

From: Richard Koerner [REDACTED]
Sent: Sunday, 11 August 2013 3:33 PM
To: Catherine Barker
Subject: QCA 2013-15 SEQ Water Prices Monitoring investigation supplementary public submission

The CEO
Queensland Competition Authority (QCA)

Attn. Ms Catherine Barker

Dear Ms Barker,

I refer to the communications cited below and forensic documentary evidence posted on the Authority's website from the 2011/12 and 2012/13 water services investigations relating to ongoing pricing practices of Unitywater and the Queensland Bulk Water Supply Authority.

I submit service charges incorporated into Unitywater's 2013/14 Budget may result in actual revenues exceeding the maximum allowable revenues (MAR) permitted under NWI Pricing Principles. This is because no effective prices oversight was performed by Price Regulators prior to adoption of that Budget due to restrictions incorporated into Terms of Reference (TOR) issued by the Ministers QCA of the present and former State governments. Had effective prices oversight investigations been allowed it would show that improper manipulation of non-current distribution assets of Unitywater and dams and weirs on the books of the Queensland Bulk Water Supply Authority were accepted by present and former Ministers of Water Utilities, QCA and Local Government in the determination of July 2008 legacy regulatory assets and in subsequent roll forward determinations of regulatory assets for capital recovery charge determinations.

The final paragraph of correspondence from the Minister Water Supply dated 5th September 2012 states *no intention* by the Queensland Government to revisit KPMG's flawed discounted cash-flow methodology opinion used to determine non-current asset valuations and regulatory asset valuations (RAB) for bulk water assets transferred from SEQ councils as at 30 June 2008. I submit that acceptance of such a methodology by the Boards of Unitywater and SEQwater in 2010/11 is at variance with Principle 3 (17) of the NWI's Principles for the Recovery of Capital Expenditures that mandates use of the Optimised Deprival Value approach described on page 33 of QCA's "Statement of Regulatory Pricing Principles for the Water Sector". It also resulted in acceptance of inflated valuations of retail and bulk water non-current assets throughout the Sunshine Coast and subsequent RAB determinations and the bulk water charges used by Unitywater in establishing annual budgets accepted by past and present Ministers for Local Government. Capital recovery charges developed by the Queensland Bulk Water Supply Authority and Unitywater, embraced by the present and former Queensland Governments are inflated and at variance with the methodology mandated by COAG water reform agreements.

By forbidding independent assessment by the Authority, the current TOR for 2013-15 prices monitoring investigations continue to contravene NWI Principles for the Recovery of Capital Expenditures Principle 3 (17), and Principle 6 (23) relating to repayment of actual income in excess of MAR and enables monopoly pricing abuse to continue. These TOR prevent the independent financial governance contemplated under the QCA Act and transparent investigation of prior year RAB determinations that established the foundation upon which 2013-15 service prices are based. Again the Authority is being prevented from performance of its duty to households in Coolum Beach and throughout the Sunshine Coast to have regard to *the protection of consumers from abuses of monopoly power* ("Statement of Regulatory Pricing Principles for the Water Sector Section 4.1 page 17) in performing price monitoring investigations.

I respectfully request that in conducting the 2013-15 prices monitoring investigations the Authority has regard to the serious governance and accountability issues identified above. Should official misconduct be suspected, please refer such matters for independent investigation by the Queensland Ombudsman in the public interest of Coolum Beach and Sunshine Coast water services consumers.

Yours sincerely,

R.J.Koerner