

Final Report: Retail water prices – Queensland Urban Utilities

The Queensland Competition Authority monitors the prices, costs and revenues of five water retailers in south east Queensland, including Queensland Urban Utilities.

The Queensland Competition Authority (QCA) monitors retailers to ensure that these businesses are not using their monopoly power to set prices higher than is necessary.

The QCA has released its final 2013–15 price monitoring report for the five water retailers – Unitywater, Queensland Urban Utilities (QUU), Logan Water, Redland Water and Gold Coast Water.

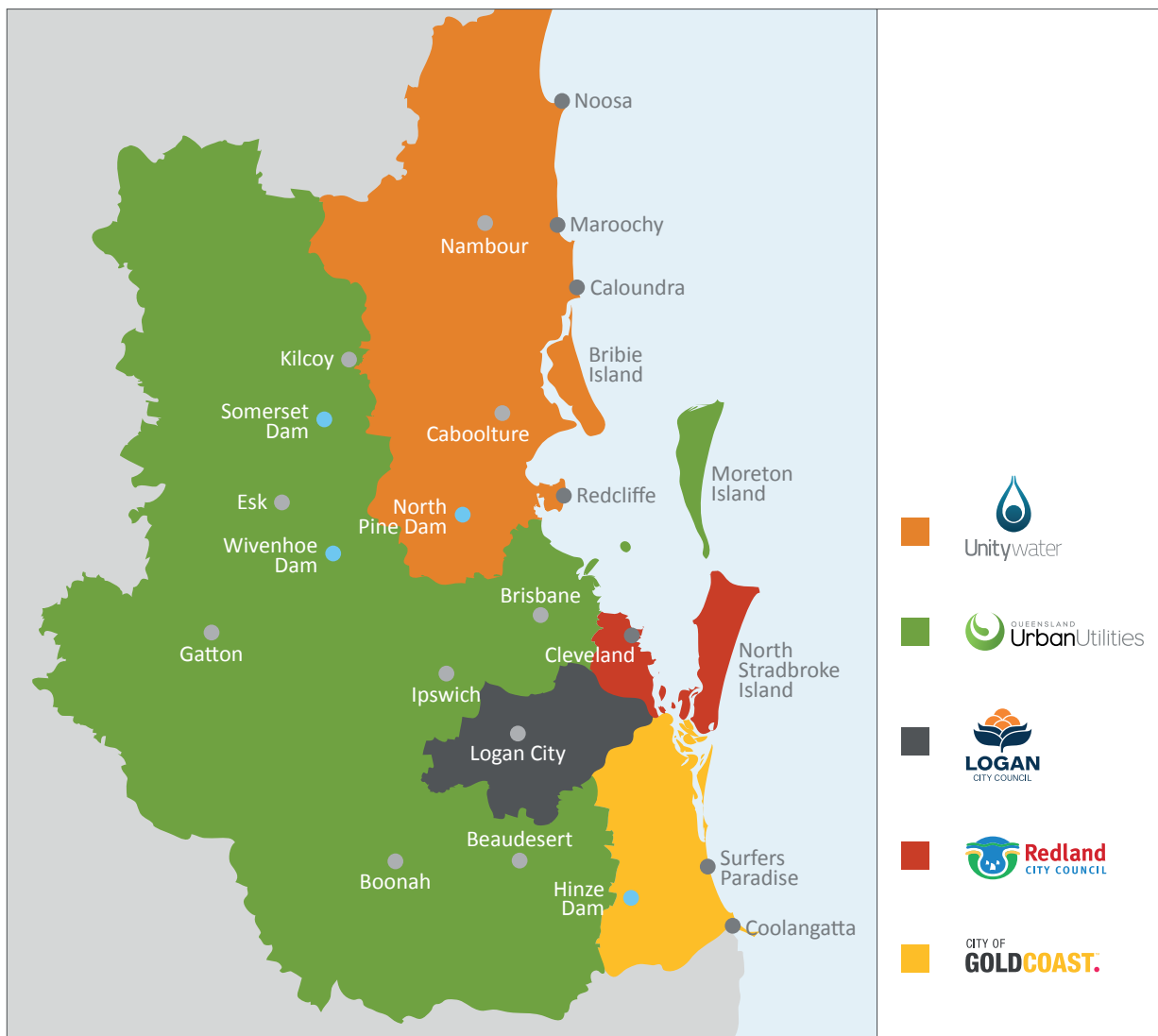
Five water retailers

Our overview fact sheet explains the general findings of our review. This fact sheet outlines the findings for QUU.

We found no evidence of QUU exercising its monopoly power for 2013–15.

The QCA increased its estimate of QUU’s prudent and efficient costs following consideration of comments on the QCA Draft Report, as outlined below.

QUU provides distribution and retail water and sewerage services to the Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset local government areas. These services include distributing treated water to homes and businesses, treating and disposing of sewage and other wastewater, and issuing bills.



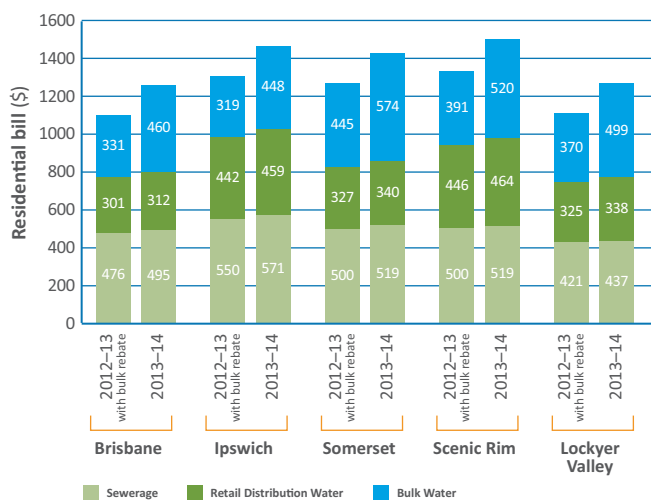
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Residential Bills

The QCA found that residential bills for 2013–14 for a household using 200 kilolitres of water a year will increase by 14.4% in Brisbane, 12.8% in Ipswich, 12.7% in Somerset, 12.4% in Scenic Rim and 14.2% in Lockyer Valley. Only some of the increase is attributable to QUU: 2.7% in Brisbane, 2.9% in Ipswich, 2.5% in Somerset, 2.8% in Scenic Rim and 2.6% in Lockyer Valley. The remainder is due to bulk water charges and the expiry of the bulk water rebate to residential customers.

The increases in residential bills are higher than those published by QUU in July 2013: the July figures did not include the impact of the expired rebate. To help customers understand changing prices, water retailers should explain the reasons for the change in each part of the bill as well as the overall change.

QUU's residential bill increases in 2013–14



Costs

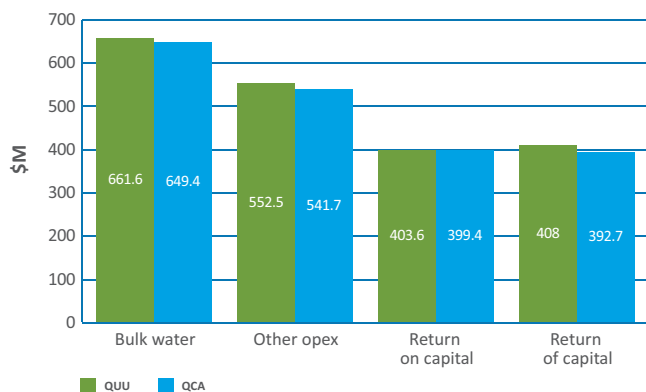
Part of our role is to establish whether QUU's costs are both required (prudent) and as low as possible (efficient). Our estimates of prudent and efficient costs then determine the maximum allowable revenue (MAR) for the business.

The MAR is a key test for monopoly pricing. If a business's revenue significantly exceeds the MAR for a sustained period, the business may be using its monopoly power to obtain unjustified returns.

Costs – findings

After taking into account submissions on the Draft Report, the QCA increased its estimate of QUU's operating costs by \$2m. The QCA found that QUU's costs of supplying water and sewerage activities could be 2.1% (\$43m) lower for 2013–15. For example, the QCA believes that bulk water demand is likely to be lower than forecast by QUU. Further, the QCA has lower estimates of other operating and capital costs.

QUU's 2013–15 costs (QUU and QCA calculations)

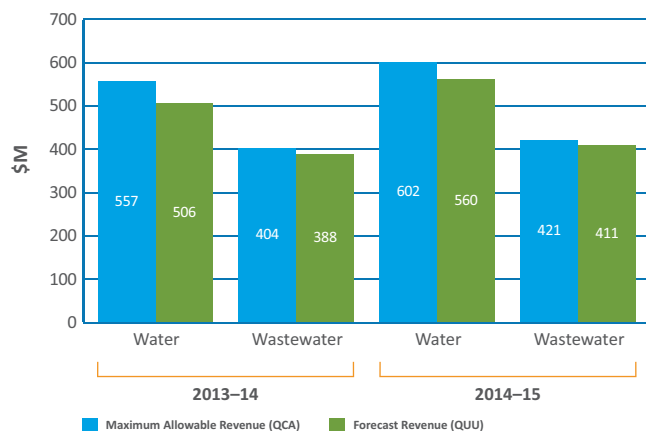


Revenues – findings

QUU's revenues are below prudent and efficient costs. QUU's revenues are 6.9% below the QCA MAR in 2013–14 and 5.0% below in 2014–15. QUU is not recovering more revenue than required to sustain its business.

We therefore found no evidence of QUU exercising its monopoly power in 2013–15.

QUU's revenue (QUU and QCA calculations)



More information

For more information on water and sewerage prices in your region visit our website: www.qca.org.au/water