



## Treasurer and Minister for Trade

QLD COMPETITION AUTHORITY

TRY-05860

03 MAR 2014

27 FEB 2014

DATE RECEIVED

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Dr Malcolm Roberts  
Chairman  
Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

Dear Dr Roberts

### GLADSTONE AREA WATER BOARD PRICE MONITORING INVESTIGATION 2015-20

Please find enclosed a Direction under section 23A of the *Queensland Competition Authority Act 1997* requiring the Queensland Competition Authority to conduct a price monitoring investigation for the Gladstone Area Water Board for the period 1 July 2015 to 30 June 2020.

Should you have any queries in relation to this matter, please contact Mr Gregory Tonks, Director, Microeconomics and Structural Reform on (07) 3035 1487.

Yours sincerely

Tim Nicholls  
Treasurer and Minister for Trade

Encl.

## REFERRAL

### SECTIONS 23A QUEENSLAND COMPETITION AUTHORITY ACT 1997

#### 1) Referral

As the responsible Minister, pursuant to section 23A of the *Queensland Competition Authority Act 1997* (the QCA Act), I refer the Gladstone Area Water Board (GAWB) to the Queensland Competition Authority (the Authority) for a price monitoring investigation for the period from 1 July 2015 to 30 June 2020.

#### 2) Conduct of the QCA pursuant to this referral

In referring this investigation, the Authority is to consider:

- a) the planned change in prices of water having regard to, amongst other things:
  - i. GAWB's pricing model; and
  - ii. demand forecasts;
- b) the forecast revenue based on the total prudent and efficient costs of carrying on the activity;
- c) in respect of the return on capital consider the WACC applied by GAWB against the benchmark WACC;
- d) the regulated asset base (RAB) roll-forward calculation (in accordance with the Authority's previously recommended methodology);
- e) the revenue carryover calculation (in accordance with the Authority's previously recommended methodology);
- f) for capital expenditure to be included in the forecast RAB, the Authority is to form a view on prudence and efficiency, with the focus on cost areas which are material to price changes rather than matters which are likely to have a minor and inconsequential impact; and
- g) for operating expenditure to be included in the forecast revenue, the Authority may investigate the expenditure in any function where GAWB's forecast expenditure in that function exceeds the level allowed in the Authority's 2010 pricing practices investigation by an amount that would give rise to a material increase in price.

For the avoidance of doubt, the Authority may consider a matter not indicated in (a) to (g) if it is likely to have a material impact on the price to a customer.

### 3) Consultation

The Authority must undertake an open consultation process with all relevant parties and consider submissions within the timetable for the review and reports. Consistent with section 34 of the QCA Act, all reports and submissions must be published on the Authority's website.

### 4) Timing

GAWB is to provide a submission to the Authority in respect of its pricing practices by 30 September 2014.

The Authority must provide a Draft Report by 28 February 2015 and a Final Report by 31 May 2015.



**TIM NICHOLLS**  
**Treasurer and Minister for Trade**

25/2/14