

Draft Report: South east Queensland bulk water prices 2015–18

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

We have examined the costs and revenues of the monopoly provider (Seqwater), as directed by the Queensland Government, and now recommend prices to ensure safe, reliable supply of water at the lowest possible cost.

This fact sheet outlines the key findings of our draft report.

Bulk water

Seqwater provides bulk water services to the 11 council areas in SEQ. These services include storing water in dams, treating water and delivering treated water to water retailers for sale to customers. Bulk water prices are the charges paid by retailers to Seqwater for these services. Charges are passed on to water customers and appear on bills as the State Government bulk charge.



11 council areas in south east Queensland

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QCA RECOMMENDED PRICES

Prices 2015–18

Price changes will vary across council areas. In 2015–16, prices in six council areas will fall while prices in five council areas will increase.

The 2015–16 price changes are as follows:

Price decreases: Somerset (–11.7%), Logan (–8.2%), Scenic Rim (–7.3%), Lockyer Valley (–3.7%), Gold Coast (–2.8%), Moreton Bay (–1.6%)

Price increases: Redland (9.7%), Sunshine Coast (7.7%), Noosa (7.7%), Ipswich (3.9%), Brisbane (3.6%)

The prices we are proposing for 2015–18 are below.

In 2013, the Queensland Government set indicative prices, including for 2015–18. All our recommended prices are lower than those 2013 forecasts – by between 2% and 14%.

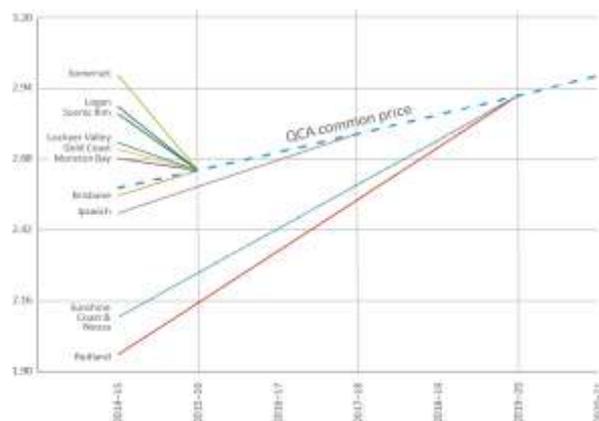
Prices 2018–28

Prices for the 10 years beyond 2018 are also expected to be lower than previously indicated.

Most council areas will pay the same bulk water price – the 'common price' – by 2017–18. The exceptions are Redland, Sunshine Coast and Noosa, which will reach that level in 2019–20.

Once a council price is at the 'common price', it will increase every subsequent year by inflation *only*.

Our 'common price' of \$2.77 per 1,000 litres (kL) is lower than the one forecast by the government in 2013 (\$3.22/kL).

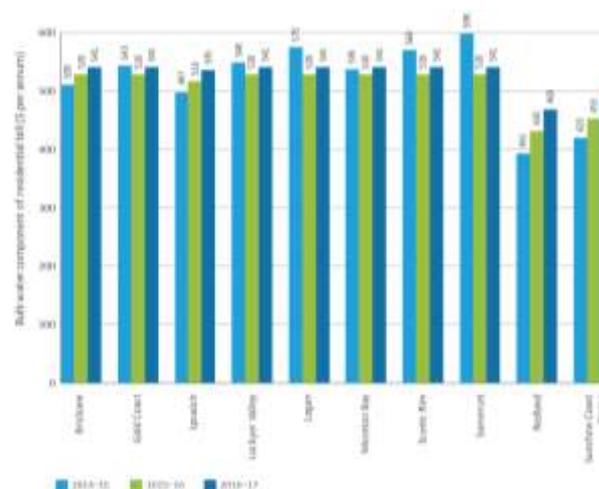


QCA recommended price path (\$/kL)

Household bills

Water consumers will see the impact of the lower prices on their bills – and where there are increases, they will not be as steep as before.

Below is an example of how bills would change over the next three years for a family of four that uses 200 kL of water per year.



Bill changes

Year	Brisbane	Gold Coast	Ipswich	Lockyer Valley	Logan	Moreton Bay	Scenic Rim	Somerset	Redland	Sunshine Coast	Noosa
2015–16	2.64	2.64	2.58	2.64	2.64	2.64	2.64	2.64	2.15	2.26	2.26
2016–17	2.70	2.70	2.68	2.70	2.70	2.70	2.70	2.70	2.34	2.43	2.43
2017–18	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.77	2.53	2.59	2.59

QCA recommended prices 2015–18 (\$/kL)

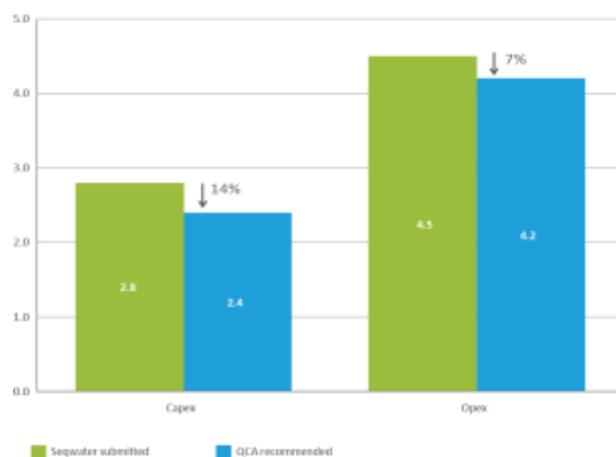
SEQWATER'S COSTS

We can recommend lower prices because of Seqwater's lower operational and capital costs.

Factors that have contributed are:

- merger savings – Seqwater has achieved substantial cost savings since its merger with two other government-owned water entities in 2013
- QCA has identified opportunities for further cost reductions between now and 2028.

The graph (see right) shows the lower costs that we are proposing for Seqwater.



Seqwater's costs 2013–28 (\$bn)

Project details

The full draft report is available on our website: www.qca.org.au/Water

We welcome submissions on our draft report, which should reach us by 30 January 2015.

Our final report will be published by 31 March 2015.