

TASMANIAN WATER AND SEWERAGE STATE OF THE INDUSTRY REPORT 2017-18

Today the Tasmanian Economic Regulator released its latest review of the State's urban water and sewerage industry, looking at trends in TasWater's performance over time in a number of key areas.

TasWater operates a large, dispersed network delivering water and sewerage services to urban towns and regional areas across Tasmania. In this report, TasWater's performance during 2017-18 is examined and compared with similar utilities on the mainland, and against its own previous performance. This report comes after the ninth year of industry reform and also the conclusion of TasWater's three year regulatory pricing period from 1 July 2015 to 30 June 2018.

Mr Joe Dimasi, the Tasmanian Economic Regulator, said "In 2017-18, Tasmania's 207 051 water and sewerage customers generally continued to receive good levels of service from TasWater. Water quality has generally improved and TasWater's compliance with its environmental obligations continues to improve though in many areas it is yet to achieve the required standards."

Household water consumption increased by 7.8 per cent, on average, in 2017-18, which is typical for a drier year such as in 2017-18. Non-residential water consumption also increased, which also reflects the growth in Tasmania's economy, especially the tourism sector.

Water losses remain high, with the losses in the distribution system, expressed in terms of losses per kilometre of TasWater's water main, increasing from an estimated 5.7 kL per day in 2016-17 to 8.7 kL per day in 2017-18, an increase of over 50 per cent. Overall, including water that may have been consumed but not metered, around 20 per cent of the water produced by TasWater was unaccounted for. While this continues the decline of recent years, the level was still high in 2017-18, double the service standard of 10 per cent.

TasWater customers generally had lower annual bills than their interstate counterparts, with an average household bill in Tasmania of \$1 158 in 2017-18. Around 10 per cent of water customers and almost 15 per cent of sewerage customers were still transitioning to the target tariffs in that year. "These customers are still not paying as much for their water and sewerage services as the majority of water and sewerage customers" Mr Dimasi noted.

The number of customers experiencing payment difficulties declined, with a lower number of customers on payment plans and around 30 customers on TasWater's hardship program by the end of 2017-18. Hardship customers have significant levels of debt, which in most cases is more than double the amount of a typical annual bill.

There was a 29 per cent increase in the total number of complaints received by TasWater, with a large majority relating to water quality, particularly discoloured water, taste and odour. The rate of complaints per properties connected is more than four times higher than the median rate reported by mainland providers. However, despite this rise, the Ombudsman received fewer complaints in 2017-18.

A significant increase in the volume of water supplied in 2017-18 (18 per cent) contributed to growth in operating costs but also in revenue, with TasWater's total income increasing significantly and its net profit after tax rising to \$42.7 million, well above the previous year. TasWater's net debt to equity ratio has

continued to increase as TasWater increases its borrowings to fund its capital works program, though it remains low in comparison to similar mainland utilities.

Drinking water quality has improved, with microbiological compliance at 99.8 per cent. Nine water supplies operated under a permanent boil water alert in 2017-18, while one supply operated under a public health alert due to chemical contaminants. All but one of these permanent boil water alerts and the public health alert were lifted early in the 2018-19 financial year. There were also three temporary boil water alerts issued during 2017-18 (one affecting South Hobart), all of which were lifted within a few days of their occurrence.

Environmental compliance of TasWater's sewage treatment plants has continued to improve. "For treated effluent discharged to waterways, there was a compliance rate of 89.2 per cent with the regulatory limits in 2017-18, on a volume basis, which is very close to the overall performance standard of at least 90 per cent. This continues the trend of improvement in recent years and is up from 85.9 per cent in 2016-17" Mr Dimasi said. "The number of sewage treatment plants achieving the 90 per cent compliance rate has increased, though there remains a significant number of plants that are underperforming" he added.

TasWater has reported that the continued degradation of its infrastructure has affected the reliability of water supply in 2017-18. TasWater's responses to cases of unplanned interruptions to water supply were within the required standards, though there was an increase in the number of customers affected. However, planned water outages were more frequent and lasted longer than prescribed by the service standards.

The sewer blockage rate remained stable in 2017-18 but the number of sewer spills and overflows continues to be high. While TasWater managed to attend to only 81 per cent sewer spills, breaks and chokes within the 60 minute standard, it managed to contain almost all sewer spills within the required timeframe of five hours.

Mr Dimasi said "Overall, TasWater's performance has been improving but it continues to be impacted by the age and condition of its assets. This is evident across a range of measures for its water and sewerage networks. TasWater has invested a significant amount in repairing and maintaining its network, and this is now being reflected in compliance gains. The implementation of its accelerated capital investment program should see TasWater continue its progress towards meeting its compliance standards during the 2018-2021 regulatory period."

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Key performance measures

| | 2016-17 | 2017-18 |
|---|-----------|-----------|
| Water connected properties | 204 949 | 207 051 |
| Sewerage connected properties | 176 677 | 181 342 |
| Total urban water supplied | 56 155 ML | 65 991 ML |
| Average residential consumption (kL per property) | 179 kL | 193 kL |
| Water network reliability (water main breaks/100 km of main) | 48 | 39 |
| Real water losses (L/service connection/d) | 182 | 277 |
| Sewer network reliability (sewer breaks and chokes/100 km of main) | 45 | 45 |
| Average customer minutes off water supply, unplanned interruptions (minutes) | NR | 159 |
| Average sewerage interruption (minutes) | NR | 493 |
| Number of unplanned interruptions - water (per 1 000 properties) | NR | 216 |
| Treated wastewater volume compliant with EPA requirements (flow-weighted compliance percentage) | 85.9 % | 89.2 % |
| Percentage of population receiving drinking water that complied with ADWG microbiological guidelines | 99.4 % | 99.8 % |
| Drinking water supplies on long term boil water alerts or public health alerts ^a | 25 of 87 | 10 of 64 |
| Customer complaints (number) | 2 500 | 3 237 |
| Calls answered within 30 seconds (%) | 89 % | 87 % |
| Total revenue | \$315.5 m | \$336.3 m |
| Operating costs | \$187.6 m | \$185.5 m |
| Capital expenditure | \$103.7 m | \$154.2 m |
| Net debt to equity ratio | 30 % | 33 % |

NR Not reported, data is considered to be inadequate or unreliable.

a Reporting basis changed from 87 monitoring zones to 64 supply systems.