

► Southern Water Pricing

Questions and answers about pricing: Introducing our Price & Service Plan for 2012 - 2015

Why should I have to pay for water at all when there is no shortage and it comes from the sky?

The water that comes from the sky is free but every litre of water that comes out of your tap comes at a cost. These costs are associated with storing, treating and delivering the water to your door, including electricity for pumping, treating it with chemicals to ensure it is fit for you to drink, and fixing and upgrading infrastructure. Then there is the cost of taking away, treating and returning the water to the environment.

Who sets prices for water and sewerage?

The Tasmanian Economic Regulator will determine if the prices for water and sewerage services provided by Southern Water are justifiable. A 'propose and respond' model is used where Southern Water puts forward a set of prices and the Regulator responds, either by approving the prices or making an alternative determination.

How will the Regulator make his decision?

The Regulator has to consider whether the revenue Southern Water needs to deliver its services is

reasonable and the impact of price movements on customers. That is, Southern Water's business has to be sustainable but price shocks for customers should be minimised.

Can customers have a say?

There are a number of ways you can have your say. Southern Water is releasing its draft Price and Service Plan summary for public comment in July 2011 before it goes to the Regulator. You will be able to access it via the website (www.southernwatertas.com.au) or you can ask for a hard copy to be sent to you. The feedback we receive will be taken into account when we make our final submission, which is due to go to the Regulator in September 2011.

Customers will also be able to comment on the Regulator's draft pricing determination when it's released in February 2012.

Why do prices for water and sewerage need to rise?

The underlying principle established by the Tasmanian Parliament is that of equitable pricing, where like customers should be charged the same. This means some customers will need to see price increases. In addition, assets need to be brought up to the required level to meet Australian standards and to meet future demand for water and wastewater services. For example, the majority of our wastewater treatment plants don't meet their current licence conditions. We also have issues with water quality and pressure in some of our cities and towns in the region. Correcting these problems will require a significant investment in infrastructure so price rises are unavoidable.

Why do water and sewerage services cost so much?

We're doing everything we can to keep our operating costs as low as possible while still doing the work that is needed to maintain and upgrade our system. While many people believe water and sewerage costs a lot an analysis of disposable income conducted by the Australian Productivity Commission in 2011 has found that water and sewerage costs represent less than one per cent of disposable household income on average.

Why are you changing the way customers are billed for water and sewerage services?

Southern Water has around 150 different tariffs that were applied in the southern region. These are a mixture of fixed and volumetric charges for customers living in areas where water meters are in place and AAV charges based on the assessed annual value of properties for customers on unmetered properties. When these are added together we have more than 6,000 different individual prices being paid by customers.

Under these pricing structures some people have been paying too little while others have been paying too much. It's our job to ensure everybody pays a fair amount.

How are you going to make the system fairer?

Southern Water believes the best approach is to have like customers paying like prices. Tariffs should reflect the level of demand placed on the system.



The Board has adopted postage stamp pricing as the way forward. Postage stamp pricing will result in all like customers across the region paying the same fixed amounts for services, whether you live in Swansea or Dover.

How are you going to eliminate cross-subsidies between customer groups?

We believe customers receiving the same service should pay the same price. The only difference to their total bill should be reflected in their water consumption.

Under the current system there is an unfair cross subsidy between residential and non-residential customers who are currently charged based on the AAV of their properties. For example a commercial property with a high AAV may pay very high water and sewerage charges because of its location but its demand on these services may be no greater than a house in the suburbs.

Similarly, residential customers with a high AAV on their property are subsidising low AAV residential customers. These cross subsidies need to be addressed and replaced with a more equitable tariff structure.

How can this be achieved?

The installation of water meters right across the region is critical in achieving fair and equitable pricing. That's one of the reasons why we are pressing ahead with these meter installations in the greater Hobart area over the next 12 months. This will also ensure we can deliver two-part pricing from 1 July 2012.

In our view, the fixed charges should be based on the size of a property's metered water connection. This is accepted best practice and is how it is done in other parts of Australia.

The water usage (volumetric) charge will be priced on a per kilolitre basis. We believe this should be set around

90 cents per kilolitre. You will only pay for what you use. That will make it fairer for all customers.

What does the fixed charge pay for?

The fixed charge for water and sewerage services covers the cost of the infrastructure in the ground, such as water and sewerage pipes, as well as maintenance and a share of administrative costs.

How do you intend to charge for sewerage services?

In most parts of Australia there is no volumetric price for the amount of sewage disposed of and we intend to take a similar approach. There will be just one fixed charge for sewerage, including disposal.

Will I be able to make big savings by reducing my water use?

The level of savings you can make will be up to you. For example, something as simple as installing a three star water efficient showerhead may save you up to 45 litres per day.

Will there be a water allowance under the new system?

While some councils provided a 'free' water allowance in the past, this was achieved by having a higher level of fixed charge component of your bill. In other words, the water was not free. We believe this is not fair and we will no longer provide these allowances.

When will the new pricing system take effect?

The transition in pricing started on July 1 2011, but will be a gradual process which could take many years to avoid unnecessary price shocks for customers. Charges under the Price

and Service Plan begin on July 1 2012.

Our challenge is to eliminate the existing cross-subsidies between high paying and low paying residential customers, as well as between residential customers and non-residential customers. This unwinding needs to occur while moving to a consistent tariff structure and keeping price increases for customers to an acceptable level.



How can I get more information on the pricing issues?

We will keep you updated on progress over the next 12 months by sending you information with your account, via our website and through the media. We also welcome your questions and views.

Just call our Customer Service Centre on 13 MYWATER (13 6992).



water is our life. yours too.