

INQUIRY ON THE TARIFFS OF THE WATER CORPORATION, AQWEST AND BUSSELTON WATER BOARD

TERMS OF REFERENCE

I, ERIC RIPPER, Treasurer and pursuant to section 32(1) of the *Economic Regulation Authority Act 2003* request that the Economic Regulation Authority (the Authority) undertake an Inquiry into the tariffs of the Water Corporation (as established by the *Water Corporation Act 1995*), the Bunbury Water Board (Aqwest) and the Busselton Water Board (as established by the *Water Boards Act 1904*).

In doing so, the Authority is to investigate and report on the following matters:

- the appropriate charging structures and recommended tariff levels for the Water Corporation, Aqwest and the Busselton Water Boards' water supply services;
- the appropriate charging structures and recommended tariff levels for the Water Corporation's wastewater services;
- the appropriate charging structures and recommended tariff levels for the Water Corporation's drainage services;
- the appropriate charging structures and recommended tariff levels for the Water Corporation's other regulated services.

The Authority must give consideration to, but will not be limited to, the following:

- the method used to determine the revenue requirements of each service provider;
- the operating and capital costs of providing services, with a focus on:
 - cost effectiveness in the supply of services; and
 - resources necessary to meet the required service standards;
- the appropriate rate of return on each service provider's assets;
- the efficiency of demand management activities;
- the impact of the recommendations on each service provider's net financial position;
- the impact of the recommendations on the Government's net financial position, in particular, net debt, dividends, tax equivalent payments and the level of Government funding (through Community Service Obligation Payments); and
- the environmental and social impact of the recommendations.

In developing its recommendations, the Authority is to have regard to the following policies:

- the pricing principles of the 1994 Council of Australian Governments water reform agreement and the National Water Initiative;
- the Western Australian State Government's Uniform Pricing Policy;
- the Western Australian State Government's Sustainability Policy;
- the Western Australian State Government's Community Service Obligations Policy; and

- the pricing mechanisms available to the utility service providers through the *Water Agencies (Powers) Act 1984* and the *Water Boards Act 1904*.

The Authority will release an issues paper as soon as possible after receiving the terms of reference. The paper is to facilitate public consultation on the basis of invitations for written submissions from industry, government and all other stakeholders groups, including the general community.

A draft report is to be made available for further public consultation on the basis of invitations for written submissions. A final report is to be completed by close of business, no later than 15 June 2009.

**ERIC RIPPER MLA
DEPUTY PREMIER; TREASURER;
MINISTER FOR STATE DEVELOPMENT**