CITY OF HOBART

# SUPPORTING INFORMATION

## THE HOBART WORKSHOP COMMITTEE MEETING

## OPEN PORTION OF THE MEETING

**MONDAY, 13 OCTOBER 2025**
**AT 4.00PM**
**VENUE: LADY OSBORNE ROOM**

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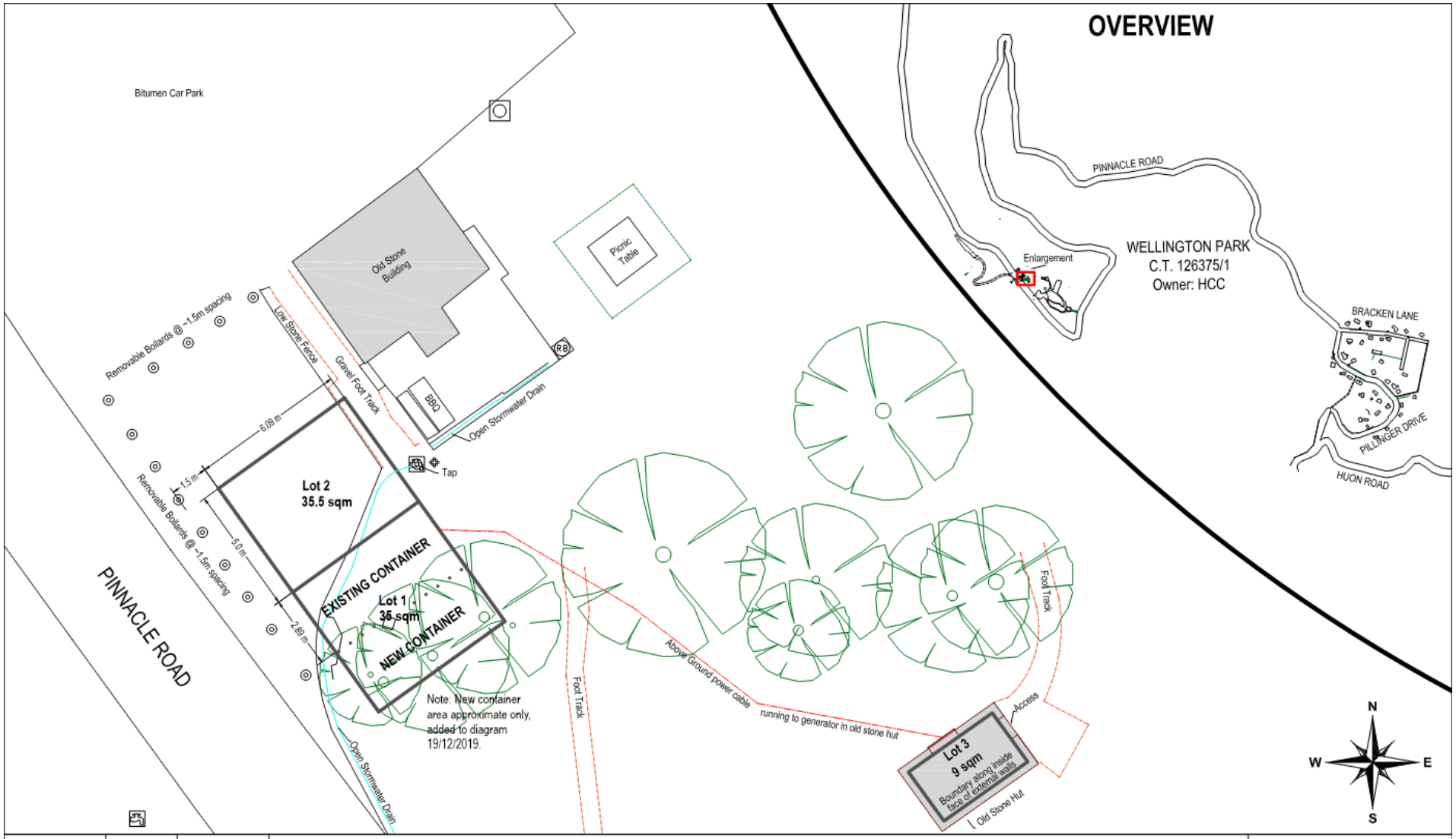


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|---|---|---|
| SURVEYED | MRC | SCALES |
| DRAWN | MRC | 1:200 |
| DESIGNED | | Overview (Not to Scale) |
| SUPERVISED | | |
| Geocomp File | 703720.NP | DATUM |
| AutoCAD File | F-938-34 | HCC State |
| APPROVED MANAGER SURVEYING SERVICES | | |

# HOBART CITY COUNCIL

Proposed Lease and Licence Plan for Semi-Permanent Cafe
The Springs, Wellington Park, Mount Wellington
Access off Pinnacle Rd
Part of C.T 126375/1 Owner: HCC

City of HOBART

**F-938-34**

| AMENDMENT No. | MICROFILMED |
|---|---|
| DATE 17-11-2016 | SURVEYING SERVICES |

**Purchasing Quotation Exemption Granted: 1 April to 30 June 2025**
*(Exemptions granted from the requirement to seek 3 written quotations)*

| Date | Supplier | Description of Goods/Services/Works | Amount (ex GST) | Policy Exemption Clause | Exemption Reason | Purchasing Officer | Approved by |
|---|---|---|---|---|---|---|---|
| 02/06/2025 | Webb Bros Paving Contractors | Road reserve paver repairs | $50,000 | 10.1(b) | The exemption was granted on the grounds that the goods could only be supplied by a particular supplier and there was no reasonable alternative or no substitute goods existed.<br><br>The supplier is the only provider that at the time of the exemption undertook hard packed road paver work. | Manager City Infrastructure | Director Infrastructure and Assets |
| 20/06/2025 | Active Tree Services | Tree pruning, removal or works on trees within clearances of TasNetworks infrastructure requirement Authorised contractor | $84,000 | 10.1(b) | The exemption was granted on the grounds that the services could only be provided by a particular supplier and no reasonable alternative or substitute supplier existed.<br><br>Tree pruning, removal or works on trees within clearances of TasNetworks infrastructure require an Authorised Contractor. There is only one TasNetworks authorised vegetation contractor that services Southern Tasmania, being Active Tree Services. | Arboriculture Program Leader | Director Infrastructure and Assets |


Price and Service Plan 5 Proposal
1 July 2026 – 30 June 2030
TasWater

Image credit – Caleb Nichols-Mansell

Since creation, the Palawa have lived here in Lutruwita - Tasmania. More than 2,000 generations of Aboriginal families have cared for this Country, looking after its lands, seas, skies and waterways.

In the spirit of respect and gratitude, TasWater acknowledges the Tasmanian Aboriginal community as the traditional and ongoing custodians. We pay our respects to them, their culture and to elders past and present.

TasWater commits to working collaboratively and respectfully with the Tasmanian Aboriginal community to protect and sustain the precious resources on this ancient land for future generations.

This Caleb Nichols-Mansell design takes inspiration from the nine river systems - Franklin, Gordon, Huon, Mersey, Pieman, South Esk, North Esk, Tamar and Derwent - that carve through country here in Lutruwita, and acknowledges the nine nations that called this land home prior to the effects of invasion and colonisation.

Surrounding these motifs and connecting all elements of the artwork is flowing water which represents our connection to the waterways that provided us with resources and food to sustain us. Water is life for all people, but particularly First Nations peoples who have relied on healthy waterways to survive for more than 60,000 years before the colonisation of our lands.

The artwork is designed for TasWater as a reflection of the caretaking for our precious waterways and as a reminder of our accountability to First Nations peoples, history and country throughout this island.

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# Foreword

## A balance of price and service that is fair for all Tasmanians for today and tomorrow

### A message from the Chair and Chief Executive Officer

Planning for the future is never easy, especially when the stakes involve water security, clean drinking water, reliable sewerage systems and services, and the protection of the precious Tasmanian environment. Yet, this proposal – TasWater's fifth Price and Service Plan (PSP5) – highlights a reality we can no longer ignore.

For decades, Tasmania's water and sewerage infrastructure has lacked investment. The result is an asset base that is often overstretched, sometimes outdated and, in key areas, underperforming. TasWater manages 38 per cent of the nation's treatment plants while serving just two per cent of its population. That imbalance is the legacy of Tasmania's fragmented approach to water and sewerage service planning and delivery, up until the creation of TasWater to take a whole-of-state approach.

Our improvements over recent years have been significant. Boil-water alerts, or do not consume notices, were once permanent in 28 regional towns but are now a thing of the past. The last boiled water notice was removed in 2018. Leakage rates, which stood at a concerning 29.2 per cent just two years ago, have been reduced to 24.5 per cent, with more work required to reduce leakage to acceptable levels.

Despite this significant progress, our challenge remains. Only nine per cent of Tasmania's sewage treatment plants meet all Environment Protection Authority's licence conditions. That means our waterways, so central to Tasmania's identity, lifestyle, and economy, are being compromised by pollution. Our water and sewer pipes are also still poorly performing. Meeting the growth projections for the State is challenging due to assets performing poorly and being over capacity. We need to do better.

Unfortunately, the future will be more challenging with ageing infrastructure, climate change, increasing customer expectations, higher construction costs over time and increasing regulation.

Addressing our challenge now and in the future requires investment. And, like any utility, the money for the necessary investment largely comes from customers' bills. That's why finding the right balance between price and service is an important focus, and one that must be informed by the people who rely on the system every day.

We chose to collaborate with our customers to help us find the balance of price and service that is fair for all Tasmanians, for today and tomorrow. More than 3,500 Tasmanians participated in surveys, focus groups, community events, and forums. A Community Advisory Panel, which included 45 Tasmanians from all walks of life and from across the entire state, came together over five days to wrestle with the question of what matters most when it comes to water and sewerage services. The answer was clear – affordability, reliability, environmental protection, and better support for vulnerable households. We reconvened the panel in May 2025 to seek their views on our proposed price path and we considered the final options, benefits and risks for Tasmanians. We are grateful for their input into this PSP5 Proposal.

As a result, this PSP5 Proposal rightly puts environmental sustainability, water security, network reliability and clean drinking water at its core. Upgrades to sewage treatment plants and tighter environmental controls will help protect Tasmania's rivers, lakes, and coastal waters. Much needed upgrades to dams, important for water

security and dam safety, and an increase in the rate of proactive renewals to reduce unplanned service interruptions, are also key focus areas.

We share our customers' interest in affordability. We know that we provide an essential service, and we don't want any of our customers to be left behind. We will increase our support for those doing it tough. We will strengthen our TasWater Assist program – which offers tailored payment plans and financial counselling – through greater investment. Our support for customers experiencing difficulty to pay will increase to $2.4 million over the period. This is a compassionate and necessary step toward ensuring that every Tasmanian can access the water and sewerage services they need.

We also know that Tasmanians want more control over their bills. We have heard that loud and clear. Currently, 84 per cent of our water and sewerage bill is made up of fixed charges – the highest proportion in the country. This means people who use less water have little ability to reduce what they pay. In response, we are proposing a more equitable pricing model that puts greater emphasis on the 'user pays' principle, rewarding conservation and encouraging more responsible water use, with 33 per cent of the average residential water and sewerage bill becoming variable. This will result in an immediate reduction in the fixed charge for customers of $176 per annum in the first year of PSP5.

For the past four years, our price increases have been less than inflation. But the reality is that holding prices down means deferring critical upgrades, the costs of which will only grow with time. We are proposing to responsibly break that cycle in this PSP5 Proposal. It's about making smart, targeted investments, aligned with our obligations to our technical regulators, the Environment Protection Authority (EPA), Department of Health (DoH) and Natural Resources and Environment Tasmania (NRE). Our investments will bring our infrastructure up to modern standards, protecting our environment, and future-proofing our services for generations to come.

The results of these necessary investments is an annual price increase of 6.1 per cent, plus 2.7 per cent inflation (8.8 per cent) per annum for the PSP5 period. We understand that Tasmanians are under cost-of-living pressure and so, we have done all that we can to limit our price increase. We have challenged ourselves to be as efficient as possible in preparing our forward capital and operating expenditure forecasts. We have also proposed to delay the recovery of some costs until the following regulatory period, to ensure price increases are sustainable for customers and ourselves.

We believe this PSP5 Proposal, developed in collaboration with our customers and with support from the technical regulators, is in the long-term interests of the Tasmanian community. The 6.1 per cent, plus 2.7 per cent inflation (8.8 per cent) per annum price increase will fund $1.7 billion of much-needed investment in our infrastructure, creating $5 billion in indirect economic benefits and more than 15,000 Tasmanian jobs. We have set new, clear measurable customer outcomes to remain accountable. We have found a way to balance price and service so that our services can reach a sustainable footing. Striking this balance has not been easy. However, one thing is clear, we cannot keep asking future Tasmanians to bear the cost of necessary and critical investment needed today.

We thank everyone who participated in our community engagement program to help develop this PSP5 Proposal. We're looking forward to building on this collaborative approach in the future and applying customer insights across all our activities. We encourage all Tasmanians to have their say in this process with the TER.

Finally, this PSP5 Proposal isn't just about pipes and treatment plants, it's about the kind of Tasmania we want to live in and leave behind for our children and grandchildren. One where clean water is available now and in the future, where our waterways are healthy and clean, where services are reliable, and where every Tasmanian, regardless of circumstance, can rely on a service that is fair, sustainable, and resilient.

Kevin Young
Chair

Brendan Windmeyer
Acting Chief Executive Officer

# Chief Executive Officer's Declaration

In accordance with the Tasmanian Economic Regulator's Price and Service Plan Guideline of October 2024, I declare:

- the information provided in our proposed Price and Service Plan is the best available information of TasWater's financial and operational affairs and has been checked in accordance with the Guidelines.
- there are no circumstances of which I am aware that would render the information provided to be misleading or inaccurate.
- that TasWater's proposed Price and Service Plan has applied the outcomes from each of the Regulator's inquiries into TasWater's approaches to regulatory depreciation, sewerage charging, trade waste charging and the level of service charges.

Certified by the Chief Executive Officer:

Brendan Windmeyer
Acting Chief Executive Officer
Date: 30/06/2025

# Executive summary

This document presents TasWater's 2026-30 Price and Service Plan (PSP) Proposal for the four-year regulatory period commencing 1 July 2026. This PSP Proposal – our fifth such proposal, henceforth referred to as our PSP5 Proposal – meets all the requirements of the Tasmanian Economic Regulator's (TER) Price and Service Plan Guideline for the fifth regulatory period.

## Our PSP5 Proposal at a glance

- TasWater is at a critical juncture. We must invest now to lift the performance of our assets to the standards expected by customers and regulators of a modern water utility, and to avoid passing an even greater financial burden and further environmental degradation onto future generations.
- We have heard, loud and clear, that our community wants us to respond to the challenges we are facing in new and innovative ways. Proactive management, maintenance and replacement of our assets, including the use of technology, was a key recommendation.
- This PSP5 Proposal will see us invest in addressing sewage treatment plants that pose high-risk to the environment, modernising our network to reduce leakage and improve customer service standards, and improving water security for the future.
- We know our community is doing it tough in the current economic climate, so we have been prudent and efficient about our proposed expenditure and sought to minimise the extent of our proposed price increase.
- To keep prices as low as practicable we have set ourselves ambitious efficiency targets, proposing annual operating efficiency reduction of $38 million (or 1 per cent per annum) and $100 million in capital expenditure efficiency (or 6 per cent overall). We plan to do $1.7 billion worth of work for $1.6 billion over the price and services period.
- Yet despite our best efforts, the cost reflective price increase over the next four years is 8.5 per cent plus 2.7 per cent inflation per annum (or 11.2 per cent). Of this, 7.9 per cent of this increase is based on external economic factors beyond our control, including higher interest rates.
- To balance affordability, we are proposing to defer our recovery of $109.6 million of this investment to the next regulatory period, smoothing the effect of price increases for customers over a longer period of time.
- This means our proposed price increase for PSP5 is 6.1 per cent, plus 2.7 per cent inflation (8.8 per cent) per annum for the PSP5 period.
- For the past four years, our prices have increased less than the rate of inflation, capped at 3.5 per cent. Without this proposed price increase, we will not be able to make the investments necessary to address our performance gaps and improve our customer and environment outcomes.
- We will empower and support our customers to manage the change by giving them more control over their bills, moving the proportion of variable charges on an average residential customer's bill from 16 per cent to 33 per cent.
- We will increase our investment to $2.4 million to strengthen our TasWater Assist Program, to offer greater, tailored support to vulnerable customers.

## Our poorly performing assets urgently require investment

Tasmania's history and geography are reflected in the assets we use to provide water and sewerage services today. Small, dispersed communities with low, stable population growth rates and rugged terrain across Tasmania gave rise to localised, incremental water and sewerage systems that were the responsibility of local councils for many decades. The small size of councils across the state limited their financial capacity to invest in maintaining and replacing water and sewerage infrastructure.

An inconsistent approach in quality and pricing of services was the inevitable result, which became a driver for amalgamation – firstly to three water corporations and one shared service entity, and then to TasWater in 2013. Most of the assets that TasWater inherited were reminiscent of our past – small and localised, in poor condition and performing poorly. The historical lack of adequate investment in water and sewerage assets is well established as a key driver of the water industry reform in Tasmania over the last 20 years.

For 12 years, we have focused on bringing all Tasmanian communities to the same high level of drinking water quality – building 30 new water treatment facilities, removing 28 public health alerts for drinking water and replacing Tasmania's largest water treatment plant with a world class facility at Bryn Estyn. The new Bryn Estyn Water Treatment Plant ensures improved water quality and security for greater Hobart for the next 50 years.

We must now increase the attention paid to other assets that are under-performing, particularly our pipeline networks, our sewage treatment plants and our high-risk dams. We must also lift our digital investment; contemporising our business practices to achieve greater efficiency and increasing our data protection in the face of rising external threats.

Our current reality is:

- Until recently, we could not account for almost one-third of the water we produced. Today, we cannot account for about 24.5 per cent.
- Out of our 77 Level 2 sewage treatment plants, 23 per cent are classified as 'high risk' to the receiving environment in which they discharge. Furthermore, only nine per cent of these sewage treatment plants are compliant with all environmental licence conditions.
- We have an unacceptably high number of sewer breaks and chokes compared to other major water businesses across Australia – in 2023-24, we averaged more than 64 sewer mains breaks and chokes per 100 kms compared to the Australian median of 26.
- Likewise, we have a high number of water main bursts and leaks compared to other major water businesses across Australia – in 2023-24, we averaged more than 43 water main bursts and leaks per 100 kms compared to the Australian median of 18.
- Our network of pump stations and treatment plants is being monitored by outdated and unsupported telemetry systems, increasing the risks of operational failures going undetected.
- Our poor performing infrastructure is currently unable to meet many of the PSP4 service standards – in 2023-24, we failed to meet 12 out of 19, or 63 per cent, of our targets.
- We calculate that only 48 per cent of our customers are currently supplied by a system capable of delivering our proposed water security service levels. That water restrictions are required no more than once in 10 years, for a period of no more than six months on average and have a minimum water availability of 100 litres per person per day.
- We must continue to invest to support the growth in the residential and industrial/ commercial sectors being planned by local councils and as set out in the State Government's housing targets.
- Climate change continues to impact on our planning and operations, with increasing climate variability increasing investment needs for the future.

This is a collective challenge that reflects our past. Our proposal charts a prudent, yet necessary, course to address these challenges and put Tasmania's water and sewerage services on a sustainable setting.

## Our regulatory obligations and community expectations have increased

Understanding the views and preferences of our customers and community sentiment and priorities is essential in deciding how we respond to the challenge that we face as a community. Meeting the continually evolving requirements of our health, environment and dam safety regulators, who are representing the interests of our customers, is also critical.

Tasmanians benefit from our services, however they also bear the costs of our operations and investment in capital upgrades. So, we know it is important to let customers have their say on how quickly, and to what extent, we upgrade and modernise our systems to deliver what our customers and regulators want over the next regulatory period.

We undertook our most comprehensive customer engagement program ever over the last two years, with our extensive engagement activities culminating in the deliberations of our Water Future Community Advisory Panel (our Panel).

More than 3,500 Tasmanians registered to have their say on Tasmania's water future, from which 500 went on to express an interest in being part of our Panel. Forty-five demographically representative[1] community members were independently chosen and placed at the heart of our decision-making process for preparing this PSP5 Proposal.

We have been transparent with customers about the scale of our challenge, the size of the investments that are necessary and the potential price impact this would have.

We heard, loud and clear, that our community wants us to respond to the challenges we are facing in new and innovative ways. Proactive management, maintenance and replacement of our assets, including the use of technology, was a key recommendation.

Supporting customers to have greater control over their water usage and bills, through more volumetric based pricing, greater support and enhanced water efficiency programs, were also recommended.

Overwhelmingly, our community told us that we need to work harder to protect and improve our environmental performance. These sentiments are shared by our technical regulators; the Environment Protection Authority, Department of Health and the Department of Natural Resources and Environment Tasmania. More than half of our proposed capital expenditure over the next four years is directly driven by regulatory obligations, particularly meeting those obligations for environmental discharge from our sewage treatment plants.

**Figure 1. Our PSP Outcomes**

| WHAT WE HEARD | | | | | |
|---|---|---|---|---|---|
| **Fixing leaks** | **Securing water for our future** | **Providing reliable services and responding to faults quickly** | **Being easy to deal with and providing support** | **Protecting our environment and waterways** | **Give customers greater control over their bill** |
| WHAT WE WILL DELIVER | | | | | |
| Reduced leakage in our system | Improved water security | Reduced instances of unplanned interruptions and poor service outcomes | Improved customer satisfaction and resolving issues | Reduced environmental impact | Charging based on usage |
| | Support customers to conserve water | Timely response and restoration of unplanned interruptions | Increase effectiveness of TasWater Assist | | |
| | | Maintain safe drinking water | | | |

1 Refer Section 3.4 for further details of the Water Future Community Advisory Panel demographics.

We are also embracing innovation, increasingly looking upstream and downstream of our assets to find new solutions to customer and environmental problems. These can be non-traditional, and less capital-intensive, investment options that represent the lowest 'whole of system' cost and the best customer and environmental outcomes. Examples of these solutions include the beneficial reuse of treated sewage effluent or nutrient offsets to achieve improved environmental outcomes at least cost.

In response to the challenge we are facing, and guided by what we have heard from our customers, we are committed to the delivery of 10 key outcomes over the PSP5 period. These outcomes, summarised in Figure 1, form the foundation of our PSP5 Proposal.

## We must prudently invest now to lift our performance

If we don't invest now, we'll continue to fall behind the catch-up investment required to maintain and replace our assets, creating larger challenges and increasing the urgency of response; resulting in customer price impacts that are unsustainable for future generations. For example, the rate of leaks, breaks and chokes in our networks will not improve, and in fact are likely to worsen, unless we deliberately increase the investment in pipeline renewals.

Less investment than proposed in our PSP5 Proposal will manifest as further decreasing levels of customer service, and further increasing environmental impacts, as the condition of our already poor-performing and ageing assets continue to decline and put further strain on our already overloaded systems. Confronting our current reality and making prudent investment now to modernise and consolidate our asset base will avoid large-scale and urgent investment in the future to address increasing rates of failures once they occur. The costs of workarounds for our poorly performing assets is not sustainable in the future.

Our PSP5 Proposal builds the foundation for modern, rationalised sewerage systems in Hobart and Launceston. The decommissioning of the Macquarie Point Sewage Treatment Plant and the upgrade of the Selfs Point Sewage Treatment Plant will enable, in time, the rationalisation of a further three Sewage Treatment Plants in Hobart. The commencement of the upgrade of the Ti-Tree Bend sewage treatment plant will ultimately result in the decommissioning of six sewage treatment plants across Launceston over subsequent pricing periods. These programs of work will deliver much improved environmental and public health outcomes in the Derwent and Tamar estuaries respectively, and support growth in these regions.

We know that all of our challenges are fixable, given the time, resources and funding to prioritise and address them. We are also serious about our responsibility to deliver cost-effective services, because we know that we provide essential services that Tasmanians cannot live without, and that Tasmanians are doing it tough in the current economic climate. Yet the lessons from the United Kingdom tell us that failure to address our challenges in the near-term, by deferring critical investments, will only increase the long-term costs to customers and risk losing customer trust in the water sector.

As such, we have developed long-term 50-year plans[2] that chart the investment we need to make, but we have prioritised carefully to ensure that our expenditure over the next four years remains prudent and efficient, and limits resultant price increases. Only those investments with the greatest positive outcome for customer services, environment and reducing risk and future costs have been included in our PSP5 Proposal.

We have demonstrated our ability to deliver large and complex capital programs, successfully increasing the annual capital investment delivered over our first 12 years. We are currently forecasting to meet our approved PSP4 capital expenditure allowance and we are expecting to exceed our long-term plan to deliver $1.7 billion of infrastructure between the years of 2016-17 and 2025-26, agreed as part of our 2018 Memorandum of Understanding with the State Government[3]. Our increased capital delivery capability is illustrated in Figure 2.

Delivery of the outcomes to which we are committed over the PSP5 period will require a further $1.7 billion in capital investment. We will, however, only recover $1.6 billion of this from customers. The outcomes of our proposed capital plan are provided in Figure 3.

2 Our regional master plans and water security plan will be provided to the TER as part of this PSP5 Proposal.
3 In 2018, TasWater and its owners signed a Memorandum of Understanding with the State Government to progress reforms of the water and sewerage industry. In the MoU, TasWater committed to use its best endeavours to undertake a $1.7 billion infrastructure investment program in the 10 years to 2025-26.

**Figure 2. Actual and proposed capital expenditure[4]**

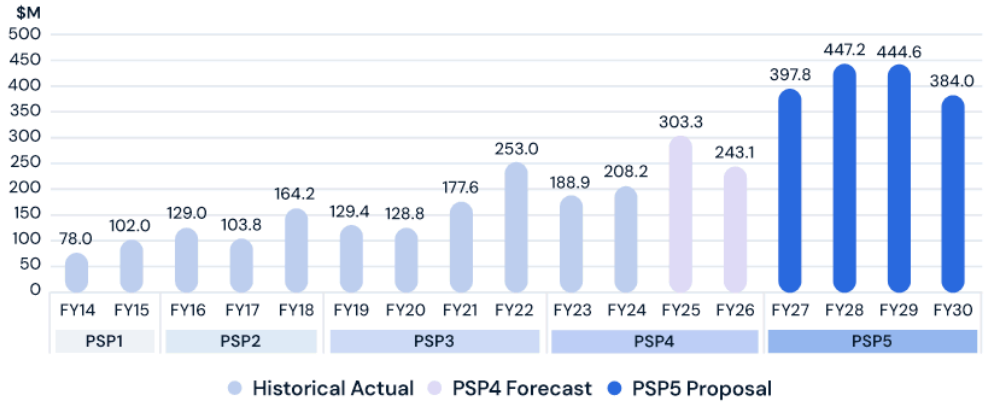
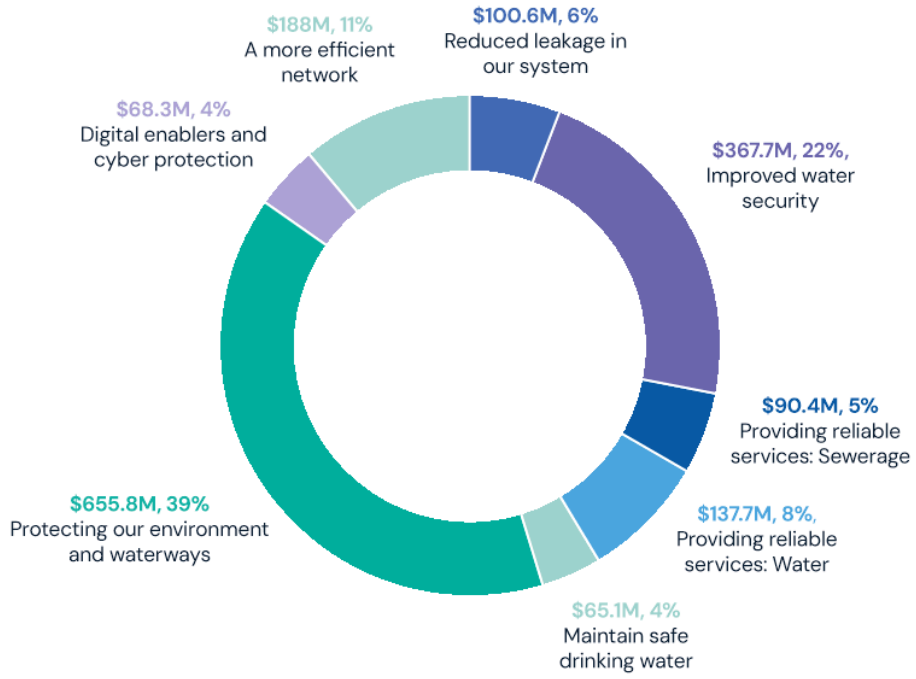



**Figure 3. How our proposed capital investment supports our PSP5 outcomes**




4 All estimates provided in this PSP5 Proposal are expressed in nominal value terms unless otherwise noted.

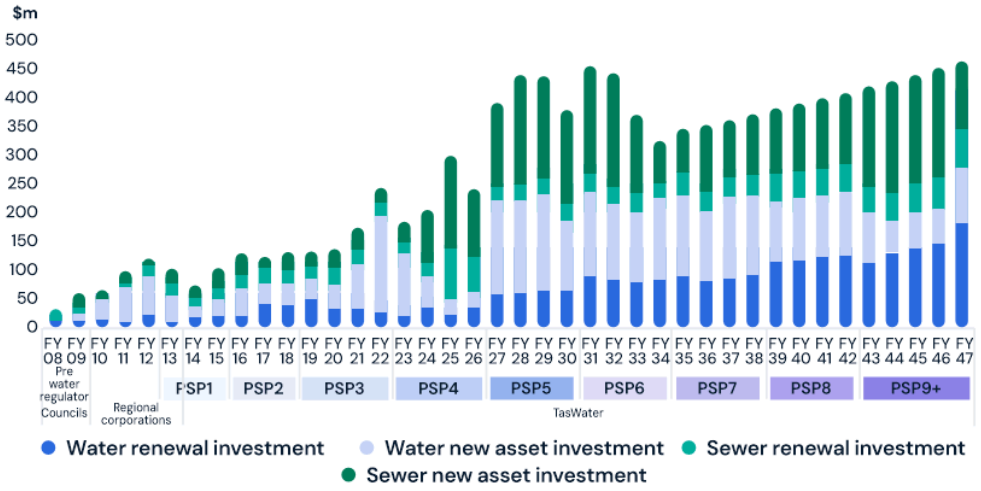
Our proposed investment will:

- **Reduce leakage in our system $100.6 million:** This will reduce leakage in our water networks from 24.5 per cent water lost through leakage to 14.4 per cent, which represents a cost-effective level of leakage[5] through a dedicated $100.6 million program to target replacements in high leakage areas and to use technology to better monitor the network.
- **Protecting our environment and waterways $655.8 million:** We will complete the Selfs Point Sewer Transformation Project and commence the Launceston Sewer Transformation, laying the foundation for modern sewerage systems in Hobart and Launceston[6]. This will greatly improve environmental outcomes in the Derwent and Tamar estuaries.
- In addition, we will upgrade nine sewage treatment plants that are assessed as high environmental risk discharge and commence investment to address a further six high risk sewage treatment plants in PSP6. This will improve environmental outcomes and compliance as agreed with the Environment Protection Authority (EPA) in our Wastewater Risk Management Plan.
- **Maintain safe drinking water $65.1 million:** We will maintain our high level of drinking water quality and lower the risks associated with drinking water quality in our regional towns aligned with the health-based targets set by the Department of Health.
- **Improved water security $367.7 million:** We will upgrade two important dams that are currently below dam safety guidelines, being Ridgeway Dam in Hobart ($143.8 million) and Pet Dam in Burnie ($97.1 million), as well as monitoring and assessing other dams as part of our Dam Safety Risk Management Plan endorsed by the Dam Safety Regulator.
- We will reduce the percentage of customers at risk of water restrictions caused by lack of water security (excluding periods of greater than 1.10 year drought) from 15.6 per cent to ≤3 per cent.
- **Providing reliable water and sewerage services $137.7 million and $90.4 million respectively:** We will increase the reliability of our services, investing in much needed pipe and pump station renewals in our poorly performing asset base, including $95.2 million in water mains renewals to bring the rates of water mains breaks and bursts per 100kms from 42.8 to ≤16 and $30.1 million in sewer mains renewals to bring the rates of sewer mains breaks and chokes per 100kms from 63.9 to ≤20.
- **A more efficient network $188.0 million:** We will invest in our metering renewals ($45.1 million), electrical and SCADA equipment ($87.4 million) and other supporting infrastructure to ensure we can appropriately bill customers, and manage our infrastructure and operations effectively.
- **Digital and cyber $68.3 million:** We will invest in our outdated digital infrastructure to comply with our obligations, keep our information safe from cyber attacks and ensure we have appropriate core systems.

We know that our most pressing challenges cannot be solved overnight. We have taken a prioritised and staged approach to investment, keeping our PSP5 Proposal responsible in the context of our long-term plans. Closing all of our performance gaps will take multiple price and service plan periods. Figure 4 illustrates our changing focus of our capital investments over time. The past 10-years has predominantly focussed on improving drinking water quality and public health outcomes. This focus is now shifting in PSP5 and beyond to improve environmental compliance with regulatory requirements, uplift the performance of our assets to meet the expectations of our customers, ensure water security and enable growth.

5 This is based on the existing definition of non-revenue water currently applied.
6 The Hobart and Launceston Sewerage Improvement Plans and the supporting businesses cases are provided as supporting information to the PSP5 Proposal.

**Figure 4. Focus of our capital investments in the context of TasWater's journey**




| Before 2008 | 2008–2013 | PSP2 & 3: 2013–2022 | PSP4: 2022–2026 | PSP5: 2026–2030 | PSP6 and beyond |
|---|---|---|---|---|---|
| Local Government | Water industry reform and regional businesses | TasWater established and addresses public health challenges | TasWater consolidates and improves performance and capability | TasWater uplifts environmental and customer service outcomes | Continue journey to meet customer expectations for service and environmental outcomes |
| • Each Council ran water and sewerage service in isolation without the benefits of scale.<br>• This produced a very large number of small, dispersed, basic infrastructure.<br>• Most of these assets are incapable of meeting modern regulatory standards and service levels fall well below industry benchmarks. | • Condition assessment of assets commences.<br>• Minimum service levels first introduced.<br>• Economic regulation introduced and new pricing.<br>• Some progress made for public health but not for environmental impact.<br>• The utilities did not have the scale or capabilities to address the challenges they inherited. | • Establishment of TasWater as a single entity.<br>• Drinking water safety was the major priority.<br>• Regular Public health alerts eliminated and achieved 100 per cent compliance with Australian Drinking Water Quality Guidelines.<br>• Several major dams upgraded.<br>• Prices harmonised across the state and capped from 2019.<br>• Capital Delivery Office established. | • Prices remain capped under inflation.<br>• Major leak reduction program initiated and network renewals increased.<br>• Improvements to organisational culture and safety.<br>• Major uplift in capital delivery capability.<br>• Completed upgrade of TasWater's largest water treatment plant, Bryn Estyn, which serves greater Hobart.<br>• Major uplift in long term asset planning (regional master plans).<br>• Commence rationalisation and upgrading sewage treatment plants. | • Step-change toward user pays pricing and encouraging more water conservation.<br>• Improved environmental outcomes, reducing high environmental risk sewage treatment plants.<br>• Completion of Selfs Point Sewer Transformation project and commencement of Launceston Sewer Transformation.<br>• Improve the performance of our network assets to average industry practice, uplifting customer service.<br>• Upgrade our high-risk dams to ensure we meet our dam safety obligations. | • Deliver long-term plan to eliminate high-risk environmental discharge from sewage treatment plants and achieve environmental compliance.<br>• Step-change improvements in performance of our network based on renewing legacy assets.<br>• Water security and renewal such as the North West Water Supply Strategy. |

We recognise our role in enabling Tasmanian economic development. This proposal will ensure we cater for, and fairly fund, investment in growth. We have used State Government and local council outlooks to forecast modest growth in our customer base of 0.9 per cent per annum. A lack of investment in water and sewerage infrastructure will become a roadblock to Tasmanian prosperity.

We know that our most pressing challenges cannot be solved overnight. We have taken a prioritised and staged approach to investment, keeping our PSP5 Proposal responsible in the context of our long-term plans. Closing all of our performance gaps will take multiple price and service plan periods. Figure 4 illustrates our changing focus of our capital investments over time. The past 10 years has predominantly focussed on improving drinking water quality and public health outcomes. This focus in now shifting in PSP5 and beyond to invest in environmental outcomes, uplift the performance of our assets, ensure water security and enable growth.

There are large indirect benefits to the Tasmanian community of this PSP Proposal. Our prioritised $1.7 billion capital plan will create more than **15,000 Tasmanian jobs** and more than **$5 billion in indirect economic** benefit for Tasmania[7].

## We have sought to minimise proposed price increases wherever possible, however external factors are putting upward pressure on prices

While each regulatory period faces different circumstances, our PSP5 Proposal coincides with particularly challenging economic conditions. We are acutely aware that the cost of living is a major concern of Tasmanians. Our customers have told us this.

Our business, too, is experiencing a period of high-cost inflation and rising interest rates. What does this mean for our PSP5 Proposal? We have more upward pressure on prices, much of which is driven by external factors beyond our control.

Our prices were last set shortly after the dramatic effects of COVID-19 disrupted global and local economies. In this time of uncertainty, making accurate forecasts of inflation and interest rates for the forthcoming four-year regulatory period was nigh on impossible. As expected, the forecasts factored into our latest price path did not reflect reality, with interest rates rising higher, and more quickly, than forecast. This has meant our prices have increased less than CPI, year on year, whilst our input costs have in fact increased.

7 Based on latest input-output tables published by the Australian Bureau of Statistics (ABS) Australian National Accounts: Input-Output Tables 2020-21, Cat. No. 5209.0.55.001.

The combined effects of movements in inflation and interest rates, beyond what was expected when our prices were set for the PSP4 period, put us in the unenviable position of facing significant unavoidable price increases even before we factor in the prudent expenditure we need to lift our asset performance. While we have kept our price increases capped at 3.5 per cent per annum in the current price period, we have experienced cost inflation far greater than this across our supply chain. This is demonstrated by comparing our bill increases to actual inflation over the last five years, provided in Figure 5.

Faced with this environment of increasing costs, we have been disciplined about cutting costs and delivering our services efficiently over the PSP4 period. We have met our efficiency targets in this current period, after adjusting for actual inflation. Now we are doubling down on our efforts to be even more efficient.

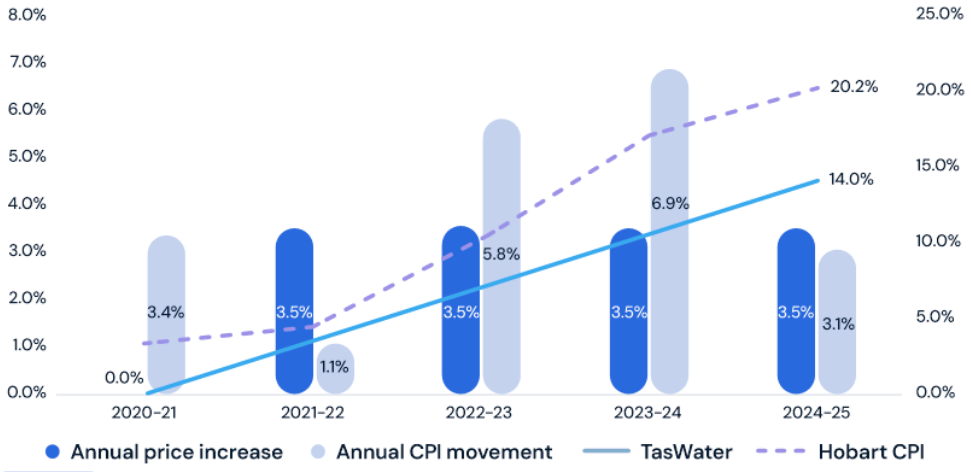
Looking forward to the PSP5 period, our proposed operational expenditure forecast is a total of $1.1 billion over the four years of the PSP5 period. This is $242.2 million higher than what was approved in PSP4. When adjusted for inflation, this is a total increase of 10.5 per cent (in real terms).

Half of this increase is driven by CPI inflation and demand growth ($124.1 million). The remainder is primarily driven by an increase in our base year to recover annual leave and long service leave ($51.9 million), never before recovered, and customer connection operating costs ($28.7 million) that is offset by revenue.

Faced with increases in costs, we have again set ourselves an ambitious operating expenditure efficiency target of 1.0 per cent per annum, representing a $38 million reduction in operating costs. We have also set ourselves a $100 million capital efficiency target, to be achieved by increased efficiency through our capital planning and delivery frameworks. This efficiency approach reduced the revenue that we recover from customers by a further $8 million, resulting in a total reduction of $46 million over the PSP5 period for our efficiency approach.

We have also taken the hard decision to propose deferring the recovery of a portion of our proposed cost-reflective revenue in PSP5. This lowers the annual price increase in PSP5 and will defer recovery of $109.6 million revenue until PSP6. Based on information available today, this will increase the forecast price increase in PSP6 from 0 per cent per annum to 5.4 per cent per annum (including inflation). We propose to include the deferred revenue in our Regulated Asset Base to recover this in PSP6. In this way, we are hoping to

**Figure 5. TasWater price increases compared to CPI increase[8]**



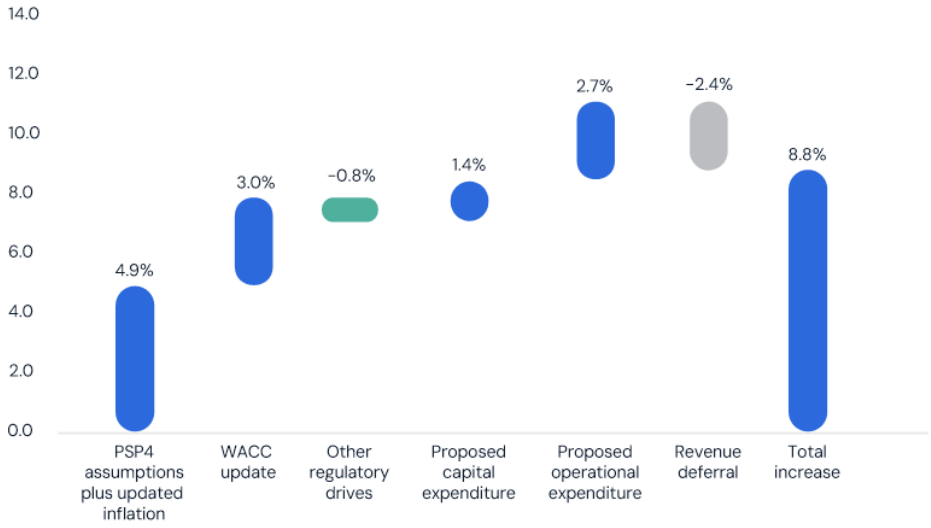

8 CPI based on the ABS Hobart All-groups index, using March to March annual movement that precedes the financial year.

lessen the impact of price increases to customers, essentially 'smoothing' the price impact over a longer period.

After considering the necessary investments in PSP5, and after our disciplined approach to efficiency and revenue recovery, we propose to increase our prices by 6.1 per cent, plus inflation of 2.7 per cent per annum, resulting in a price increase of 8.8 per cent for each year of the PSP5 period. This would have been a 11.2 per cent per annum price increase without our proposal to defer some revenue recovery until PSP6.

As outlined in Figure 6, inflation and interest rates that are driven by external economic factors, make up 7.9 per cent of our proposed 11.2 per cent cost reflective price increase. These are necessary to ensure that we have enough revenue to meet our efficient costs. These factors are returning toward their long-term averages since the PSP4 determination, which was made at a time of relatively low interest rates and high inflation. The impacts of our capital and operating expenditure proposals, and our proposed revenue deferral are also included in Figure 6.

**Figure 6. Price increase drivers for PSP5**




Taking our ambitious efficiency targets into account, the remainder of our proposed price increase is made up of our planned capex (1.4 per cent) and opex (2.7 per cent). While we do have greater control over our planned expenditure, as outlined above, much of this is driven by regulatory compliance and necessary performance improvements.

For example, 54 per cent of our planned capex is directly related to regulatory requirements – covering everything from environmental compliance through to cyber security requirements – therefore, there is no scope to reduce or defer this expenditure.

While we have unique Tasmanian circumstances, we are not alone in facing the challenge of balancing increasing investment needs with relatively low water bills (our bills currently make up approximately 1.2 per cent of Tasmanian household expenditure). National benchmarking suggests this is a challenge across Australia and indeed many have made the comparison to the United Kingdom where a failure to invest in services has triggered the largest review of the legislative and regulatory framework in the United Kingdom in many decades. We must ensure our infrastructure keeps up with regulatory and customer expectations and we do not

compromise the living standards of Tasmanians or leave an unfundable legacy for future generations.

Importantly, this means average household annual bills will increase by $522 from the beginning to the end of the four-year period, from $1,4073.23 to $1,928.82 (including inflation). This equates to an average bill increase across the PSP5 period of $5 per customer per week. The price increases and the proposed prices are provided in Table 1 and Table 2. Our proposal will have different impacts on each of our customer cohorts, which are outlined further below.

**Table 1. Proposed overall water and sewerage regulated price increases in PSP5 (including inflation)**

| Tariff | FY26 | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| Regulated water and sewerage price increase including inflation | -- | 8.8 per cent | 8.8 per cent | 8.8 per cent | 8.8 per cent |
| Average annual residential water and sewerage bill | $1,407.23 | $1,497.64 | $1,629.43 | $1,772.82 | $1,928.83 |

**Table 2. Proposed water and sewerage prices in PSP5**

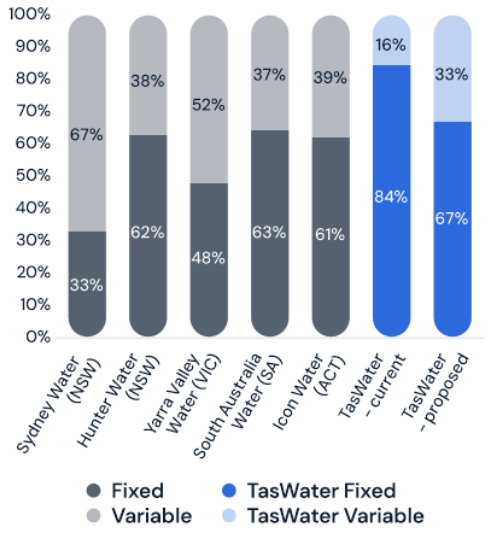
| | FY26 | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| **Fixed water charge** | | | | | |
| 20mm | $407.33 | $345.73 | $376.15 | $409.25 | $445.27 |
| 40mm | $1,629.32 | $1,382.91 | $1,504.60 | $1,637.01 | $1,781.06 |
| 200mm | $40,732.89 | $34,572.64 | $37,615.04 | $40,925.16 | $44,526.57 |
| **Fixed sewerage charge** | | | | | |
| Minimum charge | $781.69 | $667.54 | $726.28 | $790.19 | $859.73 |
| **Variable water charge** | | | | | |
| Full service ($/kL) | $1.26 | $1.81 | $1.97 | $2.14 | $2.33 |
| **Variable sewerage charge** | | | | | |
| Full service ($/kL) | $0.00 | $1.10 | $1.20 | $1.30 | $1.42 |
| **Residential sewerage discharge cap (kL)** | | | | | |
| kL | 0 | 240 | 240 | 240 | 240 |

## We will empower our customers by giving them more control over their bills

Our PSP5 Proposal introduces an important step-change to the way prices are structured in Tasmania, so that customers can have more control over their bills.

Our bills have a much larger proportion of fixed charges than other water businesses across Australia, with approximately 84 per cent of our average residential bill being fixed. As a result, our customers have very little control over the amount of their bills and are not rewarded for using less water in their home and businesses. The comparison to our interstate peers is shown in Figure 7.

**Figure 7. Fixed and variable bill splits of Australian utilities[9]**




Customers have told us they want more control over their bills. The Tasmanian Economic Regulator (TER) has also completed an inquiry into sewerage tariffs and determined that a change to tariffs is required. We have listened to this feedback, and we propose to change our pricing structure as a result.

We will step-change to a 33 per cent proportion of variable charges, which are based on usage. This will immediately lower the service (fixed) charges to customers, with an average customer immediately saving $176 per annum on their service charge. This important reform will give customers greater control of their bills and reward them for using less water, signalling the true value of Tasmania's precious water resources. It will be complemented by a program of customer communications and water conservation initiatives to support customer behaviour change.

Increasing our usage charges and reducing fixed charges was overwhelmingly supported by customers who completed our bill simulator survey and was a key recommendation from our Water Future Advisory Community Panel.

As a result of this change, fixed water charges will reduce by 15 per cent (from $407 to $346) and fixed sewerage charges will reduce by 15 per cent (from $782 to $668) in the first year of PSP5, (commencing 1 July 2026). On average, 32 per cent of residential customers will pay less under our new pricing arrangements than they would have under a continuation of our current pricing structure in the first year of the PSP5 period[10]. For our non-residential customers, under our tariff reform proposal 63 per cent of customers (or an estimated 10,300 customers) will pay less in the first year of the PSP5, even after the proposed price increase.

We are also moving away from the current basis of sewerage charging to a conventional fixed and variable charge, to simplify billing arrangements for customers and reinforce their ability to control their bills through variable charges. This will see us move away from using the equivalent tenement[11] basis of sewerage charging, consistent with the findings of the TER's inquiry. The proposed new sewerage variable charge will be based on a discharge factor applied to the volume of water consumed at a property.

With any tariff reform there will be those that pay more and those that pay less in their total annual bill. However, we believe our proposal has customer support, gives customers more control over the size of their bill and provides the right incentives for customers to reduce water consumption. This is not only fairer for customers but will also have other benefits such as deferring major water supply capital investment and improving our impact on the environment.

9 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24).
10 Taken in isolation of the proposed price increase, our tariff reform proposal will result in 62 per cent of customers paying less.
11 An Equivalent Tenement (ET) is a measure used to estimate the impact of a property on water and sewerage infrastructure. We received consistent feedback from customers that this is not well understood.

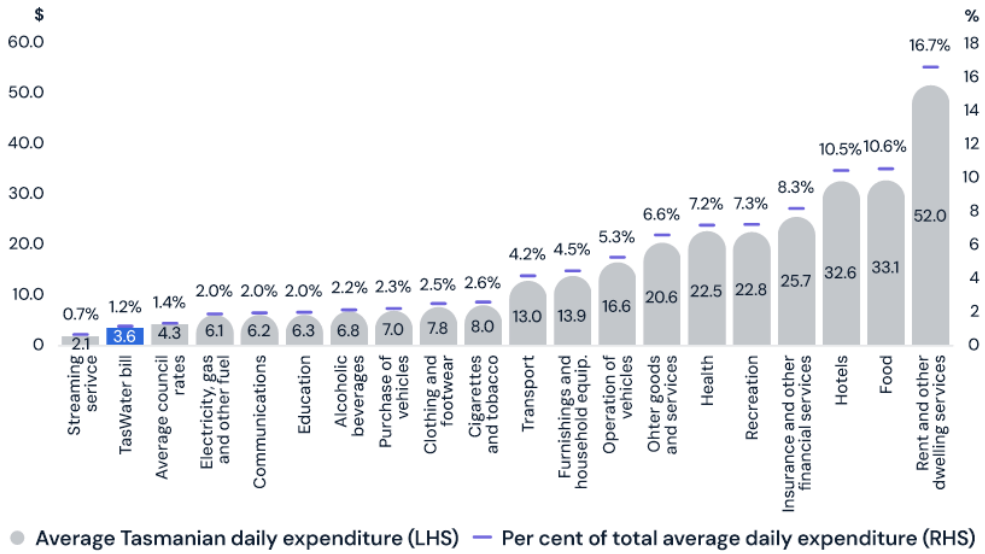
## We will support our customers by strengthening our hardship program to offer greater, tailored support

Affordability has been a key concern among our customers and stakeholders as we have prepared our PSP5 Proposal. Measuring affordability is challenging, as it depends on each customer's unique circumstances and perspective. We estimate that our water and sewerage bill currently makes up 1.2 per cent of Tasmanian household expenditure, or $3.60 a day, as outlined in Figure 8[12].

We have benchmarked our price increases for affordability, consistent with other jurisdictions that apply a benchmark for water and sewerage bills to be below 3 per cent of household income. Our PSP5 Proposal remains affordable for median Tasmanian households over the period by this definition.

Despite our bills forming a relatively low proportion of typical household costs, we understand that there are customers in Tasmania that struggle to pay the bills for their basic household needs. Our proposed price increases will impact these households to a larger extent, so we will increase our support in PSP5 for customers who have difficulty in paying their bills. When both the proposed price increase and our tariff reform proposal are considered, the bill impact across customer cohorts are provided in Table 3.

**Figure 8. Average TasWater bill as a percentage of daily Tasmanian household expenditure**




Customers who are low water users (using less than 80kL per annum) will receive an overall reduction to their bill of $53 in the first year, including the impact of the price increase in that year. There is an estimated 62,900 customers in this cohort. A customer who uses the median residential usage, will see their bill increase by $35 in the first year and a large family will see their bill increase by $307 in the first year, after the price increase.

We are committed to supporting our customers through our customer assistance program, TasWater Assist.

12 ABS Australian National Accounts: National Income, Expenditure and Product (December 2024).

**Table 3. Proposed bill impacts for customer cohorts – inclusive of proposed price increases and proposed tariff reforms**

| Financial Year | Est Cus-tom-ers | Consumption | | | 2026 | 2027 | | | 2028 | | | 2029 | | | 2030 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer cohort | No. | Min kL | Max kL | kL bill comparison | $ Annual bill | $ Annual bill | % increase from FY26 | $ increase from FY26 | $ Annual bill | % increase from FY26 | $ increase from FY26 | $ Annual bill | % increase from FY26 | $ increase from FY26 | $ Annual bill | % increase from FY26 | $ increase from FY26 |
| Pensioner, single | 62,870 | 0 | 120 | 80 | 1,290 | 1,237 | -4.1% | -53 | 1,346 | 4.4% | 56 | 1,465 | 13.5% | 175 | 1,593 | 23.5% | 304 |
| 2 person household | 55,857 | 120 | 200 | 160 | 1,391 | 1,461 | 5.1% | 70 | 1,590 | 14.3% | 199 | 1,730 | 24.4% | 339 | 1,882 | 35.3% | 491 |
| Small family (2 adults, 1 child) | 33,003 | 200 | 280 | 240 | 1,492 | 1,712 | 14.7% | 220 | 1,862 | 24.8% | 371 | 2,026 | 35.8% | 534 | 2,204 | 47.8% | 713 |
| Family (2 adults, 2 children) | 16,312 | 280 | 359 | 320 | 1,593 | 1856 | 16.6% | 264 | 2,020 | 26.8% | 427 | 2,197 | 38.0% | 605 | 2,391 | 50.1% | 798 |
| Large family (5 people) | 8,111 | 359 | 439 | 400 | 1,694 | 2,001 | 18.2% | 307 | 2,177 | 28.6% | 484 | 2,369 | 39.9% | 675 | 2,577 | 52.2% | 884 |
| 6+ person household | 10,843 | 439 | N/A | 479 | 1,793 | 2,144 | 19.6% | 351 | 2,333 | 30.1% | 539 | 2,538 | 41.5% | 745 | 2,761 | 54.0% | 968 |
| Business | -- | 310 | N/A | 310 | 1,580 | 1,838 | 16.3% | 258 | 2,000 | 26.6% | 420 | 2,176 | 37.7% | 596 | 2,368 | 49.8% | 787 |
| Tenant | -- | 163 | N/A | 163 | 206 | 456 | 122.0% | 251 | 497 | 141.5% | 291 | 540 | 162.8% | 335 | 588 | 185.9% | 382 |
| Average household | -- | 173 | N/A | 173 | 1,407 | 1,498 | 6.4% | 90 | 1,629 | 15.8% | 222 | 1,773 | 26.0% | 366 | 1,929 | 37.1% | 522 |
| Median household | -- | 154 | N/A | 154 | 1,362 | 1,397 | 2.6% | 35 | 1,520 | 11.6% | 158 | 1,654 | 21.4% | 292 | 1,799 | 32.1% | 437 |

We have allocated greater investment in this program over the PSP5 Period, targeting earlier intervention to support customers when they first need help and offering more forms of payment support. This will include providing additional effort in increasing the awareness of TasWater, early intervention for customer undetected leaks, increased investment in case management support for customers in need, warm referrals for customers to access other support services and support.

We will also increase our role in helping customers take greater control of their water use, and lower their bills, through education and water efficiency programs, including leveraging our successful annual water conservation campaigns to provide on-going and year-round support for customers to change their water usage behaviours. This will continue to focus on water literacy and water education, and new support for subsidised water efficient products and water efficiency audits, particularly for those struggling to pay their bills.

We will expand our communication about customer assistance to ensure those who need support are aware it's available. We will also check to ensure the support we provide is meaningful and effective for customers.

**Our proposal will address our long-standing under-investment and pressing regulatory commitments. It will put TasWater on a sustainable footing for the future, by striking the balance of price and service outcomes that is fair for all Tasmanians both today and for tomorrow.**

# Section 1. The context for this proposal

# 1. Shaping Tasmania's water future

### Our operating context

- Tasmania's unique history and geography are reflected in the mostly small, localised, ageing and poor performing assets we use to provide water and sewerage services today.
- We have significantly more assets per customer than our interstate peers, with varying levels of legislative compliance and service performance. On average, each of our water treatment plants serves 3,700 customers and each of our sewer treatment plants serves 2,500 customers. The average of our interstate peers is 71,500 and 40,500 customers per water and sewer treatment plant respectively.
- Over the past 12 years, we have invested to improve drinking water quality and security across the state – all whilst keeping prices generally in line with inflation.
- However, we must now focus our attention on lifting other aspects of our performance that are not comparable with a modern water utility, whilst also responding to the inflationary pressures that are impacting our business.
- Our ambitious, outcomes-based Strategy positions us to prepare for and respond to the changing world around us.
- Our PSP5 Proposal focuses our attention on delivering those outcomes that matter most to customers over the next four years.

This section of our submission sets out the key operating context and drivers relevant to the development of our PSP5 Proposal, including:

1.1 Our purpose and obligations
1.2 Our services
1.3 Our customers
1.4 Our people
1.5 Our history
1.6 Our governance and ownership
1.7 Our progress to today
1.8 Our strategy for the future
1.9 Our delivery over the next four years – PSP5

## 1.1 Our purpose and obligations

TasWater's purpose is to provide exceptional water and sewerage services for a thriving Tasmania.

We source, treat and deliver water to our customers to ensure they can live their lives, trusting that when they turn the tap on, they're getting high-quality water. We also collect, transport and treat sewage from homes and businesses and safely return effluent to the environment, doing our part to ensure Tasmanian waterways are protected for future generations.

But our role is greater than just taps and toilets. From our homes to our businesses, our ecosystems to our economy, our health to our heritage – the delivery of high quality, reliable water and the safe, efficient treatment of sewage is fundamental to all aspects of Tasmanian prosperity. A snapshot of our business is provided in Figure 1.1[13].

**Figure 1.1. TasWater at a glance**


13 All numbers above are current as at May 2025, with the exception of sewage treated and recycled water supplied, which are current at April 2025.

Our operations are subject to a range of legislative and regulatory requirements. We are governed by the *Corporations Act 2001 (Cth)* and have specific objectives that have been prescribed for us in the *Water and Sewerage Corporation Act 2012 (Tas)*, which we are obliged to meet. These include to:

- efficiently provide water and sewerage functions in Tasmania
- encourage water conservation, the demand management of water and the reuse of water on an economic and commercial basis
- be a successful business, and to this end
  - operate its activities in accordance with good commercial practice
  - deliver sustainable returns to its shareholders
  - deliver water and sewerage services to customers in the most cost-efficient manner.

Our prices for water and sewerage services are subject to economic regulation. Specific pricing obligations have been also prescribed for us in the Water and Sewerage (Pricing and Related Matters) Regulations 2001, made under section 66 of the *Water and Sewerage Industry Act 2008* (Tas). We are required to meet these obligations as well as satisfy the pricing principles set out in section 68 of this Act. These include:

- pricing that reflects only the efficient costs of doing business
- cost recovery pricing that is reflective of the costs incurred to deliver particular services to particular customers, so there is no double-dipping or over-recovery
- efficient pricing through a mix of fixed and variable charges, where variable charges are no greater than the variable costs of providing the service unless there are specific constraints or requirements to reduce demand
- pricing signals that promote economic efficiency, reduce costs or otherwise improve productivity.

## 1.2 Our services

TasWater manages 59 water supply systems that exist across our state. Together, these systems supply drinking water to almost 226,000 households and businesses. Each system is monitored from catchment to tap to ensure the best quality water is provided to the customer.

Each year, we produce 87,500 million litres (87.5GL) of water across our 6,600 kilometer network of water pipes. That's enough water to fill 35,350 Olympic swimming pools or 55 Melbourne Cricket Grounds, faciliated by a network of pipes covering the equivilant distance from Hobart to Singapore. Figure 1.2 shows that the amount of water supplied to residential versus non-residential customers has remained relatively consistent over time.

**Figure 1.2. TasWater split of volume of residential and non-residential supplied, GL**


Sewage, also known as wastewater, is the water that is flushed down the toilet and goes down the drains in the house, including from the bathroom, kitchen and laundry sink.

We treat more than 53,000 million litres (53GL) of sewage each year via a vast network of underground sewer pipes spanning almost 5,000 kilometres, longer than the coastline of Tasmania. This also includes trade waste from business and commercial customers, which refers to liquid waste that is more variable in volume and quality than typical household sewage.

From our sewage treatment plants, we also treat effluent to create recycled water. By removing solids and pathogens, this can be beneficially reused to minimise our environmental footprint.

We also provide a number of other services that are not subject to price regulation, including industrial trade waste treatment and disposal, recycled water and irrigation.

Depending upon the level of treatment, recycled water can be safely used for a variety of non-domestic purposes including irrigation of farmland, golf courses, vineyards, horticulture and nurseries and for industrial purposes.

## 1.3 Our customers

TasWater provides water and sewerage services to a total of more than 225,000 connections across Tasmania, encompassing both households and businesses. This represents approximately 470,000 Tasmanians. The Tasmanian communities and customers we serve are diverse and varied, with each region having its own history of water and sewerage services.

For the purposes of this PSP Proposal, we have the following main regulated customer classes:

- Water customers (both full and limited service): more than 225,000 individual properties connected.[14]
- Sewerage customers: more than 196,000 individual properties connected
- Commercial trade waste customers: 3,900 customers

A more detailed description of customer classes is provided in *Chapter 15 Our proposed water and sewerage prices*.

One of the ways we think about our diverse customer base is to consider the different parts, or segments, within the Tasmanian community. The customer segments are provided in Table 1.1.

**Table 1.1. TasWater residential customer segments**

| Segment | Description | Key Locations | Customer Base/ Population Served | Typical Water Use Profile | Service Considerations |
|---|---|---|---|---|---|
| **Urban Areas** | Densely populated urban centres and surrounding suburbs | Greater Hobart, Launceston | Customers: 138,000<br>Population: ~340,000 (over 50 per cent of state population) | Standard suburban customers living in fully serviced metro or regional zones<br>184 kL per annum | High infrastructure complexity, demand management, growth pressure |
| **Regional Centres** | Mid-sized towns acting as local economic and population hubs | Devonport, Burnie, Ulverstone, New Norfolk, Latrobe | Customers: 46,000<br>Population: ~80,000 | Standard suburban customers living in fully serviced metro or regional zones<br>175 kL per annum | Aging infrastructure, localised growth, tourism impact |
| **Rural Residential** | Low-density areas with individual dwellings often outside serviced land areas | Central Highlands, Huon Valley outskirts, West Coast | Customers: 38,000<br>Population: ~60,000 | Lower average usage per connection, often tank or bore supplemented<br>192 kL per annum | High cost-to-serve, need for digital communications and targeted support |
| **Remote Communities** | Isolated, small population clusters with limited access to full services | King Island, Flinders Island, remote West Coast townships | Customers: 4,000<br>Population: <10,000 | Very low volume, but high service reliance<br>130 kL per annum | Logistical challenges, service continuity, equity and affordability |

14 Water and sewer connections as at 30 April 2025.

## 1.4 Our people

With more than 927 employees[15] located throughout Tasmania, our team spans multiple fields, including operations, engineering, project delivery, environmental science, laboratory services, asset management, digital and technology and customer services.

Together, we share a common goal: unlocking water's full potential. We make this happen aligned to our organisational values, outlined in Figure 1.3.

We are committed to providing a healthy and safe work environment for our people and partners, who play a vital part in delivering services for our customers. This includes our commitment to ensuring the public remains safe from our operational and construction related activities. As part of our broader safety management system, we have a focus on fostering a culture where leaders purposefully drive health, safety, and wellbeing outcomes as part of everyday business activities.

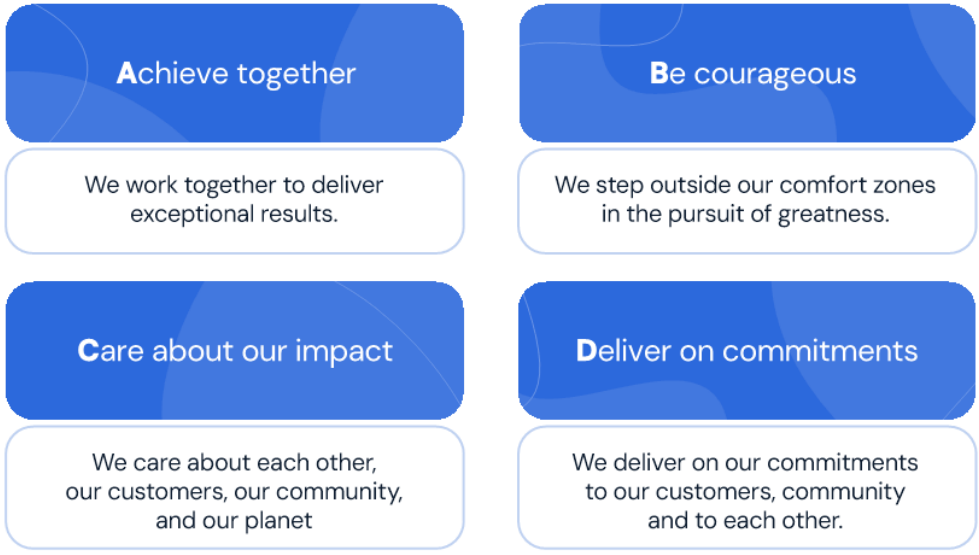
## 1.5 Our history

TasWater is the custodian of Tasmania's water and sewerage services and assets. Many of the current water and sewerage systems that are operated by TasWater today have a rich history.

Both the water supply for Hobart (from Mt Wellington) and Launceston (from Distillery Creek) date back to the mid-1800s. Indeed, Tasmania's history and geography are reflected in the assets we use to provide water and sewerage services today. The many small regional towns across our hilly topography gave rise to localised water and sewerage systems originally operated by local councils. The lack of integrated planning outcomes across council boundaries led to an increase in the number of assets being maintained by TasWater, an example of this is the 110 sewage treatment plants across the state.

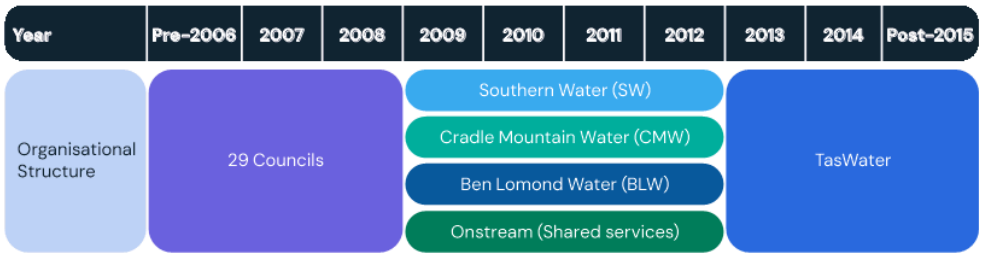
These water and sewerage systems were the responsibility of local councils for many decades. An inconsistent approach in quality and pricing of services was the inevitable result, with local councils eventually choosing to move to a single corporation – firstly via three regional water

**Figure 1.3. TasWater organisational values**




15 This is our headcount as at May 2025.

**Figure 1.4. Timeline of structural reform**

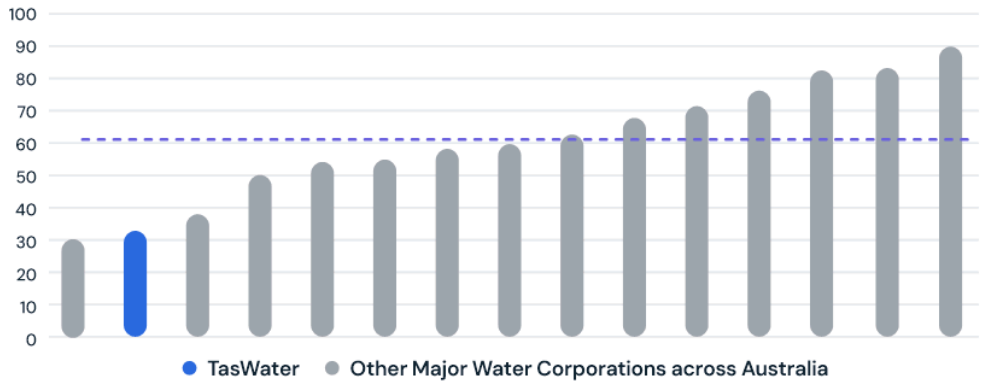



corporations and a shared service business, and then to TasWater in 2013. TasWater was transferred approximately $2 billion in water and sewerage assets from the previous ownership by 29 local councils. The timeline of reform is summarised in Figure 1.4.

As a result of this history, TasWater had some unique challenges at its inception, many of which must still be addressed:

- We have significantly more assets per customer than our interstate peers, evidenced by the fact that we own and operate 38 per cent of Australia's water and sewage treatment plants for just two per cent of Australia's population served by major water utilities.
- We have the second smallest number of properties served per kilometre of water mains with 34 customers per kilometre, or approximately half the average of major water businesses (Figure 1.5)[16].
- We have the smallest number of customers per kilometre of sewer mains in the country with 39 customers per kilometre compared to the average of major water businesses of 64 (Figure 1.6).
- On average, each of our water treatment plants serves 3,700 customers and each of our sewer treatment plants serves 2,500 customers (Figure 1.7). The average of our interstate peers is 71,500 and 40,500 customers per water and sewer treatment plant respectively.
- Our inherited assets varied significantly in terms of their size, scale and level of condition and performance, meaning that customer service levels are vastly different across the state and customers receive poor quality services in some areas.

**Figure 1.5. Major water businesses: Number of properties served per km of water main (properties/km)**




16 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24).

- A large portion of our inherited assets did not comply with legislative obligations for water quality, environment and dam safety, resulting in a significant performance gap to meet these increasing legislative obligations.

Further details of these inherited challenges are set out in Chapter 8 of this submission.

**Figure 1.6. Major water businesses: Number of properties served per km of sewer main (properties/km)**

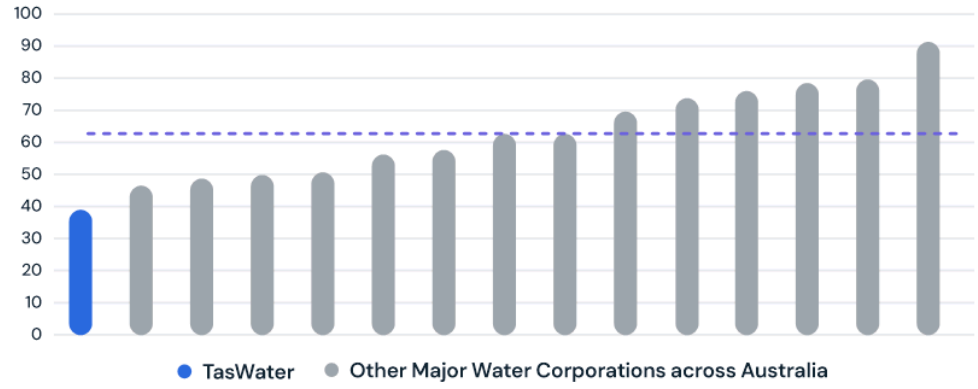
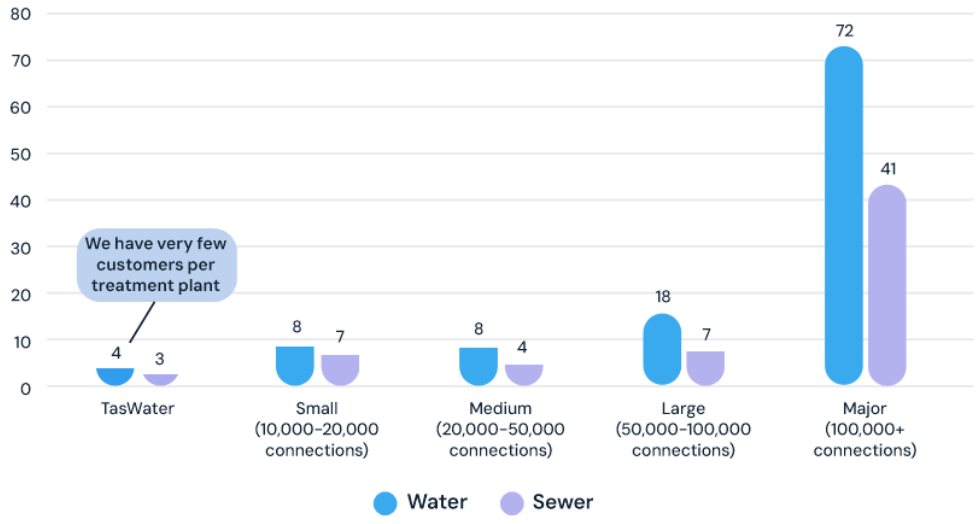



**Figure 1.7. Entire industry: Number of connected properties ('000s) per treatment plant: water and sewer ('000s properties/plant)**



## 1.6 Our governance and ownership

TasWater remains owned by Tasmania's 29 local councils and the State Government, who appoint the independent skills-based Board of TasWater. The owners of TasWater issue a Shareholder Letter of Expectations to provide guidance to the TasWater Board for governance of the organisation.

The local council owners are shareholders in TasWater and are paid dividends, generated from our underlying annual profit[17]. The State Government does not receive a dividend. The local councils use the dividends to continue investing in their local communities.

Like similar infrastructure businesses that are regulated, we must remain financially sustainable while planning and delivering the necessary services for current and future customers, and providing a responsible return to our local council shareholders.

## 1.7 Our progress to today

Since its inception in 2013, TasWater has made progress in improving some vital aspects of its services to Tasmanians, while keeping prices generally close to inflation.

Our early years were focused on the establishment of a statewide operating model and asset management system, assessing the condition and performance of assets and completing statewide strategic asset management plans for the first time. We have also commenced other integrated statewide plans such as our water security plan. At the same time, TasWater also implemented the final transition to harmonised, two-part pricing across the state.

In 2018–19, after TasWater's completion of major capital projects in key regional towns, longstanding Public Health Alerts ('Boil water' and 'Do not consume') were lifted from the last of 24 regional towns and four additional towns that regularly received these alerts across Tasmania.

This program saw us invest over $100 million in 28 drinking water systems with upgraded treatment processes across the state.

Our generational investment in drinking water in Tasmania culminated in the completion of a major upgrade to the Bryn Estyn Water Treatment Plant, securing Hobart's drinking water supply for another 50 years. Further details of our journey to drinking water compliance are provided in Section 4.3 of this submission.

In the past seven years, 18,100 new connections were added to the state's water network, and more than 13,000 properties were connected to sewerage services.

To achieve this, we not only established and improved our asset planning capability, but we transformed the way we deliver major capital projects, establishing our Capital Delivery Office (CDO) with alliance partners CPB Contractors Limited and UGL Limited (both members of the CIMIC Group) with support from WSP Australia.

Through the CDO, we have now delivered more than $1.0 billion in capital projects since 2019 and we have lifted our capital infrastructure delivery to record levels. At the same time, the new CDO processes independently verify that our capital investments are prudent and efficient and deliver value for money to customers. We have demonstrated we can deliver an increasing capital program and have the capability to deliver our PSP5 proposed capital expenditure (refer *Chapter 8 Our efficient capital costs*).

As we approach PSP5, we have refreshed our strategy, completed our regional master plans, reaffirmed our focus on prudency and efficiency and uplifted our capability to engage and understand our customers' preferences.

The PSP5 process provides customers the opportunity to recalibrate our plans and seek to find the balance of price and service that is fair for all Tasmanians.

17 Underlying profit is a financial metric used to provide a clearer picture of earnings from regular business operations. It excludes one-time gains or losses and gifted assets from developers and the impact of asset revaluations.

## 1.8 Our strategy for the future

Our Strategy is the culmination of more than 12 months of research and engagement during 2023-24 and sets an ambitious and outcomes-based direction for TasWater.

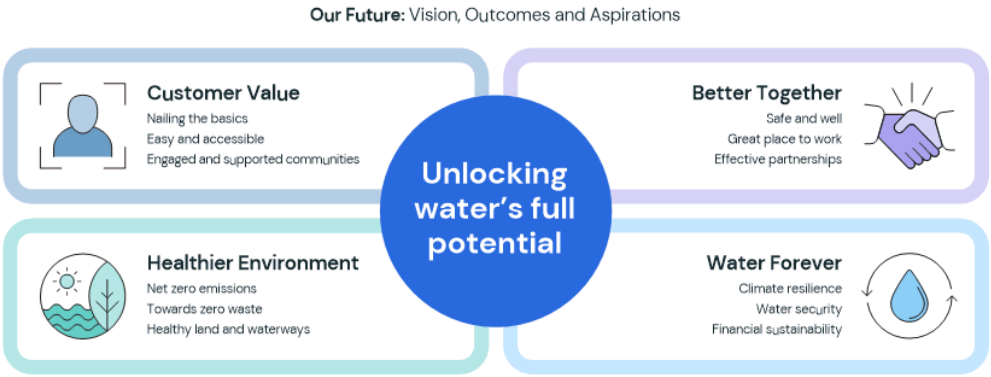
It reflects the voice of TasWater's people, our customers and stakeholders, and positions us to prepare for and respond to the changing world around us.

It also marks a new era for TasWater. An era where we strive to unlock water's full potential, so that we can support our community, our unique Tasmanian environment and the places where we live, work and play – now and for generations to come.

Our Strategy is centred around the delivery of four key customer outcomes. We have set ourselves 12 bold and future-focused aspirations across these four outcomes.

Taken together, our vision of unlocking water's full potential, our four customer outcomes and our 12 key aspirations describe our desired future – for TasWater, for Tasmania and all Tasmanians. These are outlined in Figure 1.8.

**Figure 1.8. TasWater's Strategic Aspirations**




## 1.9 Our delivery over the next four years – PSP5

Our PSP5 Proposal sets the guardrails for delivery of our Strategy over the next four years. With this in mind, we wanted to develop our PSP5 Proposal in collaboration with our customers to ensure that we focus on what matters most to our customers as we work towards our long-term vision and aspirations.

Customer engagement was therefore at the heart of our process to develop our PSP5 Proposal, complemented by extensive stakeholder engagement, rigorous technical analysis (including specialist advice from experts) and meaningful Board deliberations over an 18-month period.

We have also worked collaboratively with our technical regulators the Department of Health, the Environment Protection Authority and Natural Resources and Environment to ensure we are aligned on the priority projects that must take place during this period. This process has been captured in summary in Figure 1.9.

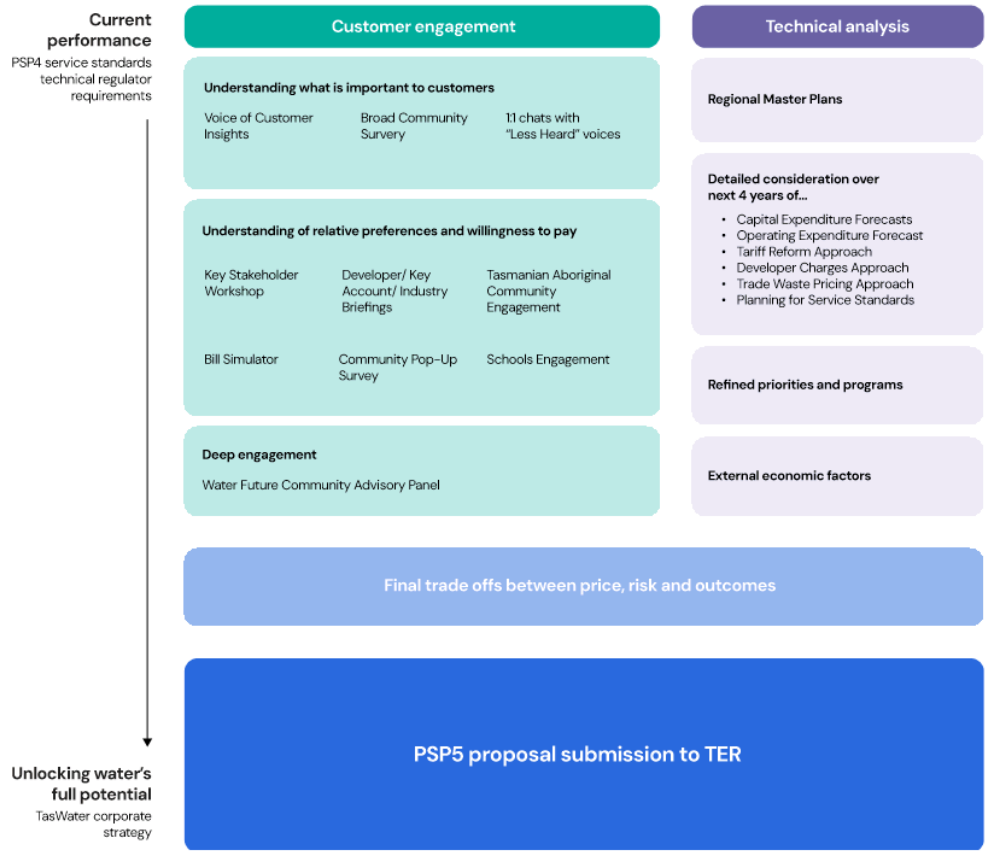
The result is a PSP5 Proposal that clearly sets out what it is that we need to focus on over the next four years, informed by what we heard from our customers and technical regulators.

We have prepared the PSP5 Proposal in accordance with the TER's Price and Service Guideline for the fifth regulatory period.

**Appendix for *Chapter 1 Shaping Tasmania's water future***

- Appendix A: TasWater Corporate Strategy

**Figure 1.9. Our process for developing this submission**



# 2. Our proposal comes at a challenging time for the industry

### Our proposal in a national and international context

- While all price proposals face different circumstances, our PSP5 Proposal comes at a particularly challenging time for the water sector and its customers.
- We, like water businesses across Australia, have kept typical water bills close to constant in real terms over the last decade.
- The industry is increasingly challenged by a much greater need to invest, driven by a range of factors including ageing infrastructure, climate pressures, increasing regulation and a growing population.
- Deferring much needed capital investment ignores the challenge and the reality we must confront and has greater financial and non-financial costs.
- A useful case study is the recent water and sewerage crisis experienced in the United Kingdon (UK). The UK water crisis is now under heightened scrutiny after widespread environmental non-compliance, leakage and lack of water security was publicly exposed over the last several years.
- It is now widely recognised that deferral of critical investment in the last decade in the UK was the principal cause of the crisis, which has been reflected in the Government's wide-ranging review of the water sector.

This section of our submission sets out the national and international context for our PSP5 Proposal, including:

2.1 Our dilemma is common in the water industry - to meet increasing investment needs while balancing affordability

2.2 Water prices have decreased in real terms across the country - this is not sustainable

2.3 However, major investment is urgently needed across the industry

2.4 Why water business cannot delay – lessons from home and abroad

2.5 The cost of delay is more than just financial

2.6 Affordability concerns must be balanced, not used as a reason to delay investment

## 2.1 Our dilemma is common in the water industry – to meet increasing investment needs while balancing affordability

While each regulatory period faces different circumstances, our PSP5 Proposal comes in particularly challenging economic conditions. We are acutely aware that the cost of living is a major concern of our customers. The affordability of water and sewerage services has been given heightened focus from the industry, including here in Tasmania.

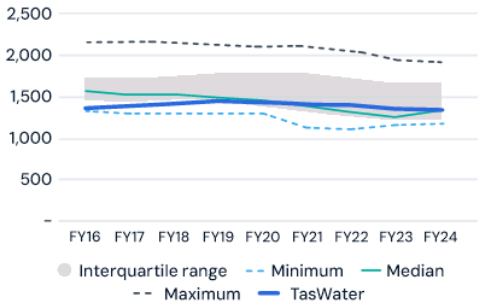
At the same time, the industry has a greater need to invest than ever before. Ageing infrastructure, the need for acceptable environmental outcomes, a growing population and climate change are all increasing the need for investment across the industry. Our own dilemmas, here in Tasmania, are also driving increased need for investment, including our poorly performing asset base, increasing regulation and community expectations and the need to rationalise and modernise our infrastructure.

This becoming an increasingly difficult problem to solve for the industry, however it is a problem that cannot be avoided[18]. Our PSP5 Proposal is now our opportunity to address this challenge.

## 2.2 Water prices have decreased in real terms across the country – this is not sustainable

Following the transition to our current tariff structures in (largely occurring in the PSP1 and PSP2 periods), our bills have effectively stayed constant in real terms, as outlined in Figure 2.1. Since 2019, we have capped all price increases at 3.5 per cent including inflation and we froze our bills for the two years following the COVID-19 pandemic. Water businesses across Australia have also kept bill increases low. In the same period, the median water bills of the major water businesses across Australia, has slightly decreased in real terms.

**Figure 2.1. Typical water and sewerage bills for major water businesses since 2015-16 ($real 2023-24)[19]**



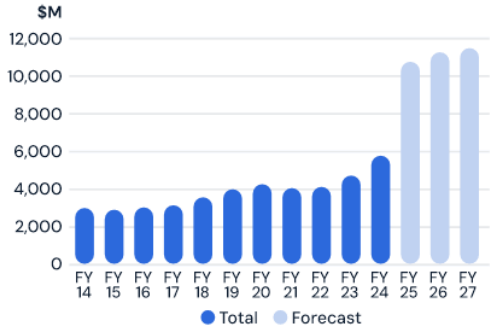

## 2.3 However, major investment is urgently needed across the industry

Australia's water businesses are now facing increasing investment pressures. Facing ageing infrastructure, climate pressures, increasing regulation and growing population, a new wave of essential capital investment has just commenced. The investment need is growing at the same time as real input costs for construction and the cost of capital have also been increasing.

The combined total capital expenditure of the major water businesses in Australia exceeded $5 billion in 2023-24 and is expected to exceed $10 billion per year in the next three years, a permanent step-change to investment requirement (Figure 2.2)[20]. This increase mirrors our increasing capital spend profile here in Tasmania, as we have addressed our own challenges such as drinking water quality in the last 10 years.

18 Water Services Association of Australia. Sleepwalking into a water crisis – latest data released in National Performance Report. April 2025.
19 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24). This is the water and sewerage bill for a customer using 200kL per annum - for major water businesses.
20 Water Services Association of Australia. National Water Reform 2024 - *Submission to the Productivity Commission Review of the National Water Initiative*. February 2024.

**Figure 2.2. Capital expenditure invested by major water businesses ($million real 2023-24)[21]**




The increased need for investment has been reflected in greater proposed price increases in recent times in other jurisdictions. Unfortunately, customer bills will need to increase to support water businesses achieving sustainable cost recovery. While water businesses have kept bill increases low, the industry cannot delay in making the necessary investments to address these generational challenges. In recent times, many other Australian water businesses have needed to increase prices in real terms to meet their investment needs. These include:

- Icon Water's prices increasing by 5.9 per cent per annum including inflation[22] in its current regulatory pricing period, which commenced 1 July 2024. Its investment drivers include improving environmental outcomes and water security, while addressing ageing infrastructure.
- SA Water's prices are increasing by 6.3 per cent per annum including inflation in its current regulatory pricing period, which commenced 1 July 2025. Its investment drivers were to cater for growth, increase renewals investment and improve environmental performance in key regions.
- Hunter Water's prices, under a recent IPART draft decision, will increase by 6.3 per cent per annum including inflation for its upcoming regulatory pricing period commencing 1 July 2025. Its proposed investments are focused on water security for its growing population and considering the risk of a changing climate.
- Sydney Water's prices, under a recent IPART draft decision, will increase by 7.3 per cent per annum including inflation in its upcoming regulatory pricing period commencing 1 October 2025. Its investment drivers are primarily water security and catering for growth, although significant growth capital investment has not been included in IPART's draft determination.

## 2.4 Why water businesses cannot delay - lessons from home and abroad

Our own long-term modelling is supported by the lessons learnt from other jurisdictions. Both indicate that a failure to act now and invest in our water and sewerage assets will lead to greater long-term cost to customers. For example, a failure to invest in our assets will likely result in:

- Environmental degradation and regulatory breaches.
- Regulatory prosecution for failure to meet treatment standards.
- Infrastructure failures, service disruptions and rising long-term costs as minor repairs become major overhauls and/or operating and maintenance costs increases.
- Growing water insecurity as climate change impacts our systems and we can't keep up with population and housing growth.

The water crisis experience in the UK offers a lesson. As in Australia, the UK water business, which are subject to similar economic regulation, kept their bills low for an extended period, falling in real terms since 2009[23].

However, the much-needed capital investments required in the UK were never made.

The under-investment and poor performance resulted in a widespread crisis. Water customers

21 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24).
22 All price increases references include an inflation assumption of 2.72 per cent per annum.
23 WaterUK. The real (terms) story of historic water bills. 29 November 2024.

in the UK become aware that water businesses had released raw sewage into UK waterways for a total of 3.6 million hours in 2023-24 and that environmental non-compliance was common across sewage treatment plants[24]. They learnt that communities would be facing water shortages in the coming 10 years and that water businesses had failed to take action on system leakage, failing to invest adequately in water and sewerage system renewals. In media reporting of the crisis, it was observed that "fearful about the consequences of hiking prices on the public, the water companies and their regulators combined in a game of do and mend" instead of making the investments required[25].

The level of environmental pollution and failing infrastructure has led to widespread public shock and deterioration in public trust. In response, the UK Government has commenced the 'largest review of the water sector since privatisation', promising a total 'reset' of the water industry. The Independent Water Commission has commenced and will "report back next year with recommendations to the Government on how to tackle inherited systemic issues in the water sector to restore our rivers, lakes and seas to good health, meet the challenges of the future"[26].

The UK economic regulator, Ofwat, has just released its most recent five-year determination on water business prices. In response to the public outcry, both water businesses and regulator are looking to address the generational challenges. Across the industry, the UK water businesses will invest more than $200 billion ($AUD) over the five-year period 2025 to 2030.

This is a doubling of current capital investment levels and will focus on addressing the UK's past under-investment in sewage treatment, water and sewerage networks and water security. These investments require increasing customer prices and vulnerable customer support[27].

However, there are still some water industry experts that believe that Ofwat are applying a "do and mend" approach to the challenge. UK Economist Sir Dieter Helm (an invited speaker at the Australian Competition and Consumer Commission 2024 Regulatory Conference) has written about the latest Ofwat price determination:

*What everyone agrees about is that the provision of both water and sewerage services needs a big upgrade. The right question that Ofwat should be asking is: what water and sewerage systems are needed to meet the needs of the mid-21st century, and then how to get from here to there. Instead the question Ofwat asks is: given the current water and sewerage systems, what are the minimum set of incremental increases in capital maintenance and investment needed to stop things getting worse, and to make some limited progress, all constrained by Ofwat's concept of affordability. Put simply, what is the minimum that has to be done at minimum cost to consumers.*[28]

## 2.5 The cost of delay is more than just financial

The UK experience, now confirmed in the most recent price determination, demonstrates that long-term cost of supply will increase if essential capital investments are deferred. However, there are a range of non-financial costs and risks that emerge. The most serious of these are the legal and regulatory risks and the risk to public trust.

Legal and regulatory fines, lawsuits, and stricter oversight follow service failures and pollution breaches. As a result of the UK crisis, the UK Government's Environment Agency is working on its largest ever criminal investigation. It is currently investigating the potential breaches of environmental permits at more than 2,200 sewage treatment plants[29]. At the same time, the Environmental Agency has launched a new whistleblowing portal and the UK Government is

24 BBC. The water industry is in crisis. Can it be fixed? 25 October 2024.
25 The Telegraph. How Britain's water supply spiralled into chaos. 8 December 2024.
26 UK Government. Governments Launch largest review of water sector since privatisation. 22 October 2024.
27 Ofwat. Our final determinations for the 2024 price review. April 2025.
28 Helm, Dieter. A bad answer to the wrong questions – Ofwat's interim determination and its Turnaround Oversight Regime for Thames Water. 15 July 2024. 26 UK Government. Update on Environment Agency investigation. 3 February 2025.
29 UK Government. Update on Environment Agency investigation. 3 February 2025..

exploring options to increase the environmental compliance regime to be able to better prosecute environmental non-compliance[30].

The loss in public trust in the UK water sector has been evident (Figure 2.3). In one of many such studies conducted in late 2022, Ofwat found that community trust in water businesses had declined. Only a third of UK customers trusted their water company to prevent sewage from entering rivers or seas (Figure 2.4)[31]. Over time, trust has fallen in water companies' abilities to perform a range of responsibilities, including ensuring good quality drinking water and providing a reliable service. Ofwat admitted:

*This year, trust in the water sector has started to feel precarious. Against a backdrop of rising concerns about the release of untreated sewage into rivers, drought warnings and leakage, customers and stakeholders have told us that their trust in the sector has been shaken.*[32]

**Figure 2.3. Lack of investment and poor performance led to widespread loss of public trust in the UK[33]**


The deferral of investment will not only result in costs but also lost opportunities. Delayed investment means falling further behind in innovation, sustainability, and operational efficiency.

The UK experience shows that deferring critical investment is not only more expensive, but it has also caused far greater long-term damage to the industry.

## 2.6 Affordability concerns must be balanced, not used as a reason to delay investment

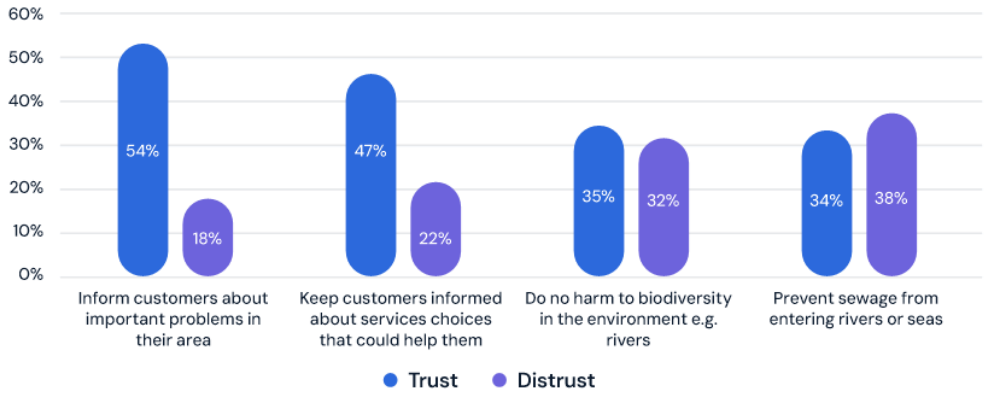
The lesson from the UK water crisis is clear, planning and investment is required to get the Australian water sector on a sustainable footing. The parallels are also clear in the Tasmanian context. Our dilemmas are indeed almost identical to those faced by the UK water sector.

Deferring required investment is not a sustainable form of price and bill relief, it simply transfers greater costs to the future. In addition, failure to address the performance issues that we currently face breaches the public's trust in the water sector.

Efficient investment today in water and sewerage services is the only way to ensure their performance, availability, safety, and affordability in the future.

30 UK Government. Water companies and sewage pollution: Repairing damage using revenue from fines. 3 February 2025.
31 Savanta, prepared for Ofwat. Trust and perceptions – People's views on the water sector. February 2023.
32 Ofwat. Trust in water. 16 February 2023
33 The Guardian. How could England's water system be fixed? 10 January 2024.

**Figure 2.4. UK water customer trust survey results in 2023[34]**




**Appendix for *Chapter 2 Our proposal comes at a challenging time for the industry***

- Appendix B: National and International Context

34 Savanta, prepared for Ofwat. Trust and perceptions – People's views on the water sector. February 2023.

# Section 2. The customer outcomes we will deliver

# 3. Our collaborative approach with customers

### Our collaborative approach to PSP5

- We are the only providers of essential water and sewarage services in Tasmania, so it is important that we ensure our priorities reflect community expectations.
- In the past, we relied on targeted customer engagement to inform our PSP proposals. For PSP5, we recognised that the challenges we are facing warranted a different, and a much wider engagement approach.
- We co-designed our engagement program with key stakeholders, as the first step in being genuine, transparent and open-minded in our conversations with customers.
- We then undertook our largest and most innovative engagement program ever, with more than 8,000 interactions with Tasmanians from all walks of life.
- Our wide engagement activities – including our online bill simulator, which gave customers the ability to demonstrate willingness to pay for different service levels in the context of overall bill impacts – helped us understand what is most important to customers.
- Our deep engagement activities – such as our first deliberative democracy process, the *Water Future Community Advisory Panel* – gave customers the time, support and information to grapple with our dilemmas and make detailed recommendations in response.
- The result is a PSP5 Proposal that has been informed by the voice of our customers and stakeholders. We welcome the opportunity to continue the conversation through the public process that commences with submission of this proposal to the regulator.

This section of our submission sets out the key insights that we have received from customers in the preparing in the development of our PSP5 Proposal, including:

3.1 Our transformative engagement approach for PSP5
3.2 Our engagement program – *Shaping Tasmania's Water Future Together*
3.3 Our customers' willingness to pay – *The bill simulator*
3.4 Our first ever deliberative panel – Water Future Community Advisory Panel
3.5 Our response to the panel's recommendations
3.6 How what we heard aligns with our Strategy

## 3.1 Our transformative engagement approach for PSP5

Before starting any conversations with the community, we undertook a comprehensive process to co-design our engagement approach in six workshops held between May and September 2023. This process incorporated the views of several significant stakeholder groups and invited stakeholders in as 'critical friends' to review and give feedback as we designed our approach. The stakeholder group who participated represented a wide range of the community, including organisations who represent community services, vulnerable customers, small business, large businesses and development community.

The outcome was a Strategic Engagement Plan[35] which made the commitments outlined in Figure 3.1 regarding the engagement process, consistent with the standards established by the International Association of Public Participation (IAP2)[36].

In co-designing our engagement approach, we realised that balancing short-term price impacts with long-term service outcomes was at the heart of our challenge for the upcoming regulatory period. We therefore developed a remit – a central question articulating our challenge – to guide all of our conversations with customers. The remit is outlined in Figure 3.2.

**Figure 3.1. Our engagement promise**


**Figure 3.2. Our engagement remit**


35 The TasWater – Shaping Tasmania's water future: Strategic Engagement Plan is provided in the supporting material.
36 The standards established by the IAP2 and the associated public participation spectrum are a reference point for this type of customer engagement. The type of engagement undertaken depends on the issue, scope, timing, public interest and available resources. The choice to inform, consult, involve, collaborate or empower considers the degree of influence the community could have or be expected to have. We aimed for an overall approach to 'collaborate'.

## 3.2 Our engagement program – *Shaping Tasmania's Water Future Together*

In total, we had more than 8,000 interactions with Tasmanians from all walks of life through the breadth of engagement activities we undertook from March 2024 onwards. Our 'Water. It's Tasmania's thing' campaign reached 200,000 Tasmanians. Out of this campaign, more than 3,500 Tasmanians registered their interest to be involved in PSP5 engagement and nearly 2,000 participated in our 'broad survey'.

Our broad survey started with a wide-ranging set of questions to discover what was important to customers. We invited them to share their experiences, expectations, needs and values regarding our supply of water and sewerage services and our contribution to the Tasmanian community.

We were keen to hear from as many people as possible, so we offered a range of ways to get involved. To ensure our engagement was representative and inclusive, we employed specific engagement methods for 'less heard' voices. Of those customers who registered, we extended invitations to participate in interviews to people who identify as Aboriginal or Torres Strait Islander, those living with disability, and those whose primary language isn't English.

We then went deeper into the specific choices and trade-offs that we will need to make, about the things that matter most to customers and stakeholders, as we tried to find the balance of price and service that is fair for all Tasmanians.

We identified eight key themes that had emerged in the feedback provided by our customers and community[37]:

**INSIGHT 1** – Keeping bills affordable is a top priority, but many customers are willing to pay more for better services.

**INSIGHT 2** – Fixing leaks and responding to faults quickly is the area where most customers want us to improve our service.

**INSIGHT 3** – Providing reliable services is supported by a diverse range of customers, even those who don't have enough to meet their basic expenses.

**INSIGHT 4** – Being easy to deal with is a fundamental expectation of customers.

**INSIGHT 5** – Protecting our waterways is considered as a key priority, rather than an optional extra or "nice to have".

**INSIGHT 6** – Charging based on usage was strongly supported, with a preference for it to be easier to alter the size of a bill by using less water and to encourage water conservation.

**INSIGHT 7** – Securing our water future and addressing the challenges of climate change are important to our community, especially younger people.

**INSIGHT 8** – Perspectives of TasWater are varied, with generally positive sentiments contrasted by some customers and community who remain dissatisfied.

We also spoke with 86 representatives of the development industry via targeted, statewide forums. We heard that, apart from a desire to keep developer charges low, developers value simplicity and certainty in the developer charges framework.

Our business customers also attended a series of forums to hear about our planning for the future. We heard that they particularly value information around trade waste charges as well as a forward view of construction and development pipelines. When it comes to trade waste charges and compliance, these customers require transparency, simplicity and great customer service.

We consulted with the Tasmanian Aboriginal community through a workshop exploring our key dilemmas. The workshop was facilitated by Sarah Wilcox, a proud Palawa woman from Lutruwita/Tasmania and an IAP2 trained practitioner. Importantly, she is a trusted advocate and voice for the Tasmanian Aboriginal community.

37 These eight themes are expanded upon in our Community Engagement Report that is provided as Supporting Information to this PSP5 Proposal.

The following statement was provided by the members of the workshop:

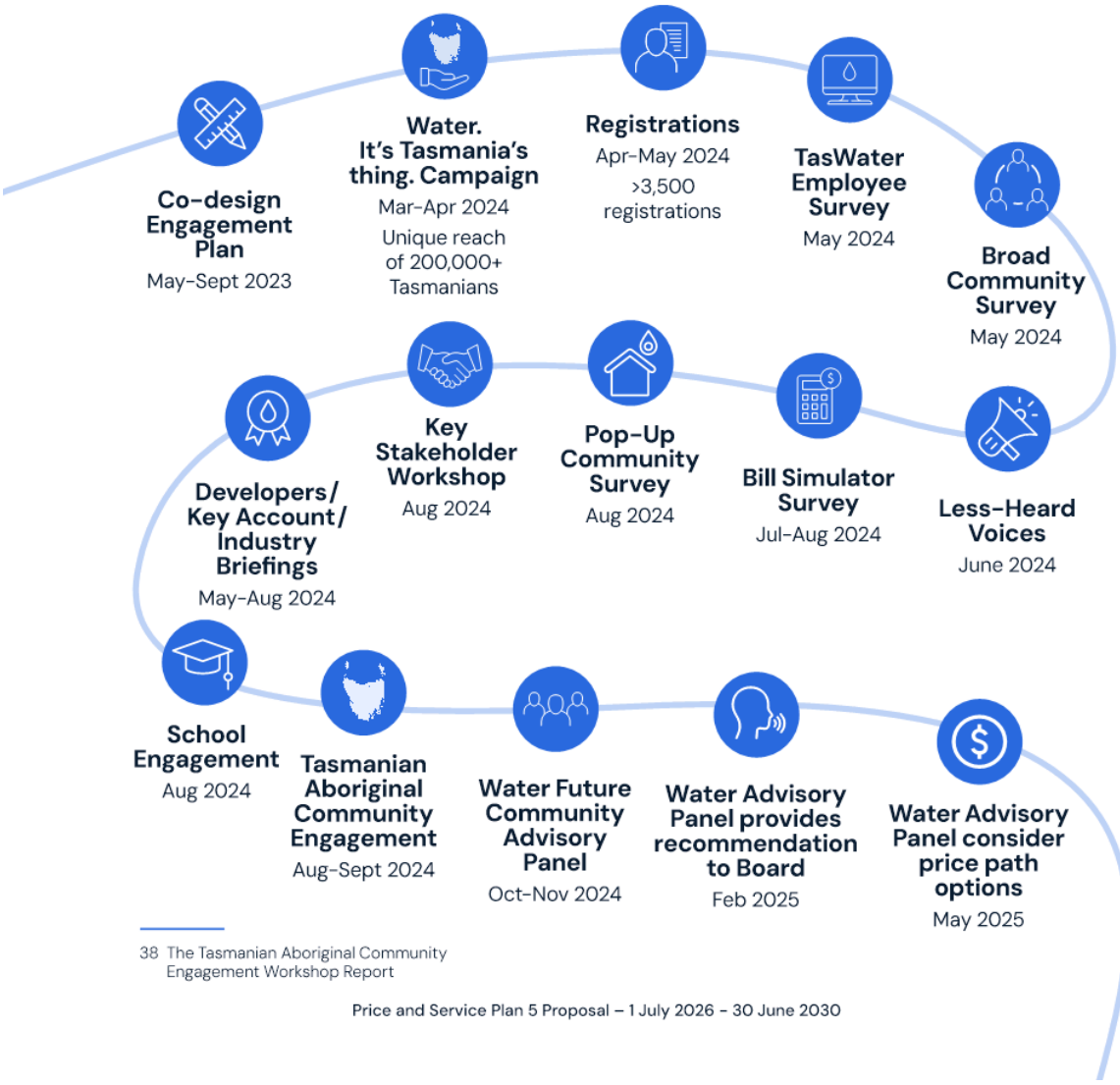
*Water is life. Life is water. Always was. Always will be.*

Amongst a range of valuable feedback, the feedback from the Tasmanian Aboriginal community emphasised "improving the ageing infrastructure and waste treatments to avoid cross contamination and pollution events" and supporting lower socio-economic families across Tasmania[38].

They also emphasised protecting cultural heritage, addressing climate change impacts, especially on islands, and reducing water wastage for long-term sustainability.

The breadth of engagement activities we undertook in this phase, and the number of participants who shared their views with us, are shown in the Figure 3.3 and Table 3.1 below. Further information regarding the results of the community engagement is provided in the supporting information to this chapter.

**Figure 3.3. Summary of TasWater community engagement**




38 The Tasmanian Aboriginal Community Engagement Workshop Report

**Table 3.1. Timeline and reach of community engagement**

| Engagement type | Dates | Number of participants |
|---|---|---|
| Co-design Process | May-Sept 2023 | 119 participants<br>15 'critical friends' |
| Water. It's Tasmania's thing. Campaign | March-April 2024 | > 3,500 registrations |
| Broad Community Survey | 14-31 May 2024 | 1,898 responses |
| Less-Heard Voices | 18-27 June 2024 | 19 conversations |
| Bill Simulator Survey | 24 July – 4 August 2024 | 1,311 responses |
| Pop-Up Community Survey | 3 August 2024 | > 650 people reached<br>146 survey responses |
| Key Stakeholder Workshop | 9 August 2024 | 14 participants |
| Schools Engagement | 22-30 August 2024 | > 223 survey responses<br>17 creative entries |
| Developers / Key Account / Industry Briefings / Local Government engagement | Industry briefings (May)<br>Developer forums (June)<br>Business forums (Aug)<br>LGAT Conference (Sep) | 314 attendees<br>86 attendees<br>31 attendees<br>40 attendees |
| Water Future Advisory Panel | October 2024 – May 2025 | 45 participants |
| **Total** | | **8,378 interactions** |

## 3.3 Our customers' willingness to pay – the Bill Simulator

In July and August 2024, we ran an online survey for Tasmanians to indicate how they wanted to balance the services they valued with the affordability they need. We heard through our broad engagement activities that keeping bills affordable was the number one priority for customers, so testing bill impacts was considered as a critical next step in our engagement process.

We used an online survey platform known as a Bill Simulator to give respondents real world descriptions and examples of some of the trade-offs that we are facing – for example, how much should TasWater invest to reduce leaks? The Bill Simulator was completed by 1,311 residential and business customers, providing robust quantitative research data on the willingness to pay for different levels of service.

Customers had the choice to spend less, as well as more, corresponding to different levels of service. The impact of their choices, in terms of preferred levels of service, were shown in terms of the annual bill impacts for pensioners, average households, large households, tenants and businesses – both in dollar and percentage terms.

Importantly, customers were presented with a scenario where bills were already increasing by $100 per annum, providing the base from which they would then indicate their willingness to pay. Considering the overall impact of their initial answers, respondents could then navigate back and rebalance their choices. The purpose of the Bill Simulator was to draw out specific feedback from customers about how TasWater should prioritise its investment across its different services.

### Presentation of Bill Simulator results

Ultimately, all the choices made by respondents – in terms of increases or decreases to customer bills, corresponding to the level of service they would like – could be added up to find out what TasWater's total revenue requirement might be. As more customers chose to increase bills for higher levels of service on the Bill Simulator, the higher overall TasWater's total revenue requirement might be.

Looking at relative changes to the revenue requirement helps to give an overall picture of customer preferences – a positive change to the revenue requirement means that, on the whole, customers are willing to pay more for this service.

On the other hand, a negative change to the revenue requirement means customers want to

pay less and a reduced level of service (e.g. more interruptions or greater negative impact on the environment). The larger the extent of change, either positive or negative, shows more customers feel this way.

The bill simulator survey results have been weighted to accurately reflect the whole Tasmanian community. There were more customers "very interested in water" responding to the Bill Simulator than in the population more broadly and fewer customers with "close to zero interest in water". The data from the Bill Simulator was therefore re-weighted to better represent the whole community.

## Results of the Bill Simulator: A willingness to invest in key aspects of our services

The results from the Bill Simulator showed that Tasmanians have an overall willingness to pay for improved customer and environmental outcomes, as demonstrated in Figure 3.4. As a starting point, we advised customers that average bills would be increasing by $100 per annum (or approximately 7.5 per cent). This was consistent with our understanding of the price increase required to cover movements in external economic factors, outside of our control.

Across the total 1,311 customer sample, re-weighted to be representative, the overall willingness to pay for greater service levels was an additional $13.79 on bills (in addition to the $100 per annum increase). This equated to an additional $14.7 million in revenue requirement over 4 years. Interestingly, even those customers who self-selected as 'don't have enough to meet basic expenses' still were willing to spend an additional $9.80 on their bill to improve water and sewerage outcomes.

The Bill Simulator demonstrated customer strong willingness to pay for:

- fixing leaks and responding to faults, with 78 per cent of respondents willing to invest more and an overall willingness to pay of $6.41 per annum on bills
- providing reliable services, with 74 per cent of respondents willing to invest more and an overall willingness to pay of $6.13 per annum on bills
- protecting our waterways, with 53 per cent of respondents willing to invest more and an overall willingness to pay of $5.33 per annum on bills

The details of each of the responses are provided in Table 3.2.

In addition, the online survey also tested customer preference for greater control of their bills ("billing based on usage") and found a clear preference for more variable charges.

**Figure 3.4. Overall willingness to pay, $million revenue requirement**

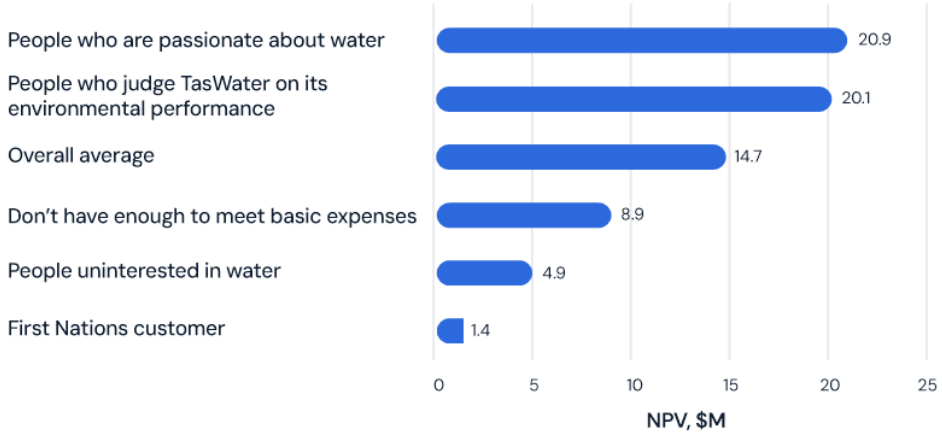


Table 3.2. Summary of Bill Simulator results

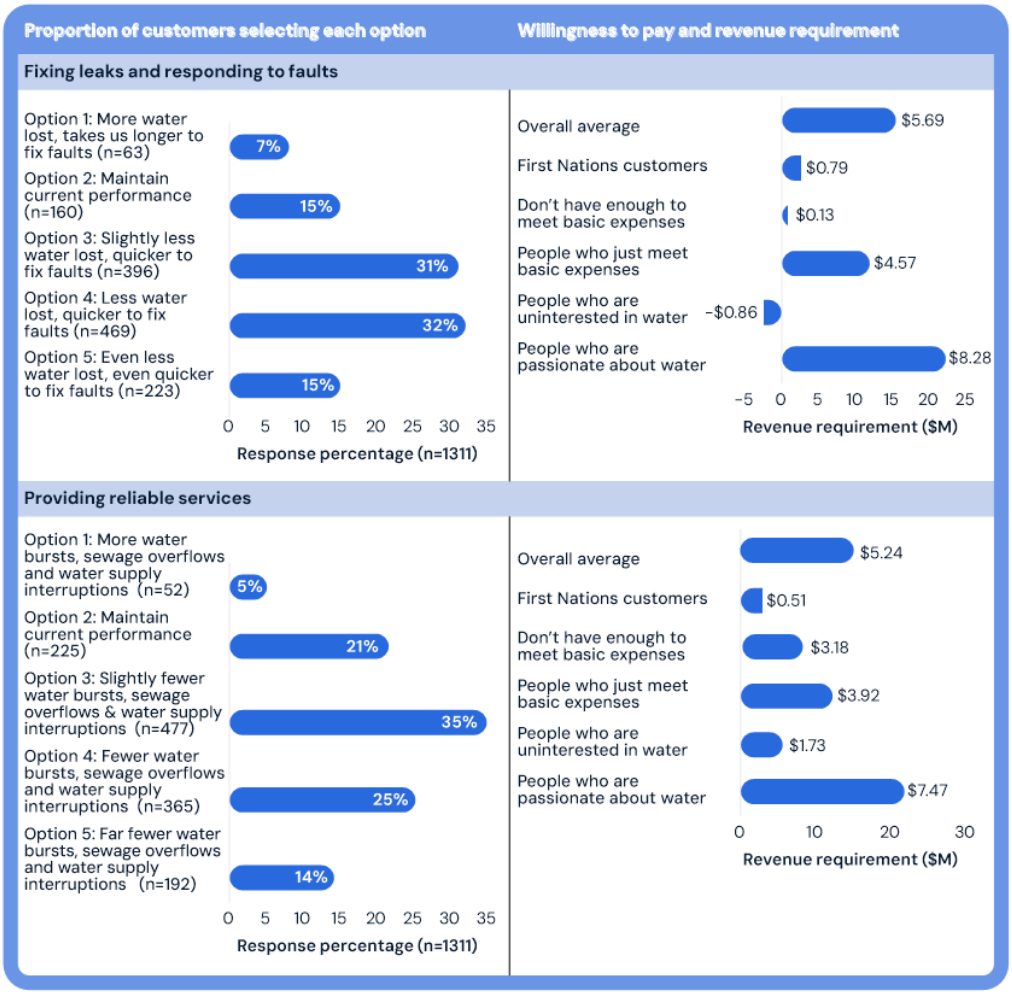


Table 3.2. Summary of Bill Simulator results continued

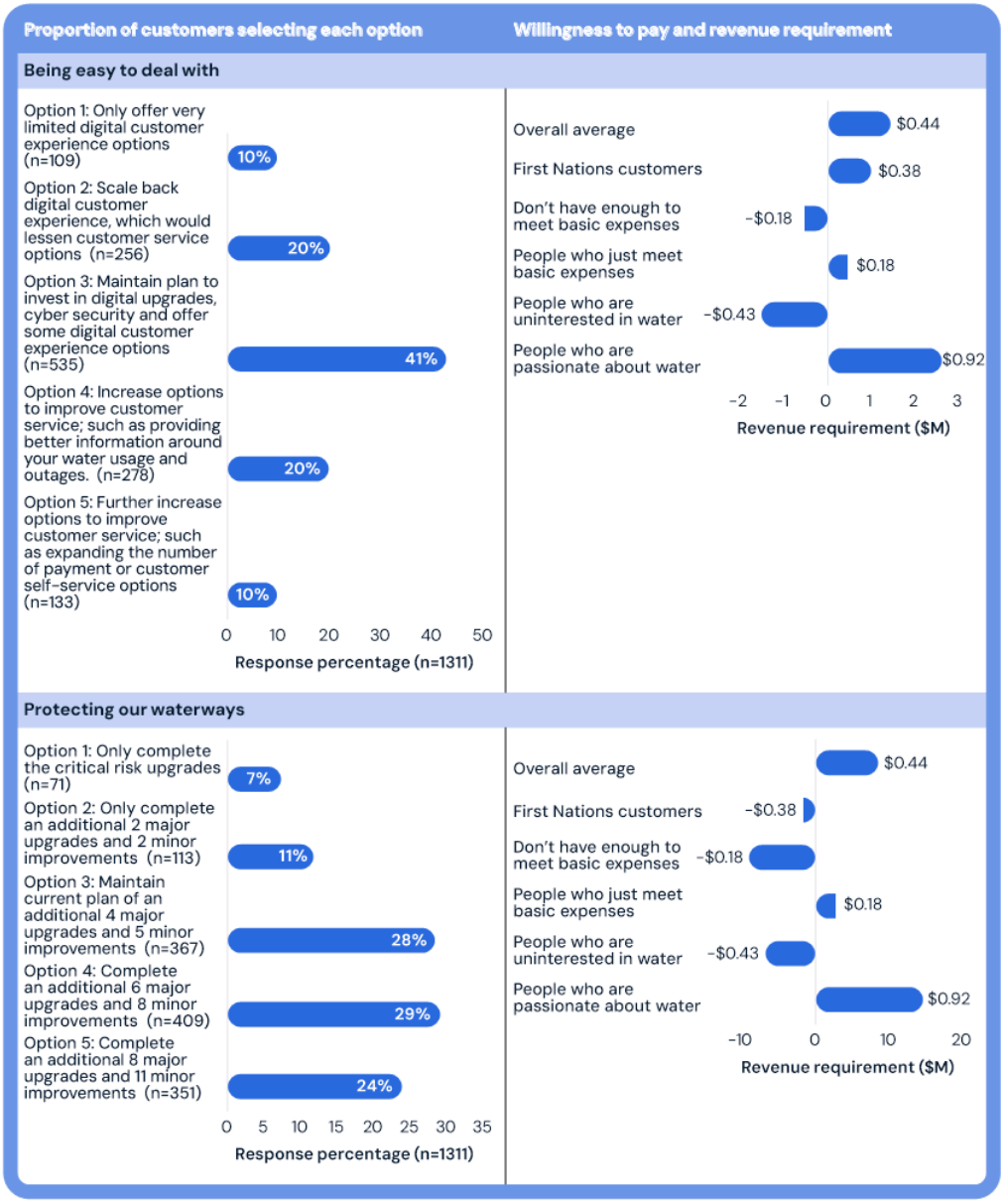
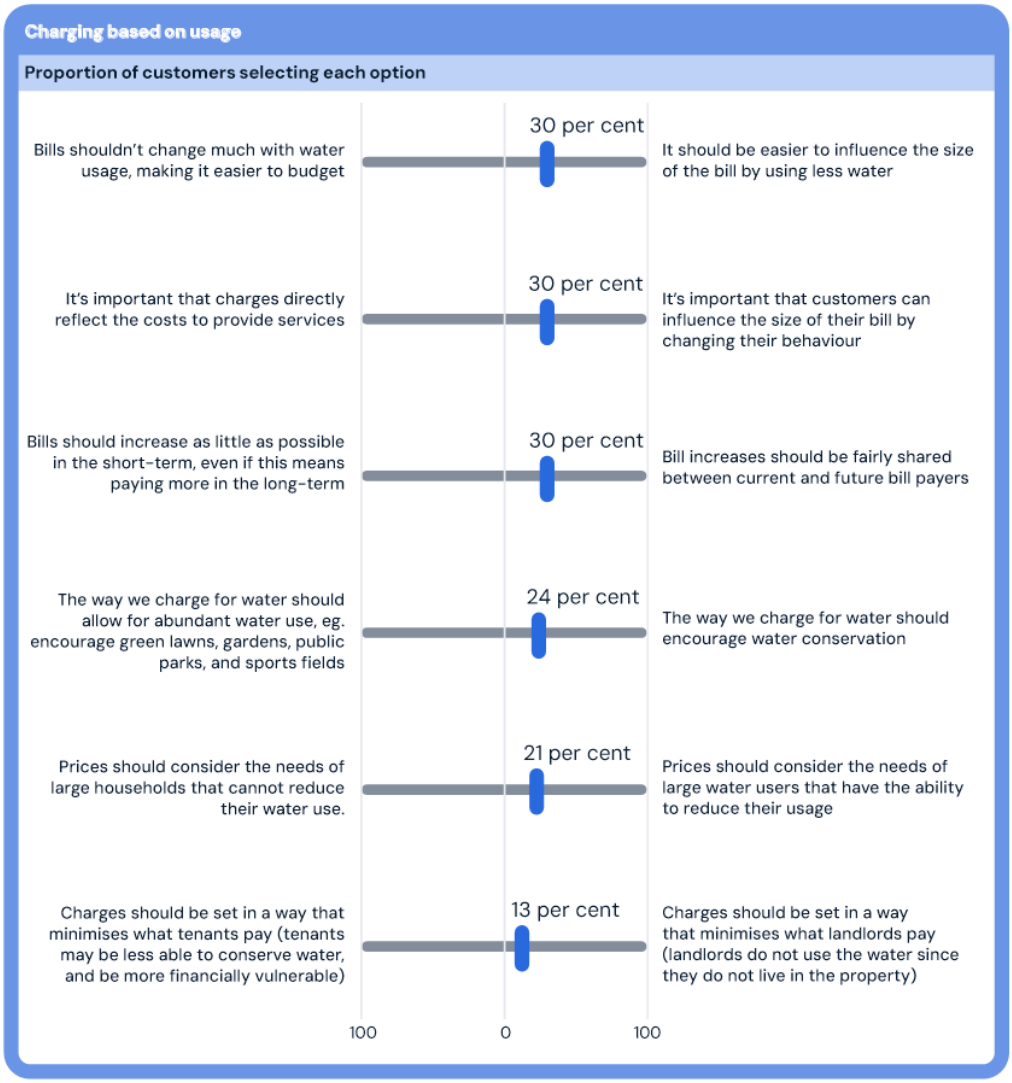


Table 3.3. Summary of Bill Simulator results *continued*



## 3.4 Our first ever deliberative panel – Water Future Community Advisory Panel

Our 45-member Water Future Community Advisory Panel met for five full days of deliberation in October and November 2024[39].

The panel considered feedback from a range of sources to develop a set of recommendations to inform TasWater's PSP5 Proposal. These sources included our wider engagement program, their own visits to TasWater sites, workshops with TasWater staff, and views from external experts, such as an economist who specialises in tariff reform and a representative from the energy sector.

### What is deliberative democracy?

Community advisory panels, also known as deliberative panels or citizens juries, are powerful examples of deliberative, democratic engagement. This means that members of the community affected by a decision are put at the centre of the decision-making process and closer to decision-makers.

Deliberative democracy comes to life through a community advisory panel built around a number of key principles:

- A random sample of people affected by the decision is independently recruited to participate.
- Participants receive detailed, in-depth and balanced information to understand the issues and opportunities related to the decision.
- Participants are given the time and support needed to discuss information, weigh up issues, and agree on recommendations.
- Participants write their own report, presented directly to decision-makers, with high influence over outcomes.

The use of deliberative democracy processes to engage citizens in decision-making is growing worldwide. From Ireland, France, Germany, Belgium, the United Kingdom, the United States and Canada through to Brazil, Taiwan and South Korea, there are numerous examples of citizens assemblies and community panels aiding decision-making. Similarly, many interstate water businesses use this approach to inform their regualted price subsmissions.

Closer to home, section 55 of the *Local Government Act Victoria (2020)* states that local councils must adopt a community engagement policy that includes deliberative engagement processes in developing its plans and Victorian water corporations are increasingly relying on deliberative processes to satisfy the requirements of the Essential Services Commission PREMO regulatory framework[40].

### How did the Water Advisory Community Panel work?

All Tasmanian residents had the opportunity to express interest through TasWater's YourSay platform from March to May 2024. More than 3,500 people who registered their initial interest received an invitation and from this customer group, more than 500 people expressed a willingness to participate in the panel process.

TasWater was not involved in the selection of the panel members to maintain the integrity of the deliberative, democratic engagement process.

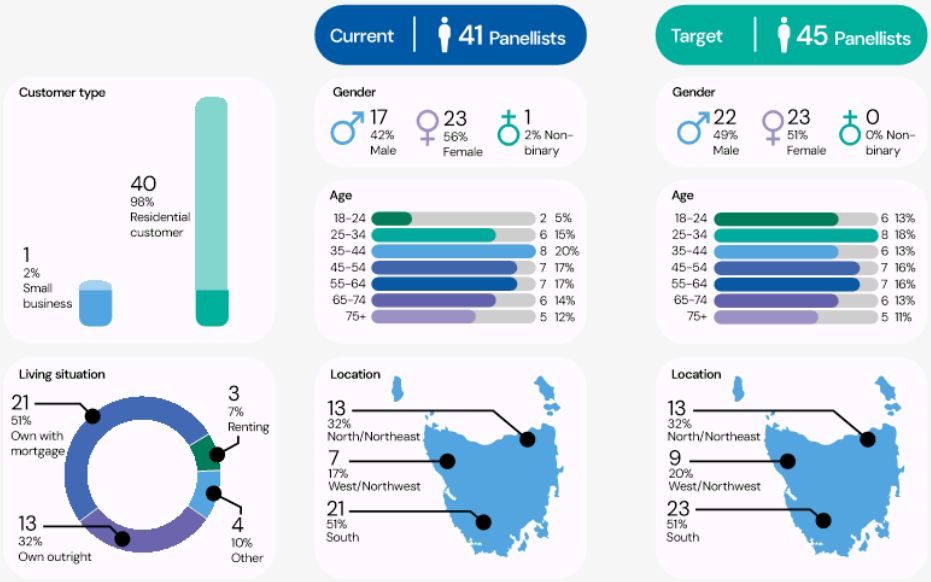
An independent organisation, newDemocracy Foundation, managed the recruitment and selection process against a strict set of demographic criteria, to ensure the panel was demographically representative of the broader Tasmanian community (matched to ABS census data). Panel members were confirmed in partnership with MosaicLab, who independently managed the onboarding of panel members. These panel members represented a broad geographical spread of the Tasmanian community, with panel members based in towns and suburbs from Smithton to South Hobart. The demographics of the Tasmanian community members selected is summarised in Figure 3.5.

Panel members were asked to listen, ask questions and contribute to discussions. Panel members were supported to:

- Have access to specific information and hear from people who are subject matter experts or key stakeholders.

39 While 45 panel members were recruited, 41 of these panel members maintained their attendance for the entire process. This retention rate was higher than we expected.
40 Refer CASE STUDY: WATER WORKS ACROSS 2021 - 23 — MosaicLab

Figure 3.5. Demographics of TasWater's Water Future Community Advisory Panel




- Discuss the information and issues with fellow Panel members and weigh up all of the evidence presented to them.
- Agree on a set of final recommendations and help write a report to be presented to TasWater.

MosaicLab's independent facilitators provided support throughout the process to ensure that it was a genuine and open process where all panellists were able to have their say and feel heard.

Further details of the process are provided in the Community Advisory Panel Process Report prepared by MosaicLab (Supporting information Attachment C.2).

## What did we learn from the Water Future Advisory Community Panel?

The Panel was encouraged to set personal preferences and biases aside and consider all information presented to them in order to recommend a balance of price and service that is fair for all Tasmanians. In this way, the Panel drew upon the rich insights provided from our wider engagement phase, as well as views from external experts in their deliberations.

The iterative process led by MosaicLab gave the Panel the opportunity to test its thinking and present its draft recommendations to us. We validated what we heard from the Panel by explaining how we would interpret its recommendations and apply them to our PSP5 proposals, providing a general price increase attributable to its recommendations to the extent possible.

This back-and-forth exchange of ideas helped the Panel to refine its recommendations. Their final report set out seven key recommendations agreed to by at least 80 per cent of the Panel members and was prepared solely by Panel members, with no input or editorial changes by MosaicLab or ourselves.

At the conclusion of the final session on 23 November 2024, the panel handed over its Recommendations Report to the TasWater Chief Executive Officer and a TasWater Board Member (Supporting information Attachment C.5).

Furthermore, the panel also provided its report to the full TasWater Board in February 2025 (Supporting information attachment C.6).

## 3.5 Our response to the panel's recommendations

Our response to the Water Future Community Advisory Panel recommendation report is provided in Table 3.3.

**Table 3.3. Our response to the Water Future Community Advisory Panel recommendation report**

| Recommendation | TasWater's Response |
|---|---|
| **Protect and improve the environment and water security** | |
| Provide reliable access to quality water amid challenges like climate change (eg drought risk).<br>Consider population growth, conserve resources and reduce water loss from leaks.<br>Ensure that all infrastructure, upgrades and new projects ensure minimal harm. | **We accept this recommendation.**<br>Our PSP5 Proposal has a strong focus on improving environmental and water security outcomes. It also includes investment to meet population growth and reduce leakage in our system.<br>This will see us meet basic regulatory commitments, but the key challenge for us is needing to tackle some of the bigger investments such as rationalising (combining) plants. |
| **Education and incentives for water conservation** | |
| TasWater should develop comprehensive strategies to help customers maximise water efficiency, including educational programs in schools and the broader community. By promoting awareness and practical solutions, these initiatives will empower individuals, households and businesses to conserve water effectively. Additionally, TasWater must collaborate with local, state and federal governments to implement water-saving rebates or subsidy programs, encouraging the adoption of water-efficient devices such as showerheads and tanks. These combined efforts will foster a culture of conservation and ensure sustainable water use across Tasmania. | **We accept this recommendation.**<br>We agree that behaviour change can happen through education and price incentives.<br>We are committed to this outcome and we are already taking action, including our current water conservation campaign and our schools water literacy program.<br>We will increase our efforts and investment in water conservation in PSP5. We propose an additional $400,000 over the PSP5 period to fund a water conservation program, building our knowledge of customer water use behaviour and making available water efficient devices and advice to support customers using less water. We will work with government to explore rebates for water efficient appliances and other support for customers to save water use. |
| **Increase awareness of the TasWater Assist program** | |
| Increase awareness of the TasWater Assist Program and the flexible payment options available.<br>Provide support for those impacted by pricing changes to ensure that all Tasmanians have reliable access to basic water needs for drinking and hygiene. | **We accept this recommendation.**<br>We have already begun an increased awareness campaign for TasWater Assist, in response to this recommendation.<br>Our PSP5 Proposal further increases our investment in education and support for TasWater Assist and other vulnerable customers, particularly as pricing based on usage is increased. |
| **Upgrade of metering** | |
| We recommend that TasWater install digital smart meters across the network, as a high priority, where net benefit can be demonstrated i.e. where the trial has proved successful for TasWater and customers. On that basis, we should accelerate pilots and broaden rollouts. Taswater should consider optional early customer opt in. | **We accept this recommendation.**<br>We will increase our investment in renewing and improving our meter fleet. We recognise effective metering as essential to delivering our services to customers.<br>We will run a 10,000 digital meter pilot in PSP5, to inform the most cost-effective way to roll-out digital metering to the remainder of the meter fleet. |

| Recommendation | TasWater's Response |
|---|---|
| **Remodel the pricing structure** | |
| We recommend that TasWater increase the variable component of the pricing structure for water and sewerage and in turn, reduce the fixed cost component so it is more reflective of a usage-based system.<br>We recommend that TasWater provide comprehensive information on these changes including payment options, weekly/fortnightly BPay payments or recurring direct debits. | **We accept this recommendation.**<br>We intend to propose an increase in the proportion of customer bills that is based on usage, with the proposal still undergoing finalisation.<br>We acknowledge that while many will benefit and pay less, any price reform will impact on customers differently and we commit to support all customers with price changes. |
| **Proactive infrastructure management and maintenance** | |
| We recommend that TasWater focus on future-proofing and consolidating infrastructure by addressing critical needs first, with ongoing proactive/ preventative maintenance, rationalising infrastructure based on cost benefit to customers prioritised to meet future demands. | **We accept this recommendation.**<br>Our capital plan is being developed to address the previous under-investment in infrastructure.<br>This will see us prioritise renewal investment that improves our networks to reduce leakage, increase our environmental compliance and focus on water security for the future. |
| **Supply water and sewage services to unserviced communities** | |
| TasWater to review:<br>• the adequacy and location of sewerage filling stations in order to ensure they are close to communities that need them<br>• their arrangements with cartage contractors to ensure a reasonable and equitable cost of supply to unserviced communities<br>• demand for expanding reticulated water and sewerage services in unserviced communities through proactive engagement | **We accept this recommendation.**<br>We will review our arrangements for remote and regional communities that are currently unserviced by TasWater.<br>We note that we do currently have a policy for introducing new and extending services to regional areas, which relies on the principle of recovering costs from the communities that benefit from the service introduction. |

## 3.6 Additional engagement on our proposed price path

During the Water Future Community Advisory Panel process, panel members were provided with estimates of what our proposed price could be, based on information available at that time. They were also given an indication of the cost and price impact of their recommendation as they were being developed. The panel did not provide endorsement of the proposed price increase contained in this PSP5 Proposal.

In May 2025, we reconvened the Water Future Community Advisory Panel to test the potential price path options for PSP5 and PSP6. This engagement included the following options:

- A cost-reflective price path of 11.2 per cent (including inflation) in PSP5 and a 0 per cent per annum increase in PSP6
- A lower price path of 6.1 per cent, plus inflation of 2.7 per cent per annum (8.8 per cent per annum) in PSP5 and 5.4 per cent in PSP6.
- An option in between.

The results of the panel engagement were mixed. Some panel members saw the benefit of a larger increase in PSP5, offering a view that it was better to take action now "rip the band aid off", resulting in lower bills in 2034. Others saw benefits for keeping the PSP5 proposed increase lower, viewing it as a prudent 'middle ground'. The results of this engagement are provided in Appendix C. Customer Engagement.

## 3.7 How what we heard aligns with our Strategy

We observed a high degree of consistency in the feedback we received from both our broad and deliberative engagement activities with customers and community.

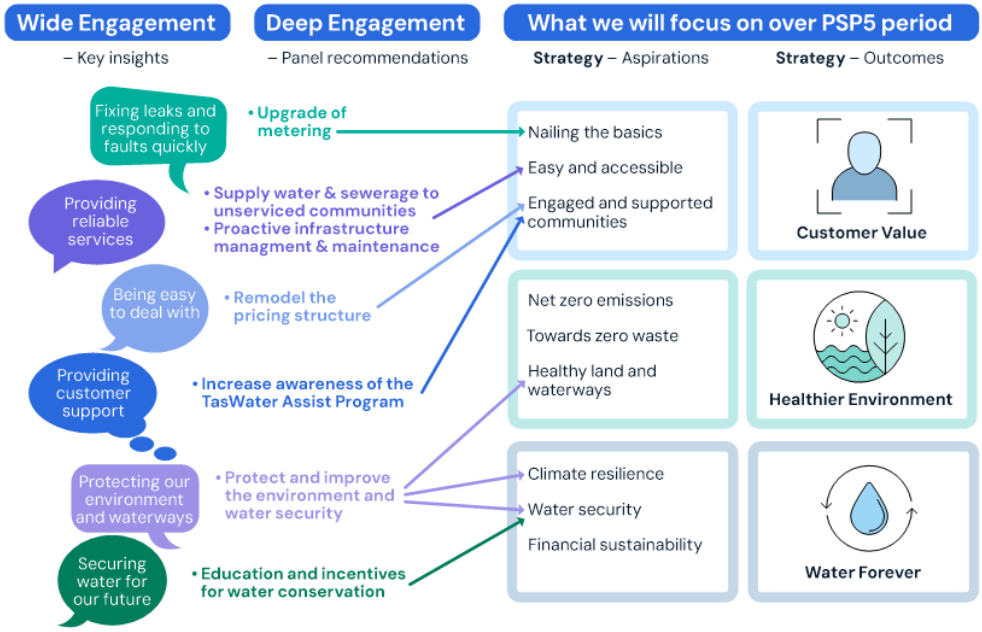
The key insights from the 3,500+ members of the community we reached during our Shaping Tasmania's Water Future Together campaign aligned with the detailed recommendations of our Water Future Community Advisory Panel.

In turn, this feedback also aligned with the future direction we have set for our organisation, in our Strategy. Through both our broad and deliberative engagement activities, we heard that customers support us taking decisive action on all three aspirations we have set for ourselves to deliver Customer Value. Customers also want to see us make progress on key aspirations related to Healthier Environment and Water Forever.

Our PSP5 Proposal therefore centres on progressing six aspirations and delivering three outcomes from our Strategy over the next four years, as shown in Figure 3.6.

However, in order to do this, we must also progress our aspirations to be Better Together. It is only by helping our people to unlock their full potential and partnering with our stakeholders in a meaningful way will we be successful in delivering what our customers want.

**Figure 3.6. How our PSP5 proposal aligns with our strategy**




## Appendix for *Chapter 3 Our collaborative approach with customers*

- Appendix C: Customer Engagement

**Including the following:**

- Attachment C.1 – TasWater – Shaping Tasmania's water future: Strategic Engagement Plan
- Attachment C.2 – Water Future Community Advisory Panel: Mosaic process report
- Attachment C.3 – Water Future Community Advisory Panel: Handbook
- Attachment C.4 – Water Future Community Advisory Panel: Background Report
- Attachment C.5 – Water Future Community Advisory Panel: Community Engagement Report
- Attachment C.6 – Water Future Community Advisory Panel: Recommendations Report
- Attachment C.7 – Water Future Community Advisory Panel: Recall Day 1 – What was said report
- Attachment C.8 – Water Future Community Advisory Panel: Recall Day 2 – Revenue deferral
- Attachment C.9 – Tasmanian Aboriginal Community Consultation Workshop Report

# 4. Our regulatory commitments

### We are striving to achieve compliance

- As a provider of essential services, we must comply with a range of legislative and regulatory obligations that govern the quality of our services and operations.
- These are important reflections of our community's expectations and our compliance is an integral part of maintaining our 'social licence' with Tasmanians.
- We inherited a $2 billion asset base with significant gaps in performance and compliance with water, environment and dam safety requirements, due to decades of under-investment that drove reform of the water industry and resulted in TasWater's formation.
- Our primary focus for the first 12 years of TasWater's operations was to improve drinking water compliance. We have successfully achieved this, recording our sixth year of 100 per cent of microbiological compliance.
- Sewage treatment compliance remains a significant gap in our performance, and now our increased focus. Currently, 23 per cent (or 18) Level 2 sewage treatment plants are classified high risk to their environments. Only 19 per cent of our sewage treatment plants are fully compliant with their Environmental Protection Notices (EPNs).
- We have a large portfolio of dams. As we identify risks with these dams, we must make further investments to ensure our dams are safe, protecting life, with upgrades planned for Ridgeway Dam (Hobart) and Pet Dam (Burnie) in PSP5.
- We have worked closely with technical regulators, DoH, EPA, NRE to develop and align priorities in our investment plans. Our proposal makes the necessary investments in PSP5. However, it will require multiple PSP periods and consistent focus and investment to 'close the gap', with more than half of our proposed capital expenditure program driven by our compliance requirements.

This section of our submission sets out:

4.1 Our regulatory framework reflects community expectations
4.2 Our inherited assets were largely non-compliant because of historical under-investment
4.3 Our journey to drinking water quality compliance
4.4 Our key remaining challenge is sewage environmental compliance
4.5 We also face a challenge to maintain dam safety
4.6 How we propose to overcome our remaining challenges
4.7 How we will meet our regulators' requirements in PSP5

## 4.1 Our regulatory framework reflects community expectations

Owing to the essential nature of our water and sewerage services, we are subject to a complex framework of legislation and regulation. This governs the quality of the products and services we provide, as well as ensures our customers and employees are appropriately protected as we operate our business. Figure 4.1 provides the legislation that applies to us.

Independent regulators oversee our compliance with key legislation and regulations due to the technical nature of these obligations and their impact on customers. These regulators include:

- The Tasmanian Economic Regulator, who oversees regulated pricing and customer service standards.
- The EPA, which regulates environmental matters such as sewage treatment plant licensing and effluent and recycled water compliance.
- The Director of Public Health and DoH, which regulates drinking water quality.
- The Dam Safety Regulator and NRE, which regulates water allocation, water licensing and dam safety[41].

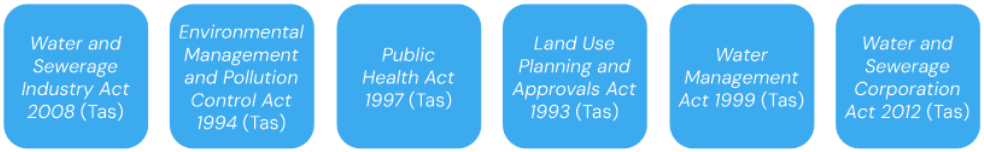
The legislative and regulatory framework we operate within is subject to evolution by the State Government over time, so that it remains contemporary and adequately reflects the Tasmanian community's expectations for the quality of the services we provide.

In this way, the community can trust that the drinking water they receive and the sewage effluent that is discharged to the environment on their behalf is fit for purpose, of appropriate quality, and that we are meeting all of our other obligations to provide quality services. TasWater and its regulators report on our performance against obligations, making this transparent and upholding our 'social licence' with Tasmanians[42].

In addition to the key legislative and regulatory framework governing water and sewerage services, there are also a number of other legislative, regulatory and policy obligations that drive our operations and investments. We must:

- Ensure the safety of our employees under workplace health and safety legislation.
- Meet the evolving requirements of the cyber security legislation.
- Comply with the *Security of Critical Infrastructure Act 2018* (SOCI Act) to ensure we can protect our assets from external threats.
- Comply with the Privacy Act and the related obligations overseen by the Office of the Australian Information Commissioner.
- Support the State Government and local councils' development and growth-related policies and forecasts for development.
- Comply, and work closely, with the Ombudsman Tasmania to resolve customer issues and complaints that we are unable to resolve directly with the customer.

**Figure 4.1. Key legislation governing water and sewerage services**




41 Previously known as the Department of Primary Industries, Parks, Water and Environment.
42 Australian Institute of Company Directors defines 'Social licence' as the ongoing acceptance and approval of an organisation's activities by its stakeholders and the general public.

## 4.2 Our inherited assets were largely non-compliant because of historical under-investment

When TasWater was formed in 2013, we inherited a $2 billion asset base with a significant gap between current performance and full compliance for water, environment and dam safety requirements.

In particular, there were 24 permanent public health alerts (boil water or do not consume) within drinking water systems and widespread non-compliance of sewage treatment plants with their environmental permits. The TER's 2012 Water and Sewerage Price Determination Investigation – Final Report (Price and Service Plan 1), made the fair assessment that the issues in performance had been allowed to develop over decades and would not be rectified for some time[43].

The widespread lack of adequate investment in water and sewerage assets had been observed as far back as the early 1990s[44]. By the time the Tasmanian Government assessed its ability to sign up to the National Water Initiative in 2005, it was clear that there was a large investment gap with respect to compliance. In the same year, Engineers Australia undertook a nationwide assessment of infrastructure and ranked Tasmania as having the worst-performing water and sewer infrastructure in Australia[45].

The Ministerial Water and Sewerage Taskforce that led Tasmania's water and sewerage structural reform in the 2000s issued clear findings about the lack of centralised planning, lack of economies of scale and limited council financial capacity resulting in significant under-investment in infrastructure and poor outcomes for customers. By the time the reform was largely implemented, a further parliamentary review in 2012 confirmed that *"the task of bringing water and sewerage assets up to a standard that meets not only pre-existing licence requirements but current contemporary standards as well, will be a significant challenge both environmentally and financially"*[46].

While we have made significant progress in the first 12 years of TasWater, it is imperative that PSP5 does not ignore the performance gaps that remain. It's crucial that we invest in our water and sewerage systems to meet the needs of customers now and the future.

## 4.3 Our journey to drinking water quality compliance

### What was the extent of our challenge?

From the creation of TasWater in 2013, we have been striving to close our compliance gap. Our initial focus was on drinking water quality.

We currently operate 59 water systems, which are supplied by 73 water catchments[47], to provide drinking water to more than 470,000 Tasmanians and Tasmanian businesses. In addition, we serve a further 1.3 million tourists that come to our state annually[48]. Figure 4.2 shows the geographical distribution of our water treatment plants across the state.

43 Tasmanian Economic Regulator 2012 Water and Sewerage Price Determination Investigation – Final Report (pages IX-XI).
44 University of Tasmania: The history of Local Government in Tasmania, Prepared for the Future of Local Government Review by the UTAS Tasmanian Policy Exchange, March 2022.
45 Tasmanian Government Ministerial Water and Sewerage Taskforce Discussion Paper: Reform of Tasmania's water and sewerage sector, December 2006, page 15.
46 The 2012 House of Assembly Select Committee into the Tasmanian Water and Sewerage Corporations.
47 As at March 2025.
48 Tasmanian Government, Tasmanian Tourism Snapshot, figures for the year-ending September 2024.

Figure 4.2. Map of water treatment plants across Tasmania

Drinking water quality compliance is primarily governed by the *Public Health Act 1997* and the Australian Drinking Water Guidelines 2022, as shown in Figure 4.3. We are required to undertake comprehensive samples of drinking water (both in number and frequency) to demonstrate our compliance with these requirements and report to the Director of Public Health if there is, or is likely to be, any threat to public health. The Director of Public Health will issue a warning to protect public health if sampling suggests there is an increased risk associated with the use of the water supply. We have implemented Health-Based Targets with the endorsement of the Director of Public Health, which is part of a broader framework for assessing and managing water quality risks, which is outlined further below.

In the early years following TasWater's formation, our sampling demonstrated widespread and well publicised non-compliance with drinking water obligations, with a number of drinking water systems presenting risks to public health. The resultant 28 permanent public health alerts (boil water or do not consume) for drinking water quality disproportionally impacted our regional communities as shown in Figure 4.4.

## How did we overcome this challenge?

Our response was the 24 Glasses Program, which aimed to deliver treated drinking water to all Tasmanian towns without compliant drinking water. By the end of the program, we had invested more than $100 million in 28 drinking water systems, along with additional investment in treatment processes across the state.

By August 2018, we were incredibly proud to achieve the removal of all permanent public health alerts and boil water alerts across Tasmania (a total of 28 removed). As at June 2024, we have had our sixth consecutive year of reporting 100 per cent microbiological compliance for our drinking water, across more than 280,000 compliance tests annually.

In addition to the 24 Glasses Program, we introduced fluoridation processes in small water treatment plants where they didn't already exist. Fluoridated water is now supplied to 99.6 per cent of the Tasmanian population that receives our drinking water. Extra treatment barriers, such as UV disinfection, were also introduced to drinking water treatment plants in regional towns. Our final round of investment in regional town drinking water quality will be delivered in the PSP5 period[49]. Seven water treatment plants will be upgraded with UV treatment in the PSP5 period, being St Marys, Bothwell, Tullah, Oatlands, Yolla and Dover.

A major milestone was also achieved with the delivery of the upgraded Bryn Estyn Water Treatment plant in 2023, supplying more than 60 per cent of Hobart's drinking water. The $227.2 million plant delivers best-practice water treatment and increases our capacity to serve greater Hobart for the next 50 years.

**Figure 4.3. Legislation and regulatory instruments governing drinking water quality**


49 You can find out more about our investment in regional town drinking water supply here.

Figure 4.4. Public health alerts in 2010

## Despite safe drinking water, targeted investments are still required

Although our drinking water treatment plants are 100 per cent microbiologically compliant, we recognise there is always a risk of pathogens being present in the raw water we treat. The Australian Drinking Water Guidelines (ADWG) were updated in September 2022 to include Health Based Targets to address this risk. Health Based Targets provide guidance on the necessary layers of treatment required, depending on the risks present in the water catchment risk. The method uses a log removal value (LRV) scale to measure the pathogen reduction required. It is important to reiterate that all of our drinking water meets very high standards and is compliant with ADWG, the risks outlined in our Health Based Targets represent the need for additional barriers for safety (for example, an additional water treatment process such as UV disinfection).

Water treatment plants where treatment processes do not meet the Health Based Targets LRV requirement, are said to have a 'LRV shortfall'. As a result of our many small water treatment plants, we still have a number of treatment plants that have a LRV shortfall, as summarised in Figure 4.5[50]. At the end of PSP4, we will have seven high risk water treatment plants to rectify in PSP5.

Our plan to address the Health Based Target LRV shortfall is part of our commitment to the Director of Public Health for PSP5. Once we identify drinking water risks, we must reduce water treatment plants with extreme risks (LRV deficit ≥4) within three years, high risks (LRV deficit 3) within five years, medium risks (LRV deficit 2) within ten years and low risks (LRV deficit ≤2) at the next major upgrade of the relevant water treatment plant. Our proposed capital plan has been aligned to this commitment.

The water treatment plants that we will upgrade in PSP5 are provided in Chapter 6 Our proposed outcomes and service standards.

50 The number of water treatment plants included in this graph is 62, which includes our 59 water treatment plants and additional systems with dosing stations.

**Case Study: Bryn Estyn Water Treatment Plant upgrade**

# Hobart's water in safe hands

The Bryn Estyn Water Treatment Plant is Greater Hobart's primary source of drinking water, providing an average 60 per cent of its water supply needs annually. Bryn Estyn was originally constructed in 1962, with capacity augmentations completed in 1972 and 1992.

Over the last two years, we completed upgrades and expansion of the plant to ensure it can continue to provide high-quality drinking water and meet projected demand in Greater Hobart for years to come.

The upgrade and expansion:

- provides high-quality drinking water for Greater Hobart
- enables the reliable supply of 160 million litres of water per day
- provides multi-barrier treatment processes to ensure drinking water risks are mitigated now and into the future
- improves the operational efficiency by increasing capacity and modernising infrastructure

The project was officially opened in September 2023.

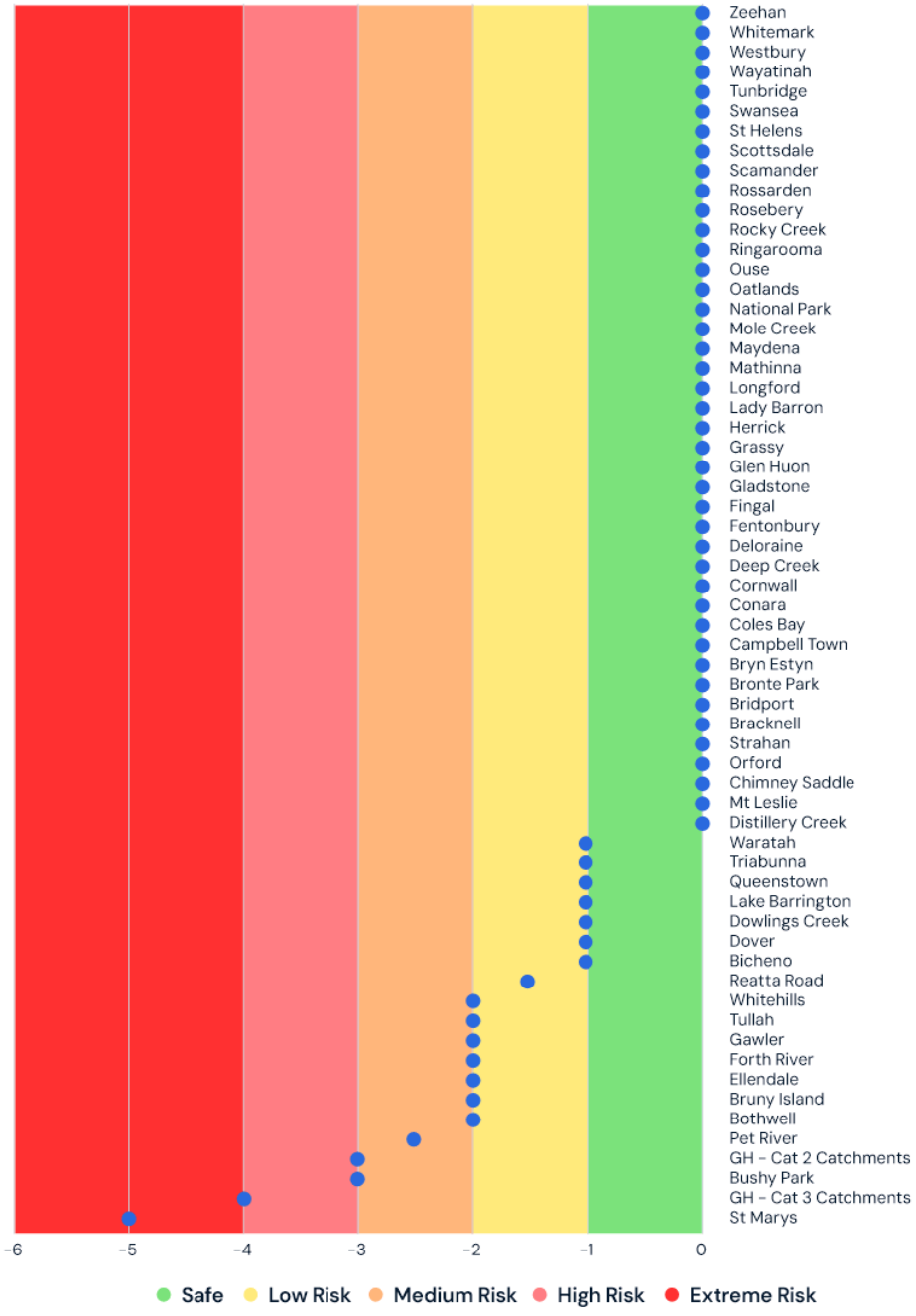
Bryn Estyn supplies water to eight Local Government Areas including:

- Hobart
- Glenorchy
- Kingborough
- Brighton
- Derwent Valley
- Southern Midlands
- Sorell
- Clarence

## Fast Facts:

- Bryn Estyn takes water from the River Derwent upstream of New Norfolk
- The water treatment plant provides multi-barrier treatment to ensure safe and pleasant-tasting water
- Sediment is removed through a clarification and flocculation process
- Ozone oxidises the organic material and the Biological Activated Carbon Filters removes particulate matter through adsorption
- UV treatment and chlorination provide disinfection and the final water is fluoridated

Figure 4.5. Water treatment plants with a LRV shortfall



## 4.4 Our key remaining challenge is sewage environmental compliance

Sewage treatment and disposal is regulated under a range of legislation depending on the size and context of the plant. We currently own and operate 110 sewage treatment plants:

- 33 Level 1 sewage treatment plants, which are designed to treat <100 kilolitres (kL) a day and are regulated by local councils.
- 77 Level 2 sewage treatment plants, which are designed to treat >100kL per day and are regulated by the EPA.

Figure 4.6 shows the geographical distribution of our sewage treatment plants across the state and Figure 4.7 shows the legislation that applies to us.

**Figure 4.6. Map of sewage treatment plants across Tasmania**

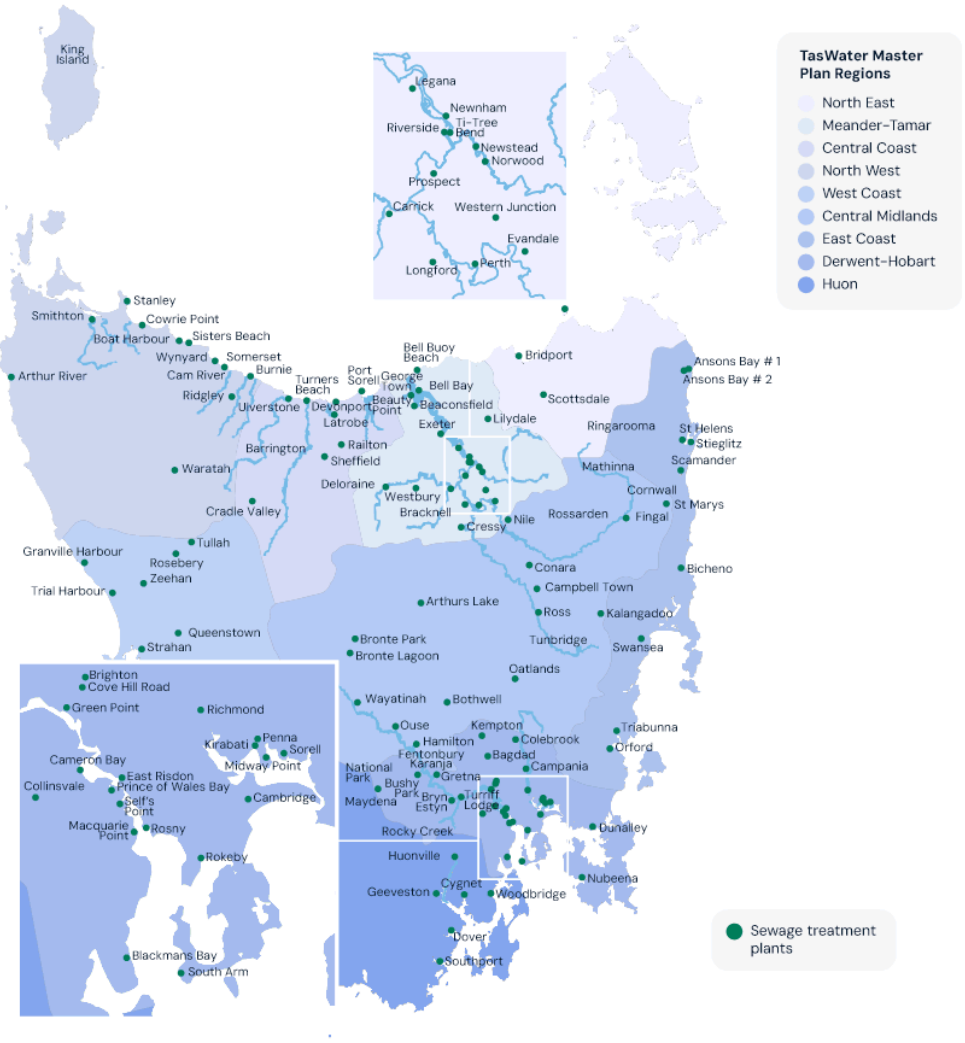


**Figure 4.7. Legislation and regulatory instruments governing sewage treatment, discharge and reuse**


Any of our Level 2 sewage treatment plants with outfalls to local waterways must comply with EPNs or permits issued by the EPA, which set out operating, monitoring, reporting and planning requirements for that site. Most EPNs set quality limits for treated sewage discharge based on the type of treatment process, rather than the risk posed to the local waterway.

Only 15 per cent of our Level 2 sewage treatment plants were compliant at the time of TasWater's formation, as shown in Figure 4.8[51]. We have marginally improved this over time to 26 per cent as at June 2024. However, given the substantial program of work we have undertaken to improve our drinking water compliance, we have been unable to make the investments necessary to substantively improve our sewage environmental compliance. We prioritised drinking water over sewage treatment, to limit customer bill impact, but it is now critical that we invest in our sewage treatment plants and meet their EPNs.

Of our Level 1 sewage treatment plants, only three per cent were compliant against Emission Limit Guidelines in 2023-24, as outlined in Figure 4.9. These sewage treatment plants are regulated by local councils.

This poor performance was confirmed in the TER's annual State of the Industry Reports (refer 2013-14 and later years) and in the Tasmanian Audit Office's 2017 assessment of water reforms in Tasmania, which noted that Tasmanians had not yet benefitted from any improvement in our sewage environmental compliance and that TasWater must commence a structured approach to planning rationalisation of its assets. This process has begun with the upgrade to the Selfs Point Sewage Treatment Plant and now receives greater focus in PSP5.

51 This is based on overall proportion of compliance with the EPN discharge limits and does not take into consideration the size of flow or risk to receiving environment. Also, the majority of EPNs only contain 'interim' discharge limits. Today, we focus on environmental risk and less on technical compliance.

Figure 4.8. Percentage of compliant Level 2 sewage treatment plants 2014–15 to 2023–24

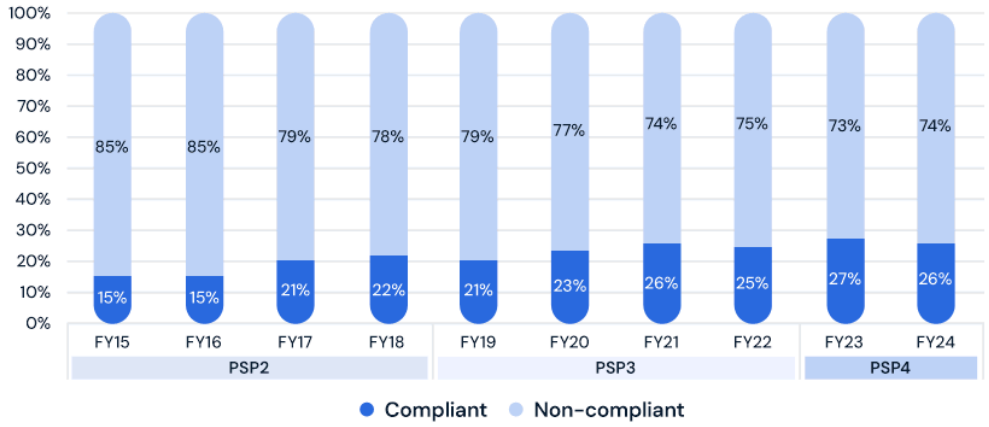
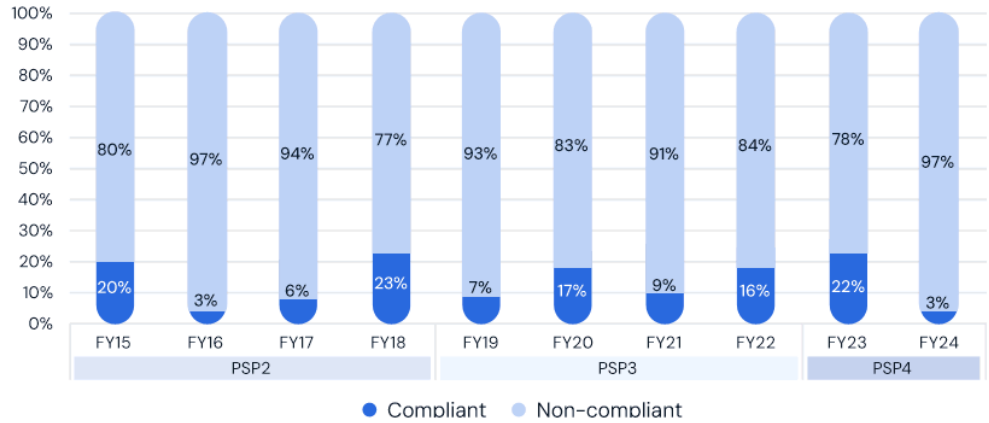



Figure 4.9. Percentage of compliant Level 1 sewage treatment plants 2014–15 to 2023–24



Our extensive ambient monitoring program gives us an understanding of the impacts we have on local waterways. We use this monitoring data in Environmental Risk Assessments (ERAs) for waterway discharges, which assess our current performance against key discharge risks aligned with recognised ecosystem values. This allows us to understand the true risk to the environment, rather than simply EPN compliance.

Sites which are classified as "high risk" via ERAs become a high priority for investigation and investment in sewage quality improvement projects. These sites generally discharge all treated effluent flows to local waterways, with discharge impacts including elevated nutrients, pathogens or other parameters such as chlorine or ammonia.

Out of our 77 Level 2 sewage treatment plants, 18 (or 23 per cent) are currently classified "high risk"[52]. This is outlined in Table 4.1. A further four of our Level 1 sewage treatment plants are also classified as "high risk", outlined in Table 4.2.

Sites which are classified as "medium risk" via ERAs generally have improved treatment processes or partially discharge treated effluent to recycled water schemes, meaning lower volumes of treated effluent enter local waterways. These sites are considered medium priority for subsequent investment and improvement.

42 Level 2 sewage treatment plants (or 55 per cent) are currently classified "medium risk". We commit to maintaining our current performance for our medium and low risk Level 2 sewage treatment plants, and our Level 1 sewage treatment plants, while investigating opportunities to improve performance at these plants.

During 2023-24, 23 STPs were classified as full reuse, diverting more than 95 per cent of their total treated sewage flows to land, either through recycled water schemes or absorption trenches. In total we diverted 5,495 megalitres (ML) of treated sewage away from our local waterways further reducing pollutants like nitrogen and phosphorous. This is equivalent to 2,337 Olympic swimming pools or 3.6 Melbourne Cricket Grounds. These opportunities allow us to beneficially reuse sewage effluent, improving environmental outcomes while potentially reducing or deferring the need for further investment at a sewage treatment plant.

The sewage treatment plants that are subject to investment in PSP5, consistent with our approved Wastewater Risk Management Plan, are outlined in *Chapter 6. Our proposed outcomes and service standards* and in our proposed capital expenditure forecast.

52 As at end June 2024.

**Table 4.1. Summary of Level 2 sewage treatment plant limit compliance and discharge risk**

| Site | Key Wastewater Parameters | | | | | | | Discharge Risk |
|---|---|---|---|---|---|---|---|---|
| | Ammonia | Biochemical Oxygen Demand | Chlorine | E. coli | Total Suspended Solids | Nitrogen | Phosphorus | |
| Beaconsfield STP | 🟢 | 🔴 | - - | 🟡 | 🔴 | 🟡 | 🟢 | Low |
| Beauty Point STP | 🔴 | 🟡 | - - | 🟡 | 🟡 | 🔴 | 🟢 | Medium |
| Bicheno STP | 🟢 | 🟡 | - - | 🟡 | 🟡 | 🟡 | 🟡 | High |
| Blackmans Bay STP | 🟢 | 🟢 | - - | 🟢 | 🟢 | 🟢 | 🟢 | Low |
| Boat Harbour STP | 🟡 | 🟢 | - - | 🟡 | 🟢 | 🟢 | 🟢 | Low |
| Bothwell STP | 🟢 | 🟡 | - - | 🟢 | 🟡 | 🟢 | 🟡 | Medium |
| Bridport STP | 🟡 | 🔴 | 🔴 | 🟡 | 🔴 | 🟠 | 🟠 | Medium |
| Brighton STP | 🟢 | 🔴 | - - | 🟡 | 🟠 | 🔴 | 🔴 | Low |
| Burnie STP | 🟡 | 🟡 | - - | 🟡 | 🟢 | 🟡 | 🟡 | Medium |
| Cambridge STP | 🟢 | 🟢 | - - | 🟢 | 🟢 | 🟡 | 🟡 | Medium |
| Cameron Bay STP | 🟢 | 🟡 | 🟡 | 🟢 | 🟢 | 🟢 | 🟢 | High |
| Campania STP | 🟢 | 🔴 | - - | 🔴 | 🔴 | 🔴 | 🔴 | Medium |
| Campbell Town STP | 🟢 | 🟡 | - - | 🟠 | 🟠 | 🟢 | 🟢 | Low |
| Carrick STP | 🟡 | 🟢 | - - | 🟡 | 🟢 | 🟡 | 🟡 | Medium |
| Cradle Valley STP | 🟢 | 🟢 | - - | 🟢 | 🟢 | 🟢 | 🟢 | Medium |
| Cressy STP | 🟠 | 🟠 | - - | 🔴 | 🔴 | 🔴 | 🟢 | Low |
| Currie STP | 🟢 | 🟡 | - - | 🔴 | 🟡 | 🟢 | 🟡 | Medium |
| Cygnet STP | 🟡 | 🟢 | 🟠 | 🟢 | 🟢 | 🟢 | 🟢 | Medium |
| Deloraine STP | 🟡 | 🟠 | - - | 🟡 | 🔴 | 🟡 | 🟢 | Medium |
| Dover STP | 🟡 | 🟢 | 🟠 | 🟢 | 🟢 | 🟢 | 🟢 | Medium |
| Evandale STP | 🟢 | 🔴 | - - | 🔴 | 🔴 | 🟡 | 🟠 | Medium |
| Exeter STP | 🟢 | 🔴 | - - | 🔴 | 🟠 | 🟡 | 🟢 | Medium |
| Fingal STP | 🟡 | 🟢 | 🔴 | 🟡 | 🔴 | 🟢 | 🟢 | Medium |
| Geeveston STP | 🟢 | 🟠 | 🟡 | 🟡 | 🟡 | 🟡 | 🟡 | High |
| George Town STP | 🟢 | 🟡 | - - | 🟡 | 🟡 | 🟢 | 🟢 | Low |

Table key 🟢 Compliant >95 per cent 🟡 Minor non-compliance 75-<95 per cent
🟠 Substaintially non-compliant 50-<75 per cent 🔴 Non-compliant >50 per cent
- - Chlorine disinfection not used NA - No outfall to waterways

| Site | Key Wastewater Parameters | | | | | | | Discharge Risk |
|---|---|---|---|---|---|---|---|---|
| | Ammonia | Biochemical Oxygen Demand | Chlorine | E. coli | Total Suspended Solids | Nitrogen | Phosphorus | |
| Green Point STP | 🔴 | 🟠 | 🟢 | 🔴 | 🟢 | 🔴 | 🟢 | Medium |
| Hoblers Bridge STP | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | High |
| Kempton STP | 🟢 | 🟠 | -- | 🟡 | 🟠 | 🟢 | 🟡 | Medium |
| Latrobe STP | 🟢 | 🟠 | 🟢 | 🔴 | 🟢 | 🟢 | 🟢 | Medium |
| Legana STP | 🟡 | 🔴 | -- | 🟠 | 🔴 | 🔴 | 🟢 | Medium |
| Lilydale STP | 🟢 | 🟡 | -- | 🟠 | 🟡 | 🟢 | 🟢 | Medium |
| Longford STP | 🟢 | 🟢 | -- | 🟢 | 🟢 | 🟢 | 🟡 | Medium |
| Macquarie Point STP | 🟢 | 🟡 | 🟡 | 🟢 | 🟢 | 🔴 | 🟡 | High |
| Midway Point STP | 🟢 | 🟠 | 🟠 | 🟢 | 🔴 | 🟢 | 🟢 | Medium |
| Newnham STP | 🔴 | 🔴 | 🟢 | 🟡 | 🟢 | 🔴 | 🟢 | Medium |
| Norwood STP | 🟢 | 🟢 | 🟡 | 🟡 | 🟢 | 🟢 | 🟢 | High |
| Oatlands STP | 🟢 | 🟡 | -- | 🟡 | 🟠 | 🟢 | 🟢 | Medium |
| Orford STP | 🟢 | 🔴 | -- | 🟡 | 🟠 | 🟢 | 🟢 | Low |
| Pardoe STP | 🟢 | 🟡 | -- | 🟢 | 🟢 | 🟢 | 🟢 | Medium |
| Penna RWS | 🟢 | 🟢 | -- | 🟢 | 🟢 | 🟢 | 🟢 | NA |
| Perth STP | 🟠 | 🔴 | -- | 🔴 | 🟠 | 🔴 | 🟠 | Medium |
| Port Sorell STP | 🟠 | 🔴 | -- | 🟢 | 🟠 | 🟠 | 🟡 | High |
| Prince of Wales STP | 🟢 | 🟡 | 🟠 | 🟡 | 🟢 | 🟢 | 🟢 | High |
| Prospect Vale STP | 🟢 | 🟡 | -- | 🔴 | 🟡 | 🟢 | 🟢 | High |
| Queenstown STP | 🟢 | 🔴 | -- | 🟢 | 🟠 | 🟢 | 🟢 | Low |
| Railton STP | 🟢 | 🟢 | -- | 🟡 | 🟡 | 🟢 | 🟢 | Medium |
| Ranelagh STP | 🟢 | 🟡 | 🟠 | 🟡 | 🟡 | 🟢 | 🟡 | Medium |
| Richmond STP | 🟢 | 🟢 | -- | 🟢 | 🟢 | 🟢 | 🟢 | NA |
| Ridgley STP | 🟢 | 🟢 | -- | 🟡 | 🟡 | 🟢 | 🟢 | Medium |
| Risdon Vale STP | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 | 🟠 | 🟢 | Medium |
| Riverside STP | 🟢 | 🟠 | 🟢 | 🟠 | 🟢 | 🟢 | 🟢 | Medium |
| Rokeby STP | 🟢 | 🟢 | -- | 🟢 | 🟢 | 🟢 | 🟡 | Low |
| Roseberry STP | 🟢 | 🟢 | -- | 🟡 | 🟡 | 🟢 | 🟢 | Medium |
| Rosny STP | 🔴 | 🟢 | -- | -- | 🟢 | 🟢 | 🟢 | Medium |

| Site | Key Wastewater Parameters | | | | | | | Discharge Risk |
|---|---|---|---|---|---|---|---|---|
| | Ammonia | Biochemical Oxygen Demand | Chlorine | E. coli | Total Suspended Solids | Nitrogen | Phosphorus | |
| Scamander STP | ● | ● | - - | ● | ● | ● | ● | NA |
| Scottsdale STP | ● | ● | ● | ● | ● | ● | ● | High |
| Selfs Point STP | ● | ● | ● | ● | ● | ● | ● | Low |
| Sheffield STP | ● | ● | - - | ● | ● | ● | ● | High |
| Sisters Beach STP | ● | ● | ● | ● | ● | ● | ● | Medium |
| Smithton (Pelican Point) STP | ● | ● | ● | ● | ● | ● | ● | High |
| Somerset STP | ● | ● | - - | ● | ● | ● | ● | Medium |
| Sorell STP | ● | ● | ● | ● | ● | ● | ● | Medium |
| St Helens STP | ● | ● | ● | ● | ● | ● | ● | Medium |
| St Marys STP | ● | ● | - - | ● | ● | ● | ● | Low |
| Stanley RWS | ● | ● | - - | ● | ● | ● | ● | Medium |
| Strahan STP | ● | ● | - - | ● | ● | ● | ● | Low |
| Steiglitz STP | ● | ● | - - | ● | ● | ● | ● | NA |
| Swansea STP | ● | ● | - - | ● | ● | ● | ● | Medium |
| Ti-Tree Bend STP | ● | ● | ● | ● | ● | ● | ● | High |
| Triabunna STP | ● | ● | - - | ● | ● | ● | ● | High |
| Tullah STP | ● | ● | - - | ● | ● | ● | ● | Medium |
| Turners Beach STP | ● | ● | - - | ● | ● | ● | ● | High |
| Turriff Lodge STP | ● | ● | ● | ● | ● | ● | ● | Medium |
| Ulverstone STP | ● | ● | - - | ● | ● | ● | ● | High |
| Westbury STP | ● | ● | - - | ● | ● | ● | ● | High |
| Wynyard STP | ● | ● | - - | ● | ● | ● | ● | High |
| Zeehan STP | ● | ● | - - | ● | ● | ● | ● | Medium |

Table key ● Compliant >95 per cent ● Minor non-compliance 75-<95 per cent
● Substaintially non-compliant 50-<75 per cent ● Non-compliant >50 per cent
- - Chlorine disinfection not used NA - No outfall to waterways

**Table 4.2. Summary of Level 1 sewage treatment plant limit compliance and discharge risk**

| Site | Key Wastewater Parameters | | | | | | | Discharge Risk |
|---|---|---|---|---|---|---|---|---|
| | Ammonia | Biochemical Oxygen Demand | Chlorine | E. coli | Total Suspended Solids | Nitrogen | Phosphorus | |
| Ansons Bay East | 🟢 | 🔴 | - - | 🔴 | 🟡 | 🔴 | 🔴 | NA |
| Ansons Bay West (Blivett) | * | * | - - | * | * | * | * | NA |
| Arthur River | 🟠 | 🟡 | 🟢 | 🟢 | 🟢 | 🟠 | 🔴 | NA |
| Bagdad | 🟢 | 🔴 | - - | 🔴 | 🔴 | 🟡 | 🟡 | High |
| Barwick Lagoons | 🟢 | 🟢 | - - | 🟢 | 🟢 | 🟢 | 🟢 | NA |
| Bell Bouy | 🟢 | 🟡 | - - | 🔴 | 🟡 | 🟠 | 🔴 | NA |
| Bronte Lagoon | 🔴 | 🟡 | - - | 🟢 | 🟡 | 🔴 | 🔴 | NA |
| Bronte Park | 🟢 | 🟢 | - - | 🟠 | 🟠 | 🟢 | 🟢 | Low |
| Colebrook | 🟢 | 🔴 | - - | 🟢 | 🔴 | 🟢 | 🟢 | Low |
| Collinsville | 🟢 | 🟢 | - - | 🟢 | 🟢 | 🟡 | 🟡 | Low |
| Conara | 🟢 | 🟢 | - - | 🟠 | 🟢 | 🟢 | 🟢 | Medium |
| Cowrie Point | 🔴 | 🟡 | - - | 🟢 | 🟢 | 🔴 | 🔴 | NA |
| Dodgee Ferry | * | * | - - | * | * | * | * | NA |
| Dunalley | 🔴 | 🟡 | - - | 🟢 | 🔴 | 🟡 | 🟡 | Medium |
| Flinstone (Arthurs Lake) | 🟡 | 🟡 | - - | 🟠 | 🟢 | 🟡 | 🟢 | Low |
| Granville Harbour | 🟢 | 🟢 | - - | 🟢 | 🟢 | 🟠 | 🟢 | NA |
| Grassy | 🔴 | 🟠 | - - | 🔴 | 🔴 | 🟢 | 🟢 | Medium |
| Gretna | 🟢 | 🔴 | 🟢 | 🔴 | 🔴 | 🔴 | 🟡 | Medium |
| Hamilton | 🔴 | 🟡 | - - | 🟢 | 🟠 | 🟢 | 🟢 | Medium |
| Kalangadoo | 🟢 | 🟡 | - - | 🟢 | 🟠 | 🟢 | 🟢 | NA |
| Karanja | 🟢 | 🟢 | - - | 🟠 | 🟠 | 🟢 | 🟢 | NA |
| Maydena | 🟢 | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 | 🟢 | Medium |
| Nile | 🟢 | 🔴 | - - | 🟠 | 🟢 | 🔴 | 🟢 | Medium |

Table key 🟢 Compliant >95 per cent 🟡 Minor non-compliance 75-<95 per cent
🟠 Substaintially non-compliant 50-<75 per cent 🔴 Non-compliant <50 per cent
- - Chlorine disinfection not used * Sampling did not occur in 2023-24
NA - No outfall to waterways

| Site | Key Wastewater Parameters | | | | | | | Discharge Risk |
|---|---|---|---|---|---|---|---|---|
| | Ammonia | Biochemical Oxygen Demand | Chlorine | E. coli | Total Suspended Solids | Nitrogen | Phosphorus | |
| Nubeena | 🟢 | 🟠 | - - | 🟠 | 🟡 | 🟡 | 🟡 | Medium |
| Ouse | 🔴 | 🟡 | - - | 🔴 | 🟡 | 🟢 | 🟢 | Low |
| Ross | 🔴 | 🟡 | - - | 🔴 | 🔴 | 🟡 | 🟡 | High |
| South Arm (Blessington) | 🟠 | 🟢 | 🔴 | 🟢 | 🟢 | 🔴 | 🟢 | Medium |
| Southport | 🟢 | 🟢 | - - | 🟢 | 🟡 | 🟢 | 🟢 | Low |
| Trial Harbour | 🟢 | 🟢 | - - | 🟢 | 🔴 | 🟢 | 🟢 | Medium |
| Waratah | 🟠 | 🟡 | - - | 🔴 | 🟠 | 🟡 | 🟡 | Medium |
| Wayatina | 🟢 | 🟡 | - - | 🔴 | 🟡 | 🟠 | 🟢 | NA |
| Western Junction | 🔴 | 🔴 | - - | 🟠 | 🔴 | 🔴 | 🔴 | High |
| Woodbridge | 🔴 | 🟠 | 🟢 | 🟠 | 🟡 | 🔴 | 🟠 | High |

Table key 🟢 Compliant >95 per cent 🟡 Substaintially compliant 75-<95 per cent
🟠 Substaintially non-compliant 50-<75 per cent 🔴 Non-compliant <50 per cent
- - Chlorine disinfection not used * Sampling did not occur in 2023-24
NA - No outfall to waterways

## 4.5 We also face a challenge to maintain dam safety

We currently have 353 water and sewage storages, lagoons, and weirs within our portfolio of dams. Dam Safety Regulation is a function within NRE.

Generally, all dams including levees and weirs, are regulated in Tasmania under the *Water Management Act 1999* and the *Water Management (Safety of Dams) Regulations 2015*. The Water Management (Safety of Dams) Regulations 2015 require dam owners to comply with the guidelines developed by the Australian National Committee on Large Dams (ANCOLD). It is noted that, under Tasmanian legislation, the ANCOLD guidelines apply to all off-stream dams greater than one megalitre and all on-stream dams.

The ANCOLD Guidelines on Dam Safety Management (2003) require that "dam risk profiles are available and that risks are being addressed on a priority basis" and states that dam owners should "give priority to life safety risks over other risk".

We have made progress addressing key dam safety risks in our portfolio over the last 10 years, including decommissioning a number of dams that were no longer required (for example the recent decommissioning and rehabilitation of Tolosa Dam in Glenorchy). This has significantly reduced the number of dams we own that are considered high risk. Despite this, we still have five dams that are above the ANCOLD Limit of Tolerability and require investment to reduce risk to acceptable levels.

Currently, 42 of our dams have been assessed as having a consequence category of "Significant"

and above. A further 14 dams have been identified as potentially having population at risk and are subject to further assessment. The remaining dams have a "Low" or "Very Low" Consequence Category. Our dam safety risks are outlined in Figure 4.10.

Our aim is for all dams to be below the ANCOLD "limit of tolerability" for societal risk and will meet the ANCOLD principle for ensuring dam safety risk is 'as low as reasonably practicable'. Our dam risk profile is something that is constantly monitored and assessed, as it will change over time.

We maintain a Dam Safety Management Plan to outline our current assessment of risk and our mitigations. We provide an annual progress report to the Dam Safety Regulator, on our improvement plan to address the high-risk dams in the portfolio. Our current plan has been accepted by the Dam Safety Regulator and is included in *Appendix D. Regulatory commitments.*

## 4.6 How we propose to overcome our remaining challenges

The extent of our inherited compliance gap is too large to bridge in one regulatory pricing period. The investment required is too great and would result in a program of work that is beyond our ability to deliver and a price increase that is not sustainable for our customers.

Accordingly, we adopt a risk-based approach to prioritising our compliance activities, in collaboration with our technical regulators (EPA, DoH and NRE). Our approach is based on identifying and prioritising action on those areas of highest risk first, to achieve the greatest improvements in the shortest time, representing the best value to customers.

Our evidence and risk-based approach led to a decision to prioritise regulatory compliance for drinking water via our PSP proposals over the past 10 years. Our decision to prioritise drinking water quality was made transparently with all our technical regulators and other key stakeholders.

We are now shifting our focus towards a step-change in sewage environmental compliance, starting with the upgrade and rationalisation of our highest risk sewage treatment plants, in accordance with our agreed Wastewater Risk Management Plan with the EPA. This will result in the most prudent and efficient outcome over the long-term, noting that delay of these investments will increase total cost to customers and leave the next generation of customers with a larger bill, or worse, irreversible environmental degradation. Our Water Future Community Advisory Panel was strong in its recommendation not to delay needed investment in our assets.

We have already begun this important work, with foundation projects for the Hobart Sewerage Improvement Project underway (e.g. Selfs Point Sewer Transformation Project) and key projects for the Launceston Sewer Transformation (LST) in delivery (e.g. Tamar Estuary River Health Action Plan Combined System Projects). The upgraded Selfs Point Sewage Treatment Plant alone will deliver a 132-tonne reduction in nutrients entering the River Derwent annually and create opportunity for billions of litres of recycled water.

## 4.7 How we will meet our regulators' requirements

We have extensively engaged our technical regulators (EPA, DoH and NRE) in the preparation of our long-term plans. Using the evidence risk-based approach outlined above, the engagement is formalised in agreed management plans. These management plans serve to align the priorities between regulators and TasWater, and include the:

- Wastewater Risk Management Plan
- Drinking Water Quality Management Plan
- Dam Safety Management Plan

For the purposes of this PSP5 Proposal, the regulators have also provided us with their key priorities for our PSP5 Proposal. A short summary of how we propose to respond to these priorities is provided in Table 4.3. A detailed breakdown of actions and agreed Risk Management Plans is provided for in *Appendix D. Regulatory commitments.*

**Figure 4.10. Summary of dam safety compliance risks**

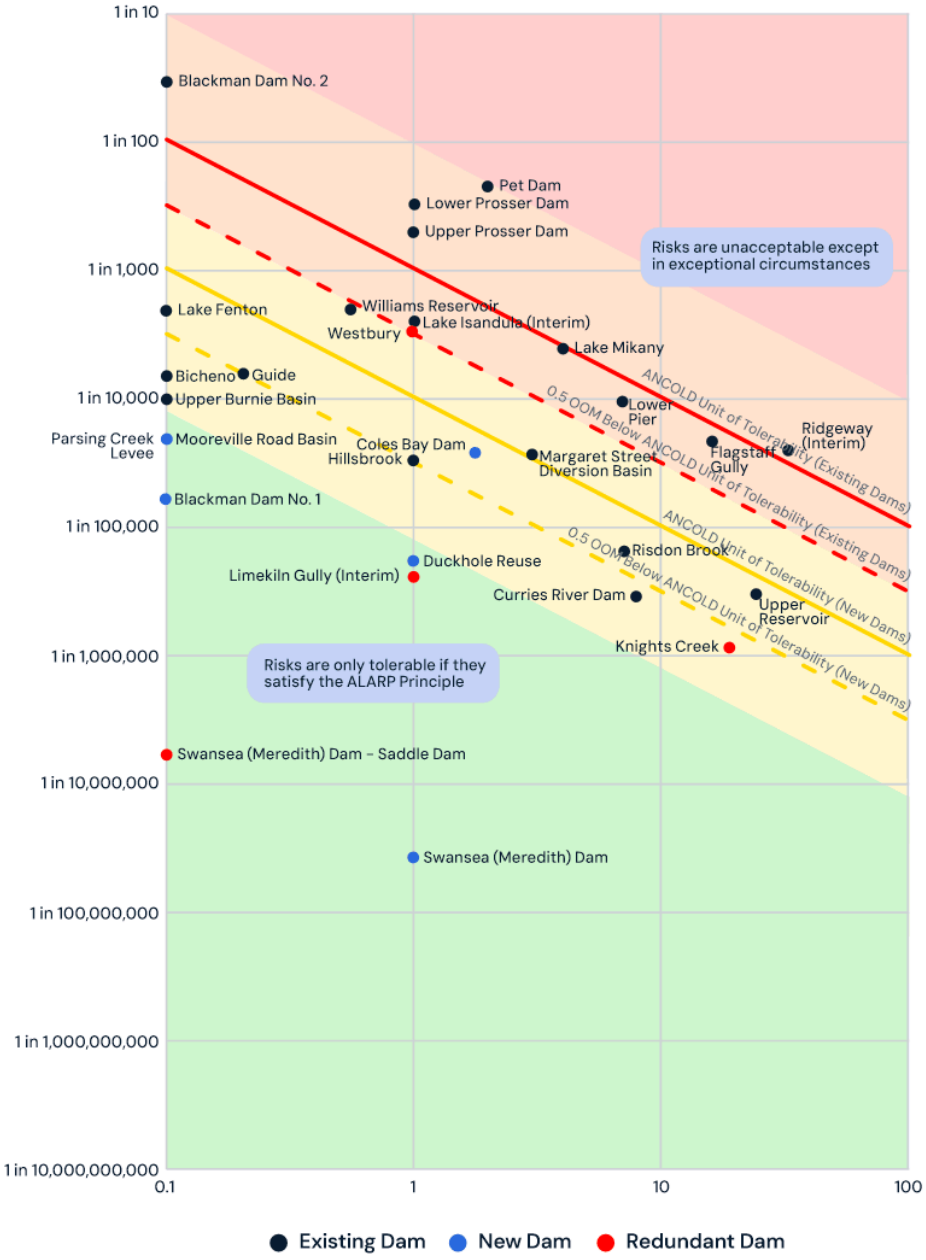


**Table 4.3. Our response to technical regulator priorities**

| Industry Regulator | Regulator's priority | How TasWater plan to meet this expectation |
|---|---|---|
| Director of Public Health (DoH) | • The DoH acknowledged the substantial investments over the first four regulatory periods that have reduced risks to public health from drinking water.<br>• The following priorities were provided for TasWater to incorporate into PSP5.<br>• Ongoing compliance of water quality by meeting the management framework set out in the ADWG.<br>• Meeting Health Based Targets (HBTs) by addressing Log Reduction Value (LRV) deficits.<br>• Continue to improve fluoridation management, performance, and asset renewal.<br>• Plan and prepare, where appropriate, for the impacts of climate change on water quality incidents and raw water security, including desalination and purified recycled water.<br>• Identify opportunities for service introduction where practical and cost-effective.<br>• Addressing network water losses to minimise threats to public health, including asset renewal.<br>• Minimising sewage discharges that impact on public health, such as shellfish leases and recreational water quality. | Our PSP5 Proposal supports our on-going 100 per cent microbiological compliance for safe drinking water, consistent with ADWG.<br>We have proposed funding to eliminate extreme and high risk drinking water sites under our Health Based Targets commitment to DoH.<br>In total, there is $65.1 million of capital investment to maintain safe drinking water. The highest risk drinking water treatment systems will be addressed in PSP5, in particular St Marys ($10.0 million) and a project to improve treatment of drinking water on Hobart's kunanyi/Mt Wellington ($9.8 million).<br>In addition, we will continue our regional towns' drinking water treatment upgrades, ensuring safe drinking water across Tasmania.<br>Our PSP5 outcomes, namely reducing leaks in our network and improving environmental outcomes, are aligned to the stated priorities of DoH. |
| Director of the Environmental Protection Agency (EPA) | • The EPA wrote to TasWater on 30 May 2025 to endorse our WRMP. The EPA considered that, "on balance, the WRMP sufficiently addresses EPA's priorities for compliance improvement".<br>• The EPA noted that the WRMP will see the current level of 18 high-risk Level 2 sewage treatment plants reduced to a target of 9 sites during PSP5.<br>• The WRMP allows a flexible approach to the delivery of risk reduction commitments, necessary due to the complexity of varying stages of planning.<br>• The EPA noted the project commitments as outlined in Table 2 of the WRMP, including:<br>– those projects to be delivered to completion in PSP5<br>– projects in development or commencing during PSP5 that may move to implementation phase during PSP6<br>• The EPA noted that the WRMP also commits to maintenance of both the current level of treatment and risk at TasWater's medium and low risk sewage treatment plants.<br>• The EPA will continue to assess compliance against Environmental Protection Notices, permits and licence requirements and "consider the application of enforcement actions as appropriate according to EPA's Compliance Enforcement Policy". | We will reduce the number of sewage treatment plants that have been identified as posing unacceptably high environmental risks from 18 to 9 by the end of PSP5.<br>Our proposed operating and capital expenditure forecasts also provide allowance for a number of improvements as we strive to improve environmental outcomes and compliance across all sewage treatment plants.<br>We have two recycled water investments planned, at Smithton and Bicheno, which represent the least cost disposal of treated effluent. We continue to explore our least cost options for greatest environmental improvement.<br>The projects we commence in PSP5 will lay the foundation for a step-change improvement in environmental risk again in PSP6 and beyond.<br>While we will also improve environmental compliance, we continue to use environmental risk to prioritise our investments, as the path to compliance will take multiple PSP periods. |

**Table 4.3. Our response to technical regulator priorities continued**

| Industry Regulator | Regulators priority | How TasWater plan to meet this expectation |
|---|---|---|
| Department of Natural Resources and Environment (NRE) | • In accordance with the Water Management Act 1999, the Minister (or delegate) may formulate measures to ensure dam safety, particularly through plans to eliminate or reduce risks to people, property or the environment.<br>• TasWater is required to conduct an Annual Portfolio Risk Assessment for all dams with Significant or above Consequence category and provide a progress report to the Minister annually.<br>• The Department's role in reviewing the Annual Report is to ensure TasWater has considered and provided relevant information to satisfy NRE as the regulator that TasWater's Dam Safety Program is continuing to manage the portfolio of high-risk dams safely in accordance with its regulatory obligations and relevant ANCOLD guidelines.<br>• NRE, as the regulator, has reviewed the Annual Report. Based on this review, NRE accepts that TasWater's Annual Report has addressed its obligations and has demonstrated that TasWater is adequately meeting its regulatory dam safety obligations, while also documenting a work program to continue to reduce portfolio risk to as low as is reasonably possible.<br>• NRE also noted an update to that the timeline for the spillway upgrade works at Lake Mikany Dam, which had been modified with an updated completion date now expected in 2028. | We use risk to prioritise our investments in dam safety, applying industry standards for dam risk assessment.<br>In PSP5, we have five dams that are above the ANCOLD 'limit of tolerability' and several more that are not considered to be presently a risk 'as low as practicable'.<br>We will address three high risk dams in PSP5 (Ridgeway Dam, Pet Dam and Blackman River Dam) and progress our planning to address the remaining two dams (Prosser Upper and Lower) in PSP6.<br>The key projects we are undertaking in PSP5 are:<br>• Ridgeway Dam upgrade on kunanyi/ Mt Wellington ($143.8 million)<br>• Pet Dam upgrade near Burnie ($97.1 million)<br>• Blackman River Dams upgrade near Oatlands ($22.6 million)<br>• Mikany Dam spillway upgrade near Smithton ($14.8 million)<br>• Prosser River: Upper and Lower Dams – Planning ($3.3 million)<br>This marks a significant and necessary improvement in our dam safety profile, ensuring these dams remain safe and operational in the future. We also note that further investigation of our dam safety risks is occurring on a regular basis and our view on risk will consequently change over time. |

## Appendix for *Chapter 4 Our regulatory commitments*

- Appendix D. Regulatory commitments

**Including the following:**

- Attachment D.1 – Correspondence from Director of Public Health
- Attachment D.2 – Health Based Target LRV Deficit Summary
- Attachment D.3 – Correspondence from Director of Environmental Protection Authority
- Attachment D.4 – Wastewater Risk Management Plan
- Attachment D.5 – Correspondence from Dams Safety Regulator
- Attachment D.6 – 2024-25 DSMP Annual Update
- Drinking Water Risk Management Plan
- Dams Safety Management Plan

# 5. Our new framework for measuring outcomes and service standards

**What we will deliver over PSP5**

- We are committing to the delivery of customer and environmental outcomes that will drive long-term value for our customers and allow us to meet our regulatory commitments.
- We have not met a number of our service standards in PSP4. We acknowledge that we need to address our poorly performing assets improve our overall results against these metrics.
- We have listened to our customers in developing a new framework to deliver outcomes to address what matters most to them.
- This includes a number of new measures, capturing a greater scope of customer and environmental outcomes and backed by our investment plans.
- We will hold ourselves accountable to our customers on these measures across the PSP5 period.
- These outcomes see us finally address decades of under-investment in our assets and take us further on our journey of meeting our regulatory obligations and customer expectations.

This section of our submission sets out:

5.1 Our new framework for delivering what matters

5.2 Our current performance against customer expectations

## 5.1 Our new framework for delivering what matters

Our commitment to genuine and meaningful engagement with our customers does not end with the development of our PSP5 Proposal. Moving forward, we have designed a new framework to guide its implementation over the PSP5 period to ensure we remain transparent and accountable to our customers about delivering what matters.

Our new framework is centred around 10 key PSP5 outcomes, which clearly articulate what it is that customers can expect of us over the PSP5 period. These deliverables align with the long-term direction of our Strategy, but also respond directly to feedback from our customers about what is important to them in the short-term.

In turn, we have reconsidered the customer service standards set in the Customer Service Code administered by the TER to identify those metrics that reflect the improved performance we must strive for if we are to achieve our PSP5 deliverables. We have supplemented these with some new, more meaningful, customer-facing metrics that respond directly to the feedback we received from customers. The end result is a set of 24 key measures of success for the PSP5 period, spread across our 10 key PSP5 deliverables.

Taken together, these metrics do not supersede or replace the full suite of operational and customer service standards reflected in our Customer Service Code or reported by the Bureau of Meterology, which compiles an annual National Performance Report of all urban water and sewerage utilities in Australia. We will continue to monitor our performance against all of these standards throughout the PSP5 period, as these standards remain important to our delivery of exceptional water and sewerage services for a thriving Tasmania.

Rather, our new framework provides a clear focus for our business, and our customers, on the areas where we expect to lift our performance over the PSP5 period. We know that what gets measured gets managed, so our PSP5 measures of success signal the uplift in our performance that we know is necessary over the next four years. They also give us a platform to discuss our progress against our PSP5 deliverables more transparently and meaningfully with our customers. Our proposed commitments are outlined in Figure 5.1 and the new measures in Figure 5.2.

**Figure 5.1. Our PSP5 Outcomes**

| WHAT WE HEARD | | | | | |
|---|---|---|---|---|---|
| **Fixing leaks** | **Securing water for our future** | **Providing reliable services and responding to faults quickly** | **Being easy to deal with and providing support** | **Protecting our environment and waterways** | **Give customers greater control over their bill** |
| WHAT WE WILL DELIVER | | | | | |
| Reduced leakage in our system | Improved water security | Reduced instances of unplanned interruptions and poor service outcomes | Improved customer satisfaction and resolving issues | Reduced environmental impact | Charging based on usage |
| | Support customers to conserve water | Timely response and restoration of unplanned interruptions | Increase effectiveness of TasWater Assist | | |
| | | Maintain safe drinking water | | | |

**Figure 5.2. Our new framework for PSP5**

| Customer Feedback Theme | PSP5 Outcome | Measures |
|---|---|---|
| Fixing leaks | Reduced leakage in our system | Percentage of drinking water supplied lost as leakage |
| Securing water for our future | Improved water security | Percentage of customers impacted by water restrictions caused by lack of water security (excluding periods of greater than 1:10 drought) |
| | Support customers to conserve water | Residential drinking water use per person per day (litres per person per day) |
| Providing reliable services and responding to faults quickly | Reduced instances of unplanned interruptions and poor service outcomes | Percentage of customers that may experience greater than 5 unplanned water supply interruptions in any 12-month period |
| | | Percentage of customers that may experience greater than 3 sewer interruptions in any 12-month period |
| | | Number of water main breaks, bursts and leaks per 100km of water main |
| | | Number of sewer main breaks and chokes per 100km of sewer main |
| | | Number of water and sewerage complaints per 1,000 customers |
| | Timely response and restoration of unplanned interruptions | Percentage of response times within target for water bursts and leaks (P1 50%, P2 30% & P3 20% weighting) |
| | | Percentage of rectification times within target for water bursts and leaks (P1 50%, P2 30% & P3 20% weighting) |
| | | Percentage of sewer spills, breaks and chokes responded to within 1 hour |
| | | Percentage of sewer spills, breaks and chokes rectified within 3 hours |
| | Maintain safe drinking water | 100% microbiological compliance |
| Being easy to deal with and providing support | Improved customer satisfaction and resolving customer issues | Overall customer satisfaction with TasWater score (by survey) |
| | | Customer-initiated fault and emergency telephone calls answered within 30 seconds |
| | | First Point Resolution (FPR) of account enquiry telephone calls as a percentage (via post call survey) |
| | | Total number of billing and account complaints per 1,000 properties |
| | | Complaints responded to within 10 business days (unless extended by agreement) |
| | | Customer Satisfaction of enquiry telephone calls as a percentage (via post call survey) |
| | Increase effectiveness of TasWater Assist | Percentage of customers who are accessing, or have accessed, our support programs that agree the program is effective (via survey) |
| Protecting our environment and waterways | Reduced environmental impact | Percentage reduction of Nitrogen and Phosphorous to waterways |
| | | Percentage reduction of Volume of Scope 1 and 2 carbon emissions ($CO_2$-e tonnes per year) |
| | | Percentage in volume of our sewage effluent that is beneficially reused |
| Giving customers greater control of their bill | Charging based on usage | Moving to new tariff structures that better reflect customer usage and give customers more control of their bill |

We have developed targets that are ambitious yet achievable. We have supported this targeted uplift in performance with our prioritised investment plans, supported by our PSP5 Proposal. We are confident we can bridge the performance gap on many of the outcomes. A summary of the outcomes and improvements for PSP5 is included in *Chapter 6 Our proposed outcomes and service standards*.

## 5.2 Our current performance against customer expectations

Service standards for our customers were introduced with industry reform in 2009. These service standards have remained largely the same, focusing on leakage in our systems, response and rectification times to customer outages, network performance and complaints.

Despite small areas of improvement, we have prioritised investment in improving drinking water outcomes and consequently not met all of the service standards over time. Currently, one in four customers experience unplanned water outages and there is one break or blockage for every 2km of water or sewerage pipe each year. The age, condition and performance of our infrastructure means that we have one of the highest rates of water and sewerage pipe breaks, bursts, leaks and chokes of all major water businesses in Australia.

Over the PSP4 period, we have seen progress on some of the metrics and have recently made a significant investment in reducing leakage in our networks. Last year, we were pleased to report that unaccounted for water (leakage) had reduced to 24.5 per cent, down from 28.1 per cent in the year before and as high as 32.6 per cent in the past.

Our customer service, when customers contact us, continues to be a strong point of our performance and we have achieved small but important improvements with customer complaints.

However, significant performance gaps remain, and we recognise that we are not meeting customer expectations across many of our service standards. In 2023-24, we failed to meet 12 out of 19, or almost 63 per cent, of our targets.

Table 5.1 shows our current performance against our target performance for water services, sewerage services and customer experience.

**Table 5.1. Performance against PSP4 service standards**

| | Service | | PSP4 FY23 | PSP4 FY24 | PSP4 FY25 | PSP4 FY26 |
|---|---|---|---|---|---|---|
| | **Water** | | | | | |
| 1 | Number of breaks, bursts and leaks per 100km of water main | Target | 33 | 32 | 31 | 30 |
| | | Result | 47.17 | 42.8 | | |
| 2 | Percentage of response times within 1 hour to attend Priority 1 bursts and leaks | Target | 90% | 90% | 90% | 90% |
| | | Result | 100.0% | 93.8% | | |
| 3 | Percentage of response times within 3 hours to attend priority 2 bursts and leaks | Target | 90% | 90% | 90% | 90% |
| | | Result | 92.6% | 92.6% | | |
| 4 | Percentage of response times within 3 days to attend for Priority 3 bursts and leaks | Target | 90% | 90% | 90% | 90% |
| | | Result | 91.8% | 90.9% | | |
| 5 | Number of unplanned water supply interruptions per 1,000 properties | Target | 170 | 169 | 167 | 165 |
| | | Result | 239 | 325 | | |

| | Service | | PSP4 FY23 | FY24 | FY25 | FY26 |
|---|---|---|---|---|---|---|
| | **Water (continued)** | | | | | |
| 6 | Percentage of unplanned water supply interruptions restored within 3 hours | Target | 80% | 80% | 80% | 80% |
| | | Result | 84.3% | 81.0% | | |
| 7 | Percentage of unplanned water supply interruptions restored within 5 hours | Target | 94% | 94% | 94% | 94% |
| | | Result | 93.6% | 93.2% | | |
| 8 | Percentage of planned water supply interruptions restored within the time nominated to affected customers | Target | 90% | 95% | 95% | 95% |
| | | Result | 88.4% | 85.7% | | |
| 9 | Percentage of planned water supply interruptions restored within 5 hours | Target | 90% | 90% | 90% | 90% |
| | | Result | 58.0% | 62.1% | | |
| 10 | Percentage of unaccounted for water (of total sourced potable water) | Target | 20% | 19% | 18% | 17% |
| | | Result | 28% | 25% | | |
| 11 | Real losses: water lost per km of water main per day (kL) | Target | 9.0 | 8.0 | 7.5 | 7.0 |
| | | Result | 10.6 | 7.6 | | |
| | **Sewerage** | | | | | |
| 12 | Number of breaks and chokes per 100km of sewer main | Target | 40 | 40 | 39 | 38 |
| | | Result | 48.1 | 63.9 | | |
| 13 | Percentage of sewage spills, breaks and chokes responded to within 1 hour | Target | 90% | 90% | 90% | 90% |
| | | Result | 83.4% | 79.8% | | |
| 14 | Percentage of sewage spills contained within 3 hours | Target | 99% | 99% | 99% | 99% |
| | | Result | 99.0% | 92.7% | | |
| 15 | Number of critically notifiable sewage spills | Target | 2 | 2 | 1 | 1 |
| | | Result | 15 | 12 | | |
| | **Customers** | | | | | |
| 16 | Number of water complaints per 1,000 properties | Target | 6.0 | 6.0 | 6.0 | 6.0 |
| | | Result | 7.47 | 6.99 | | |
| 17 | Number of sewerage complaints per 1,000 properties | Target | 1.3 | 1.1 | 1.0 | 1.0 |
| | | Result | 1.70 | 2.03 | | |
| 18 | Percentage of calls resolved upon first contact[6] | Target | 90% | 90% | 90% | 90% |
| | | Result | 95% | 95% | | |

# 6. Our proposed outcomes and service standards

**What outcomes we will deliver for customers and the environment over PSP5**

- We have collaborated with customers to understand the outcomes that are important to them when it comes to the provision of water and sewerage services.
- We have committed to delivery of these important outcomes, and developed a comprehensive set of service standards to measure our performance across PSP5 as we strive to deliver.
- Our proposed capital and operating expenditure over PSP5 reflects the investment needed to progress our delivery of these outcomes.
- We acknowledge that our journey to fully deliver these outcomes will take multiple PSP periods. However, we can no longer defer our investment in addressing the challenges Tasmanian communities face. If we don't invest now, we'll continue to fall behind the investment required to maintain our assets, creating a larger, unsustainable challenge for future generations.
- Achieving our PSP5 outcomes is an important step towards getting us on a sustainable footing for the future.

This section of our submission sets out our customer outcomes and service standards:

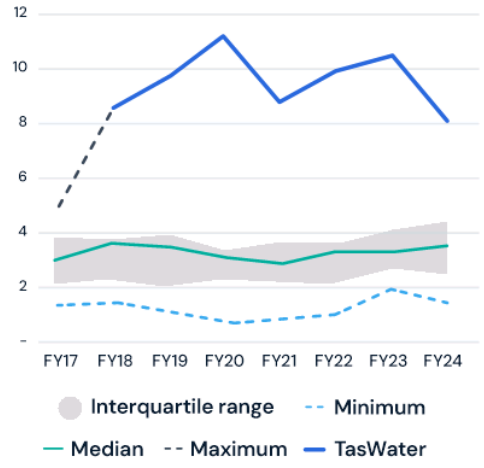
6.1 Outcomes for customer theme: Fixing leaks
6.2 Outcomes for customer theme: Securing water for our future
6.3 Outcomes for customer theme: Providing reliable services and responding to faults quickly
6.4 Outcomes for customer theme: Being easy to deal with and providing support
6.5 Outcomes for customer theme: Protecting our environment and waterways
6.6 Outcomes for customer theme: Giving customers greater control over their bill
6.7 Other outcomes in PSP5
6.8 Our proposed PSP5 customer service standards
6.9 Our proposed PSP5 customer contract

## 6.1 Outcomes for customer theme: Fixing leaks

### Outcome 1. Reduced leakage in our system

Since our formation, we have been challenged by a high rate of leakage from our water systems. Our poorly performing assets result in the nation's highest rate of water losses, when compared to interstate water businesses as illustrated in Figure 6.1 and 6.2[53].

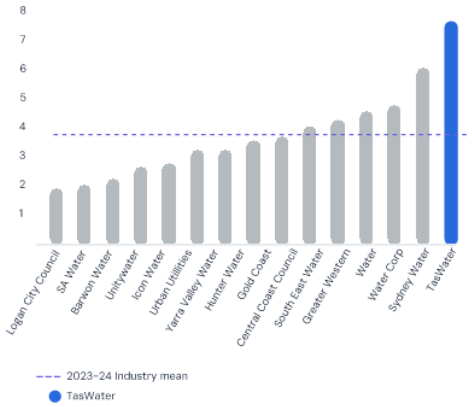
**Figure 6.1. Major water businesses: Real losses (kL/km water mains/days)**




The high levels of leakage in our systems have significant implications for customers and our business, including:

- Increased operational inefficiencies and higher reactive maintenance costs.
- Reduced water security and environmental sustainability.
- Reduced customer value and levels of service.
- Challenges in meeting stakeholder and customer expectations for responsible water management.

**Figure 6.2. 2023-24 Real losses: water mains (kL/km water main/day)**




Addressing these issues is critical to achieving improved outcomes for customers and are therefore an important part of TasWater's strategy.

In PSP4, we measure and report on the percentage of "unaccounted for water"[54]. This measure includes two types of water losses:

- Real losses, which are leakage and overflows from water mains, reservoirs and connections up to the customer's meter.
- Apparent losses, unauthorised consumption and customer metering errors.

"Unaccounted for water" therefore measures the volume or percentage of drinking water that is produced yet is not reported as being supplied or charged to customers. Our highest recorded amount of unaccounted for water was 32.6 per cent in 2015-16. In 2023-24, we were pleased to see a reduction to 24.5 per cent, reflecting our recent increase in focus and investment. (Table 6.1).

Our customers have also told us that reducing leakage, or wasted water, is important to them. The Water Future Community Advisory Panel made a recommendation for us to increase our focus on "proactive infrastructure management and maintenance" and to future-proof our infrastructure.

53 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24).
54 This is also referred to as "non-revenue water" is some of our communications.

We also received a strong sense of customer support to reduce leaks in our broader engagement, with 78 per cent of Bill Simulator respondents saying they would be willing to pay more to improve our ability to fix leaks and faults quickly, as outlined in Table 6.2.

Our customers have said:

- "The age of infrastructure is causing leakages. It's critical that leakage be addressed. It's cheaper to replace infrastructure today than tomorrow – but cheaper again if done yesterday."
- "The ability to track 30 per cent of your water resource accurately will surely be a strategic goal to reduce overall prices. That is a staggering amount."
- "Address wastage (of water)".

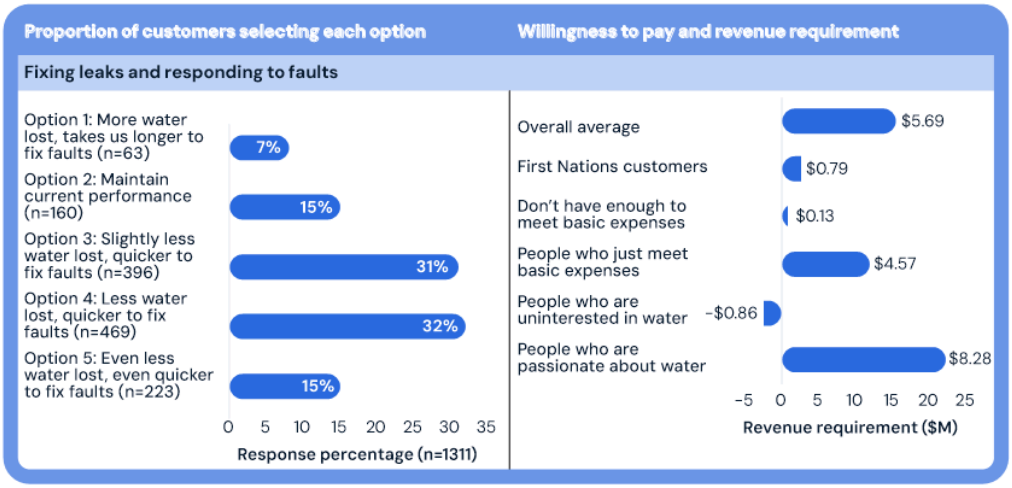
Our current poor network performance is a result of historical under-investment. This PSP5 Proposal seeks to address this trend by firstly catching up on the investment required and transitioning to a business-as-usual capital renewals for network assets in future PSP periods. This is in the form of a dedicated program of work to address water losses in the network, as well as an increase in water main and metering renewals. We are aiming to reduce leakage to efficient levels by 2030 and, reset our targets in our subsequent PSP6 Proposal.

We are proposing to introduce a new performance measure in PSP5: Percentage of drinking water supplied that is lost as system leakage. This measure will reflect real losses of water in the network, rather than a combination of real and apparent losses. Whilst we believe that apparent losses are important, and will

**Table 6.1. Percentage of unaccounted for water[55]**

| Existing PSP4 measure | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Percentage of unaccounted water (of total sourced potable water) | 28.1% | 25.4% | 29.2% | 28.1% | 24.5% |

**Table 6.2. Willingness to pay for fixing leaks and responding to faults**




55 We have also improved our measurement of non-revenue water over time, investing in bulk metering and district metered areas in PSP4 to improve the quality of measurement.

be addressed, real losses should remain our primary focus as it represents the majority of our "unaccounted for water" and best reflects the performance of our assets. Our proposed new performance measure and its comparison to the pre-existing indicator is provided in Table 6.3.

Improving the efficiency of our water systems, and reducing leaks, means we expect to realise corresponding savings by reducing the amount of water produced to service the same amount of demand. We have therefore reduced our forecast operating expenditure by $8.2 million over the period, reflecting lower production costs such as electricity and chemicals to produce less drinking water yet service the same amount of demand. A summary of the PSP5 outcome: Reduced leakage in our system is provided in Table 6.4.

**Table 6.3. Proposed new measure of water leakage and comparison to existing measure**

| Measures | Base year | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| Proposed measure: Percentage of drinking water supplied lost as leakage | 20.7% (FY24) | ≤17.5% | ≤15.0% | ≤12.5% | ≤10.0% |
| Existing measure: Unaccounted for water | 24.5% | 19.5% | 17.6% | 16.0% | 14.4% |

**Table 6.4. PSP5 Outcome 1: Reduced leakage in our system**

| PSP5 Outcome: Reduced leakage in our system | | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Percentage of drinking water supplied lost as system leakage | 20.7 per cent in 2023-24 | ≤10.0 per cent. |
| We will halve system leakage from 20.7 per cent to 10.0 per cent or less over the PSP5 period, based on our new performance measure that reflects real losses in the network. This is the equivalent to 14.4 per cent of unaccounted for water in 2029-30 under the existing measure.<br>We are proposing to make a step-change in our leakage performance in PSP5, bringing levels to "efficient" levels, or otherwise described as levels of water leakage that are unavoidable or uneconomic to lower any further, by 2030. | | |
| **What we'll do** | | |
| We will invest to:<br>• Reduce real losses: Adopt a prioritised, risk-based approach to renewals investment, supplemented by investment in technology to monitor the network and help to identify priorities for active leak management (including targeting non-visible leaks) and optimisation of water pressure management.<br>• Reduce apparent losses: Implement programs to proactively reduce water theft, replace and maintain metering assets, test and implement new metering technology.<br>• Manage efficient operational usage: Improve and implement new water efficient operational processes, including new technology in treatment and network operations to reduce operational use of water.<br>• Establish an intelligent, sustainable water network: Create a network that constantly and proactively monitors, detects and reports asset, pressure, flow and leakage issues, thereby triggering repairs, maintenance or renewal activities. | | |
| **What we will invest** | | |
| We will invest $100.6 million in a dedicated leakage program that will deliver the actions outlined above.<br>Complementing this investment, we will also increase our water mains renewals to $95.2 million, a 600 per cent increase from that approved in PSP4, as well as increase our metering renewals program to $45.1 million. We expect to leverage these renewals programs to improve system leakage. | | |

## 6.2 Outcomes for customer theme: Securing water for our future

### Outcome 2. Improved water security

Ensuring adequate water security is an important part of our service obligation to the Tasmanian community, for both current and future generations. It is an essential component of building customer trust and confidence, for both residential and business customers across the state.

Along with the diversity of our water systems, we manage many different sources of raw water that is treated to become drinking water. Raw water can be sourced directly from nearby waterways and from our own dams and raw water storages. We will often rely on other state authorities for the collection, storage and transport of raw water to our systems.

Many of these sources, such as both rivers and dams, are subject to climate change risk. We undertake regular analysis and planning to monitor and intervene where water security is at risk. Our regional master plans take a long-term view of planning for water security, considering demand and supply of water. Alongside this, we have developed a Draft Water Supply Strategy[56], outlining our proposed service levels. Leveraging the long-term planning set out in these plans, we have carefully prioritised our short-term activities to improve water security over the PSP5 Period.

We supplement our long-term planning with proactive communications and engagement with communities to minimise short-term water security impacts and support customers with long-term water conservation approaches. Like reducing losses in our network, water conservation has many benefits including improved environmental outcomes and lower water supply costs over the long-term.

In the PSP4 period, we have made significant improvements in water security and resilience. This includes the upgrade of the Bryn Estyn Water Treatment Plant to supply greater Hobart (which most recently experienced water restrictions in 2021-22) and the construction of the Henderson Dam to supply Whitemark. We are also in the process of working towards greater water surety for Bridport, St Helens and Launceston, seeking increased licence allocations to support our long-term needs.

However, we currently estimate that only 48 per cent of our customers are supplied by a system capable of delivering our proposed water security service levels[57]. Customers are impacted differently over time, largely due to changes in climate and continued growth in water demand. We can see the evidence of these differential water security levels as, despite recent improvements, a number of towns experienced water restrictions in the last five years, as shown in Table 6.5.

56 TasWater's Draft Water Supply Strategy can be found at the PSP5 community engagement page
57 As at March 2025.

**Table 6.5. Imposition of water restrictions since 2020**

| Location | Restriction Start Date | Restriction End Date | Restriction Severity (Stage) | Duration (Days) |
|---|---|---|---|---|
| Lady Barron | 4/04/2025 | Current | 1 | |
| Orford and Triabunna | 4/04/2025 | Current | 1 | |
| Whitemark | 24/05/2024 | 13/06/2025 | 2 | 36 |
| Whitemark | 29/04/2024 | 24/05/2024 | 1 | 25 |
| Orford and Triabunna | 25/03/2024 | 29/06/2024 | 1 & 2 | 96 |
| Whitemark | 15/01/2022 | 30/04/2022 | 2 | 105 |
| Hobart | 14/12/2021 | 28/02/2022 | 1 | 76 |
| Launceston | 20/01/2020 | 31/03/2020 | 1 | 71 |
| Whitemark | 1/02/2020 | 30/10/2021 | 1 & 2 | 364 |
| Gawler | 20/01/2020 | 31/03/2020 | 2 | 71 |
| Oatlands | 20/01/2020 | 1/05/2020 | 2 | 102 |
| Orford and Triabunna | 20/01/2020 | 31/03/2020 | 2 | 71 |
| Swansea | 20/01/2020 | 31/03/2020 | 2 | 71 |
| Scamander | 3/01/2020 | 31/03/2020 | 2 & 3 | 88 |

As outlined in *PSP5 Outcome 1: Reduced leakage in our system*, our increased focus and investment in reducing leaks in our network is an important project to increase water security, ensuring we maximise the use of the water we source from the environment and treat for drinking water.

In addition to fixing leaks, our investments in water security can come in a number of ways. They include, but are not limited to:

- Securing access to additional bulk water licences and allocations.
- Developing projects that provide climate independent drinking water supplies (e.g. desalination, aquifer recharging etc.)
- Upgrading dam infrastructure to ensure optimal performance.
- Rationalising water treatment plants and combining systems.
- Upgrading and expanding water treatment capacity.
- Creating interconnections between systems to improve individual system resilience.

We are proposing a number of projects to improve water security and system resilience for Greater Launceston by connecting systems across the city, including the Mt Leslie Water Treatment Plant to Upper Brougham Tank Pipeline ($15.2 million) and the Waverley Interconnection Pump Station ($5.4 million). These projects will balance water from the large storage in the Trevallyn Dam against run-of-river supply from the St Patricks and North Esk Rivers, which have greater susceptibility to drought, reducing the risk of future water restrictions for customers currently serviced solely from these sources.

Safe dam operation is an important part of our obligations in delivering water services. Best practice risk assessment for dams considers a range of risk implications of dam failure, from environmental and physical damage, through to the potential for human and societal risk. In response, we must invest in upgrades of important dams that exceed our tolerable limit of risk.

Given that our dams primarily serve as raw water storages, we have included our dam upgrades

as an important element of maintaining water security. Should a dam's condition increase its risk profile, this can result in us having to lower the operating water level of the dam, or ultimately, not use the dam at all. Taking dams out of operation can have a significant impact on our ability to maintain water security in many of our drinking water systems. Additionally, many of our dam upgrade projects will increase the volume of water able to be stored, further benefiting water security. Examples include the Henderson Dam project that doubled its storage capacity from 45 to 90 megalitres, as well as the Blackmans Dam project supplying water to Oatlands, where an additional 400 megalitres of storage is proposed.

Our customers have also told us that securing water for the future is important to them. The Water Future Community Advisory Panel made a recommendation for us to "protect and improve the environment and water security", by ensuring we provide reliable access to quality water amid challenges like climate change (e.g. drought risk) and population growth.

In our Board Community Survey, 60 per cent of all respondents listed secure water supplies as one of their top 5 priorities. Our customers have said:

- "I like the fact TasWater are starting to think about future proofing our water usage, water conservation and assets, by doing it through community engagement, allowing the user to have buy-in."
- "Future catchments. Not sure that Tasmania ever puts thought into infrastructure before we need it, which puts us under pressure. If we continue to grow, our current catchments won't suffice. I would happily take on a higher percentage of my bill to pay for the future. I won't see the benefit in my lifetime, but it's for my children. We need to start planning."
- "Tasmania gets a lot of rain, but fresh water is scarce, so TasWater needs to get ready."

In addition to the supply-side investments identified to improve water security, reducing water usage is an important factor to improve water security. Our efforts to ensure that water use is efficient are captured in Outcome 3: Support customers to conserve water and Outcome 10: Charging based on usage.

## Investing in dams to support water security

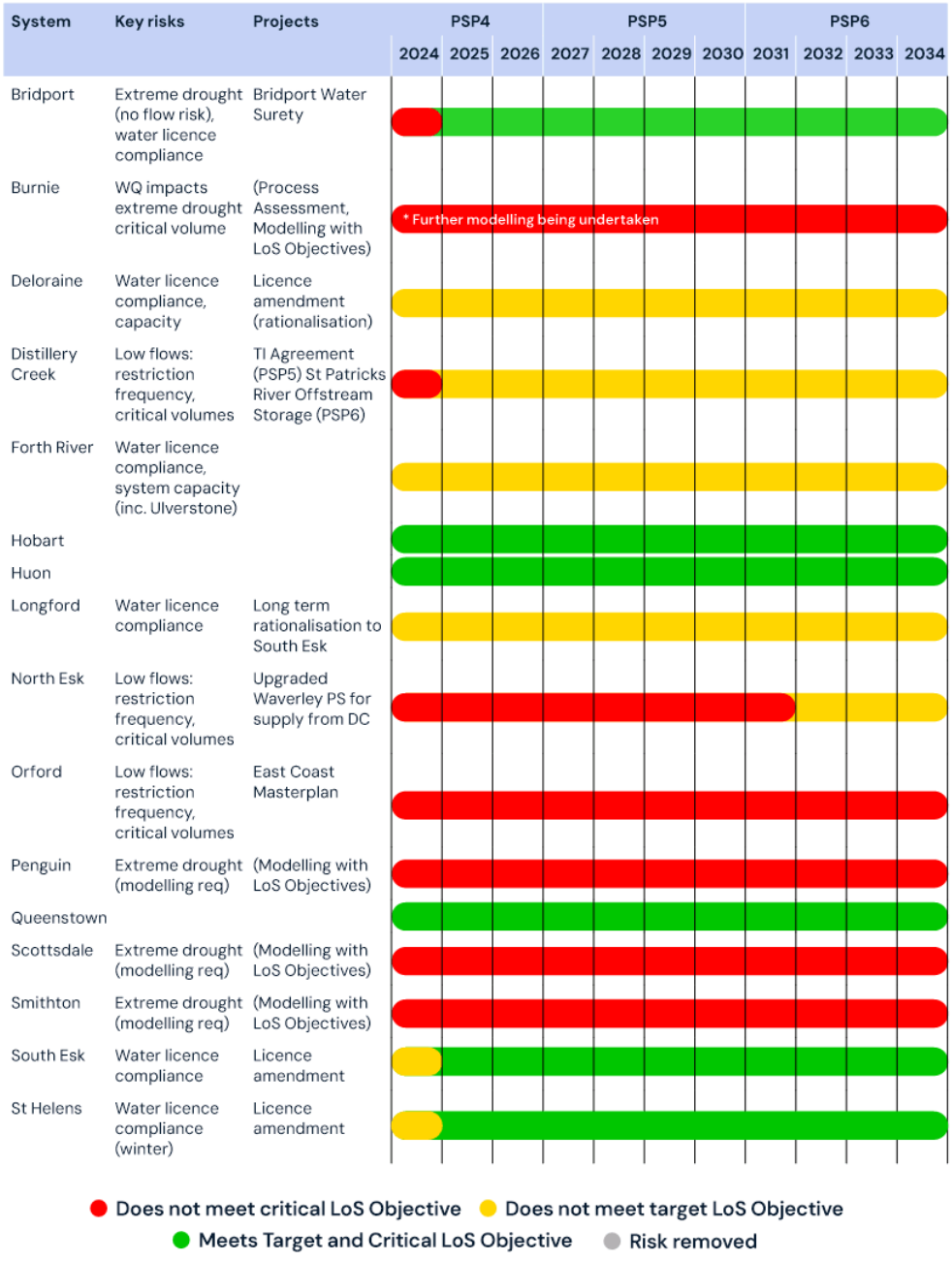
Safe dam operation is an important part of our obligations in delivering water and sewerage services. Best practice risk assessment for dams considers a range of risk implications of dam failure, including environmental and physical damage, through to the potential for human and societal risk.

In response, we must invest in upgrades of important dams that exceed our tolerable limit of risk. Our water security activities and investments are included in Table 6.6.

**Table 6.6. PSP5 Outcome 2: Improved water security**

| PSP5 Outcome | Improved water security | |
|---|---|---|
| **How we will measure success** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Percentage of customers impacted by water restrictions caused by lack of water security (excluding periods of greater than 1:10 drought) | 15.6 per cent for 2023-24 | ≤3 per cent |
| We will reduce the percentage of customers impacted by water restrictions caused by lack of water security (excluding periods of greater than 1:10 year drought) from 15.6 per cent to less than or equal to 3 per cent. This is a population weighted percentage measure of our customer base who experience water restrictions. | | |
| **What we'll do** | | |
| In PSP4, we made significant improvements to reduce the percentage of our customers that will experience restrictions. In particular, the upgrade of the Bryn Estyn Water Treatment plant for greater Hobart means that customers in Hobart are much less likely to experience restrictions. We will continue to seek innovative solutions to reduce the need to place communities on water restrictions, except for under drought conditions.<br>There are a number of key upgrade projects being undertaken or commenced for pumps, pipes and water treatment plants at Lake Fenton ($1.2 million), Adventure Bay ($7.9 million), Bridport ($6.0 million), Mathinna ($0.9 million), Tunbridge ($0.4 million) and Greater Launceston ($15.2 million for Mt Leslie to Brougham Pipeline and $5.4 million for Mt Waverly Interconnector) to improve water security.<br>In addtion to capital investment, we will explore securing future water licences and allocations to ensure we can future proof our water supplies. Additional catchment water yield analysis will support our knowledge of the probaility of water restictions into the future including the impacts of climate change.<br>In PSP5 we will also progress our investigations for our water supply options in a number of supply systems that have increasing challenges, such as Orford, Triabunna and Lady Barron. Importantly, we will progress our planning for the North West Water Supply Strategy (replacing the current Forth Water Treatment Plant) which we have in our PSP6 plans. A business case for this has been 50 per cent funded by the National Water Grid. The project will ultimately secure long-term supply for this region, which does not currently meet the level of service outlined in our Water Security Strategy.<br>We will also upgrade five dams that present higher than tolerable risk, consistent with our Dam Safety Management Plan, delivering both an improved dam risk profile, but importantly also improved water security outcomes. | | |
| **What we will invest** | | |
| We will invest a total of $367.7 million in PSP5 to improve water security outcomes across the state.<br>This includes our investment in dam safety upgrades, with three major projects (Ridgeway Dam $143.8 million, Pet Dam $97.1 million and Blackman River Dams $22.6 million), which will address our three highest risks dams and improve water security in those catchments.<br>Our investment also includes upgrades to water treatment plants at Lake Fenton, Adventure Bay, Bridport, Mathinna and Tunbridge and improving interconnection of the Greater Launceston network with the Waverly Pump Station Interconnector and Mt Leslie to Upper Brougham Pipline. In addtion to capital investment, there are a range of other actions, such as securing future water licences and allocations to ensure we can future proof our water supplies.<br>Finally, we will enable growth across Tasmania with investments in key growth areas such as the Bowen Bridge to Risdon Brook Bulk Water Main Upgrade ($17.6 million) and the Sorell New Reservoir and Pipeline ($10.5 million). | | |

**Figure 6.3. Water security improvement**



| System | Key risks | Projects | PSP4 | | | PSP5 | | | | PSP6 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Ulverstone | Capacity, water licence, Lake Isandula Reliability | Rationalise to Forth | | | | | | | | | | | |
| Westbury | Water licence compliance | Licence amendment | | | | | | | | | | | |
| West Tamar | Water licence compliance, capacity | Licence amendment (rationalisation) | | | | | | | | | | | |


## Our water security and dam safety risk profile

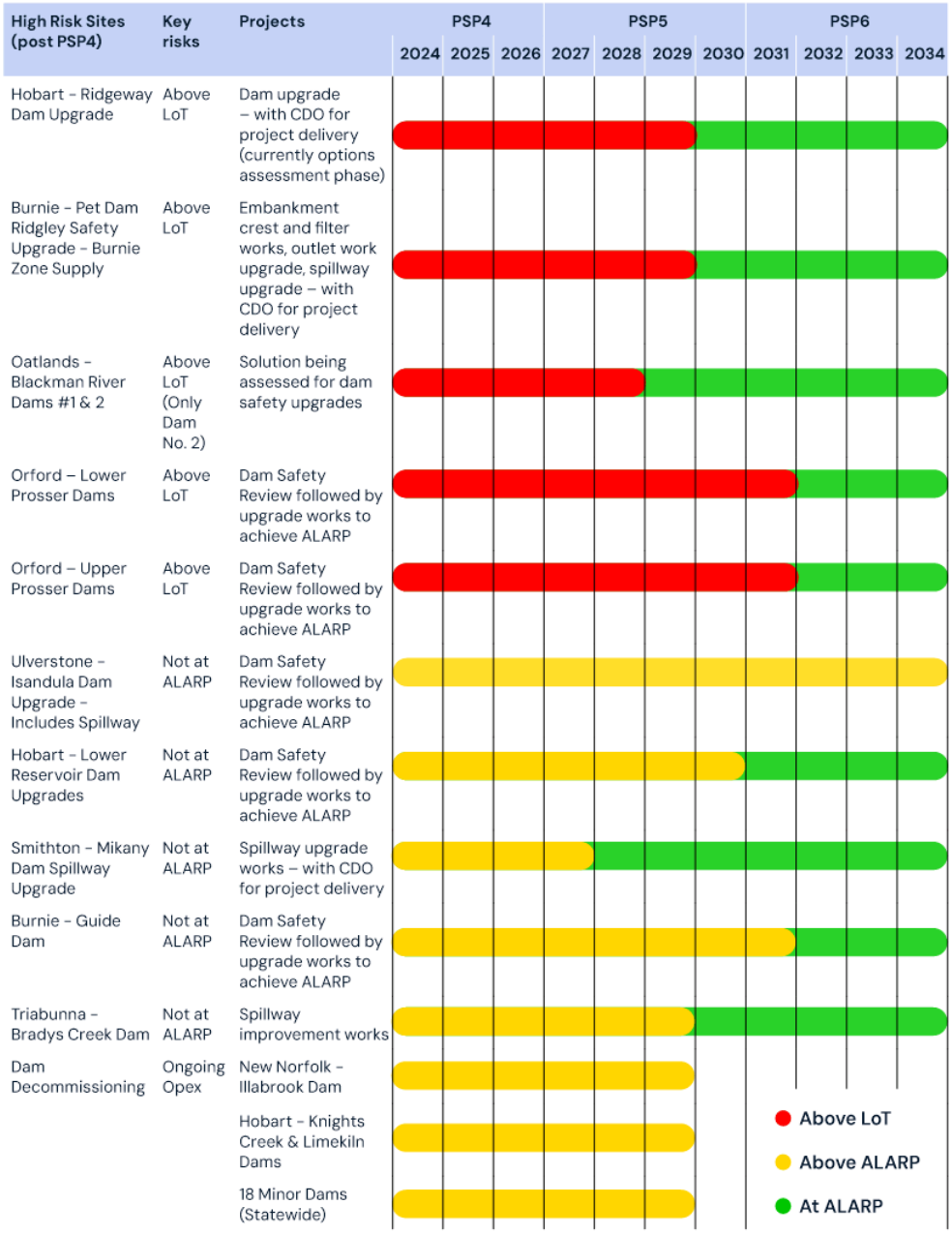
We have applied a risk lens to both water security and dam safety in PSP5, applying risk-based prioritisation to guide investment plans. To illustrate this, we have prepared risk profiles that outline the high-risk systems for water security and dam safety. As outlined in Figure 6.3, there are still a number of systems that remain challenged by water security and further work will occur to address or further plan for the long-term water security of these systems.

Likewise for dam safety, we prioritise the highest risks, based on industry best practice for dam risk assessment. In PSP5, we have five dams that are above the ANCOLD 'limit of tolerability' and several more where the risk is not considered to be 'as low as practicable'. While small in number, these dam projects are an important part of our role as a dam operator. The key projects we are undertaking in PSP5 are:

- Ridgeway Dam upgrade on kunanyi/ Mt Wellington ($143.8 million)
- Pet Dam upgrade near Burnie ($97.1 million)
- Blackman River Dam upgrade near Oatlands ($22.6 million)
- Mikany Dam spillway upgrade near Smithton ($14.8 million)
- Prosser River: Upper and Lower Dams – Planning ($3.3 million)
- General dam risk identification and assessments ($13.7 million)

We will address and remove dam safety risks to within acceptable levels at these dam sites within PSP5 and PSP6. The resultant improvement in dam safety compliance is shown in Figure 6.4, showing our actions on key dam safety risks. We also note that further investigation of our dam safety risks is occurring on a regular basis and our view on risk will consequently change over time.

**Figure 6.4. Dam safety compliance improvement**



## Outcome 3. Support customers to conserve water

In an operating environment with increasing water scarcity, water conservation is becoming increasingly important in the Tasmanian context. Despite water restrictions in some population centres, Tasmania has not seen the extremes of water scarcity that some interstate cities have faced, nor have we had to invest in large, expensive supply augmentations. This, combined with the perception of high rainfall and a large proportion of water and sewerage bills being fixed, means that by our customers' own feedback, Tasmanians have often taken water for granted in the past. This is still a view that is held by some in our community:

- *"Just remember that the water that you supply falls from the sky for FREE!!! TasWater doesn't have to pay to obtain it."*
- *"Hobart has an abundant water supply. Making people feel guilty for using water is not good."*

However, this was not the majority view of our customers during the engagement or our Water Future Community Advisory Panel and, increasingly, customers tell us that we must value and conserve our water. The capture storage, treatment and distribution of treated water requires investment. Therefore encouraging customers to save water reduces our overall costs. A majority of customers echoed this sentiment and told us to focus on water security:

- *"We need to focus on saving every drop".*
- *"Educate the community to understand how precious water is."*
- *"TasWater needs foresight to conserve water and prepare for drought."*

Increased water conservation behaviours amongst our customers is necessary to drive long-term efficient investment in our systems. At scale, it can minimise or defer future supply augmentations that can often be large investments. In a world where a more variable and rapidly changing climate is impacting on the availability of water supply, water conservation is widely recognised as a responsible course of action. In addition to its water security and economic benefits, customers conserving water has a positive environmental impact by reducing the strain on our waterways and water sources.

Accordingly, water conservation was supported by our Water Future Community Advisory Panel, which suggested we should consider and support "education and incentives for water conservation", by developing comprehensive strategies to help customers maximise water efficiencies. This was considered especially important by the panel considering the alignment with its recommendation to increase the proportion of the bill based on usage.

In addition to encouraging water conservation for regulated water services, we are seeking to promote the use of recycled water as a fit-for-purpose replacement to raw or drinking water consumption. An example of this is our exploration of the long-term opportunity to use recycled water for irrigation in South East Tasmania. We see recycled water as an important part of our service offering in the future, as supplying recycled water to customers for purposes other than drinking water can offset their demand for drinking water and/or increase the value proposition of our services in line with a circular economy approach.

Our PSP5 Outcomes 3. Support customers to conserve water is summarised in Table 6.7.

**Table 6.7. PSP5 Outcome 3: Support customers to conserve water**

| **PSP5 Outcome** | **Improved water security** | |
|---|---|---|
| **How we will measure success** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Residential drinking water use per person per day | 217 litres per person per day (residential customers for 2023-24) | 170 Litres per person per day |
| While our demand forecasts are based on growth and historical usage trends, we are setting an ambitious target to out-perform our own demand forecast, supporting customers to reduce their usage to 170 Litres per person per day. | | |
| **What we'll do** | | |
| We are continuing to invest and re-focus our efforts on supporting customers to use less water and improving water literacy. This will include continuing investment in our water conservation campaigns, and water literacy and education programs. We will also increase our role in helping customers take greater control of their water use, and lower their bills. We will provide new support for vulnerable customers, providing subsidised water efficient products and water efficiency audits.<br>We will proactively engage state and local government to seek support and design programs to support customers using less water. | | |
| **What we will invest** | | |
| We will invest an additional $400,000 over the PSP5 period in a water saving devices program to complement water saving and water literacy campaigns.. | | |

## 6.3 Outcomes for customer theme: Providing reliable services and responding to faults quickly

### Outcome 4. Reduced instances of unplanned interruptions and poor service outcomes

Service interruptions occur when customers have their access to drinking water temporarily suspended, or when a blockage causes sewerage pipes to overflow on or adjacent to customer property.

We aim to limit unplanned water outages to one in six customers and to limit breaks, bursts and leaks to one per 3km of water pipe and one per 2.5km of sewerage pipe each year.

However, our current performance is worse than our target performance. Currently, one in four customers experience unplanned water outages and there is one break/blockage for every 2km of water or sewerage pipe each year.

In fact, Tasmania has one of the highest rates of water and sewerage pipe breaks, bursts and leaks of all major water businesses in Australia, as outlined Figures 6.5 and 6.6.

As a result, we regularly receive customer feedback and complaints regarding the impact and inconvenience of unplanned service interruptions.

**Figure 6.5. Major water businesses: Number of water main breaks, bursts, and leaks, per 100km of water main (mains breaks per 100km)**

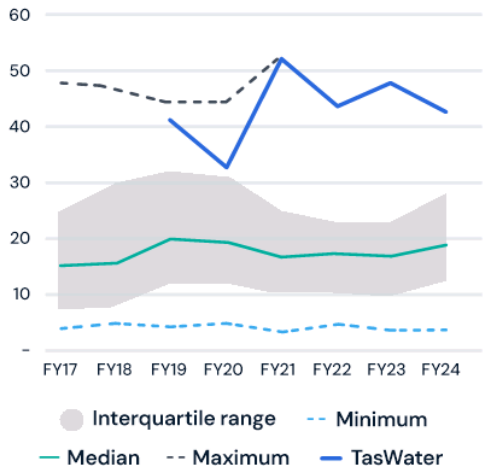



**Figure 6.6. Major water businesses: Number of sewer main breaks and chokes per 100km of sewer main (mains breaks per 100km)**

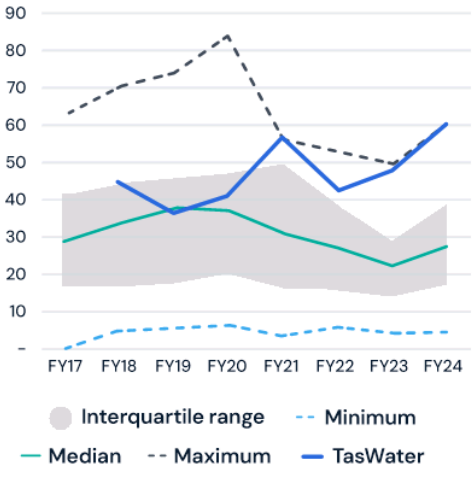


**Figure 6.7. Typical condition of a water mains that require replacement**

The performance of our networks is one of our biggest challenges and the breaks, bursts, leaks and chokes arising from poor asset condition, as shown in 6.7 and 6.8, directly impact the experience of our customers. Results from our Bill Simulator survey showed that 74 per cent of survey respondents are willing to pay more to improve the reliability of their service (Table 6.8).

Our customers told us:

- *"I understand that you need to upgrade current infrastructure, it's expensive, but in the long run it would be worth it...it happens to every industry, you need to spend money initially, but once you are set up, it saves you money."*
- *"Appropriate focus and consideration should be given to maintaining reliability of service, particularly to critical service providers (e.g. health)."*

We are proposing to significantly uplift our investment in asset renewals over the PSP5 period to improve the condition of our assets, and in doing so, improve the experience of our customers.

To ensure that our investment results in improved customer experience, we propose to introduce two new customer-centric performance measures for service interruptions over the PSP5 period, which will reflect the number of times that a particular customer experiences a water or sewer interruption. Introducing this new

**Table 6.8. Willingness to pay for reliable services**

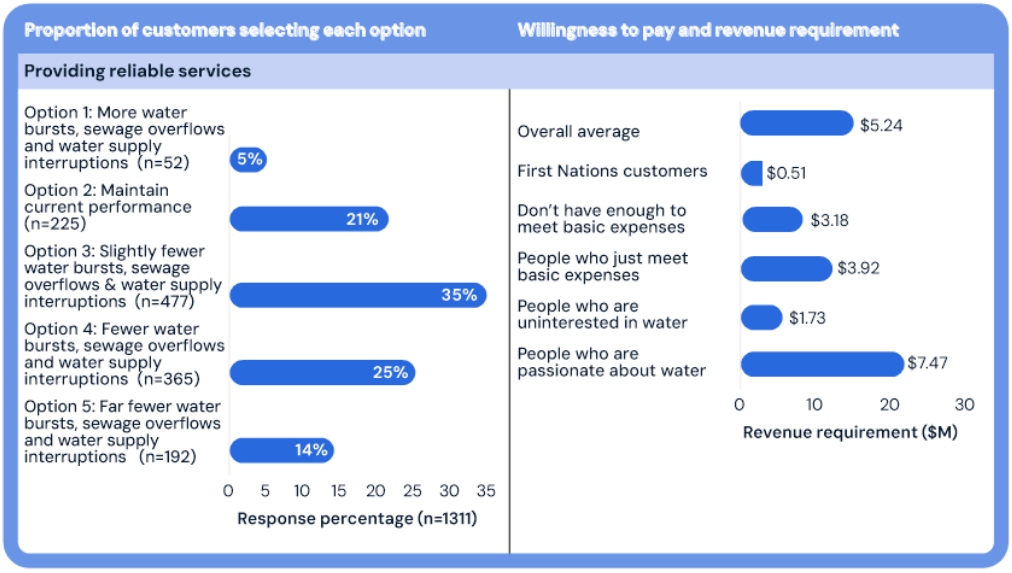


**Figure 6.8. Water main burst demonstrating consequences of asset failure**

performance measure will mean our efforts are focused not just on bringing down our overall number of breaks, bursts, leaks and chokes, but that we are carefully and thoughtfully planning our renewals so that our customers experience comparable levels of service across our network. Our aim is that very few of our customers (less 0.5 per cent) experience more than five unplanned water supply interruptions, or be impacted by three sewer interruptions, in any 12 month period.

These new performance measures are symbolic of our shift in mindset and overall intent to be more customer-focused, rather than asset-focused, over the PSP5 period. Even though we do not currently measure our performance in this way, we are committed to delivering the process and technology necessary to measure and report on these performance measures.

Alongside these new performance measures, we are also committed to significantly improving the performance of our assets to beyond both our current performance and our current target performance.

Our PSP5 *Outcome 4. Reduced instances of unplanned interruptions and poor service outcomes* is summarised in Table 6.9.

**Outcome 5. Timely response and restoration of unplanned interruptions**

Currently, we aim to contain 99 per cent of sewage spills within three hours and restore 94 per cent of unplanned water outages, and 90 per cent of planned water outages, within five hours.

We are close to achieving these targets for sewage spills and unplanned water outages, but only about 62.1 per cent of planned water outages are restored within five hours (although just under 90 per cent are restored within the time nominated to customers).

As outlined above, timely response to restoring our services remains important to our customers and we recognise that this is an integral part of our services. We are committed to improving our operations to ensure that we meet the minimum benchmarks for this. Our PSP5 *Outcome 5. Timely response and restoration of unplanned interruptions* is summarised in Table 6.10.

**Table 6.9. PSP5 Outcome 4: Reduced instances of unplanned interruptions and poor service outcomes**

| PSP5 Outcome | Reduced instances of unplanned interruptions and poor service outcomes | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Percentage of customers that may experience greater than 5 unplanned water supply interruptions in any 12-month period | These measures are new for PSP5, reflecting our new customer-centric focus for measuring this service standard. | ≤0.5 per cent |
| Percentage of customers that may experience greater than 3 sewer interruptions in any 12-month period | | ≤0.5 per cent |
| Number of water main breaks, bursts and leaks per 100km of water main | 42.8 in 2023-24 | ≤16 |
| Number of sewer main breaks and chokes per 100km of sewer main | 63.9 in 2023-24 | ≤20 |
| Number of water and sewerage complaints per 1,000 customers | 9.03 in 2023-24 | ≤7.0 |
| We are looking to improve our network performance significantly, moving from the worst in the country towards the median for breaks and chokes measures. This would see us move the number of water mains breaks from 42.8 per 100 kms (2023-24) to ≤16 by 2030 and the number of sewer mains breaks and chokes from 63.9 per 100kms at (2023-24) to ≤20 by 2030, which is not only a significant improvement relative to our current performance but also our current target performance.<br>We are proposing to introduce a new, more meaningful performance measures for this outcome. We are proposing to measure the number of repeat service interruptions for a customer across both water and sewerage services, with the aim of ensuring very few customers experience a significant number of interruptions in a rolling 12-month period. | | |
| **What we'll do** | | |
| Our network renewals programs have not historically been high enough to significantly improve the rates of network interruptions (e.g. breaks, bursts and chokes). This PSP5 Proposal will finally change that, with a significant uplift in renewals investment, aimed at bringing our performance in line with national benchmarks and improve network relaibility.<br>In order to determine the 'efficient' level of investment to do this, we apply an industry best practice planning model, the Pipeline Asset and Risk Management System (PARMS), to our renewals program. The PARMS model uses our current asset condition information and predictive software models to provide an optimised and efficient renewal programs to achieve our goals. This is the basis for the water and sewer main renewals program investment plans. | | |
| **What we will invest** | | |
| In total, we will invest $228.1 million in providing reliable water and sewerage services, representing direct renewals and network investments to improve cutomer outcomes (this is $137.7 million in water networks and $90.4 million in sewerage networks).<br>This includes investing $95.2 million in water mains renewals, $14.6 million in water treatment plant renewals and $12.1 million in water reservoir renewals. For sewerage services, it includes $30.1 million on sewer main renewals, $25.5 million in sewage treatment plant renewals and $14.5 million in sewage pump station renewals.<br>This represents six times the amount of water mains renewals and more than twice the amount of sewer mains renewals investment compared to that approved in PSP4. | | |

**Table 6.10. PSP5 Outcome 5: Timely response and restoration of unplanned interruptions**

| PSP5 Outcome | Timely response and restoration of unplanned interruptions | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Percentage of response times within target for water bursts and leaks (P1 50%, P2 30% & P3 20% weighting)[58] | 92.8 per cent in 2023-24 | ≥92 per cent |
| Percentage of rectification times within target for water bursts and leaks (P1 50%, P2 30% & P3 20% weighting) | 76.0 per cent in 2024-25 | ≥92 per cent |
| Percentage of sewer spills, breaks and chokes responded to within 1 hour | 79.8 per cent in 2023-24 | ≥92 per cent |
| Percentage of sewer spills, breaks and chokes rectified to within 3 hours | 93 per cent in 2023-24 | ≥96 per cent |
| We have rolled together and weighted key measures on response and rectification times for water burst and leaks. We have maintained the 90 per cent target for those areas where we don't currently meet the target and increased to 92 per cent by the end of the period. We have stretched the target for those areas where we already perform strongly. | | |
| **What we'll do** | | |
| We have made our operational performance a strong focus of our strategy, with an outcome to see us 'nailing the basics'.<br>We have developed a program of work to support operational improvements, which includes<br>• Building efficient and standardised operational processes.<br>• Improving the management operating system to improve performance measurement, roles and accountabilities, resource deployment and escalation approaches.<br>• Uplifting technology to support operational processes and improve data capture.<br>• Improved data reporting and use of data in operations<br>• Application of activity-based costing within operational processes.<br>This program of work is aimed at significantly improving operational efficiency and effectiveness and improved actionable insights. | | |
| **What we will invest** | | |
| This outcome will require optimising business as usual investment (e.g. improving our processes) supported by our strategic initiative funding. It will also be supported by our digital and data management investments. | | |

58 A "P1" service interruption relates to 'Priority 1' emergency bursts or leaks which cause, or have the potential to cause, major damage or harm to people, infrastructure or environment. 'P2' service interruptions are considered to have minor impacts and 'P3' to have little or no discernible impacts on customers (however still require remediation or rectification.

### Outcome 6. Maintain safe drinking water

We are building a strong record of drinking water quality, having achieved 100 per cent microbiological compliance for the last six consecutive years. Microbiological compliance is now a norm for TasWater and this must be maintained.

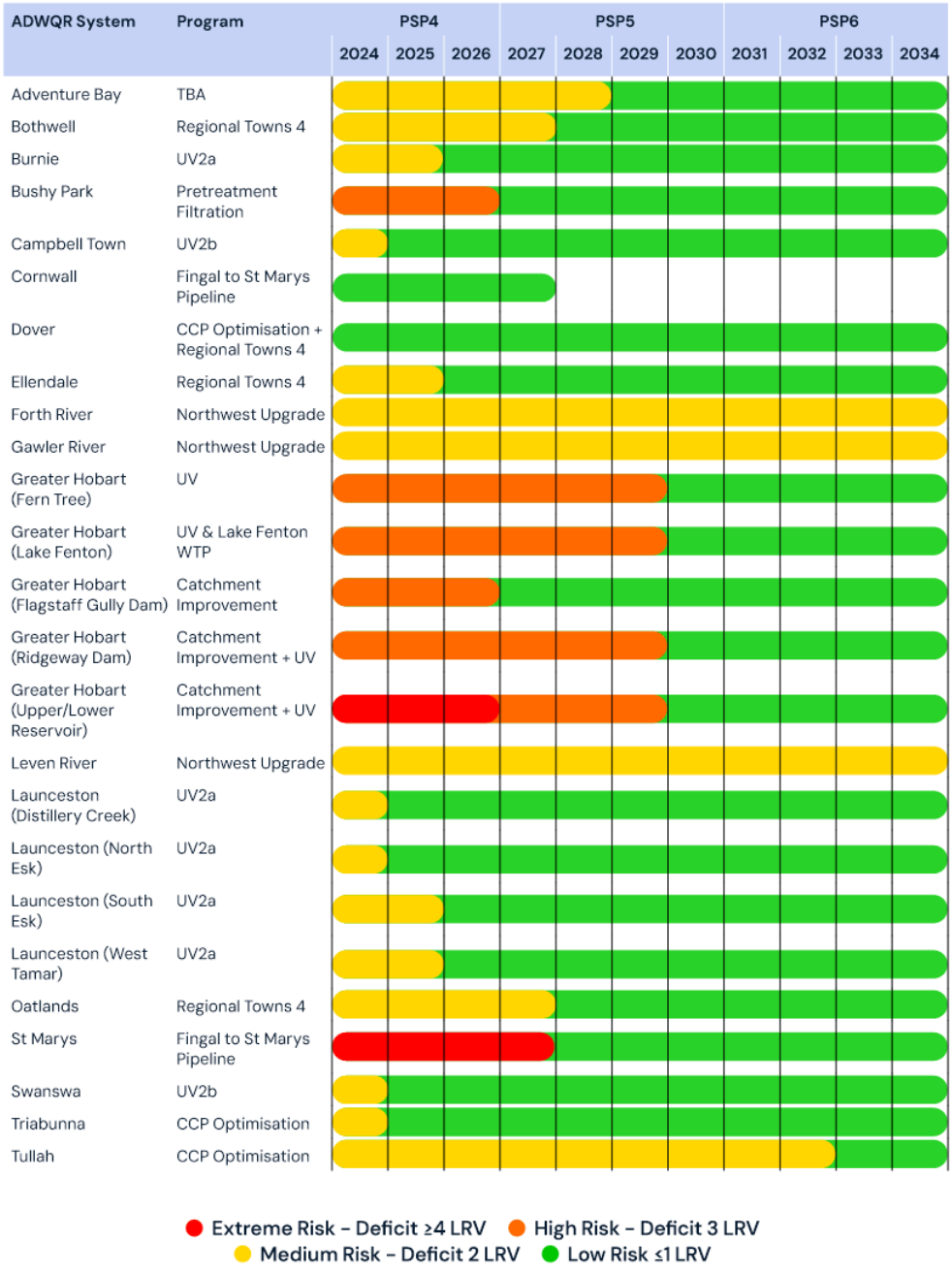
However, we still have a number of drinking water systems that require investment to ensure all systems are meeting their treatment requirements under the Health-Based Target approach. Health-Based Targets are agreed with the DoH and outline underlying risks across our drinking water systems, where there is an opportunity to put in place additional barriers for drinking water safety (for example, additional water treatment process such as UV disinfection). *As outlined in Chapter 4 Our regulatory commitments, we commit to addressing these risks* (refer Table 4.5).

Our PSP5 *Outcome 6. Maintain safe drinking water* is summarised in Table 6.11.

**Table 6.11. PSP5 Outcome 5: Maintain safe drinking water**

| **PSP5 Outcome** | **Maintain safe drinking water** | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| 100% microbiological compliance | We have maintained 100 per cent microbiological compliance for six consecutive years | 100% |
| We aim to maintain our 100 per cent microbiological compliance record. | | |
| **What we'll do** | | |
| While we now have a very strong performance in maintaining safe drinking water, we will continue to invest in some of our drinking water systems, particularly regional towns, to ensure they have the appropriate level of protection.<br>This is consistent with our regulatory commitments, which will see us implement our Health Based Targets to address extreme and high-risk water treatment plants in PSP5. In total, there is $65.1 million of capital investment to maintain safe drinking water. The highest risk drinking water treatment systems will be addressed in PSP5, in particular St Marys ($10.0 million) and a project to improve treatment of drinking water on Hobart's kunanyi/Mt Wellington ($9.8 million) and additional treatment barriers at Bushy Park. | | |
| **What we will invest** | | |
| In addition, we will upgrade water treatment plants uplift water treatment barriers for Adventure Bay ($7.9 million), Bridport ($6.0 million), Campbell Town ($1.6 million), Roseberry ($1.3 million) as well as investments at Swansea, Westbury and Waratah. This is in addition to the Regional Towns Stage 4 Program ($13.5 million) which will upgrade Bothwell, Tullah, Oatlands, Yolla, Ellendale and Dover treatment plants. | | |

**Figure 6.9. Drinking water quality risk improvement**



**Our drinking water quality risk profile**

Our drinking water quality investment in PSP5 focuses on the water treatment plants that still require additional treatment layers to meet our drinking water quality regulatory commitments.

The focus of investment in PSP5 includes:

- Drinking water treatment barriers in regional towns such as Bothwell, Tullah, Oatlands, Yolla, Ellendale and Dover ($13.5 million)
- Improvements to the water quality at St Marys Water Treatment Plant ($10.0 million)
- Improvements to the catchment and treatment of the water from kunanyi/Mt Wellington ($9.8 million)
- Upgrades to the Adventure Bay water treatment plant ($7.9 million)
- A range of other minor yet critical water treatment plant upgrades including to Lake Fenton, Campbell Town, Rosebery, Swansea, Westbury, Waratah and Distillery Creek Launceston (total $4.1 million).

The improvement our drinking water quality risk profile resulting from these investments is provided in Figure 6.9. We will remove our extreme and high risks outlined in our Health Based Targets agreement with DoH. The St Marys water treatment plant will be rationalised. For the drinking water catchments on kunanyi/Mt Wellington, we will establish greater protection of the catchments with fencing and drainage, before installing UV treatment. At Bushy Park, we will install pre-treatment filtration and then rationalise as part of a Lake Fenton water treatment plant, in a project that will commence at the end of PSP5.

## 6.4 Outcomes for customer theme: Being easy to deal with and providing support

**Outcome 7. Improved customer satisfaction and resolving customer issues**

Our customer satisfaction has been relatively strong in PSP4, particularly for those customers who reach out to us to have their query or issue resolved. We have also been able to achieve a strong result in our overall customer satisfaction measure, first introduced in PSP4. However, TasWater customer expectations are evolving, and our service offering must adapt to ensure that it is meeting customer expectations. Underpinning this with effective and efficient processes that will deliver higher customer satisfaction and, in some cases, tangible cost efficiency.

In developing our PSP5 proposal, we tested whether our customers would like an enhanced digital experience. Almost half of the customers in our Broad Community Survey included 'being easy to deal with' as one of their top priorities and the willingness to pay results were spread, as outlined in Table 6.12. Our customer feedback interpretation of these results alongside verbatim customer feedback suggests that improved digital customer experiences will increasingly become important to customers in the future, with many customers reinforcing the need for a better online experience with TasWater, referencing the mobile phone applications experience in other utilities as something we should explore.

- *"Please make online access to our accounts available. We should be able to see all our past bills and usage. Only state I've been in where this isn't available. Don't see why it's so difficult. PS. Your telephone staff are excellent; courteous and helpful."*

- *"You need an app to report outages and see upcoming info. Customer service is good, but it's sometimes easier on an app."*

Recent customer research as part of our customer experience strategy has further reinforced the need for improvements to customer experience. Key findings included:

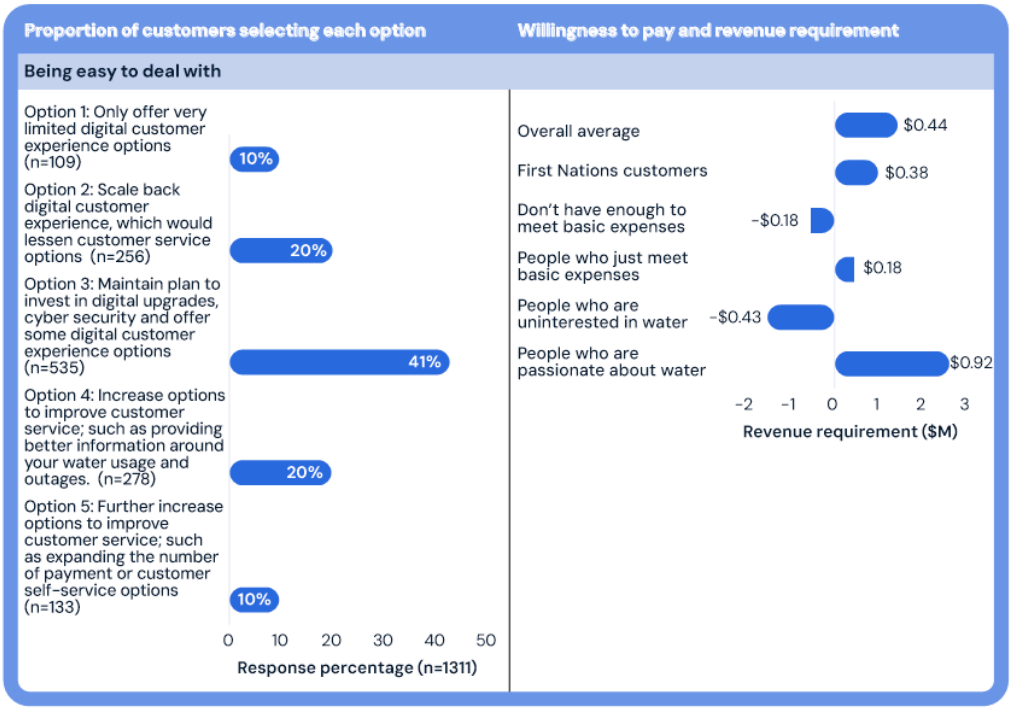
- Increased customer demand for autonomy, control, and personalised solutions.
- Growing expectations for secure, self-service digital platforms such as apps and online portals.
- A significant gap in TasWater's ability to manage customer expectations and provide timely updates for service-related issues.

Customer survey data from the 2021 TasWater Brand and Community Report underscores these trends:

- 57 per cent of customers prefer email communication.
- 19 per cent favour using the website for services.
- Only 9 per cent prefer phone contact, and 3 per cent opt for face-to-face interactions.

The case for continued investment in our customer experience, particularly digital service interactions, continues to grow steadily.

**Table 6.12. Willingness to pay for being easy to deal with**



We proposed to continue our strong customer satisfaction and experience results in our PSP5 Outcome 7: Improved customer satisfaction and resolving customer issues, which will build on our strong customer satisfaction and experience results to date, is as outlined in Table 6.13.

**Table 6.13. PSP5 Outcome 7: Improved customer satisfaction and resolving customer issues**

| **PSP5 Outcome** | **Improved customer satisfaction and resolving customer issues** | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Overall customer satisfaction with TasWater score (by survey) | 72 per cent in 2023-24 | ≥80 per cent |
| Customer initiated fault and emergency telephone calls answered within 30 seconds | 61.0 per cent in 2023-24 | ≥90 per cent |
| First Point Resolution (FPR) of account enquiry telephone calls as a percentage (via post call survey) | 95 per cent in 2023-24 | ≥95 per cent |
| Total number of billing and account complaints per 1,000 properties | 1.36 in 2023-24 | ≤0.8 |
| Complaints responded to within 10 business days (unless extended by agreement) | 99.5 per cent in 2023-24 | ≥97 per cent |
| Customer Satisfaction of enquiry telephone calls as a percentage (via post call survey) | 98.0 per cent in 2023-24 | ≥97 per cent |
| From a relatively strong base, we are looking to continually improve our performance across these metrics over the course of the PSP5 period. | | |
| **What we'll do** | | |
| Whilst our current performance is relatively strong, we recognise that the quality of our customers interactions with us remains a very important part of our customers' overall experience of TasWater. We have revised our proposed performance measures to capture the important moments for customers' as they interact with us, as well as their overall satisfaction with TasWater.<br>As part of evolving our customer experience, we have approved the investment in a customer self-service platform, to be delivered in 2026 for the cost of $3.0 million (total opex and capex). Our customer self-service platform will:<br>• Provide customers the opportunity to manage their accounts, make payments, report issues and track requests online.<br>• Improve transparency and timeliness of customer requests.<br>• Reduce customer effort and increase convenience. | | |

**Table 6.13. PSP5 Outcome 7: Improved customer satisfaction and resolving customer issues *continued***

| *What we'll do continued* |
| --- |
| Investment in our customer self-service platform will not only improve customer experience, but will improve our overall customer debt management, in turn lowering overall costs to customers. In future, we also expect to realise a lower cost to serve over time, as more customers become familiar with and use the customer self-service platform, again lowering overall costs to customers.<br>Additionally, we will continue to review and improve our customer interactions and supporting systems and processes in the customer service centre. |
| **What we will invest** |
| We are not proposing any capital investment over the PSP5 period (beyond low level supporting investments), but will instead work to improve our customer service within our proposed operating cost envelope. |

**Outcome 8: Increased effectiveness of TasWater Assist**

Provision of drinking water and safe treatment of wastewater are essential services that our customers cannot live without, so we have always been conscious of our role in supporting our vulnerable customers . We recognise that any price increase will impact these customers disproportionately and that, whilst other societal supports are available, we can still play an important role in our direct relationship with our customers.

Our customer panel also reaffirmed the importance of supporting vulnerable customers. They provided a specific recommendation that we should "increase awareness for the TasWater Assist program" to ensure we provide payment flexibility to customers and other forms of support to customers, particularly in light of our proposed price increases and changes to the proportion of our bills based on usage.

We agree with this recommendation, and we propose to not only promote but strengthen our vulnerable customer support. Our PSP Outcome 8: Increased effectiveness of TasWater Assist is summarised in Table 6.14.

**Table 6.14. PSP5 Outcome 8: Increased effectiveness of TasWater Assist**

| PSP5 Outcome | Increased effectiveness of TasWater Assist | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Percentage of customers who are accessing, or have accessed, our support programs that agree the program is effective (via survey) | Not currently measured | ≥85 per cent. |
| We are introducing this new performance measure in PSP5 to reflect our commitment to strengthening our customers' experience of our support programs. We are not just seeking to ensure more customers are aware of the options available to them, but rather, those customers who need our support find it useful, effective and empowering. Accordingly, we have set ourselves an ambitious benchmark of 85 per cent as our success rate by 2030. We will have to establish new methods to test and report our progress against this benchmark, but we are undaunted by this task as we know it is the right thing to do.<br>Despite the proposed price increase for PSP5, we have maintained a low estimate of bad debt write-offs in our proposed operating expenditure forecast ($379,000 in the 2024-25 base year, when this can increase to ~$800,000 in some years). We are aiming to use the increased investment in TasWater Assist to maintain a low level of debt write-offs in PSP5, among the other outcomes and benefits it provides customers. | | |
| **What we'll do** | | |
| We have redesigned and strengthened our TasWater Assist Program to include a greater range of support services for customers that may be struggling to pay their bills. Our expanded support services will include tailored case management, account reviews and financial health checks, water efficiency support and case management support for customers who may be experiencing family violence.<br>Our redesigned TasWater Assist Program reflects modern and contemporary practice delivered by our mainland peers. Being at the forefront of vulnerable customer support is very important in the Tasmanian context, given Tasmania experiences a greater level of social and economic disadvantage than mainland states. | | |
| **What we will invest** | | |
| We will invest $2.4 million of operating expenditure over the PSP5 period to strengthen the TasWater Assist Program. | | |

## 6.5 Outcomes for customer theme: Protecting our environment and waterways

**Outcome 9. Protecting our environment and waterways**

A key platform of our PSP5 Proposal is our increased focus on addressing historical under-investment in sewage treatment infrastructure and improving environmental outcomes as a result.

We acknowledge that we cannot achieve our desired level of improved environmental performance in one pricing period, it will take many. However, we also know that if we do not start this investment now, our environmental risks will not only increase but compound, and we will pass on an even greater burden to future generations. Our customers also understand this dilemma, and have told us they are willing to pay more now for improved environmental outcomes.

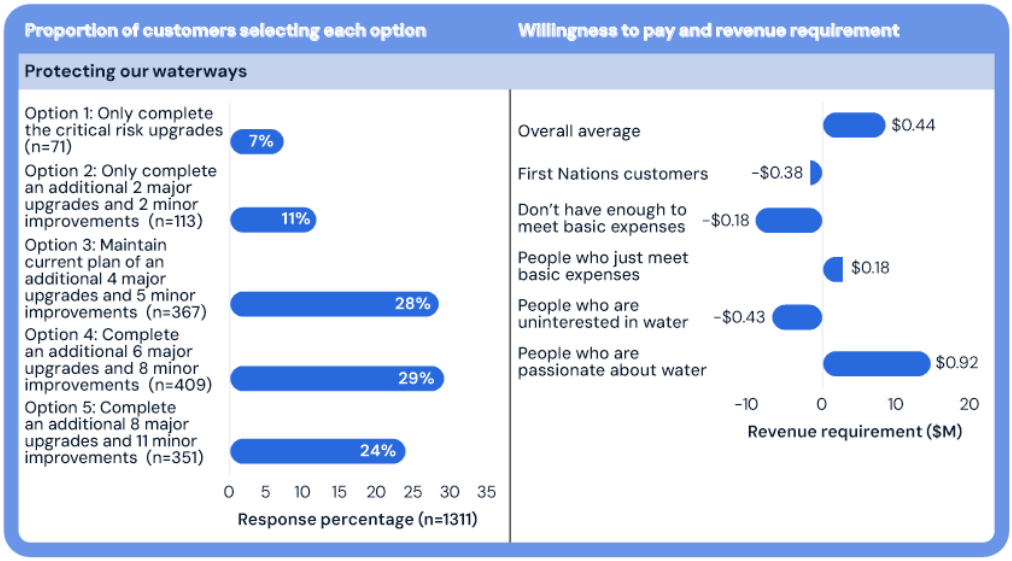
"Protecting and enhancing waterways and catchments" was the third highest priority of our customers in our Broad Survey and our Water Future Community Advisory Panel made a clear

recommendation that we "protect and improve the environment". Our customers told us:

- *"Water discharged into our waterways should have zero negative impact. Ideally water should be recycled and not discharged into our waterways."*
- *"Big problem to fix. Can't fix everything in the next five years. Prioritise investment to lift performance based on public health and environment risk, but making sure TasWater is efficient (i.e., fix some lower risk overflows that are adjacent to higher risk overflows)."*

Our willingness to pay Bill Simulator demonstrated that 53 per cent of overall respondents were prepared to pay for increased investment in environmental outcomes, above and beyond our initial level of proposed investment. This is outlined in Table 6.15.

**Table 6.15. Willingness to pay for protecting our waterways**




Accordingly, we propose to decrease nutrients such as nitrogen and phosphorous being discharged to waterways, as well as greenhouse gas emissions, from our operations.

We also propose to increase the amount of wastewater that we beneficially reuse to improve the environmental outcomes of our sewage treatment plants. This requires a step-change in how we have historically viewed the use of recycled water and will require partnerships with end use customers to achieve this result.

*Our PSP5 Outcome 9. Protecting our environment and waterways* is summarised in Table 6.16.

**Table 6.16. PSP5 Outcome 9: Protecting our environment and waterways**

| PSP5 Outcome | Protecting our environment and waterways | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Percentage reduction of nitrogen and phosphorous to waterways | 1,324 / 263 tonnes (2021–22 base year) | –30 per cent Nitrogen / –25 per cent Phosphorous |
| Percentage reduction of Volume of Scope 1 and 2 carbon emissions ($CO_2$-e tonnes per year) | 51,501t$CO_2$-e (2022–23 bas year) | –30 per cent |
| Percentage in volume of our sewage effluent that is beneficially reused (gigalitres (GL)/year) | 7 per cent (in 2021–22 base year) | ≥30 per cent |
| We propose to introduce these three new performance measures as a part of our PSP5 service standards. These will demonstrate improvements in our environmental performance over time, with a particular focus on the impacts from our sewage treatment plants. | | |
| **What we'll do** | | |
| Our initial focus is to upgrade and rationalise sewage treatment plants that currently discharge sewage effluent considered "high-risk" to the environment. In this way, we will work towards compliance with the full extent of environmental obligations over multiple PSP periods, using a risk-based and evidenced-based approach to prioritise our works.<br>We have used our regional master plans to guide us, with an eye to reducing the number of sewage treatment plants, particularly in our larger population centres. For example, the completion of the Selfs Point Transformation Project and the commencement of the Launceston Sewer Transformation in PSP5 will become foundational investments to move toward the long-term plans for delivering the lowest cost community solution, while achieving the environmental outcomes being asked of us.<br>We will address nine sewage treatment plants that are assessed as high environmental risk discharge over the PSP5 period and commence investment to address a further six high risk sewage treatment plants over the PSP6 period. Our investments will lower nitrogen and phosphorous being discharged in waterways and improve our environmental compliance. | | |
| **What we will invest** | | |
| We will invest $655.8 million to improve our environmental outcomes and compliance. | | |

In response, we have proposed $655.8 million in sewage treatment plant upgrades over PSP5. We have used our evidence risk-based approach to prioritise sewage treatment investment. It will see the commencement of generational investment to rationalise sewage treatment plants in Hobart and Launceston. It will also target our highest risk regional sewage treatment plants for compliance. The investments include:

- The final year of the Selfs Point Sewer Transformation Project ($31.5 million in 2026–27, not including external funding), a core part of the long-term Hobart Sewerage Improvement Plan (this project will cost a total of $314 million including external funding).
- Ti Tree Bend Sewage Treatment Plant upgrade ($355.5 million), an essential project for the Launceston Sewer Transformation.
- Investment in Hobblers Bridge ($24.8 million) and Prospect Vale ($20.7 million) sewage treatment plants, which will see them ultimately decommissioned as part of the Launceston Sewer Transformation.

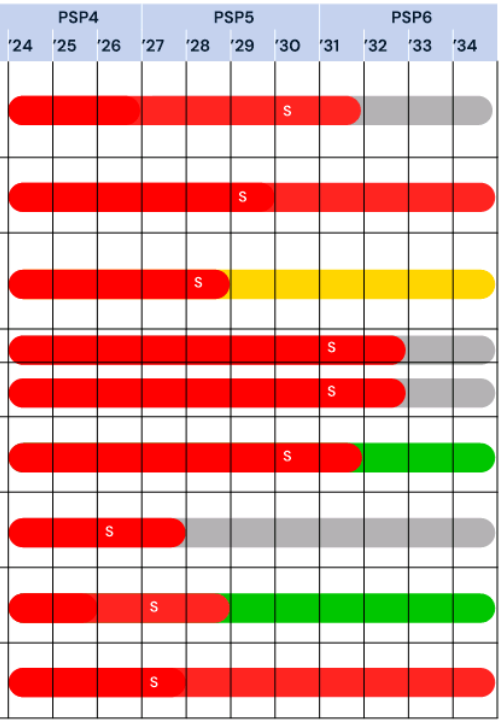
- A capacity upgrade at Cambridge Sewage Treatment Plant ($16.6 million) and a recycled water scheme for Smithton Sewage Treatment Plant ($23.2 million) which delivers least cost sewage disposal and improved environmental outcomes.
- An upgrade to the Scottsdale Sewage Treatment Plant ($14.8 million) to reduce nutrients and pathogens to the receiving waterway.
- $25.5 million in our sewage treatment plant renewals program across the state.

The improvement in sewage treatment plant environmental risk is illustrated in Figure 6.10 and Figure 6.11. However, it should be noted that many of the large projects that commence in PSP5 are investments in the future, with the corresponding reduction in environmental risk being realised in the PSP6 period.

We will upgrade nine sewage treatment plants that are assessed as high environmental risk discharge and commence projects in PSP5 to address a further six high risk sewage treatment plants in PSP6. This will improve environmental outcomes and compliance as agreed with the EPA in our Wastewater Risk Management Plan. The projects we commence in PSP5 will lay the foundation for a step-change improvement in environmental risk again in PSP6 and beyond.

**Figure 6.10. Sewage treatment plant environmental risk improvement for high-risk sewage treatment plants**

| STP | Key Risks | PSP5 Commitment |
|---|---|---|
| Sheffield | Nutrients, Ammonia & Pathogens | Pathogen reduction and missing zone improvement. Progress Planning for Master Plan outcome |
| Smithton | Nutrients, Ammonia & Pathogens | Pathogen reduction |
| Cameron Bay | Nutrients, Ammonia, Chlorine & Pathogens | Nutrient and mixing zone improvements |
| Norwood | Nutrients | Planning for rationalisation |
| Hoblers Bridge | Nutrients | Planning for rationalisation |
| Scottsdale | Nutrients, Ammonia & Pathogens | Pathogen and nutrient reduction to waterways |
| Prospect Vale | Nutrients, Ammonia & Pathogens | Rationalisation |
| Bicheno | Nutrients, Ammonia, BGA & Pathogens | Reduction of key risks to waterways |
| Turners Beach | Nutrients & Ammonia, Odour | Treatment improvements and odour reduction |



| STP | Key Risks | PSP5 Commitment |
|---|---|---|
| Ti Tree Bend | Nutrients, Ammonia, Chlorine & Pathogens | STP upgrade |
| Macquarie Point | Nutrients, Ammonia, Chlorine & Pathogens | Rationalisation |
| Prince of Wales Bay | Nutrients, Ammonia, Chlorine & Pathogens | Planning for mixing zone improvements |
| Port Sorell | Nutrients, Ammonia & Pathogens | Pathogen reduction and mixing zone improvements |
| Ulverstone | Simplot Trade Waste, Pathogens | Trade Waste management |
| Triabunna | Nutrients & Ammonia | Reduction of key risks Oto waterways |
| Westbury | Nutrients, Ammonia & Pathogens | Planning for Master Plan outcome, re-investigate interim reuse options |
| Wynyard | Pathogens | Key risk reduction to recreational area |
| Geeveston | Nutrients, Ammonia & Pathogens | Mixing zone improvements |
| Swansea | BGA, Ammonia & Pathogens | Reduction of key risks to waterways |
| Stanley | Nutrients | Reduction to |
| Sorell | Upgrades for growth | Process capacity |
| Cambridge | Wet weather overflows | Process capacity improvements and bypass reduction |
| Carrick/ Hadspen | Upgrades for growth | Process capacity |
| Selfs Point | Upgrades for growth and rationalisation | STP upgrade |
| Orford | Wet weather overflows | Discharge capacity |

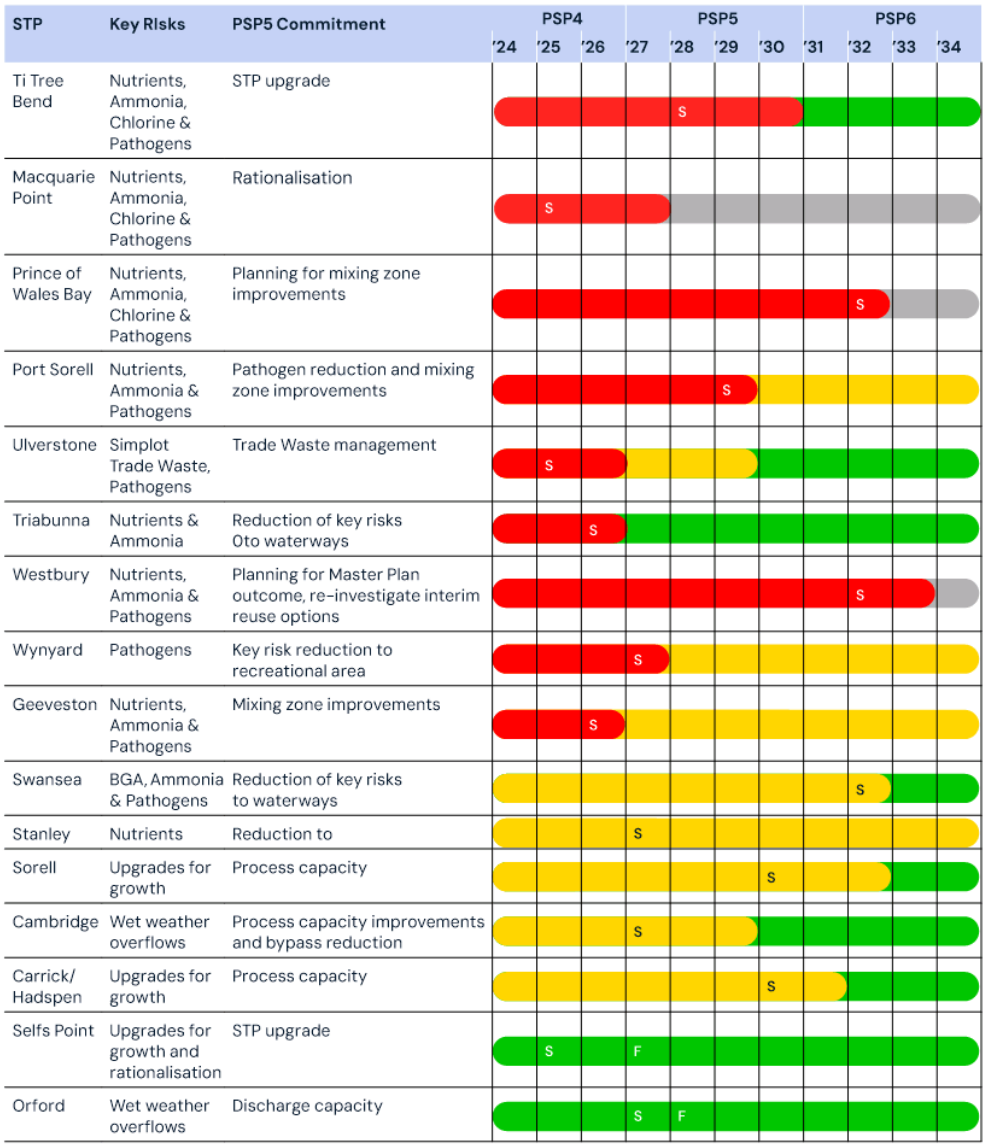
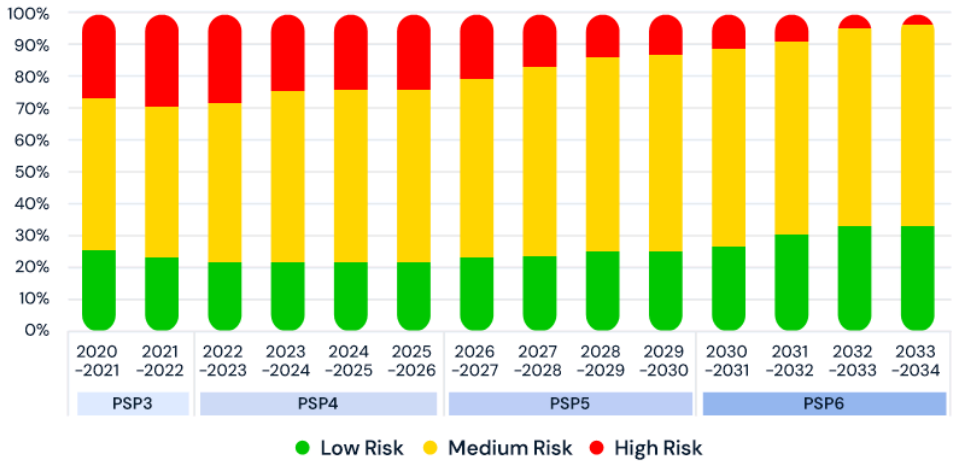


**Figure 6.11. Sewage treatment plant environmental improvement for all Level 2 sewage treatment plants**




## 6.6 Outcome for customer theme: Giving customers greater control over their bill

**Outcome 10. Charging based on usage**

Our residential bills are made up of a variable water usage charge (the amount of water a customer or household uses) and a fixed daily charge (the cost of providing high-quality drinking water and treating wastewater from your toilet, shower, sink and laundry).

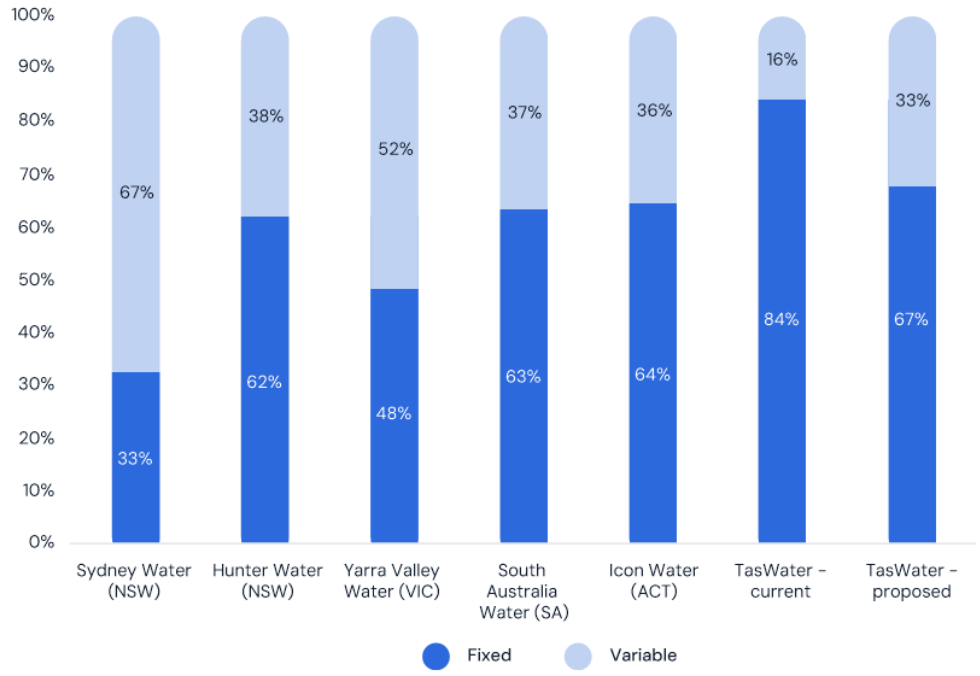
We currently have the highest proportion of fixed charges in an average customer bill of any Australian water business, as outlined in Figure 6.12. The current variable cost of water in Tasmania is $1.22 per 1,000 litres. The Australian average cost of water is $2.78 per 1,000 litres.

We consistently recieve feedback from customers that they are not incentivised to change their behaviour to conserve water, as our fixed charges are too high. Customers have told us:

- *"Prior to the introduction of water meters in Hobart I minimised my water use as I felt it was the right thing to do for the environment and community as a whole. Once meters were introduced and I saw how high the fixed charge was and how low the usage rate was, I figured that using more water by watering lawns in summer etc. would only put my overall costs up by a very small amount, so now I use a lot more water than I used to. I'd prefer to see the fixed component reduced and a higher rate for how much water you actually use."*
- *"Lower fixed charges and increases variable charges to encourage people to use or waste less water."*

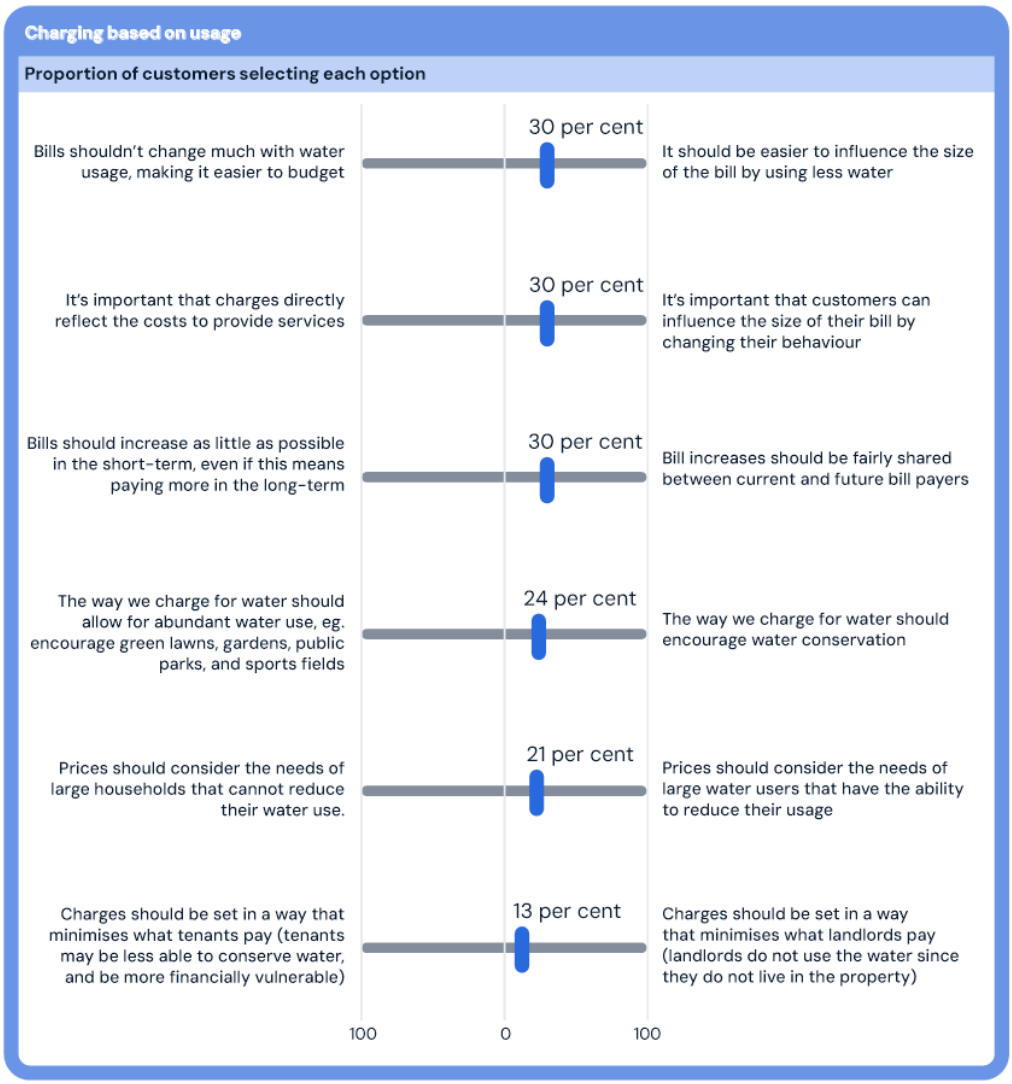
Responses to the Bill Simulator showed a strong overall preference for greater usage charges proportionately to fixed charges, as outlined in Table 6.17.

**Figure 6.12. Fixed and variable bill splits of Australian utilities[59]**




59 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24) for an average residential bill of 200kL per annum consumption.

**Table 6.17. Bill Simulator preferences for charging based on usage**



Adjusting a water bill so that a greater proportion is based on usage charges can encourage water conservation and ensure fairer pricing. This kind of pricing model can help households and businesses control their bills more effectively while promoting sustainable water usage. Our proposed approach is to step-change to a higher level of variable charges, from 16 per cent to 33 per cent of an average residential customer bill, as outlined in Table 6.18.

**Table 6.18. PSP5 Outcome 10: Charging based on usage**

| **PSP5 Outcome** | **Charging based on usage** | |
|---|---|---|
| **Measures and targets** | | |
| **Measure** | **Current performance (PSP4)** | **PSP5 Measures of Success by 2030** |
| Increase the variable charge portion on customer bills. | 16 per cent of the average residential bill is currently variable (based on usage). | 33 per cent of the average residential bill is proposed to be variable. |
| We will implement a step-change in customer tariffs at the start of the PSP5 period, so that 33 per cent of an average residential customer bill is comprised of variable (usage) charges. We will achieve this step-change by reducing fixed charges, increasing the water variable (usage) charge and introducing a sewerage variable charge, consistent with the TER's *Inquiry into sewerage charges review* in 2024. | | |
| **What we'll do** | | |
| We will undertake a customer education program around this change and offer tailored customer support, particularly to customers with higher consumption. We will fund this within our current PSP4 opex allowance. | | |

## 6.7 Other outcomes in PSP5

There are a number of other important actions we will take over the PSP5 period to deliver outcomes our customers are seeking in this PSP5 Proposal.

### Responding to the Water Future Community Advisory Panel

In response to the Water Future Community Advisory Panel recommendations, we also commit to the following additional actions:

- Review supply arrangements for unserviced communities: We will undertake a review of supply arrangements for unserviced communities with the state government and local councils, facilitated by LGAT.
- We will work with LGAT and state government to determine the priority for the servicing of unconnected properties in PSP5 with investment decisions being made in time for PSP6.
- Review the proximity and number of potable water refill stations to remote communities to meet expectations for the availability of water for carting purposes.
- Complete a 10,000 digital meter pilot: We are already moving to implement a digital meter pilot, which will inform a business case for statewide roll out. The digital meter project will provide near real time information to customers to identify hidden leaks on the customer's side of the water meter and avoid bill shocks. It will also provide customers with information to better manage their water usage.

## Enabling growth

We play an important role enabling growth in Tasmania, aligned with state government and local council growth policies and projections. We must ensure that our infrastructure is not a blocker for growth and development across the state. These economic and social needs are considered in our regional master plans, ensuring we stage our investments to maintain our essential services where growth is occurring.

For example, a key initiative is our current collaboration with Brighton Council, which sees us investing in much needed sewerage infrastructure upgrades with the assistance of Australian Government funding. Together with Brighton Council we determined that sewerage infrastructure upgrades were critical to enable new developments by Homes Tasmania (low-cost housing), Department of Education, Children and Young People (new high school) and a number of private developers (housing, retail and community services) to proceed. These developments had been discussed by various proponents over time and the way forward was challenging from a financial, timing and risk perspective.

Working with the Brighton Council, we have now had federal funding announced to assist in funding this development, with an approximately $10 million project being part funded by the Australian Government (approx. $7 million) and TasWater (approx. $3 million). This project will unlock a new growth precinct near Brighton High School, allowing for the development of up to 600 dwellings, childcare facilities, and commercial spaces.

While many of our proposed PSP5 projects will consider growth needs consistent with our regional master plans, we have a number of projects that are necessary to service high growth areas proposed in PSP5 (i.e. their primary driver is growth). These projects include:

- Sorell – STP Upgrades for growth ($20.3 million)
- Bowen Bridge to Risdon Brook Bulk Main Upgrade ($17.6 million)
- Cambridge STP Capacity Improvements ($16.6 million)
- Sorell – STP Rising Main to Penna STP ($4 million)

We also consider our long-term capital investment requirements for growth as part of our developer charges, as outlined in *Chapter 15 Our proposed developer charges*. The proposed developer charges are an important funding mechanism for growth related capex.

## 6.8 Our proposed PSP5 customer service standards

A summary of our proposed service standards is provided in Table 6.19.

**Table 6.19. PSP5 Proposed service outcomes**

| Customer Feedback Theme | PSP5 Outcome | Measures | Base year | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|---|---|
| **Fixing leaks** | Reduced leakage in our system | Percentage of drinking water supplied lost as leakage | 20.7% (FY24) | ≤17.5% | ≤15.0% | ≤12.5% | ≤10.0% |
| **Securing water for our future** | Improved water security | Percentage of customers impacted by water restrictions caused by lack of water security (excluding periods of greater than 1:10 drought) | 15.6% | ≤5% | ≤5% | ≤3% | ≤3% |
| | Support customers to conserve water | Residential drinking water use per person per day (litres per person per day) | 217 (FY25) | ≤200 | ≤190 | ≤180 | ≤170 |
| **Providing reliable services and responding to faults quickly** | Reduced instances of unplanned interruptions and poor service outcomes | Percentage of customers that may experience greater than five unplanned water supply interruptions in any 12-month period | NEW | ≤0.5% | ≤0.5% | ≤0.5% | ≤0.5% |
| | | Percentage of customers that may experience greater than three sewer interruptions in any 12-month period | NEW | ≤0.5% | ≤0.5% | ≤0.5% | ≤0.5% |
| | | Number of breaks, bursts and leaks per 100km of water main | 42.8 (FY24) | ≤35 | ≤30 | ≤23 | ≤16 |
| | | Number of breaks and chokes per 100km of sewer main | 63.9 (FY24) | ≤50 | ≤40 | ≤30 | ≤20 |
| | | Number of water and sewerage complaints per 1,000 customers | 9.03 (FY24) | ≤8.5 | ≤8.0 | ≤7.5 | ≤7.0 |
| | Timely response and restoration of unplanned interruptions | Percentage of response times within target for water bursts and leaks (P1 50%, P2 30% & P3 20% weighting) | 92.8% (FY24) | ≥90% | ≥90% | ≥92% | ≥92% |
| | | Percentage of rectification times within target for water bursts and leaks (P1 50%, P2 30% & P3 20% weighting) | 76.0% (FY25) | ≥90% | ≥90% | ≥92% | ≥92% |
| | | Percentage of sewer spills, breaks and chokes responded to within 1 hour | 79.8% (FY24) | ≥90% | ≥90% | ≥92% | ≥92% |
| | | Percentage of sewer spills, breaks and chokes rectified to within 3 hours | 93% (FY24) | ≥95% | ≥95% | ≥96% | ≥96% |
| | Maintain safe drinking water | 100% microbiological compliance | 100% (FY24) | 100% | 100% | 100% | 100% |

**Table 6.19. PSP5 Proposed service outcomes continued**

| Customer Feedback Theme | PSP5 Outcome | Measures | Base year | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|---|---|
| Being easy to deal with and providing support | Improved customer satisfaction and resolving customer issues | Overall customer satisfaction with TasWater score (by survey) | 72% (FY24) | ≥75% | ≥75% | ≥75% | ≥80% |
| | | Customer-initiated fault and emergency telephone calls answered within 30 seconds | 61.0% (FY24) | ≥80% | ≥87% | ≥90% | ≥90% |
| | | First Point Resolution (FPR) of account enquiry telephone calls as a percentage (via post call survey) | 95% (FY24) | ≥95% | ≥95% | ≥95% | ≥95% |
| | | Total number of billing and account complaints per 1,000 properties | 1.36 (FY24) | ≤1.2 | ≤1.0 | ≤0.9 | ≤0.8 |
| | | Complaints responded to within 10 business days (unless extended by agreement) | 99.5% (FY24) | ≥95% | ≥95% | ≥97% | ≥97% |
| | | Customer satisfaction of enquiry telephone calls as a percentage (via post call survey) | 98.0% (FY24) | ≥95% | ≥95% | ≥97% | ≥97% |
| | Increase effectiveness of TasWater Assist | Percentage of customers who are accessing, or have accessed, our support programs that agree the program is effective (via survey) | NEW | ≥80% | ≥80% | ≥85% | ≥85% |
| Protecting our environment and waterways | Reduced environmental impact | Percentage reduction of nitrogen and phosphorous to waterways | 1,24 / 248 tonnes (FY22) | -15% | -20% | -25%/ -23% | -30%/ -25% |
| | | Percentage reduction of Volume of Scope 1 and 2 carbon emissions (CO2-e tonnes per year) | 51,501t CO2-e (FY23) | -15% | -20% | -25% | -30% |
| | | Percentage in volume of our sewerage effluent that is beneficially reused (gigalitres (GL)/year) | 7% (FY22) | ≥14% | ≥18% | ≥20% | >30% |

## 6.9 Our proposed PSP5 customer contract

Consistent with our requirements, we are proposing a new customer contract with this PSP5 Proposal.

Using the existing PSP4 customer contract as a basis, we have reviewed and updated our proposed PSP5 customer contract. Our proposed changes attempt to provide greater clarity by including simplified language, removing duplication, and some reordering of clauses. In addition, all proposed changes in the PSP5 Proposal that are relevant to the contract have been updated in the PSP5 contract. Further detail regarding the proposed changes is provided in *Appendix F. Customer contract changes.*

# Section 3. The efficient costs of delivering our services

# 7. Overview of our proposed revenue requirement

### Our operating context

- Our PSP5 Proposal presents an efficient and sustainable level of revenue for TasWater to deliver its regulated services and meet its customer and regulatory obligations.
- We propose a total of $2.2 billion revenue requirement over the PSP5 period, known as our Notional Allowable Revenue.
- Consistent with the TER's existing framework, our prudent and efficient expenditure, net of developer contributions, will be recovered via postage stamp prices.
- We have challenged ourselves to be efficient with our expenditure proposals and have taken care with our regulatory inputs to minimise the impact on prices wherever we can.
- Two-thirds of our proposed price increase is driven by inflation and interest rates, which are external economic factors.
- Our proposed capital and operating expenditure contribute 1.4 per cent and 2.7 per cent of our total price increase respectively, moving us toward modern and efficient water and sewerage systems that improve economies of scale and value for customers
- We have challenged ourselves to be as efficient as possible for those things we control.
- Our efficiency targets have lowered the total revenue we are required to recover from customers by $46.3 million over the PSP5 period.
- In order to minimise the impact on prices and smooth the impact over PSP6, we are proposing to defer $113.6 million of our Notional Allowable Revenue to be recovered in PSP6.

This section of our submission sets out how we have been efficient with our expenditure proposals in our PSP5 Proposal, including:

7.1 The method we used to calculate revenue and prices

7.2 Two-thirds of our proposed price increase is driven by external factors

7.3 We have challenged ourselves to be as efficient as possible

7.4 We are proposing to defer revenue to PSP6 to limit price impacts

## 7.1 The method we use to calculate revenue and prices

We have used the TER's existing methodology to calculate our regulated business revenue requirement, known as the Notional Allowable Revenue (NAR). This is the revenue we need to recover our forecast prudent and efficient costs needed to provide services that meet customer expectations,our operating licence and other regulatory requirements.

The NAR is determined using the 'building block' approach. The maximum prices we can charge for regulated services is then determined by dividing our NAR by our customer connections and usage across our price structures. The elements that make up our NAR are our operating expenditure, regulatory depreciation and a return on our capital expenditureand an inflation factor. This is summarised in Figure 7.1.

**Figure 7.1. Schematic of how prices are calculated**

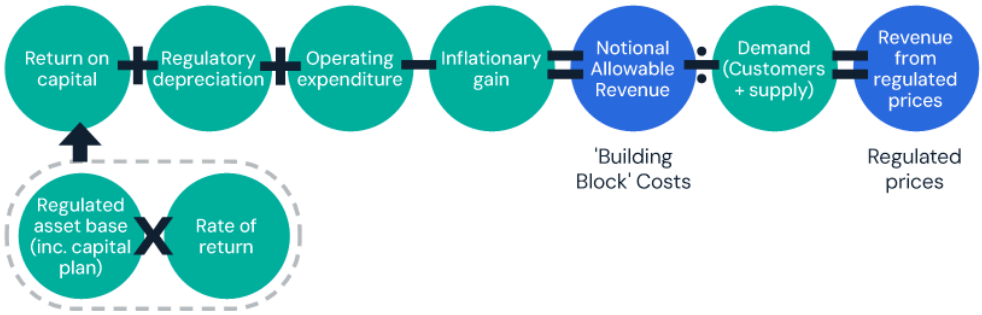


**Table 7.1. Our proposed revenue requirement for the PSP5 period, $M**

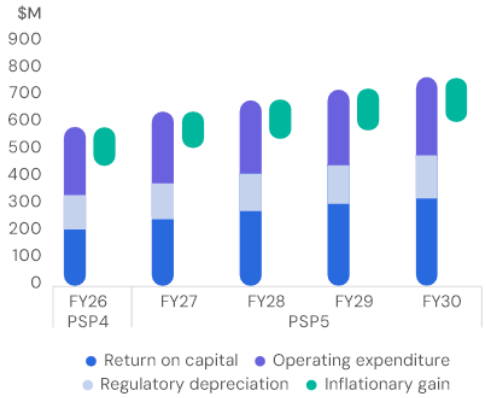
| Building block component | FY26 | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|---|
| Return on capital | 212.5 | 256.7 | 280.0 | 304.5 | 327.6 | 1,168.9 |
| Regulatory depreciation | 125.7 | 124.5 | 134.9 | 144.8 | 152.5 | 556.6 |
| Operating expenditure | 250.7 | 265.2 | 270.8 | 279.6 | 289.2 | 1,104.9 |
| Inflationary gain | -142.9 | -132.7 | -142.4 | -153.0 | -163.9 | -591.9 |
| **Total** | **446.0** | **513.7** | **543.3** | **575.9** | **605.5** | **2,238.4** |

## 7.2 Two-thirds of our proposed price increase is driven by external economic factors

The method to calculate our revenue requirement allows us to recover our efficient operating costs and provides us with funds to finance and recover our capital expenditure over the (typically long-term) life of our assets. The allowance for financing our capital expenditure is based on our weighted average cost of capital (WACC). We sometimes refer to "interest rates'" as a general description of this element[60]. Our nominal framework also indexes our regulatory asset base (RAB) by inflation, to ensure we can recover our capital costs in real terms.

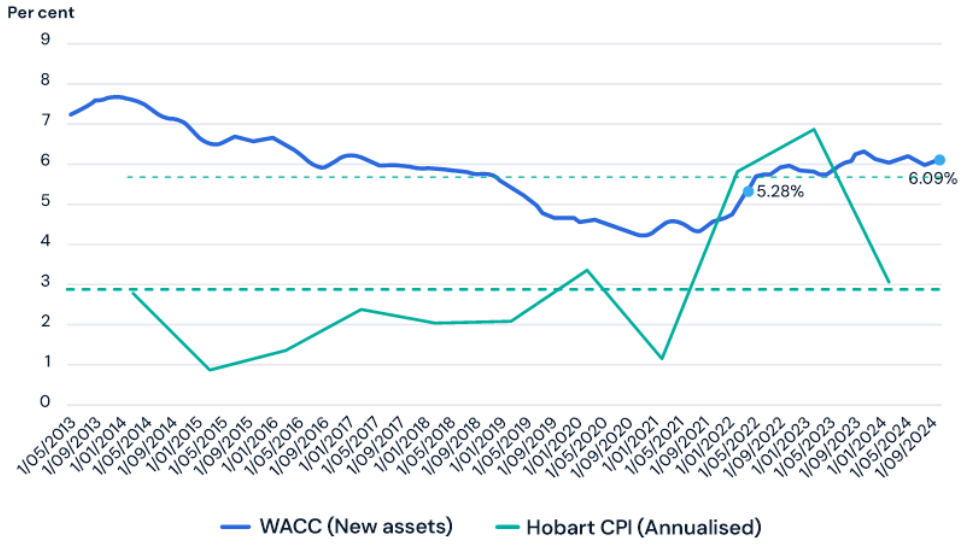
The PSP4 price determination came at a time when our WACC was below the long-term average (at 5.28 per cent for new assets and 3.79 per cent for existing assets) and inflation was above long-term averages (forecast at 3.31 per cent per annum across the PSP4 period). This is illustrated in Figure 7.3.

**Figure 7.2. Our proposed revenue requirement for the PSP5 period, $M**




60 The weighted average cost of capital is based on a blend of cost of debt and cost of equity based on accepted regulatory principles. Our WACC proposal is provided in *Chapter 11. Other elements of our proposed revenue requirement.*

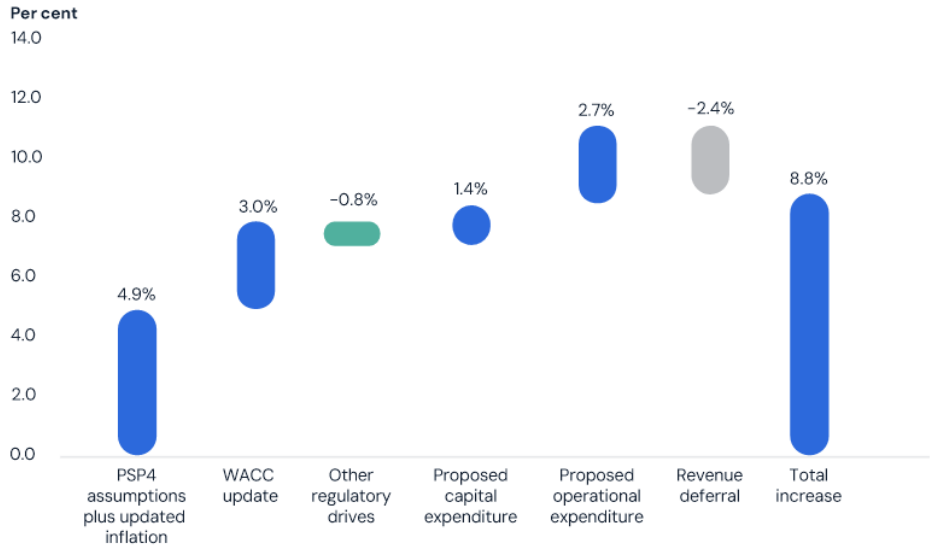
Figure 7.3. Long-term averages for WACC and inflation




Since 2022, external economic conditions mean that WACC has increased and inflation has reduced toward long-term averages. Both of these movements place upward pressure on price. An increase in the WACC will increase the allowance required by us to finance our capital expenditure over time. A decrease in inflation reduces the 'inflationary gain' deduction component of our NAR (refer Table 7.1 and Figure 7.2) and increases our overall net revenue requirement.

In this way, these external economic factors are a major driver of the proposed price increase, making up a 7.9 per cent of the cost reflective 11.2 per cent annual price increase (including inflation). This is outlined in Figure 7.4.

**Figure 7.4. Drivers of PSP5 proposed price increase (nominal annual price increase)**




## 7.3 We have challenged ourselves to be as efficient as possible

Ensuring our proposed capital and operating expenditure is as efficient as possible is the main way we can keep pressure off customer bills. We have therefore challenged ourselves to be as efficient as possible in the development of this PSP5 Proposal.

We have the inherent challenge of operating more assets per customer and per kilometre than our interstate peers, resulting in poor economies of scale. Recognising this, we have placed a greater emphasis on our long-term planning to invest in our asset base with reference to the lowest total cost solutions. In developing our capital and operating plans, we have:

- Planned, prioritised and budgeted with discipline
- Prioritised investment to meet customer expectations and regulator commitments, applying a risk-based approach where appropriate.

In addition, we have set ourselves the challenging efficiency targets of 1.0 per cent per annum for our operating expenditure and $100 million (or 6.0 per cent) for our capital expenditure for the PSP5 period.

In the longer term, we have commenced investing capital to rationalise and upgrade our assets base, finally moving us toward modern and efficient water and sewerage systems that improve economies of scale and value for customers.

## 7.4 We are proposing to defer revenue to PSP6 to limit price impacts

We understand that our proposed price increase will impact on our customers. Our customers have told us that affordability remains one of their highest concerns.

Our underlying price increase, when our cost-reflective revenue requirement (NAR) is calculated, is 11.2 per cent per annum (including inflation) for the PSP5 period. This price path also results in comparatively lower forecast price in PSP6, at approximately 0 per cent price per annum increases, based on the information we have today.

Based on affordability concerns of customers, we have taken the approach to propose prices under the cost-reflective revenue level, and to defer recovery of $113.6 million revenue until the PSP6 period. This has the effect of reducing price increases in PSP5 to 6.1 per cent, plus 2.7 per cent inflation (8.8 per cent) per annum. This will increase the forecast price increase in PSP6 from 0 per cent per annum to approximately 5.4 per cent per annum (including inflation).
This is outlined in Figure 7.5. In this way, the revenue deferral proposal effectively 'smooths' the price increases over a longer period of time.

**Figure 7.5. Cost reflective price path and proposed revenue deferral price path (including inflation)**

We tested this proposal with our Water Future Community Advisory Panel in May 2025. As outlined in *Chapter 3 Our collaborative approach with customers*, the results were mixed from this engagement, with preferences expressed for either option.

Our proposal is to set price increases at 6.1 per cent, plus 2.7 per cent inflation (8.8 per cent) per annum, lower than the cost reflective 11.2 per cent per annum (including inflation).

Our proposal contains the following elements:

- To defer recovery of $113.6 million of our proposed NAR until PSP6.
- The revenue deferral to be applied by entering the deferred revenue into the RAB.
- The $113.6 million of deferred revenue is the accumulated annual shortfalls over PSP5 (NAR less revenue, in absolute terms). This would enter the RAB as a clearly identified separate 'new asset' from PSP6.
- From year one of PSP6 onwards we would receive a return on 'asset' which would cover the financing costs of the revenue deferral (i.e. TasWater will receive the regulated return on this 'asset' from year one of PSP6).
- The deferred revenue amount of $113.6 million is then fully recovered via prices over the four years of the PSP6 period.

The revenue deferral proposal and the cost reflective price path are illustrated in Table 7.2.

The proposal to defer $109.6 million of revenue results in proposed PSP5 price increases of 6.1 per cent, plus 2.7 per cent inflation (8.8 per cent) per annum. The revenue from prices that results from this price path, relative to a cost reflective price path of 11.2 per cent per annum (including inflation), is provided in Table 7.2.

We understand that our proposal to defer the recovery of this revenue will place upward pressure on prices in PSP6. We believe that the proposal best achieves the longer-term objective of recovering prudent and efficient costs, while also mitigating the short-term price shock that would be associated with the 11.2 per cent cost reflective price increase. Further information about the impacts of our PSP5 proposal on customers is provided in *Chapter 16. What the proposed prices mean for our customers and how we will support them.*

We believe that the approach of recovering the deferred revenue via the RAB remains consistent with the pricing principles outlined in the *Water Management Act 2008*, specifically that we be provided with a reasonable opportunity to recover the efficient costs incurred in providing a regulated service.

**Table 7.2. Cost reflective price path and proposed revenue deferral price path, $M nominal**

| | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|
| Notional Allowable Revenue | 513.7 | 543.3 | 575.9 | 605.5 | **2,238.4** |
| Revenue under 11.2% pa cost reflective price path | 470.0 | 526.7 | 590.2 | 661.4 | **2,248.4** |
| Proposed revenue under 8.8% pa price path | 460.1 | 504.6 | 553.3 | 606.8 | **2,124.8** |
| Revenue deferral | 53.6 | 38.7 | 22.7 | -1.3 | **113.6** |

# 8. Our efficient capital costs

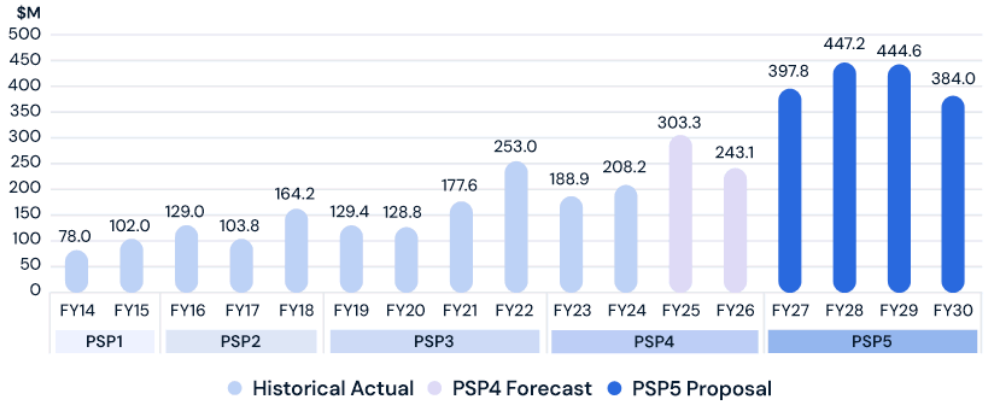
### Our capital expenditure proposal

- We propose to undertake $1.7 billion of capital expenditure, but only recover $1.6 billion from our customers during the PSP5 period.
- Our proposed capital expenditure will address performance gaps to meet customer expectations and put us on the path to meeting our regulatory obligations.
- Our proposed capital expenditure is is 77 per cent higher than what we forecast to be delivered in PSP4, reflecting the growing need for investment.
- We have demonstrated through PSP4 we can deliver what we promise.
- We have carefully planned and prioritised our capital expenditure forecast. We have also applied a $100 million capital efficiency target on ourselves, backing our capital delivery frameworks to support an improved performance relative to current forecasts.
- Our capital expenditure program reflects the key requirements and the key themes of our customer engagement:
  - Improving environmental outcomes ($655.8 million)
  - Improving the performance of our water and sewer networks ($416.1 million) and reducing leaks ($100.6 million)
  - Improving water security, including addressing dam safety risks and supporting growth ($367.7 million)
  - Other important outcomes to meet our regulatory obligations or customer expectations such as maintaining water quality ($65.1 million) and investing our information systems to address risks and compliance ($68.3 million).
- Our capital delivery capability is now proven and will support the realisation of greater efficiencies in our capital delivery in PSP5.
- Over 54 per cent of our capital expenditure proposal is to meet drinking water, environmental or dam safety regulatory requirements.

This section of our submission outlines the capital investment required to deliver the customer and environmental outcomes we are committed to, including:

8.1 We propose to invest $1.7 billion in PSP5, yet will only recover $1.6 billion from customers.
8.2 Our capital plan will address under-performing assets and improve customer and environmental outcomes
8.3 We have balanced risk and cost to develop our proposed capital expenditure forecasts
8.4 We must invest, but will do so as prudently and efficiently as we can
8.5 We have made significant progress in PSP4
8.6 How we will deliver our capital expenditure efficiently in PSP5

**Figure 8.1. PSP4 and PSP5 actual and proposed capital spend in PSP5, $M excluding external funding**




## 8.1 We propose to invest $1.7 billion in PSP5, yet will only recover $1.6 billion from customers

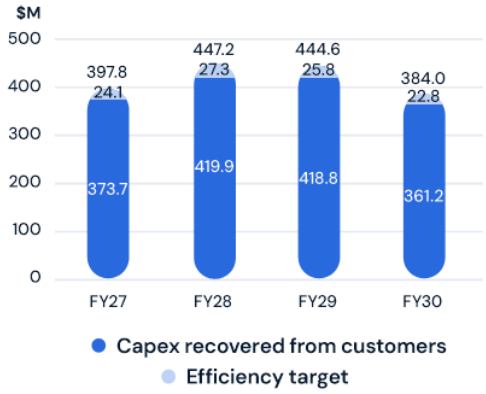
Our proposed capital expenditure forecast for the PSP5 period represents a 77 per cent increase from the capital investment program to be delivered in PSP4. It will address our under-performing assets and deliver a step-change towards meeting customer expectations and regulatory obligations.

These foundational investments are required to start now, commencing a multi-PSP period strategy to address our challenges. Further delays will risk our ability to meet our regulatory obligations and customer expectations at the lowest community cost possible. Deferring necessary works into PSP6 and beyond would cost more in the long-term, which means our customers will ultimately have to pay more. In many cases, deferring these works would also be be unacceptable to our technical regualtors and pose unacceptable risks to our customers and the community. These outcomes are not in the interests of our customers.

Our proposed capital expenditure over the PSP5 period, relative to PSP4, is provided in Figure 8.1.

To challenge ourselves to deliver this program efficiently, we are proposing a $100 million, or 5.9 per cent, efficiency dividend. This means that while we are committing to a $1.7 billion capital program, we are only proposing to recover $1.6 billion in prices. Our capital delivery capability has a proven track record of delivering a large program, with complex projects and has robust processes for ensuring efficiency in procurement and delivery. We feel confident we will achieve this efficiency dividend despite our robust and risk-based capital forecasting methods. This is illustrated in Figure 8.2.

**Figure 8.2. PSP5 Proposed spend by service**



## 8.2 Our capital plan will address under-performing assets and improve customer and environmental outcomes

### How our capital expenditure forecast supports our PSP5 deliverables and commitments

The focus of our capital expenditure program is now on sewage treatment, to improve environmental outcomes and start closing the gap on environmental compliance. We will also improve water security, which includes reducing our critical dam safety risks. More than 54 per cent of the proposed capital expenditure addresses a regulatory commitment. Our renewals program has also been increased to allocate much-needed investment into our network performance, including a focussed program of work to finally address leakage in our systems. The break-down of our capital expenditure forecast, across our key PSP5 deliverables, is included in Figure 8.3.

Our capital plan has been carefully prioritised to meet the highest investment needs in a planned and staged manner. While all projects are chosen and sequenced on their merits, there are a number of overarching themes in the PSP5 capital program, which respond to both customer feedback and regulatory requirements. These themes are outlined in Table 8.1 and detailed further in Table 8.2.

**Figure 8.3. Breakdown of capital expenditure forecast across our PSP5 deliverables, $M nominal**

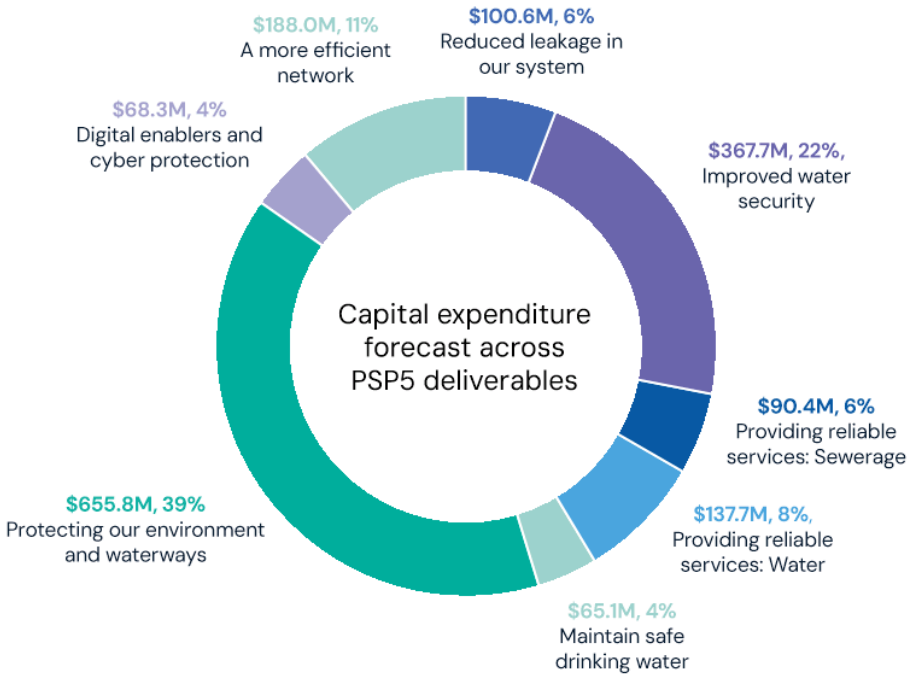


Table 8.1. How our capital expenditure forecast supports our new framework for PSP5

| Customer Feedback Theme | PSP5 Deliverable | PSP5 Capital Investment |
|---|---|---|
| **Link to our new framework for PSP5** | | |
| Fixing leaks | Reduced leakage in our systems | Reduced leakage in our system: $100.6 million |
| Providing reliable services and responding to faults quickly | Reduced instances of unplanned interruptions and poor service outcomes | Providing reliable services - Water: $137.7 million |
| | Timely response and restoration of unplanned interruptions | Providing reliable services - Sewerage: $90.4 million<br>A more efficient network, including metering, electrical and SCADA renewals $188.0 million. |
| | Maintain safe drinking water | Maintain safe drinking water: $65.1 million |
| Protecting our environment and waterways | Reduced environmental impact | Protecting our environment and waterways: $655.8 million |
| Securing water for our future | Improved water security | Improved water security, including addressing key dam safety risks and enabling growth: $367.7 million |
| **Our supporting capital investments: Required for efficiency, effectiveness and regulatory commitments** | | |
| Digital enablers and cyber protection | | Digital enablers and cyber protection $68.3 million |

Table 8.2. Capital program themes

| PSP5 Deliverable and capital program theme | Projects involved | Investment drivers |
|---|---|---|
| **Reduced leakage in our system**<br>$100.6 million | We have established a one-off program to target poorly performing water assets and other associated investment to reduce leakage. This is above and beyond an increase in our water mains renewals captured in providing reliable services. | This investment is based on our detailed business case and program to reduce leakage in our system. The investment will support us achieving the leakage target outlined in *Chapter 6 Our proposed outcomes and service standards* |
| **Providing reliable services**<br>Water: $137.1 million<br>Sewerage: $90.4 million<br>A more efficient network, including metering, electrical and SCADA renewals $188.0 million<br>This will support us achieving:<br>• Reduced instances of unplanned interruptions and poor service outcomes<br>• Timely response and restoration of unplanned interruptions | We have increased our renewal expenditure in both water and sewerage networks, aiming to address our poorly performing assets.<br>This investment captures our key renewals programs:<br>• Our water mains renewals program will increase 600 per cent from the approved $15.4 million in PSP4 to $95.2 million over PSP5.<br>• Our sewer mains renewals program will increase by more than 300 per cent from the approved $8.9 million in PSP4 to $30.1 million in PSP5.<br>• Our electrical and SCADA renewals will increase by 380 per cent, from $23.0 million in PSP4 to $87.4 million in PSP5.<br>This renewals expenditure will be supported by a number of smaller programs and one-off projects providing critical renewals to improve our ageing assets.<br>"A more efficient network" capital investment theme captures the remaining capital required to allow our business to function efficiently and effectively. It includes:<br>• Electrical and SCADA renewals ($87.4 million)<br>• Metering renewals ($45.1 million)<br>• Fleet replacement ($15.9 million)<br>Process innovation for improved service and environmental outcomes ($7.1 million) | The need to improve network performance is well established, including a strong focus by both TasWater and the TER in recent years of performance reporting.<br>When benchmarked against our peers nationally, we are the worst performing major water business for non-revenue water, water mains breaks and bursts per 100km and sewer mains breaks and chokes per 100km.<br>We have completed detailed analysis and business cases to support a significant increase in investment in our pipeline networks. This aims to move us from worst performer in the nation, toward the median performance for these measures.<br>The need to renew our networks was a very strong theme that we heard from customers in our customer engagement and by TER in their State of the Industry Report. The Water Future Advisory Panel nominated "proactive infrastructure management and maintenance" as one of their seven recommendations. |
| **Maintain safe drinking water**<br>$65.1 million | The key projects in this capital project theme will see us continue to lower drinking water quality risk in our systems across Tasmania. In particular this includes<br>• Regional Towns Stage 4 Project ($13.5 million) for upgrades in Bothwell, Oatlands, Franklin and Dover.<br>• St Mary's Water Quality Improvement Program ($10.0 million).<br>• Investment in UV treatment and catchment works for Hobart's Mountain Catchment ($9.8 million)<br>• Renewal of floating membranes in drinking water storages in North-West Tasmania ($9.4 million) | This investment provides for us to meet our drinking water quality regulatory commitments and maintain our record of 100 per cent microbiological compliance. |

Table 8.2. Capital program themes continued

| PSP5 Deliverable and capital program theme | Projects involved | Investment drivers |
|---|---|---|
| **Protecting our environment and waterways**<br>$655.8 million | This investment focusses on the Hobart Sewerage Improvement Project and Launceston Sewer Transformation Project with foundational investment at Selfs Point and Ti-Tree Bend sewage treatment plants ($31.5 million and $355.5 million respectively).<br>We will commence further work in greater Launceston, on the Hobblers Bridge ($24.8 million) and Prospect Vale ($20.7 million) sewage treatment plants, which will eventually be rationalised as part of Launceston Sewer Transformation Project.<br>We will also target other high environmental risk sewage treatment plants, such as Smithton ($23.2 million), Cambridge ($16.6 million), Sorell ($20.3 million) and Bicheno ($16.6 million). | These investments must be made to improve our environmental compliance against our regulatory commitments contained in our Wastewater Risk Management Plan.<br>This must commence in the PSP5 period, otherwise an even larger burden will be passed on to the next generation.<br>Improving environmental outcomes was supported strongly by our customer engagement, with strong willingness to pay exhibited in the Bill Simulator and improving environmental outcomes being a recommendation of the Water Future Community Advisory Panel. |
| **Improved water security**, including addressing key dam safety risks and enabling growth<br>$367.7 million | This will make critical investments to secure our drinking water for the future and address critical dam safety risks.<br>The largest projects included in this theme include our dam upgrades, in particular Ridgeway Dam ($143.8 million) and Pet Dam ($97.1 million) which are over the ANCOLD limit of tolerability. These are very important investments to demonstrate progress against our obligations as dam managers.<br>We are also making some important investments in water security, including raw water storage upgrades in Mathinna, Scottsdale and Tunbridge. | This is based on our regulatory commitments to maintain safe dams, as outlined in our agreed Dam Safety Management Plan with the Dam Safety Regulator.<br>We are also aiming to improve the percentage of customers impacted by water restrictions caused by lack of water security. |
| **Our supporting capital investments: required for the efficiency, effectiveness and regulatory commitments** | | |
| **Digital enablers and cyber protection**<br>$68.3 million | This investment is focussed on core system upgrades to limit risk and allow us to keep the lights on ($26.5 million), standard hardware upgrades ($25.8 million) and cyber protection ($8.4 million) | This investment focusses on upgrading and replacing core systems that are required for us to operate. This investment also includes our cyber security requirements under the SOCI Act. |

## Our top 10 projects

The top 10 projects of the proposed PSP5 capital expenditure forecast are provided in Table 8.3. The top 10 capital expenditure programs are provided in Table 8.4. The top 10 projects total $785 million, or 47 per cent, of the total capital program. The top 10 programs total $440.9 million, or 26 percent, of the total capital program. Together, they constitute $1,225.9 million (73 per cent ) of the total $1.7 billion plan. Project costs provided only relate to capital expenditure in PSP5 period, net of external funding.

**Table 8.3. Top 10 PSP5 projects by spend, $M nominal**

| # | Project name | PSP5 Deliverable | Region | PSP5 Capital ($M) |
|---|---|---|---|---|
| 1 | LST #1 – Ti Tree Bend Sewage Treatment Plant Upgrade | Protecting our environment and waterways | North | 355.5 |
| 2 | Hobart - Ridgeway Dam Upgrade | Improved water security | South | 143.8 |
| 3 | Burnie - Pet Dam Ridgley Safety Upgrade | Improved water security | North West | 97.1 |
| 4 | Hadspen and Carrick to Longford Pipeline - MVSS | Protecting our environment and waterways | North | 34.2 |
| 5 | Selfs Point Sewer Transformation | Protecting our environment and waterways | South | 31.5 |
| 6 | ICT Major system upgrades and enhancements | Digital enablers and cyber protection | Statewide | 26.5 |
| 7 | ICT Infrastructure and end-user hardware | Digital enablers and cyber protection | Statewide | 25.8 |
| 8 | LST #3 – Hoblers Bridge STP Rationalisation | Protecting our environment and waterways | North | 24.8 |
| 9 | Smithton - STP Recycled Water Scheme | Protecting our environment and waterways | North West | 23.2 |
| 10 | Oatlands - Blackman River Dams Upgrades | Improved water security | Central | 22.6 |
| **Total** | | | | **785.0** |

**Table 8.4. Top 10 PSP5 programs by spend, $M nominal**

| # | Program Name | PSP5 Outcome | PSP5 Capital ($M) |
|---|---|---|---|
| 1 | Water Efficiency Program – NRW reduction and Scheme Improvements | Reduced leakage in our system | 100.6 |
| 2 | Water Main Renewals | Providing reliable services: Water | 95.2 |
| 3 | Electrical and SCADA Renewals | A more efficient network | 87.4 |
| 4 | Metering Renewals | A more efficient network | 45.1 |
| 5 | Sewer Main Renewals | Providing reliable services: Sewerage | 30.1 |
| 6 | STP Renewals | Providing reliable services: Sewerage | 25.5 |
| 7 | Fleet Replacement | A more efficient network | 15.9 |
| 8 | WTP Renewals | Providing reliable services: Water | 14.6 |
| 9 | SPS Renewals | Providing reliable services: Sewerage | 14.5 |
| 10 | Reservoir Renewals | Providing reliable services: Water | 12.1 |
| **Total** | | | **440.9** |

## Our capital plan by asset class and regulatory investment drivers

The breakdown of our capital plan by product, asset class and regulatory asset driver is illustrated in Figure 8.4, Figure 8.5, Figure 8.6 and Figure 8.7. The proposed capital expenditure is split relatively evenly across water and sewerage, with water investment being driven by a smaller number of large dam upgrade projects and sewerage being driven by sewage treatment plant upgrades, in particular the commencement of Ti-Tree Bend Sewage Treatment Plant upgrade (part of the Launceston Sewer Transformation).

**Figure 8.4. PSP5 proposed capital expenditure by product, $M nominal**

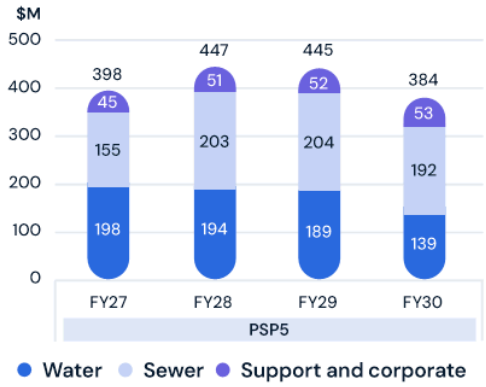



**Figure 8.5. PSP5 proposed capital expenditure by asset class, $M nominal**

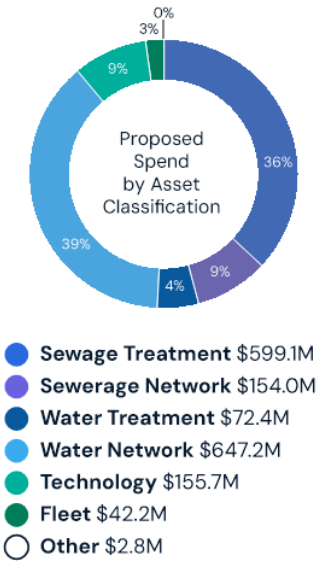



**Figure 8.6. PSP5 proposed capital expenditure by investment driver, $M nominal**

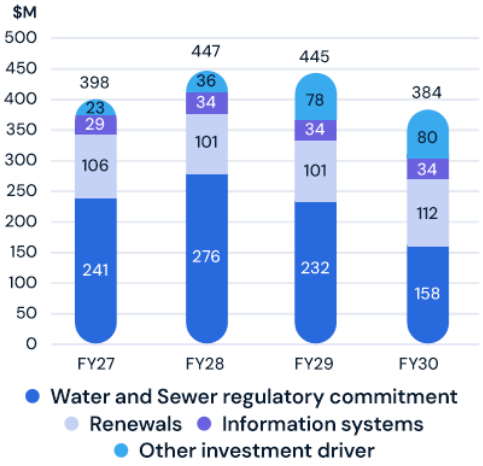
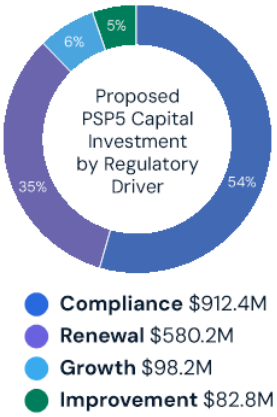



**Figure 8.7. PSP5 Proposed capital expenditure by regulatory investment driver (per cent)**




When viewed by the regulatory investment drivers, more than half of our proposed capital expenditure is driven by our compliance requirements to our technical regulators, as outlined in *Chapter 4 Delivering on our regulatory commitments*.

## 8.3 We have balanced risk and cost to develop our proposed capital expenditure forecasts

### Our planning approach

We have prepared and carefully prioritised our long-term plan of capital works, to ensure customers' expectations and regulatory commitments can be achieved.

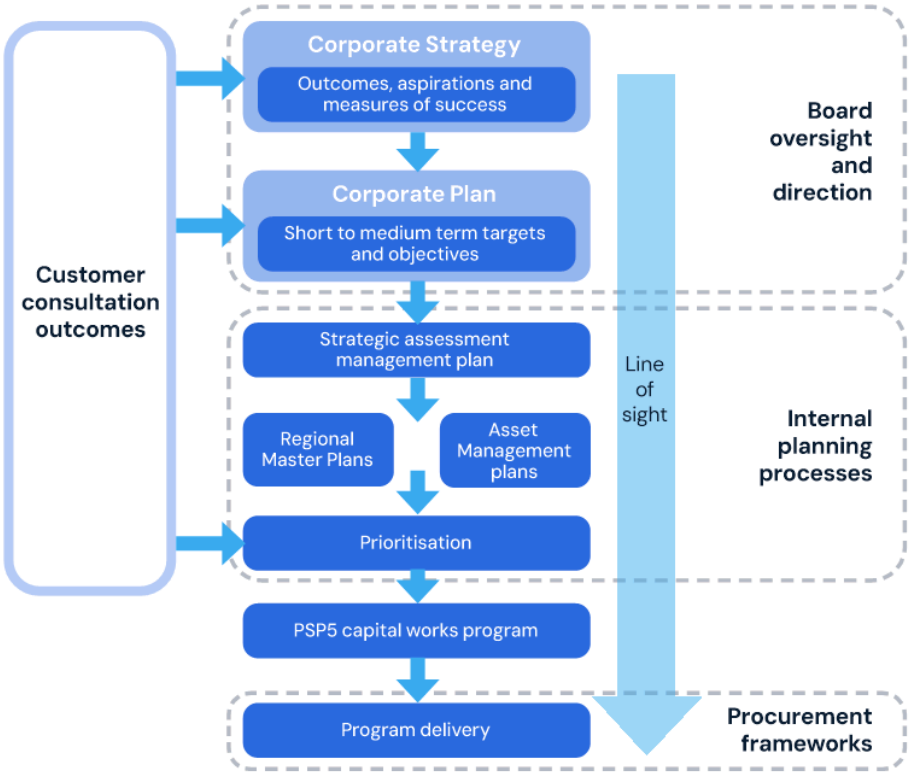
The PSP5 capital program is underpinned by our Strategy, which sets the overarching direction for our organisation and our allocation of resources and investment over the long-term.

Our strategy establishes a range of strategic customer and environmental aspirations over a 50-year horizon. For example, the long-term environmental goals associated with our 'Healthier Environment' strategic aspiration include our aspirations to achieving net zero greenhouse gas emissions and zero waste to landfill, and ceasing discharge of nitrogen and phosphorous to receiving waterways by achieving 100 per cent beneficially re-used recycled water.

Our long-term strategy informs our strategic asset management plan. Underneath this in the planning hierarchy there are a number of key planning processes that drive the development of our capital works program, as outlined in Figure 8.8.

Importantly, our capital works program was iteratively developed through a process of testing with, and being then informed by, our customer engagement, ensuring that our proposed investment supported the key customer outcomes identified.

**Figure 8.8. PSP5 capital program development chart**



The capital works program is driven by a number of key processes that inform where investment is required, including:

- Asset Management Plans that are based on asset condition and performance as a basis.
- Our regulatory commitments as outlined in the annual updates to the Drinking Water Quality Management Plan, the Wastewater Risk Management Plan and the Dam Safey Management Plan.
- Our Regional Master Plans that consider strategic investment drivers such as growth, climate change, water security, opportunities for rationalisation and stakeholder views, among other investment considerations.

We recognise that these long-term plans may need to change over time. We apply adaptive planning principles to cater for these circumstances. Our adaptive planning approach is based on the identification of:

- Strategic investment options which are tested in a range of scenarios.
- Events or triggers that may require a change of plan.
- A path of 'no regrets' for staged and incremental investments.

Our capital works program is built on these principles, targeting projects that address our highest risks, the greatest customer or environmental benefits, at the least net present cost.

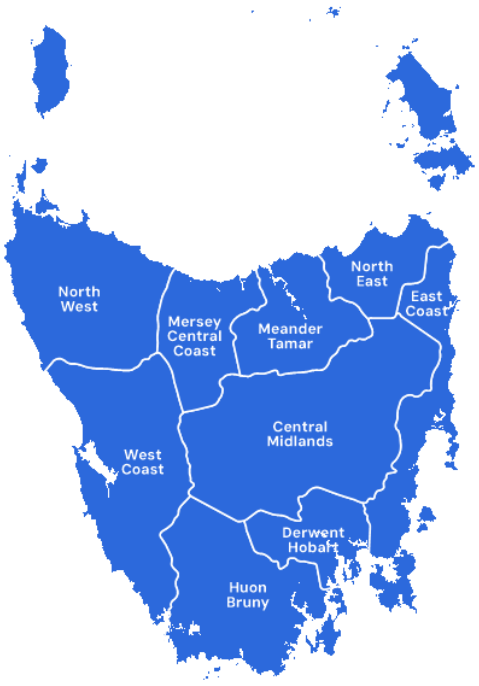
Importantly, our capital expenditure program and its outcomes were developed iteratively in parallel with our PSP5 customer engagement, whereby the insights drawn from customer engagement heavily informed and influenced the final focus of the proposal. The combination of primary quantitative and qualitative customer feedback supported our development of the key priorities within the capital works program, highlighted by strong customer support for improving environmental outcomes and fixing leaks in our network.

We then integrated and tested these outcomes with medium and long-term price and financial modelling, to allow for final decision-making on the balance of cost (customer affordability) and service outcomes achieved (or risks mitigated).

## A new approach for long-term planning in our regions

Regional Master Plans have been developed across nine geographic areas statewide to plan for future growth in Tasmania (refer Figure 8.9). These plans are our 50-year vision for infrastructure investment in water, sewerage, and recycled water.

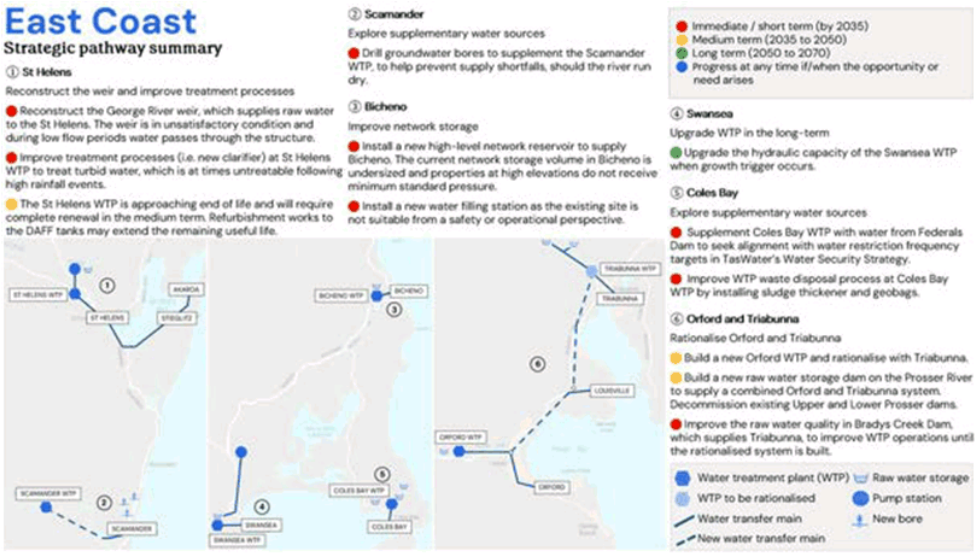
**Figure 8.9. Our regional master plan regions**

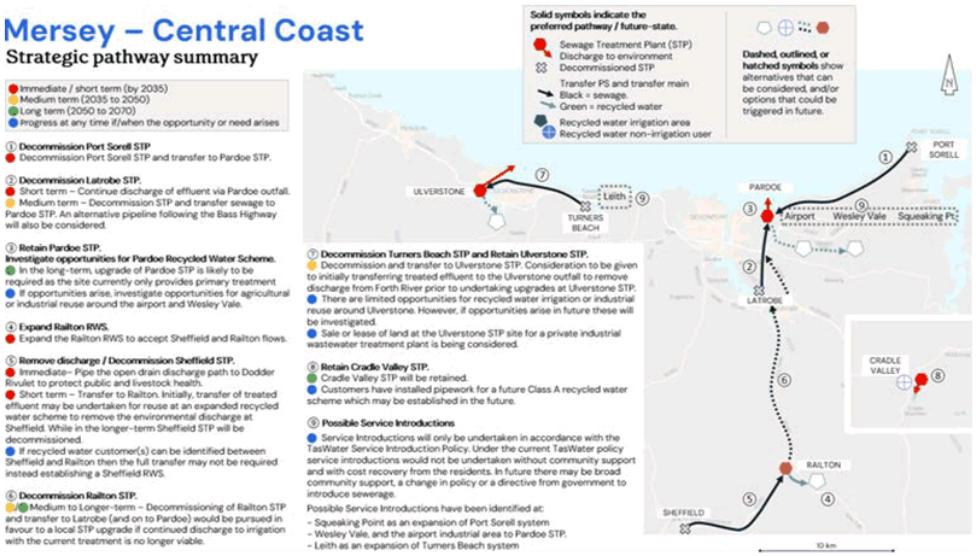



The boundaries consider council areas, population, availability of water, the existing network, economic growth and industry investment potential.

The master plans include details such as analysis of system capabilities, supply and demand forecasts, expected climate change impacts, proposed short, medium and long-term

Figure 8.10. Examples from the master plans



infrastructure strategies, financial implications, and emerging concerns and risks to be monitored.

We identify the potential for development across the entire state and a plan to provide additional capacity required to service projected growth.

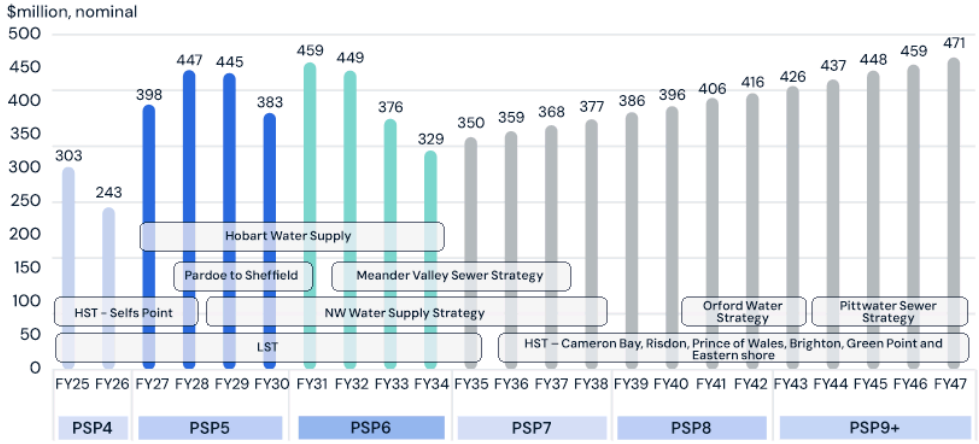
The regional master plans also identify future preferred system configurations including asset rationalisation, interlinking systems, building capacity, improving treatment, and optimising our existing systems. The master plans set out steps toward achieving our strategic targets and allow us to prioritise our works.

Our regional master plans were developed in preparation for PSP5, establishing core infrastructure requirements. Examples are provided in Figure 8.10, and the regional master plans have been provided as supporting information to the PSP5 proposal.

## Our planning approach

In order to develop a PSP5 proposed capital expenditure forecast, we have also prepared a long-term plan, reflecting our regional master plan inputs. The long-term plan ensures we can meet customer expectations and environmental outcomes over a longer horizon. Given the size of the challenge to address our poorly performing assets, this is important in our planning, helping us stage and 'right size' the PSP5 capital investment in the context of a long-term horizon. As can be seen, a number of projects will commence in PSP5 that are foundational for future periods, including Selfs Point and Launceston Sewer Transformation projects, which are foundational for the future of the Hobart and Launceston sewerage systems. In PSP5, we have also uplifted and reset the investment we make in renewals, getting it to a level where we can improve our service outcomes. A summary of our long-term plan is provided in Figure 8.11

**Figure 8.11. Long-term capital plan, $M nominal**



## 8.4 We must invest, but will do so as prudently and efficiently as we can

A whole-of-system approach to planning has been applied in order to meet current and future service levels at least cost. Our whole-of-system planning considers non-traditional investments could include, but are not limited to, investment that supports:

- Increased beneficial re-use of recycled water
- Higher value end-use of biosolids
- Biogas capture and energy generation
- Improved catchment and integrated water management practices
- Other innovative solutions that avoid traditional cost intensive solutions

TasWater has considered these options in its capital planning processes, seeking to find better overall environmental and customer outcomes a lower net customer cost. An example of a whole-of-system, innovative approach that we are currently trialling is floating wetlands. The floating wetlands are a low-cost, nature-based solution to improve sewage treatment. The early results of this trial are promising, improving environmental outcomes which would, in the long-term, defer or reduce the need for a traditional, capital-intensive solution (refer Floating Wetlands case study on page 138).

In PSP5, we are proposing to invest in recycled water schemes adjacent to the Smithton ($23.2 million) and Bicheno ($16.6 million) sewage treatment plants. The recycled water schemes will divert sewage effluent from its sensitive receiving waters and replaces the need to invest in a much more expensive marine outfalls in order to meet the environmental licence obligations at each site. In this way, taking a whole-of-system approach results in better environmental outcomes at a much lower community cost.

### Case study: Floating Wetlands

In 2023, TasWater committed to ambitious new environmental targets to reach net zero nutrients released to the environment by 2050. To achieve this target, TasWater is looking at innovative nature-based solutions to reduce the nutrients discharged to waterways through improved wastewater treatment. The nutrient uptake efficacy of natural systems is well known, indicating that there may be alignment in using these solutions in wastewater treatment.

TasWater owns and operates 58 lagoon sewage treatment systems. Many of these do not have any additional land available for future expansion requirements and some do not have access to power. Additionally, many of these plants are located remotely across the state with limited operational input available. Consequentially, upgrading many of these plants with traditional sewage treatment infrastructure such as mechanical package plants will require high capital expenditure and increase the operational expenditure required.

Constructed floating wetlands are artificial, vegetated platforms that float on water surfaces, designed to mimic natural wetlands. They work by supporting plant growth on floating structures, where roots extend into the water, providing a surface for microbial communities that help break down pollutants. These systems also absorb excess nutrients like nitrogen and phosphorus.

In December 2024, TasWater completed the commissioning of a two-year, full-scale pilot project utilising constructed floating wetlands at three separate sewage treatment lagoons (Fingal, Ross and Western Junction sewage treatment plants). The purpose of the pilot project is to investigate the nutrient removal efficacy and assess the application of constructed floating wetlands in wastewater treatment in Tasmania. We're aiming to reduce the levels of nitrogen and phosphorus discharged to the environment by 40-60 per cent. We will also be partnering with the CSIRO to determine the effectiveness of the wetlands at reducing PFAS concentration.

Over the summer of 2024-2025, TasWater's constructed floating wetlands have been thriving. The plants selected are all Australian native wetland species known for high levels of nutrient uptake. All three sites have had excellent plant establishment with rapid growth of the plants. Fingal Sewage Treatment Plant has already observed reductions in nutrient discharges in line with target objectives. Plant harvesting has occurred at Fingal and Ross sewage treatment plants this year.

## We have commenced a strategic program of asset rationalisation

Our asset planning and delivery frameworks have been significantly improved over the last four years.

We have completed regional master plans, which tested the strategic options for rationalising and modernising our water and sewerage systems across nine water and nine sewerage service areas. These plans outline the strategic options that represent the greatest net present value to customers and, therefore, provide a roadmap for future investment that will deliver the best long-term benefits to customers. They consider the needs for growth, water security, customer service standards, and environmental compliance outcomes. Considering the most efficient path to meet minimum standards over time.

For example, over the PSP5 period, we will commence the Launceston Sewer Transformation, which will in time see seven sewage treatment plants in greater Launceston rationalised into one at Ti-Tree Bend (Figure 8.12). While it will take multiple PSP periods to complete, this is the most efficient course of action as it will improve economies of scale and lower costs per customer.

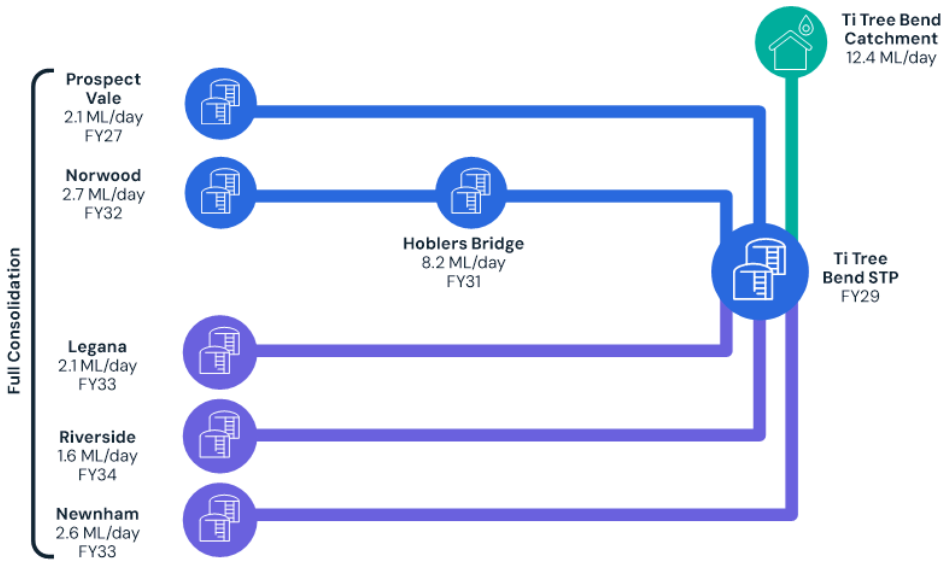
All the capital expenditure that we have proposed over the PSP5 period aligns with the long-term, value-for-money approach set out in our Sewage Treatment Plant.

## We have applied a robust and risk-based prioritisation process

Those capital projects that we consider necessary over the PSP5 period, in accordance with our long-term plans, have each been subject to our robust and risk-based approach to forecasting capital expenditure – as set out in *Chapter 8. Our efficient capital costs.*

We have prioritised PSP5, acknowledging that we cannot address all of our performance gaps in the PSP5 period. To stage the investments prudently over time, we have prioritised a 50-year capital forecast. We have done this within a deliverable

**Figure 8.12. Launceston Sewer Transformation schematic**



capital envelope that remains relatively constant over time (with inflation). We believe this envelope will allow us to deliver the required service levels to customers, while keeping customer bills at reasonable levels and allowing us to remain financially sustainable.

We have then applied a risk-based approach to work within this envelope as best we can. For example, our preliminary planning estimate of the Launceston Sewer Transformation has been staged over multiple PSP periods, lowering its impact on PSP5 prices, while still making sufficient progress towards customer and environmental outcomes. Our prioritisation focusses on the 'high-risk' items across our service portfolio.

### We have a value-based approach to capital delivery that maximises efficiency

Our capital delivery model has successfully delivered more than $1.0 billion of capital investment over the past six years, proving we are capable of the large-scale capital delivery program set out in our PSP5 Proposal. We are on track to deliver the $1.7 billion of capital expenditure we committed to delivering between 2017 and 2026 in the 2018 Memorandum of Understanding between TasWater and the State Government[61].

Our capital delivery arrangements have been subject to efficiency measures over this period. For example, the role of the client cost estimator to independently examine and test the project cost estimates. In its PSP4 Final Report, the TER and its expert consultant generally reflected favourably on the efficiency of the capital delivery arrangements[62].

This drive for efficiencies has continued over the PSP4 period.

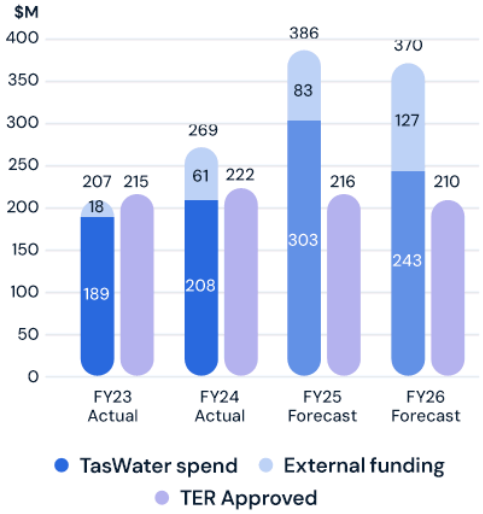
As we turn to the PSP5 period, we are preparing to further improve our new capital delivery frameworks, with the aim of delivering our capital delivery program in the most fit-for-purpose and efficient way.

To reflect our appetite to deliver capital efficiently, we have proposed a $100 million (or 6.0 per cent) capital efficiency target. In practice, this means that we are aiming to deliver our $1.7 billion capital plan for $1.6 billion, through careful planning and utilising our new delivery frameworks to drive further capital efficiency.

## 8.5 We have made significant progress in PSP4

Our current forecast for capital investment in the PSP4 period is $943.4 million, 8.7 per cent higher than the approved $861 million approved in the PSP4 determination. In this period, we significantly increased our capital delivery capability, successfully delivering record levels of capital investment as outlined in Figure 8.13.

**Figure 8.13. PSP4 Actual and forecast capital expenditure**




61 The 2018 Memorandum of Understanding between TasWater and the Tasmanian State Government outlined the agreement for the State Government to invest $200 million in TasWater and become a 10 per cent shareholder of TasWater, as well as TasWater's agreement to cap prices at 3.5 per cent per annum until 2025-26.
62 Tasmanian Economic Regulator: 2022 Water and Sewerage Price Investigation – Final Report. Chapter 4. Capital Expenditure.

The PSP4 Price Determination occurred in early 2022, when the Tasmanian economy was in a state of transition from the impacts of COVID-19. The TER's final determination was to allow for 95 per cent of our proposal, owing to concerns over TasWater's ability to deliver such a large program. However, TasWater has demonstrated it can deliver a large and complex capital program through PSP4; processes we expect will continue in PSP5.

Since the start of PSP4, we have experienced a significant increase in our construction input costs, due to macroeconomic conditions. This has been a challenge faced by all utilities across Australia.

Progress against the major projects for PSP4 is summarised in Table 8.5.

**Table 8.5. Progress of major projects proposed in PSP4**

| What we proposed in PSP4 | | Progress in PSP4 | |
|---|---|---|---|
| Upgrade of Bryn Estyn Water Treatment Plant | $56.9 million | We successfully delivered the major upgrade of the Bryn Estyn Water Treatment Plant in 2023 for a total cost of $243.9 million. | $227.2 million ($76.1 million within PSP4) |
| Tamar Estuary River Health Action Plan | $31.4 million | This project is in its final stage of delivery. Its total cost is expected to be $129.2 million, funded jointly by TasWater, the Australian Government, Tasmanian Government and the City of Launceston. The project will improve the operation of Launceston's combined system (which manages the flow of both sewage and stormwater) and will help to divert sewage and stormwater flows away from the Kanamaluka/Tamar estuary, reducing the frequency and volume of overflow events. | $129 million ($35.5 million funded by TasWater) |
| Selfs Point Sewer Transformation (including the Macquarie Point relocation) | $60 million | The Selfs Point Sewer Transformation will rationalise and improve sewage treatment in Hobart. This project includes an upgrade to Selfs Point sewage treatment plant and decommissioning of Macquarie Point sewage treatment plant. It is significantly progressed and will be mostly complete by the end of the PSP4 period. | $380 million in total ($156 million funded by TasWater, with $109.3 million in PSP5) |
| North-West Water Supply Strategy (NWWS) | $76.25 million | The NWWS aims to provide water surety, ensure safe drinking water, improve dam safety and mitigate flooding risks in the three water supply systems of Forth, Gawler and Leven. We are currently in the process of developing the business case for the NWWS. We received $4.6 million Federal Government funding through the National Water Grid to contribute 50 per cent to the development of the detailed business case for the NWWS. | $4.6 million (with a further $4.6 million funded by the National Water Grid) |

We have completed, or will complete, a number of other key projects across the state that have been prioritised within the PSP4 period. These include:

- Regional Water Supply Program Stage 4 ($45.2 million, approved PSP4 allowance $59.0 million), delivering upgraded drinking water quality to eight towns.
- Water mains renewals ($60.9 million, approved PSP4 allowance $11.6 million)
- Ulverstone Sewage Treatment Plant upgrade ($19.9 million, approved PSP4 allowance $10.9 million)
- Smithton Sewage Pump Station upgrade ($17.5 million, approved PSP4 allowance $14.8 million)
- Orford Sewage Pump Stations & Network upgrade ($15.1 million, approved PSP4 allowance $5.8 million).

## 8.6 How we will deliver our capital expenditure efficiently in PSP5

### Performance of our Capital Delivery Office

We have demonstrated that the capital delivery arrangements put in place in PSP3 through our alliance, the Capital Delivery Office (CDO), have successfully demonstrated our ability to deliver our program of works on time and on budget during PSP4.

The CDO has delivered our largest project to date, the $227.2 million Bryn Estyn Water Treatment Plant upgrade, has substantially completed the Tamar Estuary River Health Action Plan (TERHAP), and is currently in the early stages of the Selfs Point Sewer Transformation Project. The program has already delivered capital investment of $1.0 billion (inclusive of external funding of $133.5 million), through 62 projects and 21 programs. It is on track to exceed our long-term plan to deliver $1.7 billion of infrastructure between the years of 2016-17 and 2025-26, agreed as part of our 2018 Memorandum of Understanding with the State Government.

### Our evolving approach to capital delivery, striving for greater efficiency

The CDO alliance agreement is in place to supply major infrastructure water and sewerage upgrades for TasWater, our stakeholders, and the communities of Tasmania until June 2025. Some projects within the CDO remit will already be in delivery at this point in time and will continue under CDO management for another year or more (for example the Selfs Point Sewer Transformation Project and remaining parts of the TERHAP Project).

Beyond the conclusion of the current CDO, we are proposing a new, fit-for-purpose capital delivery approach, to drive greater efficiency in our capital investments. Having increased our capital delivery capability as a result of the CDO arrangements, we are in the position to develop a refined approach to procurement.

We will establish seven competitive procurement frameworks to deliver the capital works program, tailored to accommodate the diverse size and complexity of the programs and projects to be delivered. The program management capability will be internal to TasWater. A description of the future delivery frameworks is provided in Table 8.6.

**Table 8.6. New delivery frameworks**

| Nature and complexity | Delivery framework |
|---|---|
| Design | Engineering, Planning and Design Framework |
| Low Risk | Linear Renewals Framework (Construct Only) |
| | Plant and Station Refurbishment Program<br>Meter Replacement Program |
| Medium Risk | Medium Projects Framework (Construct Only) |
| | SCADA, Electrical and Operational Technology Framework |
| High Risk | Major Projects Framework (Design and Construct) |

# 9. Our efficient operating costs

### Our operational expenditure proposal

- Operating costs fund the essential day to day activities of delivering water and sewerage services.
- For PSP5, we are proposing a total of $1.1 billion in operating expenditure.
- This is $242.2 million higher than what was approved in PSP4. Half of this ($124.1 million) is the impact of inflation (CPI) and growth in our customer base each year.
- When inflation is excluded, the increase in the total operating cost envelope for PSP5, relative to PSP4, is 10.5 per cent (in real terms).
- Other factors driving the remaining increase ($122.1 million) are:
  - Recovering the costs of annual and long service leave ($51.9 million over the period) which has not previously been recovered.
  - Customer connections related revenue that is offset by revenue ($28.7 million)
  - Forecasting some cost categories to increase by above inflation ($37.6 million), for example salaries ($24.6 million) which we have linked to wage growth indicators, and power ($2.8 million)
  - New operating costs required for digital and cyber security investment ($24.6 million), due to our capital investments ($11.0 million increase for Selfs Point Sewer Transformation) and investment to support vulnerable customers ($2.4 million)
- We have also removed cost from our forecast where we can, in total lowering our forecast by $82.5 million, including:
  - Allocated more costs to be recovered from unregulated customers ($36.1 million)
  - Set ourselves a 1.0 per cent per annum efficiency target, lowering operating costs by $38.3 million
  - Assumed savings from reducing non-revenue water of $8.2 million

This section of our submission outlines the operating costs we propose to deliver exceptional water and sewerage services, including:

9.1 We propose operating expenditure of $1.099 billion in PSP5 to deliver our essential services

9.2. Our method for determining opex

9.3 Base: Our base year for the PSP5 base year is efficient compared to the PSP4 allowance

9.4 Trend: We are proposing a 1.0 per cent efficiency target in our forecast

9.5 Step: Our proposed step-changes reflect our changing business needs

9.6 We seek to continually improve our efficiency over time

9.7 A summary of the base-trend-step method for operating expenditure

## 9.1 We propose operating expenditure of $1.099 billion in PSP5 to deliver our essential services

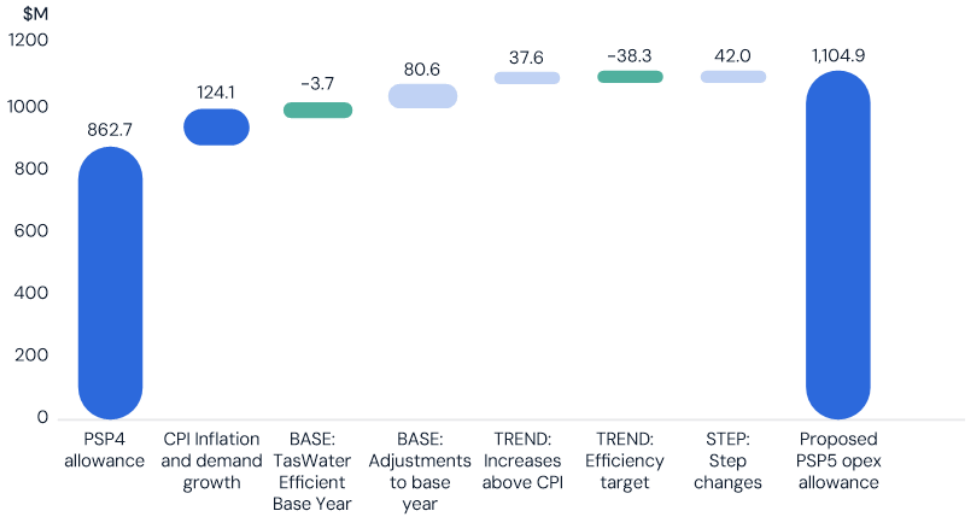
Our operating costs are an essential cost to deliver our water and sewerage services to our customers on a daily basis. Operating expenditure includes the day-to-day operating, maintenance, customer service and corporate support costs we incur. It includes managing and maintaining water storages, treatment and distribution of water and wastewater, meter-reading, customer services, billing, planning, corporate services, digital software and licences, and government and regulator fees and charges.

Our proposed operational expenditure forecast is a total of $1.1 billion over the four years of the PSP5 period. This includes a forecast of inflation (2.7 per cent per annum). This total operating cost envelope is $242.2 million, or 28.1 per cent, higher than what was approved in PSP4. When adjusted for inflation, this total increase is 10.5 per cent (in real terms). The changes in the operating expenditure forecast relative to PSP4 are provided in Figure 9.1.

The key drivers of the total $242.2 million increase in total operating expenditure over the PSP5 period are:

- An increase for CPI inflation and demand growth ($124.1 million). This allows for CPI escalation (2.72 per cent) and a demand growth factor (0.96 per cent). We have applied the same methodology for demand growth as approved in PSP4.
- An increase in our base year to recover annual leave and long service leave ($51.9 million), never before recovered, and customer connection operating costs ($28.7 million) that is offset by revenue.
- Operating cost escalation for some categories increasing above CPI ($37.6 million), predominantly made up of salaries costs ($24.6 million) as they are linked to a wage growth index.
- A 1.0 per cent per annum efficiency factor that reduces the overall operating expenditure forecast ($38.3 million).
- Step-changes in operating costs ($42.0 million), which include an increased investment in digital and technology to ensure our systems are fit for purpose and we meet our cyber security obligations ($24.6 million), new operating

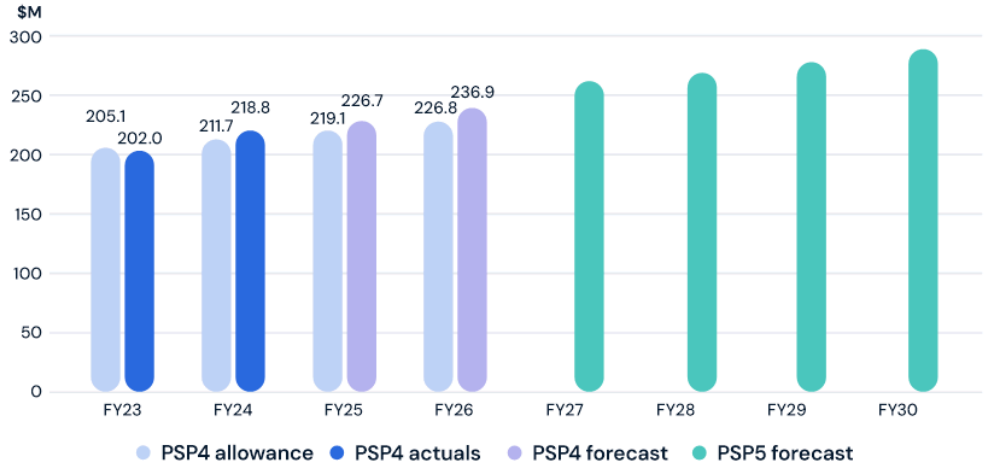
**Figure 9.1. Comparison of PSP4 approved operating expenditure against PSP5 proposal, $M**



expenditure from capital investments such as Selfs Point Sewer Transformation Project ($11.0 million) and investments in vulnerable customers ($2.4 million).

The total proposed operating expenditure forecast is provided in Figure 9.2.

**Figure 9.2. PSP4 and PSP5 operational expenditure actual and forecast, $M nominal**




## 9.2 Our method for determining opex

We have refined our approach to developing our proposed operating expenditure for PSP5. The base-trend-step method has been used, a generally accepted regulatory approach.

The approach provides for the following steps:

- Base: Developing a historical base year (2024-25) that reflects efficient and ongoing expenditure, excluding any one-off costs (referred to as the 'base').
- Trend: Forecasting this forward by applying cost escalation, growth and an efficiency factor (referred to as the 'trend').
- Step: Adding new or changed operating costs that are not captured in the base year or in the expected trend forecasts (referred to as the 'step' changes).

## 9.3 Base: Our base year for the PSP5 base year is efficient compared to the PSP4 allowance

We have used our 2024-25 financial year budgeted operating costs as the starting point for our base year. To determine the efficient costs to be recovered by regulated customers, we make the following adjustments:

- Applying an Activity Based Costing methodology to distinguish between regulated and unregulated costs, reducing our base year by $15.8 million which is allocated to unregulated activities.
- Removing one-off or non-recurrent costs, which reduced the base year by $2.9 million. This is primarily the removal of budgeted biosolids desludging operating costs which have been subsequently capitalised.

This results in a 2024-25 base year of $218.3 million. This base year is lower than the PSP4 approved allowance of $219.1 million, resulting in a more efficient outcome for customers. This is despite actual inflation being much higher than forecast in PSP4. Our actual base year expenditure reflects the strong efficiency measures we employ to control costs, which are outlined further below.

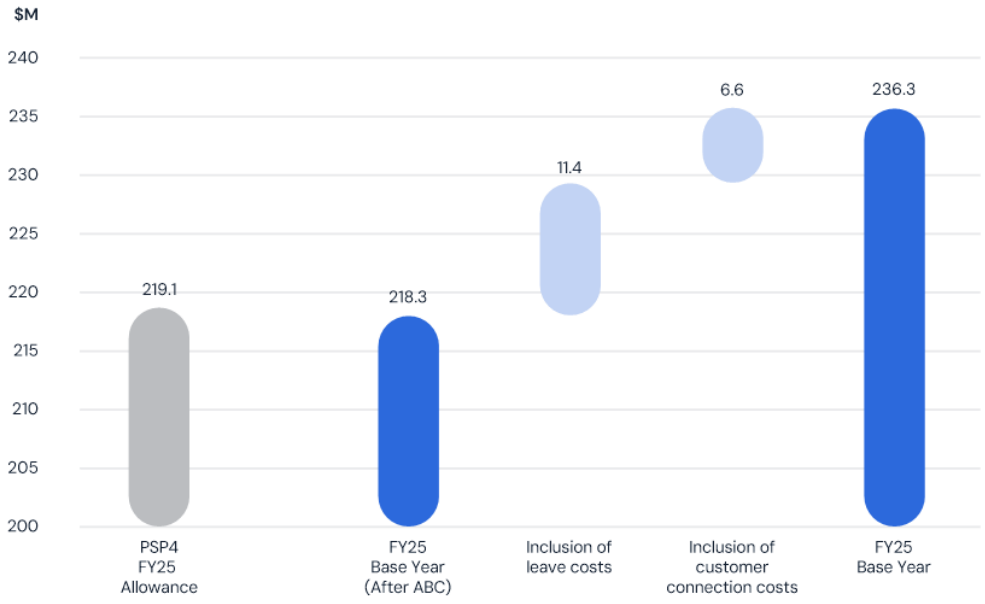
To this, we are also proposing to add for PSP5:

- Recovery of annual and long service leave ($11.4 million in the base year, $51.9 million over PSP5). It is unclear why annual leave and long service leave have not been historically included in the regulated cost base. Inclusion of these costs is accepted regulatory practice.
- Recovery of the costs of customer connections ($6.6 million in the base year, $28.7 million over PSP5), which is offset by a commensurate increase in regulated revenue. In PSP4, these where not included in the operating cost forecast, we are proposing their re-inclusion along with the revenue to offset these costs.

This takes our total 2024-25 base year to $236.3 million dollars. The base year comparison to the PSP4 approved allowance for 2024-25 is provided in Figure 9.3.

The 2024-25 actual operating expenditure will be provided to the TER by 30 September 2025.

**Figure 9.3. Proposed base year compared to PSP4 and with proposed inclusion of leave costs and connection costs, $M**



## Activity Based Costing has allocated greater costs to unregulated customers

We applied an Activity Based Costing approach to separate our unregulated and regulated costs. This approach is more robust than the method we applied in PSP4.

It results in a larger proportion of opex being allocated to unregulated prices, reducing the costs recovered from regulated prices by $36.1 million over the PSP5 period, relative to the approach in PSP4. This represents 93.7 per cent of total operating costs being allocated to regulated services and the remaining 6.3 per cent being allocated to non-regulated services.

**Table 9.1. PSP5 Base year 2024-25 determined, $M**

| Regulated cost categories | Total Regulated Cost | Percentage |
|---|---|---|
| Salaries | 115.00 | 48.7% |
| Materials & Services | 38.78 | 16.4% |
| Power | 12.68 | 5.4% |
| Information Systems | 11.46 | 4.9% |
| Chemicals | 10.04 | 4.2% |
| Facility Management | 9.55 | 4.0% |
| External Support | 7.95 | 3.4% |
| Motor Vehicles | 4.19 | 1.8% |
| Administration | 4.01 | 1.7% |
| Water Sampling | 3.91 | 1.7% |
| Customer Collection | 3.24 | 1.4% |
| Regulator Costs | 3.20 | 1.4% |
| Insurance | 3.18 | 1.3% |
| Strategic Initiatives | 3.11 | 1.3% |
| Royalties | 3.00 | 1.3% |
| Governance | 1.30 | 0.6% |
| Community Relations | 1.66 | 0.7% |
| **Total** | **236.27** | |

### What is Activity Based Costing?

We have implemented a new Activity Based Costing methodology, which was as a requirement from the TER's Final Decision for PSP4. In previous regulatory submissions, to determine our regulatory operational costs we allocated a portion of the costs to unregulated services based on a 'top-down' approach which use the ratio of regulated to unregulated revenue.

The new Activity Based Costing methodology uses a 'bottom-up' cost driver approach to assign costs to specific services, processes, or activities based on actual resource consumption. An example of a cost driver is the volume of treated water produced at a water treatment plant, which is the primary driver for costs such as electricity and chemicals. In this way, operating costs can be allocated to the services that customers are charged for more accurately.

## Our largest cost categories remain labour and materials and services

The base year for our operating expenditure forecast by category, after application of activity costing, is provided in Table 9.1. Our largest cost category is salaries, accounting for 48.7 per cent of operating costs in that year. This is followed by materials and services (16.4 per cent) and power (5.4 per cent).

## 9.4 Trend: We are proposing a 1.0 per cent efficiency target in our forecast

After establishing an efficient base year for the PSP5 operating expenditure forecast, we then forecast this through the period considering such things as output growth, real price changes, and efficiency improvements. This is referred to as the 'trend' component of the base-trend-step method and is determined by:

- Applying cost escalations to each cost category.
- Applying a demand growth escalator (growth in water connections) to 50 per cent of controllable operating categories.
- Applying an efficiency factor applied to all controllable operating categories.

All cost categories are defined as controllable operating cost categories except for royalties and regulatory costs. This is consistent with the approach in the PSP4 final determination.

### The majority of our cost categories are forecast to escalate by CPI

We have reviewed each cost category to assess the most appropriate annual escalation rate for the PSP5 operating expenditure forecast. For simplicity, we have used the forecast inflation as a default assumption. We have proposed an annual escalation rate higher than CPI for salaries (wage price index), power (5.7 per cent) and insurance (4.1 per cent). The cost categories with an increase higher than CPI totals $37.6 million for the PSP5 period. The cost escalation factors are summarised in Table 9.2.

We propose to update the proposed escalation of our salaries operating expenditure to be based on the underlying increase agreed in our upcoming Enterprise Agreement, which is currently subject to Interest-Based Bargaining.

Our power operating expenditure forecast is based on contract electricity price increases and our best assumptions for other inputs such as electricity network costs increases, which will increase by more than CPI. Our insurance costs have consistently increased by CPI, consistent with market benchmarks that demonstrate that insurance premiums have increased in real terms, with a 15-year average annual growth of approximately 5.0%. Our proposed escalation blends our current premiums with the long-term average.

We have applied the same growth factor method to our operating expenditure forecast as was approved in PSP4. This is forecast growth in water connections (0.96 per cent) multiplied by 50 per cent of controllable costs.

### We have challenged ourselves to remain efficient

We have proposed a 1.0 per cent operational expenditure efficiency factor within the PSP5 operating cost forecast. This efficiency factor applies to all controllable operational expenditure categories, which we have kept consistent with the PSP4 approach. This reduces the operating expenditure forecast by $38.3 million over the period. This is discussed further later in this chapter.

## 9.5 Step: Our proposed step-changes focus on investing in our digital capability

For each year of the PSP5 period, we have applied step-changes to our operational expenditure.

**Table 9.2. PSP5 cost escalations, per cent annual change**

| | PSP5 cost escalation (per cent annual change) |
|---|---|
| Salaries | Wage price index and pay progression factor<br>To be updated on completion EA negiotiation |
| Power | 5.70 per cent |
| Insurance | 4.13 per cent |
| All other costs categories (CPI inflation forecast) | 2.72 per cent |

The changes account for addition or removal of operating costs that will occur in the upcoming regulatory period. These are not factored in the base year or in the trend movements.

Material step-changes forecasted during the period are provided in Table 9.3.

**Table 9.3. Material step-changes from base year (FY25) over the PSP5 period**

| Step change from base year | PSP5 total $ million | Justification |
|---|---|---|
| Non revenue water | (8.2) | Based on our targets to reduce leakage in our network, we expect to save money on the production of water (i.e. lower electricity and chemical costs). |
| Regulatory determination and submission | 4.9 | Cost estimate based on PSP5 forecast costs. |
| SOCI cyber security | 4.7 | We must invest in cyber security to meet our obligations. |
| Digital advancement | 20.0 | Investments in critical system upgrades. |
| Operating costs from new PSP5 Capital projects | 11.0 | This is predominantly the operating costs relating to the Selfs Point Sewer Transformation. |
| Supporting vulnerable customers | 2.4 | This investment is to strengthen our vulnerable customer program, TasWater Assist. |
| Customer water conservation support | 0.4 | Program to understand customer water use and small scale water efficient product program. |
| Energy contract pricing | 2.0 | Our contract energy pricing increased from the base year 2024-25. (in addition to a higher trend increase over the course of PSP5). |
| **Total** | **37.2** | |

## We must invest in digital to keep our business running

Our digital and technology capability is an essential part of our operations, supporting the efficient and effective delivery of services to customers. The management and use of our data to track and improve our performance is more important than ever. Not only essential for the running of the business, we also have rising regulatory compliance obligations to keep our and customer information safe and secure.

Over PSP4, we have completed a review of our digital and technology capabilities. The review has identified that our systems and processes are fragmented, we have low integration and automation, and we have risks to address in our critical systems. We have developed program of work for PSP5 that focused on upgrades that would address core issues for current IT systems/ processes including:

- no longer serviced by vendors
- do not meet legislative/regulatory obligations such as the SoCI Act
- require changes to maintain TasWater's digital operating environment
- improvement needed to meet basic customer expectations

The upgrades to critical systems include our finance management system (due to be completed in PSP4), our asset and operations management system, our customer management billing system and our human resources management system. These systems upgrades have been developed into a program of work for delivery over PSP5, our business case planning estimates form the basis of this proposal. Final solution design has not been undertaken for the program at this point. Our total operating cost step-change for our digital advancement program is $20.0 million over PSP5.

Like all businesses, we are challenged by the increasing trend of digital software being delivered as a service and being incurred as operating costs, where it may have been capital expenditure in the past. We have maintained

an assumption of approx. 64 per cent capital expenditure and 36 per cent operating expenditure. We note that while this estimate has been made on best available information, there is a risk to TasWater that the digital operating costs exceed this.

### Our cyber security obligations are increasing

Under the *Security of Critical Infrastructure (SOCI) Act 2018*, water and sewerage systems are designated as critical sectors, mandating enhanced security protocols, risk management programs and incident reporting. TasWater is subject to Tasmanian government requirements and consistent with best practice, seeks to meet national standards such as the Australian Signals Directorate Essential Eight controls.

In an increasingly complex cyber threat environment, strengthening cyber resilience is essential to safeguarding our services and maintaining public trust. Cyber attackers are targeting the water sector at an accelerating rate—ransomware attacks on utilities rose by over 300% between 2021 and 2023, with more than one-third of operators globally reporting multiple intrusions within a single year[63]. Ageing operational technology, often not designed with security in mind, heightens the risk of unauthorised access, service disruption, and potential contamination.

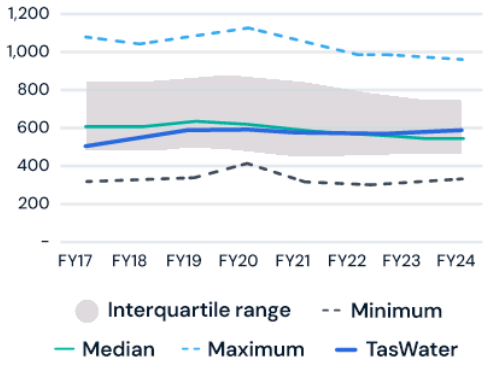
Acknowledging these risks, and in response to new legislative obligations and heightened regulatory expectations, we undertook a comprehensive cyber maturity assessment during PSP4 using the National Institute of Standards and Technology Cyber Security Framework. That review identified a gap in our maturity. Through investments in PSP4, we have now closed that gap. However, maintaining our cyber security and continuing to meet these regulatory requirements will require new investment in PSP5, totaling $4.7 million over the period.

## 9.6 We seek to continually improve our efficiency over time

Our operating costs reflect the infrastructure we operate and the customer base we serve, with many small water and sewerage systems dispersed across the state, a legacy of historical under-investment in assets and a small population resulting in relatively high operating costs per property.

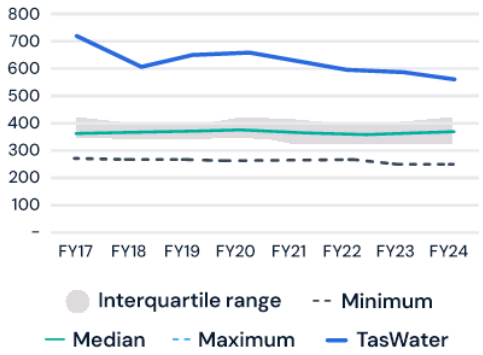
When benchmarked against other Australian water businesses our size[64], our water supply operating costs per connected property benchmark relatively well, at $592 per property, being close to the median (Figure 9.4). This would be in part be due to other large water businesses incurring the higher cost of bulk water associated with desalination plants in interstate cities. On the other hand, our wastewater services are the highest per property when compared nationally, at $572 per property (Figure 9.5). This reflects our environment and network characteristics of many small and old sewage treatment plants.

**Figure 9.4. Operating costs per property: water supply ($/property)**




63 Fortinet. The 2023 Global Ransomware Report.
64 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24).

**Figure 9.5. Operating costs per property: wastewater ($/property)**




Our PSP5 proposal meets the PSP4 efficiency benchmark in the base year of 2024-25, being lower than the approved PSP4 allowance. We achieved these savings through careful cost control and management, in an environment of high inflation. Indeed, actual inflation has outpaced the PSP4 assumed inflation over the period, as outlined in Figure 9.6.

**Figure 9.6. Forecast operating cost inflation in PSP4 compared to actual inflation (annualised), per cent cumulative**


Some of the highlights of our operating efficiency over the PSP4 period are contained in Table 9.4.

**Table 9.4. Operating efficiencies achieved in PSP4**

We have made cost efficiency an organisational priority over the period of PSP4. Our efforts have meant that we have challenged ourselves to include the most efficient operating cost forecast possible, for acceptable risk levels for PSP5.

The result is an operating expenditure base year (2024-25) that, on a like for like basis, is lower than the PSP4 approved allowance and therefore reflects our successful achievement of the 1.5 per cent efficiency factor set in the PSP4 determination.

The focus in PSP4 has been to build a culture of cost control;

- Bottom-up budgeting: We have re-prosecuted the basis and needs for our operating expenditure at a detailed level across the business and used this information to reset budgets to more efficient levels. This includes removing risk and contingency from budgets where better risk management practices can save costs.
- Robust top-down reviews and targets: Our Board and Executive Management have a high focus on efficient budget setting. They have established and tracked top-down internal efficiency targets to ensure a cost-conscious culture. This approach has been taken to the development of the PSP5 proposed operating expenditure.
- Robust competitive procurement and market-testing: We have invested in improving our procurement capability to drive better commercial outcomes and best manage supply chain risk. We have successfully market-tested many of our major supply contracts in PSP4 through robust competitive procurement processes. We have a robust contract management framework to ensure we receive value for money.

Our operating expenditure base year (2024-25) reflects the successful achievement of over $10 million dollars in internal efficiency savings in the following two years, as a permanent reduction to our base operating costs and to ensure that the starting point for our PSP5 operating expenditure is as efficient as possible.

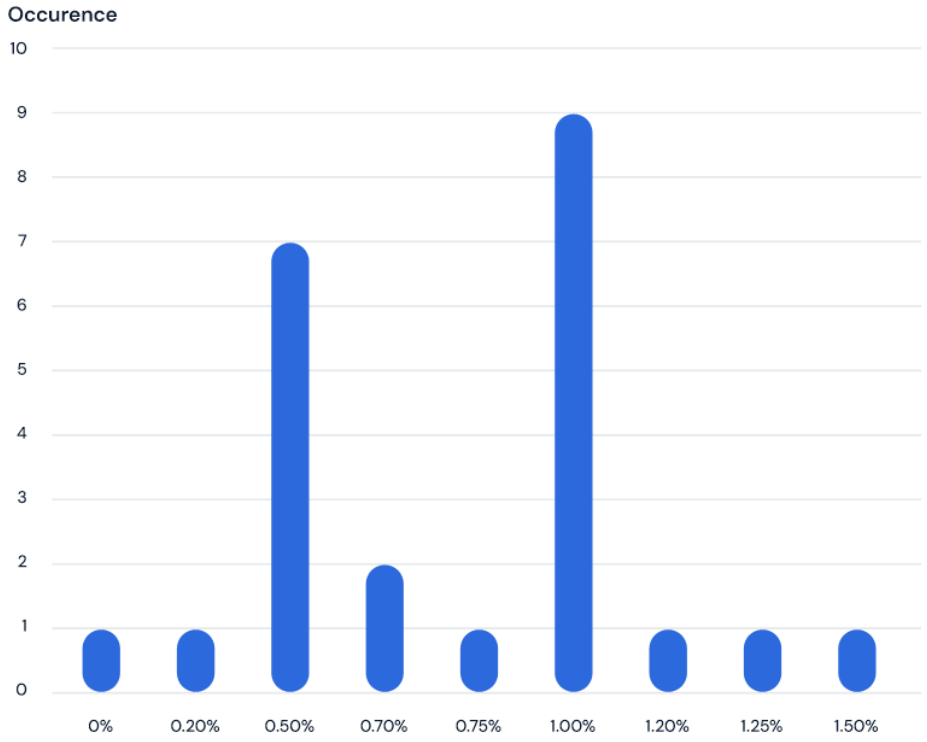
The PSP4 approved efficiency factor was 1.5 per cent per annum. For this PSP5 Proposal, we have proposed a 1.0 per cent per annum on-going efficiency factor across all controllable

operational expenditure categories[65]. We are committed to maintaining this level of continuous improvement in operating efficiency, despite the high inflationary environment we are operating within.

An efficiency factor of 1.0 per cent per annum is at the high-end of regulatory efficiency factors when compared to recent price determinations nationally (Figure 9.7). It is also important to note that there is no need for a 'catch-up' efficiency component to be incorporated into our target for PSP5, as our 'base' level operating expenditure is efficient (ie, already at the 'efficiency frontier').

Therefore, our efficiency target should simply reflect the rate at which the notional efficiency frontier would move in the water sector. Many higher efficiency factors in other price determinations can in effect include a combination of 'catch up' and 'ongoing' efficiency adjustments, if the business's is not presently at the efficiency frontier. Given we are already at the efficiency frontier, a 1.0% per annum efficiency target is high.

**Figure 9.7. Frequency of approved efficiency factors, last 24 Price Determinations nationally**




65 This is based on the TER's PSP4 definition of controllable costs.

Data shows that an efficiency factor of 1.0 per cent per annum is also at the high-end of the range of multi-factor productivity assessments of the water industry completed in Australia. The Productivity Commission[66] has analysed productivity trends in the urban water sector, finding that:

- Between 1995 and 2015, multi-factor productivity growth for major Australian urban water utilities ranged from 0.3 per cent to 1.0 per cent per annum.
- Productivity gains were strongest in the late 1990s and early 2000s, coinciding with institutional reforms and regulatory oversight improvements.
- Efficiency improvements were driven by metering reforms, leak reduction programs, and better asset management practices.

In regulating the prices of water utilities in NSW, IPART has based its ongoing efficiency adjustment on the average annual growth in multi-factor productivity over the last 40 years across all market sectors in Australia (not just water), which has generated efficiency rates of 0.7% to 0.9% in recent years.

We have a range of initiatives underway which will drive operating cost improvements and support the achievement of our 1.0 per cent efficiency target. These are summarised in Table 9.5.

**Table 9.5. Operating efficiency approach for PSP5**

As outlined in Table 9.5, our efforts in PSP4 have focussed on establishing a culture of cost consciousness in the business, building capability across the business to ensure our budgets are efficient.

In PSP5, we will enhance this capability with the recent establishment of a new Enterprise Portfolio Management Office (EPMO). The EPMO will play a crucial role in overseeing project governance, project prioritisation and benefits realisation. Within the organisation, the EPMO ensures that our projects align with strategic objectives and are executed efficiently.

With regards to efficiency improvement, the EPMO will ensure that cost and value for money are considered in project selection and prioritisation, ensuring projects are delivered efficiently and tracking benefits such as efficiency savings with discipline.

While tracking all enterprise initiatives, the EPMO has a key role in the effective use of our strategic initiative funding, which aims to deliver improvements to our business and provide a range of benefits to customers, including greater efficiency. We are proposing the continuation of our strategic initiative operating funding, totally $21.8 per annum. This allowance is one of the key enablers for continued efficiency improvements (among other benefits).

An example of a current project within our organisational priorities, and funded by strategic initiatives, is our Operations Essentials project. This project will use strategic initiative funding to improve the effectives of our operational teams. The specific investment objectives are to:

- Increase alignment between leadership and workforce resulting in increased workforce engagement.
- Increase performance for customer outcomes (cost, customer experience, time, etc.) and safety.
- Increase transparency of performance and operational workflows for data based decision making.
- Increased cost visibility and controls to enable reduction in operational costs.
- Uplift of structured management practices that enable clarity of accountabilities and performance.

The project will cost $2.3 million over two years to invest in systems and processes to better enable efficient operations. The project is expected to realise significant operational efficiencies overtime, which will be tracked by the EMPO. This is one example of our on-going focus on cost efficiency in PSP5.

Taken together, the operating and capital expenditure efficiency targets we are proposing reduce the revenue we recover from customers in PSP5 by $46.3 million.

66 Productivity Commission: Australian's Urban Water Sector Report 2011 and Productivity Commission: National Water Reform 2017.

## 9.7 A summary of the base-trend-step method for operating expenditure

The breakdown of the operating cost forecast consistent with the base-trend- step methodology is provided in Table 9.6 and Figure 9.10.

**Figure 9.10. PSP5 base-trend-step operational expenditure forecast, $M nominal**


**Table 9.6. Base-trend-step breakdown of the PSP5 operational expenditure forecast, $M nominal**

| | PSP4 | | PSP5 | | | | PSP5 |
|---|---|---|---|---|---|---|---|
| | FY25 (Base) | FY26 | FY27 | FY28 | FY29 | FY30 | TOTAL |
| Base | 236.27 | 236.27 | 236.27 | 236.27 | 236.27 | 236.27 | 945.08 |
| Trend | 0.00 | 10.10 | 17.56 | 25.30 | 33.32 | 41.63 | 117.81 |
| Step | 0.00 | 4.28 | 11.33 | 9.27 | 10.05 | 11.32 | 41.97 |
| **Total** | **236.27** | **250.65** | **265.16** | **270.84** | **279.64** | **289.22** | **1,104.86** |

# 10. Our forecast demand volumes

### Forecasting our future demand

- Forecasting our demand is a key component for planning and setting prices and planning growth investments.
- We are proposing connection growth rates and water consumption consistent with PSP4, using our long-term regional master plans as a basis and prudently considering climate change.
- The forecast provides for modest, positive growth in customer connections and total consumption of water.
- Our demand forecast will see demand per property decline modestly over the PSP5 period, consistent with the historical trend.
- We have a target to assist customers reduce their water usage as part of this PSP5. Using less water benefits customers and supports least-cost provision of water services in the long-term.
- We note that our target to reduce customer usage is not reflected in our demand forecast in this PSP5 Proposal. If we achieve this target, we will receive less revenue relative to our PSP5 forecast. We are willing to absorb this risk within PSP5, noting that reduced usage benefits customers and contributes to lower costs in the future.

This section of our submission outlines our approach to tariff reform in PSP5, it includes:

10.1 The importance of demand forecasts

10.2 The forecasting methods we have applied

10.3 Our comparison against the PSP4 forecast

10.4 Our demand forecast for PSP5

10.5 Our customer usage reduction target for PSP5

## 10.1 The importance of demand forecasts

Demand forecasting is a critical component in our planning. Accurate demand forecasts inform the development of operational and capital expenditure projections, support the setting of customer service standards and drive price calculations for appropriate allocation of costs to different customer cohorts.

Our number of water and sewer connections form the basis of our fixed charges. New connections will also be subject to a developer (headworks) charge. Forecast customer consumption will attract our variable (usage) charges.

## 10.2 The forecasting methods we have applied

### Water and sewer connections

The key input for our water and sewer connection forecasting is TasWater's regional master plans.

These have been developed and structured around several core components:

- Customer and stakeholder engagement
- System capability assessment
- Supply and demand forecasting
- System outlooks
- Options development and appraisal
- System action plans

We have employed a trend-based forecasting approach using various ABS census data and planning documents from local councils and regional planning forums. This approach aligns with the TasWater supplement to the Water Services of Association Australia Water Supply Code of Australia (MWRA Edition), which sets standards for new connection demand.

We use a number of external planning resources to inform our population and property forecasts. Our regional master plans strategically align with other state-wide, regional, and local planning efforts.

In this way, they support economic development and help local councils and planning authorities understand preferred development areas from a water and sewerage service perspective.

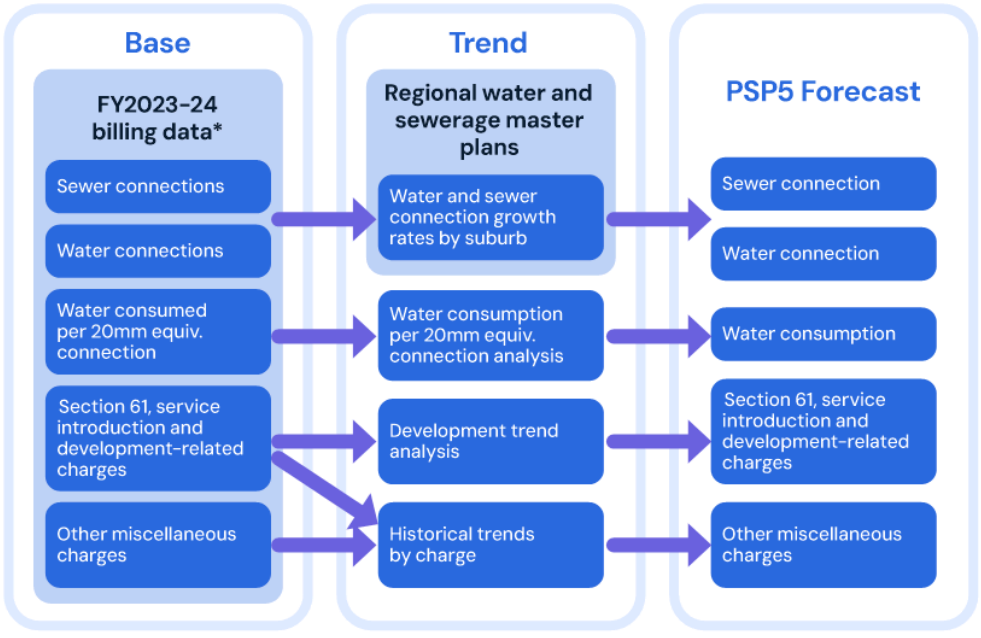
The demand forecast is also tested against growth rate data from the Australian Bureau of Statistics, the Tasmanian Department of Treasury and Finance, and Tasmanian regional land use strategies, in addition to our own connection data over the past five years.

## Water consumption

The water consumption demand that has been included in the PSP5 Proposal is calculated based on forecast water connections and an average based on historical water consumption per 20mm standard connection.

Our proposed forecast also includes a climate correction factor (i.e., increased water consumption during periods of drought) to reflect our best estimate of future extreme climate events on the state. The method we employ is summarised in Figure 10.1.

**Figure 10.1. Schematic of the demand forecasting method used for PSP5**




*Unless otherwise noted

## 10.3 Our comparison against the PSP4 forecast

### Water and sewerage connections have been higher than forecast

Both water and sewerage connection actuals have been higher than that forecast in PSP4. Water connection growth appears to increase in 2023-24, this is due to the reassignment of 20mm to 25mm therefore increasing the total number of standard 20mm connections (Figure 10.2). Between 2021-22 and 2023-24 water connection growth was on average 2.4 per cent higher than forecast.

Sewer connection growth, based on equivalent tenements (ETs) has outpaced that forecast in PSP4 due to a large than anticipated growth in both the residential and non-residential customer base in 2022-23 (Figure 10.3).

**Figure 10.2. PSP4 forecast compared to actuals: 20mm standard water connections**

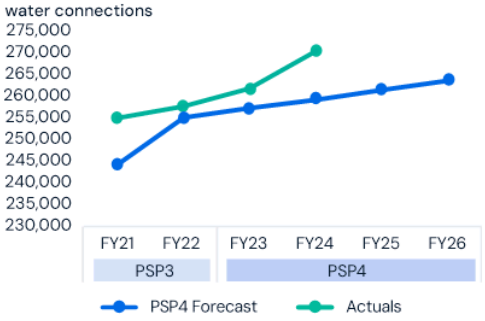
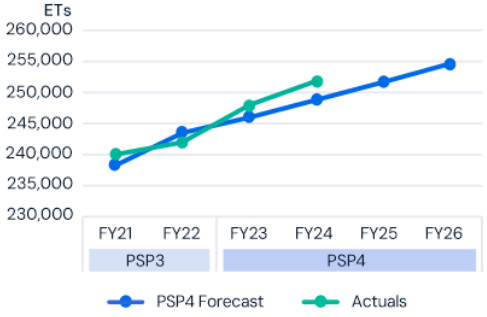


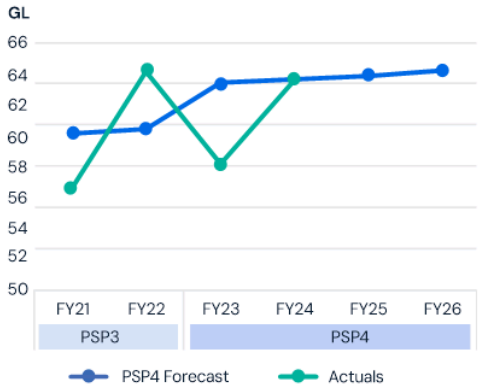

**Figure 10.3. PSP4 forecast compared to actuals: ETs**




### Water consumption is consistent with our PSP4 forecast

Water consumption is variable, based on seasonal and climate conditions. Despite the variability, the actual consumption over 2020-21 to 2023-24 has been, on average, 2.0 per cent lower than the approved forecast in those years (Figure 10.4).

**Figure 10.4. Total PSP4 Approved forecast compared to total actuals, GL**




## 10.4. Our demand forecast for PSP5

### Water and sewerage connections

We forecast that, each year on average, the number of water property connections we service will grow by 0.96 per cent and the number of sewer property connections we service will grow by 0.88 per cent over the PSP5 period (using the actual demand in 2023-24 as a base). This is outlined in Table 10.1. The total numbers of water and sewerage connections are provided in Table 10.2, Figure 10.5 and Figure 10.6.

The combined water and sewer connections growth forecast is 0.92 per cent, marginally higher than the PSP4 assumption of 0.85 per cent. As outlined in *Chapter 12 Our proposed price structures*, we are proposing to move from an Equivalent Tenement (ET) basis of sewerage charging to standard fixed and variable charges.

Therefore, we will move from providing ET forecast to providing the forecast of standard connections fixed charges.

**Table 10.1. Water and sewer connection growth rate**

| | FY27 | FY28 | FY29 | FY30 | PSP5 average |
|---|---|---|---|---|---|
| Water connections | 0.95% | 0.96% | 0.96% | 0.96% | 0.96% |
| Sewer connections | 0.78% | 0.92% | 0.92% | 0.92% | 0.88% |

**Table 10.2. Water and sewer connections**

| Connections | FY23 (a) | FY24 (a) | FY25 (f) | FY26 (f) | FY27 (f) | FY28 (f) | FY29 (f) | FY30 (f) |
|---|---|---|---|---|---|---|---|---|
| Water (standard connections) | 261,818 | 270,398 | 273,559 | 276,160 | 278,791 | 281,454 | 284,148 | 286,874 |
| Sewer (ETs) | 247,807 | 251,851 | 254,842 | 257,339 | N/A | N/A | N/A | N/A |
| Sewer (standard connections) | N/A | N/A | N/A | N/A | 259,336 | 261,716 | 264,125 | 266,564 |

**Figure 10.5. Water connections, standard 20mm connections**

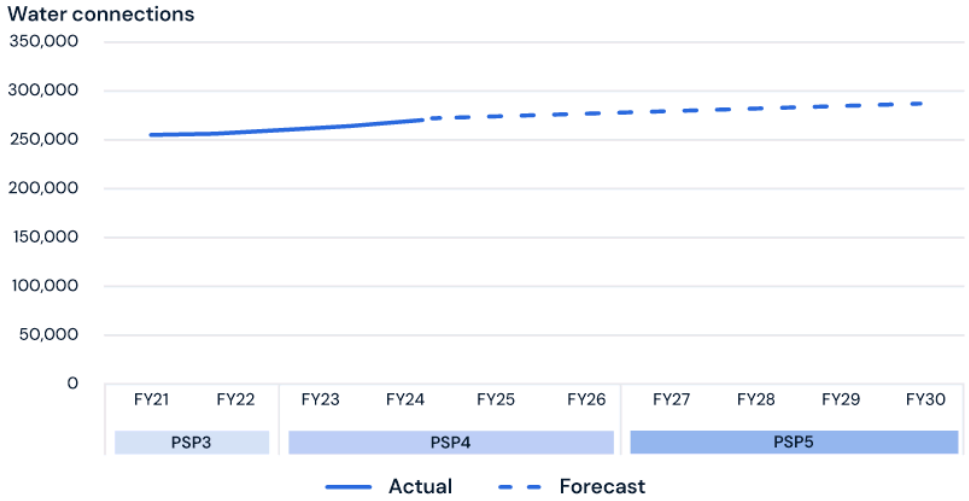
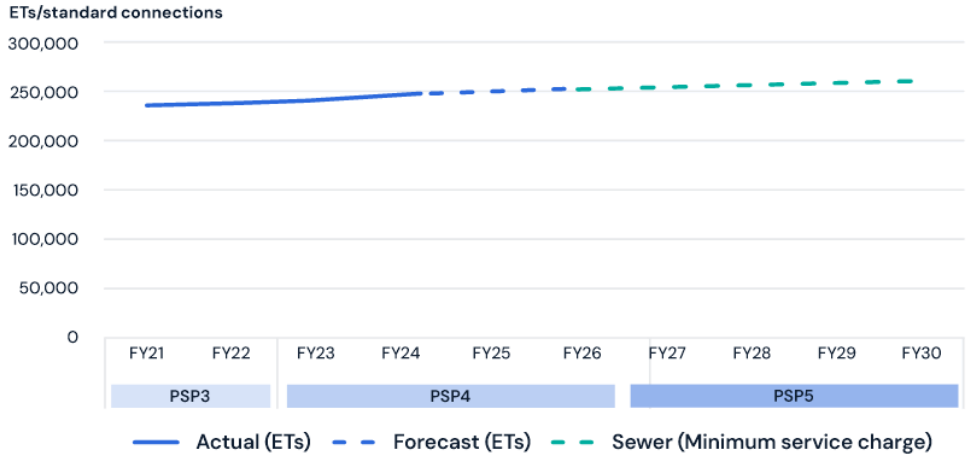


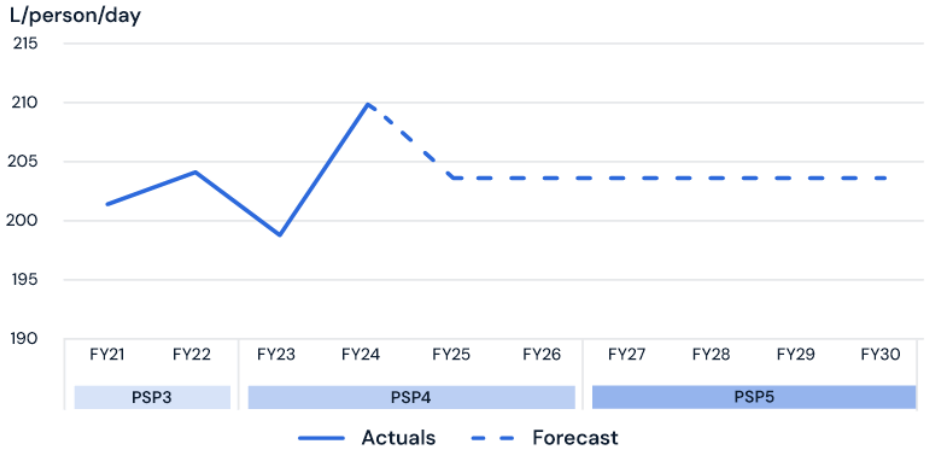
**Figure 10.6. Sewer connections, ET and standard connections**




## Water consumption

Our customers' water consumption will vary from year to year, based largely on seasonal and climatic factors. Our current data set also includes the period influenced by water consumption behaviour during the COVID-19 pandemic. Given the variation of customer water consumption, we have used the average of the last four years of annual customer demand. For the PSP5 period, this means we are forecasting that customer consumption will stay constant across our customer base (Figure 10.7). As noted in this PSP5 Proposal, we are aiming to support customers use less water than this forecast, changing our tariffs to reward customers using less water and implementing a range of other support and education for water conservation.

**Figure 10.7. Residential water consumption, litres per person per day**



While we forecast a reduction in per connection consumption, the growth in connection numbers means that the forecast for total consumption will increase by 0.8 per cent per annum (Table 10.3). This includes both residential and non-residential customers.

Our demand forecasting methodology and model have been externally reviewed in the process of developing this PSP5 proposal.

## 10.5 Our customer usage reduction target for PSP5

As outlined in *Chapter 6 Our proposed outcomes and service standards*, we see customer usage reduction as an important part of delivering least cost and resilient water to our customers over the long-term. To this end, we have set ourselves ambitious targets to reduce the usage of residential customers to 170 litres per person per day usage, from its current level of 217 litres per person per day.

Our key initiatives to support customers using less water in PSP5 are:

- PSP5 *Outcome 3: Support customers to conserve water*, including continuing our water conservation campaign (within current operating expenditure allowance) and an additional $400,000 over the PSP5 period for a water efficient appliance program.
- PSP5 *Outcome 10: Charging based on usage*, which will increase the variable percentage of an average residential customer's bill to 33 per cent, from current 16 per cent, rewarding customers for using less water.
- We will also continue to work closely with our large, non-residential customers, to ensure that they are using water efficiently and that options for reducing water usage and possible use of alternatives such as recycled water have been identified.

We note that our target to reduce customer usage is not reflected in our demand forecast in this PSP5 Proposal. If we achieve this target, we will receive less revenue relative to our PSP5 forecast. We are willing to absorb this risk within PSP5, noting that reduced usage benefits customers and contributes to lower costs in the future.

**Table 10.3. Forecast water consumption (GL)**

| | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|---|
| Water consumption (GL) | 63.72 | 64.31 | 64.92 | 65.53 | 66.15 | 66.77 |

# 11. Other elements of our proposed revenue requirement

**The revenue we require to ensure our sustainability**

- To determine the revenue we need to operate, we apply the 'building block' approach, as prescribed by the TER and consistent with the pricing principles outlined in the Water Management Act 2008.
- The 'building block' approach allows TasWater to recover the costs of providing services and ensure its financial sustainability.
- PSP5 will use an updated method to calculate the regulatory depreciation element of the building block. This will simplify and make more transparent the regulatory depreciation calculation, consistent with best practice.
- We have maintained the PSP4 TER approved methodologies for WACC and inflation, updating these for the most recent market information.
- The movement of WACC and inflation, relative to PSP4 Price Determination, are both contributing to 7.9 per cent of the cost reflective 11.2 per cent per annum (including inflation) price increase.
- As outlined in *Chapter 7 Overview of our proposed revenue requirement*, the total Notional Allowable Revenue that we are proposing is $2,238.4 million.

This section of our submission outlines the inputs into the final revenue we will seek to recover from customers through our regulated prices, it includes:

11.1 Regulated Asset Base (RAB)

11.2 Regulatory depreciation

11.3 Return on capital

11.4 Inflation adjustment

11.5 Operating expenditure

11.6 Tax allowance

## 11.1 Regulated Asset Base (RAB)

The RAB represents the asset value that a business can earn a return on (return on capital), and the value that is returned to the business over the economic life of the assets as regulatory depreciation (return of capital). TasWater is required to establish, maintain and roll forward two separate RABs:

- $RAB_{EXISTING}$ – assets transferred to the previous regulated entities before 1 July 2011
- $RAB_{NEW}$ – "new" assets purchased or constructed by the previous regulated entities and the current regulated entity after 1 July 2009.

To determine the return on capital, opening and closing RAB values are required. To calculate these, the two RABs need to be rolled-forward. As a starting point, the opening RAB value in each financial year is equal to the closing balance from the previous financial year. The RAB roll-forward is calculated by using the:

- Closing RAB from the second year of PSP4 (actual values at 30 June 2024)
- Plus forecast capex
- Minus forecast asset disposals
- Minus forecast third party contributions
- Plus forecast inflationary change
- Minus forecast regulatory depreciation.

The RAB for existing assets will therefore gradually decline over time due to regulatory depreciation and disposals reducing the value of those assets. However, the RAB for new assets fluctuates depending upon the quantum of increase from expenditure on capital projects and decreases from depreciation and disposals.

### Wholly or partly used assets

For assets that are wholly or partly used to provide unregulated services, we have made an adjustment to our RAB to exclude a portion of assets that relate to the provision of services to treat (above domestic grade) sewage from industrial trade waste and tankered waste customers.

We have deducted the relevant amount of depreciation, return on capital and inflation gain from the assets used to provide the trade waste and tankered waste services. This amount was calculated as an apportionment based upon sewer flow and applied to the relevant asset categories within the new asset RAB.

We have not adjusted for assets relating to the provision of recycled water, which is delivered for the purposes of meeting our sewage treatment plant environmental discharge requirements. We have not adjusted for assets that provide water for irrigation purposes, as this is an opportunistic use of existing spare capacity. Operating costs to supply these services are classed as unregulated and are recovered via charges set with reference to short run marginal cost.

## RAB Roll forward: Existing assets

**Table 11.1 RAB Roll forward: Existing assets, $M nominal.**

| | PSP4 | | | | PSP5 | | | |
|---|---|---|---|---|---|---|---|---|
| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
| Opening value | 2,354.2 | 2,465.5 | 2,501.5 | 2,505.0 | 2,766.2 | 2,772.4 | 2,771.5 | 2,779.0 |
| Disposals | 0.0 | 0.0 | 0.0 | 0.0 | 4.4 | 10.0 | 0.0 | 0.6 |
| Escalation | 165.3 | 89.3 | 60.1 | 77.7 | 75.4 | 75.5 | 75.5 | 75.7 |
| Depreciation | 53.5 | 52.2 | 53.0 | 54.7 | 64.8 | 66.5 | 68.0 | 69.9 |
| Closing value | 2,465.5 | 2,501.5 | 2,505.0 | 2,527.7 | 2,772.4 | 2,771.5 | 2,779.0 | 2,784.2 |

**Table 11.2 RAB Roll forward: New assets, $M nominal.**

| | PSP4 | | | | PSP5 | | | |
|---|---|---|---|---|---|---|---|---|
| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
| Opening value | 1,472.8 | 1,710.7 | 1,916.7 | 2,197.7 | 2,193.9 | 2,559.4 | 2,973.4 | 3,387.4 |
| Capex | 188.9 | 208.2 | 303.3 | 243.1 | 374.0 | 420.4 | 418.0 | 361.0 |
| Disposals | 1.4 | 2.8 | 0.7 | 0.8 | 1.6 | 0.1 | 0.0 | 0.1 |
| Contributions | 0.0 | 2.0 | 2.5 | 2.5 | 5.0 | 5.2 | 5.4 | 5.6 |
| Escalation | 103.4 | 61.9 | 46.0 | 68.1 | 59.8 | 69.7 | 81.0 | 92.3 |
| Depreciation | 53.0 | 59.2 | 65.3 | 73.1 | 61.7 | 70.8 | 79.6 | 86.0 |
| Closing value | 1,710.7 | 1,916.7 | 2,197.7 | 2,432.4 | 2,559.4 | 2,973.4 | 3,387.4 | 3,749.1 |

We note that the closing balance for 2025-26 and the opening balance for the 2026-27 do not align. This is based on the transfer of $238.5 million of assets from the new asset base to the existing asset base following a review.

### Third party capital contributions

Third party capital contributions are received in the form of development services charges (headworks charges). In PSP5, we are proposing a refinement to how these prices are determined (refer *Chapter 15 Our proposed developer charges*).

To ensure that TasWater does not double-dip, the value of these contributions is removed from the value of the new asset RAB, both actuals for PSP4 and forecast for PSP5. The value of third party contributions (headworks charges) removed from the RAB in PSP5 is 11.3.

All government and other external funding sources have been excluded from all capital expenditure actuals (PSP4) and forecast (PSP5) incorporated in to the RAB. Therefore there is no external funding that needs to be removed from the RAB.

### Asset disposals and write offs

Asset disposals and write offs are removed from the regulated asset base. These disposals are required when assets are obsolete or at end of life to ensure that the asset base accurately reflect the value of TasWater assets. If the asset is disposed prior to being fully depreciated the estimated value of the asset is written of the value of the asset base. The forecast value of the disposals is provided in Table 11.4.

## 11.2 Regulatory depreciation

The allowance for regulatory depreciation represents the recovery of capital invested by TasWater in its regulated assets. For PSP5, we are proposing a change to how this is calculated. Following the completion of the TER *Inquiry into the calculation of regulatory depreciation allowance* of TasWater's new assets, we are proposing the following approaches to existing and new RAB regulatory depreciation.

### Existing asset depreciation

For the existing asset base, we are proposing to use a fixed depreciation rate of 2.28 per cent, equivalent to 43.86 years. This reflects the weighted average useful life of the existing asset base and is consistent with PSP4.

Total annual depreciation rate for the existing assets base is calculated in two stages to account for disposals from the asset base.

1. The deprecation of the existing asset base – this is calculated as the opening RAB value, escalated by inflation, and multiplied by the depreciation rate.

2. The net depreciation of the forecast disposals – applied the year after the disposal has been made.

The updated methodology results in the existing asset base being fully depreciated by FY70 (43.86). The depreciation is provided in Table 11.5.

**Table 11.3. Forecast contributions, $M nominal**

| | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|
| Contributions | 5.0 | 5.2 | 5.4 | 5.6 | 21.1 |

**Table 11.4. Forecast asset disposal, $M nominal**

| Asset base | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|
| Existing RAB | 4.4 | 10.0 | 0.0 | 0.6 | 15.0 |
| New RAB | 1.6 | 0.1 | 0.0 | 0.1 | 1.9 |
| **Total** | **6.0** | **10.1** | **0.0** | **0.7** | **16.8** |

**Table 11.5. Existing asset depreciation amount for PSP5, $M nominal**

| Building block component | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|
| Water | 34.1 | 34.9 | 35.7 | 36.6 | 141.3 |
| Sewer | 30.7 | 31.5 | 32.4 | 33.2 | 127.8 |
| **Total** | **64.8** | **66.5** | **68.0** | **69.9** | **269.1** |

## New asset base depreciation

To calculate the new asset base depreciation the assets have been split into 15 different asset categories. Depreciation will be calculated for each category to reflect the asset category value and a weighted average remaining asset life, as well as the new capex useful asset lives.

We consider that using 15 asset categories simplifies the line-by-line calculations from PSP4 and ensures that the deprecation allowance appropriately reflects the differences in the economic lives for different types of regulated assets.

The asset categories and remaining useful lives used to calculate depreciation for PSP5 is shown in Table 11.6.

The calculation of the new asset base is completed in two stages:

1. The depreciation of the asset category base exclusive of net new capex and disposals – this is calculated as the opening RAB value multiplied by inflation and the asset category depreciation rate.

2. The net capex of forecast new capex and forecast disposals – this depreciation amount commences the year after the net cost is incurred. As a result, we propose to apply depreciation for the new asset on an 'as-incurred' basis.

The total depreciation allowance for new assets will be the sum of depreciation amounts of each of the asset category's depreciation calculations. The depreciation is provided in Table 11.7.

**Table 11.6. New asset base categories and remaining useful life applied to PSP5 depreciation**

| Asset Category | PSP5 Weighted average remaining life | New Capex Weighted average remaining useful life |
|---|---|---|
| Dams | 82.84 | 100.00 |
| Easements | N/A | N/A |
| Intangible | 2.70 | 10.00 |
| Land | N/A | N/A |
| Land and building-Other | 36.95 | 50.00 |
| Leasehold | N/A | N/A |
| Minor other | 24.18 | 35.00 |
| Pipe Waste | 60.40 | 80.00 |
| Pipe Water | 54.53 | 80.00 |
| Pump Waste | 44.26 | 60.00 |
| Pump Water | 32.08 | 60.00 |
| Reservoirs | 56.55 | 80.00 |
| Treat Waste | 42.29 | 50.00 |
| Treat Water | 41.96 | 50.00 |
| Vehicles | 4.40 | 10.00 |
| **Total** | **46.73** | **60.82** |

Table 11.7. New asset depreciation amount for PSP5, $M nominal

| Asset base | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|
| Water | 36.6 | 41.4 | 45.4 | 47.8 | 171.2 |
| Sewer | 23.1 | 27.0 | 31.4 | 34.8 | 116.3 |
| **Total** | **59.7** | **68.4** | **76.8** | **82.6** | **287.5** |

## 11.3 Return on capital

### Weighted average cost of capital (WACC)

The return on capital provides us with a return on the capital we invest to build, renew and upgrade our assets. It is determined by calculating a Weighted Average Cost of Capital (WACC) which takes into account the assumed cost of equity and cost of debt and the risk profile associated with our operations. Separate WACCs are determined for new and existing assets.

Table 11.8 shows the parameters that have been calculated using the PSP4 TER approved methodology to derive the WACC to apply to new and existing RABs.

Table 11.8. WACC parameters

| Parameter | Estimate |
|---|---|
| **Gearing** | **60.00%** |
| Cost of debt | 4.82% |
| Debt raising costs | 0.08% |
| **Cost of debt (w/ premium)** | **4.90%** |
| RFR | 4.45% |
| Equity Beta | 65.00% |
| MRP | 6.00% |
| **Cost of equity (new)** | **8.25%** |
| **Cost of equity (existing)** | **3.00%** |
| **WACC (new)** | **6.28%** |
| **WACC (existing)** | **4.14%** |

### Calculation of return on capital

The relevant WACC is multiplied by an average of the opening and closing RAB value in each year of the regulatory period. This calculation is used to determine the return on capital to be recovered during the PSP5 period. The total return on capital is provided in Table 11.9. As our new RAB (made up of post-2011 assts) grows relative to our existing RAB, the higher WACC used to calculate the return on capital for the new RAB will place upward pressure on prices over time.

## 11.4 Inflation adjustment

When rolling forward the past RAB, actual CPI is used, while forecast CPI is used for rolling forward the RAB into the future. Due to the use of a nominal rate of return and indexation of the RAB for inflation, the inflationary adjustment in the RAB is deducted from our NAR to eliminate double counting. The method to forecasting CPI remains unchanged from PSP4. The CPI forecast is provided in Table 11.10.

The actual CPI used to roll-forward the RAB is based on ABS All Groups CPI Australia[67] on a March to March basis. A forecast has been made for the 2025 and 2026 financial years based on the RBA Statement of Monetary Policy May 2025. This is provided in Table 11.11.

The final inflationary gain adjustment to NAR is provided in Table 11.12.

67 This is consistent with the approach approved in the PSP4 Final Decision. The ABS SeriesID is A2325847F.

**Table 11.9. Return on capital, $M**

| | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|
| Return on capital: Existing RAB | 114.6 | 114.7 | 114.9 | 115.1 | 459.4 |
| Return on capital: New RAB | 142.1 | 165.2 | 189.7 | 212.5 | 709.5 |
| **Total return on capital** | **256.7** | **280.0** | **304.5** | **327.6** | **1,168.9** |

**Table 11.10. PSP5 forecast inflation index**

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Forecast inflation index (% annual change) | 2.72% | 2.72% | 2.72% | 2.72% |

**Table 11.11. Actual inflation applied in PSP4 to 'roll-forward RAB, with forecasts for FY25 and FY26**

| | FY22 | FY23 | FY24 | FY25 (Forecast) | FY26 (Forecast) |
|---|---|---|---|---|---|
| Actual and forecast inflation for PSP4 (% annual change) | 6.10% | 6.00% | 3.80% | 2.10% | 3.10% |

**Table 11.12. Inflationary gain adjustment, $M nominal**

| | FY27 | FY28 | FY29 | FY30 | PSP5 Total |
|---|---|---|---|---|---|
| Inflationary gain adjustment | 132.7 | 142.4 | 153.0 | 163.9 | 591.9 |

## 11.5 Operating expenditure

Under the regulatory framework, we are able to recover the operating expenditure that is considered by the TER to be prudent and efficient. Total operating expenditure for the PSP5 period has been provided in Figure 9.2 in *Chapter 9. Our efficient operating costs.*

## 11.6 Tax allowance

From 1 January 2019, we were withdrawn from the National Tax Equivalent Regime (NTER) after the passing of the *Water and Sewerage Legislation (Corporate Governance and Pricing) Amendment Act 2018*. As such, we are no longer required to pay income tax and a tax rate equal to zero is applied. This results in the tax allowance in the NAR build up equalling zero.

# Section 4. Our proposed prices

# 12. Our proposed price structures

### Our proposed changes to give customers more control of their bill

- Currently, our customers have very little control over their bills.
- We have the highest fixed proportion of an average customer bill of any major water business in Australia. This is 84 per cent of the combined water and sewerage bill for an average customer.
- We have heard loud and clear from our customers that they want greater usage charges relative to fixed charges and to give them more control over the amount of their bills.
- This has been supported by the TER's recent inquiries.
- Our PSP5 proposal will move to an overall 67 per cent fixed and 33 per cent variable for an average residential customer's bill, with the changes consisting of:
  - An increase to the water variable charge from 35 percent to 50 per cent
  - The changing of sewerage charging from being based on equivalent tenements to fixed and variable charging
  - Inclusion of a variable sewerage charge of 20 per cent, which will be applied to estimates of sewer discharge volumes (calculated by applying a discharge factor to metered water usage).
- When viewed in isolation of the general price increase, this would result in 63 per cent of all customers paying less than they would otherwise, before the proposed price increase.
- In the first year of PSP5, fixed charges to all customers will reduce $176 per annum. Even after the price increase in the first year of PSP5 (1 July 2026), 34 per cent, or 76,000, of all customers will pay less.
- The tariff reform proposal is revenue neutral to TasWater, it results in a fairer distribution of the costs of the system, where those customers who use more, pay more. The proposal represents an important evolution of water and sewerage pricing in Tasmania.

This section of our submission outlines our approach to tariff reform in PSP5, it includes:

12.1 Our current tariff approach does not provide customers with much control over their bills

12.2 The proposed tariff structure for PSP5 will increase control for customers

12.3 Customer bill implications – more than 63 per cent of customers will pay less

12.4 Application and review of discharge factors

12.5 Our proposal is an important evolution of water and sewerage pricing in Tasmania.

## 12.1 Our current tariff approach does not provide customers with much control over their bills

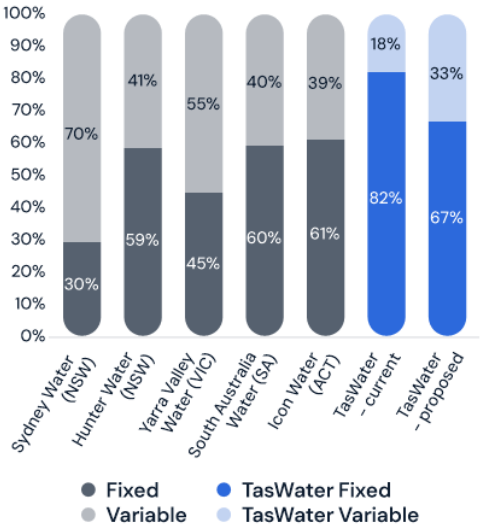
Following the Tasmanian water reform in 2000, a large focus was the implementation of two-part (fixed and variable) tariffs and then harmonisation of tariffs across the state[68]. By PSP4, this has been successfully achieved, however our current tariffs do not provide customers with much control over their bills. We currently also use equivalent tenements[69] (ETs) as the basis for our sewerage charges, which creates a wholly fixed charge, but also creates confusion and real and perceived inequities with our customers.

For example, the annual bill for our median customer, who uses 137kL currently, is almost $1,000 higher in fixed charges than variable. The annual bill would be comprised of $1,149 in fixed charges and $167 in variable charges.

Unlike other Australian water utilities, which offer more variable price structures, our system relies heavily on fixed charges (Figure 12.1). This limits customers' ability to manage the amount of their bill based on actual usage and drives the wrong behaviours in reducing consumption and conserving water. We often get feedback from customers questioning the value of conserving water as the don't see the direct benefit in their bill.

Setting prices at levels that reflect the true cost to the community of supplying an additional kL of water will promote optimal levels of consumption. If the variable price of water is 'too low' (e.g, below the 'true cost' or LRMC of supply), this will promote inefficiently high levels of consumption.

**Figure 12.1. Fixed/variable bill splits of Australian utilities**




### Our customers want to have more control over their bills

A key insight from our extensive customer engagement process was the strong customer preference for usage-based charging, allowing customers to reduce bills by conserving water. One of the seven recommendations from the Water Future Community Advisory Panel focused on increasing the usage component of bills to promote water conservation. (refer to *Chapter 3. Our collaborative approach with customers).*

### TER inquiry directed the move to a fixed-variable structure for sewerage

In response to customer feedback received during the PSP4 price determination, the TER conducted an inquiry into sewerage charging. A key outcome from the inquiry required TasWater to introduce, for the fifth regulatory period (PSP5), a fixed and variable charge for all regulated sewerage customers. This is to move away from using ETs as a basis of sewerage charging.

68 The Water Management Act 1999 came into effect 1 January 2000, with the statewide move to two-part pricing mandated 1 July 2011 with the commencement of economic regulation (PSP1).
69 We use an Equivalent Tenement (ET) method to calculate sewerage prices. One ET is the estimated load of sewage from an average residential house in dry weather flow conditions. It is a proportion of a water ET, on the basis that a proportion of 'water in' will appear as 'water out'. ET sewage rates for different land uses are calculated as a factor of this load. More information can be found here.

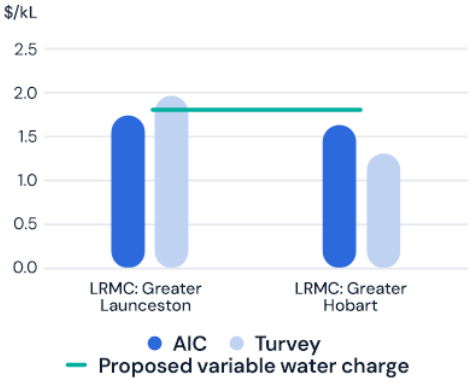
The PSP5 proposed changes to our pricing seek alignment with best practice pricing principles to be more cost-reflective and equitable whilst maintaining simplicity and transparency.

### The new price structures broadly reflect our cost structures

Our proposed price structures aim to ensure that TasWater's usage price covers its Short Run Marginal Cost (SRMC) of supply, otherwise known as its cost of production, (estimated at $0.37/kL for water production in 2024-25 dollars[70]) and moves closer to our best estimates of the Long Run Marginal Cost (LRMC) of water supply, enhancing incentives for the efficient use of water and consistent with the National Water Initiatives Pricing Principles.

The LRMC of water supply is an economic concept that helps businesses and regulators assess the cost of producing one extra unit of water over the long term. It is used as a reference point (only) for determining the variable price of water. Each of our 59 drinking water systems have their own LRMC. We have made an estimate of the LRMC of Greater Hobart and Greater Launceston to serve as a refence point for our proposed PSP5 variable charge, which aligns closely to it[71]. This is provided in Figure 12.2.

**Figure 12.2. Estimate of LRMC and our proposed PSP5 water variable charge, $/kL**




## 12.2 The proposed tariff structure for PSP5 will increase control for customers

### Increase to the variable water component

The PSP5 Proposal increases the water variable price under the two-part tariff, which will increase the variable component of customers' bills and commensurably decrease the fixed component (i.e. the tariff reform is revenue neutral). This will mean more of a customer's bill is controlled by their water usage. Our proposal will move an average residential customer's bill from 84 per cent fixed and 16 per cent variable to 67 per cent fixed and 33 per cent variable. Water and sewerage fixed charges combined will reduce by $176 at the start of PSP5. On the other hand, water variable charge is proposed to increase from $1.26/kL to $1.81/kL. We will also introduce a sewerage variable charge for the first time.

### Inclusion of a variable sewerage charge

PSP5 proposes to restructure the sewerage tariff to move from a one-part to a two-part tariff, with the two-part tariff comprised of:

- a fixed charge
- usage charge based on each customer's estimated discharges (kL) to the sewer network.

This proposal is to move away from the current approach of using ETs as a basis for sewerage charging, which essentially creates a wholly fixed sewerage charging. For customers, the inclusion of a variable sewerage charge has a double benefit. Customers who use less water will pay less water variable charges and less sewerage variable charges. This reflects that they use the water and sewerage systems less and therefore contribute less to the need to incur costs in maintaining and augmenting these systems over time.

70 This is an average SRMC cost across all drinking water systems and therefore considers different treatment processes and different system sizes. Recent analysis into the SRMC at Bryn Estyn indicates that the SRMC for this new plant was $0.53/kL.'

71 We have used two methods to estimate LRMC, the Average Incremental Cost ("AIC") method and the "Turvey" or perturbation method.

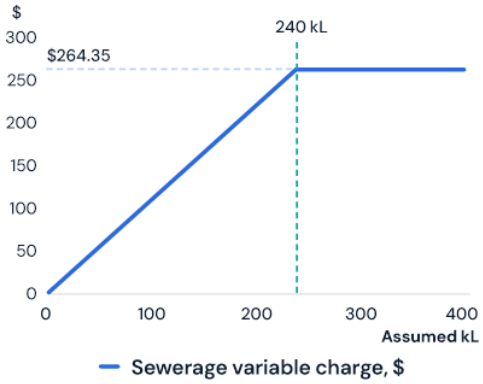
## Application of sewerage fixed and variable charges: Residential customers

Our proposal is to cease using ETs as the basis for sewerage fixed pricing, consistent with the TER's inquiry into sewerage charging and customer feedback. For residential customers, a minimum sewerage fixed charge per customer per installation[72] will be applied. For example, where there are multiple residential dwellings or units at one installation, the customer will be charged the minimum amount multiplied by the number of dwellings or units.

The sewerage variable charge (of $1.10/kL) will be applied to an assumed volume (kL) of customers' discharge to the sewer network. This assumed volume is calculated by multiplying the customer's metered water volume (kL) by the residential discharge factor, which is 90 per cent. The discharge factor is the assumed percentage of water that is discharged to the sewer network. The residential customer 90 per cent discharge factor is consistent with other jurisdictions in Australia.

Residential customers will have their assumed sewerage volume capped at a maximum of 240kL per year. This means customers will not incur additional charges for any sewerage usage above the 240kL annual limit. This means no residential customer will pay more than $264.35 per year for the sewerage variable charge (Figure 12.3).

**Figure 12.3. Sewerage variable charge, with residential customer cap $**




A worked example of the application of sewerage fixed and variable charges for residential customers is provided in Table 12.1.

## Application of sewerage fixed and variable charges: Non-residential customers

For non-residential customers, the fixed charge would be scaled up to reflect the size of each customer's connection using a 20mm standard connection as the base and multiplied by the regulated connection size multiplier. This is the same as the basis for the current water fixed charge. The size of a customer's connection is a readily available proxy that broadly reflects their draw on the supply network (or their contribution to peak demand, and hence contribution to the capacity requirements of the system). Table 12.2 outlines the current approved regulated connection size multiplier, which we propose to maintain in PSP5.

72 'Installation' is defined as a single dwelling, unit or lot that is provided a sewerage service. Each dwelling, unit or lot will attract a minimum sewerage fixed charge.

**Table 12.1. Residential sewerage fixed and variable charge calculation $**

### Example 1 – Residential house, 1 x 20 mm water connection, 173 kL/an

**Sewer fixed charge:**
= 1x minimum standard charge
= 1 x $667.54
=$667.54

**Sewer variable charge:**
Assumed volume:
= water consumption (kL/an) x discharge factor
= 173 kL x 0.9
= 156 kL

**Variable charge:**
= assumed volume (kL) x sewer variable charge
= 156 kL x 1.10 ($/kL)
= $171.49

**Total sewerage charge:**
= sewer fixed charge + sewer variable charge
= $667.54 + $171.49
= $839.03

### Example 2 – Residential house, 1 x 20 mm water connection, 350 kL/an

**Sewer fixed charge:**
= 1x minimum standard charge
= 1 x $667.54
=$667.54

**Sewer variable charge:**
Assumed volume:
= water consumption (kL/an) x discharge factor
= 350 kL x 0.9
= 315 kL – the assumed volume is greater than the 240kL/an discharge cap, therefore the customer will only be charged for 240kL
= 240 kL

**Variable charge:**
= assumed volume (kL) x sewer variable charge
= 240 kL x 1.10 ($/kL)
= $264.35

**Total sewerage charge:**
= sewer fixed charge + sewer variable charge
= $667.54 + $264.35
= $931.88

### Example 3 – Multi unit complex, 10 units, 1 x 40mm connection, 1,200 kL/an

**Sewer fixed charge:**
= 10 x minimum standard charge
= 10 x $667.54
=$6,675.36

**Sewer variable charge:**
Assumed volume per unit:
= water consumption (kL/an) x discharge factor ÷ number of units
= (1,200 kL x 0.9) ÷ 10
= 1080 kL ÷ 10
= 108 kL per unit

**Variable charge per unit:**
= assumed volume (kL) x sewer variable charge x number of units
= 108 kL x 1.10 ($/kL)
= $118.96

**Variable charge for unit complex:**
= Annual variable sewer charge x number of units
= $118.96 x 10
= $1,189.56

**Total sewerage charge:**
= sewer fixed charge + sewer variable charge
= $6,675.36 + $1,189.56
= $7,864.92 (or $786.49 per unit)

**Table 12.2. Regulated connection size multiplier**

| Connection size (mm) | Multiplier |
|---|---|
| 20 | 1.00 |
| 25 | 1.56 |
| 30 | 2.25 |
| 32 | 2.56 |
| 40 | 4.00 |
| 50 | 6.25 |
| 65 | 10.56 |
| 75 | 14.06 |
| 80 | 16.00 |
| 100 | 25.00 |
| 150 | 56.25 |
| 200 | 100.00 |
| 250 | 156.25 |

Due to the diversity in non-residential business activities, we are proposing to apply category-specific discharge factors (Figure 12.3) to these customers. These have been designed to reflect the patterns of water use and subsequent disposal to the sewer system of different types of non-residential and commercial activities. These are based on water industry benchmarks.

The sewerage usage amount will be calculated by multiplying the sewerage usage price ($/kL) by the customer's assumed volume of discharge (kL) to the sewer network. This volume is calculated by applying the customer's discharge factor by their metered water usage.

A worked example of the application of sewerage fixed and variable charges for non-residential customers is provided in Table 12.4.

**Table 12.3. Non-residential sewerage discharge factors**

| Sewage discharge category | Non-residential business type | Range of estimated discharge proportion | Sewerage variable discharge factor |
|---|---|---|---|
| No discharge: No connection to the sewerage system | Vacant land | 0-25% | 0 |
| Low discharge: A small proportion of metered water is discharged to the sewerage system | Beverage manufacturing, garden nurseries | 25-50% | 0.25 |
| Moderate discharge: Around 50% of metered water is discharged to the sewerage system | Outdoor retail | 50-70% | 0.50 |
| Significant discharge: A significant proportion of metered water is discharged to the sewerage system | Child care centres, school, college, university, sporting clubs | 70-90% | 0.70 |
| High discharge: Most, if not all, of metered water is discharged to the sewerage system. | Medical, retirement resorts, indoor shops, hospitality venues, hotels, restaurants, community centres, fabrication and manufacturing | 90-100% | 0.90 |

**Table 12.4. Non-residential sewerage fixed and variable charge calculation $**

| Example 1 – Restaurant, 1 x 20 mm water connection, 150 kL/an | Example 2 – Sporting club, 2 x 25 mm water connection, 420 kL/an |
|---|---|
| **Sewer fixed charge:**<br>= Minimum standard charge x connection charge multiplier (20mm)<br>= $667.54 x 1.0<br>= $667.54 | **Sewer fixed charge:**<br>= Minimum standard charge x connection charge multiplier (2 x25mm)<br>= $667.54 x (2x 1.56)<br>= $667.54 x 3.13<br>= $2,086.05 |
| **Sewer variable charge:**<br>Assumed volume:<br>= water consumption (kL/an) x restaurant specific discharge factor<br>= 150 kL x 0.9<br>= 135 kL | **Sewer variable charge:**<br>Assumed volume:<br>= water consumption (kL/an) x sporting club specific discharge factor<br>= 420 kL x 0.7<br>= 280 kL |
| **Variable charge:**<br>= assumed volume (kL) x sewer variable charge<br>= 135 kL x 1.10 ($/kL)<br>= $148.70 | **Variable charge:**<br>= assumed volume (kL) x sewer variable charge<br>= 280 kL x 1.10 ($/kL)<br>= $308.40 |
| **Total sewerage charge:**<br>= sewer fixed charge + sewer variable charge<br>= $667.54 + $148.70<br>= $816.23 | **Total sewerage charge:**<br>= sewer fixed charge + sewer variable charge<br>= $2,086.05+ $308.40<br>= $2,394.45 |

## 12.3 Customer bill implications – more than 63 per cent of all customers will pay less

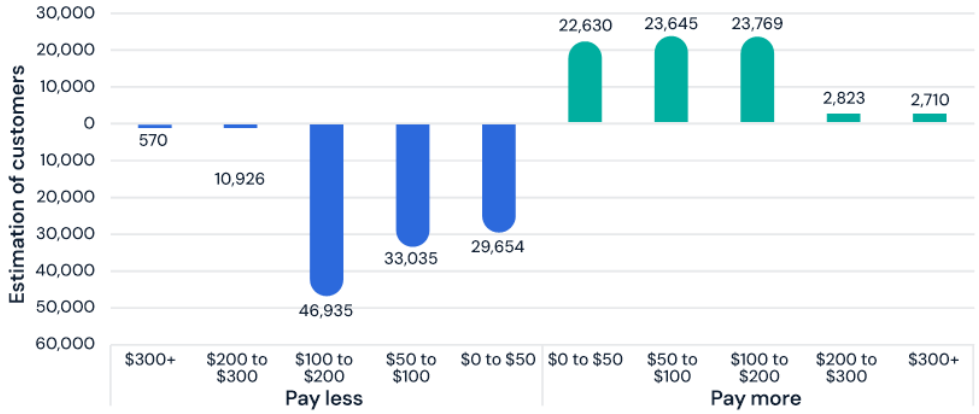
Changes to price structures should not change the total revenue to be recovered by TasWater through our prices (i.e. tariff reform is revenue neutral). Rather, they will change the allocation of costs amongst customers. Customers who use more water will contribute relatively more to our total revenue. This occurs through a relative reduction in fixed charges, which will reduce by $176 per annum at the start of PSP5. Variable charges will relatively increase.

The customer impact analysis we have undertaken compared bills under the current price structure with bills under the proposed new price structure, assuming that in both scenarios we recover our proposed Notional Allowable Revenue (NAR) for the PSP5 regulatory period. This allows us to assess the impacts of the proposed change in price in isolation from our change in costs (as opposed to the combined impact of our proposed change in price structures and proposed increase in the NAR).

When considered in isolation of our proposed price increase for PSP5, 63 per cent of our customer base will pay less (this is relative to current tariffs). Even after the first-year price increase for PSP5, 34 per cent of all customers will pay less with this tariff reform proposal. Customers will benefit more if they reduce their usage during the PSP5 period.

For residential customers only, 62 per cent will pay less before the proposed PSP5 price increase is considered (customers who use less than 199 kL) and 32 per cent will pay less after the first-year price increase (customers who use less than 114 kL). The distribution of residential customers who will pay more and pay less is outlined in Figure 12.4.

**Figure 12.4. Residential customer impacts (no price increase)**



For non-residential customers, 73 per cent will pay less before the proposed PSP5 price increase is considered and 63 per cent will pay less after the first-year price increase. The distribution of non-residential customers who will pay more and pay less is outlined in Figure 12.5. This is because of the many small businesses with low water usage, who will pay less under our proposed new price structures.

**Figure 12.5. Non-residential customer impacts (no price increase)**

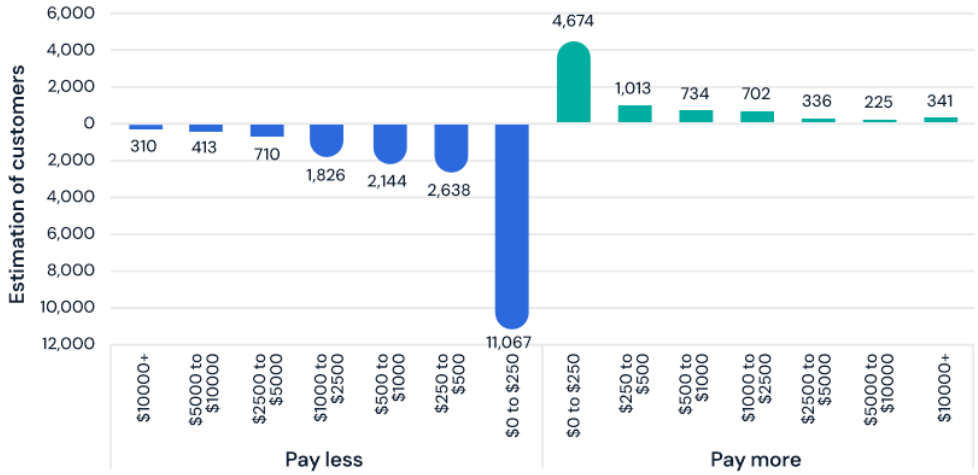


Table 12.5 outlines the customer bill impacts when the proposed tariff reform approach is considered with the PSP5 proposed price increases. More information on the impact of our proposed prices is provided in *Chapter 16 What the proposed prices mean for our customers and how we will support them.*

## 12.4 Application and review of discharge factors

If non-residential customers consider their discharge factors are materially incorrect (i.e. that they discharge less wastewater to the sewer network than indicated by their assigned discharge factor), they can ask TasWater to review their discharge factor. The proposed discharge factor review process is outlined in Table 12.6. This process has been developed based on other water businesses practices.

For charging purposes, we propose to cap residential customers' estimated sewer discharges at 240kL per annum.

## 12.5 Our proposal is an important evolution of water and sewerage pricing in Tasmania

Our proposed changes aim to increase the variable component of a typical residential customer's combined water and sewerage bill, giving customers greater control over the amount of their bill. These changes will ensure prices are more cost-reflective, fair, and equitable, promoting efficient water conservation and use.

They align with customer views and preferences from our customer engagement including the Bill

**Table 12.5. Customer bill impacts of tariff reform with proposed price increases (including inflation)**

| Tariff | FY26 | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| Average household | $1,407 | $1,498 | $1,629 | $1,773 | $1,929 |
| Difference from FY26 | | $90 | $222 | $366 | $522 |
| Pensioner household | $1,290 | $1,237 | $1,346 | $1,465 | $1,593 |
| Difference from FY26 | | -$53 | $56 | $175 | $304 |
| 2-person household | $1,391 | $1,461 | $1,590 | $1,730 | $1,882 |
| Difference from FY26 | | $70 | $199 | $339 | $491 |
| Small family (2 adults, 1 child) | $1,492 | $1,712 | $1,862 | $2,026 | $2,204 |
| Difference from FY26 | | $220 | $371 | $534 | $713 |
| Family (2 adults, 2 children) | $1,593 | $1,856 | $2,020 | $2,197 | $2,391 |
| Difference from FY26 | | $264 | $427 | $605 | $798 |
| Large Family (5 people) | $1,694 | $2,001 | $2,177 | $2,369 | $2,577 |
| Difference from FY26 | | $307 | $484 | $675 | $884 |
| 6+ person household | $1,793 | $2,144 | $2,333 | $2,538 | $2,761 |
| Difference from FY26 | | $351 | $539 | $745 | $968 |
| Business | $1,580 | $1,838 | $2,000 | $2,176 | $2,368 |
| Difference from FY26 | | $258 | $420 | $596 | $787 |

Simulator survey, comply with the TER's Inquiry into sewerage charges, and adhere to the National Water Initiative's Pricing Principles, whilst bringing TasWater more in line with the pricing structures of other Australian water utilities.

We believe that our proposed price structures are consistent with the pricing principles outlined in the *Water and Sewerage Industry Act 2008*. In particular, our proposed regulated prices:

- Improve and extend a two-part pricing approach to sewerage charges.
- Enhance incentives to promote economic efficiency, reduce costs or otherwise improve productivity with respect to a regulated service; with greater variable charge.
- Are commercially and technically reasonable.
- Allow for prices that are cost reflective for customers or customer classes, as a customer's bill will more closely reflect its usage and therefore the costs of supplying that customer.

We have provided further analysis regarding the customer impacts of these proposed prices in *Chapter 16 What the proposed prices mean for our customers and how we will support them.*

**Table 12.6. Mechanism to review a customer's discharge factor**

| | |
|---|---|
| **Step 1: Customer enquiry** | A customer asks TasWater to review the discharge factor. This can occur via a call to TasWater's contact centre or through completing an online form. |
| **Step 2: Customer indoor water usage audit** | TasWater will ask the customer to complete an indoor water usage audit over a specified number of days. During this period, the customer will be required to document and log their water usage. TasWater will provide a logbook for the customer to populate. |
| **Step 3: Desktop analysis by TasWater** | Using the information provided by the customer in the audit, TasWater will complete a desktop analysis to determine whether the current customer discharge factor is appropriate or requires refinement. |
| **Step 4: Complete an onsite assessment to determine the discharge factor** | If the outcome of the desktop analysis results in the refinement of the customer discharge factor, TasWater will complete an onsite assessment. The purpose of the onsite assessment is to determine the customer's new discharge factor. This will be completed by measuring water flows in and out of the installation over a specified duration.<br>To set up the assessment the customer will be required to:<br>• purchase new water meters for each of the installation's outdoor taps<br>• hire a licensed plumber to check and install the meters.<br>Once set up, TasWater will complete the meter reads at the start and the end of the assessment period. The customer will be liable to pay a fee to cover the cost of the meters reads, administering the assessment and completing the analysis. The estimate of this fee is $484. |
| **Step 5: Apply the new discharge factor to the customer's account (if applicable)** | If the onsite assessment results in a change to the discharge factor, TasWater's billing system will be updated to reflect this change. The new discharge factor will be applied to the customer's future bills on completion discharge factor review. The customer's bill will not be backdated to reflect the change in the discharge factor. |

# 13. Our proposed water and sewerage prices

### Our proposed water and sewerage charges

- Our regulated water and sewerage prices reflect the pricing principles outlined in our governing legislation.
- Our proposed water and sewerage prices reflect our proposal for tariff reform outlined in *Chapter 12 Our proposed price structures*. This will see us increase the portion of customer bills based on usage, giving greater control of bills to customers.
- We are proposing to retain a 'postage stamp' pricing approach, along with the same customer classes.
- We are proposing to change the name of the 'fixed' and 'service' charges to 'access' charges.
- This results in our water access charge being $346 per annum and our sewerage access charge being $668 per annum in 2026-27. This is a combined reduction of $176 per annum from 2025-26 prices.
- The water variable charge is $1.81 per kL and a new sewerage variable charge is $1.10 per kL (with a discharge factor applied to water usage to estimate sewer discharge volume).
- We have proposed minor changes to our customer contract and PSP5 supporting policies for the PSP5 period, aimed to improve their clarity for customers.

This section of our submission outlines our approach to tariff reform in PSP5, it includes:

13.1 Approach to pricing

13.2 Application of regulated water and sewerage prices

13.3 Renaming of water and sewerage fixed prices

13.4 Regulated water prices

13.5 Regulated sewerage prices

13.6 Miscellaneous service prices

13.7 Proposed customer contract

13.8 Proposed supporting policies

13.9 Service introduction and service replacement

13.10 Bill presentation

13.11. Unregulated revenue

## 13.1 Approach to pricing

Our prices have been set to recover our Notional Allowable Revenue, less a proposed amount to be deferred into the PSP6 period. This will provide us with sufficient revenue to meet our obligations and deliver the agreed standards of customer service, while taking into account the impact of price changes on customers.

In accordance with the *Water and Sewerage Industry Act 2008*, the price for the provision of a regulated service must:

- Provide a regulated entity reasonable opportunity to recover the efficient costs it incurs in providing those services or complying with its regulatory obligations
- Provide for efficient and cost-reflective pricing
- Provide effective incentives to promote economic efficiency, reduce costs or otherwise improve productivity
- Allow a regulated entity to receive a return on assets used in providing the regulated service
- Reflect, to the extent that it is commercially and technically reasonable, the costs that are directly attributable to a particular customer or class of customers.

We believe that our proposed regulated prices meet the pricing principles outlined in the *Water and Sewerage Industry Act 2008*.

## 13.2 Application of regulated water and sewerage prices

### Serviced land

The *Water and Sewerage Industry Act 2008* requires our PSP5 Proposal to include a description of the land, identifiable by individual title or locality, that we will permit to be connected to our water infrastructure and/or sewerage infrastructure. This description of land is referred to as 'serviced land'.

We have identified serviced land using individual land titles that meet the requirements in Table 13.1.

### Pricing zones

For the PSP5 period, we will continue to adopt a postage stamp pricing approach whereby customers pay the same prices regardless of where they live in Tasmania, or where their business is located in Tasmania. Postage stamp pricing has been retained for PSP5 as:

- The concept of paying the same price for the same service is viewed by customers as equitable for essential services such as water and sewerage
- Uniform pricing is simple to understand, particularly given the many different prices that applied when services were supplied by Tasmanian councils
- Customers have paid postage stamp prices since 2015 – change would be likely to create customer confusion and administrative burden
- The enhanced efficiency that can result from nodal pricing cannot occur until prices are cost-reflective
- Operating our business as a single network minimises costs for all customers
- Costing for regions would take time, incur cost, and be uncertain.

### Customer classes

For the PSP5 period, our customer classes for regulated services are:

- Full-service (Water)
- Full-service (Sewerage)
- Limited water quality customers
- Limited water supply customers
- Combined limited water quality and limited water supply customers
- Fire service customers
- Commercial trade waste customers
- Septic Tank Effluent Disposal (STED) customers.

**Table 13.1. Description of serviced land**

| Description of serviced land – Water |
|---|
| We identify serviced land based on servicing factors and the standards in the TasWater Supplement to WSAA Water Supply Code of Australia (MRWA Edition) (available on our website www.taswater.com.au). This Supplement details our minimum service pressure at peak hour demand and minimum flow rate as follows:<br>• Minimum service pressure at the connection point is 220kPa, static head of 22m<br>• Minimum flow rate at the connection point is 15 litres/minute<br>Land titles are defined as water serviced land when they meet all the following criteria:<br>• Can be supplied with treated water.<br>• Are within 30 metres of our water reticulation main.<br>• Can receive the minimum flow and pressure at the connection point as described in the Supplement.<br>• Connection to our reticulation would not cross a land title owned by a third party; and<br>• The physical characteristics or location of the property are not such as to require the application of unusual or unusually costly infrastructure, design, or installation techniques in order for the connection to be made.<br>Treated water means either fully treated water or disinfection-only water supplies. Raw water supplies are excluded.<br>Land titles that do not meet the criteria listed above are unserviced for water. |
| **Description of serviced land – Sewer** |
| We have a range of sewerage infrastructure around the state depending on local conditions and topography.<br>Land titles are defined as sewer serviced land when they meet all the following criteria:<br>• Are within 30 metres of our sewer reticulation main and can be serviced via gravity connection.<br>• Connection to our reticulation main would not require installation of infrastructure on land owned by a third party beyond distances set out in the TasWater Supplement to WSA 02-2014-3.1 WSAA Gravity Sewerage Code of Australia.<br>• The physical characteristics or location of the land title are not such as to require the application of unusual or unusually costly infrastructure, design, or installation techniques in order for the connection to be made; and<br>• Are not otherwise considered unserviced land in accordance with the unserviced land section below.<br>Land titles that do not meet the criteria listed above are unserviced for sewer. |

## 13.3 Renaming of water and sewerage fixed prices

For the PSP5 period, we have proposed to rename water and sewerage fixed charges to "access" charges, to enhance clarity for customers. The proposed changes are provided in Table 13.2. We have update our proposed customer contract and policies to reflect this change.

**Table 13.2. Proposed nomenclature for fixed charges in PSP5**

| PSP4 Approved Nomenclature | Proposed PSP5 Nomenclature |
|---|---|
| Water – Fixed charges | Water Access Charge |
| Sewerage – Fixed charges | Sewerage Access Charge |
| Maximum water service charge for unconnected properties within serviced land | Water access charge for unconnected properties within serviced land |
| Maximum sewerage service charge for unconnected properties within serviced land | Sewerage access charge for unconnected properties within serviced land |

## 13.4 Regulated water prices

### Water access charge – full-service

The fixed component of our water price is shown in Table 13.3. All connections greater than 20mm are derived by applying a multiplier to the 20mm connection price. This accounts for the cost of providing extra system capacity needed to supply water to connections of a larger size.

### Water access charge – limited supply

Limited water supply customers do not receive the minimum pressure and flow that is guaranteed to customers under our serviced land definition. These customers pay 90 per cent of the fixed component for full-service customers to reflect the lower pressure and flow service levels (Table 13.4).

**Table 13.3. Water access charge per connection size for full service customers, $**

| Connection size (mm) | Multi-plier | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| 20 | 1.00 | 345.73 | 376.15 | 409.25 | 445.27 |
| 25 | 1.56 | 539.33 | 586.79 | 638.43 | 694.61 |
| 30 | 2.25 | 777.88 | 846.34 | 920.82 | 1,001.85 |
| 32 | 2.56 | 885.06 | 962.94 | 1,047.68 | 1,139.88 |
| 40 | 4.00 | 1,382.91 | 1,504.60 | 1,637.01 | 1,781.06 |
| 50 | 6.25 | 2,160.79 | 2,350.94 | 2,557.82 | 2,782.91 |
| 65 | 10.56 | 3,650.87 | 3,972.15 | 4,321.70 | 4,702.01 |
| 75 | 14.06 | 4,860.91 | 5,288.67 | 5,754.08 | 6,260.44 |
| 80 | 16.00 | 5,531.62 | 6,018.41 | 6,548.03 | 7,124.25 |
| 100 | 25.00 | 8,643.16 | 9,403.76 | 10,231.29 | 11,131.64 |
| 150 | 56.25 | 19,447.11 | 21,158.46 | 23,020.40 | 25,046.20 |
| 200 | 100.00 | 34,572.64 | 37,615.04 | 40,925.16 | 44,526.57 |
| 250 | 156.25 | 54,019.76 | 58,773.49 | 63,945.56 | 69,572.77 |

### Variable water charge

The variable component of the water price covers the cost to pump and treat water for delivery to customer properties. Limited water quality customers pay 80 per cent of the variable water price to compensate for measures they need to take as result of not receiving our standard water quality, such as boiling water for drinking purposes (Table 13.5).

**Table 13.4. Water access charge per connection size for limited supply customers, $**

| Connection size (mm) | Multi-plier | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| 20 | 1.00 | 311.15 | 338.54 | 368.33 | 400.74 |

**Table 13.5. Variable water charge per kilolitre of water, $**

| Parameter | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Full service (i.e. water of drinking water quality) | 1.81 | 1.97 | 2.14 | 2.33 |
| Limited water quality | 1.45 | 1.57 | 1.71 | 1.86 |

Table 13.6. Water prices – fire service charges, $

| Connection size (mm) | Multi-plier | FY27 | FY28 | FY29 | FY3( |
|---|---|---|---|---|---|
| 20 | 1.00 | 86.43 | 94.04 | 102.31 | 111.32 |
| 25 | 1.56 | 134.83 | 146.70 | 159.61 | 173.65 |
| 30 | 2.25 | 194.47 | 211.58 | 230.20 | 250.46 |
| 32 | 2.56 | 221.26 | 240.74 | 261.92 | 284.97 |
| 40 | 4.00 | 345.73 | 376.15 | 409.25 | 445.27 |
| 50 | 6.25 | 540.20 | 587.73 | 639.46 | 695.73 |
| 65 | 10.56 | 912.72 | 993.04 | 1,080.42 | 1,175.50 |
| 75 | 14.06 | 1,215.23 | 1,322.17 | 1,438.52 | 1,565.11 |
| 80 | 16.00 | 1,382.91 | 1,504.60 | 1,637.01 | 1,781.06 |
| 100 | 25.00 | 2,160.79 | 2,350.94 | 2,557.82 | 2,782.91 |
| 150 | 56.25 | 4,861.78 | 5,289.61 | 5,755.10 | 6,261.55 |
| 200 | 100.00 | 8,643.16 | 9,403.76 | 10,231.29 | 11,131.64 |
| 250 | 156.25 | 13,504.94 | 14,693.37 | 15,986.39 | 17,393.19 |

### Fire service charge

Fire service charges recover the cost of supplying customers with water for fire sprinklers and/or fire hydrants that meet Australian Building Code requirements. They include a mix of fixed and miscellaneous price components. Consistent with PSP4, the fire service charge for the PSP5 period will continue to be set at 25 per cent of the fixed water price for the relevant connection size (Table 13.6).

### Water access charge for unconnected properties within serviced land

A charge is levied on properties that are within water serviced land area but are not connected to the network. If this was not the case, properties currently connected would carry the burden of those not currently connected. This charge represents the fixed 20mm water price and is designed to share more broadly the cost of our infrastructure in areas that may benefit from our services (Table 13.7). The retention of this charge is consistent with the findings of the TER's *Inquiry into service charges*.

Table 13.7. Water access charges for unconnected properties in serviced land, $

| Parameter | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Unconnected properties in serviced land | 345.73 | 376.15 | 409.25 | 445.27 |

## 13.5 Regulated sewerage prices

### Sewerage access charges for full-service customer

We have outlined our proposal to move to fixed and variable sewerage charges in *Chapter 12 Our proposed price structures*. As part of this, will propose to cease using ETs as the basis for sewerage fixed pricing, consistent with the TER's Inquiry into sewerage charging and customer feedback.

For residential customers, a minimum sewerage access charge per customer per installation[73] will be applied. For example, where there are multiple

73 'Installation' is defined as a single dwelling, unit or lot that is provided a sewerage service. Each dwelling, unit or lot will attract a minimum sewerage fixed charge.

**Table 13.8. Sewerage access charge per water connection size for full-service non-residential customers, $**

| Connection size (mm) | Multi-plier | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| 20 | 1.00 | 667.54 | 726.28 | 790.19 | 859.73 |
| 25 | 1.56 | 1,041.36 | 1,132.99 | 1,232.70 | 1,341.18 |
| 30 | 2.25 | 1,501.96 | 1,634.13 | 1,777.93 | 1,934.39 |
| 32 | 2.56 | 1,708.89 | 1,859.27 | 2,022.89 | 2,200.90 |
| 40 | 4.00 | 2,670.14 | 2,905.11 | 3,160.77 | 3,438.91 |
| 50 | 6.25 | 4,172.10 | 4,539.24 | 4,938.70 | 5,373.30 |
| 65 | 10.56 | 7,049.18 | 7,669.50 | 8,344.42 | 9,078.73 |
| 75 | 14.06 | 9,385.55 | 10,211.48 | 11,110.09 | 12,087.78 |
| 80 | 16.00 | 10,680.57 | 11,620.46 | 12,643.06 | 13,755.65 |
| 100 | 25.00 | 16,688.39 | 18,156.97 | 19,754.78 | 21,493.20 |
| 150 | 56.25 | 37,548.88 | 40,853.18 | 44,448.26 | 48,359.71 |
| 200 | 100.00 | 66,753.56 | 72,627.87 | 79,019.13 | 85,972.81 |
| 250 | 156.25 | 104,302.44 | 113,481.05 | 123,467.39 | 134,332.52 |

residential dwellings or units at one installation, the customer will be charged the minimum access charge amount multiplied by the number of dwellings or units.

For non-residential customers, the sewerage fixed charge would be scaled up to reflect the size of each customer's connection, using a 20mm standard connection as the base and multiplied by the regulated connection size multiplier.

The sewerage access charge for full service is set out in Table 13.8. The proposed minimum sewerage access charge is $667.54 per annum. Worked examples of how the sewerage access charge is applied for residential and non-residential customers are provided in *Chapter 12 Our proposed price structures*.

## Sewerage access charge for unconnected properties within serviced land

A charge is levied on properties that are within serviced land area but are not connected to the network (Table 13.9). The retention of this charge is consistent with the findings of the TER's Inquiry into service charges.

**Table 13.9. Sewerage access charges for unconnected properties in serviced land, $**

| Parameter | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Unconnected properties in serviced land | 510.28 | 555.19 | 604.04 | 657.20 |

## Sewerage variable charges for full-service customer

The sewerage variable charge will be applied to an assumed volume (kL) of customers' discharge to the sewer network. This assumed volume is calculated by multiplying the customer's metered water volume (kL) by a discharge factor.

The new proposed sewerage variable charge is $1.10 per kL (Table 13.10).

For residential customers, the discharge factor is 90 per cent of metered water usage. Residential customers will have their assumed sewerage volume capped at a maximum of 240kL per year.

For non-residential customers, we propose to apply category-specific discharge factors, as outlined in Table 13.11.

**Table 13.10 Variable sewerage charge, $ kL**

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Sewerage variable charge | 1.10 | 1.20 | 1.30 | 1.42 |

**Table 13.11. Variable discharge factors by customer categories**

| Customer Category Descriptions | Sewerage variable discharge factor |
|---|---|
| **Residential** | |
| Residential | 0.90 |
| Vacant - Residential | 0.00 |
| **Residential** | |
| Medical | 0.90 |
| Aged Care | 0.90 |
| Retail - indoor | 0.90 |
| Business | 0.90 |
| Retail - outdoor | 0.50 |
| Community - indoor | 0.90 |
| Commercial - fabrication and manufacturing | 0.90 |
| Community - outdoor | 0.70 |
| Child Care Centres | 0.80 |
| Educational | 0.80 |
| Services | 0.90 |
| Hospitality | 0.90 |
| Accommodation | 0.90 |
| Sporting Clubs | 0.70 |
| Undefined | 0.90 |
| Commercial - beverage | 0.25 |
| Unknown | 0.90 |
| Vacant - non-residential | 0.00 |

### Residential sewerage discharge cap

For charging purposes, residential customers will have their estimated sewerage discharge capped at 240kL per year. This results in residential customers with discharge great than 240kL paying a maximum amount per year for sewerage discharge (Table 13.12).

**Table 13.12 Residential sewerage discharge cap, kL/an and maximum variable charge, $,kL**

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Discharge cap, kL | 240 | 240 | 240 | 240 |
| Maximum sewerage variable charge, $/an | 264.35 | 287.61 | 312.92 | 340.46 |

## Fixed sewerage charges for motor home dump points and unconnected properties in serviced land

The portion of the fixed sewerage charge for motor home dump points and unconnected properties within serviced land is set out in Table 13.13. Motor home dump points are considered to be equivalent to one 20mm full-service customer. Unconnected properties in serviced land are assessed at 60 per cent of a full-service connection.

**Table 13.13. Fixed sewerage charge per connection size for motor home dump points and unconnected, $**

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Motor home dump points | 667.54 | 726.28 | 790.19 | 859.73 |
| Unconnected properties in serviced land | 400.52 | 435.77 | 474.11 | 515.84 |

## STED schemes – sewerage charge

We operate a small number of STED schemes that take liquid waste from customers' septic tanks through the network to a treatment plant. Customers in these areas buy and maintain their own septic tanks and engage a contractor to undertake maintenance, such as desludging. Properties within STED scheme areas are charged at 70 per cent of a full-service connection. These proposed prices are provided in Table 13.14.

**Table 13.14. STED scheme sewerage prices, $**

| Parameter | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| STED scheme | 467.27 | 508.40 | 553.13 | 601.81 |

## 13.6 Miscellaneous service prices

In addition to water and sewerage prices, we need to recover the costs of any ad-hoc activities connected to those services. This is done through miscellaneous prices. The proposed miscellaneous service prices for PSP5 are set out in Table 13.15.

We have provided a complete list of all of the proposed prices for this PSP5 Proposal in *Appendix E Schedule of proposed water and sewerage charges.*

**Table 13.15. Miscellaneous service prices, $**

| Miscellaneous services | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| **Water Metering Fees** | | | | |
| Special meter reads | 74.56 | 76.59 | 78.68 | 80.82 |
| Meter testing - onsite | 97.77 | 100.44 | 103.17 | 105.98 |
| Meter testing - offsite | POA | POA | POA | POA |
| **Sundry Fees** | | | | |
| Restriction charge | 129.34 | 132.87 | 136.49 | 140.21 |
| Account establishment | 30.75 | 31.59 | 32.45 | 33.33 |
| Account administration bounced payments (per transaction) | 8.72 | 8.96 | 9.20 | 9.45 |
| Fire service installation, $ | POA | POA | POA | POA |
| Service locater fee, $ | 115.72 | 118.88 | 122.12 | 125.44 |
| Property Information Plan, $ | 55.95 | 57.48 | 59.04 | 60.65 |
| Backflow Prevention Management, $ | POA | POA | POA | POA |
| Sewerage discharge factor review, $ | 484.34 | 497.53 | 511.09 | 525.01 |
| **Other regulated services** | | | | |
| Private filling stations, fixed charge per annum for 20mm, scaled by size, $ | 446.78 | 486.10 | 528.88 | 575.42 |
| Private filling station, $/kL | 1.38 | 1.51 | 1.64 | 1.78 |
| Security deposit, one off fee for public filling stations | 61.50 | 63.17 | 64.90 | 66.66 |
| Public filling station - Account keeping fee (per account) | 7.42 | 8.07 | 8.78 | 9.56 |
| Public filling stations, $/kL | 2.13 | 2.32 | 2.52 | 2.75 |
| Portable metered standpipes, fixed charge per annum for 20mm, scaled by size | 446.78 | 486.10 | 528.88 | 575.42 |
| Portable metered standpipes, $/kL | 1.38 | 1.51 | 1.64 | 1.78 |

## 13.7 Proposed customer contract

Consistent with our requirements we are proposing a new customer contract with this PSP5 Proposal.

Using the existing PSP4 customer contract as a basis, we have reviewed and updated our proposed PSP5 customer contract. Our proposed changes attempt to provide greater clarity by including simplified language, removing duplication, and some reordering of clauses. In addition, all proposed changes in the PSP5 Proposal that are relevant to the contract have been updated in the PSP5 contract. Further detail regarding the proposed changes is provided in *Appendix F. Customer Contract*.

## 13.8 Proposed supporting policies

The application of our regulated prices are supported by a number of policies. These policies help clarify how and when certain prices can be applied and provide guidance on the approach to apply prices and charges. These policies (and in one case process) are:

- Appendix G. Connections
- Appendix H. Access charges
- Appendix J. Service Extension and Expansion
- Appendix K. Service Introduction Policy
- Appendix L. Service Replacement Process

Our review of PSP5 supporting policies did not result in significant changes to the pre-existing policies. In nearly all cases, proposed changes are to improve clarity for customers and TasWater in the application of the policy.

We have, however, proposed the re-introduction of a sub-metering policy for PSP5. We believe that the re-introduction of a sub-metering policy will provide greater clarity for metering at multi-dwelling sites. With the move to greater variability of water and sewerage pricing, along with our other tariff reform proposals, a sub-metering policy will best support fair and accurate billing.

The new sub-metering policy would apply to new developments and is provided at Appendix I Sub-metering policy.

## 13.9 Service introduction and service replacement

We do not have any service introductions or service replacement projects planned for PSP5.

## 13.10. Bill presentation

We are not proposing a change to how our bill is presented as part of this PSP5 Proposal. We note that should our proposed changes to price structures and nomenclature be approved, this would need to be presented inminor changes to bill presentation. We would prepare these changes consistent with the requirements of the TER's Customer Service Code. We are also committed to providing supporting information to customers about any changes to prices throughout the time new prices are implemented around 1 July 2026.

## 13.11 Unregulated revenue

The forecast demand and revenue from our customers with section 61 contracts (e.g. Category 3 and 4 industrial trade waste customers) and other services that are not price regulated will be provided as supporting information to this PSP5 Proposal. The costs and revenue for these services are not included in our proposed regulated water and sewerage prices.

**Appendices for *Chapter 13 Our proposed water and sewerage prices***

- Appendix E. Schedule of proposed water and sewerage charges
- Appendix F. Customer Contract
- Appendix G. Connections Policy
- Appendix H. Access Charges Policy
- Appendix I. Sub-metering Policy
- Appendix J. Service Extension Policy
- Appendix K. Service Introduction Policy
- Appendix L. Service Replacement Process

# 14. Our proposed trade waste charges

### Our proposed approach to commercial trade waste prices

- We have reviewed our regulated trade waste prices for commercial customers in preparation for PSP5.
- We aim to set these charges in a way that is equitable, transparent, cost-reflective and easy for customers to understand.
- An extensive review into trade waste pricing has determined more meaningful and easier to understand customer categories and an improved cost-reflective pricing structure. Our proposed trade waste pricing approach is consistent with industry best practice.
- We have included detailed customer price impact modelling in this PSP5 Proposal.
- Under the new charges, 64 per cent of commercial trade waste customers will pay less (when considered exclusive of the proposed PSP5 price increase).
- Our proposal for trade waste prices will result in more cost reflective and equitable regulated trade waste charges. This brings Tasmania in line with national industry best practice and will result in better outcomes for trade waste treatment and customers in the long-term.

This section of our submission outlines our approach to commercial trade waste and developer charges in PSP5, it includes:

14.1 Background to trade waste charges

14.2 Improving our trade waste charges: A more cost-reflective approach

14.3 Proposed trade waste charges approach

14.4 Customer price impacts: 64 per cent of customers will pay less

14.5 Industrial trade waste charges

## 14.1 Background to trade waste charges

Trade waste is the component of sewage that is not residential or domestic by its nature. It is generated by industrial or commercial processes and discharged to our sewerage system. Due to its nature and strength, trade waste can represent a greater load on our sewerage network and sewage treatment plants and consequently drive additional costs in our systems.

Due to the additional costs trade waste incurs on our operations, we apply trade waste charges with the aim to recover costs associated with trade waste treatment. In this way, trade waste charges are a practical application of the accepted 'polluter pays' principles.

Our approximately 4,000 commercial trade waste customers are price regulated. Commercial trade waste customers carry out business activities such as restaurants, cafés, hairdressers and bakeries. A smaller number of larger industrial trade waste customers are not price regulated.

In October 2024, the TER completed an Inquiry into Trade Waste Charging. Based on our review of trade waste charges, we proposed a new charging structure that we believe is more cost reflective, easier for customers to understand and easier to administer.

At the time of completing the inquiry, the TER was not convinced that a case for change to trade waste charges existed, in part due to a lack of customer price impact modelling, which we acknowledge we had not completed at that stage. The TER noted that we should include the customer impact modelling for any proposed changes to trade waste charges in this PSP5 Proposal.

In this PSP5 Proposal, we continue to propose a change to the structure and approach to trade waste charges, that are more cost reflective and clearer for customers. We acknowledge the TER's previous concern and as part of our proposal we have:

- Provided detailed calculations and justifications for the build-up of new cost reflective charges.
- Performed detailed customer impact modelling, summarised in this chapter but provided in detail as supporting information.

## 14.2 Improving our trade waste charges: A more cost-reflective approach

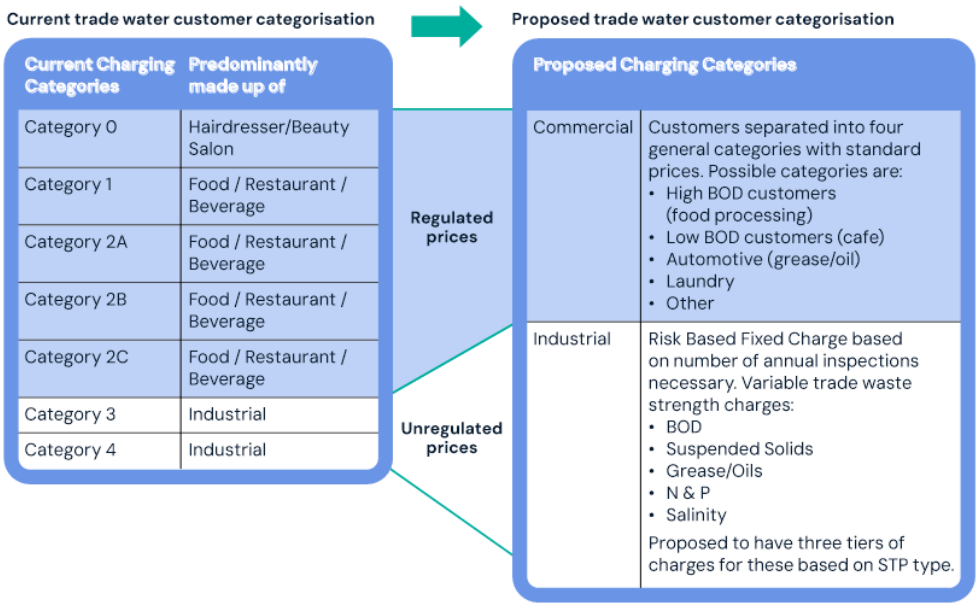
We have undertaken a review of trade waste management and charging in preparation for the PSP5 proposal. The principles that underpin our revised approach to trade waste charging for our commercial customers are:

- Trade waste quality charges will assume that the cost of treating the 'domestic equivalent' mass is covered by the sewerage fixed and usage charge.
- Trade Waste charges will be based on a 'Cost to Serve' and a 'Cost to Treat' approach to calculating the tariffs
- Cost to Serve charges will be based on the efficient administrative cost of providing the service
- Cost to Treat charges, or trade waste quality charges, will be based on an aggregate operational cost of TasWater treating the substances at its sewage treatment plants

We have also proposed a changed approach to customer categorisation, making our categorisation simpler and more transparent for customers. The current and proposed categories are outlined in Figure 14.1.

In addition, a new trade waste policy has been prepared to incorporate the above-mentioned changes. The trade waste policy is provided as *Appendix M*.

**Figure 14.1. Current and proposed trade waste customer categories**




## 14.3 Proposed trade waste charges approach

### Cost to Serve fees

Cost to Serve fees are fixed charges levied for a specific service as a payment for the service. It is generally transactional in nature and covers efficient administrative effort. The basis for the fee mentioned below will be the averaged assessment time x the corporate charge out rate ($/hour).

Cost to Serve fees include:

1. **Application fee** – The application fee is an up-front payment that covers the cost of assessing whether TasWater can accept a trade waste discharge. The reason for it being an upfront payment is that the assessment may not result in permission, but it is reasonable for TasWater to provide this service and recover reasonable costs.
2. **Commercial consent fee** – Should a commercial application be assessed as acceptable; the customer will be issued a consent document. The consent assumes that the customer will install pretreatment and maintain it. TasWater will monitor the Consent to ensure the customer complies with the conditions at installation and throughout the year. The annual consent fee will cover the averaged time taken to monitor a Commercial Consent.
3. **Additional inspection fee** – There will be circumstances where TasWater will need to reinspect sites more often than the expectations contained within the consent fee. This is particularly the case if a customer is in default of approval conditions.

### Cost to Treat Fee

The cost to treat trade waste generated by a discharger will be recovered through volumetric quality and fixed charges. We propose that trade waste charges should recover the reasonable

costs of discharging wastewater of a strength that is greater than domestic discharge.

TasWater's sewage treatment plants have been designed to treat sewage that is received from residential households. As such, the only substances that will be charged for are those that a sewage treatment plant was designed to treat.

Trade waste costs exclude the treatment cost of domestic strength wastewater, as well as the majority of network costs such as pumping and network maintenance. These costs are recovered through the proposed sewerage charges applied to all wastewater customers (including trade waste customers).

The chargeable substances applicable to commercial trade waste dischargers are:

1. Biochemical Oxygen Demand (BOD5)
2. Suspended solids
3. Grease
4. Nitrogen

To determine the new proposed trade waste charges, a 'cost to treat' has been determined for each chargeable substance, derived by selecting various types of sewage treatment plants and investigating the costs to treat these substances.

The five charging bands represent different customer categories that have broadly similar effluent quality, and a fifth 'other' charging band that include business processes that are difficult to quantify due to their variability and relatively low impact on treatment. Table 14.2 outlines the proposed commercial charging bands.

**Table 14.2. Proposed commercial trade waste charging bands**

| Charging band | Business process examples |
|---|---|
| Commercial – low strength BOD | Café, restaurants, take away food, function centres, caterers, commercial kitchen, retail butcher |
| Commercial – high strength BOD | Combi-oven, duck roaster, bakery, bubble tea house, nano and microbrewery <12kL/day discharge, smallgoods <5kL/day discharge, distillery <4kL/day discharge, cottage food manufacturer <8 kL/day, doughnut shop |
| Automotive | Mechanical workshop, car wash, truck wash – external wash only, covered equipment wash bay |
| Laundry | Commercial laundry <12kL/day discharge, laundromat, in-house laundry |
| Other | Kennels, science laboratory, pottery, dental technician, plaster room, boiler blow down |

If a customer cannot install prescribed pretreatment, or pretreatment is not maintained, a non-compliance rate will be used which will be five times the compliant charging rate.

The basis for each charging band is based upon the average effluent quality produced by a customer allocated to a charging band. Table 14.3 provides the charging bands and the average effluent quality that forms the basis for the cost to treat amounts in Table 14.4.

**Table 14.1. Commercial trade waste cost to serve fixed charges, $nominal**

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Application fee (One off) | 229.16 | 249.33 | 271.27 | 295.14 |
| Commercial consent fee (Annual) | 458.32 | 498.65 | 542.53 | 590.27 |
| Additional inspection fee (As required) | 152.77 | 166.22 | 180.84 | 196.76 |

**Table 14.3. Charging bands by charging effluent quality**

| Charging band | Charging effluent quality |
|---|---|
| Commercial – low strength BOD | $/kL based on effluent quality of:<br>BOD5 2300mg/L<br>Suspended solids 640 mg/L<br>Grease 405 mg/L<br>Nitrogen 80 mg/L<br>Phosphorus 30 mg/L<br>**Less domestic equivalent** |
| Commercial – high strength BOD | $/kL based on effluent quality of:<br>BOD5 4500mg/L<br>Suspended solids 800 mg/L<br>Grease 525 mg/L<br>Nitrogen 80 mg/L<br>Phosphorus 30 mg/L<br>**Less domestic equivalent** |
| Automotive | $/kL based on effluent quality of:<br>BOD5 1500mg/L<br>Suspended solids 300 mg/L<br>Grease 70 mg/L<br>Phosphorus 20mg/L<br>**Less domestic equivalent** |
| Laundry | $/kL based on effluent quality of:<br>BOD5 300mg/L<br>Suspended solids 300 mg/L<br>Grease 60 mg/L<br>Phosphorus 40mg/L<br>**Less domestic equivalent** |
| Other | Flat rate charge per process |

Table 14.4 (see page 194) provides the determined cost to treat charging rates in FY2023-24 dollars. The cost to treat has been applied to a typical effluent quality for each charging band, resulting in the ($/kL) charges. The typical effluent quality for the charging band is based on industry benchmark[74].

Table 14.5 outlines the proposed cost to treat charging rates during the PSP5 period and are based upon the cost to treat charging rates mentioned in Table 14.4.

**Table 14.5. Cost to treat by charging band, $/kL**

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| Commercial – low strength BOD | 2.28 | 2.48 | 2.70 | 2.93 |
| Commercial – high strength BOD | 4.11 | 4.47 | 4.86 | 5.29 |
| Mechanical | 1.00 | 1.09 | 1.18 | 1.29 |
| Laundry | 0.10 | 0.11 | 0.12 | 0.13 |
| Other* | 116.55 | 126.81 | 137.96 | 150.11 |

*all other business processes will be charged a flat rate $/year.

**Table 14.4. Cost to treat by charging band, $/kL ($FY24 dollar terms)**

| | | Charging Band / Charging Rate $/kL | | | | |
|---|---|---|---|---|---|---|
| Substance | Cost to treat ($/kg) FY2024 | Commercial – low strength BOD | Commercial – high strength BOD | Automotive | Laundry | Other |
| **Biochemical Oxygen Demand** | 0.64 | 1.30 | 2.70 | 0.79 | 0.03 | All remaining business processes will be charged at a flat rate of $100 per annum. |
| **Suspended solids** | 0.34 | 0.15 | 0.20 | 0.03 | 0.03 | |
| **Grease** | 0.99 | 0.36 | 0.48 | 0.03 | 0.02 | |
| **Nitrogen** | 4.04 | 0.14 | 0.14 | 0.00 | 0.00 | |
| **Compliant Charging Rate $/kL** | | **1.95** | **3.52** | **0.86** | **0.09** | |
| **Non-compliant Charging Rate $/kL** | | **9.75** | **17.60** | **4.30** | **0.45** | |

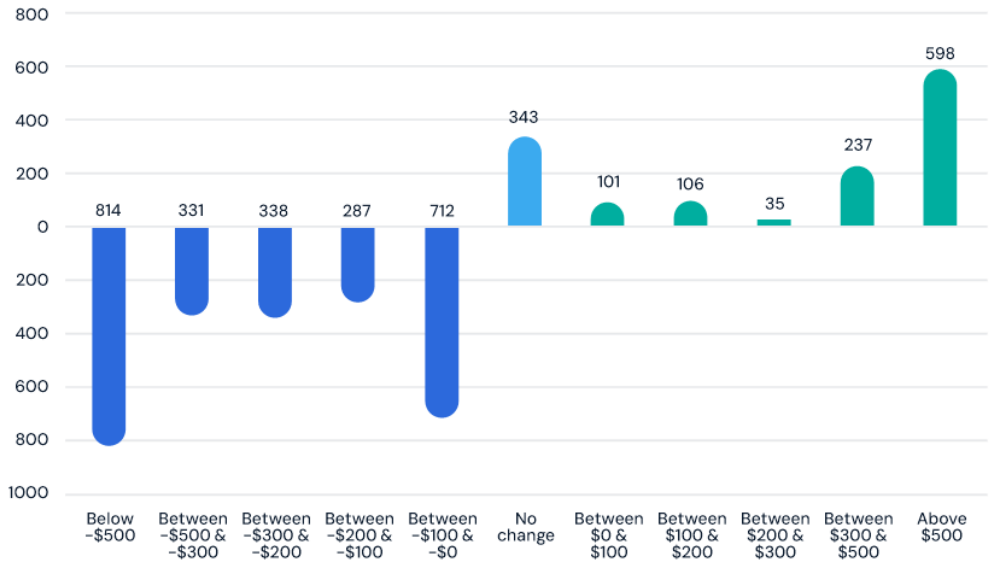
74 This is based on Water Services Association of Australia Trade Waste Guidance for Water Utilities (August 2024) and is applied in other jurisdictions.

For the purposes of trade waste pricing, usage is determined by applying a trade waste discharge factor to a customer's water usage. This is consistent with the current application of a trade waste discharge factor for the calculation of trade waste customer risk scores and is proposed to be used as a basis for the variable component of charging in PSP5. The trade waste discharge factors are provided in *Appendix M Trade Waste Policy*.

## 14.4 Customer price impacts: 64 per cent of customers will pay less

We have approximately 3,900 commercial trade waste customers that cover a vast range of commercial business across the state. With the proposed changes, there will be customers that will pay less and some that pay more, based on the costs that their trade waste drive in our system. When comparing the move to a more cost reflective tariffs relative to the current structure while holding all else constant (i.e. no price increase), 64 per cent of commercial trade waste customers will pay less (relative to current trade waste charge structures). A summary of the customer cohort is provided in Figure 14.2.

**Figure 14.2. Commercial trade waste customer impacts (no price increase)**




With the proposed price increase of 8.8 per cent, 46 per cent of the commercial trade waste customers will pay less in 2026-27. Table 14.6 provides examples of the potential customer impacts for different customers depending on their varying level of usage and categorisation. Table 14.6 compares 2025-26 trade waste prices to proposed 2026-27 prices with an 8.8 per cent price increase.

**Table 14.6. Customer impact example**

### Customer Example 1 – Take Away/Fast Food

| Customer Category | | FY26 ($ per annum) Category 2A | Proposed FY27 ($ per annum) Low BOD Customer | Variance ($ per annum) |
|---|---|---|---|---|
| **Fixed Charge** | | 1,108.72 | 458.32 | **-650.40** |
| **Variable Charge** | | | | |
| Usage (kL) | 570 | | | |
| x Discharge Factor (DF) | 75% | | | |
| = Usage DF (kL) | 427.5 | | | |
| x Variable Rate | 2.28 | - | 973.48 | **973.48** |
| **Total Charge** | | **1,108.72** | **1,431.80** | **323.08** |

Pay more

### Customer Example 2 – Bakery – Cakes and Bread

| Customer Category | | FY26 ($ per annum) Category 2A | Proposed FY27 ($ per annum) High BOD Customer | Variance ($ per annum) |
|---|---|---|---|---|
| **Fixed Charge** | | 1,108.72 | 458.32 | **-650.40** |
| **Variable Charge** | | | | |
| Usage (kL) | 620 | | | |
| x Discharge Factor (DF) | 30% | | | |
| = Usage DF (kL) | 186 | | | |
| x Variable Rate | 4.11 | - | 764.13 | **764.13** |
| **Total Charge** | | **1,108.72** | **1,222.44** | **113.73** |

Pay more

We note that the total revenue received from commercial trade waste customers will increase by approximately 12 per cent ($0.4 million) under the proposal for cost reflective prices. This reduces the charges that would otherwise be faced by standard sewerage customers and ensures that regulated trade waste customers contribute equitably, based on the costs they impose on the sewerage system.

### Customer Example 3 – Laundromat (Coin Operated)

| Customer Category | | FY26 ($ per annum) Category 1 | Proposed FY27 ($ per annum) Laundry | Variance ($ per annum) |
|---|---|---|---|---|
| **Fixed Charge** | | 676.36 | 458.32 | **-218.04** |
| **Variable Charge** | | | | |
| Usage (kL) | 1,200 | | | |
| x Discharge Factor (DF) | 92% | | | |
| = Usage DF (kL) | 1,104 | | | |
| x Variable Rate | 0.10 | - | 109.70 | **109.70** |
| **Total Charge** | | **676.36** | **568.02** | **-108.34** |

Pay less

### Customer Example 4 – Automotive Service/Repair

| Customer Category | | FY26 ($ per annum) Category 2A | Proposed FY27 ($ per annum) Automotive | Variance ($ per annum) |
|---|---|---|---|---|
| **Fixed Charge** | | 676.36 | 458.32 | **-218.04** |
| **Variable Charge** | | | | |
| Usage (kL) | 450 | | | |
| x Discharge Factor (DF) | 80% | | | |
| = Usage DF (kL) | 360 | | | |
| x Variable Rate | 1.00 | - | 359.96 | **359.96** |
| **Total Charge** | | **1,108.72** | **818.28** | **-290.44** |

Pay less

### Customer Example 5 – Commercial swimming Pool

| Customer Category | FY26 ($ per annum) Category 1 | Proposed FY27 ($ per annum) Other | Variance ($ per annum) |
|---|---|---|---|
| **Fixed Charge** | 676.36 | 458.32 | **-238.15** |
| **Variable Charge** | - | 116.55 | **100.00** |
| **Total Charge** | **631.39** | **493.24** | **-138.15** |

Pay less

## 14.5 Industrial trade waste charges

In 2024, we proposed regulating trade waste charges for industrial trade waste customers. However, the TER decided that the next regulatory period may not be an appropriate time to implement price regulation for industrial trade waste customers. Trade waste charges for these customers are therefore to remain unregulated for the period between 1 July 2026 and 30 June 2030.

We remain of the view that price regulation for industrial customers would improve outcomes for customers and the provision of these services. Regulating prices for industrial (category 3 and 4) trade waste customers will:

- Provide for independent oversight of pricing whereby customers will be charged based on a uniformed approach across Tasmania.
- Be simpler for customers to understand and provide customers and private market with further transparency in the price setting process.
- Reduce the administrative effort for TasWater and customers to assess and agree on pricing arrangements.
- Provide a common framework for all trade waste customers, given some business types will move from commercial (lower quality) categories to the industrial category if their business expands.

We suggest that the introduction of price regulation for industrial trade waste customers should be considered for the PSP6 period.

**Appendix for *Chapter 14 Our trade waste charges***

- Appendix M. Trade Waste Policy

# 15. Our proposed developer charges

## Our proposed approach to enabling development and growth in Tasmania

- We have an important role in supporting industry and growth in Tasmania.
- We must continue to invest in our infrastructure to support growth. These growth-related investments have been considered in our proposed capital investment plans.
- Growth assumptions have been informed by the State Government and local councils across the state.
- We continue to propose a developer charge as the most appropriate way to recover the cost of servicing growth from future customers. In this way, we work towards the principle that 'growth pays for growth'.
- Developer contributions are received from developers as assets which are transferred to TasWater after the development is built and as a cash charge, known as a "Headworks charge".
- We introduced a new standard Headworks charge for development in PSP4, which has been successfully implemented.
- Following a review of the Headworks charge, this PSP5 Proposal includes a continuation of single, statewide Headworks charge for PSP5.
- A single statewide Headworks charge will not disincentivise development in smaller locations where development is seen as crucial to that community.
- We are proposing some refinements to the methodology to create more cost-reflective developer charge, reflecting new developments share of existing assets.
- This results in Headworks charges of $4,753 and $2,295 respectively for water and sewerage across the state.
- Applying cost reflective Headworks charges ensures that current customers are not paying for new customers, and that growth can be sufficiently funded by new customers.

This section of our submission outlines our This section of our submission outlines our approach to developer charges in PSP5, it includes:

15.1 The intent of developer charges is that 'growth pays for growth'

15.2 Headworks charges were re-introduced in PSP4

15.3 Proposed refinements to our Headworks charges in PSP5

15.4 Updates to development service miscellaneous fees and charges

## 15.1 The intent of developer charges is that 'growth pays for growth'

### What are developer charges?

Developer charges are upfront charges applied to developers (and subsequently recovered from property owners) as a condition of connection to our water and sewerage network infrastructure. Developers will also build assets for new developments that subsequently form part of our asset base in the future.

Developer charges for water and sewerage services have been adopted in every jurisdiction in Australia[68]. Like all prices, cost-reflective developer charges are important for promoting efficient investment and consumption decisions. Specifically, they:

- Promote efficient development (i.e. development where benefits exceed costs), as developers face the true costs of development in a location.
- Promote innovation and lower cost servicing solutions over time, by transparently presenting the costs of servicing growth.
- Help to ensure the utility efficiently recovers its costs of providing services to new development, while reducing costs to existing customers.
- Promote equitable cost recovery – as those who create the need for new infrastructure incur the cost.

Developer charges are one component of the charges levied by water businesses to recover their costs. They are in addition to trade waste charges and standard fixed and variable recurrent charges for water and sewerage services. They serve to recover the costs of new infrastructure or spare capacity from the new customers that benefit from those assets.

### What works are covered by developer charges in Tasmania?

With regards to developer works and contributions, we distinguish between the following types of infrastructure:

- **Works internal:** Reticulation assets within the development built by the developer and usually then gifted to the utility. These are known as 'works internal' to the development and are typically water and sewer reticulation mains but may include other more complex assets such as reservoirs and pump stations.
- **Works external:** Extensions to connect to an existing network put in by the developer and 'works external to the development' and typically include extensions to existing water and sewer networks to provide service only for the proposed development.
- **Headworks charges:** These are cash payments (known as 'Headworks charges'). The charges are based on defined costs of new or existing 'headworks' assets deemed to be attributable to development. Headworks assets could be reservoirs, treatment plants, main sewers and distribution assets like supply mains, distribution mains and pump stations, but they exclude reticulation pipework that connects properties to the headworks.

In the past in Tasmania, different approaches to developer charges have been adopted by the various councils, regional water corporations and then TasWater. At different stages, Headworks charges did not apply at all.

## 15.2 Headworks charges were re-introduced in PSP4

The TER accepted our proposal to reintroduce a single, statewide Headworks charge in Year 2 of the PSP4 period. The Headworks (standard) charge was set at $3,514 per equivalent tenement (covering both water and sewerage). We also had approved a charge additional to the Headworks charge, titled a 'Bulk Infrastructure Capacity Charge' which applied where developments occurred outside TasWater's Growth and Capacity Plans.

The Headworks (standard) charge was determined on a net incremental cost approach. The net incremental cost approach considers the net incremental capital and operating costs driven by new customers, minus the net incremental revenue to be received from those

75 IPART, Maximum prices to connect, extend or upgrade a service for metropolitan water agencies, final report, 2018.

new customers over time. This general approach is an accepted method for calculating developer charges and is currently adopted by other economic regulators.

This introduction has been made successfully with the development community in PSP4.

## 15.3 Proposed refinements to our Headworks charges in PSP5

### Review of Headworks charges approach

We propose to continue the standard Headworks charges in PSP5, with some refinements to the methodology for calculating the Headworks charge. The proposed changes are based on the overarching principle that charges should be cost reflective. That is, Headworks charges should reflect the efficient net incremental cost to service a new development and that 'growth pays for growth'.

As in PSP4, we assessed the feasibility for regional based Headworks charges. We found there to be large variability in charges across regions, due to the many, relatively small water sewerage systems we operate, and the uneven investment patterns across the state.

Based on the above, and to facilitate development outlined in the State Government and local council planning schemes, we are proposing to maintain a single, statewide charge for the PSP5 period.

This aligns with feedback from the development community, which has reinforced the need for the following principles to be considered:

- **Simplicity:** The charges should be simple for developers to understand and simple for TasWater to implement and administer.
- **Transparent and stable:** The methodology should be clear and transparent to ensure that developers have a clear line of sight and to have a level of confidence and predictability.

Together, these factors address developers' concerns and increase certainty, lower risk and support development.

For PSP5, we are proposing to include a portion of existing capital expenditure into the Headworks charges calculation methodology that has been incurred to service new development. This reflects the recovery, from new development, of capital investment in our water and sewerage headworks assets that has been incurred to service growth, noting that (to take advantage of economies of scale) many water and sewerage assets are not sized simply service existing customers.

The time period we have considered is from 2016, ten years prior to the start of PSP5. We have adjusted the amount of actual growth capital investment to reflect the spare capacity used by actual growth since 2016, leaving the remainder to be recovered from future new customers.

Our assessment is that the proposed refinements to the methodology are consistent with the pricing regulations[76] and the National Water Initiative pricing principles that guide how developer charges are calculated and applied for water and sewerage services.

### Proposed Headworks charge methodology

TasWater will continue to impose Headworks charges to all new development within the state. The current 'standard' charge in PSP4 is proposed to be renamed to a 'headworks' charge.

The PSP5 Headworks charge maintains the statewide approach with a charge applied to each new water connection and each new sewerage connection.

The methodological basis for the charge is unchanged, using the same building blocks to determine cost:

+ NPV incremental capex driven by new customers.
+ NPV forecast opex driven by new customers.
- NPV forecast revenue from new customers.

76 Water and Sewerage Industry (Pricing and Related Matters) Regulations 2021

Importantly, the proposed PSP5 refinements are to:

- include, in calculating the incremental NPV, all existing and planned assets used to serve growth for the period 1 July 2016 to 30 June 2047.
- calculate separate water and sewerage Headworks charges based upon the building block components specific to water and sewer rather than the blended calculation included in PSP4.

The proposed Headworks charges for both water and sewerage combined will be $7,048 per standard 20mm water connection in 2026-27. We propose to increase these charges by forecast inflation for the period. The proposed Headworks charge are presented in Table 15.1.

The Developer Charges Policy (Appendix N) has been refined to outline our charging methodology.

The new Headworks charges are proposed to be applied in the following way:

- The water Headworks charge is calculated and applied per water 20mm standard connection. For larger connection sizes, the regulated multiplier is applied to the standard charge based upon the size of the connection.
- The sewer Headworks charge is calculated per water 20mm standard connection basis. For larger connection sizes, the regulated multiplier is applied based upon the size of the water connection. A sewage discharge factor is then applied, on the same basis as sewerage variable pricing. This is designed to reflect the development's expected discharge into the sewer system.

## Removal of Bulk Infrastructure Capacity Charge

We are proposing the removal of the Bulk Infrastructure Capacity Charge.

## Consultation Headworks charge methodology

We undertook an extensive stakeholder consultation process prior to the re-introduction of a standard charge in PSP4[77]. At that time (2020), At that time (2020), development industry representatives did not favour the re-introduction of a standard charge to cover the headworks investment necessary to recover costs related to growth, preferring that the cost of growth be shared in recurrent regulated water and sewerage charges (i.e. existing customers). Other key stakeholders, such as the Local Government Association of Tasmania, strongly supported the introduction of a standard charge, aligned with industry best practice in other jurisdictions. TasWater proposed, and the TER accepted, the application of a standard statewide charge, as it supported a cost-reflective and equitable recovery of growth-related expenditure.

In June 2024, we held Developer Forums across Tasmania, attended by members of the development community and interested stakeholders. As part of these forums we received informal feedback that the PSP4 standard charge had been successfully implemented. We also re-tested with the development community what was important to them with respect to developer charges. Their preference was that developer charges are as low as possible. In addition, they told us that they valued simplicity and certainty in the developer charges. We are balancing this against feedback from our existing customer

**Table 15.1. Proposed headworks charges for PSP5, $/20mm standard water connection**

| | PSP4 | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|
| Water | 1,757 | 4,753 | 4,882 | 5,015 | 5,151 |
| Sewer | 1,757 | 2,295 | 2,357 | 2,422 | 2,487 |
| **Total** | **3,514** | **7,048** | **7,239** | **7,436** | **7,639** |

77 Marsden Jacob Associates (2020): TasWater: Developer Charges An Assessment of Options Final Report – Provided as part of the 2022 TER Price Determination Investigation.

base to keep prices affordable. We believe our proposal to refine the Headworks charge in PSP5 improves its equity and cost-reflectivity and is consistent with the pricing principles in the *Water Management Act 2008*.

## 15.4 Updates to development service miscellaneous fees and charges

We apply development services fees and charges to recover the costs of managing applications related to new developments and their connection to water and sewerage services. This includes assessing the impact of subdivisions on infrastructure, ensuring compliance with regulations and providing guidance on planning, building, and plumbing aspects related to our services.

These charges have been calculated on a cost build-up basis, based on the estimated average time to provide the service. Other proposed changes to these development services charges are that we propose to:

- Move some existing miscellaneous charges to under the heading of development services
- Remove the charge: Legacy certificate of compliance for applications made before 1 July 2018 application
- Propose two new charges, being:
  - Amendments to Certificate of Certifiable Works (CCW) and Engineering Design Approval (EDA) fees & Reassessment of expired EDAs (new charge for PSP5)
  - A 'Connections Applications Administrative Fee', including loose supply applications (new charge for PSP5)
- Restructure the CCW and Certificate of Compliance ("CCW & CoC") and Engineering Design Approval and Permit to Construct ("EDA & PTC") charge structure, moving from three to four charges for customer and administrative simplicity.

The proposed development service miscellaneous fees and charges for PSP5 are provided in Table 15.2.

**Table 15.2 Development service miscellaneous fees and charges**

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| **Connections, including relocations, disconnections and meter only** | | | | |
| Standard 20mm or non-standard water connection/relocation/disconnection charge | POA | POA | POA | POA |
| Standard 100mm or non-standard sewer connection/relocation/disconnection charge | POA | POA | POA | POA |
| **Water metering fees** | | | | |
| Meter downsizing (40mm to 20mm) | 473.64 | 515.32 | 560.67 | 610.01 |
| Meter downsizing (all others) | POA | POA | POA | POA |
| **With development application** | | | | |
| **Certificates for Certifiable Works and Certificate of Compliance (DA - CCW & Coc)** | | | | |
| Minor | 740.94 | 761.12 | 781.86 | 803.17 |
| Medium | 1,538.87 | 1,580.80 | 1,623.87 | 1,668.12 |
| Major | 2,735.76 | 2,810.31 | 2,886.88 | 2,965.54 |
| Significant | 2,735.76 | 2,810.31 | 2,886.88 | 2,965.54 |
| **Engineering Design Approval and Permit to Construct (includes inspections) (DA - EDA & PTC)** | | | | |
| Minor | 1,538.87 | 1,580.80 | 1,623.87 | 1,668.12 |
| Medium | 4,730.59 | 4,859.49 | 4,991.90 | 5,127.92 |
| Major | 10,487.09 | 10,772.84 | 11,066.38 | 11,367.91 |
| Significant | 20,518.22 | 21,077.30 | 21,651.60 | 22,241.56 |

**Table 15.2 Development service miscellaneous fees and charges *continued***

| | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|
| **Without development application** | | | | |
| **Certificate for Certifiable Works and Certificate of Compliance (CCW & CoC)** | | | | |
| Minor | 455.96 | 468.38 | 481.15 | 494.26 |
| Medium | 911.92 | 936.77 | 962.29 | 988.51 |
| Major | 1,538.87 | 1,580.80 | 1,623.87 | 1,668.12 |
| Significant | 1,538.87 | 1,580.80 | 1,623.87 | 1,668.12 |
| CCW Exemption | 284.98 | 292.74 | 300.72 | 308.91 |
| **Engineering Design Approval and Permit to Construct (includes inspections) (EDA & PTC)** | | | | |
| Minor | 1,253.89 | 1,288.06 | 1,323.15 | 1,359.21 |
| Medium | 4,103.64 | 4,215.46 | 4,330.32 | 4,448.31 |
| Major | 9,290.19 | 9,543.33 | 9,803.37 | 10,070.48 |
| Significant | 20,518.22 | 21,077.30 | 21,651.60 | 22,241.56 |
| **Amendments to CCW's and EDA's & Reassessment of expired EDA's – new charge for PSP5** | | | | |
| Minor | 284.98 | 292.74 | 300.72 | 308.91 |
| Medium | 911.92 | 936.77 | 962.29 | 988.51 |
| Major | 2,336.80 | 2,400.47 | 2,465.88 | 2,533.07 |
| **Other development fees and charges** | | | | |
| Consent to register a legal document | 512.96 | 526.93 | 541.29 | 556.04 |
| Section 56W Consent Fee | 285.98 | 292.74 | 300.72 | 308.91 |
| Inspection Costs | 72.65 | 74.63 | 76.67 | 78.76 |
| Additional Planning Assessment Fee* | 79.26 | 81.42 | 83.64 | 85.92 |
| Connections Applications Administrative Fee, including loose supply applications (new charge for PSP5) | 227.98 | 234.19 | 240.57 | 247.13 |
| Right of information request | 50.00 | 51.36 | 52.76 | 54.20 |
| Land Information Certificate (56ZQ) request | 56.16 | 57.69 | 59.26 | 60.88 |
| Pressure and Flow Testing – new connection. For multiple test points the additional time (field and administration) will be charged at 'Field inspection and supervision fee' rate. | 129.14 | 132.65 | 136.27 | 139.98 |
| Pressure and Flow Testing – Existing connection*, single point (where a no-charge test has been previously provided) | 193.40 | 198.67 | 204.08 | 209.64 |
| Field Inspection and supervision fee – $per hr | 113.99 | 117.10 | 120.29 | 123.56 |

**Appendix for *Chapter 15***
***Our proposed developer charges***

- Appendix N. Developer Charges Policy

# Section 5. The impacts of our proposal

# 16. What will proposed prices mean for our customers and how we will support them

## The price and bill implications for our customers

- Customers will face higher bills over the upcoming PSP5 period.
- The main reason for that is external economic conditions and our need to invest in improving customer and environmental outcomes.
- Our tariff reform proposal will mean that customers will get an immediate reduction in their access charge of $176. The relatively higher variable rate, consistent with customer feedback, will mean that customers have more control over their bills and will pay more or less based on their usage.
- An average residential customer bill[78] will increase from $1,407.23 per annum in 2025-26 to $1,928.83 in 2029-30. This is an equivalent average increase of $5 per week over the period.
- For residential customers only, 62 per cent will pay less before the proposed PSP5 price increase is considered (customers who use less than 199 kL) and 32 per cent will pay less after the first-year price increase (customers who use less than 114 kL).
- For non-residential customers, 73 per cent will pay less before the proposed PSP5 price increase is considered and 63 per cent will pay less after the first-year price increase.
- We have used benchmarks to assess affordability. Our bills are considered affordable for most of our customers by these benchmarks, however as we know, customers in low income households can have greater affordability challenges.
- Based on affordability ratios set out by IPART and the United Nations our proposed prices are within the range suggested.
- We understand that some customers will find it difficult to find the money to meet their households needs. Tasmania faces unique and persistent socio-economic challenges. Tasmania has the lowest average weekly earnings in Australia. This reality has been considered as we balance investments required, customer expectations and supporting for vulnerable customers.
- We are strengthening our TasWater Assist Program by $2.4 million over the PSP5 period, improving our support for customers who are struggling to pay their bill with a range of assistance measures.

78 An average residential customer uses 173kL per annum, or 474 litres per day.

This section of our submission outlines our view of the customer impacts of our proposed prices, our view on affordability of our prices and how we support vulnerable customers:

16.1 Who pays a TasWater bill?

16.2 Customer bill increases were below inflation in PSP4

16.3 What our proposed prices mean for our customer cohorts

16.4 Our bills are considered affordable against benchmarks

16.5 We have strengthened our support for vulnerable customers

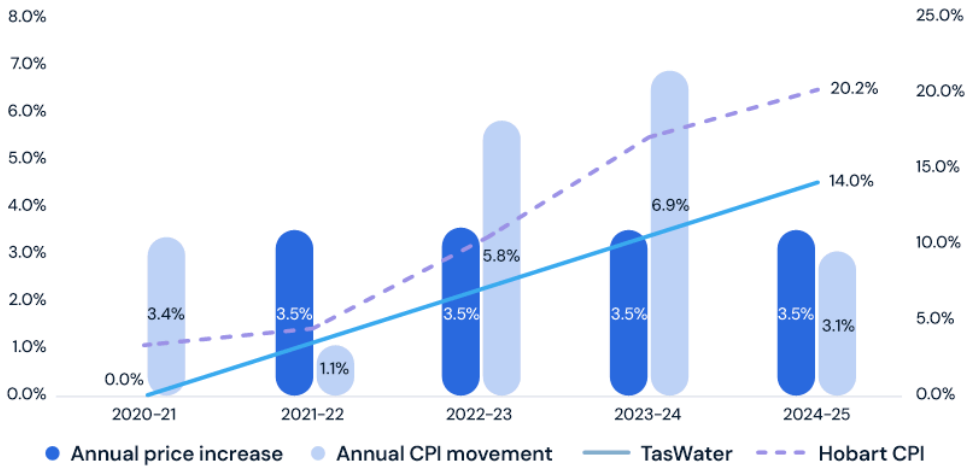
## 16.1 Who pays a TasWater bill?

Under our legislative framework, we apply our regulated charges to the property owner for our regulated water and sewerage services. This includes both residential homeowners, commercial property owners and strata title owners (even in cases where their strata title doesn't directly connect to our infrastructure). We also apply an access charge to the owner of a property that may not be connected to our infrastructure, but where the property is located within a serviced area.

Under our customer contract and regulatory framework our customers also have some responsibility for ensuring their property is connected and compliant with regulations. Our proposed customer contract for PSP5 is included in this submission in attachment F.1. Proposed Customer Contract.

In Tasmania, tenants can be charged for water usage if their rental property has an individual water meter. The landlord is responsible for the fixed water and sewerage charges. The water consumption charges shown on the bill can be passed on to rental tenants, if the landlord choses to do so. If a rental dwelling is not individually metered, (e.g. if a property has only one meter for multiple units), the landlord cannot pass on the usage charges to the tenants[79].

**Figure 16.1. Our bill increases in comparison to inflation, %**



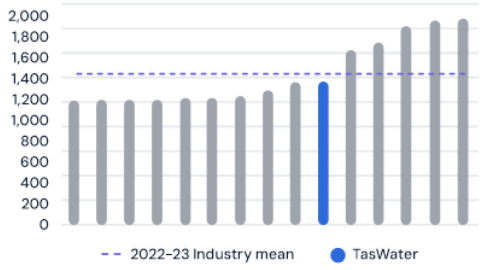

79 For more information access TasWater's website: https://www.taswater.com.au/customers/residential/tenant-billing

## 16.2 Customer bill increases were below inflation in PSP4

From 2021-22, we have kept our price increases at 3.50 per cent per annum, consistent with our Memorandum of Understanding with the State Government that commenced in 2018. These price increases have been below the rate of inflation over the same period, as outlined in Figure 16.1, and were also below the TER's PSP4 Price Determination, which allowed for a 3.71 per cent per annum increase for regulated water and sewerage charges.

While all major water businesses operate in a unique operational and regulatory context, we are below the median for typical household bills when compared to similar interstate businesses, as outlined in Figure 16.2[80]. This is despite our challenges with poor economies of scale across our many small water and sewerage systems.

**Figure 16.2. Total annual residential bill based on 200kL per annum, $**




Affordability has been a key concern among our customers and stakeholders as we have prepared our PSP5 Proposal. Measuring affordability is challenging, as it depends on each customer's unique circumstances and perspective. We estimate that our water and sewerage bill currently makes up 1.2 per cent of Tasmanian household expenditure, or $3.60 a day, as outlined in Figure 16.3[81].

Despite our bills forming a relatively low proportion of typical household costs, we understand that there are customers in Tasmania that struggle to pay the bills for their basic household needs. Further analysis on affordability is provided later in this chapter.

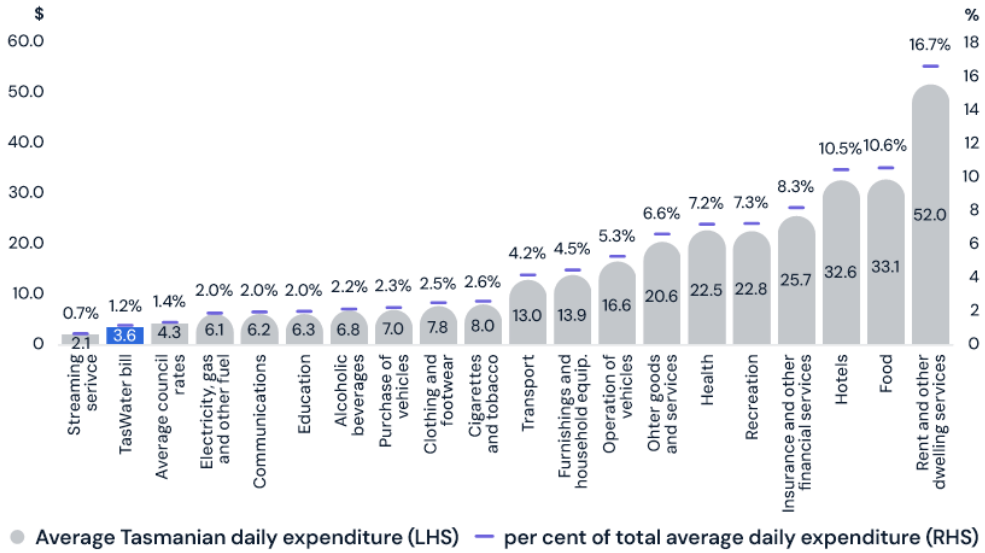
## 16.3 What our proposed prices mean for our customer cohorts

Under our proposed prices, customers' bills will depend on how much they use to a greater extent than in the past. We have prepared customer analysis across different customer cohorts, based on typical usage for that cohort. Of course, these are designed to be illustrative and generalisations have been made in forming our customer cohorts.

The customer bill impacts across cohorts are provided in Table 16.1. Impacts vary depending on customer cohorts, driven by water usage. For all customers, our tariff reform proposal will result in an immediate reduction in water and sewerage fixed charges of $176 per annum in 2026-27. Our prices will include the following impacts to these cohorts:

80 Australian Bureau of Meteorology. National Performance Report for Urban Utilities (2023-24).
81 ABS Australian National Accounts: National Income, Expenditure and Product (December 2024). This is based on current 2024-25 TasWater average residential customer bill.

**Figure 16.3. Current average TasWater bill as a percentage of daily Tasmanian household expenditure, $**




- An average residential customer, using 173kL per year, will see their bill increase from $1,407.23 per annum in 2025-26 to $1,928.83 in 2029-30.
- Small households such as pensioners who use 80kL per year will receive a 4.1 per cent reduction in their annual bill for the first year.
- Large households who use 320 kL per year, will see their bill increase by $264 in the first year.
- Any customers who use less than 114 kL in 2026-27 will see receive a reduction in their bill.

Renters who have the variable water charge passed on to them by the property owner will experience a larger percentage increase in the bill they pay. This is due to the existing variable charge being so low. For a renter who uses 163 kL per year, their bill will increase from $206 per annum in 2025-26 to $456 per annum in 2026-27. The 2026-27 bill for an average renter using 163 kL is equivalent to 1.93 per cent of the median Tasmanian annual rent[82].

82 ABS, Rental Market Insights (May 2025).

A graphical representation of the bill impacts for our customer cohorts under our proposed price increase and new price structures are provided in Figures 16.4 to 16.9. These present the fixed and variable portions of customer bills for an average residential cohort (173 kL per annum), a low water usage customer like a pensioner (80 kL per annum) and a large water usage customer, like a family (320 kL per annum).

**Figure 16.4. Average residential, 173kL, fixed and variable charges with current PSP4 tariff structure and proposed price increase, $ nominal**

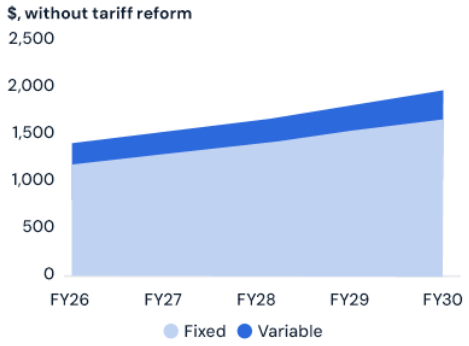



**Figure 16.5. Average residential, 173kL, fixed and variable charges with proposed new tariff structure and proposed price increase, $ nominal**

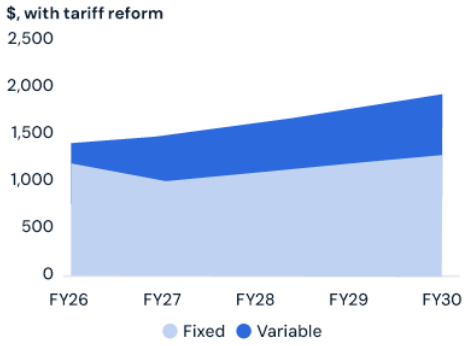



**Figure 16.6 Low water usage customer, 80kL, fixed and variable charges with current PSP4 tariff structure and proposed price increase, $ nominal**

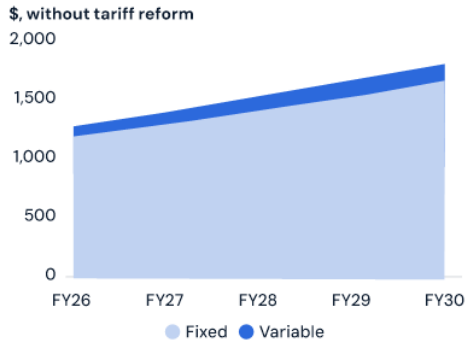



**Figure 16.7. Low water usage customer, 80kL, fixed and variable charges with proposed new tariff structure and proposed price increase, $ nominal**

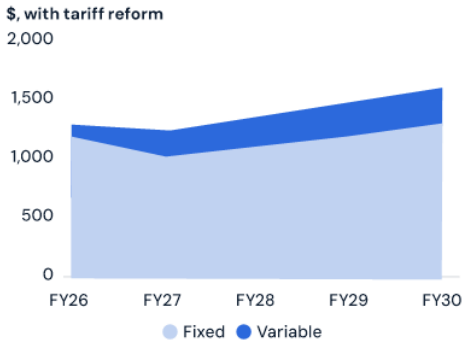


**Figure 16.8. Large water usage customer, 320kL, fixed and variable charges with current PSP4 tariff structure and proposed price increase, $ nominal**

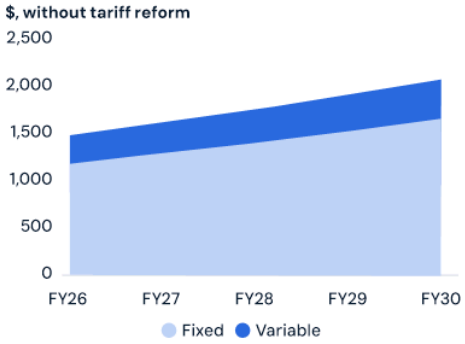



**Figure 16.9. Large water usage customer, 320kL, fixed and variable charges with proposed new tariff structure and proposed price increase, $ nominal**

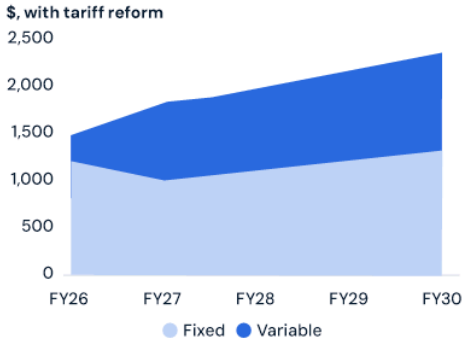



**Table 16.1. Customer impact analysis (including inflation)**

| Financial Year | Est. no, customers | Consumption | | | 2026 | 2027 | | |
|---|---|---|---|---|---|---|---|---|
| Customer cohort | No. | Min kL | Max kL | kL bill comparison | $ Annual bill | $ Annual bill | % increase from FY26 | $ increase from FY2026 |
| Pensioner, single | 62,870 | 0 | 120 | 80 | 1,290 | 1,198 | -7.1% | -92 |
| 2 person household | 55,857 | 120 | 200 | 160 | 1,391 | 1,417 | 1.9% | 26 |
| Small family (2 adults, 1 child) | 33,003 | 200 | 280 | 240 | 1,492 | 1,661 | 11.3% | 169 |
| Family (2 adults, 2 children) | 16,312 | 280 | 359 | 320 | 1,593 | 1,803 | 13.2% | 210 |
| Large family (5 people+) | 8,111 | 359 | 439 | 400 | 1,694 | 1,946 | 14.9% | 252 |
| 6+ person household | 10,843 | 439 | N/A | 479 | 1,793 | 2,086 | 16.3% | 293 |
| Business | | 310 | N/A | 310 | 1,580 | 1,785 | 13.0% | 205 |
| Rental property | | 163 | N/A | 163 | 206 | 445 | 116.5% | 239 |
| Average household | | 173 | N/A | 173 | 1,407 | 1,452 | 3.2% | 45 |
| Median household | | 154 | N/A | 154 | 1,383 | 1,400 | 1.2% | 17 |
| Pay less customers | 78,753 | 0 | 142 | 142 | 1,369 | 1,369 | 0.0% | 0 |

**Table 16.1. Customer impact analysis (including inflation) *continued***

| 2028 | | | 2029 | | | 2030 | | |
|---|---|---|---|---|---|---|---|---|
| $ Annual bill | % increase from FY26 | $ increase from FY2026 | $ Annual bill | % increase from FY26 | $ increase from FY2026 | $ Annual bill | % increase from FY26 | $ increase from FY2026 |
| 1,304 | 1.1% | 14 | 1,419 | 10.0% | 129 | 1,543 | 19.6% | 253 |
| 1,541 | 10.8% | 151 | 1,677 | 20.6% | 286 | 1,825 | 31.2% | 434 |
| 1,807 | 21.1% | 315 | 1,966 | 31.8% | 474 | 2,139 | 43.4% | 647 |
| 1,962 | 23.2% | 369 | 2,134 | 34.0% | 542 | 2,322 | 45.8% | 730 |
| 2,117 | 25.0% | 423 | 2,303 | 36.0% | 609 | 2,506 | 48.0% | 812 |
| 2,270 | 26.6% | 477 | 2,470 | 37.7% | 676 | 2,687 | 49.8% | 894 |
| 1,942 | 22.9% | 362 | 2,113 | 33.7% | 533 | 2,299 | 45.5% | 719 |
| 484 | 135.5% | 279 | 527 | 156.3% | 321 | 573 | 178.8% | 368 |
| 1,580 | 12.3% | 173 | 1,719 | 22.2% | 312 | 1,870 | 32.9% | 463 |
| 1,524 | 10.1% | 140 | 1,658 | 19.8% | 274 | 1,804 | 30.4% | 420 |
| 1,489 | 8.8% | 120 | 1,620 | 18.4% | 251 | 1,763 | 28.8% | 394 |

## 16.4 Our bills are considered affordable against benchmarks

Consistent with emerging regulatory practice in other jurisdictions[83], we have calculated affordability ratios for bills as a proportion of a household's pre-tax income. As a benchmark for what is considered 'affordable', we have used the precedent recently published by IPART. IPART have made an assessment of affordability based on a target range of water and sewerage bills making up 2 to 3 per cent of household income.

This is based on the following reference points:

- A systematic review of studies analysing water and wastewater affordability used a threshold between 2 and 5 per cent[84].
- The United Nations have suggested that water costs should not exceed 3 per cent of household income[85].

Our analysis shows that, under our proposed prices, affordability ratios for median income households remain within the 3 per cent threshold. However, bill increases will impact low-income households to a greater extent.

83 IPART recently referenced its affordability ratios in its Draft Report for Hunter Water's prices 2025-2030 and affordability has been a growing area of regulatory focus in other jurisdictions.
84 Fagundes, Marques & Malheiros. Water affordability analysis: a critical literature review. AQUA – Water Infrastructure, Ecosystems and Society. 31 July 2023.
85 United Nations, Global Issues Water, (accessed May 2025).

As demonstrated in Table 16.2, prices for households earning a median income of $85,417 would increase from:

- 1.59 per cent to 2.11 per cent for a typical household
- 1.51 per cent to 1.87 per cent for a pensioner, single household
- 1.82 per cent to 2.72 per cent for a large household (5 or more people who own their own home or live in a house with a big garden and have relatively high water use).
- 0.24 per cent to 0.69 per cent for a typical renter (this assumes that the property owner passes on the water and sewerage variable charges to their tenants).

For low-income households (earning $41,441 per year) using 137kL per year, the affordability ratio increases from 3.29 per cent to 4.34 per cent, and up to 5.60 per cent for a low-income family with a large household (using high water usage). The affordability index for low-income renters using 163 kL per year increases from 0.50 per cent to 1.42 per cent.

By comparison, for high-income groups earning above $179,648 and using 215 kL per year, the affordability ratio increases from 0.79 per cent to 1.01 per cent, and from 0.90 per cent to 1.31 per cent for a large household with a high income.

**Table 16.2. Affordability ratio analysis**

| Customer cohort | Income level | Water usage (kL/ year) | Sewerage usage (kL/ year) | Yearly income ($FY26) | Percentage of household income | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY26 | FY27 | FY28 | FY29 | FY30 |
| Median household | Median | 137 | 123 | 85,417 | 1.59% | 1.64% | 1.78% | 1.94% | 2.11% |
| Pensioner, single | Median | 80 | 72 | 85,417 | 1.51% | 1.45% | 1.58% | 1.71% | 1.87% |
| Family (2 adult, 2 children) | Median | 146 | 131 | 85,417 | 1.61% | 1.66% | 1.81% | 1.97% | 2.14% |
| Large household | Median | 290 | 240 | 85,417 | 1.82% | 2.11% | 2.30% | 2.50% | 2.72% |
| Renter | Median | 163 | 147 | 85,417 | 0.24% | 0.53% | 0.58% | 0.63% | 0.69% |
| Median household | Low (P20) | 137 | 123 | 41,441 | 3.29% | 3.37% | 3.67% | 3.99% | 4.34% |
| Pensioner, single | Low (P20) | 80 | 72 | 41,441 | 3.11% | 2.99% | 3.25% | 3.53% | 3.85% |
| Family (2 adult, 2 children) | Low (P20) | 146 | 131 | 41,441 | 3.31% | 3.43% | 3.73% | 4.06% | 4.42% |
| Large household | Low (P20) | 290 | 240 | 41,441 | 3.75% | 4.35% | 4.73% | 5.15% | 5.60% |
| Renter | Low (P20) | 163 | 147 | 41,441 | 0.50% | 1.10% | 1.20% | 1.30% | 1.42% |
| Median household | High (P80) | 137 | 123 | 172,302 | 0.79% | 0.81% | 0.88% | 0.96% | 1.04% |
| Pensioner, single | High (P80) | 80 | 72 | 172,302 | 0.75% | 0.72% | 0.78% | 0.85% | 0.92% |
| Family (2 adult, 2 children) | High (P80) | 146 | 131 | 172,302 | 0.80% | 0.83% | 0.90% | 0.98% | 1.06% |
| Large household | High (P80) | 290 | 240 | 172,302 | 0.90% | 1.05% | 1.14% | 1.24% | 1.35% |
| Renter | High (P80) | 163 | 147 | 172,302 | 0.12% | 0.26% | 0.29% | 0.31% | 0.34% |

## 16.5 We have strengthened our support for vulnerable customers

We note based on the analysis above that there are segments of our customer base who are susceptible to having difficulty paying their bills. We will seek to strengthen our support for these customers in PSP5. TasWater currently provide a tiered hardship response program, known as the TasWater Assist Program.

We typically have 800-1,000 customers that are supported by our TasWater Assist Program at any point in time, although this can vary[86]. Customers will enter and leave the program as needed. We will also have a similar sized cohort that are on a payment plan of some kind, but not formally part of the TasWater Assist Program. We have recently increased our efforts to build awareness of, and participation in, the TasWater Assist Program. This includes public awareness campaigns and being more proactive with customers in assessing the need for support. An example of a recent awareness campaign is provided at Figure 16.10.

**Figure 16.10 Content from our recent awareness campaign for TasWater Assist**


We have also invested in customer research to better understand vulnerability within our customer base. This research overlays de-identified customer data with socio-economic data to assess those customers that may have a propensity to experience vulnerability at some point in time. Our research overlays known factors that correlate with vulnerability such as socio-economic status, family size and make-up, home ownership and credit risk rating. When these factors are considered, it estimates that up to 25 per cent of our customer base may have a propensity to experiencing vulnerability should their life circumstances change.

86 As at 30 April 2025, we had 861 customers in the TasWater Assist program.

While we do not know exactly what the increased need for customer support will be in PSP5, we believe there are clear opportunities to improve our TasWater Assist Program in the context of higher bills. The opportunities to improve the current vulnerable customer support programs include improving customer coverage, establishing clearer support structure and definition of program and improving our reporting and monitoring processes.

## The current support for vulnerable customers

The current program includes the following informal tiers and elements:

**Tier 0 and Tier 1 Support (Customer Service and Collections):**

- Customers can access payment plans on request if they can clear their arrears within 12 months.
- Options include Centrepay, Smoothpay, and direct debit arrangements.
- Our team can apply structured plans for customers in arrears, but only where hardship is formally identified or disclosed.

**Tier 2 Support (TasWater Assist Program):**

Delivered by a specialist team focused on long-term hardship and vulnerability, services include:

- Warm referrals to financial counsellors and support agencies.
- One-on-one case management for financial and personal hardship.
- Basic case management support for family violence cases.

We deliver the current TasWater Assist Program from within our customer service centre budget. We estimate this to cost approximately $50,000 per annum.

## Our proposal to strengthen the TasWater Assist Program

We are proposing to increase our investment in TasWater Assist Program to $2.4 million over PSP5 to meet customer demands and build the necessary operating model for TasWater Assist that will support long-term financial sustainability through early intervention, customer engagement, and structured processes.

Current arrears levels among financially vulnerable customers can be difficult to recover through standard credit and collection channels. These customers often have limited means to pay, few assets, and other health, social or economic circumstances which contribute to a customer finding themselves in a vulnerable situation. In the absence of structured support, these customers often become disengaged, allowing debt to age, grow, and be difficult to recover.

The basis for the proposed investment in TasWater Assist is shown in Figure 16.4.

**Figure 16.4. Basis for TasWater Assist Proposed Investment**

| Prevention of Uncollectable Debt | Avoidance of Litigation and Enforcement Costs | Encouragement of Behavioral Change |
|---|---|---|
| • Each customer enrolled in TasWater Assist represents a high-risk debt account that, if unsupported, is likely to be written off.<br>• Providing early, consistent assistance ensures more customers make partial or full repayments over time | • Legal action, disconnection notices, and debt collection agencies involve additional operating expenditure and often result in poor outcomes, both financially and reputationally. | • Structured incentives give customers a clear target and reward effort, promoting responsible financial behaviour and reducing default rates. |

TasWater Assist will be improved to offer a defined structure of case-managed support and proactive engagement. While the key features of the TasWater Assist program enhancements are being finalised, the key elements of the program for our PSP5 Proposal are:

- **Tailored case management:** All customers enrolled in the program will receive support tailored to their situation, whether it involves low literacy, disability, Centrelink income, or health-related usage. Staff will adopt a 'one-story' principle: customers will only need to explain their situation once.
- **Account reviews and financial health checks:** Includes audits of concession eligibility, billing structure, prior leak history, and Centrepay compatibility. Customers may be eligible for leak rebates, payment plan restructuring, and other cost relief.
- **Water efficiency support:** Customers identified as having high usage will be offered referrals for usage coaching, tailored advice, and access to community-sector referrals for appliance replacement via No Interest Loan Schemes (NILS).
- **Family Violence Integration:** Customers who may be experiencing domestic violence will have access to Level 2 support regardless of payment history via the introduction of specialised case management where family violence is disclosed. This will include systemic monitoring and continuous improvement for all current and future family violence prevention measures to ensure security and protection for victims and warm referral pathways to partner agencies where appropriate.
- **Other assistance:** Subject to finalisation of TasWater Assist program, other targeted assistance measures are currently being considered.

In addition, to the investment in TasWater Assist Program, we will also investigate:

- Improving water efficiency and conservation support for customers (e.g. tap timers, shower heads).
- Expansion of TasWater Assist to non-residential customers, for example providing small business with water audits.
- Develop better processes and technology to track the effectiveness of the program.
- Explore how digital channels can be best used for TasWater Assist customers (e.g. for self-service enrolment).

We continue to develop our plans for TasWater Assist, informed by leading practices elsewhere, as we refine our approach for the local context in Tasmania in PSP5.

## We will measure the effectiveness of the program

As part of the outcomes we will measure for PSP5, we have introduced a new measure, focussing on the effectiveness of our TasWater Assist Program, from the customer's perspective. We will aim for 80 per cent of customers who access TasWater Assist Program to agree the program is effective (via survey), increasing to >85 per cent of customers by the end of the PSP5 period.

# 17. Our financial sustainability

## We must remain financially sustainable

- To continue to provide our services and fulfill our obligations to customers in the future, we must remain financially sustainable.
- Financial sustainability means that we can continue to run our operations to deliver services and continue to attract and maintain debt to make efficient investments in our network.
- When we were formed in 2013, we had very low debt levels (i.e. we were largely equity funded on inception). Our debt levels have increased over time as we make the necessary capital investments to improve customer and environmental outcomes, however our debt levels are still below the average of our interstate peers.
- Our assessment shows that we remain financially sustainable and we will maintain our investment grade credit rating for PSP5 and beyond. We have managed to live within our means to make necessary investments over the last 12 years, noting we were the beneficiaries of the low debt levels on inception.
- In order to make the investments necessary to replace and upgrade our poorly performing assets in the future, we continue to need to use debt to increase our capital investment
- Our ability to live within our means will become more difficult over time.
- It is important that the regulatory framework provides sufficient regulated revenue to TasWater to keep it financially sustainable.
- We have applied a benchmark financeability test (developed by IPART), designed to test our regulated revenue against a business that has benchmark gearing (i.e. 60 per cent gearing).
- The results of our analysis show that TasWater would not receive sufficient revenue if it had benchmark (60 per cent) gearing.
- These findings have several key suggestions:
  - That the TER consider our financeability with the process of making the PSP5 Determination.
  - Over the long-term, TasWater may need to engage with the TER to make structural improvements to the existing framework that will put TasWater on a more financially sustainable footing. Failure to do so may compromise our ability to make the necessary investments in our network that will deliver long-term benefits to customers.

This section of our submission outlines:

17.1 What is financial sustainability and why is it important

17.2 How to test for financial sustainability

17.3 We remain financially sustainable, however we may be challenged in the future

17.4 Implications and future financial sustainability risks

## 17.1 What is financial sustainability and why is it important

Here in Tasmania, like other jurisdictions, the framework for economic regulation aims to protect the long-term interests of customers by ensuring we have sufficient revenue to sustainably provide the services customers need while keeping prices as low as possible now and into the future[87]. Part of this is maintaining our financial sustainability.

Financial sustainability allows us to maintain and upgrade our infrastructure to deliver services to appropriate standards. As our infrastructure is long-lived, we use debt to finance these important investments. If regulated revenue allowances are insufficient to service our debt obligations when they are due or borrow enough on reasonable terms to invest in the infrastructure we need, then customers will bear the costs through inadequate services now or into the future or taxpayers will need to contribute financially to ensure our services can continue to be provided. Neither outcome is desirable.

Therefore, in the interests of customers, we must maintain a level of financial health over time that allows us to finance the investments we need to provide adequate service levels to customers. We must also be reasonably resilient to future external financial shocks that may occur.

The TER is not specifically required to consider our financial sustainability. However, we propose that consideration of our financial sustainability is vital for the ongoing provision of reliable water and sewerage services to Tasmanian customers and in customers' long-term interests, consistent with the objective of the *Water and Sewerage Industry Act 2008*.

## 17.2 How to test for financial sustainability

In recognition of the importance of financial sustainability (or financeability) to the long-term interests of customers, many economic regulators in other jurisdictions conduct financeability assessments to check that their regulatory decision will provide sufficient revenue for a regulated business to finance its operations efficiently over the forthcoming pricing period.

Examples of regulators that conduct financeability assessments include the Independent Competition and Regulatory Commission (ICRIC), the Independent Pricing and Regulatory Tribunal (IPART), the Essential Services Commission of Victoria (ESC), the Essential Services Commission of South Australia (ESCOSA), the Australian Energy Regulator (AER) and most economic regulators in the United Kingdom. Financeability tests are an integral part of sound regulatory practice, which:

- assess whether the revenue allowances under the regulatory decision are sufficient to support an investment grade credit rating
- can act as an early warning against a regulated business becoming financially constrained or insolvent
- should allow the regulator to identify the source of any financeability problem so that appropriate corrective action can be taken by the business or the regulator.

IPART's financeability tests are modelled on the three key financial ratios considered by rating agency Moody's when conducting rating assessments of regulated water companies.[88] These key ratios are:

- Interest coverage ratio (ICR) – which is calculated as Funds From Operations (FFO) plus

87 The objective of the Water and Sewerage Industry Act 2008 is to "protect the long-term interests of customers and to provide for the safe, environmentally responsible, efficient and sustainable provision of reliable and secure water services and sewerage services to the Tasmanian community."

88 Whilst rating agencies such as Moody's consider both qualitative and quantitative factors (i.e., financial metrics) when conducting their assessments, regulators such as IPART focus exclusively on quantitative metrics when undertaking financeability assessments. This is because the qualitative assessments undertaken by rating agencies are inherently subjective and are not replicable by interested third parties. Moreover, many of the qualitative factors considered by rating agencies (e.g. the quality of management, the financial policy of the business, etc.) are not relevant to the assessment of a benchmark efficient regulated entity. IPART has been explicit that its financeability tests are modelled on, but not intended to replicate, the assessments undertaken by rating agencies.

interest expense divided by interest expense, and measures a business's ability to service its debt from its cash flows

- Funds from operations (FFO) to net debt (FFO/net debt) – which measures a business's ability to generate cash flows to service and repay debt
- Gearing – which is calculated as debt divided by the Regulatory Asset Base (RAB), and measures a business's leverage.

Finally, these financeability tests can be performed on:

- A regulated business **actual** result, to test if there is a 'real world' financeability issue.
- A regulated business **benchmark** result, to test whether a business with a benchmark gearing (i.e. 60 per cent gearing as assumed by TER's WACC allowance) would still have sufficient revenue to support its financeability.

IPART has explained that a failure of the benchmark test would indicate a shortcoming in the regulatory decision that would warrant an adjustment to the business's regulatory allowances.

## 17.3 We remain financially sustainable, however we may be challenged in the future

Given that the application of financeability tests is integral to a sound regulatory framework, we have conducted benchmark and actual financeability tests modelled on IPART's test to assess outcomes under our price proposal. That is, the metrics and target ratios we have applied are consistent with those used by IPART.[89]

Table 17.1 presents the results of the two tests for TasWater under our pricing proposal, and shows that:

- We pass the actual financeability test on all three metrics in each year of PSP5.
- The benchmark test is failed on both the interest cover and FFO/net debt metrics for each year of PSP5.

89 IPART applies slightly different target ratios under its benchmark and actual tests because it assumes that a benchmark efficient business faces real interest expenses, whereas the actual business is likely to face nominal interest expenses. Given that TasWater issues nominal debt and therefore faces nominal debt obligations, we have applied in both the benchmark and actual tests the target ratios specified in IPART's actual test.

**Table 17.1. Financeability metrics for the actual and benchmark financeability test – revenue under proposed price increase**

| Measure | Target | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
|---|---|---|---|---|---|
| **ICR** | | | | | |
| Actual test | ≥1.8x | 3.4x | 3.3x | 3.1x | 3.1x |
| Benchmark test | ≥1.8x | 1.2x | 1.3x | 1.4x | 1.6x |
| **FFO/net debt** | | | | | |
| Actual test | ≥6.0% | 6.5% | 6.6% | 6.7% | 7.3% |
| Benchmark test | ≥6.0% | 1.0% | 1.6% | 2.2% | 2.8% |
| **Gearing** | | | | | |
| Actual test | ≤70% | 39% | 41% | 43% | 43% |
| Benchmark test | ≤70% | 60% | 60% | 60% | 60% |

## We remain financially sustainable

We remain financially sustainable for PSP5, meeting and exceeding the results expected for an investment grade regulated water business.

We have managed our debt levels prudently within our means over the first 12 years of our operations. We were the beneficiaries of low debt levels on our inception in 2013, and we have adopted gearing levels materially below the benchmark gearing assumption of 60 per cent adopted by TER to date.

However, as we outline in this PSP5 Proposal, we must continue to use debt to invest in our infrastructure to improve customer and environmental outcomes. This leads to the question as to whether our regulated revenues are sufficient to support a business with higher debt levels (gearing).

## Failure against the 'benchmark' gearing financeability test

The benchmark test for financeability provides an assessment of whether we have sufficient regulated revenues if our gearing increases to the TER's assumed efficient capital structure of 60 per cent debt.

The results of the modelling demonstrate that we would fail this test. That is to say, we would not have enough revenue in this PSP5 Proposal to maintain an investment grade credit rating if we had benchmark debt (gearing) levels of 60 per cent.

The failure of the benchmark test is due to a confluence of factors:

- TasWater is mandated by statute to earn an artificially low return on equity allowance of 3 per cent p.a. on assets that existed within the RAB in 2011 (i.e. 'existing assets')[90]. Existing assets are forecast to make up 56 per cent of TasWater's opening RAB for PSP5.
- TasWater has relatively long-lived assets and a low depreciation rate. Our depreciation rate does not offset the adjustment for inflationary gain Notional Allowable Revenue. This indicates that the rate we are recovering our RAB may not be sufficient.

The benchmark test is failed both including and excluding our proposal to defer the recovery of some of the PSP5 revenue requirement over the PSP6 regulatory period, in the interests of limiting bill impacts to customers over the forthcoming period.

90 The *Water Management Act 2008* provides a return on equity allowance for TasWater's existing asset base of 3 per cent.

In other words, the source of the benchmark financeability problem identified in Table 1 above is structural in nature, rooted in the design of the regulatory framework, rather than due to our proposal to defer the recovery of PSP5 revenues to manage customer bill impacts.

## 17.4 Implications and future financial sustainability risks

### Low regulated revenues are a challenge for the future

We are confident in our financial sustainability under this PSP5 Proposal. This is demonstrated in the results of the 'actual' financeability test above. We have prudently managed our debt levels in our first 12 years.

However, as explained in this PSP5 Proposal, we anticipate that over the coming regulatory periods we will need to invest significantly to renew and replace aging infrastructure and to comply with environmental and other regulatory requirements and to deliver appropriate service levels to customers. Unless these critical investments are made, consumers will suffer detriment over the long-term associated with deteriorating service levels and environmental outcomes.

Based on these necessary investments, our gearing will grow in the future, toward the efficient benchmark of 60 per cent. The 'headroom' that we have created by adopting a debt-light capital structure would diminish. As our gearing increases, the results from the benchmark financeability test indicate that we will not have sufficient revenue to remain financeable.

This outcome is due to a structural feature of the existing framework (i.e. a statutory requirement that TasWater earn a below-normal rate of return on more than half its asset base) and our regulatory depreciation being offset by the adjustment for inflation gain (due to the long-lived nature of our assets, combined with a relatively high inflation forecast over the period).

The financeability problem evident under the benchmark test—driven by insufficient revenue to meet the benchmark debt obligations—has existed for some time. We have managed this maintaining gearing levels well below the 60 per cent efficient gearing levels determined by the TER.

### We suggest the Tasmanian Economic Regulator consider our financial sustainability

While we do not have an immediate financial sustainability concern, we do have some suggestions for the TER to consider, we propose:

- That an actual and benchmark financeability test is used as part of the PSP5 determination process, as an important perspective on the future sustainability of services to customers.
- That the TER should take caution before taking any steps that would lower either the return on capital or regulatory depreciation, below the levels proposed in this pricing proposal.
- That a more fundamental regulatory framework review be undertaken with the TER, TasWater's owners, and the State Government to identify reforms that would address this structural issues, supporting us achieving a more financially sustainable footing and allowing us to make the long-term investments needed for customers.

# 18. Risks and uncertainties in PSP5

### Our risk profile and its implications

- We inherently manage risks in the delivery of our services and meeting our obligations. The risks we manage are varied and include water quality, water security, operational, environmental, legal and financial risks, to name a few.
- We must consider these risks in preparing our PSP5 Proposal, as they impact on our forecasts and assumptions.
- We believe our PSP5 proposal strikes the right balance between risk reduction, improved environment and customer outcomes and affordability.
- Our investments are addressing 'high risk' areas such as meeting our environmental compliance obligations, responding to climate change, lowering our dam safety risk profile and improving our customer driven service standards.
- Notwithstanding this, we still carry many risks in PSP5, based on the forecasts we include to develop our proposed prices.
- In addition to financial risks, we are also exposed to the risk of regulatory prosecution and penalties for failure to meet and/or reasonably progress to compliance.
- The regulatory framework itself also presents risks, particularly that we will recover too much, or not enough, from customers.
- We believe there are some adjustments to the regulatory framework which will minimise these risks and improve outcomes for customers.

This section of our submission outlines the risks and uncertainties in our operating environment, which are relevant to the forecasts we make for this PSP5 Proposal, including:

18.1 Why risks are important to consider

18.2 How risk is considered in the development of our capital and operating expenditure forecasts

18.3 The risks that remain after we make our expenditure forecasts

18.4 The risks associated with our key regulatory assumptions

18.5 Mitigating these risks

## 18.1 Why risks are important to consider

Delivering water and sewerage services has inherent risks. Managing these risks is an essential part of our business and the obligations we have to our customers, the community and the environment. In addition to day-to-day operational risks, we manage a range of longer term risks, including factors such as climate change, water scarcity, increasing regulation, supply chain issues, population growth, uncertain economic conditions, cyber-attacks and risks to our financial sustainability.

Our PSP5 Proposal must consider short and long-term risks. Our approach to managing risk has implications for our forecasts and assumptions that underpin this PSP5 Proposal. For example, a more conservative approach to risk management may involve greater investment in risk mitigations and may increase expenditure and therefore customer prices.

Once the PSP5 forecasts and assumptions are approved by the TER in the upcoming price determination, they are set. How the actuals eventuate, relative to the forecasts, have implications for the costs and risks for both ourselves and customers. Our framework of price regulation can mean that, should a significant variance to our forecasts be realised, there may be situations in which we do not recover enough revenue, or we recover too much revenue from customers.

This chapter therefore considers risk to each of the following elements to the PSP5 Proposal:

- How risk is considered in the development of our expenditure forecast
- The risks that remain after we make our make our expenditure forecasts
- The risks associated with our demand forecast
- The risks associated with our other key regulatory assumptions

## 18.2 How risk is considered in the development of our expenditure forecasts

### Making prudent risk trade-offs consistent with our regulator expectations

We have focussed on keeping our expenditure proposals to be as prudent and efficient as possible, while reducing our risk profile to an acceptable level, consistent with the agreements we have with our technical regulators. Our investments are addressing 'high risk' areas such as meeting our environmental compliance obligations, lowering our dam safety risk profile and improving our customer driven service standards.

We also have an obligation to mitigate against the increasing risks associated with cyber-attacks to seize customer data and take control of water and sewerage operational facilities for ransom. In addition, we are required to ensure assets of critical importance are protected under the SOCI Act.

We believe our PSP5 proposal strikes the right balance between risk reduction, environment and customer outcomes and affordability. We have taken a careful approach to setting forecasts that we think are reasonable in this context.

However, in our process of aligning our expenditure forecasts with our technical regulatory commitments, we acknowledge that this is the start of a multi-PSP period investment horizon before we will ultimately reduce our risks to target levels. Given this long journey, we will still have to manage significant risks in the PSP5 period.

### We are subject to regulatory prosecution and penalties if we don't deliver on our regulatory commitments

As outlined in *Chapter 4. Our regulatory commitments*, our water and sewerage operations are highly regulated. The governing legislation for our public health, environmental protection and dam safety obligations all contain provision for penalties and prosecution for non-compliance.

We rely upon making agreements with our technical regulators to manage the risk of non-compliance over time. We act always with best endeavours to meet our obligations. However, we must manage the risk of our performance leading to possible penalties and prosecution. In 2023-24, we received environmental infringement notices from the EPA for offensive odour at the Port Sorell Sewage Treatment Plant and for the release of raw sewage following a break in a rising main near Wynyard. Additionally, we also received four Formal Warnings from the EPA. If we don't invest to improve asset performance, the risk of further regulatory action against us increases.

The risk of regulatory prosecution has indeed been realised in other, similar jurisdictions. In February 2023, Sydney Water was ordered to pay $200,000 for a raw sewage discharge into Prospect Creek[91]. In a similar regulatory framework in the United Kingdom (UK), the Environment Agency has successfully concluded 63 prosecutions against UK water and sewerage businesses for pollution offences, with fines totalling more than $300 million ($AUD)[92].

We are seeking to address the dilemmas we are facing, fixing our problems on behalf of the community by making the required investments to achieve outcomes, rather than paying fines.

**Key risk:**
Failure to comply with our technical regulations will result in regulatory prosecution and penalties within the PSP5 period.

## 18.3 The risks that remain after we make our capital and operating expenditure forecasts

Once capital and operating expenditure forecasts are approved by the TER, we then face the risk that our actual investment needs vary significantly from our forecasts. Under the current regulatory framework, we will recover actual capital expenditure at the end of the PSP5 period, subject to the TER being satisfied that the expenditure is prudent and efficient. We do not have the same opportunity for operating costs.

While our intent is to operate within our operating expenditure allowance, we continue to face material input cost increases across a number of our cost categories. In the PSP4 period, we experienced cost increases above inflation across categories such as chemicals, insurance and electricity, licence fees and government taxes.

Several examples of these short and long-term cost forecasting risks are described. These cost forecasting risks are material for PSP5, in that they could cause significant unplanned expenditure.

### Changing regulation for PFAS and other emerging contaminants

Per- and polyfluoroalkyl substances (PFAS) are a group of more than 4,000 manufactured chemicals. These chemicals are used in many common products, including carpets, clothes and non-stick cookware. In the past, they were commonly used in fire-fighting foams.

PFAS are of concern because they can persist for a long time in humans and in the environment and have now been associated with adverse environmental and human health outcomes[93]. The Australian Government's Environmental Health Standing Committee (enHealth) continues to recommend exposure to PFAS be minimised wherever possible as a precaution[94]. We must consider these sorts of contaminants in our drinking water catchments, in the effluent from our sewage treatment plants as well as in the recycled water and biosolids we produce.

TasWater continues to be guided by the independent health regulators when it comes to its approach to PFAS. In October 2024, the National Health and Medical Research Council (NHMRC) released draft updated Australian Drinking Water Guidelines, which propose lower allowable levels for PFAS in drinking water. The NHMRC is expected to release final Guidelines in 2025.

91 New South Wales Environment Protection Authority: Sydney Water ordered to pay $200,00 for polluting creek. February 2023.
92 United Kingdom Environment Agency: How the EA uses its enforcement powers to hold water companies account. October 2024.
93 Water Services Association of Australia: Fact Sheet: PRAF and the water sector. February 2025.
94 Australian Government Department of Health and Aged Care. Per- and Polyfluoroalkyl Substances (PFAS) enHealth Guidance Statement. 2019.73

In addition, the Commonwealth and State Governments, through the Heads of EPA Australia, have jointly developed the National Environment Management Plan Version 3[95]. Released in March 2025, it builds on previous versions by providing updated guidance and standards for handling PFAS contamination. Key updates in NEMP 3.0 includes enhanced monitoring programs and updated standards for managing PFAS in soil, water, and biosolids. We will be required to plan for and implement these updated standards in the coming years.

In response to the growing focus on PFAS, we have taken proactive steps to mitigate the potential risks. We have undertaken extensive testing, conducting nearly 2,000 tests across 70 raw water catchments to monitor PFAS levels, ensuring safe drinking water for Tasmanians. We have also considered the risk of PFAS and its increasing regulations in our strategic planning.

We have prepared our PSP5 Proposal to allow for compliance with the draft Australian Drinking Water Guidelines. At this point, we do not forecast any significant investment in our water or sewage treatment plants will be required. However, there is a risk that the science-based regulations will increase over the PSP5 period and that significant investment will be required within the period.

**Key risk:**
Changing regulatory obligations for PFAS and other emerging contaminants require significant investment beyond what is included in the PSP5 Proposal.

## Digital investment and cyber security

In *Chapter 8. Our efficient capital costs*, we outline our investment in digital technologies. As we seek to improve the performance of the business and respond to increasing customer expectations and regulatory requirements, we must continue to invest in our digital capability. Our PSP5 Proposal includes prudent investment in our core systems, which need upgrading or replacing. There are a number of risks that could eventuate that would require further investment in our digital technologies, beyond what is currently forecast. These risks are:

- Evolving regulatory obligations for cyber security, securing assets of critical importance and protecting customers' sensitive and private information.
- Increasing need to realise operational efficiencies with digital tools.
- Inability to address ageing infrastructure and poor service outcomes without sufficient asset or service performance information.
- Customer dissatisfaction as expectations for a digital-based interactions increase which allows customers to engage with us when they want and in a manner that is most convenient to them.

If these risks were realised, they would require further investment, beyond what is currently forecast.

**Key risk:**
Evolving regulatory, customer and internal expectations will require additional, unplanned investment in digital technologies.

## Climate change risk

Climate change poses several significant risks to water businesses, which, if realised, may increase costs and put revenue at risk. While the pricing regulations allow for prudent and efficient capital expenditure to be recovered, the short-term operational impacts and long-term capital planning impacts present an increasingly challenging environment for water businesses to plan for, within the pricing framework. The key climate related risks include:

- Increased uncertainty in supply and demand: Variable rainfall and droughts make it harder to predict future water availability and increasingly difficult to predict changes in customer usage patterns.
- Escalating costs: Climate-resilient infrastructure often has a higher upfront cost. There may be increased costs for climate resilient design, materials and environmental compliance requirements.

95 Australian Government Department of Climate Change, Energy, the Environment and Water. PFAS National Environmental Management Plan 3.0. 2025.

- Asset stress and asset stranding: Extreme weather events (e.g. floods, bushfires, heatwaves) can damage infrastructure or reduce its operational life. In the extreme, climate change can render long-lived assets (e.g. dams, pipes, treatment plants) obsolete or underused.
- Regulatory and policy risks: Governments are imposing new climate-related regulations, such as net-zero mandates, water quality standards, or carbon pricing.
- Insurance and financing risks: It has become harder and more expensive to insure assets (e.g. in high-flood-risk areas). Climate risk assessments and financial reporting disclosures are increasing due diligence costs.

**Key risk:**
Climate change is increasing short term operating cost exposures and challenging long-term capital planning. This presents the short term financial pressure on our costs (and revenue), and presents challenges for long-term planning and customer affordability.

## 18.4 The risks associated with our key regulatory assumptions

### Return on investment

The weighted average cost of capital (WACC) is used to determine the return we received on our capital investments and forms a key component of the calculation of our revenue requirement. The setting of prices, which effectively 'lock-in' settings for return on investment, can therefore result in material variances between what is recovered from customers and the actual prevailing economic outcomes that occur within a regulatory period. If the WACC is 'too high', our customers will face prices that exceed the efficient costs of supplying them with water and sewerage services. On the other hand, if the WACC is 'too low', we will not receive sufficient revenue to cover our efficient costs.

Our view is that the regulatory framework should not create a windfall gain or loss for us or customers based on forecasts of WACC. We propose that the TER consider, as part of a future regulatory framework review, changing its approach to a move from a static approach over the regulatory period to annually updating the trailing average cost of debt allowance within the regulatory period, consistent with standard Australian regulatory practice.

**Key risk:**
The current regulatory framework creates unnecessary risk of over or under recovery from customers.

### Inflation

We must propose our prices for the regulatory period in nominal dollars, with prices including forecast of inflation made at the time of the PSP5 determination. Setting prices in nominal terms based on inflation forecasts at the start of the regulatory period means that we may over or under recover revenue relative to our efficient costs, as proposed. The risks of under or over recovery is higher in periods where inflation is difficult to forecast (as has been the case in recent times).

Our view is that the regulatory framework should not create a windfall gain or loss for us or customers based on forecasts of inflation. We propose that the TER consider, as part of a future regulatory framework review, changing its approach to a move from a nominal price framework to a real price framework, where the determined real price in each year of the regulatory period is indexed by actual inflation over the previous 12 months.

**Key risk:**
That we recover too much or too little from customers due to our nominal price framework assumes an inflation forecast for the PSP5 Period. As actual inflation is incurred, this creates a risk that we recover too much or too little from customers.

### Demand forecast

As outlined in *Chapter 10. Our forecast demand volumes*, we have used our regional master plans to forecast growth in our connections and

customer usage. These plans use a range of inputs to forecast future demands on our systems. They then form the basis of our capital and operating expenditure forecasts in this PSP5 proposal.

While the general rate of development in Tasmania is modest when compared to other parts of Australia, the nature of Tasmanian development and our many, small and dispersed water and sewerage systems can create challenges to service growth.

We have many treatment plants across the state that will struggle to meet growth projections in the absence of investment.

We can sometimes experience development that occurs out of sequence with other development or in small towns. The load on our systems will also be driven by other factors, such as tourist visitation to our regions.

**Key risk:**
While we make our best estimates of growth in Tasmania, the nature of the development means that there is an inherent risk of development requiring significant unplanned investment.

## 18.5 Mitigating these risks

While some of these risks cannot be easily mitigated, we do note that there are specific risks to our PSP5 forecasts and assumptions that, if realised, would have a significant impact on our ability to recover our efficient costs over the period.

With regards to the risks to our key regulatory assumptions, there are a number of changes to the regulatory framework which we think would improve outcomes for customers over the long term. In 2024, we provided a submission outlining these suggested changes to the TER's consultation for its 2025-26 Price Determination – Draft Price and Service Plan Guideline (and related Issues Paper)[96]. However, these suggestions were not accepted by the TER at that time.

We propose, that as part of a future regulatory framework review, the TER consider the application of these changes from PSP6.

The regulatory changes we are proposing are standard elements of other regulatory regimes and could have material benefits to customers, by promoting:

- Regulatory certainty and minimising regulatory costs.
- Cost reflective prices and minimising windfall gains/losses that are out of our control.

The proposed changes we suggested included:

- moving to a 'real' price framework, so that the determined real prices in each year of the regulatory period are indexed by actual inflation over the previous 12 months, rather nominal regulated prices being set for the duration of the regulatory period using the TER's forecast of inflation at the start of the period
- reviewing its methodology for forecasting inflation, where applicable, taking account of the approaches of other economic regulators such as the Queensland Competition Authority, who have conducted similar reviews recently
- enhancing the (WACC) method by:
  - annually updating the allowance for the trailing average cost of debt, consistent with standard Australian regulatory practice
  - consistently pairing the Market Risk Premium with the Risk-Free Rate, in calculating the allowance for the cost of equity
  - having regard to an expanded list of utilities, including international water utilities, in deriving the equity beta estimate when calculating the WACC allowance
  - extending the regulatory period from 4 years to 5 years
  - regulating prices to category 3 and 4 trade waste customers
  - other potential changes to the regulatory framework, to ensure prices recover efficient costs and promote outcomes consistent with the long-term interests of customers.

96 TasWater's Submission to the 2025-26 Price Determine Investigation – Draft Price and Service Plan Guideline, 15 March 2024 and TasWater's Submission to the Draft Price and Service Plan Guideline

# Section 6. How we will hold ourselves accountable

# 19. How we will hold ourselves accountable

We have been increasing the level of transparency of our performance over recent years, sharing the challenges we face in delivering sustainable water and sewerage services and our progress in improving our performance. Our increasing transparency also supports our increased emphasis on engagement with our customers and stakeholders, seeking their input on how we address our dilemmas.

We provide transparency on our performance in a number of ways, including publishing our Corporate Strategy, Annual Report and five-year Corporate Plan. We also publish an Annual Drinking Water Quality Report, and this year we published our first Environmental Performance Report and Recycled Water Performance Report for 2023-24. These reports are aimed to provide our customers and stakeholders with an understanding of both our performance and our plans to improve[97].

To support this, we also present to our owners (State Government and local councils) at two general meetings and a half-yearly update each year. These meetings focus on our performance over the previous twelve months and also provide a view of our five-year Corporate Plan on an annual basis.

As part of our regulatory commitments, we provide a public Annual Performance Report to the TER, which details our performance against our PSP4 approved minimum standards, and also contains data provided to the National Performance Report[98]. The TER uses this information as an input into its annual State of the Industry Report. In addition, we also provide a six-monthly update on our capital program and annual regulatory accounts.

We would like to take the opportunity to refine and improve our annual regulatory reporting in PSP5, to support more meaningful and efficient reporting for the TER and customers. We believe that we can streamline our performance reporting across our service standards and financial reporting to one annual report the TER.

97 These documents can be found on our website here.
98 The Australian Bureau of Meteorology National Performance Report for Urban Water Utilities (National Performance Report) provides an annual, independent benchmark of pricing and service quality of Australian urban water and wastewater service.

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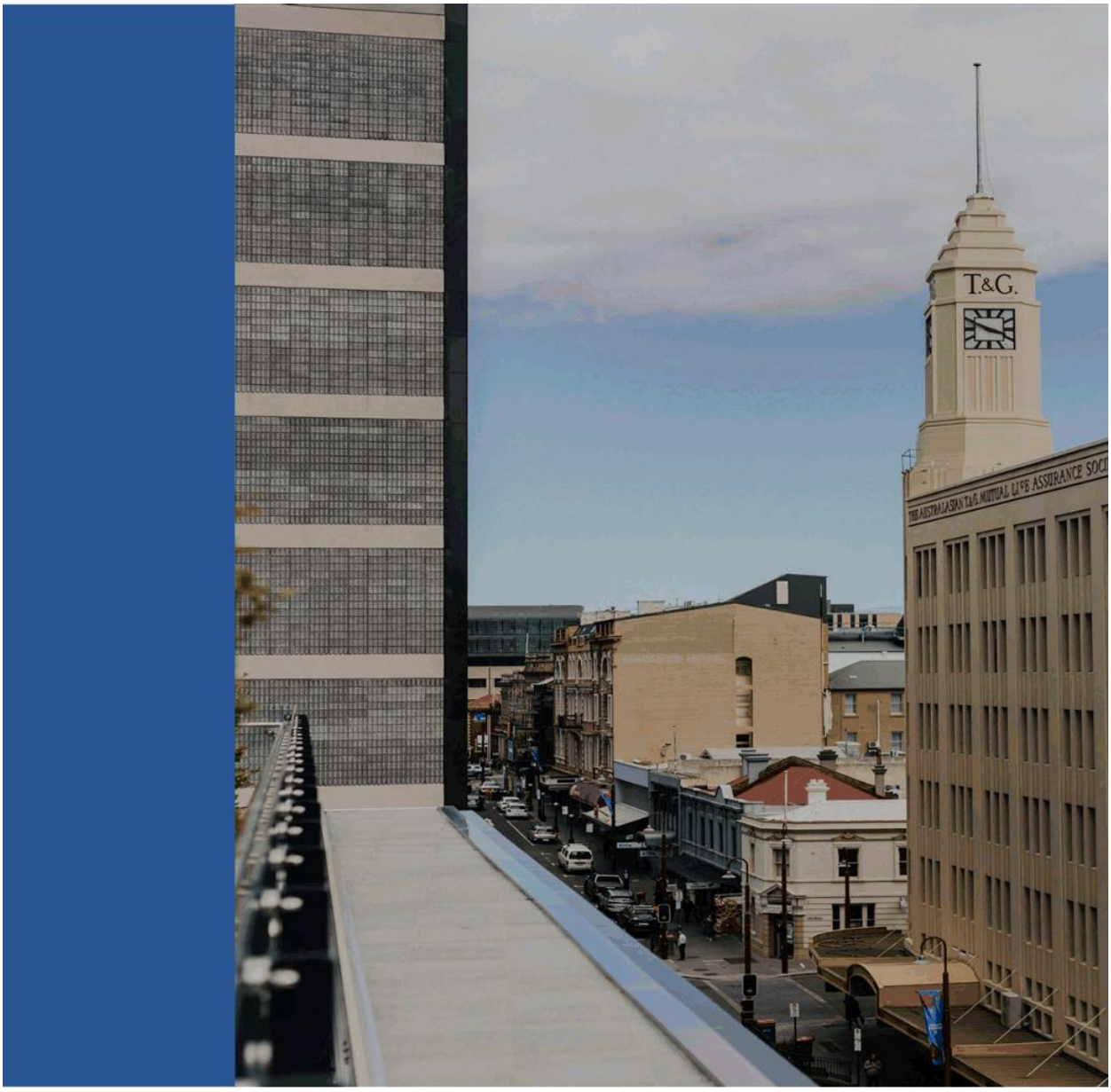


# Discussion paper

## Reforms to Councillor Numbers and Allowances

Office of Local Government
**Department of Premier and Cabinet**

Tasmanian Government

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# Executive summary

Tasmania's local government system needs reform to ensure fair representation and adequate pay for councillors while keeping costs manageable for communities. This Discussion Paper proposes changes to the number of councillors and their allowances across Tasmania's 29 councils, aiming to deliver more effective, equitable, and professional local governance. The reforms are designed to be cost-neutral overall, meaning no extra burden on ratepayers, and are open for public feedback until 7 November 2025.

## Why reform is needed

- **High number of councillors:** Tasmania has one of the highest numbers of councillors per person in Australia, which can lead to inefficiencies and, in some cases, undemocratic election outcomes where candidates win with very few votes.
- **Inconsistencies in representation:** Historical reviews of numbers targeted at a small number of councils, have left councils of similar size with different numbers of councillors, creating inequitable variations.
- **Low pay for councillors:** Current allowances do not reflect the growing complexity of councillors' roles, discouraging diverse and talented candidates and indirectly limiting the time some councillors can devote to their duties.
- **Outdated system:** The current method for setting allowances, based on registered voters and operating revenue, has notable flaws - failing to account for population size or council responsibilities, and is susceptible to volatile changes from grant revenue.

## What we propose

The Government proposes a new, fair, and data-driven system to set councillor numbers and allowances, using factors like population, development activity, infrastructure, urbanisation, and road networks. Key changes include:

- **Fewer councillors**: Reducing the total number of councillors from 263 to 203, with councils having 9, 7, or 5 councillors based on their size and complexity.
- **Higher allowances**: Increasing councillor allowances by 14.25% on average, funded by savings from fewer councillors.
- **A fairer framework**: Aligning councillor numbers and pay to council responsibilities, ensuring equal pay for equal work and consistency across similar councils.

- **Ongoing reviews**: Establishing regular, four-yearly reviews to keep the system up-to-date and responsive to community needs.
- **Additional support**: Exploring whether to require councils to pay the 12% superannuation equivalent allowance into councillors' super funds.

## Benefits of the reforms

- **Strengthened governance**: Fewer, better-paid councillors will assist in attracting skilled and diverse candidates, improving decision-making and professionalism.
- **Fairer pay**: Higher allowances reflect councillors' growing responsibilities, supporting their commitment to communities.
- **Fair representation**: The new system ensures councils have the right number of councillors for their size and needs, reducing inconsistencies.
- **No extra cost**: Savings from fewer councillors will fund higher allowances, keeping the reforms cost-neutral for ratepayers overall.
- **Stronger democracy**: Higher election vote thresholds will enhance the legitimacy of elected councillors.
- **Future-proof system**: Regular reviews and stable metrics will keep the system fair and sustainable over time.

## How the reforms will happen

It is proposed the changes will be implemented through amendments to the *Local Government Act 1993* before the October 2026 local government elections. This approach ensures timely delivery and broad support from communities, councils, and Parliament. The reforms complement other improvements, such as councillor education, stronger sanctions for poor behaviour, paid parental leave, and flexible meeting attendance, to make the being a councillor more accessible and appealing.

## Your feedback matters

We want to hear from you to ensure these reforms meet community needs. Key questions include:

- Should we consider any strategies/guidance for council decision making where a quorum cannot be maintained?
- Should it be mandatory for councillors' existing superannuation equivalent payments to be directed into a nominated superannuation fund?
- Should the methodology and ongoing review framework for councillor allowances and numbers be embedded in legislation?

Please share your views by 7 November 2025:

- **Email**: lg.consultation@dpac.tas.gov.au
- **Post**: Office of Local Government, PO BOX 123, Hobart, Tasmania 7000

Your input will shape a stronger, fairer, and more effective local government system for Tasmania.

# Introduction

## The need for reform

The Government believes it is timely to reform councillor numbers and allowances across the local government sector. Having the 'right' number of councillors in a local government area (LGA) is critical to ensuring effective and efficient governance, representation, and service delivery. There is also a natural relationship between levels of representation and appropriate pay, reflecting the individual circumstances of a council, such as population size, geographic spread, asset value, and development activity. However, evidence suggests that Tasmania's current system is not delivering the best outcomes for the sector or the broader community, and change is needed to achieve more efficient, effective, and consistent local representation.

## Current challenges

Tasmania has the highest number of local government elected officials per capita (except for the Northern Territory) and, particularly for smaller councils, some of the lowest comparable levels of remuneration. Since the *Local Government Act 1993* established the current 29-council system a small number of ad-hoc reviews of councillor numbers have led to inconsistent representation across municipalities. Similarly, councillor allowance reviews (conducted in 2000, 2004, 2008, and 2018) have been infrequent, with only minor changes since 2004 aside from annual indexation. This has resulted in allowances that do not reflect the increasing complexity of councillors' roles, community expectations, or statutory responsibilities.

## Stakeholder feedback

During the Future of Local Government Review (FoLGR), the Local Government Board heard strong concerns that existing councillor allowances:

- do not encourage a diverse range of candidates to run for council
- fail to reflect the effort required, given the role's growing demands
- may deter talented councillors and limit their ability to devote sufficient time to their duties.

A 2021 Australian National University study, cited by councils, found that low remuneration in New South Wales led to dissatisfaction, with 81% of councillors

reporting their role as unrewarding[1]. In Tasmania, several high-profile councillors cited low allowances as a reason for not recontesting the 2022 elections.

## Balancing community needs

While higher councillor pay is widely supported, it must be balanced against community cost-of-living pressures and fiscal constraints to avoid unduly burdening Tasmanians. During FoLGR the Local Government Board noted that "…consideration should be given to how many elected representatives are needed to effectively serve the needs of a particular community, and the merits of having, for example, fewer councillors who are remunerated at a higher level versus a greater number of councillors on relatively lower allowances." The Board recommended that, following any voluntary amalgamation program, the Tasmanian Government commission an independent review of councillor numbers and allowances to support a structural reset of the sector[2].

## Government response

In its Response to the Future of Local Government Review, the Government supported this recommendation in principle and committed to:

- Review allowances using the existing methodology for inclusion in the remade *Local Government (General) Regulations* by June 2025.
- Conduct a comprehensive review of councillor numbers and allowances after the October 2026 elections.

However, to ensure reforms support high-quality candidates for the 2026 elections and address strong sectoral advocacy for fairer pay, the Government is now proposing to bring forward its comprehensive review. This decision is driven by:

- the need to attract and retain high-quality candidates for the 2026 elections and beyond
- the current allowance methodology's failure to deliver meaningful change for most councils
- the progression of the voluntary amalgamation program not precluding a review before the end of 2026
- strong sectoral advocacy for fairer remuneration in the immediate term.

[1] Local Government NSW 2022. Submission to the Local Government Remuneration Tribunal. February 2022. (www.lgnsw.org.au/common/Uploaded%20files/Submissions/2022/Submission-to-the-Local-Government-Remuneration-Tribunal_Feb2022.pdf).
[2] See Recommendation 34 of the Future of Local Government Review Final Report.

### Supporting broader reforms

Through the *Local Government Priority Reform Agenda 2024-26*, the Government is already making the councillor role more appealing and accessible by:

- introducing compulsory councillor education
- allowing remote meeting attendance in certain circumstances
- providing parental leave for councillors
- increasing the superannuation equivalent component of allowances by 3%, to 12%
- delivering stronger sanctions for serious councillor misconduct.

The proposed reforms to councillor numbers and allowances complement these changes, aiming to deliver better outcomes for councils and communities starting in late 2026.

## Reform proposal summary

This Discussion Paper presents a fair and structured approach to setting councillor numbers and allowances in Tasmania's local government, and we seek your feedback to shape it. The proposal is detailed further in the sections below.

If taken forward, the proposed approach presented would see a reduction in elected members across Tasmania's 29 councils and a fair increase in allowances for all elected members compared to their current remuneration, at no net cost to the Tasmanian community.

The proposal simplifies and aligns councillor numbers and pay based on clear, common factors, delivering consistency and fairness across councils.

In simple terms, the proposal would:

- Assign councils to one of three categories (9, 7, or 5 councillors) using a scoring system based on factors like population, infrastructure, development activity, and geographic size.
- Utilise six allowance categories, with pay levels set using the same scoring system to create fair 'bands' within each councillor category.
- Ensure consistent representation for similar councils, reducing the total number of councillors by 60 to 203 statewide.
- Use savings from fewer councillors to fund a cost-neutral 14.25% increase to all allowance bands (this increase being considered appropriate in the context of fewer councillors, and in recognition of the growing complexity and importance of the role of councillors).

- Create a sustainable model for regular reviews of councillor numbers and allowances every four years.
- Implement the new framework through amendments to the *Local Government Act 1993*, streamlining the process without needing separate reviews.

## Key consultation issues

While the Government is seeking feedback on all aspects of the reform proposal, several issues relating to the operation of a new numbers and allowances framework have been identified where specific input is particularly welcomed.

### Quorum management

**Question** – Should the Government consider any strategies/guidance for council decision making where a quorum cannot be maintained?

For councils with five councillors, maintaining quorums may occasionally be challenging if multiple councillors are absent, but proposed reforms like flexible meeting attendance aim to ensure effective decision-making.

While there have been no observable issues in five or six councillor councils in other jurisdictions, a quorum may still be impacted in rare instances where there are a number of absences and/or conflicts of interest which preclude voting on a matter.

It is noted the Government's broader reform agenda seeks to make council attendance more flexible and accessible, which should limit or reduce absences.

However, it is also noted that section 67 of the Victorian *Local Government Act 2020* allows councils to make decisions in an 'alternative manner' where a quorum cannot be maintained due to a number of councillors having a conflict of interest in a matter. This includes:

- resolving to split the matter into 2 or more separate parts, so that a quorum can be maintained for each separate part
- making prior decisions on component parts of the matter at a meeting for which a quorum can be maintained, before deciding the overall matter at a meeting for which a quorum can be maintained.

Feedback is sought on whether a similar provision should be included in Tasmania's Local Government Act, where the broader numbers and allowances reform proposal proceeds.

## Superannuation

**Question** – Should the *Local Government Act 1993* be amended to require councils to pay a 12% superannuation equivalent payment from allowances into a councillor's nominated superannuation fund?

Councillors are not regarded as employees for taxation and superannuation purposes. This means councils are not obliged to pay superannuation contributions on behalf of councillors. It is currently an option open to councillors (or indeed councils by resolution) to self-manage any voluntary contributions, should they wish to.

Since 2004, Tasmanian councillors have received a 9% superannuation equivalent payment as part of their allowances (increased to 12% from June 2025). However, there is no requirement for this amount to be paid into a superannuation fund (even though councillors can make voluntary contributions).

This has led to a general misunderstanding that councillors do not receive any allowances in lieu of super, which would be mitigated by the requirement for the equivalent amount to be paid into a fund.

## Setting the foundation for future reviews

**Question** – Should the methodology and ongoing review framework for councillor allowances and numbers be embedded in legislation to provide certainty and transparency to the sector and community?

There are deficiencies with the current processes for reviewing councillor numbers and allowances - including a lack of structure and transparency around the scope, timing and conduct of regular reviews.

The framework proposed in this paper provides the opportunity to provide certainty around future reviews and transparency into how they are to occur.

The Government is considering changes to the Act to include the methodology and establish a mandatory schedule for regular reviews (for example, once every term of council). This would see the re-application of the methodology to councils on a regular basis, ensuring council numbers and allowances remain fair and equitable on an absolute and relative basis over time in response to demographic and other changes.

Submissions are open for eight weeks until 7 November 2025, and can be made:

- by email to lg.consultation@dpac.tas.gov.au

- in writing to the Office of Local Government, PO BOX 123, Hobart Tasmania 7000.

# Detailed exploration: the case for a new framework

## Overrepresentation on a national scale, and democratic impacts

Tasmania has the second highest proportion (after the Northern Territory) of councillors per head of population in Australia. Tasmania's small, dispersed population contributes to this, but aligning representation with other jurisdictions can enhance fairness and efficiency.

**Figure 1 - Average population per councillor – jurisdictional comparison**

| Jurisdiction | Number of councils | Number of councillors[3] | Population (ABS 2021) | Population per councillor |
|---|---|---|---|---|
| NSW | 128 | 1259 | 8,072,163 | 6412 |
| Vic | 79 | 618 | 6,503,491 | 10523 |
| QLD | 77 | 600* | 5,156,138 | 8594 |
| WA | 139 | 1200* | 2,660,026 | 2217 |
| SA | 68 | 630 | 1,781,516 | 2828 |
| Tas | 29 | 263 | 557,571 | 2120 |
| NT | 17 | 159 | 232,605 | 1463 |

While local democratic representation is undoubtedly important, there are democratic and financial impacts associated with overrepresentation. Existing levels of representation in Tasmania, particularly in instances of recounts, can lead to undemocratic outcomes, where candidates can be elected with very few primary votes.

Appendix B, figure 4 shows the deidentified results of all 27 recounts undertaken since 2022 – including the total number of ballots submitted and the number and percentage of first preference votes achieved in the 2022 local government elections. Of the recounts since the 2022 elections there was one candidate being elected to a small council on 17 first preference votes and another in a large urban council who received 0.89% of the total first preference votes in that municipality. This calls into question the democratic mandate and legitimacy of some elected members and suggests benefits of reforming councillor numbers is needed to 'lift the bar' for election to office.

[3] QLD and WA figures are approximations from respective electoral commission/OLG websites.

## Representational inconsistencies caused by historic, ad-hoc numbers reviews

Since the establishment of Tasmania's current system of 29 councils in 1993 there have been several reviews of levels of representation in local government. These have occurred infrequently, have not captured the entire sector, and delivered piecemeal change.

The last of these were a series of councillor number reviews undertaken by the Local Government Board in the early 2010s. These reviews were opt-in and saw a small number (9) of participating councils reduce their number of elected representatives by between 1 and 3. This has created a legacy of inconsistencies in representation, where councils of broadly equivalent size, scale and complexity now have substantially different councillor numbers. For example, Devonport City Council reduced its numbers from 12 to 9 in 2013, having the same number of councillors as King Island despite the obvious discrepancies between their respective populations (26,989 vs 1,662).

Having a consistent framework for establishing an appropriate representational range which is applied to all councils will help, in the first instance, reset these inconsistencies, while in the future create an enduring, equitable and robust model for the democratic representation of Tasmanian communities.

Below shows the councils which reduced their numbers in 2012 and 2013, and by how many:

Central Coast – 12 to 9

Devonport – 12 to 9

Derwent Valley – 9 to 8

Glamorgan-Spring Bay – 9 to 8

Glenorchy City – 12 to 10

Kingborough – 12 to 10

Southern Midlands – 9 to 7

Tasman – 9 to 7

Waratah-Wynyard – 10 to 8

Because of these historical reductions, under the proposed reforms the councils above see only minor representational adjustments, such that they achieve reasonable alignment with comparable councils. These councils will see lower proportional savings following an increase in allowances. However, it is recognised that these councils have incurred community savings over time from their reduced number of councillors since 2012 and 2013.

## An outdated councillor allowances framework contributes to unfair pay

Reviews of councillor allowances have occurred relatively infrequently over the past 25 years (2000, 2004, 2008 and 2018), and since the introduction of the existing framework for determining councillor allowances in 2004, there have been only minor changes (annual indexation) to the allowances paid to councillors.

Councils are currently allocated to allowance categories based on a formula of **total voters multiplied by operating revenue divided by 1 million** to derive a score. It is recognised that there are a number of weaknesses with this framework, namely:

- Total voters as a metric does not reflect that councillors represent the interests and make decisions impacting all residents of their municipality. Therefore, the use of total population is considered a better indicator of representational need.
- Operating revenue is impacted by financial assistance and other capital grants paid to councils and is subject to notable year-on-year fluctuations. The five-year average value of approved development applications and written down value of infrastructure assets are more stable indicators of the complexity of a council's role.
- While not applied annually, the framework uses only data for a given financial year, therefore is vulnerable to sizeable fluctuations in operating revenue.
- The formula does not recognise the relationship between levels of representation and pay as indicators of the complexity and workload required on individual councils.

## Detailed methodology: a new framework for determining numbers and allowances

The Office of Local Government has developed a proposed formula to determine appropriate councillor numbers and allowances based on key demographic, financial and geographic metrics and broad alignment with levels of representation in other jurisdictions.

Based on their score against the metrics, councils are allocated to one of three categories, with either nine, seven or five elected representatives.

Importantly, the formula recognises not all factors contribute equally to representational need. It adopts a three-tiered approach, recognising population as the primary determinant of representational need, followed by complexity of role, and geographic factors.

The three tiers – and the metrics and benchmarks that determine a council's score under each – are explained below.

| Tier | Metric | Source | Rationale |
|---|---|---|---|
| 1 (scores 1 – 5) | Metric 1.1 – population size | Australian Bureau of Statistics | Population is the primary factor for determining communities' representational needs. While electors influence the outcomes of elections, councillors are responsible for representing the entire population of their LGAs, justifying population (rather than simply voting age population) as the appropriate metric. |
| 2 (scores 1 – 3) | Metric 2.1 – total value of approved development applications (5-year average) | Councils Consolidated Data Collection | The value of development applications approved by a council acts a proxy measure for the complexity of a councillor's role by indicating workload, technical demands, community engagement needs, and strategic oversight required. This figure has been used over the total number of development applications received as the dollar value better reflects complexity, as |

| Tier | Metric | Source | Rationale |
|---|---|---|---|
| | | | opposed to workload (e.g. it is a more complex task assessing a smaller number of higher value applications than a higher number of straightforward applications, many of which may in fact be delegated). |
| | Metric 2.2 – total written down value of infrastructure assets | Councils Consolidated Data Collection | As with development applications, higher infrastructure values signal greater complexity in the role of councillor, indicating a larger asset base to maintain, fund, and plan for. This figure includes property, plant and equipment, roads and bridges, and stormwater infrastructure. |
| 3 (scores 0.5 – 1.5) | Metric 3.1 – urbanisation (based on the Australian Classification of Local Governments | Australian Classification of Local Governments | Captures the blend of population, density, and geographic factors, while ensuring alignment with the ACLG's focus on population, density, and urban/rural character. By integrating these inputs, the model ensures comparability with other Australian jurisdictions while addressing Tasmania's unique geography and small population. |
| | Metric 3.2 – kilometre of sealed roads (urban and rural) | Councils Consolidated Data Collection | Provides as an indication of the geographic dispersion of communities within an LGA, contributing to a need for representational 'spread'. Length of sealed roads is used as an indicator for population distribution as opposed to simple land area size, which in some geographically large councils can (and in many cases does) include national park, uninhabited and/or un-serviced land. |

| Tier | Metric | Source | Rationale |
|---|---|---|---|
| | | | Sealed roads are used to indicate that populations are predominately clustered along sealed roads. From a complexity perspective, the asset values metric (2.2) includes the value of both sealed and non-sealed roads. |

## Ensuring no adverse representational outcomes

It is considered that the number categories capture the appropriate number of elected representatives commensurate to the scale and complexity of their required role and functions. Importantly, these categories ensure Tasmanian councils are broadly aligned with other jurisdictions on a councillor head of population basis and generally consistent with national levels of local representation.

Further, the three categories with odd numbers ensure that there is no risk of tied voting outcomes. This concern has been expressed by the sector, and nationally is considered by the Victorian Electoral Commission in the conduct of their local government representation reviews. All other jurisdictions (except Victoria) have councils with an even number of councillors, however this is generally a minority of councils. For example, only 24 of NSW's 127 councils have an even number of councillors, ranging from eight to twelve.

Nine councillors is a common level of representation for medium sized urban councils like Hobart, Launceston, Clarence, Glenorchy and Kingborough. Almost half of NSW's councils have 9 councillors – 11 of these with populations over 50,000 – including large metropolitan councils such as Camden with 135,000 people and Canada Bay with 91,385 people[4].

It is also acknowledged there may be concerns around councils with five councillors having a low quorum threshold. The Government is currently delivering reforms to support flexible meeting attendance (the ability to meet remotely) in prescribed circumstances. This should support an overall uplift in attendance at meetings.

Further, the Government has examined whether there are any notable representational issues in five councillor councils in Victoria (there are six – with details of these councils and their population and geographic size in Appendix B, figure 3). Consultation with Victoria has indicated no notable or reported issues with

[4] NSW OLG – comparative council information (https://olg.nsw.gov.au/public/about-councils/comparative-council-information/your-council-report/)

the level of representation in these councils – in terms of governance, representation or otherwise. While under the Victorian *Local Government Act 2020,* the Minister for Local Government may appoint municipal monitors to councils experiencing governance issues to report back to observe, provide advice and report back to the Minister on governance issues. No monitors have been appointed to any five councillor councils.

## Aligning numbers with allowances

While historically councils have been allocated to allowance categories based on a formula of **total voters multiplied by operating revenue divided by 1 million** to derive a score, the use of this formula is not required under statute.

Instead, it is proposed that allowance categories be determined based on the same score which determines numbers – creating a robust, cohesive and consistent formula for numbers and allowances. This will better deliver an important driver for the reform: equal pay for equal work.

This approach also recognises and resolves the following weaknesses with the existing data inputs:

- Total voters as a metric does not reflect that councillors represent the views of all residents of their municipality, therefore the use of total population is considered a better indicator of representational need.
- Operating revenue is impacted by financial assistance and other capital grants paid to councils, and is subject to notable year-on-year fluctuations. The five-year average value of approved development applications and written down value of infrastructure assets are more stable indicators of the complexity of a council's role.

To ensure a smooth transition and maintain fairness, the proposal utilises six allowance categories, aligning them as 'bands' within the new councillor number categories. This approach links allowances to council responsibilities, encouraging sustainable growth in metrics like population and infrastructure, which reflect community strength and development.

In addition to this:

- Councillor allowances in each band will increase by 14.25%, funded by savings from reducing councillor numbers, to better recognise the growing complexity of elected representative roles. The reform would be , implemented immediately after the October 2026 elections.
- To support small rural councils facing a reduction from nine to five councillors under the new formula, the proposal eliminates the smallest current allowance

category (category 7) and moves these councils to the next category (category 6). This ensures councillors receive a fairer, higher allowance that better reflects their increased scale of responsibilities, while savings from fewer councillors deliver value to communities.

The detailed scoring formula and rubric for determining numbers and allowances is as follows.

## Scoring formula

| Tier | Metric | Scoring Benchmark (low to high) | | | | |
|---|---|---|---|---|---|---|
| 1 | Population size | <15000<br>1 point | 15,000–25,000<br>2 points | 25,000-35,000<br>3 points | 35,000-55,000<br>4 points | 55,000+<br>5 points |
| 2 | 5-year average value of approved development applications ($'000'000) | <50<br>1 point | 50-100<br>2 points | 100+<br>3 points | | |
| | Written down value of infrastructure assets ($'000'000) | <150<br>1 point | 150-399<br>2 points | 400+<br>3 points | | |
| 3 | Urbanisation (Simplified ACLG) | Rural Small<br>0.5 points | Rural Large<br>1 point | Urban<br>1.5 points | | |
| | Km of sealed road (Urban and Rural) | <100km<br>0.5 points | 100–249km<br>1 point | >250km<br>1.5 points | | |

## Scoring rubric

| New Category | Councillor numbers | Score | Allowance band | Allowance ($)[5] | Score |
|---|---|---|---|---|---|
| 1 | 9 | 12+ | 1.1 | 51366 | 14+ |
| | | | 1.2 | 41585 | 12– 13.5 |
| 2 | 7 | 5 – 12 | 2.1 | 31491 | 10 – 11.5 |
| | | | 2.2 | 21404 | 7.5 – 9.5 |
| | | | 2.3 | 17888 | 5 – 7 |
| 3 | 5 | <5 | 3.1 | 15064 | <5 |

**Importantly** the allowance for each band does not materially change from the existing allowance categories, (just the formula for determining council's allocation) and is aligned as follows:

| Proposed allowance band | Equivalent current allowance category (in the General Regulations) | Allowance ($) (reflecting the 14.25% increase) |
|---|---|---|
| 1.1 | 1 | 51366 |
| 1.2 | 2 | 41585 |
| 2.1 | 3 | 31491 |
| 2.2 | 4 | 21404 |
| 2.3 | 5 | 17888 |
| 3.1 | 6 | 15064 |

[5] Please note that allowances are adjusted by an inflationary factor on 1 November each year, and the calculations in this paper will be subject to that minor adjustment.

## Summary of changes to allowance and numbers

Below shows the proposed councillor numbers and allowances based on the formula. This approach would see a net reduction in councillors across the sector by 60, from 263 to 203. **(Appendix A contains detailed scoring)**:

| Numbers category | Allowance band | Council | Score | Current number of crs | New number of crs | Cr change | New cr allowance rate ($) |
|---|---|---|---|---|---|---|---|
| 1 | 1.1 | Clarence | 14.0 | 12 | 9 | -3 | 51,366 |
| | | Hobart | 14.0 | 12 | 9 | -3 | 51,366 |
| | | Launceston | 14.0 | 12 | 9 | -3 | 51,366 |
| | 1.2 | Glenorchy | 13.0 | 10 | 9 | -1 | 41,585 |
| | | Kingborough | 13.0 | 10 | 9 | -1 | 41,585 |
| 2 | 2.1 | Burnie | 10.0 | 9 | 7 | -2 | 31,491 |
| | | Central Coast | 10.0 | 9 | 7 | -2 | 31,491 |
| | | Devonport | 10.0 | 9 | 7 | -2 | 31,491 |
| | | West Tamar | 10.0 | 9 | 7 | -2 | 31,491 |
| | 2.2 | Northern Midlands | 9.5 | 9 | 7 | -2 | 21,404 |
| | | Sorell | 9.0 | 9 | 7 | -2 | 21,404 |
| | | Circular Head | 8.5 | 9 | 7 | -2 | 21,404 |
| | | Meander Valley | 8.5 | 9 | 7 | -2 | 21,404 |
| | | Huon Valley | 8.0 | 9 | 7 | -2 | 21,404 |
| | | Brighton | 7.5 | 9 | 7 | -2 | 21,404 |
| | | Waratah-Wynyard | 7.5 | 8 | 7 | -1 | 21,404 |
| | 2.3 | Break O'Day | 7.0 | 9 | 7 | -2 | 17,888 |
| | | Derwent Valley | 7.0 | 8 | 7 | -1 | 17,888 |

| Numbers category | Allowance band | Council | Score | Current number of crs | New number of crs | Cr change | New cr allowance rate ($) |
|---|---|---|---|---|---|---|---|
| | | Latrobe | 7.0 | 9 | 7 | -2 | 17,888 |
| | | Dorset | 6.5 | 9 | 7 | -2 | 17,888 |
| | | Kentish | 6.5 | 9 | 7 | -2 | 17,888 |
| | | Glamorgan-Spring Bay | 5.5 | 8 | 7 | -1 | 17,888 |
| | | George Town | 5.0 | 9 | 7 | -2 | 17,888 |
| | | Southern Midlands | 5.0 | 7 | 7 | 0 | 17,888 |
| 3 | 3.1 | Central Highlands | 4.5 | 9 | 5 | -4 | 15,064 |
| | | West Coast | 4.5 | 9 | 5 | -4 | 15,064 |
| | | Flinders | 4.0 | 7 | 5 | -2 | 15,064 |
| | | King Island | 4.0 | 9 | 5 | -4 | 15,064 |
| | | Tasman | 4.0 | 7 | 5 | -2 | 15,064 |

As noted previously, a flat **14.25%** increase to all allowance categories delivers a true cost-neutral increase, with only seven councils bearing costs due to allowance band progression or historical reductions necessitating a smaller proportional reduction of councillors. Individual costs and savings are as follows:

| Council[6] | Costs/savings ($) | Cr allowance increase (including any category) |
|---|---|---|
| Clarence | -50671 | 41.12% |
| Hobart | 77217 | 14.25% |
| Launceston | 77217 | 14.25% |
| Glenorchy | -10282 | 14.25% |
| Kingborough | -10282 | 14.25% |
| Burnie | 27632 | 14.25% |
| Central Coast | 27632 | 14.25% |
| Devonport | 27632 | 14.25% |

[6] Councils highlighted in green move up a band, receiving the 14.25% base councillor increase as well as new allowance band costs for councillors, Mayor and Deputy Mayor allowances.

| Council[6] | Costs/savings ($) | Cr allowance increase (including any category) |
|---|---|---|
| West Tamar | 27632 | 14.25% |
| Brighton | 18781 | 14.25% |
| Circular Head | -19407 | 36.69% |
| Huon Valley | 18781 | 14.25% |
| Meander Valley | 18781 | 14.25% |
| Northern Midlands | 18781 | 14.25% |
| Sorell | 18781 | 14.25% |
| Waratah-Wynyard | 47 | 14.25% |
| Break O'Day | 15696 | 14.25% |
| Derwent Valley | 39 | 14.25% |
| Dorset | 15696 | 14.25% |
| George Town | 15696 | 14.25% |
| Glamorgan-Spring Bay | -27792 | 35.67% |
| Kentish | -14607 | 35.67% |
| Latrobe | 15696 | 14.25% |
| Southern Midlands | -40977 | 35.67% |
| Central Highlands | 27578 | 30.57% |
| Flinders | 4504 | 30.57% |
| King Island | 27578 | 30.57% |
| Tasman | 4504 | 30.57% |
| West Coast | 43346 | 14.25% |
| **Total savings** | 355226 | |

## Ongoing sustainability of the framework

It is important the framework is robust and provides a fair and objective assessment of the complexity of a councillor's role at any given time without susceptibility to year-to-year volatility swings caused by short-term data anomalies or outliers.

The data metrics and scoring thresholds have been developed with this in mind, so that councils do not experience huge movements or fluctuations in their scoring (and therefore councillor numbers and allowances) due to outlying results.

Population, value of infrastructure assets, and length of sealed roads are indicators of financial health and sustainability of an LGA, which are expected for most councils to grow at a sustainable pace over time. This ensures councils can move between numbers categories and allowance bands over time where there is demonstrated growth and development within their municipality.

The value of development applications is susceptible to sizeable fluctuations, however the impacts of this are mitigated both by the highest score (3) being capped at $100 million, and by using a five-year average figure. For example, the Robbins

Island wind farm development means Circular Head Council's value of approved DAs for the 2022-23 financial year was at $1.3 billion, with a five-year average of $355 million. The points allocated to Circular Head under the model are capped at 3, mitigating any adverse distortion to the scoring framework (including regression when this figure drops off the five-year period).

Similarly, the use of urbanisation as a metric stabilises councils on the lower end of the scoring spectrum from unnecessarily fluctuating between five and seven councillors. For example, an urban large council which achieves the lowest score will always have seven councillors – reflecting this is an appropriate base level of representation for a council of this nature.

The framework has been rigorously tested against population trends and economic scenarios, ensuring councils maintain stable representation and fair allowances over time, supporting sustainable community governance.

## Implementing the framework

Minor legislative amendments will be required to Schedule 3 of the *Local Government Act 1993* and Schedule 4 of the *Local Government (General) Regulations 2025* to implement changes to councillor numbers and allowances resulting from this framework.

Under the Local Government Act, the Minister is permitted to recommend the Governor make changes to councillor numbers by Order in response to a report from the Local Government Board. Similarly, historical reviews of councillor allowances have been undertaken by a Board of Inquiry, with recommendations provided to the Minister for actioning at their discretion.

However, it is intended the implementation of the framework – including those to allowances and numbers – will be delivered by an amendment Bill. The key reasons for this approach are:

- it will ensure shared buy-in and support for the framework is received across the local government sector, communities and Parliament
- the reform has desired outcomes and objectives from its inception (including implementation of the detailed methodology), which can be better retained through a Government led, targeted review
- the review is unencumbered by the costly and time-consuming statutory burdens faced by a Local Government Board. This ensures the review can be delivered before the 2026 local government elections

- the review contemplates other statutory reforms, including quorum management and superannuation provisions, which would need to be delivered through primary legislation anyways.

A few councils, due to prior voluntary reductions or allowance band adjustments, may face small cost increases under the new framework. These costs are minimal and can be flexibly managed by councils under existing legislation, ensuring fairer allowances while maintaining value for communities. This may include voluntarily determining not to implement this increase immediately or otherwise stagger the transition to these allowance rates.

## Setting the foundation for future allowance reviews

Following implementation of these reforms, it will be important that councillor numbers and allowances are subject to regular review into the future, to ensure communities are both adequately represented, and that councillors continue to be fairly and equitably remunerated.

Deficiencies with the current processes for reviewing councillor numbers and allowances – including a lack of clear structure and transparency around the scope, timing and conduct of regular reviews – has led to inconsistent and inequitable outcomes across the sector.

The framework proposed in this paper provides the opportunity to provide increased certainty around future reviews and improved transparency into how they are to occur

The Government is considering legislative changes to establish a mandatory schedule for regular reviews (for example, once every term of council). The technical details of these provisions would need to be further developed, but the Government is keen in the first instance to test with the sector and the community, support for the concept of legislating for routine, regular allowances and number reviews conducted in accordance with the methodology outlined in this paper.

We believe this proposal has merit, as it would see the re-application of the methodology to councils on a regular basis, ensuring council numbers and allowances remain fair and equitable on an absolute and relative basis over time, in response to demographic and other changes.

# Appendix A – Detailed scoring

| Council | Population (2025-26 projections) | | Council type - simplified ACLG | | Sealed Roads - urban and rural (km) | | 5 year (19-20 to 23-24) average value of approved DAs $'000 | | Written down value of infrastructure assets $'000 (2023-24) | | Total Score |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Clarence | 65,014 | 5 | Urban | 1.5 | 465 | 1.5 | $277,518 | 3 | $623,212 | 3 | 14.0 |
| Hobart | 56,967 | 5 | Urban | 1.5 | 299 | 1.5 | $343,265 | 3 | $897,259 | 3 | 14.0 |
| Launceston | 72,701 | 5 | Urban | 1.5 | 543 | 1.5 | $293,907 | 3 | $1,394,520 | 3 | 14.0 |
| Glenorchy | 51,803 | 4 | Urban | 1.5 | 303 | 1.5 | $203,151 | 3 | $633,044 | 3 | 13.0 |
| Kingborough | 42,687 | 4 | Urban | 1.5 | 294 | 1.5 | $169,583 | 3 | $590,758 | 3 | 13.0 |
| Burnie | 20,774 | 2 | Urban | 1.5 | 309 | 1.5 | $76,003 | 2 | $412,045 | 3 | 10.0 |
| Central Coast | 23,490 | 2 | Urban | 1.5 | 560 | 1.5 | $74,595 | 2 | $481,724 | 3 | 10.0 |
| Devonport | 27,108 | 3 | Urban | 1.5 | 250 | 1.5 | $76,643 | 2 | $274,691 | 2 | 10.0 |
| West Tamar | 26,652 | 3 | Urban | 1.5 | 324 | 1.5 | $78,557 | 2 | $295,030 | 2 | 10.0 |
| Northern Midlands | 14,360 | 1 | Rural Large | 1.0 | 577 | 1.5 | $107,694 | 3 | $416,334 | 3 | 9.5 |
| Sorell | 18,474 | 2 | Rural Large | 1.0 | 217 | 1.0 | $116,845 | 3 | $305,566 | 2 | 9.0 |
| Circular Head | 8,313 | 1 | Rural Large | 1.0 | 303 | 1.5 | $355,170 | 3 | $217,497 | 2 | 8.5 |

| Council | Population (2025-26 projections) | | Council type - simplified ACLG | | Sealed Roads - urban and rural (km) | | 5 year (19-20 to 23-24) average value of approved DAs $'000 | | Written down value of infrastructure assets $'000 (2023-24) | | Total Score |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Meander Valley | 21,680 | 2 | Rural Large | 1.0 | 561 | 1.5 | $83,778 | 2 | $231,255 | 2 | 8.5 |
| Huon Valley | 19,991 | 2 | Rural Large | 1.0 | 196 | 1.0 | $72,069 | 2 | $253,887 | 2 | 8.0 |
| Brighton | 20,774 | 2 | Urban | 1.5 | 163 | 1.0 | $90,510 | 2 | $135,646 | 1 | 7.5 |
| Waratah-Wynyard | 14,694 | 1 | Rural Large | 1.0 | 295 | 1.5 | $50,232 | 2 | $223,538 | 2 | 7.5 |
| Break O'Day | 7,143 | 1 | Rural Large | 1.0 | 230 | 1.0 | $55,821 | 2 | $189,924 | 2 | 7.0 |
| Derwent Valley | 11,467 | 1 | Rural Large | 1.0 | 123 | 1.0 | $94,102 | 2 | $153,505 | 2 | 7.0 |
| Latrobe | 13,654 | 1 | Rural Large | 1.0 | 242 | 1.0 | $73,029 | 2 | $332,847 | 2 | 7.0 |
| Dorset | 6,933 | 1 | Rural Large | 1.0 | 252 | 1.5 | $20,725 | 1 | $187,136 | 2 | 6.5 |
| Kentish | 6,965 | 1 | Rural Large | 1.0 | 262 | 1.5 | $27,836 | 1 | $270,974 | 2 | 6.5 |
| Glamorgan-Spring Bay | 5,351 | 1 | Rural Small | 0.5 | 179 | 1.0 | $59,193 | 2 | $120,193 | 1 | 5.5 |
| George Town | 7,306 | 1 | Rural Large | 1.0 | 198 | 1.0 | $28,002 | 1 | $144,012 | 1 | 5.0 |

| Council | Population (2025-26 projections) | | Council type - simplified ACLG | | Sealed Roads - urban and rural (km) | | 5 year (19-20 to 23-24) average value of approved DAs $'000 | | Written down value of infrastructure assets $'000 (2023-24) | | Total Score |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Southern Midlands | 7,014 | 1 | Rural Large | 1.0 | 217 | 1.0 | $31,358 | 1 | $139,117 | 1 | 5.0 |
| Central Highlands | 2,604 | 1 | Rural Small | 0.5 | 135 | 1.0 | $22,791 | 1 | $92,270 | 1 | 4.5 |
| West Coast | 4,296 | 1 | Rural Small | 0.5 | 124 | 1.0 | $26,910 | 1 | $88,229 | 1 | 4.5 |
| Flinders | 928 | 1 | Rural Small | 0.5 | 97 | 0.5 | $7,640 | 1 | $75,282 | 1 | 4.0 |
| King Island | 1,654 | 1 | Rural Small | 0.5 | 92 | 0.5 | $21,917 | 1 | $77,869 | 1 | 4.0 |
| Tasman | 2,720 | 1 | Rural Small | 0.5 | 80 | 0.5 | $17,564 | 1 | $63,367 | 1 | 4.0 |

# Appendix B – Comparative representation and allowance data

**Figure 1 - Average population per councillor – jurisdictional comparison**

| Jurisdiction | Number of councils | Number of councillors[7] | Population (ABS 2021) | Population per councillor |
|---|---|---|---|---|
| NSW | 128 | 1259 | 8,072,163 | 6412 |
| Vic | 79 | 618 | 6,503,491 | 10523 |
| QLD | 77 | 600* | 5,156,138 | 8594 |
| WA | 139 | 1200* | 2,660,026 | 2217 |
| SA | 68 | 630 | 1,781,516 | 2828 |
| Tas | 29 | 263 | 557,571 | 2120 |
| NT | 17 | 159 | 232,605 | 1463 |
| **Tas (proposed)** | **29** | **203** | **557,571** | **2694** |

- The proposed changes to numbers would see Tasmania have the third lowest proportion of people per councillor (above Northern Territory and Western Australia). We would have representational parity with South Australia.
- Importantly, this demonstrates there would be no adverse dilution of local representation compared to other jurisdictions.

[7] QLD and WA figures are approximations from respective electoral commission/OLG websites.

**Figure 2 – changes to population per councillor (PPC) figures between 2013 – 2027 (factoring in changes to numbers)**

| | 2013-14 (ABS) | | 2020-2021 (ABS) | | 2026-27 (Treasury projections - medium) | |
|---|---|---|---|---|---|---|
| Council | Population | PPC | Population | PPC | Population | PPC (proposed model) |
| Break O'Day | 6312 | 701 | 6936 | 771 | 7179 | 1026 |
| Brighton | 16221 | 1802 | 19263 | 2140 | 21051 | 3007 |
| Burnie | 19565 | 2174 | 20441 | 2271 | 20500 | 2563 |
| Central Coast | 21989 | 2443 | 23278 | 2586 | 23537 | 2942 |
| Central Highlands | 2239 | 249 | 2580 | 287 | 2610 | 522 |
| Circular Head | 8204 | 912 | 8335 | 926 | 8304 | 1186 |
| Clarence | 54219 | 4518 | 62396 | 5200 | 65521 | 7280 |
| Derwent Valley | 10013 | 1252 | 11114 | 1389 | 11530 | 1647 |
| Devonport | 25295 | 2811 | 26922 | 2991 | 27164 | 3396 |
| Dorset | 6920 | 769 | 6991 | 777 | 6915 | 988 |
| Flinders | 871 | 124 | 938 | 134 | 927 | 185 |
| George Town | 6854 | 762 | 7213 | 801 | 7320 | 1046 |
| Glamorgan-Spring Bay | 4430 | 554 | 5118 | 640 | 5394 | 771 |
| Glenorchy | 46044 | 4604 | 51233 | 5123 | 52024 | 5780 |
| Hobart | 51232 | 4269 | 56084 | 4674 | 57238 | 6360 |
| Huon Valley | 16243 | 1805 | 18809 | 2090 | 20192 | 2885 |
| Kentish | 6317 | 702 | 6778 | 753 | 7008 | 1001 |
| King Island | 1611 | 179 | 1654 | 184 | 1649 | 330 |
| Kingborough | 35723 | 3572 | 40815 | 4082 | 43140 | 4793 |
| Latrobe | 10569 | 1174 | 12705 | 1412 | 13841 | 1977 |
| Launceston | 66576 | 5548 | 71906 | 5992 | 72940 | 8104 |
| Meander Valley | 19519 | 2169 | 21153 | 2350 | 21771 | 3110 |
| Northern Midlands | 12819 | 1424 | 14030 | 1559 | 14422 | 2060 |
| Sorell | 13981 | 1553 | 16975 | 1886 | 18740 | 2677 |
| Southern Midlands | 6139 | 877 | 6838 | 977 | 7049 | 1007 |
| Tasman | 2389 | 341 | 2643 | 378 | 2732 | 546 |
| Waratah-Wynyard | 14014 | 1752 | 14641 | 1830 | 14702 | 2100 |
| West Coast | 4392 | 488 | 4373 | 486 | 4285 | 857 |
| West Tamar | 22921 | 2547 | 25747 | 2861 | 26842 | 3355 |

**Figure 3 – Jurisdictional administrative and democratic comparison of 5-councillor LGAs**

- Victoria is the only Australian Jurisdiction with five-councillor councils (although all others have six-councillor councils).
- These Victorian councils are rural, cover significantly broader areas on average (except Borough of Queenscliffe) and all have higher populations than Tasman, Central Highlands, King Island and Flinders councils.

| Jurisdiction | 5-councillor councils | Population (ABS 2021) | Area size (km$^2$) |
|---|---|---|---|
| Victoria | Mansfield Shire Council | 10,178 | 3843.9 |
| | Loddon Shire Council | 7,759 | 6696.4 |
| | Pyrenees Shire Council | 7,671 | 3434.6 |
| | Towong Shire Council | 6,223 | 6675.2 |
| | West Wimmera Shire Council | 4,006 | 9108.7 |
| | Borough of Queenscliffe Council | 3,276 | 8.6 |
| Tasmania | West Coast | 4,373 | 9583.5 |
| | Tasman Council | 2,643 | 660.4 |
| | Central Highlands Council | 2,580 | 7982.4 |
| | King Island | 1,654 | 1095.7 |
| | Flinders Council | 938 | 1996.6 |

**Figure 4 – Democratic outcomes with current councillor numbers - results of 30 recounts undertaken since 2022 (and first preference votes received by successful candidate in 2022) (DEIDENTIFIED)**

| First preference votes received in 2022 | Total formal votes received by council in 2022 election | First preference vote % received in 2022 |
|---|---|---|
| 608 | 11,867 | 5.12% |
| 44 | 2,012 | 2.19% |
| 209 | 6,414 | 3.26% |
| 208 | 4,590 | 4.53% |
| 56 | | 1.22% |
| 93 | | 2.03% |
| 105 | | 2.29% |
| 157 | | 3.42% |
| 17 | 702 | 2.42% |
| 128 | 3,784 | 3.38% |
| 112 | | 2.96% |
| 227 | 25,506 | 0.89% |
| 803 | | 3.15% |
| 687 | | 2.69% |
| 428 | 30,708 | 1.39% |
| 486 | | 1.58% |
| 179 | 11,386 | 1.57% |
| 285 | | 2.50% |
| 648 | | 5.69% |
| 158 | 12,793 | 1.24% |
| 310 | | 2.42% |
| 634 | | 4.96% |
| 458 | | 3.58% |
| 124 | 10,231 | 1.21% |

| First preference votes received in 2022 | Total formal votes received by council in 2022 election | First preference vote % received in 2022 |
|---|---|---|
| 351 | 4,033 | 8.70% |
| 103 | 2,188 | 4.71% |
| 65 | | 2.97% |
| 406 | 15,530 | 2.61% |
| 624 | 37,578 | 1.66% |
| 503 | | 1.34% |

**Figure 5 – Jurisdictional councillor allowance rates (and categories for determining allowances)**

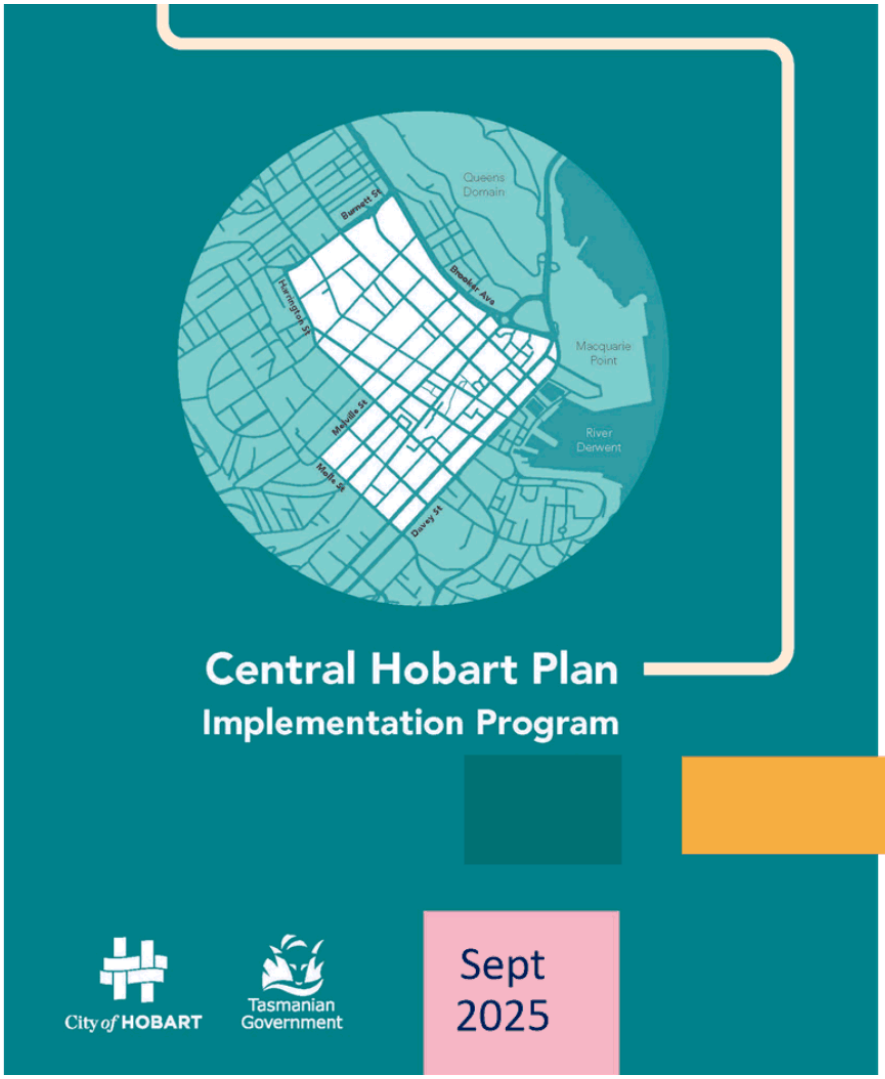
| | Victoria | Councillor allowance |
|---|---|---|
| Category | 1 | 61,153 |
| | 2 | 40,769 |
| | 3 | 34,028 |
| | 4 | 27,291 |

| | Queensland | Councillor allowance |
|---|---|---|
| Category | F2 | 166,653 |
| | E2 | 153,141 |
| | D3 | 135,123 |
| | D2 | 117,109 |
| | C3 | 100,052 |
| | C2 | 99,090 |
| | C1 | 78,814 |
| | B3 | 77,876 |
| | B2 | 77,688 |
| | B1 | 60,270 |
| | A3 | 60,270 |
| | A2 | 59,695 |
| | A1 | 59,695 |

| | Western Australia | Councillor allowance (maximum payable) |
|---|---|---|
| Category | 1 | 34,278 |
| | 2 | 25,137 |
| | 3 | 17,711 |
| | 4 | 10,286 |
| | regional councils | 11,430 |

| | South Australia | Councillor allowance |
|---|---|---|
| Category | 1A | 25,838 |
| | 1B | 22,828 |
| | 2 | 19,110 |
| | 3 | 15,381 |
| | 4 | 10,955 |
| | 5 | 7,192 |

| | New South Wales | Councillor allowance (maximum payable) |
|---|---|---|
| Category | Principal CBD | 45,070 |
| | Major CBD | 37,960 |
| | Metropolitan Major | 35,890 |
| | Metropolitan Large | 33,810 |
| | Metropolitan Medium | 28,690 |
| | Metropolitan Small | 22,540 |
| | Major Regional City | 35,620 |
| | Major Strategic Area | 35,620 |
| | Regional Strategic Area | 33,810 |
| | Regional Centre | 27,050 |
| | Regional Rural | 22,540 |
| | Rural Large | 18,340 |
| | Rural | 13,520 |




# Hobart Workshop Committee

## 13 October 2025

## CHP Annual update

# Agenda

City of HOBART

The briefing will be undertaken in four parts:

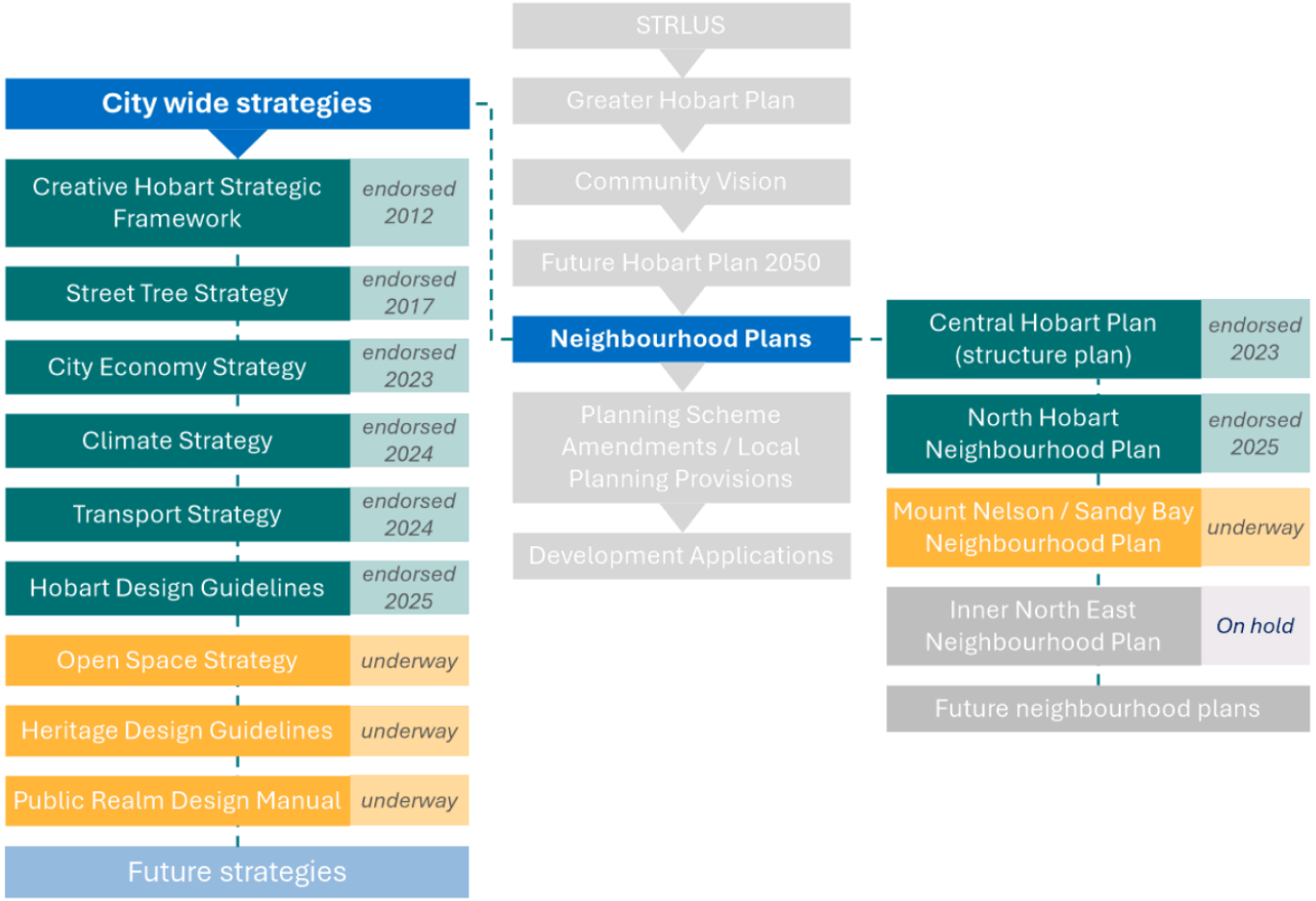
- Update on the key priority actions for Central Hobart Plan
- Planning Scheme Amendments / LPS
- Strategic Land Use Planning Update
- Questions and Answers Session

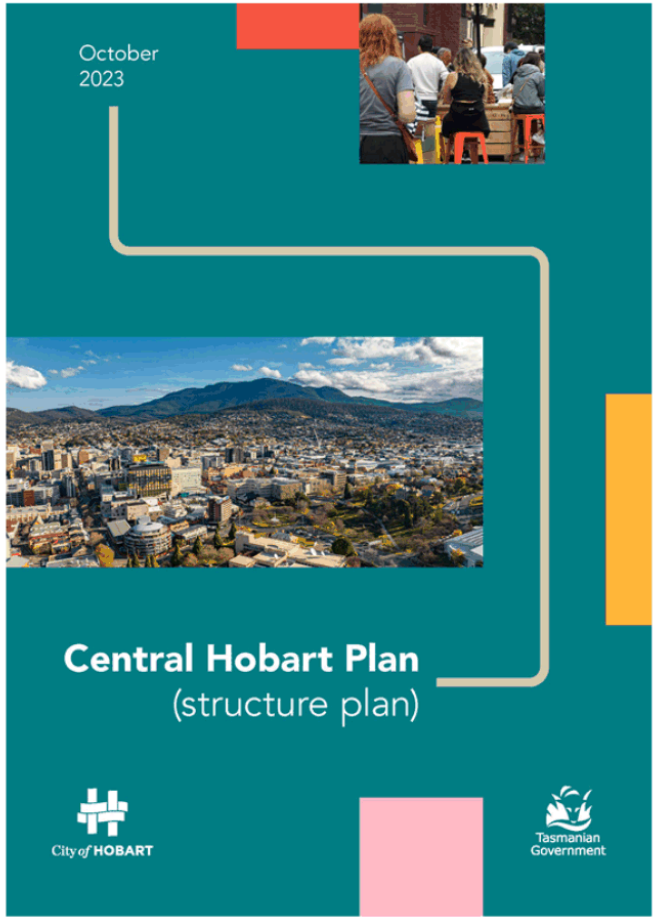
# Strategic Vision for Hobart

Endorsed

Underway

City of HOBART






## Total 129 actions in Central Hobart Plan

### Implementation

#### Years 1- 4 Implementation Program

Timeframe:
Short term (0 - 4 years)

**6 Priority Actions**

1. Development Ready Innovation Precinct Project
2. Street Improvement Plans
3. Building Height and Form Planning Controls
4. Better design guidance
5. Enhance movement choices
6. Infrastructure Investment Plan

#### Council Strategies

Timeframe:
Ongoing

**Existing and proposed Council wide strategies and policies**

- Creative Hobart Strategic Framework (endorsed 2012)
- Street Tree Strategy (endorsed in 2017)
- City Economy Strategy (endorsed in 2023)
- Public Realm Design Manual (underway)
- Open Space Strategy (underway)
- Transport Strategy (endorsed 2024)
- Climate Strategy (endorsed 2024)

#### Advocacy & Partnerships

Timeframe:
Ongoing

**Advocacy**

- Internal
- Stakeholder
- Community

**Partnerships**

- Tasmanian Government
- Businesses
- Property owners/ Developers

# Ongoing Advocacy

City of HOBART

## Internal

- Council strategies
- Working groups
- Grant applications
  e.g. $26 million stormwater infrastructure

## Stakeholders

- State projects
  e.g. MacPoint Stadium
- State Planning Reforms
  e.g. DAPs, Coastal Policy

## Community

- Committees
- Workshops
- Events
- Public forums

## Professional bodies

- Planning Institute of Australia
- AIA Open House
- H2G advocacy
- Award nominations

# Partnerships

City of HOBART

## State Government / Greater Hobart Councils

### Partnerships

- Sothern Tasmanian Regional Land Use Strategy
- Northern Suburbs Transit Corridor project (Glenorchy City Council and State Government)
- Greater Hobart Partnership: Strategic Planners Working Group

### Government Planning Reforms – Working groups

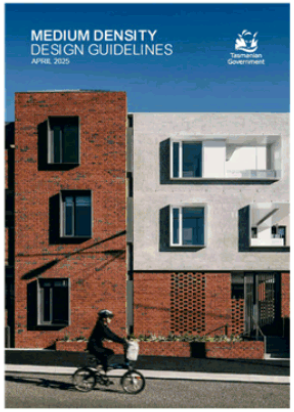
- Improving Residential Standards
- Medium Density Design Guidelines

## Property Owners/ Developers

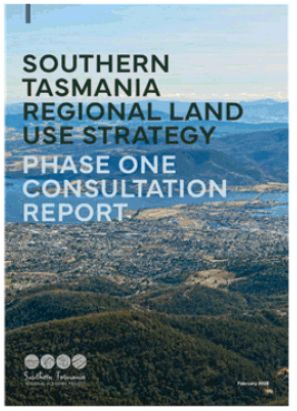
- Developer guide/ forum/ pre-DA services
- Incentives package

## Businesses

- City Economy Strategy
- Innovation Precinct








# Central Hobart Plan
## Implementation Program

**Key:**

- Begun ●○○
- Well underway ●●○
- Complete ●●●
- Ongoing ↻

| Priority Actions | Progress |
|---|---|
| Priority Action 1: **Innovation Precinct Project** | ●○○ |
| Priority Action 2: **Street Improvement Plans** | ●○○ |
| Priority Action 3.1: **Building Height and Built Form Planning Controls** | ●●○ |
| Priority Action 3.2: **Guidance for Better Design** | ●●↻ |
| Priority Action 4: **Enhance Movement Choices** | ●●↻ |
| Priority Action 5: **Infrastructure Investment Plan** | ●○○ |

# Goal 1

## Priority Action 1

Innovation Precinct Project

Key:

- Begun
- Well underway
- Complete
- Ongoing

*Goal 1 : A captivating and dynamic capital city.*

| Key actions | Progress |
|---|---|
| Innovation Precinct Framework Plan | ● ○ ○ |
| Night Time Economy | ↻ |
| Attract key industries, start-ups and creative industries. | ↻ |
| Planning Scheme Amendments | ● ○ ○ |

**Innovation Precinct Taskforce**

- 6 workshops until April 2026
- Aiming to develop a 3-year program

# Goal 2

## Priority Action 2

## Street Improvement Plans

Key:

- Begun
- Well underway
- Complete
- Ongoing

*Goal 2 : Public spaces that engage and create joy.*

| Key Actions | Progress |
|---|---|
| Elizabeth Street Vision Plan | ● ◐ ○ |
| Pedestrian and micromobility improvements (e.g. Transforming Collins Street) | ● ○ ○ |
| Sustainable and shared infrastructure | ● ○ ○ |

### Elizabeth Street Vision Plan

- Last stage of background study i.e. Business survey is underway with property owners, which will close end of next month.
- Findings report expected early next year.
- Co-design workshops next year.

# Goal 3

## Priority Action 3.1

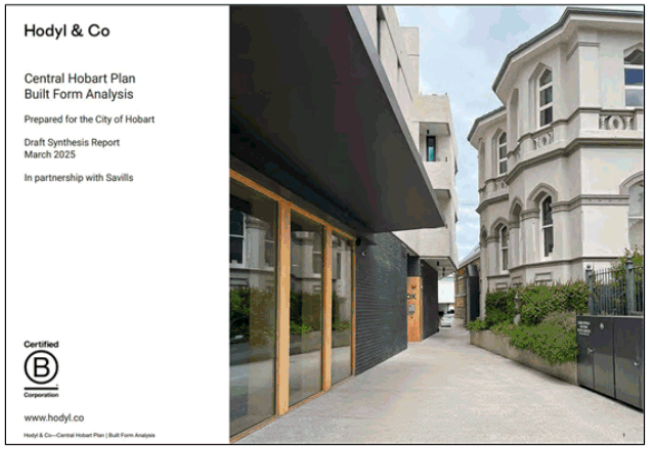
## Building Height and Built Form Planning Controls

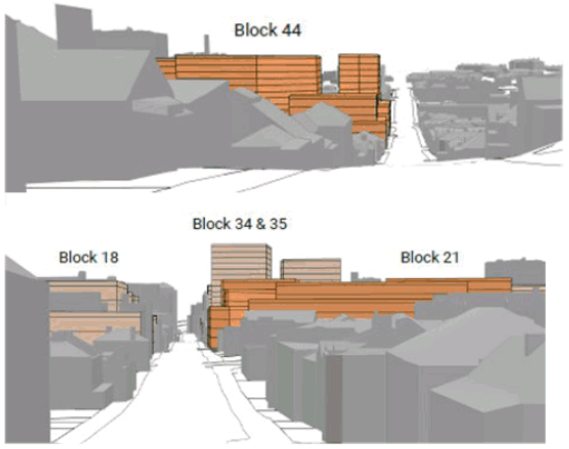
Key:

- Begun
- Well underway
- Complete
- Ongoing

*Goal 3 : Sustainable buildings with character*

| Key Actions | Progress |
|---|---|
| Select block analysis | ●●◐ |
| Develop built form controls, including maximum building heights | ●●○ |
| Celebrate the Hobart Rivulet and consider the precinct objectives | ●●○ |
| Planning Scheme Amendments | ●●○ |

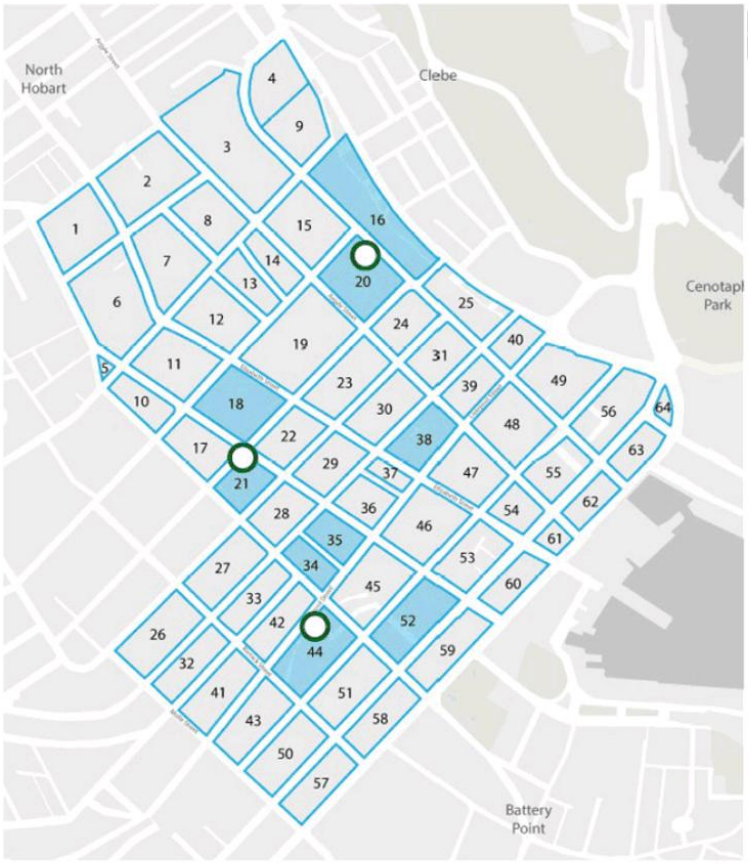


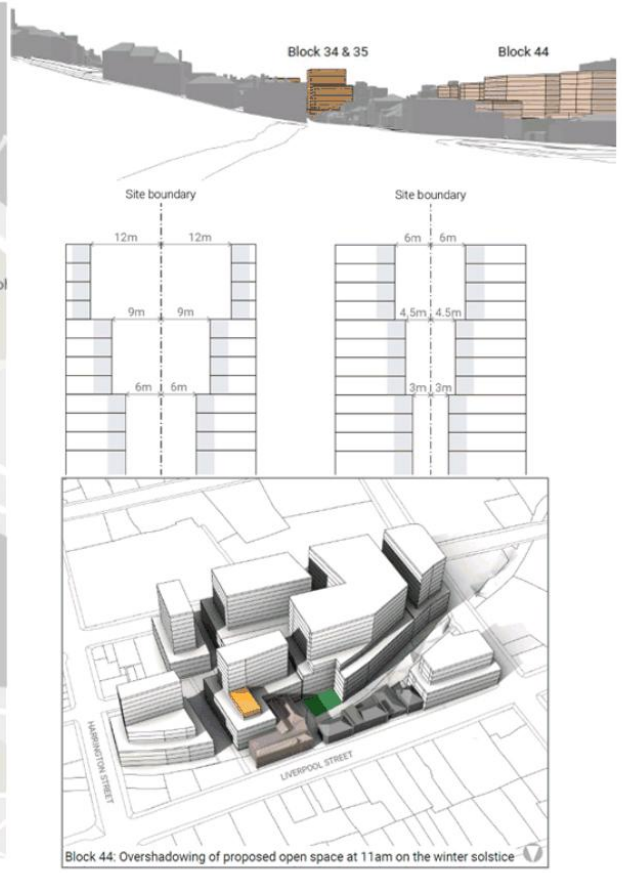
## Goal 3

## Priority Action 3.1

# Building Height and Built Form Planning Controls




Selected blocks for testing
Block with a proposed open space



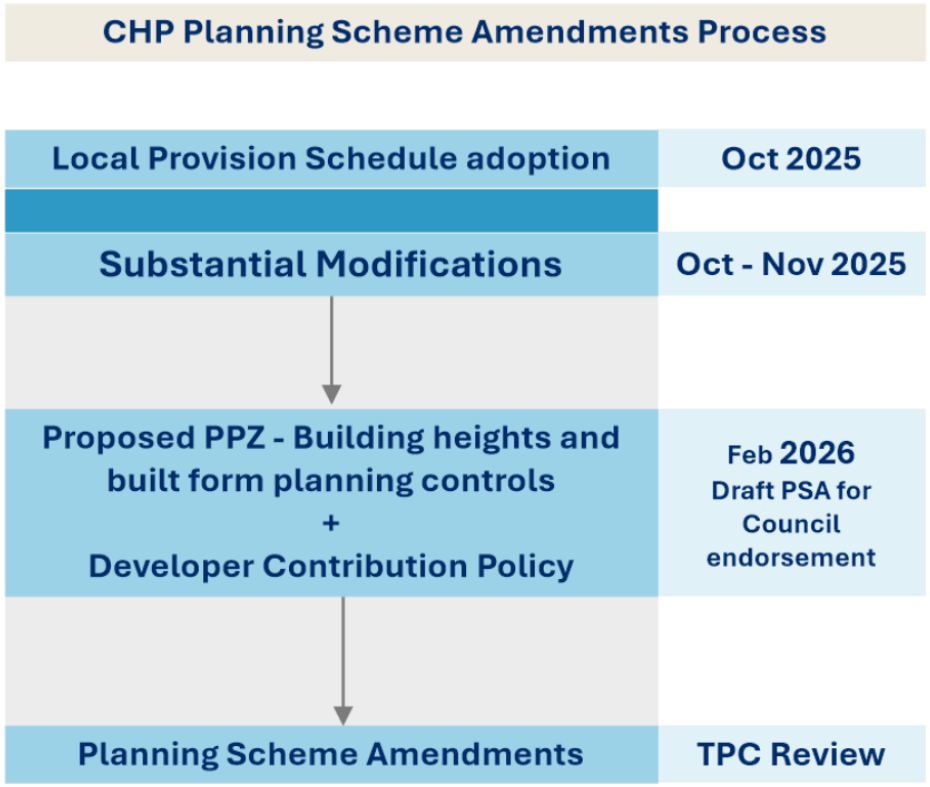

Block 44: Overshadowing of proposed open space at 11am on the winter solstice

Proposed open space
(small open space, approximately 250m2, indicative location only)
Extent of built form envelope causing overshadowing at 11am (equivalent to approximately 52% of the proposed open space)
Existing building retained on developable site in response to heritage fabric

Goal 3

## Priority Action 3.1

Building Height and Built Form Planning Controls



# Goal 3

## Priority Action 3.2

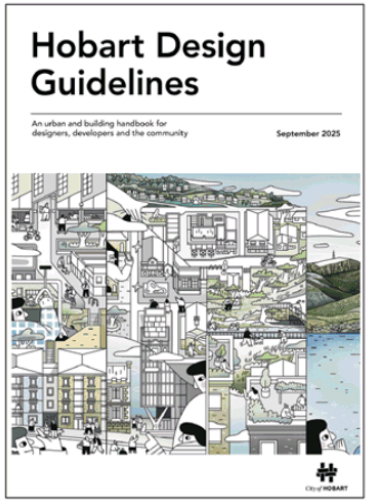
Guidance for Better Design

Key:

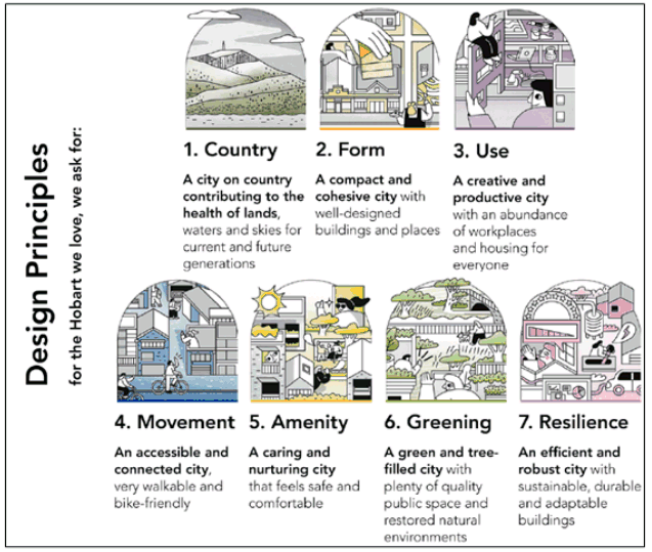
- Begun
- Well underway
- Complete
- Ongoing

*Goal 3 : Sustainable buildings with character*

| Key Actions | Progress |
|---|---|
| Hobart Design Guidelines | ●●◔ |
| Heritage Design Guidelines | ●○○ |
| Implementation of the design guidelines | ○○○ |




**Endorsed Sept 2025**



# Goal 4

## Priority Action 4

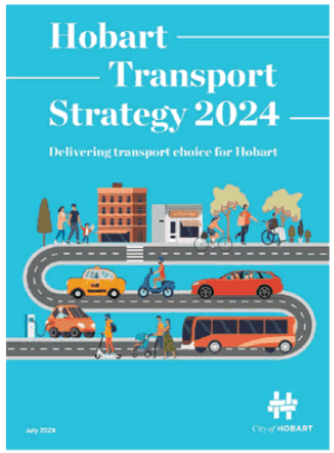
## Enhance Movement Choices

Key:

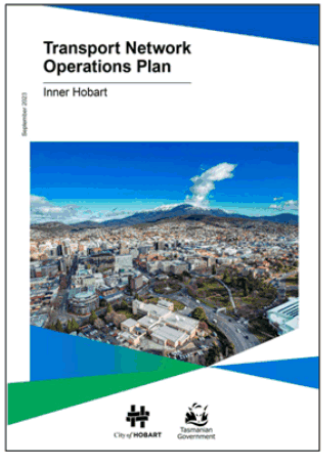
- Begun
- Well underway
- Complete
- Ongoing

*Goal 4 : Integrated & accessible movement networks*

| Key Actions | Progress |
|---|---|
| Transport Strategy | ●●↻ |
| Inner Hobart Transport Network Operations Plan | ↻ |
| Cycling and micromobility (e.g. Transforming Collins Street) | ●●↻ |
| Improved bus networks | ↻ |




Endorsed July 2024




Endorsed Sept 2023


Trial Endorsed Mar 2025

# Goal 5

## Priority Action 5

## Infrastructure Investment Plan

Key:

- Begun
- Well underway
- Complete
- Ongoing

*Goal 5 : An investment ready and innovative city.*

| Key Actions | Progress |
|---|---|
| Public Infrastructure and Development Contributions Plans | ● ○ ○ |
| Stormwater infrastructure upgrades (Innovation Precinct) | ● ○ ○ |
| Infrastructure sharing (Shared access agreements etc.) | ● ○ ○ |

Civic Amenity Contributions Policy

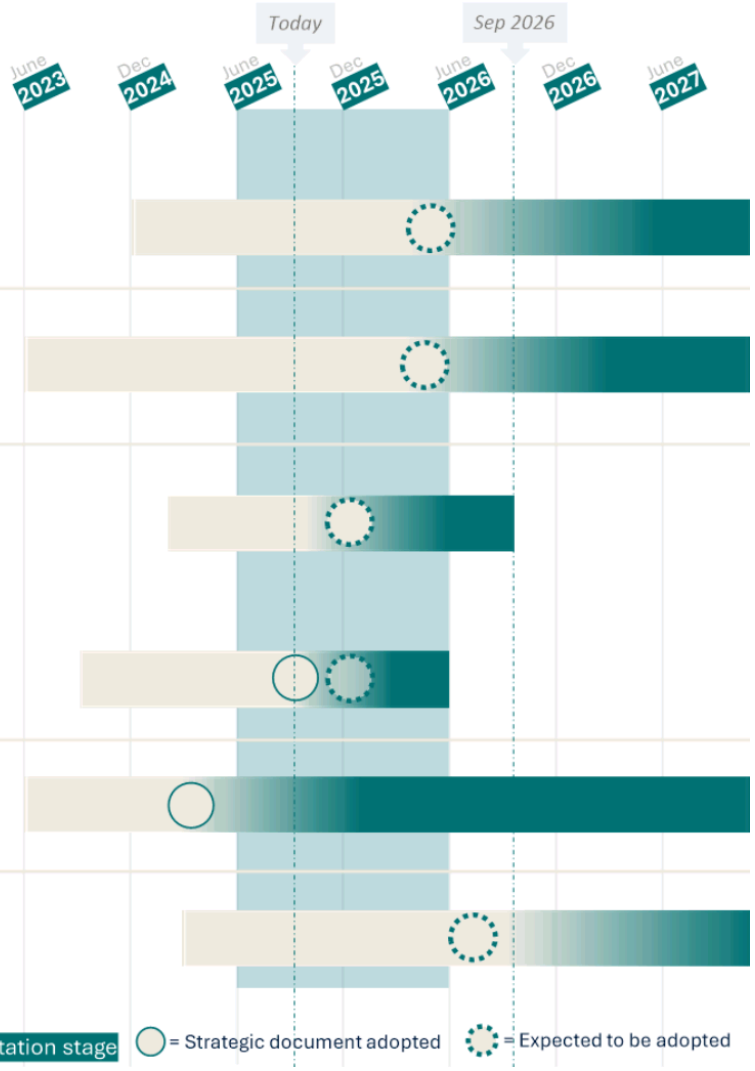
*(Draft underway)*

2026

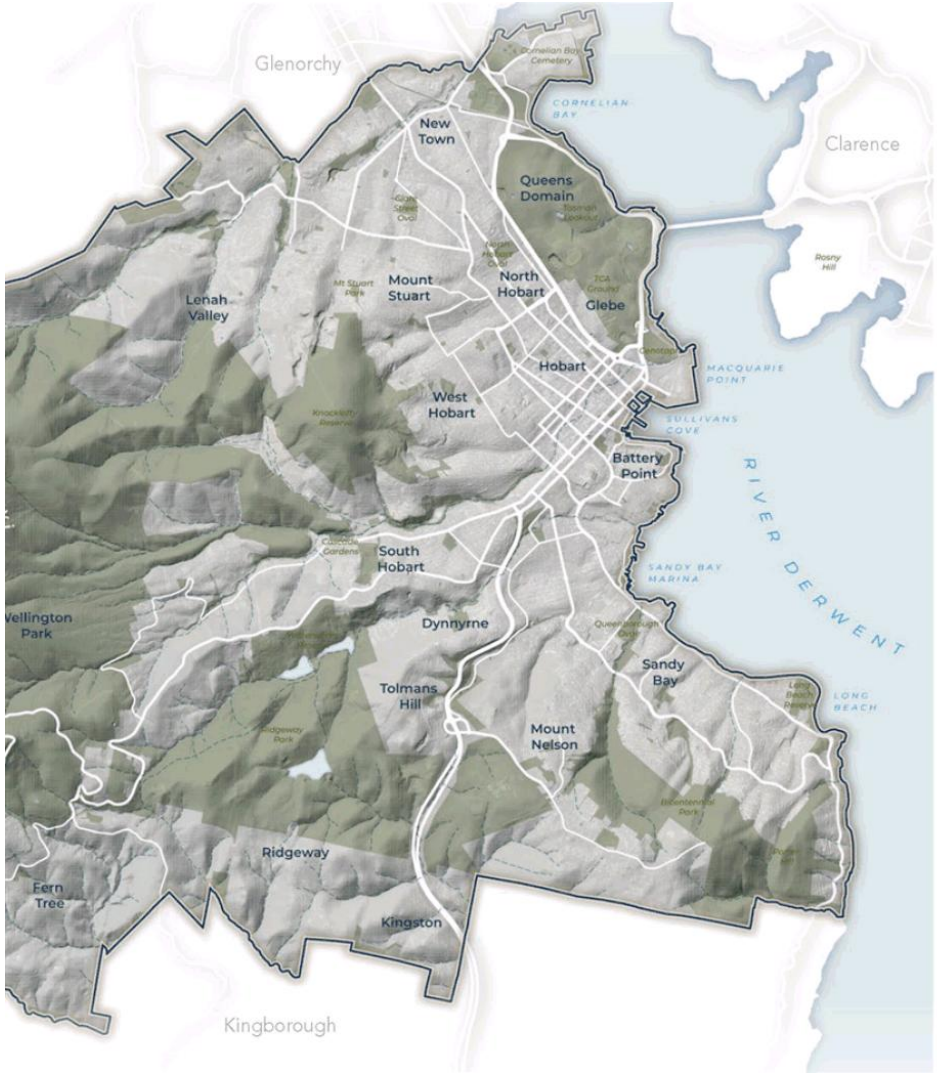
→

Public Infrastructure and Development Contributions Plans – 2026

## Timeline of CHP Priority projects under development

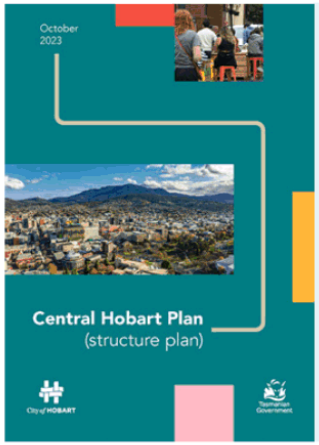



| | | | |
|---|---|---|---|
| **Goal 1** | *A captivating and dynamic capital city* | 1 | **Innovation Precinct Project** |
| **Goal 2** | *Public Spaces that engage and create joy* | 2 | **Street Improvement Plans** |
| **Goal 3** | *Sustainable buildings with character* | 3.1 | **Building Height and Built Form Planning Controls** |
| | | 3.2 | **Guidance for Better Design** |
| **Goal 4** | *Integrated & accessible movement networks* | 4 | **Enhance Movement Choices** |
| **Goal 5** | *An investment ready and innovative city* | 5 | **Infrastructure Investment Plan** |



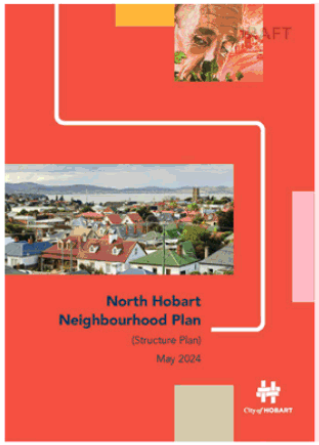

# Strategic Land Use Planning Projects Update

Oct 2025



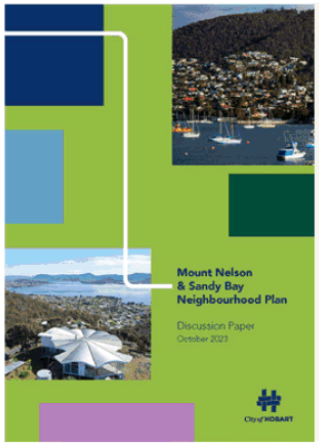

## Central Hobart Plan (structure plan)

- Endorsed April 2023
- Implementation Strategy Year 1 report – May 2024
- Built Form Analysis concluded
- Planning Scheme Amendments underway



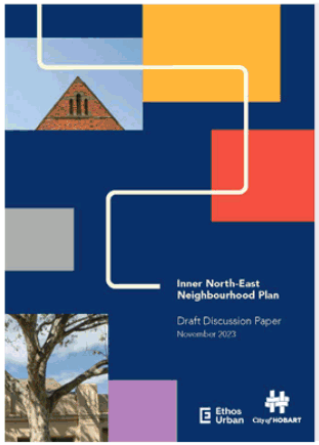

## North Hobart Neighbourhood Plan

- Endorsed May 2025
- Implementation Strategy underway
- Planning Scheme Amendments commenced



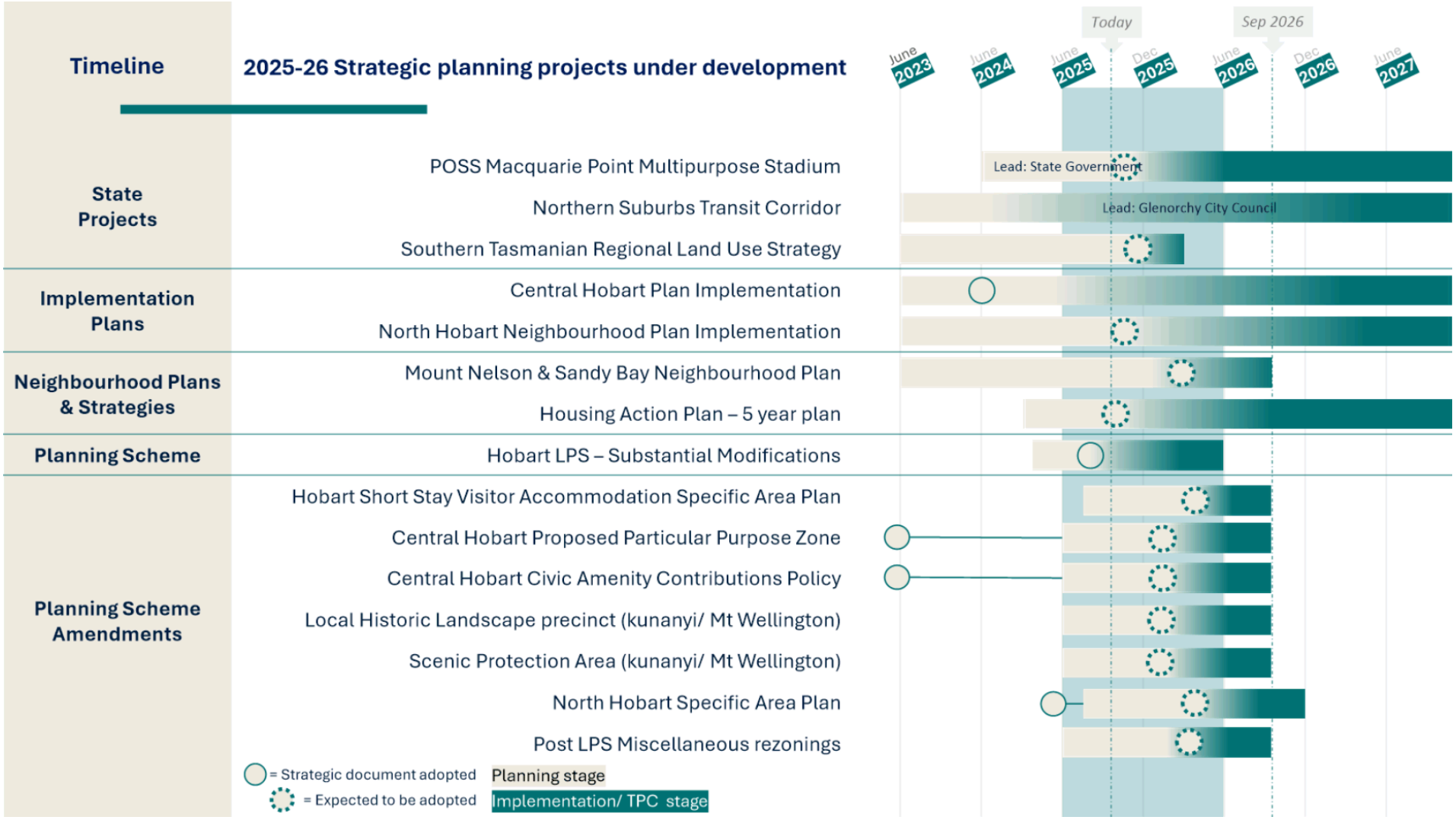

## Mount Nelson & Sandy Bay Neighbourhood Plan

- Discussion Paper endorsed Oct 2023
- Community Engagement report – April 2024
- Neighbourhood Plan draft underway (awaiting outcomes of proposed State Legislation)




## Inner North-East Neighbourhood Plan

- Plan on hold awaiting Macquarie Point Stadium decision and further details.


Timeline
2025-26 Strategic planning projects under development
Today
Sep 2026
June 2023
June 2024
June 2025
Dec 2025
June 2026
Dec 2026
June 2027
State Projects
POSS Macquarie Point Multipurpose Stadium
Lead: State Government
Northern Suburbs Transit Corridor
Lead: Glenorchy City Council
Southern Tasmanian Regional Land Use Strategy
Implementation Plans
Central Hobart Plan Implementation
North Hobart Neighbourhood Plan Implementation
Neighbourhood Plans & Strategies
Mount Nelson & Sandy Bay Neighbourhood Plan
Housing Action Plan – 5 year plan
Planning Scheme
Hobart LPS – Substantial Modifications
Planning Scheme Amendments
Hobart Short Stay Visitor Accommodation Specific Area Plan
Central Hobart Proposed Particular Purpose Zone
Central Hobart Civic Amenity Contributions Policy
Local Historic Landscape precinct (kunanyi/ Mt Wellington)
Scenic Protection Area (kunanyi/ Mt Wellington)
North Hobart Specific Area Plan
Post LPS Miscellaneous rezonings
= Strategic document adopted
= Expected to be adopted
Planning stage
Implementation/ TPC stage

# Q & A

# Thank you

# APPENDIX

*Attached is a detail list of actions from the endorsed Central Hobart Plan, that will be delivered through the identified six priority actions.*

## Goal 1 :

## A captivating and dynamic capital city

**Progress:**

- Begun
- Well underway
- Complete
- Ongoing

### *Priority Action 1 :* ***Innovation Precinct Project***

| Action | Description | Timeframe | Method | Progress |
|---|---|---|---|---|
| **Innovation Precinct Framework Plan** | | | | |
| Innovation Precinct Action 1 | Prepare an Innovation Precinct Framework Plan. It will include analysis of the indicative development capacity of selected blocks and model the outcomes that will be achieved from different planning controls and varied building forms, including desired height and setbacks, and amenity implications. | Short | Deliver | ● ○ ○ |
| **Night-Time Economy** | | | | |
| A.4 | Encourage a mix of uses that contribute to the night-time economy. | Ongoing | Advocate Partner | ↻ |
| **Attract key industries, start-ups and creative industries** | | | | |
| A.3 | Encourage, attract and continue to support specialised retail and start-up businesses. | Ongoing | Advocate Partner | ↻ |
| A.13 | Identify key industries and employers, suited to the Central Hobart environment, and develop strategies to attract them. | Ongoing | Advocate Partner | ↻ |
| A.15 | Support the establishment of business and creative industry incubators, for example through strategies to provide affordable spaces. | Short | Partner | ↻ |

## Goal 2 :

# Public spaces that engage and create joy

**Progress:**

- Begun
- Well underway
- Complete
- Ongoing

## *Priority Action 2 :* ***Street Improvement Plans***

| Action | Description | Timeframe | Method | Progress |
|---|---|---|---|---|
| **Street Vision Plans** | | | | |
| A.63 | Develop Street Vision Plans, with initial priorities being for Elizabeth Street and Collins Street, that are universally accessible and consistent with the Central Hobart Urban Design Framework. | Medium | Deliver Partner | ● ○ ○ |
| Civic & Cultural Precinct Action 6 | Prepare and implement Elizabeth and Collins Street Vision Plans, with the priority being Elizabeth Street, to improve the movement and place functionality. | Short | Deliver | ● ○ ○ |
| Innovation Precinct Action 3 | Prepare and implement Elizabeth, Argyle and Campbell Street Vision Plans, with the priority being Elizabeth Street, to improve the movement and place functionality. | Short | Deliver | ● ○ ○ |
| Trinity Hill Precinct Action 3 | Prepare and implement Elizabeth, Argyle and Campbell Street Vision Plans, with the priority being Elizabeth Street, to improve the movement and place functionality. | Short | Deliver | ● ○ ○ |
| **Pedestrian and micromobility improvements** | | | | |
| A.56 | Improve pedestrian facilities, greening, and amenities on the key streets identified in the Urban Design Framework. | Medium - Long | Deliver | ● ○ ○ |
| A.57 | Identify further micromobility, pedestrian links and improvements that will improve connectivity and attractiveness in Central Hobart. | Short | Deliver | ● ○ ○ |
| **Sustainable and shared infrastructure** | | | | |
| A.54 | Design Council infrastructure to meet 'best practice' sustainable design. | Ongoing | Deliver | ↻ |
| A.82 | Further develop and strengthen mutual inclusivity with other agencies such as the Department of State Growth, TasNetworks, Tasmania Police, Telstra and surrounding councils via shared access agreements. | Ongoing | Deliver Partner | ↻ |

## Goal 3 :

## Sustainable buildings with character

**Progress:**

- Begun
- Well underway
- Complete
- Ongoing

### *Priority Action 3.1 :* ***Building Height and Form Planning Controls***

| Action | Description | Timeframe | Method | Progress |
|---|---|---|---|---|
| **Select block & strategy site analysis** | | | | |
| A.48 | For strategic development sites, test existing and proposed building controls to ensure economic feasibility, sustainability and liveability outcomes are met. And, if necessary, develop site specific guidelines. | Short | Deliver | ● ● ○ |
| A.76 | Further identify key strategic development sites and city blocks that may be suitable for detailed master planning<br>- demonstrating the feasibility of coordinating development of strategic sites<br>- proactively engaging with landowners to discuss the future of key strategic development sites<br>- facilitating or participating in master planning for key strategic development sites. | Medium | Deliver Partner | ● ○ ○ |
| Trinity Hill Precinct Action 2 | Analyse the indicative development capacity of selected blocks and model the outcomes that will be achieved from different planning controls and varied building forms, including desired height and setbacks, and the amenity implications. | Short | Deliver | ● ● ○ |
| Rivulet Precinct Action 2 | Analyse the indicative development capacity of selected blocks and model the outcomes that will be achieved from different planning controls and varied building forms, including desired height and setbacks, and the amenity implications. | Short | Deliver | ● ● ○ |
| **Introduce maximum building heights incorporating key views** | | | | |
| A.31 | Review innovative funding models to facilitate best-practice planning, design, installation and management of urban greening initiatives. | Ongoing | Deliver | ↻ |
| A.43 | Reinforce the importance of protecting key views and vistas from the river to the mountain by progressing the planning scheme amendments to introduce the building height controls informed by the Woolley Report and other subsequent work. | Short | Deliver | ● ● ○ |
| **Celebrate the Hobart Rivulet and consider the precinct objectives** | | | | |
| A.51 | Encourage development to improved access, visibility and celebration of the Hobart Rivulet. | Ongoing | Advocate | ↻ |
| A.70 | Further test proposed controls in the Urban Design Guidelines to support and guide each precinct and land use outcomes. | Short | Deliver | ● ○ ○ |
| Central Precinct Action 3 | Allow for taller buildings as long as these don't create unacceptable overshadowing impacts affecting pedestrian amenity and adjoining building occupants, maintains key identified view lines to surrounding landscapes and considers the streetscape and any heritage context. | Short | Deliver | ● ● ○ |

## Goal 3 :

## Sustainable buildings with character

**Progress:**

- Begun
- Well underway
- Complete
- Ongoing

### *Priority Action 3.2 :* ***Guidance for Better Design***

| Action | Description | Timeframe | Method | Progress |
|---|---|---|---|---|
| **Urban Design & Heritage Guidelines and their Implementation** | | | | |
| A.8 | Develop standards for apartment developments to ensure good living amenity and the maintenance of the city's natural and cultural character. (Improving Residential Standards | Short | Advocate Partner | |
| A.40 | Develop CoH Urban Design Guidelines (LGA wide) for new buildings and streetscape design that includes safe design and universal access principles. | Short | Deliver | |
| A.44 | Develop and implement CoH Urban Design Guidelines (LGA wide) to direct best practice outcomes. | Short | Deliver | |
| A.47 | Develop CoH Heritage Design Guidelines (LGA wide) that considers: Adaptive re-use of buildings to extend the life of heritage buildings, investigating ways to maintain and strengthen historic subdivision patterns, lot sizes and courtyards. | Short | Deliver | |

## Goal 4 :

## Integrated and accessible movement networks

**Progress:**

- Begun
- Well underway
- Complete
- Ongoing

### *Priority Action 4 :* ***Enhance Movement Choices***

| Action | Description | Timeframe | Method | Progress |
|---|---|---|---|---|
| **Inner Hobart Transport Network Operations Plan** | | | | |
| A.67 | Complete a first-generation Transport Network Operations Plan - Inner Hobart (TNOP) in partnership with the Tasmanian Government. Refer to related A.42. | Short | Deliver Partner | ● ● ● |
| A.68 | Develop detailed movement and place mapping for Central Hobart, taking into consideration key pedestrian streets identified by the Central Hobart Urban Design Framework and other key future land use changes. | Short | Deliver Partner | ● ○ ○ |
| Rivulet Precinct Action 2 | Analyse the indicative development capacity of selected blocks and model the outcomes that will be achieved from different planning controls and varied building forms, including desired height and setbacks, and the amenity implications. | Short | Deliver | ● ○ ○ |
| **Cycling and micromobility** | | | | |
| A.55 | Complete and connect the bicycle and micro-mobility facilities on the key corridors of Argyle Street, Campbell Street and Collins Street. | Short - Medium | Deliver | ● ○ ○ |
| A.57 | Identify further micromobility, pedestrian links and improvements that will improve connectivity and attractiveness in Central Hobart. | Short | Deliver | ● ○ ○ |
| A.58 | Continue to investigate and trial micromobility options beyond the e-scooter trial. | Short | Deliver | ● ● ○ |
| **Improved bus networks** | | | | |
| A.59 | Work with Tasmanian Government to further investigate the feasibility of a central bus transit centre(s) within the city and the potential for future upgrades to the existing bus interchange. | Medium - Long | Partner | ↻ |
| A.61 | Work with the Tasmanian Government to identify further key bus facility nodes with improved user experience including by way of shade tree planting, shelter for major stops, accessible, well connected, with clear wayfinding, to service land use developments and new service routes associated with the NSTC. | Medium - Long | Partner | ↻ |
| A.70 | Further test proposed controls in the Urban Design Guidelines to support and guide each precinct and land use outcomes. | Short | Deliver | ● ○ ○ |

## Goal 5 :

## An investment ready and innovative city

**Progress:**

- Begun
- Well underway
- Complete
- Ongoing

### *Priority Action 5 :* ***Infrastructure Investment Plan***

| Action | Description | Timeframe | Method | Progress |
|---|---|---|---|---|
| **Public Infrastructure and Development Contributions plans** | | | | |
| A.71 | Explore opportunities to facilitate the delivery of developer contributions to fund improvements to community infrastructure, including public open space and transport infrastructure.<br><br>Consider future planning controls that incorporate community benefits for strategic development sites and areas such as for affordable housing or community infrastructure. | Medium | Deliver Advocate | ● ○ ○ |
| A.72 | Advocate for the introduction of specific Tasmanian guidelines for developer contributions and working with the Local Government Association of Tasmania to advocate for legislation that provides opportunities for a broader range of development contributions, particularly for the public realm. | Short | Advocate | ↻ |
| A.73 | Prepare a Central Hobart Public Infrastructure Plan that details existing public infrastructure and its capacity to cater for the anticipated growth, then identifies future infrastructure needs, costs and apportionments for all development planned for the area. | Medium | Deliver Partner | ● ○ ○ |
| **Stormwater infrastructure upgrades** | | | | |
| A.75 | Undertaking detailed hydraulic modelling and planning in the Central Hobart area to provide the information and strategies to anticipate and plan for likely future rain events and seek appropriate capital funding for upgrades. | Short | Deliver | ● ○ ○ |
| **Infrastructure sharing** | | | | |
| A.74 | Develop a detailed program of works for asset renewals and sending this to Tasmanian Government agencies to identify project synergies. | Medium | Deliver Partner | ● ○ ○ |
| A.82 | Further develop and strengthen mutual inclusivity with other agencies such as the Department of State Growth, TasNetworks, Tasmania Police, Telstra and surrounding councils via shared access agreements. | Ongoing | Deliver Partner | ↻ |