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31 May 2019

Mr Joe Dimasi
Office of the Tasmanian Economic Regulator
GPO Box 770
HOBART TAS 7001

Attention: Mr Glenn Bounds

Dear Mr Dimasi

PRICE AND SERVICE PLAN – DRAFT GUIDELINE

I refer to the *Tasmanian Water and Sewerage Industry 2021 Price Determination Investigation Draft Price and Service Plan Guideline* released 30 April 2019 for public consultation. EPA officers have reviewed the draft guideline.

I note the Regulator's intention to extend the period of PSP4 to four years, and make no objection to this change.

However, I am concerned about Section 9.8 of the draft guideline, which states that:

1. assets associated with providing unregulated services must be excluded from the Regulated Asset Base (RAB);
2. reusing water discharged from a sewage treatment plant for irrigation is an example of such an unregulated service; and
3. the costs of, and return on, assets used to provide unregulated services should be recouped from the users of the services.

This definition may conflict with the objectives of the *State Policy on Water Quality Management 1997* (SPWQM) (the Policy), which aim in various ways to ensure that pollutants discharged to waterways are reduced as far as is reasonable and practical. I draw your attention to Sections 6.1, 15 and 16.2 of the Policy, which discourage discharges of pollutants to the environment and support the preferencing of reuse options over disposal. Further, Section 13 of the Policy includes taxation relief as an example of an economic instrument that should be considered as possible means of achieving the Policy's objectives. The Policy was made under the *State Policies and Projects Act 1993* and is legally binding.

It is the EPA's position that assessments of prudence must consider the environmental viability of disposing of effluent to a waterway, and that where reusing water discharged from a sewage treatment plant for irrigation is the most prudent and efficient means of disposal, the infrastructure needed to achieve the reuse should be included in the RAB so as to provide economic support for achieving the objectives of the SPWQM. Section 9.8 of the draft guideline, as it currently stands, appears to provide a disincentive to achieve these objectives, thereby creating a level of regulatory conflict.

I note the Regulator's intention, given in Section 13.5 of the draft guideline, to mandate a comparison of all reuse costs (effluent and biosolids) with costs that would be incurred if the reuse was not undertaken. Here too it is the EPA's position that such assessments must consider the environmental viability of alternative disposal options for both products of wastewater treatment plants, and must

price alternative options accordingly. For example, if disposal to landfill or waterways is not environmentally prudent, the alternative to reuse may be to incur significant cost in upgrading a wastewater treatment plant so as to improve the quality and/or reduce the volume of the product. The mandated comparison should reflect these requirements.

Should you have any queries in relation to these matters, please contact Sophie Buttery on (03) 6165 4620.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wes Ford', enclosed within a thin black rectangular border.

Wes Ford
DIRECTOR, ENVIRONMENT PROTECTION AUTHORITY

cc Glenn Bounds, Assistant Director Price and Service, Office of the Tasmanian Economic Regulator,
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