



Tasmanian Council of Social Service Inc.

2026 WATER AND SEWERAGE PRICE DETERMINATION INVESTIGATION

MARCH 2026



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About TasCOSS

TasCOSS' vision is for one Tasmania, free of poverty and inequality where everyone has the same opportunity. Our mission is two-fold: to act as the peak body for the community services industry in Tasmania; and to challenge and change the systems, attitudes and behaviours that create poverty, inequality and exclusion.

Our membership includes individuals and organisations active in the provision of community services to Tasmanians on low incomes or living in vulnerable circumstances. TasCOSS represents the interests of our members and their service users to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage, and promote the adoption of effective solutions to address these issues.

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Introduction

TasCOSS welcomes this opportunity to provide a response to the *TasWater Price and Service Plan 5 Proposal* (TasWater Proposal) and the Tasmanian Economic Regulator's (the Regulator) *2026 Water and Sewerage Price Determination Investigation – Draft Report* (Draft Determination).

TasCOSS acknowledges the significant body of work that has fed into the development of both the TasWater Proposal and the Regulator's assessment and Draft Determination. We also appreciate the engagement and briefings provided by both TasWater and the Office of the Tasmanian Economic Regulator.

Water is essential for human life and regulation of the provision of water services must integrate the needs of human health and wellbeing, community and business prosperity, affordability, efficiency and environmental sustainability.

TasCOSS' approach to the assessment of both the TasWater Proposal and Draft Determination has been to consider the provision of essential water services in the long-term interests of the community with respect to:

- Efficiency – of TasWater's investment and operations.
- Affordability – equity in pricing and protecting low-income households from high costs.
- Sustainability – valuing water conservation and quality water sources.

TasCOSS recognises TasWater's need to invest in ageing water and sewerage infrastructure. However, this need must also be considered in the current environment of persistently high cost of living pressures due to inflation and interest rates rising and real wages falling in Tasmania.

TasCOSS is concerned at the impact that price increases in the TasWater Proposal will have on Tasmanian households already struggling with these cost of living challenges.

In that context, we welcome the Regulator's focus on affordability and acknowledgement that the scale of price increase TasWater proposed would not be affordable for customers.

Notwithstanding this focus, the Regulator's Draft Determination provides for an average 4.3% per year increase in water prices over the next regulatory period and beyond. This increase is higher than current projected Consumer Price Index (CPI) increases over the same period and higher than recent increases in the Wage Price Index (WPI), further contributing to cost of living challenges and eroding living standards.

The Regulator notes that TasWater is seeking to significantly boost its expenditure to \$2.8 billion over the regulatory period, the largest expenditure in its history, driven by an increase of 29% in operational expenditure (opex) and 94% in capital expenditure (capex).

Given this significant increase in expenditure identified by TasWater, TasCOSS questions whether it is reasonable or sustainable to continue to expect consumers to bear the full cost of major investment on their water bills, or whether there is a broader responsibility for the TasWater shareholders and government to contribute to upgrading or expanding essential water infrastructure?

This question is especially stark in the context of the TasWater shareholders projected to receive higher dividends over the next regulatory period, and against the backdrop of a state government spending on non-essential infrastructure, rather than the provision of essential water infrastructure for social and economic benefit.

TasCOSS' submission focuses on key issues impacting residential customers in Tasmania and the following areas in which the Regulator is seeking feedback:

1. Naming conventions.
2. Expenditure allowances.
3. Water pricing and charges.
4. Developer charges.
5. Service standards and performance.
6. Other matters.

Draft Report Key Issues

Naming Conventions

TasWater and other utilities can improve customer engagement and comprehension through simple communication. This includes simplification of language and consistent terminology.

In relation to household energy bills in Tasmania, daily charges for connection are generally referred to as “fixed” or “supply” charges. Costs based on the amount of energy consumed are referred to as “variable” or “usage” charges.

The *Energy Made Easy* website, established to compare electricity and gas retail plans, makes comparisons using the terms “supply charge” and “usage charge”.

There are consumer benefits to standardising language and terminology across all utilities, not just in the energy sector.

Recommendation:

- 1. TasWater and the Regulator consider adopting the same, commonly understood terminology that customers are already familiar with in the energy sector. TasCOSS supports the following naming convention:**
 - **For water** – *retain fixed/variable charges or adopt the terms supply/usage charges.*
 - **For sewerage** – *retain fixed/variable charges or adopt the terms supply/usage charges.*
 - **For unconnected properties** – *adopt the terms “unconnected property supply/fixed charge (water)” and “unconnected property supply/fixed charge (sewerage)”.*

Expenditure Allowances

Capex and Opex

TasCOSS acknowledges the Regulator’s considered assessment of TasWater’s capex and opex. While we appreciate that TasWater is confronting numerous drivers of increased infrastructure investment, we consider the scale and scope of the capex proposed raises reasonable questions as to the justification for its delivery in the next regulatory period.

TasCOSS broadly supports the Regulator’s deferral of expenditure where there is scope to do so. We regard it as reasonable for TasWater to assume more short—medium term risk in relation to expenditure growth, rather than requiring consumers to carry the full cost of any uncertainty.

We are not in a position to offer detailed commentary on the technical assessments of the Regulator's draft decisions on capex and opex. However, noting the extensive assessment and expert consultants engaged to review these expenditures, TasCOSS accepts the Regulator's determination of prudent and efficient capex and opex amounts.

Recommendation:

2. The Regulator's draft decisions on capex and opex are accepted.

Equity Beta

The Regulator's decisions on the regulated rate of return substantially affects water costs for all consumers. The weighted average cost of capital (WACC) the Regulator uses to set a rate of return is comprised of the cost of equity and cost of debt. The cost of equity calculation includes an equity beta.

In the Draft Determination the Regulator argues it is reasonable to conclude that water utilities should have a lower equity beta than energy transmission and distribution businesses, as they are considered to have lower systemic risk.

TasCOSS supported a recent submission to the Australian Energy Regulator (AER) seeking to reduce the equity beta for regulated electricity networks from 0.6 to 0.5 or below, arguing it reflected an upward bias toward network providers rather than outcomes for consumers.

There is clearly scope, especially given the persistent cost of living crisis, for the regulated rate of return to prioritise placing consumer outcomes ahead of the profits of monopoly essential service providers. We endorse the Regulator's conclusion that TasWater's equity beta should be lower than regulated electricity networks.

Recommendation:

3. The Regulator adopts a lower value equity beta of 0.5.

Water Pricing and Charges

Pricing that does not value water appropriately may lead to business decisions and consumer behaviours that result in poor outcomes for the community, economy and environment.

TasCOSS acknowledges that under the current pricing system most of the water charge for households is a fixed charge, regardless of usage. Fixed charges do not reward efficient water usage and penalise people who are self-sufficient and sustainable with water tanks and water efficient appliances.

TasCOSS supports giving customers more control over their bills and encouraging efficient water usage. This will help to ensure that people who choose to access large volumes of water (such as to fill swimming pools with drinking water and to water large gardens) do not pass the cost on to everyone else.

We welcome the Regulator's comments on affordability and acknowledge its findings on the price elasticity of water, which is supported by numerous studies. However, a range of research also suggests that price elasticity varies by customer class, income and type of water use. The studies find that low-income households are significantly more price elastic in the long-run, meaning they are more likely to respond to price signals in order to lower their water bills and to conserve water.

Some deeper analysis on the price elasticity of water on household income quintiles would be useful in determining the impact of TasWater's and the Regulator's pricing decisions. In the absence of this analysis, TasCOSS supports the principle of price signals to encourage sustainable long-term water use and to reward, through lower water bills, households that use less water.

TasCOSS also notes this principle is supported in a finding of TasWater's Deliberative Panel – that customers seek greater control over their bills and have a preference for charging for water based on usage. We support the TasWater approach to move from fixed to usage-based charges as it gives households more control of their bills and rewards efficient water use.

Recommendation:

- 4. In the absence of analysis on the price elasticity of water on household income quintiles, the Regulator reverts to TasWater's approach to tariffs that apportions lower fixed and higher usage charges.**

Customer Impacts and Support

While TasCOSS supports the approach of lower fixed and higher usage charges, we acknowledge there will be significant impacts for some customer cohorts, including large households and renters.

TasWater's proposed pricing will result in significant increases and disproportionate impacts on renters' water bills, given their inability to mitigate those increases by controlling the efficiency of their water fixtures or fixing water leakages and other issues that are the responsibility of landlords.

TasCOSS is concerned that residential renters will have higher water usage charges passed on by their landlord, or may experience rent increases to cover higher landlord water bills, and larger households (with many residents) will have higher water usage but limited ability to reduce consumption without compromising essential health and safety needs.

TasCOSS' support for higher water usage charges is accompanied by a recommendation that appropriate support is available and accessible to renters and large households.

Recommendation:

- 5. TasWater reviews its *TasWater Assist* program to ensure it is well-targeted, meets customer need and is fit-for-purpose, in particular, in relation to effective support for renters and large households.**

Water and Sewerage Concession

TasCOSS considers that water and sewerage concessions should be structured to meet need and targeted to assist those most in need. We consider the existing water and sewerage concession could be improved to deliver more appropriate and effective support to help Tasmanian households with water affordability.

TasCOSS has made numerous approaches to the Tasmanian Government calling for a review of concessions to ensure they are adequate, accessible and targeted to support all customers in need. A wider Tasmanian Government review and reform of assistance and supports for water services (and other utilities) is required to ensure they are fit-for-purpose and support all Tasmanian households to access affordable water services.

Ensuring that customer protections and supports adapt in response to changes in pricing approaches and impacts is an immediate priority.

Recommendation:

- 6. TasWater and the Regulator advocate to the Tasmanian Government to review concession arrangements and to consider measures to support large households and renters.**

Other Pricing Decisions

TasCOSS notes the Regulator's draft decisions to approve fees and charges for miscellaneous services, including "restriction charges" and "account administration bounced payments" sundry fees. The application of these particular fees often arises as a result of disadvantage and a range of circumstances that are not directly in the customer's control.

TasCOSS questions whether such fees are warranted as they disproportionately impact customers.

TasWater's *Annual Performance Report 2024-25* shows an extremely low number of customers on water restriction for non-payment. It further reports 28.6% of these restrictions are removed within three business days and 0% of restrictions for non-payment result in legal action. This suggests TasWater has an effective approach to addressing non-payment and supporting customers experiencing payment difficulty.

The revenue collected from the restriction charges is extremely small as a proportion of TasWater's total revenue, and dishonour and declined payments can reasonably be absorbed into general operational costs. The impact of these fees on TasWater's total revenue is extremely small, but the impact on customers affected is relatively large.

TasCOSS notes the recent decision by the Australian Energy Market Commission (AEMC) to prohibit retailers from charging specific fees to vulnerable customers (e.g. those experiencing financial hardship) and limit fees and charges in relation to energy bills to reasonable costs for all other consumers, on the basis they contribute to further vulnerability.

If these sundry fees are to be applied, TasCOSS encourages the Regulator to ensure they are justified, reflect reasonable costs and are as low as possible, and customers experiencing vulnerability or disadvantage are exempted from such fees.

Recommendation:

- 7. The Regulator reconsiders the necessity and appropriateness of “restriction charges” and “account administration bounced payments” fees as they most likely impact those customers least able to afford them.**

Developer Charges

TasCOSS supports the Regulator’s approach to headworks charges. The TasWater proposal to substantially lift developer charges and headworks contributions is a doubling of the existing minimum charge and escalating scale of charging that is not in place in most other jurisdictions.

Our concern with TasWater’s proposal is the potential for it to substantially increase the cost of new housing projects that could result in fewer housing projects being commenced at a time when more housing supply is needed in Tasmania.

Recommendation:

- 8. The Regulator’s draft decisions in relation to developer charges are accepted.**

Service Standards and Performance

TasCOSS strongly supports TasWater developing and reporting against a robust framework of performance measures derived from and related to outcomes which are meaningful to consumers.

We broadly support the Regulators five criteria applied to the assessment of TasWater’s service standards, in particular, standards that are related to improvement. Indicators, targets and measures should have the aim of driving improved performance and not just maintaining a status quo outcome or performance related to meeting legislative or minimum requirements.

TasCOSS also considers that a measure that captures affordability would be helpful in the next regulatory period, especially considering the Regulator’s final determination will impose significant bill increases for many customers.

Recommendation:

- 9. A bespoke affordability measure is developed that compares water bills with household incomes and tracks how well TasWater and government are supporting households to meet their essential water needs without financial stress.**

Other Matters

Need for a More Balanced Funding Model

As the Regulator notes, TasWater's proposal outlines that the next regulatory period will see the highest-ever level of allowed expenditure by TasWater.

TasCOSS opines whether it is appropriate that the total costs of this level of expenditure should be fully recovered through consumer bills?

The scale of such investment will deliver broader social, economic and environmental benefits, presenting a case for government contributions and TasWater's shareholders to reinvest in their business growth and resilience.

Further to this, there is commentary that decades of underinvestment in water infrastructure and perceptions of poor planning have led to the immediate need for significant system upgrades that are being sought in the TasWater Proposal.

Again, this raises the question of who should pay for these decisions and inaction and whether the business owners have a responsibility to make capital contributions, rather than passing on all costs to customers.

These questions are not addressed in the Draft Determination and may be out of scope for the Regulator in this investigation, but TasCOSS encourages the TasWater shareholders and the state government to give greater consideration to how they can support investment in infrastructure that delivers long-term sustainability and growth, without negatively impacting affordability for customers.

Dividends

TasCOSS notes that over the next regulatory period, TasWater shareholders will receive \$116 million in dividends, an increase of \$20 million (or 21%) on the current regulatory period. These dividend payments to the TasWater shareholders represent around 7% of the capex TasWater has proposed and almost 10% of the Regulator's capex draft decision.

The responsibility for funding the capex for new infrastructure is being passed on to customers' bills, without any capital contributions from the TasWater shareholders. TasCOSS believes that if customers are expected to make significant contributions to upgrades and fund new investment through large price increases, the business owners should also be making contributions to reduce this burden on consumers, together with seeking state and federal government investment where appropriate.

TasCOSS calls for a more balanced approach to funding infrastructure that includes contributions from shareholders, rather than them benefiting from higher dividends while expecting consumers to pay.

Summary

TasCOSS supports the Regulator's overarching objective of protecting the long-term interests of customers while ensuring TasWater can deliver efficient, sustainable and compliant water and sewerage services. We recognise the importance of investment in Tasmania's water and sewerage infrastructure to ensure safe, reliable and sustainable services for current and future generations.

However, this investment must be balanced against the capacity of households to pay, particularly in the midst of a persistent cost of living crisis.

While the Regulator's Draft Determination reflects a considered effort to moderate TasWater's proposed price increases and prioritise affordability, the projected rises in water charges remain a significant concern for many Tasmanian households. Without appropriate customer supports, these price increases risk exacerbating financial stress, particularly for low-income households, renters and larger households.

TasCOSS has made several recommendations where we consider the Regulator can take further measures to better support Tasmanian households:

- **Support for usage-based pricing:** TasCOSS generally supports lowering fixed charges to encourage more efficient water use and give households greater control over their bills.
- **Support for vulnerable customers:** TasCOSS proposes strengthened customer protections, more effective and targeted concession arrangements, ensuring adequate support measures are in place so that water pricing does not unfairly impact large households and renters, and removing fees and charges that contribute to customer vulnerability.
- **Measuring affordability:** TasCOSS supports improving affordability measures of essential water services and measuring customer impacts.
- **Reducing the burden on consumers:** TasCOSS proposes a more balanced model for the funding of essential infrastructure that includes capital contributions from shareholders and government, rather than passing all costs onto customers' bills.

Recommendations

1. TasWater adopts the same, commonly understood terminology that customers are already familiar with in the energy sector – “supply” (or fixed) and “usage” charges.
2. The Regulator’s draft decisions on capex and opex are accepted.
3. The Regulator adopts a lower value equity beta of 0.5.
4. In the absence of analysis on the price elasticity of water on household income quintiles, the Regulator reverts to TasWater’s approach to tariffs that apportions lower fixed and higher usage charges.
5. TasWater reviews its *TasWater Assist* program to ensure it is well-targeted, meets customer need and is fit-for-purpose, in particular, in relation to more effective support for renters and large households.
6. TasWater and the Regulator advocate to the Tasmanian Government to review concession arrangements and to consider measures to support large households and renters.
7. The Regulator reconsiders the necessity and appropriateness of “restriction charges” and “account administration bounced payments” fees as they most likely impact those customers least able to afford them.
8. The Regulator’s draft decisions in relation to developer charges are accepted.
9. A bespoke affordability measure is developed that compares water bills with household incomes and tracks how well TasWater and government are supporting households to meet their essential water needs without financial stress.