

## Treasurer

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Mr G Appleyard  
Chair, Tasmanian Economic Regulator  
GPO Box 770  
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24 FEB 2015

Dear Mr Appleyard

### **Submission on Draft Price Determination and Draft Report for Tasmania's water and sewerage industry**

We are pleased to provide the Tasmanian Government's submission to the Tasmanian Economic Regulator's Draft Price Determination and Draft Report for Tasmania's water and sewerage industry for the regulatory period commencing on 1 July 2015 to 30 June 2018.

The Government acknowledges the significant progress and improvements made by TasWater and the very significant capital investment that is still needed and the challenges involved with funding and prioritising service improvements over the long term.

The Government also acknowledges that the Regulator must strike a balance between preventing unacceptably large price increases to customers, and yet allowing TasWater's revenues to increase to enable TasWater to remain a viable business entity and providing high quality services to its customers and improving its compliance with its environmental and health obligations.

The Government therefore broadly supports the proposals in the Draft Determination. In particular, the Government supports the continued capping of price increases to prevent price shocks to customers and the proposed timeframe for TasWater to reach full cost recovery.

At the general level, there are two matters that the Government would like to draw to the attention of the Regulator:

- The Government supports charges that provide appropriate signals and incentives for developers to locate in existing serviced areas.
- The Government believes that improvements in the transparency of TasWater's processes, policies and decision making criteria would help to reduce transaction costs for current and potential customers.

#### Headworks charges

The Government supports encouraging development in Tasmania by way of incentives to develop where there is capacity in the network. The Government therefore has implemented a headworks holiday until 30 March 2016, after which it considers that headworks charges should not be levied where existing or planned capacity is utilised.

The approach to headworks charges proposed by TasWater in its draft Price and Service Plan is supported by the Government as it is consistent with the Government's preferred outcome. The

three options identified by the Regulator in its draft Price Determination are not supported by the Government as all would involve headworks charges for the recovery of costs for existing or planned capacity.

The Government notes the Regulator's concerns with TasWater's proposed headworks charging policy, including the concern that TasWater may not have an Asset Management Plan in place by 1 April 2016 that provides sufficient clarity as to whether a proposed development would be classed as within the area where no headworks charges apply, or would attract out-of-sequence or isolated development headworks charges.

The Government agrees that any headworks charging policy should have a very high degree of certainty for potential investors. However, the Government considers that this does not require headworks charges for developments that would use existing capacity within TasWater's infrastructure, or where it is clear that future developments would not require TasWater to change its capital investment program.

It is therefore recommended that the Regulator consider the very strong advantages that would be created by not imposing headworks charges where existing or planned capacity is utilised. This would encourage developments that might otherwise not go ahead and, just as importantly, it would maximise the incentives for new developments within TasWater's serviced areas.

For these reasons, the Government would be pleased to see an outcome that results in no headworks charges for past capital investments, or for future investments that have been planned and provide services to more than a single developer or customer. In cases where TasWater would incur additional headworks costs to provide out-of-sequence or isolated infrastructure for a proposed development, the Government agrees that, from 1 April 2016, the developer should make a contribution to those capital costs.

#### Transparency of TasWater's Policies

The Government believes that there are areas in the Draft Determination which lack transparency and may present issues for current and potential customers of TasWater. Without consistent and publicly available criteria in relation to a range of policies, customers cannot be confident that they are subject to a single policy applied across the State, or that the policy is being correctly applied in their particular case.

The Government is committed to eliminating red tape and other unnecessary costs to businesses, including the costs that customers of TasWater face in their dealings with the corporation, such as costs arising from any delays in responses to information requests or from difficulties in contacting relevant TasWater officers. The Government is therefore keen to ensure that TasWater's policies, including its internal policies and procedures, are as transparent as practicable and are designed to ensure that TasWater's dealings with its customers are efficient and do not impose unnecessary costs.

#### *Trade Waste*

It is not evident that TasWater's proposed trade waste policy is sufficiently transparent. The Government considers that it is preferable that TasWater clearly state that it is transitioning towards setting trade waste acceptance criteria only on the basis of accepted industry standards, that it commits to identifying or publishing those standards within a reasonable time, and intends to enforce those acceptance criteria or standards under section 56ZI(1)(c) of the *Water and Sewerage Industry Act 2008*.

The Government supports an increase the detail of information that TasWater provides on trade waste matters on its website, with the intention that the information should:

- provide sufficient explanation that a trade waste customer or prospective customer can self-identify their category;
- define criteria for acceptable discharge for customers in the different categories;
- clearly set out the tariffs for each category, including the interaction between standard sewage tariffs and trade waste tariffs and any transitional arrangements;
- clearly explain the options that are available in terms of compliance and non-compliance and the tariff implications, especially in relation to pre-treatment; and
- provide details on pre-treatment options for typical commercial customer activities, with reference to TasWater's trade waste policy objectives.

It would also be useful if TasWater explained how the various trade waste factors set out in the Trade Waste Categorisation Tables interact in the Category Calculator.

#### *New Developments*

The Government is very keen to encourage industrial, commercial and residential developments across the State and considers there is scope to improve the transparency of TasWater's policies relating to new developments. For example, information about the size of the connection needed for a block which is being developed should be publicly available or readily ascertainable. This is particularly the case for industrial uses, where developers have advised the Government that they are unable to determine how TasWater has arrived at its conditions of connection.

We are also advised that several services are listed as 'price on application' and that the quotes provided are not transparent as the customer does not know on what basis the quote has been prepared.

The Government supports TasWater clearly setting out, and making public, the principles that it uses to price such services, and itemising in detail each quote that TasWater prepares.

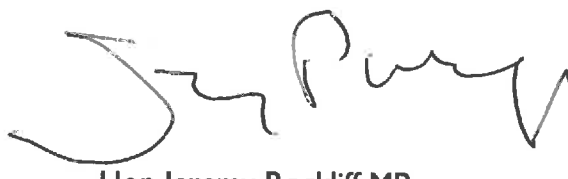
#### *Serviced Land*

The Government supports the Regulator's proposal to require TasWater to provide an undertaking in its Price and Service Plan that the description of serviced land is regularly updated, published and made available to the public. The Government considers that the Regulator should have the capacity to approve changes to serviced land boundaries within the period of a Price and Service Plan.

Yours sincerely



Hon Peter Gutwein MP  
**Treasurer**



Hon Jeremy Rockliff MP  
**Minister for Primary Industries and Water**