



Date 31 March 2015

QLD COMPETITION AUTHORITY

Dr. Malcolm Roberts
Chairman Queensland Competition Authority
GPO Box 2257
Brisbane Qld. 4001

02 APR 2015

DATE RECEIVED

Re: SEQ Long Term Regulatory Framework – SEQ Retail Water Annual Performance Monitoring (March 2015)

Dear Dr Roberts,

CRA (the Association) is pleased to provide public comment on the Staff Guidance Paper (the Paper) for implementation of the proposed regulatory monitoring regime for retail water service business entities in SEQ.

Comment

Without QCA's (the Authority's) independent confirmation that the Queensland Government's determination of 2008 legacy regulatory assets has correctly used the deprival value approach set out in pages 32-35 of the Statement of Regulatory Pricing Principles for the Water Sector, adoption of the modified CPI-X indexation methodology proposed in this draft will not advance achievement of the four overarching regulatory objectives for Coolum's consumers of water services.

CRA reaffirms its endorsement of the four overarching regulatory objectives that are consistent with the Statement of Regulatory Pricing Principles for the Water Sector (December 2000). CRA also reaffirms rejection of a "light handed" regulatory regime as inappropriate for Unitywater for reasons set out in the public submission dated 25 June 2014.

The permissible return on regulatory assets constitutes more than 60% of maximum allowable revenue. Given past failures to perform effective prices monitoring investigations by accepting restrictive terms of reference set by Queensland Governments, it is surprising that the Authority's staff would again propose this regulatory prices framework from 2015 onwards. The Paper effectively embeds inflated valuations of regulatory assets determined in 2008 based on advice from KPMG, and again declines to independently assess whether such advice is appropriate for long term regulation of monopoly water service entities in SEQ.

Guidance in this draft implementation proposal makes hollow the Authority's commitment to consider the Association's public submission on the Regulatory Framework Paper (QCA 2014 a) dated 25 June, and its preparation is a waste of public resources.

Should further clarification of CRA's grounds for rejecting the staff draft Guidance Paper be required please contact our Special Project Officer Richard Koerner.

Yours sincerely,


Ray Barber
Vice President Coolum Residents Association