



Australia's property industry
Creating for Generations

Property Council of Australia

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

31 March 2022

By Email Only: office@economicregulator.tas.gov.au

Dear Mr Joe Dimasi,

**RE: INVESTIGATION INTO TASWATER'S PRICES AND SERVICES FOR THE PERIOD 1 JULY
2022 TO 30 JUNE 2026 (PSP4)**

Thank you for the opportunity to make a submission in response to the above report. Our members are concerned that TasWater (TW) is continuing to not use best practice when it comes to its charging methodologies. Of specific concern is that the Regulator agrees that the charging methodology is unfair and inaccurate, yet no changes are being proposed or implemented as part of its PSP4.

It is widely known that Equivalent Tenements (ET's) are inaccurate and are not used by a majority of water companies within Australia and we strongly believe that there is no excuse to not implement charging reform and move away from ET's within PSP4 to ensure greater fairness and equity for businesses.

Tasmanian businesses have been significantly impacted by the pandemic and the restrictions placed upon them. Business should not continue to be heavily penalised because TW is

knowingly allowed to continue to overcharge its commercial customers for the next four years. The current ET methodology assumes that these businesses are operating at full capacity 365 days a year which is simply not the case, resulting in gross overcharging of unused services.

The Property Council asks that the current ET's being assessed for non-residential customers is investigated immediately as part of the regulator's investigation and review of PSP4. We believe that it is not too late and can be conducted now to be implemented as part of PSP4.

Property Council members have provided significant and compelling evidence to the Regulator from within their own property portfolios of examples that clearly demonstrate the inequities from the current use of ET's as a charging methodology. Based upon the evidence, the current methodology results in overcharging non-residential customers by up to 90%, this cannot possibly be considered best practice.

As stated above, we believe it is not too late for a review and for change to be implemented in PSP4. We would implore the Regulator in the first instance to require TW to determine charges for the categories of hotels, pubs, licensed clubs and accommodation on the basis of a Standard Discharge Factor (SDF), rather than on the basis of the current ET methodology.

This change would represent a fairer and more accurate reflection of the demand being placed on TW infrastructure. A move which in fact was highlighted by TW itself in its PSP3 as potentially being a more accurate measure to base charges upon.

Specifically, TW recognised that the "ET methodology has limitations and there may be alternative approaches used in other jurisdictions that may be better suited to Tasmanian conditions and customer sewerage demand."

"... is poorly understood by customers due to its complexity and requires significant effort to administer as land use changes over time. A shift away from the ET method could provide an opportunity for a simpler, cost-reflective and transparent sewerage charging framework."

The Jacobs Review, commissioned by TW, was finalised more than two years ago. Having concluded that the ET methodology has limitations, is poorly understood, requires significant effort to administer, and is not supported by a majority of businesses, it is alarming that this has not been taken into consideration and change implemented in its PSP4.

The Jacobs Review findings also clearly highlight the inaccurate nature of ET charging methodology and states that the move to SDF from ET charging for caravan parks at the time would be simpler to administer and would result in more cost reflective outcomes.

It went on to further explain “...the discharge factor approach was also adopted for offices from the third regulatory period in response to concern raised about the accuracy of the ET methodology by owners of properties used for those purposes.”

Even more concerningly, Jacobs recommended that further investigation be carried out with respect to the following charging options. This included consumption-based charging only, however, the additional investigation does not appear to have occurred.

The feedback provided as part of the Jacobs Review highlighted that the seasonal nature of some businesses mean that ET calculations do not reflect demand placed on TW infrastructure. This was echoed by the Regulator in regards to concerns about potential inequities under the current ET approach due to different sized businesses in the same industry sector (hotels and tourism facilities) operating on different bases.

The positive impact of a review and change of charging methodology will have, particularly on businesses heavily impacted by covid would be significant. There is an opportunity now, to implement industry best practice as part of PSP4 and the Property Council would appreciate the opportunity to continue to provide input into the implementation of the PSP4 over the coming months.

If you require further information or clarification on our submission, please contact me on 0477 555 227 or Rellston@propertycouncil.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'RElls', written in a cursive style.

Rebecca Ellston

Executive Director, Tasmania
Property Council of Australia