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EXECUTIVE SUMMARY

There are currently two primary developer groups: Redgate Estate Pty Ltd; and Redgate Developments Pty Ltd (the Developers) and a third longstanding landowner who are at various stages in obtaining their planning and environmental approvals to develop approximately 728 new residential lots in Witchcliffe in accordance with the Augusta-Margaret River (the Shire) endorsed Witchcliffe Village Strategy.

In order to progress this development, key infrastructure is required, specifically the provision of reticulated sewer and a supplementary reclaimed water service. It is a requirement of the Witchcliffe Village Strategy that the new residential developments will be serviced by alternative and sustainable means. Witchcliffe is situated approximately 8km from a Government service provider’s existing water and waste water infrastructure in Margaret River.

The Developer’s preference following detailed investigations is to establish a stand alone self-sustainable water reclamation scheme in Witchcliffe (the “Scheme”). The assets and infrastructure for the Scheme include:

- Water Reclamation Plant (WRP)
- Sewer network
- Sewer pumps
- Reclaimed water storage facilities
- Reclaimed water reticulation network
- Domestic meters

It is proposed that ownership and operation of the Scheme would be funded by the development, owned by the Shire and operated by United Utilities Australia (UUA).

This business case proposes that the Scheme be primarily funded by the Developers as part of the development of the Witchcliffe Village and the ownership of these assets and infrastructure be transferred to the Shire once commissioned.

The Developers have identified UUA as the preferred service provider to assist develop the Scheme and ultimately deliver and operate the Scheme. The Developers now seek a formal partnership with the Shire and UUA to develop the Scheme and ensure the Shire’s sustainability objectives are fulfilled.

Under this proposal UUA would become the Licensed Service Provider under the provisions of the Water Services Licensing Act and operator of the system on behalf of the Shire who would become the owner of the asset.

The Developers have funded the development of a Scheme solution including a preliminary financial / operational model which illustrates Scheme viability.

This initial paper establishes the principals of the partnership and seeks support from Council to proceed with developing a comprehensive business case for endorsement and implementation.

PROJECT BACKGROUND AND HISTORY

Witchcliffe Village Strategy (2006)

The Witchcliffe Village Strategy provides a vision for the future growth of the Witchcliffe town site until 2028 and defines a footprint for the expansion of the town site based on the Leeuwin-Naturaliste Ridge State Planning Policy 6.1 (1998) LNRSSP.
The vision of the Strategy is to "create a vibrant rural village within a forest and farm setting, with respect for the physical, environmental and landscape of the area, diversity in lifestyle choice and facilities, a strong sense of belonging, nurturing and celebrating local talent and industry, providing tourism experiences and promoting human spirit."

The Strategy sets out a number of objectives to achieve this vision. Central to these is the notion of expanding Witchcliffe using alternative servicing methods. The existing townsite currently has no common wastewater infrastructure nor reticulated water services and relies on limited rainwater tanks, septic tanks and leach drains. Witchcliffe is currently and will continue to be a self-supply drinking water supply area.

The land owned by the Developers represents the major part of the future development at Witchcliffe. In order to achieve the vision outlined in the Witchcliffe Village Strategy of servicing housing using alternative methods, the Developers have worked together with UUA and the Shire to prepare this paper.

Redgate Estate Pty Ltd own Lots 1001, 1002 and 1003 Redgate Road and Bussell Highway which comprises approximately 111 hectares of land with a potential yield of 504 residential lots. The land is currently zoned as a Future Development Zone and has an approved Structure Plan in place.

Redgate Developments Pty Ltd also has an area of approximately 52 hectares at Lot 1032 Redgate Road also zoned Future Development that will yield approximately 228 lots.

In October 2007, LandCorp ran an expression of interest process seeking a water service provider for their development in Gracetown which proposed a similar water reclamation service to Witchcliffe. The assessment panel recommended that UUA be procured as the preferred service provider.

Subsequent to UUA’s appointment at Gracetown, the Witchcliffe Developers identified benefits of engaging UUA to undertake investigations as to the viability of an alternative servicing regime at Witchcliffe.

THE PROPOSED WATER RECLAMATION SOLUTION

The Witchcliffe Village is to establish a water servicing scheme that is based on:

- Rainwater tanks on each lot to provide drinking in house requirements;
- Water efficient devices used in each home;
- A pressure sewer system that will collect all effluent from each lot and convey it to a single water reclamation plant;
- Treatment of the waste water to an equivalent Class A+ fit for purpose standard;
- Distribution of the reclaimed water back to each household for use as non drinking water, for use in toilets and for garden irrigation;
- Use of the non drinking water supply also for fire fighting system; and
- Treatment and collection of stormwater for irrigation for Public Open Space and vegetation restoration areas.

Water reclamation plants require a minimum amount of effluent through its system to operate effectively. To this end the water reclamation plant needs to be able to operate to a minimum of approximately 30% of its capacity meaning significant flows are required from the day of commissioning.

In December 2009, the Shire surveyed residents in Witchcliffe on the plans for the local water reclamation scheme. The feedback illustrated limited interest in such a scheme and certainly inadequate demand to produce enough effluent to enable the proposed Plant to run effectively.

Discussions have been held with both Shire officers and the Western Australian Planning Commission on a solution to provide adequate capacity to the Plant on commissioning. Both
agencies have provided in principal support for the early stages of sub divisions within Witchcliffe to progress using Aerobic Treatment Units (ATU) e.g. Ecomax/Biomax on the basis that during sub division construction, the ultimate water reclamation infrastructure (sewer and grey water return) is constructed and left dormant until such time as there is adequate effluent flow capacity within the newly created sub divisions to sustain the plant. For the purpose of this document, lots constructed on this basis are defined as ‘Early Release Lots’.

In terms of the existing town site, it is proposed that adequate capacity be allowed for within the water reclamation infrastructure to enable the connection of the existing town site to connect up should adequate demand ultimately exist. The infrastructure could be constructed as part of the first stage of construction of the Water Reclamation Plant from the Davis Road Tip site, north along Bussell Hwy and west along Redgate Road.

Sizing of the rainwater tanks proposed for each lot has been undertaken to allow for future climate change effects in the area (20% reduction in annual rainfall) and sizing guidelines have been established for each lot for various scenarios to ensure adequate tank sizes will be built by the land purchasers to ensure a sustainable self-supply.

The proposed non drinking water system is integral to the operation of the overall Scheme as it reduces the requirement for collected rainwater to be used for non drinking uses.

**DESCRIPTION OF THE ASSETS AND INFRASTRUCTURE**

**Sewer Collection and Conveyancing Network**

Wastewater from properties will be collected in below ground chambers located near the boundary on individual private lots. Private plumbing connections from the property to the collection chamber will be the responsibility of the property owner. Wastewater will be pumped from the collection chambers through a pressure sewer conveyance network to the wastewater treatment plant. The Scheme will be responsible for the operation and maintenance of the sewer conveyance network inclusive of the collection chambers.

**Plant facilities & location**

The treatment plant is proposed to be located on an existing Shire Reserve for waste and wastewater disposal and so provides a convenient location for the establishment of all required facilities.

All required environmental studies have been undertaken for the construction of the works on this site and only formal submissions and approvals remain to be gained.

The water reclamation plant will be a membrane bioreactor (MBR) configuration, which is a tried and tested, reliable, compact and high performing process. The plant will be staged to take account of the release of the development lots, sales rates and occupancy levels.

The system incorporates a proprietary biological treatment process using extended aeration. In addition to a high standard of effluent quality, the process also provides significant flexibility in flow demands. In combination with ultra-filtration membranes, the process forms a MBR to produce extremely high quality reclaimed water suitable for non-drinking domestic uses.

Flow balancing is incorporated into the design of the plant to enable the daily peaks to be absorbed, while the normal treatment processes are undertaken. This enables the plant to spread the load over the day resulting in a higher quality final effluent being produced.

Aeration is undertaken in the aeration tank utilising fine bubble membrane diffusers. Maximised plant power efficiency is obtained through the variable speed control of the aeration equipment.

Ultra-filtration serves as an absolute barrier to solids, as well as being an extremely efficient
method of filtering a very high percentage of bacteria and viruses. Ultra-violet radiation treatment combined with chlorine dosing provides double disinfection for enhanced final effluent quality.

**Reclaimed Water Reticulation**

Treated water produced by the water reclamation plant will be stored at the treatment plant site and supplied backed to properties connected to the Scheme. Each property will be provided with a reclaimed water connection point.

At certain times of the year, the demand for reclaimed water is expected to exceed the available supply, thus a system of metering and allocating water will be established to manage the distribution of available reclaimed water resources.

**Staging of the Plant Construction**

As stated above, the water reclamation plant requires a minimum amount of effluent through its system to operate effectively (approximately 30% of its capacity) meaning significant flows are required from the day of commissioning. There is nominal demand from existing Witchcliffe residents to be connected up to such a Plant and although powers are to hand for the Shire to enforce connection, a fairer way is to achieve minimum flows it to connect residents in the new sub division, once adequate effluent supply is achieved.

As an interim measure ATUs will be constructed by the landowners to process effluent from their dwellings. The Developers will construct the reticulated water reclamation infrastructure (sewer and reclaimed water return) in the Early Release Lot stages which will be left dormant until such time as there is adequate effluent flow capacity from the Early Release Lots to sustain the plant.

At this point, the Developers, will fund the site preparatory earthworks and the construction of the Plant at the existing Davis Road tip site and the connection of the residences in the new sub divisions.

Construction of the water reclamation plant will be split into two stages of construction and will comprise two fixed package plant systems. Once the minimum amount of effluent is available to enable the first package plant to run effectively (at approximately 30% capacity) the first of the two package plants will be constructed (this will be the extent of works for Stage 1). Thereafter, once the first package plant reaches capacity, the second package plant will be constructed (Stage 2).

**How does the system work?**

A fully enclosed inlet facility, for fine screening and grit removal, will receive inflow pumped from the collection system and plant drainage from a small site drainage pump station.

Washed, dewatered screenings and grit will be hygienically packed and discharged to bins for regular disposal. The incoming waste water will be dosed with a suitable chemical to increase alkalinity and improve buffer capacity.

Pre-treated waste water will flow by gravity from the inlet facility into a covered equalisation tank, where it is stored and mixed, for the purposes of diurnal peak flow attenuation. Providing an inlet storage in this manner limits the required capacity of the water reclamation plant to the average peak day flows and makes significant cost savings.

Waste water will then be pumped at a constant flow from the equalisation tank into the process bioreactor where it will undergo advanced biological treatment for the removal of nitrogen.

Chemical dosing will be used for phosphorus removal, and for carbon augmentation if necessary to guarantee removal of nitrogen to the low levels required. Excess process biomass will be removed from the bioreactor, dewatered to recover treated water and produce sludge cake, and then hygienically packed and discharged to bins for regular disposal.
After biological treatment, treated water will be reclaimed to a Class A standard by separation from the biological process liquor using an ultra-filtration membrane system. The reclaimed water quality will be further enhanced to Class A+ (> 6.5 log removal of pathogens) by two further stages of disinfection – ultraviolet light irradiation, followed by chlorination.

The disinfected, reclaimed water will be stored onsite in a pair of covered, lined tanks. Continuous monitoring of residual chlorine concentration and trim dosing of hypochlorite to maintain a preset residual will ensure that reclaimed water leaving the tanks for reuse within Witchcliffe meets relevant Australian standards and the requirements of the Department of Health (WA) for product quality.

**ROLES AND RESPONSIBILITIES OF KEY STAKEHOLDERS**

There are three Key Stakeholders in the provision of the Scheme at Witchcliffe. They are the Developers, the Shire and UUA. The chart below details the roles and high-level responsibilities of each party:
Witchcliffe Water Reclamation Scheme

The Developers
- Construct Lots and connect Early Release Lots to the Scheme on construction
- Construct all internal Scheme infrastructure
- Fund design and construction of the first Stage of the Waste Water Reclamation
- Pay a Head works contribution per lot at clearance of sub division.
- Provide appropriate instruments and sales documentation implementing the

The Shire
- Owner of the Scheme’s assets and infrastructure
- Customer service provision for Licensee
- Issuer of sub division approval conditions for the provision of the Scheme
- Work with the Developers & UUA in procuring agreements, approvals and licences

UUA
- Operator and Licensee of the Scheme
- Compliance with Licence conditions
- Design and construction of the Water Reclamation Plant infrastructure
- Commissioning, operation and maintenance of the Scheme
- Work with the Developers & Shire in procuring agreements, approvals and licences

Work with the Shire and UUA in procuring agreements, approvals and licences
**FINANCIAL PRINCIPLES**

The key financial principles of the project have been established with the aim of the Scheme being funded without a debt requirement.

**Developer Contributions**

It is proposed that the costs for the establishment of the Scheme are borne by the Developers.

Modelling undertaken by UUA on behalf of the developers has wherever possible been aligned to the equivalent conventional Government service provider charges i.e. an upfront headworks cost on the clearance of each lot, an annual rateable charge and a volumetric charge.

The significant components includes funding the Capital Works for the first Stage of construction of the Water Reclamation Plant plus all connecting and internal sub division infrastructure. The second and final Stage of the Waste Water Treatment Plant will be funded by the Scheme itself from the accrued revenue.

**Early Release Lots**

Development of the Early Release Lots will initiate an upfront Headworks cost that is payable on the clearance of each stage of sub division either by way of a direct headworks contribution or bond from the developer. Modelling for the Scheme has utilised an indicative figure of $3,500 per lot. The Early Release Lots would not accrue an annual rateable charge until such time as the first stage of the Water Reclamation Plant was constructed and commissioned following which they would be rated as per the balance of lots to be constructed within the Witchcliffe Village.

**Standard Lots**

Standard Lots comprise all lots to be developed within the Witchcliffe Village Strategy less the Early Release Lots. As per the Early Release Lots, Standard Lots would attract an upfront Headworks cost from the developer that is payable on the clearance of each stage of sub division. Modelling for the Scheme has utilised an indicative figure of $3,500 per lot.

Unlike the Early Release Lots, the Standard Lots would accrue an annual ratable charge from creation as the first Stage of the Water Reclamation Plant was constructed and commissioned.

**Capital Investment**

In addition to Headworks Costs and ongoing ratable charges for any stock the Developers have on hand, the modelling undertaken uses the assumption that the Developers also fund Stage 1 of the Water Reclamation Plant which is estimated to cost $2.4 million.

**Water Reclamation Scheme Charges**

The Scheme will receive three income streams; headworks, annual rates, and volumetric charges. The annual ratable charge is paid by the landowner. The modelling combines the income streams and is able to cover the operation and maintainence of the Scheme and is able to fund the second stage of the Water Reclamation Plant while maintaining a positive cashflow over the 30-year project life.

The indicative costs and rates identified in the development of the Scheme to date are based on an assumed land sales and therefore Scheme take-up rates and may be subject to change following further review during the detailed design phase and the finalisation of the financial modelling.
Modelling for the Scheme has utilised an annual ratable charge likely to be less than $1,000 per lot for the wastewater service and the non-potable water supply, however the annual ratable charges will be reviewed by the State Government’s Economic Regulatory ERA (ERA) as part of the water licensing process for the Scheme. The volumetric charge for the non-potable supply is anticipated to be in the order of $1.20 per kL.

**Water Reclamation Plant**

UUA propose to establish the water reclamation plant by selecting vendors of equipment directly and developing a full detailed design to ensure plant operability.

Commissioning of the plant will require new residents of the Witchcliffe Village to be connected once adequate capacity is available to provide a base ‘biological’ load.

**Model assumptions**

The model and its inputs are based on comprehensive engineering knowledge and understanding that the reclamation Project must provide a reliable and safe operational solution, to serve the future members of the Witchcliffe community. The model takes account of information provided by the Developers including the anticipated lot sales.

The key metric to understand the commercial viability of the Scheme is the accumulated balance which is the cumulative total of the Scheme’s annual income minus the annual cost of operating and managing the Scheme.

It is essential to ensure the Scheme maintains its accumulated balance during the term of the Model and beyond, to ensure adequate funds are available to cover the cost of future capital investment in the Scheme which will in-turn, enable the standards of service to customers to be maintained.

UUA has taken the following assumptions into account in the development of the financial modelling and this report:

- Ultimately 728 no. new properties will be connected to the Scheme;
- The Scheme take-up rates have been provided by the Developers;
- All capital costs to establish the water reclamation plant and all associated water and wastewater infrastructure including the networks and property connections are to be borne by the Developers;
- All operating and maintenance costs for the Scheme including the wastewater collection, water reclamation plant and reclaimed water reticulation system are the responsibility of the Scheme and are included in the financial model;
- No escalation is applied;
- 100% of lots released will be sold in the same year (data source: the Developers);
- 76.1% of sold lots will be built on in the ‘sold’ year (data source: the Shire);
- 73.2% of built homes will be permanently occupied in the ‘built’ year (data source: the Shire)
- The headworks charge for all cleared blocks to be funded by the Developers to the Service Provider;
- Consistent with the Western Australian standards, the model assumes an on-going annual charge to be paid by the developer for unsold lots;
- Annual service charges and volumetric charges ($/kL) for sold cleared blocks will be funded by the lot owner; and
- Flow characteristic assumptions have been applied.

**Financial Operating Model**

The model has been developed to allow an understanding as to the viability of the Scheme and illustrates the Scheme’s anticipated income and costs based on the assumptions outlined above.

Financial model outputs are included as Attachment 01 to this report.
Further scenarios and sensitivity analysis will be performed and made available to the Council upon request.

**Existing Witchcliffe Townsite Residents**

While recent feedback from Witchcliffe residents demonstrates that there is limited interest in the Scheme, existing households can be required by the Shire to connect to the new water service under the section 72 of the Health Act 1911. This business plan however assumes that existing properties will not be required to connect to the Scheme and the Scheme has been designed so that it will not be reliant upon connections from existing households.

**BENEFITS TO THE SHIRE OF OWNING THE FACILITIES**

**Asset Ownership**

The Stakeholders of the Scheme have proposed a partnership for the new water service utility with the Shire as the asset owner.

The Shire is an established asset owner in a variety of infrastructure areas including transport, stormwater, parks, waste and buildings. It has also recently established a water recycling system owned by the Shire in Margaret River. It has established budgeting and rating systems and has powers to rate properties for specific purposes using a specified area rate under the section 6.37 of the Local Government Act 1995, a service charge under section 6.38 of the Local Government Act 1995, a Sanitary Rate under section 40 of the Health Act 1911 and/or a pan charge under section 106 of the Health Act 1911.

The Witchcliffe Developers would assist the Shire by providing information, infrastructure and assisting in funding both up-front capital works and head works as part of subdivisional development and ongoing annual ratable charges for unsold lots.

As the licensee, UUA has to prove that all costs can be covered by the income streams and that risk is properly managed and accounted for. UUA will demonstrate to the Shire, the robust financial model in advance of any submission to the ERA.

The responsibility for undertaking the operations is proposed to be performed by UUA. All unforeseen circumstances, new matters arising through changing circumstances (e.g. legislation changes) will however be managed appropriately between UUA and the Shire. The financial risk to the Shire is low as the Shire has powers to recover all cost through a rating of properties in the area serviced.

**Synergistic service provision**

The Shire has an established system of governance within which the operation of a water service business unit could be managed. The financial management including billing can be undertaken within Council’s existing processes. The process for agreeing rates with an elected Council will ensure a reasonable margin for the Scheme and fair price to the end users.

**Providing leading edge services**

Through the ownership of a water reclamation scheme the Shire will be at the forefront of sustainable services in Western Australia. This is an opportunity for the Shire to demonstrate how regional towns can be developed without the need for traditional centralised water service systems.

**Benefits from the expertise of a global water service provider**
By entering into negotiations with UUA the Shire will have the benefit of utilising the expertise of a global water service provider with experience of similar operations across Australia.

**Long term secure financial stream**

In order to gain wastewater and non-drinking water service licences, the ERA need to ensure that the system proposed is economically viable. This in-turn provides assurance to the Shire that any scheme will be financially viable and sustainable.

An additional benefit of establishing the scheme includes the establishment of a business model that can be replicated in other developments around the Shire and the State.

**REGULATORY FRAMEWORK**

**Local Government Act 1995**

Section 3.59 of the Local Government Act 1995 requires Local Governments to prepare a business plan prior to commencing a major trading undertaking or entering into a major land transaction. Establishing water services for Witchcliffe will result in establishing a new business unit with expenditure over the legislative threshold of $1 million and so the Shire is required to advertise a business plan related to the proposed major trading undertaking.

United Utilities has been selected to establish and operate the scheme based on the expressions of interest and selection process undertaken by the the State Government (Landcorp) for provision of water services at Gracetown.

Funds to establish Witchcliffe Water Services will be provided by the developers of land that receive water services, generally in the area West of Bussell Highway and to the North and South of Redgate Road. Funding for establishing infrastructure will be carried out in much the same way as currently occurs for other development infrastructure requirements such as roads, paths, drainage and parks both through construction of infrastructure assets that are then transferred to the Shire and through provision of a financial contributions for development of assets prior to lot clearances.

Funds to operate the service and for asset renewal and replacement will be funded through service charges and consumption charges levied on serviced properties. The cost of operation and asset replacement will be recovered through these service and consumption charges. The service will not require additional Council or Government subsidies. Details of the anticipated costs and income including long term asset maintenance and replacement have been included in Attachment 1 – Financial Model.

Water services are currently provided by the Water Corporation at Cowaramup, Margaret River and Augusta. The Water Corporation do not have a license to provide services in Witchcliffe. The Water Corporation has had an opportunity to seek an extension of their service area and provide services for Witchcliffe, however they have indicated that they do not wish to provide recycled water services or decentralised water services as planned for Witchcliffe.

The Shire of Augusta Margaret River provide a non potable (recycled) water service for landscape irrigation to public open space, the Margaret River Primary School and Margaret River High School. The Service is currently being extended to the Margaret River Golf Club. The proposal will have no impact on this existing service.

The proposal will have no impact on existing Council Services and will allow Council to offer an addition service to new residential areas in Witchcliffe so that residents of this land may access treated water for non potable reuse in their homes and gardens. There will be no changes to existing plans identified in the Shire’s Strategic Plan for the Future and Strategic Financial Management Plan. Ultimately when the service is established, planning for water service asset
renewal and replacement will be included in the Shire’s asset management and financial management framework, fully funded through service area charges.

Details of this major trading undertaking are required to be advertised for a minimum six week period. The local government is to consider any submissions made and may decide by an absolute majority to proceed with the major trading undertaking as proposed or so that it is not significantly different from what was proposed in the business plan.

Council resolved at an Ordinary Council Meeting of 8th September 2010 to advertise a business plan for a major trading undertaking. Advertising for a minimum six week period will be carried out in accordance with section 3.59 of the Local Government Act calling for public submissions.

The Act prescribes that the business plan is to include details of the proposal’s

a) expected effect on the provision of facilities and services by the local government;

b) expected effect on other persons providing facilities and services in the district;

c) expected financial effect on the local government;

d) expected effect on matters referred to in the local government’s forward plan;

e) impact on the ability of the local government to manage the undertaking or the performance of the transaction.

The information contained in the following business plan satisfies the requirements of the Act listed above.

In accordance with the Local Government Act 1995 the Shire of Augusta Margaret River has given both Statewide (West Australian Newspaper 2nd February 2011) and local public notice (2nd February 2011) stating that:

i) it proposes to enter into a major trading undertaking for provision of water services at Witchcliffe;

ii) that a copy of the business plan may be inspected by the public or obtained at the Shire offices or by accessing the Shire’s website;

iii) submissions in writing about the proposed major trading undertaking may be made to the local government before the close of business on 18th March 2011.

In addition to the provisions under the Local Government Act for a business plan for a major trading undertaking, the Shire is also subject to tendering provisions of The Act. The Act requires public tender for provision of services over the prescribed amount. Section S3.59 of the Local Government Act 1995 also contains provisions for a Local Government to claim exemptions from the tendering provisions. Due to the specialist nature of the services required, the Shire of Augusta Margaret River Council have resolved to work with United Utilities in establishing water services at Witchcliffe with exemption from tendering under Clause 11.2 (F) Local Government (Functions & General) Regulations 1996.

The Economic Regulatory Authority (ERA) and the Licensing of Water Services Act

The regulatory framework for the water services industry is established through the Water Services Licensing Act 1995 (the Act). The ERA is responsible for the functions outlined in the Act which include licensing and monitoring the performance of water industry service providers.

The licensing function includes processing licence applications and amendments and in doing so sets minimum service and performance standards to safeguard the longer term interests of consumers and the management of assets.

Under the licensing scheme, licence applicants are assessed by the ERA to against to determine whether applicants have the financial and technical ability to operate the service and that the application is not contrary to the public interest.
The monitoring function aims to ensure that water service providers meet relevant standards which may include:

- Water pressure and flow standards;
- Water continuity standards;
- Sewerage service standards; and
- Customer service and complaint handling standards.

It is proposed that UUA would apply to the ERA for a licence to operate in Witchcliffe. UUA and the Shire will require all necessary financial mechanisms to be accounted for and established before a licence application is submitted for assessment.

**Obtaining a water licence – the process**

Written applications must be made to the ERA on a prescribed application form. The ERA requires information (both from a financial and/or technical aspect) from the applicant including:

- the nature of the application;
- whether the applicant is an existing licensee;
- the applicant’s level of financial and technical resources and considerations in relation to public interest matters related to the proposed application;
- if the application proposal is to supply/distribute electricity, gas or water for commercial users or to sell to small use energy consumers or domestic purchasers of water services;
- if the proposed project is securely financed; and
- if the level of technical expertise of the applicant is commensurate with the applicant’s experience in operating an water supply works or supplying these services to customers successfully for some time.

**Information required for a licence application**

- Corporate Information
- Financial information
  - Current Financial Position;
  - Financial Projections; and
  - Financial Policies.
- Technical Information
  - Physical Environment;
  - Utility Supply;
  - Construction Activities;
  - Technical Ability; and
  - Asset Management System.
- Public interest information
  - Environmental considerations;
  - Social welfare and equity considerations, including community service obligations;
  - Economic and regional development, including employment and investment growth;
  - The interests of customers generally or of a class of customers;
  - The interests of any licensee, or applicant for a licence, in respect of the area or areas to which the order, if made, would apply;
  - The importance of competition in electricity, gas or water supply markets; and
  - Any other matters considered appropriate and relevant which may impact on the public interest.

**Further information required for the application**

The ERA reserves the right to request any additional information believed necessary to consider a licence application and may make such other enquiries as it considers necessary to assess the application which may include:
Memorandum of Understanding – Department of Health

In addition to obtaining a water operating licence from the ERA, the water service provider also has to establish a Memorandum of Understanding (MoU) with the Department of Health (DoH).

The MoU establishes a strong co-operative relationship between the licensee and the Department of Health for managing water quality and to primarily protect public health.

The MoU assumes that the licensee has developed competent management and reporting systems as required by the granted ERA licences and establishes a water quality ‘framework’ for adherence.

Foremost in the MoU is the reinforcement of the DoH as the regulator of water quality in the State. Consequently the MoU enables the Department of Health to audit the Licensee’s water quality, management and reporting systems to provide assurance of ongoing satisfactory performance.

The licensee commits to ensure that performance will be reported in a timely manner and will be open to the public. Failings by the licensee may see penalties being applied and if issues are not rectified, the DoH may cease operations.

**HOW THE KEY STAKEHOLDERS WILL WORK COLLECTIVELY TO PROGRESS**

The Key Stakeholders will work together to develop and implement the alternative water supply and will take the following actions:

1. **Ensure early collective involvement to ensure all parties shape the outcome of negotiations;**
2. **Further cement the partnership with mutually agreed goals;**
3. **Determine types of agreements required;**
   a. Preliminary Agreement: Witchcliffe Developers and UUA (status: complete)
   b. Development Agreement
   c. Implementation
**d. Operations: 25 year term with post-sales release for Developers**

4. Develop detailed business case;
5. Continue development of financial modelling
6. Establish ‘low risk’ principles for the Shire; and
7. Develop a detailed project programme.

The Shire will:
1. Check references for United Utilities for operational services provided for other utilities and local governments within Australia.
2. Obtain an independent assessment of the proposal and financial model from an independent organisation with experience in the operation of water services.