

Our Ref: PMc:SG:574839

25 May 2012

Mr E J Hall
Chief Executive
Queensland Competition Authority
P O Box 2257
BRISBANE QLD 4001

Dear Mr Hall

Draft Report – SEQ Grid Service Charges 2012-13

Thank you for the opportunity to provide comment in response to the Queensland Competition Authority's (QCA) *Draft Report SEQ Grid Service Charges 2012-13*.

LinkWater's response is limited to three issues being the provision of information, benchmarking and the clarification of certain QCA revenue calculations.

Provision of Information

As part of its review of LinkWater's Regulatory Submission, the QCA engaged Sinclair Knight Merz (SKM) to provide an independent assessment of LinkWater's proposed capital and maintenance works programs.

Following its assessment, SKM noted that the timeframe for its review was short, which when successive requests for information are required compounds this issue. As a result, it was not possible for both the provision and assessment of all necessary information to enable SKM to make a fully informed assessment of the prudence and efficiency of LinkWater's entire capital works program.

LinkWater appreciates the QCA's recognition of the tightness of the process by allowing it an opportunity to address information shortfalls following the release of SKM's Report.

LinkWater has continued to work co-operatively with SKM and expects to address all outstanding information to allow both SKM and QCA to make an informed decision regarding the prudence and efficiency of these projects.

Benchmarking

The QCA Draft Report stated that due to data limitations at the time of its Draft Report, it will attempt to advance its benchmarking review for its Final Report.

LinkWater has consistently supported the development of the economic regulatory arrangements acknowledging that a well established and applied regulatory framework will

promote operational efficiencies that benefit both the business and consumers. This support extends to the appropriate benchmarking of LinkWater's operating costs.

LinkWater raised a number of challenges associated with benchmarking in its regulatory submission and encourages the QCA to consider these when advancing its analysis.

In terms of the QCA's process, LinkWater considers due process and consultation as fundamental to the success of any regulatory regime. For this reason, LinkWater would expect that the QCA will extend the appropriate consultation for any matters where LinkWater has not had an opportunity to formally respond post its Draft Report and prior to the release of its Final Report.

Calculation Clarifications

LinkWater is seeking further clarification in relation to:

- How the QCA has incorporated the recovery of the QCA levy in GSC
- The QCA's calculation of 2012-13 capital expenditure depreciation and why this differs significantly from the value proposed by LinkWater
- The QCA's modeling error and whether adjustments to correct the error have also accounted for timing differences in the receipt of revenues.

LinkWater would like to thank the QCA for the level of consultation and co-operation it has provided in the development of its Draft Report and looks forward to a continuation of this open and constructive dialogue.

Should you have any questions regarding LinkWater's submission of information, please refer them to Mr Sean Greenup, Regulatory Manager on (07) 3270 4019.

Yours faithfully



Peter McManamon
Chief Executive Officer