

# Marion Water

## 2024-25 Pricing Statement



### Introduction

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The City of Marion is a licenced minor sized water retailer, supplying recycled water (Marion Water) to residential (mostly internal for Open Space Irrigation) and non-residential customers.

This Pricing Statement sets out how the City of Marion has determined its costs and developed prices for its regulated water retail service.

### Background

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Economic regulation of retailers of water and sewage services in South Australia was introduced via the Water Industry Act 2012 (SA) to provide mechanisms for the transparent setting of prices within the water industry 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 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 Stormwater Services

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The City of Marion provides a non-drinking water supply service, known as Marion Water.

Marion Water is treated to a standard which is satisfactory for its intended use, the irrigation of Public Open space, with some sold for construction activities such as soil compaction and dust suppression. Marion Water does not treat water suitable for internal building supply or for drinking.

Marion Water is treated stormwater, managed and supplied entirely from an extensive network of Managed Aquifer Recharge (MAR) wells.

Marion Water is supplied to Marion's Parks and Gardens, Sports Ovals and Bowling Club, also used for watering Street Trees providing improved amenities for the broader community.

Other customers include schools, sporting and community groups, The City of Holdfast Bay, Mitcham Council and Flinders University.

### City of Marion Pricing

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The City of Marion's pricing principles are designed to ultimately achieve full cost recovery and return on the capital investment in the MAR schemes and water distribution infrastructure. Within this context, the most important considerations in setting prices relate to the markets willingness to pay, the price of substitutes and pricing certainty for consumers.

The City of Marion sets a unit price that enables full cost recovery and a small return on capital investment (a weighted Average Cost of Capital of 5%) through continued incremental sales growth and optimised use of existing infrastructure, rather than by increasing prices.

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The City of Marion has established a separate recycled water business (Marion Water Business Unit, MWBU) in order to effectively 'ring-fence' or 'quarantine' the costs and revenues of its water service separately from the costs of its normal Council operations. This facilitates a more effective determination of the true water business costs and hence a transparent development of water pricing.

### Price Movements between 2023/24 and 2024/25

Council adopted its 2024/25 Annual Plan and Budget focused on a number of exciting initiatives, while continuing to invest in community assets for the future and increasing the level of service that matters to the community.

The challenge of increasing cost pressures is continuing on the business and a conservative increase has been adopted taking into consideration the current rising cost of living pressures impacting the community.

Consumption charges for 2024/25 have increased in line with regulatory pricing guidelines. Marion Water does not currently levy a supply charge or a connection charge.

A copy of the pricing schedule for the 2024/25 year, including a comparison with those of the 2023/24 year is provided on the Marion Water Web page

[Customer information | City of Marion](#)

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

The City of Marion 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 the City of Marion charges relating to the provision of treated stormwater services complies with the relevant pricing principles.

#### 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.

#### 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)*

Costs are allocated to the MWBU within the two broad groupings of Operation costs (power, servicing etc) & Corporate Charges (depreciation, insurances etc). Council has carefully defined rules for Asset and Service 'ownership' so that costs relating to 'normal' Council responsibilities, such as drainage, flood control, landscaping etc are not allocated to the MWBU.

#### 3. Water Usage Charge

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

Water usage charges are based on the metered volume supplied. Whilst Marion Water does not guarantee pressure or flow customers retain the ability to "switch back" to potable supply. No minimum take or pay arrangements exist

#### 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 (e.g. potable water), competition, alternative storage or the water saving strategies open to a customer, are key considerations in determining prices.

#### 5. Differential Pricing

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

At this stage there has been no requirement to apply differential pricing on the basis of quality and reliability of supply as these factors are consistent across the network. Should it be necessary to treat water to a different standard for a customer then differential pricing would be considered, such as supplies to the North of the City compared to supply to the South.

#### 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.*

Marion Water was created in the context of a broader water resource planning framework with objectives to reduce dependence on River Murray water/potable water, reducing stormwater pollution to the Gulf, drought proofing the community, assisting flood mitigation, and improving the amenity of the area. Staff of the MWBU continue to be involved in dialogue at a range of forums with respect to resource planning and development.

However, activities external to the MWBU, such as catchment activities that may improve the quality of water, are not currently factored in pricing decisions.

#### 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.*

*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.*

Pricing is designed to achieve full cost recovery and a small return on capital investment. Within this context, the most important considerations in setting prices relate to the markets willingness to pay, the price of substitutes, and pricing certainty for consumers.

In particular willingness to pay which implicitly factors in substitute water costs, conservation, and competition, remains a constraint on achieving upper bound pricing on current cost structures (ie the price point set by SA Water).

The MWBU aims to achieve full cost recovery and return on capital through an incremental growth in sales volume from existing infrastructure, rather than increasing prices.

#### 8: Transparency

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

As a public sector organisation with highly open and visible processes to the public, including our budget and pricing decisions, the requirements of transparency are well and truly met. This is reinforced with the provision governing the MWBU as a regulated entity.

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### 9: Gradual Approach

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

Council is conscious of the impact of large price increases.

Consumption charges have been increased this year based on the efficient operating, maintenance, planning and administration costs of the business.