

SunWater Limited

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QLD COMPETITION AUTHORITY



27 AUG 2008

DATE RECEIVED

Our ref: 07-004251/001#709517  
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22 August 2008

Mr Garry Henry  
Queensland Competition Authority  
Level 19/12 Creek Street  
BRISBANE QLD 4000

**FAXED**  
22/8/08

**By Fax: 07 3222 0599**

Dear Sir,

**SUBMISSION TO QCA – BENCHMARK RETAIL COSTS INDEX**

Thank you for the opportunity to submit on proposed changes to the benchmark retail cost index for 2009-10. SunWater has submitted to previous reviews of the index and outlined its views as to why changes to the index should be capped at the Consumer Price Index (CPI). SunWater's previous submission raised a number of issues which remain relevant today.

These issues are briefly outlined:

- SunWater is a major consumer of electricity with annual electricity bills in the order of \$16 million. We operate many small pumping stations that are supplied under Notified Electricity Price arrangements.
- The proposed changes to the index will produce electricity cost increases of 10.27%, well in excess of CPI, which is estimated at 3% in the CRA Report (p20).
- SunWater's irrigation prices, which are locked in place until 30 June 2011, are set to recover the lower bound costs of service provision only and incorporate annual CPI increases. Any increase to costs in excess of CPI translates into a significant under recovery of costs for SunWater.
- The price paths were set from 1 July 2006 and have increased, in line with CPI by a total of 11%. However, over this period the electricity benchmark index has increased by 2.8 % in 2006/07, 11.37% in 2007/08, 5.38 % in 2008/09.

- SunWater submits that further increases in the benchmark index should be capped at CPI until a major review is completed closer to 1 July 2011. The annual review of the retail index is not providing a sufficient level of regulatory certainty to the users of services that are priced using the index.

Yours sincerely



Peter Boettcher  
**CHIEF EXECUTIVE**