

QUEENSLAND COMPETITION AUTHORITY ACT 1997**Section 23****MINISTERS' REFERRAL NOTICE****Referral**

As the Treasurer of Queensland and Minister for Finance and the Arts, pursuant to Section 23 of the *Queensland Competition Authority Act 1997* (the Act), we hereby direct the Queensland Competition Authority (the Authority) to recommend irrigation prices to apply to the following Queensland Bulk Water Supply Authority (Seqwater) water supply schemes (WSS) from 1 July 2013 to 30 June 2017 (the price path period):

- i. Central Lockyer Valley;
- ii. Lower Lockyer Valley;
- iii. Logan River;
- iv. Warrill Valley;
- v. Mary Valley;¹
- vi. Cedar Pocket;² and
- vii. Central Brisbane River

1. Matters the Authority must take into consideration

In referring this investigation, the Ministers direct the Authority under section 24 of the Act as follows:

- 1.1 For water supply schemes, or segments of schemes (except those listed in 1.2 below), bulk water supply and pipeline prices/tariff structures are to be set as follows:
 - a) to provide a revenue stream that allows Seqwater to recover:
 - i) efficient operational, maintenance and administrative costs to ensure the continuing delivery of water services;
For the removal of doubt, costs include, but are not limited to:
 - electricity costs;
 - recreation management costs;
 - compliance with workplace, health and safety; and
 - compliance with Australian and Queensland Government initiatives on water management, planning, trading, accounting, metering and measurement.
 - ii) prudent and efficient expenditure on renewing and rehabilitating existing assets through a renewals annuity;
 - iii) to put beyond doubt, costs exclude any rate of return on existing rural irrigation assets (as at 30 June 2013); unless current prices are already above the level required to recover i) and ii), in which case water prices are to be maintained in real terms based on an appropriate measure of inflation as recommended by the Authority; and
 - iv) a commercial return of, and on, prudent capital expenditure for augmentation commissioned after 30 June 2013.

¹ Previous name Mary River (Upper Section).

² Previously part of the Mary River (Upper Section). Now a separate WSS as per the Mary Basin Resource Operations Plan: September 2011.

- b) the Authority is not to consider the regulated asset base (RAB) for existing irrigation assets (that is assets commissioned prior to 1 July 2013);
 - c) in considering the tariff structures the Authority should have regard to the fixed and variable nature of the underlying costs; and
 - d) the Authority is to adopt tariff groups as proposed in Seqwater's network service plans. The Authority is not to investigate additional nodal pricing arrangements.
- 1.2 For the following schemes or segments of schemes, irrigation prices are to be set to:
- i) for the price path period, increase in real terms at a pace consistent with the 2006-2011 prices or until such time as the scheme reaches costs sufficient to recover 1.1 a) i) and ii); and
 - ii) include a commercial return of, and on, prudent capital expenditure for augmentation commissioned after 30 June 2013.
- These schemes are Central Lockyer Valley; Lower Lockyer Valley; Mary Valley-Pie Creek; and Cedar Pocket.
- 1.3 The Authority must recommend appropriate regulatory arrangements, including price review triggers and other mechanisms, to manage the risks associated with the allowable costs identified in 1.1 (above) outside the control of Seqwater.
- 1.4 For the purposes of this Direction, the Authority, is not to consider the recovery of capital expenditure for:
- i) dam safety upgrades; and
 - ii) any proposed adoption of a national metering standard.
- 1.5 The Authority is to have regard to the level of service provided by Seqwater to its customers of the water supply scheme, including for capital expenditure on existing assets or for the construction of new assets.
- 1.6 In recommending irrigation prices the Authority must have regard for the legitimate commercial interests of Seqwater, and the requirement for Seqwater to operate as a commercial entity, subject to 1.1 (above).
- 1.7 If the Authority calculates tariffs for a water supply scheme, or segment of a water supply scheme that may have the effect of a price increase for irrigators that is higher than the Authority's measure of inflation,
- a) the Authority must consider the need to implement a price path for the introduction of the price increase to moderate price impacts on irrigators, and that has regard for Seqwater's legitimate commercial interests;
 - b) price path may be longer than one price path period, however the Authority must provide its reason for the longer timeframe; and
 - c) if the Authority recommends not to implement a price path, the Authority must give its reasons.

2. Consultation

The Authority must undertake an open consultation process with all relevant parties and consider submissions within the timetable for the delivery of the Final Report to Government. All reports and submissions must be made publicly available, including on the Authority's website.

3. Timing

Seqwater must provide its Network Services Plans and supporting documentation to the QCA by no later than 30 April 2012.

The Authority must provide to the responsible Ministers and the Minister for Energy and Water Utilities:

- a) Draft Report and draft irrigation prices by no later than 30 November 2012; and
- b) Final Report and recommended price paths by no later than 30 April 2013.

The Final Report will inform the Government's deliberations for price paths to apply to Seqwater's irrigation water prices for the period commencing 1 July 2013 and ending 30 June 2017.

4. Other matters

To put beyond doubt, nothing in this Referral prevents Seqwater from setting full commercial prices for urban and industrial customers.

The Authority may exercise all the powers under Part 6 of the *Queensland Competition Authority Act 1997*.

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QUEENSLAND COMPETITION AUTHORITY ACT 1997**Section 19****MINISTERS' DECLARATION NOTICE**

Pursuant to section 19 of the *Queensland Competition Authority Act 1997*, the Ministers hereby declare that each of the following government business activities undertaken by Queensland Bulk Water Supply Authority (ABN 75 450 239) (trading as Seqwater) be declared to be government monopoly business activities:

the carrying on of activities relating to:

- (i) bulk water storage services; and
- (ii) water distribution services

provided to irrigation customers of each of the Water Supply Schemes.

In this declaration, "Water Supply Schemes" mean:

- the Central Lockyer Valley Water Supply Scheme;
- the Lower Lockyer Valley Water Supply Scheme;
- the Logan River Water Supply Scheme;
- the Warrill Valley Water Supply Scheme;
- the Mary Valley Water Supply Scheme;
- the Cedar Pocket Water Supply Scheme; and
- the Central Brisbane River Water Supply Scheme.

ANDREW FRASER MP
DEPUTY PREMIER, TREASURER AND
MINISTER FOR STATE DEVELOPMENT
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RACHEL NOLAN MP
MINISTER FOR FINANCE
NATURAL RESOURCES
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