

17 February 2014

QLD COMPETITION AUTHORITY

26 Spindrift Avenue
Coolum Beach
Qld. 4573

The CEO
Queensland Competition Authority (QCA)
Attn. Ms. Catherine Barker

19 FEB 2014

DATE RECEIVED

Dear Ms Barker,

Thank you for providing an opportunity to make this public submission.


Queensland Government regulations intended to protect consumers against excessive water service charges in Coolum Beach and the SEQ 2013-15 Prices Monitoring Investigations as set out in Draft Reports "A" and "B" are ineffective. The Draft Reports do not provide assurance that households in the former service area of Maroochy Council do not continue to suffer predatory pricing abuse in excess of the maximum allowable revenue (MAR) permitted under National Water Initiative (NWI) Pricing Principles in the 2013-15 annual budgets of Unitywater. Please now refer to Section 6 of draft Report "B", and Tables 54 and 55 on page 63.

The Ministerial Direction requires provision of information to customers about costs and other factors underlying provision of water and sewerage services. However Table 54 does not show the return on capital and return of capital for bulk water service costs. Such detail is needed because an earlier prices monitoring report for SEQ bulk water suggested that about 60% of water costs are associated with capital charges for infrastructure investment. If this remains indicative, capital related costs amount to about 60% for total water costs rather than the 34% as shown in Table 54. Table 55 indicates that capital related costs amount to 61% of total costs for sewerage services.

Draft reports "A" and "B" do not independently address the matter of infrastructure valuation methodology as the Authority was not authorised to perform independent investigation of the 2012/13 and prior year RAB determinations. Despite past provision of requested public submissions to the National Water Commission and the Productivity Commission's Urban Water Inquiry, no effective consumer protection for pensioner households in Coolum Beach against predatory pricing has as yet been provided by QCA's various prices oversight investigations.

Please correct such unfair treatment and afford all the public submissions due process in the 2013-15 SEQ prices monitoring investigation final reports. Please also consider an attached supplementary submission that seems inconsistent with the Authority's "Statement of Regulatory Pricing Principles for the Water Sector (December 2000)" and suggests failures by both Unitywater and the Queensland Water Commission to embrace COAG water reform obligations in accord with NWI Pricing Principles.

Yours sincerely,



Amy-Rose West (Ms.)

Attachment: Re_KPMG's valuation of water assets

From: [Amy-Rose West](#)

To: [QWC Enquiries](#)

Sent: Sunday, June 05, 2011 5:00 PM

Subject: Re: KPMG's valuation of water assets

Thank you for this response.

I note that the deprival value methodology adopted under NWI Pricing Principles requires use of the lower of DORC and EV (NPV). Please confirm that the valuations used by QWC to determine the capital related components of bulk water charges passed through to Unitywater in 2010/11 used the lower DORC valuations of bulk water assets transferred over from Sunshine Coast Regional Council and Moreton Bay Regional Council appropriately rolled forward from the 2008 legacy valuations.

My reason for requesting this clarification follows from notes to the Financial Statements 2009/10 for the Queensland Bulk Water Supply Authority in the Seqwater Annual Report 2009/10 page 62 and Note 4.(a) that states fair value is either DORC or NPV not the lower of DORC and NPV.

Yours sincerely,

Amy-Rose West

Note: No response has been received.

On 3/06/2011 2:56 PM, QWC Enquiries wrote:

> Dear Ms West

>

> Thank you for email of 22 May 2011, concerning the Queensland
> Government's determination of the regulatory asset base (RAB) for
> Seqwater.

>

> I understand you are seeking confirmation that the Queensland
> Government's determination of the RAB for Seqwater and its capital
> recovery components of bulk water charges have been determined using the
> Optimised Deprival Value (ODV) methodology set out under the National
> Water Initiative (NWI).

>

> The NWI Pricing Principles require the deprival value methodology to be
> used for asset valuation purposes, unless a specific circumstance
> justifies another method. The deprival value is based on the lower of
> the Depreciated Optimised Replacement Cost (DORC) and the economic value
> (EV) of the assets.

>

> KPMG's valuation of the assets transferred to Seqwater was conducted
> using a discounted cash flow analysis (DCF) or Net Present Value (NPV)
> analysis. KPMG confirmed in its December 2007 report that the valuation
> approach is consistent with the Council of Australian Governments (COAG)
> water reform agreement which underpins the COAG Pricing Principles and
> the NWI Pricing Principles.

>

> The Queensland Water Commission (QWC) has adopted the RAB approach for
> setting Seqwater's revenue requirements which is consistent with the NWI
> Pricing Principles.

>

> The Queensland Competition Authority (QCA) has also been instructed to
> apply these values, consistent with the normal regulatory practice for
> rolling forward the RAB. The QCA's draft report on the 2011-12 Grid
> Service Charges that apply to Seqwater, including details on the current

> RAB, are available on the QCA's website at < www.qca.org.au >.
>
> If you require any further information, please do not hesitate to
> contact Ms Tracie-Lee Waldock, Director, Grid and Bulk Water Supply on
> 3247 3031.
>
> Yours sincerely
>
> Queensland Water Commission
> 1300 789 906//www.qwc.qld.gov.au
> qwcenquiries@qwc.qld.gov.au
>
> -----Original Message-----
> From: Amy-Rose West [mailto:amy_rose.west@lizzy.com.au]
> Sent: Sunday, 22 May 2011 5:01 PM
> To: QWC Enquiries
> Subject:
>
> Attn. Ms Gayle Leaver
> Acting Senior Director Water Reform QWC
>
> Dear Ms Leaver,
>
> *I refer to correspondence from the Minister Water Utilities dated 12 May*
> *2011 suggesting this enquiry be sent to your attention, and the*
> *Commission's projections of bulk water charges in SEQ now being*
> *reflected in Unitywater's bulk water charges for 2010/11.*
>
> Confirmation that the Queensland Government's determination of
> regulatory assets for SEQwater and its capital recovery components of
> water charges have employed the Optimised Deprivation Value methodology set
> out under NWI Pricing Principles would be appreciated.
>
> Yours sincerely,
>
> Amy-Rose West
> On 9/17/2010 4:37 PM, QWC Enquiries wrote:
>
>> Thank you for your email of 22 August 2010 concerning increased water
>> charges.
>>
>> The State Government has directed the Queensland Competition Authority
>> (QCA) to independently monitor retail prices set by Council-owned
>> *water and sewerage businesses to ensure these businesses can justify*
>> *the retail prices they set against the costs they incur in delivering*
>> *water and sewerage services. The QCA in its report on 2009-10 retail*
>> *water prices noted that Council's pricing of water was not cost*
>> *reflective and had been historically underpriced. The price increases*
>> *set by Unitywater are moving its charges towards prices which reflect*
>> *the full cost of delivering water and sewerage services.*
>>
>> The Queensland Water Commission hope this assists in responding to
>> your concerns.
>>
>> Kind regards,
>>

>> Queensland Water Commission
>> 1300 789 906//www.qwc.qld.gov.au
>> qwcenquiries@qwc.qld.gov.au
> Date: 22 Aug 2010 11:40 am

>> Subject: Enquiry

>> Message:

>> Thank you for your email, and I apologise for the delay in responding.
>> There are a high number of calls and emails being experienced on the
>> Sunshine Coast and Unitywater is working hard to respond to all
>> customer enquiries.

>>

>> Queries in relation to the governance of the Water Grid should be
>> directed to the Queensland Water Commission.

>> <http://www.qwc.qld.gov.au/>>

>>

>> I hope this assist with your enquiry.

>>

>> Yours sincerely

>>

>> David West

>> Manager Customer Service

>> For Chief Executive Officer

>> Unitywater

>> customer.service@unitywater.com

>>

>> -----Original Message-----

>> From: Amy-Rose West [mailto:amy_rose.west@lizzy.com.au]

>> Sent: Thursday, 12 August 2010 11:20 AM

>> To: Customer Service

>> Subject: Re: Prices oversight obligations

>>

>> Dear Mr. West,

>>

>> Thank you for this response.

>>

>> You assert that "the cost of bulk (wholesale) water that Unitywater
>> must purchase from the Water Grid Manager. This price is set by the
>> State Government and has increased by 21% in the Moreton Bay Regional
>> Council area and 26% in the Sunshine Coast Regional Council area for
> 2010-11" whereas my water charges have increased 72%.

>>

>> Have the Government's bulk water charges throughout S.E.Qld. been
>> subjected to independent prices oversight by the Queensland
>> Competition Authority (QCA)? It is my understanding that such
>> independent oversight is a requirement under water reform agreements
>> between Queensland and the Federal governments, and the 2010 price
>> monitoring referral by the Minsters QCA has precluded such
> independent investigation. I would appreciate your further enlightenment on these issues asap.

>>

>> Sincerely,

>>

>> Amy-Rose West