



SEQ Interim Price Monitoring
Guideline for Templates for 2010/11

Version 1.0

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1. NATURE OF THE GUIDELINE

1.1 Introduction and Purpose

The purpose of this Guideline is to explain how to complete the Information Requirement Templates (*templates*).

The Guideline follows the structure and sequence of the accompanying templates. The templates draw on financial information from the entities' statutory accounts and budget to derive information required by the Queensland Competition Authority (the Authority) for regulatory purposes.

The *templates* enable the Authority to collect information from the SEQ Distributor-Retailer Authorities (*entities*) in accordance with the Information Requirements for interim price monitoring.¹

This Guideline and the *templates* should be read in conjunction with the Information Requirements. In the event of any apparent inconsistency between the interpretations of this Guideline and the Information Requirements, the latter shall take precedence.

1.2 Version History and Amendments

A version number and date of amendment will identify every version of the Guideline. This version (Version 1) of the Guideline is dated 20 May 2010.

The Guideline and templates are being released to assist the entities to respond to the recommended framework. These will be amended to reflect the Ministers' decisions on the Authority's recommendations.

¹ The Information Requirements were originally recommended by the Authority in the *SEQ Interim Price Monitoring Information Requirements for 2010/11* December 2009. Reflecting stakeholder comments and consistent with the Information Requirements, the *SEQ Interim Price Monitoring Framework* April 2010 report recommended amendments to the Information Requirements. These Guidelines take account of all amendments to 20 May 2010.

2. INFORMATION REQUIREMENTS TEMPLATES

2.1 Overview

Completion of the *templates* by the *entities* is the first step. The *templates* can be accessed by opening the workbook named “QCA Information Requirements Templates.xls”. Upon opening this workbook, the user is prompted with a security warning about the use of macros in this workbook. The user must select “Enable Macros” option to allow proper function of all embedded linkages in this workbook.

The *templates* begin with the **Menu Page** as depicted in over the page, which shows the overall structure of the *templates*. The menu page allows users to navigate to any of the schedules in the *templates*, while the “Return to Menu” bar on the left-hand side of all schedules within the *templates* allows users to return back to this **Menu Page**.

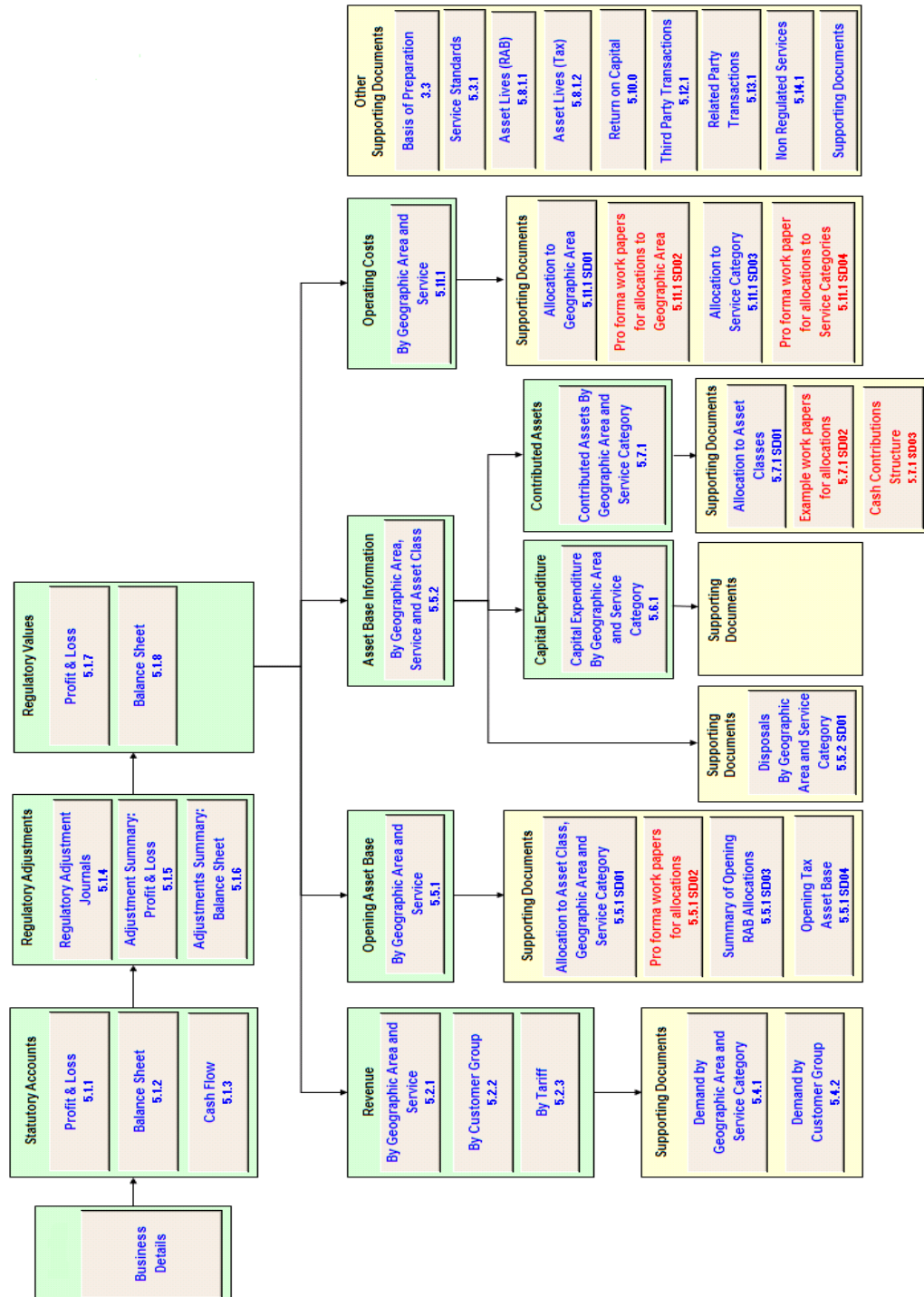
The worksheets coloured red in the **Menu Page** (and in the worksheet tabs) are designed to assist the entities in providing all the information required for the Authority’s analysis in a consistent format. These worksheets represent the preferred format for this information. However, entities may provide this information as a separate attachment and/or in different format so long as all the relevant information is provided to the Authority.

The *templates* have two data entry methods. In most instances users can type text or numbers directly into the light yellow shaded cells.² For some parts of the *templates* data is input by making a selection from a drop-down menu. An *entity* must provide the basic business details and the dates for reporting period in the **Business Details** schedule, which is then used to pre-populate the names and headers in the remainder of the *templates*. The *templates* generally require data to be provided for five years, from 2008/09 through to 2012/13.

The *templates* follow the general structure of the Information Requirements. They report the entity-level financial statements, which are then adjusted to account for differences between the financial accounts and the regulatory values used for the purposes of price monitoring. The key items in the financial statements, including revenue, operation expenses, opening asset base and roll forward assets form the bulk of the *templates*. The remainder of the *templates* comprises of supporting documents for the key components of the financial statements.

² The *templates* also include a sheet called Format Guide, which provides further information on the formatting protocols used in the *templates*.

Figure 2.1: Templates Overview Diagram



3. BASIC DETAILS

3.1 Business Details

Business details, such as business name, *geographic areas* names and the dates for reporting period are captured in this schedule. The light yellow shaded cells allow users to type text or numbers directly into the cell. The *templates* generally require data to be provided for five years, from 2008/09 through to 2012/13. The names and headers in the remainder of the *templates* are then pre-populated by information contained in this schedule.

This schedule also asks for historical indexation for 2008/09 and 2009/10, and forecast annual indexation for the *reporting year* onwards. Clause 5.9.1 outlines the options for indexation. For 2009/10, the Queensland State Budget inflation forecast may be used.

Figure 3.1: Business Details Schedule

QUEENSLAND COMPETITION AUTHORITY
SEQ INTERIM PRICE MONITORING - INFORMATION REQUIREMENT TEMPLATE
Business Details

Business Details		Supporting Documents
Business name	EntityName	Input name of the water entity.
Geographical areas	1 EntityArea1 2 EntityArea2 3 EntityArea3 4 EntityArea4 5 EntityArea5	Input short names to define the Geographic Areas. These should correspond to the Council Areas, as per the definition in section 6 of the Information Requirements.
Are additional geographic areas used?	Please select	If yes, please provide supporting information.
Analysis Years		
Period of information requirement	Year ending 30 June:	
Start date	2009	Input the period over which the business has smoothed its prices, if any.
Smoothing Period - Start Year	2009	
Smoothing Period - End year Year	2028	
Reporting year	2011	
Indexation rates		Year Ending 30 June:
Indexation rates	% pa	2009 2010 2011 onwards
Annual Indexation rate		Historical Forecast
See Information Requirements section 5.9.		Supporting Documents
Asset Class Details		Supporting Documents
Asset classes	1 Reservoirs 2 Pump stations 3 Treatment 4 Associated telemetry and control systems 5 Meters 6 Billing systems 7 Corporate systems 8 Sundry property, plant and equipment 9 Land 10 Building other than infrastructure housing 11 Distribution infrastructure not included in another category 12 Support services 13 Other 1 (please specify) 14 Other 2 (please specify) 15 Unallocated cash contribution	If additional asset classes are used, please provide supporting documents describing the asset classes and why a separate asset class has been used. Asset class 15 "Unallocated cash contributions" is to be used for cash contributions only. There should be no physical contributions, disposals, capital expenditure or opening asset base attributed to this asset class.
Specify additional categories here.		

Geographic Areas

The *geographic areas* to be entered here are the boundaries of the Councils that comprise the shareholders of the *entity*. Where entities also wish to provide information on a catchment basis, these catchments must sum to the council boundaries.

Where information is provided on a catchment basis, a separate copy of the *templates* needs to be completed and a supporting document provided to demonstrate how the catchment information sums to the Council boundaries. In this case, the *entity* should respond “yes” to the question about additional *geographic areas*. Where a separate copy (or copies) of the *templates* is used to provide additional information on a catchment basis, users can choose which schedules are completed for the additional information.

The use of additional copies of the *templates* to provide catchment level data does not replace the need to complete a copy of the *templates* showing the data at the *geographic areas* defined by the Council boundaries.

Analysis Years

Entities are also required to nominate the term over which smoothing, if any, is to be conducted. Where the smoothing period extends beyond the final year of the *templates*, the entities are required to provide information for those additional years.

Additional columns have been provided in the relevant schedules within the *templates* for providing this additional data. A note is provided in each schedule where additional data would need to be entered.

Asset Classes and establishment costs

There are 12 predefined *asset classes*.³ The *entities* also have the option in the **Business Details Schedule** to nominate up to two additional *asset classes*. Where additional *asset classes* are used, the *entities* must provide a supporting document explaining what the additional *asset classes* include.

If establishment costs are treated as a capital item, one of the two additional *asset classes* is to be used for this purpose. Only allowable establishment costs can be included. Supporting information should allow the Authority to confirm that disallowed costs have been excluded.

Asset class 15 in the *templates* has been assigned to “Unallocated cash contributions”. This category is to be used for cash contributions only. There should be no physical contributions, disposals, capital expenditure or opening asset base attributed to this *asset class* in any of the schedules within the *templates*.

3.2 Basis of preparation of information (Schedule 3.3)

An *entity* must provide explanatory notes to explain the basis of the information recorded in the *templates* (clause 2.2.2⁴). **Schedule 3.3** of the templates should be used by the *entity* to describe how the historical information and forecast information have been prepared. It is expected that the *entity* may provide supporting documents on policies and procedures to substantiate the explanatory notes provided.

³ There are 11 predefined categories set out in the Final Report. The 12th asset class (“Support Services”) was added following consultation with the *entities*.

⁴ Clause numbers relate to the Final Report on Information Requirements for 2010/2011.

The *entity* is required to retain all accounting records from which the *templates* were prepared for five *financial years* immediately following the reporting year in respect of which the *templates* were submitted (clause 2.4.1).

4. FINANCIAL STATEMENTS

4.1 Consolidated Statement of Financial Performance (Schedule 5.1.1) and Consolidated Statement of Financial Position (Schedule 5.1.2)

Schedules 5.1.1 and 5.1.2 are intended to be prepared from the *entity's* audited statutory financial statements and the accounting records that underlie those statements. The Authority recognises that audited statutory financial statements at the *entity* level may not be available for 2008/09 and 2009/10. Therefore, the completion of **Schedule 5.1.1 and 5.1.2** are likely to require amalgamation of financial statements that are available at the *geographic area* level to the *entity* level. An accompanying copy of those financial statements should be submitted with the *templates* as supporting documents.

These schedules provide the generic account headings for the statement of financial performance and statement of financial position. Where additional account headings may be required to provide a true and fair view of the *entity's* financial performance or position, the *entity* should insert additional rows at the places indicated (see Figure 4.1).

Figure 4.1: Schedule 5.1.1

QUEENSLAND COMPETITION AUTHORITY

SEQ INTERIM PRICE MONITORING - INFORMATION REQUIREMENT TEMPLATE

5.1.1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Consolidated Statement for EntityName
Reporting year = 2011

Entities are to provide high level details of the profit and loss statement for the given revenue and expense categories, and provide references to relevant notes to assist in interpretation of the information.
See Section 5.1.1 of the Information Requirements.

For Year Ending 30 June:

Account heading		2009	2010	2011	2012	2013
Revenues						
Revenue from services	\$'000					
Investment income	\$'000					
Net profit / (loss) from sale of regulatory assets	\$'000					
Net profit / (loss) from sale of unregulated assets	\$'000					
Contributions	\$'000					
Other 1 - [specify]	\$'000					
Other 2 - [specify]	\$'000					
Total Revenue	\$'000	0.0	0.0	0.0	0.0	0.0
Expenses						
Operating expenditure	\$'000					
Bad debts	\$'000					
Other 1 - [specify]	\$'000					
Other 2 - [specify]	\$'000					
Total Expenses	\$'000	0.0	0.0	0.0	0.0	0.0
Earnings Before Interest, Tax, Depreciation and An	\$'000	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	\$'000					
Earnings Before Interest, and Tax	\$'000	0.0	0.0	0.0	0.0	0.0
Borrowing costs	\$'000					
Earnings Before Tax	\$'000	0.0	0.0	0.0	0.0	0.0
Tax Expense	\$'000					
Earnings After Tax	\$'000	0.0	0.0	0.0	0.0	0.0
Dividends paid	\$'000					
Retained earnings for year	\$'000	0.0	0.0	0.0	0.0	0.0
Retained earnings brought forward	\$'000		0.0	0.0	0.0	0.0
Movement in retained earnings	\$'000	0.0	0.0	0.0	0.0	0.0
Retained earnings carried forward	\$'000	0.0	0.0	0.0	0.0	0.0

Specify additional categories here.

Figure 4.2: Schedule 5.1.2

COMPETITION AUTHORITY

SEQ INTERIM PRICE MONITORING - INFORMATION REQUIREMENT TEMPLATE

5.1.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement for EntityName
Reporting year – 2011

Account heading	For Year Ending 30 June:				
	2009	2010	2011	2012	2013
Current Assets					
Cash	\$'000				
Receivables	\$'000				
Other - [specify]	\$'000				
Total Current Assets	\$'000				
Non-Current Assets					
Property, plant and equipment	\$'000				
Deferred tax assets	\$'000				
Other - [specify]	\$'000				
Total non-current assets	\$'000				
TOTAL ASSETS			0.0	0.0	0.0
Current Liabilities					
Payables	\$'000				
Interest-bearing liabilities	\$'000				
Current tax liabilities	\$'000				
Provisions	\$'000				
Other - [specify]	\$'000				
Total current liabilities	\$'000				
Non-Current Liabilities					
Payables	\$'000				
Interest-bearing liabilities	\$'000				
Current tax liabilities	\$'000				
Provisions	\$'000				
Other - [specify]	\$'000				
Total Non-Current Liabilities	\$'000				
TOTAL LIABILITIES	\$'000	0.0	0.0	0.0	0.0
NET ASSETS/(LIABILITIES)	\$'000	0.0	0.0	0.0	0.0
Shareholders Equity					
Share Capital	\$'000				
Reserves	\$'000				
Retained earnings	\$'000	0.0	0.0	0.0	0.0
TOTAL SHAREHOLDERS EQUITY	\$'000	0.0	0.0	0.0	0.0

Specify additional categories here.

An *entity* is required to provide the following supporting information:

- For each account heading, references to the corresponding account codes in the chart of accounts that are sufficiently detailed to enable the Authority to readily understand from an *entity's* chart of accounts, the identity of the specific accounting records that underlie each account heading.
- Notes explaining relevant accounting policies and supporting information required for statutory reporting purposes, and/or references to such notes where they may be given in the accompanying financial statements.
- Where there has been any change in an accounting principle or policy used either to prepare an *entity's* statutory financial statements and budget, or its price monitoring

accounting principles and policies, since the submission by the *entity* of its last price monitoring information returns, a reference to an accompanying note explaining the nature of the change, the reasons for the change and the effect of the change on the price monitoring information terms must be provided.

- Where forecast financial information is prepared on a basis different to the accounting policies applied to the most recent statutory financial statements, a note or notes explaining the change in policy, the reason for it and its effect on the comparability of the forecast financial statements for the forecast periods and the most recent statutory financial statements for the *entity*.
- For the 2010/11 reports, the basis on which the historical and forecast data has been prepared should be consistent with the supporting information provided in **Schedule 3.3**.

4.2 Consolidated Cash Flow Statement (Schedule 5.1.3)

Requirements set out in the previous section for **Schedules 5.1.1** and **5.1.2** also apply to **Schedule 5.1.3** (Consolidated Cash Flow Statement), except that account items do not need to be referenced to the chart of accounts of the underlying accounting records. This is because the Cash Flow Statement is derived or calculated from the Statements of Financial Performance and Position. Where an *entity* adds extra account headings to pro forma headings in the generic Cash Flow Statement, an accompanying note should explain the nature of each additional heading.

Note: All cash inflows should be entered as positive figures and cash outflows entered as negative figures in this schedule.

5. REGULATORY ADJUSTMENTS AND REGULATORY VALUES

5.1 Regulatory Adjustment Journals (Schedule 5.1.4)

Schedule 5.1.4 provides the supporting detail and explanations of regulatory adjustments recorded on **Schedule 5.1.5** (Adjustments to Statement of Financial Performance) and **Schedule 5.1.6** (Adjustments to Statement of Financial Position), respectively.

Pro forma adjustments are also set out to indicate those adjustments which the Authority anticipates. However, an *entity* should determine which adjustments are appropriate to its circumstances and should not necessarily be bound by these pro formas. Spare rows have been provided for an *entity's* use if required, and *entities* can add additional rows at the bottom of schedule, if required.

Figure 5.1: Schedule 5.1.4

QUEENSLAND COMPETITION AUTHORITY
SEQ INTERIM PRICE MONITORING - INFORMATION REQUIREMENT TEMPLATE
5.1.4 REGULATORY ADJUSTMENT JOURNALS

Regulatory Adjustment Journals for EntityName
 Reporting year = 2011

Provide details of the journal entries for the regulatory adjustments.
 See section 3.2 of the Information Requirements.

		For Year Ending 30 June 2011:				
Journal Number	Account Debited Account Credited		Profit and Loss Statement		Balance Sheet	
			Debit	Credit	Debit	Credit
1	Reserves (balancing entry)	\$000				
1	Fixed assets - opening gross undepreciated (financial accounting values)	\$000				
1	Fixed assets - opening undepreciated regulatory values	\$000				
	<i>Replacement of opening accounting gross asset balances with opening regulatory values.</i>					
2	Reserves (balancing entry)	\$000				
2	Fixed assets - opening accumulated depreciation (financial accounting values)	\$000				
2	Fixed assets Opening Accumulated Depreciation (regulatory values)	\$000				
	<i>Replacement of opening accounting accumulated depreciation balances with opening regulatory values.</i>					
3	Fixed assets - gross undepreciated value (regulatory values)	\$000				
3	Revenue - customer contributions	\$000				
	<i>Adjustment to credit current year customer contributions to assets instead of revenues (This adjustments should be carried forward in regulatory asset values)</i>					
4	Fixed assets - accumulated depreciation (financial accounting values)	\$000				
4	P&L depreciation charge (financial accounting values)	\$000				
4	Accumulated depreciation (regulatory values)	\$000				
4	P&L depreciation charge (regulatory basis values)	\$000				
	<i>Reversal of current period accounting depreciation charge with regulatory annual charge</i>					
5	Undepreciated value of fixed assets (financial accounting values)	\$000				
5	Accumulated depreciation on disposal of assets (financial accounting values)	\$000				
5	Undepreciated value of fixed asset disposed (regulatory values)	\$000				
5	Accumulated depreciation on assets disposal (regulatory values)	\$000				
5	Adjustment to profits / loss on disposal (balancing figure)	\$000				
	<i>Restatement of profit and loss of disposal of fixed assets - at regulatory values</i>					
6	Opening undepreciated value of fixed assets (regulatory values)	\$000				
6	Reserves	\$000				
	<i>Inflation adjustment to opening fixed asset (regulatory values)</i>					
7	Opening accumulated depreciation on fixed assets (regulatory values)	\$000				
7	Reserves	\$000				
	<i>Inflation adjustment to accumulated depreciation brought forward on fixed assets (regulatory values)</i>					
8	Item A - specify	\$000				
8	Item B - specify	\$000				
	<i>Reason for the regulatory adjustment - specify</i>					
9	Item A - specify	\$000				
9	Item B - specify	\$000				
	<i>Reason for the regulatory adjustment - specify</i>					

Pre-populated adjustments provided for guidance only.

Spare categories provided, but add additional rows as required.

5.2 Adjusted Profit and Loss statement for Reporting Year (Schedule 5.1.5) and Adjusted Balance Sheet for Reporting Year (Schedule 5.1.6)

Schedules 5.1.5 and 5.1.6 record the application of the adjustments set out in Schedule 5.1.4 Regulatory Adjustment Journals to the *entity's* Financial Statements for the *reporting year*.

For **Schedule 5.1.5** (Adjusted Profit and Loss Statement for Reporting Year), the profit and loss account recorded on **Schedule 5.1.1** (Consolidated Statement of Financial Performance) is entered into this schedule for the current year being reported on. The Regulatory Adjustments for the Profit and Loss account set out in **Schedule 5.1.4** (Regulatory Adjustment Journals) are then entered into the adjustments column and cross referenced to the corresponding detail entries in **Schedule 5.1.4**.

The adjustments are then added to or subtracted from the financial profit and loss account and the result recorded in the Regulatory Value column. The new values are the profit and loss account of the *entity* adjusted for regulatory requirements and policies.

Schedule 5.1.6 Adjusted Balance Sheet for Reporting Year follows the same process except that information is drawn from the **Schedule 5.1.2** (Consolidated Statement and Financial Position) and the balance sheet entries on **Schedule 5.1.4** (Regulatory Adjustments).

5.3 Profit & Loss Statement – Regulatory Values (Schedule 5.1.7) and Balance Sheet – Regulatory Values (Schedule 5.1.8)

Schedules 5.1.7 and **5.1.8** form the basis of the analysis used for the Authority's Interim Price Monitoring. *Entities* are required to provide adjusted information for the 5-year period (as per Schedules 5.1.4 to 5.1.6).

6. REVENUE

6.1 Revenue by Geographic Area and Service Category (Schedule 5.2.1)

Clause 5.2 requires the *entities* to provide information about revenue by service category within each *geographic area*. **Schedule 5.2.1** (Revenue by Geographic Area and Service Category) provides the template for *entities* to supply this information for the five-year period. The schedule is separated into different sections for each *geographic area*.

Revenue from other sources is to be reported in accordance with clause 5.2.2, which allocates other revenue between revenue that will and will not offset the revenue requirements.

The Authority recognises that some revenue from other sources may not be attributable to specific *geographic areas* (e.g. investment income). Accordingly, **Schedule 5.2.1** includes an unallocated (non geographic sector) to allow the total revenue reported on this schedule to be reconciled to the *entity's* total revenue.

A summary of total revenue from services is at the end of the schedule and should agree to the totals on **Schedule 5.1.7** (Statement of Financial Performance – Regulatory Values).

Figure 6.1: Schedule 5.2.1

QUEENSLAND COMPETITION AUTHORITY

SEQ INTERIM PRICE MONITORING - INFORMATION REQUIREMENT TEMPLATE

5.2.1 REVENUE BY GEOGRAPHIC AREA AND SERVICE CATEGORY

Revenue Details for EntityName
Reporting year = 2011

Provide details of revenue for each of the deemed categories in section 3.4.2 of the Information Requirements for 2008/09 - 2012/13.
See sections 5.2.1(a) and 5.2.1(b) of the Information Requirements.

If prices are smoothed beyond 2013, additional columns are provided for the corresponding period. Additional years clicking on the '+' sign above

	For Year Ending 30 June:					For Year Ending 30 June 2011 Supporting Documents
	2009	2010	2011	2012	2013	
Geographical Area 1 - EntityArea1						
REVENUE FROM SERVICES						
Revenue from water services:						
Drinking water	\$'000	1,000.0				
Other core water services	\$'000	200.0				
Aggregate non-core water services	\$'000	100.0				
Revenue from wastewater services:						
Wastewater via sewer	\$'000	2,000.0				
Trade waste	\$'000	1,000.0				
Other core wastewater services	\$'000	500.0				
Aggregate non-core wastewater services	\$'000	100.0				
Non-regulated:						
Aggregate non-regulated services	\$'000	20.0				
Subtotal Revenue from Services	\$'		0.0	0.0	0.0	
OTHER REVENUE						
Other Revenue Offset Against Revenue Requirements:						
Investment Income	\$'000					
Net profit from Sale of Assets	\$'000					
Contributions	\$'000					
Other Revenue Not Offset Against Revenue Requirements:						
Investment Income	\$'000					
Net profit from Sale of Assets	\$'000					
Contributions	\$'000					
Subtotal Other Revenue	\$'000	0.0	0.0	0.0	0.0	
TOTAL REVENUE	\$'000	4,920.0	0.0	0.0	0.0	

Additional columns are provided here if price smoothing extends beyond 30 June 2013

This is repeated in the Schedule for each Geographic Area, Non-Allocated and Total

The values in **Schedule 5.2.1** are key inputs to enable the calculated revenue requirement to be compared to the revenues reported by the *entities*. If smoothing occurs over a period that extends beyond 2012/13, the entity should provide revenue estimates for the additional years covering the smoothing period in this schedule. There are additional columns provided within

Schedule 5.2.1 to report the revenue data for the additional years, if required, and these additional columns can be accessed by clicking on the “+” sign in the grey bar above column Z in this schedule.

6.2 Revenue by Customer Group (Schedule 5.2.2)

Schedule 5.2.2 provides a further breakdown of the revenue by *customer group* and *service category* within each *geographic area* for unallocated revenue and in total for the *reporting year*. The total revenues for each *service category* shown in the total column (column J) of this schedule must equal to the values shown for the *reporting year* in **Schedule 5.2.1**.

6.3 Revenue – Tariff Structures (Schedule 5.2.3)

Schedule 5.2.3 collects information required by clause 5.2.1(c) about the tariff structures for the *reporting year*.

Entities are to also provide any pricing policies for the reporting year, including price smoothing adopted, if any. Where there is expected to be a change to revenues and/or tariffs structures, the *entity* should provide details about the date of those expected changes in accordance with clause 5.2.1(e).

There is a single schedule covering all *geographic areas*, *service categories* and *customer groups*, which are selected using dropdown lists. Additional rows can be added manually by the *entity* to this schedule as required.

Figure 6.2: Schedule 5.2.3

QUEENSLAND COMPETITION AUTHORITY
SEQ INTERIM PRICE MONITORING - INFORMATION REQUIREMENT TEMPLATE
5.2.3 REVENUE - TARIFF STRUCTURES
Revenue Details for EntityName - Tariff Structures
 Reporting year = 2011

Entities must provide details of each tariff structure and associated sales consistent with the revenues in Schedule 5.2.1. Entities should provide any pricing policies and supporting documents for the interim period, including the rationale for any smoothing adopted.
 See sections 5.2.1(c) to 5.2.1(e) of the Information Requirements.

Parameter	Geographic Area (dropdown list)	Service Category (dropdown list)	Customer Category (dropdown list)	Tariff Description	Type (dropdown list)	Unit
1 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$000
2 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$00
3 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$000
4 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$000
5 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$000
6 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$000
7 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$000
8 Price						\$
Quantity	0	0	0	0	0	[please specify]
Revenue	0	0	0	0	0	\$000

6.4 Service Standards (Schedule 5.3.1)

Schedule 5.3.1 records summary information about the service standards targets for the *entity*. The Authority has not predefined the service standards. Rather, for the *reporting year*, the *entities* should provide information about the service standards approved by other agencies. Where the service standards imposed on the business by the shareholding Councils are higher than those imposed by other parties, the *entities* should report those service standards and demonstrate that these are superior.

Entities are required to provide supporting documents that substantiate and explain the service standards details provided in the schedule.

6.5 Demand by Geographic Area (Schedule 5.4.1)

In a similar way to **Schedule 5.2.1**, **Schedule 5.4.1** collects information about demand required by clause 5.4.1.

The types of supporting documents that are required from *entities* include:

- any additional information or forecasts of demand necessary to substantiate proposed capital expenditure and corresponding non-revenue water and bulk purchases, where relevant (clause 5.4.1(c)); and
- the method adopted to forecast demand or reference to accompanying documents that describe that method (clause 5.4.1(d)).

Entities may add extra rows to the *non-core services* and *non-regulated services* sections of the schedule to reflect different units of demand.

6.6 Demand by Customer Group (Schedule 5.4.2)

In a similar way to **Schedule 5.2.2**, **Schedule 5.4.2** collects information about demand required by clause 5.4.1 but at a further breakdown of the demand by *customer group* and *service category* within each *geographic area* for the *reporting year*.

The types of supporting documents that are required from *entities* include:

- any additional information or forecasts of demand specific to a particular *customer group* necessary to substantiate proposed capital expenditure and corresponding non-revenue water and bulk purchases, where relevant (clause 5.4.1(c)); and
- the method adopted to forecast demand or reference to accompanying documents that describe that method (clause 5.4.1(d)).

Any additional rows inserted in **Schedule 5.4.1** to the *non-core services* and *non-regulated services* sections must also be reflected in this schedule. The total demand for each *service category* shown the total column (in column J) of this schedule must equal to the values that are shown for the *reporting year* in **Schedule 5.4.1**.

7. ASSET BASE AND RETURN ON INVESTMENT

7.1 Opening Asset Base (Schedule 5.5.1)

Schedule 5.5.1 summarises the *entity's* allocation of the opening regulatory asset base (RAB) by *service category* and *geographic area*. The corresponding attribution of the accounting written down value of assets as at 1 July 2008⁵ is required to be disclosed in this schedule. This schedule requires *entities* to confirm whether or not the RAB advised by the Minister has been attributed to assets in direct proportion to the audited written down (accounting value) of the assets. If not, the *entities* are required to provide additional supporting documentation to explain the methodology used.

This schedule should be completed following the allocation of the opening asset base in **Schedule 5.5.1 SD01** (Allocation of Opening Asset Base).

Schedule 5.5.1 and supporting **Schedules 5.5.1 SDO1, 5.5.1 SDO2** and **5.5.1 SD03** need only be submitted once for the first *reporting year*.

Allocation of opening asset base (Schedule 5.5.1 SD01)

Schedule 5.5.1 SDO1 supports **Schedule 5.5.1**, which specifies for each uniquely identified asset or asset group its written down value (WDV), RAB value, remaining useful life, asset category, *geographic area* and *service category*.

Entities can group assets of common characteristics and asset lives. For example, the entities could group similar shared assets and then allocate these across *service categories*.

Assets (or group of assets) are allocated to a *geographic area* using a dropdown list that is linked to the *asset classes* in the **Business Details Schedule**. If the “other” *asset classes* were not specified in the **Business Details Schedule**, they should not be used in **Schedule 5.5.1 SD01**.

There should be no assets allocated to the “Unallocated cash contributions” *asset class*, which is to be used solely for allocating cash contributions that cannot be allocated to one of the other *asset classes*.

Assets allocated to the “Support services” *asset class* should include supporting documents that explain the nature of these assets and the basis for allocation to this category rather than one of the predefined categories set out in the clause 6.

Additional rows should be added to this schedule as required. The total WDV and RAB value must equal the total WDV and RAB value shown in **Schedule 5.5.1**.

Allocation of assets to services will generally only be required to be completed once, which is for the opening asset base at 1 July 2008 for the first *reporting year*.

Pro forma workpaper for RAB value allocation (Schedule 5.5.1 SD02)

Where an asset is allocated (rather than directly attributed) to a *service category*, the method of allocation should be identified and whether the *entity* considers the allocation to be causal or

⁵Where audited asset values are not available as at 1 July 2008 (e.g. the values are only available as at 15 March 2008) these must be rolled forward to 1 July 2008 in a manner consistent with the formulae in the Ministerial Direction.

non-causal. *Entities* should note *directly attributable* and *causal allocation* are defined. This information should be provided for each asset (or group of assets) that is allocated on either a causal or non-causal basis across two or more *service categories*.

The Authority's preferred format for this information is set out in **Schedule 5.5.1 SDO2**. However, entities may provide this information as a separate attachment and/or in different format so long as all the relevant information is provided to the Authority.

Allocations of Opening Asset Base (Schedule 5.5.1 SD03)

Schedule 5.5.1 SD03 requires *entities* to allocate the opening RAB as at 1 July 2008 to *service categories* and *geographic areas* at the *asset class* level. The information entered here should be a summary, by *asset class*, of the information provided in **Schedule 5.5.1 SD01**.

Allocations of Opening Asset Base for Tax Purposes (Schedule 5.5.1 SD04)

This schedule is required for the purpose of calculating tax depreciation. *Entities* must provide the tax values for the opening asset base as at 1 July 2008 for each *asset class* at the *services category* level for each *geographic area*.

7.2 Additional Regulatory Asset Base Information (Schedule 5.5.2)

Schedule 5.5.2 sets out the additional asset base information required.

Entities are required to enter the current year depreciation and physical contributions (i.e. contributed, donated and gifted assets) for each *asset class* directly into **Schedule 5.5.2**.

The physical asset contributions entered in this **Schedule 5.5.2** must equal those shown in **Schedule 5.7.1 SD01** for the *reporting year*. This schedule includes the physical contributions in order for these to be captured by asset class.

If smoothing occurs over a period that extends beyond 2012/13, the entity should provide details of the physical contributions for the additional years covering the smoothing period in this schedule. There are additional columns provided within **Schedule 5.5.2** to report the physical contributions data for the additional years, if required, and these additional columns can be accessed by clicking on the "+" sign in the grey bar above column Z in this schedule.

Schedule 5.5.2 provides a row within each asset class for other adjustments to the asset base not covered by the pro forma provided. Where the *entities* make such an adjustment, supporting documentation should be provided to detail the reasons for the adjustment.

7.3 Disposals (Schedule 5.5.2 SD01)

This schedule reports information about the asset disposals for each asset class, by *service category* and by *geographic area* for 2008/09 – 2012/13.⁶

There should be no disposals assigned to the "Unallocated cash contributions" *asset class*.

⁶ In the *SEQ Interim Price Monitoring Framework* Final Report, the Authority noted that for 2010/11 (individual) assets retired prior to being fully depreciated could remain in the RAB and be depreciated over their remaining life, provided that the individual asset does not account for more than 5% of the asset class. The Authority may review this approach in light of its experience in actual price monitoring.

7.4 Capital Expenditure (Schedule 5.6.1)

This schedule records the capital expenditure for each asset class, by *service category* and *geographic area* for 2008/09 – 2012/13, as per the requirements of Section 5.6. Consistent with section 5.6.3(a), *entities* are required to separately identify capital expenditure for:

- growth;
- renewal;
- improvements; and
- compliance.

In accordance with Section 5.6, *entities* should provide data about their total capital expenditure, which includes contributed, donated and gifted assets and those funded by cash contributions. Where establishment costs approved by the Minister for Natural Resources, Mines and Energy and Minister for Trade are treated as a capital item, this should be included as a separate *asset class* (see section 3.1). Only allowable establishment costs can be included. Supporting information should allow the Authority to confirm that disallowed costs have been excluded.

There should be no direct capital expenditure assigned to the “Unallocated cash contributions” *asset class*.

If smoothing occurs over a period that extends beyond 2012/13, the entity should provide direct capital expenditure estimates for the additional years covering the smoothing period in this schedule. There are additional columns provided within **Schedule 5.6.1** to report the capital expenditure data for the additional years, if required, and these additional columns can be accessed by clicking on the “+” sign in the grey bar above column Z in this schedule.

Entities are required to provide supporting documents on the capital expenditure projects and approval policies and procedures to enable the Authority to establish the prudence and efficiency of the capital expenditure as prescribed in clauses 5.6.3(b) and 5.6.3(c). Consistent with the *SEQ Interim Price Monitoring Framework* Final Report:

- work in progress should be capitalised at the rate of return and included as capital expenditure once it is fully completed and able to contribute productive capacity to the system; and
- detailed planning and specification documents are not required to be provided to the Authority for each project in the first instance. However, this information is likely to be required for independent expert review of the prudence and efficiency of sampled projects. Supporting information should include a list of all projects and their values in order for a sample to be chosen for more detailed review.

Entities should provide supporting documents that explain the basis of allocation (including the percentage split), reason for choosing this basis and any relevant notes from the *entity’s* annual report as prescribed under clause 5.6.4.

7.5 Contributed Assets & Capital Contributions (Schedule 5.7.1)

Schedule 5.7.1 requires the *entities* to provide the value of capital contributions for 2008/09 – 2012/13 for each *geographic area* and *service category*, broken down into the following categories:

- contributed, donated and gifted assets⁷;
- capital contributions (cash and infrastructure charges); and
- planning scheme policy charges.

There should be no “contributed, donated and gifted assets” assigned to the “Unallocated cash contributions” *asset class*. By definition, only “capital contributions (cash and infrastructure charges)” and “planning scheme policy charges” may be allocated to the “Unallocated cash contributions” *asset class*.

If smoothing occurs over a period that extends beyond 2012/13, the entity should provide details of the forecast contributions for the additional years covering the smoothing period in this schedule. There are additional columns provided within **Schedule 5.7.1** to report the revenue data for the additional years, if required, and these additional columns can be accessed by clicking on the “+” sign in the grey bar above column Z in this schedule.

Allocation of Contributed Assets & Capital Contributions o Asset Classes (Schedule 5.7.1 SD01)

Schedule 5.7.1 is supported by **Schedule 5.7.1 SD01**, which requires the *entities* to allocate contributed assets and capital contributions to *asset classes* for the *reporting year*.

A dropdown list is provided for entities to specify how the capital contributed assets and capital contributions have been attributed to the Authority’s *asset classes*. The three types of allocation are: *directly attributable*, *causal allocation* and *non-causal allocation*.

Pro forma Work paper for Allocation of contributed assets & capital contributions (Schedule 5.7.1 SD02)

Where a contributed asset or capital contribution is allocated on a causal or non-causal basis to two or more *asset classes*, entities must provide the details of, and reasons for, the allocation.

The Authority’s preferred format for this information is provided in **Schedule 5.7.1 SD02**. However, entities may provide this information as a separate attachment and/or in different format so long as all the relevant information is provided to the Authority.

Contributed, Donated and Gifted Assets (Schedule 5.7.1 SD03)

Information about the structure of the capital contributions (i.e. infrastructure charges and planning scheme policy charges) must be reported. The key information required includes the type of contribution, the amount of contribution, the *service category*, the *geographic area* and the value of each contribution for 2008/09 - 2012/13.

The Authority’s preferred format for this information is provided in **Schedule 5.7.1 SD03**. However, entities may provide this information as a separate attachment and/or in different format so long as all the relevant information is provided to the Authority.

Entities should provide supporting documents as described in clause 5.7.1, such as infrastructure charges schedules or planning scheme policies and supporting documents with the details of related assets where available for the Authority to verify these details.

⁷ These assets only incorporate those intended to provide a pricing benefit.

7.6 Asset Lives

(Schedule 5.8.1.1)

Schedule 5.8.1.1 reports the remaining useful lives for the existing assets at 1 July 2008, broken down by asset class, *service category* and *geographic area*, in accordance with the requirements of clause 5.8.1. *Entities* are also to provide the useful lives applied to capital expenditure.

Asset Lives for Tax Purposes (Schedule 5.8.1.2)

Schedule 5.8.1.2 reports the remaining useful lives for tax purposes for the existing assets at 1 July 2008 down by *asset class*, *service category* and *geographic area*. *Entities* are also to provide the useful lives applied to capital expenditure.

This schedule is required as an input into the calculation of tax depreciation.

7.7 Return on Capital (Schedule 5.10.0)

This schedule records the *entity's* target rate of return and the parameters on which the target rate are based for 2010/11 – 2012/13. The target rate of return should be calculated based on the method of weighted average cost of capital (WACC) as prescribed in Section 5.10. The aim of this schedule is for *entities* to provide sufficient information on the WACC parameters for the Authority to understand how *entities* have derived the WACC rate.

The Authority uses the 'vanilla' version of the nominal post-tax approach to WACC, consistent with the Officer WACC Model version 3.⁸

The *entity* is required to provide WACC parameters and capital structure details for: risk free rate, market risk premium, debt margin, asset beta, leverage rate, corporate tax rate, imputation gamma and inflation rate.

For further in-depth discussion on the Authority's decision on any of the formulae described in this Guideline, *entities* should refer to previous reports published by the Authority.

⁸ QCA (2004). *Dalrymple Bay Coal Terminal Draft Access Undertaking*, p.195.

8. OPERATING COSTS

8.1 Operating Cost Details (Schedule 5.11.1)

This schedule collects current year, historic and forecast operating costs by expense category (as described under clause 5.11.1) and *service category* within each *geographic area*. The costs recorded in this schedule will either be *directly attributable* (as defined) or result from allocations of costs firstly to *geographic area* and then to *service categories*. The allocated costs for the current year should agree to supporting schedules of allocations to *geographic areas* (Schedules **5.11.1 SD01** and **5.11.1 SD02**) and *service categories* (Schedules **5.11.1 SD03** and **5.11.1 SD04**). The line items for the current year should be referenced to the supporting schedules in the spaces provided on **Schedule 5.11.1**.

Total operating cost must reconcile to the total operating expenditure line in **Schedule 5.1.7** Statement of Financial Performance - regulatory value.

If smoothing occurs over a period that extends beyond 2012/13, the entity should provide operating cost estimates for the additional years covering the smoothing period in this schedule. There are additional columns provided within **Schedule 5.11.1** to report the operating cost data for the additional years, if required, and these additional columns can be accessed by clicking on the “+” sign in the grey bar above column Z in this schedule.

The *entity* is required to provide an explanation of any significant change in expenditure in the explanatory notes section.

An *entity* is also required to provide the reasons for anticipated changes in operating costs and taxes over the period from 1 July 2010 to 30 June 2013.

The *entity* is also required to provide further explanation of significant one-off expenditure items or any allocations made that would assist the Authority in its assessment of the entities *templates*.

8.2 Operating Costs Allocation Details – Geographic Area (Schedule 5.11.1 SD01)

This schedule is to be completed by *entities* for allocating operating costs from an expense category to *geographic areas* for the *reporting year* and nominate the basis of allocation where the operating cost is allocated on a *causal* or *non-causal* basis.

Where the operating cost was allocated on a *causal* or *non-causal* basis, the *entity* must provide a supporting document (i.e. a copy of **Schedule 5.11.1 SD02**) showing how the operating cost is allocated across the *geographic areas*.

8.3 Operating Cost Allocation Workpaper – Geographic Area (Schedule 5.11.1 SD02)

Where an operating cost is allocated on a *causal* or *non-causal* basis for the *reporting year*, the *entity* must provide the reason for choosing the basis of allocation and the reason for the unallocated cost component (if applicable).

The Authority’s preferred format for this information is provided in Schedule 5.11.1 SD02. However, the entity may provide this information as a separate attachment and/or in different format so long as all the relevant information is provided to the Authority.

A workpaper is not required for those operating costs that are *directly attributable* to a specific *geographic area*.

8.4 Operating Costs Allocation Details – Service Category (Schedule 5.11.1 SD03)

This schedule is to be completed by *entities* for allocating operating costs from an expense category within a *geographic area* to a particular *service category* for the *reporting year* and nominate the basis of allocation where the operating cost is allocated on a *causal* or *non-causal* basis.

Where the operating cost are allocated on a *causal* or *non-causal* basis, the *entity* must provide a supporting document (for example, a copy of **Schedule 5.11.1 SD04**) showing how the operating cost are allocated across the *service categories*.

8.5 Operating Cost Allocation Workpaper – Service Category (Schedule 5.11.1 SD04)

Where an operating cost is allocated on a *causal* or *non-causal* basis for the *reporting year*, the *entity* must provide the reason for choosing the basis of allocation and the reason for the unallocated cost component (if applicable).

The Authority's preferred format for this information is provided in **Schedule 5.11.1 SD04**. However, the entity may provide this information as a separate attachment and/or in different format so long as all the relevant information is provided to the Authority.

A workpaper is not required for those operating costs that are *directly attributable* to a specific *service category*.

9. OTHER SUPPORTING DOCUMENTS

9.1 Third Party Transactions (Schedule 5.12.1)

Entities are to provide details of all third party transactions with a value greater than \$1 million for operating expenditure items or greater than \$10 million for capital expenditure items, in accordance with Section 5.12. The Authority requires the name of the third party, details of the transaction, description of services received, the value of the payments made, and how the payment was determined.

Entities are required to provide supporting documents that substantiate the details provided, including the *asset class* or cost category affected by the transaction.

9.2 Related Party Transactions (Schedule 5.13.1)

Entities are to provide details of all related party transactions (irrespective of the value of the individual transaction), in accordance with Section 5.13. Details to be included are the name of the related party, details of the transaction, description of services received, the value of the payments made, and how the payment was determined.

Entities are required to provide supporting documents that substantiate the details provided, including the *asset class* or cost category affected by the transaction. Additionally, *entities* must demonstrate that the value does not differ from that which would be paid by two companies dealing at arms length, and a description of how any shared costs have been allocated.

9.3 Non-regulated Services (Schedule 5.14.0)

This schedule records revenue, operating expenditure and capital expenditure for each of the *non-regulated services*, being services that do not fall within those *service categories* defined as monopoly business activities. *Entities* are required to provide explanation of the basis of any allocations made to *non-regulated services* that would assist the Authority in its assessment of the business' returned *templates*.

9.4 Other Supporting Document

Entities should list all other supporting documents used to substantiate the information provided on the *templates*.

10. DEFINITIONS AND INTERPRETATIONS

This section lists the definitions and interpretations for key words and phrases used in the Guideline. Readers should refer to the Information Requirements for any definitions not listed below.

10.1 Definitions

Activity means each of the water retail/distribution activities and wastewater retail/distribution activities, pending any declaration of activities as monopoly business activities under Part 3 of the QCA Act.

Causal allocation means that the allocation base is the most significant trigger of consumption or utilisation of the resources or services represented by the costs or other item that is being allocated.

Core service is a monopoly service provided by the business to customers on a continuous basis. Each core service is typically differentiated by a standard description that defines the type, characteristics and attributes that logically separate that service from all other core services. Core services for water include the supply of drinking water delivered by the distribution network and the supply of recycled water via a separate distribution network. Core services for wastewater include acceptance and disposal of sewerage directly from users' premises to the sewer network (core wastewater service) and acceptance and disposal of trade waste from users' premises to the sewer network.

Directly attributable means, in relation to the allocation of an item, that the item is wholly and exclusively associated with the *activity* or *service*.

Entity means a Water Distributor-Retailer Authorities created by the *South-East Queensland Water (Distribution and Retail Restructuring) and Natural Resources Provisions Act 2009* listed under clause 1.3.

Establishment costs means the costs involved in establishing the entities. Criteria for these costs will be advised by the Queensland Water Commission. Only the establishment costs approved by the minister for Natural Resources, Mines and Energy and Minister for Trade can be included in the *entities' price monitoring information returns*.

Financial year means a standard *financial year* beginning 1 July and ending 30 June the following year.

Information Requirements means the information required for interim price monitoring. These were originally recommended by the Authority in Appendix 3 of the *SEQ Interim Price Monitoring Information Requirements for 2010/11* December 2009 (the Final Report). The *SEQ Interim Price Monitoring Framework* April 2010 made further recommendations. The Information Requirements will be updated over time to reflect relevant changes. This guideline reflects the Information Requirements as at the date cited in section 1.2.

Monopoly business activity is an activity declared for the purposes of price monitoring under Part 3 of the QCA Act. To avoid doubt, *monopoly business activities* include *core services* and *non-core services*.

Non-core service means a monopoly service provided by the business and available to customers on an 'as-needed' basis. These typically have separate charges but only account for a minor part of total revenue and are accessed by a relatively smaller group of customers. Non-core water services could include: meter supply, meter installation, meter testing, leakage

testing, special meter reading, water restriction fines, and standpipe services. Non-core wastewater services could include acceptance and disposal of waste at a wastewater treatment plant and effluent sales.

Non-regulated service means a service provided by an *entity* that is not required to satisfy any specific legal obligation or is provided by other service providers in a competitive market in which the business has no legal power to influence a customer's selection of the business as the service provider. For example, this could include laboratory services. Non-regulated services are not to be disaggregated between water and wastewater.

Price monitoring information returns means financial records derived from an *entity's* statutory accounts and Budget that record transactions associated with the activities and services of the *entity*.

Reporting year means, for the first year of the *price monitoring information returns*, the 2010/11 financial year.

Service category can be *core* or *non-core* or *non-regulated* or *shared* service, as per above definitions.

Shared service means services provided by the business mainly on a support basis to the *core* and *non-core* services. These typically include a group of charges that only account for a minor component of total costs and are shared amongst the *core* and *non-core* services.

Templates mean the SEQ Interim Price Monitoring Information Requirements Templates to the *Price monitoring information returns*, which form Section 8 of the Information Requirements.

10.2 Interpretations

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (d) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, innovated or replaced, except to the extent prohibited by this document or that other agreement or document.