companies) on developers to fund the cost of extending or upgrading public infrastructure. For example, the developer of a new housing development may pay a charge to a water and/or sewerage retailer so that the network can be extended to service each new household. Consequently, developer charges provide a locational signal to where greater efficiency may be able to be achieved. The NWI pricing principles for developer charges promote economic efficiency by supporting prices to be set at marginal cost (that is, the cost of producing an additional unit of output).

Without developer charges, existing water and/or sewerage customers would be required to subsidise infrastructure augmentation and development. This is inconsistent with the beneficiary-pays principle of the NWI pricing principles. It is also worthwhile noting that evidence suggests that housing affordability is not likely to be exacerbated by the presence of developer charges.¹¹⁵

The additional four principles included by the Commission seek to address areas that are relevant to developer charges (as well as auxiliary water services, as discussed in section 7.4), but are not covered by the NWI pricing principles. For instance, these principles address the circumstance where new capital expenditure benefits either a sole customer or a distinct group of customers (by promoting a beneficiary-pays approach), as well as requiring a retailer to support their cost position in the event of a dispute.

The Alexandrina Wastewater Manager acknowledged that in some circumstances, the presence of multiple retailers allows developers to select the lowest priced retailers, the Alexandrina Wastewater Manager's concern that the lowest priced retailers perform poorly is addressed later in the document.

¹¹⁰ GMB Water, *Submission to the Issues Paper*, p. 4.

¹¹¹ SA Water, *Submission to the Issues Paper*, pp. 2-3.

¹¹² Alexandrina Wastewater Manager, *Submission to the Issues Paper*, p. 5.

¹¹³ Urban Development Institute of Australia, *Submission to the Issues Paper*, pp. 2-3.

¹¹⁴ South Australian Council of Social Service, *Annual SACOSS Briefing to the Minister: An equitable future for South Australian water consumers*, July 2025, pp. 16-18, available at <https://sacoss.org.au/wp-content/uploads/2025/07/Annual-SACOSS-Briefing-to-the-Water-Minister-2025.pdf>.

¹¹⁵ Frontier Economics, *Water infrastructure that is efficiently and fairly funded*, 2023, p. 3, available at <https://www.frontier-economics.com.au/documents/2023/06/water-infrastructure-that-is-efficiently-fairly-funded.pdf>; Independent Pricing and Regulatory Tribunal, *The effect of water, wastewater and stormwater developer charges on the price of vacant land and housing in NSW*, 2024, p. 2, available at https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Research-Paper-The-effect-of-water-wastewater-and-stormwater-developer-charges-on-the-price-of-vacant-land-and-housing-in-NSW-23-February-2024.PDF.

GMB Water reported that it has faced challenges in charging developers the full prudent and efficient costs of the investment required to serve new developments. Specifically, GMB Water submitted that in parts of its network it faces competition from another retailer for new developments (Alano Utilities), and has consequently been charging developers less than its full prudent and efficient costs in an effort to compete commercially. Such practice is inconsistent with the NWI pricing principles (and the additional prescribed principles), and may lead to existing customers paying more than they otherwise would have to cover the shortfall. For financial sustainability and equity purposes, retailers should be aiming to achieve full cost recovery. Full cost recovery through developer charges gives the clearest price signal, and it is inappropriate to allow efficient pricing signals to be distorted.¹¹⁶

Lastly, as mentioned, some stakeholders supported the provision of greater consideration to coordination and facilitation of demand growth. While demand growth is an important factor for retailers to consider (for example, coordination with developers and government), it is typically not the role of an economic regulator to be directly involved in the infrastructure planning process.^{117, 118}

7.2.5.3 Draft decision

The draft decision is that NWI pricing principles related to developer charges, as well as the existing four principles prescribed by the Commission, will apply to drinking water and sewerage retailers. These principles promote equity and efficiency in cost, as well as acknowledging pragmatism may be necessary in certain situations.

7.2.6 Long-term asset management and financial sustainability

Several stakeholders expressed interest in introducing means to ensure robust asset management is being undertaken by retailers. The NWI pricing principles do not directly include provisions for asset management. Given the importance of asset management for the financial sustainability of a retailer (which has ramifications for pricing – for example, a financially stressed retailer may charge higher prices to remain a going concern), the Commission sees it appropriate to explore addressing this issue via an additional principle.

In relation to a water or sewerage service retailer, long-term asset management refers to the planning of infrastructure maintenance and renewals to optimise the long-term performance of the network. More formally, it is defined by the International Organisation for Standardisation (ISO) as the coordinated activity of an organisation to realise value from its assets.¹¹⁹ Robust long-term asset management contributes to long-term financial sustainability and, consequently, the viability of a retailer going forward (that is, for example, a network in good condition is less likely to require costly, ad hoc repair work).

¹¹⁶ McNeill J and B Dollery, *Financing Urban Infrastructure in New South Wales: An Evaluation of Water and Sewerage Developer Charges Policy*, August 2000, University of New England, pp. 23-24, available at <https://www.une.edu.au/about-une/faculty-of-science-agriculture-business-and-law/unebs/research/occasional-paper-series/economics/1999-2007/pdfs-economics-1999-2007/econwp00-10.pdf>.

¹¹⁷ Organisation for Economic Cooperation and Development, *The Role of Economic Regulators in the Governance of Infrastructure*, 2017, p. 23, available at https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/the-role-of-economic-regulators-in-the-governance-of-infrastructure_g1g77b02/9789264272804-en.pdf.

¹¹⁸ The South Australian Government released a Housing Roadmap in 2024, which included the aim to coordinate housing development and infrastructure investment (such as water and wastewater infrastructure). Government of South Australia, *More homes for South Australians – Housing Roadmap*, June 2024, pp. 1-78, available at https://dhud.sa.gov.au/_data/assets/pdf_file/0006/1385412/HousingRoadmap-June-2024.pdf.

¹¹⁹ International Organisation for Standardisation, *ISO 55000:2024 Asset Management – Vocabulary, overview and principles*, 2024, Section 3.2.1, available at <https://www.iso.org/obp/ui/en/#iso:std:iso:55000:ed-2:v1:en>.

7.2.6.1 Matters raised in consultation

Several stakeholders commented on long-term asset management and its implications for the financial sustainability of small-scale retailers. GMB Water stated the need for oversight and enforcement of minimum engineering standards to ensure long life assets are being constructed that meet industry standards, as well as checks to ensure robust asset management practices are in place.¹²⁰ Similarly, the Alexandrina Wastewater Manager stated that minimum asset management standards should be enforced.¹²¹ SA Water also supported stronger regulatory oversight of asset management in order to promote long-term reliability and financial sustainability. It recommended that the Commission amend the framework and/or introduce mechanisms to prioritise pricing structures that enable and support reinvestment, ongoing maintenance and responsive service delivery.¹²²

During the consultation phase, one stakeholder considered that classifying new market entrants as 'Category A' retailers could result in any indicators of financial unsustainability potentially being left undiagnosed. It consequently suggested that all new retailers be classified as 'Category B' until adequate performance can be demonstrated. The Alexandrina Wastewater Manager also supported the notion that only once an organisation meets maturity should less oversight be afforded.¹²³

7.2.6.2 Analysis

Water and sewerage infrastructure inevitably experiences wear and tear over time. Managing these infrastructure assets requires determining which parts of the network, and at which time, maintenance or replacement is necessary. Insufficient asset management planning by a retailer can lead to increased costs (for example, damage caused by a burst pipe) and ultimately asset failure, which can lead to financial sustainability concerns. Having a robust asset management plan can alleviate these risks. Ultimately, a long-term asset management and financial plan promotes efficiency by optimising capital allocation over the course of the life of the infrastructure.

Most (but not all) retailers have an asset management plan in place in some form. For example, the Local Government Act 1999 (**LGA Act**) requires councils to develop and adopt a long-term financial plan as well as an infrastructure and asset management plan.¹²⁴ Nevertheless, several retailers have limited knowledge of the current condition of their water and sewerage assets.¹²⁵ Nationally, 10 percent of local government water and sewerage infrastructure is in poor condition.¹²⁶ As mentioned above, numerous stakeholders supported the adoption of more robust asset management.

Important characteristics of an effective asset management plan include determining the priority of replacement of each part of the network (balancing asset condition with its criticality), incorporating operational efficiency (for example, it may be more efficient to simultaneously replace two adjacent pipes even if only one has reached its end of life), defining metrics to assess asset condition (for example, age, probability of failure), and periodic monitoring of asset condition.¹²⁷ The absence of comprehensive records or asset registers typically leads to insufficient maintenance and raises the

¹²⁰ GMB Water, *Submission to the Issues Paper*, p. 3.

¹²¹ Alexandrina Wastewater Manager, *Submission to the Issues Paper*, p.5.

¹²² SA Water, *Submission to the Issues Paper*, pp. 2-4.

¹²³ Alexandrina Wastewater Manager, *Submission to the Issues Paper*, pp. 8-9.

¹²⁴ See section 122 of the Local Government Act 1999.

¹²⁵ This is based on a sample of 31 South Australian retailers, covering 40 water and sewerage services.

¹²⁶ Australian Local Government Association, *2024 National State of the Assets Report*, July 2024, p. 13, available at <https://alga.com.au/wp-content/uploads/2025/04/ALGA-National-State-of-the-Assets-Report-2024-final.pdf>.

¹²⁷ Ramos-Salgado C, Munuzuri J, Aparicio-Ruiz P and L Onieva, A comprehensive framework to efficiently plan short and long-term investments in water supply and sewer networks, University of Seville, 2022, pp. 3-6, available at <https://www.sciencedirect.com/science/article/pii/S0951832021007262>.

cost of future replacement as the infrastructure is gradually run down (affecting financial sustainability).¹²⁸

With this in mind, the Commission sees it as appropriate to propose introducing a new principle to address these risks (presented in Box 4). The proposed principle, requiring retailers to maintain a long-term asset management and financial plan, will support the minimum service standards set out in section 6.1. The principle is intentionally flexible to accommodate the widely varying nature of small-scale retailers (for example, in terms of size, scale, type of service, ownership structure, capability and capacity). It is expected that the complexity of plans will vary based on individual retailer circumstances.

Box 4: Proposed principle: Long-term asset management

Long-term asset management and financial plan

A retailer must maintain a long-term asset management and financial plan for their water and/or sewerage infrastructure network, covering a period of at least 10 years. The long-term asset management and financial plan must:

- ▶ maintain a register of all water and/or sewerage assets,
- ▶ include an assessment of the performance and condition of the assets, as well as a plan to periodically assess the performance and condition of assets (with assets being assessed against defined metrics),
- ▶ include annual financial projections for revenues and costs for a period of at least 10 years (which is to be reviewed annually),
- ▶ include a forecast schedule of maintenance to be undertaken,
- ▶ comply with ISO 55001:2024 – Asset Management – Asset management system - Requirements (or equivalent)
- ▶ be reviewed on a regular basis (and at least every five years), and
- ▶ be able to be provided to the Commission upon request.

With respect to the categorisation of retailers as A or B, the proposed long-term asset management principle intends to reduce the risk of poor asset performance and financial unsustainability. Accordingly, it is not deemed necessary to increase barriers to entry by classifying new market entrants as Category B retailers and subjecting them to additional administrative burden. In any case, any ongoing failure to adhere to this proposed principle would be a matter considered as part of the VTA approach.

Lastly, the inclusion of a principle for asset management addresses the Alexandrina Wastewater Manager's concern that the lowest priced retailers perform poorly (that is, a robust asset management plan aims to improve service performance).

7.2.6.3 Draft decision

The draft decision is that the principle in Box 4 (Long-term asset management) is introduced as an additional principle for drinking water and sewerage retailers to adhere to. Most retailers already have

¹²⁸ Blazey A, Gonguet F and P Stokoe, *Chapter 14: Maintaining and Managing Public Infrastructure Assets*, International Monetary Fund, September 2020, p. 276, available at <https://www.elibrary.imf.org/display/book/9781513511818/ch014.xml#:~:text=This%20chapter%20turns%20to%20how,balance%20sheets%20to%20maximize%20returns.>

asset management plans in place,¹²⁹ so the marginal cost of meeting the requirements of the principle may be quite low. However, given that not all retailers have a long-term asset management and financial plan, and that the substance of those plans likely varies, the Commission considers that the inclusion of the principle will promote the long-term financial sustainability of retailers. The proposed principle is considered to be sufficiently flexible to apply to retailers regardless of their size and available resources.

¹²⁹ This is based on a sample of 31 retailers, covering 40 water and sewerage services.

7.3 Pricing principles – recycled water and stormwater services

Draft decision

The draft decision is to retain the existing requirement that retailers, when determining prices, apply NWI pricing principles related to recycled water and stormwater services.

The principles that currently apply to recycled water and stormwater services are based on the relevant NWI pricing principles that are specific to recycled water and stormwater use. These are different from NWI pricing principles for the recovery of capital expenditure and urban water tariffs. It is proposed to also apply the principles that apply to recycled water and stormwater services to other non-drinking water services, such as untreated water from bores or SA Water pipelines, as these services share similar characteristics.

The NWI pricing principles for recycled water and stormwater use are intentionally flexible due to the heterogeneous and evolving nature of recycled water and stormwater reuse products and the widely different scenarios under which these schemes are implemented.¹³⁰ Table 10 summarises these principles. Full descriptions of each principle can be found in Appendix 4.

Table 10: NWI pricing principles for recycled water and stormwater use

Principle	Applies to	Subject related to
1: Flexible regulation	Recycled water, stormwater	Flexibility
2: Cost allocation	Recycled water, stormwater	Cost recovery
3: Water usage charge	Recycled water, stormwater	Tariff structure
4: Substitutes	Recycled water, stormwater	Consideration of substitutes
5: Differential pricing	Recycled water, stormwater	Tariff structure
6: Integrated water resource planning	Recycled water, stormwater	Tariff structure
7: Cost recovery	Recycled water, stormwater	Cost recovery
8: Transparency	Recycled water, stormwater	Transparency
9: Gradual approach	Recycled water, stormwater	Flexibility

This section discusses and analyses pricing principles as they relate to recycled water, stormwater and other non-drinking water services. The pricing principles are grouped into categories:

- ▶ flexibility
- ▶ cost recovery
- ▶ tariff structure
- ▶ consideration of substitutes, and
- ▶ transparency.

¹³⁰ NWI pricing principles, p. 16.

This section sets out a series of draft decisions as to whether each pricing principle should apply to small-scale retailers that provide recycled water, stormwater and/or other non-drinking water services.

7.3.1 Flexibility

The NWI pricing principles that relate to flexibility are:

- ▶ Principle 1: Flexible regulation, and
- ▶ Principle 9: Gradual approach.

These principles promote a light-handed and flexible approach to regulation (such as a principles-based approach), while also promoting a 'gradualism' strategy to pricing to allow for customer education and time for community adaptation.

7.3.1.1 Matters raised in consultation

Stakeholders were generally in favour of a flexible approach to regulation. For example, ERA Water supported a regulatory approach that is flexible, acknowledging the diversity of small-scale retailers.¹³¹ In addition, support from multiple stakeholders for the continuation of a principles-based regulatory approach (as previously discussed) demonstrates a preference for flexible regulation.

7.3.1.2 Analysis

As mentioned earlier, a principles-based approach recognises the need for regulatory oversight but attempts to not impose unnecessary regulatory burden on small-scale retailers with access to varying levels of resources. A principles-based approach is more able to adapt to change than a prescriptive approach, and it can be more accessible to smaller firms.¹³² Ultimately, it is a light-handed form of regulation that provides flexibility to retailers and is generally more cost efficient than more prescriptive regulation.

The second principle related to flexibility is the 'gradualism' strategy. With respect to pricing, gradualism refers to the policy of implementing small gradual changes rather than large and sudden changes. It can circumvent asymmetric information problems and promote trust between parties.¹³³ Gradualism provides flexibility to retailers to periodically adjust prices while protecting customers from large price shocks. These principles are consistent with the Commission's VTA approach.

7.3.1.3 Draft decision

The draft decision is that the NWI pricing principles related to flexibility will apply to recycled water, stormwater and other non-drinking water retailers. These principles recognise the diversity in size and available resources of small-scale retailers (as well as the widely different scenarios under which recycled water and stormwater schemes are implemented), and promote positive customer outcomes. Most stakeholders supported flexible regulation in general.

7.3.2 Cost recovery

The NWI pricing principles that relate to cost recovery are:

¹³¹ ERA Water, *Submission to the Issues Paper*, p. 5.

¹³² Black J, *Forms and Paradoxes of Principles Based Regulation*, 2008, London School of Economics, p. 10, available at <https://www.lse.ac.uk/law/research/working-paper-series/2007-08/WPS2008-13-Black.pdf>.

¹³³ Kartal M, Muller W and J Tremewan, *Building trust: The costs and benefits of gradualism*, November 2021, Games and Economic Behaviour Volume 130, pp. 258-275, available at <https://www.sciencedirect.com/science/article/pii/S0899825621000956>.

- ▶ Principle 2: Cost allocation and
- ▶ Principle 7: Cost recovery.

These principles require prices to cover efficient, full direct costs, and that a beneficiary-pays approach should be the starting point when allocating costs. The pricing principles also mention that subsidies and CSO payments should be reviewed periodically and, where appropriate, reduced over time.

7.3.2.1 Matters raised in consultation

As mentioned in section 7.2.1, general comments from stakeholders regarding cost recovery included challenges faced by some retailers in recovering their prudent and efficient costs, as well as support for extending CSO funding to small-scale retailers.

Specific to recycled water, stormwater and other non-drinking water, some retailers suggested that competitive pressures from alternative sources of supply constrain their ability to price at full cost recovery.

For instance, in the context of facing competitive pressures from alternative forms of supply, ERA Water (a provider of non-drinking water) noted that it would be difficult to attract external customers if it charged more than the SA Water price for potable water.¹³⁴

By way of further example, in consultation, some stakeholders discussed that SA Water customers with dual reticulation who are on standard contracts, do not need to pay an additional non-drinking water supply charge.¹³⁵ These dual reticulation customers only pay the quarterly fixed charge of \$78.60.

In contrast, customers who have non-drinking water supplied through dual reticulation by small-scale retailers typically pay fixed or supply charges for non-drinking supply in addition to a SA Water supply charge for drinking water services. For example, CPE Tonsley's non-drinking water standard plan includes a fixed quarterly charge of \$29.16.¹³⁶ Salisbury Water charges an equivalent of \$41.15 per quarter in fixed and supply charges.¹³⁷ Residential customers in these areas with SA Water drinking water supply also pay a quarterly fixed charge of \$78.60.¹³⁸

One non-drinking water retailer noted that they would like to be able to set supply charges (and consumption prices) to match SA Water's, so they can be more competitive.

7.3.2.2 Analysis

As mentioned earlier, prudent and efficient cost recovery can promote equity, facilitate the setting of efficient prices, provide signals to customers of the cost of the service provision, and enhance a retailer's prospects of achieving financial sustainability. It is important to note however that the use of

¹³⁴ ERA Water, *Submission to the Issues Paper*, p. 2.

¹³⁵ See: SA Water, 2025, *Pricing Schedule Water and Sewerage Prices 2025-26*, available at: https://www.sawater.com.au/_data/assets/pdf_file/0009/2178270/2025-26-Water-and-sewerage-prices.pdf, p. 16., and SA Water, 2025, *Alternative Water 2025-26 Pricing Policy Statement*, available at: https://www.sawater.com.au/_data/assets/pdf_file/0011/2178380/2025-26-Alternate-water-services-pricing-policy-statement.pdf.

¹³⁶ Quarterly charge is for a terrace. See: Clean Peak Energy, 2026, *Utility Pricing*, available at: <https://cleanpeaktonsley.com.au/residential/utility-pricing/>.

¹³⁷ Derived from annual supply charge of \$40 and a fixed annual charge of \$124.60. See: Salisbury Water, 2025, *2025-26 Pricing Policy Statement*, available at: <https://www.salisbury.sa.gov.au/assets/downloads/Policies/Salisbury-Water-2025-26-Pricing-Policy-Statement-Web-March-2025.pdf>.

¹³⁸ See: SA Water, 2025, *Pricing Schedule Water and Sewerage Prices 2025-26*, available at: https://www.sawater.com.au/_data/assets/pdf_file/0009/2178270/2025-26-Water-and-sewerage-prices.pdf, p. 16.

subsidies is not prohibited under the NWI pricing principles for recycled water and stormwater, which provides retailers with flexibility where prudent and efficient cost recovery may pose a practical challenge. However, as previously mentioned, CSO funding is a policy matter for Government.

With respect to cost allocation, a beneficiary-pays approach (similar to a user-pays approach) requires the customers who benefit from the provision of a good or service to be those who pay for it. Such an approach promotes the efficient allocation of resources.¹³⁹ It is a well-recognised approach to allocating costs in the water industry (as well as other infrastructure industries).¹⁴⁰ Ultimately, the beneficiary-pays approach promotes fair outcomes for customers, while the related NWI pricing principle has enough flexibility to account for differences between retailers (by noting that a beneficiary-pays approach should be the starting point when allocating costs).

The concern raised by some stakeholders that competitive pressures from alternative sources of supply (for example, drinking water) constrains their ability to price at full cost recovery is somewhat addressed by the flexible nature of the *Principle 7: Cost recovery*. Principle 7 requires retailers to set prices to recover costs within the band of incremental costs (the lower limit), and full stand-alone costs, or customers' willingness to pay (the upper limit). The principle allows for any full cost recovery gap to be recovered from other beneficiaries (for example, sewerage customers). Further discussion on substitute water suppliers is included in section 7.3.4.

Similarly, the flexible nature of the principles allows supply charges (and consumption prices) to match SA Water's charges, however retailers should not do so if it inhibits their ability to comply with these principles, and consequently their financial sustainability.

7.3.2.3 Draft decision

The draft decision is that NWI pricing principles related to cost recovery will apply to recycled water, stormwater and other non-drinking water retailers. These principles support the financial sustainability of the retailer while promoting fair outcomes for customers.

7.3.3 Tariff structure

The NWI pricing principles that relate to tariff structure are:

- ▶ Principle 3: Water usage charge,
- ▶ Principle 5: Differential pricing, and
- ▶ Principle 6: Integrated water resource planning.

These principles require prices to contain a water usage charge, that differential pricing structures reflect differentiation in water quality or reliability, and that pricing should reflect the role of recycled water as part of an integrated water resource planning system (where appropriate).

7.3.3.1 Matters raised in consultation

Several YourSAy survey respondents (largely from the Mount Barker region) considered the price of recycled water to be high compared to drinking water, as well as recycled water provided by other retailers.

¹³⁹ Harris P, *The Case for infrastructure pricing reform – what water can teach roads*, Productivity Commission, 2015, p. 9, available at <https://assets.pc.gov.au/media-speeches/speeches/infrastructure-pricing-reform/infrastructure-pricing-reform.pdf>.

¹⁴⁰ Harris, P, 2015, p. 2.

Meanwhile, EWOSA made general comments with respect to tariff structure and pricing. As discussed earlier, EWOSA proposed that the price determination should be amended to allow for the Commission to have the ability to approve price schedules. Further discussion on this can be found in section 7.2.4.

7.3.3.2 Analysis

The requirement for a water usage charge signals the efficient cost of providing the service. Differential pricing provides price signals that are more reflective of costs, and is more likely to promote better consumption decisions by customers. These are matters that are discussed in Section 7.2.4. For compliance purposes, practically, retailers are afforded flexibility in whether to apply usage charges where it is not economical to do so. This is consistent with the Commission's 2013 final decision (and *Principle 2: Tariff Structures* in the principles for urban water tariffs).

Principle 6: Integrated water resource planning stipulates that pricing should reflect the role of recycled water as part of an integrated water resource planning system (where appropriate). This relates to the idea that alternative water supply options can be used to balance demand and supply and consequently minimise system-wide costs.¹⁴¹ For example, this could allow retailers to consider the role of climate dependent water sources (for example, the River Murray) in developing its portfolio of water sources.¹⁴² Ultimately, this principle encourages water security, while promoting efficiency and low-cost outcomes for customers.

With respect to the YourSay respondents, the cost of delivering water invariably differs based on factors such as location, proximity to the water source, number of network customers, and the density of infrastructure. These differences can lead to differential pricing between sources of water, and between retailers. The principles related to cost recovery require that prices reflect no more than the full direct costs of delivering the service, which protects customers from excessive pricing (relative to a retailer's costs).

7.3.3.3 Draft decision

The draft decision is that NWI pricing principles related to tariff structure will apply to recycled water, stormwater and other non-drinking water retailers. They provide efficient price signals, encourage water security and promote efficiency and positive customer outcomes.

7.3.4 Consideration of substitutes

The NWI pricing principle that relates to the consideration of substitutes is:

- Principle 4: Substitutes.

It stipulates that regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band.

7.3.4.1 Matters raised in consultation

Feedback from one retailer noted that its recycled water services face competition from SA Water services in some parts of its network, and that it faces challenges in competing with these SA Water services on price. Similarly, ERA Water noted that it would be difficult to attract external customers if it charged more than the SA Water price for potable water.

¹⁴¹ Essential Services Commission of South Australia, *Economic Regulation of Minor and Intermediate Retailers of Water and Sewerage Services*, p. 40.

¹⁴² Essential Services Commission of South Australia, *Economic Regulation of Minor and Intermediate Retailers of Water and Sewerage Services*, p. 40.

Meanwhile, substitutability and contestability were topics discussed in general by multiple stakeholders. For example, as discussed earlier, GMB Water submitted that in parts of its network it faces competition from another retailer for new developments. In addition, the Alexandrina Wastewater Manager commented that there is some competition between retailers (as discussed in section 7.2.5).

7.3.4.2 Analysis

Effective competition leads to improvement in allocative efficiency by allowing more efficient firms to enter the market and gain market share, at the expense of less efficient firms. Empirical evidence suggests that industries where there is greater competition experience faster productivity growth.¹⁴³ By encouraging individual businesses to innovate and find ways to work more efficiently, competition can result in improved customer outcomes such as lower prices and better-quality products and services.¹⁴⁴

The principle related to the consideration of substitutes specifically mentions that regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band. This essentially means that a retailer may be restricted in how high it can set its price.

Theoretically, one concern that could arise when viewing this principle in isolation is that a lower-priced retailer could use the price of a higher-priced competitor as a signal to increase its own price. However, it is important to note that customers remain protected from an over recovery of costs by *Principle 7: Cost recovery*.

The competition disclosed by ERA and the City of Marion between their recycled water services and SA Water's services is somewhat contrary to the notion that water retailers typically exhibit natural monopoly characteristics. Consequently, there could be an argument for not requiring economic regulation where retailers compete with each other. However, in the Commission's assessment, the pricing principles represent good practice, and are sufficiently flexible to not disadvantage a retailer that faces competition for its services. However, should stakeholders consider that the NWI pricing principles are prohibitive where they are competing with an alternative water supplier, they are encouraged to submit to this draft report to explain how this is the case.

7.3.4.3 Draft decision

The draft decision is that the NWI pricing principle related to the consideration of substitutes will apply to recycled water, stormwater and other non-drinking water retailers. The benefit of doing so is that it encourages good practice, and promotes positive customer outcomes.

7.3.5 Transparency

The relevant principle here is: Principle 8: Transparency.

It requires prices to be transparent, understandable to users and published to assist efficient choices.

7.3.5.1 Matters raised in consultation

Submissions and other feedback from stakeholders did not directly comment on transparency as it relates to recycled water, stormwater or other non-drinking water. However, transparency was discussed in a more general sense, and discussion on these matters can be found in section 7.2.2 (for

¹⁴³ Organisation for Economic Cooperation and Development, Fact sheet on how competition policy affects macro-economic outcomes, October 2014, p. 2, available at https://www.oecd.org/content/dam/oecd/en/publications/reports/2014/10/factsheet-on-competition-and-macro-economic-outcomes_24994985/660b93ab-en.pdf.

¹⁴⁴ Australian Competition and Consumer Commission, *Competition and anti-competitive behaviour*, 2026, accessed online 2 February 2026, available at <https://www.accc.gov.au/business/competition-and-exemptions/competition-and-anti-competitive-behaviour>.

example, some stakeholders supported greater information disclosure and more guidance for retailers regarding how to comply with the NWI pricing principles).

7.3.5.2 Analysis

As mentioned in section 7.2.2, pricing transparency reduces information asymmetry, educates customers and leads to greater levels of public trust in the regulated entity. This aims to promote economic efficiency, sustainable use of the service and enhance a retailer's prospects of achieving financial sustainability. Section 7.2.2 includes further discussion on the benefits of transparency.

7.3.5.3 Draft decision

The draft decision is that the NWI pricing principle related to transparency will apply to recycled water, stormwater, and other non-drinking water retailers. Transparency promotes customer understanding of prices and increases trust in retailers.

7.4 Pricing principles – auxiliary water services

Draft decision

The draft decision in relation to pricing principles for auxiliary water services is to retain the existing additional four principles that support a beneficiary-pays approach, promote transparency in the calculation of charges, and encourage differential prices.

Water and sewerage retailers can provide a range of other services outside of the provision of water and sewerage services that are considered retail services under the WI Act. Such services include connections and disconnections, installation of meters to community/strata units and special meter readings.

In addition to applying the previous NWI pricing principles, the current price determination adopts four guiding principles to apply to the pricing of auxiliary water services.¹⁴⁵ These additional principles promote equity (by supporting a beneficiary-pays approach), while also promoting transparency in the calculation of charges, and cost efficiency (by encouraging differential prices).

Table 11 summarises the additional four guiding principles. These principles are also applied by the Commission to developer services (as discussed in section 7.2.5).

Table 11: Additional principles that apply to auxiliary water services

Principle	
1	Where other retail water services are supplied for the sole benefit of the recipient, the beneficiary should pay the full cost of the service and other customers should not be required to contribute to the cost of the service through water tariffs;
2	Where other retail water services are supplied to a distinct group of customers, 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;
3	Where other retail water services are supplied, 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; and
4	Where other retail water services are supplied, a retailer must be able to provide transparent information to customers on how the costs for auxiliary water services have been calculated, or are to be applied, and must be able to support their position in the event of a dispute.

This section sets out a draft decision as to whether these pricing principles should apply to small-scale retailers that provide auxiliary water services.

7.4.1.1 Matters raised in consultation

Submissions and other feedback from stakeholders did not directly comment on auxiliary water services as they relate to pricing.

¹⁴⁵ Auxiliary water services were referred to as 'other water services' in the previous price determination. The change in name has been made to more accurately reflect the services.

7.4.1.2 Analysis

The additional four pricing principles that currently apply to auxiliary water services promote cost recovery, economic efficiency and transparency, while allowing for pragmatism by providing sufficient flexibility. The benefits of such traits have been discussed previously.

As discussed in section 7.2.5, it is appropriate to include these additional principles because they address areas that are relevant to auxiliary water services but are not covered by the NWI pricing principles. For example, they address the circumstance where new capital expenditure benefits either a sole customer or a distinct group of customers (by promoting a beneficiary-pays approach), while also requiring a retailer to support their cost position in the event of a dispute.

7.4.1.3 Draft decision

These four principles will continue to apply for the provision of auxiliary water services, in addition to the relevant NWI pricing principles. As mentioned above, they encourage positive outcomes in the form of transparency, cost efficiency and equitable allocation of costs.

Part D – Transactional and behavioural protections

Transactional and behavioural protections apply when consumers deal with retailers and consume essential services. This review has considered whether these protections remain appropriate and should continue, be varied or revoked.

As explained in section 5.1.1, it is proposed that the full protection of the Code apply to medium and high-risk small-scale retailers. Low-risk retailers will not be required to comply with all aspects of the Code.

In this Part D:

- ▶ Chapter 8 addresses protections that apply broadly to customers/consumers. These relate to communications, information disclosure and transparency, and billing.
- ▶ Chapter 9 addresses protections for customers/consumers experiencing various types of vulnerability, including people experiencing hardship or payment difficulty, tenants, people affected by family and domestic violence, and people dependent on life support equipment.
- ▶ Chapter 10 describes a small number of other changes to the Code.

8 Protections for all customers

The Code sets out behavioural standards and minimum requirements that apply to small-scale retailers when engaging with their customers. This Chapter addresses Code requirements that apply broadly to customers/consumers, including requirements about communication, information provision, billing and metering, standard contracts and customer charters.

8.1 Accessible communications

Draft decision

The draft decision is to:

- ▶ introduce a requirement that retailers have and maintain an online presence (such as a website or social media page) to provide information for their customers and consumers
- ▶ update communication requirements so retailers must communicate using the customer's preferred method where reasonably practicable
- ▶ add an accessible communications clause requiring retailers to provide information in a way that meets the needs of their customer base
- ▶ require retailers to provide any document, bill or notice in hard copy to the supply address as the default, unless the customer or consumer has expressly chosen another method, and
- ▶ replace references to radio or newspaper with a requirement to provide planned interruption notices in any manner likely to come to the attention of affected customers where written notice is not reasonably practicable.

When retailers communicate with their customers and consumers, it is important that they do so in a way that is timely, and that people can access and understand.

Options for direct communication to specific customers include paper letters or bills, email letters or bills, telephone calls and SMS messages. Options for broader communication include use of websites, apps, social media, SMS messages, radio and newspapers. Options have evolved over time and will continue to do so.

Some groups of people have specific communication needs. Provisions can be made to assist non-English speakers (multi-lingual services), those with low literacy (Easy Read), visual impairment (large print, visual or audio aids), or hearing impairment (captions, teletypewriter (TTY) or National Relay Service).

8.1.1 Matters raised in consultation

The Alexandrina Wastewater Manager, GMB Water, EWOSA and SACOSS provided feedback on the adequacy of communication provisions for customers of small-scale retailers. Submissions generally supported the need for timely, accessible and easy-to-understand communication. Issues raised relate to consumer exclusion arising from two main areas:

Limited access to communications

- ▶ Excessive reliance on digital channels, which risks excluding customers with limited internet access. This reflects the limited capacity of small-scale retailers to offer a broader range of communication options.

- Concerns raised by GMB Water and YourSAy respondents about poor customer service from some specific retailers, resulting in customers not receiving timely or accurate information.

Limited consumer comprehension

- Customers with low literacy or disabilities may have difficulty accessing or understanding information. EWOSA and SACOSS recommended that the Code require small-scale retailers to improve communication accessibility and provide information in more accessible formats, including Easy Read.

8.1.1.1 Analysis

Currently, the Code sets the minimum requirements for how small-scale retailers communicate with their customers.¹⁴⁶ Retailers may issue documents, bills or notices by mail or email, must provide residential customers with access to multi-lingual services, an emergency telephone service for interruptions, and at least four business days' notice of a planned interruption which may be issued via radio or newspaper where individual notices are impractical.¹⁴⁷

Retailers may use alternative means of communication if electronic delivery fails, but the Code does not currently prescribe mediums which constitute 'alternative'.¹⁴⁸

Small-scale retailers may rely heavily on digital communication (websites, social media, SMS), supplemented by local notices, posters and door-knocking. GMB Water and the Alexandrina Wastewater Manager noted that while digital communication is cost-effective, it can exclude customers with low digital literacy or limited internet access, and that expanded paper-based communication would increase costs for smaller operators. This reflects a broader tension between accessibility and retailer capacity.

Conversely, some small-scale retailers may rely heavily on paper-based communications, creating a different set of accessibility issues. The Commission is aware of one small-scale retailer which does not have a website.

Although the Code requires access to multi-lingual services, it does not extend to other accessible formats such as Easy Read, large-print or audio/captioned materials, or TTY services. Stakeholders, including EWOSA and the Alexandrina Wastewater Manager, highlighted gaps in meeting the needs of customers with low literacy, disability or impairment. However, small-scale retailers reported that only a small number of their customers have specialised communication needs and that they are generally familiar with their customer base and adapt their approach when required. GMB Water noted that it receives few requests for specialised assistance but would expand its approach if demand increased and if required by a general accessibility requirement in the Code.

There is scope to expand the Code's communication provisions to reflect contemporary practices. A non-prescriptive accessibility clause that requires retailers to take reasonable steps to meet the communication needs of customers with low literacy, disability or impairment would address stakeholder concerns while maintaining flexibility for smaller retailers.¹⁴⁹ The Code could also clarify that planned interruption notices may be issued using any method likely to reach affected customers, including websites and social media.¹⁵⁰

The Commission can help address broader communication gaps by ensuring that its own guides and fact sheets are available in Easy Read and translated versions, as recommended by EWOSA and

¹⁴⁶ WRC-MIR/02, clause 3.3.

¹⁴⁷ WRC-MIR/02, clause 3.3.4.

¹⁴⁸ WRC-MIR/02, clause 3.3.3.

¹⁴⁹ A similar requirement is made of SA Water, see WRC-MR/06, clause 4.2.

¹⁵⁰ A similar requirement is made of SA Water, see WRC-MR/06, clause 16.3.2(b).

SACOSS.¹⁵¹ This would reduce the cost and capacity burden on small-scale retailers. It would also improve the accessibility of information on the Commission's website, where existing tools such as ReadSpeaker webReader provide useful support but do not replace the need for clear and simplified written materials tailored to diverse consumer needs.

8.1.1.2 Draft decision

The Code's current accessible communications provisions do not reflect contemporary practice, and do not extend the same level of protections available to consumers of SA Water or other essential services providers regulated by the Commission.

This means there is a risk that people with specific communication needs will not be able to access and understand communications from retailers, which can be mitigated by updating communications requirements. The associated costs can be managed by keeping requirements flexible enough to suit different retailers and customer bases, and by the Commission providing supporting resources.

For these reasons, the draft decision is to:

- ▶ introduce a requirement that retailers have and maintain an online presence (such as a website or social media page) to provide information for their customers and consumers
- ▶ update communications requirements so that a retailer must communicate with customers using their preferred method of communication, so long as it is reasonably practicable
- ▶ add a new accessible communications clause, that requires retailers to provide access to services and information in a way that meets the reasonable needs of its customer base
- ▶ amend the Code to require retailers to provide any document, bill, or notice in hard copy to the supply address as the default method of communication, unless the customer or consumer has expressly stated a preferred alternative method, and
- ▶ replace existing references to radio or newspaper as the default method for notifying customers of widespread planned interruptions with a requirement that notice be provided in a manner likely to come to the attention of members of the public who may be affected by the interruption where it is not reasonably practicable to send a notice in writing to each customer due to the number of customers affected (and noting that the manner of communication should be specified in the retailers' procedures for managing interruptions).

¹⁵¹ ESCV develops and hosts similar guides for Victorian water consumers.

8.2 Information for consumers

Draft decision

The draft decision is to:

- ▶ develop and publish a series of clear, concise fact sheets for customers and consumers
- ▶ require retailers to make fact sheets available to the public and send fact sheets to customers and consumers on request, and
- ▶ update the standard customer charter and the standard customer contract to ensure they are complete, up to date, and easy to understand.

EWOSA handles cases about the supply of water and sewerage services. Cases include enquiries and complaints. Enquiries are requests for information or assistance, and complaints are expressions of dissatisfaction. Amongst cases about small-scale retailers, there is a high proportion of enquiries (64 percent of all cases in the two years to December 2024) when compared to enquiries about SA Water (27 percent of all cases in the same period).¹⁵²

This may reflect a lower level of awareness about protections available to customers and consumers of small-scale retailers.

8.2.1 Fact sheets

8.2.1.1 Matters raised in consultation

GMB Water, the Alexandrina Wastewater Manager, EWOSA, SACOSS and UDIA commented on the adequacy of information provisions for customers of small-scale retailers. Submissions generally supported the need for clear, accessible information and highlighted low levels of customer awareness about key protections, including EWOSA dispute resolution services, complaint pathways, pricing, new development costs, water leaks and metering.

Low levels of consumer awareness

EWOSA submitted that the high proportion of enquiries compared with complaints indicates that customers often lack awareness of their rights and the protections available to them. It also noted frequent confusion about whether issues should be directed to EWOSA or Ombudsman SA, including enquiries about matters outside its jurisdiction, such as water pricing. The YourSAy survey reflected this, with 60.8 percent of respondents reporting they were unaware of EWOSA supports.

Commission fact sheet series

Stakeholders expressed support for the Commission developing a series of fact sheets, as proposed in the Issues Paper. EWOSA emphasised the importance of simplicity and accessibility rather than providing more information. SACOSS recommended additional information on payment support options, hardship programs, life-support registration, tenant rights and obligations during water restrictions. GMB Water noted that it already provides further guidance to customers when it identifies a need.

¹⁵² Note that that these data are affected by cases related to individual retailers. EWOSA has advised the Commission that between 2019 and 2026, 41 percent of all complaints about small-scale retailers and 59 percent of all enquiries about small-scale retailers related to one individual retailer.

Other issues raised

GMB Water suggested improvements to the standard customer charter and standard customer contract, noting that the current documents are lengthy and difficult for customers to interpret. It recommended developing a shorter, customer-facing charter explaining service standards, supported by fact sheets or FAQs that summarise key elements while retaining detailed rights and obligations within the standard contract.

8.2.1.2 Analysis

Low awareness about consumer protections could be addressed by requiring small-scale retailers to make information about consumer protections more readily available. Alternatively, or to support this, the Commission could publish fact sheets summarising key protections (for example, about billing, hardship support, or life support equipment) for retailers, customers and consumers to use.

The Code sets the customer information obligations for small-scale retailers. Retailers must publish their customer charter, enquiry and dispute resolution procedures (including escalation to EWOSA), pricing information and hardship policies on their website.¹⁵³ These documents must be readily accessible, with copies provided to residential customers on request, and the customer charter displayed in the retailer's office. Retailers may also choose to provide additional resources such as fact sheets or FAQs.

A key matter identified in the Issues Paper, and raised throughout consultation, is consumers' capacity to access and understand the information available to them. Limited availability of accessible materials, together with low consumer awareness, restricts the extent to which customers can exercise their rights under the Code.

A Commission-produced fact sheet series was strongly supported across submissions to address these gaps. Centralising key information on the Commission's website would improve accessibility and consistency, reduce the resource burden on retailers and allow the Commission to ensure accuracy and clarity over time. The fact sheets can also be made available in accessible formats, including Easy Read and translated versions, alongside updates to the Commission website as discussed in the Communications section of this draft decision.

GMB Water submitted that the Commission could also develop optional templates for retailers to adapt, such as a simplified customer charter. This approach aligns with industry practice, such as the model hardship policy published by the Department for Human Services (DHS) and the Easy Read customer resources produced by the ESCV.¹⁵⁴ The Commission will further consider that submission during the finalisation of this review, and would welcome further submissions on the matter from interested stakeholders.

8.2.1.3 Draft decision

Evidence suggests limited awareness about protections available to customers and consumers of small-scale retailers. This creates a risk that consumers may not access protections and may not understand what they can expect from their retailers.

¹⁵³ WRC-MIR/02, clause 3.

¹⁵⁴ Department of Human Services, 2013, *Hardship Policy for Residential Customers of Minor and Intermediate Water Retailers*, available at https://dhs.sa.gov.au/_data/assets/pdf_file/0019/148204/Hardship-policy-for-residential-customers-of-minor-and-intermediate-water-industry-retailers-September-2013.pdf. Essential Services Commission of Victoria, 2020, *Accessible Communication Guidance for Water Businesses*, available at <https://www.esv.vic.gov.au/water/codes-and-guidelines/accessible-communication-guidance-water-businesses#tabs-container2>.

This risk can be addressed by centralising key information on the Commission's website and requiring that retailers make that information available.

Therefore, the draft decision is that the Commission will develop and publish on its website a series of clear, concise fact sheets for customers and consumers on the Commission's website about key protections including a:

- ▶ Billing Fact Sheet (covering how customers may be billed, contents of bills, and basis of bills)
- ▶ Meter Reads Fact Sheet (covering frequency of meter reading, and information for customers on submitting meter reads)
- ▶ Dispute Resolution Fact Sheet (including EWOSA services and supports)
- ▶ Tenant Fact Sheet (which includes information about how hardship provisions apply to tenants, disputing a bill, and accessing billing data)
- ▶ Hardship Fact Sheet (on available hardship assistance, which must be provided to customers experiencing payment difficulty)
- ▶ Family Violence Fact Sheet (on protections and support for customers and consumers affected by family violence)
- ▶ Service Standards Fact Sheet (on the level of service customers and consumers can expect from their retailer)
- ▶ Pricing Fact Sheet (on how retailers set prices, and explaining why prices charged by small-scale retailers vary, and are different from SA Water's prices)

In addition, the Commission will require retailers to publish a link to each fact sheet on their website in a readily accessible location and provide printed or electronic copies to customers and consumers free of charge, on request, within 10 business days.

8.2.2 Standard contracts and customer charters

The Code currently includes a set of standard customer sale contracts (as Schedule 1) and model customer charters (as Schedule 2) which retailers must adopt for residential customers and may adopt for non-residential customers.¹⁵⁵

There is one of each for retailers that provide a water retail service, retailers that provide a sewerage retail service, and retailers that provide both a water retail service and a sewerage retail service. Amendments to each are permitted, with the Commission's prior written approval.

8.2.2.1 Matters raised in consultation

In consultation, stakeholders noted that the standard customer sale contract and standard customer charter are long documents, and that refreshing and simplifying them would improve accessibility.

8.2.2.2 Analysis

There is some repetition in Code requirements, standard customer sale contract clauses, and customer charter commitments. This is necessary, because each serves a different purpose:

¹⁵⁵ Noting that retailers that charge for retail services as part of a rates notice do not need to adopt a standard contracts, as per WRC-MIR/02, clause 2.1.4(a).

- ▶ The Code sets minimum standards of behaviour for retailers. Compliance with the Code is required as a licence condition and is enforceable by the Commission. Failure to comply may be treated as a criminal offence.
- ▶ Standard customer sale contracts establish the terms and conditions on which retailers supply retail services to a customer. These contracts create legally enforceable civil rights for both customers and retailers but are not enforceable by the Commission.
- ▶ Customer charters set out easily accessible information for customers about their rights and obligations in respect of a water or sewerage service that already exist under the Code or contracts. They are not legally enforceable by the Commission or customers.

The Code, standard customer sale contracts, and customer charters must work together to ensure retailers and customers are protected and informed.

Standard contracts

Customer sale contracts establish the terms and conditions on which retailers supply retail services to a customer. Section 36 of the WI Act gives retailers the power to develop deemed statutory contracts for the sale and supply of retail services. In practice, this means that retailers can publish standard terms and conditions to apply to their entire customer base, or a subset of customers, without individual negotiations and without the need for a customer signature. For small-scale retailers, standard customer sale contracts are included in the Code to assist retailers in delivering their consumer protection obligations.

The Code requires a retailer to adopt the relevant standard customer sale contract¹⁵⁶ and provides that a retailer may do so for non-residential customers.¹⁵⁷ A retailer must obtain written approval of the Commission before it makes an amendment to the standard contract.¹⁵⁸

A retailer does not need to adopt the relevant standard contract where it charges a residential customer for retail services as part of a rates notice.¹⁵⁹ This is because the LG Act gives Councils the power to charge customers.

This means that in practice, the standard customer sale contracts are only used by privately-owned small-scale retailers, and by a small number of Councils that provide services not charged for as part of a Council rates notice.

Further, a retailer does not need to adopt the standard contract where it supplies a retail service to a residential customer under an agreement made before the standard contracts were introduced to the Code (1 July 2015) for as long as that agreement is in place.¹⁶⁰

There are currently several provisions that only exist in the standard customer sale contract (or are more detailed in the standard contract). In some cases, this is because similar provisions are made in the LG Act, and this would create inconsistencies for council retailers.

With those provisions as exceptions, it is good practice for important provisions to be made in the Code and then reflected in the standard contract. This provides the highest level of enforceability and therefore the strongest level of protection for customers. It also ensures that protections apply to all customers, including those that are billed through their Council rates notice.

¹⁵⁶ WRC-MIR/02, clause 2.1.1.

¹⁵⁷ WRC-MIR/02, clause 2.1.2.

¹⁵⁸ WRC-MIR/02, clause 2.1.3.

¹⁵⁹ WRC-MIR/02, clause 2.1.4(a).

¹⁶⁰ WRC-MIR/02, clause 2.1.4(b).

Customer charters

Customer charters aim to provide customers with a clear understanding of the standards of service they can expect from retailers and their rights and responsibilities.

Three model customer charters are included in Schedule 2 of the Code, for retailers that provide a water retail service, retailers that provide a sewerage retail service, and retailers that provide both a water retail service and a sewerage retail service.

The Code requires that a retailer must adopt the relevant customer charter in respect of residential customers and must have written approval from the Commission for any modifications. A retailer must advise a residential customer of the availability of the customer charter and make it readily available.

8.2.2.3 Draft decision

The standard customer sale contracts, and standard customer charters are long documents, and refreshing and simplifying them may improve accessibility.

It is ideal for important provisions to be made in the Code and then reflected in the standard contract. This provides the highest level of enforceability and therefore the strongest level of protection for customers. It also ensures that protections apply to all customers, including those that are billed through their Council rates notice.

The draft decision is to:

- ▶ review the Standard Customer Contracts and Standard Customer Charters to assess whether simplification is possible, and
- ▶ ensure all important provisions are included in both the Code and Standard Customer Contract.

Any revisions to the Standard Customer Contracts and Standard Customer Charters will be published alongside the Commission's final decision.

8.3 Billing

Draft decision

In relation to metered supply, the draft decision is to require retailers to:

- ▶ ensure an actual meter read at least once every 12 months, with the meaning of actual meter read to include reads taken by the retailer, customer, or using a smart meter
- ▶ base any estimated bill on the customer's prior usage at the supply address, the average usage by a comparable customer over the corresponding period, or a different estimation method approved by the Commission
- ▶ inform customers when systems indicate an abnormal change in water consumption, to allow the customer to identify any concealed leaks, and
- ▶ retain customer billing data for at least 5 years and provide it, on request, to a customer or consumer within defined timeframes.

In relation to charging for paper bills, the draft decision is to require that:

- ▶ paper bills are sent by default (unless and until a customer requests bills to be sent by email)
- ▶ retailers may only charge for paper bills provided a series of protections are in place.

In relation to including EWOSA contact details on bills, the draft decision is to:

- ▶ update the Code to require that EWOSA contact details are included on customer bills, unless a retailer charges for retail services as a component of a Council rates notice.

Further draft decision points are to:

- ▶ change the timeframe for recovering undercharged amounts from 12 months to 9 months.
- ▶ change timeframes in the Code which relate to the postage or delivery of notices by mail to accommodate changes in Australia Post delivery times.

The Code requires that small-scale retailers must provide customers with accurate and timely bills. Its billing provisions address the contents of and basis of bills, and billing disputes. The Commission has considered several areas where changes to billing provisions could benefit customers.

8.3.1 Metered supply

Several billing obligations only apply where retailers are providing metered supply. Sewerage or CWMS services, which account for 90 percent of small-scale retailer connections, are not metered.

Most water services are provided using metered supply. Metering may not be necessary in cases where there is no consumption component of water services charges, as is sometimes the case for non-drinking water services associated with sewerage treatment.

8.3.1.1 Matters raised in consultation

Submissions from EWOSA and the OTR addressed matters related to metered supply.

EWOSA asked the Commission to introduce a best endeavours requirement for quarterly meter reads and a definitive requirement for annual meter reads. It asked the Commission to require that retailers alert customers of significantly high water usage so they may investigate leaks inside their premises. It

also asked the Commission to ensure that retailers do not charge for meter tests and replace faulty meters free of charge (unless the meter has been tampered with).

EWOSA noted incorrect or inconsistent bill calculations as a significant concern with one small-scale retailer and that this leads to confusion and mistrust. For this reason, EWOSA suggested requiring a uniform methodology for estimating meter reads, which could include a documented self-read from the customer.

The OTR recommended that quarterly meter reads be established as the minimum standard and encouraged adoption of smart metering and monitoring. It noted that regular meter reading has benefits for consumer protection (accurate billing, leak detection, identifying abnormal consumption) and reliability (leak detection, system performance monitoring).

In 2025, the OTR consulted on a draft revised Standard for Dual Reticulation Infrastructure,¹⁶¹ which included a requirement for quarterly meter reading. Following consultation, the OTR removed the requirement for quarterly meter reading and will instead publish a best practice advisory note for reading non-drinking water meters. The OTR considers best practice water meter reading in South Australia to be quarterly.

ERA Water noted that all ERA Water bills are based on meter reads, and that the Councils it supplies read their own meters and advise ERA Water of the readings.

GMB Water, which meters recycled water supply, noted that it does not generally estimate bills when there is no actual meter read, instead delaying billing until such time as there is an actual meter read. It is exploring the use of estimated bills. GMB Water's practice is to read meters twice each year.

8.3.1.2 Analysis

Meter data is required for accurate billing. Long periods between actual meter reads may lead to prolonged over- or under charging which may contribute to bill volatility and exacerbate financial hardship. Regular meter reading can also help identify high water usage caused by leaks and prompt their repair. For small-scale retailers barriers to regular meter reading include access to meters as well as the cost of physically reading meters for what is often a small customer base.

The Code does not currently require retailers to meter water supply or, where there are meters, for retailers to read meters regularly. The Commission's model customer charter, which is not legally enforceable, includes an undertaking to ensure that a bill is based on an actual meter read at least once every 12 months. Some retailers have varied customer charters, approved by the Commission, that include an undertaking to read meters more than once every 12 months.¹⁶²

The Code does, however, require retailers to use their best endeavours to issue bills quarterly. Bills must include details of meter readings, metering data or estimates, together with the date of the last meter reading, the number of days since then, and the estimated date of the next meter reading.

These arrangements differ from the Commission's requirements for SA Water, which is that it use its best endeavours to ensure an actual meter read is undertaken at least once every 12 months.¹⁶³ In practice, SA Water reads meters quarterly. Since 2020, the Commission has allowed a meter read undertaken by a customer to be accepted as an actual meter read. An actual meter read can be taken

¹⁶¹ Department for Energy and Water, 2025, *Draft review of standard for dual reticulation infrastructure*, available at <https://www.energymining.sa.gov.au/public-consultations/recent-consultations/draft-review-of-standard-for-dual-reticulation-infrastructure>.

¹⁶² For example, the City of Charles Sturt and GMB Water undertake to read meters every six months. The City of Salisbury undertakes to read non-residential meters every three months, and residential meters every 12 months, with customers encouraged to submit self-reads in other quarters.

¹⁶³ WRC-MR/06, clause 18.6.

by a retailer, based on metering data (for example, obtained through smart metering), or taken by a customer. These provisions help overcome some barriers to regular meter reading.

Where actual metering data are not available, there are provisions for SA Water to base bills on an estimation of usage, determined in accordance with an estimation system approved by the Commission.¹⁶⁴

The Commission requires that small-scale energy retailers are required to read meters as frequently as required to prepare bills, and in any case at least once every 12 months.¹⁶⁵ Estimated bills are permitted, using an estimation system prescribed in the Small-scale Energy Networks Code or approved by the Commission. Prescribed estimation methods include using a customer's prior electricity usage at that supply address or average usage by a comparable customer over the corresponding period.¹⁶⁶ There is a risk that, without an estimation method being specified or approved by the Commission, a retailer may use estimation methods that are not appropriate.

As noted by EWOSA, high bills may be the result of a leak on the customer's side of the meter. While not the responsibility of the retailer, alerting the customer can enable them to fix leaks and avoid ongoing high bills and other expenses (like repairing water damage). For SA Water, the Commission requires that where a retailer's system indicates an abnormal change in water consumption, the retailer inform the customer to allow identification of leaks.¹⁶⁷

In relation to EWOSA's request that the Commission ensure that retailers do not charge for meter tests and replace faulty meters free of charge (unless the meter has been tampered with). The Code currently provides that customers may request that a meter is tested and requires that if a bill is found to be incorrect due to a faulty meter, a retailer must refund any fee for checking the meter reading, metering data or testing the meter.¹⁶⁸

There are no provisions in the Code about how soon a bill must be issued after a meter read is undertaken. Nor is this addressed in the Commission's requirements for SA Water or small-scale energy retailers. Typically, retailers issue bills soon after meter reading. Timely issue of bills is important to retailers to ensure revenue, and important to customers to understand their consumption and, if desired, adjust consumption patterns.

Analysis has also identified that small-scale retailers do not have provisions to keep billing data and provide it on the request of a customer or consumer, in a timely manner.

8.3.1.3 Draft decision

Current Code provisions for metered supply do not provide the same basic level of protections that the Commission extends to customers of SA Water and small-scale energy networks. Risks of prolonged over or under charging exist because the Code inadequately protects against irregular meter reading, use of inappropriate estimation methods, lack of leak notification or lack of clarity around charging for meter testing. Changes to the Code are required to mitigate these risks.

The draft decision is to:

- require retailers to ensure that there is an actual meter read of relevant meters at a customer's supply address at least once every 12 months

¹⁶⁴ WRC-MR/06, clause 18.5.

¹⁶⁵ SENC, clause 4.7.1.

¹⁶⁶ SENC, clause 4.7.2.

¹⁶⁷ WRC-MR/06, clause 7.1.

¹⁶⁸ WRC-MIR/02, clauses 5.6.4 and 5.6.7(b)(ii).

- ▶ require retailers to issue bills quarterly, and base customer bills on an actual meter reading (or, where it is unable to do so, an estimated bill)
- ▶ define actual meter read to include reads taken by the retailer, by the customer, or using metering data (obtained, for example, through smart meters)
- ▶ require that estimated bills are based on either the customer's prior usage at the supply address, the average usage by a comparable customer over the corresponding period, or a different estimation method approved by the Commission
- ▶ require that if a customer is undercharged because a retailer has underestimated usage, the retailer may only recover the amount undercharged in the previous 9 months (as discussed further in section 8.3.5)
- ▶ require that if a customer is undercharged because they have denied access to a meter the retailer may recover all undercharged amounts once an actual meter read is taken
- ▶ require that if a customer is overcharged because they have denied access to a meter for 12 months or more the retailer must repay all overcharged amounts once an actual meter read is taken.
- ▶ provide that if a customer denies access to a meter, and subsequently asks the retailer to replace an estimated bill with bill based on an actual meter read, the retailer must comply but may charge the customer for the reasonable costs of doing so
- ▶ require that a retailer issue a customer's bill within 20 business days of the date of the actual meter reading
- ▶ include information for customers about submitting meter reads in the Meter Reads Fact Sheet¹⁶⁹
- ▶ require that retailers inform customers when systems indicate an abnormal change in water consumption, to allow the customer to identify any concealed leaks, and
- ▶ require retailers to keep customer billing data for at least 5 years and provide it to a customer or consumer within defined timeframes.

All requirements, including the requirement to issue bills at least quarterly and conduct an actual meter read every 12 months, are absolute rather than best endeavours requirements.

Where these requirements are not adhered to, the Commission will consider mitigating factors, such as factors beyond a retailers' control, in determining any enforcement action.¹⁷⁰

8.3.2 Charging for paper bills

Currently, the Code does not prohibit retailers from charging for paper bills. It does not require that retailers send paper bills by default, and it does not require that paper bills are sent free of charge. The Issues Paper noted that limitations on charging for paper bills could be introduced to protect customers, or certain types of customers, from paying a specific fee for paper bills.

8.3.2.1 Matters raised in consultation

Consultation identified one example of a small-scale retailer charging for paper bills. Alano Utilities uses email as its default form of communication, including for sending bills. Alano Utilities requires a written

¹⁶⁹ For SA Water, these matters are covered in the WRC-MR/06 at clauses 18.5.2, 18.6.2 and 18.6.3.

¹⁷⁰ The Commission's Enforcement Policy sets out matters for consideration in determining whether to impose any enforcement measure. See: Essential Services Commission of South Australia, 2021, *Enforcement Policy*, section 5.1, available at <https://www.escosa.sa.gov.au/approach/enforcement>.

request to be made for a customer to receive communication in hard copy by post, and it may charge postage and handling fees.¹⁷¹ These charges may include Australia Post fees and an administrative fee of \$2 exc. GST.¹⁷²

8.3.2.2 Analysis

Charging for paper bills is not widespread amongst small-scale water retailers, despite the lack of prohibition.

Charging for paper bills has become common in the banking, energy and telecommunications sectors, where companies charge between \$1 and \$3 per paper bill. Many of these companies provide exemptions to customers who qualify for concessions, live in remote communities or require special bill formats.

Since 2024, provisions have been in place to require that if SA Water charges for paper bills (which is not its current practice), it must meet specific requirements including providing exemptions for some customers and obtaining the approval of the Commission.¹⁷³

The direct costs of providing paper bills include printing, envelopes, inserting, formatting, archiving and postage. As of 2023, the cost of issuing each paper bill, for SA Water, was estimated at \$1.21.¹⁷⁴

The benefits of providing bills in a digital format include reduced costs and lower environmental impact. When e-billing is part of a broader digital system, benefits also include the potential to provide electronic reminders or notifications, allow access to previous billing information and make online changes to personal details. More timely data may help customers better understand their usage and costs.

For some customers, receiving bills by email may be more convenient. However, there is a risk that sending electronic bills by default, or charging fees for paper bills, could adversely affect older people, pensioners, people on low incomes, people with disabilities and other vulnerable members of the community. This includes older Australians who are not familiar with, or confident in using the internet and who may need more assistance, as well as those who simply cannot afford access. The Australian Bureau of Statistics Snapshot of Australia data from 2022 indicates that around 8 percent of households have no access to the internet.

These adverse impacts can be managed through an exemption scheme. Establishing an exemption scheme for vulnerable customers involves some one-off costs, which include the costs of making changes to billing and Customer Record Management systems, and other policies and processes.

In 2024, the Commission considered allowing SA Water to decide whether to charge for paper bills (until then, it was prohibited from doing so). In doing so, the Commission examined the costs and benefits of charging for paper bills and found that there was the potential for charging for paper bills to deliver an overall net benefit.

However, the Commission also found that the potential overall benefit would not necessarily translate into benefits for all customers. While customers electing electronic billing could experience minor cost

¹⁷¹ Alano Utilities, *Pricing Policy 2023-24*, 'Customer communications', p. 1, available at <https://www.alano.com.au/customer-documentation>.

¹⁷² Alano Utilities, *Pricing Policy 2023-24*, 'Postage fees', p. 5, available at <https://www.alano.com.au/customer-documentation>.

¹⁷³ WRC-MR/06, clause 18.4.2.

¹⁷⁴ Essential Services Commission of South Australia, 2024, *SA Water Regulatory Determination 2024*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/water/sa-water-regulatory-determination-2024>, p. 69.

reductions, those receiving a paper bill (without an exemption) could experience minor cost increases. Therefore, protection against individualised cost increases is justified for vulnerable customers.

Ultimately, the Commission decided to allow SA Water to charge for paper bills, with approval from the Commission. These prerequisites are detailed in the Water Retail Code – Major Retailers.¹⁷⁵

8.3.2.3 Draft decision

Overall, the benefits of allowing retailers to charge for paper bills, as discussed above, exceed the costs. However, there is a risk that charging for paper bills may increase the overall cost of essential services for vulnerable members of the community (such as people with no internet access, people on low incomes, people with disabilities).

This risk can be mitigated using limitations on charging for paper bills like those that are already in place for SA Water. This is necessary to ensure the same basic level of protections for all South Australian water consumers.

For this reason, the draft decision is to adopt the same protections around charging for paper bills as apply to SA Water. These are that:

- ▶ the customer has been advised of the opportunity to receive a bill free of charge via an alternative method (for example, an electronic bill)
- ▶ at least 12 months' notice in writing has been provided before the charge is introduced for the first time
- ▶ the charge is clearly identified and itemised on a customer's bill, and
- ▶ the retailer has established an exemption scheme for vulnerable customers that allows specific relevant customers to receive paper bills without charge
- ▶ the retailer has identified customers eligible for the exemption scheme without those customers needing to apply, and
- ▶ the retailer has published information about the exemption scheme and the application process in a prominent place on its website.

SA Water may not charge for paper bills without the Commission's written approval. This requirement is not introduced for small-scale retailers. There are limited additional benefits of considering and issuing individual approvals, so long as the above protections are in place.

8.3.3 EWOSA contact details on bills

Since 2022, the Commission has required all small-scale retailers to be members of EWOSA. EWOSA provides customers with free, independent dispute resolution services where they have been unable to resolve a matter with their retailer. It is important that customers know about and can access EWOSA's dispute resolution services.

8.3.3.1 Matters raised in consultation

In its submission to the Issues Paper, EWOSA requested that all small-scale retailers include EWOSA contact details on bills. EWOSA considered that retailers will incur a small one-off cost to update their billing format, and that this cost would be outweighed by benefits to customers.

¹⁷⁵ WRC-MR/06, clause 18.4.

GMB Water noted that it would have no practical difficulties or costs if required to include EWOSA contact details on its stand-alone bills, which it issues for recycled water. These bills are generated on a GMB Water template which can be amended. However, it noted that including EWOSA contact details on Council rates notices would require other information to be removed. GMB Water noted that information currently presented on Council rates notices aligns with guidelines issued by the LGA SA.

8.3.3.2 Analysis

Since 2022, the Commission has required all small-scale retailers to be members of EWOSA. EWOSA provides customers with free, independent dispute resolution services where they have been unable to resolve a matter with their retailer. It is important that customers know about and can access EWOSA's dispute resolution services.

Under the current Code, small-scale retailers are obliged to tell customers about the availability of an industry ombudsman scheme when:

- ▶ the customer advises the retailer that they are not satisfied with a retailer's decision in resolving a billing dispute
- ▶ in a water supply restriction notice, and
- ▶ prior to restricting water supply.

Information about an industry ombudsman scheme is included in the standard customer contract, and model customer charter.

National electricity market retailers have been required to include EWOSA contact details on bills since September 2023, and SA Water has been required to include EWOSA contact details on bills since 1 January 2025.¹⁷⁶ The proportion of customers contacting EWOSA for support with unresolved disputes after learning about it on their bills has since increased, suggesting that including contact details on bills promotes awareness of EWOSA and its role.¹⁷⁷

In deciding to require SA Water to include EWOSA contact details on bills from 1 January 2025, the Commission noted information provided by SA Water, indicating that the total cost of implementing the changes was around \$5,000.¹⁷⁸ This is a small cost in the context of SA Water's operating expenditure but a more significant cost for most small-scale retailers. The Commission is seeking input from small-scale retailers about the cost of adjusting bill templates.

Annually, the LGA SA publishes a Model Rates notice for South Australian Councils. This presents a Council rates notice template in a format and with contents that provide for Councils to fulfil their obligations, including legislative obligations, and provide the information that customers need. The Model Rates Notice includes information about how to object to a valuation or land use categorisation. It does not contain information about dispute resolution services more generally or contact details for either EWOSA or Ombudsman SA.

It is important that bills include all necessary information about each customer's account, their rights and responsibilities, and that this is balanced with bills being easily understood.

¹⁷⁶ Australian Energy Regulator, 2023, *Better Bills Guideline Version 2*, available at https://www.aer.gov.au/system/files/AER%20-%20Better%20Bills%20Guideline%20%28Version%20%29%20-%20January%202023_0.pdf, WRC-MR/06, clause 18.8.

¹⁷⁷ The proportion of customers contacting EWOSA after learning about it on their electricity bill increased from 3 percent in June 2023 to 21 percent in December 2023. The number of SA Water cases in the first five months of 2025 was 40 percent higher than in 2024, possibly due to inclusion of EWOSA's phone number on bills.

¹⁷⁸ SAWRD24, p. 112.

8.3.3.3 Draft decision

Including EWOSA contact details on bills benefits customers by raising awareness of and improving access to dispute resolution services. It is likely that those benefits outweigh the costs of making necessary adjustments to bill templates.

Therefore, the draft decision is to update the Code to require that EWOSA contact details are included on customer bills, unless the retailer charges for retail services as a component of a Council rates notice.

Further, the Commission will write to the LGA SA to ask it to consider including EWOSA contact details and a statement that EWOSA is the correct dispute resolution body for matters related to water and sewerage retail service charges in its next Model Rates Notice.

8.3.4 Water and sewerage charges as a component of a rates notice

There are several provisions in the Code that apply only where water and sewerage service charges are included as a component of Council rates notices, including clause 2.1.4(a) (which is clause 3.1.4(a) in the draft Code published alongside this draft decision).

8.3.4.1 Matters raised in consultation

GMB Water and the Alexandrina Wastewater Manager noted that they would like the ability to bill separately for Council rates and water and sewerage services. The Alexandrina Wastewater Manager asked specifically for the wording at clause 2.1.4(a) of the Code that refers to billing on a Council rates notice to be removed.

GMB Water noted that ability to bill separately would reduce confusion about the perceived high rates of Mount Barker District Council (it argued that the cost of rates is distorted because sewerage charges are included on Council rates notices), assist with clarity of the role of GMB Water and its services, enable billing to be moved to more regular cycles, and improve transparency for customers.

8.3.4.2 Analysis

Neither the WI Act, the Code or any other Commission instrument, require retailers that are Councils to issue a single bill encompassing both water retail service charges and council rates. The Commission appreciates that retailers that are Councils may have additional obligations under the LG Act for issuing Council rates notices. The Commission expects that Councils, while undertaking licensed retail operations, will identify and maintain billing practices for water retail services which comply with additional obligations under the LG Act.

8.3.4.3 Draft decision

To the extent that there are limitations on retailers that are Councils issuing separate bills for rates and water retail services, these do not exist in and cannot be addressed by changes to the Commission's regulatory framework. The draft decision is to make no associated changes to the Code.

8.3.5 Timeframe for recovering undercharged amounts

The Issues Paper sought responses from stakeholders about a reduction in the timeframe for recovering amounts undercharged because of retailer error from 12 to 9 months.

8.3.5.1 Matters raised in consultation

EWOSA supported a reduction in the timeframe for recovering amounts undercharged because of retailer error from 12 to 9 months, noting that this would bring provisions into alignment with other

entities regulated by the Commission and energy retailers authorised by the Australian Energy Regulator (AER). EWOSA noted that, for customers, this would reduce debt accrued in retailer error and, for retailers, may reduce bad or doubtful debt.

8.3.5.2 Analysis

The Code currently limits the amount a retailer can recover if they have undercharged a customer because of the retailer's error or omission. The amount is limited to that undercharged in the last 12 months.¹⁷⁹

In similar provisions for SA Water and small-scale energy network providers regulated by the Commission, and for National Energy Market retailers including exempt sellers, recovery of undercharged amounts is limited to the last 9 months.¹⁸⁰ In similar provisions for Victorian water retailers, recovery of undercharged amounts is limited to the last 4 months.¹⁸¹

Limitations on the timeframe for recovering undercharged amounts are important to protect customers from accumulation of debt.

8.3.5.3 Draft decision

Long timeframes during which retailers may recover undercharged amounts exacerbate the risk that customers can unknowingly accumulate debt. Limitations mitigate that risk and incentivise retailers to ensure regular meter reads and meter accuracy. Reducing the timeframe for recovering amounts undercharged because of retailer error from 12 to 9 months is necessary to ensure the same basic level of protections for all South Australian water consumers.

For these reasons, the draft decision is to change the timeframe for recovering undercharged amounts from 12 months to 9 months.

8.3.6 Changes to timeframes to accommodate Australia Post delivery times

Several timeframes in the Code relate to the postage or delivery of notices by mail.

8.3.6.1 Matters raised in consultation

Submissions to the Issues Paper did not address this matter.

8.3.6.2 Analysis

Since the Code was first made in 2013, Australia Post delivery times have changed. Currently, the same-State Australia Post delivery times are 3-5 business days for regular letters and 1-2 business

¹⁷⁹ WRC-MIR/02, clauses 5.7.1 and 5.7.2.

¹⁸⁰ WRC-MR/06, clauses 18.2 and 21.2.1, Essential Services Commission of South Australia, 2020, *SA Water Regulatory Determination 2020 – Final Determination Statement of Reasons*, section 5.2.6, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21489/20200611-Water-SAWRD20-FinalDetermination-StatementOfReasons.pdf.aspx?Embed=Y>, and Essential Services Commission of South Australia, 2023, *Small-scale Energy Networks Consumer Protection Framework Review – Final decision*, pp. 8 and 14, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21958/20230621-Energy-Small-scaleNetworks-ConsumerProtectionFrameworkReview-FinalDecision.pdf.aspx?Embed=Y>.

¹⁸¹ This aligns with the 4-month requirement in the Victorian Energy Retail Code of Practice. See: Essential Services Commission Victoria, 2002, *Water Industry Standard – Urban Customer Service*, clause 6.7, *Water Industry Standard – Rural Customer Service*, clause 6.6, available at <https://www.esc.vic.gov.au/water/industry-standards-codes-and-guidelines/industry-standards/water-industry-standards-review>.

days for Express Post letters, with no specific timeframes outside of the Express Post network (which includes capitals and some metropolitan centres).¹⁸²

In 2020, the Commission updated timeframes that apply to SA Water to reflect changes in Australia Post delivery times. Further, timeframes for pay-by dates on bills and reminder notices were updated to reflect SA Water's practice of printing due dates a standard number of calendar days in advance (23 calendar days for bills and 17 calendar days for reminder notices). With this practice, SA Water could use a simple formula for pay-by dates and exceed the Code requirements at the time.¹⁸³ The Commission decided that this practice provided sufficient notice for customers in the context of longer Australia Post delivery times.

In 2020, same-State Australia Post delivery times were 2-3 business days to metropolitan locations and 3-4 business days to country locations, and there was a 4-business day delivery time for Express Post letters outside the Express Post network.¹⁸⁴

Although Australia Post delivery times are slower than in 2020, they can still be accommodated by the 23 and 17 calendar day timeframes for pay-by dates on bills and reminder notices.

The Commission seeks feedback from small-scale retailers on how they set pay-by dates that are printed on bills and reminder notices (that is, whether they use a standard number of calendar days or other methods), and costs they may incur to change those methods.

8.3.6.3 Draft decision

Changes in Australia Post delivery times mean that timeframes in the Code that relate to the postage or delivery of notices by mail may no longer be realistic or achievable. Further, as timeframes that apply to SA Water have been adjusted to accommodate revised Australia Post delivery times, there are no longer consistent timeframes that apply to all South Australian water consumers.

For those reasons, the draft decision is to change timeframes in the Code which relate to the postage or delivery of notices by mail as set out in Table 11 below.

Table 11: Draft decision on changes to timeframes to accommodate Australia Post delivery times

Clause	Current	Draft decision
Date of receipt definition	By post, 2 business days after retailer gives notice by post or registered mail	By post, 5 business days after retailer sends notice by post, including by registered mail or Express Post
Timeframe allowed for customers to pay a bill	Not less than 12 business days after the date the retailer sends the bill to the customer	Not less than 23 calendar days after the retailer issues the bill

¹⁸² Australia Post, 2026, Delivery speeds and coverage, available at <https://auspost.com.au/business/shipping/delivery-speeds-and-coverage>.

¹⁸³ Code requirements at the time were to provide pay-by dates of 12 business days after sending a bill and 5 business days after sending a reminder notice. SA Water determined the standard number of calendar days to exceed Code requirements during the Christmas/New Year period, which has the maximum possible number of weekend days and public holidays

¹⁸⁴ Essential Services Commission of South Australia, 2020, *SA Water Regulatory Determination 2020 – Final Determination Statement of Reasons*, section 5.2.6, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21489/20200611-Water-SAWRD20-FinalDetermination-StatementOfReasons.pdf.aspx?Embed=Y>, p. 72.

Clause	Current	Draft decision
Timeframe allowed for customers to pay a bill after review	Not specified	23 calendar days from when the corrected bill was issued
Minimum reminder notice period	Not specified in Code Standard Customer Contract specifies not less than 6 business days after the retailer issues the notice	17 calendar days after the retailer issues the reminder notice
Minimum restriction warning period	5 business days from date of issue of warning notice	5 business days from date of receipt of warning notice

8.3.7 Contents of bills – other matters

There have been a small number of complaints about small-scale retailers issuing irregular bills, bills not clearly displaying the amount owing, and bills including old unpaid charges which customers have not previously been notified about.

8.3.7.1 Matters raised in consultation

These matters arose through the Commission's own analysis, rather than through issues raised in consultation.

8.3.7.2 Analysis

The Code currently requires retailers to use their best endeavours to issue bills quarterly, and as discussed above, makes protections around the recovery of amounts undercharged because of retailer error.

These protections include limitations on recovering historical amounts undercharged because of retailer error (currently to 12 months) and on charging interest, a requirement to clearly set out undercharged amounts as a separate item in a special bill or in the next bill, a requirement to offer payment plans, and a requirement to provide appropriate time to pay.

The Code currently requires that bills include the amount due to the retailer, whether the amount is in arrears or credit, the total of any payments made since the last bill, and the relevant fees, charges and tariffs individually itemised.

The Commission's position is that all bills issued, regardless of whether they are new bills or revised bills, must include the particulars required in clause 5.1.5 of the Code (clause 6.1.7 of the draft Code published alongside this draft decision).

Existing provisions provide sufficient protection against small-scale retailers issuing irregular bills, bills not clearly displaying the amount owing, and bills including old unpaid charges which customers have not previously been notified about.

8.3.7.3 Draft decision

The draft decision is to:

- clarify that all bills issued, regardless of whether they are new bills or revised bills, must include the particulars required in the Code

- ▶ retain existing provisions about how often retailers must issue bills, and the protections that extend to customers if retailers issue bills irregularly, and
- ▶ retain existing provisions about how charges accrued, amounts paid, and amounts owing must be displayed on bills.

8.4 Call-out fees and late payment charges

Draft decision

The draft decision is to prohibit a retailer from charging call-out fees for network faults.

If a retailer offers plumbing services, they must be negotiated with the customer and be consistent with Australian Consumer Law (ACL) and contract law requirements.

In addition to variation in fixed and supply charges discussed above, there is variation in practices around and prices of call-out fees and late payment fees.

8.4.1.1 Matters raised in consultation

This issue was identified by the Commission during consultation on the Issues Paper. It was not specifically raised by stakeholders.

8.4.1.2 Analysis

Some small-scale retailers offer customers plumbing services, if they are called out to respond to an issue, and discover that the issue is related to a fault on the customer's side of the meter. For example, the District Council of Coober Pedy provides services with call-out fees to address a fault on the customer's side of the meter of between \$200 and \$320 per hour.¹⁸⁵ Alano Utilities' initial call-out fees in relation to faults on the customer's side of the meter are \$121 during business hours and \$440 outside business hours, plus additional charges for each 15-minute increment.¹⁸⁶

Plumbing services and charges for plumbing services are outside of the regulatory framework for provision of water retail services. Consumer protections made in the Australian Consumer Law (ACL) apply in relation to these services.

There is also variation amongst small-scale retailers in the structure and amount of late payment fees. For example, Alano Utilities charges a late payment fee of 5 percent per annum of the total amount of the unpaid invoice, regardless of whether part has been paid, plus costs associated with debt recovery. FB Pipeline Pty Ltd charges a \$20 late payment fee.¹⁸⁷

8.4.1.3 Draft decision

There is a risk that a customer may hesitate to seek a response to a network issue, or not seek a response, if they are concerned that the issue is subsequently identified as being due to a fault on the customer's side of the meter, and that they are liable for a fee.

The draft decision is to amend the Code to prohibit call-out fees for network faults – the cost of network maintenance is shared by all customers.

If a retailer offers plumbing services, they must be negotiated with the customer and be consistent with Australian Consumer Law (ACL) and contract law requirements.

¹⁸⁵ District Council of Coober Pedy, 2026, *Water call outs*, available at:

<https://www.cooberpedy.sa.gov.au/water/water-call-out>.

¹⁸⁶ Alano Utilities, 2023, *Pricing Policy Fees and Charges*, available at: <https://www.alano.com.au/customer-documentation>.

¹⁸⁷ FB Pipeline Pty Ltd, 2025, *Price List*, available at https://www.fbmservices.net/_files/ugd/b692a0_f413721546b3407288910107ea3becf0.pdf.

In this context, plumbing relates to work undertaken on the customer's side of the connection point. A connection point means the point at which a customer's pipes connect with any water infrastructure or sewerage infrastructure.

Variation in the structure and amount of late payment fees is acceptable, so long as retailers comply with relevant pricing principles and disclose the prices ahead of time. The Commission plans to separately review its policies for charging interest on late payments in 2026.

9 Protections for specific groups of consumers

The Code sets out behavioural standards and minimum requirements that apply to small-scale retailers when engaging with their customers.

This chapter addresses specific protections for consumers experiencing vulnerability, including the provision of hardship programs and assistance mechanisms, consumer protections for tenants, protections for those affected by family and domestic violence, and for those dependent on life support equipment.

9.1 Hardship and payment difficulties

Draft decision

The draft decision is for the Commission to:

- ▶ publish a Hardship Support Fact Sheet on available assistance, require that retailers publish a link to it on their website, and provide it to customers (and tenants where relevant) experiencing payment difficulty
- ▶ encourage retailers that are Councils to adopt a single hardship policy that sets out provisions for both retail water and sewerage charges and non-retail charges, including Council rates
- ▶ require that small-scale retailers offer flexible payment arrangements to both residential customers and small non-residential customers
- ▶ require that retailers provide residential customers with information about current Commonwealth and South Australian Government concessions, rebates and grants, including contact details for administering agencies, at the commencement of a customer's contract
- ▶ require that retailers provide payment-in-advance facilities and bill redirection where a customer advises they are unable to manage payments due to illness or long absence, and
- ▶ not make changes to hardship reporting requirements, retain separate reporting categories for the number of customers in hardship programs and using flexible payment arrangements.

Financial hardship refers to circumstances in which an individual genuinely lacks the financial capacity to meet their payment obligations, whether temporarily or on an ongoing basis. It does not include situations where a person elects not to pay an outstanding debt.¹⁸⁸

Small-scale retailers have an obligation under the WI Act¹⁸⁹ to adopt the WI Minister's hardship policy,¹⁸⁸ which addresses how retailers must identify and assist customers experiencing financial hardship. There is a corresponding policy, with almost identical provisions, for SA Water.¹⁹⁰

¹⁸⁸ Department for Human Services, *Hardship Policy for Residential Customers of Minor and Intermediate Water Retailers*, September 2013, available at https://dhs.sa.gov.au/_data/assets/pdf_file/0019/148204/Hardship-policy-for-residential-customers-of-minor-and-intermediate-water-industry-retailers-September-2013.pdf

¹⁸⁹ WI Act, section 37.

¹⁹⁰ Department of Human Services, *Hardship Policy for Residential Customers of Major Water Industry Retailers*, February 2013, available at https://dhs.sa.gov.au/_data/assets/pdf_file/0018/148203/hardship-policy-for-customers-of-water-industry-entities.pdf

Provisions in the Code support implementation of the hardship policy, including in relation to:

- ▶ the retailer adopting the hardship policy or a modified version with the Commission's approval and informing residential customers of that policy in certain circumstances¹⁹¹
- ▶ the retailer providing residential customers experiencing payment difficulties information about flexible payment arrangements, the hardship policy, government concessions and financial counselling services,¹⁹² and
- ▶ limitations on debt recovery, prohibitions on water flow restriction, and a requirement to waive restoration fees for residential customers experiencing payment difficulties.¹⁹³

In 2023-24, a higher proportion of small-scale residential customers participated in hardship programs (0.31 percent) than SA Water residential customers (0.12 percent). Similarly, the use of flexible payment plans was higher among small-scale retailer customers (1.96 percent) than among SA Water customers (0.38 percent).¹⁹⁴

This may reflect differences in the average income and economic circumstances of the respective customer groups, or variation in the extent to which retailers proactively identify and support customers experiencing payment difficulty.¹⁹⁵ It is important that customers receive fair and consistent assistance regardless of retailer size, and that obligations placed on retailers are clear, practical, and proportionate to their capacity.

The draft decision is to make a series of changes, each described in the following sections, that improve hardship protections for customers and consumers of small-scale networks. Note that two further sections of this draft decision contain elements that relate to hardship protections:

- ▶ Consumer protections for tenants (section 9.2) – addresses application of hardship provisions to customers, as owners of land, and other types of consumers.
- ▶ Family violence protections (section 9.3) – addresses family violence as a potential cause and exacerbating factor in financial hardship.

9.1.1 Early identification of and support for customers in hardship

When customers experiencing payment difficulty or financial hardship are identified and supported early, debt escalation can be minimised, and financial stress can be reduced. Retailers also benefit through fewer payment defaults and complaints.

9.1.1.1 Matters raised in consultation

Stakeholders broadly agreed that small-scale retailers need to strengthen how they identify, engage with, and support customers experiencing payment difficulty, particularly through early identification and support.

¹⁹¹ WRC-MIR/02, clause 3.5.

¹⁹² WRC-MIR/02, clause 5.5.

¹⁹³ WRC-MIR/02, clauses 5.9, 6.2.1(a), and 8.2.

¹⁹⁴ Essential Services Commission of South Australia. *Review of the small-scale water regulatory framework – Issues Paper*. August 2025, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/water/review-of-the-small-scale-water-and-sewerage-regulatory-framework>

¹⁹⁵ In 2019-20, average household income was 22.5 percent higher in Greater Adelaide than in the remainder of the state. See Australian Bureau of Statistics, 2019-20, *Household Income and Wealth, Australia: Summary of Results*, available at [https://www.abs.gov.au/statistics/economy/finance/household-income-and-wealth-australia/2019-20/13.States and territories.xlsx](https://www.abs.gov.au/statistics/economy/finance/household-income-and-wealth-australia/2019-20/13.States%20and%20territories.xlsx).

GMB Water stated that small-scale retailers can better support customers through improved monitoring of overdue bills, clearer online information, proactive social media communication and staff training. GMB Water emphasised that these actions would involve no practical difficulties or costs and would help both customers and retailers.

Similarly, referring to the AER's Review of Payment Difficulty Protections in the National Energy Customer Framework (NECF), EWOSA emphasised the need to make it easier to identify customers requiring assistance, to ensure they understand and can access available support, to improve the effectiveness of assistance, and to ensure water restriction is used only as a last resort.

SACOSS advocated for strong early-identification measures, including a debt trigger that requires retailers to contact customers within 21 days once arrears exceed \$55 to explain available assistance and how to access it, which is consistent with Victoria's Payment Difficulty Framework.¹⁹⁶

9.1.1.2 Analysis

Relying on customer-initiated identification of hardship can be a barrier to assistance. Customers may be reluctant to seek help because they feel shame, embarrassment, fear of being judged, or have had negative past experiences with a retailer.¹⁹⁷ Retailers can use a variety of mechanisms to identify hardship early. Box 5 contains a list of these mechanisms.

The WI Minister's hardship policies require that staff are trained to identify hardship.¹⁹⁸ Requirements include training staff in the early identification of hardship, but not a specific mechanism for identifying customers who may need support before payment difficulties emerge.

The WRC-MR and WRC-MIR both require retailers to act when their credit management processes indicate, or ought to indicate, that non-payment is due to hardship.¹⁹⁹ However, these obligations apply only once debt levels or payment patterns show that payment difficulty already exists.

¹⁹⁶ Essential Services Commission Victoria, 2017, *Payment difficulty framework - final decision*, available at <https://www.esc.vic.gov.au/sites/default/files/documents/payment-difficulty-framework-final-decision-20171009.pdf>

¹⁹⁷ See: Australian Securities and Investments Commission, 2024, *Hardship, hard to get help: Findings and actions to support customers in financial hardship (Key Findings)*, available at <https://download.asic.gov.au/media/z5zhgw1k/24-118mr-key-research-findings.pdf> and Essential Services Commission Victoria, 2024, *Payment difficulty framework*. Available at: <https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-codes-guidelines-and-policies/energy-guidelines/payment-difficulty-framework#toc-payment-difficulty-framework>

¹⁹⁸ WI Minister's Hardship Policy - Major Retailers, provision 35 and WI Minister's Hardship Policy - Minor and Intermediate Retailers, provision 37.

¹⁹⁹ WRC-MR/06 clause 10.1(d)(iii) and WRC-MIR/02 clause 3.5.2(c)(iii).

Box 5: Mechanisms to promote the early identification of hardship

- ▶ Using a single, consistent definition for customers experiencing hardship.
- ▶ Providing for hardship to be identified by the customer, the retailer, or a third party.
- ▶ Communicating information about available assistance clearly, early, and on an ongoing basis.
- ▶ Having a no barriers to assistance policy.

Barriers to assistance can include postponing assistance until the customer: has contacted a financial counsellor; participated in an energy audit; made a one-off payment or a set number of payments, has accrued a minimum amount of debt; has applied for concessions, or provided proof of payment difficulty.

- ▶ Providing standardised assistance early

Standardised assistance can include the option to make smaller, more frequent payments, changing payment frequency, delaying a bill once per year, or paying in advance.

- ▶ Providing tailored assistance

Tailored assistance can include for customers in arrears, affordable payment plans, energy-use information, practical help to reduce bills, best-offer checks, assistance with concessions and grants, reduced-payment options for those unable to pay ongoing usage, and fair, reasonable payment arrangements.

- ▶ Retailer recognition of indicators of hardship

Indicators of hardship may include missed or late payments, customers expressing that they are struggling or concerned about paying, making partial payments, repeated requests for extensions, not responding to calls, missing minimum payments.

- ▶ Proactive monitoring of payments

Which may involve monitoring payment patterns for early signs of difficulty, such as debt, failed payments and overdue bills, and contacting customers quickly with assistance to prevent arrears. This may also involve identifying customers who request flexible payment plans online and contacting them early to offer support.

In 2024, the Commission noted that SA Water's hardship arrangements did not appear to be preventing debt escalation.²⁰⁰ In response, the Commission introduced a requirement for SA Water to establish Commission-approved processes to identify customers who may be experiencing payment difficulty, and to use its best endeavours to contact those customers with information about available assistance.²⁰¹

Reporting on the level of debt hardship customers are carrying was introduced for small-scale retailers in 2025. Data will be available from 1 July 2026. While the situation with debt escalation is not yet clear, small-scale retailers do not necessarily have the capacity or capability to develop the type of processes the Commission has required of SA Water.

²⁰⁰ Essential Services Commission of South Australia, 2024, *SA Water Regulatory Determination 2024*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/water/sa-water-regulatory-determination-2024>.

²⁰¹ WRC-MR/06, Clause 25.2.

In 2023, the Commission's Small-scale Energy Networks Consumer Protection Framework review draft decision was to require that energy retailers proactively identify, contact and offer hardship support to customers who, after two billing cycles, remained at least \$55 in arrears.²⁰² In its submission to this review, SACOSS proposed that a \$55 debt threshold be introduced for early identification of hardship by small-scale water retailers.

A \$55 debt trigger is used in the Victorian Payment Difficulty Framework (2017), which requires that residential customers who have not paid bills and have arrears of more than \$55 are entitled to be contacted by the retailer and provided with assistance.²⁰³ The Victorian Payment Difficulty Framework (2024) further indicates that retailers must not make this minimum level of arrears a barrier to providing assistance.²⁰⁴

A barrier to using a debt trigger, or a trigger of several missed bills, for small-scale water retailers, is that charges for water and sewerage services may be included alongside other charges in Council rates notices. This means that the amount of debt a customer has for water and sewerage services may not be clear.

The Commission did not include the debt-based trigger in the final decision of the Small-scale Energy Networks Consumer Protection Framework review.²⁰⁵ Instead, the Commission required retailers to provide relevant residential customers with a fact sheet about support for financial hardship. In part, the fact sheet identifies ways that financial hardship can be identified in a timely manner, including by customers, retailers, and third-party (for example, financial counsellor) referrals.

While the factsheet is for residential customers, it also serves as a reference for retailers about their responsibilities and how they can best provide support.²⁰⁶ This is a simple, flexible way to promote early identification of hardship that can be delivered by small-scale retailers.

9.1.1.3 Draft decision

When customers accumulate debt, there is a risk of financial stress and of payment defaults. This can be addressed by early identification of and support for financial hardship. Small-scale retailers are not currently required to provide customers with the same level of early support as SA Water, or small-scale energy retailers licensed by the Commission. Improvements are needed to ensure consistency.

The draft decision is to:

- support early identification of and support for customers experiencing hardship by publishing a Hardship Support Fact Sheet, with clear, plain-English information on available hardship assistance and the importance of early engagement

²⁰² Essential Services Commissions of South Australia, 2022, *Small-scale energy networks consumer protection framework review*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/off-grid-energy-consumer-protection-framework-review>

²⁰³ Essential Services Commission Victoria, 2026, *Energy retail code of practice*, Clause 129(2), available at <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice>.

²⁰⁴ Essential Services Commission Victoria, 2024, *Payment difficulty framework guideline*, section 1.1.4, available at <https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-codes-guidelines-and-policies/energy-guidelines/payment-difficulty-framework>.

²⁰⁵ Essential Services Commission of South Australia, 2023, *Small-scale energy networks consumer protection framework review: Final decision*, available at <https://www.escosa.sa.gov.au/rarticleDocuments/21958/20230621-Energy-Small-scaleNetworks-ConsumerProtectionFrameworkReview-FinalDecision.pdf.aspx?Embed=Y>.

²⁰⁶ Essential Services Commission of South Australia, 2023, *Small-scale energy networks consumer protection: Financial hardship fact sheet*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21960/20230621-Energy-Small-scaleNetworks-ConsumerProtection-FinancialHardship-Factsheet.pdf.aspx?Embed=Y>

- ▶ require that retailers publish a link to the Hardship Support Fact Sheet on their website in a readily accessible location and provide printed or electronic copies of it free of charge on request, and
- ▶ require that customers (including tenants, where relevant) experiencing payment difficulty are provided with the Hardship Support Fact Sheet.

9.1.2 Single hardship policy for retailers that are Councils

Councils provide retail water and sewerage services and other services such as general rates. Councils can charge customers for retail water and sewerage services on stand-alone bills, or in a Council rates notice.

Hardship provisions in the Code and in the WI Minister's Hardship Policy apply in relation to retail water and sewerage charges whether they are included in a Council rates notice or on a stand-alone bill. Many Councils have a separate rates hardship policy that applies to the non-retail services they provide.

9.1.2.1 Matters raised in consultation

In consultation, several stakeholders noted practices where customers who pay for water or sewerage charges as a component of a Council rates notice are offered hardship support under a Council's Rates Hardship Policy only. The Commission made a similar finding in its ongoing compliance investigation into the hardship programs of small-scale water retailers.²⁰⁷

This suggests that some customers may not be appropriately identified as experiencing financial hardship and not offered the prescribed provisions. There is a need for increased awareness of responsibilities around hardship protections.

9.1.2.2 Analysis

Where a Council supplies a retail water or sewerage service, the WI Act requires the Council to adopt the Minister's Hardship Policy or a Commission-approved modified version. Adoption of the Minister's Hardship Policy or a Commission-approved modified version is a statutory requirement under the WI Act, and is non-negotiable.

The Code requires that if Councils include retail water and sewerage charges on Council rates notices, they are itemised separately,²⁰⁸ and the WI Minister's Hardship Policy applies only to the retail water and sewerage component of the Council rates notice.²⁰⁹

Councils do not need to have a hardship policy for other services such as general rates, but under the LG Act they are permitted to remit or postpone rates and waive interest where payment would cause hardship.²¹⁰ Many Councils choose to adopt a rates hardship policy. The LGA SA has published Hardship Policy Guidelines to assist Councils, should they choose to adopt a rates hardship policy, in considering how to identify and support ratepayers experiencing financial difficulty.²¹¹

The LGA SA Hardship Policy Guidelines suggest measures including remission of fines and interest, postponement of rates, and remission of rates in cases of serious or long-term hardship. They do not

²⁰⁷ This investigation was initiated following performance data for 2023-2024, which indicated that approximately 49 percent of licensees reported having no residential customers on either a hardship program or flexible payment arrangement. Responses were sought from 18 retailers. Offering hardship support under a Rates Hardship Policy only was a common explanation.

²⁰⁸ WRC-MIR clause 5.1.4.

²⁰⁹ WI Minister's Hardship Policy – Minor and Intermediate Retailers, provision 27.

²¹⁰ LG Act, Sections 181 and 182.

²¹¹ Local Government Association of South Australia, 2020, *Rates hardship policy guidelines*. Available for members at <https://www.lga.sa.gov.au/members/services/research-and-publications/library/2019/rates-hardship-policy-guidelines>.

address the protections required in relation to water and sewerage charges under the WI Minister's Hardship Policy, which include limitations on restriction, and reconnection fees, bill redirection and efficiency advice.

Water and sewerage service charges are commonly included on Council rates notices. Some Councils, such as Copper Coast Council²¹² and the City of Onkaparinga²¹³, have Commission-approved modifications to their water and sewerage hardship policies that accommodate the requirements of the WI Minister's Hardship Policy and provisions that may be made under the LG Act.

There are practical issues with applying different hardship provisions to charges that are part of the same Council rates notice. Councils have an obligation to, at a minimum, apply the Minister's Hardship Policy to the water and sewerage component of a combined rates notice, regardless of the approach it takes to general rates hardship. However, managing the water debt separately is not straightforward. If rates are part paid, it may not be clear what debt is discharged first.

The Commission is aware of one instance of a Council applying only hardship provisions that can be made under the LG Act to water retail customers (all of whom are also rate payers), because it thought the LG Act hardship provisions superseded the requirements in the WI Minister's Hardship Policy, and that it did not need to identify or differentiate between customers.

It is possible for retailers that are Councils to maintain a single hardship policy that sets out provisions for retail water and sewerage charges and non-retail charges (including Council rates). Councils are not prevented from combining hardship arrangements for retail water and non-retail charges into a single document.²¹⁴ The Commission may approve modifications to the WI Minister's Hardship Policy.²¹⁵

A single hardship policy would benefit both retailers and customers by providing clarity for customers, supporting consistent communication and case management, and providing for retailer compliance with both LG Act and WI Act obligations.

9.1.2.3 Draft decision

Small-scale retailers that are Councils must adopt the WI Minister's Hardship Policy (or a variation approved by the Commission). Many also have a separate rates hardship policy that applies to non-retail services. There is evidence that some customers who pay for water or sewerage charges as a component of a Council rates notice are only offered hardship support under a Council's rates hardship policy.

Customers may experience harm where they are not offered the prescribed hardship provisions. This harm can be addressed by retailers that are Councils having a single hardship policy that sets out provisions for retail water and sewerage charges and non-retail charges (including Council rates).

The draft decision is to:

- encourage retailers that are Councils to adopt a single hardship policy that sets out provisions for both retail water and sewerage charges (that are required by the WI Act through the Code and WI Minister's Hardship Policy) and non-retail charges including Council rates (which may be extended under provisions of the LG Act).

²¹² Copper Coast Council, 2024, *Hardship Policy for Residential Customers of Minor and Intermediate Retailers*, available at https://www.coppercoast.sa.gov.au/_data/assets/pdf_file/0032/1639337/FIN019-Hardship-Policy-for-Residents-and-Retailers-C157.0724.pdf.

²¹³ City of Onkaparinga, *Hardship Policy (water)*, available at <https://www.onkaparingacity.com/Council/Documents/Policy-and-Procedure>.

²¹⁴ Local Government Association of South Australia, 2020, *Rates hardship policy guidelines*, section 12(a).

²¹⁵ WI Act, Section 37(3).

- engage with the LGA SA to explore development of a model combined hardship policy for retailers that are Councils that integrates the requirements of the WI Act, LG Act, and recommendations in the LGA SA Hardship Guidelines.

9.1.3 Flexible payment plans for all types of customers

Currently, the Code requires retailers to offer flexible payment arrangements to residential customers, with no equivalent obligation applying to non-residential customers.²¹⁶

9.1.3.1 Matters raised in consultation

This matter was identified by the Commission, submissions to the Issues Paper did not address this matter.

9.1.3.2 Analysis

In 2024, the Commission extended SA Water's requirement to offer flexible payment arrangements to apply to all customers that receive retail services under a standard contract and are experiencing payment difficulties. In effect, this gave small business customers access to flexible payment arrangements. The decision recognised that small business customers can experience payment difficulty in a similar way to households and often lack the bargaining power to negotiate bespoke payment arrangements.

The SAWRD24 decision noted that there are protections that apply to non-residential customers in other jurisdictions, including to enter agreed payment plans and to be protected from debt recovery while on an agreed payment plan.²¹⁷ It further noted that extending the requirement to offer payment plans to all customers is likely to have some minor costs (administrative costs, costs of delayed debt recovery and of fees and charges that are not recoverable), and that these are likely to be outweighed by the benefits including of potentially increased debt recovery and reduced costs of debt recovery action, and increased customer satisfaction.²¹⁸

A slightly different approach is required for small-scale water retailers. Extending the requirement to apply to all customers that receive retail services under a standard contract does not have the desired effect, as customers who are charged for water or sewerage services as a component of a Council rates notice are not covered by a standard contract. Instead, provisions can be explicitly extended to include small business customers.

9.1.3.3 Draft decision

The Commission anticipates that small business customers in small-scale networks experience payment difficulty in a similar way to households, and that the benefits of extending flexible payment plan requirements to these customers exceed the costs. It is important that small business customers in small-scale networks have similar protections to those of SA Water.

Therefore, the draft decision is to require that small-scale retailers offer flexible payment arrangements to both residential customers and small business customers, with small businesses defined as those with fewer than 15 employees. This is consistent with the definition of small business in the *Fair Work Act 2009*. Reporting on flexible payment plans operating for residential and small business customers will be introduced.

9.1.4 Information on available Government hardship supports

²¹⁶ WRC-MIR, clause 5.4.

²¹⁷ SAWRD24, p. 81.

²¹⁸ SAWRD24, p. 81.

Providing customers with clear, timely and accessible information about Government concessions, rebates and other assistance is an essential part of early hardship support and may prevent payment difficulty from escalating.

9.1.4.1 Matters raised in consultation

This matter was identified by the Commission, submissions to the Issues Paper did not address this matter.

9.1.4.2 Analysis

SA Water must proactively provide all residential customers and consumers with information about current Government concessions, rebates and grants, including contact details for administering agencies.²¹⁹

Proactive information provision is also required of National Energy Retail Law (NERL) retailers under the Australian Energy Regulator's Hardship Policy Guideline, and small-scale energy retailers licensed by the Commission. Under the Small-scale Energy Networks Code, retailers must provide a copy of the financial hardship fact sheet upon commencement of the customer's contract, which includes information on available Government hardship supports.²²⁰

There is currently no equivalent proactive requirement for small-scale retailers. Small-scale retailers are only required to itemise any Government concessions or rebates in bills,²²¹ and be provided with information about Government concessions if identified as experiencing payment difficulty²²² and before water services are restricted for non-payment.²²³ The WI Minister's Hardship Policy requires referral to Commonwealth and State support programs, but only once hardship has been identified.²²⁴

There is some information about payment assistance and financial hardship in the model customer charter (which retailers must advise customers of before they receive their first bill). However, because this information is high-level, there is a risk that customers may not become aware of available support until they are already in payment difficulty. As discussed above in relation to early identification of hardship, proactive information provision is necessary to support earlier engagement and improved outcomes.

Customers of SA Water currently benefit from a stronger, proactive obligation that ensures consistent and systematic communication of available Government support. Making the same provision for customers of small-scale retailers would promote consistency across the Commission's water codes and ensure similar outcomes for customers.

9.1.4.3 Draft decision

Proactive information provision is necessary to support earlier engagement and improved outcomes. For consistency with protections extended to SA Water customers, customers of small-scale water retailers must receive information about hardship supports at the commencement of their contract.

The draft decision is to:

²¹⁹ WRC-MR, clause 8.1.1.

²²⁰ SENC, clause 4.16.3(a).

²²¹ WRC-MIR, clause 5.1.5.

²²² WRC-MIR, clause 5.5.1(c).

²²³ WRC-MIR, clause 6.4.1(c).

²²⁴ WI Minister's Hardship Policies, provision 20.

- ▶ include information about current Commonwealth and South Australian Government concessions, rebates and grants, including contact details for administering agencies, in the Hardship Support Fact Sheet
- ▶ require that retailers provide residential customers with this information by providing the Hardship Support Fact Sheet at the commencement of a customer's contract.

9.1.5 Long absence or illness

Customers may experience hardship due to illness and long-term health conditions.²²⁵ Currently, small-scale retailers do not have specific obligations in relation to long absence or illness.

9.1.5.1 Matters raised in consultation

This matter was identified by the Commission, submissions to the Issues Paper did not address this matter.

9.1.5.2 Analysis

SA Water has specific obligations to support customers unable to manage payment arrangements due to illness or extended absence. It must provide payment-in-advance facilities and redirect bills to an alternative address at no cost to the customer.²²⁶ Small-scale electricity retailers licensed by the Commission have similar obligations.²²⁷ Payment-in-advance facilities may be simple, for example, they may involve a customer being able to make payments to their account using their usual payment method, so that the account is in credit, or setting up a regular direct debit.

These supports ensure continuity of billing and reduce the administrative burden on customers temporarily unable to manage their accounts. Requiring that small-scale retailers provide support in those circumstances would strengthen hardship protections and consistency with provisions in other regulatory frameworks.

9.1.5.3 Draft decision

For consistency with protections extended to SA Water customers, customers of small-scale water retailers must receive additional assistance when they are unable to manage payments due to illness or long absence.

The draft decision is to require that retailers provide, at no cost to the customer, payment-in-advance facilities and bill redirection where a customer advises that they are unable to manage payments due to illness or long absence.

9.1.6 Reporting and monitoring

Small-scale retailers are required to report on the number of customers participating in hardship programs and the number of customers using flexible payment arrangements (by amount of debt held), the total number of residential customers whose water service was restricted for failure to pay a bill, and the total number of customers who successfully exited a hardship program.

²²⁵ Illness is recognised as a legitimate hardship circumstance in the Australian Energy Regulator's Customer Hardship Policy Guideline, and the Victorian Payment Difficulty Framework.

²²⁶ WRC-MR/06, clause 23.5.

²²⁷ SENC, clause 4.17.

9.1.6.1 Matters raised in consultation

In submissions to the Issues Paper, EWOSA and SACOSS requested expanded public reporting requirements to improve transparency of performance and data quality.

EWOSA and SACOSS also noted the steep decline in the number of customers participating in hardship programs reported to the Commission between 2023 and 2024 and queried whether this reflects weakened support for customers.

This decline is in part due to data quality issues and changes in reporting processes used by some retailers, which the Commission will seek to address. For example, one large retailer had been, in error, reporting all customers who entered its hardship program during the year, rather than correctly reporting those participating in its hardship program at 30 June.

9.1.6.2 Analysis

Reporting requirements were examined and updated in the 2025 review of Guideline No. 5. The Commission utilises the data received under Guideline 5 to provide public information and reports on performance of small-scale retailers but does not publish data or require retailers to publicly report.

Noting that public reporting on hardship is limited across many regulatory frameworks, Energy Consumers Australia recommends consistent hardship metrics and regular public reporting to better inform policy responses.²²⁸ The Commission requires SA Water to publicly report on its performance across several areas, including hardship support.²²⁹

As this matter was considered in the 2025 review of Guideline No. 5, it is outside the scope of the current review.

9.1.6.3 Draft decision

Current reporting is sufficient to allow monitoring of customer bill debt and financial hardship. The draft decision is not to make changes to hardship reporting requirements, or to require public reporting of hardship data.

9.1.7 Single payment difficulty category

Currently, reporting requirements for small-scale retailers in Guideline No. 5 require separate reporting of customers participating in hardship programs and those using flexible payment arrangements.

9.1.7.1 Matters raised in consultation

In its submission to the Issues Paper, SACOSS argued that distinguishing between customers using flexible payment arrangements and customers participating in hardship programs is unnecessary. It considered that both groups are experiencing payment difficulty, and suggested the Commission adopt a single payment difficulty reporting category.

²²⁸ Energy Consumers Australia, 2025, *Understanding and measuring energy hardship in Australia: Consumer Energy Report Card*. Available at: <https://energyconsumersaustralia.com.au/sites/default/files/2025-07/website-doc-consumer-energy-report-card-jun25-report-understanding-measuring-energy-hardship-australia.pdf>

²²⁹ WRC-MR/06, clause 33.1.1(d).

9.1.7.2 Analysis

Hardship programs include a range of measures to support customers who are willing but unable to pay their bill by the due date due to financial difficulty. These measures include flexible payment arrangements (for example, paying by instalment).

However, not all customers using flexible payment arrangements are experiencing financial hardship or require further hardship support. Customers on payment plans may:

- ▶ have seasonal or irregular income (for example, contract work, agriculture or tourism)
- ▶ prefer advance or instalment payments for budgeting reasons, or
- ▶ be experiencing a temporary cash-flow issue rather than ongoing financial stress

In these cases, flexible payment arrangements support budgeting and hardship avoidance, rather than indicating financial hardship.

For other customers, use of flexible payment arrangements can be an early indicator of emerging payment stress, enabling retailers to identify risk and engage with customers before hardship escalates.

The distinction between hardship programs and flexible payment arrangements is intentional, and policy driven. This distinction is reflected in the NERL which defines a payment plan as a plan for either a hardship customer or a residential customer who is not a hardship customer but is experiencing payment difficulties.

The Victorian Payment Difficulty Framework adopts a unified framework for residential customers who are anticipating or experiencing payment difficulty. However, it does not establish a single payment difficulty customer category but differentiates the level of assistance provided—standard or tailored—within the framework.

Maintaining separate reporting categories for hardship customers and customers using flexible payment arrangements enables the Commission and retailers to:

- ▶ better understand customer behaviour and debt risk profiles
- ▶ distinguish between early indicators of stress and entrenched hardship
- ▶ assess whether flexible arrangements are preventing escalation into hardship, and
- ▶ design and refine targeted consumer protections and intervention strategies.

Separate data provides the Commission with a nuanced and accurate picture of affordability pressures within small-scale networks and supports evidence-based decision-making.

9.1.7.3 Draft decision

Separate reporting of the number of customers participating in hardship programs and using flexible payment arrangements is necessary to identify financial hardship. Use of flexible payment arrangements does not always indicate financial hardship.

The draft decision is to retain separate reporting categories for the number of customers in hardship programs and using flexible payment arrangements.

9.2 Consumer protections for tenants

Draft decision

The draft decision is to extend consumer protections to include tenants as consumers of retail services, consistent with the legal framework established by the WI Act, and in a similar manner as the Commission has done for SA Water. Changes relate to:

- ▶ Communications – retailers must provide consumers with, on request, the customer charter, and the schedule of fees and charges, as well as information about the complaint procedure, and advice about Government concessions.
- ▶ Tenant Fact Sheet – publish a Tenant Fact Sheet which includes information about application of hardship provisions, disputing a bill, and accessing billing data, and require retailers to include a link to the Tenant Fact Sheet on their websites.
- ▶ Hardship provisions – retailers must inform both customers and consumers of hardship protections and extend hardship protections to consumers to the extent possible.
- ▶ Life support equipment – retailers must provide protections for any person residing at a supply address.
- ▶ Billing data – retailers must provide billing data to consumers, subject to providing evidence of tenancy, within defined timeframes.
- ▶ Prohibitions on water service flow restriction – retailers must not restrict water supply if it is informed or if it has reason to believe that a property is tenanted, the requirement for tenants to provide evidence of tenancy and payments is removed.

9.2.1 Extending protections to tenants as consumers

The nature of consumer protections that the Commission may establish, and where it may extend those to tenants, are set out in the WI Act.

The Commission can establish obligations for retailers which relate to customers, where customer is defined as per the WI Act as an owner of land to which a retail service is provided. The definition of customer includes a consumer (for example, a tenant) in some defined circumstances. These are in relation to: limitations on the grounds for and processes to be followed before disconnection; processes for dispute resolution; and for the purposes of an ombudsman scheme.²³⁰

The WI Act²³¹ also requires that each water industry entity must adopt the hardship policy developed and published by the WI Minister. The WI Minister's Hardship Policy relates to residential customers, which are defined for that purpose only as a 'consumer who is supplied with retail services for use at residential premises'.

In the Commission's SAWRD24, stakeholders raised concerns about the different level of protections that apply to tenants as consumers and encouraged the Commission to investigate ways to further extend protections to tenants.²³²

Subsequently, the Commission extended some protections to include tenants as consumers of SA Water services, where consistent with the legal framework established by the WI Act.²³³

²³⁰ WI Act, section 25(1) and *Water Industry Regulations 2012*, Regulation 4.

²³¹ WI Act, section 37(5).

²³² SAWRD24, section 5.3.1.

²³³ SAWRD24, section 5.3.1.

9.2.1.1 Matters raised in consultation

Submissions from EWOSA, GMB Water and SACOSS supported the extension of consumer protections in the Code to tenants as consumers where possible. EWOSA and SACOSS considered that tenants who receive services should have the same protections as those who receive services from SA Water. EWOSA noted that this should be done 'except perhaps in a few limited circumstances where the costs may outweigh the benefits.'

GMB Water noted that communications going to the customer (property owner) rather than the tenant, can result in poor communication in relation to service issues, planned works or outages. It can also make tenants reliant on landlords for meter reading information, which they could use to identify a leak early, before increased water consumption affects more than one bill.

9.2.1.2 Analysis

The protections extended to include tenants as consumers of SA Water services in 2024 can also be extended to tenants as consumers of small-scale retail services. Some adaptations are required, as follows.

How the hardship policy applies to consumers

The WI Minister's Hardship Policy applies to tenants in addition to owners of land. This is because section 37 of the WI Act and its hardship policy obligations apply to 'residential customers' which includes tenants as a 'consumer who is supplied with retail services for use at residential premises.'

The WI Minister's Hardship Policy establishes the following protections for residential customers experiencing financial hardship:

- ▶ an option to pay using an interest and fee free payment plan, Centrepay or to have more time to pay a bill
- ▶ if complying with the requirements of an agreed payment arrangement: waiver of restoration fees, protection from restrictions, debt recovery and legal action; and incentives for meeting payment obligations
- ▶ information on: Government concessions, grants, rebates, and assistance programs; water efficiency measures; and option to redirect bills to a third party with their consent, and
- ▶ referral to financial and other counselling and support services.

While these protections technically apply to tenants, there are some practical barriers to applying the protections established by the policy to tenants in their fullest form. For example, protections relating to billing, including access to payment plans, can only be extended to tenants with the landlord's consent due to impacts on the landlord's legal accountability for debt.

A key issue is the relationship tenants have with their landlords and their fear of seeking support from landlords when in hardship through fear of losing their tenancy. Trust also impacts tenants making payment arrangements directly with managing agents/property owners. There are no known barriers to extending the information and referrals related to protections to consumers.

For SA Water, the Commission introduced a requirement to inform both residential customers and consumers of the hardship policy in defined circumstances and publish information about how the hardship policy applies differently to residential customers and consumers.

SA Water has met this requirement by publishing content on its website.²³⁴ Understanding and communicating how hardship supports can practically be extended to tenants is complex.

Therefore, for small-scale retailers, this information can be included in a new Commission Tenant Fact Sheet, that retailers can use to inform residential customers and consumers about how hardship provisions may apply to them. Other information about consumer protections for tenants can also be included in the Tenant Fact Sheet.

Provision of billing data

Provision of billing data to customers and consumers is not currently addressed in the Code. However, the standard contract requires that by accepting a retail service the customer is agreeing to the release of billing data to the tenant of the supply address, in accordance with processes approved by the Commission from time to time.²³⁵

In contrast, SA Water has specific and prescriptive requirements about billing data.²³⁶ These include that a retailer must keep billing data for four years, timeframes for providing that data if requested, and that, if a consumer requests billing data, they must provide evidence of their occupancy and the period of occupancy. These protections would also benefit small-scale customers and consumers.

9.2.1.3 Draft decision

The legal framework established by the WI Act considers tenants as consumers of water retail services in relation to:

- ▶ limitations on the grounds for and processes to be followed before disconnection
- ▶ processes for dispute resolution
- ▶ for the purposes of an ombudsman scheme, and
- ▶ in relation to the hardship policy.

Changes to the Code are required to properly reflect this. The draft decision is to extend consumer protections to include tenants as consumers of retail services, where consistent with the legal framework established by the WI Act, and in a similar manner as the Commission has done for SA Water, as described in Table 12.

²³⁴ See SA Water, 2026, *Get help paying your bill – can tenants access payment assistance options and I'm a tenant. What are my responsibilities?* available at <https://www.sawater.com.au/help-and-support/get-help-paying-your-bill> and <https://www.sawater.com.au/help-and-support/im-a-tenant.-what-are-my-responsibilities>.

²³⁵ Standard contract, clause 31.3.

²³⁶ WRC-MR/06, clause 18.2.

Table 12: Draft decision on extending consumer protections to tenants as consumers of retail services

Protection area	Draft decision
Customer charter	Amend requirement to send customer charter to 'a residential customer or tenant brought within the definition of customer by regulations, on request', by replacing 'tenant brought within the definition of customer by regulations' with 'consumer' (a defined term in the Code).
Enquiry, complaint and dispute resolution procedure	Amend requirement so that procedure must apply to both customers and consumers, and a retailer must provide information about its procedures on request.
Customer and consumer communications	Amend provisions about form of communication that a retailer must use when issuing any document, notice or bill, to apply to both customer and consumer.
Schedule of prices, fees and charges	Amend existing requirement to provide schedule on request, to apply to both customers and consumers.
Advice on concessions, rebates or grants	New requirement to provide advice on concessions, rebates or grants to the residential customer or consumer, when they start receiving a retail service (also see discussion in section 9.1.4).
Life support equipment	Amend as per life support update decision, which provides life support protections for any person residing at a supply address, including tenants (see section 9.4).
Hardship policy	Amend requirement so that both residential customers and consumers must be informed of the hardship policy in defined circumstances. New requirement to include a website link to the Commission's Tenant Fact Sheet which includes information about how the hardship policy applies in different circumstances, including to residential customers and consumers.
Provision of billing data	New requirement to provide timely release of billing data to a consumer, where evidence of occupancy is provided.
Information for consumers	New requirement to publish Commission's Tenant Fact Sheet that will include information about what tenants can do if they have a query about or dispute a bill.
Prohibition on water service flow restriction	Amend existing requirement to remove the need for there to be acceptable evidence of a tenancy (such as a tenancy agreement) and that the tenant has made payments for water service flow restriction to be prohibited on the grounds that a property is tenanted. Instead require that for residential customers, water service flow restriction be prohibited if a retailer has been informed or has information which reasonably suggests that the supply address is occupied by a consumer that is not a customer. Further require that for non-residential customers, water service flow restriction be prohibited if the supply address is occupied by a consumer that is not a customer of a retailer (without prescribing evidence requirements).

9.3 Family violence

Draft decision

The draft decision is to introduce family violence consumer protection obligations for small-scale retailers, which will be required to:

- ▶ adopt the Commission's model family violence policy or an alternative family violence policy approved in writing by the Commission
- ▶ adopt processes that avoid affected customers making repeat disclosures of family violence or providing evidence
- ▶ ensure confidential information of the affected customer is securely handled and account security processes prioritise the safety of impacted customers
- ▶ provide information on external family violence services that can be accessed for support
- ▶ ensure that staff understand family violence, can identify and engage appropriately with affected customers, and can assist affected customers in accordance with the retailer's family violence policy, and
- ▶ report on the total number of affected customers and total number of newly identified affected customers.
- ▶ Small-scale retailers must establish, implement and continually maintain procedures to ensure compliance with these requirements by 1 July 2028, and must use their best endeavours to do so by 1 July 2027.
- ▶ To support small-scale retailers to implement the above family violence consumer protections, the Commission will offer an information session to inform relevant stakeholders (financial counselling organisations, family violence service providers, and EWOSA) about the new family violence consumer protections.

Family violence refers to any behaviour that is violent, threatening, controlling, or intended to make someone or their family feel scared and unsafe. Perpetrators of family violence can use essential services to cause harm including by:

- ▶ insisting an account is in a victim-survivor's name and refusing to contribute to the cost, resulting in victim-survivors being forced to bear the financial cost of utilities to ensure ongoing access to services
- ▶ putting a service in the name of the victim-survivor without their knowledge or consent
- ▶ holding a joint account with the victim-survivor and refusing to contribute to the cost, or
- ▶ threatening the victim-survivor's personal safety by accessing their personal information held by the essential services provider.

Essential service providers have a responsibility to assist consumers to continue to access services while experiencing family and domestic violence. The Commission introduced family violence consumer protections in relation to SA Water in 2024,²³⁷ and for a subset of residential customers of

²³⁷ SAWRD24, section 5.3.8.

one small-scale electricity network provider, Cowell Electric, in 2025.²³⁸ The Commission also introduced metrics for monitoring the impact of and compliance with those requirements.²³⁹

While family violence protections have been introduced specifically for customers experiencing family violence, being able to access essential services in a safe manner benefits all customers.

The Commission's position on family violence consumer protections is to, over time, introduce similar requirements for all licensees. In consultation, there was broad support for introducing protections for consumers of small-scale water and sewerage retailers, though some implementation challenges were identified. Family violence consumer protections have several core elements, which are each addressed in this section.

9.3.1 Family violence policy

A retailer's family violence policy can set out and ensure basic protections are in place for the protection of water and sewerage retail service customers. Requiring a retailer to develop their own family violence policy encourages understanding and ownership of what is needed to protect affected customers.

9.3.1.1 Matters raised in consultation

While stakeholders were broadly supportive of the introduction of family violence protections, none raised concerns with or specifically addressed retailers having a family violence policy.

9.3.1.2 Analysis

The Commission has required SA Water to develop and adopt its own family violence policy.²⁴⁰ However, small-scale retailers will differ in their capacity to develop new policies from first principles; the Commission did not include this requirement in Cowell's licence conditions.

These differences in capacity can be addressed by providing a model family violence policy. The AER has developed a model family violence policy for its exempt electricity sellers. The AER's Retail Exempt Selling Guideline requires exempt sellers to develop, implement, maintain and comply with a family violence policy that contains, at a minimum, the standard statements in the AER's Exempt Seller Family Violence Policy Template.²⁴¹

9.3.1.3 Draft decision

A requirement that each retailer has a family violence policy is needed to ensure basic protections that are in place for the protection of water and sewerage retail service customers.

The draft decision is to develop a model family violence policy and require all small-scale retailers to adopt the model family violence policy or an alternative family violence policy approved in writing by the Commission.

²³⁸ These protections are specifically for community prepayment customers, who live in specific remote Aboriginal communities and are provided with electricity by Cowell Electric through mandatory prepayment metering as required by the *Electricity (General) Regulations 2012*.

²³⁹ Essential Services Commission of South Australia, 2025, *Reporting metrics for family violence consumer protections – Final decision*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/22165/20250530-EnergyWater-ReportingMetricsFamilyViolenceConsumerProtections-FinalDecision.pdf.aspx?Embed=Y>.

²⁴⁰ See: SA Water 2026, *Domestic, family and sexual violence customer policy*, available at https://sawater.com.au/_data/assets/pdf_file/0011/2503928/Domestic-family-sexual-violence-customer-policy.pdf.

²⁴¹ Australian Energy Regulator, 2025, *Retail Exempt Selling Guideline Version 7*, available at <https://www.aer.gov.au/industry/registers/resources/guidelines/retail-exempt-selling-guideline>

The model family violence policy will address all matters included in new Code obligations. It will also set out an approach to debt management and recovery where a customer is affected by family violence, including in relation to the recovery of debt from customers with joint accounts and the circumstances in which debt will be suspended or waived.²⁴²

9.3.2 Family violence consumer protections

Core family violence protections include requirements for each retailer to protect account security and confidentiality, adopt processes to avoid the need for customers to repeat disclosures, specify the approach to debt management, and provide information about external support services.

9.3.2.1 Matters raised in consultation

In consultation, stakeholders commented on how core family violence protections in place for SA Water customers, and described in the Issues Paper, may need to be adjusted to be practical for small-scale retailers.

SACOSS asked about the need for adjustments to facilitate safe disclosure for customers in small communities where parties may know each other. In small communities, personal connections between customers and staff may discourage disclosure and this may mean assistance is not provided. In such communities, tailored approaches to account security management may be required, and this matter may be addressed specifically in training.

In consultation, the Alexandrina Wastewater Manager and GMB Water highlighted some relevant existing processes, including the ability to exclude customer contact details from the register of rate payers where an individual is registered as a silent voter on the electoral roll, flagging relevant accounts to ensure privacy and avoid the need for repeat disclosure, and case-by-case payment and debt management for customers experiencing family violence.

Retailers also identified potential implementation challenges including extending protections to customers with whom the retailer does not have a direct billing relationship, Council rates records being public records, and listing of multiple owners on Council rates notices.

9.3.2.2 Analysis

Extending protections to customers where there is no direct billing relationship

In consultation, GMB Water noted that it is a wholly owned subsidiary of the Mount Barker District Council, and that customers are billed for sewerage services as a component of their rates notices issued by the Mount Barker District Council. The Council, not GMB Water, manages payment and debt related to rates notices.

The Code requires that small-scale retailers provide a range of consumer protections. With some limited exceptions, these apply whether water or sewerage charges are included in the Council rates notices or in stand-alone bills. In some cases, services such as billing, payment facilities, debt management and customer service may be provided by a third party, as they are by Mount Barker District Council for GMB Water. In these cases, it is the retailer's responsibility to ensure provision of consumer protections. Retailers must manage third party service provision to ensure compliance.

²⁴² Note that the requirement for SA Water, is to determine its own approach and set this out in its family violence policy, see WRC-MR/06, clause 29.5.

Council rate records being public records

In consultation, GMB Water noted that Council rates notices, which contain sewerage charges, are considered public records. It noted concern that this may affect how GMB Water may maintain confidentiality to ensure safety.

Council rates notices, through which water or sewerage charges may be billed, are sent to the principal ratepayer, owner or occupier of the land. Those individuals are identified by name and address in assessment records maintained by Councils, which are publicly available.²⁴³

Council CEOs may suppress the name or address from the assessment record if they are satisfied that inclusion would put a person's safety, or their family's safety, at risk.²⁴⁴ Several Councils, including the City of Unley and City of Playford, provide for at-risk individuals to apply for suppression through their websites.

People experiencing family violence or other threats to their safety can apply to have their details suppressed in searches of Land Titles Office information systems,²⁴⁵ and on the electoral roll.²⁴⁶ In consultation, some Councils indicated that when a person applies for suppression from these search results, they flag the customer's account in their Customer Records Management system, triggering further privacy protections. SA Water also takes this approach of applying a suppression flag to accounts where name suppression has been granted by the Registrar-General.

Listing of multiple owners on rates notices

In consultation, GMB Water noted that in cases where there are multiple owners, as all parties are responsible for payment, it cannot withhold information from them. It noted concern about how GMB Water may maintain confidentiality to ensure safety.

Where the financial responsibility for charges sits with joint account holders, it is possible for retailers to suppress details from one party. For example, SA Water's practice is that one joint account holder can update their personal details on the account without the other's knowledge.²⁴⁷

9.3.2.3 Draft decision

Core family violence consumer protections ensure safe disclosure and confidentiality. These are basic protections that are already in place for the protection of SA Water customers. It is important that they are also in place to protect customers of small-scale retailers.

The draft decision is to require small-scale retailers to provide family violence consumer protections by making requirements to:

- ▶ adopt processes that avoid affected customers making repeat disclosures of family violence or providing evidence
- ▶ ensure confidential information of affected customers is securely handled and account security processes prioritise the safety of impacted customers, and
- ▶ provide information on external family violence services that can be accessed for support.

²⁴³ The requirement to send rates notices to the principal ratepayer is made in section 180 of the *Local Government Act 1999*, assessment records must be kept under section 172 of the *Local Government Act 1999*.

²⁴⁴ See section 172(4) of the *Local Government Act 1999*.

²⁴⁵ SAWRD24, p.92

²⁴⁶ Electoral Commission of South Australia, *Special enrolment options*, <https://www.ecsa.sa.gov.au/silent#SE>

²⁴⁷ SAWRD24, p.92.

The draft decision is that these protections will be provided to all customers and not limited to residential customers as is the case currently for SA Water's protections.

9.3.3 Training

The requirement introduced by the Commission for SA Water and Cowell Electric is that training is provided to relevant staff to help them detect and assist affected customers. SA Water has met this requirement by developing and implementing its own in-house training program.

9.3.3.1 Matters raised in consultation

In consultation, EWOSA noted that providing staff training could be challenging for small-scale retailers and suggested that the Commission or the LGA SA could facilitate any required training.

9.3.3.2 Analysis

The capacity of small-scale retailers to deliver family violence training will be variable. Small-scale retailers that are Councils are likely to have different capacity to private entities. Several organisations provide family violence training and may be engaged by small-scale retailers to fulfil the requirement. Indicatively, required training may be delivered in a one-day session or a series of online modules.

However, it may not be cost effective or practical for each small-scale retailer to deliver its own family violence training program. A central, shared training program could ensure key requirements are met. It could also leverage economies of scale, mitigating or reducing costs for each individual retailer and in turn reducing overall costs for consumers.

There is the potential for training requirements to be met through use of program/s for frontline Government staff (noting that many retailers are Councils) if such program/s were to be available.²⁴⁸ Further, there is the potential for a central training program for retailers that are Councils to be delivered by the LGA SA.

The National Energy Retail Rules (NERR), which creates family violence protections for customers in the National Electricity Market (NEM) do not require that authorised retailers provide training. Instead, retailers must ensure the ability of staff to assist affected customers.²⁴⁹ The AER Retail Exempt Selling Guideline, which creates family violence protections for customers in embedded electricity networks, requires that retailers have a family violence policy and that those engaging with customers must have reviewed the family violence policy, and act in accordance with the obligations regarding family violence.²⁵⁰ The AER also provides family violence guidance for exempt sellers, which in part addresses training requirements.

9.3.3.3 Draft decision

Training ensures that staff have the capability to detect and assist affected customers, ensuring access to basic protections. It may not be cost effective or practical for each small-scale retailer to deliver its own family violence training program, and there are several alternatives discussed above.

²⁴⁸ The South Australian Government's 2025 response to the Royal Commission into Domestic, Family and Sexual Violence includes training for judges, police and prosecutors, training on risk assessment for specialist workers, and the promotion of online training modules within the public sector. See: South Australian Government, 2025, *Building Safer Futures - South Australia's whole-of-government response to the Royal Commission into Domestic, Family and Sexual Violence*, available at https://www.dpc.sa.gov.au/_data/assets/pdf_file/0011/1216973/RCDFSV-SA-Government-Response.pdf.

²⁴⁹ NERR Rule 76B.

²⁵⁰ Retail Exempt Selling Guideline, Condition 27.

The draft decision is that small-scale retailers will be required to ensure that their staff and people that interact with customers on their behalf understand the nature and consequences of family violence, can identify and engage appropriately with affected customers, and can assist affected customers in accordance with the retailer's family violence policy. This may be achieved, for example, through delivery of a training program (delivered by the retailer or another organisation) or by providing access to relevant materials.

9.3.4 Monitoring, evaluation and compliance

The Commission commonly establishes reporting requirements for its licensees to measure performance against key obligations and to inform the development of regulatory frameworks, policies, and procedures. The Commission utilises reporting data to provide public information and reports on licensee performance.

9.3.4.1 Matters raised in consultation

In consultation, stakeholders did not raise concerns with or specifically address the monitoring, evaluation and compliance matters associated with family violence protections.

9.3.4.2 Analysis

The Commission has introduced reporting requirements for both SA Water and Cowell Electric to assist with monitoring the impact of, and compliance with, family violence protections.²⁵¹ This is in addition to family violence obligations being treated as a Type 1 regulatory obligation. Type 1 obligations are identified as being of such importance that a breach of one gives rise to an immediate requirement to provide to the Commission a Material Breach Compliance Report.²⁵²

9.3.4.3 Draft decision

Reporting is necessary to inform monitoring of, and compliance with, family violence protections.

The draft decision is to introduce reporting requirements related to family violence consumer protections that capture the:

- ▶ total number of affected customers
- ▶ total number of newly identified affected customers.

The draft decision is that retailers must use their best endeavours to comply with these requirements from 1 July 2027 and must comply with these requirements from 1 July 2028 when they will be treated as a Type 1 regulatory obligation.

9.3.5 Implementation

Costs of implementing family violence protections may include costs of training, improving systems and processes, administering hardship support, sending separate or additional copies of bills to joint account holders, and managing debt.

²⁵¹ Essential Services Commission of South Australia, 2025, *Reporting metrics for family violence consumer protections – Final decision*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/22165/20250530-EnergyWater-ReportingMetricsFamilyViolenceConsumerProtections-FinalDecision.pdf.aspx?Embed=Y>.

²⁵² See Water Industry Guideline No 1 Compliance Systems and Reporting – Major Retailers (Guideline 1).

9.3.5.1 Matters raised in consultation

In consultation, stakeholders raised some concerns around implementation, related to the time required to understand requirements, develop policies and procedures, and where required modify existing systems and process.

9.3.5.2 Analysis

Economic regulators in other jurisdictions have noted that the cost of implementing family violence provisions for retailers is minor compared to the cost of complying with other regulatory obligations. For SA Water, the Commission acknowledged and has had regard to the fact that there are likely to be costs for implementing the new requirements, which were included in the revenue caps for SAWRD24.

The Commission is seeking feedback from stakeholders on the costs of implementing new family violence consumer protections. The Commission acknowledges the need for sufficient lead times to make changes to systems and processes, which may include changes to Customer Record Management and billing systems.

In its response to the Royal Commission into Domestic, Family, and Sexual Violence, the South Australian Government has undertaken to audit government systems and practices to identify and address the potential for abuse.²⁵³ This may support collective development or adoption of best practice systems (for example, improvements to protect privacy and/or flag affected customer's requirements), particularly for retailers that are Councils.

9.3.5.3 Draft decision

In recognition of the need for sufficient lead time to make changes to systems and processes, the draft decision is that small-scale retailers must establish, implement and continually maintain procedures to ensure compliance with these requirements by 1 July 2028, and must use their best endeavours to do so by 1 July 2027.

To support small-scale retailers to implement the above family violence consumer protections, the Commission will offer an information session to inform relevant stakeholders (financial counselling organisations, family violence service providers, and EWOSA) about the new family violence consumer protections.

²⁵³ See: South Australian Government, 2025, *Building Safer Futures - South Australia's whole-of-government response to the Royal Commission into Domestic, Family and Sexual Violence*, available at https://www.dpc.sa.gov.au/_data/assets/pdf_file/0011/1216973/RCDFSV-SA-Government-Response.pdf.

9.4 Life support protections

Draft decision

The draft decision is to adopt all elements of the Commission's May 2026 update to life support protections decision in relation to small-scale drinking water retailers.

The draft decision:

- ▶ clarifies that life support requirements apply where a person who uses life support equipment resides at a supply address (whether residential or non-residential)
- ▶ enables nomination of a secondary contact to also receive communications and notifications related to life support protections
- ▶ establishes a consistent process for requiring evidence that life support equipment is required, and a process for deregistration where that evidence is not provided, and
- ▶ improves consistency with life support protections that the Commission requires other licensees (including SA Water and small-scale energy retailers) to provide.

Full detail of the life support protections is shown as proposed drafting in the draft revised Code.

9.4.1 Life support protections

The Code currently contains protections for drinking water customers that use life support equipment, where life support equipment is defined as a dialysis machine or other equipment notified by the Commission from time-to-time.²⁵⁴

In May 2026, following a thorough consultation process, the Commission made a decision on updates to life support protections to be provided by SA Water and small-scale energy licensees.²⁵⁵ The intent of that decision is that small-scale drinking water retailers will also need to provide those life support protections.

9.4.1.1 Matters raised in consultation

The Issues Paper noted the potential to improve life support protections. It proposed revising the definition of life support equipment and improving registration and deregistration processes. EWOSA, SACOSS and GMB Water noted broad support for the proposals.

In consultation on the January 2026 draft decision on updates to life support protections, the Commission received seven submissions.²⁵⁶ In developing the final decision, the Commission also considered recent draft decisions on changes to life support protections in the NERR and Victorian Energy Retail Code of Practice.²⁵⁷

²⁵⁴ Essential Services Commission of South Australia, *Water Retail Code – Minor and Intermediate Retailers WRC-MIR/02*, clause 3.6.5.

²⁵⁵ Essential Services Commission of South Australia, 2026, *Update to life support protections*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/update-to-life-support-protections>.

²⁵⁶ Submissions available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/update-to-life-support-protections>.

²⁵⁷ See Australian Energy Market Commission, 2025, *Improving life support processes*, available at <https://www.aemc.gov.au/rule-changes/improving-life-support-processes> and Essential Services Commission Victoria, 2025, *Review of life support protections in Victoria*, available at <https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/review-life-support-protections-victoria>.

9.4.1.2 Analysis

The intent of the Commission's May 2026 decision on updates to life support protections is that it will also apply to small-scale drinking water retailers. Full detail of that decision is published separately.²⁵⁸ The corresponding obligations are included in the draft Code published alongside this draft decision.

In summary, the May 2026 decision on updates to life support protections:

- ▶ clarifies that life support requirements apply where a person who uses life support equipment resides at a supply address (whether residential or non-residential)
- ▶ enables nomination of a secondary contact to also receive communications and notifications related to life support protections
- ▶ establishes a consistent process for requiring evidence that life support equipment is required, and a process for deregistration where that evidence is not provided, and
- ▶ improves consistency across instruments, including through updates to the life support protections made by each instrument and minor amendments to improve consistency in drafting.

9.4.1.3 Draft decision

The draft decision is to adopt all elements of the Commission's May 2026 update to life support protections decision in relation to small-scale drinking water retailers.

Full detail of the life support protections is shown as proposed drafting in the draft revised Code.

²⁵⁸ Essential Services Commission of South Australia, 2026, *Update to life support protections*, available at <https://www.escosa.sa.gov.au/projects-and-publications/projects/energy/update-to-life-support-protections>.

10 Other changes to the Code

Other changes are that:

- ▶ Clause 1.1.2 has been deleted. This clause provided for Code obligations to be ‘best endeavours’ during the initial application period (1 July 2013 to 31 September 2013). It is no longer required.
- ▶ References to dispute resolution services now reflect that all small-scale retailers have been obliged to be members of the industry ombudsman scheme (that is, members of EWOSA) since 2022.
- ▶ Clause 5.9.1(c) has been changed to clarify that the limitation on commencing debt recovery action is only where a flow restriction device is currently fitted to a customer’s meter. A similar change was made to the corresponding clause of the WRC-MR 24.2(c) in 2016.
- ▶ Clauses 6.2.1(e) and 6.4.1(c) are amended. This clause referred to agencies referred to in another clause, with a broken cross-reference. The wording of this clause has been updated to refer to agencies responsible for concessions, rebates or grants. A definition of concession has been added.
- ▶ Clauses 6.3.1(f) and 6.3.2(c) are removed. These clauses provided that a retailer may arrange for the restriction of supply of water services where a customer has failed to allow, for three consecutive billing cycles, access to the relevant supply address for the purposes of meter reading. Similar provisions were removed from the WRC-MR in 2016, because where a retailer cannot access a meter, they also cannot install a flow restriction device. Therefore, clauses 6.4.1(d), 6.4.2(c) and 6.5.1(c) are no longer relevant and are removed.
- ▶ Clause 7.3.2 is amended to make it clear that a retailer can disconnect services where the WI Act provides that they can. There are instances in the WI Act which permit the retailer to take this action, it is beneficial to clarify this to avoid any confusion. This change has been made in response to feedback from the Department for Environment and Water.

Note that the above clause references are to the current version of the Code (*Water Retail Code – Minor and Intermediate Retailers WRC-MIR/02*).

Further:

- ▶ New clauses 5.2.2 and 5.2.3 have been added. Clause 5.2.2 requires that if a retailer reclassifies a water retail service from drinking water to non-drinking water, or vice versa, it must immediately notify the customers that receive that water service. This provision is currently made only in the standard contract.²⁵⁹
- ▶ Clause 5.2.3 requires that where a retailer provided a supply of non-drinking water as a water retail service, this must be identified on bills or Council rates notices. This supports the notification requirements in clause 5.2.2 and supplier obligations to ensure users are aware of the correct uses of non-drinking water.

²⁵⁹ There is no explicit SA Health regulation requiring that customers are notified if a water retail service changes from providing drinking water to providing non-drinking water, although suppliers have obligations to ensure that users are aware of the correct uses of non-drinking water. (See SA Health, *Water supplied solely for non-drinking uses*, available at <https://www.sahealth.sa.gov.au/wps/wcm/connect/public+content/sa+health+internet/resources/water+supplied+solely+for+non-drinking+uses>. If a provider changes the type of water it supplies, SA Health’s practice is to direct providers to issue advice to users.

- ▶ Clause 5.2.8 has been amended to reflect that the emergency telephone service retailers are required to provide to enable a customer to notify the retailer of emergencies or faults, and ascertain details of interruptions, must be a 24-hour service. Currently, there is a requirement to include a 24-hour emergency telephone service number on bills, but not actually a requirement to have one.
- ▶ Clause 7.2.1 and 7.2.2, which address prohibitions on water service flow restriction, have been amended to expand the circumstances in which a retailer must not arrange for the supply of a residential customer's water services to be restricted. These now include prohibitions where the retailer is undertaking debt recovery action against the customer, and where a customer continues to adhere to the terms of a flexible payment plan or other agreed payment arrangement. These are made for consistency with the Commission's protections for SA Water customers.

Note that the above clause references are to the revised version of the Code published for consultation alongside this draft decision.

Part E – Compliance approach

Small-scale water retailers have ongoing compliance obligations in respect of their water and sewerage service operations. The Commission expects that retailers have, and rigorously adhere to, a sound and robust compliance system. Retailers are required to report in accordance with relevant regulatory instruments.

In this Part E:

- ▶ Chapter 11 provides information about, and addresses issues related to, the Commission's compliance approach and reporting regime.

11 Compliance and reporting

The Commission's compliance and enforcement approach is informed by the verified trust and accountability regulatory approach (**VTA approach**) to the regulation of small-scale water and sewerage service provision in South Australia.

Under the VTA approach, the Commission works with and monitors retailers categorised as Category B (higher risk) due to issues with network performance or long-term service sustainability. Category A retailers are trusted to competently run their networks with less prescriptive regulatory oversight, and benefit from reduced regulatory reporting.

All small-scale retailers are required to comply with the Code, as a condition of their licence. Compliance with the Code is monitored using reporting from small-scale retailers, including reporting under *Guideline No. 5 – Regulatory reporting requirements for small-scale networks* (**Guideline No. 5**).

Requirements include reporting on compliance breaches. Material compliance breaches must be reported to the Commission within three business days of the retailer becoming aware of that breach. The Commission is guided by its Enforcement Policy to determine whether to intervene in order to address any potential risks or harm to consumers.²⁶⁰

All small-scale retailers are required to comply with the price determination. Retailers must report to the Commission on how they are complying with the price determination, and with the pricing principles it sets out. Retailers are also required to provide to the Commission, annually, their Pricing Schedule (which sets out retail prices, fees and charges for current and previous financial year) and their Pricing Policy Statement (which demonstrates compliance of retail prices with relevant NWI principles).

11.1 VTA approach licence classifications

In consultation, some stakeholders raised concerns about the criteria the Commission uses to classify retailers according to the risk profile of their compliance culture and service sustainability and/or considered that the classifications need to be reviewed and updated.

The Alexandrina Wastewater Manager and SACOSS submitted that the VTA approach's reliance on a trust-based, risk-classification framework results in insufficient oversight. To improve this, SACOSS considered that new retailers should initially be classified as high risk, that licence classifications should be reviewed regularly.

GMB Water submitted that the VTA should involve a more robust risk-based approach, including explicit consideration of service continuity risks as part of licensing decisions.

SA Water and EWOSA raised concerns that the VTA provides limited assurance of service quality. SA Water submitted that the absence of clear service and technical standards, and reduced monitoring, can result in variable service outcomes. EWOSA called for stronger and more targeted monitoring, compliance, and enforcement action under the framework.

The Commission is currently reviewing the application of, and criteria used in, the VTA approach and its licence classifications, as part of a separate project in 2026-27.

11.2 Reporting and monitoring

In consultation, some stakeholders provided feedback on the Commission's reporting and monitoring requirements.

²⁶⁰ Essential Services Commission of South Australia, 2021, *Enforcement Policy*, available at <https://www.escosa.sa.gov.au/approach/enforcement>.

EWOSA submitted that small-scale retailers should be required to report the number of customers affected by material service issues and compliance breaches. The Commission's Enforcement Policy provides that further information, which may include the number of customers impacted, can be requested in determining enforcement action.

SACOSS raised concerns about reduced public reporting about small-scale retailer performance by the Commission and called for a publicly reported data and analysis on annual performance to be reinstated. GMB Water supported centralised reporting across regulators to reduce compliance costs, while the UDIA submitted that reporting requirements should be further streamlined for low-risk entities.

The Commission completed a full review of reporting requirements for small-scale networks (water, electricity and gas) in 2022, and the further limited review of reporting requirements in Guideline No. 5 in 2025.

The Commission will publish revisions to the reporting requirements in Guideline No. 5 to support policy changes made in this review following the final decision. While some reporting requirements must begin from 1 July 2027, such as reporting on new basic service standards, the Commission has discretion about when to introduce other changes.

The Commission is seeking views from stakeholders about whether they would prefer:

- ▶ all changes to reporting requirements arising from this review to be made following the final decision (that is, before 1 July 2027), or
- ▶ changes to reporting requirements arising from this review (apart from time-sensitive changes) to be aligned with the Commission's next full review of reporting requirements for all small-scale networks (water, electricity and gas) which, indicatively, would occur in 2027-28.

Appendix 1 Legal requirements

The Commission makes regulatory determinations in accordance with its primary objective, which is to protect the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

In doing so, it complies with the specific requirements of the *Essential Services Commission Act 2002* (ESC Act) and *Water Industry Act 2012* (WI Act) that relate to the making of a price determination, Codes and Rules that apply to small-scale retailers.

This appendix explains the statutory framework that applies to the making of a regulatory determination and includes a general description of the elements of the statutory regime governing small-scale retailer operations that are relevant in the regulatory determination context.

Functions and powers of the Commission

The regulatory functions of the Commission are set out in section 5 of the ESC Act. Functions relevant to the economic regulation of small-scale entities include:

5 – Functions

The Commission has the following functions:

- (a) *to regulate prices and perform licensing and other functions under relevant industry regulation Acts;*
- (b) *to monitor and enforce compliance with and promote improvement in standards and conditions of service and supply under relevant industry regulation Acts;*
- (c) *to make, monitor the operation of, and review from time to time, codes and rules relating to the conduct or operations of a regulated industry or regulated entities.*

In performing these functions, the following objectives (including the Commission's primary objective when undertaking any function) inform and guide the Commission. They are set out in section 6 of the ESC Act.

6 – Objectives

In performing the Commission's functions, the Commission must –

- (a) *have as its primary objective protection of the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services; and*
- (b) *at the same time, have regard to the need to –*
 - (i) *promote competitive and fair market conduct; and*
 - (ii) *prevent misuse of monopoly or market power; and*
 - (iii) *facilitate entry into relevant markets; and*
 - (iv) *promote economic efficiency; and*
 - (v) *ensure consumers benefit from competition and efficiency; and*
 - (vi) *facilitate maintenance of the financial viability of regulated industries and the incentive for long term investment; and*
 - (vii) *promote consistency in regulation with other jurisdictions.*

With regard to the Commission's principal statutory objective, three elements of service delivery are captured – price, quality and reliability – and these are to be interpreted in a context of economic efficiency. That is particularly so in light of the fact that sections 6(b)(iv) and (v) of the ESC Act expressly refer to efficiency considerations.

The Commission's price determination powers

Under the ESC Act

Part 3 of the ESC Act sets out a legislative scheme governing the exercise of the Commission's price determination powers and functions.

Sections 25(1) and 25(2) have the combined effect of empowering the Commission to make price determinations where authorised to do so by a relevant industry regulation Act, which, in this case, is the WI Act.

Section 25(3) provides that a price determination may regulate prices, conditions relating to prices, or price fixing factors in any manner the Commission considers appropriate. Examples include:

- (a) fixing a price or the rate of increase, or decrease, in a price
- (b) fixing a maximum price, or maximum rate of increase, or minimum rate of decrease, in a maximum price
- (c) fixing an average price for specified goods or services, or an average rate of increase or decrease in an average price
- (d) specifying pricing policies or principles
- (e) specifying an amount determined by reference to a general price index, the cost of production, a rate of return on assets employed, or any other specified factor
- (f) specifying an amount determined by reference to quantity, location, period or other specified factor relevant to the supply of goods or services
- (g) fixing a maximum average revenue, or maximum rate of increase, or minimum rate of decrease in maximum average revenue, in relation to specified goods or services, or
- (h) monitoring the price levels of specified goods and services.

These examples are not exhaustive and the Commission may make a price determination to operate in a manner it considers appropriate, subject to any specific requirements of an industry regulation Act. In the case of the WI Act, certain requirements do exist, as discussed further below.

As well as the general factors set out in section 6 of the ESC Act, section 25(4) specifies additional factors to which the Commission must have regard when exercising its price determination function. They include:

- (a) the particular circumstances of the regulated industry and the goods and services for which the determination is being made
- (b) the costs of making, producing or supplying the goods or services
- (c) the costs of complying with the laws or regulatory requirements
- (d) the return on assets in the regulated industry

- (e) any relevant interstate and international benchmarks for prices, costs and return on assets on comparable industries
- (f) the financial implications of the determination
- (g) any factors specified by a relevant industry regulation Act, or by regulation under the Act, and
- (h) any other factors that the Commission considers relevant.

Two further statutory imperatives arise under section 25(5) of the ESC Act in relation to price determinations. They are:

- (a) wherever possible, the costs of regulation do not exceed the benefits, and
- (b) the decision takes into account and clearly articulates any trade-off between costs and service standards.

Finally, section 25(6) provides that subsections 25(3), 25(4) and 25(5) have effect in relation to a regulated industry, subject to the provisions of the relevant industry regulation Act for that industry (in this case, the WI Act).

Under the WI Act

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

Specifically, in terms of the price regulation function, 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: ...*

The provisions of the WI Act that confer pricing powers on the Commission are set out in section 35. Consistent with the general discretionary powers under Part 3 of the ESC Act, the price determination power set out in section 35 of the WI Act is discretionary:

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 include 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.

Accordingly, any operations or services falling outside the scope of the above definition are not subject to price regulation by the Commission. In addition, section 5(2) of the WI Act states that services provided, or infrastructure held, by irrigation trusts (as defined in the *Irrigation Act 2009*), the Renmark

Irrigation Trust or persons providing irrigation services designated by the WI Minister, are not subject to the provisions of the WI Act.

Pricing Orders

The price regulation provisions of the WI Act also include a framework for the Treasurer to issue Pricing Orders. Section 35(4) provides that the Treasurer may issue a Pricing Order that:

- (a) sets out any policies or other matters that the Commission must have regard to when making a determination
- (b) specifies various parameters, principles or factors that the Commission must adopt or apply in making a determination, and
- (c) relates to any other matter that the Treasurer considers to be appropriate in the circumstances.

Pursuant to section 35(3) of the WI Act, the Commission must comply with the requirements of any Pricing Order when making a determination.

When the price determination was first made in 2012, the Commission was required to apply the NWI principles when making any price determination under the WI Act, including for small-scale retailers.²⁶¹ Currently, the pricing order only requires the Commission to apply NWI pricing principles when making price determinations regarding SA Water's water retail and sewerage services.²⁶²

Industry licences, codes and rules

The Commission has additional powers to issue licences to entities providing water and sewerage retail services and make industry codes or rules that apply to the conduct or operations of such entities, once licensed.

Under the ESC Act

Part 4 of the ESC Act provides the Commission with broad powers to make, vary and amend industry codes or rules. Industry codes prescribe the rules of conduct and procedures that must be followed by regulated entities providing essential services. The use of industry codes allows for a high degree of regulatory flexibility while maintaining appropriate scrutiny, accountability and transparency in the process of their development. Industry codes can cover any number of areas within a regulated industry, from consumer protection to technical matters.

Section 28(3) requires the Commission to consult with the relevant industry Minister, representative bodies and participants in the regulated industry prior to making, varying or revoking a code or rule. Further, section 28(8) requires that any codes or rules be periodically reviewed by the Commission to ensure they continue to be effective.

²⁶¹ See Department for Treasury and Finance, 2012, *Water Industry Act 2012 (section 35) Pricing Order for the Regulatory Period 1 July 2013 – 30 June 2016*, clause 2.2, available at https://www.treasury.sa.gov.au/_data/assets/pdf_file/0003/515199/initial-pricing-order-for-regulatory-period-1-july2013-30june2016.pdf.

²⁶² As set out in the current pricing order for 2024 – 2028 and all pricing orders issued since the one for 2016 – 2020. See Department for Treasury and Finance, 2024, *Water Industry Act 2012 (section 35) Pricing Order for the Regulatory Period 1 July 2024 – 30 June 2028*, clause 2.2, available at https://www.treasury.sa.gov.au/_data/assets/pdf_file/0010/990334/Pricing-Order-for-Regulatory-period-1-July-2024-to-30-June-2028.pdf.

Under the WI Act

The WI Act requires the Commission to licence water retailers. Section 25(1) requires it to make a licence subject to various conditions. While some conditions must be imposed as stand-alone licence conditions, others must be prescribed in industry codes and rules made by the Commission under the ESC Act.²⁶³

In issuing licences under section 25(1) of the WI Act, section 25(2) requires the Commission to have regard to the scale and nature of the operations of the water industry entity – determining the scale and nature after consultation with the entity or a person or body nominated by the entity.

In addition, and of relevance to the current review of Code, section 25(5) of the WI Act requires the Commission, in making an industry code, to include provisions to assist customers who may be suffering specified types of hardship relevant to the supply of any services (such provisions to comply with any direction of the WI Minister). This provision operates in conjunction with section 37(1) of the WI Act, which requires the WI Minister to develop and publish a customer hardship policy in respect of residential customers of water industry entities. In summary, the WI Minister's hardship policy must set out:

- ▶ the processes that water industry entities must have in place to identify residential customers experiencing payment difficulties due to hardship, and
- ▶ the range of processes or programs that a water industry entity should use to assist hardship customers.

The WI Minister published the applicable hardship policy in September 2013.²⁶⁴

²⁶³ The Code has been made by the Commission pursuant to the requirements of section 25(1) of the WI Act.

²⁶⁴ Department for Human Services, 2013, *Hardship policy for residential customers of minor and intermediate water retailers*, available at https://dhs.sa.gov.au/_data/assets/pdf_file/0019/148204/Hardship-policy-for-residential-customers-of-minor-and-intermediate-water-industry-retailers-September-2013.pdf.

Appendix 2 Risks to consumers of small-scale water retailers

Table 13: Risks to customers and consumers of small-scale water retailers and responsible regulators

	Timing	Issue	Risk to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators
1	Pre-contract	Before becoming a customer or consumer, a person may not understand that services are provided by a small-scale retailer, or the price, quality or reliability of the service on offer.	Customers or consumers may miss the opportunity to consider if the price, quality or reliability of the service is acceptable.	There are examples of customers or consumers being unaware of the details of service provision before they are contracted. The standard contract applies upon transfer of ownership, and responsibility for water consumption charges may not be included in a rental tenancy agreement. It may not be obvious or intuitive that services are provided by a small-scale retailer (for example, the property may be in an urban area). There may be social barriers (literacy, language, disability, other types of vulnerability) to understanding details of service provision.	<u>Current controls</u> Disclosure of water and sewerage retailer at sale of property (Form 1). Requirement for retailer to publish price and fee schedule. <u>Possible future controls</u> Disclosure of water and sewerage retailer in residential tenancy agreements. Requirement for retailer to publish information about service reliability and quality. Explicit informed consent before commencement of contract (for example, explicit consent being obtained at purchase of property). Accessibility requirements for public information about prices, reliability and quality and/or customer charter and/or standard contract. Further regulation of prices and service outcomes, noting cost implications.	Consumer and Business Affairs Commission Residential Tenancies Authority DEW
2	Pre-contract	Potential (or new) customers may have no choice but to use the small-scale retailer's services. Supply-side substitutes (rainwater tanks, bores, or septic tanks) may be costly (especially if rating on abuttal provisions apply). Other factors may be more important in a person's decision about where to live than water and/or sewerage services (for example, total housing costs or location of family).	Customers or consumers may need to use the service regardless of its price, quality or reliability, because there are no viable alternatives. This reduces economic efficiency and consumer welfare.	For any given address, providers of water and sewerage retail services are fixed. End-users currently have no choice of retailer. Customers who choose not to connect or choose to disconnect may be required to pay an availability charge.	<u>Current controls</u> Regulation of prices and service levels under current WI Act/Commission framework. <u>Possible future controls</u> Competition between/choice of water and sewerage retailers. Further regulation of prices and outcomes, noting cost implications.	DEW Commission
3	Point of contract	A person may not understand important detail about the terms and conditions of service.	Customers or consumers may be contracted to terms and conditions of service they find unacceptable, with limited or no options to stop using the service.	There is evidence of hardship amongst small-scale water customers; the extent to which this is caused by lack of information/understanding is unclear. There may be social barriers (literacy, language, disability, other types of vulnerability) to understanding contractual conditions.	<u>Current controls</u> Use of a standard contract and customer charter. <u>Possible future controls</u> Improvements to the accessibility of the standard contract and customer charter including, for example, in Easy English.	Commission
4	Use of service	Assets are not maintained and/or operational practices are not adhered to.	Water services may not be safe, good quality, and/or reliable. Impact on performance may not be apparent until underinvestment has been occurring for	It is likely that small-scale retailers cannot access capital on the same terms as other regulated infrastructure providers and so may under invest in assets.	<u>Current controls</u>	OTR Commission

	Timing	Issue	Risk to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators
			some time and so be more costly to rectify.	There are examples of small-scale retailers (or groups of their customers or consumers) experiencing an above average number of planned or unplanned interruptions, or a decline in service quality. Historically, there are examples of customers facing increased costs due to poor asset management (such as Skye residents needing to pay to connect to the SA Water network upon failure of the small-scale provider in 2016), SA Water customers bearing those costs (for example, in relation to SA Water takeover of the Tea Tree Gully Community Wastewater Management System from 2020), or taxpayers more generally bearing those costs.	Preparation, revision and approval of a Safety, Reliability, Maintenance and Technical Management Plans (SRMTMPs) – at the discretion of the OTR. Monitoring and reporting regime, including more detailed reporting for high-risk retailers. General Code provisions around service reliability. <u>Possible future controls</u> Expanded requirements for small-scale entities to have and maintain SRMTMPs. Specific service standards and performance targets. Expanded monitoring of performance outcomes (for example, in direct reporting to the Commission and/or by using National Performance Reporting data). Expanded monitoring of asset and financial health (for example, monitoring of the rate of return small-scale retailers earn). Requirement for retailer to report publicly on safety, reliability and quality outcomes.	
5	Use of service	Prices may be high or variable because they do not reflect costs of service delivery.	High or variable prices may reduce consumer welfare (and in some cases have hardship/debt implications). Cross-subsidisation may result in some customers contributing to the services they do not use.	There is evidence that some prices vary significantly from those for SA Water and/or other small-scale retailers. Prices may be high and/or vary significantly year-to-year due to past under recovery of costs. Prices may be too low if, for local government providers, there is cross-subsidisation of costs across different services. Prices may vary with changes to the use of cross subsidies. Extent of cross-subsidisation is unclear.	<u>Current controls</u> Economic regulation – requirement for entities to comply with NWI pricing principles, and monitoring of compliance with pricing principles. Price determinations for individual entities where needed. <u>Possible future controls</u> Economic regulation – expanded monitoring of compliance with pricing principles, use of alternative principles (light touch, prescriptive), requirement to minimise bill fluctuations, expanding use of price determinations for individual entities. Requirement to have and/or submit asset management plans for monitoring/approval. Requirement for retailer to provide information about future projected prices to customers and/or Commission.	Commission Department of Treasury and Finance DEW
6	Use of service	Customer or consumer ability to pay may be affected by changes in personal circumstances and/or broader changes in the cost of living.	Some customers or consumers may be unable to pay their bills and/or accumulate debt. Access to water services may be restricted.	Prices may be higher than SA Water or other small-scale retailers due to the scale or nature of operations. There is evidence of greater hardship amongst small-scale water customers, and high probability of it continuing and/or worsening due to cost-of-living pressures.	<u>Current controls</u> Consumer protections – requirement for small-scale retailers to have a hardship policy and offer flexible payment arrangements. Limitations on restriction/disconnection of water and sewerage services for non-payment. <u>Possible future controls</u> Consumer protections – obligations to identify hardship early and provide additional support to customers or consumers. Ensure hardship provisions are extended to tenants as water consumers to the extent permitted by legislation.	Commission DEW

	Timing	Issue	Risk to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators
7	Use of service	Retailer may establish a water supply network that is not prudent or efficient (for example, too large or technically complex), the resulting prices may exceed customer's willingness or ability to pay, and so the retailer may not be sustainable over the long term.	If the retailer is not sustainable, customers or consumers may be left without supply of water or sewerage services. Some customers or consumers may be unable to pay their bills and/or accumulate debt.	No current examples of this type of over-investment in small-scale networks.	<u>Current controls</u> Economic regulation – requirement for entities to comply with NWI pricing principles, and monitoring of compliance with pricing principles. <u>Possible future controls</u> Economic regulation – expanded monitoring of compliance with pricing principles. Requirement to have and/or submit asset management plans for monitoring/approval. Requirement for retailer to provide information about future projected prices to customers and/or Commission.	Commission DEW
8	Use of service	Bills may not be issued at a regular frequency or contain enough information for consumers to verify charges.	Infrequent or unclear bills may take time to understand and/or query, for some customers or consumers there may be hardship/debt implications.	There are examples of small-scale retailers not issuing bills quarterly, not reading meters regularly, and issuing bills based on estimated consumption the basis of which is unclear or unsuitable. There may be social barriers (literacy, language, disability, other types of vulnerability) to understanding bills and/or engaging to rectify incorrectly issued bills.	<u>Current controls</u> Consumer protections – regulation of billing frequency, bills contents, and the basis for bills. Inclusion of information about what to expect in bills in the customer charter. Requirement to have dispute resolution procedures. <u>Possible future controls</u> Consumer protections – additional requirements around meter reading (particularly frequency) and estimation methods, bill accessibility (for example, readability), requirement to include EWOSA contact details on bills.	Commission
9	Use of service	Customers or consumers may experience poor customer service or interpersonal conflicts with retailer staff.	Service issues may be time-consuming or difficult to resolve. There may be privacy or financial implications.	Small-scale water entities may have few resources dedicated to customer service. Due to their size, there may be limitations to the processes and systems they use. In small communities, it is possible that the customer and customer service officer are known to each other. These factors may make it challenging to have an issue looked at by a different staff member or escalated within the organisation.	<u>Current controls</u> Requirement to have complaints and dispute resolution procedures, and for membership of EWOSA. <u>Possible future controls</u> Requirements for customer services processes and systems and/or specific service standards. Requirements to report on and or publish complaints data.	Commission
10	Use of service	Customer or consumer data may not be securely held, may be inappropriately shared or used for unintended purposes.	Customers or consumers may have their personal information and/or usage data inappropriately shared. There are greater risks for some groups (for example, those experiencing family violence).	Due to retailer size, there may be limitations to the processes and systems for data management and privacy.	<u>Current controls</u> Regulation of the storing and use of information (requirements of the <i>Privacy Act 1988</i> and undertaking in the standard contract). <u>Possible future controls</u> Specific requirements around privacy related to family violence. Requirement of use of Consumer Data Right (opt-in service for data to be safely shared amongst businesses) where appropriate.	Office of the Australian Information Commissioner Australian Competition and Consumer Commission Commission

	Timing	Issue	Risk to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators
11	Use of service	Availability of supply - For water services, supply may be affected if there are issues with sources (bores, rainwater, river extraction, reservoirs) or licence availability.	Supply may become limited or unavailable.	Limited or restricted supply is more likely during extended dry periods and may be exacerbated by climate change.	<u>Current controls</u> Water supply planning, use of restrictions as per <i>Natural Resources Management Act 2004</i> .	DEW
12	Use of service/post-contract	Failure of entity - the small-scale monopoly service provider may be unable or unwilling to continue providing services	Customers or consumers may be left without supply of water or sewerage services. Customers may need to pay new connection fees to join an alternative network or establish an alternative supply. Taxpayers more broadly and/or SA Water customers or consumers may face costs of acting as a provider of last resort.	There are examples of small-scale entities failing or ceasing operation in South Australia due to, for example, financial constraints, directors seeking to retire, or unwillingness to comply with regulatory requirements.	<u>Current controls</u> Government/SA Water appoints/acts as or provider of last resort. Economic regulation - oversight of pricing to ensure cost-recovery and financial sustainability. Regulatory requirements suitable to the scale and nature of operations. <u>Possible future controls</u> Formal insurance scheme or fund to provide resources to ensure provider of last resort. Reasonable and effective licensing exemption regime to avoid unnecessarily onerous regulatory requirements (for example, for very small or not-for-profit operators).	Commission DEW EPA SA Health

Appendix 3 List of small-scale water and sewerage retailers

This table lists all 71 small-scale retailers licensed by the Commission as at August 2025, the services they provide, and the number of connections to which they provide those services.

Table 14: Small-scale water and sewerage retailers, licensed services, number of connections and size category (as at August 2025)

Retailer	Drinking water	Non-drinking water	Sewerage	CWMS	Number of connections	Size category ⁴
Adelaide Hills Berry Farms Pty Ltd ¹	✗	✓	✗	✗	70	Very small
Adelaide Hills Council	✗	✗	✗	✓	1607	Medium
Adelaide Plains Council	✗	✗	✗	✓	367	Small
Alano Utilities Pty Ltd ^{1,2}	✗	✗	✓	✗	1847	Medium
Alexandrina Council	✓	✓	✗	✓	8746	Large
Berri Barmera Council	✗	✓	✗	✓	3680	Medium
BHP Billiton Olympic Dam Corporation Pty Ltd ¹	✓	✗	✗	✗	47	Very small
City of Onkaparinga - sewerage	✗	✗	✗	✓	3902	Medium
City of Onkaparinga - water	✗	✓	✗	✗	68	Very small
City of Port Adelaide Enfield	✗	✓	✗	✓	124	Small
City of Port Lincoln	✗	✓	✗	✗	4	Very small
City of Salisbury	✗	✓	✗	✗	1482	Medium
City of Tea Tree Gully	✗	✓	✗	✗	2	Very small
City of Playford	✗	✓	✗	✗	67	Very small
Clare & Gilbert Valleys Council	✗	✓	✗	✓	2619	Medium

Retailer	Drinking water	Non-drinking water	Sewerage	CWMS	Number of connections	Size category ⁴
Coorong District Council	✗	✓	✗	✓	2081	Medium
Copper Coast Council	✗	✗	✗	✓	8852	Large
CPE Tonsley Pty Ltd ¹	✗	✓	✗	✗	277	Small
District Council of Barunga West	✗	✗	✗	✓	1269	Medium
District Council of Ceduna	✓	✗	✗	✓	1767	Medium
District Council of Cleve - Arno Bay	✗	✗	✗	✓	107	Small
District Council of Cleve - Cleve	✗	✗	✗	✓	493	Small
District Council of Coober Pedy ⁶	✓	✓	✗	✓	1692	Medium
District Council of Elliston	✓	✓	✗	✓	176	Small
District Council of Franklin Harbour	✓	✗	✗	✓	769	Medium
Southern Limestone Coast Council	✗	✗	✗	✓	1199	Medium
District Council of Karoonda East Murray	✗	✗	✗	✓	294	Small
District Council of Kimba	✗	✓	✗	✓	394	Small
District Council of Lower Eyre Peninsula	✗	✗	✗	✓	1558	Medium
District Council of Mount Remarkable	✓	✗	✓	✓	777	Medium
District Council of Orroroo Carrieton	✗	✓	✗	✓	41	Very small
District Council of Peterborough	✗	✗	✗	✓	1105	Medium
District Council of Robe	✗	✗	✗	✓	1731	Medium
District Council of Streaky Bay	✗	✗	✗	✓	816	Medium
District Council of Tumby Bay	✗	✓	✗	✓	1288	Medium

Retailer	Drinking water	Non-drinking water	Sewerage	CWMS	Number of connections	Size category ⁴
District Council of Loxton Waikerie	✗	✗	✗	✓	3039	Medium
ERA Water ¹	✗	✓	✗	✗	53	Very small
F.B. Pipeline Pty Ltd ¹	✓	✗	✗	✗	400	Small
Fairmont Utilities Pty Ltd ¹	✓	✓	✓	✗	0 ⁵	Large
Kangaroo Island Council	✗	✗	✗	✓	2127	Medium
Kingston District Council	✗	✗	✗	✓	850	Medium
Light Regional Council	✗	✓	✗	✓	2940	Medium
Lightsview Re-Water Supply Co Pty Ltd ¹	✗	✓	✗	✗	2121	Medium
Michell Infrastructure Pty Ltd ¹	✗	✓	✗	✗	1	Very small
Mid Murray Council	✗	✓	✗	✓	1923	Medium
Monarto Water Network Ltd ¹	✗	✓	✗	✗	26	Very small
Mount Barker Region Wastewater Utility (GMB Water)	✗	✓	✓	✓	14839	Large
Municipal Council of Roxby Downs	✓	✓	✓	✗	3869	Medium
Naracoorte Lucindale Council	✗	✗	✗	✓	193	Small
Northern Areas Council	✗	✓	✗	✓	1791	Medium
NWIC Pty Ltd ¹	✗	✓	✗	✗	2	Very small
Port Augusta City Council	✗	✓	✗	✓	1566	Medium
Port Pirie Regional Council	✗	✗	✗	✓	701	Medium
Regional Council of Goyder - Burra	✗	✗	✗	✓	0	Small
Regional Council of Goyder - Eudunda	✗	✗	✗	✓	406	Small

Retailer	Drinking water	Non-drinking water	Sewerage	CWMS	Number of connections	Size category ⁴
Renmark Paringa Council	✗	✗	✗	✓	3683	Medium
Robusto Investments Pty Ltd ¹	✓	✗	✗	✗	209	Small
Rural City of Murray Bridge	✓	✗	✗	✓	318	Small
Select Utilities Pty Ltd (trading as Factor UTB) ^{1,7}	✗	✗	✓	✗	0 ³	Medium
Southern Mallee District Council	✗	✓	✗	✓	703	Medium
Tatiara District Council	✗	✓	✗	✓	2568	Medium
The Barossa Council	✗	✓	✗	✓	9209	Medium
The City of Charles Sturt	✗	✓	✗	✗	397	Small
The Corporation of the City of Marion	✗	✓	✗	✗	50	Very small
The Corporation of the City of Whyalla	✓	✓	✗	✗	17	Very small
The Flinders Ranges Council - Hawker	✗	✗	✗	✓	195	Small
The Flinders Ranges Council - Quorn	✗	✗	✗	✓	390	Small
Wakefield Regional Council	✗	✗	✗	✓	2076	Medium
Wattle Range Council	✗	✗	✗	✓	1850	Medium
Wudinna District Council	✗	✓	✗	✓	316	Small
Yorke Peninsula Council	✓	✗	✗	✓	3606	Medium

Note: Services provided are those each entity is licensed to provide, as per the Commission's licence register. Information about whether each entity is licensed to provide sewerage services or CWMS is inferred from the most recent reporting to the Commission. Connection numbers are from the most recent reporting to the Commission as at August 2025.

¹ Privately-owned entity.

² Licensed for approximately 4000 connections at Two Wells, 550 connections at Angle Vale, and connections at Wallaroo and Mount Barker.

- ³ Licensed for up to 4500 connections (none yet constructed).
- ⁴ Size categories: Very small (<100 connections), Small (101-500 connections), Medium (501-5000 connections), Large (5001-50,000 connections).
- ⁵ Licensed for up to 7500 connections (none yet constructed).
- ⁶ SA Water will take over provision of drinking water services from the District Council of Coober Pedy by the end of 2026.
- ⁷ Select Utilities licence was varied in October 2025 to include the provision of sewerage services, drinking water services, and limited non-drinking water services at Cape Jaffa. Changes in customer and connection numbers are not yet reflected in reporting to the Commission.

Appendix 4 NWI pricing principles

The National Water Initiative (NWI) is a plan for water reform that all Australian States and Territories agreed to in 2004. It aims to increase the efficiency of Australia's water sector, including by improving pricing for water storage and delivery.

NWI pricing principles exist to guide pricing practices to support that improvement. This section sets out the NWI pricing principles in full (note that paragraph numbers used below are those in the NWI pricing principles document).²⁶⁵

Principles for the recovery of capital expenditure

Principle 1: Cost recovery for new capital expenditure

13. 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 – refer to principle 6 – and transparent community service obligations)ⁱⁱⁱ through either:
 - a) a return of capital (depreciation of the Regulatory Asset Base (RAB)) and return on capital (generally calculated as rate of return on the depreciated RAB); or
 - b) a renewals annuityⁱⁱⁱ and a return on capital (calculated as a rate of return on an undepreciated asset base (Optimised Replacement Cost, ORC)).
14. Where jurisdictions have drawn a 'line in the sand', this principle would apply only to new investment decisions made after the date the line in the sand was drawn (the legacy date). For investment decisions made prior to the legacy date, see principles 3 and 4.
15. The rate of return should be consistent with the Weighted Average Cost of Capital (WACC^{iv}) with the cost of equity derived from the Capital Asset Pricing Model (CAPM).

Notes:

- i. Charges may be set to achieve up to full cost recovery of capital expenditures in the rural and regional sector where it is demonstrated that it is not practicable to move towards upper bound pricing as per the terms identified in clause 66 (v) of the NWI.
- ii. See also Principles 4 and 5.
- iii. To ensure revenue outcomes generally consistent with option (a), the renewals annuity should be structured as a sinking fund to include a provision on a forward-looking basis for the cost of replacing the relevant asset and/or asset components. In calculating the undepreciated asset base, the ORC should not include the renewals reserve.
- iv. The WACC return sought should be tuned to the RAB valuation methodology adopted. The WACC used should be consistent with the form of asset valuation methodology used (e.g. a nominal WACC applies to a historical cost valuation, and a real WACC applies to a current cost valuation). The use of replacement cost valuations can give rise to capital gains and losses measured against the Consumer Price Index (CPI). Where an asset value is used to determine revenue requirements, a systematic escalation in the value of assets above the increase in the CPI will give rise to a capital gain in real terms, all other things being equal. Where an asset on revaluation is subject to a systematic decrement in real terms, a capital

²⁶⁵ Department of Climate Change, Energy, the Environment, Water, *National Water Initiative Pricing Principles*, available at <https://www.dcceew.gov.au/water/policy/policy/nwi/pricing-principles>

loss will result. Where replacement cost valuations methods are used, the WACC will need to be adjusted to cater for systematic capital gains or losses.

Principle 2: Valuation of new assets

16. New and replacement assetsⁱ should be initially valued at efficient actual costⁱⁱ.

Notes:

- i. A new asset refers to any investment (be it on a new asset or a replacement asset) that occurs after the legacy date.
- ii. To avoid circularity in price setting the amount included in the RAB should not be based on the net present value of cash flows.

Principle 3: Valuation of legacy assets

17. Legacy assetsⁱ that are to be retained should be valued at Depreciated Replacement Cost (**DRC**); Depreciated Optimised Replacement Cost (**DORC**); Optimised Replacement Cost (**ORC**), indexed actual cost, Optimised Deprival Value (**ODV**)ⁱⁱ or using another recognised valuation method.

Notes:

- i. Legacy assets are those which existed as at the legacy date (see iii for a definition of the legacy date).
- ii. This is consistent with the findings of the expert group on asset valuation methods which stated that the deprival value approach to asset valuation should be adopted⁷.
- iii. The legacy date equates to the date where a line in the sand has been drawn. Where jurisdictions have not drawn a line in the sand, the legacy date will be no later than 1 January 2007 and may be in accordance with earlier dates as determined by governments or economic regulators.

Principle 4: Recovery of legacy capital expenditure

18. In respect of legacyⁱ investment decisions, and on the assumption that assets are to be retained, charges will achieve cost recovery by way of a depreciation charge or annuity charge and a positive returnⁱⁱ on an asset value used for price setting purposes as at the legacy dateⁱⁱⁱ. If assets are to be sold then they are to be valued at their net realisable value.

Notes:

- i. Legacy investment decisions are decisions made prior to the legacy date (refer to iii below for a definition of the legacy date).
- ii. The return earned should be no less than the return being achieved at the legacy date, and, if the return being earned before the legacy date is above the current WACC return, no more than the return being achieved at the legacy date.
- iii. The legacy date will be no later than 1 January 2007 and may be in accordance with earlier dates determined by governments or economic regulators. Once set, the legacy date should not change. Costs funded by governments after the legacy date should be reported through a transparent subsidy.

Principle 5: Rolling forward asset values after the legacy date

19. The RAB comprising prudent new investments and legacy investments should be rolled forward each year in accordance with the following formula, which can be expressed in nominal or real termsⁱ:

$$\text{RAB}_t = (\text{RAB}_{t-1} + \text{Prudent Capital Expenditure}_t - \text{Depreciation}_t - \text{Disposal}_t \text{ (discarded assets)}).$$

(Where t = the year under consideration).

20. Where assets are optimisedⁱⁱ, they should not be subject to further optimisation unless there are relevant changes in market circumstances.

21. Where DRC or DORC is used as a basis for asset values, the RAB comprising new investments and legacy investments should be re-valued through an independent appraisal on a rolling basis in accordance with Accounting Policy Standards.

22. Where a renewals annuity is used, asset values should not be depreciated.

Notes:

- i. When applicable, CPI or other relevant indexation factor may be used.
- ii. The RAB should be adjusted for 'unplanned' excess capacity through optimisation (that is, delivery of an equivalent service that reflects least cost planning reflecting prudent engineering and technological advancements), where 'unplanned' excess capacity is capacity which is not the result of a planned level of utilisation.

Principle 6: Contributed assets

23. New contributed assets^{i,ii,iii} (i.e. grants/gifts from governments and contributions from customers (e.g. developer charges)) should be excluded or deducted from the RAB or offset using other mechanisms so that a return on and of the contributed capital is not recovered from customers^{iv}. If a renewals annuity is used, it should include provision for replacement of contributed assets.

Notes:

- i. For contributed assets other than developer charges, funding should be recognised as an asset contribution only where there is clear contractual or policy evidence that this funding was meant to be used to lower long-term prices.
- ii. For the purposes of principle 6, contributed assets exclude gifts or grants where there is clear contractual or policy evidence that charges be set to achieve full cost recovery, inclusive of the value of the gift or grant.
- iii. Equity injections should be distinguished from grants /gifts /contributions.
- iv. It is acceptable for principle 6 to apply to legacy contributed assets if adequate information is available to identify them.

Principles for urban water tariffs

Principle 1: Cost recovery

9. Water businesses should be moving to recover efficient costs consistent with the NWI definition of the upper revenue bound: 'to avoid monopoly rents, a water business should not recover more than the operational, maintenance and administrative costs, externalities, taxes or tax equivalent regimes, provision for the cost of asset consumption and cost of capital, the latter being calculated using a WACC'ⁱ.

Notes:

- i. Application of this principle would be in the context of commitments to full cost recovery in accordance with paragraph 66 of the NWI.

Principle 2: Tariff structures

- 10. Two-part tariffs (comprising a service availability charge and a water usage charge) should be used to recover the revenue requirement from retail residential and non-residential and bulk customers^{i,ii}

Notes:

- i. Unless this is demonstrated to not be cost effective.
- ii. This does not preclude charging for peak capacity.

Principle 3: Cost reflective tariffs

- 11. The water usage charge should have regard to the long run marginal cost of the supply of additional water.ⁱ

Notes:

- i. On economic efficiency grounds the water usage charge should comprise only a single usage charge. However, governments may decide on more than one tier for the water usage charge for policy reasons, e.g. sending a strong pricing signal to encourage efficient water use; and having regard to equity objectives.

Principle 4: Setting the service availability charge

- 12. The revenue recovered through the service availability charge should be calculated as the difference between the total revenue requirement as determined in accordance with Principle 1 and the revenue recovered through water usage charges and developer charges.
- 13. The service availability charge could vary between customers or customer classes, depending on service demands and equity considerations. Unattributable joint costs should be allocated such that total charges to a customer must not exceed stand-alone cost or be less than avoidable cost where it is practicable to do so.

Principle 5: Pricing transparency

- 14. Urban water tariffs should be set using a transparent methodology, through a process which seeks and takes into account public comment, or which is subject to public scrutiny.

Principle 6: Over recovery of revenue

- 15. Where water usage charges lead to revenue recovery in excess of upper bound revenue requirements in respect of new investments, jurisdictions are to address the over recovery. In addressing the over recovery, revenues should be redistributed to customers as soon as practicable.

Notes:

- i. This principle recognises that in some cases, long run marginal cost may exceed average cost.

Principle 7: Differential water charges

- 16. 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.ⁱ

Notes:

- i. Differential pricing may be achieved by upfront contributions, including developer charges.

Principle 8: Setting developer charges

17. Developer charges should reflect the investment in both new and existing assets required to serve a new developmentⁱ and have regard to the manner in which ongoing water usage and service availability charges are set.

Notes:

- i. Where there are benefits beyond the boundary of the development, the developer charge should have regard to the share of capacity required to serve the development.

Principle 9: Capping developer charges

18. Developer charges should not exceed the costs of serving new developments which includes investment in both new and existing assets required to serve a new development.

Principle 10: Revenue from developer charges

19. To avoid over-recovery, revenue from developer charges should be offset against the total revenue requirement either by excluding or deducting the contributed assets from the RAB or by offsetting the revenue recovered using other mechanisms.

Pricing principles for recycled water and stormwater use

Principle 1: Flexible regulation

4. Light handed and flexible regulation (including use of pricing principles) is preferable, as it is generally more cost-efficient than formal regulation. However, formal regulation (e.g. establishing maximum prices and revenue caps to address problems arising from market power) should be employed where it will improve economic efficiency.

Principle 2: Cost allocation

5. When allocating costs, a beneficiary pays approach — typically including direct user pay contributions — should be the starting point, with specific cost share across beneficiaries based on the scheme's drivers (and other characteristics of the recycled water/stormwater reuse scheme).

Principle 3: Water usage charge

6. Prices to contain a water usage (i.e. volumetric) charge.

Principle 4: Substitutes

7. Regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band.

Principle 5: Differential pricing

8. Pricing structures should be able to reflect differentiation in the quality or reliability of water supply.

Principle 6: Integrated water resource planning

9. Where appropriate, pricing should reflect the role of recycled water as part of an integrated water resource planning (IWRP) system.

Principle 7: Cost recovery

10. Prices should recover efficient, full directⁱ costs — with system-wide incremental costs (adjusted for avoided costs and externalities) as the lower limit, and the lesser of stand-alone costs and willingness to pay (WTP) as the upper limit. Any full cost recovery gap should be recovered with reference to all beneficiaries of the avoided costs and externalities. Subsidies and Community Service Obligation (CSO) payments should be reviewed periodically and, where appropriate, reduced over time.

Notes:

- i. Direct costs include any joint/common costs that a scheme imposes, as well as separable capital, operating and administrative costs. This definition of direct costs does not include externalities and avoided costs.

Principle 8: Transparency

11. Prices should be transparent, understandable to users and published to assist efficient choices.

Principle 9: Gradual approach

12. Prices should be appropriate for adopting a strategy of 'gradualism' to allow consumer education and time for the community to adapt.

Appendix 5 Out-of-scope issues

The Issues Paper received 9 formal submissions, from GMB Water, the Alexandrina Wastewater Manager, the Energy and Water Ombudsman SA (EWOSA), the South Australian Council of Social Service (SACOSS), Office of the Technical Regulator (OTR), SA Water, the City of Onkaparinga, the Urban Development Institute of Australia (UDIA), and ERA Water.

Some issues raised in consultation are not within the scope of this review, including:

► Infrastructure duplication

Some stakeholders submitted that multiple retailers operating in proximity has the potential to lead to infrastructure duplication and, that retailers may have different pricing and service requirements (discussed above) and be required to comply with different technical standards.

SA Water submitted that increased third-party provision has resulted in multiple operators servicing the same small areas, including at Angle Vale. It argued this can create inefficiency, disruption, unclear service responsibilities, pricing inconsistencies, and differing service standards.

GMB Water submitted that the current framework allows materially different standards and obligations across retailers, which may undermine sustainable pricing, infrastructure reliability, environmental protection, public health outcomes, and customer protections. It recommended mandatory baseline standards for all small-scale retailers.

The Department of Environment and Water is aware of the risks related to infrastructure duplication, which may to some extent be addressed by the provisions in section 48 of the WI Act for defining service areas. The OTR has oversight of technical and safety outcomes in small-scale networks, with some technical standards being established as conditions of approvals granted by the Department for Health and Wellbeing.

► Equity and affordability

Some stakeholders called for Government policy to address inequities that arise from the existing broader regulatory framework for water and sewerage services in South Australia. These include that state-wide pricing does not apply to small-scale retailers resulting in relatively high prices in some areas (notably Coober Pedy²⁶⁶).

SACOSS, EWOSA, the Alexandrina Wastewater Manager and the City of Onkaparinga proposed that the Commission raise with the Government the potential introduction of statewide pricing, including the use of CSO funding, to support affordability and operational sustainability.

The Commission considers that matters of affordability, and use of CSOs to equalise prices, are matters of Government policy.

► Services in 'meter-at-the-gate' communities

SACOSS raised concern about the lack of regulation in 'meter-at-the-gate' Aboriginal communities, where water is delivered to the communities by a water retailer, and then distributed and used (but not on-sold by) the community organisation. As provision of water in these communities is not a retail service as defined under the WI Act, consumers are not afforded the relevant protections.

The Department for Environment and Water is aware of these limitations and is considering this matter as part of its review of the WI Act.

²⁶⁶ In February 2026, the South Australian Government announced that SA Water will take over provision of drinking water services at Coober Pedy, from late 2026.

► Operator of last resort provisions

Some stakeholders raised concerns about the financial sustainability of small-scale retailers, citing recent examples of licence surrender, and called for an operator of last resort mechanism to protect consumers.

There are operating of last resort provisions in the WI Act, and the Department for Environment and Water is considering potential improvements as part of its review of the WI Act.

► Limitations on disconnecting from non-drinking water supplied by dual reticulation

Where customers are supplied with non-drinking water supplied by dual reticulation, they may decide to disconnect from non-drinking water supply and use only drinking water. There is nothing in the Commission's regulatory framework that prevents disconnection.

However, other legal agreements may require that customers remain connected, or that a supply charge is still applicable regardless of whether they are connected or not. The Commission understands that this may be the case for some Renewal SA developments. By not being able to disconnect, customers are essentially paying an availability charge, which is permitted in relation to SA Water (under the WI Act) and retailers that are Councils (under the LG Act).²⁶⁷

Where a customer is prohibited from disconnecting from a dual reticulation non-drinking water service there is a risk that they must continue to pay for a service they do not want or need. Where a customer is required to maintain that service, to, for example, achieve water conservation or environmental policy objectives, it is important that the relevant regulator considers how the costs of that policy are recovered.

A related risk is that when customers leave non-drinking water dual reticulation networks, remaining customers must cover network costs. Depending on how many customers leave, eventually maintaining the service will become uneconomic, for individual customers and for the network operator. This is a complex matter, and one with broader implications than whether an individual customer can disconnect.

The Commission will engage with developers (including Renewal SA) to discuss limitations on customers disconnecting from non-drinking water supplied by dual reticulation made in property covenants, with a particular focus on arrangements for future developments.

²⁶⁷ See Essential Services Commission of South Australia, 2023, *Fact sheet – Water and sewerage service charging where no supply is used*, available at <https://www.escosa.sa.gov.au/ArticleDocuments/291/20230430-Consumer-WaterSewerageServiceChargingWhereNoSupplyIsUsed-factsheet.pdf.aspx?Embed=Y>.



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