

PUBLIC

THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON THURSDAY 1 OCTOBER 2026.

INQUIRY INTO THE FINANCIAL AND OPERATIONAL PERFORMANCE OF TASWATER

The committee met at 1:59 pm.

CHAIR (Ms Forrest) - Thanks to you both for returning as representatives of the Office of the Tasmanian Economic Regulator. This is a public hearing. Everything you say is covered by parliamentary privilege. That may not extend beyond the committee hearing. If you have anything of a confidential nature you wish to share with the committee, you can make that request, otherwise it is being broadcast and it will be a public transcript. I'll invite you both to take the statutory declaration and introduce yourselves. I presume, Joe, you'll make some opening comments.

Mr DIMASI - Yes, I'm happy to make some opening comments.

CHAIR - We have called you back, to be clear: we had evidence from TasWater and various other parties just recently, and there was some contention that the regulator had a much bigger role in determining the outcome of the price rise than perhaps TasWater did. We'd be keen to hear from you what your view of that is and your take on it.

Mr JOE DIMASI, TASMANIAN ECONOMIC REGULATOR, and **Mr ALEX TAY**, DIRECTOR, OFFICE OF THE TASMANIAN ECONOMIC REGULATOR, WERE CALLED, TOOK THE STATUTORY DECLARATION AND WERE EXAMINED.

Mr DIMASI - Thank you, Chair. It's our pleasure to be back in front of the committee. We went through a process to make the determination on TasWater's prices, and we can talk about some of the details of that if the committee so wishes. I guess what we have seen since that is that there have been some what might be described as unexpected or unintended consequences in terms of the price increases in the fixed sewerage space. We have been working with TasWater on that because some of those price increases were very high.

CHAIR - 900 per cent for one of my businesses.

Mr DIMASI - Yep. And I guess we have worked cooperatively. They are cooperating well with us, and I think we all recognise that there is a problem there that needs to be fixed. TasWater recognises that, too, and we expect that that problem will be fixed. There's a whole bunch of different customers with different impacts, ranging from non-profit organisations, sports fields and others; people with large water usage but low discharge in the sewerage system who were being impacted; people who had a combined service for both fire and sewerage - water and sewerage, and fire services. There were some issues that arose out of all of those. We've been going through all of those with TasWater and I'm expecting that they - our understanding, at least, is that they will address those, they'll deal with them, and we can expect something publicly that will acknowledge that very imminently.

CHAIR - Can I just go to some of the - and we haven't got the transcript yet, so I'm relying on memory of what was said. They were suggesting that - and I know this is one of the

businesses that's in the media up in the north-west just recently, yesterday or today, whenever it was published initially. They've got a large intake for fire mitigation measures in their business, for example. The suggestion was that the way the regulator had determined that there would be a fixed price based on the input, the intake size, that would assume a certain discharge rate. Whereas that's obviously not the case if you don't have a fire every day of the week and don't need to use that. The argument was put that everyone should be treated equally, which didn't result in an equitable treatment of all. How do you respond to that?

Mr DIMASI - Let me go back a step. In this determination, there were a number of changes made in the approach to regulating TasWater. One of the important changes was moving from an equivalent tenement basis to a connection size for sewerage. The reason for that was that the equivalent tenement was quite unpopular. There's been a lot of campaigning by various consumers, customers, businesses - I should say not consumers as in household consumers, but business customers of TasWater, that didn't understand that it looked arbitrary, they didn't think it was fair on them and so on. This has been an issue that's been going on for a long period of time. Using the connection size is a methodology that is recognised, used in other parts of Australia and is, in itself, not particularly controversial. But when you make change, there's going to be winners and there's going to be losers, and we all understood that.

What happened, though, is that there were some of the - there were, at the extreme ends, big effects. So, our expectation was that those big effects would be managed, and TasWater have now accepted that they do need to be managed, they have the capability to manage it and that they will manage it. They do have the ability to manage it and they will.

CHAIR - They sort of indicated, from my memory of the conversation, the evidence they gave the committee was that they didn't have the capacity to respond to this; if the fixed sewerage rate, if you like, or the discharge rate, is based on the size of the inlet, that's it. So, how can they fix it?

Mr DIMASI - I don't want to put words into their mouths, but we set maximum prices and they do have flexibility to fix it.

CHAIR - Can I put this to you then, Joe -

Mr DIMASI - There is a revenue cost for them potentially, and I think that was part of the issue, and that probably is something that they're looking at managing that.

CHAIR - So, they're not prohibited, then, from - so a business has got a large inlet for fire mitigation measures because of the nature of the business and they've also got a 20 mil pipe for the hand basins and the toilet and the kitchen, that sort of stuff. They can effectively not charge for the 100 mm, or whatever it is, fire inlet and charge just for the 20 mil connection?

Mr DIMASI - Well, they can do. I mean -

CHAIR - Or base their assessment on that?

Mr DIMASI - It's fair to say that the assessment has to go back to size of the connection. But there's nothing there that stops discounts or adjustments that they can make as appropriate for customer cohorts, and I believe that that's what they are looking at.

CHAIR - Could do.

Mr DIMASI - Could do. And I expect that they will move somewhere down that path, from our discussion and engagement with them over the last little while.

CHAIR - So, when you say that - and I accept there will be a revenue hit from that for them, but the revenue benefit they're getting is to the order of, in some cases, 900 per cent. So, there's no justification for that sort of increase.

Mr DIMASI - It's in terms of the total revenue. In setting the prices, the process that we go through is that we work up from the estimated efficient costs, we come up with a notional allowable revenue, we divide that by expected demand. It's more complicated than that but that's roughly it. And then we come up with the maximum prices. So, if you don't collect those prices, then you may not achieve the maximum allowable revenue. But the maximum revenue -

CHAIR - But that's a maximum?

Mr DIMASI - is a maximum.

CHAIR - Yeah, it's a limit, not a target.

Mr DIMASI - Yeah. And I think everybody's been talking across each other a little bit as the process has developed and has rolled out. Part of going through this process is that I think we are landing on a common position - or I'm hopeful, at least, that we are landing on a common position and a fuller understanding of how the whole system works.

CHAIR - Just to be clear, it seems that TasWater have always had this capacity to deal with this significant issue, rather than completely altering the way the price determination is made. Is that right?

Mr DIMASI - Yes, I think their concern always was, 'But we're going to lose revenue and we've got all these things to do, we've got investments to make and whatever. Can't afford to lose revenue'. I think that was the concern that they've raised with us.

CHAIR - Then that comes back to their decision about continuing to pay dividends when you're not -

Mr DIMASI - Well, that's their business. That's none of our business.

CHAIR - That's none of your business, yeah.

Mr WINTER - Thank you for being here. The TasWater evidence provided to us was effectively that it was your fault that prices have gone up. Having previously asked for a much higher increase in prices, they then seem to be blaming the regulator for prices having gone up at all. One of the quotes that I do have from the hearing is from Mr Theo, the CEO, who said:

Our proposal would have reduced residential bills for 36,000 customers by \$53, and 63 per cent of non-residential customers would have had a price reduction in year one. The regulator's determination has increased bills for 88 per cent of customers across the board.

What's your response to that?

Mr DIMASI - Alex, I think you have a good response to that one.

Mr TAY - Thank you. I think, as I reflected on that statement as well, I understood that the point being put through from TasWater was that they had proposed a large package of reforms and that was true. And obviously through the regulatory process some of that was accepted and some of that was amended. But if you look at the totality - so, that statement is accurate. I'm reading from their proposal itself. That really applied to small households with very low usage, and that would have been that benefit, that \$53 a year, for that sort of small household.

But the broader context of that reform package was, if you look across the other customers, they were going to be having higher increases. For example, a family with two adults, two children was around about \$264 a year more in year one. Obviously, as the years rolled through, even those that were going to benefit in year one, that would have actually increased over time as well. It's one of those balancing acts for a regulator around how to spread those costs appropriately. So, this is a rebalancing. They had proposed a package of reforms, obviously wanted to move the variable charging to a much greater proportion. The regulator's agreed to move some way towards that, but in a more conservative way. I think the statement that was made was an accurate one but you've got to take it in the full context of what that package actually proposed.

Mr DIMASI - For year one.

Mr TAY - For year one.

Mr WINTER - If I recall correctly, that number by year five goes up to over or around \$800.

Mr DIMASI - It's significantly higher, yes.

Mr TAY - Yeah, \$304 for the small family, but the larger one is around that mark.

Mr WINTER - \$798, I think.

Mr DIMASI - But this goes to the variable fixed for water. It has nothing particularly to do with the issues that have since arisen.

Mr WINTER - I also wanted to go those discussions. We heard evidence from TasWater around those discussions with yourself. I know that you talked a little bit about this. Can you take us a little further into what those discussions have been, particularly given what the Chair's pointed out in that it's a maximum price rather than what they have to? Do they require your sign-off in order to fix this problem?

Mr DIMASI - No, they don't require our sign-off. But we have engaged with them and, obviously, as the regulator, I took great note of the outcomes. We've been meeting regularly at the most senior level to ensure that we end up with something that the community can live with. Also, we've been meeting with - my staff have been meeting with their staff, and Alex has been involved in that, where we've been looking at the various scenarios to see what could

PUBLIC

be made to work here and how can we temper some of those effects. And what are the options that are available to us. Through a process of negotiation and discussion, we hope we're getting somewhere close to getting all that resolved.

Mr WINTER - So, they've got pure discretion to do this because you've only set maximum prices, but they've brought you into the conversation given your role as the -

Mr DIMASI - No. We asked. We brought ourselves into the conversation.

Mr WINTER - You've asked to be part? Okay.

Mr DIMASI - We asked to start a discussion which, to be fair, they were open to do, and to work our way through it. So, we've been going through that.

Mr WINTER - In terms of the developer holiday policy change, has there been any interaction between you and your office, either through the regulatory process or post their policy decision?

Mr DIMASI - That was a holiday that they chose to give because - they didn't have to give it. They had been giving it, and they've now changed their minds. They can do that. Again, that's one of those issues where it's TasWater's, I guess it's their judgement about what is sensible here. Alex?

Mr TAY - I think it sort of is an example of where they do have the latitude to charge below the maximum price because they obviously made a business decision for a long period of time to offer that holiday. But from a regulatory point of view, there's no requirement for them to seek approval to not charge and there's no regulatory approval to effectively remove that business decision as well.

Mr WINTER - Are they now charging the maximum price for those connection charges?

Mr TAY - Again, I don't think we're -

Mr DIMASI - I think, I'm not sure - it's entirely their call.

CHAIR - They are at the moment because people are getting their bills.

Mr DIMASI - Yeah, they may well be. I don't know.

Mr WINTER - Are you able to tell us what the maximum price is for that?

Mr TAY - We can find that out.

Mr DIMASI - Yeah, we'll find that out for you.

CHAIR - I want to go back to the fixed versus variable charges question. When the negotiation was going on with TasWater and the final determination was made, and that day TasWater suggested that they argued that a different methodology would be used to deal with those issues where you've got large inlets but small discharges, were they aware of the full

PUBLIC

impact that decision would have on some of these customers, like the ones we're reading about in the media and hearing from?

Mr DIMASI - I can't really answer that. I think they were aware that there would be some impact. But the extent, the numbers exactly and how many, I really don't know.

CHAIR - They said they raised this concern with you in that they knew this would be problematic for some businesses and customers - community organisations, et cetera, with the sporting fields and that. And that's why they wanted it to be treated differently.

Mr DIMASI - Look, the sporting fields and community groups and the like, there was some notion of treating them differently. Our view was you've got to deal with all of them, not just the sporting fields who are owned by their owners, the local governments. And, you know, it doesn't look like a special deal or anything like that. You have something that is consistent across the board. And that's what we've been working our way through. I don't think that's going to cost very much to do. I think it's a pretty straightforward thing to do, and I -

CHAIR - But they have the levers already at their disposal to deal with it?

Mr DIMASI - Yes. I expect that that issue shouldn't take too long to resolve. That's my expectation.

CHAIR - I've been around a long time like Alex says. Not in this role, but I was there for the first iteration when whatever it was called at the time was established, the four entities, and then they collapse into one of TasWater. My recollection is right throughout this whole process there's been this tension between user charges and fixed charges. I remember back at the beginning there was an argument being put, particularly by TasWater and the entities themselves, the three of them at least, saying that they need to have high fixed charges to deal with the huge capital works program that they had because of the nature of the assets being handed over. Is it your role or is it someone else's role - and whose is it if it's not yours, to look at the amount of fixed versus variable? And how does that compare with other jurisdictions, particularly if we want to take an environmental approach and a water conservation approach, that you think variable would be -

Mr DIMASI - Very good question, very good question. Yes, it is part of our remit to have a look at the structure of prices. And, yes, TasWater took an approach that is probably different to what old businesses took, and were proposing a higher variable charge and lower fixed than we eventually agreed to. The reason for that is that a lot of their costs are fixed, so you've got to basically recover those costs somewhere. If you don't recover them from, if you have a greater variable charge and people do use less water - and, by the way, we still remain a bit sceptical about whether people would use much less water because the demand for water is inelastic, in the language of the economists. What that means is you need a very big increase to get a small change in behaviour. So, we weren't particularly convinced that you were going to get that impact. And if you did, then how would you recover the revenue losses, because you fixed the costs up front? And we'd have a problem there that would have to be dealt with. So, that has got to be shifted into the fixed costs. There were a bunch of issues that I think need exploring further.

We accepted that people like the idea of being able to control their bills. Whether in reality they do or manage to do it is another matter. We were prepared to take a cautious first

PUBLIC

step in introducing and shifting the balance between variable and fixed. But we think more work needs to be done before you charge too hard in changing that structure because we're not persuaded yet that you'll get the benefits that people assume that you do.

CHAIR - And they've still got the capital task to deliver.

Mr DIMASI - Yes, that doesn't disappear. So, how do you deal with that? I think there were a number of questions that were in our minds in dealing with it, and that's why we landed where we landed.

CHAIR - So, how do you deal with their quest to deliver dividends even when they're not meeting all their capital expenditure expectations?

Mr DIMASI - That's again nothing to do with us. I mean, we set those prices and, in setting those - we set those maximum prices, setting those maximum prices, we would look at what we believe are the efficient costs, we look at the CapEx program. And we had all the debates about what we did to the CapEx program and all the rest of it. We look at the operational expenses -

CHAIR - The payment of dividends doesn't come into your consideration?

Mr DIMASI - It doesn't come into it. They get a return on equity, and that return on equity is built in as well. That return on equity is there, so they're treated, in theory, like any other business would be. There's equity invested and you get a return on that. So then they make that decision: Does that go back into the business? Does that go back to pay for dividends? What they do is up to them, but we don't tell them how they need to deal with that or what sort of dividends they need to pay. That's between them and their shareholders, and other stakeholders, of course.

Mr WINTER - The dividends issue, I understand, isn't part of your - and when I looked at the submissions that you'd received, which is a record number, a lot of them referenced the dividends.

Mr DIMASI - Yes, we know.

Mr WINTER - Even I would contend that the local government submissions to you that supported the, were also, without saying it, hoping that this would lead to increased dividends.

Mr DIMASI - I didn't read that between the lines at all.

Mr WINTER - I'll take that in the way it was intended. TasWater has an interesting and unique governance structure, with the 29 councils and the state government's involvement. But it does lead to the situation at the moment where, effectively, through the corporate planning process at least, the councils are voting, as they did last year, on an increase in their dividends. Understanding that you don't currently have a role, do you think that there could be a role for the regulator in future price determinations to look at the dividend question and whether they should be receiving them?

Mr DIMASI - That would raise a whole bunch of issues that go outside of what we normally do. We would have to think about that and think about what that might involve. I don't

think there's any regulator that really looks at it. Where it stops - and this is true for all utility regulation around Australia and in other parts of the world as well, is the debate about the components that make up the return on equity and whether we should be giving all of that, whether we've been generous, overgenerous, under-generous - no such word -

CHAIR - Frugal.

Mr DIMASI - Frugal, yep. That's really generally where the regulator gets involved and where it stops. So, this would be something new and different and we'd have to think about what that really would mean and how we'd go about it. I haven't given it any thought, to be honest.

Mr WINTER - Sure. I mean, we're looking at this as policymakers and interested in your points of view. If you did have a point of view afterwards, I'm sure the committee would be interested to hear. I'm sorry, I haven't read it for quite a few months now, but looking at the new regulatory period, you updated your allowed return on equity to around 6.5 per cent, is that right?

Mr DIMASI - It's 6.5 per cent at the moment, yes.

Mr WINTER - And that was increased from 3.16?

Mr DIMASI - No, no. This can become complicated, so I'll try not to make it complicated. We work out a weighted average cost of capital that we apply on their assets. That weighted average cost of capital is made up of the cost of debt, the borrowing costs. In doing that, we benchmark to see what grade is a B+, AA-, whatever it is, and we've come to a landing there. Again, we had a little bit of disagreement there, but we ended up with a position. We also have what's called an equity beta, which is -

CHAIR - What's that called?

Mr DIMASI - Equity beta. Sorry, this is starting to get a bit technical and I'll try not to do that. That basically is a reflection of the return on equity, or the systematic risk that a company of that sort faces. So, the riskier they are, the higher the equity beta is. The less riskier they are, the lower that. And there's your systematic risk.

Mr WINTER - So, this impacts on the WACC¹ a well?

Mr DIMASI - This impacts on the WACC as well. We look at all of those things. But then there's an additional complication here because the old assets that were rolled in, the equity is determined in the legislation at 3 per cent -

CHAIR - In the water and sewerage act?

Mr DIMASI - Yeah. So, then it's -

Mr WINTER - That's a bit strange, isn't it?

¹ weighted average cost of capital

PUBLIC

Mr DIMASI - I think it was actually not a bad idea, but for reasons that I won't get diverted in explaining here now -

Mr WINTER - You must be the only witness that wants to answer the question. We much appreciate it, Mr Dimasi.

Mr DIMASI - I'm happy to talk about these things for hours, but I promise not to. We also have a gearing ratio of debt and equity. So, the debt is at whatever it is at the market rate that we determine, then there's the equity. The equity for the - the WACC, the weighted average cost of capital, for the old assets is different and lower than it is for the new assets. The old assets is still a fair chunk, they're about \$3.7 billion, if I remember right - \$2.7 billion, before Sharon pulls me up - and three and a half also for the new assets. So, we look at all those things to come up on the return on their investment. They are very large numbers, they're very significant numbers, and that's because you've got large amounts of investment involved and a large amount of capital in the asset base that we have to give a return to and depreciate and provide that to TasWater as part of working out the notional maximum allowable revenue that is then fed in to determine those maximum prices. Sorry, I probably went way over what I should've.

Mr WINTER - No, that's okay. I enjoyed it. It reminded me of being a cadet in your office 20 years ago.

You just reminded me of another interaction we had with TasWater, which was around, in your determination you identified thousands of assets which, in your view, you took out so there was revenue. I believe - the Chair might even correct me if I'm wrong because I don't have the transcript of what they said - their argument was that they had depreciated these assets down on their balance sheet to nothing and therefore you were making a determination that they could no longer claim those assets. But they were saying that a lot of those assets, they were actually still using. Are you able to take us into your determination and if you've got a difference of opinion with TasWater that we should know?

Mr DIMASI - Yeah, look, we stand by our decision. We probably do have a difference of opinion with TasWater on some. I think it's fair to say that TasWater did agree that there were a significant number that should have been excluded and they were excluded.

CHAIR - Because they're no longer being used or what?

Mr DIMASI - That were decommissioned, no longer being used and so on. I think the argument that I - again, not putting words into their mouth - but the argument that I understood was some of those assets were either being used or had not been fully depreciated. The problem that we had was in reviewing all those assets, the records of some of those old assets were really, really hard to reconcile. This is no-one's fault; it's just because of the transition from bringing all those -

CHAIR - 29 councils' worth.

Mr DIMASI - 29 utilities all together. It's not a surprise to anyone that you're going to have problems with your record and record keeping and whatever else. So, we had to make a decision. Those old assets we should be depreciating were actually going up. The total amount that were being written off or removed was very small. So, we took a decision that, on the

evidence that we had, we were going to remove the ones that we believe should be removed. What we then did was - we could keep arguing about this forever in a day, so we drew a line in the sand - TasWater suggested that we do that and we agreed. We went to our review, came up with a number, got rid of the ones that we believed we should get rid of, drew a line in the sand, set an asset life that we both in the end, I think, agreed on, and now we expect to see those assets depreciate over the rest of that asset life and hopefully without too much disagreement and dispute going forward. So, it was really, from our perspective, a cleanup and a sorting of the methodology and putting something in place so that it's cleaner going forward.

Mr WINTER - You also, just in the earlier interaction, talked about being unconvinced that the moving to a higher variable charge would impact customer decisions as much as TasWater thought. I assume this is something that other regulators in other states and territories have dealt with in the past. What evidence is there around this matter that we could lean on?

Mr DIMASI - The other utilities have higher variable charge - we acknowledge that. That doesn't mean that they get much benefit from it. There've been numerous studies - and I can't remember the last one I read, I've read quite a few over the years - that have looked at the elasticity of demand - sorry, that's the technical, economic language for water - and its low.

CHAIR - So, most people only use what they need anyway?

Mr DIMASI - Well, it just means that what you need to - people will use what they need, but if you're a gardener, they'll pay it.

CHAIR - They'll pay it.

Mr DIMASI - If you want to have a longer shower because it's hot or cold, they'll do it. That raises some other policy issues, but there's a broader discussion here: how do we change that behaviour?

CHAIR - I don't think we legislate how long someone stands under the shower.

Mr DIMASI - Anyway. Price might play a bit of a part, but there's probably other policy levers that need to be looked at to really address that concern more broadly.

Mr WINTER - Did TasWater provide any evidence of the elasticity of -

Mr DIMASI - No, not in this review, no.

Mr WINTER - Okay, sure. I know you said that other states and territories have a higher variable charge. Have there been any examples of other states or territories actually increasing their variable charge relative to the fixed charge recently that we could look at and then determine how elastic that demand is?

Mr DIMASI - Look, it takes a bit more than that to work out the elasticity. But look, I don't know if they've changed it recently but I have had a look at it in the past. Alex, I don't know if you've got any additional info on that?

Mr TAY - I think at a sort of very first-look level, and this is, as Joe said earlier, taking a cautious move in this direction, but it is an issue that the regulator's indicated to look at further

for the next pricing period. It is one of those ones where you can go and find research probably to support the case one way or the other. But it is one of those ones where - and I have it in my mind, I don't have the exact reference - but I do understand that there may be a Sydney study that sort of indicated people's ability to respond to price signals is perhaps more limited. Then I guess the flipside for most people is if you say, 'Would you like more choice about how much water you can use to save money?' most people would say yes, but then if you actually think through well, can you actually do it?

Mr DIMASI - But it's a bit misleading to ask them 'because you will save money' because -

Mr TAY - They'll automatically say yes.

Mr DIMASI - you probably won't save money. Someone might save money, but the money's got to be recovered.

Mr WINTER - If everyone does it, then it doesn't actually save anything, right? I remember when this was first floated - pardon the pun - TasWater, or the four entities, people were calling it the 'watering your garden tax', where you were going to be charged extra if you wanted to water your garden and then there was a lot of concern at the same time.

CHAIR - Can I just ask whether the act that you operate under provides all the levers that you need? Or does it need a review? Or are there things that need to change in it? Or are you happy with how it works?

Mr DIMASI - We think when you look at it closely, it's pretty effective. I won't necessarily say that it's totally perfect, but what we were proposing to do is, once the dust settles, we get all these issues sorted at some point, is to review. We said this in the determination, to review the whole methodology, and if there were suggestions for change, we would make that known that - we would make that publicly known that we would be suggesting that things could be improved.

CHAIR - So, amendments to the act?

Mr DIMASI - If we believe that that's necessary.

CHAIR - But you don't at this stage - don't believe there's any -

Mr DIMASI - Nothing that is immediately urgent, but I won't say no because there are always things happening.

CHAIR - All legislation should be reviewed.

Mr DIMASI - And things come up all the time that provide challenges to us. So, I won't say a definitive no, but right now I think we are managing with what we have. But we'll certainly keep that in mind.

CHAIR - So, from your perspective, there's no aspects of the current act you work and operate under that has limited your capacity to respond to the challenges that TasWater are

facing or the customers of TasWater are facing now? You've had all the necessary levers for yourself?

Mr DIMASI - There's actually quite a few levers in there. There's a number of options in the legislation. So, for example, we can do the notional maximum available revenue, so we set the maximum prices. We could set a maximum revenue that's fixed because at the moment that's notional, so that can vary. The act provides quite a bit of flexibility in there. I think it's probably up to us to have a look at if that flexibility needs to be enhanced or whether we need to use the tools that are there already. But having said that, there are acts, there are regulations, there are all sorts of things and I'm not ruling out that there could be some adjustments once we have a good look ourselves.

CHAIR - Right. So, that's something you are doing, looking at a broad level?

Mr DIMASI - Well, we're not doing it yet; we're working really hard to resolve some of these bushfires that are around at the moment and I think we will get to it.

CHAIR - But there is a plan to do a review -

Mr DIMASI - There is a plan to do -

CHAIR - of all the legislative instruments that you operate under?

Mr DIMASI - The whole approach that we take. Now, I don't want to get ahead of myself, we're the regulator - when we regulate, we would be looking at our role and our capacity. We wouldn't presume to be reviewing the regulation and telling government -

CHAIR - No, but if something wasn't working for you, you would bring that to the government's attention?

Mr DIMASI - If something wasn't working, we'd raise it.

CHAIR - Yeah, and that's what is planned?

Mr DIMASI - That's right.

CHAIR - Sure. I'm not suggesting you get into the policy space.

Mr DIMASI - Yeah. I think we have enough to do, to be honest, with what we're doing.

Ms THOMAS - Thanks for being here with us again today. I note that your final report says that all regulated customers should have fair access to a sewerage discharge factor review while allowing a materiality threshold, and TasWater now requires a potential saving of at least 4 per cent of the customer's total annual water and sewerage bill before it will accept an application. I'm just wondering if you assessed and approved that specific threshold and whether you're satisfied that it gives residential customers meaningful access to a review?

Mr DIMASI - Look, I don't know. Whether it's in some document somewhere, but I'm not aware of their threshold.

Ms THOMAS - So, it wasn't something that was part of their proposal put to you?

Mr DIMASI - It's in their final PSP. I think it's there. You've drawn my attention to something that is there, apparently.

Mr TAY - Just to clarify, too, that applies only to the variable sewerage charge - those discharge factors. So, the issue that we've been discussing where some of those major bill impacts have really been around the fixed sewerage charging side of things.

Ms THOMAS - Yeah, okay. So, do you think that that's a - did you do any assessment of that as the proposal, requiring a potential saving of at least 4 per cent of the customer's annual water and sewerage bill or they can actually request a discharge factor review?

Mr DIMASI - No, we did not. But I've got to say that the change in the residential space has not been huge. The big impacts have been on the non-residential space. The residential space has not had big changes. The variations have happened elsewhere because most households have a 20 mil pipe and there's a standard discharge factor for all of them. So, it wasn't a particularly contentious and controversial issue, which is probably why I hadn't even focused on that first point that you raised. Where the complexity comes in is outside of that space, really, and that's the area that we're focusing on.

Mr WINTER - I had some questions on the report, the State of the Water and Sewerage, which also came out I think since we last spoke to you. The big one that usually annually provides headlines, but I don't think it did this year, is the amount of water being lost by TasWater. Are you able to take us into your views on that and what rectifications TasWater has proposed?

Mr DIMASI - We've been banging that drum for a little while now because it used to be 30-odd per cent or sometimes even higher, and that's a lot. To put it into context, I think many of the utilities on the mainland we're talking 17 to 18 per cent, maybe even lower, but there's still water losses. So, you don't have a system that doesn't lose water, that's just the reality. But Tassie was a bit of an outlier there, so we have been raising that for a number of years. I think TasWater has now begun to really drop that back. The latest number that I saw was I think - we were about 24, Sharon? Look, I think it was about 24 - it's in the report, anyway - so they are making progress. If it's not 24, it's significantly lower than what it used to be.

Mr WINTER - I think it was 21.4.

Mr DIMASI - Yep. TasWater have accepted that this is something that they do need to, first of all, identify why those losses are happening and are they measurement losses, are they real losses, is there a combination, is it the old pipes? What is it? And metered appropriately -

Mr WINTER - So, does rectifying that form part of their pricing proposal?

Mr DIMASI - They have a whole range of expenditures and all of the expenditures -

CHAIR - Like their capital works program?

Mr DIMASI - All the capital program is in there - so whatever they want to do. But I want to make it clear that we approve a capital program after we review it and we say, well,

this is what we think is reasonable, and that's what we did. That forms the basis for determining those maximum prices. But we don't then say, 'You must do that list exactly in the order that you've done' because, as I've said often, we try not to drive from the backseat because we don't have that capability, the information, they've got to still manage the business, and so they can respond to priorities, changing needs, changing priorities and whatever else. I think that's something that's not contentious; we all agree that that's the way it should be done.

Mr WINTER - The report also revealed that 21 out of 77 level 2 sewage treatment plants are now classified as high risk, and that's actually on the way up. It also went on to say that only 9 per cent of level 2 sewage treatment plants achieved full effluent compliance across the regulated parameters in a given year. This summer, beaches here in the Derwent will be closed partly due to faecal contamination of the Derwent. What's your view about TasWater's performance on this particular measure and their plans to rectify it?

Mr DIMASI - Look, we're not the EPA, so I'm not going to -

Mr WINTER - I was going to ask about that next, the interaction between you and the EPA.

Mr DIMASI - But we do interact with the EPA, and the EPA made it clear to us that they believe that action needs to be taken because they want to see better performance. To be fair, TasWater, part of their argument for their big capital program was to address these concerns and these issues. So, we accept that and we accept that they have to be dealt with.

Mr WINTER - And you have allowed them a massive increase in their revenue.

Mr DIMASI - And that was the justification for allowing that increase. But I want to also repeat from last time - I haven't said it today - that we said that all of their capital program is justified over a slightly longer period of time because those issues do need to be addressed. So, we don't have a disagreement with TasWater on the need to fix up these issues, nor do we have a contrary view to the EPA. We bow to the EPA's expertise and their call on these issues, and we try to make sure that those things are able to be met.

Mr WINTER - But nonetheless, you've got a role here in producing the report and it's very good to bring -

Mr DIMASI - Drawing attention.

Mr WINTER - Exactly. So, my attention's certainly been drawn by those pretty horrendous numbers. That process, is that a formal process between yourselves and the EPA to identify and then prioritise and discuss their approach?

Mr DIMASI - It's a semi-formal process; I wouldn't describe it as formal. But what we do is we meet with the other regulators pretty regularly - we haven't met for a little while because we've been so busy doing this - but we'll do it again, and we met before the determination. We met with Health, EPA, Dam Safety and take into account their views and we asked for their submissions and their thoughts because we don't want to be making judgment about those areas because we have no expertise in those areas and make sure that what we do doesn't hold back the need to meet their objectives as well. So, we do have that fairly regular

process. EPA took the opportunity to put in a submission, if I remember - oh, sorry, Alex, you weren't there - to -

Mr WINTER - Alex, why don't you know what happened when you weren't there?

Mr DIMASI - Alex probably already does know. That's the truth. EPA did, I think, put in a submission and certainly made it clear to us that they expected better performance.

Mr WINTER - There's also - I mean, you may have the same answer - but the report also talked about the main chokes and breaks across the sewerage network increasing to 63 per 100 kilometres of sewer main.

Mr DIMASI - But that's often weather related. So, the dryer it is the more you get those things happening. Those things can vary a lot, but again, I'm not the expert on - we're just reporting on them.

Mr WINTER - Sure. The other one was around customer debt that increased by almost 10 per cent. Is that the PSP4 versus PSP5 or how do you measure that? Is it just the final year of PSP4 versus what's expected or what the outcome's been?

Mr DIMASI - No, no. As we do with all of our statistics that are in there, we collect information from TasWater, we talk to the ombudsman. We collect whatever is available to be able to provide that information. So, it's not our data; we're reporting on the data from others, and TasWater provides that information to us.

Mr WINTER - The average customer debt grew to \$1641. I know you regulate a number of different sectors - how does that compare to other states and territories and was it higher than you expected it to be? It seems very high to me.

Mr DIMASI - Look, I can't remember exactly. We did look at others and we have this discussion all the time about what's happening in other states and territories. I can't remember what it is, but generally there has been an uptick in customer debt around the country in not just electricity, in water. I think that's part of the -

CHAIR - Household debt.

Mr DIMASI - household debt issue.

Mr WINTER - How does that inform your determination, then? I mean, obviously we see there's an increasing number of customers are under financial hardship and those customers are actually owing more. So, how does that go into your final determination?

Mr DIMASI - Look, first of all, we keep an eye on it and we talk to the ombudsman as well because they manage some of these things. But it's part of the background information and data in looking at affordability and in looking at just what we can do. Often it's not exclusively the disadvantaged, but there are particularly the disadvantaged groups in that light. We have a consultative committee meeting where the representatives of some of the disadvantaged groups come along and we stay in touch with them about the things that can be done and can't be done. Now, we don't have a direct involvement because it's a policy question

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about support from government and the company and so on, but we certainly like to stay across and understand what is happening across the spectrum of customers.

CHAIR - Was there something you actually wanted to provide to the Committee?

Mr TAY - Just to answer the question that came earlier, thank you, Chair. The question around what the headworks charges are for 26-27. There are 13 connection sizes - perhaps I won't go through all of them, but if I pick perhaps a couple of larger ones just to let you know: a 50-millimetre connection size, the water charge is \$18,903 and the sewer one is \$11,231; the 100 millimetres is at \$75,612 for water and \$44,925 for sewerage; 250, the largest size, it's \$472,578 for water and \$280,786 for sewerage. The full range is there if you wanted that, but that just gives you a bit of an idea of those charges.

Mr WINTER - And you don't keep track of whether TasWater's actually charging those maximum prices?

Mr DIMASI - No.

Mr WINTER - Because you'd be doing a lot of that for a long time, wouldn't you?

Mr DIMASI - I'm not complaining, but we run with a small, dedicated, hardworking team. We would need to double it if we go and do some of these things that might be nice to do.

Mr WINTER - Is it fair to say that TasWater wanted to be able to charge more than that in their original PSP submission?

Mr TAY - For the headworks charges? I'd have to go back and look at that.

Mr DIMASI - Well, they'd given them a holiday - I don't know.

Mr WINTER - The contention from the industry groups was that because they couldn't get the connection prices that they wanted that they then dropped the holiday in order to increase the revenue. Do you have a view on that?

Mr DIMASI - I don't know what their thinking was. They had been granting that holiday, they didn't have to, didn't have to explain it to us, so I don't know.

CHAIR - Was there something else, Alex? Or is that it?

Mr TAY - No, that was it, thanks.

CHAIR - That was it? Okay. We have gone over time by 15 minutes, so we need to -

Mr WINTER - Oh, sorry. I thought it was until 3:00 pm.

CHAIR - That's alright. No. Thank you for your time today. We appreciate that, it's really helpful to respond to some of those matters that were raised by TasWater and others last week. Thanks for your time.

PUBLIC

Mr DIMASI - Our pleasure.

The witnesses withdrew.

The committee adjourned at 2:59 pm.
