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20 November 2018

Mr Ray Rapinette
Queensland Competition Authority
GPO Box 2257
BISBANE QLD 4001

Dear Mr Rapinette

QCA FEE FRAMEWORK SUBMISSION

Thank you for the opportunity to comment on the QCA's Fee Framework. Seqwater appreciates the advice the QCA provides regarding its regulatory fees to Seqwater on a regular basis. As a business subject to regular QCA reviews, QCA fees are a continual part of our budgeting cycle. As you are aware the QCA regulates Seqwater SEQ bulk water prices as well as Seqwater's irrigation prices. These separate reviews mean regular contact with the QCA and therefore regular QCA fees.

The proposed fee framework continues to include the QCA setting regulatory fees in advance. Seqwater is supportive of this continuing as setting fees in advance assists in the regulatory price setting process by being able to accommodate these costs in the QCA's recommendations of prices. However, as the QCA notes these fees are set conservatively low, this can therefore ultimately result in increases in the final fees charged to businesses. For example, the QCA fees for the SEQ bulk water price review 2018-21 were 15% over the original estimate of the fees. Where the costs of these higher fees are not factored into pricing it has the potential to result in under-recovery for the business. While there is possibility for the fees to ultimately be lower, as the fees are set conservatively, this is unlikely to be usual.

We note the framework discusses the pass-through of QCA regulatory fees through a QCA levy. This option is not available to Seqwater as policy setting guide the price structures and the QCA levy is therefore not able to be levied on customers as a separate charge. Rather an estimate of the QCA's fees must be forecast into prices and as above results in cost recovery risk.

Seqwater supports the approach of allocating fees based on water allocations. The fee framework also includes consideration of the reasonableness of a regulatory fee. Indeed we would expect that the benefits of regulation to consumers should outweigh the costs, as a matter of principle. This would extend to a user-pays basis for allocating costs to a particular service, for example an irrigation scheme which demands more investigation from the QCA should attract a greater share of the fees than a scheme which does not require as much QCA involvement. Further guidance would assist in understanding the QCA's expectations of reasonableness, and in particular if there was to be any cost – benefit assessment or threshold.

We appreciate the QCA undertaking this review of its fee framework and look forward to continuing to work with the QCA.

Yours sincerely



Neil Brennan
Chief Executive Officer

