

NOTICE

INQUIRY ON COUNTRY WATER AND WASTEWATER PRICING

DRAFT REPORT

The Economic Regulation Authority today published a draft report on its inquiry into the prices charged by the Water Corporation (Corporation) for its country water and wastewater (sewerage) services.

The terms of reference for the inquiry require the Authority to consider the current approach to country water and wastewater pricing and the merits of potential alternative approaches in the following areas:

- the consumption level for applying uniform residential water charges;
- the Corporation's five-class system for charging residential and business water customers;
- the water service charge structure for businesses;
- the current charging systems for commercial wastewater services; and
- the current charging systems for residential wastewater services.

The Authority is also required to consider the impacts of any alternative proposed pricing structures on the Corporation's revenue and expenses, as well as payments to, and from, the Government.

Mr Lyndon Rowe, the Authority's Chairman, said the inquiry, which was issued to the Authority by the Treasurer, the Hon Eric Ripper, on 20 October 2005, was the first independent evaluation of Western Australia's country water and wastewater prices.

The Authority's preliminary findings include:

- There may be benefits in redefining the uniform water pricing policy away from uniformity in rates to uniformity in the total amounts paid by consumers at some threshold, such as the average level of consumption for a particular town or group of towns.
- Town groupings should ideally be based on the future costs of providing water services and additionally include the non-health related aspects of water quality, as well as the differences in weather conditions between groups of towns.
 - Water usage charges (above the threshold for uniformity) in towns that need their water infrastructure expanded should reflect the future cost of providing the additional water supplies.
 - For towns that are unlikely to need their water infrastructure expanded, water usage charges above the threshold might be set to at least recover the avoidable cost of providing the water services, and where appropriate, contribute to the Corporation's return on investment.

- Water and wastewater charges for country commercial customers might best be restructured to more clearly reflect the cost of supply.
- Wastewater charges for country residential customers might best be restructured away from their dependence on property values which, because of the cap on country wastewater charges, has already partly occurred.
- Community Service Obligation payments (paid by Government to the Corporation to cover, among other things, losses associated with providing services to the country) could be made more transparent at the town level, and possibly tendered to competitive providers of water and wastewater services.

The draft report invites submissions from industry, government, other stakeholder groups and the general community. Submissions should be received by no later than **Friday 10 March 2006**.

The Authority will also hold public forums on the findings in the draft report. Forums are being arranged for mid to late February at Albany, Mandurah, Northam, Kalgoorlie-Boulder, Geraldton and Port Hedland. Details of the forums will be provided on the Authority's website and published in local newspapers. Following consideration of submissions on the draft report and comments at the public forums, the Authority will deliver the final report for the inquiry to the State Government by 28 April 2006. The Government will then have 28 days to table the report in Parliament.

"I encourage all interested parties to participate in the inquiry, either by lodging a submission or by attending one of the public forums," Mr Rowe said. "The Authority is very keen to receive views on the current pricing arrangements before we release the final report."

General Inquiries

Mr Greg Watkinson
A/Director, References and Research
Economic Regulation Authority
Ph: (08) 9213 1965
E-mail: greg.watkinson@era.wa.gov.au

Media Inquiries

Mr Paul Byrne
Byrne & Byrne
Corporate Communications
Ph: (08) 9385 9941
Mb: 0417 922 452

LYNDON ROWE
CHAIRMAN

31 January 2006