

Phone: (07) 3480 6422
Fax: (07) 3205 0599
Our Ref: A8488363 KP
Date: 15 August, 2013

QLD COMPETITION AUTHORITY

Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4020

19 AUG 2013

DATE RECEIVED

Dear Sir

**Long-term Regulatory Framework for South East Queensland Water Entities –
your file reference 571214**

Further to our response relating to the current investigation by the Authority regarding the long-term regulatory framework for South East Queensland water entities, please treat this as the submission from the Moreton Bay regional Council (MBRC).

1. Need for a Long-Term Regulatory framework

Going forward, the need for a regulatory framework for SE Queensland water entities is questioned by the Council. Unitywater advises us that in order to fulfil the requirements of the current regulatory regime for price monitoring that they have budgeted \$1.8million. This is a burden on the water consumers on SE Queensland not experienced by water consumers across the balance of the State. As a result, the Council would support the removal of all regulatory compliance from SE Queensland water entities.

If this is not considered appropriate by the State Government, then at the very least, MBRC supports the Unitywater submission to drastically reduce the amount of compliance requirements and totally supports the use of information already readily available and required to be produced (such as compliant financial statements and annual report information) in order to conduct the Authority's regulatory investigations.

2. Smoothing Cost of Debt

Following on from Council's initial submission, MBRC submits that there is a need to eliminate major variations in prices that arise due to changes to the cost of debt that result from setting interest rates for a regulatory period. MBRC, Unitywater and the Sunshine Coast Regional Council have entered into participant local government loan agreements that address this issue using a rolling renewal method devised by Queensland Treasury Corporation (QTC). This method smooths interest rate variations to the cost of this debt caused by periodical renewals that would have otherwise occurred if the renewal was based on a regulatory period. It is our firm belief that some method of 'smoothing out' the effect of the cost of debt, similar to this QTC method, should form part of any long-term regulatory framework.

3. Single Price across the entire region serviced by SE Qld Water Entity

Currently, the regulatory framework supports the production of separate maximum allowable revenue calculations to be performed by the SE Queensland Water Entity in order to derive separate pricing regimes based on old local government areas.

MBRC contends that it is more appropriate for a single MAR for the entity to be calculated and applied to the entire region serviced by the water entity, which then reduces cost of compliance by removing the need to allocate revenues, costs, assets and liabilities across differing areas serviced by the same organisation; thus allowing for consistent prices to be applied to all customers of the entity.

MBRC appreciates the opportunity to participate in your investigation.

For further information please contact Keith Pattinson on 07 3480 6422 or email keith.pattinson@moretonbay.qld.gov.au.

Yours faithfully



Daryl Hitzman
Chief Executive Officer

