

Department of Primary Industries, Parks, Water & Environment

WATER AND MARINE RESOURCES DIVISION

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Attention: Glenn Bounds

Submission regarding 2012 Price Determination Investigation – Regulated Water and Sewerage Services in Tasmania – Draft Report

Thank you for the opportunity to provide comments in relation to the *2012 Price Determination Investigation – Regulated Water and Sewerage Services in Tasmania – Draft Report*, the draft Price Determinations and the proposed Price and Service Plans.

In general, the Department of Primary Industries, Parks, Water and Environment supports the approach and recommendations in the draft Price Determination Investigation. However, there are several aspects that would benefit from further clarification and/or information. These aspects are outlined below.

1. There appears to be a number of deficiencies in the corporation's draft Standard Customer Contracts.
 - The Contracts do not adequately address issues that may be peculiar to non-residential customers. For example, fire-fighting water supplies in commercial and industrial premises is a significant issue which is not addressed in the customer contract. Although the Draft Report addresses this issue in part, it is considered desirable to highlight this issue now to ensure that customer contracts for commercial and industrial customers include a section which addresses matters such as maintenance of flow rates and pressures which satisfy the requirements of installed building fire protection systems and a commitment to consult relevant customers should the regulated entity consider it desirable to adjust flow rates or pressures in the reticulation system.
 - The manner in which the customer contract deals with trade waste customers is considered to be inadequate. It is clear from the Draft Report that class 1 and 2 trade waste customers will be deemed to have entered into a customer contract under which the relevant regulated entity consents to the discharge of trade waste to the sewerage system. However, the proposed customer contract provides no terms and conditions which would form the basis of an agreement in relation to the discharge of trade waste to the sewerage system.
 - Also in regard to trade waste, it is not clear from the documentation currently available how the trade waste schedule (Schedule 4) in the draft Price Determination will be applied in practice. For example, it is not clear what the thresholds are for individual parameters above which exceedance charges may be incurred.

- More generally, the Contracts require significant reviewing and revising as they do not adequately cover all relevant matters and are in some areas inconsistent with legislative requirements. As part of this suggested review, the Department recommends that consideration be given to developing a small number of standard customer contracts (as opposed to the current one generic contract) which could apply to well-defined customer classes.
2. The draft Service Charge Policy and Service Extension, Expansion and Introduction Policy, as outlined in the Draft Report, provide useful templates for developing a consistent approach across the State. However, it is considered that these Policies could benefit from some further clarity and detail.
- The Service Charge Policy, as it is presented, raises two issues. Firstly, it is not clear what is “serviced land” as it is not defined in the price and service plan documents, and it is not clear what land within serviced land will be charged a service charge. Secondly, it is not clear that the service charge in respect of new allotments will only be charged where those allotments are within the serviced land boundary. It is recommended that the policy provide further clarity in relation to these issues.
 - The Service Extension, Expansion and Introduction Policy contains the term “service area” which is not defined and which could be confused with “serviced land”. It is suggested that the terms be clearly differentiated. Furthermore, a minor amendment to the Policy (that is, in relation to the conditions referred to on Page A-75 of the Draft Report) may help to clarify its intent. The Department considers that the second condition should not always need to be satisfied and that the sixth condition might not need to be satisfied, for example, where a significant public health risk has been identified. In addition, the Department considers that local Environmental Health Officers are well placed to be involved in determining if a public health reason for introducing a reticulated service exists, and therefore, they should be included in the second condition. A suggested form of words to amend the six conditions is included at Attachment 1.

At a broader level, it is noted that water demand forecasts in the Draft Report do not align with estimates of water consumption reported in the State of the Industry Report, and no explanation for the divergence has been offered. The demand forecasts are substantially lower for each regulated entity than reported estimated consumption. The Department considers that it may be useful to provide an explanation for the divergence, as significant levels of consumption above the demand forecasts is likely to result in revenue exceeding the levels on which the Price Determination is based.

I appreciate the opportunity to comment on the draft Price Determination and would welcome further discussions between our offices on these matters. Any questions in relation to the issues raised above can be directed to Mr Ben Goodsir, Director of Urban Water Policy (telephone 6233 9257) in the first instance.

Yours sincerely



Kim Evans
SECRETARY

16 April 2012

Attachment 1: Suggested changes for service introduction conditions

Amended excerpt from page A-75, with changes marked in bold:

(3) Introduction of new services and/or sewerage services to areas with only onsite services, e.g. septic tanks, rain tanks (service introduction)

[ENTITY NAME] will determine the service introduction charges using the same methodology as it applies to calculate developer charges (refer to [ENTITY NAME]'s *Developer Charges Pricing Policy*).

The introduction of water and/or sewerage services must satisfy the following conditions:

- The introduction of water and/or sewerage services is to be commercially viable for [ENTITY NAME] (which may include external funding – e.g. a contribution from owner Councils, government grant(s), customer contributions, or a combination of any of these), **or**
- The absence of water and/or sewerage services is causing significant and/or wide scale environmental harm and/or public health issues, as identified by **the local Environmental Health Officer**, the Environmental Protection Authority or the Department of Health and Human Services, **and**
- [ENTITY NAME] will consult with the community on any service introduction Proposal, **and**
- [ENTITY NAME] will provide to a person, before a service introduction charge is imposed on that person, an estimate of the amount of the service introduction charge, **and**
- [ENTITY NAME] will provide to a person, on whom a service introduction charge is imposed, information as to how the amount of the service introduction charge has been determined, **and**
- [ENTITY NAME] must be satisfied that there is broad community support before proceeding with a proposed service introduction, **unless a compelling public interest reason can be demonstrated.**

