


14 December 2007

Our Ref: NE: W50

Your Ref:

Enquiries: Brad Bevis

 (08) 9780 9505

Inquiry on Developer Contributions to the
Water Corporation
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

Dear Sir/Madam,

RE: INQUIRY INTO DEVELOPER CONTRIBUTIONS TO THE WATER CORPORATION

Thank you for the opportunity to make a submission in respect to the abovementioned inquiry. Please note that this submission has yet to be formally endorsed by the Bunbury Water Board. As such it would be appreciated if the submission could be considered confidential until considered by the Board. I will provide written confirmation to the Authority once the Submission has been endorsed.

On page 6 of the Issues Paper it is mentioned that Aqwest competes against other tenders to undertake the laying of reticulation within subdivisional developments. Please note that this is not the case and that Aqwest does not tender to complete such work. The Developer coordinates the construction of such works which must be completed to a standard/specification determined by Aqwest.

The following feedback is provided in respect to the identified “Issues for Consideration”;

- *To what extent should each of the principles discussed in this chapter be applied to the process of setting developer charges to government businesses in WA?*
 - i) National Competition Policy / National Water Initiative

It is not considered practical to remove all cross subsidies. The potential impacts on regional development need to be considered.
 - ii) Productivity Commission

Current headworks charging practices have been endorsed by key stakeholders without independent regulatory scrutiny.
 - iii) Necessity

iv) Location Signals

It is very unlikely that Developer charges in the WA water industry are significant enough to influence the spatial pattern of housing development.

v) Provision for out of sequence development

Corporation's policy appears logical.

vi) Cost reflectivity

Developer charges should not be included in the revenue stream considered to cover efficient costs. Developer charges should be allocated to specific reserves and used solely for identified related capital works purposes.

vii) Cross Subsidies

In terms of regional development it is not practical to remove cross subsidies.

viii) Uniform Pricing

Developer charges between water utilities should not be uniform. Each water utility and its operating environment is different and it is therefore logical to assume that developer charges will also be different.

ix) Fairly allocating shared costs

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x) Mitigating any impacts of pricing reforms on low income customers

- *Public Consultation.*

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- *Independent Scrutiny*

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- *Appeals Mechanism*

No appeals should be allowed since charges are pre approved annually by the State Government as part of the annual Budget process.

- *Accountability*

The concept of Special Reserves being maintained for Developers contributions is strongly supported.

- *Are there other principles that should influence the setting of developer charges?*

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- *Should headworks charges more closely reflect the cost of providing water, wastewater and drainage services to new developments?*

Yes.

- *Should the New Facilities Investment Test approach used in the gas and electricity industries in Western Australia be applied to setting headworks charges to the Water Corporation?*

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- *Should headworks charges cover any of the costs of the major source infrastructure investments, particularly given that water usage prices (at least in the metropolitan area) are set in relation to long run marginal cost?*

Yes

- *Should headworks charges be set on the basis of forward looking costs or should they include sunk costs such as existing surplus capacity?*

No opinion at this point of time.

- *Are the current review processes for headworks charges appropriate?*

Yes.

- *Are the appeals mechanisms for decisions on headworks charges adequate?*

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- *Do you support or have any concerns about the Corporation's policies for charging for frontal and out of sequence developments?*

Policies supported.

- *Do you support the Corporation's proposal to introduce a minor works contribution policy, whereby developers are reimbursed at a later stage for the proportion of the main that will be used by future customers?*

Yes, supported.

- *What are the advantages and disadvantages of the Corporation's approach to charging high volume customers in country areas?*

Aqwest has no feedback on this matter.

- *What are the advantages and disadvantages of moving towards more cost reflective pricing for major customers?*

Aqwest has no feedback on this matter.

- *Is 49 kL an appropriate threshold for the Corporation's Major Consumer Policy?*

Aqwest has no feedback on this matter.

- *Is the notional cost approach which underpins the Corporation's Major Consumer Policy sufficiently flexible to deal with different projects?*

Aqwest has no feedback on this matter.

Yours faithfully,

Brad Bevis
CHIEF EXECUTIVE OFFICER