

Decision to renew water services licence WL32

Water Corporation

30 March 2021

Economic Regulation Authority

WESTERN AUSTRALIA

D227140

1. Decision

1. Pursuant to section 13(2) of the *Water Services Act 2012*, the Economic Regulation Authority has renewed the Water Corporation's water services licence WL32.
2. Subject to its terms and conditions, the licence authorises the Water Corporation to provide potable and non-potable water supply, sewerage, drainage and irrigation services to households, businesses and rural communities in Western Australia (as set out in operating areas OWR-OA-309, OWR-OA-175(E) and OWR-OA-175-1(B) in the licence).
3. The term of the renewed licence is 25 years (the maximum period allowed by section 14 of the Water Act) from 31 March 2021.
4. As required by section 47(2) of the Water Act, the ERA will publish a notice of the renewal of the licence in the Government Gazette as soon as practicable.

2. Reasons

2.1 Licence

5. Section 5 of the Water Act requires a person to hold a licence to provide a water service.
6. On 28 June 1996 the Water Corporation was granted a licence by the Office of Water Regulation for a period of 25 years.¹
7. On 11 February 2021, the Water Corporation applied to the ERA to renew WL32.
8. As required by section 70 of the Water Act, the Water Corporation is a member of the water ombudsman scheme.

2.2 Public consultation

9. On 18 February 2021, the ERA sought [public comment](#) on the licence renewal application. The period for submissions closed on 12 March 2021.
10. The ERA did not receive any submissions.

2.3 Financial and technical assessments

11. Under section 13(2)(a) of the Water Act, the ERA may renew a licence if it is satisfied that the licensee has, and is likely to retain, for each class of water service to be authorised by the licence, the financial and technical ability to provide the service in the operating area or areas to be specified for the service.
12. As part of its renewal application, the Water Corporation provided its audited financial reports for the past three financial years and a written declaration from the Water Corporation's chief executive officer and chief financial officer that it has the financial ability to continue to undertake the activities authorised by the licence.
13. Based on the information provided, the ERA is satisfied that the Water Corporation has, and is likely to retain, for each class of water service to be authorised by the licence, the financial ability to provide the service in its operating areas.
14. The ERA used the Water Corporation's licence compliance and asset management history to determine whether it has the technical resources to continue to provide the licensed services.
15. Based on its compliance and asset management history, the ERA considers that the Water Corporation has, and is likely to retain, for each class of water service to be authorised by the licence, the technical ability to provide the service in its operating areas.

¹ On 1 January 2004, the Office of Water Regulation became part of the Economic Regulation Authority.

2.4 Assessment of public interest

2.4.1 Water Services Act 2012

16. Section 13(2)(b) of the Water Act states the ERA may renew a licence if it is satisfied that it would not be contrary to the public interest to do so. Section 46 of the Water Act specifies what matters the ERA must take into account (to the extent it considers them relevant) when considering section 11(1)(b). These matters are:
- a. Environmental considerations, including the value of ecologically sustainable development.
 - b. Public health considerations relating to the provision of reliable water services.

2.4.2 Economic Regulation Authority Act 2003

17. The ERA must also have regard to the matters set out in section 26(1) of the *Economic Regulation Authority Act 2003*:²
- a. The need to promote regulatory outcomes that are in the public interest.
 - b. The long-term interests of consumers in relation to the price, quality and reliability of goods and services provided in relevant markets.
 - c. The need to encourage investment in relevant markets.
 - d. The legitimate business interests of investors and service providers in relevant markets.
 - e. The need to promote competitive and fair market conduct.
 - f. The need to prevent abuse of monopoly or market power.
 - g. The need to promote transparent decision-making processes that involve public consultation.

2.4.3 ERA assessment of public interest

18. The ERA has considered section 13(2)(b) of the Water Act, the matters set out in section 46 of the Water Act, section 26 of the ERA Act, the Water Corporation's financial reports for the past three financial years, the written declaration from the Water Corporation's chief executive officer and chief financial officer and the Water Corporation's previous licence compliance and asset management history.
19. The Water Corporation is the provider of water supply, sewerage and drainage services to the majority of businesses and residents in Western Australia. The interests of the Water Corporation's customers are best served by the Water Corporation continuing to be licensed, so it can maintain the supply of water, sewerage and drainage services to those customers, consistent with section 26(1)(b) of the ERA Act and section 46(b) of the Water Act.

² The ERA has discretion to decide the weight it gives to each of the matters listed in section 26(1) of the ERA Act in making its decision.

20. As the water services licence regulates certain performance and service standards and provides consumer protections to customers, the ERA is satisfied that the renewal of the licence will promote regulatory outcomes in the long-term interests of consumers, consistent with sections 26(1)(a) and (b) of the ERA Act and section 46(b) of the Water Act.
21. All water services licences are non-exclusive, which means that another water service provider could enter the market if conditions permitted. The ERA is therefore satisfied that the renewal of the licence will be consistent with sections 26(1)(e) and (f) of the ERA Act.
22. The ERA conducted public consultation on the licence renewal application and has stated in this decision the reasons for renewing the licence, which is consistent with section 26(1)(g) of the ERA Act.
23. In all circumstances, after taking into account the matters in section 46 of the Water Act and section 26 of the ERA Act, the ERA is satisfied that renewing WL32 would not be contrary to the public interest.