

18 February 2022

Queensland Competition Authority  
Level 27, 145 Ann Street  
Brisbane, Queensland 4000

To whom it may concern

I write in response to the Queensland Competition Authority's (QCA) Seqwater Bulk Water Price Review draft report dated November 2021. Specifically, the perceived implications and application of the proposed drought allowance to Logan's customers and community.

Under normal (non-drought) conditions, the QCA's draft recommendation is for a bulk water price of \$3.295 per kilolitre in 2022-23. This represents a 1.98% increase in total water consumption charges to Logan customers for next financial year (assuming no increase in Logan Water's retail-distribution consumption charge). The QCA are then proposing that bulk water prices increase by approximately 2 per cent per annum over the next three years to \$3.491 per kilolitre in 2025-26.

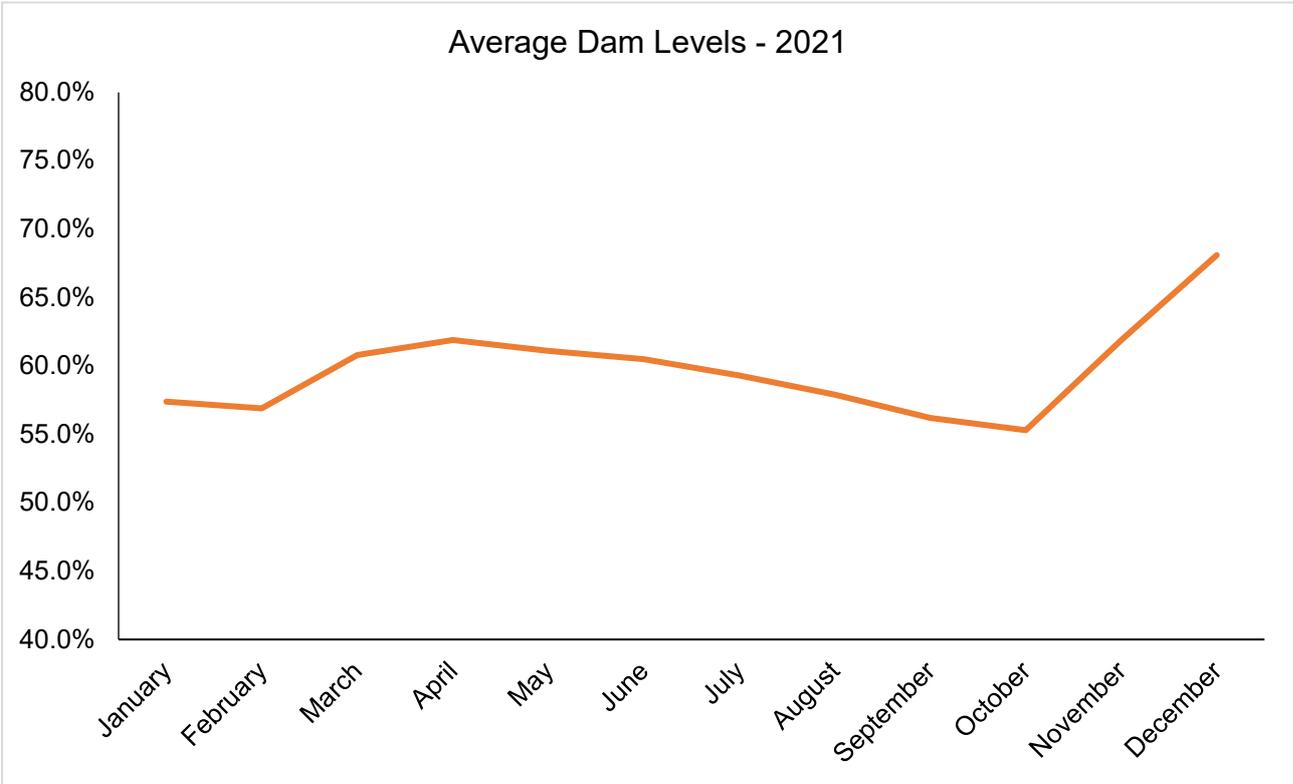
In terms of the review and consideration of a drought allowance that could be applied to account for Seqwater's additional costs to operate during drought conditions, the QCA has proposed an indicative allowance of \$0.406 per kilolitre in 2022-23. The application of the proposed drought allowance is based on the 60% drought response trigger being reached in the South-East Queensland Water Security Plan and water supply demand forecasting for a given year in the price path.

The application of the proposed drought allowance has a potentially significant customer impact, resulting in bulk water price increases upwards of 14% (2% increase in the normal bulk water price and an additional increase for drought allowance of 12%). Price increases – and the potential addition of a drought allowance during periods of low water availability – may cause serious affordability concerns across our customer base.

While it is broadly acknowledged that Seqwater will incur increased costs for operating the SEQ Water Grid in drought conditions, utilising the 60% regional bulk water storage level to trigger the application of the drought allowance does not represent a prudent or efficient outcome for Logan customers.

Over the last 12 months, SEQ has experienced fluctuating water storage levels around the 60% mark. Whilst Seqwater had commenced commissioning activities for the Western Corridor Recycled Water Scheme (WCRWS) and the Gold Coast Desalination Plant in readiness for operating in drought conditions, further commissioning and increased production activities at these assets have now been scaled down in response to the region's current and improved water security position.

It is Logan Water’s view that greater clarity on the administrative process and considerations that the Government will utilise to apply the proposed drought allowance to any given pricing year needs to be provided. Serious consideration of the bulk water storage trigger for the application of the allowance should be revised from 60% (drought readiness) to 50% drought response) under the SEQ Water Security Plan needs to be taken.



Additionally, the drought allowance proposes to place increased financial burden on the end-customer at a time where the industry is actively seeking and requesting customers to use less of the product. Government consideration should be given to the customer impact of the proposed drought allowance.

Yours sincerely

Ben Steel  
Manager Water Service Performance