

## NOTICE

### **Inquiry into Developer Contributions to the Water Corporation**

#### **DRAFT REPORT – CALL FOR SUBMISSIONS**

The Economic Regulation Authority today published a Draft Report on its inquiry into the Water Corporation's developer contributions. A copy of the Draft Report can be obtained from the Authority's [web site](#).

The Draft Report presents the Authority's preliminary findings from its inquiry and invites interested parties to make submissions.

In considering the general principles for developer charges, the Authority found that:

- They should at least reflect the forward-looking costs of new developments at each location.
- Any risks associated with the additional cost of over-sizing the assets to meet future demand growth should be borne by the utility and the costs recovered from those for whom the spare capacity is provided.
- Major infrastructure costs, such as those associated with source development or transmission, are likely to be better recovered through tariffs.
- While subsidies could be used to offset high developer charges in areas with high development costs (e.g. in regional areas), this needs to be assessed against alternative uses of government revenue.
- The Government's Uniform Pricing Policy should not apply to developer charges.
- Methods of charging developers should include effective public consultation, independent scrutiny, accountability by the service provider for money raised, transparency and a mechanism for appeals.

Other findings were:

- The Water Corporation's current standard headworks charges do not meet the general principles listed above as they include major infrastructure costs and do not reflect the development costs of each scheme.
- An alternative approach proposed by the Water Corporation – in which headworks charges would reflect the average historical distribution costs for each scheme – had merit. However, the Authority recommends that an amendment to this option be investigated, so that charges reflect any spare capacity.
- Developer charges should continue to reflect any additional costs associated with bringing forward developments ahead of a development schedule.

- Developer charges should also reflect any savings in distribution costs resulting from water sensitive urban design.

In its report, the Authority said it would further investigate how developer charges reflect costs for rural subdivisions, major country customers and temporary connections. In particular, the Authority would welcome the views of interested parties on the Corporation's charging approach to major country customers compared to the approaches taken by others, such as Western Power.

Lyndon Rowe, the Authority's Chairman, invited the Water Corporation to provide further evidence that historical distribution costs were a reasonable proxy for future development costs.

"In terms of the Corporation's headworks charges, the Authority favours moving to charges that reflect forward-looking development costs at each location. It is important to recognise that any move away from cost reflective pricing – whether through uniform pricing, or direct caps or subsidies to particular customer groups – will result in a net welfare loss for the State," he said.

The Final Report for the inquiry is due to be delivered to the State Government by 30 June 2008, after which the Government will have 28 days to table it in Parliament.

The Authority welcomes submissions on the recommendations and preliminary views presented in the Draft Report. Submissions should be received no later than **4:00pm WST Friday 16 May 2008.**

Submissions can be emailed to [developercontributions@era.wa.gov.au](mailto:developercontributions@era.wa.gov.au) or addressed to:

Inquiry on Developer Contributions to the Water Corporation  
Economic Regulation Authority  
PO Box 8469  
Perth Business Centre  
PERTH WA 6849  
Fax: (08) 9213 1999

Submissions made to the Authority will be treated as in the public domain and placed on the Authority's web site unless confidentiality is claimed. The submission or parts of the submission in relation to which confidentiality is claimed should be clearly marked. Any claim of confidentiality will be dealt with in the same way as is provided for in section 55 of the *Economic Regulation Authority Act 2003*.

For further information contact:

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**LYNDON ROWE**  
**CHAIRMAN**

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