



Media Release
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TASWATER PRICE INVESTIGATION RELEASE OF DRAFT REPORT FOR PUBLIC COMMENT

Tasmania's independent Economic Regulator has today released its preliminary review of TasWater's proposed prices and service levels for regulated water and sewerage services for the third regulatory period (1 July 2018 to 30 June 2021).

Mr Joe Dimasi, the Tasmanian Economic Regulator, explains that "the Draft Price Determination and Draft Report, released today, outline my preliminary views on TasWater's proposals. The final outcomes from the investigation will depend on the feedback I receive from stakeholders during consultation."

Based on its preliminary review, the Economic Regulator intends to reduce TasWater's proposed annual price increases for fixed water, fixed sewerage and variable water charges from 4.6 per cent to 4.16 per cent.

The proposed 4.16 per cent price increase results in an annual bill increase of \$50 for a typical residential customer using 200kL of water. The Uniform Pricing Fact Sheet, available on the Economic Regulator's website, has more details about the proposed prices.

Mr Dimasi noted that TasWater's prices are designed to allow it to recover only its efficient costs. The proposed reductions in TasWater's operating expenditure, capital expenditure, regulatory depreciation and return on capital mean that TasWater's forecast regulated revenue was above his calculation of the maximum allowed regulated revenue.

Mr Dimasi stated that "Based on information provided by TasWater, independent expert advice provided by external consultants and my own analysis, I believe my proposed prices and price transition arrangements will provide TasWater with sufficient revenue to:

- maintain financial sustainability;
- fund its proposed capital expenditure program to address non-compliance with required health, environmental and dam safety standards; and
- achieve the above objectives whilst aiming to minimise any price increases for customers."

The Draft Report recognises the improvements that TasWater has made since the 2015 investigation in relation to its planning, capital expenditure (capex) prioritisation and governance processes, customer and stakeholder engagement and data collection and quality.

However, the Draft Report highlights the need for TasWater:

- to continue to improve the delivery of its planned capital expenditure program; and
- as part of the development of its planning capabilities, to develop a long term plan that balances achieving full regulatory compliance and operational efficiencies and rationalising plants to avoid investing in redundant or stranded assets.

There remains 7 500 customers still being charged prices below the target tariffs as at 30 June 2018 and TasWater proposed the following arrangements to transition these customers to target:

- Customers within \$50 of fixed target tariffs will move straight to the relevant target tariff in 2018-19.
- Customers more than \$50 from fixed target tariffs will see annual increases of one third of the difference between the target tariffs in 2020-21 and the prices they are paying as at 30 June 2018.

In both cases the \$50 cap increases in proportion to the size of the water connection and the estimated demand placed on the sewerage system. The Economic Regulator intends to accept TasWater's proposed price transition.

To ensure that the proposed price increases are affordable for customers not yet on target, the Economic Regulator proposes requiring TasWater to work closely with these customers. The proposed arrangements will see all customers on target tariffs and paying the same price for the same service by the legislated deadline of 1 July 2020.

The Draft Report also deals with a number of other issues such as trade waste, developer charges, service charges on unconnected properties, service replacement and customer service standards.

The Economic Regulator encourages all interested parties to comment on the preliminary findings and proposals set out in its Draft Report and Draft Price Determination. Submissions must be received by 25 January 2018.

Following consultation and consideration of submissions, the Economic Regulator will complete its investigation and publish its final Price Determination and Final Report by April 2018.

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Copies of the Draft Report, Draft Determination, Fact Sheets, Arup's Draft Report and TasWater's proposed Price and Service Plan are available at:
www.economicregulator.tas.gov.au
Go to *Water > Pricing > Price Determination Investigations*