

April 2022

Fact sheet

## We have completed our review of Seqwater’s bulk water prices to apply from 1 July 2022 to 30 June 2026.

The Queensland Government directed us to investigate Seqwater's bulk water pricing practices, with the objective of recommending bulk water prices for the period 1 July 2022 to 30 June 2026.

Bulk water prices are charged by Seqwater to five water retailers operating in the following 11 council areas in south east Queensland: Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Noosa, Redland City, Scenic Rim, Somerset and Sunshine Coast. Retailers pass on bulk water prices to households and businesses as a separate charge on water bills.

Our recommendation on the bulk water prices to apply from 1 July 2022 to 30 June 2026 is provided below.

	2022-23	2023-24	2024-25	2025-26
QCA recommended bulk water prices (\$/kL)	3.301	3.371	3.444	3.517

Based on our recommendation, bulk water prices would increase by 2.14% for each of the next four years, which is below forecast inflation, providing a real bulk water price decrease to customers.

### Total revenue requirement

The bulk water prices we recommend reflect our assessment of Seqwater's prudent and efficient costs of supplying bulk water and an allowance for the recovery of price path debt, so that the debt is repaid by 2028.

**We consider that Seqwater should be allowed to recover \$7,739.8 million through prices between 2022–23 and 2027–28, which is \$988.5 million (or 11.3%) lower than what Seqwater proposed in its June 2021 submission.**



This reflects our position on key cost drivers:

- Operating expenditure over the period 2022–23 to 2027–28 should be set at \$1,929.5 million. This is broadly consistent with Seqwater's revised opex proposal submitted in January 2022 after excluding costs that we recommend be recovered through review events.
- Actual capital expenditure over the period 2017–18 to 2021–22 should be set at \$532.8 million. This is consistent with Seqwater's revised actual capital expenditure information submitted in January 2022.
- Forecast capital expenditure over the period 2022–23 to 2027–28 of \$1,342.8 million is a reasonable overall estimate of prudent and efficient capex. This is

consistent with Seqwater's revised forecast capital expenditure submitted in January 2022.

- The rate of return should be set to 5.53% in 2022–23. This is 16 basis points lower than the rate of return Seqwater proposed in its June 2021 submission. Our rate of return reflects a benchmark gearing of 60%, a cost of equity of 6.86% and a cost of debt advised by Queensland Treasury Corporation.
- The tax allowance over the period 2022–23 to 2027–28 should be set at \$13.4 million, which is significantly lower than Seqwater's revised tax allowance of \$494.6 million. We adjusted Seqwater's proposed allowance because it ignores certain tax losses, resulting in a windfall gain to Seqwater.

### What happens next?

The government has 90 days to accept or reject our recommendations. We expect the government to determine Seqwater's prices after considering our recommendations, with new prices expected to take effect from 1 July 2022.



### Where can you find out more?

Our final report on Seqwater's bulk water prices, along with stakeholder submissions and other relevant materials can be accessed on our [website](#).