

## QUESTION ON NOTICE

No. 74

asked on 13 February 2014

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**DR FLEGG** ASKED THE MINISTER FOR ENERGY AND WATER SUPPLY (MR MCARDLE)—

QUESTION:

Is the Minister able to quantify the additional 'marginal cost increment' for each additional kilolitre of water used by Brisbane residents?

ANSWER:

The costs associated with supplying water to Brisbane residents include: (1) bulk water costs incurred by Seqwater; and (2) distribution and retailing costs incurred by Queensland Urban Utilities (QUU).

The costs incurred by Seqwater in supplying bulk water are largely fixed. Fixed bulk water costs include labour, repairs and replacements of assets, and debt interest repayments (\$562 million, 2013-14) on the \$10 billion investment in the bulk water supply system. The material cost driver for the provision of bulk water to council owned water business is the servicing of debt that funded the investment in the bulk water supply system and is funding the losses that are being incurred as bulk water prices do not currently recover the full costs. These debt servicing costs account for over 50 per cent of Seqwater operating expenses.

Seqwater's variable bulk water costs, i.e. costs incurred when water is supplied, mainly consist of electricity used in pumping, chemicals used in water treatment and the removal of solids from the treatment process. In total, the annual operating costs associated with supplying bulk water through the South East Queensland (SEQ) bulk water supply system, including running dams and recreation, are in the order of \$1 billion in 2013-14 with variable costs (\$34 million) representing a relatively very small component of these costs at about 3 per cent annually.

Seqwater does not identify nor allocate its variable bulk water costs to each council area. Therefore it is not possible to quantify Seqwater's bulk water costs for each additional kilolitre of water used by Brisbane residents.

Currently, bulk water prices set by the State Government for each council do not actually reflect council-specific costs. The bulk water price path sets prices so that over 10 years the prices in each council area will gradually move from the prices previously charged by each council (before 2008) towards a common SEQ price. From 2017-18 onwards the same bulk water price will apply across SEQ.

The costs and prices set by QUU are a matter for the entity and its council owners.