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Water and Sewerage

WATER AND SEWERAGE INDUSTRY ACT 2008

INTERIM PRICE ORDER

Amended as at 1 July 2011

1. Interpretation

- 1.1. This Interim Price Order is made under section 88 of the Water and Sewerage Industry Act 2008.
- 1.2. Where a term used in this Order is defined in the Water and Sewerage Industry Act 2008 it has the meaning given in that Act.
- 1.3. If there is an inconsistency between this Order and the Water and Sewerage Industry Act 2008, the Water and Sewerage Industry Act 2008 prevails to the extent of any inconsistency.
- 1.4. In this Order, unless the contrary intention appears –
“developer charges” means:
 - (a) a charge made to cover the full or partial cost of any extension of water or sewerage infrastructure, or expansion of its capacity, or increased capacity utilisation, required as a result of a new development; or
 - (b) a charge fully offset by the gifting of water or sewerage infrastructure to a regulated entity which was paid for by a developer so as to affect the extension or expansion referred to in (a);
 but cannot include the costs directly associated with the connection of a property to a water or sewerage main or local reticulation main, which may be separately recovered from the customer;
“fixed charge” in relation to a property means a tariff, fee or charge that is levied for water services and sewerage services that is not calculated by reference to the volume of water supplied to that property; and
“region” means the relevant region as defined by section 43(2) of the Acts Interpretation Act 1931.
- 1.5. Explanatory notes included in this Interim Price Order are marked in italicised parenthesis and do not form part of this Interim Price Order.

2. Interim Price Order Application

- 2.1. This Interim Price Order is to apply from 1 July 2009 until the commencement of the first regulatory period that is fixed under section 65(12) of the Water and Sewerage Industry Act 2008.
- 2.2. The Interim Price Order may be reviewed by the Treasurer. In reviewing the Order the Treasurer is to seek advice from the Economic Regulator and is to consult publicly on any amendment to the terms of the Interim Price Order.
- 2.3. The Interim Price Order is to apply to the following regulated activities:
 - (a) water services; and
 - (b) sewerage services;
 where these activities are provided by the following regulated entities within its region:
 - (c) Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd (ACN 133 655 062);
 - (d) Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd (ACN 133 655 008); and
 - (e) Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd (ACN 133 654 976).
- 2.4. Should a regulated entity provide a regulated service outside its region, the revenues recoverable for those services are not to be regulated under the Interim Price Order.

3. Regional Revenue Cap for 2011-12

- 3.1. This section commences on 1 July 2011.
- 3.2. This section does not apply to regulated services for which costs are recovered through developer charges, fees and other miscellaneous charges, trade waste agreements, volumetric charges and other contracts.
- 3.3. The Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd is to recover revenues from regulated services it delivers within its region, subject to total revenue from regulated services increasing by no more than 10 per cent from 2010-11.
- 3.4. The Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd is to recover revenues from regulated services it delivers within

its region, subject to total revenue from regulated services increasing by no more than 10 per cent from 2010-11.

- 3.5. The Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd is to recover revenues from regulated services it delivers within its region, subject to total revenue from regulated services increasing by no more than 10 per cent from 2010-11.

4. Customer Price Cap Side Constraint

- 4.1. This section commences on 1 July 2011.
- 4.2. This section does not apply to regulated services for which costs are recovered through developer charges, fees and other miscellaneous charges and under trade waste agreements and other contracts.
- 4.3. A regulated entity must not charge a customer a fixed charge for the provision of water and sewerage services, an amount for those services that exceeds by more than 10 per cent or \$50 per service, whichever is the greater, the tariffs, fees and charges that were charged for those services in 2010-11.
- 4.4. Where a volumetric charge is levied by a regulated entity, a regulated entity is not to charge a customer based on a per unit volumetric charge for water consumed that exceeds by more than 10 per cent the per unit volumetric charge in 2010-11.
- 4.5. In setting prices in 2011-12 for regulated services, a regulated entity must commence the transition to a tariff structure that is consistent with the pricing principles under the Act.
[If a customer's level of water consumption is greater than the amount consumed in the previous financial year, the volumetric charges for water may exceed the charges for the previous financial year by more than 10 per cent and total charges for water services and sewerage services, excluding services for which costs are recovered through developer charges, fees and other miscellaneous charges and under trade waste agreements and other contracts, may also increase by more than 10 per cent to account for the additional level of water consumed by that customer.]

5. Revenue Recovery and Billing

- 5.1. A regulated entity must not breach any existing contractual arrangements with its customers. For the avoidance of any doubt, sections 3 and 4 do not apply to such contracts where these contracts contain provisions that deal with price changes over time.
- 5.2. Charges for regulated services for the period 1 July 2009 to 30 June 2011 are to be recovered in accordance with the Interim Price Order in place on 17 February 2010.
- 5.3. A regulated entity may vary prices applicable to a customer or class of customers at a rate other than prescribed in this Order if agreed with a customer.
- 5.4. For persons who become customers on or after 1 July 2009, a regulated entity is to charge such customers at a level which at least recovers the costs associated with the customer's share of operating, maintenance and administrative costs and, wherever possible, will also recover depreciation and debt servicing costs.
- 5.5. A regulated entity must bill the property owner, in respect of residential premises, for water and sewerage services.
- 5.6. A regulated entity may develop an interim policy in respect of section 68A of the Water and Sewerage Industry Act 2008 to cover the period until a formal policy is approved by the first price and service plan.

- 5.7. By 1 August 2011, a regulated entity must publish on its website information to inform each customer of the approach for varying tariffs, fees and charges that apply to that customer for 2011-12 and to advertise the availability of that information in a local newspaper. In addition, the regulated entity must include that information with an account sent to each customer no later than 30 October 2011.

6. Revenue Allowance Adjustment and Pass Through

- 6.1. The Treasurer may allow for a pass through of additional costs, or cost savings, to customers to occur outside a review of this Order if, in the Treasurer's view, any of the following events occur:
 - (a) there is a material change in the costs incurred by a regulated entity as a result of complying with new or additional legislative requirements; or
 - (b) an event occurs which was either unanticipated or which alters the rate, or amount, of tax to be paid by the regulated entity and which imposes material costs; or
 - (c) there is a material under or over recovery of revenue in any year.
- 6.2. Where the Treasurer determines that an event specified in 6.1. of this Order may occur, the Treasurer must obtain the advice of the Regulator on the appropriate level of adjustment.

7. Developer Charges Pricing Policy

- 7.1. A regulated entity must publish on its website, by no later than 1 August 2009, its developer charges pricing policy for the first year of the period covered by this Order and must notify all customers of the website address.
- 7.2. A regulated entity may levy developer charges that are economically justifiable in that they represent costs reasonably attributable to the developer and which are to be consistent with pricing principles 68(1)(a)(i), 68(1)(b)(ii) and 68(1)(e) of the Water and Sewerage Industry Act 2008.
- 7.3. By 30 September 2009, a regulated entity must provide a submission to the Treasurer regarding its view on the appropriate principles for the setting of developer charges.
- 7.4. For the avoidance of any doubt, the policy referred to under 7.1. must not apply retrospectively.

[Sections 21 and 22 of the Water and Sewerage Legislation (Miscellaneous Amendments) Act 2009 apply in respect of developer charges. These provisions deal with the regulated entities honouring any existing permits issued or agreements made in respect of developer charges (for example Part 5 Agreements made under the Land Use Planning Approvals Act 1993). Similarly, the developer, as counterparty, is taken to have entered into a contract with the corporation in this respect.]

8. Miscellaneous Fees and Charges

- 8.1. A regulated entity is to levy miscellaneous fees and charges reasonably attributable to the cost of the provision of the service and is to apply fees and charges consistently across the regulated entity's region.
- 8.2. A regulated entity must publish on its website, by no later than 1 August 2011, its miscellaneous fees and charges schedule for the third year of the period covered by this Order and must notify all customers of the website address and that the miscellaneous fees and charges schedule is located on that website.
- 8.3. A regulated entity must obtain written approval of its miscellaneous fees and charges schedule from the Treasurer prior to publishing on its website. A regulated entity must provide details of the

methodology and assumptions used in determining the fees and charges that enable the Treasurer to adequately assess the schedule.

9. Trade Waste Pricing Policy

- 9.1. Trade waste charges may be applied to customers seeking to discharge trade waste to the infrastructure of a regulated entity.
- 9.2. A regulated entity is to levy trade waste charges which are economically justifiable in that they represent costs reasonably attributable to the customer and which are to be consistent with the pricing principles 68(1)(a), (b) and (e) of the Water and Sewerage Industry Act 2008.
- 9.3. A regulated entity must publish on its website, by no later than 1 August 2009, its trade waste pricing policy for the first year of the period covered by this Order and must notify all customers of the website address and that the trade waste charges policy is located on that website.
- 9.4. By 30 September 2009, a regulated entity must provide a submission to the Treasurer regarding its view on the appropriate principles for the setting of trade waste charges.

[Section 20 of the Water and Sewerage Legislation (Miscellaneous Amendments) Act 2009 applies in respect of trade waste. This provision requires that special plumbing permits for trade waste discharge in force prior to 1 July 2009, are after that date taken to be consents given under Water and Sewerage Industry Act 2008 in respect of discharge and are taken to continue on the same terms and conditions.]

10. Information Provision

- 10.1. If the Treasurer undertakes a review of the Interim Price Order, the Treasurer may request that the following audited financial information on a financial year basis be supplied to assist the Treasurer in the review of the Interim Price Order:
 - (a) most recent operating and maintenance expenses, split between water services and sewerage services and also split between labour and non-labour costs;

- (b) annual and three year budgets and financial operating plans;
- (c) three year capital expenditure programs on a project basis, indicating relative priority, estimated annual cash flows and the split between water and sewerage;
- (d) current and projected customer connections by service and municipal area, consistent with the capital expenditure program;
- (e) working capital requirements, where possible, based on detailed credit terms, billing arrangements and inventory levels;
- (f) actual and expected income tax equivalent payments and dividends;
- (g) actual revenue outcomes for the preceding period and, where possible, split between revenues recovered from residential, commercial and industrial customers; and
- (h) water usage volumes by customer class.

10.2. In respect of the information provision for capital expenditure programs, if available, a split of the program between new and renewal investment must be provided if requested by the Treasurer.

10.3. If requested by the Treasurer, a regulated entity is to provide the information prescribed in sections 9.1. and 9.2. to the Treasurer within 30 days of a request or longer if agreed by both parties.

11. Compliance with Interim Price Order

- 11.1. If a regulated entity considers that it may not meet a timeframe required under this Order, that entity must notify the Treasurer in writing at the earliest opportunity.
- 11.2. A regulated entity may write to the Treasurer seeking an extension of any timeline included in this Order.
- 11.3. If, in the Treasurer's opinion, an extension in time is warranted, the Treasurer may vary any timeline to be met under this Order and must inform the regulated entity in writing.
- 11.4. Section 88(4) of the Water and Sewerage Industry Act 2008 requires compliance with this Order.

Dated the thirtieth day of June 2011.

Hon LARA GIDDINGS, M.P., Treasurer.

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