

HAVE YOUR SAY

24 June 2017

South east Queensland bulk water price review 2018–21

The Queensland Government has directed the Queensland Competition Authority (QCA) to investigate the pricing practices relating to the monopoly business activity of bulk water supply by Seqwater, under section 23 of the *Queensland Competition Authority Act 1997* (QCA Act).

The objective of the review is to recommend bulk water prices for customers in south east Queensland (SEQ) for the period 1 July 2018 to 30 June 2021.

Background

Seqwater is a statutory authority responsible for bulk water supply in SEQ. Seqwater supplies treated bulk water to local council areas: Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Noosa, Redland, Scenic Rim, Somerset and Sunshine Coast. Bulk water prices are the charges paid by retailers to Seqwater for these services. These charges are then passed on to residential and business customers in water bills, where they appear as a separate charge.

Seqwater also provides bulk water services to irrigation customers, power stations and Toowoomba Regional Council, but prices for the services provided to these customers are not the subject of our review.

The starting point for the existing regulatory framework was in 2008 when, in response to low water availability, the Queensland Government took over responsibility for bulk water supply in SEQ and made significant investments in water infrastructure. To reduce the price impact of these investments, bulk water price increases were to be phased in through a bulk water 'price path' that initially recovered less than the cost of supplying the service, with the accumulated under-recoveries (known as the 'price path debt') to be repaid by 2027–28.

While the government is responsible for setting Seqwater's bulk water prices, it can ask us to recommend prices. Our last review was completed in 2015, where we recommended prices for the period 1 July 2015 to 30 June 2018. The government then set bulk water prices that were consistent with our recommendations.

We recommended that all council areas (except Redland, Sunshine Coast and Noosa) transition to a common price of \$2.82 per kilolitre in 2017–18 and that Redland, Sunshine Coast and Noosa council areas transition to the common price by 2019–20.

Proposed approach to this review

In accordance with the referral notice issued by the Queensland Government, we have now commenced a review to recommend SEQ bulk water prices for the next regulatory period. The referral notice is available from our website at www.qca.org.au/water.

We intend to make recommendations in accordance with the government's policy positions, as set out in the referral notice. This includes recommending prices that provide Seqwater with sufficient revenue to recover prudent and efficient costs of providing bulk water supply services and repay 'price path debt' by 2027–28, and that meet the following requirements:

- A common price (for all council areas, except Redland, Sunshine Coast and Noosa) that is reset from 2018–19 and then increases by inflation until 2027–28.
- Transitional price paths for Redland, Sunshine Coast and Noosa council areas that reach the common price by 2019–20.

- An alternative option that smooths price increases (if any) for all council areas (including Redland, Sunshine Coast and Noosa) over the upcoming regulatory period and then increases prices by inflation until 2027–28.

When conducting our review, we must also have regard to the matters in section 26 of the QCA Act including, for example, the need for efficient resource allocation, the protection of consumers from abuses of monopoly power and an appropriate rate of return. Where relevant, we will take these matters into account.

As a key part of our review will be to assess the prudence and efficiency of Seqwater's proposed costs, we will engage an independent consultant to assist with our assessment. We expect that Seqwater will include detailed information on its proposed costs in its submission to the QCA, which is due by 31 July 2017.

Invitation for submissions

Public involvement is a key part of our decision-making process and we invite all interested parties, including the general public, to participate in our review.

We will make Seqwater's submission available on our website as soon as possible after it is received. We invite stakeholders to comment on Seqwater's submission or any other aspect of our review by **15 September 2017**.

We prefer to receive submissions online: www.qca.org.au/submissions

Alternatively, you can send your submission to:

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

In the interests of transparency and to promote informed discussion and consultation, the QCA intends to make all submissions publicly available. However, if a person making a submission believes that information in the submission is confidential, that person should claim confidentiality in respect of the document (or the relevant part of the document) at the time the submission is given to the QCA and state the basis for the confidentiality claim.

The assessment of confidentiality claims will be made by us in accordance with the QCA Act, including an assessment of whether disclosure of the information would damage the person's commercial activities and considerations of the public interest.

Claims for confidentiality should be clearly noted on the front page of the submission. The relevant sections of the submission should also be marked as confidential, so that the remainder of the document can be made publicly available. It would also be appreciated if two versions of the submission (i.e. a complete version and another excising confidential information) could be provided.

Further opportunities to make submissions

There will be a further opportunity to make submissions following the release of our draft report, which will be published by 30 November 2017. Our final report will be provided to the government by 31 March 2018.

Indicative timeline for the review

<i>Milestone</i>	<i>Indicative date</i>
QCA publishes notice of investigation	24 June 2017
Seqwater's submission due	31 July 2017
All other stakeholder submissions due	15 September 2017
QCA to publish draft report	By 30 November 2017
Submissions on draft report due	31 January 2018
Final report provided to the government	By 31 March 2018