

FACT SHEET

Seqwater Irrigation Prices for 2013-17: Warrill Valley Scheme

In 2012, the previous State Government directed the Queensland Competition Authority (QCA) to recommend irrigation water prices to apply to the Warrill Valley 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 costs and operating costs.

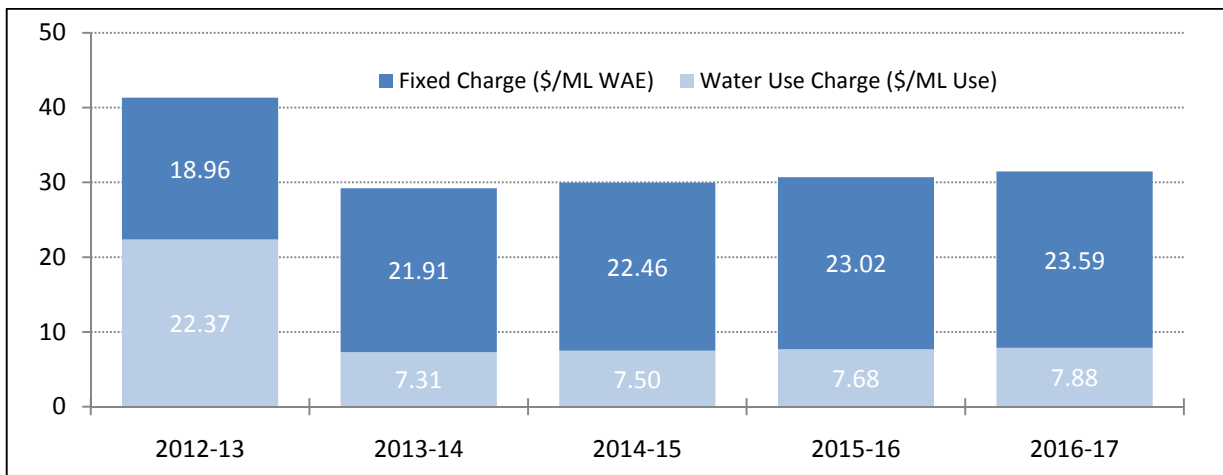
After extensive consultation with irrigators, the QCA has released its Final Report. For this scheme, the QCA recommends new tariffs that recover costs in 2013-14.

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. In the Warrill Valley WSS, the recommended 2013-14 cost-reflective volumetric charge is lower than in 2012-13. To maintain revenues, the balance not recouped by the volumetric charge is recovered by the higher fixed charge. Both the volumetric and the fixed charges are increased annually by CPI (2.5%).

Figure 1: Comparison of Current and Recommended Prices – Warrill Valley WSS (\$/ML)

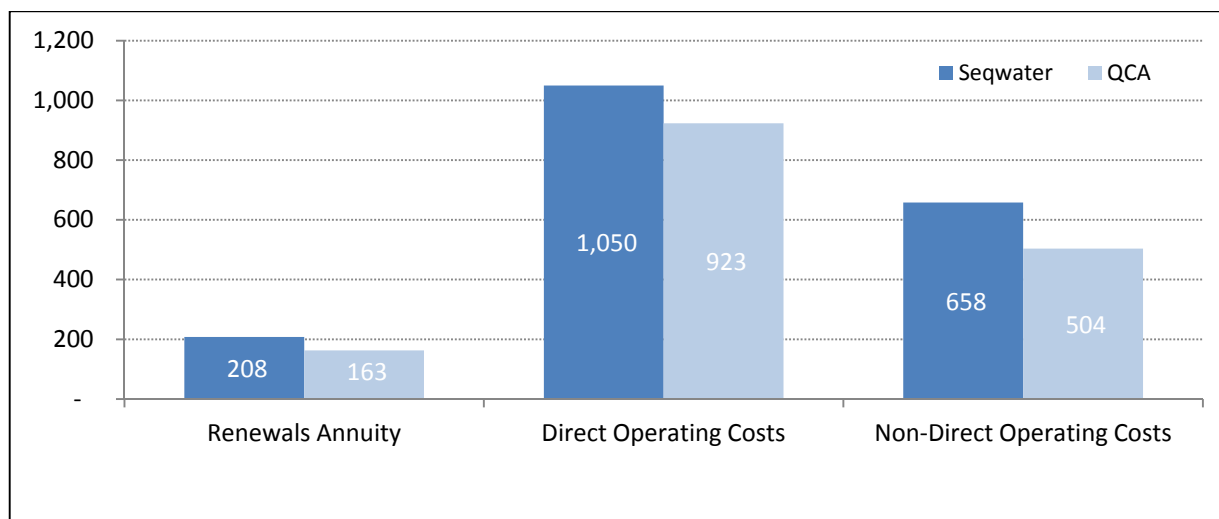


Note: Adding the fixed and volumetric charges can be misleading in terms of price impact, as volumetric charges only apply where water is used. Consequently, an irrigator's unique water use profile will determine changes to individual irrigation water bills from year to year. An indicative water bill analysis appears 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 recommends a reduction of 17% to proposed costs.

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



Note: Seqwater's costs are based on November 2012 submitted renewals and April 2012 submitted direct and non-direct operating costs. Revenue offsets are excluded.

The QCA estimates current irrigation revenue, based on 2012-13 prices, to be \$462,000. This compares to a cost-reflective irrigation revenue requirement of \$468,000, which will be achieved in 2013-14.

Local Impacts

To ensure that the full benefit of its recommended tariffs are realised, the QCA also recommends that the Government introduce permanently tradable water allocations by 30 June 2015. Trading between irrigators should increase productive water use and local economic activity.

Table 1 presents an estimate of the change in water bills (compared to the bill that would apply were the current charges to continue in real terms), for various levels of water use.

Table 1: Change in Water Bills

Water Use as a Portion of Entitlement	Water Bill Change at 2013-14 Prices	Water Bill Change at 2016-17 Prices
0%	13%	13%
25%	-6%	-6%
50%	-17%	-17%
75%	-25%	-25%
100%	-31%	-31%

Note: 2012-13 prices were inflated at CPI (2.5% per year) to allow comparisons of bills in the years indicated.

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.