

Why are we recommending irrigation prices?

The Queensland Government directed us to recommend irrigation prices for Sunwater and Seqwater customers over the pricing period 1 July 2020 to 30 June 2024.

This includes recommending prices for irrigation customers in the Central Brisbane River water supply scheme (WSS), which is located between Wivenhoe Dam and Mt Crosby Weir.

Issues related to the prices for non-irrigation customers are outside the scope of our review.

How we have recommended prices

In recommending prices we have not included a return on, or depreciation of, investments made prior to 1 July 2000.

We have recommended a two-part tariff for the tariff group in this scheme. The first part is a *fixed price* per megalitre (ML) of water access entitlement (WAE), and the second part is a *volumetric price* per ML of water used.

The volumetric price (Part B) recovers variable costs (e.g. a portion of labour costs) that change with water usage. The remaining costs associated with this scheme are recovered by the fixed price (Part A). We have assessed all expenditure to ensure that Seqwater only recovers prudent and efficient costs.

It is government policy that, over time, irrigation prices should transition to fully recover prudent and efficient costs of operating, maintaining, administering and renewing each scheme. Cost recovery for Seqwater's irrigation customers will improve from 75 per cent in 2020–21 to 77 per cent by 2023–24. The shortfall is currently funded by a subsidy, paid by the Queensland taxpayer, which will reduce over time as prices transition to cost reflective.

The fixed price increases by up to \$2.38/ML (\$2020–21) plus inflation. The volumetric price increases annually by our estimate of inflation (2.37 per cent) from 2020–21 onwards.

What prices have we recommended?

After extensive consultation with irrigators, we have released our draft report.

For this scheme, our draft recommendations result in the fixed (Part A) price and volumetric (Part B) price decreasing to cost reflective immediately. Draft prices fully recover costs.

Dam safety upgrades for this scheme are due to be commissioned in 2025–26. While this will not impact on prices in this pricing period, we have estimated the impact in

the year following commissioning (2026–27) to be around a \$4.91/ML increase to the cost reflective fixed (Part A) price.

Our draft recommended prices are shown in the table below.

Draft recommended prices for irrigation customers—\$/ML

Tariff group	2019–20 (Current)	2020–21	2021–22	2022–23	2023–24
Fixed (Part A)	24.48	5.81	5.95	6.09	6.23
Volumetric (Part B)	11.76	2.81	2.87	2.94	3.01

How we have addressed stakeholder concerns

Cost allocation to irrigators

Seqwater said that it had jointly commissioned a study with the Mid-Brisbane River Irrigators Committee (MBRI) that concluded that the scheme assets did not provide irrigators with any significant change to the hydrologic benefit, compared to a situation where the dams and high priority water supply did not exist and irrigators were able to take water from natural flows.

Based on this study, Seqwater proposed a zero cost allocation to, and zero prices for, irrigators in this scheme.

We engaged Water Solutions to provide advice and assist our assessment of the Central Brisbane River benefits study submitted by Seqwater and MBRI.

While we welcome customers and the water businesses working together to reach agreement on pricing issues, we consider that the proposed cost allocation of zero is inappropriate and inconsistent with the requirements of the referral.

However, we have recommended a fixed price that is lower than the prevailing fixed price, based on an improved approach to assigning benefits attributable to different customer groups in this scheme.

Further details on our proposed cost allocation to irrigators are in Part C (section 6.4) of the draft report.

We have recommended adjustments in scheme costs for Central Brisbane River WSS

In our draft report, we have made adjustments to Seqwater's advised scheme costs for Central Brisbane River WSS over the pricing period 1 July 2020 to 30 June 2024. This includes removing billing system expenditure from non-direct operating costs.

Total scheme costs over the price path period—Central Brisbane River WSS (2018–19 dollars) (\$'000)

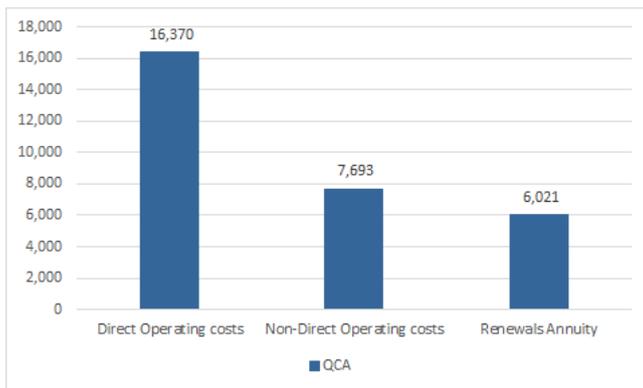


Figure notes: 1. Revenue offsets are not included in the charts. 2. QCA Non-direct operating costs includes the QCA regulatory fees.

Further details on our recommended costs for Seqwater schemes are in Part C (chapters 2 to 4) of the draft report.

We have assessed local impacts

In recommending prices, we have considered bill impacts for irrigation customers.

The table below presents an estimate of the change in water bills (compared to the bill based on current prices), for various levels of water use.

Further details on bill impacts are in Part C (chapter 9, appendix B and chapter 7) of the draft report.

Change in water bill

Water use as portion of entitlement held (%)	Water bill change from 2019–20 to 2020–21 (%)	Water bill change from 2019–20 to 2023–24 (%)
0	(76)	(75)
25	(76)	(75)
50	(76)	(75)
75	(76)	(74)
100	(76)	(74)

How you can get involved

Public involvement is a key part of our review. Our draft report provides stakeholders with an opportunity to review and comment on our

proposed approach and prices, prior to us finalising our report and providing it to the Government by 31 January 2020.

We now invite stakeholders to comment on this draft report (submissions are due by 4 November 2019) and to attend the workshops we will be running in regional Queensland in September/October 2019.

An indicative timetable for the remainder of our review is provided in the table below.

Timetable

Task	Date
Stakeholder workshops on draft report	September–October 2019
Submissions on draft report due	4 November 2019
Final report provided to the Government	By 31 January 2020
Final report published	Early February 2020

Where you can find out more

For more information please see the [QCA website](http://www.qca.org.au) for:

- Part A of the draft report for key regulatory and pricing framework issues that apply to both Sunwater and Seqwater
- Part B of the draft report for Sunwater schemes
- Part C of the draft report for Seqwater schemes.