



# Fact sheet

## Service charges on unconnected properties

INFORMATION

**If you are the owner of a vacant lot or a property that has the ability to access TasWater's water and/or sewerage infrastructure, it is proposed that you will continue to be liable to pay a service charge.**

This fact sheet summarises TasWater's proposed service charges policy and the key issues surrounding service charges on unconnected properties.

### What are service charges?

A water and/or sewerage service charge is a charge levied where there is an ability to access a service even if there is not yet a physical connection to TasWater's infrastructure.

### Assessing whether service charges should be imposed?

When TasWater introduces infrastructure to an area, it builds enough capacity in the network to accommodate all potential customers connecting at a given time. These costs could be passed on to existing customers or, alternatively, all customers with the ability to access water and/or sewerage infrastructure (ie owners of property within TasWater's 'serviced land') could contribute towards the costs of providing these services.

### TasWater's proposal

TasWater has proposed a service charge comprising the full fixed water target tariff and 60 per cent of the fixed sewerage target tariff. TasWater's reason for imposing a sewerage service charge at a reduced rate is due to the fact that unconnected customers are not discharging sewage into the network so the variable cost component of the fixed sewerage charge is avoided.

TasWater has proposed not imposing a service charge on customers in limited water quality/supply areas.

The Economic Regulator considered that TasWater's proposal was not adequately justified. Therefore, the Economic Regulator undertook a thorough examination of the arguments for and against service charges, including a comparison of service charge arrangements in other states and territories.

## **Economic Regulator's proposed decision**

The Economic Regulator intends to approve TasWater's proposed arrangements to impose charges on unconnected properties within its serviced land area.

While there are economic arguments for and against service charges on unconnected properties, TasWater's ability to impose service charges is permitted under the *Water and Sewerage Industry Act 2008*.

## **Next steps**

If you would like more information on service charges, or would like to comment on TasWater's proposals, please see section 6.2 of the Economic Regulator's Water and Sewerage Price Investigation Draft Report, available at <http://www.economicregulator.tas.gov.au>