

9 OTHER PRICING ISSUES

This chapter sets out the Regulator's decisions with respect to TasWater's proposed treatment of customers who are currently paying less than the current standard prices and TasWater's proposal to move customers directly to regulated prices in certain circumstances.

9.1 Regulator's decisions

The Regulator has made the following decisions:

1. Accept TasWater's proposed arrangements with respect to customers paying prices that are below current standard prices.
2. Require TasWater to contact each affected customer, prior to 30 June 2022, and inform the customer of the bill increases that are scheduled for each year of the fourth regulatory period together with the options available to manage payments.
3. Require TasWater to move the remaining fire service and trade waste customers who are currently paying less than the standard prices directly to the relevant standard price as at 1 July 2022.
4. Approve TasWater's proposed list of circumstances where customers will be moved directly to the prevailing standard prices.

9.2 Differences between the Regulator's decisions in the Draft and Final Report

9.2.1 Changes to draft decisions in the Regulator's Draft Report

The Regulator has not modified any of the draft decisions set out in the Draft Report.

9.2.2 New decisions not in the Regulator's Draft Report

The Regulator has not made any new decisions in this Report compared to the Draft Report.

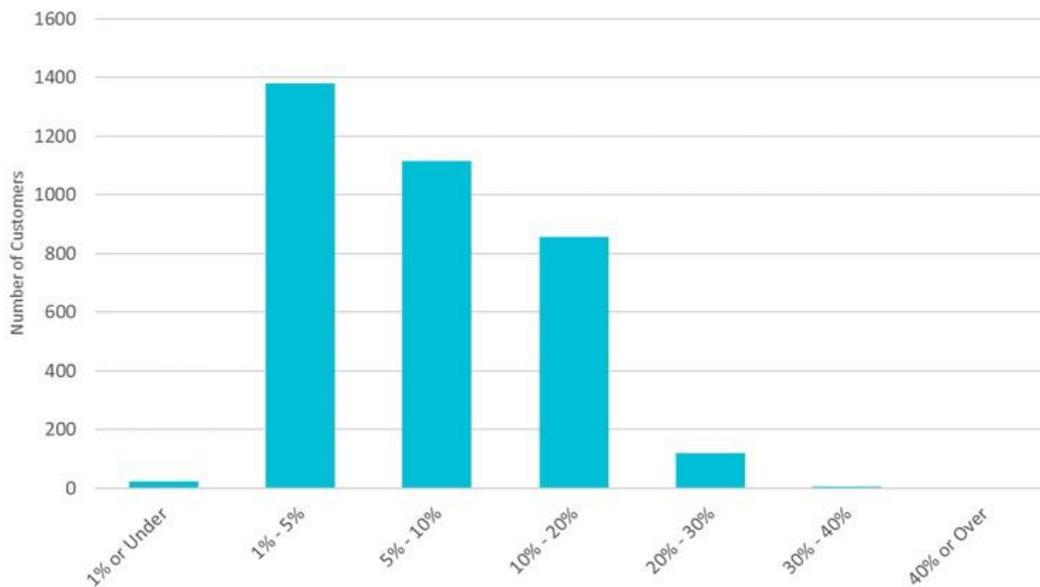
9.3 Customers paying less than current regulated prices

At the conclusion of its price determination investigation for the third regulatory period in June 2018, the Regulator expected that, after 30 June 2020 (the end of the statutory transition period), all of TasWater's customers would be paying the same price for the same service (ie all customers would be paying according to the standard price schedule).

TasWater intended to achieve this outcome by moving these customers to the relevant standard price (which is equal to or less than the maximum price) and providing a rebate to cover the difference between the standard price and the price the customer was actually paying.

However, due to price freezes in 2019-20 and 2020-21, there were 3 106 customers paying less than current standard prices as at 1 July 2021.¹³⁹ According to TasWater, 96 per cent of these customers (2 984 customers) were paying prices within 20 per cent of the standard prices applying at that time as shown in the following chart.

Figure 9.1 Percentage gap between prices being paid and standard prices as at 26 March 2021 for combined services by number of customers



Source: TasWater's proposed PSP, page 201.

In its proposed PSP, TasWater proposed these customer pay standard prices by 1 July 2023, the start of the second year of the fourth regulatory period, under the following arrangements:

If a customer, as at 30 June 2022, is paying less than the respective fixed water and / or sewerage standard price, and if the difference between the amount they are paying and the relevant standard price (in this section, referred to as the gap) in the first year of the fourth regulatory period is:

- less than or equal to \$50 (multiplied by the applicable connection size multiplier and/or number of ETs), the customer will move straight to the relevant standard price schedule in 2022-23.
- greater than \$50 (multiplied by the applicable connection size multiplier and/or number of ETs), the customer's prices for water and sewerage will increase in both 2022-23 and 2023-24 year by one half of the difference between the relevant price in the second year of the regulatory period (2023-24) and the price they paid in 2021-22.

Under TasWater's proposal, affected customers:

- will be facing price increases that are higher than the annual price increases TasWater has proposed for the fourth regulatory period for 2022-23 and, in some cases, 2023-24; and
- will be paying the same price as all other customers in 2023-24.

¹³⁹ TasWater's proposed PSP contains details of the number of customers as at 26 March 2021 paying less than regulated prices (approximately 3 600).

To gain a better understanding of the impact on customers of TasWater’s proposed transition, prior to the release of its Draft Report, the Regulator requested further information from TasWater about the affected customers to understand the types of customers affected and to assess the gap between those customers’ current bills and the bills under current standard prices. In response TasWater provided the following table.

Table 9.1: Annual bill gaps by land use based on a comparison of prices currently paid and 2021-22 prices paid by other customers for the same services

Land Use	Number	Smallest Gap	Average Gap	Largest Gap
Commercial	878	\$26.38	\$452.82	\$27 379.44
Industrial	218	\$13.84	\$618.37	\$16 354.88
Primary Production	12	\$32.04	\$397.41	\$1 154.97
Public / Government / Schools	216	\$28.02	\$1 176.03	\$17 920.90
Quarry	2	\$1 032.39	\$1 093.68	\$1 154.97
Residential	1 543	\$1.52	\$101.59	\$6 960.56
Sporting/Recreation	211	\$4.13	\$1 195.93	\$19 741.94
Unidentified	10	\$157.54	\$525.74	\$1 344.97
Vacant	16	\$18.72	\$179.35	\$1 841.39

While TasWater has foregone revenue under these arrangements, the Regulator was concerned about the inequities associated with the vast majority of customers paying the one set of prices for a number of years, while a minority of customers have been paying lower prices (in some cases substantially lower prices) for the same service.

However, noting the gaps for some customers between current bills and bills under standard prices, in the Draft Report, the Regulator noted in the Draft Report that it intended accepting TasWater’s proposal.

In light of the gaps for some customers between current bills and bills under standard prices, in the Draft Report the Regulator stated that it intended requiring TasWater to advise all affected customers of the likely price increases they will face as soon as possible after the Regulator’s Final Report and Price Determination are released.

9.4 Moving customers directly to the standard prices

TasWater’s proposed PSP sets out the circumstances where TasWater proposes moving customers directly to the standard price at the relevant time. Table 9.2 lists these circumstances.

Table 9.2 Circumstances where TasWater proposes immediately moving customers to standard prices¹⁴⁰

Ref	Circumstance
1	Change in the property’s predominant use
2	Altered connection arrangements due to a successful DA
3	Previously unconnected properties connect to water and/or sewerage infrastructure (including new subdivisions)

¹⁴⁰ TasWater’s proposed PSP, pages 201-202.

4	Properties connected to water and/or sewerage infrastructure, but currently not receiving charges (previously un-billed customer)
5	Newly discovered connection(s) to existing infrastructure
6	Changes to existing connection points (ie change of connection size including installation of sub-meters)
7	A customer should be receiving a fire service charge
8	New trade waste customer (applying for a consent)
9	Existing sewerage service customer who should be receiving a trade waste charge (previously unbilled trade waste)
10	Adhesions (where two or more blocks of land are joined together to form a single block)
11	Demolition resulting in land becoming vacant
12	Change of ownership
13	Change from a permanent BWA or PHA to a potable water supply (variable charge)
14	Where an account adjustment is made to correct an overcharge of a service and a refund to the owner results and the value of the refund is equal to or more than the annual difference to standard price

Compared to the list of circumstances approved by the Regulator for the third regulatory period, TasWater has retained the previous list and added two new circumstances:

- adhesions; and
- where an account adjustment is made to correct an overcharge.

In its Draft Report, the Regulator did not identify any concerns with TasWater's proposal.

9.4.1 Fire service and trade waste customers

In the Draft Report, the Regulator required TasWater to ensure that the three fire service and five trade waste customers who are currently paying below the standard prices moved straight to the current regulated price as at 1 July 2022 (all are paying more than 90 per cent of the current standard price for that service and are within \$100 of the standard price).

9.5 Submissions on Draft Report

The Regulator did not receive any submissions on the issues covered in this chapter.

9.6 Summary

The Regulator has received no new information relating to the pricing issues in this chapter and is satisfied that no changes are required to the decisions in the Draft Report.