



PRICE MITIGATION PLAN

for

***Water and Waste Water Services delivered by Unitywater
within the Moreton Bay Region***

for the period
01 July 2013 to 30 June 2019



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Legislative Background

The Fairer Water Prices for SEQ Amendment Bill amended the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* (DR Act). This amendment introduced s99BW which states:

“Each participating local government for a distributor-retailer must, by the resolution day—

- (a) adopt by resolution a written plan (a price mitigation plan) about how the local government proposes to mitigate the impact on customers for relevant charges after the capped prices period ends; and*
- (b) give the Minister a copy of the plan.”*

Where:

Resolution day is 1 July 2011 or a later day notified by the Minister by gazette notice. (s99BW(7))

On 20 June 2011, Council was advised by the Queensland Water Commission (QWC) that the resolution day for Councils which resolved not to withdraw from their distributor-retailer entities would be 1 September 2011.

The DR Act provides that a price mitigation plan must include information about:

- “(a) an initial price path for the introduction of increases in the charges that will moderate the impact of the increases on customers;*
- (b) the policies the participating local government intends to adopt to help particular customers, including, for example, aged pensioners;*
- (c) how the participating local government intends to keep the community informed about the increases;*
- (d) the extent to which a distributor-retailer’s profits that are paid to the participating local government are to be used to provide subsidies or rebates to users of water services or wastewater services.”* (Section 99BW(2))

Once adopted, the Council must then publish a copy of the Price Mitigation Plan (PMP) on its website and put a copy on display at its public offices as well as publish a notice about the plan in a newspaper circulated throughout its’ region.

Publication of the PMP is required as soon as practicable after its adoption, and not after the publication date:

Where:

The Publication date is 1 September 2011 or a later day notified by the Minister by gazette notice.

The correspondence from the QWC of 20 June 2011 also states that the publication date for Councils which resolved not to withdraw from their distributor-retailer entities would be 1 July 2012.

Under section 99BX of the DR Act, Council must adopt by resolution a Final Price Path (FPP) to cover the period from 1 July 2013 to 30 June 2019. The Council must give the FPP to the Minister, publish the FPP on its website, ensure a copy of the FPP is available for inspection at its public offices and publish a notice about the FPP in a newspaper that circulates in its local government area. All of these matters must be completed by 1 March 2013.

The FPP must:

- a) State graduated price increases for the charges during the period (s99BX(2)); and
- b) Moderate the effect of the increases on customers via the graduated price increases (s99BX(3)).

The Distributor/Retailer (Unitywater) must take all reasonable steps to ensure it implements the final price path. (s99BX(5))

The state government has announced that it will legislate to prevent distributor-retailer entities charging for water and wastewater services after the capped prices period ends, unless the participating local governments have firstly approved the proposed prices.

The legislation contemplated by the announcement has not been introduced to Parliament yet.

Price Mitigation Plan

Pricing Principles

In order to determine a price for water and wastewater services that it will submit for approval by the Council following the capped prices period, Unitywater has adopted the following pricing principles:

1. Move towards a long term structure based on the regulators pricing principles as defined in QCA's December 2000 Statement of Regulatory Pricing Principles for the Water Sector and the Best Practice Water Pricing Commitments of the 2004 National Water Initiative:
 - Prices should recover the least cost of providing the requisite level of service (efficient cost recovery);
 - Prices should recover the costs of providing services to promote the efficient use of resources (efficient pricing);
 - Prices charged to a particular class of customers should include the costs of providing the regulated service to that class of customers (cost allocation);
 - Prices should provide effective incentives for water businesses to reduce costs or otherwise improve productivity. (incentives for improving productivity);
 - Prices should be set so that customers or potential customers can understand the charges (transparency);

- Prices should not be set to achieve equity or other non-commercial objectives (non-commercial objectives);
 - Prices to customers should be transitioned where there is a significant increase and there are demonstrable issues regarding customers' ability to pay (transitional arrangements); and
 - The pricing method should minimise regulatory intrusion and compliance costs (regulatory efficiency)
2. Provide commercial returns to participating Councils by moving towards full recovery of Maximum Allowable Revenue (MAR) for the supply of services;
 3. Progress towards tariff reform and price harmonisation across service categories and consideration of the opportunity for price harmonisation across Unitywater's service region.

Initial Price Path

Should prices, determined using the above principles, result in Unitywater recommending a price increase for Council's approval, and Council considers the increase would be a "price shock" for its residents, Council will apply a price path that ensures that customers are provided appropriate time to adjust to the level of prices required.

Any price path introduced will

- target the future recovery of the Maximum Allowable Revenue (MAR) as determined by the pricing principles.
- if possible, consist of a single price inflator (eg x% above Brisbane March Quarter CPI) until target pricing levels have been achieved.

Pricing Policies

Council applies concessions to certain customer groups, and these are defined annually and published with its budget and operational plan. Council currently provides concessions on rates and utility charges for

- pensioners and DVA Gold repatriation Health card holders; and
- Community organisations.

Council also pays a portion of the water and wastewater charges incurred by certain community groups and sporting organisations.

Council resolved within its 2011/12 budget, and indicatively within its 2012/13 budget, (ie for the capped prices period), to continue the subsidy scheme introduced in 2010/2011 and to subsidise the water and wastewater connection charges for eligible customers in its local government area.

Keeping the Community Informed

Council will, by 1 July 2012:

- Publish this PMP on its website and display this PMP at its public offices in Caboolture, Strathpine and Redcliffe;
- Give a copy of this PMP to the Minister; and
- Place a notice in the Courier Mail advising of the publication of this PMP.

Council will, by 1 March 2013:

- Develop, adopt and publish on its website its FPP, and display this FPP at its public offices in Caboolture, Strathpine and Redcliffe;
- Give a copy of its FPP to the Minister; and
- Place a notice in the Courier Mail advising of the publication of its FPP.

Each year, after the capped prices period and until 30 June 2018, Council will include its determination of prices for water and wastewater services provided by Unitywater within its region in its budget documentation and adopt, by resolution, the prices for these services that will be applied in the following financial year.

Returns from Unitywater

The Council receives distributions from Unitywater, the revenues from which it applies to the total revenue required in order to achieve its budgetary targets for the financial year. These distributions include:

- Interest revenue from its participant loans;
- Tax equivalents; and
- Participation returns from the profits of Unitywater.

Each year, the Council discloses in its budget and operational plan, what distributions it receives from Unitywater, and how it applies them to its budget for the financial year. For the 2011/12 financial year, this disclosure appears on page 13 of the Council's Budget and Operational Plan document which is available from its website by following the link below.

<http://www.moretonbay.qld.gov.au/uploadedFiles/common/publications/Budget-Operational-Plan-2011-12.pdf>