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QLD COMPETITION AUTHORITY

Mr Malcolm Roberts  
Chairman  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

15 AUG 2013

DATE RECEIVED

Dear Mr Roberts

### Long-term Regulatory Framework for South East Queensland Water Entities

Thank you for your letter dated 2 July 2013. Council appreciates the opportunity to respond to the long-term regulatory framework investigation for South East Queensland water entities and formally registers its interest to participate in the investigation and make a submission.

Council supports in-principle the continuation of regulation post 30 June 2015 and sees merit in expanding the regulatory framework to include service quality performance reporting, coordination in terms of other regulatory processes, and stakeholder engagement.

Council would like the following matters to be considered as part of the investigation:

- **Pricing principles:** Pricing principles have been extensively reviewed in recent years, the most prevalent being the National Water Initiative (NWI) pricing principles. The NWI principles were developed jointly by the Australian Government and state and territory governments to provide a set of guidelines for rural and urban pricing practices and to assist jurisdictions to implement water pricing commitments in a consistent way. The Queensland Competition Authority (QCA) should consider these principles to ensure national consistency and avoid duplication. As part of the investigation the QCA should outline its views and expectations in terms of pricing principles. Council believes pricing principles should allow water entities scope and ability to design tariffs that suit local customer, industry and community needs, rather than a set of rigid rules to be adhered to.
- **Coordination with regulatory processes:** To promote coordination with other regulatory processes the QCA should consider entering into a Memorandum of Understanding with other regulatory authorities involved with the water industry. This may assist regulatory authorities and water entities by providing a holistic understanding of legislation and regulatory obligations impacting on the industry. In addition this should also consider government strategy and policies such as the 30 Year Water Strategy and review of infrastructure charges, and how these impact and interact with pricing principles.

- **Service quality performance framework:** When introducing a service quality performance framework it is important to consider business characteristics including age and type of assets, geography, and customer types. Because most business characteristics are not controllable by the water entity a distinction should be made between a performance measure and a service standard. A service standard is influenced by the characteristics of a water entity. A performance measure is something the entity can control.

The development of a service quality performance framework should consider existing frameworks to reduce the administrative and reporting burden, such as the use of the National Performance Reporting Framework.

- **Length of review period:** Council believes a longer regulatory period reduces the regulatory burden and associated costs and can assist in minimising price shock to customers by incorporating 'glide path' approaches to prices. There are risks involved with longer regulatory periods including Force Majeure events, demand uncertainty or any other unforeseen event. To overcome these risks re-opening provisions should be incorporated into the regulatory framework.

To promote efficiencies, the regulatory framework should be designed on a 'propose and respond' model incorporating a consultative and transparent process. A 'forward looking' review period provides certainty to water entities by the QCA providing approved forward revenue requirements, and avoiding uncertainty associated with water entities anticipating regulatory outcomes when setting prices. A forward looking framework promotes the incentive for water authorities to achieve efficiency gains resulting in better outcomes for customers.

In determining the appropriate length of the regulatory and the move to a forward looking framework, the QCA needs to consider possible conflicts with the *Local Government Act 2009*, which limits Councils to only adopt an annual budget.

- **Stakeholder engagement:** In terms of stakeholder engagement the City of Gold Coast has instigated a range of engagements to understand customer needs. Council recently undertook a residential customer survey that sought information on customer attitudes and behaviours on a range of issues including general water use and water efficiency, fluoridation of the water supply, and water and sewerage tariff structures.

If you would like to discuss the contents of this letter further, please do not hesitate to contact our Mr Andre Kersting, Coordinator Pricing and Regulation, Gold Coast Water on (07) 5582 9006.

Yours faithfully



  
Dale Dickson  
CHIEF EXECUTIVE OFFICER