Submission in response to Queensland Competition Authority Draft Report: SEQ Bulk Water Price Path 2015 – 2018

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1. The Queensland Competition Authority (QCA) review of bulk water pricing to ensure that Seqwater recover 'prudent and efficient costs' incurred in managing their asset portfolio and supplying bulk potable water is necessary and appropriate.

2. The Water Security Program in which Seqwater will "optimise use and management of its current asset portfolio to meet service requirements at least cost" (Draft Report Main Text, page 10) is welcomed.

3. Recognition that the catchments which supply Seqwater's water storages are important natural assets in the water supply system is welcomed (Main Text, page 48). So too is the clear statement that, where possible Seqwater will be "managing the catchments which surround its water sources" (Main Text, page 7) in accordance the catchments' ability to influence water quality.

4. The QCA is encouraging a switch towards a longer term focus in capital planning (Executive Summary, page vi), and Seqwater acknowledge "water quality as a key driver of the capital expenditure program" (Main Text, page 19). Against this background, the stated "reliance on water treatment plants" to "maintain water quality over the long term" (Main Text, page 20) – to the apparent exclusion of investment in natural assets in the catchments – appears unlikely to be prudent and efficient (e.g. see investment options considered in Mainstream Economics & Policy, 2011).

5. Notwithstanding the fact the Seqwater only own a small proportion of land in the catchments, the feasibility of offering financial incentives to private landholders for

improved management practices and land-use change should be explored as an alternative to augmenting treatment technologies at water supply plants. Examples of best management practice include fencing livestock out of water courses. Examples of direct investment in land-use change include re-vegetating riparian corridors and reconstructing riparian wetlands. These investments in natural capital assets would deliver increasing benefits as the extreme weather events which are known to trigger feedwater quality problems become more frequent and more intense (Main Text, page 93).

6. We would encourage the QCA to discuss the opportunities which prudent investment in the catchments' natural capital provide for "Seqwater to retain the benefits of cost reductions …… as a result of improved asset utilisation and deployment" (Main Text, page 88). This would recognise the vital contribution of the catchments' natural assets within Seqwater's asset portfolio, and provide a mechanism for incentivising Seqwater's investment in those natural assets.

References

Mainstream Economics (2011) 'Sharing the Load: A collaborative approach to investing in South East Queensland's waterways'.