

SUMMARY OF THE ECONOMIC REGULATOR'S PROPOSALS

The Economic Regulator is seeking comments on the proposals set out in this Draft Report and in the attached draft Price Determination. To assist persons making submissions, the following provides a summary of the Economic Regulator's proposals in relation to the prices and service conditions associated with TasWater's provision of regulated water and sewerage services during the second regulatory period.

Once published, the Final Price Determination will bind TasWater to apply the prices approved as part of that determination and to the other proposals contained in the Economic Regulator's Final Report.

Estimating revenue requirements (Chapter 4)

In relation to estimating revenue requirements, the Economic Regulator has made the following proposals:

Economic Regulator's Proposals	Section
The Economic Regulator <u>intends to require</u> TasWater to adopt in its price and service plan the revenue limit calculations presented in this chapter.	4.5

Setting prices and revenue transition paths (Chapter 5)

In relation to setting prices and revenue transition paths, the Economic Regulator has made the following proposals:

Economic Regulator's Proposals	Section
In the absence of details about the costs of implementing pricing zones and in light of the issues raised by TasWater, the Regulator <u>intends to approve</u> TasWater's proposal to not introduce pricing zones for the second regulatory period.	5.3.2
The Economic Regulator <u>intends to approve</u> the customer classes TasWater has proposed for the second regulatory period.	5.3.3
The Economic Regulator <u>intends to approve</u> TasWater's proposal to base fixed water target tariffs on the proposed connection sizes and multipliers.	5.3.4
The Economic Regulator <u>intends to approve</u> TasWater's proposal to charge limited supply customers 90 per cent of the fixed water target tariffs for each year of the second regulatory period.	5.3.5
The Economic Regulator <u>intends to approve</u> TasWater's proposal to charge fire service customers 25 per cent of the fixed water target tariffs for each year of the second regulatory period.	5.3.6

Economic Regulator's Proposals	Section
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposal to apply the ET methodology in determining fixed sewerage charges.</p> <p>The Economic Regulator also <u>intends to approve</u> TasWater's proposed approach to transitioning sewerage customers to target.</p> <p>The Economic Regulator <u>intends to require</u> TasWater's final price and service plan to include a schedule detailing the ET rates to be applied to different industries and property uses.</p> <p>The Economic Regulator also <u>intends to require</u> TasWater's final price and service plan to include a clear explanation of the ET methodology TasWater has used to calculate the various ET rates to be applied to different industries and property uses.</p>	5.3.7
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposal to charge STED customers 90 per cent of the fixed sewerage target tariff for each year of the second regulatory period.</p>	5.3.8
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposed split between fixed and variable charges for the second regulatory period and a continuation of the recovery of some fixed costs through variable charges for that period – meaning variable water charge of \$0.9471/kL in 2015-16.</p> <p>The Economic Regulator also <u>intends to approve</u> TasWater's proposal to index variable water target tariffs for full service customers by 2.5 per cent per annum for each of the 2016-17 and 2017-18 financial years.</p> <p>The Economic Regulator <u>intends to approve</u> TasWater's proposed full service variable water charges for the second regulatory period.</p>	5.3.11
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposed transition path for the second regulatory period for customers paying, as at 30 June 2015, less than the proposed variable target tariffs.</p>	5.3.12
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposal to charge limited service customers 80 per cent of the variable water target tariffs for each year of the second regulatory period.</p>	5.3.13
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposal to maintain the existing basis for charging for the use of private and public filling stations and portable metered standpipes.</p>	5.3.14
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposal to transition trade waste customers above and below the target by one third of the difference between the amount paid in 2014-15 and TasWater's relevant proposed trade waste target tariff for 2017-18.</p>	5.3.15
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposal to apply the fixed sewerage (full service) target tariff (ie one ET) in respect of motor home dump points.</p>	5.3.16
<p>The Economic Regulator <u>intends to require</u> TasWater to amend its final price and service plan to include a clear explanation as to the process it intends following and the tests that must be met before moving a customer directly to the relevant target tariff.</p>	5.3.17

Economic Regulator's Proposals	Section
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposed miscellaneous charges and fees.</p> <p>The Economic Regulator also <u>intends to approve</u> TasWater's proposal to increase its miscellaneous fees and charges by 2.5 per cent per annum for each of the 2016-17 and 2017-18 financial years.</p>	5.4.1
<p>The Economic Regulator <u>intends to approve</u> TasWater's proposed development assessment services fees.</p> <p>The Economic Regulator also <u>intends to require</u> TasWater to make publicly available details relating to the definition of equivalent population as used in its proposed development assessment classification criteria.</p>	5.4.2
<p>For the purposes of estimating its revenue, the Economic Regulator <u>intends to require</u> TasWater to adopt an annual growth rate of 0.3 per cent to forecast growth in the number of customer connections over the second regulatory period.</p>	5.5.1
<p>For the purposes of estimating its revenue, the Economic Regulator <u>intends to require</u> TasWater to adopt an annual growth rate of 0.3 per cent to forecast growth in water and sewerage volumes over the second regulatory period.</p>	5.5.3
<p>The Economic Regulator <u>intends to require</u> TasWater's final price and service plan to reflect the price transition mechanism provided under Alternative Price Scenario 2 for each year of the second regulatory period.</p>	5.8.4
<p>The Economic Regulator <u>intends to require</u> TasWater to adopt the Economic Regulator's proposed fixed water target tariffs.</p>	5.8.5

Service provision (Chapter 6)

In relation to service provision, the Economic Regulator has made the following proposals:

Economic Regulator’s Proposals	Section
<p>The Economic Regulator <u>does not intend to approve</u> TasWater’s proposed minimum water flow and minimum water pressure figures as a valid basis upon which to exclude properties from its serviced land area.</p> <p>The Economic Regulator <u>intends to require</u> TasWater to provide in its price and service plan, the finalised versions of its state-wide serviced land maps, as well as an undertaking to make the final version of those maps available to the public from 1 July 2015.</p> <p>The Economic Regulator <u>intends to require</u> TasWater to ensure that the finalised versions of its state-wide service land maps consistently identify serviced land by title or locality and that the categories of land used in the maps are consistent with those used in the proposed price and service plan.</p> <p>With respect to any future changes to the description of TasWater’s serviced land, the Economic Regulator <u>intends to require</u> TasWater to provide an undertaking in its price and service plan to ensure that the description of serviced land is regularly updated, published and made available to the public.</p> <p>The Economic Regulator <u>intends to require</u> TasWater to provide an undertaking in its price and service plan to make updated descriptions of serviced land available by the earlier of the end of each month of the second regulatory period commencing from 31 July 2015 or within 10 working days of the description of serviced land changing.</p>	6.1.5
<p>The Economic Regulator <u>intends to require</u> TasWater to revise its draft customer contract to ensure full compliance with relevant provisions of the Customer Service Code.</p>	6.2.1
<p>The Economic Regulator <u>intends to require</u> TasWater to amend its draft connection policy to ensure its legislative compliance. That is, TasWater <u>will be required</u> to re-draft its draft connection policy so that it:</p> <ol style="list-style-type: none"> (1) also outlines the circumstances in which TasWater will permit an owner of land to relocate or adjust a connection to TasWater’s water infrastructure or sewerage infrastructure; and (2) specifies the connection charges to apply to properties within serviced land. 	6.2.2
<p>The Economic Regulator <u>intends to require</u> TasWater to:</p> <ol style="list-style-type: none"> (1) adopt, in its final price and service plan, the proposed connection and relocation of connection fees for 2015-16, as outlined in Tables 6.3 and 6.4 of this Draft Report, and that those fees be increased by 2.5 per cent per annum over the second regulatory period to account for inflation. It is noted that the proposed connection fees and relocation of connection fees apply only to 20mm water, 25mm water and 100mm sewerage connections; and (2) determine connection and relocation of connection charges for non-standard and larger water and sewerage connections on a cost recovery basis. 	6.2.2

Economic Regulator’s Proposals	Section
<p>Based on its assessment of TasWater’s price and service plan, the Economic Regulator proposes to accept TasWater’s proposed service charges tariff structure.</p> <p>Based on its assessment of TasWater’s discussion on services charges in section 7.2 of the entity’s proposed price and service plan, the Economic Regulator <u>intends to require</u> that TasWater address the inconsistent use of the term “service charge(s)”. Where the fixed charge for water and sewerage is intended to be used, it should be referred to as a “fixed charge” in accordance with clause 4.5.1 of the Price and Service Plan Guideline.</p> <p>In respect to different customer classes, the Economic Regulator <u>intends to require</u> TasWater to:</p> <ol style="list-style-type: none"> (1) note the intention to not charge customers in limited water supply/quality areas a service charge in its service charge policy; and (2) make a mirroring statement in its final price and service plan, services charges chapter. 	<p>6.2.3.6</p>
<p>The Economic Regulator <u>intends to require</u> TasWater to revise its draft metering policy to:</p> <ol style="list-style-type: none"> (1) be a standalone sub-metering policy; (2) address the comments and questions raised by the Economic Regulator (as forwarded to TasWater simultaneous to the release of this Draft Report for community consultation) to ensure the policy’s compliance and accuracy; and (3) include additional information on the process for strata title owners to follow in deciding whether or not to proceed with sub-metering. <p>The Economic Regulator <u>intends to not approve</u> TasWater’s proposal that a developer, where choosing to only provide a boundary meter, must make provisions for potential future sub-meters to be installed, unless TasWater can provide sufficient justification in its final price and service plan and identify the legislative authority under which TasWater believes it is able to introduce such arrangements.</p> <p>The Economic Regulator <u>intends to require</u> TasWater to include, in its final price and service plan, discussion of its current approach to sub-metering and an explanation and justification of any differences between TasWater’s current policy and the policy it proposes for the second regulatory period.</p>	<p>6.2.4</p>
<p>The Economic Regulator <u>proposes to approve</u> TasWater’s retention of the current arrangements for developer charges associated with works internal and works external, subject to feedback from consultation on this Draft Report but that further consideration is required in relation to headworks charges.</p>	<p>6.2.5.1</p>

Economic Regulator's Proposals	Section
<p>The Economic Regulator <u>intends to require</u> TasWater to adopt the 'Within Serviced Land' approach to imposing headworks charges.</p> <p>The Economic Regulator <u>seeks comment on</u>:</p> <ul style="list-style-type: none"> ▪ the proposed approaches to the pricing of headworks charges; and ▪ the appropriate level (in actual dollars) of the charge for each of the nominal flat charge and the standardised flat charge under the proposed 'Within Serviced Land' approach. 	6.2.5.5
<p>The Economic Regulator <u>intends to require</u> TasWater to amalgamate its liquid trade waste policy and its liquid trade waste charges policy into a single trade waste charges policy for the Economic Regulator to approve.</p>	6.2.6
<p>The Economic Regulator <u>intends to require</u> TasWater to amend its draft liquid trade waste policy to correct the inconsistent use of terms and document titles.</p>	6.2.6
<p>The Economic Regulator <u>intends to require</u>:</p> <ol style="list-style-type: none"> (1) TasWater to provide, on its website, a final version of its Trade Waste Category Calculator so that it is available to trade waste customers and the public generally; and (2) that the Trade Waste Category Calculator links to relevant policies and other supporting materials released by TasWater in relation to trade waste to assist customers in understanding their trade waste obligations and in undertaking the self assessment process. 	6.2.6
<p>The Economic Regulator <u>intends to require</u> TasWater to clearly outline, and publish, the methodology on which it has based its trade waste customer categorisation in its trade waste charges policy.</p>	6.2.6
<p>The Economic Regulator <u>intends to require</u> TasWater to include, in its final price and service plan and in its trade waste charges policy, an undertaking that prices negotiated with Category 3 and Category 4 trade waste customers will reflect a reasonable transition period (and explaining what this transition period entails) recognising the time it would take for a trade waste customer to implement appropriate pre-treatment if it intended to do so.</p>	6.2.6
<p>The Economic Regulator <u>proposes approving</u>:</p> <ol style="list-style-type: none"> (1) the proposed trade waste charges in respect of Category 1, Category 2A, Category 2B and Category 2C trade waste customers for the 2015-16 financial year, as outlined in Table 6.9; and (2) the annual indexation of TasWater's proposed trade waste charges for Category 1, Category 2A, Category 2B and Category 2C trade waste customers by 2.5 per cent for each of the 2016-17 and 2017-18 financial years. 	6.2.6

Economic Regulator's Proposals	Section
The Economic Regulator <u>intends to require</u> TasWater to revise its draft service extension policy to:	6.2.7
<ol style="list-style-type: none"> (1) meet the obligations of the Industry Act and Price and Service Plan Guideline by addressing matters pertaining to service expansion; and (2) address the comments and questions raised by the Economic Regulator (as forwarded to TasWater simultaneous to the release of this Draft Report for community consultation) to ensure the policy's compliance and accuracy. 	
The Economic Regulator <u>intends to require</u> TasWater to re-draft its definition of 'service introduction' as stated in its service introduction charges policy, with the definition provided in the Price and Service Plan Guideline being the preferred option.	6.2.8.1
The Economic Regulator <u>intends to require</u> TasWater to:	6.2.8.2
<ol style="list-style-type: none"> (1) amend the definition of 'service introduction charge' to mirror that defined in the Pricing Regulations; (2) clarify the preconditions for imposing a service introduction charge on an owner of a property – eg upon connection, upon service availability, prior to service availability etc; and (3) include an undertaking that it will calculate and publish proposed service introduction charges per property, per service, prior to undertaking community consultation on any intended service extension subject to service introduction charges. 	
The Economic Regulator <u>intends to require</u> TasWater to amend its draft customer complaints, enquiries and disputes management policy to ensure its accuracy and compliance with the relevant regulatory instrument.	6.2.9.1
The Economic Regulator <u>intends to require</u> TasWater to amend its draft financial hardship policy so that it is fully compliant with the relevant regulatory and legislative instruments.	6.2.9.2
The Economic Regulator <u>proposes to require</u> TasWater to adopt the service replacement processes outlined in Figures 6.1 to 6.6 inclusive.	6.3.4.1.4

Setting customer service standards (Chapter 7)

In relation to setting customer service standards, the Economic Regulator has made the following proposals:

Economic Regulator's Proposals	Section
Notwithstanding that differential standards have not been proposed for the second regulatory period, the Economic Regulator <u>intends on making all necessary amendments to the Code</u> to ensure service standards on a differential basis are proposed by TasWater for the third regulatory period (commencing 1 July 2018).	7.4

Economic Regulator's Proposals	Section
The Economic Regulator <u>intends to</u> :	7.4
(1) <u>approve</u> the minimum service standard targets to be achieved by the end of the second regulatory period and as presently outlined in Schedule 1 of the Code;	
(2) <u>approve</u> the transitional service standards to be applied in each year of the second regulatory period as binding standards to be achieved by TasWater in all instances, with respect to all of TasWater's interactions with its customers state-wide;	
(3) <u>require</u> TasWater to amend its final price and service plan by removing any discussion concerning the development and application of differential service standards. This includes the map of TasWater's Management Areas as shown on page 22 of TasWater's proposed price and service plan; and	
(4) <u>note</u> that there is merit in the Government considering whether to legislate for the introduction of a GSL scheme.	