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26 February 2020

Committee Secretary
State Development, Natural Resources and Agricultural
Industry Development Committee
Parliament House
George Street
Brisbane Qld 4000

By email: senraidc@parliament.qld.gov.au

Dear Committee Secretary

SUBMISSION - MINERAL AND ENERGY RESOURCES AND OTHER LEGISLATION AMENDMENT BILL 2020

Thank you for the opportunity to provide a submission on the *Mineral and Energy Resources and Other Legislation Amendment Bill 2020 (MEROLA)* in which the State is proposing to amend the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009 (SEQ Water Act)* to provide additional transparency regarding the collection and expenditure of infrastructure charges similar to the requirements applied to Queensland local governments.

As you may be aware, the Central SEQ Distributor-Retailer Authority, trading as Urban Utilities, is a statutory authority established as a 'distributor-retailer' pursuant to the SEQ Water Act. As such, Urban Utilities core responsibility is the provision of essential water and wastewater services in the geographic area of its five participating local governments which are:

- Brisbane City Council;
- Ipswich City Council;
- Lockyer Valley Regional Council;
- Scenic Rim Regional Council; and
- Somerset Regional Council.

Supporting delivery of these functions and the needs of a changing community and business environment requires significant operational and strategic planning measures, which in turn, have a substantial impact on development delivery within the QUU servicing area.

Background

To date, Urban Utilities has had the opportunity to provide input on the proposed amendments to the SEQ Water Act as follows.

To report a fault or emergency
Contact us 24/7 on 13 23 64

General enquiries
From 8am-6pm weekdays 13 26 57

A8N 86 673 835 011

urbanutilities.com.au



On 15 November 2019, Urban Utilities and Unitywater met with the Department of Natural Resources, Mines and Energy (DNRME) and provided a joint position on the proposed amendments to the SEQ Water Act (see Attachment 1).

On December 5th, Urban Utilities and Unitywater attended a joint meeting with DNRME and the Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) to further discuss the issues. The outcomes from this meeting was agreement between the parties on the principles and scope of UU and UWs obligations under the proposed legislative change. This included the following:

- **Practicality:** the outcome must have some practical value in informing the public, the relevant distributor-retailer and its stakeholders;
- **Prudent and Efficient:** the outcome must not result in an increase in the cost to serve our customers;
- **Ease of Administration:** the outcome must not impose an unreasonable administrative burden on the distributor-retailer and the changes should assist the distributor-retailer to meet their reporting obligations under sections 99BT and 99BU of the SEQ Water Act while achievable using existing systems/ processes or relatively minor changes to the same; and
- **Scope of reporting** will be limited to quarterly reporting of the infrastructure charges register and an annual report.

Amendments to SEQ Water Act

Through our ongoing engagement with the DNRME and the DSDMIP we understand that the intent of the proposed changes will be consistent with the above principles, scope and timing agreed with these departments.

From our review of the amendments to the SEQ Water Act proposed by the MEROLA, Urban Utilities provides the following responses.

Reference	Recommendation
<p>99BU – requirement for infrastructure charges register</p>	<p>The scope of Urban Utilities’ infrastructure charges register will be as per the attached framework (Attachment 2). This framework has been based on the DSDMIP standard format applied to local government under the equivalent <i>Planning Regulation 2017</i>.</p>
	<p>The relevant provisions will not require duplication of information that can be assessed through other means (e.g. information that is also stated in the infrastructure charges notice(s)).</p>
	<p>The references to ‘infrastructure charges forecast to be levied’ in proposed section 99BU(6) of the SEQ Water Act is taken to be a reference to infrastructure charges forecast to be collected (i.e. actual or forecast</p>



	<p>revenue). This is because there can be a material delay between levy and receipt of infrastructure charges. Also, a proportion of charges levied will never be received as revenue as the corresponding development does not proceed. We understand that the intent of the legislation is to identify historical and proposed infrastructure charges revenues which can vary significantly from infrastructure charges levied.</p>
	<p>The reference in section 99BU(4) to ‘trunk infrastructure supplied’ is taken to be a reference to trunk infrastructure made available each quarter and financial year.</p> <p>Urban Utilities welcomes the removal of the direct link between trunk infrastructure supplied and infrastructure charges as this would contradict the DSDMIP previous statement regarding transparency amendments which asserted the “removal of the nexus between a levied charge and the provision of trunk infrastructure where not conditioned through a development approval” (<i>Planning (Infrastructure Charges Register and Other Matters) Amendment Regulation 2019</i>, Explanatory notes for SL 2019 No.196).</p>
<p>99BT - Searchability</p>	<p>As agreed through discussion, the scope of an electronic search will be limited to searching the infrastructure charges register (in PDF format). It does not include searching data sets beyond the infrastructure charges register.</p>
<p>Scope of reporting</p>	<p>As stated in the explanatory notes, the infrastructure charges revenues and application will be reported at a local government level, operational catchment or service catchment whichever is most appropriate. This approach aligns revenues with expenditure within the wider geographic area.</p>
<p>Commencement of the legislative requirements</p>	<p>We note the explanatory notes to the MEROLA Bill which states “...that obligations under section 99BU(2)(b), (4)(b) or (6) for a distributor-retailer to include in the infrastructure charges register certain documents for each financial year, applies from the financial year starting on 1 July 2021.” The explanatory notes also provide by example that “...forecasts for the 2021/22 financial year are to be provided before 1 December 2021. Forecasts for the following three financial years are to be provided in the infrastructure charges register before 1 December of the same year. For example, forecasts for the following three financial years of 2022/23, 2023/24, 2024/25 are to be included in the infrastructure charges register before 1 December 2021”</p> <p>Our interpretation of the implementation of the legislation is therefore as follows:</p> <ul style="list-style-type: none"> • quarterly reporting of the infrastructure charges register will commence from October 2021 (for the July-September 2021 Quarter); • the first annual report (December 2021) will only include forward forecasts; and



	<ul style="list-style-type: none"> subsequent annual reports will include the historical charges levies and infrastructure delivered.
Forecasting of Infrastructure charges revenue	We request that the requirement for forward forecast of infrastructure charges revenues be removed as such estimates are inherently volatile. Combined with the fact that revenues will typically lag infrastructure investment (often by many years or even decades), the information provides little value to our customers and the wider community.
Tax Equivalence	The issue of application of the States tax equivalence payments on infrastructure charges remains an ongoing issue for discussion with the relevant State departments.

If you have any questions please contact Marisa Menin, Team Leader Land Use Strategy, on [redacted] or at [redacted]

Yours sincerely

David Brooker
Acting Executive Leader Planning
Urban Utilities

Cc: [redacted]

Attach:
Urban Utilities and Unitywater joint position paper presented to DNRME on 15 November 2019.
Proposed Infrastructure charges register framework

Marisa Menin

From: Marisa Menin
Sent: Thursday, 27 February 2020 9:24 AM
To: Marisa Menin
Subject: RE: UU and UW Joint Position on Infrastructure Charges Transparency

ATTACHMENT 1

From: Chris Adam [REDACTED]
Sent: Monday, 2 December 2019 8:42 PM
To: 'WISKAR David' [REDACTED] 'Ashley Lorenz' [REDACTED] David Brooker [REDACTED] Diane Coffin [REDACTED]
Subject: RE: UU and UW Joint Position on Infrastructure Charges Transparency

Hi David

We provide an updated copy of the joint position paper on Infrastructure Charges Transparency incorporating the following responses to your queries:

Publishing online:

- We propose that the ICR will be published in PDF form online;
- Other information (including Netsev extrinsic materials), as required under 99BT (d) of the SEQ Water (DRR) Act, will also be available online;

Infrastructure Charges Register (ICR):

- Information to be included in the ICR aligns with the requirements of Section 99BU of the SEQ Water (DRR) Act

Annual reporting of forecast IC revenues, expenditure and trunk infrastructure delivered:

- We agree that the annual report will include;
 - o Actual and 4 year forecast IC expenditure
 - Actual IC revenues; and
 - o The scope of infrastructure provided for the year
- We see no value in providing 4 year forecasts of IC revenues

Quarterly Reporting:

- We agree that the ICR will be updated on a quarterly basis

We look forward to discussing the joint position with you on Wednesday

Regards,

Chris Adam

STRATEGIC AM Pty Ltd

Ph: [REDACTED]



Infrastructure Charges Transparency – Joint Position

Overall Objective:

The objective of the proposed changes in legislation is to improve the transparency around the collection and expenditure of infrastructure charges by the distributor-retailers.

Driving Principles:

The proposed changes to legislation should meet the following principles;

- **Practicality:** The outcome must have some practical value in informing the distributor-retailer and its stakeholders;
- **Prudent and Efficient:** The outcome must not result in an increase in the cost to serve our customers; and
- **Ease of Administration:** The outcome must not impose an unreasonable administrative burden on the distributor-retailer. The changes should assist the distributor-retailer to meet their reporting obligations under sections 99BT and 99BU of the *SEQ Water (Distribution and Retail Restructuring) Act 2009* and be achievable using existing systems/processes or relatively minor changes to the same.

What is Proposed:

Infrastructure Charges Register (ICR)

- Changes promote and assist the distributor-retailer efforts in complying with the provisions of 99BT and 99BU regarding the need for an infrastructure charges register (ICR).
- A copy of the ICR will be published online in pdf form.
- The scope of the ICR will include (but not extend beyond) the requirements of section 99BU of the SEQ Water (DRR) Act (refer *Attachment 1*)
- Individual Infrastructure Charges Notices (ICNs and Infrastructure Agreements) that are issued/agreed post January 2021 will be referenced in the ICR; and
- The ICR will be updated on a quarterly basis.

Annual Report

- The amount of developer contributions received in the reporting year:
 - across the whole business;
 - water supply infrastructure; and
 - wastewater trunk infrastructure.
- The amount expended in the reporting year on:



-
- delivery of trunk infrastructure (including cost associated with planning, justification of investment, project management, procurement, construction, testing and commissioning and asset handover);
 - The scope of infrastructure provided for the year;
 - Actual infrastructure charges received for the year;
 - Cumulative value of unexpended infrastructure charges at the end of the year which is available for expenditure on trunk infrastructure in future years; and
 - Four (4) year forecast of planned expenditure on trunk infrastructure to serve planned growth within the business's connection and future connection areas (within the participating Council Priority Infrastructure Areas)

Other information

- As required under 99BT (d) of the Act, copies of the Netserv extrinsic materials, and those ICNs and IAs issues post January 2021 will be available online.

Implementation timeframe:

The proposed timeframe for implementation of the changes are as follows:

- Reporting on the ICR to commence from **January 2021**; and
- Annual reporting to commence from **November 2021**



Attachment 1 – Scope of the Infrastructure Charges Register

(SEQ Water (Distribution and Retail Restructuring) Act (2009))

99BU Requirements for infrastructure charges register

- (1) For section 99BT(1)(d)(ii), the infrastructure charges register must include all charges for infrastructure levied by the distributor-retailer.*

- (2) For each of the charges, the register must include all of the following—*
 - (a) the real property description of land to which the charge applies;*
 - (b) the schedule under which the charge was levied;*
 - (c) the amount of the charge levied;*
 - (d) the amount of the charge unpaid;*
 - (e) any relevant number of units of demand charged for;*
 - (f) if the charge was levied as a result of a development approval—the approval reference number and the day the approval will lapse;*
 - (g) if infrastructure was to be provided instead of paying the charge—details of any infrastructure still to be provided.*

- (3) Also, the register must include—*
 - (a) the charge rate, stated in the charges schedule, for each charge levied; and*
 - (b) if the charge has been adjusted for inflation—details of how it was adjusted and the adjusted charge rate.*

ATTACHMENT 2: Proposed Urban Utilities Infrastructure Charges Register

Reporting of levied infrastructure charges associated with water approval or development approvals

Infrastructure charges register (date) to (date)

Last updated: (date)

Water approval or development approval reference number	If the charge was levied as a result of a water approval or development approval, the date of the approval	Day water approval or development approval will lapse	Real property description (of water approval or development approval)	Catchment within which the charge was levied	If the charge is a result of an infrastructure charges notice, the notice reference number	If the charge is a result of a Infrastructure charges notice, the day the infrastructure charges notice was given	If the levied charge is the subject of the infrastructure agreement, any reference given to the agreement	If the levied charge is the subject of the infrastructure agreement, the date of the agreement	Charges schedule (the charge was levied under)	The Charge rate for each charge levied	Total infrastructure charge levied	If the levied charge is subject to an automatic increase provision	How the automatic increase provision was calculated, if applicable	Adjusted Charge Rate	How the infrastructure charge was worked out	If infrastructure is to be provided instead of paying the levied infrastructure charge, reference to the infrastructure details	Offsets applicable (details)	Refunds applicable (details)	Infrastructure charge paid and day on which it was paid	Infrastructure charge unpaid (if not paid in full)
UA2468	5/06/2018	5/06/2022	2RP192037	Carina	ICNS842	6/06/2018	N/A	N/A	Netsew Plan Oct 2019		\$ 11,155.60	Yes	Refer to ICN		Refer to ICN	N/A	N/A	N/A		

Reporting requirements:

- The infrastructure charges register (register) template should be read in conjunction with the requirements of the SEQ Water (Distribution and Retail Restructuring) Act (the Act).
- This register relates to Distributor retailers who have a Netsew plan (Part A) in place and will include infrastructure charges information for the business (refer to Template 2).
- From 1 July 2021, Distributor Retailers will make an infrastructure charges register available online (in PDF format) and update it quarterly.

A Overview of how infrastructure charges revenue is collected and expended:

- Infrastructure charges are collected in monetary form and in non-cash form as trunk infrastructure may be provided by a developer in lieu of paying the levied infrastructure charge.
- Not all infrastructure charges that are levied through development are collected by distributor/retailer, as the water approval or development approval may lapse.
- Under the SEQ Water Act, infrastructure charges revenue that is collected in monetary form, is not required to be spent in the same catchment where it was collected.
- Due to slow development growth, infrastructure charges that are collected may sit with a Distributor retailer for a period of time, before being spent on trunk infrastructure