

## MEDIA RELEASE

### Pricing principles proposed for south east Queensland water retailers

27 March 2014

The Queensland Competition Authority (QCA) today released a Position Paper proposing a set of principles to guide price decisions by water retailers in south east Queensland from 1 July 2015.

“The QCA has been asked by the State Government to recommend a long-term regulatory framework for water retailers – Unitywater, Queensland Urban Utilities, Logan Water, Redland Water and Gold Coast Water,” said QCA chairman Malcolm Roberts.

“Since 2009, these monopoly businesses have been subject to intensive performance monitoring. The QCA has conducted detailed investigations into the spending, revenue and pricing of water retailers.

“After five years, this monitoring has found no evidence that retailers are misusing their market power.

“Given these results, we believe that shifting to a more ‘light handed’ approach is appropriate. Light handed regulation can reduce regulatory costs and focus attention on the key service delivery issues affecting customers,” said Malcolm Roberts.

Last month, the QCA released a comprehensive set of performance indicators covering prices, revenue and service quality for water retailers. The release today of pricing principles adds to this framework.

“We are proposing that water retailers report each year on their performance against these indicators, providing customers with clear, accessible information on their services.

“The pricing principles would apply to the full range of urban water services, including residential supply, sewerage, water recycling and stormwater re-use.

“The principles are intended to promote water prices which are efficient, equitable, transparent and sustainable.

“We believe that prices should reflect the marginal cost of supplying the service. Marginal cost pricing allows customers and retailers to make decisions knowing the actual cost of the service. A fixed charge will usually be needed to ensure sufficient revenue to cover all costs, fixed and variable.

“Applying the pricing principles, for example, the QCA prefers to see customers pay a flat unit charge for the water they use. We do not support inclining block tariffs which charge customers higher prices as they use more water. Such tariffs are complex, do not reflect real costs and can disadvantage customers such as large families.

“The QCA recommends that inclining block tariffs be phased out.

“Most water retailers apply a fixed charge for residential sewerage services. We think this is an effective and cost reflective approach. The alternative of two-part tariffs is likely to be unnecessarily complex, costly and difficult to explain to customers,” said Malcolm Roberts.

We encourage industry and the community to consider the issues raised in the Position Paper (available at [www.qca.org.au/water](http://www.qca.org.au/water)). Submissions close on 30 June 2014.

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