



CPE Tonsley Pty Ltd

2023-24 Non-Drinking Water Pricing Policy Statement

Introduction

CPE Tonsley Pty Ltd is a licenced small-scale water retailer, supplying non-drinking water to residential and non-residential customers in the Tonsley Innovation District in South Australia.

This Pricing Policy Statement sets out how CPE Tonsley Pty Ltd has determined its costs and developed prices for its regulated water retail service.

Background

The Water Industry Act 2012 (SA) introduced mechanisms for the transparent setting of prices within the water industry in South Australia and to facilitate pricing structures that reflect the true value of services provided by participants in this industry.

The Water Industry Act 2012 (SA) requires the Essential Services Commission of South Australia (ESCOSA) to adopt or apply the National Water Initiative (NWI) pricing principles when making a price determination for retail services. The NWI principles relate to cost recovery, pricing and transparency for water services.

All licenced entities are required to issue a Pricing Policy Statement that demonstrates how the National Water Initiative (NWI) pricing principles have been applied in determining the costs and developing prices for their regulated water retail service.

Description of Regulated Retail Service – Recycled Water Services

CPE Tonsley provides a non-drinking water supply service to residential and non-residential customers within the Tonsley Innovation District.

Water is supplied to CPE Tonsley on commercial terms either by SA Water or alternatively by the City of Marion using recycled stormwater and native groundwater, managed and supplied from its aquifer. Either source is satisfactory for its intended use.

Pricing Policy

CPE Tonsley's pricing policy is designed ultimately to achieve full cost recovery and return on the capital investment in the water distribution infrastructure within the Tonsley Innovation District. Within this context, important considerations in setting prices are the costs of operating the non-drinking water network (including the cost at which we acquire water from SA Water and City of Marion), balanced against the price of substitutes and the ability and willingness of customers to pay.

As the residential precinct within the Tonsley Innovation District is completed, demand will increase and economies of scale will increase.

As a buyer of water from SA Water and City of Marion, CPE Tonsley will always take into account the costs of acquiring water from our suppliers.

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CPE Tonsley plans to achieve full cost recovery and return on capital investment through continued sales growth, and optimised use of existing infrastructure, rather than by increasing prices.

Price Movements between 2022/23 and 2023/24

Consumption and supply charges for 2023/24 increased 6% from 2022/23 in August 2023.

Achievement of Principles set out in the Price Determination for Minor/Intermediate Retailers

CPE Tonsley is required to demonstrate that its pricing is consistent and compliant with the National Water Initiative (NWI) Pricing Principles.

The following analysis provides an explanation as to how CPE Tonsley charges relating to the provision of non-drinking water services complies with the relevant pricing principles.

NWI Principle 1: Flexible Regulation

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.

Light handed and flexible regulation is part of the framework currently established by ESCOSA.

NWI Principle 2: Cost Allocation

When allocating cost, a beneficiary pays approach, typically including direct user pays contributions, should be the starting point, with specific costs shared across beneficiaries based on the scheme's drivers (and other characteristics of the recycled water/storm water reuse scheme).

Where appropriate, specific fees may be charged to a water customer where the costs are providing a direct benefit to that customer (eg connection fees).

NWI Principle 3: Water Usage Charge

Prices to contain a water usage (ie. volumetric) charge.

CPE Tonsley's prices for both residential and commercial customers contain a volumetric usage charge.

NWI Principle 4: Substitutes

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

Pricing is established independent of that for potable water with the objective being to achieve full cost recovery, however the price of substitutes (eg. potable water) and competition are key considerations in determining prices.

NWI Principle 5: Differential Pricing

Pricing structures should be able to reflect differentiation in the quality or reliability of water supply.

CPE Tonsley's pricing structures do reflect differentiation based on the quality of water supply and its intended use.

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NWI Principle 6: Integrated Water Resource Planning

Where appropriate, pricing should reflect the role of recycled water as part of an integrated water resource planning (IWRP) system.

CPE Tonsley's pricing does reflect the variety of input sources.

NWI Principle 7: Cost Recovery

Prices should recover efficient, full direct 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.

CPE Tonsley's pricing policy is designed to ultimately achieve full cost recovery and a return on capital investment. This is expected to be largely achieved through increased sales volume from existing infrastructure.

NWI Principle 8: Transparency

Prices should be transparent, understandable to users and published to assist efficient choices.

Prices are published on our website, and may easily be compared against alternatives.

NWI Principle 9: Gradual Approach

Prices should be appropriate for adopting a strategy of 'gradualism' to allow consumer education and time for the community to adapt.

CPE Tonsley is conscious of the impact of price increases on consumers and seeks to keep any increases commensurate with macroeconomic factors.