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150 Wembley Road
Logan Central QLD 4114
PO Box 3226 Logan City DC QLD 4114

Council enquiries **07 3412 3412**
Council fax **07 3412 3444**
Email council@logan.qld.gov.au
Web www.logan.qld.gov.au
ABN 21 627 796 435

31 July 2013



The Chairman
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Attention: Mr George Passmore

Dear Sir

LONG TERM REGULATORY FRAMEWORK FOR SOUTH EAST QUEENSLAND WATER ENTITIES

Thank you for your invitation to register our interest in the above investigation and make an initial submission. We are very pleased to register our interest and participate in this timely investigation as a key stakeholder. We look forward to being actively involved and submit the following initial high level comments for inclusion in your considerations.

▪ **Reduce complexity of future regulatory arrangements**

Logan City Council resumed control of the water business from 1 July 2012 following the wind up of Allconnex Water. The Council water business is subject to the requirements of the SEQ Distributor - Retail Act as well as the regulatory requirements of the Local Government Act. This creates unnecessary regulatory complexity. We are seeking a future regulatory environment that distinguishes the difference between a local government water business and a separate distributor-retailer statutory authority.

▪ **Light handed regulation**

We welcome the objective in the Minister's Direction of moving to light handed prices oversight. We see that this oversight process could commence as early as 1 July 2015 for the Logan City Council water business. This will reduce costs for the regulator, the business and the customers.

▪ **Equitable Cost of Regulation**

The current allocation of regulatory costs in south east Queensland is considered inequitable. Customers in Logan City incur a cost in the order of \$4.00 per connection per annum in terms of QCA charges. This is a much higher charge per customer than customers in the Queensland Urban Utilities, Unity Water or Gold Coast Water service areas. We would certainly be looking for a more equitable allocation of regulatory costs in a long term regulatory framework.

▪ **Use of existing performance reporting**

Water Businesses currently prepare performance reports to the National Water Commission (previously Water Services Association Australia). These are subject to quality auditing processes and published annually. This performance reporting should be utilised as the base for regulatory purposes rather than using a different set of reporting indices. This would be far more cost effective for the business and the regulator.

▪ **Consistent Pricing Principles**

We welcome the opportunity to develop a consistent pricing methodology across south east Queensland for water and wastewater services to achieve equity and transparency for customers across south east Queensland.

▪ **Smoothed application of Weighted Average Cost of Capital (WACC)**

In relation to the calculation of Maximum Allowable Revenue, the regulatory framework should have the ability to smooth out any short terms changes in the WACC to allow greater certainty in longer term pricing and reduce impacts on customers.

We look forward to working with you on the establishment of the long term regulatory framework for south east Queensland Water Entities.

The contact officer for Logan City Council will be the Water Financial Management Program Leader, David Kelloway, Phone (07) 3412 5564 or email davidkelloway@logan.qld.gov.au.

Yours faithfully



Silvio Trinca

DEPUTY CHIEF EXECUTIVE OFFICER - ROAD & WATER INFRASTRUCTURE
(on behalf of Chris Rose, Chief Executive Officer)