



Department of
Industry and Resources

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ERA ISSUES PAPER - COUNTRY WATER & WASTEWATER PRICING

Thank you for the opportunity to comment on the Issues Paper prepared by the Economic Regulation Authority. Comments by the Department of Industry and Resources (DoIR) pertain to the non residential sector.

DoIR agrees that the inquiry's outcomes should be consistent with the ERA's statutory obligations when undertaking such reviews, as highlighted on page 2 of the Issues Paper. It is important, for example, that full regard be given to the need for investment in regional Western Australia to be stimulated, and a competitive and fair market environment promoted.

As subsequently confirmed with an ERA official, it is understood that sectors of the Water Corporation's activities which are outside their regulated business areas are not included in the inquiry's remit. Accordingly, high volume scheme water usage, such as that which is the subject of commercial negotiation and agreement between the Water Corp. and large industrial users, is not being addressed by the ERA inquiry.

Similarly, bulk water used for irrigation purposes, including that in the Ord Irrigation Scheme, is beyond the inquiry's terms of reference. In addition, the sensitive issue of headworks charges is also apparently outside the inquiry's brief.

Consistent with adhering to the ERA's statutory obligations as mentioned above and encouraging economic development within regional Western Australia, attention is drawn to the following points:

1. In commenting to the ERA on its June 2005 draft report in relation to United Utilities Esperance/Goldfields water proposal, DoIR drew attention to modelling and the methodology associated with determining long run marginal and avoided costs and related matters of relevance to that region and the Agricultural Water Supply Scheme. (A copy of DoIR's 29 July 2005 submission is attached for your assistance.)

It is important that any assumptions, modelling and underlying methodologies used to formulate recommendations are robust. Though the difficulties are appreciated, they should be based on comprehensive and accurate information, and be clearly defined and transparent.

2. DoIR believes it is important that any pricing (and policy) structures proposed reflect the need to encourage, where economically feasible, additional water providers. Creating a competitive environment that sponsors full contestability in providing water and waste water services to industry (and the residential sector) will enhance the State's long term development potential. Recognising the fundamental requirement to industry of water and waste water services, competition assists in placing downward pressure on tariffs associated with these essential services. Consistent with the role of the ERA, competition promotes an environment that counters overcharging of such utility services.

DoIR will await receipt of the ERA's draft report, expected shortly, and review that paper in light of the above and respond accordingly.

Thank you again for the opportunity to comment on the Issues Paper.



 Jim Limerick
DIRECTOR GENERAL

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