

# Decision on amendment to Water Services Operating Licence No. 32 - Farmlands

**Water Corporation**

**18 September 2013**

**Economic Regulation Authority**

WESTERN AUSTRALIA

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## DECISION

1. Pursuant to section 31 of the *Water Services Licensing Act 1995* (the **Act**), the Economic Regulation Authority (**Authority**) has approved an amendment to the Water Corporation's Water Services Operating Licence No. 32 (**WL32**).
2. The Authority's decision is to amend the tables in clause 6.2 in Schedule 4 of WL32 as follows:
  - 6.2 Subject to customers complying with *licensee* requirements the *licensee* must ensure that customers connected to its Farmlands Water Systems shall have, at the outlet of the water meter to their property, a water pressure and flow as detailed in the following tables.

Area	Minimum Static Pressure (metres of water)	Maximum Static Pressure (metres of water)	Minimum Flow
Farmland services supplied from the Goldfields and the Agricultural Water Supply, the Great Southern Town Water Supply Scheme and Mid-West Region	Not applicable	200	3kL/day per service
Rural Water Supply Schemes	Not applicable	200	1.8kL/day per service

Service Standard	How it is measured	Performance Indicator/Target
Farmlands area water systems - Pressure and flows are kept within the acceptable range	<p>From complaints received, the number of services with confirmed water pressure/flow faults divided by total number of water service connections expressed as a % and then subtracted from 100.</p> <p>The flow rate and dynamic pressure is measured at the meter over a period, so as to confirm the available flow meets the minimum standard. Maximum pressure is measured as a static pressure (no flow) at the same point.</p> <p>Does not include poor pressure due to bursts or planned activities.</p>	In the preceding 12 month period 99.8% of farmlands water systems customers have, at the outlet of the water meter to their property, a water pressure and flow as listed above.

3. As required under section 31(4)(b) of the Act, the Authority will publish a notice of its approval of the licence amendment in the Government Gazette as soon as is practicable.

## REASONS

4. The Water Corporation's 2008/09 Operational Audit Report<sup>1</sup> observed:
  - practical difficulties with measuring pressure and flow standards for farmlands' water supply systems specified in WL32 (Schedule 7, section 4.2); and
  - the Water Corporation had not formally engaged with the Authority about the practical difficulties of measuring the minimum pressure and flow on farmlands.

<sup>1</sup> GrantThornton (October 2009) [2008/09 Operational Audit Report](#) of the Water Corporation's Water Services Operating Licence No. 32.

5. The audit recommended the Water Corporation engage with the Authority to establish a more practical measurement for measuring minimum flow. The Authority notes that the 2012/13 Operational Audit Report made similar findings.<sup>2</sup>
6. In response to the 2009 audit finding, the Water Corporation applied to amend minimum flow measures on 10 June 2011.<sup>3</sup> The Water Corporation proposed to amend the two tables in clause 6.2 of Schedule 4 (Service & Performance Standards) as follows:
- 6.2 Subject to customers complying with *licensee* requirements the *licensee* must ensure that customers connected to its Farmlands Water Systems shall have, at the outlet of the water meter to their property, a water pressure and flow as detailed in the following table.

Area	Minimum Static Pressure (metres of water)	Maximum Static Pressure (metres of water)	Minimum Flow
Farmland services supplied from the Goldfields and the Agricultural Water Supply, the Great Southern Town Water Supply Scheme and Mid-West Region	Not applicable	200	Over a 24 hour period 11.2 L/ha/day and 3kL/day per occupied house.  3kL/day per service
Rural Water Supply Schemes	Not applicable	200	Over a 24 hour period 5.6 L/ha/day and 1.8 kL/day per occupied house.  1.8kL/day per service

Service Standard	How it is measured	Performance Indicator/Target
Farmlands area water systems - Pressure and flows are kept within the acceptable range	<p><del>Number of connected properties with confirmed water pressure/flow faults divided by total number of potable water connected properties expressed as a % and then subtracted from 100.</del></p> <p>Flow is measured free to air with downstream pipe work disconnected at the meter.</p> <p>Pressure is measured as static pressure (no flow) at the same point.</p> <p><del>Does not include poor pressure due to bursts or planned activities.</del></p> <p>From complaints received, the number of services with confirmed water pressure/flow faults divided by total number of water service connections expressed as a % and then subtracted from 100.</p> <p>The flow rate and dynamic pressure is measured at the meter over a period, so as to confirm the available flow meets the minimum standard.</p> <p>Does not include poor pressure due to bursts or planned activities.</p>	In the preceding 12 month period 99.8% of farmlands water systems customers have, at the outlet of the water meter to their property, a water pressure and flow as listed above.

7. The Water Corporation also applied to have its operating area map OWR-OA-302 updated to remove Marble Bar and Nullagine, which are not controlled areas.

<sup>2</sup> PwC (November 2012) Operating Licence Performance Audit 2011/12

<sup>3</sup> [Water Corporation \(10 June 2011\)](#) Farmlands Scheme Performance Area Measures.

8. The Water Corporation's licence amendment application was made in accordance with section 31 of the Act.
9. The Authority undertook a public consultation process and received 53 submissions.<sup>4</sup> As a result of the large number of submissions and the nature of the submissions, the Authority referred the submissions to the Water Corporation.
10. The Water Corporation engaged a consultant, Deloitte Touche Tohmatsu (**Deloitte**) to independently conduct an assessment of the suggested change to the measurement of water flow under the Farmlands and Rural Water Supply Schemes.
11. Subsequently, the Water Corporation and Deloitte had a number of discussions with the Western Australian Farmers Federation (**Farmers Federation**) and Western Australian Local Government Association (**WALGA**) based on Deloitte's report.
12. At the request of the Farmers Federation and WALGA, the Water Corporation made presentations to other stakeholders at two WALGA Country Zone meetings and the Rural Water Council to explain the proposal and answer questions from stakeholders.
13. On 27 June 2013, the Water Corporation submitted its revised proposal. The resubmitted proposal is identical to the initial proposal in terms of the proposed amendment to the minimum pressure and flow standards for Farmland and Rural Water Supply Schemes. The Water Corporation withdrew the proposal to amend the operating area map to remove Marble Bar and Nullagine, which are outside of the controlled areas. Under the new *Water Services Act 2012* (expected to come into effect in September 2013) there are no controlled areas. Therefore, such amendments would be redundant.
14. Section 31 of the Act states that the Authority is not to approve a licence amendment unless the Authority is satisfied that it would not be contrary to the public interest to do so.
15. On 4 July 2013, the Authority sought public comment on the resubmitted proposal by 24 July 2013. In response, the Authority received one submission. The submission from the WA Farmers' Federation states:<sup>5</sup>

On the basis that the Deloitte assessment seems to alleviate our concerns about the proposed Amendment, WA Farmers accepts the amendment to water services operating license 32.
16. In assessing the amended application proposal, the Authority has taken account of all submissions received, the Water Corporation's amended licence amendment proposal and Deloitte's report.
17. The Authority notes the significantly different outcome of its consultation process, including that:
  - the number of submissions related to the identical amendment of minimum pressure and flow standards fell from 53 submissions to one submission.
  - The Farmers Federation submits that its concerns with the Water Corporation's proposal has been alleviated.

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<sup>4</sup> The Authority sought public comment on the proposal on 22 June 2011. Subsequently, the Authority extended the public consultation period twice, on [6 July 2011](#) and [12 July 2011](#).

<sup>5</sup> The submission can be found on the Authority's website.

18. However, the 2009 Audit, the 2013 Audit, and Deloitte's report did not deal with maximum static pressure. Hence, the Authority enquired with the Water Corporation about the proposed removal of:
  - the word 'static' from the maximum pressure standard (the first table); and
  - the explanation of how the maximum pressure is measured (the second table: 'How is this measured').
19. The Water Corporation confirmed that these amendments were an oversight, would create unintended ambiguity, and agreed that the information in relation to the maximum static pressure should be retained.
20. As a result, the Authority decided to retain the existing wording in relation to the maximum static pressure:
  - to retain the word 'static' in the first table; and
  - to retain a slightly amended text (adding the word 'maximum') in the second table to describe how maximum pressure is measured.
21. The Authority is of the view that these are minor amendments, and has not undertaken further public consultation.
22. In its assessment of the application, the Authority considered the public interest as required by section 31A of the Act. This includes the matters set out in section 19(1b) of the Act. The Authority is satisfied that approving the amendment to WL32 (aside from the administrative error discussed in paragraph 18 and 18 above) would not be contrary to the public interest.