

## EXECUTIVE SUMMARY

### *Wide Bay - Burnett Electricity Corporation (the Corporation) and Robin Russell and Associates*

Robin Russell and Associates lodged a complaint against the Corporation claiming that the Corporation's cost estimates for the design and construction of electricity reticulation and street lighting were too low and that this prevented the private sector from gaining professional engagements in their area of supply.

Following investigation of the matter, the Authority found that the principle of competitive neutrality had been breached, as the estimates of those costs provided to developers did not include profit, sales tax, debt guarantee fees or a share of corporate overheads. The Authority also concluded that the approach adopted by the Corporation did not produce reliable estimates of cost on an individual project basis, thereby reducing the ability of developers to make effective decisions on the use of the services of the Corporation or private contractors.

The Authority also considered whether the breach of competitive neutrality could be justified in the context of the requirements of the QCA Act. There were several significant issues in this respect. These included whether the current arrangements represented the least cost means of achieving augmentation and installation, whether the current arrangements were conducive to competition and whether a departure from the current arrangements would result in any untoward effects upon the Wide Bay-Burnett region and particularly upon employment. The Authority considered that compliance with the principle of competitive neutrality would result in superior outcomes.

The Authority recommended that, to ensure that the principle of competitive neutrality is satisfied in the future, the Corporation should:

- include provisions for profit, sales tax, debt guarantee fees and a share of corporate overheads in any future estimates of the cost of design and construction provided to private sector developers; and
- refine its estimating process so that more reliable estimates are produced in respect to individual projects.

In addition, the Authority recommended that:

- a public benefit test should be implemented before any consideration is given to reversing the current policy of allowing private sector developers to undertake the design and construction of electricity reticulation and street lighting; and
- the Corporation should clearly distinguish the general approach to developer security arrangements from the approach to costing infrastructure and present the details in a simple form available to developers.

Ministers have accepted the findings and recommendations and have directed the Corporation to comply. Other electricity distributors have been asked by Queensland Treasury for a report on the implications of the findings and recommendations.