

**QUEENSLAND COMPETITION AUTHORITY ACT 1997**  
**Section 23A**  
**AMENDED MINISTERS' DIRECTION NOTICE**

**Direction**

As responsible Ministers, pursuant to section 23A of the *Queensland Competition Authority Act 1997* (the QCA Act), we refer the monopoly distribution and retail water and wastewater activities (the activities) of the following Distributor-Retailer Authorities (the entities):

- Southern SEQ Distributor-Retailer Authority (Allconnex Water);
- Central SEQ Distributor-Retailer Authority (Queensland Urban Utilities); and
- Northern SEQ Distributor-Retailer (Unitywater);

to the Queensland Competition Authority (the QCA) for a price monitoring investigation covering the period from 1 July 2011 to 30 June 2013.

**Conduct of the QCA pursuant to this Direction**

In referring this investigation, we direct the QCA under section 24 of the Act as follows. For each entity, the QCA shall:

- (a) provide timely and transparent information to customers about the costs and other factors underlying the provision of water and wastewater services, including distinguishing the bulk and distribution/retail costs to the extent that it is possible given the availability and reliability of relevant information;
- (b) monitor the change in prices of distribution and retail water and wastewater services for households and small business customers having regard to the CPI price limit as described in the *South East Queensland Water (Distribution and Reform) Act 2009*;
- (c) monitor the change in prices for water and wastewater services not included in the CPI price limit as described in the *South East Queensland Water (Distribution and Reform) Act 2009* having regard to the change in revenue from these services compared to the change in the total prudent and efficient cost of carrying on the relevant activity;
- (d) provide guidance to entities on the application of the information requirements referred to in (j) below;
- (e) recognise the Government's policy that the prices charged by the SEQ Water Grid Manager for bulk water storage, treatment and delivery are to be passed through to customers in full;
- (f) consider the availability of information from the entity, their emerging capability to provide information and the transitional work required to integrate and establish the entities;
- (g) accept the operational constraints imposed by the SEQ Urban Water Arrangements Reform Workforce Framework 2010;

- (h) monitor the maximum allowable revenue based on the total prudent and efficient costs of carrying on the activity including each of the following:
- (i) the operational costs incurred in carrying on the activity;
  - (ii) depreciation; and
  - (iii) return on capital employed.
- (i) adopt a weighted average cost of capital (WACC) of 9.35% for 2011/12 and for 2012/13 unless otherwise advised by the Authority by 1 March 2012;
- (j) roll forward the regulated asset base (RAB) using the following principles:
- (i) council distribution/retail asset valuations, establishing the initial regulated asset base as at 1 July 2008, are as advised by the Minister for Natural Resources, Mines and Energy and Minister for Trade;
  - (ii) the opening RAB for each subsequent year to be rolled forward annually in accordance with the following formula:  
$$RAB_t = (RAB_{t-1} + \text{Capital Expenditure}_t - \text{Regulatory Depreciation}_t - \text{Disposal}_t + \text{Indexation}_t)$$

*where t = the year under consideration;*
  - (iii) to assess Capital Expenditure in (ii) above, the QCA is to assess capital expenditure (including information technology systems) for prudence and efficiency. The QCA must accept as prudent and efficient, and include in the RAB:
    - actual capital expenditure, excluding establishment costs, for water and waste water as included in Council financial accounts for the period 1 July 2008 to 30 June 2010;
    - allowable establishment costs as advised by the Minister for Natural Resources, Mines and Energy and Minister for Trade; and
    - contributed, donated and gifted assets and capital expenditure funded through cash contributions and subsidies (capital contributions), for water and waste water for the period 1 July 2008 to 30 June 2010.
  - (iv) the QCA is to accept that, in setting prices from 1 July 2008, the councils applied a revenue offset approach to account for capital contributions received. This approach is to remain in effect until such time that the entity nominates, through their price monitoring information returns, to adopt the asset offset method. Where a change in methodology is adopted, the RAB is not to be adjusted retrospectively;
  - (v) to assess Regulatory Depreciation in (ii) above, the QCA must take into account for the period 1 July 2008 to 30 June 2010 the apportionment of Council distribution/retail valuations in (i) above to individual assets and evidence that

regulatory depreciation on the physical assets has been calculated using existing useful lives attaching to the individual assets;

- (vi) to assess the Indexation in (ii) above, the QCA must for the annual periods between 1 July 2008 and 30 June 2010 use the annual June to June Australian Bureau of Statistics Consumer Price Index (all groups, Brisbane);
- (k) monitor according to the QCA Final Report on the SEQ Interim Price Monitoring Framework (April 2010) and Information Requirements for 2011-12, except as amended by this referral, and excluding the process for triggering consideration of price setting regulation.

### **Consultation**

The QCA 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 QCA website.


### **Timing**

The entities must provide their price monitoring information returns to the QCA by 31 August of each year.

The QCA must provide to responsible Ministers and the Minister for Energy and Water Utilities a draft report by 31 January for each year; and a final report by 31 March for each year.



**ANDREW FRASER**  
Treasurer  
Minister for State Development



**RACHEL NOLAN**  
Minister for Finance  
Minister for The Arts