

How to Complete a Preliminary Impact Assessment

The Preliminary Impact Assessment (PIA) is an analytical tool, designed to assist agencies and the Regulatory Gatekeeping Unit (RGU) to determine whether a regulatory proposal could have a **significant negative** impact on business (including Government businesses), consumers or the economy.

If, after assessment of an agency's PIA, the RGU determines that a proposal is likely to result in a **significant negative** impact on business, consumers or the economy, completion of a Regulatory Impact Statement (RIS) will be necessary.

Whilst the RIS is designed to undertake, and report on, a detailed assessment of both the costs and benefits of a proposal (whether they be environmental, social or economic), the PIA is intended to be a simple and easy-to-use tool and does not require the same level of information concerning costs and benefits.

The PIA also highlights to agencies the main features and logic of the proposal and the extent to which the proposal meets government objectives

Overview

The PIA is a simple, seven page form with 'Yes' or 'No' questions and space for short answers. The PIA should take approximately one to two hours to complete. Please note that to ensure answers are clear and concise, some parts of the template contain word limits.

Points to consider before you begin

Bills dealing with multiple policies

The PIA is not designed to deal with bills containing a number of discrete policies and proposals which may cover a number of regulatory amendments. In these circumstances it is encouraged, where possible, to separate or group the regulatory amendments into different categories where the impact of such amendments would be similar. This may require agencies to complete more than one PIA for any individual proposal. You may like to discuss this with the RGU before you start completing the PIA.

Content

The PIA should exist as a stand-alone document. That is, all information relevant to the proposal should be outlined within the template. Thus, anyone unfamiliar with the topic should have a sound understanding of the proposal after reading through the PIA. The PIA answers should be as concise as possible whilst still answering the relevant question. Providing large quantities of information is not helpful if the specific question is not addressed.

Timing

The PIA should be prepared after an administrative decision is made that a policy issue exists and that regulation may be necessary, but well before a policy decision is made as to the exact form that regulation may take. If a regulatory option is being considered to address a policy issue, a PIA of the proposal will help to determine whether the proposal's negative impacts are significant and therefore whether a RIS needs to be prepared.

Agencies should keep in mind that whilst a PIA may only take an hour to complete, and will be assessed within 10 working days, if the PIA finds a proposal has significant negative impacts then a RIS would be necessary and this can take an extensive period of time. As a result, it is in the agency's best interests to contact the RGU as early as possible within the proposal's policy development cycle. Where agencies do so, the full RIA process should not normally delay a proposal as it simply encompasses best practice policy within normal development processes.

However, proposals lodged late in the policy development process (i.e. just before lodgement with Cabinet) may encounter significant delays where the RGU finds that further analysis in the form of a RIS assessment is warranted.

Therefore **the onus is on agencies to contact the RGU at the beginning of their policy development process** to ensure that the RIA process can run parallel to the agency's normal policy development.

Quantification

Agencies are encouraged to quantify answers where possible. This helps the RGU to more accurately assess the level of impact a proposal may have on business, consumers or the economy. Therefore, when describing changes to, or significant details of, the proposal, wherever possible, please include statistics to substantiate statements made. Try not to use words such as "likely", "may", "small", "large".

For example: "20% of xx number of people surveyed in 2007 were dissatisfied with the proposed amendments" - is preferred to – "People surveyed were dissatisfied with the proposed amendments".

PIA Template by Section

Section 1: Contact Details

The main point of contact for the proposal should complete this section. This person will be contacted by the RGU should any queries or concerns need to be addressed.

The final section, Section 8 is for the manager/director to approve that the form is correct.

Section 2: Proposal Overview

Summary of the proposal: a brief summary of the proposal should be given. This summary should be written for a reader who is unfamiliar with the topic. It is important that agencies include what the proposal is and why it's needed. Please note that a character limit applies to encourage a clear and concise summary of the proposal.

Stage of policy development: please choose the appropriate answer from the drop down list. Ideally the PIA should be submitted to the RGU early in the policy development cycle to avoid any time delays.

Small business impacts: agencies should select the 'yes' option if a proposal is likely to have a significant impact on small business. The RGU may send the proposal to the Small Business Development Corporation (SBDC) if, on examination, there are significant small business impacts, even if the 'Yes' option is not selected. Please be aware that SBDC may contact agencies directly should they have any queries about the proposal.

Yes/No Questions: these questions should be self explanatory. Please contact the RGU if you have any queries or concerns.

Section 3: Proposal Details

This section gives a brief overview of the proposal including why it's required, its objectives, the options to resolve the problem and details of any past or future consultation.

For the first three questions, agencies should select the appropriate answer from the drop down box. If an appropriate answer does not exist then 'other' should be selected and the appropriate answer written in the box below the question.

Need for government action: agencies should provide a brief statement of the problem/issue the proposal is designed to address. Explain **why** government action is required. Examples include market failure, regulatory failure and unacceptable risk. A description of these examples is given on page 4 to 5 of the RIA Guidelines.

Please note that it is not sufficient to state that a Minister requested the proposal or that Western Australia is inconsistent with other states. Agencies should consider the broader question of why regulation is needed. They should put forward the case for regulation.

Objectives of the proposal: the policy objectives, goals or targets of the proposal should be clearly articulated in this section. **What** does this proposal hope to achieve? Make sure you explain the *end outcome* to be achieved rather than the *means* by which the objectives will be achieved.

Option to resolve: what are the option/s to achieve the objectives outlined? How will the problem be resolved? Please give a very brief description of each.

Consultation: The RGU understands that in the early stages of policy development, agencies may not have consulted yet. In this situation agencies should provide an outline of who they intend to consult.

Alternatively, if consultation has occurred, including informal or preliminary consultation, the following must be addressed in this section:

1. Consultation: for example, who was consulted – industry, agencies and/or consumer groups? Was there public consultation and/or targeted consultation? How long was the consultation period?
2. The outcomes of the consultation: for example, was the consultation supportive of the proposal and/or were there objections to the proposal? How many submissions were received? Please provide an outline of the feedback and, in particular, any negative feedback.
3. How the objections were addressed: for example, was the proposal changed in anyway to address the feedback?

Section 4: Requests for Exception (Optional)

Please note that this section is optional and should only be filled in by agencies who wish to seek an exception.

This process should not be confused with the application for, and consideration of, Treasurer's Exemptions.

Exceptions from the RIA process may be granted if the RGU determines that one of the following circumstances applies:

1. Standing Rules and Orders of Legislative Council and Legislative Assembly.
2. Regulatory proposals that concern, or are related to, electoral rules.

For example: changes in electoral boundaries or the setting of mandatory fixed election dates.

3. Regulatory proposals that are machinery of government or administrative in nature, including those relating to:
 - the administration or procedural arrangements within or between agencies; or
 - the consolidation of legislation, minor legislative amendments, correction of drafting errors, the commencement or repeal of legislation.

For example: an agency name changes or departments consolidate.

4. Regulatory proposals that are related to the management of the public sector.

For example: an industrial relations provision which relates only to public servants.

5. Regulatory proposals relating to:
 - police powers and general criminal laws with no impact on business; and/or
 - the administration of justice, such as rules of court and sentencing.

For example: a proposal which would increase the penalties for assault, would receive an exception. However, a proposal to outlaw the sale of guns could **not be excepted from the RIA process** because business would be impacted.

6. Regulatory proposals involving the adoption of an Australian or international protocol, standard, code or Intergovernmental Agreement if an adequate assessment of the costs and benefits has already been made and the assessment was made for, or is relevant to, Western Australia.

For example: a COAG agreement where a Commonwealth RIS has been completed, where the impacts on Western Australia have been examined.

7. Regulatory proposals that are subject to analytical and consultative processes which the RGU has approved as equivalent to RIA requirements.
8. Regulatory proposals which relate to increases in existing fees and charges, in line with a standard index (such as the Consumer Price Index) and/or that maintain cost recovery, since the last adjustment.

Exception 8 deals with increases to fees in line with, or below, the CPI since the last adjustment. A number of government fees and charges are increased annually or periodically in relation to movements in the CPI. Such increases would not be assessed under RIA, as it is unlikely that an increase in line with, or below CPI would have a significant negative impact. Consequently, there is no value to be gained in such an analysis.

9. All regulatory budget and taxation proposals referred to the Economic and Expenditure Reform Committee, unless the Committee requests further RIA assessment.

Where an agency seeks an exception as set out above, and this exception is **granted by the RGU**, further RIA will not be applied.

For reasons of best practice and transparency, it is still essential that agencies complete a partial PIA in order to ensure that the RGU is able to confirm that an exception is appropriate in the circumstances. Moreover, once the RGU has considered the request for an exception, it will issue the agency with an RG number and Compliance Assessment Notification letter which the agency should maintain as proof of an exception being granted.

If an agency believes that they may be eligible for an exception to the RIA process they should immediately contact the RGU to informally discuss. Agencies should be aware that it is not the RGU's responsibility to prove that a proposal does not meet the criteria for an exception, instead the onus is on the agency.

Section 5: Market and Competition Impacts

Quantitative estimation: this section asks agencies to quantify the impacts the proposal will have on:

4. **Businesses within the sector** – this refers to the number (**or** percentage) of businesses impacted within a specific sector. *For example, 5 businesses within the mining sector would be impacted by this proposal.*
5. **Businesses within the State** – this refers to the number (**or** percentage) of businesses impacted within Western Australia. *For example, 100% of businesses within Western Australia would be impacted by this proposal.*
6. **Consumers of the good** – this refers to the number (**or** percentage) of consumers impacted in Western Australia. *For example, 50% of Western Australian consumers would be impacted by this proposal.*

7. **Price of the good/service** – this quantifies the dollar increase or decrease (or percentage impact) of the price of a good or service. Please use a qualification (for example, per litre, per hectare per machine) and, if appropriate, a negative sign to indicate a decrease in price. *For example, - \$0.10 decrease per metre.*

In limited circumstances where the above questions would not apply, a 'N/A' answer should be given.

Questions 5.1 to 5.6: these questions are designed to examine the competition and market impacts the proposal might have if implemented.

For each question, agencies are required to tick 'Yes' if a **negative** impact may result and 'No' if a **negative** impact is unlikely.

In answering within the blue free text areas, prompts are provided to aid in answering these questions. Please note that the examples given are a guide to help identify the type of impact and should not be considered an exhaustive list.

In each section agencies must identify the type of impact (e.g. one of the prompts) and the level of impact (significant or low).

For example: this proposal is only likely to restrict XX businesses by XX and as such is considered to have a low negative effect.

When completing Section 5, agencies should keep in mind that it is attempting to assess the **negative** impact that the proposal has on consumers, businesses or the wider economy. The PIA particularly attempts to assess if the proposal results in one of the following:

- Higher prices;
- Less choice;
- Less competition;
- More barriers to entry/exit; or
- Higher quality standards of qualification than warranted (thereby unnecessarily increasing costs).

Section 6: Compliance/Other Costs on Business, Consumers or Government

This section consists of 2 questions that assess the cost impacts of the proposal. These questions are concerned with the following compliance costs:

- **Costs to business** or consumers such as licence fees, time delays, educational costs, reporting requirements.
- **Costs to government** such as administration or enforcement costs.

There are many examples of compliance costs. Specifically, the kinds of costs assessed in Section 6 may include but are not limited to:

- Costs on existing staff time including training and on costs;
- Costs of employing new staff including training and on costs;
- Costs of purchasing new equipment;
- Costs of reporting certain events to a regulatory authority;

- Costs of gaining licence/authority to conduct an activity;
- Costs of expert advice such as expert legal or accounting advice; or
- Costs of enforcement.

For each question, agencies are required to tick 'Yes' if a **new cost** may result and 'No' if a **new cost** is unlikely. A brief explanation, explaining the reasoning behind either answer is required. Where possible, dollar amounts (for example, new fees or additional costs to obtain licences) should also be included.

For example: three policemen will be required to enforce this proposal, however funding will come from existing budget allocations and will therefore not impose any new costs on government.

Section 7: Additional Information

Question 7.1 asks agencies if, in their opinion, the proposal could have a significant **negative** impact on business, consumers or the economy. When making this decision, agencies should consider all the information provided in previous sections and give an 'on-balance' answer.

The answer will aid the RGU in making a decision but will not directly influence whether further analysis is required.

Page 13 of the RIA Guidelines provides information concerning 'significance' should it be required.

Section 8: Next Steps

A person with knowledge of the policy and an appropriate level of authority to approve the PIA, should complete this section. For example, the Division's Executive Officer. The role of the Approval Officer is distinct from that of the Contact Officer identified in Section 1.

In signing the PIA, the approver is certifying, to the best of their ability, that all information provided is true and correct and that no relevant information has been excluded.

Once completed please forward the approved PIA to regulatorygatekeeping@treasury.wa.gov.au. A receipt email will be sent within 24 hours and a written response within 10 working days. This written response will ask for further clarification of the proposal or alternatively advise agencies whether or not further action is required in the form of a Regulatory Impact Statement.

If you have any questions or problems completing the PIA template please contact the RGU at regulatorygatekeeping@treasury.wa.gov.au or alternatively call (08) 9278 6753.



Preliminary Impact Assessment

This form expires on 31 August 2011 and will not be accepted two weeks after this date.

Please download a new form from the Regulatory Gatekeeping website:
<http://www.treasury.wa.gov.au/cms/content.aspx?id=3673>

Office Use Only			
DMS Number	<input type="text"/>	RG Number	<input type="text"/>
Date PIA Received	<input type="text"/>	RGU Officer	<input type="text"/>

1. Contact Details	
Department/Agency	Department of Water
Title of Contact (Mr/Ms)	Ms
Name of Contact	Tammy Ng
Position	A/Manager Water Services Policy
Postal Address	PO Box K822 PERTH WA 6842
Phone Number	63636867
Email	tammy.ng@water.wa.gov.au

2. Proposal Overview	
Name of Proposal	Developing a Water Services Customer Code
Provide a brief summary (maximum of 1000 characters) of the proposal. For further information please follow the link below to the PIA Guidance Note: Section 2: Proposal Overview	Summary of the Proposal The Department of Water is preparing a code of conduct, the Water Services Customer Code, which will govern the relationships between water service providers (WSPs) and their customers. The code will incorporate and extend the current customer provisions in the water service licence conditions, and will align customer protection in Western Australia's water services with other jurisdictions in Australia and with other essential services, such as electricity and gas.
Please indicate (most appropriately) which stage of the policy development process the proposal is in.	3. Pre-Consultation
Is the proposal likely to have a significant impact on small business? If YES, the RGU will provide a copy of the completed PIA to the Small Business Development Corporation (SBDC). If UNSURE, contact the SBDC for assistance.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the proposal likely to meet an obligation under COAG or other intergovernmental agreement, primarily adopting the agreement's terms?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

If YES, and the agreement process has already been subject to a detailed assessment, please provide the following information:	Date assessment published/provided	/ /
	Was there consultation with WA?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Did the assessment address impacts on WA?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Link to the assessment/s	

3. Proposal Details

Type of Proposal	2. Subordinate Legislation
If other, specify	
Nature of Regulatory Issue	3. Other
If other, specify	Clarify customer rights and obligations of water service providers towards their customers.
Title(s) of Legislation / Regulation	Water Services Customer Code
If other, specify	
Mechanism of Implementation	2. Executive Council
If other, specify	
Proposal Decision Maker	2. Minister/s
If other, specify	

Provide a brief statement (maximum of 800 characters) of the current situation and why this proposal is required to address the problem.	Need for Government Action (Statement of the Issue)
	<p>The Water Services Customer Code is being developed as part of a broader legislative reform process, the Water Services Bill 2011. The Bill has been introduced to the Parliament. It aims to consolidate and modernise existing water law. It stipulates that a code of conduct will be subsidiary legislation and WSPs will have to comply with it as part of their water service licence conditions.</p> <p>The code will unify customer service provisions across different service classes. It will clarify the obligations of WSPs towards their customers. A code will also bring water services in line with other essential services, such as electricity and gas.</p>

<p>Provide details (maximum of 800 characters) of what you are trying to achieve, rather than the <i>means</i> by which it will be achieved.</p>	<p>Objectives of the Proposal</p> <p>The primary intent of the code is to protect customers from the risk of misuse of monopoly power that arises from a lack of effective competition in the water industry.</p> <p>The code will:</p> <ol style="list-style-type: none"> 1. Protect customers from the misuse of monopoly. 2. Clarify water service providers' obligations to customers. 3. Expand customers' existing rights by specifying minimum service standards. 4. Reinforce regulations in areas such as complaints and conflict resolution, and seek protection for customers experiencing payment difficulties and/or suffering financial hardship. 5. Ensure unity in service provision across the state by consolidating the customer provisions that are currently part of the licence conditions of water service providers.
<p>Provide details (maximum of 800 characters) of how the proposal will meet the above objectives (eg increased agency accountability, greater ministerial powers).</p>	<p>Option to Resolve Issue</p> <p>The code will ensure that customers are protected from misuse of monopoly power by ensuring there is transparency in the water services market.</p> <p>The Economic Regulation Authority (ERA) will administer and ensure compliance with the code. The code will provide the ERA with more direct enforcement power. Non-compliance with the code may result in the water service provider being in breach of its licence. If licensees breach their water service licence conditions the ERA can take enforcement action under the current legislation and the proposed Water Services Bill 2011. In severe cases, the Governor can cancel a licence.</p>
<p>If you have already conducted consultation, the following information must be included:</p> <ol style="list-style-type: none"> 1) Consultation methodology (eg. who was consulted, how they were consulted and the length of the consultation period). 2) The outcomes of any consultation as well as major objections to the proposal. 3) How the objections were addressed. <p>Ensure that appropriate stakeholders are identified with details of how they will be affected by the proposal.</p>	<p>Consultation</p> <p>Consultation has been undertaken with key stakeholders in the form of informal meetings and conversations from late 2010 until the current date. The Department of Water (DoW) established a working group following a request of interest from stakeholders. The working group consists of participants from various sectors, including the water services industry, customer and consumer groups and relevant government agencies with executive support from the DoW. The working group used an issues paper (outlining issues that were anticipated to arise and in need of clarification) as the basis for discussion and to arrive at recommendations for a draft position paper. The issues paper was published on the DoW's website and stakeholders were notified. The draft position paper is scheduled for release for public consultation in the last quarter of 2011.</p>

4. Request for Exception (Optional)

Do you request an exception from further RIA analysis?

Yes No

If YES, please indicate which exception applies

Select From List

Provide a brief reason (maximum of 1000 characters) for the requested exception.

Please follow the link below to the PIA Guidance Note for a detailed description of the exceptions:

[Section 4: Requests for Exception \(Optional\)](#)

Reason for Exception

IF REQUESTING AN EXCEPTION FOR THE PROPOSAL, SKIP TO SECTION 8.

5. Market and Competition Impacts

Regulation can have a negative impact on business, consumers or the wider economy if it inhibits:

- market functions (such as regulating price setting, restricting product availability and mandating the level of production);
- competition within state and/or national markets (such as imposing barriers to entry to the industry); or
- the markets efficient allocation of resources (such as banning secondary markets)

In general, impacts would be low rather than significant, when only a few businesses or consumers are affected or the economic impacts are small.

Provide an estimation of:

The number (or percentage) of businesses within a sector, that may be impacted (eg. 200 businesses or 50 per cent of operators in the sector)

31 licences

The number (or percentage) of businesses within the State as a whole, that may be impacted (eg. 3 businesses or 100 per cent of W.A. businesses)

31 licences

The number (or percentage) of consumers of the particular good/service, that may be impacted (eg. 100 per cent of consumers of that product)

All

The dollar increase (or percentage impact) on the price of the particular good/service (eg. the price is expected to increase by \$20 of 25 per cent)

None

If no estimation is possible, please explain why.

Please indicate whether the proposal is likely to have a **negative impact** by selecting either YES or NO for each question. In addition, please include a **brief explanation** as to why there may, or may not, be a negative impact.

Note that the example text in each answer box may be removed prior to submission of the PIA to the RGU.

Is the proposal likely to have a negative impact on:

5.1 The ability/incentives of businesses to compete?

Yes No

No. The introduction of the Water Services Customer Code (WSCC) will provide clarity on the obligations of WSPs in the provision of water services. The code will ensure consistent service standards across different service classes. It will create a level playing field for new market entrants through standardising the level of service.

5.2 The number and range of businesses in an industry?

Yes No

No. The existence of the WSCC will not affect the number of businesses providing water services in Western Australia. All water service providers have to be licensed (unless an exemption has been granted by the Governor) in order to provide a water service (water supply, sewerage, irrigation or drainage service).

5.3 The price or level of production of a good or service?

Yes No

If service standard payments (SSP) are to be introduced to the water services industry in Western Australia as a result of the WSCC, WSPs will have to pay or provide a rebate to customers when they breach the agreed service standards (ie service failure). These payments can also be seen as incentives for WSPs to provide the level of service they are bound to by their licence conditions or other requirements.

The benefits to customers of introducing the SSPs will outweigh the costs in terms of improvements to service provision and efficiency, transparency in the obligations of WSPs and the protection of customers against potential misuse of monopoly power.

Initially, any introduction of SSPs is likely to be voluntary.

5.4 Consumers?

Yes No

No. Consumers will clearly benefit from the existence of the WSCC. See previous paragraphs for further explanation.

5.5 The allocation of resources?

Yes No

No. The ERA is responsible for monitoring and ensuring compliance with licence conditions and relevant legislation and will continue to have this role when the WSCC comes into effect. There will be no additional allocation of resources as a result of the WSCC.

5.6 Market function or competition in regards to business, consumers or the economy?

Yes No

No. Market function or competition will not be negatively impacted. Indeed the WSCC assist competition by providing a clear framework for all WSPs' interaction with customers.

6. Compliance/Other Costs on Business, Consumers or the Government

Compliance costs to business/consumers involve time and financial costs, to meet for example new educational standards or record-keeping requirements. Compliance costs would generally be low when only a few businesses/consumers are affected or the costs are small or insignificant.

For the purposes of this section, a consumer may be regarded as the end user of the product or service in question, whether it is publically or privately supplied. Government includes local, State and Federal Governments.

Please select either YES or NO for each question and include a **brief explanation** as to why there may, or may not, be **new costs** as a result of the proposal. Please also include dollar amounts (for example, new fees or additional cost to obtain licences) where possible.

Note that the example text in each answer box may be removed prior to submission of the PIA to the RGU.

6.1 Will any costs be imposed on business or consumers due to this proposal?

Yes No

No. No businesses or consumers will incur any direct costs as a result of the introduction of the WSCC. Initially, there may be some compliance costs (time and money) for WSPs in understanding and adapting to the requirements of the WSCC. These costs will be minimal as it is a point of good business practice.

6.2 Are there any compliance, administration or enforcement costs on government due to this proposal?

Yes No

Yes, there may be some small costs associated with setting up a consultative committee. Similar to the Electricity Industry Act 2004, the Water Services Bill 2011 (part 2, division 3, s26(1), s27 (1),(2)) will enable the ERA to set up a consultative committee to advise on the code and review it. The committee may determine its own terms of operation within those set by the ERA. The ERA will provide support and may reimburse committee members for their efforts, as recommended by the Public Sector Commissioner.

As a guide, the Electricity Code Consultative Committee members who qualify (non-government consumer organisation representative or an independent chair qualify) are remunerated at a rate of \$240 per day for full day meetings and \$160 per day for part day meetings.

7. Additional information

7.1 Based on the information you have provided thus far, do you believe this proposal will cause a significant **negative** impact on business, consumers or the economy?

Yes No

7.2 If necessary, please provide any additional information.

8. Finalisation

Approved By

Name Hazel Kural

Position Director, Water Industry Policy

Phone Number 6364 6862

Email hazel.kural@water.wa.gov.au

By certifying this form, you are agreeing to the best of your ability that all information provided is true and correct.

Time taken to complete this form (in minutes):

This should not include the time taken in gaining approval.

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Please email this form to regulatorygatekeeping@treasury.wa.gov.au. If you have any problems completing this form please contact the Regulatory Gatekeeping Unit via the above email.

Please note that formatting (such as spell check) is not available in this form.