



To the Economic Regulator

Concerns on TasWater Price Transitioning Proposal 2015-18

I thank you for taking the time to read this document and accepting it after the closure deadline, but I was wanting to bring to your attention some concerns that we have as a commercial company about the proposed changes over the future 3 years by TasWater in the *Price and Service Plan – 2015 Investigation*.

Currently the transitioning rate for reducing customers above the target tariff is 5% p/year until it reaches target tariff. Unfortunately I have been arguing with TasWater over a lot of our rates and now they have agreed to reduce them. However we currently sit at about 400% over target tariff for a lot of our properties and this 5% reduction is ridiculous and I can see the reasoning behind needing to change the pricing plan for the future 2015-18 period.

I want to bring to light Page 64 of the *TasWater Draft Price and Service Plan 2015-18*, under section *7.4 Pricing transition objectives and price constraints*. From the text in this section, it is interpreted that any service charge over the target tariff as at 2015 will be reduced by 33% per year with the intention of being at target tariff by the end of the three year period (2018). I understand the intention behind this but disagree with the rate of transition. For companies that have a large proportion of properties around Tasmania and have been overcharged for a long time, I don't see why we have to wait a further 3 years to reap the full benefit of the adjustments. I believe overcharges should be corrected immediately to the target tariff, and undercharges should increment by an acceptable rate as determined by you the regulator so not to stun the economy with the price increase.

I will give an example of our situation. One of our properties has been charged by TasWater for sewerage services at a rate of 23.3 Equivalent Tenancies (E.T's), yet after their resent evaluation (which I insisted on), it has been reduced to 3 E.T's. Due to this reduction and previous council rates pre 2010, our new 3 E.T rate is still \$2,500 more per year than target tariff on this one property. Another property was at 13.1 E.T's, now at 1.2 E.T's. Same situation as the last property. When you multiply this out amongst our 20 plus properties, over the 3 year proposed transition period this amounts to a substantial amount of money. I don't think it's appropriate to continue to overcharge customers at a higher rate than target tariff when other companies are getting exactly the same service for a substantial amount less.

I hope that the Economic Regulator can take into consideration the above instance to alter the future plan for TasWater in the 2015-18 period, to help assist those that are in this overcharging situation.

I look forward to any response or questions on the matter. Please either contact me on the office number (03) 6336 1400, or email rowan@tasredline.com.au

Thankyou and regards,



Rowan Larissey

Tasmania's own Redline Coaches

Hobart Midcity Hotel

Commodore Regent Hotel

Table 34: Description of regulated tariffs, fees and charges by category

Tariff/Fee/Charge	Description
<p>Water</p> <ul style="list-style-type: none"> - Fixed water tariffs - Variable water tariff - Fire service charge - Water service charge 	<p>Annual charge contributing to the maintenance and replacement of water infrastructure</p> <p>Charge per kilolitre for water usage, split between potable and non-potable sources</p> <p>Annual charge for the provision of capacity to support fire fighting in private buildings</p> <p>Annual charge for the ability to connect to TasWater's infrastructure, including where a physical connection may not be in place (vacant land charge)</p>
<p>Sewerage</p> <ul style="list-style-type: none"> - Fixed sewerage tariffs - Trade Waste tariffs - Sewerage service charge 	<p>Annual charge covering infrastructure maintenance and flow contributed to the sewerage network</p> <p>Annual fixed charges covering administration, auditing, infrastructure maintenance and demand on the sewerage network depending on the category of the customer.</p> <p>Annual charge for the ability to connect to TasWater's infrastructure, including where a physical connection may not be in place (vacant land charge)</p>
<p>Other Fees and Charges</p> <ul style="list-style-type: none"> - Connection Charges - Metering Charges - Development Services Fees - Asset Contribution Charges - Miscellaneous Fees and Charges 	<p>Cost recovery charges levied for connecting to TasWater's water or sewerage infrastructure, or disconnection from our infrastructure</p> <p>Cost recovery charge levied for items such as special meter reads, meter testing and meter relocation</p> <p>Cost recovery charges levied for TasWater's assessment of development applications, certificates for certifiable works and post development compliance assessments</p> <p>Cost recovery charges levied to cover the cost of the expansion of TasWater infrastructure required to support development or the consumption of excess infrastructure capacity (includes developer charges and service introduction charges)</p> <p>Cost recovery charges levied for a number of sundry fees such as location of services or pressure and flow testing</p>

As discussed in section 6.3, TasWater has adopted four customer classes to reflect whether a customer is receiving full service, limited water quality, limited water supply or a combination of limited water quality and limited water supply.

Pricing arrangements differ for these customer classes and the specific detail is set out in sections 7.5 and 7.8.

7.4 Pricing transition objectives and price constraints

In determining the preferred price transition arrangements, including price constraints, for the 2015-18 regulatory period, TasWater has been very conscious of the fact that inequitable pricing arrangements still exist right across the state. In addition, by the end 2018 customer prices will have been in transition for almost a decade.

TasWater is of the view in developing this draft plan that the transition should not be prolonged beyond this regulatory period if it could be achieved in that timeframe without subjecting customers to price shocks.

The price modelling undertaken indicates that the transition can be achieved during the 2015-18 period, and TasWater has used the following price constraints to transition customers to uniform, state-wide target tariffs in a manageable way:

- **Customers above target fixed pricing** at the start of the period will come down by 1/3 of the gap to the 2018 target in each year through the regulatory period.
- **Residential customers below fixed service charge targets** at the start of the period will see a maximum annual increase to fixed service charges (water and sewerage combined) of no

more than \$100 in each year, or 10 per cent, whichever is the greater, until both targets are reached.

- **Non-residential customers¹³ below target** will see the combined \$100 side constraint increased in proportion¹⁴ to the meter size or number of ETs.
- **Customers below target variable rates** will see equal yearly increases across the three years of the period so that they arrive at the target rate by 2018.
- **Trade waste customers** will transition to target by going up or down by 1/3 of the gap to the 2018 target in each year through the regulatory period if they are above or below target respectively.

The proposed proportional increase of the \$100 price constraint aims to ensure that those customers who have current charges which remain well below target are able to transition more quickly to their target tariff.

The combined \$100 increase is very similar to the current arrangement that is in place for 2012-15; however it will not be limited to a \$50 maximum for each service. This means that a customer who, for example, is \$80 below target on water and \$20 below target on sewerage will reach target for both services in the next year, compared with the current arrangements that would result in only the sewerage charge reaching target in the next year.

It is important to note that the maximum increase of \$100 applies to fixed water and sewerage charges only and it does not account for any increase to the variable charge for customers who are also below the target water usage charge.

These side constraints will continue to apply throughout the regulatory period until a customer reaches target. Once customers are at target their prices will move in line with the approved annual increase in the relevant charge. The annual increase in fixed charges for most services is 6 per cent, which is a continuation of the approach that was approved for 2012-15, while target variable water charges will increase by 2.5 per cent.

As discussed in Chapter 3, a common theme of the feedback received through consultation TasWater has undertaken in developing this draft plan has been that the annual increase in charges should be capped at CPI. This is not a viable outcome at this time as it would mean TasWater is unable to implement service and infrastructure improvements required by regulators. It is important to note that TasWater considers that it will not continue to require price rises of the same magnitude seen to date and proposed for this period. TasWater is of the view that it will be proposing price increases of 5 per cent per annum in the third regulatory period and 4 per cent beyond that (assuming three year regulatory periods after 2018).

7.5 Water tariffs

As set out in section 7.3.4 above, TasWater levies four types of water tariffs being fixed water tariff, variable water tariff, fire service tariff and water service charge.

With the exception of water service charges, which are discussed in more detail in section 7.12, the proposed price for each of these charges for each year of the regulatory period, together with an explanation as to how they have been determined, is set out in this section. A discussion regarding the weighting of fixed and variable charges is also included.

¹³ Non-residential customers are those with larger than 20mm water connections and greater than 1 ET sewerage charge.

¹⁴ Scaling factors for customers with larger meter sizes are set out in section 7.5.1.