

The Queensland Competition Authority (QCA) has completed its review of 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 final 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 final 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 the common price.

Of the 11 council areas, three are yet to reach the common price – Sunshine Coast, Noosa and Redland City. Under our final 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 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 final report has been prepared ahead of the 1 July 2018 to 30 June 2021 period. The report has been submitted to the Government and has been published on the QCA website.

The Government will decide bulk water prices after considering the QCA's final recommendations.

Consumer bills

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

1. the bulk water charge (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.

The costs recovered through these charges contribute to the total bill for providing water and sewerage services to homes and businesses. Retailers pass on bulk water charges to households and businesses as a separate line item in their water bills. While the bulk 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.

Final Report: South east Queensland bulk water price review 2018-21

How prices are calculated

The review to develop price recommendations was conducted under a referral notice issued by the State Government under section 23 of the *Queensland Competition Authority Act 1997*.

In line with the terms of the referral and the QCA's legislative obligations, final 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 Final recommended prices

Council area	Year	Pricing option 1		Pricing option 2	
		\$/kL	% change	\$/kL	% change
Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Scenic Rim, Somerset	2017-18 actual	2.817		2.817	
	2018-19	2.962	5.16%	2.915	3.49%
	2019-20	3.037	2.50%	3.017	3.49%
	2020-21	3.112	2.50%	3.122	3.49%
Sunshine Coast and Noosa	2017-18 actual	2.616		2.616	
	2018-19	2.826	8.04%	2.785	6.46%
	2019-20	3.037	7.44%	2.953	6.06%
	2020-21	3.112	2.50%	3.122	5.72%
Redland City	2017-18 actual	2.561		2.561	
	2018-19	2.799	9.29%	2.748	7.31%
	2019-20	3.037	8.50%	2.935	6.81%
	2020-21	3.112	2.50%	3.122	6.38%

Table 2 Indicative bulk water component of water bills for an average household using 160 kilolitres per year

Council area	Year	Pricing option 1		Pricing option 2	
		\$/year	\$ change	\$/year	\$ change
Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Scenic Rim, Somerset	2017-18 actual	450.72		450.72	
	2018-19	473.92	23.20	466.40	15.68
	2019-20	485.92	12.00	482.72	16.32
	2020-21	497.92	12.00	499.52	16.80
Sunshine Coast and Noosa	2017-18 actual	418.56		418.56	
	2018-19	452.16	33.60	445.60	27.04
	2019-20	485.92	33.76	472.48	26.88
	2020-21	497.92	12.00	499.52	27.04
Redland City	2017-18 actual	409.76		409.76	
	2018-19	447.84	38.08	439.68	29.92
	2019-20	485.92	38.08	469.60	29.92
	2020-21	497.92	12.00	499.52	29.92