

2015 PRICE DETERMINATION INVESTIGATION – REGULATED WATER AND SEWERAGE SERVICES IN TASMANIA

DRAFT REPORT



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Pictures (L to R): Bracknell Elevated Reservoir, Riverside Waste Water Treatment Plant (chlorine mixing chamber) and Conara Reservoir.

INVITATION FOR SUBMISSIONS

The Economic Regulator invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

It is the Economic Regulator's policy to publish all submissions on the Office of the Tasmanian Economic Regulator's (OTTER) website unless the author of the submission requests confidentiality in relation to the submission (or any part of the submission). Those parts of a submission that are requested to be confidential should be submitted as an attachment to that part suitable for publication.

The Economic Regulator will not publish submissions which contain material that the Regulator believes is, or could be, derogatory or defamatory.

Submissions should be received by close of business on **27 February 2015**.

To facilitate the publication of submissions on OTTER's website, submissions by email are preferred. Submissions and enquiries may be made to:

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A copy of this paper may also be found at OTTER's website www.economicregulator.tas.gov.au.

TABLE OF CONTENTS

ACRONYMS AND GLOSSARY	I
EXECUTIVE SUMMARY	VII
BACKGROUND	VII
CHALLENGES FACING THE TASMANIAN WATER AND SEWERAGE INDUSTRY ..	VIII
APPROACH TO SECOND PRICE DETERMINATION INVESTIGATION	VIII
REGULATORY COMPLIANCE IMPROVEMENT	IX
REVENUE ALLOWANCE	IX
STRUCTURE OF PROPOSED WATER AND SEWERAGE PRICES	X
PRICE CHANGES	X
POLICIES AND CUSTOMER CONTRACT	XI
CUSTOMER SERVICE	XII
SUMMARY OF PROPOSALS	XII
SUMMARY OF THE ECONOMIC REGULATOR’S PROPOSALS	XIII
1 INTRODUCTION	1
1.1 BACKGROUND	1
1.2 INDUSTRY STRUCTURE	2
1.3 LEGISLATIVE AND REGULATORY FRAMEWORK	2
1.4 NATIONAL REFORMS AND LEGISLATION	6
1.5 INDUSTRY REGULATORS.....	7
1.6 PURPOSE OF PRICE INVESTIGATION AND PRICE DETERMINATION.....	10
1.7 SCOPE OF THE INVESTIGATION	11
2 APPROACH TO SECOND PRICE DETERMINATION INVESTIGATION	13
2.1 INVESTIGATION PROCESS	13
2.2 APPROACH TO REVENUE AND PRICE REGULATION	15
2.3 ASSESSING OPEX, CAPEX AND ASSET VALUES	16
2.4 ASSESSMENT OF PRICE AND SERVICE PLAN	17
2.5 STRUCTURE AND ADMINISTRATION OF THE PRICE DETERMINATION	18
2.6 REGULATORY ACCOUNTING	19
3 REGULATORY COMPLIANCE IMPROVEMENT	21
3.1 DIRECTOR OF PUBLIC HEALTH.....	22

3.2	ENVIRONMENT PROTECTION AUTHORITY	23
3.3	DELEGATE FOR DAM SAFETY REGULATION.....	24
3.4	SUMMARY	25
4	ESTIMATING REVENUE REQUIREMENTS	27
4.1	BUILDING BLOCK APPROACH.....	27
4.2	REVENUE LIMITS	28
4.3	REVENUE LIMIT COMPONENTS.....	30
4.4	ECONOMIC REGULATOR'S ASSESSMENT OF TASWATER'S PROPOSED REVENUE LIMIT COMPONENTS.....	37
4.5	CALCULATION OF TASWATER'S REVENUE LIMITS.....	47
5	SETTING PRICES AND REVENUE TRANSITION PATHS.....	49
5.1	PRICING PRINCIPLES.....	49
5.2	PRICE REFORM PRIORITIES FOR THE SECOND REGULATORY PERIOD....	52
5.3	STRUCTURE OF REGULATED PRICES	54
5.4	MISCELLANEOUS SERVICES	80
5.5	FORECASTS OF DEMAND, CUSTOMERS AND MISCELLANEOUS SERVICES.....	87
5.6	TASWATER'S PROPOSED PRICE TRANSITION ARRANGEMENTS	91
5.7	ASSESSMENT OF FORECAST REVENUE AGAINST REVENUE LIMITS	92
5.8	ECONOMIC REGULATOR'S ASSESSMENT OF TASWATER'S PRICE TRANSITION PROPOSAL AND ALTERNATIVE PRICE TRANSITION SCENARIOS.....	96
6	SERVICE PROVISION	103
6.1	SERVICED LAND	103
6.2	CUSTOMER CONTRACTS AND POLICIES.....	108
6.3	SERVICE REPLACEMENT	146
7	SETTING CUSTOMER SERVICE STANDARDS	159
7.1	REGULATION OF CUSTOMER SERVICE STANDARDS.....	159
7.2	MINIMUM AND TRANSITIONAL CUSTOMER SERVICE STANDARDS	159
7.3	REVIEW OF MINIMUM SERVICE STANDARDS.....	160
7.4	ASSESSMENT OF CUSTOMER SERVICE STANDARDS PROPOSED BY TASWATER	161

APPENDIX 1 DRAFT PRICE DETERMINATION.....	A-1
APPENDIX 2 REVENUE LIMITS DATA.....	A-23

ACRONYMS AND GLOSSARY

Term	Meaning within the context of this report
ADNG	Australian Drinking Water Guidelines.
Asset Renewal Annuity (ARA)	Annualised calculation of the future asset renewal and replacement program.
Cap	A limit placed on annual price increases to manage the impact on customers (also referred to as price constraints).
Capex	Capital expenditure ie investment in assets.
Category 1, Category 2A, Category 2B and Category 2C trade waste customers	Trade waste customers assessed as having low grade or low to medium volumes of trade waste. Prices paid by Category 1, Category 2A, Category 2B and Category 2C trade waste customers are regulated.
Category 3 and Category 4 trade waste customers	Trade waste customers, other than Category 1, Category 2A, Category 2B and Category 2C trade waste customers, who produce trade waste assessed as being higher risk with respect to impact on the sewerage network. Prices paid by Category 3 and Category 4 trade waste customers are not regulated.
Connection charge	A cost-based charge for connecting a particular customer to water or sewerage infrastructure.
Connection point	As defined in <i>Water and Sewerage Industry Act 2008</i> . The point where the customer's pipes connect to the water or sewerage infrastructure or such other point as may be prescribed in Regulations.
Contributed assets	Include developer charges and government grants but exclude equity contributions from the owners of the regulated entity.
CPI	Consumer Price Index.

Term	Meaning within the context of this report
Customer	<p data-bbox="544 353 1182 376">As defined in <i>Water and Sewerage Industry Act 2008</i>:</p> <ul style="list-style-type: none"> <li data-bbox="544 405 1278 506">▪ an owner or, owner and occupier, of a property that is connected to a regulated entity's water or sewerage infrastructure (including strata title lot owners); or <li data-bbox="544 539 1278 640">▪ an occupier of a property that is connected to a regulated entity's water or sewerage infrastructure who is liable for water and sewerage charges; or <li data-bbox="544 674 1278 853">▪ an owner or occupier of a property that is not connected to a regulated entity's water or sewerage infrastructure but where a regulated service is available and a regulated entity imposes a service charge for that service; or <li data-bbox="544 887 1278 987">▪ an occupier of a property that is connected to a regulated entity's water infrastructure or sewerage infrastructure and is liable for service charges.
Customer Service Code	<i>Tasmanian Water and Sewerage Industry Customer Service Code.</i>
Customer Service Regulations	<i>Water and Sewerage Industry (Customer Service Standards) Regulations 2009.</i>
Data Collection Template	Data submitted by TasWater with the proposed price and service plan in accordance with the requirements of the Price and Service Plan Guideline.
Delegate for Dam Safety	Delegate for Dam Safety Regulation (Secretary of the Department of Primary Industries, Parks, Water and Environment (DPIPWE)).
Developer charges	Includes headworks charges, assets gifted by developers and cash payments made by developers to the regulated entity for the construction of new reticulation works.
DSIP	Dam Safety Improvement Program.
DSMP	Dam Safety Management Plan.
DORC	Depreciated Optimised Replacement Cost.
DWQMP	Drinking Water Quality Management Plan.
Economic Regulator	The Tasmanian Economic Regulator as appointed under the <i>Economic Regulator Act 2009</i> .
EPA	Environment Protection Authority.
ET (Equivalent Tenement)	A measure of the demand that a development will place on infrastructure in terms of water consumption and sewage discharge, compared to a standard residential allotment. ET is also the basis for the calculation of fixed sewerage target tariffs.

Term	Meaning within the context of this report
Existing assets	All assets transferred to a regulated entity before 1 July 2011 under section 41 of the <i>Water and Sewerage Corporations Act 2008</i> .
First regulatory period	1 July 2012 to 30 June 2015.
Fixed charge	A recurrent charge for the provision of a regulated service to a customer but not including a variable charge.
Full cost recovery	A revenue limit that results in a regulated entity recovering all of the costs associated with providing a regulated service.
PSP Guideline	The Price and Service Plan Guideline published by the Economic Regulator in November 2013.
Headworks assets	Water or sewerage infrastructure, excluding reticulation assets and private plumbing eg dams, reservoirs, water treatment plants, sewerage treatment plants, pump stations, water and sewerage trunk mains.
Headworks charges	A form of developer charge levied as a contribution towards the cost of existing or proposed headworks assets used to service developments.
Industry Act	<i>Water and Sewerage Industry Act 2008</i> .
Industry regulators	Parties, other than the Economic Regulator, that have responsibility for regulating aspects of the Tasmanian water and sewerage industry (for example, the Delegate for Dam Safety, the Director of Public Health and the Director EPA).
Kilolitre	A metric unit of volume or capacity equal to 1 000 litres.
kPa	A metric measure of pressure.
Limited water quality customer	A customer receiving water from a supply which has a permanent boil water alert in place or a customer receiving water from a supply the regulated entity has been declared to be non-potable.

Term	Meaning within the context of this report
Limited water supply customer	<p>A customer:</p> <ul style="list-style-type: none"> – connected to a water main that periodically does not contain water under positive pressure; or – with a connection designed to provide low or intermittent flow, such as where the customer has been required to install, operation and maintain an individual tank or pump; or – connected to a non-reticulation water main that is subject to significant pressure variations due to either: <ul style="list-style-type: none"> ○ a pumped supply where the low pressure is below 50 kPa and the high pressure is above 500 kPa; or ○ an inlet supply to a trunk reservoir such that when the reservoir inlet valve is open the pressure is below 50 kPa; or – receiving a supply the regulated entity determines to be inadequate.
Minister	Minister for Primary Industries and Water.
Motor home dump point	A facility intended to receive the discharge of waste water from any holding tank or similar device installed in a recreational vehicle.
NPR	National Performance Reporting.
New assets	All assets purchased or constructed by regulated entity since the commencement of its operations on 1 July 2009.
Nominal dollars	The actual price of an item during a specific year ie nominal dollars are not adjusted for the effects of inflation.
NPV	Net Present Value.
NWI	National Water Initiative.
Opex	Operating and maintenance expenditure ie the cost of operating and maintaining the water and sewerage systems and associated administrative costs (also referred to as OM).
Portable metered standpipes	A portable water hydrant which allows a customer to connect and draw water at authorised points throughout a regulated entity's network.
Previous regulated entities	Collectively the Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd trading as Ben Lomond Water, the Tasmanian Water and Sewerage Corporation (North Western Region) Pty Ltd trading as Cradle Mountain Water and the Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd trading as Southern Water.
Price and service plan	A regulated entity's price and service plan approved by the Economic Regulator under section 65 of the Industry Act.

Term	Meaning within the context of this report
Price constraints	A limit placed on annual price increases to manage the impact on customers (also referred to as caps).
Price Determination	A determination made by the Economic Regulator under section 66 of the Industry Act.
Price Determination Investigation	An investigation conducted to gather information required by the Economic Regulator before making a Price Determination in respect of a regulated service.
Pricing principles	The principles set out in sections 68 and 68AA of the Industry Act and in the Pricing Regulations.
Pricing Regulations	<i>Water and Sewerage Industry (Pricing and Related Matters) Regulations 2011.</i>
Pricing zones	An area of land where the same sets of prices apply to each customer class.
Proposed price and service plan	A price and service plan submitted by a regulated entity under section 65 of the Industry Act.
RAB	Value of the regulated asset base.
Real dollars	Nominal figures which have been adjusted for the effects of inflation (CPI).
Regulated assets	Assets used to provide regulated services.
Regulated entity	A person holding a licence under the Industry Act [currently, the Tasmanian Water and Sewerage Corporation Pty Ltd trading as TasWater].
Regulated services	Services or activities for which a licence is required under section 30 of the Industry Act.
Regulatory period	A period covered by a Price Determination.
Reticulation assets	Water or sewerage infrastructure that is not headworks assets or private plumbing.
Returns to owners	Dividends, income tax equivalents and guarantee fees paid to owner councils by a regulated entity.
Reuse water	Water discharged from a sewage treatment plant that is reused for purposes such as irrigation.
Ring fencing	The separation of a regulated entity's accounts for the purpose of economic regulation, including splitting between regulated and unregulated components.
Second regulatory period	1 July 2015 to 30 June 2018.
Section 61 contract	A contract between a regulated entity and a customer in accordance with section 61 of the <i>Water and Sewerage Industry Act 2008</i> , related to the provision of regulated services but not subject to the prices and terms in the Price Determination.

Term	Meaning within the context of this report
Service introduction charges	A charge on a property to recover the cost of installing, altering or utilising a regulated entity's assets so that it can provide a regulated service to that property (excludes a connection charge, fixed charge or a developer charge).
Target tariff	Cost reflective tariffs for each service.
Tariffs	Prices charged by regulated entities for the provision of regulated services made up of fixed charges, variable charges and miscellaneous fees and charges.
Third party capital contributions	Third party capital contributions include developer charges, service introduction charges and government grants.
Trade waste	As defined in the <i>Water and Sewerage Industry Act 2008</i> . Liquid waste generated other than in the course of domestic activities and includes liquid waste generated by any trade, industrial, commercial, educational, medical, dental, veterinary, agricultural, horticultural, scientific research or experimental activities.
Trade waste consent	A legally binding agreement between a customer and a regulated entity allowing the customer to discharge trade waste into the sewerage system.
Transition period	The period from 1 July 2012 to 1 July 2020 (prescribed in Regulation 32 of the Pricing Regulations.)
Transitional Service Standards	Approved customer service standards applying in each year and demonstrating a transition to the service standard targets set out in the Customer Service Code.
Unregulated assets	Assets used to provide unregulated services.
Unregulated services	Services that are not subject to regulation including water for irrigation, reuse water and stormwater services via a combined sewerage stormwater system.
Variable charge	A charge based on the volume of water delivered to, or sewage removed, as measured by a meter, from, the property to which the charge relates.
Water Directorate	A NSW based association providing technical advice to councils in NSW in relation to water and sewerage issues and publisher of the <i>Section 64 Determinations of Equivalent Tenements Guidelines (January 2005)</i> .
Water and Sewerage Corporation Act	<i>Water and Sewerage Corporation Act 2012</i> .
WACC	Weighted average cost of capital.
WSAA Guideline	Water Services Association of Australia – <i>Australian Sewerage Quality Management Guideline 2012</i> .
WWMP	Wastewater Management Plan.