



## Media Statement

21 August 2017

### **Economic Regulation Authority recommends restructuring water service tariffs**

A draft report by the Economic Regulation Authority (ERA) has found changing the structure of tariffs for water, wastewater and drainage may improve future decisions on the provision and use of water services.

Household customers currently have several charge steps for water, so that the price per kilolitre of water used increases as consumption increases.

The ERA finds that a single per unit price for water consumption based on the long-term cost of supply would provide more consistent incentives for customers to save water, and reduce the future cost of water services.

Wastewater services are charged by rates levied on property owners as a percentage of the value of the property, assessed as gross rental value (GRV).

The ERA's draft report recommends a single value rate for all property owners, based on the average cost of providing wastewater services.

"A single value rate may provide increased incentive for future investment in new technologies," ERA chair Nicky Cusworth said.

"It may also encourage new business models for recycling wastewater."

Businesses and households in about 40 per cent of the metropolitan area pay drainage services determined as a percentage of the value of the GRV of the property.

"Consideration could be given to levying drainage charges on all of the Water Corporation's customers in the metropolitan area," Ms Cusworth said.

"The purpose of this change would be to share the costs of drainage that provides benefits to everyone, such as improved water quality in the Swan River."

The ERA was asked by the Treasurer to conduct an inquiry into the efficient costs, revenue and tariffs for water, wastewater and drainage services provided by the Water Corporation, Aqwest and Busselton Water, all of which are government-owned businesses.

The ERA's modelling and analysis suggests there is an opportunity for the State Government to change tariffs to more closely reflect the cost of providing water services to Western Australians.

The draft report has found Perth users would be better off by an average of around \$260 for a typical household or business connected to water and sewerage services, if tariffs were reset to reflect the efficient cost of supplying those services.

This would require resetting tariffs for all services to reflect the efficient cost of supplying those services over the five year period 2018-19 to 2022-23.

If the government wanted to achieve this, next financial year, water charges in the metropolitan area would need to increase by 4 per cent, wastewater bills would decrease by 41 per cent, and drainage would decrease by 4 per cent.

"The decrease in wastewater and drainage charges would more than offset the increase in water charges," Ms Cusworth said.

**This is a draft report. Its findings and conclusions are provisional and subject to change. Further information will be considered by the ERA during and after the public consultation process.**

#### **Background:**

The Treasurer asked the ERA to undertake an inquiry into the efficient costs and tariffs of the water corporations on 21 October 2016.

This inquiry will inform the State Government's setting of service tariffs for the five year period starting from 1 July 2018.

A final report will be provided to the Treasurer by 10 November 2017.

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