

## FACT SHEET

### Seqwater Irrigation Prices for 2013-17: Pie Creek

In 2012, the previous State Government directed the Queensland Competition Authority (QCA) to recommend irrigation water prices for the Pie Creek tariff group from July 2013 to June 2017. The Government directed that, over time, irrigation prices should recover prudent and efficient asset renewal costs and operating costs.

After extensive consultation with irrigators, the QCA has released its Final Report. For this tariff group, the QCA recommends price increases over the four-year price path. However, prices will not cover the Pie Creek scheme's costs by the end of the pricing period.

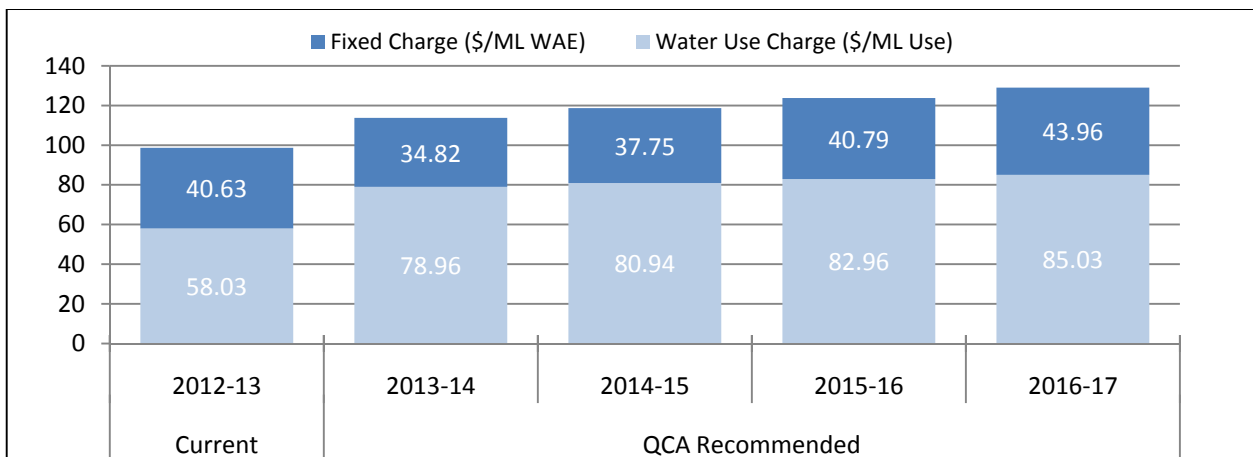
#### Prices

The QCA recommends two-part tariffs consisting of a fixed charge per megalitre (ML) of water access entitlement (WAE) and a volumetric (water use) charge per ML. This ensures the equitable sharing of costs.

In Pie Creek, variable costs (i.e. the electricity pumping costs) are recovered through the volumetric charge. The recommended 2013-14 cost-reflective volumetric charge is higher than the 2012-13 charge due to increasing electricity prices. To maintain revenues, the balance not recouped by the volumetric charge is recovered by the fixed charge. For Pie Creek, the recommended fixed charge is lower than in 2012-13.

The recommended volumetric charge increases annually by CPI (2.5%) and the fixed charge increases by \$2/ML per year plus CPI.

**Figure 1: Current and Recommended Prices, Bundled – Pie Creek (\$/ML)**



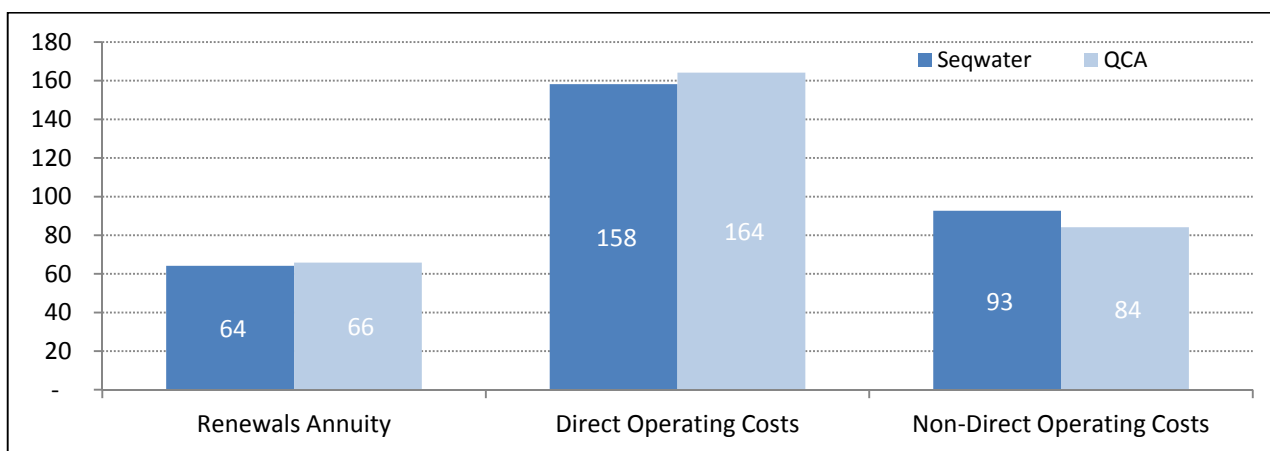
Note: Adding the fixed and volumetric charges can be misleading in terms of price-impact, as volumetric charges only apply where water is used. Consequently, an irrigator's unique water-use profile will determine the change to individual irrigation water bills from year-to-year. An indicative water-bill analysis appears in Table 1 below.

#### Costs of Irrigation Services

The QCA estimated 2013-14 prudent and efficient costs of \$314,000. Cost savings identified by the QCA in direct operating costs were offset by an increase in electricity costs.

Figure 2 shows Seqwater’s proposed and the QCA’s recommended renewals annuity (renewal and rehabilitation of existing assets), direct operating (maintenance and on-ground staff) and non-direct operating (overhead and administration) costs for Pie Creek only.

**Figure 2: Total Distribution System Costs (2013-14 \$’000)**



Note: The figure excludes the portion of Mary Valley WSS costs attributed to Pie Creek irrigators of \$34,000 in 2013-14. Seqwater costs are based on November 2012 submitted renewals and operating costs. Revenue offsets are excluded.

The QCA estimates current irrigation revenue to be \$43,000. Current revenue represents a cost recovery level of 14%. This implies a subsidy, paid by the Queensland taxpayer, which will reduce over time as recommended prices increase.

**Local Impacts**

For Pie Creek, due to structural changes (such as increased urban encroachment and the decline of dairy production), the QCA recommends that Government and Seqwater review service delivery arrangements.

The QCA recommends termination fees of \$141/ML of entitlement for 2013-14. This applies to irrigators exiting from Pie Creek. Table 1 presents an estimate of the change in water bills (compared to the bill that would apply were the current charges to continue in real terms), for various levels of water use.

**Table 1: Change in Water Bill**

Water Use as a Portion of Entitlement	Water Bill Change at 2013-14 Prices	Water Bill Change at 2016-17 Prices
0%	-16%	-2%
25%	-3%	7%
50%	4%	12%
75%	9%	16%
100%	13%	18%

Note: 2012-13 prices were inflated at CPI (2.5% per year) to allow comparisons of bills in the years indicated.

**What Happens Now?**

The Government will consider the QCA’s report and decide whether the recommendations will apply.