



Media Release
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TASMANIAN WATER AND SEWERAGE DRAFT PRICE DETERMINATIONS

Tasmania's independent Economic Regulator has today released draft price determinations and a draft report for the first water and sewerage price determination investigation and is calling for submissions on the proposals.

The Tasmanian Economic Regulator is responsible for setting prices in the water and sewerage industry from 1 July 2012 through price determinations that apply to the three water and sewerage corporations: Ben Lomond Water, Cradle Mountain Water and Southern Water.

Mr Glenn Appleyard, Chairman of the Tasmanian Economic Regulator, explained that "the draft price determinations and draft report outline the proposed prices and service standards for the Tasmanian water and sewerage industry for the first regulatory period – from 1 July 2012 to 30 June 2015".

The draft report focuses on the key challenges that the water and sewerage corporations inherited under the industry reform program that commenced in 2008 including:

- insufficient revenue to be financially sustainable into the future;
- a myriad of inequitable pricing structures; and
- significant investment required to address issues identified by other industry regulators in relation to poor water quality, discharge into rivers and coastal areas of sewage effluent that doesn't meet acceptable standards and the need to manage dam safety.

Mr Appleyard said that "the extent of the variations in previous pricing arrangements; the level of revenue under-recovery inherited from councils; and the legislative requirements placed on the Regulator, means that the proposed approach to price regulation and reform will be based on capping annual increases in prices, to minimise price shocks for customers".

For the majority of residential customers, the following price regulation arrangements are proposed for all three water and sewerage corporations for the first regulatory period:

- customers whose current prices are above nominated target tariffs will have their prices frozen for the first two years of the first regulatory period (and reduced by five per cent in the final year of the first regulatory period);
- customers whose current prices are equivalent to the applicable target tariff, will face annual increases of six per cent per year over the first regulatory period; and
- customers whose current prices are below the target tariff, will face annual price increases capped at the greater of 10 per cent or \$50 per service per year (that is a maximum increase of the greater of 10 per cent or \$100 where a customer has both a water and sewerage connection) until they reach the target tariff.

For larger water customers, the \$50 cap increases in proportion to the size of their water connection.

It should be noted that different arrangements are proposed for customers in the Kentish and Burnie municipalities.

The proposed price reform outcomes will allow:

- the introduction of two-part water pricing across the state (applying a fixed charge and a separate variable charge based on actual water usage);
- commencement of the transition to equitable pricing for customers, whilst managing price increases to minimise price shocks; and
- capital expenditure to begin addressing non-compliance with required health, environmental and dam safety standards.

Mr Appleyard noted that “due to the extent of the challenges facing the industry, not all reform objectives will be able to be achieved in the first regulatory period. However, the proposals contained in the draft report will allow the Tasmanian water and sewerage industry to start its transition and begin addressing the significant challenges that have been allowed to arise in the industry over a long period of time”.

Mr Appleyard also highlighted the significant capital investment that will be required to address the regulatory compliance issues identified by other industry regulators, particularly those relating to water quality and sewage treatment, as detailed in the recently released Tasmanian Water and Sewerage State of the Industry Report 2010-11.

The Regulator invites and encourages all interested parties to comment on the findings and proposals in its draft report and draft price determinations. Due to time constraints imposed on the Regulator, consultation on the draft report and determinations will be the only opportunity for the public to provide direct input to the investigation. Submissions must be received by 16 April 2012.

The draft report and draft price determinations are available on the Regulator’s website at <http://www.economicregulator.tas.gov.au>.

Following consultation and consideration of submissions, the Regulator will complete its investigation and publish its final price determination and report.

A pricing information sheet is available on the Regulator’s website that explains the price determination process and how prices will be set. Go to *Water>Pricing>Pricing explained* to view or download the information sheet.

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