

Dear ERT,

As mentioned below, thank you for the opportunity to submit regarding water and sewage pricing. My submission centers on one main point of discussion - risk shifting of water/sewage treatment costs from organizations to customers.

I have previously noted this abc news article: <http://www.abc.net.au/news/2016-12-06/taswater-upgrade-funding-model-savaged/8097430>; and personally found in the years since publication that our water bills have indeed increased significantly (well above CPI).

Although I am a big proponent of having the same water price in most areas of Tasmania - in some rural or very remote areas this is simply not possible/illogical. When this is the case for some very remote towns, why should most Tasmanian's pay for a substantial increase in their water bills so that a small number (in some cases only a handful), of Tasmanian's obtain treated water in a remote location?

Perhaps if some Tasmanian's or Tasmanian business choose to locate themselves in these rural or very remote settings they should be charged with the appropriate setup/maintenance costs - and not all Tasmanian's as a whole. I think most Tasmanian's would agree to pay a small amount more in water bills to help - but up to 30% seems excessive!

I believe TasWater has effectively 'shifted' all/most of the costs of outlaying new pipes / infrastructure on to all of the Tasmanian rate paying population - rather than funding this out of their own company budget (which is in excess of various millions currently).

This has been noted in some detail by the Tasmanian Auditor General's reports into Tas Water - noted here: <http://www.audit.tas.gov.au/wp-content/uploads/AGR-Volume-3-Local-Government-Authorities-and-TasWater-2015-16-Web-Book.pdf>

The Tasmanian Auditor General noted (with regard to Valuation of water and sewerage infrastructure):

- TasWater [to] formulate a policy as to the frequency [of] valuations using the income approach are to be undertaken;
- Taswater [to] determine and recognise the fair value of infrastructure assets using an income approach valuation for 30 June 2017 in accordance with the requirements of, and guidance provided;
- The income approach valuation be based on the highest and best use of TasWater's infrastructure assets;
- TasWater cease using a range of estimated values to assess the reasonableness of the carrying value of infrastructure assets and;
- Recommended that TasWater determine whether disposal costs for assets recognised at fair value are negligible so as to determine whether recoverable amount needed to be estimated each year.

It was also noted that: "Central Highlands Council provided an interest free loan of \$0.50m to TasWater during 2015-16 repayable over 20 years to enable a treated water supply to be provided to residents of Gretna."

With the ability of TasWater to obtain 'interest free loans' in at least one disclosed example to carry out upgrades - why does TasWater need to increase the cost of water for all Tasmanians access water?

I believe this is a case of TasWater wanting 'their cake and eating it also'! This also shows that in at least in one example, TasWater is effectively cost shifting all their risk profile onto local government councils or rate payers - instead of using their own substantial and significant financial resources to drive all infrastructure updates, maintenance or establishment.

I now look to the Office of the Economic Regulator to review the current way in which TasWater has decided to increase the water bills of most Tasmanian's over the years regarding water and sewage treatment (especially when it appears TasWater are engaging in practices such as requesting interest free loans from local government councils to pay for such infrastructure but at the same time requesting all rate payers to pay more for water access).

Sincerely and many thanks for accepting and reviewing my submission.

John Marrone.