



Media Release
4 May 2018

TASWATER PRICE INVESTIGATION RELEASE OF FINAL REPORT

Tasmania's independent Economic Regulator has completed its investigation of TasWater's proposed prices and service levels for regulated water and sewerage services for the third regulatory period (1 July 2018 to 30 June 2021).

Mr Joe Dimasi, the Tasmanian Economic Regulator, said that "the Final Report and Price Determination, released today, contain my final decisions on TasWater's proposals. The final outcomes also reflect the feedback I received during consultation on the Draft Report and draft Price Determination."

The Economic Regulator has capped annual price increases for fixed water, fixed sewerage and variable water charges at 4.6 per cent. This will result in the average consumer seeing increases in annual bills of around \$56.

Mr Dimasi also noted that "the approved revenue and the final prices will provide TasWater with sufficient revenue to fund its proposed expenditure program to meet its health, environmental and dam safety compliance obligations while managing price increases and while maintaining its financial sustainability."

Mr Dimasi said that the final decision had reduced the maximum amount of regulated revenue that TasWater is able to earn during the third regulatory period by almost \$155 million from the amount proposed by TasWater. These reductions were mainly due to the Economic Regulator approving lower rates of return on capital and lower allowances for other costs than those proposed by TasWater.

TasWater's pricing model contained an error which significantly overstated the number of connections to TasWater's network. Once an adjustment for this error was made, there was potential for annual price increases of around eight per cent. As indicated by TasWater's own consultative process, price increases of this magnitude would be much higher than customer expectations. As a result of this, and given the continued uncertainty around the precise number of connections, the Economic Regulator has decided to cap annual price increases at 4.6 per cent. This is at a level consistent with what TasWater put forward in its proposed Price and Service Plan.

There are still 7 516 customers being charged prices below the target tariffs. For these customers the following arrangements will apply:

- Customers within \$50 of fixed target tariffs will move straight to the relevant target tariff in 2018-19.
- Customers more than \$50 from fixed target tariffs will see annual increases of one third of the difference between the target tariffs in 2020-21 and the prices they are paying as at 30 June 2018.

These arrangements will also see all customers on target tariffs and paying the same price for the same service by the legislated deadline of 1 July 2020. To ensure that the proposed price increases are manageable for these customers, TasWater has assigned dedicated account managers to identify, where necessary, appropriate payment options including flexible payment plans. The Economic Regulator has also required TasWater to write to all affected customers to inform them of the prices they will be charged and the payment options available to them.

The Final Report recognises the improvements that TasWater has made since the 2015 investigation in relation to its planning, capital expenditure (capex) prioritisation, governance processes and customer and stakeholder engagement.

The Final Report also addresses the need for TasWater to:

- further improve its ability to deliver its planned capital expenditure program; and
- more clearly set out its long term plans to achieve compliance and operational efficiencies to avoid investing in redundant or stranded assets.

Mr Dimasi thanked those who had taken the time to provide submissions and noted that he had considered all matters raised in submissions.

For further information contact:
Dean Burgess
Office of the Tasmanian Economic Regulator
Tel: (03) 6166 4422

Copies of the Final Report and Determination, Arup's Final Report, TasWater's proposed Price and Service Plan and the submissions received on the Regulator's Draft Report are available at: www.economicregulator.tas.gov.au

Go to Water > Pricing > Price Determination Investigations > 2018 Water and Sewerage Price Determination Investigation