



Department of  
**Industry and Resources**

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Our ref: RO234/1997/12  
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## **ERA DRAFT REPORT - COUNTRY WATER & WASTEWATER PRICING**

Thank you for the opportunity to comment on the Draft Report prepared by the Economic Regulation Authority.

DoIR welcomes the direction taken in the draft. It endorses ERA's statements that applying cost methodologies requires more accurate country water and wastewater costing data than is currently available. The publication of such data, together with estimates of long-run marginal cost, would substantially enhance contestability. DoIR, therefore, encourages the ERA, in the Final Report, to identify the various appropriate cost methodologies and explore the practicalities of their application.

DoIR believes that the Final Report would be enhanced by the inclusion of an additional section outlining more clearly the benefits of enhanced transparency in water demand and supply, including setting prices at long-run marginal cost. This additional information would allow local governments, communities and potential entrants to more readily identify opportunities where further investment would help in the delivery of improved supply efficiency.

It would also be useful if, in discussing the relative gains from supply efficiencies, that the ERA highlight the trade-off between them. That is, if not carefully managed, the gains from having a larger number of suppliers can be more than offset by the loss economies of scale.

The Department is strongly supportive of ERA's approach in engaging the public regarding this extremely important policy issue, and appreciates the Authority accepting DoIR's comments several days past the identified time for input.

Thank you again for the opportunity to comment on the Draft Report.

A handwritten signature in black ink, appearing to read 'Stuart Smith'.

**Stuart Smith**  
A/DIRECTOR GENERAL

31 March 2006