

FACT SHEET

WATER AND SEWERAGE INDUSTRY AMENDMENT BILL 2011

- The *Water and Sewerage Industry Amendment Bill 2011* amends the *Water and Sewerage Industry Act 2008* to ensure that customers are protected from unnecessary price increases and that the corporations remain sustainable once independent price regulation begins on 1 July 2012.
- The draft Bill amends the pricing principles in the *Water and Sewerage Industry Act* to reduce the allowable return on assets transferred under Part 3 of the *Water and Sewerage Corporations Act 2008* from councils to the corporations prior to 1 July 2011. The return allowed on these assets is reduced from a full commercial rate to a rate that allows a pre-tax return on equity of 3 per cent (not including inflation), based on an industry benchmarked level of debt and equity. This level of return is roughly equivalent to the historical returns made by the bulk water authorities and will reduce the implied price increases to about half the level which would otherwise be required by the legislation.
- The draft Bill also amends the Act to clarify that prices may transition to the cost reflective prices required by the pricing principles over a period determined in regulations. This provides the flexibility to determine the transition period based on prevailing circumstances, including the impact on customers and the financial position of the corporations. This will ensure that prices can transition over time to cost-reflective levels and eliminate any uncertainty that prices need to jump very significantly from 1 July 2012. The Regulator must publish its reasons for not applying any pricing principles.
- The draft Bill also amends the *Water and Sewerage Industry Act* to allow and facilitate water and sewerage officers to issue infringement notices for offences relating to water and sewerage infrastructure and regulated services.
- The draft Bill also makes technical amendments to the definition of “customer” in the Act to include owners and occupiers of strata title properties who are not otherwise included.
- The water and sewerage corporations, the Owner Representatives of the regional corporations, the Office of the Tasmanian Economic Regulator, the Department of Primary Industries, Parks, Water and Environment, the Recorder of Titles and the Senior Strata Adjudicator have been consulted in relation to the proposed amendments.