

Final Report: Retail water prices – Unitywater

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

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.

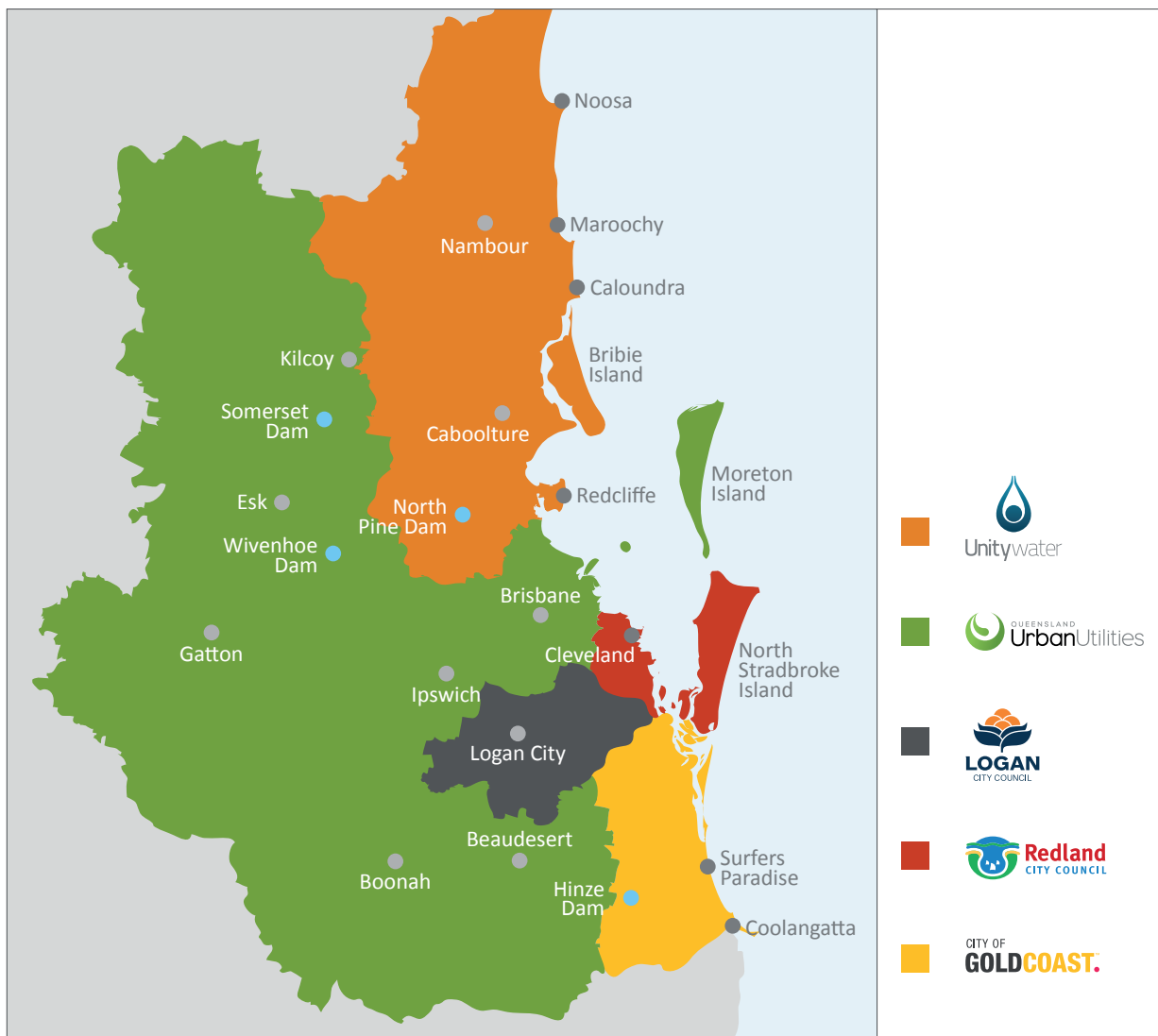
The QCA has released its final 2013–15 price monitoring report for the five water retailers – Unitywater, Queensland Urban Utilities, Logan Water, Redland Water and Gold Coast Water.

Our overview fact sheet explains the general findings of our review. This fact sheet outlines the findings for Unitywater. There were no changes to the findings for Unitywater as a result of comments received on the QCA’s Draft Report.

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

Unitywater provides distribution and retail water and sewerage services to the Moreton Bay and Sunshine Coast local government areas. These services include distributing treated water to homes and businesses, treating and disposing of sewage and other wastewater, and issuing bills.

Five water retailers



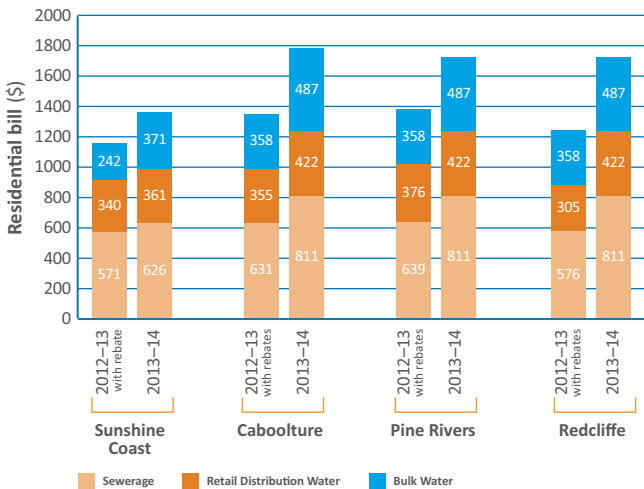
Retail water prices – Unitywater

Residential Bills

The QCA found that residential bills for 2013–14 for a household using 200 kilolitres of water a year will increase by 17.8% in the Sunshine Coast, 28.0% in Caboolture, 25.3% in Pine Rivers and 38.8% in Redcliffe. Only some of the increase is attributable to Unitywater: 6.6% in the Sunshine Coast, 8.0% in Caboolture, 7.8% in Pine Rivers, 8.7% in Redcliffe. The remainder is due to bulk water charges and the expiry of Moreton Bay Regional Council’s water and sewerage rebate and the State Government’s \$80 bulk water rebate to residential customers.

The increases in residential bills are higher than those published by Unitywater in May 2013: the figures released in May 2013 did not include the impact of the expired rebates. 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.

Unitywater’s residential bill increases in 2013–14



Costs

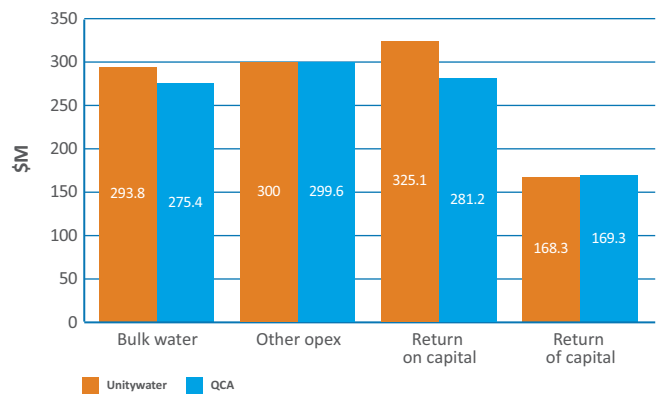
Part of our role is to establish whether Unitywater’s costs are both required (prudent) and as low as possible (efficient). Our estimates of prudent and efficient costs then determine the maximum allowable revenue (MAR) for the business.

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

The QCA found that Unitywater’s costs of supplying water and sewerage activities could be 5.7% (\$62m) lower for 2013–15. For example, the QCA believes that bulk water demand is likely to be lower than forecast by Unitywater. The QCA also uses a lower weighted average cost of capital of 6.57%, compared to Unitywater’s 7.62%.

Unitywater’s costs for 2013–15 (Unitywater and QCA calculations)

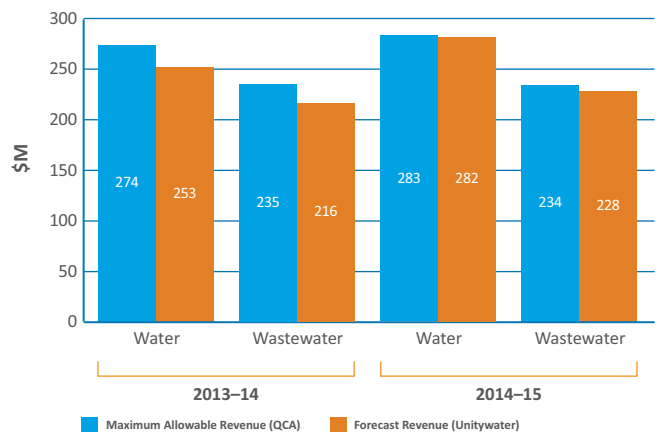


Revenues – findings

Unitywater’s revenues are below prudent and efficient costs. Unitywater’s revenues are 7.7% below the QCA’s MAR in 2013–14 and 1.4% below in 2014–15. Unitywater is not recovering more revenue than required to sustain its business.

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

Unitywater’s revenues for 2013–15 (Unitywater and QCA calculations)



More information

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