

TasWater's proposed changes to the water and sewerage regulatory framework for the fifth regulatory period

Summary of issues raised during a meeting between OTTER and members of the Property Council of Australia - Tasmanian Division

Meeting date: Thursday, 30 May 2024

Meeting time: 2:00pm to 2:30pm

Meeting location: 21 Murray St, Hobart

About the Property Council of Australia:

The Property Council of Australia represents and provides services, including advocacy, to its members from the Australian property industry.

Attendee:

Luke Doerner (Property Council of Australia - Tasmanian Division)

1. Extension of the regulatory period

Mr Doerner noted that TasWater's suggestion that extending the regulatory period will provide certainty in pricing to customers is contradictory to its proposals to implement annual price adjustments for inflation and the cost of debt, both of which will provide less certainty in pricing. Mr Doerner further noted that TasWater has a long way to go before being fully compliant and implementing best practice, and that more scrutiny of the business by the Regulator is required, not less.

2. Annual indexation of prices for inflation

Mr Doerner highlighted that if an annual reset for inflation were implemented, efficiency gains should be considered in the calculation.

Mr Doerner further noted frustration with expenditure by TasWater on things such as marketing campaigns encouraging the average water user to look to save water when it has such high water losses. Further to this, there is also no price incentive for customers to save water, given that TasWater's current pricing structure charges customers more for fixed charges, with variable charges than variable charges.

3. Annual cost of debt update

Mr Doerner claimed that TasWater's proposal to update cost of debt annually is not applicable, as TasWater's debt profile is largely fixed over a long time period, without large annual fluctuations. Mr Doerner also noted that TasWater needs to provide more data and evidence to support its claims, and as a business, it should not ask for additional revenue without sufficient justification.

4. Regulating prices for Category 3 and 4 trade waste customers

Mr Doerner noted that there is no way of knowing what arrangements are currently in place for TasWater's industrial trade waste customers, as the prices and conditions are not publicly available. However, there is a perception that some large trade waste customers are not paying their fair share, with smaller customers cross-subsidising the Category 3 and 4 trade waste customers under TasWater's current charging framework.

Mr Doerner acknowledged that some big industrial trade waste customers are likely to be of significance to the State and large employers. However, if these businesses were negatively impacted by the regulation of their trade waste prices, the Government could subsidise these customers directly, instead of having smaller customers cross-subsidise them.

5. Whole-of-system outcomes

Mr Doerner noted that all of TasWater's proposed investments must be prudent and efficient, with these parameters put in place in the Regulator's framework for a reason. Mr Doerner referenced the 'user-pays' principle and noted that he would not like to see a scenario where all customers pay for something that benefits only a few. Under such a scenario, the cost of these investments should be recovered from those who benefit.

Mr Doerner further noted that TasWater needs to increase its focus on its core business, with other elements of its business taking care of themselves.