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Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 2, 35 Spring Street
MELBOURNE VIC 3000

Dear Dr Ben-David

GWMWater Response to Issues Paper – Inquiry into an Access Regime for Water and Sewerage Infrastructure Services

Thank you for the opportunity to respond to the Inquiry into an Access Regime for Water and Sewerage Infrastructure Services Issues Paper.

The GWMWater response is being prepared in the context of the official policy position established by the Victorian Government that has enshrined public ownership of water businesses by the passing of the Constitution (Water Authorities) Act 2003.

GWMWater welcomed the introduction of independent economic regulation of the water industry. A well considered access regime has the potential to enhance the efficiency of the industry by clearer delineation of the components the industry that is monopolistic in nature and those where efficiency could be enhanced by increased contestability.

GWMWater is of the view that a well regulated natural monopoly can provide an efficient and effective service to consumers. The current system of regulation has been successful in improving the efficiency of water corporations. The level of access being proposed has already been embraced by the industry in different ways but the underlying code for the development of these needs to be carefully considered.

From GWMWater's perspective, the hub of the Issues Paper related to Figure 2.1 on Page 12 that identified the segments of the industry that are potentially contestable. GWMWater generally support elements of the water supply chain being made available for potential competition as these have already commenced in several areas with reasonable success. The potential competitive access regimes outlined in Figure 2.1 are generally consistent with objectives of National Competition Policy and their application to water.

The principles of water trading that are currently being proposed by GWMWater for domestic and stock customers receiving a pipeline supply are underpinned by a form of contestability at source. Under these arrangements the ownership will be underpinned by the legal form of the water entitlement that will have its origins in the Bulk Entitlement Order. With the ownership / entitlement to water clearly defined, water can transfer to other water users or new water users subject to any constraints of the delivery infrastructure.

The potential contestability of water and wastewater treatment is acknowledged by GWMWater. GWMWater already has a Private Public Partnership arrangement in place providing water treatment services to the towns of Ararat, Stawell, Great Western, Halls Gap and Pomonal. This framework for contestability could equally apply to the provision of wastewater services.

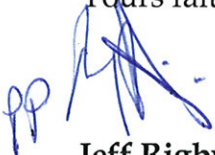
The opportunities for introducing competition in wastewater collection is acknowledged but caution needs to be exercised where this compromises existing investments in wastewater treatment and / or disposal. GWMWater is already experiencing issues where investments in reuse schemes have been compromised as a result of the increased grey water diversion. The reduced volumes have impacted on the commercial terms that underpin the supply of recycled water.

The other area of contestability identified relates to the provision of retail services. Once again pockets of this activity have already been contested and outsourced. In the case of GWMWater, this is specific to the activities of meter reading and bill production. As has been the experience with electricity industry, full contestability of this function creates some interface issues where mechanisms such as Guaranteed Service Level (GSL) schemes apply. The retailer is not the underlying service provider and these incentive mechanisms need to pass back to the infrastructure owner / operator.

In closing, the complexity and the potential implications of policy decisions outlined in this Issues Paper need careful consideration if these are to be developed into a uniform code. Some of these matters have been given more detailed attention in the Vicwater submission to the Issues Paper.

It is understood that a substantial process of engagement with the industry will be undertaken to further explore the matters raised by the Issues Paper. GWMWater look forward to further participation in this process and with that the opportunity to expand on the matters raised by the Issues Paper and their applicability to a vertically integrated regional rural water business.

Yours faithfully



Jeff Rigby
Managing Director