



Media Release
10 May 2022

WATER & SEWERAGE PRICES

INVESTIGATION FINAL REPORT and DETERMINATION RELEASED

Tasmania's independent Economic Regulator has completed its review of TasWater's proposed prices and service levels for water and sewerage services for the period from 1 July 2022 to 30 June 2026 (the fourth regulatory period).

Mr Joe Dimasi, the Tasmanian Economic Regulator, stated that the Final Report and Price Determination, released today, set out his final decisions on TasWater's proposals for the fourth regulatory period.

Mr Dimasi thanks all stakeholders and customers for their submissions on the Draft Report and proposed Price Determination.

The Regulator has determined maximum prices, based on an assessment of TasWater's efficient costs, which are equivalent to annual price increases of 3.71 per cent for each year of the fourth regulatory period.

Mr Dimasi said that "the price increases are due to TasWater's very large capital expenditure programme and its associated operating costs, and recent increases in the cost of debt and inflation. The increase is much less, however, than TasWater's estimate of a 6.5 per cent annual increase to achieve full cost recovery by 2025-26. This is because I have reduced the allowed costs in several areas, including the return on TasWater's capital."

On 1 May 2018, TasWater signed a Memorandum of Understanding with the Tasmanian Government and TasWater's Owners' Representatives Group which included TasWater's commitment to limit any annual price increases to 3.5 per cent to 2024-25. Consistent with the MOU, TasWater has proposed price increases of 3.5 per cent, including for the additional year of 2025-26.

As TasWater's 3.5 per cent increase is below the Regulator's price increase, the Regulator expects TasWater to increase its prices by 3.5 per cent in 2022-23 and the following three years. A price increase of 3.5 per cent would result in a typical residential customer using 179kL of water per annum facing an annual bill increase of \$43 in 2022-23.

The price increases in the Final Report are higher than in the Regulator's Draft Report. Mr Dimasi said, "As foreshadowed at the time of releasing the Draft Report, the cost of debt has continued to increase and has resulted in a significantly higher allowance for the return on assets than in my Draft Report. In addition, inflation and inflation forecasts are higher."

The Regulator has maintained his draft decision to accept 95 per cent of TasWater's proposed annual capital expenditure allowance for each year. The total capital expenditure allowance over the fourth regulatory period is \$45 million lower than proposed by TasWater. Mr Dimasi made this decision in light of the very large proposed capital expenditure and concerns that there can be delays in major projects that are outside TasWater's control.

Mr Dimasi pointed out that "the capital expenditure allowance does not limit the amount TasWater can spend on capital projects nor does it have any impact on the projects TasWater decides to invest in during the upcoming period."

The Regulator has applied efficiency savings to TasWater's operating costs. These have been set at 1.5 per cent per year, the same efficiency savings that were applied for the third regulatory period.

A number of customers and stakeholders raised concerns about TasWater's proposed approaches to sewerage pricing and trade waste pricing. The Regulator acknowledges these concerns but also notes that these are complex matters and detailed analysis is needed before any alternative approaches can be fully assessed. The Regulator will therefore conduct inquiries into sewerage pricing and trade waste pricing during the fourth regulatory period and will welcome comments and submissions from interested parties.

TasWater is required to submit by 7 June 2022 an updated price and service plan that reflects the decisions set out in the Regulator's Final Report and Determination. The Regulator will approve TasWater's plan in late June 2022.

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Copies of the Regulator's Final Report and Price
Determination and CCGUS' Review of Operating and
Capital Expenditure Final Report are available at: [2022
Water and Sewerage Price Determination Investigation](#)