

Rural irrigation price review 2025-29: draft report Cedar Pocket water supply scheme

July 2024

We have been directed by the Treasurer of Queensland to recommend irrigation prices to apply from 1 July 2025 to 30 June 2029. This includes prices for irrigation customers in the Cedar Pocket water supply scheme (WSS).

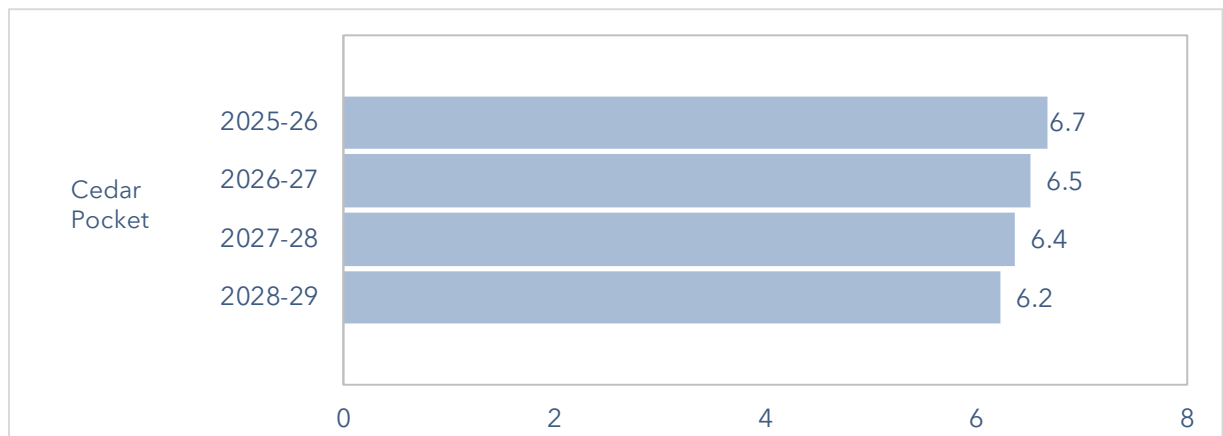
After extensive consultation with customers and other stakeholders, we have published a draft report for Seqwater's schemes on our [website](#).¹

Draft price recommendations

We applied the government's pricing principles to reach our draft price recommendations. The pricing principles constrain the increases required each year to reach the relevant price target. The price target reflects a scheme's prudent and efficient costs but exclude allowances for capital expenditure (capex) incurred before 1 July 2000 and capex on dam safety upgrades.

Based on our draft price recommendations, we estimated the average change in prices for each year of the price path period from 2025-26 to 2028-29 (Figure 1). Price changes for individual customers will vary if their water usage differs from the assumed scheme usage.

Figure 1: Annual changes in draft irrigation prices, from 2025-26 to 2028-29 (% change)



Note: The analysis is based on the total price per megalitre of the water access entitlement (WAE) for this tariff group, which is derived as the total fixed price plus the total volumetric price multiplied by the assumed scheme usage as a percentage of the WAE (60.8% of WAE for this tariff group).

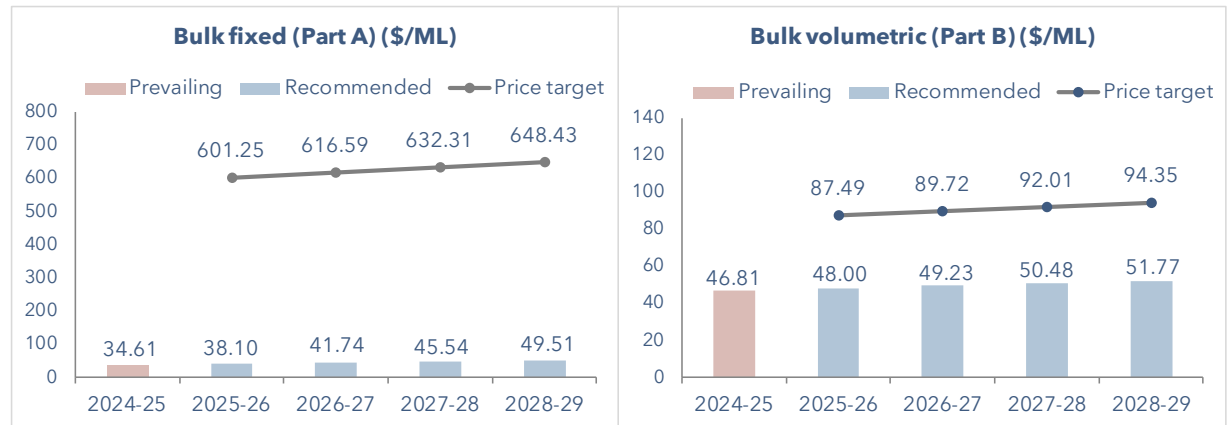
More information about price impacts is provided in Chapter 11 of the draft report.

¹ A separate draft report covers Sunwater's schemes.

In Figure 2, we compare our draft price recommendations with:

- the prevailing 2024-25 price (before the 15% discount that Seqwater was directed to apply to irrigation prices)
- the draft price target for each year of the price path period.

Figure 2: Draft recommended prices – Cedar Pocket (\$/ML)



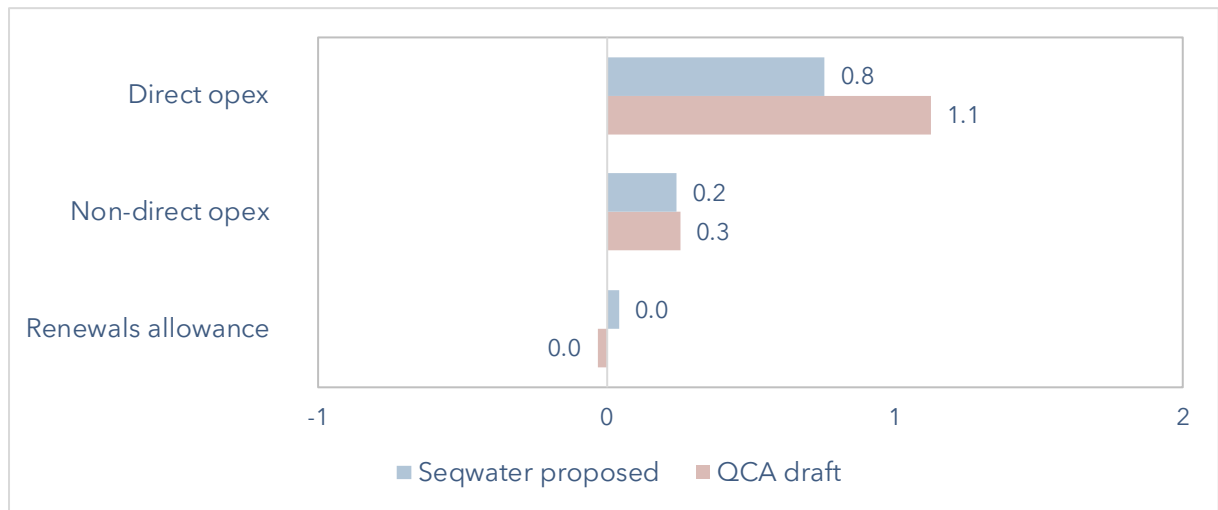
For the tariff group in this scheme, our draft prices will not cover allowable costs by the end of the price path period. Recovery of allowable costs for this tariff group will increase from 10% in 2025-26 to 11% by 2028-29.

We propose a reduction in Seqwater’s proposed costs

Our draft position is that total allowable costs for Seqwater over the price path period should be set at \$37.4 million, which is \$0.6 million (or 1.7%) lower than the total allowable costs proposed by Seqwater in its November 2023 pricing proposal.

For the Cedar Pocket WSS, we propose to increase Seqwater’s proposed costs by 29% over the price path period (Figure 3). This increase is due to the change in recovery approach for Seqwater’s proposed policy change review event for 20-year dam safety costs. We are required to recover review event costs as an adjustment to the opex allowance rather than over 30 years through the renewals annuity.

Figure 3: QCA draft position – total costs over the price path period, Cedar Pocket WSS (\$ million)



Note: Revenue offsets are not included in these figures. Non-direct opex includes QCA fees.

More information about our assessment of Seqwater’s proposed operating expenditure and renewals expenditure is provided in Chapters 4 and 5 of our draft report.

Next steps

Our draft recommendations are indicative and will be subject to further consideration before we provide our final report.

We appreciate the valuable contribution that stakeholders have made to our review so far. We welcome further feedback and comments on our draft report, which will assist us with the finalisation of our recommendations to the government.

We will hold workshops on our draft report in July and August 2024. Information about the workshops is available on our [website](#).

Stakeholders are invited to provide written submissions on our draft report by **16 September 2024**. We will consider all submissions received by the due date in preparing our final report, which is due to the government by 31 January 2025.