

22 December 2010

Inquiry into Water Resource Management Charges  
Economic Regulation Authority  
Attention: Dr Ursula Kretzer  
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Dear Ursula

## **SECOND DRAFT REPORT – INQUIRY INTO WATER RESOURCE MANAGEMENT AND PLANNING CHARGES**

The Chamber of Minerals and Energy of Western Australia (CME) welcomes the opportunity to comment on the Economic Regulation Authority's (ERA) Inquiry Into Water Resource Management and Planning Charges – Second Draft.

CME is the peak resources sector representative body in Western Australia funded by its member companies who generate 90 per cent of all mineral and energy production and employ 80 per cent of the resources sector workforce in the State.

The Western Australian resources sector is diverse and complex covering exploration, processing, downstream value adding and refining of over 40 different types of mineral and energy resources and also incorporates power generation.

In 2008–09 the value of Western Australia's mineral and petroleum industry reached \$71.3 billion. The resources sector is also the largest private employer in regional and remote Western Australia, and the largest private sector employer of Indigenous Australians.

Water is an essential input to mining, minerals processing and energy generation. As well as providing significant added-value through minerals processing operations, reliable water supplies are essential for maintaining safety at mine sites and in processing operations.

Although a large aggregate user of water, the resources sector leverages this use to generate over 30 per cent of Western Australia's gross state product. The value added per unit of this water is also significant when compared to other uses.

CME supports the overall direction of the ERA's recommendations however some concerns remain. Attached you will find the comments and concerns our member companies wish to raise in regard to the Second Draft Report.

Thank you again for the opportunity to provide input into this inquiry. We look forward to continued engagement on this matter. Please contact Michele Chiasson on (08) 9220 8511 or via [m.chiasson@cmewa.com](mailto:m.chiasson@cmewa.com) if you wish to discuss any of the matters raised in the content of this submission.

Yours sincerely

**Reg Howard-Smith**  
Chief Executive

Att CME's response to the ERA Inquiry into Water Resource Management and Planning Charges – Second Draft Report.

## ERA Inquiry into Water Resource Management Charges – Second Draft Report CME Comments

CME remains concerned about the relationship between this inquiry and the development of the new legislation. Water resource management and planning charges under the RiWI Act should not be examined in isolation. The adoption of the National Water Initiative (NWI) reforms and the introduction of new principle legislation for the water industry will fundamentally change the way many of the functions of the Department of Water (DoW) are performed and will add to the total number of functions that may impose costs, including water resource management and planning fees and charges. As we are in a period of transition, CME believes that more consideration of the Government's obligations under the NWI is required. This should include assumptions about the potential future resources required by DoW to administer the new system and the implications this may have, upwards or downwards, on the cost to users.

CME endorses the four resource management categories and associated risk levels as they align with DoW's classifications and provide a reasonable and workable balance between a charging regime that reflects user pays principles and the cost of administering the system.

CME supports the user pays approach to water management and urges the Authority to ensure that the inability to pay will not lead to cross subsidisation of one sector by another. If the State deems that subsidisation is warranted, then it should be via transparent payments from Consolidated Revenue.

CME also considers that the user pays approach to cost recovery requires that the services are provided efficiently and that the costs recovered are transparent. For this reason, CME also agrees with the ERA when they encourage "DoW to publish information on what is involved in providing its services and the processes by which activities are carried out, in a format that is user-friendly for any customers being charged for a service". CME views transparency of the charging mechanisms as paramount to industry support for water resources management and planning charges.

CME supports the ERA's conclusion that charging should be based on the recovery of costs associated with issuing and administering the various licences. We agree with the ERA's earlier conclusion that this will not be achieved through volumetric charges. Industry remains strongly opposed to volumetric charging.

Previously, CME has advocated that "investments made by licence holders in water management that provide benefits to other water users or generally, should be credited against water charges". CME supported recommendation six in the first draft report that stated: "Licence holders who carry out work that contributes significantly to allocation plans could receive a reduction in their licence fees". CME notes that this recommendation has been amended in the second draft report and the ERA no longer recommends that DoW reimburse licence holders for the costs of information provided in licence applications. CME would seek further clarity on this decision and the arguments for its removal from the 2<sup>nd</sup> Draft Report. CME appreciates that not all information provided to DoW in licence applications is directly useful in the development of allocation plans. However, CME would argue that, as large customers transition to billing that more directly reflects the specific costs of the project/operations, the netting out of the public good cost component and "pioneering" costs associated with first users in isolated catchments be negotiated on a case by case basis with DoW.

Finally, CME agrees that a conservative approach to cost recovery and a phased introduction will provide time and incentive for DoW to improve the certainty regarding the efficient cost base of its activities. CME encourages the ERA to recommend periodic reviews beyond the single review proposed for 3 years after the introduction of the fees. This level of *ongoing* independent scrutiny and monitoring is essential to ensure that services are being provided efficiently and is critical to winning stakeholder trust as the enabling provisions for fees and charges within the proposed Water Resources Management Bill are introduced.