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Dear Sir/Madam

URBAN WATER SECURITY

Thank you for providing the Water Corporation with the opportunity to comment on the 'Review of Urban Water Security Strategies' (May 2010) report, commissioned by Infrastructure Australia and prepared by PriceWaterhouseCoopers.

The Corporation supplies water, wastewater and drainage services to almost two million people across Western Australia. We service more than one million properties with infrastructure worth more than \$12 billion.

The Corporation is generally supportive of the broad thrust of your recommendations.

The following table provides the Corporation's specific comments on each of the recommendations contained in the report:

<p><u>Recommendation 1</u> <i>Investigate improved institutional structures for centralising planning and procurement functions.</i></p>	<p>This recommendation is not supported.</p> <p>However, the Water Corporation notes that urban water services planning and procurement is increasingly centralised in most States.</p>
<p><u>Recommendation 2</u> <i>Preparation of national guidelines for urban water planning.</i></p>	<p>The Water Corporation generally supports the increased guidance and consistency in urban water planning approaches.</p> <p>It is expected that this will largely endorse the approach taken in <i>Water Forever – Towards Climate Resilience</i>, the Water Corporation's 50-year plan.</p>
<p><u>Recommendation 3</u> <i>Develop national guidelines on defining, measuring and reporting water security objectives and targets.</i></p>	<p>This recommendation is supported.</p> <p>However, the uniqueness of Perth in its significant reliance on groundwater as a potable source needs to be acknowledged.</p>



<p><u>Recommendation 4</u> <i>Strengthen the independence of pricing and regulatory agencies.</i></p>	<p>The Water Corporation supports the role of an independent pricing body that makes pricing recommendations. This adds transparency, accountability and advice to Government on the cost of service provision.</p> <p>However, providing pricing regulators with deterministic powers can be problematic in recognising social implications, environmental implications, capital constraints and competing priorities.</p>
<p><u>Recommendation 5</u> <i>Provide independent regulators with deterministic powers for both the level and structure of water and wastewater tariffs.</i></p>	<p>As per recommendation 4.</p>
<p><u>Recommendation 6</u> <i>Promote consistency of approach to regulated pricing through the widespread adoption of the National Water Commission pricing principles.</i></p>	<p>The Water Corporation supports consistent national pricing principles and approaches and has generally adopted National Water Initiative requirements.</p>
<p><u>Recommendation 7</u> <i>Remove institutional and legislative barriers to rural-urban trade.</i></p>	<p>The Water Corporation strongly supports this recommendation.</p>
<p><u>Recommendation 8</u> <i>Develop a model for defining and implementing tradable entitlements for large urban water users and possibly water retailers.</i></p>	<p>The Water Corporation generally supports tradable entitlements.</p> <p>However, there are some key characteristics of the water industry (such as water quality, large upfront capital investments and interconnected economic, social and environmental uses) which make viable water trading options unlikely.</p>
<p><u>Recommendation 9</u> <i>Investigate the feasibility and effectiveness of allocating tradable entitlements to parties responsible for bulk water delivery functions.</i></p>	<p>As per recommendation 8.</p>
<p><u>Recommendation 10</u> <i>Design and introduce State-based regimes for third party access to wastewater and to monopoly network infrastructure.</i></p>	<p>The Water Corporation supports this recommendation. A third party access scheme is required to facilitate sewer mining and other long-term access to critical infrastructure approaches.</p>

<p><u>Recommendation 11</u> <i>Payments for community services obligations (CSO) (for the supply of water to country areas) should be made contestable.</i></p>	<p>The Water Corporation does not support contestable CSOs.</p> <p>While CSO arrangements could be made available to all service providers, competition should be for the provision of the service itself. The CSO payment is simply an outcome of the actual cost of the service and the associated pricing in place.</p>
<p><u>Recommendation 12</u> <i>Assess the costs and benefits of a centralised and independent institutional model for bulk water procurement and option assessment.</i></p>	<p>This recommendation is not supported.</p> <p>There are numerous practical limitations to such an arrangement including market participation, limited availability of source options, balancing demand and supply alternatives, risk sharing and accountability.</p>
<p><u>Recommendation 13</u> <i>Continue to critically reappraise the need for and appropriateness of water restrictions.</i></p>	<p>The Water Corporation agrees that water restrictions need to be reviewed regularly. However, the significant gap between source development and demand has necessitated the Winter Sprinkler Ban in Western Australia and it has significant community support.</p>
<p><u>Recommendation 14</u> <i>Design 'opt in' arrangements for large water users that allow individual customers to decide the level of supply reliability they receive.</i></p>	<p>The Water Corporation does not support this option for an integrated public water supply system subject to shared supply.</p> <p>Very large water users may wish to consider self supply options outside of the integrated scheme (such as local groundwater where available).</p>

The Corporation is generally supportive of the increased guidance and national consistency in areas such as planning approaches, but is reluctant in its support for some market and pricing reforms (such as water services planning and procurement and contestable CSOs) that fail to adequately recognise the uniqueness of the water industry.

The Corporation appreciates the opportunity to comment on this report.

If you would like to discuss any of the comments further, please contact me on telephone (08) 9420 2660 or email peterd.moore@watercorporation.com.au.

Yours sincerely



Peter D Moore
 CHIEF OPERATING OFFICER