



18 September 2017

Our Ref: TB:W2498

Your Ref:

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Economic Regulation Authority
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Dear Tyson,

RE: DRAFT REPORT – INQUIRY INTO THE EFFICIENT COSTS AND TARIFFS OF THE WATER CORPORATION, AQWEST AND BUSSELTON WATER

Thank you for the invitation to make a submission in response to the abovementioned draft report. It is noted that submissions are required to be lodged with the Economic Regulation Authority prior to close of business on Monday 18th September 2017.

Aqwest provides the following feedback;

No	Topic	Aqwest Comment / Feedback
1	ERA recommends a 7.9% reduction in prices, followed by an increase of 1.8% each year.	<ol style="list-style-type: none"> Cardno have acknowledged that Aqwest processes are efficient and have suggested a 0.25% efficiency dividend. ERA have suggested at 2.5% efficiency target but this is considered to be overly aggressive. Aqwest is highly efficient. The Regulatory Asset Value (RAV) is an artificial line in the sand, not based on Fair Value (FV) and Aqwest has concerns that it is understated.
2	Stepped tariffs be removed	Stepped tariffs reflect the public's (and Aqwest's) strong preference for encouraging water conservation.
3	Opex material variations can be passed through.	Cost pass through events should not be restricted to unexpected tax or law change event.

No	Topic	Aqwest Comment / Feedback
4	Capex and Opex thresholds	The following thresholds should be lower; <ul style="list-style-type: none">• Capex \$0.8m• Opex \$0.32m
5	Revenue cap rather than stipulating individual prices	Aqwest supports this suggestion.

In conclusion, on pages 158/159 reference is made to ACIL Tasman’s 2007 Report. Some of the source financial information in that report is very questionable and, given that the Report is now (10) years old, the inclusion of the information on pages 158/159 adds nothing to the Draft Water Inquiry Report.

Thank you again for providing the opportunity to provide feedback on the Draft Report.

Yours faithfully

Brad Bevis

~~CHIEF EXECUTIVE OFFICER~~