

AUSTRALIAN[®] WATER

ASSOCIATION

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Tony Ferrall
Secretary
Department of Treasury and Finance
The Treasury Building
21 Murray Street, Hobart

30 January 2015

Re: Submission to the Review of the role of the Tasmanian Economic Regulator

600+

corporate members

Dear Mr Ferrall,

The Australian Water Association (AWA) welcomes the opportunity to comment on the review of the role of the Tasmanian Economic Regulator. The Australian Water Association is the national peak water organisation, delivering information, expertise and collaboration for sustainable water management. We provide a platform for our water experts, practitioners and businesses to share information, grow expertise and collaborate effectively. Our members include professionals and practitioners working in utilities, science and research, energy and resources, manufacturing and agriculture.

4500+

*individual members
and growing*

In the 2014 AWA/Deloitte State of the Water Sector Report, when asked to rate the effectiveness of the economic regulation of water in their state only 5 per cent of Tasmanians rated their economic regulation as very effective. Thirty-eight percent rated it as quite effective, while almost the same amount of participants (30%), rated it as not very effective or not at all effective (3%). This indicates that a large proportion of our Tasmanian water sector professionals believe there is scope to improve economic regulation of water in the state.

At the core of effective economic regulation is independence from Governments. The Association believes that Tasmania should pursue improved economic regulation by moving towards 'best practice' economic regulation as recently defined in 'Improving economic regulation of urban water' (2014).

\$6.8bn

*overall economic value
add of groundwater
to Australian GDP*

In this submission AWA will comment on the proposed changes to the structure of the regulator, the proposed amendments of the water reports and the proposal to extend the functions and powers of the regulator.

Structure of the Regulator

The review proposes three options to re-structure the Tasmanian Regulator by reducing the membership. AWA notes that it is speculated that these arrangements will not affect the independence of the Regulator. AWA believes that if the reduction of scale of the regulator is appropriate, then the flexibility permitted by the third option, where an additional resource can be added as needed is preferable. However we believe it is important that independent merits review (based on a re-hearing) on clearly specified grounds should be available to both businesses and customers. The appeal body should be independent from the Regulator and government and be drawn from a panel of experts when required. While this is likely to increase costs, it is particularly important given the proposed shift to a single economic regulator.

Performance reporting on the water and sewerage industries

At present the annual water and sewerage report is required under the Water and Sewerage Industry Act. TasWater is currently required to provide information to the National Water Commission (NWC) for its national performance reports (NPRs), to the Environment Protection Authority and the Director of Public Health. Much of this information is required by the Regulator for its annual performance report. The Association agrees that it is beneficial to remove the need for reporting where there is duplication by other agencies. However, with the proposed ceasing of the National Water Commission, it is critical that this information continues to be reported and picked up by another agency.

AWA advocates that both the Urban and Rural NPRs are critical to decision makers in the water sector and are valuable to informing reform priorities. At a national level, the rural NPR roundtable did not show support for the continuation of the rural NPR and thus it was ceased due to lack of an ongoing champion. It is speculated that these were discontinued as they showed significantly poorer performance to the urban NPRs, and State and Territory Governments would have been held to account for these poor results. The absence of Rural NPRs will disproportionately affect rural and regional areas as the utilities operating in these locations will not be held to account as much as urban utilities. It will remove peer competition, benchmarking and transparency in the rural and regional space, which is of particular concern with the proposal of increased infrastructure investment in these areas.

AWA is also concerned about the risk that if the Tasmanian Regulator no longer undertook performance reporting and solely relied on the national reporting mechanisms, the reports may lose focus on localised issues.

Extending the functions and powers of the Regulator

The Association believes that it would be beneficial to the water sector if the Regulator did extend its scope to utilise its expertise in economic regulation and pricing to provide independent advice on irrigation pricing.

The Association and its members would welcome the opportunity for further consultation on the review.

Yours sincerely,



Jonathan McKeown
Chief Executive
Australian Water Association