



*Knowledge Influence Support*

CHAMBER OF COMMERCE AND INDUSTRY  
WESTERN AUSTRALIA

19 September 2008

Inquiry into Pricing of Recycled Water in WA  
Economic Regulation Authority  
PO Box 8469  
Perth Business Centre  
PERTH WA 6869

Dear Sir/Madam

**RE: SUBMISSION ON INQUIRY INTO PRICING OF RECYLCED WATER  
IN WESTERN AUSTRALIA.**

The Chamber of Commerce and Industry Western Australia (CCI) is pleased to provide the following comment on the *Inquiry into Pricing of Recycled Water in Western Australia*.

**What other recycling projects are currently underway that the Authority should be aware of?**

CCI is not aware of any other significant recycling projects currently underway in Western Australia.

CCI contends that there are a variety of alternative water supply sources, including desalination and water recycling that could be provided if new market entrants are allowed to supply water in competition with the Water Corporation. Moreover, these sources are likely to be less dependent on climate events, and hence more reliable.

CCI believes that to establish any significant reticulated water recycling scheme, a prospective water supplier would have to access raw water feedstock from the Water Corporation's Sewer Reticulation Scheme or ocean outfall pipelines, downstream of Beenyup, Subiaco and Woodman Point Wastewater Treatment Plants. An agreement on access would have to be reached with the Water Corporation as there is currently no State-based third party access regulatory regime in place.

Accordingly, CCI fully supports that a State-based third party access regime be implemented in Western Australia.

CCI believes that private sector suppliers should be able to distribute water either through a bulk supply contract with the Water Corporation, or direct to individual customers.

CCI further recommends that any State-based third party access regimes be supported by sound and transparent regulation to ensure that access arrangements are safe, efficient and achieved at a minimum cost.

**What is the scope for additional water recycling in Western Australia?**

CCI believes that there is no reason why all the municipal wastewater that is currently discharged into the ocean could not be recycled for use in agriculture, given the rising cost of food and energy in Western Australia.

**To what extent do service providers have market power in the provision of water recycling services?**

CCI understands that usually, water recycling schemes have only been established where economic alternatives do not exist. In such circumstances, service providers who control feedwater supply have limited market power in the absence of third party access to water infrastructure.

**If providers of water services have market power, should their prices be regulated and if so, how?**

CCI believes that the party in control of the feedwater has the market power, and for this reason regulation may be required, preferably by the way of third party access regimes.

**If there are significant externalities, should recycled water prices be adjusted to reflect these externalities, and if so, how?**

CCI considers that various competing water source options should be compared on a level playing field, with the full cost recovery for provision of services. If such an approach were implemented, CCI believes there could be an increase in the number of recycling schemes.

**Should major industry be treated in a different way to other metropolitan commercial customers for the purpose of setting water usage charges?**

CCI believes that major industry should not be treated differently to other metropolitan commercial customers for the purpose of setting water usage charges.

CCI understands that there is however evidence in other parts of world that blanket prohibition of the use of potable water by heavy industry exists, due to scarcity of potable water supply issues.

CCI does not agree to the singling out of heavy industry for accelerated transition, despite the political attractiveness of this. CCI believes that if pricing reform can be accelerated for heavy industry, it can also be hastened for all potentially all water users.

CCI understands that the issues paper into the pricing of recycled water indicates an intention to move to full-cost recovery, using a single tariff based on long run marginal cost by the year 2013/14. CCI supports this and recommends that it should ensure efficient use of the resource and encourage the introduction of additional recycling schemes. CCI recommends that the full environmental cost should be included in the calculation of long run marginal cost, as current potable water prices are too low to encourage increased recycling.

### **What role should recycling targets play in the adoption of recycled water?**

CCI believes that rebates could be used to overcome public perception issues surrounding the use of recycled water and to encourage greater recycling activity.

This however should only take place after pricing reform.

CCI believes that there needs to be a balance of economic alternatives that support the adoption of recycling.

### **What role should mandatory standards play into the adoption of recycled water?**

CCI believes that mandatory standards should be applied to all new domestic and commercial building construction, requiring the installation of infrastructure for grey water reuse, rainwater collection and other water use efficiency devices. The additional costs could be offset by increases in property values for 'green' buildings. Standards should also be applied when there are planned building refurbishments, but should not be applied retrospectively to unimproved buildings.

In addition, CCI believes that the market will determine whether or not individual property holders will invest in water efficiency improvements.

### **What views do interested parties have on access regimes as a means for facilitating the adoption of recycled water?**

CCI recommends that access to source water should be available to all interested parties. This should ensure that monopoly rents are not extracted by suppliers in the water market. We believe that licenses should be priced to ensure full cost recovery by infrastructure owners in the case of third party access and full environmental cost in the case of licensing for abstraction of water from the environment.

CCI believes that enabling private supplies to enter the market and sell the water they produce could create an automatic incentive to invest in new infrastructure and thus relieving pressure on the public purse to finance major new projects.

In closing, CCI's Senior Adviser Environmental Policy, Carole Cowling would be happy to provide further information. Carole can be contacted on (08) 9365 7514 or at [carole.cowling@cciwa.com](mailto:carole.cowling@cciwa.com).

Yours sincerely

Trevor Lovelle  
Executive Director Industry Policy