

Our Ref: Paul Bilyk
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5 March 2004

**Request for Comments
Technical Review of the Authority's Cost of Capital Methodology**

In some recent regulatory decisions, stakeholders and other interested parties have commented on aspects of the Authority's approach to determining the cost of capital for regulated entities. The Authority is seeking to address these comments as part of its assessment of the draft access undertaking for Dalrymple Bay Coal Terminal (DBCT).

Accordingly, the Authority commissioned Dr Martin Lally of Victoria University in New Zealand to undertake an independent review of its current cost of capital methodology. This review has involved a comprehensive, technical analysis of all aspects of the Authority's approach to determining the cost of capital. The review seeks to address past concerns and to reflect new research and, where appropriate, makes recommendations for changes to the Authority's approach. The review has also taken into account submissions on the DBCT draft access undertaking, although it does not assess DBCT-specific cost of capital issues (e.g. parameter values) raised by, or in submissions in response to, the undertaking. These DBCT-specific issues will be addressed in the Authority's decision on the draft access undertaking.

Dr Lally's study is a technical report that has been prepared for the Secretariat. At this time, the report has not been considered by the Authority.

To assist the Authority in coming to a view about its future assessment of cost of capital issues, the Authority seeks comments from stakeholders on Dr Lally's enclosed report. Submissions are due by 2 April 2004.

Copies of the report are also available on the Authority's web site (<http://www.qca.org.au>).

If you have any questions on this matter, please contact Michael Blake (07 3222 0514).

Yours sincerely,



EJ Hall
Chief Executive

SUBMISSIONS

Public involvement is an important element of the decision-making processes of the Queensland Competition Authority (the Authority). It therefore invites submissions from interested parties concerning Dr Martin Lally's review of the Authority's current cost of capital methodology submitted on 26 February 2004.

Written submissions should be sent to the address below. While the Authority does not necessarily require submissions in any particular format, it would be appreciated if two printed copies are provided together with an electronic version on disk (Microsoft Word format) or by e-mail. Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001
Telephone: (07) 3222 0514
Fax: (07) 3222 0599
Email: ports.submissions@qca.org.au

The **closing date** for submissions is 2 April 2004.

Confidentiality

In the interests of transparency and to promote informed discussion, the Authority would prefer submissions to be made publicly available wherever this is reasonable. However, if a person making a submission does not want that submission to be public, that person should claim confidentiality in respect of the document (or any part of the document). Claims for confidentiality should be clearly noted on the front page of the submission and the relevant sections of the submission should be marked as confidential, so that the remainder of the document can be made publicly available. It would also be appreciated if two copies of each version of these submissions (ie the complete version and another excising confidential information) could be provided. Again, it would be appreciated if each version could be provided on disk. Where it is unclear why a submission has been marked "confidential", the status of the submission will be discussed with the person making the submission.

While the Authority will endeavour to identify and protect material claimed as confidential as well as exempt documents (within the meaning of the *Freedom of Information (FOI) Act 1989*), it cannot guarantee that submissions will not be made publicly available. As stated in s187 of the *Queensland Competition Authority Act 1997* (the QCA Act), the Authority must take all reasonable steps to ensure the information is not disclosed without the person's consent, provided the Authority is satisfied that the person's belief is justified and that the disclosure of the information would not be in the public interest. Notwithstanding this, there is a possibility that the Authority may be required to reveal confidential information as a result of an FOI request.

Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at the Brisbane office of the Authority, or on its website at www.qca.org.au. If you experience any difficulty gaining access to documents please contact the office (07) 3222 0555.

Information about the role and current activities of the Authority, including copies of reports, papers and submissions can also be found on the Authority's website.