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Dear Greg

Inquiry on Competition in the Water & Waste Water Services Sector

Although serving as a director of the Irrigation Cooperative Harvey Water the comments listed here under are personal feedback provided in response to the statements made in the ERA draft paper.

For simplicity this has been listed under 5 main sub headings clarifying key items that relate to

PHYSICAL INFRASTRUCTURE CONSTRAINTS

Presently of the 7 dams Harvey Water draws water allocation from only 2 are connected to the IWSS. A complete lack of physical infrastructure restraints trade to non irrigation user except those industries located in proximity to the Harvey Water region and its infrastructure. To redress this to ensure wholesale trade more than \$1 billion dollars in piping and treatment infrastructure would be required for extensive external trade opportunities with all irrigators of the HW region.

In the Water Corporation's preliminary submission August 2007 to the ERA it confirmed that even after planned infrastructure connections into Logue Brook occur only 5 gigs (this is based on pre 1974 inflow scenarios) could potentially be available for trade.

POTABLE WATER QUALITY

Even post the Harvey Water Piped Project 130 gigs of the cooperatives license will remain held within dam storages that are not potable water quality rated. Without comprehensive catchment management plans substantially restraining recreation, agricultural, industrial and residential activity no water stored in these locations can be used for potable purposes without significant increases in treatment required. This point was acknowledged by the Water Corporation (Aug 2007) as a significant impediment to any trade prospects.

EXISTING TRADE AND SWAP ARRANGEMENTS

HW has an established record of cooperation with the Western Australian State Government that is evident through the positive outcomes such as the Harvey Water Pipe Project acknowledged in the ERA draft. In addition to this Harvey Water has annual ongoing commitments to swap water entitlement in Stirling Dam for environmental purposes and in lieu of water supplied by the Wokalup pipe back into the Harvey Dam. The combination of these arrangements developed in collaboration with the State sees almost 30 gigs having been made available for potable use.

Although Harvey Water holds water entitlement within sources that are IWSS connected, once the existing trade and swap arrangements are considered this has the affect of consuming almost all water available in the majority of years particularly with the impact of climate change affecting dam yields.

COMPLIANCE WITH THE NATIONAL WATER INITIATIVE (NWI)

In drafting the outcomes and actions for water trade the NWI has been scoped to provide flexibility to reflect local circumstances. When evaluating water trading the most obvious difference between the Murray Darling Basin and Western Australia is the lack of a river system to enable water conveyance. Recognition of how to deal with this situation is provided for in the NWI through clause 58;

"The States and Territories agree that their water market and trading arrangements will:

i) Facilitate the operation of efficient water markets and the opportunities for trading, within and between States and Territories, where water systems are physically shared or hydrologic connections and water supply considerations will permit water trading:

At this time due to previously agreed existing trade/swap agreements lack of physical infrastructure and water quality rating of surface catchment areas from which its irrigators are supplied Harvey Water currently operates in compliance with the principles of the National Water Initiative.

SUMMARY

Although academic and theoretical models in relation to water trade exist the application of these concepts can be severely constrained when taken out into reality of the environments in which adoption is sort. By far and away the dominate constraint on trade in the South West region of WA is the lack of infrastructure not the business structure of cooperatives. This situation is unlikely to change in the foreseeable future.

Rather than asserting potential breaches of the Trade Practices Act when the physical capacity for trade does not currently exist, it would be preferable that the ERA in its final report note the constraints faced in WA and endorse ongoing discussions between related parties to develop arrangements for the State that reflect practical based adoption of the NWI/Competition principles into a Western Australian context. This would allow for positive outcomes similar to those previously achieved to be facilitated.

Should you wish to discuss this submission further please feel free to contact me.

Yours sincerely

Tom Busher