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Submission:

Thank you for the opportunity to comment on the Draft Report. I am in general agreement with the approach taken by IPART and with the Draft Determination of prices for Essential Energy's water and sewerage services in Broken Hill. I particularly support the change to a single tier water price and a risk-based approach to determining the need for capital expenditure. I would like to make a number of comments:

1. Capital Expenditure. Capital expenditure shown as having been spent during the last determination period is considerable and set to continue. Apart from the water treatment plant there is little evidence of this. From the information available, it appears that quite a deal of this has actually been maintenance or machinery overhaul works. These costs then add to the asset base and to the return on assets to be generated. I question the appropriateness of this approach.

In table 7.2 the opening RAB for 2009/10 is shown as some \$44 million. This seems a lot of money. Is this all true capital works, paid for by Essential Energy? Or, does it include maintenance work, or assets paid for before Essential Energy became the owner?

2. Overhead costs. I agree the 20% ratio seems high. As a comparison, I looked at figures published in Broken Hill Water Board annual reports for the period 1992 to 1996. The ratio varied from about 11% to 20%. This included a contribution to a reserve for employee entitlements, and the years with higher percentages had very low operating costs due to not having to pump from the river.

3. Section 9.4.1 (p97) indicates that the effluent pipeline to the golf course is owned by the golf course. I don't know if this was handed over to the golf course after I left employment with the Broken Hill Water Board, but when the pipeline was constructed, it was owned by the Water Board. The pipeline, which included a storage tank, was sized to supply customers in addition to the golf club. The golf club was required to pay a capital contribution based on the estimated cost of a pipeline sized to supply only the golf club's stated effluent requirements.

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