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## QCA FEE FRAMEWORK 2015-16

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### Overview

The majority of QCA's operations are funded via fees charged for the services it provides. In this regard, the QCA charges fees for the services it provides in respect of rail (both Aurizon Network and Queensland Rail), ports, electricity distribution, retail electricity, retail water, bulk water and Gladstone Area Water Board (GAWB).

### Legal basis of fees

Section 3 of the *Queensland Competition Authority Regulation 2007 (Qld)* (the Regulation) entitles the QCA to charge fees for providing a service or performing a function set out in Schedule 1 of the Regulation provided the amount charged:

- (a) is considered to be reasonable by the QCA; and
- (b) is not more than the reasonable cost of providing the service or performing the function.

The QCA performs functions which are within the scope of Schedule 1 of the Regulation (the Functions).

### Basis of calculating fees for general regulatory services

The fees to be paid to the QCA for general regulatory services by a regulated entity that is the subject of the QCA's fee charging regime will be calculated by the QCA based on its estimate of the actual cost of performing the Functions in respect of that entity over the coming 12 months.

The QCA's estimate of the total costs of performing the Functions will be the sum of:

- (a) its estimated costs of staff and specialist consultants' advice required to provide the Functions; and
- (b) a proportion of the QCA's estimated overheads.

The QCA's estimated overheads will be allocated across all functions performed by the QCA in proportion to the costs of staff required to perform each Function.

A review of the regulatory services and the associated fee will be triggered when the proposed fee to be charged is more than 1% of an individual entities' regulated annual revenue.

### Review of fees

In the event the actual cost of delivering the services is higher than the estimated fees charged for the period, the under recovery of providing the service will be charged in the following financial year, after the accounts have been audited.

In the event the actual cost of delivering the services is lower than the estimated fees charged for the period, the over recovery of providing the service will be paid (or with the agreement of the regulated entity netted against the next year's fees) in the following financial year, after the accounts have been audited.

### Apportionment of fees to individual entities

Aggregate fees for performing the Functions in respect of retail electricity, electricity distribution, retail water in South East Queensland (SEQ) will be allocated to individual entities as follows:

### Retail Electricity

The annual fee applied for 1 July 2015 to 30 June 2016 (and all subsequent years) will be based on each electricity retailers' estimated share of total customers. For administrative convenience, no fee is being charged to retailers with less than 1000 customers. Market shares will be reviewed annually.

If regulatory reviews are confined to a specific geographic area, fees will be charged to those retailers operating in that geographic area (e.g. fees for a review of electricity prices for customers outside of SEQ would be charged to Ergon Energy as the sole retailer in this area).

In the event that a retailer is acquired by or merged with another retailer, the obligation to pay regulatory fees in respect of the acquired/merged retailer will transfer to the acquiring/merging retailer.

### Electricity Distribution

The fee will be apportioned equally between Ergon Energy and Energex.

### Retail Water in SEQ

The QCA proposed a flat fee for each of the retail water entities in SEQ as part of the proposed regulatory framework. However, at the time of writing, the government has not accepted this proposed report. In the absence of a flat fee, the annual fee will be apportioned equally between Unitywater, Queensland Urban Utilities, Redland City Council, Gold Coast City Council and Logan City Council.

### Reasonableness of fees

The QCA considers that its actual costs represent the reasonable costs of performing the Functions.

The QCA considers that the charge to regulated entities, calculated as described in the above paragraphs and shown, is both:

- (a) reasonable; and
- (b) not more than the reasonable cost of performing the Functions in respect of the retail electricity industry.

### Pass through of fees

All fees levied in respect of general regulatory services will be eligible for pass through to customers in prices where ever the QCA has responsibility for these pass throughs.

### Additional fees

In addition to the fees charged for general regulatory services, fees may also be charged for

- (a) special services which are beyond those required for the general regulatory task. These fees will only apply when services are requested by the relevant entity. No such services are currently envisaged; and
- (b) arbitration or mediation services.

### Fees payable

The annual fee will be invoiced on a quarterly basis.

Any under or over recoveries of fees for the previous financial year will be invoiced or refunded in October following the QCA audit (e.g. under or over recoveries for the 2015-16 financial year will be paid or refunded in October 2016).