

6 February 2012

26 Spindrift Avenue
Coolum Beach Qld.4573

The Chief Executive Officer
Queensland Competition Authority
G.P.O. 2257
Brisbane Qld.4001

Re: Public comments on Draft Report SEQ Interim Price Monitoring for 2011/12-Part B

Dear Sir,

Please refer to my submission dated 4 August 2011 with supporting correspondence that is posted as Submissions #1 on the SEQ 2011/12 Price Monitoring web-site, and the Draft Report's Section 3.6 headed The Initial Regulatory Asset Base. The validity of findings set out in Section 3.15 on page 348 are underpinned by the Authority's acceptance of an initial Regulatory Asset Base (RAB) of \$2.03 billion mandated by the Queensland Government. The Draft Report's acceptance does not address fundamental issues raised in the public submissions dated 17 February and 4 August 2011 regarding Unitywater's compliance with National Water Initiative (NWI) Regulatory Pricing Principle obligation 3.17 under COAG water reforms as set out in the Authority's "*Statement of Regulatory Pricing Principles for the Water Sector (December 2000)* page. 33.

Correspondence from the Minister Natural Resources (the Minister) and Queensland Water Commission (QWC) justifies the determination of initial RAB valuations for Unitywater based on a Government solicited methodology recommendation obtained from KPMG without independent verification of that methodology by the Authority. By accepting the Minister's determination of the initial RAB the Draft Report fails to consider the forensic evidence provided with Submission #1 demonstrating the cover-up of predatory pricing practices of Maroochy Water Services, and Sunshine Coast Water prior to 2008/09, and Unitywater since that time as outlined in paragraph three of the submission dated 4 August. The Authority has a regulatory responsibility to have regard to the protection of consumers from abuses of monopoly power. Households in Coolum Beach and throughout SEQ are being denied due process under NWI Regulatory Pricing Principle agreements with the Federal Government by such an acceptance.

The Minister's QCA terms of reference require the draft report to provide transparent information to consumers about the costs and other factors underlying the annual increase in water and wastewater prices. Transparency with respect to the derivation and independent verification of the initial RAB is essential to satisfy this requirement as far as capital recovery costs are concerned. KPMG's discounted flow approach cited by the Minister and QWC is now available, and I believe its use is inconsistent with Authority's "*Statement of Regulatory Pricing Principles for the Water Sector (December 2000)* pp. 33.

Given an obligation to have regard to the protection of consumers from abuses of monopoly power, acceptance of an initial RAB determined by the Queensland Government without prior performance of independent price oversight fails to afford consumer protection. It prevents this Draft Report from fulfilling both transparency requirements and performance of critical elements of the Authority's regulatory responsibilities. For these reasons Tables 3.30, 3.98 and 3.101, together with the findings of Section 3.15 provide no assurance that Unitywater's 2011/12 prices will not exceed the maximum allowable revenue (MAR), and bulk water charges determined by the SEQ Grid Manager will not also exceed MAR.

Yours sincerely,

Amy-Rose West

Cc: Mr. Brian Parmenter
Chair Queensland Competition Authority
Ms. Mary Balzary General Manager Ministerial and Communications Division
The Treasury