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Inquiry on Competition in the Water and Wastewater Services Sector
Economic Regulation Authority
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Perth Business Centre
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**Inquiry into competition in Western Australia's water and wastewater
services sector
Draft Report – Call for Submissions**

Thank you for the opportunity to provide a submission into this enquiry. My initial assessment of the draft report is that whilst this is a review into Western Australia's water and waste water services, the report focuses on the South West of the State. This is understandable given that most of the opportunities for water trade and the proposed "options" approach to water source development will come from within the Integrated Water Supply Scheme or areas that are geographically close enough to connect to it.

This is supported by the statement on Page 13 that *"The focus of this inquiry is the provision of potable water, and subsequent wastewater services, given the complexities associated with its supply and as this is where the greatest potential benefits from increasing the level of competition is considered to exist."*

There is little probability that growers in the Ord will have an opportunity to trade water into a potable scheme – unless someone decides (again) it's a good idea to pipe it south.

The comments on Water Trading and Community Service Obligations I've provided are within the context of this assessment and relate to areas of the report where there is some ambiguity as to what the implications are for the Ord.

The comments on Environmental Water and Western Australia Water Usage are more general comments.

Water Trading

The following sections of the report relate.

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The water trading reforms will facilitate the development of consumptive pools and water allocations, which are prerequisites for an effective trading regime. However, there are several additional matters which must be addressed. It is necessary that individual irrigators within cooperatives be permitted to sell their water entitlements to external parties.

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4. *Pricing arrangements within irrigation cooperatives should be adjusted to allow for the trade of water out of cooperative areas by individual members should they choose to do so. A recent decision by the Australian Competition and Consumer Commission provides guidance on a possible approach.*

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.....it is conceivable that the IPE could develop a more cost effective portfolio using either or both of:

- *acquiring permanent rights to water in another connected or connectable system and managing the water through temporary trades and options to ensure that it is available when needed*

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The key water trading recommendations that resulted from this process were the introduction of:

- *Statutory Water Management Plans which will define 'consumptive pools' of available water;*

1. Does this imply that water trading will only be possible where there is the opportunity to trade the water to another party who is within the same consumptive pool?
2. Have these consumptive pools been defined and, if so, is there one for the Ord?
3. It is possible that there may be opportunities for Stage 1 growers to trade water into Stage 2 and other areas if the proposed development proceeds with a limited water allocation. The current trading philosophy (which is yet to be tried as we haven't had a trade take place) is that growers are only able to permanently trade 5 megalitres of their 17 megalitres per hectare allocation but are able to trade all 17 megalitres as a temporary trade. All trades need to be approved by the board of the Co-op, primarily

to ensure that water isn't traded into an area where the infrastructure does not have the capacity to supply the trade or (in the case of permanent trades) to ensure we don't end up with stranded assets. How does this fit with the sort of trading arrangements that this review proposes?

4. The Australian Private Irrigation Entities Inc (Bondi Group) has developed a National Irrigation Corporations Water Entitlement Register to provide on-line publicly searchable records of all member entitlements. Is the ERA familiar with this system and, if so, will this satisfy the ERA reporting requirements relating to trade?

Community Service Obligations

The discussion over CSO's was a little surprising (particularly the Water Corporation and CPSU comments) as it gave the impression that consideration was given to providing the private sector access to CSO's that the Water Corporation currently receives for schemes it owns and operates. It's difficult to imagine that this would occur without addressing the issue of asset ownership. I'd imagine that transferring the assets and business of a town's water supply would not be as straight forward as the process that was undertaken to transfer the State's irrigation assets to the irrigation co-operatives.

I considered that the review of CSO's related more to whether they could be applied to private industry in situations where a new scheme was being developed or in mining towns where the infrastructure is owned and operated by the mining company.

Can this be clarified and more specific details provided as to what opportunities there may be for CSO's to be provided to the private sector?

Environmental Water

Environmental water in the form of river flow releases is a consumptive use that is not accounted for in the same manner as other consumptive uses. An economic value should be attributed to these releases to fully realise the potential economic value of a catchment

Under the federal governments \$10B water plan it is proposed that any efficiency gains achieved in irrigation infrastructure that result from federal funding initiatives will be shared between growers and the federal government. The federal government will assign its share of the savings to the environment regardless of whether the environmental water requirement is already met or whether the scheme is over allocated. There will be the potential for the environmental agencies to trade this water back into the consumptive market.

This potential will increase as environmental agencies review whether environmental flows based on requirements set years ago are sustainable or justified in consideration of climate change. In the eastern states they have coined the phrase "museum environments" to describe this situation

Assigning a value to these environmental flows would encourage environmental managers to consider trading some of their allocation.

In dryer years it should be acceptable that environmental flows are reduced (as would naturally occur in other unregulated riverine environments in the same area) and these reduced flows could provide a temporary trade option.

In the longer term permanent trades of environmental water could be considered as a mechanism to finance environmental initiatives to maintain or improve the health of the river system that are not climate dependant.

Supplementing environmental water with treated wastewater or other non-potable supplies could be an option in some areas making the corresponding volume of water available for potable use.

Western Australia Water Usage

The following sections of the report relate.

Page 12

“Figure 2.2 shows the breakdown of water usage in Western Australia.¹¹ 87 per cent of all water used is for non-potable purposes with potable water (that treated to drinking water standard) accounting for the remaining 13 per cent.”

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“While it is true that potable water represents only a relatively small component of all water supplied,.....”

As the focus of the review is on the provision of potable water supply options and these options are primarily around the Interconnected Water Supply Scheme in the south west of the State, a graphical representation of the water usage in this area (or of each consumptive pool) rather than the State, may be more appropriate and would probably show a significantly higher percentage of potable water further supporting the focus of the review.

Yours sincerely

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