

FACT SHEET

Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017

- The *Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017* is cognate with the *Water and Sewerage Tasmania Bill 2017* and amends several Acts and subordinate legislation arising from the provisions in that Bill.
- The *Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017* also sets out the pricing regulation that is to apply from 1 July 2018, which includes transferring responsibility for pricing from the Tasmanian Economic Regulator to the Government.
- The Bill amends the following Acts:
 - the *Water and Sewerage Industry Act 2008* and related subordinate legislation;
 - the *Audit Act 2008*;
 - the *Civil Liability Act 2002*;
 - the *Tasmanian Planning Commission Act 1997*;
 - the *Tasmanian Public Finance Corporation Act 1985*;
 - the *Urban Drainage Act 2013*;
 - the *Water Management (Watercourse Authority Exemption) Order 2009*; and
 - the *Water and Sewerage Industry (Community Service Obligation) Act 2009*;
- With the exception of the amendments to the *Water and Sewerage Industry Act 2008* and related subordinate legislation, the amendments to the legislation listed above are to ensure that references to TasWater (defined as the council-owned company) become references to the new Government Business Enterprise established under the *Water and Sewerage Tasmania Bill 2017* (the Corporation).
- The amendments in the Bill to the *Water and Sewerage Industry Act 2008* provide that:
 - for the period from 1 July 2018 to 30 June 2021, the Corporation will operate under a price and service plan approved by the Regulator, following the Regulator's price and service plan investigation;
 - in its investigation, the Regulator is to investigate the financial sustainability of the Corporation, its operating and capital expenditure requirements for the period of the third price and service plan, and other matters;
 - the price and service plan is to include price increases of 2.75 per cent in the first year and 3.5 per cent per year for the second and third year of the plan. These price increases apply to customers who paid the target price in the last year of the second price and service plan of TasWater (the council-owned company);
 - for customers whose charges are below the target price, the price and service plan is to include an annual price increase of 7.5 per cent, or \$75, whichever is the higher, for their combined fixed water and sewerage charges, or per charge if the customer pays one charge only, while the prices for the relevant customers are below the target price;

- the Regulator must approve the price and service plan provided it complies with the pricing requirements in the Bill, any corporate plan of the Corporation, any directions issued to the Corporation and any requirements of the Regulator's final price and service plan investigation final report;
 - once the price and service plan is approved, the Treasurer may amend the price increases for the second and third year of the price and service plan following advice from the Regulator;
 - the Corporation may propose, or the Regulator may require, amendments to the approved third price and service plan, to ensure that it is consistent with the Corporation's infrastructure investment plan or any directions issued by the Treasurer and the Minister for Primary Industries and Water; and
 - the Regulator may only approve a proposed amendment to the approved third price and service plan if the Regulator is satisfied that the Corporation is unable to comply with the infrastructure plan or the direction without the amendment.
- The amendments in the Bill to the *Water and Sewerage Industry Act 2008* also provide that, after the expiry of the third price and service plan on 30 June 2021, maximum prices for water and sewerage services will be determined by the Treasurer under a pricing order, following an investigation by the Regulator. In the Bill:
 - the Treasurer is to require that the Regulator to conduct a pricing investigation in relation to the price of water and sewerage services. For the first pricing investigation, the requirement must be issued before 1 May 2020. For subsequent investigations, the requirement must be issued 14 months prior to the expiration of a pricing order;
 - the requirement is to be accompanied by terms of reference for the pricing investigation which, amongst other matters, is to specify the prices to be investigated and require the Regulator to make recommendations in relation to the maximum prices chargeable by the Corporation;
 - during the pricing investigation, the Regulator will release a draft report which will be made publicly available and will undertake a consultation process that will include submissions and may include hearings;
 - the final report is to be provided to the Treasurer and laid before Parliament, after which the Treasurer must then make a pricing order that specifies the maximum prices to be charged by the Corporation, taking into consideration the recommendations in the Regulator's final report and after consulting with the Minister for Primary Industries and Water;
 - the Corporation must prepare a price control instrument that is consistent with the Treasurer's pricing order, which specifies the prices to be charged and comes into effect on the day on which the pricing order takes effect; and
 - the duration of the first pricing period is four years and any subsequent pricing period may be up to five years.
 - The Bill provides that the Regulator must approve certain policies of the Corporation, including policies for infrastructure extension and expansion, connections, service charges, service introduction charges, developer charges, trade waste charges and sub-metering.

- The Bill also amends the *Water and Sewerage Industry (Pricing and Related Matters) Regulations 2011* so that there is no longer a pricing principle that a water and sewerage business is to receive a commercial return on its assets.