

# AUSTRALIAN<sup>®</sup> WATER

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whole  
water cycle*

28 October 2015

Dr Ursula Kretzer  
Manager, Water Industry Governance  
Water Industry Policy  
Department of Water  
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PERTH WA 6842  
By email: [Ursula.Kretzer@water.wa.gov.au](mailto:Ursula.Kretzer@water.wa.gov.au)

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including utilities,  
large water  
users contractors,  
consulting firms,  
research  
and suppliers.*

Dear Dr Kretzer

The Australian Water Association (**AWA**) thanks the Department of Water (**DoW**) for the opportunity to provide a submission in relation to the proposed exemption of small local government water service providers from licensing under the *Water Services Act 2012*.

AWA supports, in principle, proposed exemptions under the *Water Services Act 2012* which will remove unnecessary regulatory burden on water service providers, provided that the objects of the Act are still being achieved and the public interest is protected.

Our comments in relation to DoW's questions for consultation are set out in turn below:

**1. The proposed exemption would be limited to 1,000 customer connections – is this an appropriate size restriction?**

It is not clear, on the face of the proposal, how the size of 1,000 connections has been selected and, therefore, it is difficult to comment on whether the size restriction is appropriate. AWA is informed that the small local governments to which the proposed exemption would apply presently have between 75 and 695 connections. Further, we are informed that 1,000+ connections would provide the necessary economies of scale (and the necessary customer revenue) to ease the regulatory cost of licensing and that such small local governments would be prepared to meet licensing costs in those circumstances.

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On the face of the proposal, it appears that 1 small local government sewerage/non-potable water provider and other small water service providers who provide sewerage services and/or non-potable water services (and which would otherwise meet the criteria, but are not small local governments) would not be eligible to rely on the proposed exemption. The AWA queries whether such proposed exemption is allowing water service providers to operate on a 'level playing field' (noting, however, that the risks to the public are different between public and private water service providers). To this end, the DoW may wish to provide further clarity for the proposed size restriction.

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**2. What benefits are provided to the public through licensing small local government sewerage and non-potable water providers?**

AWA is informed that "The regulatory costs of licensing small local government sewerage and non-potable water providers appears disproportionately high relative to the benefits of licensing."

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AWA accepts that, in the present circumstances, the benefits may be outweighed by the costs. In AWA's view, one of the main benefits is the provision of a 'level playing field', the importance of which was made clear at the time the Water Services legislation was first introduced to Parliament.

Further, the removal of such regulatory costs of licensing from small local government sewerage and non-potable water providers suggests that the regulatory cost will be borne by another public government entity (eg. the Department of Health). Whilst AWA understands that the DoW is not responsible for regulating public health, AWA recognises that the proposed exemption 'shifts' the regulatory cost of licensing, but does not address the wider question of how costs can be removed, minimised or consolidated with respect to such water services. Has the DoW considered this broader question?

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**3. Are there sufficient obligations and incentives (excluding those provided under the water services licensing regime) on small local governments to provide sewerage and non-potable water services to an appropriate standard?**

In AWA's view, and consistent with the DoW's key review findings, sufficient obligations (under other legislative frameworks, eg. local government, health, environment etc...) exist on small local governments to provide an appropriate standard of water services. Has the DoW considered how such obligations could be harmonised across government to enable small local government to meet such requirements on a more efficient and cost effective basis?

It is AWA's understanding that small local government water service providers do not receive direct service and associated cost subsidies via a Community Service Obligation (CSO) funded out of general taxation revenue. Has the DoW considered the role of CSO payments to assist small local governments, notwithstanding if this is associated meeting requirements of the Act or those of another agency? Further, has the DoW considered the consolidation or alternate approaches to meeting obligations at lowest reasonable costs or the provision of opportunities to enable greater private sector involvement to reduce costs or otherwise improve productivity?

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**4. What conditions, if any, should the exemption be subject to?**

We are informed that "Most local government licensees re-use treated wastewater to irrigate public open space (ie. local sporting fields)". Without imposing the appropriate restrictions/conditions, the proposed exemption could, arguably, enable a small local government sewerage/non-potable water provider to potentially re-use treated wastewater for any use (subject to other laws and regulations). This may result in unforeseen risks to the public.

In AWA's view, it would be necessary to include in the proposed exemption order a restriction on the re-use of treated wastewater to irrigation of public open space in accordance with relevant legislation/guidelines (eg. Department of Health's "Guidelines for the Non-potable Uses of Recycled Water in Western Australia").

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Further, AWA supports the DoW's plan to introduce the proposed exemption for an initial period, to be reviewed at the end of that period. How has the DoW selected the period of 5 years? Have any cost savings been forecast for such a period and will annual forecast costs savings be reviewed against annual aservice performance standards?

Should you wish to discuss the above, please don't hesitate to contact Daniela Tonon or Deanne McDonald.

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Yours sincerely,



**Jonathan McKeown**  
Chief Executive  
Australian Water Association

Cc Daniela Tonon, Chair Policy Group – WA Branch  
Deanne McDonald, President – WA Branch  
Siobhan Jennings, State Manager WA

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