

NOTICE

Inquiry into Pricing of Recycled Water in Western Australia

DRAFT REPORT – CALL FOR SUBMISSIONS

The Economic Regulation Authority today published a Draft Report on its inquiry into the pricing of recycled water in Western Australia, a copy of which can be obtained from the Authority's [web site](#).

The Authority invites interested parties to make submissions on its preliminary findings from the inquiry, set out in the Draft Report.

From its inquiry, the Authority has developed a set of draft principles to guide the owners of wastewater networks in pricing recycled water. These principles are aimed at encouraging pricing that would occur if there was competition in the provision of recycled water services, including a State-based access regime to allow third parties access to natural monopoly infrastructure.

The guiding principles would allow for three components in recycled water prices:

- a charge to cover the incremental costs of treating the wastewater to be fit for purpose and delivery of the recycled water to customers;
- a discount to reflect the costs avoided by the network owner as a result of the recycling; and
- a premium to reflect scarcity where the demand for recycled water exceeds supply.

Any scarcity premium should be determined by a tendering process and the benefits should go to customers on the wider wastewater network.

Other key draft recommendations are that:

- the pricing of recycled water from large recycling plants that do not provide monopoly services to regulated customers is a commercial issue between the service provider and its customers and should not be regulated;
- where recycled water is provided through third pipe networks and customers have no alternative supply options, some regulatory oversight might be required to ensure that rates of return are not unreasonably high; and
- all metropolitan commercial customers should be transitioned to cost-reflective water usage charges by 2010 (rather than 2014 as in the current policy).

Lyndon Rowe, the Authority's Chairman, said that the Draft Report is encouraging for alternative suppliers of recycled water.

“The draft pricing principles reflect what would happen in a competitive market, so they would allow alternative recycling options to compete on a level playing field with other source options. Also, the faster transition of commercial customers to cost reflective usage charges would make recycling projects more competitive”, he said.

The Final Report for the inquiry is due to be delivered to the State Government by 6 February 2009, after which the Government will have 28 days to table it in Parliament.

The Authority welcomes submissions on the draft recommendations and findings presented in the Draft Report. Submissions should be received by **Friday 12 December 2008**.

Submissions can be emailed to recycledwater@era.wa.gov.au or addressed to:

Inquiry into Pricing of Recycled Water in Western Australia
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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4 November 2008