Nekon Pty Ltd

GPO Box 1406
Hobart TAS 7001
T: (03) 6224 6511
F: (03) 6224 6522
E: office@nekon.com.au

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Office of the Tasmanian Economic Regulator
GPO Box 770
HOBART Tas 7001
Via Email: ***office@economicregulator.tas.gov.au***

Inquiry into Sewerage and Trade Waste Charging
Issue Paper

We refer to the above and prospective review of fees and charges in relation to Equivalent Tenements and Trade Waste. The following is in response to the referred questions and issues raised by the Regulator in the above Issue Paper February 2023.

1. Does the equivalent tenement method remain appropriate for calculating sewerage charges? No

According to Tas Water (TW) and the Pricing and Service Plan (PSP), the goal of the Equivalent Tenement (ETs) methodology is to assess the load a property is placing on the system and charge customers accordingly, ie User pays. However, from our extensive research this is not the case and we would suggest this is not the case for the majority of non-residential customers. It cannot continue for Tas Water to charge customers for waste they are not producing, this would not be approved as a mechanism for charging in business today.

We believe the vast majority of Tasmanians, if presented with the facts on how ETs are formulated and implemented, would oppose this charging methodology. The Jacobs survey conducted as part of TWs PSP4 review clearly states participants did not agree with the ET charging system. Survey participants' understanding of the ET charging system would have been vague at best and yet they still determined the current system is not fair.

If we look at how ETs are formulated according to TW & the PSP "generally determined from the water ET figures, based on actual average water use and an assumed discharge factor." The PSP further details the assumed split of an ET as "15% kitchen usage, 25% laundry usage, 30% toilet and 30% bathroom." These details further reinforce inaccurate assessments that are taking place with regard to assumed load, especially for the majority of non-residential customers. Retail stores, for example, may only have a single fixture, eg a toilet and sink, however, due to their gross Building area are being assessed at 2-3 ETs. The public does not have access to these fixtures and the staff are not placing similar loads to 2-3 times a household via these fixtures. This type of assessment is illogical and inaccurate, it does not reflect the load a customer is placing on the system or charging them fairly. The trading hours are also not taken into any consideration in relation to this application of charging. Again, this is illogical and there should be no surprise that when assessments of non-residential customers are conducted via the methodology - water in equates to sewerage out, gross inaccuracy is evident on almost every occasion.

An extreme example of this is Blundstone Arena which is currently being charged an ET rate for their potential load as if they were operating at full capacity 365 days per year. In this instance we appreciate that there is a need for them to be charged for their maximum demand as provisions need to be made for their potential loads in relation to infrastructure capacity. However, they should not be getting charged for volumetric loads they are not placing on the system.

On the other end of the scale there are high-water users and high sewerage dischargers that are not paying their fair share for the loads they are placing on the system. These high users also have ZERO incentive to change their practices and be water wise, which is in direct opposition to Tas Waters "be more water conscious campaign". This is a campaign that all Tasmanians are paying for and has zero substance or validity if TW are allowed to continue to inaccurately charge its customers and provide zero incentive to be water wise.

2. Is it appropriate to have different sewerage charging methodologies for different types of non-residential customers? Yes

For the majority of non-residential customers, the "water in equals water out methodology" is fair and equitable. Some work would be required from TW to determine the percentage of standard discharge factor (SDF) for each category of these non-residential customers. TW however does not need to reinvent the wheel with these categories as they have already been formulated in other States and water corporations as part of best practice and accurate charging methodologies.

There will also be some specific high discharge customers who may require metering of their discharge due to the volume and quality of their discharge. These customers will be of the absolute minority and this change in assessment procedure will encourage them to look at reducing their usage and loads they are placing on the system. These customers who are high discharge or poor-quality discharge customers should already be on TWs radar if they are serious about management of Tasmania's water use and infrastructure.

There may also be a few customers who will require to be assessed using a variation of an ET methodology. This would not be the case for 95% of the non-residential customer base who could be charged fairly and equitably using a SDF system.

3. Should the use of the discharge factor methodology be extended beyond offices and caravan parks? Yes

It is easy for TW water to implement this system further across its non-residential customers as they already have the data and information to create this change in their possession. It would require minimal administration to implement and create a fair and equitable system. We should have evidence-based charging and accuracy around the non-residential customer base, which is industry best practice. Tasmania deserves current best practice as well as accurate, evidenced based charging policies. The fact TW currently charges commercial customers specifically on their "potential load" is not fair or equitable.

What other industry are you allowed to charge someone on what they may or may not potentially use? We do not arrive at a petrol station and get charged for what we may potentially put into our car. TW implemented in PSP3 the assessment change for office from Gross Building area to a SDF. The same can be implemented for almost all no residential customers moving forward. TW have provided no evidence that we have seen that this was a costly or difficult exercise and nor should it be. They have also provided no evidence we have seen that they have actually implemented these changes across the whole of Tasmania. Has the Regulator seen the evidence and data associated with the change in charging to the customer category of offices? There should be a catalogue of information for the Regulator to assess in relation to the change in charging approach to the category of office. TW should be able to provide the Regulator the number of customers in this category and what they were being charged prior to the change versus what they are being charged now. Has this change in assessment for office been implemented across all customers in this category in Tasmania or not? Why not? What has been the response from customers? All these questions need to be answered by TW to the Regulator at a minimum.

TW has focused recently on improving their accountability for the water they are producing by implementing their smart metering devices. They now have very accurate and detailed information in relation to their customers water usage and they should continue this focus so they can reduce their water loss percentage. This improvement of water metering and continued goal of reducing water loss is only going to assist a SDF implementations accuracy and reflect that customers pay for what they use. By implementing a SDF TW will overcome its current inability to accurately assess sites that are multi use or multi tenanted. For these sites currently, TW is required to conduct a time-consuming site visit to try to assess the multiple users and their varying potential loads that they will place on the system. These situations are further blurred as often the tenants are not the TW customer the landlord is.

Further, inaccuracy is created by the ET methodology as it assesses the business being at its potential max load for 365 days per year regardless of whatever the facts may be. An example might be a doctor's surgery that has only a single doctor working at the site but has 4 consult rooms, this site would be assessed as though 4 doctors were using the 4 consulting rooms full time 365 days per year. The void of knowledge between what is being charged by TW and what the real load the property and its tenants are placing on the system is significant. Customers have no understanding of how they are currently being assessed and are confused by TW explanations and documentation of the processes in place. This confusion is taken advantage of from our point of view and allows TW to overcharge unwitting customers.

4. Do you consider that the application of trade waste charges in addition to sewerage charges for some non-residential customers results in 'double dipping'? Yes

TW is double dipping in relation to it trade waste customers as TW are requiring customers to install expensive systems to treat waste so that their waste is suitable for the sewerage system. TW water then also charge an amount ongoing for this waste to enter the system with the amount being charged dependent on the category the customer is allocated by TW. Customers are again not assessed on the loads they are actually placing on the system, it is an assumed load and discharge.

Further to the Trade waste charge for discharging waste into the TW sewerage system, customers are also charged an ET methodology to discharge into the system. They are being charged two different ways to discharge waste into the sewerage system. On top of this double dipping the customer is required to pay for the infrastructure to improve the quality of the waste entering the TW sewerage system. The customer is also forced to pay the ongoing costs to service and empty the trade waste device they have installed.
The majority of these customers are small business owners who are already battling with increased labour costs, a highly competitive market in an uncertain environment. These small

businesses are the last customers that can afford to be charged twice for the same service or installing expensive infrastructure. This way of charging is a massive kick in the face to these small businesses especially when many of them are working in a competitive food market. These customers are further disadvantage where food trucks can compete without any trade waste or TW water agreement. The charging of this minority group of customer needs to be reviewed and consideration given for their ability to service these financial burdens.

5. Do you consider the current trade waste customer categories to be appropriate? No

TW again is not accurately assessing customers on their usage or loads they are placing on the system. Instead they are again using confusing methodologies to clump large lists of customers together and charge them twice for the privilege of discharging waste into the system.

6. Do you consider any particular approach applied in other jurisdictions in relation to sewerage and/or trade waste charging would be more appropriate for Tasmania? Yes

A user pays system is currently best practice within the industry, it can be administered for both elements of discharge in relation to Trade waste assessment and Sewerage SDF. The accuracy of customers water use is already a focus for TW and this should be a continued focus. The data and administration changes required to move to a SDF and discharge assessment for Trade waste is already within TWs capabilities. This approach is clear and accurate for customers as well as being fair and equitable.

The need for TW to recoup fixed costs is easily forecast as they already do it as part of the budgeting each year. It can easily be incorporated into the calculation of SDF charges to customers and would be very similar to how council rates are formulated. Neither of the changes are difficult or unjustifiable, there would be few if any who would oppose a more fair and accurate system. Costs implication of this change would be minimal to implement and would likely reduce the administration costs ongoing.

7. Do you have a preference as to how sewerage and/or trade waste charging should be applied? If so, please explain your reasons? Yes

A user pays system is appropriate and best practice for both of these assessments. Customers need to pay for the loads they are actually placing on the system not what TW guesses they place on the system. Tasmanians will always require TW to provide clean drinking water and efficient sewerage processing infrastructure. We all need these systems in place and to be operating efficiently. Efficiency comes from accuracy and clarity as to what each system is required to do. We cannot afford to be guessing and assuming potential loads in this day and age. We have the technology and skills to be highly accurate in this field and creating a user pays system is best practice for a reason.

The user pays system is also directly linked to the need for our growing population and changes in macro environment to be water conscious. How can we not implement a system that is going to assist in this clearly identified need?

8. Do you consider that TasWater's high proportion of fixed sewerage costs should influence the sewerage charging approach? No

TW fixed costs should not be a determining factor to charge high fixed costs to its customers. Fixed costs can be incorporated easily into the variable charging formula used to charges it customers. This is common practice in other industries with high fixed costs, such as energy. If, for example, you look at fuel companies which have enormous fixed costs in the delivery of their products to customers, the charging is variable.

They also do not charge you for what you can potentially put in your fuel tank, only for what you actually use. They are able to implement this because they utilise the data and information that is available to them and anticipate the forecast demand. The same use of information and historical data that TW can use to accurately forecast demand and loads in their industry. TW water using their fixed costs as an excuse to be inaccurate and lazy is not acceptable. The pricing structure of TW products should incorporate their costs, it should also reflect that the customer has received or used a service from TW.

9. Are there charging approaches other than those set out in Table 8 that you think the Regulator should consider? If so, please provide details. No

As stated, we believe in a variable charging where ever possible and/or a combination of fixed and variable in some circumstances.

Yours sincerely
NEKON PTY LTD

Per:

ROBERT ROCKEFELLER
Director
E: Robert@nekon.com.au
T: +61 (0) 3 6224 6511
M: +61 (0) 0418 764 924