

23 March 2022

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

Dear Joe,

**RE: TasWater Price and Service Plan 4**

We are writing to you in relation to the draft review of the TasWater's (TW) Pricing and Service Plan (PSP4). We again would like to particularly focus on Equivalent Tenements (ETs) and the methodologies currently being implemented, as well as the process used by TW to review these sewerage charges. Our overarching theme is that, while there has been tremendous improvement at TW over the years, it is now time for the regulator to push TW to achieve best practise in the charging for ETs and sewerage. We believe that the Regulator should make it very clear to TW of your expectations on what needs to be proposed by TW in their next service review in four years' time.

As previously stated TW has made improvements to the methodology for sewerage and commercial trade waste charges and we supported their decision to review these policies as part of their preparation for PSP4. We strongly believe that any business should be looking to improve their processes and performance standards with the optimum goal being to achieve best practise. We would expect that TW would have this objective as well. We find it hard to believe that this has not been the case and that with all the research, evidence and recommendations for ETs and sewerage provided to TW in November 2019 that this has not been achieved. TW has proposed to not implement any real change to commercial customer charging and ETs in PSP4.

We are concerned that the Regulator acknowledges these deficiencies and agrees that the charging methodology is unfair and inaccurate and yet is allowing TW to continue this process for the next four years. Furthermore, the evidence and recommendations provided by TW and their consultants Jacobs all advise that a fairer user pays system should be implemented. The questions are: why is the implementation so slow; and, why the Regulator is not applying appropriate carrots and sticks?

TW has obtained evidence and submissions prior to Jacobs conducting their research that provided a body of evidence of gross inaccuracy in the methodologies being applied to non-residential customers. ET categories are widely acknowledged as being inaccurate and are not used by many water corporations within Australia. In 2014 the NSW Independent Pricing and Regulatory Tribunal (IPART) determined to adopt values for discharge factors unless a strong case was established to do otherwise. There is no evidence provided by TW that the current methodologies should be kept, outside of increased administration costs. We believe increased administration costs should not be an excuse for not implementing reform and ensuring fairness and equity. Furthermore, no evidence has been provided in relation to these perceived increased administration costs. In fact TW, as part of their PSP3 proposal, suggested ease of administration as the reason why they moved two categories to a Standard Discharge Factor (SDF) assessment. Best practice SDF applications use ease of administration and accuracy as key factors for moving to SDF assessments; how has TW concluded otherwise?

We commend the Regulator's proposal to investigate Sewerage charges independently however it is imperative that changes are implemented to a high level of accuracy as part of the PSP4. TW cannot be allowed to continue to overcharge commercial customers where they are knowingly doing so. These customers are a very small number in comparison to the TW customer base and have been impacted heavily financially by the Covid-19 pandemic. We argue that to assess these customers using methodologies that presume they are operating at full capacity for three hundred and sixty-five days per year is illogical and unfair.

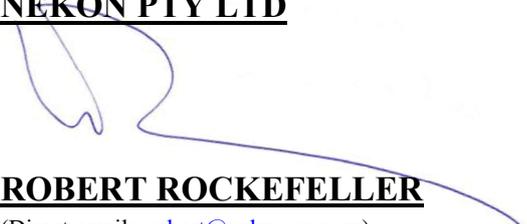
The process used by TW in relation to assessing how they should administer and regulate Tasmania's water and sewerage is highly questionable. We would suggest that an organisation such as TW should not be relying so heavily on customer surveys and information to determine pricing and servicing, it should be relying on what is best practise in their industry. Why are they not presenting and using best practice and quantitative data to implement industry best practice? Conducting questionnaires to the general public on issues like ETs is illogical and should not be allowed to be used as supporting evidence for decision making in relation to pricing and servicing.

The current ETs being assessed for non-residential customers should be investigated immediately as part of the regulator's investigation and review of PSP4. It is submitted: Why does TW not provide the total water used by non-residential customers as it has this information readily at hand and show the division of this figure by ETs (200KL)? This simple equation would provide TW and the regulator with a figure that TW can compare to the ETs that are currently being charged to non-residential customers. The difference we suggest would be significant which should not be the case, nor should it be allowed to continue. This calculation can further be refined to each ET category so that TW can easily identify categories that are being assessed highly inaccurately and move these identified categories across to an SDF assessment. These types of assessments are not difficult or outside of what TW should have already completed as part of their review. These are also assessments that can be conducted now, and changes implemented as part of PSP4. There is

no excuse for TW to continue to over-charge or be allowed to inaccurately charge non-residential customers.

TW have the opportunity to implement industry best practice and there has been no evidence or information provided from them as to why they cannot do so. I strongly urge the regulator to reconsider allowing TW to knowingly overcharge non-residential customers for the next four years. We are more than happy to discuss with the Regulator's office any aspect of our submission.

**Yours faithfully**  
**NEKON PTY LTD**



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