

Submission to the Queensland Competition Authority

Price Monitoring Investigation: Unitywater and Urban Utilities 2026–30

Introduction

I welcome the opportunity to provide feedback on the Queensland Competition Authority's price monitoring investigation of Unitywater (UW) and Urban Utilities (UU).

As a customer, I support the reintroduction of independent price monitoring for these monopoly water and wastewater service providers. Both businesses face substantial investment requirements associated with population growth, ageing infrastructure, resilience and changing environmental requirements. Customers should expect those challenges to be addressed efficiently while receiving transparent information about the resulting impact on their bills.

I also acknowledge the efforts of both distributors-retailers (DRs) to identify innovative approaches to reducing long-term costs and improving services. Innovation should be encouraged where it produces demonstrable customer benefits.

My submission focuses primarily on **transparency, affordability, cost allocation and the evidence supporting material expenditure and investment assumptions**. These issues appear particularly relevant to the matters the QCA has been asked to consider under the Ministerial Referral, including prudence and efficiency, customer impacts, productivity and transparency.

I encourage the QCA, wherever practicable, to establish common disclosure requirements across both DRs so customers can readily understand and compare the principal drivers of prices and expenditure.

1. Transparency of customer bill impacts

A central objective of price monitoring should be to enable customers to understand how decisions made by each DR affect their bills.

This is particularly important where customer bills comprise both charges controlled by the DR and externally determined costs, principally Seqwater's bulk water price.

UW's submission (page 6) and communication to customers highlight forecast average annual increases in median residential bills of approximately 2.8% over the four years to 2029–30. However, this result assumes that the Seqwater bulk water price remains unchanged over the period. UW appropriately notes in customer communications that actual bills may change if the bulk water price changes but in a less prominent way. Presenting the combined bill movement can nevertheless obscure the larger movement in the component of the bill controlled by UW.

UW on page 6 also report a 10% reduction in the Unitywater component of the median bill compared with 2014-15. However, this does not enable a customer to understand the actual increases in the UW component of the bill.

UUs initial reporting of their increases (page 10) also provides a combined bill impact and represents that impact on a weekly basis however customers experience bill impact on a quarterly basis.

The distinction matters because this price monitoring investigation is principally examining the costs, revenues and prices of UW and UU. Customers should therefore be able to readily distinguish:

- the movement in charges controlled by each DR;
- changes in the Seqwater bulk water component;
- the resulting movement in the total customer bill; and
- the key assumptions underpinning each forecast.

UU's submission provides useful disclosure of both the movement in its own charges and the resulting total bill impact. UW's submission does clearly disclose the increase in the bill arising from their component of the bill. A consistent approach across both businesses would materially improve transparency.

I recommend that the QCA require both DRs to report, for each year of the monitoring period, the annual dollar and percentage movement in **DR-controlled charges, bulk water charges and the total representative customer bill**, together with the principal assumptions underlying those calculations.

Customer-facing communications associated with price monitoring should similarly enable customers to readily understand material price movements, assumptions, uncertainties and cost drivers, including the distinction between movements in DR-controlled charges and movements in the total customer bill based on disclosed levels of consumption.

Customer communications should also be framed against a customer's experience of a quarterly bill or annual impact rather than communications that require a customer to convert quoted impacts to something meaningful for the customer.

Historical prices should also remain readily accessible so customers can understand how charges have changed over time.

2. Growth expenditure and the allocation of growth costs

Both DRs report significant infrastructure requirements associated with population growth and new development.

Growth is a legitimate driver of infrastructure expenditure. However, the scale of forecast growth investment raises an important affordability and cost-allocation question:

After contributions from developers, governments and other beneficiaries of growth are taken into account, what proportion of growth-related expenditure is ultimately being recovered from existing customers who do not benefit from that expenditure?

The FY26 annual reports reinforce the materiality of this issue.

UW reported approximately \$92 million of cash infrastructure charges, while investing \$386 million in growth and renewal infrastructure.

UU similarly reported approximately \$116 million of developer cash contributions and acknowledges that developer contributions assist in funding infrastructure investment and keeping customer prices lower.

The QCA should therefore consider not simply gross growth capital expenditure, but the net cost of growth ultimately borne by existing customers.

I recommend that material growth expenditure be accompanied by a transparent funding waterfall identifying, as applicable:

- a. Gross growth expenditure
- b. infrastructure charges
- c. government grants/catalytic infrastructure funding
- d. other external contributions
- e. residual DR funding requirement
- f. resulting customer funding and bill impact.

This would enable customers and the QCA to understand the extent to which existing customers are contributing to infrastructure required to service future customers.

It would also allow meaningful comparison between the DRs. The relative burden placed on existing customers may differ significantly between service areas depending upon growth rates, density, infrastructure requirements, developer contributions, commercial arrangements with developers and access to government funding.

3. Infrastructure contributions, taxation and owner returns

The FY26 financial statements provide additional information relevant to the funding of growth.

UW's financial statements recognise that developer revenue represents funding for capital expansion and state that, in determining participation returns, its result is

adjusted for developer revenue received **net of tax**, together with depreciation associated with contributed assets and assets funded through infrastructure charges.

UW reported developer revenue net of tax of \$150.8 million in FY26 and total returns to Participant Councils of approximately \$140 million, comprising interest, tax equivalents and participation returns.

UU reported total returns to Participant Councils of approximately \$232.2 million, including \$125 million of participation returns and \$96.8 million of income tax equivalents.

These figures do not, of themselves, indicate that either the taxation treatment or the level of Participant Council returns is inappropriate. They do, however, demonstrate the importance of considering the **complete funding pathway** before determining the residual growth cost appropriately recovered from existing customers.

I recommend that the QCA consider the interaction between developer contributions, their taxation treatment, government funding, borrowing, internally generated funds and returns to Participant Councils when assessing growth-related customer costs.

In particular, it would be useful for the QCA to consider whether the taxation treatment of developer contributions materially reduces the funds ultimately available for growth infrastructure and whether any lawful alternative funding or taxation structures could improve the efficiency of growth funding.

Where infrastructure contributions are negotiated with developers rather than determined through standard charging arrangements, the QCA should also consider whether appropriate governance and commercial disciplines provide confidence that negotiated outcomes adequately reflect the incremental infrastructure costs generated by development.

The purpose is not to prescribe a particular funding model or level of owner returns, but to ensure that the **residual amount passed to existing customers is transparent and demonstrably efficient**.

4. Government funding for growth infrastructure

The Queensland Government has recognised the infrastructure challenges associated with rapidly growing communities and has introduced funding initiatives intended to facilitate housing and associated infrastructure.

Where either DR receives government grants, catalytic infrastructure funding or other external funding associated with growth, these amounts should be transparently identified in the regulatory analysis.

The QCA should ensure that government and developer funding is clearly reflected before determining the residual expenditure ultimately supported through customer prices.

This is particularly important in high-growth regions, where otherwise the scale of investment can be presented primarily as a customer affordability challenge without making the contribution of other beneficiaries of growth equally visible.

5. Innovation

I support DRs investigating innovative approaches capable of reducing whole-of-life customer costs, improving environmental outcomes or avoiding more expensive conventional infrastructure.

UW's proposed Bioresource Recovery Facility is a relevant example.

UW reports that it currently produces approximately 72,000 tonnes of biosolids annually, forecast to exceed 120,000 tonnes by 2051, and estimates that continuing to manage this waste stream under existing arrangements would cost approximately \$1.6 billion over the next 25 years.

This provides a clear rationale for investigating alternative treatment solutions.

UW proposes to process biosolids into highly activated biochar, which it describes as a valuable fertiliser product, while also generating carbon reduction certificates and providing environmental benefits including the thermal destruction of the majority of PFAS and microplastics. UW expects the project to provide long-term operational and financial benefits.

The potential benefits should be recognised. However, where the economics of a significant investment depend materially upon revenues from emerging products or markets, those assumptions and associated risks warrant independent scrutiny.

I recommend that the QCA's assessment consider, where material to the investment case:

- a. evidence supporting forecast product volumes and prices;
- b. the maturity and depth of relevant markets;
- c. contracted or prospective offtake arrangements;
- d. regulatory requirements affecting products derived from biosolids;
- e. assumptions concerning carbon certificates or other environmental revenues;
- f. downside and sensitivity scenarios; and
- g. allocation of commercial risk between customers and other parties.

The objective should not be to discourage innovation. Rather, significant innovative investments should be assessed on a transparent and risk-adjusted basis so that

forecast commercial benefits relied upon to justify customer-funded investment have a reasonable evidentiary foundation.

6. Digital investment and benefits realisation

Digital technology has the potential to improve customer service, operating efficiency and network management. Investment should therefore be supported where expected customer and operational benefits are sufficiently demonstrated.

UW reports that its 10,000-property digital metering pilot generated more than \$5 million in cost savings and 826 million litres of water savings and has subsequently commenced broader deployment of digital meters.

These reported outcomes provide useful evidence of potential benefits. However, given the scale of broader deployment, the QCA should consider not only the costs of the program but also the **reasonableness and evidentiary basis of the assumptions used to quantify its expected benefits.**

Material benefits should be assessed against a **realistic baseline of what would otherwise have occurred without the investment** and should distinguish, where relevant, between:

- a. realised cash savings;
- b. avoided future costs;
- c. avoided customer charges;
- d. water conservation benefits;
- e. operating efficiencies;
- f. network benefits; and
- g. other forecast economic benefits.

Where material benefits depend upon assumptions concerning future customer behaviour, operating efficiencies, water savings, avoided expenditure or other longer-term outcomes, the QCA should consider the evidence supporting those assumptions and the sensitivity of the investment case to them.

For investments already underway, forecast benefits should also be reconciled against actual outcomes as implementation progresses.

This would provide customers with confidence that material digital investments continue to demonstrate economic value as they move from pilot to full-scale implementation.

7. Operating expenditure, productivity and benchmarking

The QCA's assessment of operating expenditure and productivity is particularly important given the monopoly nature of the two DRs.

Differences in operating models, geography, network characteristics and growth rates mean that simple comparisons between the businesses can be misleading. Benchmarking should therefore use appropriately normalised measures and examine trends over time.

Measures such as **real operating expenditure per connection**, supplemented by appropriate service, network and growth indicators, could provide customers with an accessible indication of whether underlying operating efficiency is improving.

I support the QCA examining both historical and forecast productivity and assessing whether expenditure growth is adequately explained by changes in customer numbers, service levels, regulatory obligations and other efficient cost drivers.

The objective should be to distinguish expenditure required to serve a growing customer base from increases in the underlying cost of serving each customer.

8. Environmental and emissions-related expenditure

Investments that reduce emissions can also reduce energy consumption, operating costs, regulatory exposure or other long-term costs and may therefore provide direct economic benefits to customers.

However, where expenditure is undertaken to achieve voluntary environmental objectives that extend beyond prevailing legislative or government requirements, the QCA should distinguish between expenditure that is economically justified through customer benefits and expenditure principally directed toward broader corporate or community objectives.

The relevant issue is not whether emissions reduction is desirable, but whether the costs proposed to be recovered from monopoly customers are **prudent and efficient costs of providing regulated water and wastewater services**.

I recommend that material expenditure associated with voluntary environmental commitments be assessed by reference to the incremental customer costs and benefits, including energy savings, avoided future costs, regulatory risk and other measurable economic benefits.

10. Discretionary and broader community expenditure

Both DRs may incur expenditure on sponsorships, partnerships, community initiatives, corporate reputation activities and other discretionary programs. Many such activities may provide worthwhile broader benefits, and some may also have a direct connection to efficient water and wastewater service delivery.

The relevant regulatory question is the extent to which the costs of such activities appropriately form part of the prudent and efficient costs recovered from monopoly customers.

Customers cannot choose their water and wastewater service provider and therefore cannot choose whether to contribute to discretionary activities through their bills.

Where material discretionary expenditure is recovered through customer prices, there should therefore be a demonstrable nexus to regulated services or identifiable customer or operational benefits, with expenditure proportionate to those benefits.

Where expenditure principally provides broader community or corporate benefits, the QCA should consider the extent to which those costs appropriately form part of the costs recovered from customers.

11. Customer engagement and willingness to pay

Customer engagement can provide valuable information about customer priorities and acceptable service-risk trade-offs. However, customer-support percentages should be interpreted carefully where they are relied upon as evidence supporting investment or expenditure.

UW's submission reports high levels of customer support across the investment initiatives it tested, including support for proactive infrastructure investment and maintenance.

High levels of stated support do not necessarily establish that customers are willing to pay the associated cost.

Where customer research is relied upon as evidence supporting expenditure or service levels, I recommend that the QCA consider the underlying survey instrument and methodology, including:

- a. how alternative choices were framed;
- b. the information respondents received about costs and benefits;
- c. whether respondents were presented with meaningful alternatives and trade-offs;
- d. whether associated bill impacts were disclosed;
- e. sampling and representativeness; and
- f. whether stated preferences can reasonably be interpreted as **willingness to pay** for the associated investment.

This would provide greater confidence that customer engagement informs regulatory decisions rather than simply demonstrating that customers support desirable service outcomes when the associated costs and trade-offs are not explicit.

12. Consistent regulatory transparency

A recurring theme across these issues is the benefit of consistent reporting between the two DRs.

Both submissions contain useful information, but differences in presentation can make comparison unnecessarily difficult.

I recommend that the QCA consider establishing a common reporting framework covering at least:

1. DR-controlled price movements and total bill movements;
2. principal price drivers;
3. real opex per connection and relevant productivity measures;
4. growth and renewal capital expenditure;
5. developer contributions and externally funded growth expenditure;
6. government grants and other growth funding;
7. returns to Participant Councils;
8. forecast and realised benefits from material investment programs;
9. relevant efficiency measures; and
10. material assumptions and sensitivities underpinning forecast prices.

Such reporting would not constrain either DR's ability to explain its particular circumstances. It would instead provide customers and the QCA with a consistent factual foundation against which those circumstances can be assessed.

Conclusion and recommendations

The challenges facing UW and UU are significant. Population growth, infrastructure renewal, resilience and changing regulatory and environmental requirements will require substantial investment.

The purpose of this submission is not to argue against that investment or innovation. It is to encourage a regulatory framework in which customers can clearly understand what they are being asked to pay, why they are being asked to pay it, what assumptions underpin the expenditure and what benefits they should expect to receive.

I therefore encourage the QCA, in completing its investigation, to:

1. require transparent separation of DR-controlled price movements, bulk water movements and total customer bill impacts;

2. require transparent identification of the net cost of growth ultimately borne by existing customers after developer, government and other external funding;
3. examine the interaction between infrastructure contributions, taxation, external funding, borrowing and returns to Participant Councils;
4. rigorously test material commercial assumptions underpinning innovative investments, including emerging revenue streams;
5. test the reasonableness and evidentiary basis of forecast benefits from significant digital and other investments presented in the submissions and subsequently monitor benefits realisation;
6. use appropriately normalised productivity and efficiency benchmarking;
7. distinguish customer-funded environmental and discretionary expenditure according to its nexus with regulated services and demonstrable customer benefits;
8. examine the methodology, framing and willingness-to-pay evidence underpinning customer engagement relied upon to support expenditure; and
9. establish consistent and readily understandable reporting requirements across both DRs.

Greater transparency in these areas would strengthen customer confidence in the price-monitoring framework while preserving the ability of both businesses to invest, innovate and respond to the significant growth occurring across South East Queensland.

Name withheld.