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Mr Greg Watkinson
Director – References and Research
Economic Regulation Authority
PO Box 8469
Perth Business Centre WA 6849

Dear Mr Watkinson

The Tiwest Joint Venture has been following the water reform process in Western Australia with a great deal of interest and has been providing input both directly to the process and through the Chamber of Commerce and Industry.

Water is a vital resource for all so many aspects of our existence. An appropriate system to manage the allocation of this precious resource so that domestic, environmental and industrial needs are maintained is something that requires careful consideration.

As a miner, industrial processor and chemical manufacturer changes to water allocations and costs can have major impacts on our current operations. Certainty and cost of supply are also important considerations for future investment.

We have generally been supportive of the policies and progress being made by the Government, but remained concerned about one aspect of the system that we believe will not provide efficient water use but will add unnecessary costs and or delays.

The issue that concerns us is the mechanism for transition to a fully tradeable water allocation. At present we believe there are allocations which are not fully utilised and applications in the system for allocations where the need is yet to be fully demonstrated. These allocations or applications have been gained or are being gained on a first in time basis.

Projects with a demonstrated need for the water allocation can be held in limbo while some as yet unclear process is followed to deal with “sleeper” licences or to rule out applications which have little merit.

At the same time real projects with real water demands require long term certainty of water availability. (To the extent that certainty can be provided).

To deal with these two aspects of the transition to water trading we have proposed that water licences be tiered with varying levels of certainty and tradeability.



We believe that the appropriate tiers and conditions should be as described in the following attachment

Yours sincerely

Neil Liddelow
Tiwest Joint Venture.



Water Licence Categories

Tier	Description	Certainty	Tradeability
1	Existing allocations where a pattern of use can be demonstrated. long term rolling allocation	Highest level of certainty of supply	These allocations should be fully tradeable at market determined prices.
2	Existing allocations which are not being used but might reasonable be required in the short term because of climatic or other changes. This should be limited to a percentage of current usage say 20%	Similar level of certainty	These allocations should also be available for short term trading at market rates but could only be traded in the longer term if the corresponding tier 1 allocation was also traded.
3	Allocations where a history of usage cannot be demonstrated.	The individual or company with the initial allocation (" the allocation holder ") would retain the right to the allocation but must trade unutilised water quantities. If after a set period (say 5 years) of water quantity trading the actual consumer would be given the opportunity to seek transfer of the allocation but the allocation holder would have the opportunity to show cause as to why it should retain the allocation.	Unused water quantities would be compulsorily available for trade on a cost recovery basis only.