



## Fact sheet

# Sewerage Charges: trade waste and equivalent tenements

This fact sheet provides an overview of the key issues around TasWater's proposed sewerage charges in relation to trade waste and the application of the equivalent tenements (ET) methodology.

### What are trade waste charges and equivalent tenements?

Trade waste means the liquid waste generated by any industry, business, trade or manufacturing process. TasWater's sewerage network and treatment plants are typically designed for domestic waste. TasWater incurs additional costs managing, transporting and treating trade waste through these networks. A trade waste charge is a recurrent charge for the acceptance, by TasWater, of trade waste from a customer.

An ET is an approximate measure of the load a property places on the sewerage system and is based on the discharge of a standard residential dwelling. This average rate is then used to calculate the rates for other property types, depending on the different load they may place on the sewerage system, with a customer's fixed sewerage target price increased proportionally with the number of ETs. For example, if a property is assessed as placing twice as much load on the sewerage system as a residential dwelling, it will be assessed as two ETs and the target sewerage price will be twice the standard sewerage service charge.

The ET methodology is used because it is not practical or effective to meter discharges from sewerage connections and, therefore, there is not any variable pricing component for sewerage charges.

### Background

TasWater categorises trade waste customers based on an assessment of the impact that trade waste discharged by the customer has on the sewerage network.

Category 1 and 2 trade waste customers have their prices set by the Economic Regulator while Category 3 and 4 trade waste customers must enter into a contract with TasWater under Section 61 of the *Water and Sewerage Industry Act 2008*.

Category 1 and 2 customers are those assessed as having low grade or low to medium volumes of trade waste, while Category 3 and 4 customers are considered to be higher risk in terms of impact on the sewerage network.

For the first and second regulatory periods, the Economic Regulator approved sewerage charges based on the number of ETs assessed for each customer.

For the second regulatory period, the Economic Regulator was concerned about the lack of transparency surrounding the ET methodology and required TasWater to make public more detail on how rates would be calculated and applied during the second regulatory period (1 July 2015 - 30 June 2018). Following consultation, the Economic Regulator also required TasWater to apply an alternative approach to determining ETs for caravan parks, based on the proportion of water consumed and discharged to the sewerage system.

### TasWater's proposal

In its proposed price and service plan for the third regulatory period (1 July 2018 - 30 June 2021), TasWater noted that it intended to continue to categorise, and charge, trade waste customers using the same risk assessment of trade waste impacts on the wastewater system that it used during the second regulatory period.

This risk assessment sees Category 2 further broken into three sub-categories - 2A, 2B and 2C - to better reflect these customers' relative demand on the sewerage infrastructure and allow TasWater to levy cost reflective charges for trade waste services.

TasWater has also proposed the introduction of a new separate trade waste charge for solid waste macerators in health and aged care facilities. TasWater has also proposed a new site constraint fee for properties where heritage or other site constraints mean that the customer is not able to meet TasWater's requirements.

TasWater also proposed to continue using an ET methodology during the third regulatory period. Its proposed price and service plan included the process for calculating ETs and indicated that its approach is underpinned by the NSW Water Directorate's *Section 64 Determinations of Equivalent Tenements Guidelines* (2017), supplemented by former corporation information and the Water Services Association Australia Sewerage Code to account for local differences. Proposed ET rates for each property type were also included and have been updated in the Economic Regulator's Water and Sewerage Price Investigation Draft Report (Draft Report).

### Economic Regulator's proposal

The Economic Regulator proposes accepting TasWater's categorisation of trade waste customers so that the trade waste charge accurately reflects TasWater's costs of providing a trade waste service to each customer.

The Economic Regulator also proposes approving TasWater's continued application of the ET methodology.

The Economic Regulator notes that public access to the resources that form the basis of TasWater's ET methodology continues to be restricted and again intends to require TasWater to publish documents to explain its approach. The Economic Regulator's Draft Report includes:

- a comparison of ET rates for each property type for the current and proposed regulatory periods, and describes changes (Appendix 9); and
- proposed ET rates for property types that differ from those contained in the NSW Guidelines and a justification of each departure (Appendix 10).

The Economic Regulator intends to approve TasWater's approach to transitioning customers facing a material bill increase as a result of an ET reassessment.

TasWater has proposed a review of alternative sewerage charging methodologies operating in Australia. The Economic Regulator intends to support this review and to require consultation with stakeholders and the Economic Regulator and publication of the findings.

#### Next steps

Please see section 13.2.2 of the Economic Regulator's Draft Report if you would like more information on trade waste fees and charges or section 12.11, Appendix 9 and Appendix 10 of the Draft Report if you would like more information on ETs. The Draft Report is available at <http://www.economicregulator.tas.gov.au>.