

22 January 2015

26 Spindrift Avenue

QLD COMPETITION AUTHORITY
Coolangubell Beach Qld. 4573

Dr. Malcolm Roberts
Chairman
Queensland Competition Authority (QCA)
G.P.O. 2257
Brisbane Qld.4001

27 JAN 2015

DATE RECEIVED

SEQ's Bulk Water Prices : 2015-18 inquiry [QCA-Documents.FID42947]

Dear Dr. Roberts,

The Authority has invited public submissions on draft report QCA-Documents.FID42947.

Please now refer to my previous public submission dated 18 September 2014 including attached correspondence from The Treasury dated 28 April 2010 and the Queensland Treasurer's referral dated 5 May 2014 which mandates that:

- Section A 1 (c) (i) the Authority investigate bulk water costs to include prudent and efficient capital expenditure;
- Section A 1 (d) (ii) the Authority roll forward the regulated asset base (RAB) from 1 July 2013 to 30 June 2015 etc. ;
- Section B (1) acceptance of RAB defined by the Minister Energy and Water and forbids an independent assessment necessary to ensure that this valuation is optimized according to Section 6.2 of the Authority's "Statement of Regulatory Pricing Principles for the Water Sector";
- Section B (6) acceptance of SEQwater's demand forecasts without independent assessment; and
- Section B (7) acceptance of price path debt as at July 2013.

Please note from paragraph two of enclosed correspondence from Queensland Water Commission dated 22 July 2011, that asset regulatory valuations transferred from councils to State owned bulk water entities such as SEQwater did not use the Depreciated Optimised Replacement Cost methodology spelled out in the Authority's "Statement of Regulatory Pricing Principles for the Water Sector". Yet the Queensland Treasurer has issued terms of reference cited above preventing the Authority from performing its statutory obligation to monitor pricing practices of SEQwater by forbidding independent assessment of such legacy assets defined by the Minister Energy and Water that contributes the major proportion of maximum allowable revenue (MAR) for bulk water in SEQ.

Paragraph four of enclosed correspondence suggests that the KPMG valuation approach for legacy assets is consistent with National Water Initiative (NWI) Pricing Principles. Please confirm that this is the case.

Without such confirmation draft report FID42947 fails to provide independent assurance that the bulk

water charges being passed through to Coolum Beach households by Unitywater are legitimate with respect to MAR under the NWI pricing provisions of COAG water reform agreements with the Federal Government.

Restrictive terms of reference mandated by the Queensland Treasurer has again prevented the Authority's effective performance of its primary obligation to protect Coolum Beach residents and all SEQ water service customers from monopoly pricing abuse by commercial business entities controlled by the Queensland Government. Like past prices monitoring investigations involving Unitywater, Sunshine Coast Water and Maroochy Water Services, this exercise has been a waste of public resources.

Yours sincerely,


Amy-Rose West (Ms.)

Enc. Letter from Queensland Water Commission (Ref : ME/11/0370) dated 22 July 2011.

Cc: Federal Parliamentary Secretary – Urban Water

Our ref: ME/11/0370

22 JUL 2011

Ms Amy-Rose West
26 Spindrift Avenue
Coolum Beach QLD 4573

Dear Ms West

Thank you for your letter of 17 June 2011 concerning the valuation of legacy assets used by the Queensland Government for bulk water pricing.

As previously advised, KPMG's valuation of the assets transferred from councils to the State owned bulk entities (the 'legacy' assets) was conducted using a discounted cash flow analysis (DCF) or NPV analysis, and not a Depreciated Optimised Replacement Cost (DORC) methodology.

The Queensland Water Commission notes that you made a submission to the Queensland Competition Authority (QCA) on its South East Queensland Interim Price Monitoring Report for 2010-11. As you correctly point out, the QCA has not conducted an assessment of the legacy asset values.

However, KPMG confirmed in its December 2007 report that the approach for valuing legacy assets was consistent with the Council of Australian Governments (COAG) water reform agreement which underpins the COAG Pricing Principles and the National Water Initiative (NWI) Pricing Principles.

I trust this information is of assistance.

Yours sincerely



Karen Waldman
Chief Executive Officer