



Mr Phil D'Costa  
Assistant Director, Licensing  
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Dear Mr D'Costa

***Amendment to Water Corporation's Operating Licence 32 – Second Round Consultation***

As you would be aware, the Department of Water (DoW) has provided a first round submission on this matter objecting to the proposed amendment. The DoW's position was cognisant of legal advice it received from State Solicitor's Office which was also provided to the Economic Regulation Authority (ERA).

Following consideration of the legal advice referred to above I can advise that the DoW will be conducting a policy review on the specification, allocation and amendment of operating areas for licences under the *Water Services Licensing Act 1995*. Prospectively, this review will also be mindful of the operation of the proposed Water Services Act. The review will identify and evaluate alternatives for defining water service licence operating areas and make recommendations on the preferred policy for allocating or approving amendments to operating areas that is fair to water service providers and ensures the effective and efficient planning and delivery of secure water services for the State's development.

The DoW will consult directly with several key stakeholders and agencies in order to develop an issues paper outlining the major considerations and questions. The key stakeholders are:

- Economic Regulation Authority
- Water Corporation
- Bunbury Water Board
- Busselton Water Board
- Department of Planning
- Department of Local Government
- Department of Regional Development and Lands.

The paper may then be provided to a wider stakeholder group for comment before the DoW recommends a policy position for Ministerial approval. We believe that the review affords an opportunity for all relevant stakeholders to advance arguments for their preferred approach to the use, management and allocation of operating areas. This course of action will encourage the formulation of policy that is widely accepted by the water services industry and recognises the Minister's role as policy maker. This approach has been discussed and agreed with the Water Corporation.

Any decision by the ERA that agrees to the Water Corporation's request will need to be:

- cognisant of legal advice received on this matter
- aware of how the decision will influence other participants in the industry, and
- reviewed with respect to any change in Government policy.

Notwithstanding the above comments, the DoW does not disagree with the Water Corporation's desire for a commercial approach that encourages efficiency, clarity of administration and the expanded capacity of the water industry.

Yours sincerely

Ed Hauck  
A/Manager Water Services  
30 August 2010