

**CPSU recommended response to Economic Regulation Authority Draft Report -  
“ Inquiry into competition in Western Australia’s Water and Wastewater  
Services Sector:**

**Recommendation 1:** is supported as there are definite synergies between the Water Corporations Operations that have served and continue to serve the WA Community very well and there would be significant losses of service capability if dis-aggregation was proposed.

**Recommendation 2:** that an Independent Procurement Entity be established is not supported for the following reasons.

It is setting up a further tier of bureaucracy which will need professional staffing that will rely heavily on existing planning and procurement staff expertise within the Water Corporation. This may draw expertise away from the Water Corporation leaving it deficient of expertise in this important area, especially given the very tight labour market for such professionals.

The additional work to gain approval via an Independent Authority will impose unnecessary additional standards of compliance and time delays, forcing rising project costs and additional compliance costs upon proponents and making it harder to get projects up in the future.

The Purchasing Authority should be pursuing WA Govt Objectives. This just replaces an existing function of the Water Corporations Tender and Procurement Committee and Infrastructure Planning Division, that is already carried out professionally and efficiently by the Water Corporation. All for the sake of appearing to be independent?

There may be a future conflict in consistency of planning objectives by the Independent Authority and the WA Govt which may create dysfunction in the planning processes and the structured orderly delivery of future water supplies. Single point accountability together with orderly and structured delivery of new water supplies provides the WA Community certainty in water supply planning allowing business to plan with certainty and grow accordingly. Would the WA Govt want an independent procurement agency that may counter and compromise its water planning policy objectives?

The Independent Purchasing Authority offers no guarantees of better purchasing outcomes and provisioning of future water supplies. The existing arrangements with single point accountability together with orderly planning and structured delivery of new water supplies have met the challenges of climate change and have served the WA community well. We should not abandon or compromise this well functioning capability of the Water Corporation.

**Recommendations 3,4,5,6&7** are supported plus a better licensing and regulation of self supply arrangements along with sustainable water trading arrangements will give the WA Community better business and wealth creation outcomes in this the Non-Potable, the largest sector of the WA Water Market. (87%)

**Recommendations 8,9,10 & 11** are supported in the event a third bulk water supplier is interested in accessing the potable water supply system. However given the very high infrastructure cost and a limited new bulk water market to unregulated customers, it is unlikely that such an application will proceed. Generally large commercial and industrial customers and irrigation business will prefer to secure self supply arrangements. Accordingly the ERA should develop a set of Third Part Access Guidelines for potential new customers to determine if their proposals are feasible. Only if the proposal is feasible and serious, then should negotiations be undertaken on a case by case basis.

**Recommendations 13& 14** for Retail contestability is not supported as there are insufficient large customers to warrant contestability. See table 3.2 p 79 – There are only 154 customers with greater than 20,000 kL/a usage ( Revenue of \$20k - \$30 k pa) of which only 68 customers use greater than 50,000 kL/a. ( Revenue greater than \$50k pa.).

Figure 2.2 p12 - The large user water market in irrigated agriculture (40%) and mining (24%) are all self supply which are non-potable water sources that are close to their operations for reasons of natural resource location and water usage is a supporting process to the primary economic activity. It does not have the market characteristics suited for retail contestability. Issues of regulation and licensing of large users is important to ensure sustainability of the water resource and that water is used efficiently. Competition for water resources in this sector is not an issue if License Allocations are well within the sustainable long term water resource draws. A Water Trading System could be set up where there are competing uses in a Water Resource Area as long a sustainable outcomes that meet with long term planning considerations are achieved.

**Recommendation 15** is not supported as merit is not seen regarding scarcity pricing. The community needs a structured and sustainable water market that is predictable to foster business growth and activity. Scarcity should be governed by sustainability principles together with water restrictions and regulation as a fairer means of sharing scarcity burdens within the community.

Enforced economic scarcity by freeing up pricing to address short term circumstances during times of drought and plenty is not a good way to grow community wealth, it does not reinforce and promote long-term water efficiency objectives and is not an efficient use of our most precious natural resource. Given the drying climate problems, continued WA Govt regulation and input into the orderly provision of WA Water Supplies is providing better long-term outcomes for the continued growth of the WA Community in preference to market mechanisms.

**Recommendation 16** should be pursued by the two organisations ( Water Corporation & Horizon Power) on a sharing of resources on a contracting basis only. ie Metering, Customer Service, New Servicing and Land Development Applications. There are limited gains and many losses experienced if joining country electricity and water was pursued.

**Recommendation 17** shows the best promise for saving and improved management of local water supplies in the South West by amalgamating and integrating the local water boards with the Water Corporation – however this may be politically difficult.

**Recommendation 18** is supported provided that private provider who may claim CSO's meet the same standards as the Water Corporation provision of subsidised services and are subjected to the same rules.