

29 February 2012

Mr Brian Parmenter
Chairperson
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Parmenter,

RE: Seqwater 2012-13 Regulatory Budget Submission

In accordance with the provisions of Chapter 8 of the SEQ Water Market Rules, the Ministerial Direction Notice of 20 October 2011 and the Queensland Competition Authority's *SEQ Grid Service Chargers 2012-13 Information Requirements*, Seqwater hereby submits its 2012-13 Regulatory Budget Information Response.

Seqwater proposes a regulatory budget for the year which closely aligns with its operating budget for regulated functions, as approved by its Board on 22 February 2012.

Seqwater's proposed regulatory budget, for the purpose of determining Grid Service Charges for 2012-13 is:

		<i>2012-13 Regulatory Budget</i>
Operating Expenditure	Fixed Operating Charges	\$ 236,034,166
	Variable Operating Charges	\$ 39,344,628
	Allowable Costs	\$ 10,587,225
	Total	\$ 285,966,019
Capital Expenditure	Drought	\$ 23,312,000
	Non-Drought	\$ 105,342,323
	Total	\$ 128,654,323

Seqwater has developed its budget on the basis of a zero base build-up, taking into account costs which could be reasonably anticipated at the time of budget development.

It is noted that these figures will require adjustment during the regulatory review process, prior to the QCA's final report, to take account of better estimates of the forecast expenditure for:

- implementing the final recommendations of the Queensland Floods Commission of Inquiry in 2012-13;
- energy costs, including the impact of the carbon tax legislation on energy inputs;
- a number of additional issues impacting upon variable costs at specific assets, such as chemical costs for the Gold Coast Desalination Plant (GCDP) and the Western Corridor Recycled Water Scheme, the impacts of changes to service standards at Molendinar and Mudgeeraba Water Treatment Plants and government instructions relating to the carbon neutrality of the GCDP;
- other such matters where it will be necessary to more accurately forecast expenditure after better information is received between now and the release of the QCA's final report
- any additional changes resulting from the continuing contract negotiations between Seqwater and Veolia Water Australia; and
- the expected government contribution/subsidy, relating to the safety upgrades of Maroon Dam and Moogerah Dam, which has been excluded from the capital expenditure forecasts due to current uncertainty around the possible quantum and timing of any amounts likely to be received during 2012-13.

Supplementary submissions may therefore be provided by Seqwater for consideration by the QCA at a later date.

Seqwater understands its submission to the QCA will be made public and has prepared its submission on this basis. Accordingly, Seqwater does not claim confidentiality over any part of the contents of this 2012-13 Regulatory Budget Information Response.

In accordance with the QCA's Information Request (section 5.10), Seqwater has identified the following third party transactions:

Name of Third Party	Service Provided	Estimated Value	Reflection in Information Return
TRUenergy Pty Ltd	Energy	\$ 500,000	Variable Costs - WTPs
		\$ 1,600,000	Variable Costs - WTPs
		\$ 6,500,000	Variable Costs - WTPs
		\$ 2,200,000	Fixed Costs - WTPs
		\$ 720,000	Fixed Costs - Dams
Chemprod Nominees Pty Ltd (trading as Omega Chemicals)	Chemicals	\$ 5,120,000	Variable Costs - WTPs

Name of Third Party	Service Provided	Estimated Value	Reflection in Information Return
Sobelco - Unimin Australia Ltd	Chemicals	\$ 1,600,000	Variable Costs - WTPs
GE Power Trading as Elite Chemicals	Chemicals	\$ 2,600,000	Variable Costs - WTPs
Orica (Australia) Pty Ltd	Chemicals	\$ 2,200,000	Variable Costs - WTPs
Allconnex	Trade Waste Disposal Charges	\$ 2,500,000	Fixed Costs – Mudgeeraba WTP and Molendinar WTP
ALS (Australian Laboratory Services)	Water Quality Sampling and Testing	\$ 4,800,000	Fixed Costs – Water Quality
Veolia Water	Noosa WTP O&M	\$ 2,625,000	Fixed Costs & Variable Costs – Noosa WTP
	WCRWS O&M	\$ 30,538,107	Fixed Costs & Variable Costs – WCRWS incl AWTPs
	Asset Replacement	\$ 4,490,479	Capital Expenditure
	Project Works	\$ 11,419,935	Capital Expenditure
Gold Coast Desalination Alliance	GCDP O&M	\$ 15,516,092	Fixed Costs & Variable Costs – GCDP
Origin Energy	Energy	\$ 7,230,558	Fixed Costs & Variable Costs – GCDP
Office of the Renewable Energy Regulator	Renewable Energy Certificates	\$ 1,746,697	Fixed Costs & Variable Costs – GCDP
Department of Transport & Main Roads	Project Works	\$ 2,000,000	Fixed Costs - WCRWS
Marsh Pty Ltd	Insurance	\$ 7,066,645	Fixed Costs – Legal & Risk
Queensland Competition Authority	Regulatory Services	\$ 1,366,936	Fixed Costs – Economic Regulation
Queensland Water Commission	Water Service Provider Levy	\$ 10,587,225	Allowable Costs
Telstra	Telecommunications	\$ 2,618,333	Fixed Costs – ICT

With respect to related party transactions under section 5.11 of the QCA's Information Request, Seqwater has no relevant transactions to declare.

A Board Member's Responsibility Statement and an extract of the minutes of the Board Meeting whereby the submission of Seqwater's 2012-13 Regulatory Budget Information Response was endorsed are **attached** to this letter.

Seqwater acknowledges that the QCA or its appointee may review the compliance of Seqwater's Information Return against the QCA's Information Requirements.

Should you wish to discuss this matter further, please do not hesitate to contact Mr Peter Borrows, CEO on (07) 3035 5533.

Yours sincerely,



Phil Hennessy
Chairperson

BOARD MEMBER'S RESPONSIBILITY STATEMENT

In the opinion of the Board of the Queensland Bulk Water Supply Authority (trading as Seqwater):

- (a) The Grid Service Charges information returns attached are drawn up so as to fairly represent, in accordance with the requirements of the SEQ Grid Service Charges Information Requirements issued by the Queensland Competition Authority, (the Information Requirements):
 - (i) the information required by the Information Requirements;
 - (ii) the information on related party transactions required;
 - (iii) the information on third party transactions required by the Information Requirements; and
- (b) the information relating to related party and third party transactions represents a reasonable forecast of such transactions during the 2012-13 year; and
- (c) the terms and definitions used in this statement accord with the definitions set out in the Information Requirements.

Signed in accordance with a resolution of the Board:



Phil Hennessy
Chairperson

Dated 29/2/12.

An extract of the Minutes of the Board Meeting that support the above attestation is **attached**.

**QUEENSLAND BULK WATER SUPPLY AUTHORITY
RESOLUTION OF BOARD ON 28 FEBRUARY 2012**

I, Toni Lake, Corporate Counsel and Board Secretary, certify that the Board of Queensland Bulk Water Supply Authority, on 28 February 2012, made the following resolution:

- (a) to approve the 2012-13 Information Return to the Queensland Competition Authority, presenting the Authority's Regulatory Budget in a template provided by the Queensland Competition Authority;
- (b) to approve that the Information Return is lodged with the Queensland Competition Authority no later than 29 February 2012;
- (c) to note that the Information Return is presented in the format required by the Queensland Competition Authority; and
- (d) to note that the financial data contained in the Information Return aligns with the Authority's 2012-2013 Budget, except for the following adjustments –
 - operating expenditure and capital expenditure relating to unregulated activities has been excluded because the Water Grid Manager does not pay for these costs;
 - capital expenditure relating to the three non-shared irrigation water supply schemes which only service irrigation customers (the two schemes in the Lockyer Valley and the new Cedar Pocket scheme) plus the Pie Creek section of the Mary Valley Scheme, has been excluded;
 - capital expenditure relating to certain Wyaralong Dam compliance obligations has been excluded because these form part of the value already in the RAB, due to the circumstances surrounding the non-completion of works at the time of the transfer of Wyaralong Dam from Queensland Water Infrastructure Pty Ltd to the Authority; and
 - an expected government contribution or subsidy has been excluded from the capital expenditure, relating to the safety upgrades of Maroon Dam and Moogerah Dam, because the possible quantum and timing during 2012-2013 is uncertain at this stage (the Queensland Competition Authority will be advised that an estimate of this contribution or subsidy will be provided during the review process, when the amount and timing can be more reasonably forecast).

Dated 29 February 2012.



Toni Lake