

## **DIRECTION FOR RETAIL PRICE MONITORING IN THE SOUTH EAST QUEENSLAND URBAN WATER SECTOR**

### **Certificate of Direction**

Under section 23A of the *Queensland Competition Act 1997* (the Act).

### **Direction**

The Premier and the Treasurer (the Ministers) hereby refer the water supply activities of the Local Governments listed in Table 1 to the Queensland Competition Authority (“QCA”) for a price monitoring investigation under section 23A of the Act. This amended direction is to apply for a period of one year from 1 July 2009, with the QCA to make a report to Ministers upon completion.

**Table 1: Local Government water supply activities to be investigated**

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- a) Brisbane City Council
- b) Logan City Council
- c) Gold Coast City Council
- d) Redland City Council
- e) Ipswich City Council
- f) Lockyer Valley Regional Council
- g) Moreton Bay Regional Council
- h) Somerset Regional Council
- i) Sunshine Coast Regional Council
- j) Scenic Rim Regional Council

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Consistent with section 24 (1)(b) of the Act, this investigation is limited to the monitoring of pricing practices relating to the retail water supply activities of the specified Local Governments (i.e. retailers).

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

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

- (a) report the extent to which increases in retail water prices are attributed by the Local Government to increases in Bulk Water Grid costs and other costs in a Statement of Reasons to be provided by the Local Government;
- (b) report whether the increases in Bulk Water Grid and other costs are supported by:
  - (i) the Local Government’s budget or other official, legal or commercial documents;
  - (ii) in Local Government’s official media statements or releases; and

- (iii) using information provided to the QCA in response to the QCA's request for information outlined in Attachment A.
- (c) report whether these attributed increases to retail prices go beyond those required to recover the increase in Bulk Water Grid costs as advised by the Government, and other costs. This is to be considered in terms of:
  - (i) total forecast revenues and costs for the forecast water sales volume; and
  - (ii) the retail bill for a residential user that consumes 138kL/annum and 250kL/annum.
- (d) Liaise with the Local Government to seek to ensure that the Local Government will provide a suitable statement of reasons and necessary supporting information;
- (e) Seek further relevant information to that provided by Local Government in relation to Attachment A if considered appropriate by the Authority;
- (f) provide a draft report to the Local Governments and Government on each Local Government on the subject matter as defined in points (a) and (b) above;
- (g) invite responses from the Local Government and Government as to the draft reports;
- (h) provide a final report on each Local Government, in accordance with section 34 of the Act, in the format and containing the information required in the attachment to this Direction, which must be provided within 120 calendar days inclusive of all consultation time, from the later of:
  - (i) 1 July 2009;
  - (ii) the date of this Ministerial direction; or
  - (iii) for Brisbane from the time the budget is adopted by the Brisbane City Council under section 109(2) of the *City of Brisbane Act 1924*, and for all other Local Governments from the time of the tabling of each Local Government's budget, as adopted by resolution under section 518(1) of the *Local Government Act 1993*.
- (i) in accordance with section 34 of the QCA Act, publish the final reports for each Local Government on the QCA website; and
- (j) comply with any other conditions formally notified by the Ministers from time to time.

In preparing the reports, the QCA is to take into account information they consider relevant to their investigation into retail water price increases for 2009-10.

The Authority may exercise all powers under Part 6 of the Act.

This Direction may be revoked or amended in accordance with section 23A(6) of the Act at any time before receiving the QCA's report of the results of the investigation.

## **Exceptions to the Direction**

For the avoidance of doubt, this Direction does not include:

- (a) price increases for 2008-09;
- (b) the power to add, remove or change a tariff in a retailer's existing tariff schedule;
- (c) the function and power to decide the prices or decide the methodology for fixing the prices that a retail entity may charge its customers for charges or fees relating to retail water services; and
- (d) the function or power to publish, via the QCA's website or gazette notice, the prices to be charged by individual retailers.



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### Retail Water Pricing Information

For the purposes of sections 23A and 24 of the *Queensland Competition Act 1997*, the Premier and Treasurer have referred the water supply activities of [insert council name] to the Queensland Competition Authority (“QCA”) for investigation. For the purpose of section 24 (1)(b) of the Act, this investigation only refers to the monitoring of retail water pricing practices.

This information will be published pursuant to section 34 of the Act.

Table 1 lists the information required.

**Table 1** Water Supply prices for *Insert Council Name*

Reportable Matter	2008/2009 (\$2008)	2009/10 (\$2009)	Percentage change %	Quantitative Change \$
<i>Bulk water price</i>	(\$xx) [Provided by the QWC]	(\$xx) [Provided by the QWC]	(%) [Provided by the QWC]	(\$xx) [Provided by the QWC]
<i>Bulk water demand</i>	ML [Provided by Council]	ML [Provided by Council]	(%) [Provided by Council]	ML [Provided by Council]
<i>Council water related sales revenue</i>				
Water (see note 1)	(\$xx) [Provided by Council]	(\$xx) [Provided by Council]	(%) [Provided by Council]	(\$xx) [Provided by Council]
<i>Retailer Expenses</i>				
- Bulk Water (see note 2)	(\$xx) [Provided by Council]	(\$xx) [Provided by Council]	(%) [Provided by Council]	(\$xx) [Provided by Council]
- Other (distribution and retail) (see note 3)	(\$xx) [Provided by Council]	(\$xx) [Provided by Council]	(%) [Provided by Council]	(\$xx) [Provided by Council]
<i>Residential water bill (calculated on household using 138kL/yr) (\$)</i>	(\$xx) [Provided by the QWC]	(\$xx) [Provided by Council](\$xx)	(%) [Provided by Council]	(\$xx) [Provided by Council](\$xx)
<i>Residential water bill (calculated on household using 250kL/yr) (\$)</i>	(\$xx) [Provided by the QWC]	(\$xx) [Provided by Council]	(%) [Provided by Council]	(\$xx) [Provided by Council]

Notes to the table:

1. Total sales revenue from water businesses is the sum of access and consumption charges for all customers, as well as other revenues including sundry fees and charges, community service obligations, capital contributions, donations, subsidies, commercially contestable service revenue and interest.
2. Bulk water expense is the multiple of the bulk water price (as provided by the Queensland Water Commission) and bulk water demand (as provided by individual councils).
3. Other (distribution and retail) water expense is the difference between the total expense of the water business, consistent with Council’s Budget, and the bulk water expense.