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Obj Ref: A6408344

Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4000

28 January 2021

Dear Mr Millstead

Request for Comments Paper (November 2020): Statement of regulatory pricing principles for the water sector

Unitywater welcomes the opportunity to provide comment on the Queensland Competition Authority ("QCA") November 2020 'Statement of regulatory pricing principles for the water sector' paper ("the Principles").

Unitywater considers that its position on many of the issues discussed in the Principles can be found in the *Seqwater customer engagement summary paper: SEQ bulk water pricing policy issues* document. Seqwater facilitated consultation across all SEQ service providers in late 2019 to create this document, with a copy made available to state government to inform the next referral notice.

Unitywater supports most principles proposed with primary emphasis on:

- 1) Managing customer impacts as inferred by Principles 5 and 7.
- 2) Ease for customers in understanding their bill as highlighted in Principle 7.
- 3) Prices should recover the efficient costs of providing the relevant services as set out in Principle 1.

Further input and comments on the Principles are provided in Appendix A for QCA consideration. Should you have any queries in relation to Unitywater's submission please contact Danny Power, Manager Corporate Performance on 07 5431 8783 or danny.power@unitywater.com.au.

Regards

DocuSigned by:

Pauline Thomson

Pauline Thomson

Chief Financial Officer

Unitywater has certification to

OH&S AS/NZS 4801:2001 Reg No 500000079
Environmental ISO 14001:2015 Reg No 500000079
Quality ISO 9001:2015 Reg No 500000079
Food Safety ISO 22000:2018 Reg No 500000079



Appendix A: Unitywater Position to QCA Pricing Principles










	Aligned
	Somewhat aligned
	Not aligned

Table 1: Comments on QCA draft pricing principles (Nov 2020)

Product/Item	Number	QCA Principle/Summary of item.	Unitywater Alignment to Principle	Unitywater Position
Pricing Principles				
Productive efficiency	3.2.1	<p>Principle 1: Prices should cover the efficient costs of providing the relevant services.</p> <p>Prices should generally recover the efficient costs of service levels that are necessary to meet the required service standards and other regulatory obligations.</p>		Unitywater agrees with this principle and that water and sewerage prices should not cover the provision of services such as flood mitigation and community use.
Allocative efficiency	3.2.2	<p>Principle 2: Prices should signal the efficient use of the relevant services.</p> <p>Prices should generally be structured to signal to customers the costs associated with their water use decisions.</p>		Unitywater agrees with this principle. However, we note that potable water is generally considered to be a 'price inelastic' product, meaning that price signalling has only limited ability to influence demand. Unitywater's own customers have experienced bulk water price increases from Seqwater of between 90% and 190% since 2010-11; demand is largely unchanged.
Dynamic efficiency	3.2.3	<p>Principle 3: Prices should signal the efficient scale and timing of augmentations in supply infrastructure.</p> <p>Prices should generally signal to customers the costs of supply augmentation to encourage the efficient scale and timing of investments in new capacity.</p>		Unitywater does not support this principle as, highlighted by the report, this principle is difficult to practically apply with the potential for significant variability in pricing but also difficulty in being able to reasonably estimate SRMC and LRMC as well as explaining to customers these concepts.
Efficient risk allocation	3.2.4	<p>Principle 4: Prices should reflect the appropriate sharing of risk between businesses and their customers.</p> <p>The level and structure of prices should enable regulated businesses to recover their prudent and efficient costs, subject to appropriate risk sharing between regulated businesses and their customers.</p>		Unitywater agrees with this principle.
The role of customer engagement	3.3	<p>Principle 5: Prices should be informed by the service standard and the tariff structure preferences of customers.</p> <p>In setting prices, businesses should consider customer input regarding the level and quality of service and the structure of tariffs.</p>		Unitywater agrees with this principle.
Reflecting the public interest	3.4.1	Principle 6: Prices should reflect the broader public interest.		Unitywater agrees with this principle.

Product/Item	Number	QCA Principle/Summary of item.	Unitywater Alignment to Principle	Unitywater Position
		Where appropriate, prices should be set to take account of broader public interest concerns.		
Transparency, predictability, and simplicity	3.4.2	Principle 7: Prices should be transparent, predictable, and simple. Prices should be administratively simple to implement and easy to understand for customers.	■	Unitywater agrees with this principle and emphasises predictability should include the avoidance of bill shock as a result of large movements in price. Further Unitywater supports the need for simple charging approaches including when costs such as bulk water costs are passed through to customers.