

FACT SHEET

Seqwater Irrigation Prices for 2013-17: Central Brisbane River Scheme

In 2012, the previous State Government directed the Queensland Competition Authority (QCA) to recommend irrigation water prices for the Central Brisbane River Water Supply Scheme (WSS) from July 2013 to June 2017. The Government directed that, over time, irrigation prices should recover prudent and efficient asset renewal and operating costs.

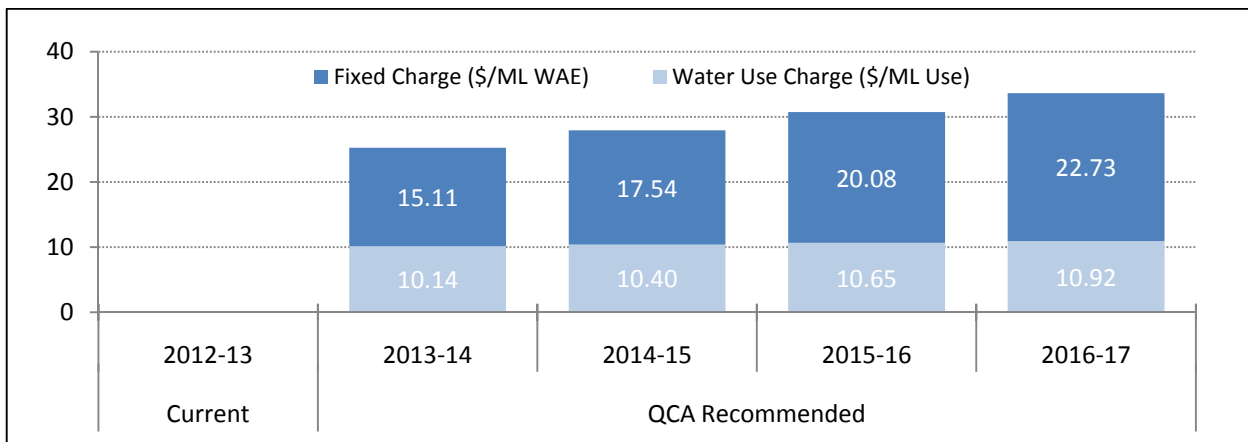
After extensive consultation with irrigators, the QCA has released its Final Report. For this scheme, the QCA recommends the introduction of irrigation prices for the first time. These prices increase over time to cover costs by the end of the pricing period.

Prices

The QCA recommends two-part tariffs consisting of a fixed charge per megalitre (ML) of water access entitlement (WAE) and a volumetric (or water use) charge per ML. This ensures the equitable sharing of costs.

Variable costs (e.g. a portion of labour costs) are recovered through volumetric charges. The balance of the revenue requirement not recouped by the volumetric charge is recovered by the fixed charge. The volumetric charge increases annually by CPI (2.5%) and the fixed charge by \$2/ML per year plus CPI.

Figure 1: Current and Recommended Prices – Central Brisbane River WSS (\$/ML)

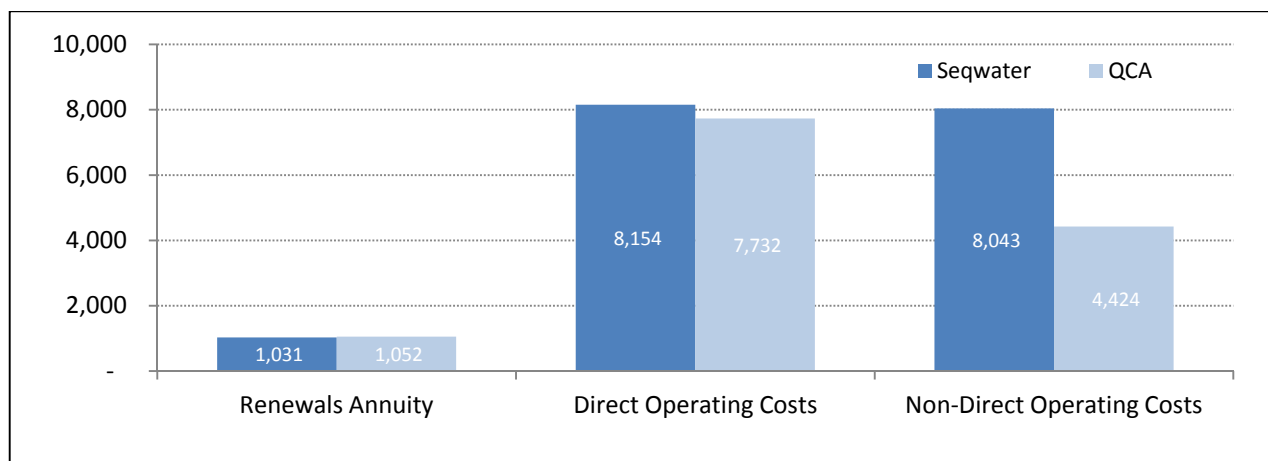


Note: Adding the fixed and volumetric charges can be misleading in terms of price impact, as volumetric charges only apply where water is used. Consequently, an irrigator's unique water-use profile will determine the individual irrigation water bill. Indicative water-bills appear in Table 1 below.

Scheme Costs

Figure 2 shows Seqwater's proposed and the QCA's recommended renewals annuity (renewal and rehabilitation of existing assets), direct operating (maintenance and on-ground staff) and non-direct operating (overhead and administration) costs for the scheme as a whole. The QCA estimated a reduction of 23% in the proposed costs.

Figure 2: Total Scheme Costs (2013-14 \$'000)



Note: Seqwater costs are based on November 2012 submitted renewals and April 2012 submitted direct and non-direct operating costs. Revenue offsets are not included in the charts.

Irrigation accounts for about 1.3% of the scheme’s total cost. The recommended initial charges for 2013-14 would recover 75% of irrigation only costs. This will increase to full cost-recovery by 2016-17 (excluding profit). The price path represents a subsidy, paid by the Queensland taxpayer, until 2016-17.

Local Impacts

Given the absence of water charges to date, the Authority has sought to moderate the introduction of recommended prices. The introduction of charges is expected to encourage water trading between irrigators, increasing productive water use and local economic activity.

Seqwater will soon decide on the installation of new meters, in consultation with irrigators.

The impact of the charges varies between irrigators. For example, the bill for an irrigator with a 100ML entitlement will vary according to water use as shown in Table 1.

Table 1: Water Bill

Water Use as a Portion of 100ML Entitlement Held	Water Bill 2013-14 (\$)	Water Bill 2016-17 (\$)
0%	1,511	2,273
25%	1,765	2,546
50%	2,018	2,819
75%	2,272	3,092
100%	2,525	3,365

What Happens Now?

The Government will consider the QCA’s report and decide whether the recommended prices will apply from 1 July 2013 to 30 June 2017.