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Inquiry into Water Resource Management and Planning Charges
Economic Regulation Authority
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**RE: ERA INQUIRY INTO WATER RESOURCE MANAGEMENT AND
PLANNING CHARGES - ISSUES PAPER**

The Chamber of Minerals and Energy of WA (CME) welcomes the opportunity to formally respond to the ERA *Inquiry into Water Resource Management and Planning Charges Issues Paper*.

Background

The CME is the peak resources sector representative body in Western Australia funded by its member companies who generate an estimated 95 per cent of all mineral and energy production in the State. The sector is diverse and complex covering exploration, processing, downstream value adding and refining of over 40 different types of mineral and energy resources across the State.

The CME formed a Water Issues Group (WIG) in 2000 to share water management knowledge and techniques within the industry and input to CME policy development relating to water and water reform issues. Membership of WIG consists of water specialists who represent many of the Chamber's member companies.

The resources sector recognises the importance of managing water resources in a sustainable way. Water is an essential input in mining, minerals processing and energy generation. Secure access to water resources is a key consideration underpinning billions of dollars of investment in the resources sector in the Pilbara.

Context

The National Water Initiative (NWI) is Australia's blueprint for national water reform. The NWI lists water pricing, including full cost recovery, as a key element of water management.

According to Section 67 of the NWI, states and territories agree to bring into effect consistent approaches to pricing and attributing costs of water planning and management by 2006.

WA did not become a signatory of the NWI until 2006 and is currently not in compliance with Section 67.

The WA Department of Water (DoW) has been drafting a Water Resource Management Bill with Parliamentary Counsel for some time and it is understood that the new legislation will prompt a water resource management system in WA as proposed under the NWI.

As a result of this new legislation the function of the DoW will change, becoming more compliant with the NWI. Logically, these new functions will involve significant costs and that is why the NWI acknowledged that provisions be made to put in place a water resources management charging scheme. The intention of such a scheme is to recover the direct costs of administering these new administrative functions of the DoW.

CME recognises the new legislation is imminent and therefore the introduction of significant changes to water management is inevitable; however, considers there are a number of concerns which are canvassed below.

CME would like to stress the need for the ERA to be clear about the extent to which it intends to consider water resources management charges. The ERA Issues Paper does not seem to make the distinction between the current legislation and the proposed Water Resource Management Bill. CME emphasizes the need for consistency in definitions between the ERA, the DoW and the NWI.

Water Reform in WA

The market based reforms included as the basis of the NWI may have limited application in some areas of regional WA. The unique hydrogeological characteristics and the market and production circumstances of specific areas and regions means much of WA falls outside the normal market supply-demand structure.

Fortunately, paragraph 34 of the NWI provides scope to deal with these market inefficiencies by enabling legislative systems to adopt solutions to water management issues that are “fit for purpose”.

It is imperative that any legislation relating to water access and trading arrangements in WA will enable water resource management outcomes that are “fit for purpose”.

One option would be to allow fixed volume/fixed term licences to co-exist alongside NWI style Water Access Entitlements. CME would support the continuation of water licences, similar to s5C licences under the *Rights in Water and Irrigation Act 1986*, enabling licences to be issued for a fixed volume for a fixed term.

Concerns

CME represents resources companies that are both water users and water suppliers. Many of our members contribute to the identification, development and management of the water resources they use.

WA is a very vast state and therefore, many resources companies self-supply water to their operations and, in some instances, to their associated camps and villages.

It should also be noted that many of our members include resources companies that make substantial investment to the states water infrastructure.

In WA, and elsewhere in Australia, resources companies fund and undertake the services with regards to the water resources they use. CME would argue that it is unreasonable that

these companies should bear the costs of the same services undertaken by the Government elsewhere in the state.

CME believes, when considering any form of water resources management charges, the structure of the charges must be reflective of the specific water resource management needs and investment costs faced by the resources industry and any charges must be adjusted accordingly. There is a need to establish a link between Government activities and cost allocations.

The ERA should consider the possibility of partial cost recovery, especially if benefits of recouping water management and planning charges go beyond that of the licensee.

CME encourages the ERA to also consider the need to ensure appropriate resourcing of services to the water industry that are not included in any potential fees or charges for water resources management and planning. The resourcing of other services provided by the DoW must not diminish as a result of the introduction of a water resources management and planning scheme.

New Water Charges

Under the NWI, the WA government commits to the introduction of further charges for water resources planning and management.

The WA Government has previously stated: “Any introduction of further cost recovery will take place only after extensive consultation and the completion of statutory water management plans and the establishment of longer term secure water access entitlements”.

This commitment makes a connection between the introduction of water resource management charges and both the completion of statutory water management plans and the establishment of perpetual water access entitlements. The CME strongly endorses this commitment; however, we are currently concerned work is progressing without established statutory water management plans.

In terms of volumetric charging, the State Government has yet to articulate a clear position. It is important to note that the CME and its members will not support any introduction of volumetric charges.

The key problem with a charging structure using a volume per licence basis is that it does not recognise the contribution made by companies in the development and management of their water resources.

CME believes that volumetric charges would weaken the viability of some resource developments without any apparent benefit in water resource management terms.

Limit Required on Fee Increases

CME emphasises the need to ensure that water licence administration fees and future water resources management and planning charges are appropriately capped or independently reviewed to prevent uncontrolled increases in the cost burden to those affected by the charges.

It is essential that both the fee setting and the expenditure on service delivery is transparent and accountable and that the appropriate arrangements for scrutiny and review are put in place. The cost allocation must to be clearly linked to the activity.

CME and its member companies support the proposal that the ERA independently review the structure, efficiency of services delivered and amount of the water licence administration fees and future water resources management and planning charges on a regular basis.

Conclusion

The CME appreciates the opportunity to contribute comment in relation to the ERA Inquiry into Water Resource Management and Planning Charges Issues Paper, and trusts that the concerns of the resources sector will be carefully considered.

In addition, CME wishes to draw your attention to the submissions made by individual members companies.

Please contact Michele Chiasson on (08) 9220 8534 or via m.chiasson@cmewa.com if you wish to discuss any of the matters raised in the content of this submission.

Yours sincerely



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Chief Executive

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