



Economic Regulation Authority

 WESTERN AUSTRALIA

Level 6, Governor Stirling Tower
197 St Georges Terrace
Perth Western Australia 6000

GPO Box 8469
Perth Business Centre
Western Australia 6849

Telephone 61 8 9213 1900
Facsimile 61 8 9213 1999
Website www.era.wa.gov.au

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NOTICE

Inquiry into Tariffs of the Water Corporation, Aqwest and Busselton Water

DRAFT REPORT – CALL FOR SUBMISSIONS

The Economic Regulation Authority today published a draft report on its inquiry into the tariffs of the Water Corporation, Aqwest and Busselton Water, a copy of which can be obtained from the Authority's [web site](#).

The Authority invites interested parties to make submissions on the draft recommendations that have been developed from the inquiry's preliminary findings and which are set out in the draft report. Submissions are due by 24 April 2009.

If the draft recommendations were accepted:

- households in Perth would pay, on average, three per cent more in each of the next four years for their total water and wastewater bill (plus inflation). An average household customer would see their water bills rise by nine per cent each year and their wastewater bills reduce by three per cent each year;
- commercial customers in Perth would pay, on average, eight per cent more per year for their water bill and six per cent per year less for their wastewater bill;
- household customers of Aqwest would pay, on average, two per cent more per year and for Busselton Water one per cent less per year;
- Aqwest commercial customers would pay six per cent less per year and Busselton Water customers seven per cent less per year; and
- the impact on country customers would depend on location (on average, household water customers of the Water Corporation in the country would pay four per cent more per year and household wastewater customers would pay three per cent less per year).

The draft tariff recommendations may change as a result of any Government decision in the Budget on how much the Water Corporation will be allowed to borrow to fund its capital expenditure program.

Mr Lyndon Rowe, the Authority's Chairman, said a considerable part of the inquiry was given to establishing the value of water in Perth, Bunbury and Busselton and these values were used to guide the setting of usage charges.

"The range of usage charges in the Authority's draft recommendations reflects the range of estimates of the value of water in Perth. These estimates were based on analysis of the short, medium and long-term value of water.

“The draft tariff recommendations were developed after a range of options was considered. It was felt the draft tariff recommendations were preferable to other options after considering their impacts on low water users, large households, tenants and pensioners.”

The Authority’s draft recommendation was that usage charges for Perth residential customers be transitioned by 2012/13 to \$1.13 per kL up to 150 kL, \$1.73 per kL from 151 kL to 500 kL and \$2.57 per kL above 500 kL. The annual residential fixed charge would be reduced from \$176 to \$144 (in real dollars of 2008). Perth commercial customers would be charged \$1.73 per kL from 2010/11.

The usage charges recommended by the Authority were higher than those proposed by the Water Corporation in its submission to the inquiry partly because of a provision by the Authority for the environmental externalities of abstracting water from the Gnangara Mound.

The inquiry found that the value of water in Bunbury and Busselton was likely to be similar to Perth, less the cost of transporting the water to Perth.

The draft recommendation for Bunbury residential customers was that usage charges be transitioned by 2012/13 to \$0.63 per kL up to 150 kL, \$1.23 per kL from 151 kL to 500 kL and \$2.07 per kL above 500 kL. The annual residential fixed charge would be reduced from \$97 to \$36 (in real dollars of 2008). Commercial customers in Bunbury would be charged \$1.23 per kL. The usage charges were all \$0.50 per kL lower than in Perth.

For Busselton, the recommendation was that usage charges for residential customers be transitioned by 2012/13 to \$0.38 per kL up to 150 kL, \$0.98 per kL from 151 kL to 500 kL and \$1.82 per kL above 500 kL. The annual residential fixed charge would be reduced from \$112 to \$34 (in real dollars of 2008). Commercial customers in Busselton would be charged \$0.98 per kL. These usage charges were all \$0.75 per kL lower than in Perth.

For wastewater, the inquiry recommended that the current system of basing charges on the gross rental value of properties be replaced with one which based charges on an estimate of discharge into the sewers. Winter water usage was thought to be a good proxy for discharge as winter consumption was mostly for indoor purposes with less need for sprinklers.

The draft report also said the Authority did not consider that the current approach for metropolitan drainage charges (based on property values) was fair or cost-reflective and recommended changes.

It proposed that developers be charged the costs of expanding the drainage network and the remaining costs be recovered from Water Corporation customers who occupy the main drainage area in Perth. It recommended that Perth residents pay a flat charge and non-residential customers be charged on the basis of land area, in three tiers.

“This report is a draft with a draft set of recommendations and its purpose is to test their validity with interested parties,” Mr Rowe said.

“The final report, which the State Government is due to receive by 15 June 2009, will take into account submissions made in response.”

The inquiry, the second of its kind to be undertaken by the Authority, is being conducted in response to a request by the State Government in July 2008.

For further information contact:

General Enquiries

Mr Greg Watkinson
Director References and Research
Ph: 61 8 9213 1900
Fax: 61 8 9213 1999

Media Enquiries

Mr Paul Byrne
Byrne & Byrne Corporate Communications
Ph: 61 8 9336 2081
Mb: 0417 922 452

LYNDON ROWE
CHAIRMAN

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