



**Economic Regulation Authority**

# Decision to renew water services licence WL10

Rottnest Island Authority

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## **Economic Regulation Authority**

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## 1. Decision

Pursuant to section 13(2) of the *Water Services Act 2012 (Water Act)*, the Economic Regulation Authority (ERA) has renewed the Rottnest Island Authority's (RIA) water services licence WL10.

Subject to its terms and conditions, the licence authorises RIA to provide potable and non-potable water supply, sewerage, drainage services to customers as set out in operating area OWR-OA-189(C).

The term of the renewed licence is for 36 months from 29 May 2024.

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

The renewal of WL10 will allow RIA to continue operating under its existing licence for 36 months. This timeframe will allow RIA to complete the majority of its planned investment in water production assets and wastewater infrastructure upgrade.

### 2.1 Licence

Section 5 of the *Water Act* requires a person to hold a licence to provide a water service.

On 14 December 1998, the RIA was granted a licence by the Office of Water Regulation for a period of 25 years.

On 26 September 2023, the RIA applied to the ERA to renew WL10. Clause 13 of the *Water Act* allows a licence to continue past its expiry date until the ERA decides whether or not to renew the licence.

As required by section 70 of the *Water Act*, the RIA is a member of the water ombudsman scheme.

### 2.2 Public consultation

On 25 October 2023, the ERA [sought public comment](#) on the licence renewal application. The period for submission closed on 15 November 2023.

The ERA did not receive any submissions.

### 2.3 Financial and technical assessments

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.

As part of its renewal application, RIA provided its audited financial reports for the past three financial years and a written declaration from its Executive Director that it has the financial and technical ability to continue to undertake the activities authorised by the licence.

The ERA has given regard to RIA's licence compliance and asset management history to determine whether it has the technical resources to continue to provide the licensed services.

The ERA has given weight to the State Government funding that has been allocated for water infrastructure upgrades on the island.<sup>1</sup>

Based on the information provided, the ERA is satisfied that the RIA has, and is likely to retain, for each class of water service authorised by the licence, the financial and technical ability to provide the service in its operating areas for the term of this licence.

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<sup>1</sup> WA State Government Budget Paper 3, 2024-25. P.199 ([online](#)).

## 2.4 Assessment of public interest

### 2.4.1 *Water Services Act 2012*

Under section 13 of the *Water Act*, 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 *Economic Regulation Authority Act 2003 (ERA Act)* sets out the matters that the ERA is to take into account (to the extent to which the ERA considers that they are relevant) when making a decision to renew a licence.

### 2.4.2 *Economic Regulation Authority Act 2003*

The ERA must also have regard to the matters set out in section 26 of the ERA Act:<sup>2</sup>

- The need to promote regulatory outcomes that are in the public interest.
- The long-term interests of consumers in relation to the price, quality and reliability of goods and services provided in relevant markets.
- The need to encourage investment in relevant markets.
- The legitimate business interests of investors and service providers in relevant markets.
- The need to promote competitive and fair market conduct.
- The need to prevent abuse of monopoly or market power.
- The need to promote transparent decision-making processes that involve public consultation.

### 2.4.3 *ERA Assessment of public interest*

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*, RIA's financial reports for the past three financial years, the written declaration from its Executive Director, previous licence compliance and asset management history and State Government infrastructure investment.

The RIA is a major tourist attraction of Western Australia and the interests of the visitors to the island and business operating on the island are best served by RIA 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 (1)(b) of the *Water Act*.

As water services licences regulate certain performance and service standards and provides consumer protections to customers, the Secretariat 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*.

The 2024-25 State Budget contains asset investment funding for RIA to complete its water production project (\$23.595 m) and for the wastewater infrastructure upgrade (\$\$15.779 m).<sup>3</sup>

The ERA conducted public consultation on the licence renewal application and did not receive any submissions or feedback.

<sup>2</sup> 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.

<sup>3</sup> WA State Government Budget Paper 2, 2024-25. Pp. 706-707 ([online](#)).

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 WL10 would not be contrary to the public interest.