



TW ref: 15/80256

10 March 2015

Mr Glenn Appleyard
Chair
Tasmanian Economic Regulator
GPO Box 770
Hobart TAS 7001

Dear Mr Appleyard

Supplementary Information to TasWater's Response to the 2015 Price Determination Investigation Draft Report

Subsequent to our response provided on the 27 February 2015, it has been drawn to my attention that there is some inconsistency around the wording used in relation to issues of business sustainability in my covering letter as compared with TasWater's formal response.

Paragraph 8 on page 18 of TasWater's formal response is worded in more absolute terms than the equivalent paragraph in my covering letter.

To clarify TasWater's position: we remain concerned at the potential impact of the Regulator's proposal on the corporation's ability to deliver outcomes for the state which are consistent with the expectations of key stakeholders including the technical regulators.

Specifically we are concerned about the potential impact

- on the timeframes provided to the technical regulators in our drinking water, waste water and dam safety management plans;
- on our ability to keep downward pressure on future price increases; and
- on owner dividends.

One of the principal tasks of the Board is to determine an appropriate balance between what are essentially competing objectives.

We consider that the TasWater draft PSP submitted to the Regulator achieves such a balance.

If the OTTER draft PSP is adopted in full, it will likely result in a significant write-down in assets, and the end result will be negative retained earnings for many years to come.



The flow on effect is that the Board would need to consider whether a cessation of dividend payments is warranted until a positive retained earnings balance is restored.

However the provision of sustainable returns to our owners is an expectation of the corporation set out in the Shareholder Letter of Expectations, the TasWater Constitution and the Water and Sewerage Corporation Act 2012.

Further it could impact on the credit rating of the Corporation, its borrowing cost and its ability to borrow, thereby impacting the capital program.

We submit this supplementary submission to clarify TasWater's position and to express our deep concerns in relation to key aspects of the Regulator's draft report.

Yours Sincerely

A handwritten signature in blue ink that reads "Miles Hampton".

Miles Hampton
Chairman