

20 September 2017

Economic Regulation Authority
Level 4, 469 Wellington Street
PERTH WA 6000
via email: publicsubmissions@erawa.com.au

**SUBMISSION BY WATER WEST
DRAFT REPORT – INQUIRY INTO THE EFFICIENT**

Water West makes the following submission in regard to the Authority's draft report *The efficient costs and tariffs of the Water Corporation, Aqwest and Busselton Water*.

Section 1.2 The water sector

The heading for Figure 1 is worded "Overview of the water sector within Western Australia". Whilst it is acknowledged that Figure 1 is presented in the context of the overall discussion on the water corporations within the report, Water West considers that for clarity the heading be reworded as follows "Overview of the water corporations sector within Western Australia".

Alternatively, Water West suggests the diagram in Figure 1 be amended to include reference to non-water corporation utilities.

Section 6.3.2 Residential wastewater tariff structures

Water West supports the principle of cost reflectivity for wastewater charging and that such a framework would promote innovation and recycling activity in contrast to the current GRV approach.

It is Water West's view and experience that the current GRV approach for pricing of Water Corporation wastewater services in the Perth metropolitan area creates a market disincentive for establishing wastewater recycling schemes in new larger-scale development areas given;

- i) these development areas are typically established on the periphery of the urban area where property values are generally lower (resulting in a low GRV and linked wastewater servicing charges) ;
- ii) the servicing costs, both connection [or local] infrastructure and operational costs [pumping, other], are generally higher for new frontal developments in comparison to infill developments. A higher cost base should logically result in a higher servicing charge (both developer and consumer charges) in these development areas. However, the GRV framework perversely produces the opposite with generally lower GRV and therefore servicing charges ;

iii) non-Water Corporation wastewater treatment and recycling schemes in these development areas are effectively competing in a subsidised market, noting that the wastewater charges underpin the business case for a recycling scheme and that the Water Corporation adopts a “postage-stamp” approach to pricing both developer charges and consumer charges across their network and allows them to use high GRV customers to subsidise new, lower GRV customers even when the cost of servicing these new customers is higher.

Please contact the undersigned should further information be required.

Yours Sincerely

JEFF STRAHAN

Managing Director