

At a glance

Inquiry into sewerage charging - Final Report

Background

TasWater currently uses an equivalent tenement (ET) method for calculating sewerage charges for the majority of properties connected to its sewerage system. An ET is a measure of the potential demand a property places on the sewerage system.

In response to customer feedback received during the 2022 price determination investigation, the Regulator has conducted an inquiry into TasWater's sewerage charging methodologies.

Submissions received from stakeholders during the inquiry indicated that there is no support for the current ET method, with most stakeholders preferring a fixed and variable sewerage charging approach.

Under a fixed and variable charging approach, the fixed component is reflective of the fixed costs that TasWater bears in providing sewerage services whereas the variable component is based on the volume of water supplied to a property and a discharge factor. The discharge factor is the estimated percentage of water supplied to the property, as measured by a water meter, that is then discharged into the sewerage system.

The Regulator's decision

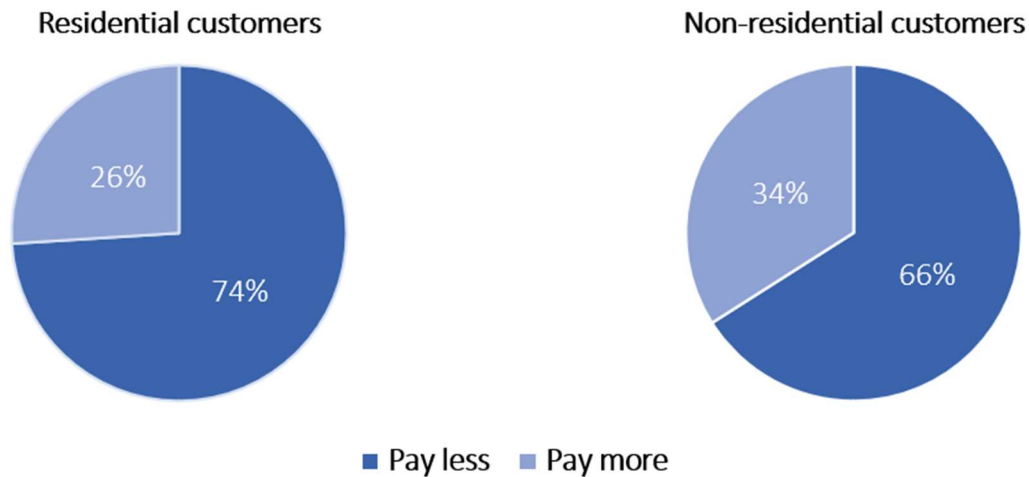
After considering the feedback received from stakeholders, arrangements in other jurisdictions and the statutory pricing principles, which require sewerage charges to reflect the costs of providing regulated services, the Regulator has decided to require TasWater to introduce a fixed and variable charging approach for all regulated sewerage customers. The new charging approach is to be introduced by TasWater for the next regulatory period which commences on 1 July 2026.



The advantages of a fixed and variable charging approach

The main advantages of a fixed and variable charging approach are that it is easier for customers to understand and is more equitable compared to the ET charging approach because properties that place similar demands on the sewerage system are charged similar amounts. This approach also satisfies the pricing principles, as a fixed and variable charging approach reflects that some of TasWater's sewerage costs are fixed costs and some of those costs are variable costs.

As a result of applying a fixed and variable charging approach across all regulated sewerage customers (including industrial trade waste customers), it is predicted that approximately 74 per cent of residential and 66 per cent of non-residential customers would have paid less in 2021-22 than they did under the current ET methodology.



However, these are indicative estimates only and should be treated with caution. This is because the charges, and therefore the customer impacts, may differ between now and 1 July 2026. This will be due to more accurate details becoming available about the allocation of sewerage costs between residential and non-residential customers, as well as non-residential and industrial trade waste customers.

Further work to be done

Prior to TasWater introducing a fixed and variable charging approach, further work needs to be done. To this end, the Regulator has requested TasWater undertake further analysis and consultation on its proposed discharge factors for non-residential customers; formalise its review process and promote its availability; and carry out further data integrity checks.

The Regulator also notes that:

- TasWater may want to assess other ways to assist customers who receive a concession;
- consideration will be given to reviewing the provisions that relate to payment difficulties, payment plans and financial hardship policies in the Customer Service Code to ensure that sufficient protection is offered to customers who receive a concession; and
- subject to the outcomes on TasWater's further analysis and consultation on its proposed discharge factors, in the event that industrial trade waste customers face material changes in their bills due to the implementation of a fixed and variable charging approach, the Regulator will consider whether a price transition may be required.

Further details about the Regulator's decisions are set out in the [Inquiry into Sewerage Charging Final Report](#).