



Media Release
28 February 2022

WATER & SEWERAGE PRICES

DRAFT INVESTIGATION REPORT RELEASED FOR PUBLIC COMMENT

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

Mr Joe Dimasi, the Tasmanian Economic Regulator, explains that "the Draft Report and draft Price Determination, released today, outline my preliminary views on TasWater's proposals. The final investigation outcomes will depend on the feedback I receive from stakeholders during consultation."

The Regulator welcomes comments and submissions on the Draft Report.

Based on currently available information, the draft maximum annual price increase which the Regulator intends to approve is 3.07 per cent for each year of the fourth regulatory period. This is lower than TasWater's proposed price increase of 3.5 per cent. In 2022–23, under the Regulator's prices, an average residential customer using 179kL of water annually would face an annual bill increase of around \$38. However, as some parameters such as the cost of debt are likely to change between the draft and final decision, these numbers are likely to change.

The Regulator's draft price increase is lower because the Regulator has reduced what it considers the efficient costs TasWater can recover during the period. The Regulator intends approving lower operating expenditure and lower regulatory depreciation. The Regulator has also calculated a lower allowance for the rate of return on assets than TasWater proposed.

As noted above, the values of the financial indicators that are used to calculate the return on assets can vary significantly. The Regulator expects that, by the time the Final Report and Price Determination are issued, the allowance for TasWater's return on assets will be different from the allowance in the Draft Report. This will affect the maximum price increases that the Regulator will approve.

The Regulator notes the very large capital program that TasWater proposes for the fourth regulatory period, with average capital expenditure of just over \$225 million annually. This compares with just under \$155 million annually, on average, approved under the previous price determination and TasWater's actual capital spending over this period of around \$145 million annually.

The Regulator has indicated the intention to reduce TasWater's proposed annual capital expenditure allowance by five per cent or a total of \$45 million over the fourth regulatory period. This leaves capital expenditure significantly higher than in the previous determination by around \$70 million a year, or the equivalent of \$280 million over the regulatory period. The Regulator also found costs associated with TasWater's Capital Delivery Office (CDO) appear to be reasonable and that the CDO appears to be having a positive impact on the delivery of TasWater's capital program.

Customers and stakeholders have raised concerns about TasWater's approaches to sewerage charging and trade waste charging. However, there is insufficient time to address these issues during the investigation and implement changes by 1 July 2022. The Regulator intends conducting an inquiry into these matters during the fourth regulatory period. The inquiry will build on work that TasWater has already carried out and the inquiry's outcomes will inform the Regulator's approach to the way these charges will be set from 2026-27.

The Regulator's draft decisions are set out in its Draft Report and Price Determination. Submissions must be received by **28 March 2022**. The Regulator will complete its investigation and publish its Price Determination and Final Report by mid-May 2022.

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Copies of the Draft Report, draft Price
Determination, Fact Sheets, CCGUS' Draft Report and
TasWater's proposed PSP and Financial Model are
available at: [2022 Water and Sewerage Price
Determination Investigation](#)