



## Fact sheet Service replacement

Most households receive reticulated services but not all of these services meet health and environmental standards

**The cost per connection of upgrading certain water and sewerage systems is very high compared to other supply options.**

This fact sheet summarises the circumstances where TasWater could develop a proposal for replacing a piped network (reticulated) service with an alternative and the need for TasWater to follow a robust process in developing and implementing any proposal to ensure the interests of the communities involved are protected.

### What is service replacement?

Service replacement means that drinking water and/or the treatment of sewage will be provided by means other than through reticulated services. The expectation is that, in certain limited circumstances, a community's drinking water and/or sewage disposal needs might be met, to a standard considered adequate by the relevant industry regulators, by a lower cost alternative to reticulated servicing.

### Why would service replacement be necessary?

Water and sewerage infrastructure is costly and, particularly in the case of some small communities, the replacement of reticulated services with alternatives such as rain water tanks may be a less expensive means of addressing environmental and public health risks than investing in new or upgraded reticulated assets. However, the disconnection of a community from a reticulated essential service is not something to be taken lightly.

### A process for service replacement proposals

The Economic Regulator will only approve a service replacement proposal if it is satisfied that:

- the proposal involves the replacement of the current reticulated service with another form of service provision;
- TasWater has examined options other than service replacement, but they were technically not possible or were impractical due to the costs involved;
- the service replacement proposal has been discussed with, and is supported by, all relevant industry regulators and planning authorities;
- the proposal has broad community support; and
- the proposal is consistent with any legislative or regulatory obligations.

## TasWater's proposal

In its proposed price and service plan, TasWater outlines a high level process and a broad set of criteria for determining whether to provide treated water in accordance with Tasmanian Drinking Water Quality Guidelines or whether to consider service replacement. These categories are outlined below.

### TasWater's proposed criteria for determining whether to provide treated water or consider service replacement

Category	Water treatment or service replacement	Criteria
Category A (1)	Water treatment	Cost per connection < \$20,000
Category A (2)	Water treatment	<ul style="list-style-type: none"><li>▪ Cost per connection &gt; \$20,000, but</li><li>▪ The town meets <b>at least one</b> of the following key assessment criteria:<ul style="list-style-type: none"><li>- There are at least approximately 100 connections, with more than 60% of the premises occupied</li><li>- There is a growing population base</li><li>- The water supplies social services, industries or schools</li><li>- The water supply is on a major tourist route</li></ul></li></ul>
Category B	Service replacement with alternative cost effective supplies such as water tanks, irrigation supplies or other arrangements.	<p>Cost per connection &gt; \$20 000,</p> <ul style="list-style-type: none"><li>▪ The town <b>does not meet any</b> of the other key assessment criteria (listed under A2)</li></ul> <p>Alternative options are implemented only after alternative options are discussed with communities, owners and regulators.</p>

## Economic Regulator's proposed decision

The Economic Regulator is proposing to require TasWater to follow a process set out in a series of flowcharts illustrating the service replacement process. The Economic Regulator considers that the service replacement process included by TasWater in its final Price and Service Plan should outline in detail the end-to-end process to provide greater guidance and transparency to affected customers and stakeholders. In particular, the Economic Regulator considers that the process should clearly state that individual customers have an explicit right of review of TasWater's decisions in relation to offers made to them.

### Next steps

If you would like more information on service replacement, or would like to comment on TasWater's proposals, please see section 6.3 of the Economic Regulator's Water and Sewerage Price Investigation Draft Report, available at <http://www.economicregulator.tas.gov.au>