

Guidance notice to stakeholders

1 July 2019

Gladstone Area Water Board price monitoring 2020–25

Pursuant to a referral notice dated 28 June 2019, the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (Minister) has directed the Queensland Competition Authority (QCA) to conduct a price monitoring investigation relating to the monopoly business activities of the Gladstone Area Water Board (GAWB), under section 23A of the *Queensland Competition Authority Act 1997* (QCA Act).¹

The price monitoring investigation is for the period 1 July 2020 to 30 June 2025 and will consider a range of matters, including:

- prices that provide GAWB sufficient revenue to recover its prudent and efficient costs
- the accumulation of under-recovered revenues, and its impact on customers.

Background

GAWB is a commercialised statutory water authority owned by the Queensland Government.² GAWB is responsible for bulk water supply in the Gladstone region—it provides bulk raw and potable water to industrial customers, power stations and the Gladstone Regional Council, and charges bulk water prices for these services. The Gladstone Regional Council passes GAWB's charges on to its residential and business ratepayers as one component of its water bills.

While GAWB is responsible for setting its own bulk water prices and negotiating with its customers, the Minister can ask the QCA to monitor prices and/or investigate pricing practices. Our last review was completed in 2015, when we undertook a price monitoring investigation of GAWB's proposed prices for the period 1 July 2015 to 30 June 2020.³ Having regard to the outcome of the QCA's investigation, GAWB then set bulk water prices in negotiation with its customers.

Proposed approach to this review

In accordance with the referral notice issued by the Minister, the QCA will commence a price monitoring investigation of GAWB's proposed water prices for the next regulatory period (2020–25).

Matters set out in the referral notice that we are required to consider in conducting the investigation include:

- prices that provide GAWB sufficient revenue to recover prudent and efficient costs, including capital and operating costs
- an appropriate weighted average cost of capital (WACC, or rate of return)
- the calculation of the roll-forward of the regulatory asset base

¹ The referral notice is available on our website at www.qca.org.au/water.

² The starting point for the existing regulatory framework was in 2000, when GAWB commenced operations as a Category 1 commercialised water authority under the *Water Act 2000* (Qld). In 2008, GAWB became a registered service provider under the *Water Supply (Safety and Reliability) Act 2008* (Qld).

³ Queensland Competition Authority, *Gladstone Area Water Board Price Monitoring 2015–2020*, final report, May 2015.

- the calculation of the revenue carryover.

Consistent with the Minister's referral, we are also required to consider the prevention of further accumulation—and reduction of the existing balance—of under-recovered revenue, as well as the management of the impact of this on customers.

When conducting the investigation, we must also have regard to the matters in section 26 of the QCA Act including, for example, the need for efficient resource allocation, the protection of consumers from abuses of monopoly power and an appropriate rate of return on assets.⁴

An important part of our investigation will be to assess the prudence and efficiency of GAWB's proposed capital and operating costs, and we will engage an independent consultant to assist with our assessment. We expect that GAWB will include detailed information on its proposed costs in its submission to the QCA, which is due by 30 September 2019 (GAWB's proposal).

Invitation for submissions

Public involvement is an important part of our investigatory process and we invite all interested parties, including the general public, to participate in our review. At this stage, we invite stakeholders to make initial submissions by **30 September 2019** to identify issues that they think should be considered as part of this investigation.

We will make GAWB's proposal available on our website as soon as possible after it is received. We invite stakeholders to comment on GAWB's proposal, or any other aspect of our investigation, by **28 October 2019**.

We prefer to receive submissions online: www.qca.org.au/submissions.

Alternatively, submissions can be sent to:

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Confidentiality

In the interests of transparency, and to promote informed discussion and consultation, the QCA intends to make all submissions publicly available. However, if a person making a submission believes that information in the submission is confidential, that person should claim confidentiality in respect of the document (or the relevant part of the document) at the time the submission is given to the QCA and state the basis for the confidentiality claim.

The assessment of confidentiality claims will be made by us in accordance with the QCA Act, including an assessment of whether disclosure of the information would damage the person's commercial activities and considerations of the public interest.

Claims for confidentiality should be clearly noted on the front page of the submission. The relevant sections of the submission should also be marked as confidential, so that the remainder of the document can be made publicly available. Also, it would be appreciated if two versions of the submission could be provided (that is, a complete version and another one excising confidential information).

⁴ Section 26(1)(a),(c),(e) of the QCA Act.

Further opportunities to make submissions

There will be a further opportunity to make submissions following the release of our draft report on the findings of our investigation, which we are required to provide to the Minister by 28 February 2020. We are required to provide our final report to the Minister by 29 May 2020.

Indicative timeline for the investigation

<i>Milestone</i>	<i>Indicative date</i>
The QCA publishes a notice of investigation	1 July 2019
Initial stakeholder submissions and GAWB's proposal due	30 September 2019
Stakeholder submissions on GAWB's proposal due	28 October 2019
The QCA provides draft report to the Minister	By 28 February 2020
Stakeholder submissions on the QCA's draft report due	27 March 2020
The QCA provides final report to the Minister	By 29 May 2020