

The Queensland Competition Authority (QCA) is reviewing bulk water prices to apply to customers in 11 council areas in south east Queensland (SEQ).

The QCA has examined the proposed costs of the monopoly bulk water provider, Seqwater, as directed by the State Government. Based on its assessment, the QCA now presents its draft recommended bulk water prices for the period 1 July 2018 to 30 June 2021.

This fact sheet outlines the key findings of the QCA's draft report.

Background

Prior to 2008, bulk water supply in SEQ was mostly a local council responsibility and prices varied between council areas.

In 2008, the State Government took over responsibility for bulk water supply from local councils.

To reduce the impact of significant investments made in water infrastructure in response to low water availability, bulk water price adjustments were to be phased in over time through a price path that initially recovered less than the cost of supplying bulk water, with gradually increasing prices to enable the deficit to be repaid over a 20-year period (the 'price path debt').

Another objective of the price path was to achieve a common bulk water price across SEQ councils. Because of their different starting prices, each of the councils has a different price path to reach a common price.

Of the 11 council areas, three are yet to reach the common price – Sunshine Coast, Noosa and Redland City. Under our draft recommendations, the remaining councils would reach the common price as early as 2019-20 but no later than 2020-21.

While the State Government continues to determine the bulk water prices, since 2015 it has asked the QCA, by way of a written direction, to recommend prices for the coming three-year period.

The QCA completed its first full review of Seqwater's bulk water prices in 2015 and recommended prices for 1 July 2015 to 30 June 2018. In that instance, the Government set prices for that three-year period which were consistent with the QCA's recommendations.

This latest draft report has been prepared ahead of the 1 July 2018 to 30 June 2021 period.

The QCA's draft report has been submitted to the Government and has been published on the QCA website so that interested parties can make submissions. Public and stakeholder involvement is a key part of the decision-making process and the QCA invites interested parties to comment on the draft report. Submissions are due by 31 January 2018.

Submissions can be made online at qca.org.au/submissions or sent to:
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Once submissions are taken into consideration, the prices recommended in the final report may differ from prices in the draft report. The QCA must provide its final report to the State Government by 31 March 2018, and the Government will then decide bulk water prices after considering the final recommendations.

Consumer bills

In SEQ, water bills are generally comprised of three parts:

1. the bulk water price (for treated water delivered to the distribution network)
2. retailers' charges for providing water distribution and retail services to the premises
3. retailers' charges for providing sewerage services to the premises.

Costs involved with these three factors contribute to the total bill for providing water and sewerage services to homes and businesses. Retailers pass on bulk water prices to households and businesses as a separate line item in their water bills. While the bulk

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water charge is determined by the State, the latter two charges are set by retailers.

The region's five retailers are:

- **Queensland Urban Utilities**, which supplies the Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset council areas.
- **Unitywater**, which supplies the Moreton Bay, Sunshine Coast and Noosa council areas.
- **Logan, Redland and Gold Coast** city councils, which supply their respective areas.

How prices are determined

The review to develop price recommendations is conducted under a referral notice issued by the Treasurer and Minister for Trade and Investment

under section 23 of the *Queensland Competition Authority Act 1997*.

In line with the terms of the referral and the QCA's legislative obligations, draft recommended prices have been calculated to provide Seqwater with sufficient revenue to recover the prudent and efficient costs of providing bulk water supply services and to repay its 'price path debt' over the coming 10-year period.

Two price options were asked for:

- Under Option 1, the common price is reset in 2018-19 and then increases by inflation, and all council areas pay the common price in 2019-20
- Under Option 2, increases for all council areas are smoothed over the three-year period and all council areas pay the common price in 2020-21.

Table 1 Draft recommended prices

Council area	2017-18	Pricing option	2018-19		2019-20		2020-21	
	Actual \$/kL		\$/kL	% chg	\$/kL	% chg	\$/kL	% chg
Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Scenic Rim, Somerset	2.817	Option 1	2.908	3.22%	2.980	2.50%	3.055	2.50%
		Option 2	2.895	2.78%	2.976	2.78%	3.059	2.78%
Sunshine Coast and Noosa	2.616	Option 1	2.798	6.97%	2.980	6.52%	3.055	2.50%
		Option 2	2.764	5.65%	2.911	5.35%	3.059	5.07%
Redland City	2.561	Option 1	2.771	8.20%	2.980	7.58%	3.055	2.50%
		Option 2	2.727	6.49%	2.893	6.09%	3.059	5.74%

Table 2 Indicative bulk water bill for an average household using 160 kilolitres per year (\$ per annum)

Council area	2017-18	Pricing option	2018-19	2019-20	2020-21
	Actual \$				
Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Scenic Rim, Somerset	450.72	Option 1	465.28	476.80	488.80
		Option 2	463.20	476.16	489.44
Sunshine Coast and Noosa	418.56	Option 1	447.68	476.80	488.80
		Option 2	442.24	465.76	489.44
Redland City	409.76	Option 1	443.36	476.80	488.80
		Option 2	436.32	462.88	489.44