



QLD COMPETITION AUTHORITY

27 JUN 2014

DATE RECEIVED

Dr Malcolm Roberts  
Chairman  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Qld. 4001

25 June 2014

Dear Dr Roberts

I am writing on behalf of our members in response to the Queensland Competition Authority's call for public submissions on the two water regulation discussion papers.

The Coolum Residents Association represents the views and opinions of a complete cross-section of the Coolum community. It is a body charged with the task of maintaining and protecting the quality of life preferred by the majority of Coolum residents.

The CRA achieves this by keeping a watching brief over Council, developers and other authorities and groups that could affect the goal of achieving the majority vision for Coolum. The Association is a non-profit, non-partisan volunteer organization.

Should you require any further clarifications on our attached submissions please contact our Special Project Officer, Richard Koerner via email on [rjkoerner@iinet.net.au](mailto:rjkoerner@iinet.net.au) or [info@coolumresidents.org](mailto:info@coolumresidents.org).

Kind Regards

Robyn Fernandez

25/06/2014

Secretary Coolum Residents Association

## **Transition to light-handed performance monitoring – Unitywater (May 2014)**

### **Summary Submission**

Coolum Residents Association Inc (CRA) agrees that QCA's primary role as regulator is to ensure that Coolum's water service consumers are not being subjected to unfair pricing abuse (see Draft page (iii)). CRA submits that the Ministerial Direction for preparation of this and the long term regulatory monitoring policy paper denies Coolum households such protection by again forbidding QCA's independent assessment of the rolled forward 2013-15 regulatory asset base (RAB) determinations for Unitywater and SEQwater.

### **Draft Discussion**

#### Section 1.4 - Criteria (page 2)

CRA opposes immediate transition to light-handed performance monitoring for the following reasons:

1. There remain major interest and equity issues warranting regulatory review due to restrictive terms of reference issued by the Queensland Government and failure by QCA to exercise its responsibilities as an independent price monitoring regulator in its performance of past SEQ prices monitoring investigations;
2. QCA findings of lack of evidence of market power by Unitywater and SEQwater are flawed due to the restrictive terms of reference cited in (1).

#### Section 2.2.1 - second paragraph page 3

CRA is incredulous with the assertion that " The QCA is not aware of any public interest or equity issues that would warrant further regulatory review etc."

Numerous complaints and public submissions have been made by Coolum Beach Progress and Ratepayers Association (now CRA) and other stakeholders to The Treasurer, Ministers QCA, Minister for Local Government, the Queensland Ombudsman, the CMC the Productivity Commission's Urban Water Sector Inquiry and National Water Commission's 2011 Biennial Assessment regarding unfair pricing practices of Maroochy Water Services now embedded in Unitywater's charges.

Section 2.2.3 – Market Power – second paragraph page 4 asserts “QCA has not found evidence that Unitywater was exercising monopoly power etc”

CRA is astounded with such an assertion and submits that QCA has failed in its prime regulatory duty to investigate forensic evidence of monopoly pricing abuse amounting to some \$20 million per year borne at first by households served by Maroochy Water Services, then Sunshine Coast Water, and presently Unitywater. Such evidence is posted as stakeholder public submissions to SEQ Water Prices Monitoring Investigations for 2009/10, 2010/11, 2011/12 and 2013-15.

Figure 1 (page 5) is purported to demonstrate that Unitywater charges are below the maximum allowable revenue (MAR).

CRA submits comments expressed in (a) are misleading because QCA's MAR determinations shown in this figure are based on acceptance of rolled forward 2008 RAB determinations of the Queensland Government that have never been investigated by any regulator independent of the Queensland Government. Coolum's water service consumers can have no confidence that the Government's 2008 legacy RAB determinations are consistent with the deprivation value methodology set out in Section 6.2 of QCA's “Statement of Regulatory Pricing Principles for the Water Sector” (December 2000 - pages 32-35).

Section 2.2.6 - Summary of assessment against core criteria (page 7)

CRA submits that Unitywater has failed to meet core criteria as discussed above or to perform its responsibilities to the Sunshine Coast and Moreton Bay Regional Councils as water price regulators in preparing annual budgets under provisions of the Local Government Act and Financial Standard.

## SEQ Long Term Regulatory Framework – Pricing Principles (March 2014)

### **CRA Summary Comment**

Without QCA's independent confirmation that the Queensland Government's determination of 2008 legacy regulatory assets has correctly used the deprival value approach set out in pages 32-35 of QCA's Statement of Regulatory Pricing Principles for the Water Sector (December 2000), adoption of this draft will not achieve items (a), (c), and (d) of the four overarching regulatory objectives set out on page IV for Coolum's consumers of water services.

### **Discussion**

CRA endorses the four overarching regulatory objectives of page IV that are consistent with the Statement of Regulatory Pricing Principles for the Water Sector (December 2000).

CRA also endorses the Draft Recommendation 1.1 (page 6) and 1.2 (page 8) with the qualification that SEQ water entities must also be subjected to independent investigation by QCA to reassure Coolum Beach consumers that the Regulatory Pricing Principles for the Water Sector (December 2000) were also adopted in the Queensland Government's determination of legacy regulatory asset valuations. This is essential because the return on regulatory assets constitutes more than 60% of maximum allowable revenue (MAR) for retail entities such as Unitywater. CRA is of the view that QCA, Unitywater and the Queensland Water Commission have accepted legacy asset determinations of the Queensland Government based on flawed advice elicited from KPMG in 2007 leading to inflated valuations of rolled forward regulatory assets. CRA is also of the view that Unitywater has not performed its statutory obligations as price regulator in setting annual budgets since its formation.

CRA rejects Draft Recommendation 2.6 (page 23) on the grounds that SEQ 2013-15 prices monitoring determinations of MAR for Coolum's water consumers have not been independently verified by QCA because of the restrictive terms of reference (TOR) issued by the Queensland Government forbidding independent verification. Improper TOR restrictions have applied to all four SEQ water price monitoring investigations conducted to date and to this Long Term Regulatory Framework study.

CRA rejects Draft Recommendation 2.14 (page 47) with respect to sewerage variable charges that are based on the assumption of 90% of metered water. This approach is being used unfairly by Unitywater to penalize Coolum's low occupant households that water their gardens. Likewise CRA rejects Draft Recommendation 3.2 (b) (page 71) on the grounds that insufficient

transparency has been provided to ensure that volumetric charges are fair and are not being used as a vehicle to collect sewerage service revenues in excess of MAR, particularly in the years of below average rainfall.