

Submission on Issues Paper: Australia's Urban Water Sector

The Economic Regulation Authority (Authority) has undertaken a number of inquiries into Western Australia's urban water sector that may be of interest to the Productivity Commission in its Inquiry into Australia's Urban Water Sector. This submission provides a brief description and links to these inquiries.

The Authority has two main functions, to act as Western Australia's economic regulator and to be an independent and transparent advisory body to the State Government. In its advisory role, the Authority inquires into and reports on matters referred to it by the State Government. Inquiries, and the reports which follow, generally involve extensive public consultation carried out in an independent and transparent way. When the Authority undertakes inquiries or prepares reports, it makes recommendations to the State Government, not decisions.

Competition in the Water and Wastewater Services Sector

A major inquiry was carried out by the Authority in 2007 and 2008 into competition in the water and wastewater services sector in Western Australia. This inquiry may be of interest to the Productivity Commission as the Authority provided advice on possible competitive enhancements for the delivery of water and wastewater services and made recommendations for providing these services in the most efficient, effective and sustainable way.

This included consideration of changes to the institutional and structural arrangements in the Western Australian water and wastewater services sector. One of the key recommendations was that an Independent Procurement Entity should be created, which would be responsible for managing all supply source and demand management options in Western Australia. ([Inquiry into Competition in the Water and Wastewater Services Sector - 2008](#))

Tariffs of the Water Corporation, Aqwest and Busselton Water

The second major inquiry into the tariffs of the Water Corporation, Aqwest (Bunbury Water Board) and Busselton Water, which was undertaken by the Authority in 2008 and 2009, may also be of interest to the Productivity Commission. As part of this inquiry, the Authority facilitated a broad discussion on scarcity pricing and the principles associated with tariff structures. In addition, the final report of the inquiry has an appendix that discusses how the value of water could be conceptualised. ([Inquiry on the Tariffs of the Water Corporation, AQWEST and Busselton Water Board 2008/09 \(Final Report in 2009\)](#))

Pricing of Recycled Water in Western Australia

The Authority carried out an inquiry into the pricing of recycled water in Western Australia in 2008. This inquiry may also be of interest to the Productivity Commission as a key recommendation in the Authority's final report was that a set of pricing principles for recycled water should be implemented to facilitate the neutral treatment of recycled water customers' access to wastewater. ([Inquiry into Pricing of Recycled Water in Western Australia \(Final Report in 2009\)](#))

Other Inquiries that May Be of Interest

The first inquiry that the Authority carried out in 2005 was in regard to water and wastewater pricing of the Water Corporation and the Bunbury and Busselton Water Boards. This inquiry was the first independent evaluation of water prices across the State and provided an opportunity for Western Australians to have direct input into the process of determining water and wastewater prices. (Inquiry on the Water and Wastewater Pricing of the Water Corporation and the Water Pricing of the Bunbury and Busselton Water Boards - 2005)

An inquiry into the cost of supplying bulk potable water to Kalgoorlie-Boulder was undertaken by the Authority in 2005, following a proposal from a private proponent to supply potable bulk water from a desalination plant in Esperance to Kalgoorlie-Boulder. In this inquiry, the Authority compared the cost of transporting water from Perth to Kalgoorlie-Boulder to the cost of the proposal by United Utilities to transport desalinated seawater by pipeline from Esperance to Kalgoorlie-Boulder. The Authority undertook a cost-benefit analysis of each option, which included the impacts on consumers, the impacts on the State Government's finances, the potential to enhance regional economic development and the potential to defer capital expenditure on water source development for Perth. (Inquiry on Cost of Supplying Bulk Potable Water to Kalgoorlie-Boulder - 2005)

In 2007, the Authority was asked to inquire into the Water Corporation's developer contributions. The Authority examined and made recommendations on the most appropriate charging mechanisms for all of the Water Corporation's developer charges and the level of headworks charges that should apply from 1 July 2008, or as soon as practical thereafter. In doing so the Authority considered the general principles underpinning developer charges and the approaches used across government businesses in Western Australia, as well as the approaches applied by regulators in other jurisdictions. (Inquiry into Developer Contributions to the Water Corporation - 2008)

The Authority is currently carrying out an inquiry into water resource management and planning charges to provide the State Government with a range of options and recommendations for the recovery of the water resource planning and management expenses incurred by the Western Australian Department of Water. This includes recovery of licensing costs and costs associated with protecting drinking water sources from water service providers. The most appropriate regulatory arrangements for the setting of service standards for the Department of Water, the setting of the charges and the subsequent recovery of those charges from water users are also being considered by the Authority.

The second draft report was released on 2 November 2010, which provides a set of proposed fees and charges that would recover the proportion of the Department of Water's water resource management and planning costs that have been justified as being efficiently incurred. The final report is due by 28 February 2011. (Inquiry into Water Resource Management and Planning Charges)