**Submission to the Essential Services Commission of South Australia**

**Review of the Small-scale Water and Sewerage Regulatory Framework — Draft Decision**

**Date:** October 2026
**Submitted by:** Northern & Yorke Local Government Association (N&YLGA)
**Representing:** 15 member councils across Northern and Yorke, South Australia

# Executive summary

The Northern & Yorke Local Government Association (N&YLGA) welcomes the opportunity to respond to the Essential Services Commission of South Australia's (ESCOSA) review of the regulatory framework applying to small-scale water and sewerage retailers.

N&YLGA represents 15 councils across regional South Australia. Many regional communities depend on council-owned water supply schemes, community wastewater management systems (CWMS), sewerage services and recycled water infrastructure to support community health, housing, economic development and environmental sustainability.

The Northern and Yorke Regional Alliance which comprises membership organisations including the RDA Yorke and Mid North; Northern and Yorke Landscape Board; RDA Barossa Gawler Light Adelaide Plains; and the Northern and Yorke Local Government Association recently completed a Regional Water Study which has identified water security as a high-priority regional issue. The study reinforces the importance of protecting existing water resources and infrastructure, improving long-term planning and ensuring that regulatory settings support sustainable investment and the viability of regional services.

N&YLGA supports effective regulation that protects consumers, promotes reliable services, encourages sound financial management and holds providers accountable. The Association recognises that customers of small-scale water and sewerage schemes may have limited or no ability to choose an alternative provider, making appropriate consumer protections essential.

However, the regulatory framework must also recognise the substantial differences between large utilities and small regional providers. A council operating a relatively small CWMS or local water supply scheme may have limited specialist staffing, small customer numbers and a narrow revenue base, while still being responsible for maintaining complex infrastructure and meeting multiple statutory obligations.

The Commission's draft decision proposes changes to service standards, customer protections, pricing arrangements, compliance requirements and long-term asset management and financial planning. These changes have the potential to improve outcomes, but their practical implementation may create additional costs for smaller providers and their customers.

N&YLGA is particularly concerned that regulatory obligations, if not proportionate to the scale, risk and complexity of a scheme, could divert resources from essential maintenance and renewal, place upward pressure on customer charges, constrain future investment and make small regional schemes more difficult to sustain.

The Association recommends a regulatory framework that achieves five objectives:

1. Protect customers: establish clear and enforceable minimum protections appropriate to the nature of the service and the risks faced by customers.
2. Support water security: recognise the importance of reliable water and wastewater infrastructure to regional resilience, environmental health and future economic development.
3. Ensure proportionality: tailor requirements to the scale, complexity, customer numbers and risk profile of individual schemes.
4. Protect financial sustainability: ensure that compliance costs are understood, justified and managed so that providers can continue investing in assets and services.
5. Support practical implementation: provide clear guidance, reasonable transition periods, consistent reporting requirements and opportunities for shared regional capability.

N&YLGA requests that ESCOSA undertake a detailed assessment of the anticipated implementation and ongoing costs of the proposed changes before finalising its decision, including the potential effects on council budgets, water and sewerage charges, asset renewal and the long-term viability of small regional schemes.

The Association is willing to work with ESCOSA and relevant councils to help quantify impacts as the framework progresses; support further consultation; and evidence gathering. N&YLGA seeks continued engagement between ESCOSA, local government and regional water providers to ensure the final framework is workable, proportionate and responsive to the circumstances of regional South Australia.

## Regional context and the importance of water security

Water security is fundamental to the long-term sustainability of Northern and Yorke communities.

The region's councils are responsible for infrastructure and services that support residential communities, businesses, industry, tourism and regional growth. Depending on the location, council-owned schemes provide water supply, sewerage, CWMS and recycled water services.

These systems vary considerably in scale and complexity. Some serve established townships with relatively stable customer numbers; others support smaller communities where the cost of maintaining infrastructure must be recovered across a limited customer base.

Regional water providers also operate within a challenging environment characterised by ageing infrastructure, rising construction and maintenance costs, specialist workforce constraints and the need to plan for changing population and development patterns.

The Northern and Yorke Regional Alliance's Regional Water Study identifies water security as a high-priority action. This highlights the need to consider the proposed regulatory changes alongside broader regional priorities, including:

- Maintaining reliable and safe water and wastewater services.
- Protecting the long-term viability of existing water infrastructure.
- Identifying and funding asset renewal and infrastructure upgrades.
- Supporting future housing, industrial and commercial development.
- Improving water efficiency, reuse and opportunities for circular water systems.
- Managing environmental and public health risks.
- Ensuring regional communities can afford essential water and sewerage services.

N&YLGA considers that regulatory reform should complement these priorities. A framework that strengthens consumer protection but makes it materially more difficult for small providers to fund infrastructure renewal would not deliver a sustainable outcome.

ESCOSA should assess the combined effect of its proposed requirements on providers, customers and the regional infrastructure systems on which communities depend.

## Overview of the proposed regulatory changes

ESCOSAs draft decision proposes a revised framework for small-scale water and sewerage retailers, including changes to service standards, price regulation, asset management, financial planning and customer protections. The revised framework is proposed to commence on 1 July 2027, subject to the Commission's final decision.

N&YLGA acknowledges the importance of the Commission's objective to protect consumers' long-term interests in the price, quality and reliability of essential services.

The Association's concern is not with the principle of effective regulation, but with the extent to which the proposed requirements are supported by evidence of their costs, benefits and practical consequences for smaller regional providers.

The Commission should clearly distinguish between:

- Requirements necessary to manage material risks to customers, public health and service continuity.
- Requirements that can be met through existing council systems, records and governance processes.
- Requirements that necessitate new systems, specialist advice, additional staffing or infrastructure investment.

- Requirements that may be implemented through standardised templates, shared services or proportionate compliance arrangements.

This distinction is important because a requirement that creates only a modest additional cost for a large utility may impose a material burden on a small council-operated scheme.

N&YLGA requests that ESCOSA publish a regulatory impact assessment that identifies the likely costs and benefits of the proposed requirements by retailer size, service type and risk category.

## Areas of concern

**Long-term asset management and financial planning**

N&YLGA recognises the value of long-term asset management and financial planning. Properly developed plans can improve understanding of infrastructure condition, renewal requirements, service risks and future funding needs.

The proposed requirement for drinking water and sewerage retailers to maintain long-term asset management and financial plans raises questions about the level of detail required, the frequency of review, the need for external expertise and the relationship with existing council asset management and long-term financial plans.

Councils already undertake asset management and financial planning under their broader local government responsibilities. The extent to which these existing arrangements can satisfy ESCOSAs proposed requirements should be clarified before providers are expected to develop additional documentation.

N&YLGA recommends that ESCOSA:

- Accept existing council asset management plans and long-term financial plans where they contain the information required by the regulatory framework.
- Publish a standardised, proportionate template for smaller providers.
- Define the minimum information required, including asset condition, useful life, renewal forecasts, maintenance requirements, service risks and funding assumptions.
- Avoid unnecessary duplication between council corporate planning, asset management, financial reporting and ESCOSA compliance processes.
- Provide guidance on reasonable planning horizons and review cycles.
- Permit a risk-based approach to independent technical or financial advice.
- Allow reasonable implementation periods where material data gaps or new technical assessments must be addressed.

The objective should be to improve the quality of asset and financial planning, rather than require providers to produce additional documents that replicate existing information without improving decision-making.

**Service standards and service restoration**

The draft decision proposes minimum service standards for medium- and high-risk retailers. These include requirements relating to responsiveness to water and sewerage events, service restoration, connection applications and customer service.

N&YLGA supports clear expectations for reliable services and timely responses to customers. However, service standards must recognise the operating circumstances of small regional schemes.

A small council may have limited technical staff, rely on external contractors or specialist operators, and need to transport equipment and personnel over substantial distances. Some events may also be affected by power failures, equipment availability, weather, supply-chain delays or the availability of specialist repair services.

N&YLGA recommends that service standards:

- Be proportionate to the nature and risk of the service.
- Distinguish between the time taken to acknowledge a problem, commence an appropriate response and restore the service.
- Recognise circumstances outside a provider's reasonable control while requiring prompt communication and reasonable mitigation.
- Establish clear rules for recording and reporting service interruptions.
- Avoid imposing identical performance expectations on schemes with materially different infrastructure and operational circumstances without evidence that the standards are achievable.
- Include appropriate provisions for emergencies and events affecting multiple regional providers.

ESCOSA should publish examples demonstrating how the proposed standards would apply to typical small regional CWMS, drinking water and recycled water schemes.

**Customer protection requirements**

N&YLGA supports appropriate customer protections, including safeguards for customers experiencing financial hardship, people affected by family violence and customers who depend on life support equipment.

These protections are particularly important where customers cannot readily change provider.

However, the implementation of new policies, staff training, confidential information management, customer communications and complaint-handling processes may create additional administrative requirements for councils with small customer service teams.

N&YLGA recommends that ESCOSA provide:

- Standardised policies, procedures and customer communication templates.
- Clear guidance about the minimum training and capability requirements for staff.
- Practical arrangements for small providers whose customer service, finance and operational functions are performed by the same employees.
- Proportionate compliance evidence requirements.
- Guidance on the secure management of sensitive customer information.
- Clarification of how obligations apply where services are delivered through contractors or shared council arrangements.

The Commission should ensure that the proposed framework improves customer outcomes without creating administrative systems that are disproportionate to the size and risk of the service.

**Compliance costs and additional resourcing**

The direct and indirect costs of compliance are a central concern for regional providers.

Potential costs may include:

- Staff time to interpret new regulatory obligations and develop procedures.
- External legal, financial, engineering or regulatory advice.
- Development or modification of asset management and financial planning systems.
- Staff training and changes to customer service processes.
- Additional data collection, recordkeeping and reporting.
- Independent reviews, audits or assurance activities.
- Changes to billing, metering, complaint-handling or customer information systems.
- Infrastructure investigations and technical assessments needed to demonstrate compliance.

These costs may be incurred even where the number of customers is small, and the underlying infrastructure is relatively simple.

N&YLGA recommends that ESCOSA quantify both initial implementation costs and ongoing annual costs for representative small, medium and large regional providers.

The assessment should identify the extent to which costs can be avoided or reduced through existing systems, shared services, standardised templates and transitional assistance.

The Commission should also consider whether a provider's compliance costs are likely to be material relative to its annual operating expenditure, revenue and available funding for asset renewal.

**Customer charges and affordability**

Where regulatory costs are recoverable through service charges, they may ultimately be borne by customers.

This is particularly relevant to small schemes where the cost of operating and maintaining the network is spread across a relatively limited customer base.

For example, a new annual compliance cost of $10,000 would equate to an average of $100 per customer across a scheme with 100 customers, or $20 per customer across a scheme with 500 customers, if the entire cost were recovered evenly from those customers. These figures are illustrative only and do not represent the costs of any particular Northern and Yorke scheme.

Actual impacts would depend on the provider's pricing arrangements, customer mix, available reserves, efficiency measures and ability to absorb costs.

N&YLGA recommends that ESCOSA assess the potential effects of the proposed changes on customer charges, including the cumulative impact of multiple new requirements.

The assessment should consider:

- The likely annual and one-off costs for different provider sizes.
- The number and type of customers across which costs may be recovered.
- The effect on residential customers, small businesses and other users.
- The availability of concessions, hardship arrangements or other protections.
- The interaction between compliance expenditure and planned asset renewal.
- Whether cost recovery could materially affect the viability of a small scheme.

N&YLGA supports fair and transparent pricing but considers that avoidable regulatory costs should not be passed on to customers without demonstrating that they are necessary and proportionate.

**Barriers to new providers and regional investment**

The regulatory framework can influence whether councils, regional partnerships or private providers are willing and able to establish new water, sewerage or recycled water schemes.

New schemes may be important to supporting housing growth, tourism, industrial development and water reuse opportunities.

N&YLGA is concerned that uncertainty about licensing, compliance obligations, technical standards, financial planning requirements and cost recovery could increase the time and expense required to establish new schemes.

The Commission should clarify how the framework will apply to new entrants and proposed schemes, including the requirements that must be satisfied before services commence and those that apply once a scheme reaches a particular scale or risk category.

N&YLGA recommends that ESCOSA:

- Provide clear guidance on licensing and regulatory requirements for new providers.
- Establish a transparent and timely pathway for assessing applications.
- Clarify the treatment of staged developments and schemes that expand over time.
- Avoid requiring new providers to establish systems that exceed their immediate scale and risk.
- Encourage fit-for-purpose recycled water and regional water security projects where public health, environmental and customer protections can be maintained.
- Explain how regulatory costs and obligations will change as customer numbers and service complexity increase.

A proportionate framework should protect customers while enabling sound regional investment.

# Five priority questions for ESCOSA

N&YLGA requests that the Commission specifically address the following five questions in finalising its decision.

**Question 1: What will the proposed framework cost regional providers?**

What are the estimated one-off and ongoing compliance costs for small, medium and larger regional water and sewerage retailers, including staff time, external advice, training, systems, reporting and technical assessments?

How have these estimates been developed, and what assumptions have been made about the capacity of council-owned providers to meet the requirements through existing resources?

**Question 2: How will costs affect customers and scheme viability?**

What modelling has ESCOSA undertaken to estimate the effect of the proposed requirements on customer charges, particularly for small schemes with limited customer numbers?

How will the Commission assess the cumulative effect of new compliance costs alongside existing operating expenses, asset renewal requirements and infrastructure investment needs?

**Question 3: How will the Commission avoid duplication and ensure proportionate compliance?**

To what extent can existing council asset management plans, long-term financial plans, customer service processes and corporate reporting satisfy the proposed requirements?

Will ESCOSA adopt standardised templates, staged implementation and proportionate evidence requirements for smaller or lower-risk providers?

**Question 4: How will the framework support regional water security and future investment?**

How will the proposed regulatory framework accommodate new water, sewerage and recycled water schemes that are important to regional housing, industry, economic development and environmental sustainability?

What arrangements will ensure that compliance requirements do not unnecessarily delay viable projects or divert funds from essential infrastructure renewal?

**Question 5: What transition, implementation support and review arrangements will be provided?**

What guidance, training, implementation assistance and transition periods will be available to regional councils and other small providers?

Will ESCOSA monitor the actual costs, customer impacts and operational consequences of the new framework after commencement, and provide an opportunity to adjust requirements if they prove disproportionate or impractical?

N&YLGA considers these questions essential to ensuring that the final framework is informed by evidence and delivers benefits that justify the costs imposed on providers and customers.

# Recommendations

N&YLGA recommends that ESCOSA adopt the following measures.

**Recommendation 1: Complete a regulatory cost assessment**

Publish an assessment of one-off and ongoing compliance costs, differentiated by retailer size, service type and risk profile.

**Recommendation 2: Assess impacts on customer charges**

Model the potential effect of compliance costs on customer charges and scheme viability, including the cumulative effect on small regional schemes.

**Recommendation 3: Adopt proportionate asset management requirements**

Allow existing council asset management and long-term financial plans to satisfy the requirements where they contain the necessary information and provide standardised templates for smaller providers.

**Recommendation 4: Apply risk-based service standards**

Ensure minimum service standards are practical and proportionate to the nature of each scheme, its risk profile and the provider's operating circumstances.

**Recommendation 5: Provide standardised customer protection resources**

Develop model policies, procedures, training materials and reporting templates to minimise duplication and administrative costs.

**Recommendation 6: Provide clear guidance for new providers**

Clarify licensing, compliance and implementation requirements for new, expanding and staged water and sewerage schemes.

**Recommendation 7: Establish reasonable transition arrangements**

Provide adequate time for providers to assess existing systems, address data gaps, train staff and implement new requirements.

**Recommendation 8: Support shared regional capability**

Encourage shared technical, financial, regulatory and customer service resources where these can reduce costs without compromising accountability or service quality.

**Recommendation 9: Monitor actual costs and outcomes**

Undertake a post-implementation review of compliance costs, customer charges, service performance and infrastructure investment, with a clear process for addressing unintended consequences.

**Recommendation 10: Continue regional engagement**

Maintain direct engagement with regional councils, providers and representative organisations during implementation and future reviews.

## Regional evidence and supporting material

N&YLGA considers that the Commission's decision should be informed by practical evidence from council-owned water and sewerage providers across Northern and Yorke (refer Appendix A to this report).

The Association recommends that ESCOSA compile a regional evidence schedule covering:

- Number of customer connections and types of services provided.
- Existing regulatory and reporting obligations.
- Current staffing arrangements and specialist support requirements.
- Existing asset management and long-term financial planning processes.
- Estimated additional implementation and annual compliance costs.
- Current operating expenditure, revenue and planned capital investment.
- Existing asset renewal backlogs and future infrastructure requirements.
- Current customer charges and potential changes attributable to regulatory costs.
- Operational risks and service standards that may be difficult to meet.
- Proposed or planned water, sewerage and recycled water investments that could be affected.

This information should be collected directly from providers and presented in a consistent format. Where actual cost estimates are unavailable, the submission should identify the information gap rather than present unsupported estimates.

N&YLGA also recommends that ESCOSA consider the circumstances of smaller regional providers outside Northern and Yorke, to ensure that the final framework reflects the diversity of schemes across South Australia.

## Conclusion

N&YLGA supports a regulatory framework that protects consumers, promotes reliable services and strengthens the long-term sustainability of South Australia's water and sewerage systems.

The Association also considers it essential that the framework recognises the operating realities of small regional providers and the importance of water security to the future of regional communities.

The Northern and Yorke Regional Alliance's Regional Water Study reinforces the need to protect existing infrastructure, plan for future investment and maintain the viability of regional water

services. These objectives must be considered alongside the proposed changes to compliance, asset management, service standards and customer protections.

N&YLGA urges ESCOSA to finalise a framework that is proportionate, transparent, practical and supported by a robust assessment of implementation costs and customer impacts.

The Association particularly seeks clear evidence that the benefits of new regulatory requirements justify the costs imposed, that existing council systems can be used wherever appropriate, and that smaller regional schemes will not be placed at an unnecessary disadvantage.

N&YLGA looks forward to continuing constructive engagement with ESCOSA to ensure that the final framework delivers better outcomes for consumers while supporting water security, infrastructure sustainability and regional development.

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**Appendix A – Relevant water retailers in Northern and Yorke**

The Northern & Yorke Regional Water Study identified 11 licensed water retailers within, or closely linked to, the region, comprising one small, nine medium and one large retailer.

This highlights the prevalence of regional providers with relatively limited customer bases and capacity to absorb additional fixed regulatory costs.

Adelaide Plains and Light Regional councils are particularly relevant given their proximity to major northern Adelaide growth areas, where alternative water supplies, recycled water infrastructure and private investment may be required to support future development.

The proposed regulatory framework should consider not only the immediate compliance costs for existing providers, but also the potential implications for future water security investment and regional growth.

| Retailer | Services | Connections | Category |
|---|---|---|---|
| **Adelaide Plains Council** | CWMS | 367 | Small |
| **Light Regional Council** | Non-drinking water, CWMS | 2,940 | Medium |
| **Clare & Gilbert Valleys Council** | Non-drinking water, CWMS | 2,619 | Medium |
| **Copper Coast Council** | CWMS | 8,852 | Large |
| **District Council of Barunga West** | CWMS | 1,269 | Medium |
| **District Council of Mount Remarkable** | Drinking water, sewerage, CWMS | 777 | Medium |
| **District Council of Peterborough** | CWMS | 1,105 | Medium |
| **Northern Areas Council** | Non-drinking water, CWMS | 1,791 | Medium |
| **Port Pirie Regional Council** | CWMS | 701 | Medium |
| **Wakefield Regional Council** | CWMS | 2,076 | Medium |
| **Yorke Peninsula Council** | Drinking water, CWMS | 3,606 | Medium |

*Source: WSP, Northern and Yorke Alliance – ESCOSA Small-scale Water Regulatory Framework Review: Regional Implications and Priority Questions, 13 October 2026, Appendix A, page 3. Figures and classifications reproduced as presented by WSP.*