

INQUIRY INTO THE EFFICIENT COSTS AND TARIFFS OF THE WATER CORPORATION, AQWEST AND THE BUSSELTON WATER BOARD

TERMS OF REFERENCE

I, CHARLES CHRISTIAN PORTER, Treasurer and pursuant to section 32(1) of the *Economic Regulation Authority Act 2003* request that the Economic Regulation Authority (ERA) undertake an inquiry into the efficient costs and tariffs of the Water Corporation, Aqwest and the Busselton Water Board for the next three year period.

Whilst conducting its inquiry, the ERA is to investigate and report on the efficient costs, and appropriate charges for the services of the Water Corporation, Aqwest and the Busselton Water Board. The ERA should consider, but not limit its investigation to, recommended tariff levels and charging structures for water, wastewater and drainage services.

The ERA is also to make recommendations on the most appropriate level and structure of water storage charges to the South West Irrigation Management Co-operative (Harvey Water).

The ERA must give consideration, but will not be limited, to the following:

- the efficient operating and capital costs of providing services, with a focus on:
 - cost effectiveness in the supply of services;
 - appropriate service standards and the resources required to meet them;
 - resources necessary to meet the required service standards; and
 - resources necessary to meet security of supply service standards for water;
- the method used to determine the revenue requirements of each service provider;
- the value of the service providers' assets, and the appropriate rate of return on those assets;
- the impact of the recommendations on each service provider's net financial position and financial performance;
- the impact of the imposition of the Clean Energy Future Package (carbon pricing) by the Commonwealth Government;
- the impact of the recommendations on the Government's financial targets, in particular, Public Sector Net Debt, dividends, tax equivalent payments and the level of Government funding (particularly through Community Service Obligation Payments); and
- the social impact of the recommendations.

In developing its recommendations, the ERA is to have regard to the following policies:

- the pricing principles of the 1994 Council of Australian Governments water reform agreement and the National Water Initiative;

- uniform pricing; and
- the pricing mechanisms available to the Water Corporation, Aqwest and the Busselton Water Board under relevant legislation.

The ERA will release an issues paper as soon as possible after receiving the terms of reference. The paper is to facilitate public consultation on the basis of invitations for written submissions from industry, government and all other stakeholders groups, including the general community.

A draft report is to be made available for further public consultation on the basis of invitations for written submissions. A final report is to be completed by no later than the close of business 2 November 2012. To accommodate the timing necessary to meet the normal information requirements of the 2013/14 Budget process, no extension of time is possible beyond this date.



HON C. CHRISTIAN PORTER MLA
TREASURER; ATTORNEY GENERAL

10 JAN 2012