



Deputy Premier
Treasurer
Minister for Aboriginal and Torres Strait Islander Partnerships

Our Ref: 01811-2019

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Mr Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Menezes

Flavio,

Please find enclosed a referral notice under section 23A of the *Queensland Competition Authority Act 1997* requiring the Queensland Competition Authority (the Authority) to conduct a price monitoring investigation of the Gladstone Area Water Board (GAWB) for the period 1 July 2020 to 30 June 2025. I appreciate the Authority's continued involvement in this process, and the progress that has been made in ensuring the price monitoring approach provides effective regulatory oversight.

I am advised that officers from my department have consulted with the Authority in the preparation of this referral notice. GAWB has also been advised of this investigation and has been encouraged to work closely with the Authority to ensure the reporting timeframes for the review are met.

If you require any further information, please contact Mr Dennis Molloy, Assistant Under Treasurer, Shareholder and Structural Policy Division on (07) 3035 1988.

Yours sincerely

JACKIE TRAD MP
DEPUTY PREMIER
Treasurer
Minister for Aboriginal and Torres Strait Islander Partnerships

28 / 6 / 2019

Encl.

Cc: The Honourable Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy.

QUEENSLAND COMPETITION AUTHORITY ACT 1997
SECTIONS 23A and 24

REFERRAL AND DIRECTION NOTICE

A Section 23A – Referral

- (1.1) As the Treasurer of Queensland, pursuant to section 23A of the *Queensland Competition Authority Act 1997* (the Act), I refer the monopoly business activities of the Gladstone Area Water Board (GAWB) described in paragraph A(1.2) to the Queensland Competition Authority (the Authority) for a price monitoring investigation for the period 1 July 2020 to 30 June 2025.
- (1.2) The monopoly business activities are:
- bulk water storage, including water storage for another person;
 - bulk water delivery services;
 - bulk water treatment services;
 - supplying bulk water to another person, other than supplying bottled or containerised water.

B Section 24 - Directions

- (1.1) Pursuant to section 24 of the Act, I direct the Authority to consider the following matters for the period 1 July 2020 to 30 June 2025 when conducting the investigation:
- (a) prices which provide GAWB sufficient revenue to recover prudent and efficient costs incurred from providing bulk water supply services including catchment management and recreation facilities;
 - (b) an appropriate Weighted Average Cost of Capital (WACC);
 - (c) the Regulated Asset Base (RAB) roll-forward calculation (in accordance with the Authority's previously recommended methodology);
 - (d) the revenue carryover calculation (in accordance with the Authority's previously recommended methodology);
 - (e) for capital expenditure to be included in the RAB, form a view on prudence and efficiency of capital expenditure using an appropriate sample size and focusing on areas which would give rise to material price changes rather than matters which are likely to have a minor or inconsequential impact; and
 - (f) for operating expenditure to be included in the forecast revenue, form a view on prudence and efficiency in any function by using an appropriate sample size and focusing on areas which would give rise to material price changes rather than matters which are likely to have a minor or inconsequential impact.
- (1.2) For the avoidance of doubt, the Authority may consider a matter not indicated in section B(1.1) if it is likely to have a material impact on the price to a customer.
- (1.3) The Authority is to provide advice on measures which:
- (a) prevent the further accumulation of under-recovered revenue;
 - (b) reduce the existing balance of accumulated revenue under-recoveries; and
 - (c) manage the impact on customers of any proposed measures developed under sections B(1.3)(a) and B(1.3)(b).

C Consultation

- (1.1) The Authority must undertake an open consultation process with all relevant parties, as required by section 25 of the Act, and consider submissions within the timetable for the delivery of the Final Report to the Treasurer detailed in section D.
- (1.2) Consistent with sections 24(1)(a) and 34 of the Act, all reports and submissions should be made publicly available, including on the Authority's website.

D Timing

- (1.1) The notice given and published by the Authority under section 25 of the Act on receipt of this Referral and Direction Notice, should require submissions on pricing practices for the period 1 July 2020 to 30 June 2025 to be made to the Authority by GAWB by no later than 30 September 2019.
- (1.2) The Authority must report the results of the investigation to the Treasurer in accordance with the following timetable:
 - (a) Draft Report with respect to the investigation under sections B(1.1) – B(1.3) for the 1 July 2020 to 30 June 2025 price monitoring period by no later than 28 February 2020;
 - (b) Final Report with respect to the investigation under sections B(1.1) – B(1.3) for the 1 July 2020 to 30 June 2025 price monitoring period by no later than 29 May 2020; and
 - (c) Subsequent Report in the form of a comparison of:
 - i. annual prices charged by GAWB over the period 1 July 2020 to 30 June 2023; and
 - ii. the Authority's findings with regard to prices in the Final Report in section D(1.2)(b), by no later than 31 October 2023. The Authority may accept a submission from GAWB with prices charged over the period 1 July 2020 to 30 June 2023, justifying any deviations between prices charged to customers and the Authority's findings from the Final Report in D(1.2)(b) no later than 31 July 2023.



HON. JACKIE TRAD MP
DEPUTY PREMIER

Treasurer

Minister for Aboriginal and Torres Strait Islander Partnerships