

A price determination sets out the maximum prices that TasWater can charge its customers for regulated water and sewerage services

### Building block methodology

Before approving prices, the Regulator estimates how much it costs TasWater to provide regulated services.

The Regulator's estimates take into account only TasWater's efficient costs of delivering those services. TasWater must therefore demonstrate to the Regulator that it is providing regulated services as cost-effectively as possible.

These costs include forecasts of:

- operating costs, such as salaries, chemicals, power and information technology costs;
- a percentage return on the value of the assets TasWater uses to deliver regulated services; and
- regulatory depreciation on the assets TasWater uses to deliver regulated services.

These cost 'building blocks' are summed, taking into account forecast customer numbers and demand, to produce an estimate of TasWater's notional allowable revenue (NAR) for each year of the regulatory period.

### Prices are based on TasWater's notional allowable revenue (NAR)

The Regulator approves prices so that the sum of the revenue expected from each regulated service is no more than TasWater's NAR.

The Regulator also ensures the prices TasWater charges for services such as connections reflect the costs of providing that particular service.

### TasWater's actual revenue and costs

TasWater's actual revenue and costs in any year may be very different from those determined by the Regulator.

For example, in an exceptionally dry year with higher than usual demand for water, revenue from water usage would be higher and the costs of treating the water needed to meet that demand would also be higher. However, as the NAR and prices for each year of the regulatory period are set in the Regulator's determination, prices are not affected by these variations.

Unlike regulated electricity prices, there is no annual price reset of regulated water and sewerage prices.

### Service standards and regulatory obligations

Service standards and the levels at which they are set affect the cost of providing regulated services and therefore the prices customers pay for those services.

The customer service standards in the [Customer Service Code](#) set out what TasWater seeks to achieve to demonstrate that it has delivered on its commitments and that customers received what they paid for. TasWater develops service standards following consultation with customers on current service levels and the price implications of differing levels of service.

In determining minimum service standards, the Regulator considers customer feedback on TasWater's proposed service standards and assesses the trade-off between prices and service levels.

Not all of TasWater's service standards are set by the Regulator. TasWater must also meet legislative requirements enforced by industry regulators with regard to drinking water quality, environmental risks for waste water, and dam safety.

### The Price Determination

A price determination applies for a set amount of time called the regulatory period. The current investigation will lead to the Regulator making a determination for the four-year regulatory period between 1 July 2022 and 30 June 2026.

The price determination sets out the maximum prices that TasWater can lawfully charge for regulated water and sewerage services for each of the years in the regulatory period. TasWater may charge for other services, such as for the supply of recycled water or for accepting trade waste from major industrial businesses but prices for these services are not regulated.

The Regulator issues a draft Price Determination, together with an accompanying draft Report, for public consultation before issuing the final Price Determination and final Report.

### Next steps

The Regulator intends on releasing its Draft Report for public consultation in early February 2022. Submissions will be due by mid-March 2022.

The Regulator will release its Final Report and make its determination in early May 2022.

To follow the progress of the Regulator's investigation, you can subscribe to the Regulator's mailing list by emailing [office@economicregulator.tas.gov.au](mailto:office@economicregulator.tas.gov.au).