

**Response to the
Economic Regulation Authority's
Inquiry on Urban Water and Wastewater Pricing
Draft Report**

29 April 2005



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Executive Summary

In this submission the Water Corporation responds to the issues raised in the Economic Regulation Authority's (ERA's) *Inquiry on Urban Water and Wastewater Pricing Draft Report (18 March 2005)*. While there are significant areas of agreement, the Water Corporation has specific concerns with some conclusions reached by the ERA. This submission is focussed on these areas of concern.

Desalination: The Draft Report suggested that consideration be given to deferring the Perth Seawater Desalination Plant (PDSP) in favour of the South West Yarragadee aquifer. However, without the immediate construction of the PSDP, the risk of total sprinkler bans would become unacceptably high. In response, the Water Corporation has begun construction of the PDSP, which is expected to be operational by October next year.

Metropolitan Water Tariffs: The tariffs proposed in the Draft Report will have a significant impact on vulnerable customer groups, the largest of which will be tenants, who represent around 24% of all Perth households. A tenant using the metropolitan average of 300 kilolitres will pay an additional \$106.50 per annum based on the ERA's proposed tariff. Most Pensioners and Seniors will also be required to pay significantly more. It should be noted that these increases will be in addition to the cost increase for the PDSP (estimated at \$44 for an average residential customer). The proposed tariffs are not supported by the Water Corporation.

Other Tariffs: The Government's Uniform Tariff Policy is based on the premise that the country and metropolitan tariff structure are considered concurrently. Consideration of just the metropolitan volumetric water charge in isolation will lead to whole of State implementation problems, including an illogical result for country tariffs. The lack of reference to, or analysis of, the impact on other tariffs means that the proposed tariff structures are unworkable in their current form.

Operating Expenditure: The high level analysis in the Draft Report demonstrates that the Water Corporation is operating at efficient levels of expenditure with challenging efficiency targets. The Draft Report's proposal for a reduction in Water Corporation staff numbers is contradictory to this assessment and is not supported by the analysis of staff numbers, which has been based on incorrect data.

Capital Expenditure: As proposed in the Draft Report, the Water Corporation already has significant private sector involvement and innovation in its capital program, which form part of the Corporation's strategy to achieve \$84 million of efficiency savings. As the Corporation is working within a constrained budget, any further reduction in capital expenditure will serve to delay critical projects and place service levels at severe risk.

Water Trading: The establishment of a water trading framework in Western Australia is supported by the Water Corporation. However, this should not include the trading of over-allocated water. These entitlements should instead be reallocated to other users and should not be made available as a windfall profit simply because of over-allocation by the water resource regulator.

1. Introduction

This paper represents the Water Corporation's submission to the Economic Regulation Authority (ERA) on the issues raised in the *Inquiry on Urban Water and Wastewater Pricing Draft Report (18 March 2005)*. It should be read with reference to the Corporation's two previous submissions on 3 September and 24 December 2004, relating to the ERA's *Issues Paper* and *Methodology Paper* respectively.

2. New Water Sources

The most prominent issue raised in the Draft Report was the view that consideration should be given to deferring the Perth Seawater Desalination Plant (PDSP) in favour of the South West Yarragadee aquifer.¹ The Water Corporation is concerned to see this issue raised in the Draft Report with little or no investigation into the practicality of such an option. The construction of the PDSP has been carefully examined by Government and the Water Corporation and is considered the only option available to divert a water shortage crisis.

The Draft Report has failed to acknowledge the unacceptability of total sprinkler bans to the community or the Government. The Water Corporation's previous submission outlined the adverse trend in rainfall, run-off and groundwater replenishment.² As part of a responsible reaction to this drying climate, the current schedule for the construction of the desalination plant is critical if the probability of total sprinkler bans is to be kept low. The Water Corporation is actively pursuing the feasibility of drawing water from the South West Yarragadee aquifer, however the proposal is still undergoing environmental and other assessments and can not realistically be commissioned before 2009.

In order to avoid an unacceptably high risk of total sprinkler bans, a major new source must be constructed by the summer of 2006-07. To that effect, the Government has recently announced that the contract for building and operating the 45 gegalitre per year desalination plant had been awarded and that work on the plant at Kwinana is beginning immediately. The plant is expected to be operational and servicing the Integrated Water Supply Scheme by October next year.

¹ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p44.

² Water Corporation, "Response to the Economic Regulation Authority's Inquiry on Urban Water and Wastewater Pricing Methodology Paper", pp. 17-19

3. Impact of Proposed Tariffs

3.1 Water Tariffs

The Draft Report proposes two alternative water tariffs:

Option 1: A flat charge of \$1 per kilolitre (kL) and a service charge of \$40.55;

Option 2: A charge of \$1/kL for water usage up to 600kL and \$1.50/kL thereafter, and a service charge of \$35.15.

While the Draft Report correctly stated that this tariff was a “rebalancing” of the Water Corporation’s total revenue,³ the report also endorsed a “building block” method of revenue setting,⁴ which implies that the total revenue required by the Water Corporation will increase after the construction of the desalination plant. Unfortunately, the Draft Report considered the current year only, rather than the first year of their recommendation period (2006/07). The new tariff for 2006/07, based on the ERA’s proposed methodology, would therefore be:

Option 1: A flat charge of \$1 per kilolitre (kL) and a service charge of \$98.90 (ie \$54.90 plus \$44 for the desalination plant);

Option 2: A charge of \$1/kL for water usage up to 600kL and \$1.50/kL thereafter, and a service charge of \$94.65 (i.e. \$50.65 plus \$44 for the desalination plant).

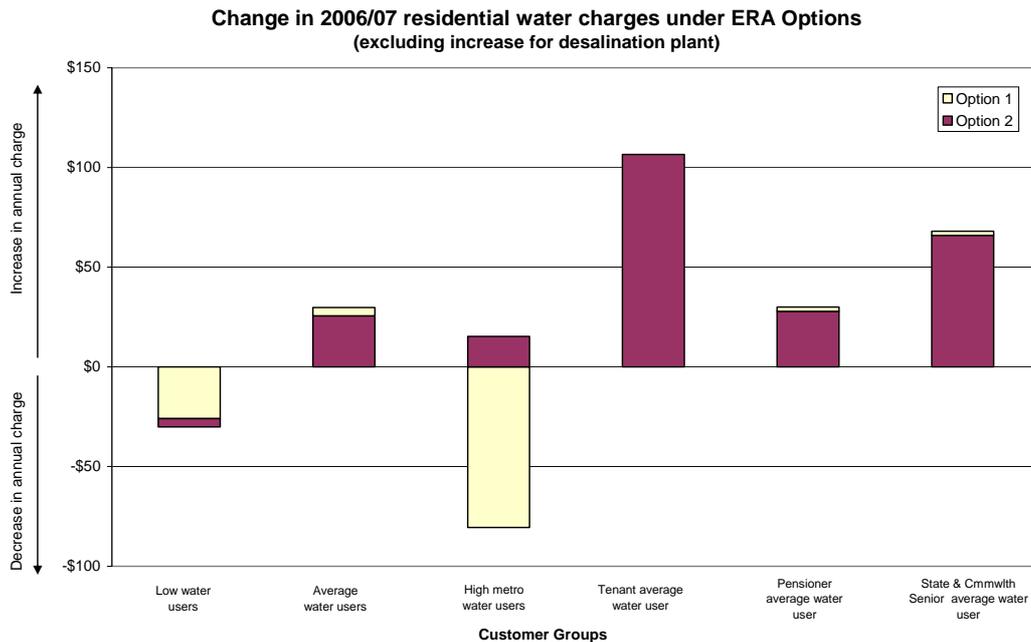
The Water Corporation has proposed an increase on current water tariffs equal to CPI each year plus 13.3% to cater for the cost of desalination (equivalent to \$44 per year for an average residential customer).⁵

³ Economic Regulation Authority, “Inquiry on Urban Water and Wastewater Pricing – Draft Report.” p90.

⁴ Economic Regulation Authority, “Inquiry on Urban Water and Wastewater Pricing – Draft Report.” p54.

⁵ Water Corporation, “Response to the Economic Regulation Authority’s Inquiry on Urban Water and Wastewater Pricing Methodology Paper”, p. 36. The price increase in this submission has been revised from 13.5% to 13.3% in line with new cost estimates for the desalination plant.

The impact of the Draft Report's two tariff options are shown in the chart below:



Metropolitan residential customers

The Draft Report shows a change of only \$12 per year for an average user.⁶ However, based on the ERA's proposed methodology, the increase for an average water user (using 300kL per year) would correctly be \$29.75 (8%) under Option 1 and \$25.55 (7%) under Option 2. This is in addition to the \$44 increase required to recover the costs of the desalination plant.

The difference is due to the need to recover all inflation related costs in the fixed charge if, as the ERA have confirmed, they will recommend that the proposed \$1.00/kL and \$1.50/kL consumption charges are not inflated before being applied in 2006/07.⁷

Tenants

One of the major impacts of the proposed tariff would be on tenants, who traditionally pay only the usage charge component. Under the Draft Report proposal, the benefit of the reduced service charge would be passed on to the landlord of the property. Therefore, a tenant using 300kL would pay an additional \$106.50 (55%) under both options. This is in addition to the increase required to recover the costs of the desalination plant (as tenants pay only the consumption charge, this would equate to \$23 for an average consumer).

Based on 2001 Census data, 24% of all occupied dwellings in Perth are rented,⁸ hence the impact of the ERA's proposed tariff would be significant.

⁶ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p89.

⁷ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p4 and p111.

⁸ Australian Bureau of Statistics, 2001 Census, 505 Perth (Statistical Division) – Dwellings.

Pensioners and Seniors

Pensioners and Seniors are eligible for a rebate on their service charge and Pensioners receive a further concession on water usage charges.⁹ Analysis shows that if current concession arrangements are maintained, Pensioners who use over 150kL and Seniors who use over 120kL will generally experience a higher total water bill.

Where the Pensioner or Senior is a tenant, results will be similar to those for the tenant analysis (except for the Pensioner concession adjustment). Where the Pensioner or Senior pays both the annual service and consumption charge, the impact of the proposed metropolitan tariffs would be:

- A Pensioner using 300kL would pay an additional \$30.00 (12%) under Option 1 and \$27.90 (11%) under Option 2.
- State Seniors using 300kL would pay an additional \$48.95 (15%) under Option 1 and \$45.80 (14%) under Option 2.
- Dual Seniors (ie State and Commonwealth Seniors) using 300kL would pay an additional \$68.10 (24%) under Option 1 and \$66.00 (23%) under Option 2.

Refer to Appendix A for full details.

These charges are in addition to the increase required to recover the costs of the desalination plant (which, due to concessions, will be less than \$44 for an average consumer).

Country residential customers

A matter not raised in the Draft Report is the effect of the proposed tariffs on the wider community, in this example country residential customers.

The Government's Uniform Tariff Policy would require water usage tariffs for country residential customers to increase to \$1.00 per kL for the first 350kL of water usage and the service charge would be equivalent to that paid by metropolitan customers. Our understanding is that the ERA would recommend maintaining the remaining tariff structures in the country until their review of country prices, which is expected within the next few years.

Under the proposed tariff structure, country prices would be \$1/kL for the first 350kL and then drop to around 90c/kL for usage between 351kL and 450kL and then increase progressively above \$1/kL after 450kL (refer to Appendix B for details). This illogical movement in prices would come in to effect in 2006/07, but could then be changed again within a year if a country pricing inquiry results in an alternative recommendation.

⁹ Pensioners and State and Commonwealth Seniors receive a 50% rebate on service charges where the charges are paid during the year. State Seniors receive a rebate of 25% on service charges. Pensioners receive a further 50% off the first 150kL (metropolitan area), 400kL (Country South) or 600kL (Country North).

Commercial customers

The ERA have indicated that the commercial tariff structures will be analysed prior to the release of their Final Report.¹⁰ However, as with residential customers, it is understood that the ERA would increase prices to recover the cost of the desalination plant. It is expected that the ERA's proposed tariff for 2006/07 would be similar to that proposed by the Water Corporation. Refer to Appendix B for details.

Other

It is unclear how the ERA proposes to vary other charges such as Caravan Parks, Strata Title Storage Units and Parking Bays, Stock, Farmland, Country Local Government Standpipes and Mining.

For a more detailed outline of impacts see Appendices A and B.

Implementation

In accordance with the Terms of Reference for this review,¹¹ the ERA should consider the practicality of implementing new tariffs alongside theoretical considerations. In recommending a charge of \$1/kL or \$1.50/kL, the difficulties posed by implementing such a tariff must be weighed up against the benefits. As illustrated above, social impacts are significant with the proposed tariff changes. The ERA should consider, and where necessary make specific recommendations on, the impact on Pensioners, Seniors and tenants. It should also make a recommendation on the best method of implementing the country tariff and other miscellaneous tariffs.

To neglect any of these issues would be failing to fulfil the Terms of Reference for this review, specifically the requirement to consider the social impact of its recommendations.

Conclusions

The tariffs proposed in the Draft Report will have a significant impact on vulnerable customer groups, the largest of which will be tenants, who represent around 24% of all Perth households. A tenant using the metropolitan average of 300 kilolitres will pay an additional \$106.50 per annum based on the ERA's proposed tariff. Without adjustment of the concession arrangement, most Pensioners and Seniors will also be required to pay significantly more.

The tariffs proposed in the Draft Report, particularly the flat charge of \$1/kL, represent a divergence from the regulatory trend elsewhere, where there is increasing recognition of the need to differentiate between high and low water users. This reflects the need to send demand management signals for discretionary water use while at the same time allowing all customers access to affordable water for essential uses.

The proposed tariffs are not supported by the Water Corporation.

¹⁰ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p111.

¹¹ "Economic Regulation Authority (Water and Wastewater Pricing Reference) Notice 2004", Schedule 1 – Terms of Reference

3.2 Wastewater Tariffs

The Draft Report has not provided a conclusive recommendation on wastewater tariffs. However, the report suggests that decoupling wastewater charges from property values may have some merit.¹²

Replacing property value based charges would significantly affect many low income groups. Moving to a flat fee would see charges to customers with the lowest value properties increase by almost \$200 per year. Any substantial change to the current tariff would require significant analysis and open consultation with the community. As the Draft Report has not presented options for discussion, the level of investigation required for such a complex issue is unlikely to be achievable before the Final Report is issued.

¹² Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report" p108

4. Operating Efficiency

The Draft Report notes that the Water Corporation has one of the lowest operating costs per property of all water providers in Australia. It also comments on the significant efficiencies the Corporation has committed to over coming years and recognises that these are comparable to those set by its peers both nationally and internationally. The Water Corporation therefore holds the view that the high level efficiency analysis conducted by the ERA and its consultants demonstrates that the Corporation is operating at an efficient level with challenging targets set for the future. Within this framework, the principle of light handed regulation clearly suggests that it should be left to the water utility to decide the appropriate split between specific cost items.

However, this result is then contradicted by the Draft Report's focus on one specific cost issue. The report compares the Water Corporation against other Australian water utilities and then proposes a reduction in staff numbers by up to 15%¹³ (equivalent to 300 people). However, this comparison is based on a calculation error. The Draft Report showed the Water Corporation had the lowest ratio of population served per employee. However, in deriving this figure, the ERA has mistakenly divided the population of the *metropolitan area* by the number of employees across the *entire State*.

As the majority of other utilities in the ERA's list are metropolitan utilities, the correct analysis would have divided the population of the Perth metropolitan area by the number of employees servicing the metropolitan area. The correct results of the analysis are:

Organisation ¹⁴	Population Served 2002/03	Staff Numbers (FTEs) 2002/03	Population Served Per FTE
Melbourne Consolidated	3,470,000	1,535	2,260
Gold Coast Water	454,000	350	1,297
Sydney Water	4,198,000	3,516	1,194
Hunter Water	489,000	420	1,164
Water Corporation (metro only)	1,426,000	1,372	1,039
Brisbane Water	905,000	900	1,006
SA Water	1,077,000	1,190	905

Exclusion of the non-metropolitan population in Western Australia clearly indicates (other than the apparent aberration of Melbourne Consolidated) that the 'Population Served per FTE' for most major water utilities sit within a fairly narrow band. The metropolitan figure of 1,039 for the Water Corporation is well in excess of the 830 figure identified in the Draft Report.

It also appears that the number of FTEs for Sydney Water, Sydney Catchment Authority and SA Water may be incorrect. ERA may wish to re-examine these statistics.

¹³ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p56.

¹⁴ Water Corporation figures obtained *WSAA Facts* and 2002/03 Annual Report. Other figures based on *ERA Draft Report*, p. 56

Most importantly, the quoted FTE numbers exclude the number of people employed through outsourced functions, which represent a significant part of the workforce in the water industry in Australia. There is also no consideration of the wide range of factors which affect workforce numbers, such as the relative size of the capital program.

This simplistic approach to analysing operating efficiency is fundamentally flawed and is not supported by the Water Corporation.

5. Capital Expenditure

The Draft Report indicates that the Corporation could achieve cost savings of 10 – 15% through greater use of project partnering and alliances.¹⁵ In addition, it is suggested that further efficiency gains are possible with the Infill Sewerage Program by bundling projects up into fewer, but larger contracts.¹⁶

However, the Draft Report fails to acknowledge the efficiency targets and the significant private sector involvement that is already included in the Water Corporation's capital program. The Corporation has long recognised the value of alliances and project partnering and already have a number of these in place, including an alliance with the Multiplex Degremont joint venture for the construction and operation of the Perth Desalination Plant, representing almost 38% of the Corporation's regulated capital program for 2005/06. Other examples have included the Woodman Point Alliance, Harvey Stirling Trunk Main, Subiaco Wastewater Treatment Plant and Beenyup Wastewater Treatment Plant.

The Corporation has consistently sought to take advantage of opportunities with private partnering where they are available. The vast majority of the capital program, from the design phase through to commissioning, is delivered by the private sector. The Corporation considers private partnering to be a key component of achieving its capital efficiency target of \$84 million, which has already been captured within the current capital budget. These efficiencies will be realised through a risk management approach to our capital program and via a number of innovative capital delivery strategies.

Within the current budget, the Corporation has been required to absorb a significant number of drought related projects. This pressure has required the Corporation to prioritise its expenditure and ensure that only the most critical projects are undertaken over the current period. Reducing this already constrained budget would only serve to delay critical projects and place service levels at severe risk. In fact, the Draft Report comments that current capital budgets may need to be *increased* by around 10% (or \$60 million per annum) to allow for unforeseen expenses not captured by capital forecasting.¹⁷

Although the Corporation is not seeking an increase in its budget, it would make clear the significant challenges already being faced under the current budget and proposes that this represents the absolute minimum required to meet ongoing service levels.

With regard to the Infill Sewerage Program, the Corporation already achieves efficiencies by grouping similar infill projects into single contracts. The exact size of the contracts are optimised to allow for flexibility in accommodating budget movements to higher risk areas. Accordingly, the potential for further savings in this area are minimal.

¹⁵ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p72.

¹⁶ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p72.

¹⁷ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p61.

6. Price Path

The Draft Report proposes a reduction to the Corporation's proposed price path of up to 5% based on reductions to capital and operating expenditure. As this submission indicates, there is no logical basis for a reduction in price.

More importantly, the Draft Report proposes a "building block" approach to prices based on operating and maintenance costs, depreciation and a return on the regulatory asset value. As it notes, formal guidance for the regulatory valuation of assets of water service providers is provided by the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ), which requires assets be valued by the deprival valuation methodology unless another method is justified.¹⁸ Under the endorsed approach, the Water Corporation's prices would increase by some 30%.

As the Draft Report notes, the setting of the regulatory asset base is often a pragmatic matter. As the Corporation is not seeking price increases of the magnitude recommended by the ARMCANZ approach, the ERA has used current revenue forecasts, and therefore price forecasts, until 2008/09 as an arbitrary "line in the sand". The Draft Report then recommends that prices be reduced from this level based on variations in forecast capital or operating expenditure. However, it should be recognised that even when these variations are taken into account, prices are still significantly below the ARMCANZ recommended level.

There is therefore no case for reducing prices even further unless it is found that the ARMCANZ prices are substantially less than estimated.

7. Water Trading

The Water Corporation is fully supportive of the establishment of a water trading framework in Western Australia.

However, the Draft Report proposes that the unused water allocations of Aqwest and Busselton Water Board might be sold or leased to the Water Corporation under a water trading framework.¹⁹ While there are many opportunities to develop water trading in the South West, the Water Corporation supports the position that dormant (ie unused) allocations should not be available as a tradable commodity. **These entitlements should instead be reallocated to other users and should not be made available as a windfall profit simply because of over-allocation by the water resource regulator.**

¹⁸ Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p69.

¹⁹ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p36.

8. Other issues

Quarterly Billing: The Water Corporation has previously examined the option of quarterly billing, primarily as a method of simplifying billing for customers. However, the Draft Report's proposal of simply adding additional consumption accounts would in fact increase the number of bills to customers. Currently service charges can be paid in 1, 2 or 4 instalments and, in the metropolitan area, two consumption accounts are sent separately throughout the year. The ERA's proposal would see two additional consumption accounts sent to customers.²⁰

The complexity associated with issuing up to eight bills during the year, such as the overlapping of due dates, will make the implementation of this option unviable. The two additional meter reads and extra accounts could also increase operating costs by approximately \$1 million per year.

The option currently being examined by the Water Corporation involves combining the annual service charge with consumption charges to provide only four bills each year. This offers the advantage to customers of simplicity and manageability.

Conversion of some schemes to "non-potable": The Draft Report suggests that there may be value in declaring some country water supplies 'non-potable' to reduce the cost of service provision.²¹ The Corporation has a Licence obligation with the ERA, an obligation in its Memorandum of Understanding with the Department of Health, and a duty of care to its customers to provide safe drinking water to all its customers. Therefore, the Corporation is not in a position to reclassify country water supplies in this manner. However as a service provider, the Corporation would participate in consultation with the community under leadership of the Department of Health on any proposed changes to the whole of government policy on provision of public drinking water supplies.

Waterwise Rebates: The Waterwise program is managed by the Corporation on behalf of the State Government. Full costs of the program are met by the Government and therefore do not impact on water or wastewater prices.

Consumption Target of 155 kL/person/year: The combination of two days per week garden watering, the suite of Waterwise programs, and on-going community communication and education has resulted in water consumption for Perth of 155 kL/person/year for 2003/04. For 2004/05, consumption is again on target for 155kL/person/year. This tends to indicate that any reduction in community support for water restrictions is being offset by increased penetration of water saving products and greater awareness of the need for water conservation. If water restrictions are eased or lifted, significantly greater focus will be required on water saving measures to achieve the target water consumption. The Corporation believes the target of 155kL/person/year is challenging, yet achievable, with appropriate support from the community.

²⁰ Only one additional account would be required for country customers, who currently receive three consumption accounts per year.

²¹ Economic Regulation Authority, "Inquiry on Urban Water and Wastewater Pricing – Draft Report." p64.

Water saving packages: The Water Corporation notes that the Draft Report has not given details of the water saving packages they suggest could be offered to large families.²² The Corporation regards this as an excellent initiative, but without details from the ERA, has not been able to assess the impact this would have on revenue requirements and therefore rates and charges.

²² Economic Regulation Authority, “Inquiry on Urban Water and Wastewater Pricing – Draft Report.” p113.

Impact Analysis - Metropolitan Residential

Appendix A

Consumption (Kilolitres)	Metropolitan residential WC Tariff	Metropolitan residential Difference Option 1	Metropolitan residential Difference Option 2	Metropolitan Tenant* WC Tariff	Metropolitan Tenant* Difference Option 1	Metropolitan Tenant* Difference Option 2	Metropolitan Pensioner WC Tariff	Metropolitan Pensioner Difference Option 1	Metropolitan Pensioner Difference Option 2	Metropolitan Senior WC Tariff	Metropolitan Senior Difference Option 1	Metropolitan Senior Difference Option 2	Metropolitan Dual Senior WC Tariff	Metropolitan Dual Senior Difference Option 1	Metropolitan Dual Senior Difference Option 2
50	\$ 200.95	-51.35	-55.55	\$ 24.60	+25.40	+25.40	\$ 100.50	-25.70	-27.80	\$ 156.85	-32.15	-35.30	\$ 112.80	-13.00	-15.10
100	\$ 225.55	-25.95	-30.15	\$ 49.20	+50.80	+50.80	\$ 112.80	-13.00	-15.10	\$ 181.45	-6.75	-9.90	\$ 137.40	+12.40	+10.30
150	\$ 250.15	-0.55	-4.75	\$ 73.80	+76.20	+76.20	\$ 125.10	-0.30	-2.40	\$ 206.05	+18.65	+15.50	\$ 162.00	+37.80	+35.70
200	\$ 290.05	+9.55	+5.35	\$ 113.70	+86.30	+86.30	\$ 165.00	+9.80	+7.70	\$ 245.95	+28.75	+25.60	\$ 201.90	+47.90	+45.80
300	\$ 369.85	+29.75	+25.55	\$ 193.50	+106.50	+106.50	\$ 244.80	+30.00	+27.90	\$ 325.75	+48.95	+45.80	\$ 281.70	+68.10	+66.00
350	\$ 409.75	+39.85	+35.65	\$ 233.40	+116.60	+116.60	\$ 284.70	+40.10	+38.00	\$ 365.65	+59.05	+55.90	\$ 321.60	+78.20	+76.10
400	\$ 463.60	+36.00	+31.80	\$ 287.25	+112.75	+112.75	\$ 338.55	+36.25	+34.15	\$ 419.50	+55.20	+52.05	\$ 375.45	+74.35	+72.25
500	\$ 571.30	+28.30	+24.10	\$ 394.95	+105.05	+105.05	\$ 446.25	+28.55	+26.45	\$ 527.20	+47.50	+44.35	\$ 483.15	+66.65	+64.55
550	\$ 625.15	+24.45	+20.25	\$ 448.80	+101.20	+101.20	\$ 500.10	+24.70	+22.60	\$ 581.05	+43.65	+40.50	\$ 537.00	+62.80	+60.70
600	\$ 696.15	+3.45	-0.75	\$ 519.80	+80.20	+80.20	\$ 571.10	+3.70	+1.60	\$ 652.05	+22.65	+19.50	\$ 608.00	+41.80	+39.70
700	\$ 838.15	-38.55	+7.25	\$ 661.80	+38.20	+88.20	\$ 713.10	-38.30	+9.60	\$ 794.05	-19.35	+27.50	\$ 750.00	-0.20	+47.70
800	\$ 980.15	-80.55	+15.25	\$ 803.80	-3.80	+96.20	\$ 855.10	-80.30	+17.60	\$ 936.05	-61.35	+35.50	\$ 892.00	-42.20	+55.70
950	\$ 1,193.15	-143.55	+27.25	\$ 1,016.80	-66.80	+108.20	\$ 1,068.10	-143.30	+29.60	\$ 1,149.05	-124.35	+47.50	\$ 1,105.00	-105.20	+67.70
1000	\$ 1,281.90	-182.30	+13.50	\$ 1,105.55	-105.55	+94.45	\$ 1,156.85	-182.05	+15.85	\$ 1,237.80	-163.10	+33.75	\$ 1,193.75	-143.95	+53.95
1200	\$ 1,636.90	-337.30	-41.50	\$ 1,460.55	-260.55	+39.45	\$ 1,511.85	-337.05	-39.15	\$ 1,592.80	-318.10	-21.25	\$ 1,548.75	-298.95	-1.05
1500	\$ 2,169.40	-569.80	-124.00	\$ 1,993.05	-493.05	-43.05	\$ 2,044.35	-569.55	-121.65	\$ 2,125.30	-550.60	-103.75	\$ 2,081.25	-531.45	-83.55

* Assumes tenant pays entire consumption account. Impact will be greater for tenants who are also Pensioners.

Comparison of Options for 2006/07 Water Tariffs

Appendix B

	2006/07 WC Proposed Tariff Structure	2006/07 ERA Option 1	2006/07 ERA Option 2
Residential Service Charge	\$176.35	\$99.60	\$95.40

Note: Pensioners and State and Commonwealth Seniors receive up to 50% discount on the standard service charge
State Seniors receive up to 25% discount on the standard service charge

Commercial Service Charge

Meter Size (mm)	15, 20	\$534.90	\$499.20	\$500.10
	25	\$835.70	\$780.00	\$781.40
	30	\$1,203.50	\$1,123.20	\$1,125.25
	35, 38, 40	\$2,139.00	\$1,997.00	\$2,000.00
	50	\$3,343.00	\$3,120.00	\$3,126.00
	70, 75, 80	\$8,558.00	\$7,987.00	\$8,002.00
	100	\$13,373.00	\$12,480.00	\$12,502.50
	140, 150	\$30,087.00	\$28,080.00	\$28,131.00
	200	\$53,488.00	\$49,920.00	\$50,010.00
	250	\$83,575.00	\$78,000.00	\$78,141.00
	300	\$120,349.00	\$112,320.00	\$112,522.50
	350	\$163,807.00	\$152,880.00	\$153,156.00
Minimum Charge all meters	\$534.90	\$499.20	\$500.10	

	2006/07 WC Proposed Tariff Structure	2006/07 ERA Option 1	2006/07 ERA Option 2
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Residential Consumption Charges

	\$/kL		\$/kL		\$/kL
Metropolitan		All	1.00	0-600kL	1.00
				over 600kL	1.50
	0-150 kL	0.492			
	151-350 kL	0.798			
	351-550 kL	1.077			
	551-950 kL	1.420			
	over 950 kL	1.775			

Country South Consumption Charges - WC Proposed Tariff Structure

	Class 1	Class 2	Class 3	Class 4	Class 5
0-150 kL	0.492	0.492	0.492	0.492	0.492
151-350 kL	0.798	0.798	0.798	0.798	0.798
351-450 kL	0.985	1.014	1.014	1.014	1.014
451-550 kL	0.985	1.310	1.439	1.571	1.615
551-750 kL	1.420	1.482	1.707	1.888	2.066
751-1150 kL	1.806	2.447	2.729	3.106	3.482
1151-1550 kL	2.595	3.576	4.139	5.646	6.961
1551-1950 kL	2.991	4.422	5.458	6.775	8.092
over 1950 kL	3.476	5.646	6.587	7.902	9.032

Country South Consumption Charges - ERA Option 1 and Option 2

	Class 1	Class 2	Class 3	Class 4	Class 5
0-150 kL	1.00	1.00	1.00	1.00	1.00
151-350 kL	1.00	1.00	1.00	1.00	1.00
351-450 kL	0.872	0.898	0.898	0.898	0.898
451-550 kL	0.872	1.159	1.274	1.391	1.430
551-750 kL	1.257	1.312	1.511	1.671	1.829
751-1150 kL	1.599	2.166	2.416	2.749	3.082
1151-1550 kL	2.297	3.165	3.663	4.998	6.161
1551-1950 kL	2.648	3.914	4.831	5.997	7.163
over 1950 kL	3.077	4.998	5.830	6.995	7.995

Country North Consumption Charges - WC Proposed Tariff Structure

	Class 1	Class 2-5
0-150 kL	0.492	0.492
151-550 kL	0.798	0.798
551-650 kL	0.900	0.963
over 650 kL	same as Country South	

Country North Consumption Charges - ERA Option 1 and Option 2

	Class 1	Class 2-5
0-350 kL	1.00	1.00
351-550 kL	0.706	0.706
551-650 kL	0.796	0.853
over 650 kL	same as Country South	

Note: Pensioners receive up to 50% discount on the consumption charge for the first 150kL (metro), 400kL (Country South) or 600kL (Country North)

		2006/07 WC Proposed Tariff Structure	2006/07 ERA Option 1	2006/07 ERA Option 2
Commercial Consumption Charges		\$/kL	\$/kL	\$/kL
Metropolitan	0-600 kL	0.841	1.00	1.00
	601-1,100,000 kL	0.939	1.00	1.00
	over 1,100,000 kL	0.915	1.00	1.00

Country - WC Proposed Tariff Structure

	Class 1	Class 2	Class 3	Class 4	Class 5
0-300 kL	0.981	1.303	1.431	1.564	1.607
over 300 kL	1.714	2.323	2.589	2.948	3.304

Country - ERA Option 1 and Option 2

	Class 1	Class 2	Class 3	Class 4	Class 5
0-300 kL	1.00	1.00	1.00	1.00	1.00
over 300 kL	1.517	2.056	2.292	2.610	2.924