



Australian Water Association – Queensland Branch

Urban Water Agenda

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1	Background to reform
2	Policy response
3	Queensland issues

1

Background to reform

2

Policy response

3

Queensland issues

PC and NWC reports – Urban Water

Key Findings

Lack of clarity about roles and responsibilities

Too great a focus on water conservation for own sake

Too great a focus on addressing affordability is distorting prices

Current regulation of water quality, public health & environment not cost-effective & creates barriers to integrated water management

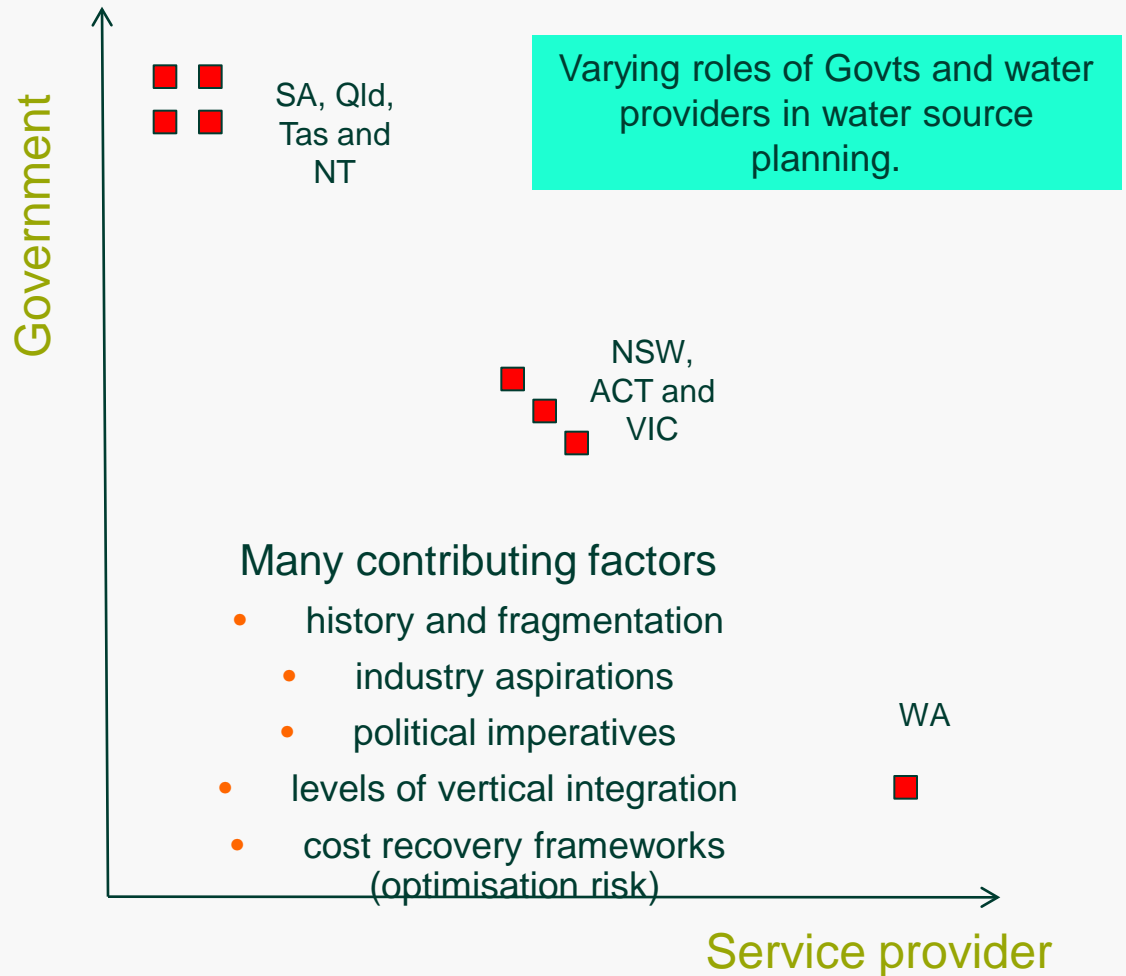
Confusion about role of urban water sector in delivering liveability outcomes is stalling progress

Lack of agreed objectives for sector a fundamental barrier to change

Deficiencies in institutional & governance arrangement leading to policies & water supply decisions that are costly to consumers

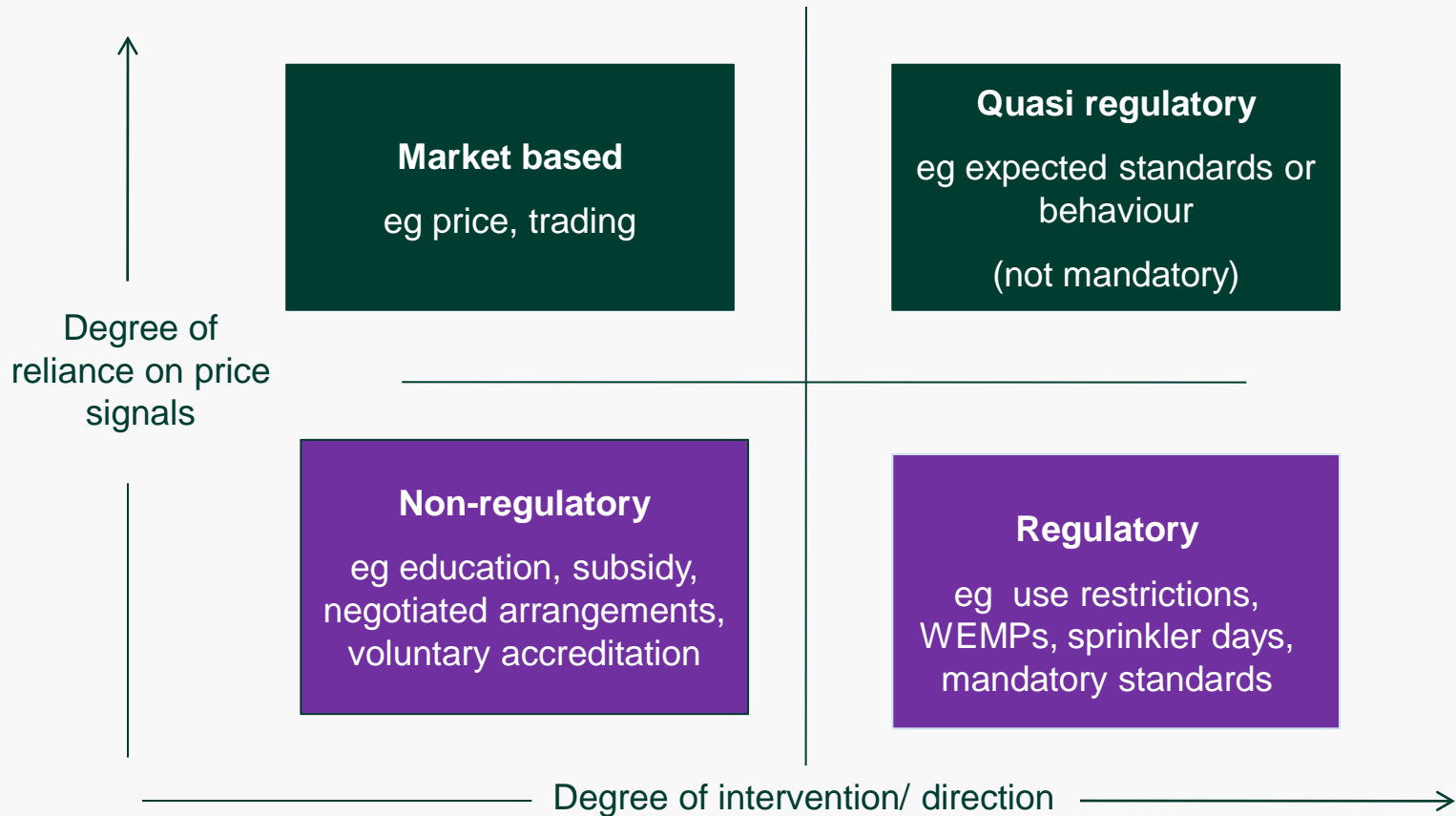
Planning frameworks lack consistency

- Lack of consistency in framework and security objectives
- Rushed decision making
- Lack of accountability
- Incentive problems
 - Information asymmetries
 - Option identification and assessment
- Poor co-ordination
 - Process
 - Land banking

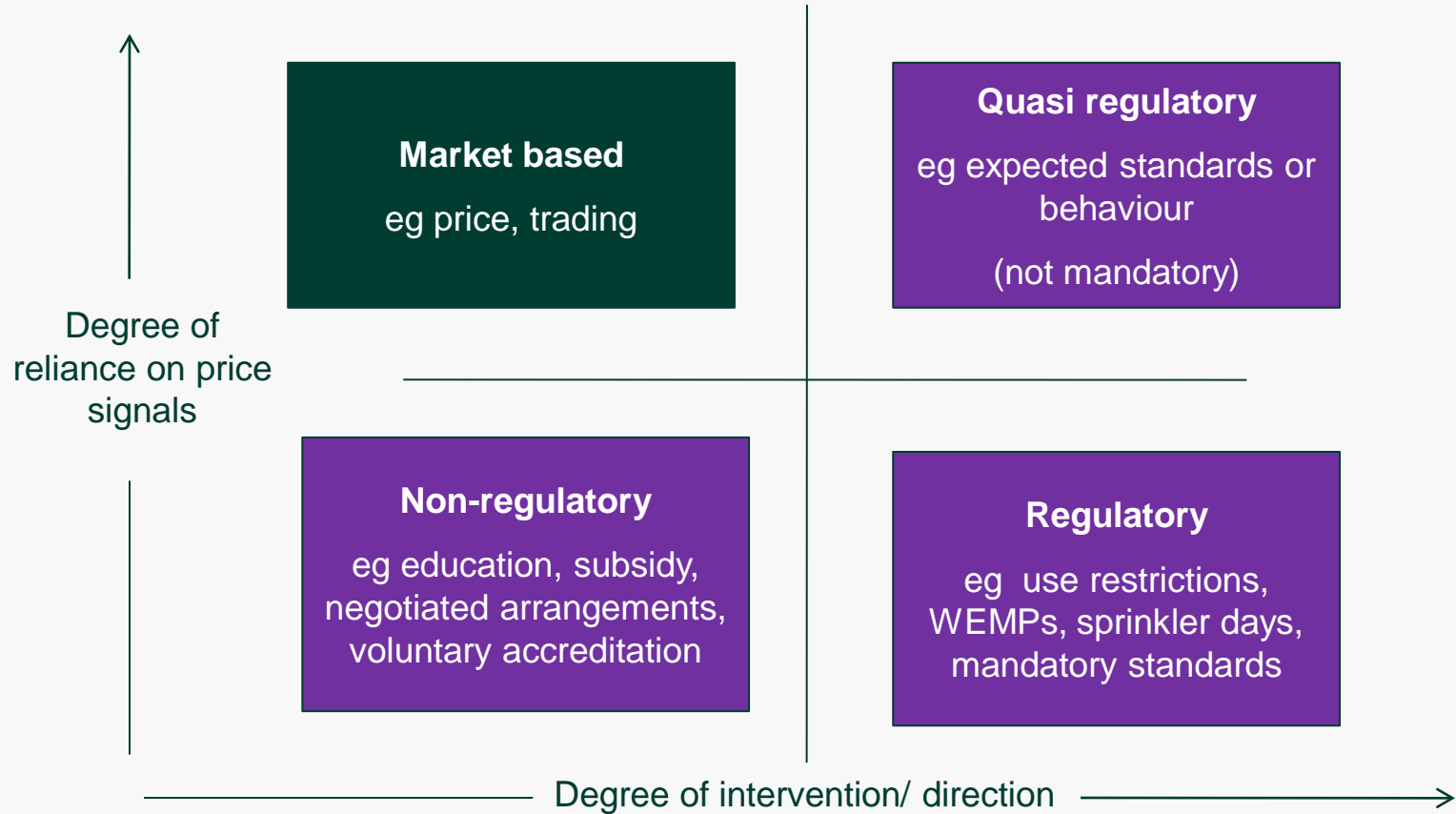


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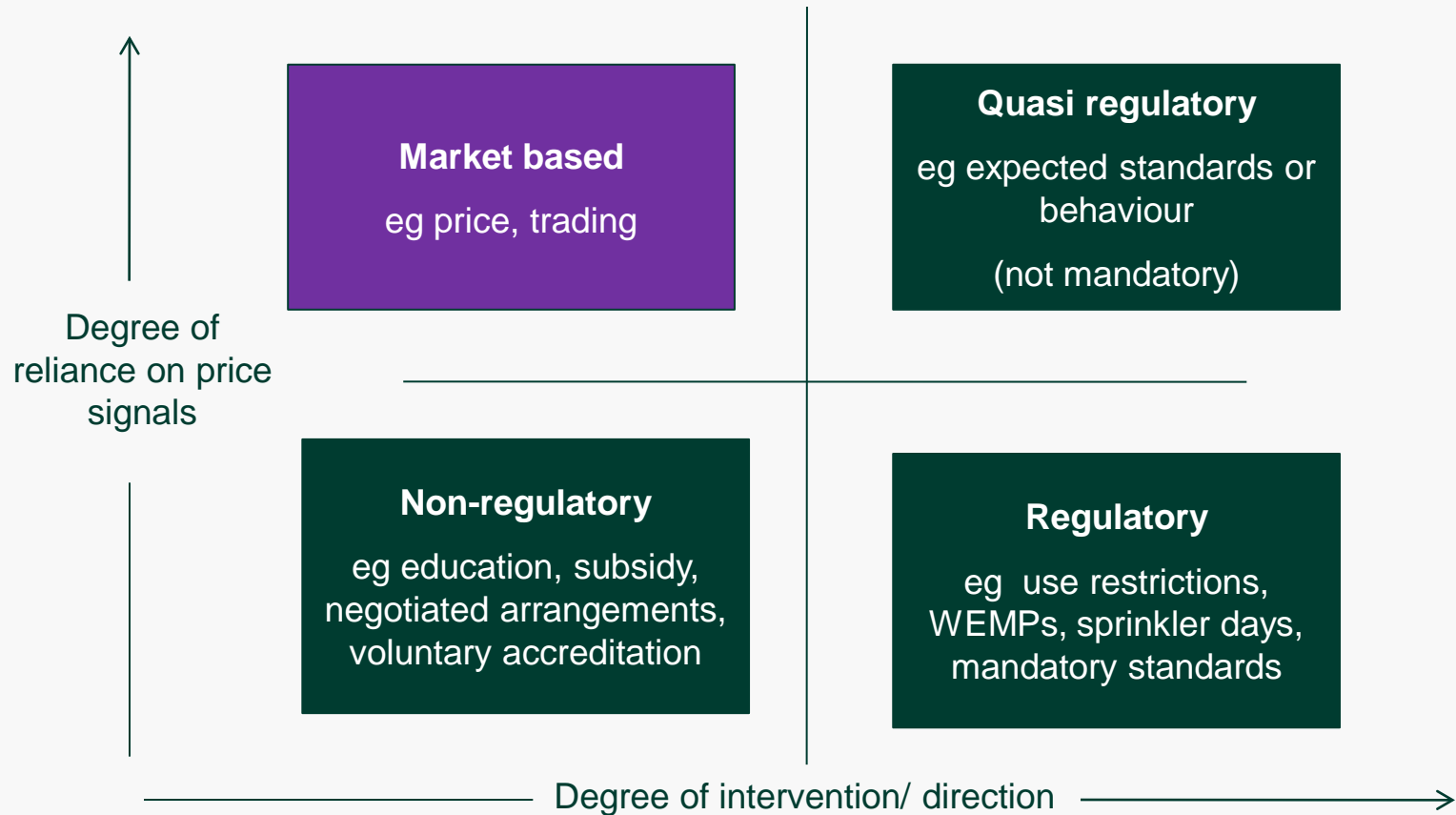
Pre-drought policy emphasis



Drought response



Emerging policy view – PC and NWC



PC report – price regulation

Currently:

Regulation superficially driven by 'de-politicisation' of the price setting process



Heavy-handed regulation
Regulators instead asked to apply political solutions

Reform

Regulation applied on cost benefit grounds



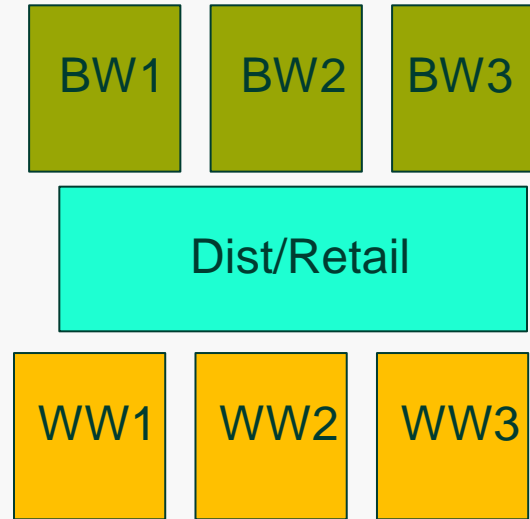
Lighter-handed regulation
Political – social requirements implemented transparently (eg CSO)

PC's structural options

Option 1



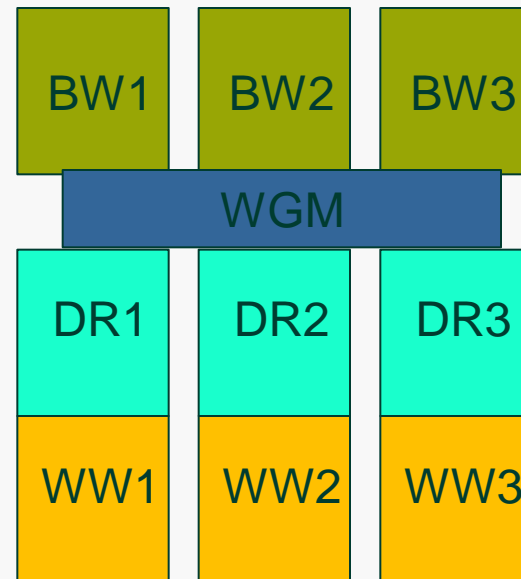
Option 3



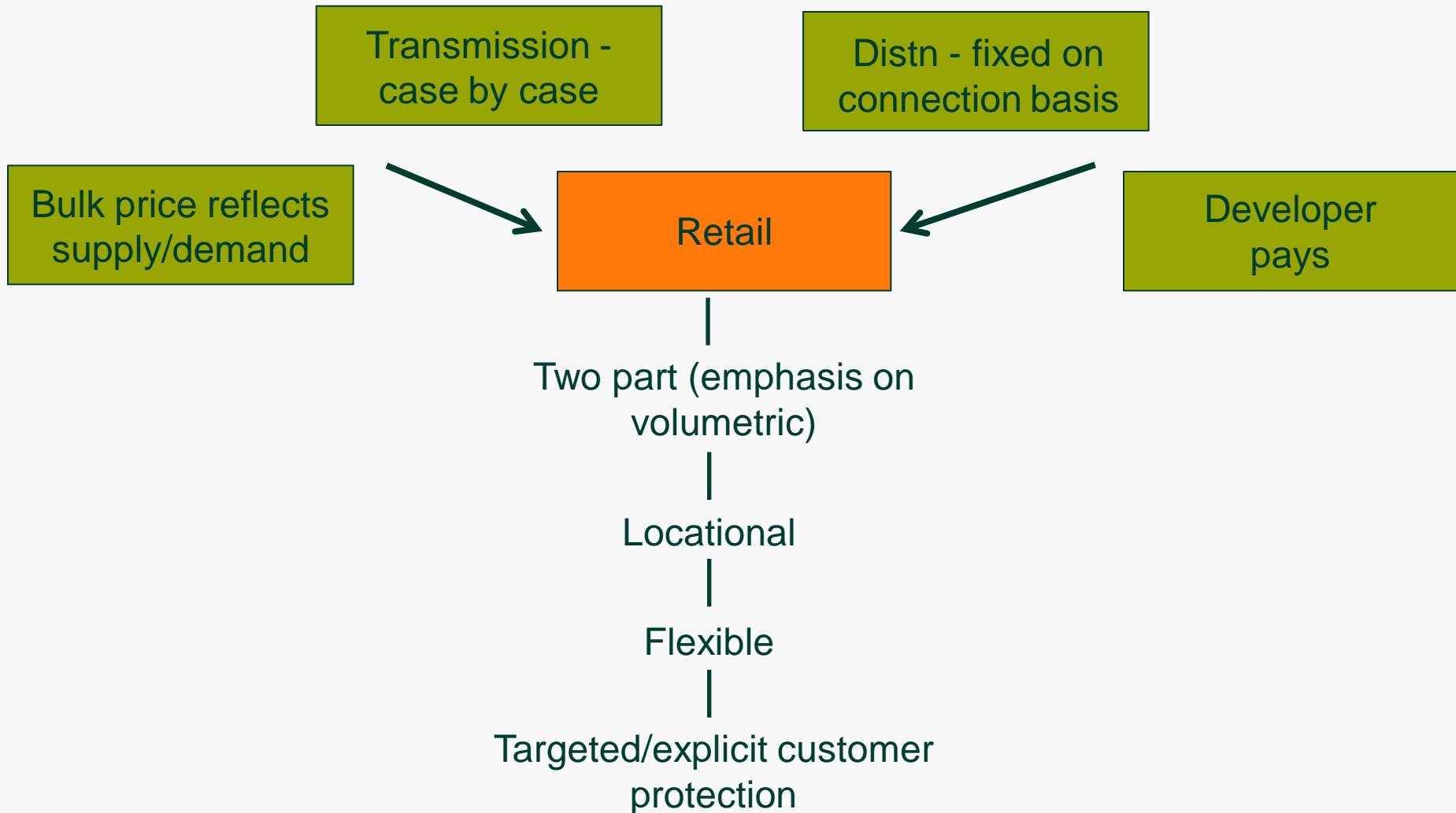
Option 2



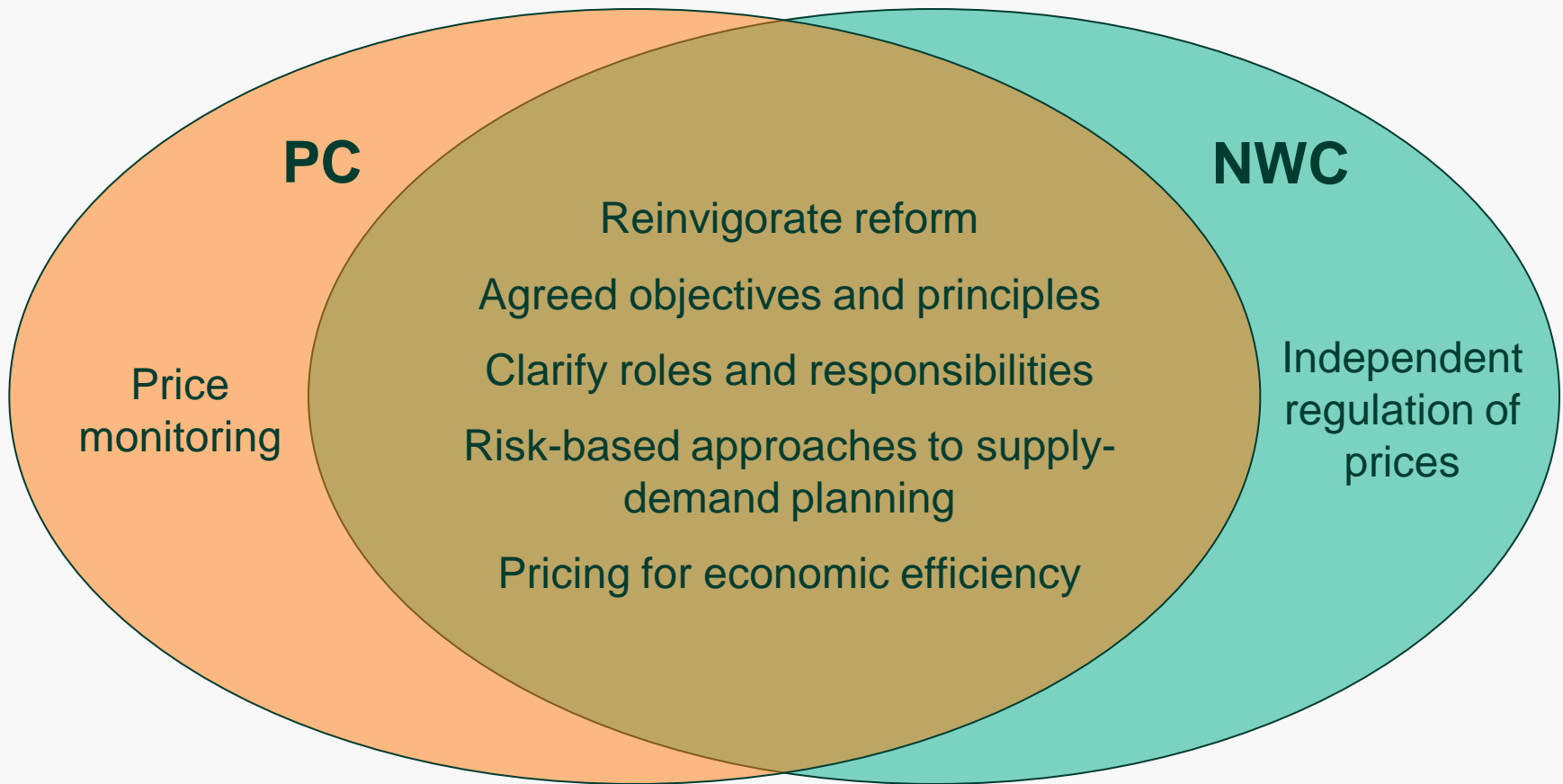
Option 4



PC pricing proposal



Regulatory Reform - PC vs NWC



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Queensland

Bulk water price path

10 Years from 2008-09

Substantial cost under-recovery

Significant annual increases (+ account for approx. 30% of residential bill)

Additional pressure on D/R prices (pass-through)

Govt price caps and price mitigation plans

CPI for 2011-12 and 2012-13 and PMPs to 2019

Financial pressure – reduced expenditure

Limited/no tariff reform

Delay move to cost reflectivity

Capped developer charges (May 2011)

Reduced locational signalling

Incidence of charging (cost reflectivity)

Funding liabilities for D/R businesses

Price monitoring

Current prices not cost-reflective

Relatively immature businesses – require pressure to implement reform (Council legacies)

Limited/no incentive to align business with regulatory (best practice) requirements – limited change to practices/processes

Limited/no scope to adopt majority of PC reforms in short- to medium-term