

## QUESTION ON NOTICE

No. 643

asked on Thursday, 17 May 2018

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**MRS J STUCKEY** ASKED THE MINISTER FOR NATURAL RESOURCES, MINES AND ENERGY (HON DR A LYNHAM)—

QUESTION:

Will the Minister advise (a) the cost per megalitre drawing from (i) the GCDP, (ii) drawing from Seqwater dams and (b) how consumers are charged per megalitre (broken down by GCDP and Seqwater)?

ANSWER:

- (a)(i) The cost of operating the Gold Coast Desalination Plan (GCDP) continuously is around \$800 per megalitres of water produced. This accounts for production costs only, which include chemicals, energy and waste disposal.

It is important to note that it is more expensive to produce manufactured water when compared with water produced by conventional treatment plants which treat water from rivers or dams, primarily due to the extra energy required.

Seqwater is planning to operate the GCDP continuously for about three months in mid-2018 while work is undertaken at the Mount Crosby water treatment plants.

- (ii) The average cost per megalitre for the period 1 July 2017 to 30 April 2018 for all water treatment plants (WTPs) was \$123 per megalitre. This accounts for production costs only, which include chemicals, energy and waste disposal. This average cost is based on the total production of 257,255 megalitres of treated water.

Note

Given that the water grid is operated as an entire system, it was considered more appropriate to provide an averaged comparative for all WTPs including water grid operation costs. This ensures there are equivalent comparisons based on costs from the draw down point (i.e. ocean or river) to the point of delivery. For example, from the raw water source to Seqwater's WTPs or GCDP to a reservoir and then to the council-owned water retailers.

- (b) The price per kilolitre for bulk water in South East Queensland (SEQ) is not calculated on an individual asset basis. Rather, the price per kilolitre is calculated on a whole-of-system approach reflecting the fact that all SEQ bulk water customers receive the same level of water security due to the SEQ water grid.

In 2008, and in response to the Millennium Drought, the Queensland Government took over responsibility for bulk water supply in SEQ. To reduce the price impact of recovering the cost of the significant investments made in bulk water infrastructure in response to low water availability, bulk water price increases were to be phased in over time through a bulk water price path.

These significant investments included the creation of the SEQ water grid which allows water to be transported around the region, from the Sunshine Coast to Greater Brisbane, to Redlands and south to the Gold Coast, essentially providing the same level of water security for all SEQ residents.

Starting in 2008, prices were to initially recover less than the cost of supplying bulk water, with the accumulated under-recovery (known as 'price path debt') to be repaid by 2028.

The bulk water price path policy has been supported by successive governments since its implementation in 2008.

The government sets SEQ bulk water prices based on recommendations from the Queensland Competition Authority (QCA) and in accordance with bulk water price path policy.

The QCA, as the state's independent economic regulator, can be directed by the government to review the bulk water price path and recommend prices.

Earlier this year, the QCA completed its most recent investigations into bulk water prices to apply from 1 July 2018 to 30 June 2021.

On 28 March 2018, the QCA submitted its final report *Seqwater Bulk Water Price Review 2018-21* to the government for consideration. The report is publically available at <http://www.qca.org.au/Water/Urban-bulk-water/SEQ-bulk-water>.

The QCA conducted its review using the widely accepted 'building block methodology'. The regulator essentially builds up Seqwater's entire cost base consistent with the bulk water price path policy to find the revenue required to continue operations. It then divides this revenue requirement by total forecast demand to give a price per kilolitre (that is prices are 100 per cent fully volumetric, with no fixed charges).

This price will be charged by Seqwater to the SEQ water distribution, retail and sewerage businesses, which includes Queensland Urban Utilities, Unitywater and the Gold Coast, Logan and Redland city councils.

As described above, the price per kilolitre includes all of the costs incurred in providing a safe, secure bulk drinking water supply in SEQ, including operating and maintenance costs of the GCDP.

Due to the approach taken to determine prices, it is not possible to break down how consumers are charged per megalitre into the categories requested.