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Mr Joe Dimasi
Tasmanian Economic Regulator
via email: office@economicregulator.tas.gov.au

05 JUN 2024

Dear Mr Dimasi

Submission to the Regulator's Issues Paper on TasWater's proposed changes to its regulatory framework

We refer to the email dated 13 May 2024 from Kirstan Long of your Office requesting feedback on the Draft Price and Service Plan Guideline Issues Paper, which sets out TasWater's proposed changes to the way prices are set and applied in its Price and Service Plan for the fifth regulatory period.

The Tasmanian Government is committed to a fair, efficient, and sustainable regulatory framework for the water and sewerage industry.

One of the strengths of the current multi-year pricing determination is the price stability and predictability it provides to customers. Shifting financial risk from the utility to customers through annual price resets and inflation adjustments would likely result in more frequent price increases which could place an undue burden on households and businesses, particularly those already struggling with cost-of-living pressures.

We acknowledge TasWater's desire to address its concerns about economic changes and inflation. However, customers, particularly those already facing economic hardships, are not well-positioned to absorb and manage these risks. The Government would like all government entities to seek to act as stabilisers during periods of high inflation. As an example, the Government chose to apply an adjustment factor so that the indexation of its fees and charges in 2023-24 was significantly less than the peak rate of inflation that occurred in the preceding year.

Annual price reviews would undoubtedly increase the administrative burden on both the utility and the Regulator. The costs associated with these additional processes could ultimately outweigh any perceived benefits, diverting resources away from critical infrastructure investments and service improvements.

The current framework supports sustained investment in our water and sewerage systems, ensuring they remain reliable and efficient. We do not consider that the proposed changes to the framework are in the best interests of customers or the long-term sustainability of TasWater. While TasWater has matured as a business, it is yet to achieve full compliance with its regulatory obligations and is also proposing significant tariff reform over the next regulatory period. This indicates that a continuation of the current arrangements is appropriate at this stage.

We look forward to continuing to work with TasWater and other industry stakeholders to ensure the continued delivery of high-quality water and sewerage services in Tasmania.

Yours sincerely

Hon Michael Ferguson MP
Deputy Premier
Treasurer

Hon Nic Street MP
Minister for Finance

Acting