

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 the Tasmanian Chamber of Commerce and Industry

Meeting date: Wednesday, 29 May 2024

Meeting time: 10:30am to 11:00am

Meeting location: MS Teams

About TCCI:

The Tasmanian Chamber of Commerce and Industry (TCCI) is an independent membership organisation that aims to positively lead and support business in Tasmania.

Attendee:

Michael Bailey (CEO, TCCI)

1. Extension of the regulatory period

Mr Bailey did not support the move to a five-year regulatory period for the following reasons:

- the risk is too big for an organisation that doesn't have the social trust to deliver outcomes;
- a more responsive eye is needed on TasWater's costs and activities; and
- TasWater needs to focus more on the efficient delivery of its services to meet the needs and expectations of the Tasmanian community, not just its financial outcomes.

2. Annual indexation of prices for inflation

Mr Bailey considered that as long as the framework keeps the focus on efficiency and on TasWater improving efficiency, an annual update of prices to actual CPI outcomes seems to be a reasonably fair approach. Mr Bailey noted that he is supportive of a framework that provides small increases in price often, rather than one-off large changes in price.

Mr Bailey further noted that government entities like TasWater should focus on efficiency and other non-financial outcomes for the state of Tasmania, and not just on its revenue.

3. Annual cost of debt update

Mr Bailey noted that certainty of prices is very important for Tasmanian businesses and as such, he is supportive of whichever model produces the most certainty of pricing for businesses.

Mr Bailey further noted that TasWater's proposal would shift risk from TasWater onto its customers.

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

Mr Bailey acknowledged that there is some political heat in the regulation of trade waste pricing in Tasmania and noted that moving to regulate industrial customers could help allay the situation.

Mr Bailey further noted that small businesses are subject to price regulation for trade waste and there was some concern that the larger players in the State are able to negotiate much better prices for themselves, with this option not available for small to medium sized enterprises.

Where a move to regulating the prices for industrial trade waste customers resulted in the removal of subsidies to some businesses, those subsidies should be provided directly to those businesses by the Government through a more transparent process.

5. Whole-of-system outcomes

Mr Bailey considered that this proposal was very unclear, and he would like to see examples and definitions of what is in scope and out of scope for “whole-of-system” investments.

Mr Bailey noted that TasWater’s proposal to introduce whole-of-system investments that have broader benefits seems to be a step away from the preferred user-pays approach.