Developer Charges Pricing Policy Statement

The Developer Charges Pricing Policy Statement applies to:

- Extensions (both lengthening or altering) existing mains to supply existing or new properties.
- Augmentation charges for an additional allotment, new connection or a variation to an existing connection with multiple new premises that connect to SA Water's water and/or sewerage infrastructure in the Greater Adelaide Region (GAR), charged for each connection or new allotment.
- Augmentation charges for commercial, industrial or reserves within the GAR to connect to SA Water Infrastructure.

It does not apply to:

- Connections of new properties to water or sewerage mains which are considered in the Excluded Services Pricing Policy Statement.
- Costs associated with infrastructure within a development area which are met directly by developers.

Regulatory Framework

The Essential Services Commission of South Australia (ESCOSA) takes a principles-based approach to regulating developer charges. Developer charges are subject to relevant National Water Initiative (NWI) Pricing Principles and ESCOSA pricing principles.

Pricing Policy Statement

Developer charges reflect the investment in both the new and existing assets required to service growth, consistent with a beneficiary pays approach.

Augmentation payments received by SA Water will reduce the value of SA Water's regulated asset base (RAB) based on the charge paid, reducing the maximum revenue that SA Water can recover from its customer base.

Extensions

Extension charges are based on individual estimates of the work required.

Where an extension provides future benefit to other regulated customers, SA Water will contribute 50% of the material costs for the extension. These costs are recovered over time from regulated customers.

Where an extension is within a development site, the developer funds the investment. Sometimes we require mains being extended to be upsized, or otherwise amended, to service future system growth. Where upsizing of infrastructure is triggered by a developer, SA Water may consider contributing to the costs where there are broader benefits for SA Water's regulated customers and where the existing infrastructure is approaching the end of its useful life.

These additional costs are funded by regulated customers.

We seek efficient costs in delivering extensions by allowing major developers to seek their own estimates for the works (to the standards we require) except for services requiring connections to live mains, commissioning, or inspections.

Augmentation

The Augmentation charges for 2025-26 have been approved by the South Australian Government and represent contributions towards the cost of critical growth infrastructure and augmentation of SA Water's network to meet capacity requirements.

The South Australian Government approved that all persons who receive development approval between 1 July 2025 and 30 June 2026 for an additional allotment, new connection or a variation to an existing connection with multiple new premises that connect to SA Water's water and/or sewerage infrastructure in the Greater Adelaide Region will be charged an augmentation charge in respect of each connection or new allotment.

In 2025-26, new residential greenfield allotments will make a fixed contribution of $5,120 towards water infrastructure and $5,120 towards wastewater infrastructure that they are connecting to.

New residential infill developments in the greater Adelaide region will also make a contribution based on the number of new premises connecting to SA Water's network. In 2025-26, a $5,120 charge, comprising of $2,560 for water and $2,560 for wastewater, will be applied to all additional connections that affect SA Water networks.

The infill charge will increase annually so that from 1 July 2027 it will be the same as the greenfield charge.

These charges also apply to an Allotment that requires a new or additional connection(s) to SA Water infrastructure or increases the number of dwellings from an existing or upgraded connection as a result of greenfield or infill development

Apartments, build-to-rent, community and not-for-profit housing are exempt from the new augmentation charges.

Extension costs are still applicable as per above and Connections costs as per the Excluded Services Pricing Policy Statement.

The Augmentation charge is reviewed annually.

Commercial/Industrial & Reserves

The augmentation charge applicable to commercial/industrial properties and reserves is based on a multiplier of the base charge.

Greenfield Augmentation Charges	Residential	Commercial/Industrial	Reserves	
			<400m2	>400m2
	100%	225%	100%	225%

Water	$5,120	$11,520	$5,120	$11,520
Sewer	$5,120	$11,520	$5,120	$11,520

All Other Locations Augmentation Charges	**Residential**	**Commercial/Industrial**	**Reserves**	
			<400m2	**>400m2**
	100%	**225%**	**100%**	**225%**
Water	$2,560	$5,760	$2,560	$5,760
Sewer	$2,560	$5,760	$2,560	$5,760

Exclusions

Augmentation Charges are not payable in relation to:

- An allotment developed by or on behalf of a not-for-profit entity (as registered with the Australian Charities and Not-for Profits Commission), or a community housing provider (as registered on the National Regulatory System for Community Housing)
- An apartment; or
- Any other category of allotment determined by SA Water with the consent of the Minister for Housing Infrastructure.

Statement of Compliance

Introduction

Below outlines how the 2025-26 prices for developer contributions (extensions) comply with each of the relevant pricing principles specified in Section 4 of the Regulatory Determination (2024-28). These principles include the NWI Pricing Principles for the recovery of capital expenditure (Principle 1), principles for setting urban water tariffs (Principles 7-10), and the four additional pricing principles for excluded services determined by the Commission.

Scope of Statement of Compliance

The scope is limited to how charges relating to 'extensions to developments' comply with the principles. The following items are not discussed in this compliance explanation:

- Other excluded services, namely miscellaneous fees and charges including connection charges, which are the subject of a separate compliance statement.
- Costs associated with infrastructure within a development area, as these costs are met directly by developers, hence are not an excluded service.
- Augmentation charges that have been set by the South Australian Government as part of the South Australian Housing Roadmap.

Compliance explanation

Each of the principles is outlined below, with a discussion of how the prices for developer contributions comply with the principles.

NWI - Pricing Principle 8: Setting Developer Contributions

> Developer contributions should reflect the investment in both new and existing assets required to serve a new development and have regard to the manner in which ongoing water usage and service availability charges are set.
>
> Note: 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.

For the purpose of addressing developer charge compliance with this principle, we consider two categories of investment in assets:

- *New investment* in new and existing assets (e.g. upgrades to existing assets) required to provide services to a new development.
- *Historic investment* in existing assets that benefit both new developments and existing developments. We note that historic assets would not be in existence if they were only for the benefit of new developments, but must instead have been created for the benefit of existing developments.

By being based on the estimated cost of *new investment*, SA Water's developer charges reflect the costs of new investment in both new and existing assets. In contrast, *historic* *investment* in existing assets is reflected in rates and sales, derived through a return of and return on the regulatory asset base (RAB).

This is a common approach to recovering the costs of existing assets that benefit multiple parties. As such, developer charges consider the manner in which ongoing water usage and service availability charges are set, namely rates and sales.

We note that this principle requires that where there are benefits beyond the boundary of the development, the developer should have regard to the share of capacity required to serve the development. As described below in our explanation of compliance with NWI principles 7 and ESCOSA principle 1, where there are multiple beneficiaries beyond the boundary of a development:

- the contribution made by the initial developer is reduced to reflect these beneficiaries (either, in the case of developer contribution by half of the material costs,); or
- where SA Water requires specific works to be undertaken beyond the minimum standards required to service the development, the estimated cost used to calculate the developer contribution is reduced by the incremental cost of the additionally required works.

SA Water acknowledges that its allocation of costs with regard to the share of capacity is imperfect. For example, in the case of a developer, our approach to reduce the contribution paid by developers (by half of the estimated total materials costs for the extended main) will, in instances where there are other potential benefits, mean that the contribution made by the developer is only an approximation of the costs imposed by the developer.

However, it is noted that:

- Investment in networks, by their fundamental nature, result in benefits to a wide range of parties connected to the network (often all parties connected to the network). Attempting to precisely reflect in prices the costs imposed by all individuals connected to a network is virtually impossible. Approximations in cost reflectivity are inevitable and the degree of precision of cost reflectivity is bounded by the administrative costs of implementation.
- SA Water's methodology for reducing the amount paid by developers by half of the estimated total materials costs for the extended main, in instances where there are other potential but not immediate beneficiaries:
  - has a long precedent within SA Water;
  - is well recognised and has previously been accepted by developers; and
  - is easy, transparent and predictable to calculate.

For these reasons, we consider our developer contributions meet the intent of this principle.

NWI - Pricing Principle 9: Capping Developer Contributions

Developer contributions should not exceed the costs of serving new developments which includes investment in both new and existing assets required to serve a new development.

Developer contributions are set based on estimated efficient costs for new investment, reduced to reflect that SA Water or other customers are likely to benefit from the investment. As a result, the **maximum** developer contribution is the estimated cost of new investment to service the new development.

NWI - Pricing Principle 10: Revenue from Developer Contribution

To avoid over-recovery, revenue from developer 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.

SA Water's capital has been rolled into the regulatory asset base (RAB), net of customer contributions (including developer contributions and augmentation charges). The RAB will not include capital recovered via developer or augmentation charges; hence developer charges will not be recovered twice or in any other way over-recovered.

NWI – Principle 1: Capital Expenditure Recovery

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 contributions and transparent community service obligations) through either: a) Return of capital (depreciation of the RAB) and return on capital (generally calculated as rate of return on the depreciated RAB); or b) Renewals annuity and a return on capital (calculated as a rate of return on an undepreciated asset base (ORC)).

SA Water's actual efficient capital expenditure will be rolled into the RAB net of customer contributions (including developer charges). Capital cost, including the financing cost of the capital, will therefore be recovered in full, either up front through customer contributions, or via rates and sales through a return of capital and return on capital through the building block approach to determining SA Water's required revenue.

NWI – Principle 7: Differential water charges

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. Note: Differential pricing may be achieved by upfront contributions.

Developer contributions

Developer contributions are differentiated by location. The charge is based on estimated costs for each specific development location (exclusive of any SA Water requests for additional investment), reduced to reflect that SA Water or other customers are likely to benefit from the investment.

ESCOSA – Principle 1

Where a service is provided for the sole benefit of the recipient, the beneficiary should pay the full efficient cost of the service, and other consumers should not be required to contribute to the cost of the service.

We note two key terms in the principle:

- that costs are **efficient;** and
- that costs are **paid in full**.

Costs are efficient

Costs are demonstrably efficient as:

- Work is outsourced to third party contractors subject to a competitive tendering process.
- SA Water will provide to the customer transparent information regarding the cost estimated to be incurred by SA Water.
- In the case that developers do not consider the estimated cost are efficient, they can seek their own estimates for the works (given the standards required of the works by SA Water). The main exception is for work relating to connections to live mains, commissioning or inspections, which may have to be undertaken by SA Water.

Costs are paid in full

With regard to whether costs are paid in full, SA Water's developer charges take into account whether or not the service is provided for the sole benefit of the recipient. If so, the recipient pays the full efficient cost of the service; other customers do not contribute to the cost of the service.

We note that for all types of developer contributions, where SA Water requires additional work or capacity to ensure SA Water is able to meet future growth, SA Water will fund the additional costs, as compared to the cost to service the development. This might happen in circumstances such as SA Water requiring upsizing of mains to ensure capacity to meet future growth beyond the current development area.

Developer contributions

In the large majority of cases, it is likely that future and/or existing customers will benefit from the network enhancement and hence the charge does not (and is not required by the principle to) reflect full cost. Rather, the charge is designed to allow a reduction in full cost (by half of the materials cost) to reflect the value of the benefits provided for existing or potential future customers.

SA Water reserves the right not to reduce the charge by half of the materials cost, reflecting that in a small minority of cases there is likely to be no other beneficiaries of the investment. In this case, **full** estimated capital costs will be recovered from that individual.

ESCOSA – Principle 2

Where a service is provided to a distinct group of customers (e.g. trade waste audits are provided to trade waste customers only), 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.

As discussed under ESCOSA's Principle 1, developer charges will be based on estimated efficient costs.

These estimates will include:

- an estimate for the incremental cost of the new infrastructure (such as the cost of the materials and labour to undertake the work);

- an allocation of SA Water's fixed costs for the service (such as corporate overheads).

ESCOSA – Principle 3

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.

We note that the issues raised in this principle are materially the same as:

- NWI Principle 7, with regard to the need for charges to be differentiated; and

- ESCOSA's Principle 1, with regard to the need for prices to reflect efficient costs.

To demonstrate how developer charges meet this principle, we refer you to our discussion of how our developer charges meet the above principles.

ESCOSA – Principle 4

SA Water must provide credible, evidence-based and transparent information as to how the costs and prices for excluded retail services have been calculated, derived and applied.

SA Water's developer charges are set based on the estimated cost of the particular service. SA Water is able to provide these estimates on a case-by-case basis.

Where to find further information regarding developer charges

A full list of our charges is published on our website.

D. Ryan, Chief Executive, South Australian Water Corporation

DATE 24/06/2024

Appendix A Definitions

Term	Definition
Greenfield	"Greenfield" are locations within the Greater Adelaide region that come within the definition of "greenfield" in Table 1 of the *Land Supply Report for Greater Adelaide* (July 2023).
Greater Adelaide Region	"Greater Adelaide Region" means the planning region of that name proclaimed by the Governor under Section 5 of the Planning, Development and Infrastructure Act 2015 on 19 March 2020, a map of which is available in Figure 1 of the *Land Supply Report for Greater Adelaide* (July 2023).
Residential Allotment	is a property classified with the use of land for detached dwelling, group dwelling, multiple dwelling, residential flat building, or dwelling or semi-detached dwelling for the purposes of the *Planning, Development and Infrastructure Act 2015*.
Commercial/Industrial Allotment	is a property classified with the use of land that is not residential.
Reserve	is a property classified with the use of land that is set aside to protect natural resources, maintain public spaces or serve other public interests.
Premises	is a dwelling, house or building together with its land.