

CPI price cap for south east Queensland

Question and answers

What is the CPI price cap?

The Queensland Government is cutting the cost of water bills for householders and small business owners. The Government has put a cap on the prices charged by council-owned water business, under the new *Fairer Water Prices for SEQ* law. The new law means the increases planned by council-owned water businesses—Allconnex, Unitywater and Queensland Urban Utilities—will be capped at the level of the Consumer Price Index (CPI). The price cap will apply for two years, until 30 June 2013. The Government's aim in introducing the CPI price cap is to help ease the cost of water and wastewater prices for households and small businesses in SEQ.

Who does the CPI price cap apply to?

The CPI price cap applies to the distribution and retail component of bills for SEQ residents and small businesses. These bills are issued by SEQ distributor-retailers (Allconnex Water, Queensland Urban Utilities or Unitywater). A small business is a business that uses (or would use if connected) 100 kilolitres or less of water a year.

A landlord or a body corporate, for persons living in residential premises, will receive the CPI cap on their bill, and are expected to pass on the savings to their tenants or unit owners. This could also apply to the owner of an aged care facility.

The owner of a shopping centre containing eligible small businesses will also receive the benefit of the CPI cap on their bill, and are expected to pass on the savings to the relevant businesses.

Which charges does the price cap apply to?

Customer bills are made up of categories of charges to recover different costs associated with providing water and wastewater services. These are generally divided between bulk water costs and the distribution and retail costs.

The State Government's bulk water charge is the portion of costs to store, treat and transport water into the reticulation network.

Distribution and retail charges are for a customer's actual consumption of water and for access to the distributor-retailers' reticulation and sewerage networks.

The CPI price cap applies to the distributor-retailer's access and consumption charges. For 2011-2012, this means any increase to these charges cannot exceed 3.6 per cent.

Why doesn't the CPI price cap apply to the State Government's bulk water price?

The Queensland Government's bulk water price has been controlled through a 10 year price path announced in May 2008. The bulk water price increase for 2011/12 is \$54, or just over \$1 a week.

Does the CPI price cap apply to the total amount of a bill?

No. Customers cannot simply look at the total dollar amount of their last bill and multiply this by CPI (ie 3.6 per cent).

This is because there are bulk water charges on a bill which are not CPI-capped (see previous questions). Other factors will also have an affect on the dollar amount of a bill such as the amount of water consumed and any changes in subsidies or rebates.

Additionally, the full benefit of the cap may not be seen in the first bills issued after 1 July 2011. This is because part of the bill is likely to include charges for water used before the cap came into effect.

How much will customers save as a result of the price cap?

Potential savings as a result of the State Government's price cap on distributor-retailer charges vary for different parts of SEQ, depending on the charges set for the previous year.

For further information about CPI price cap savings for particular areas in SEQ, see the series of fact sheets 'Water and sewerage bills in South East Queensland' available at <www.qwc.qld.gov.au>.

What if a bill is less than anticipated? Why is this?

The CPI is a cap. A distributor-retailer may choose to set prices lower than the CPI increase, which would reduce costs further. If a customer used less water than in a previous billing period, their bill may be even lower.

Will the full benefit of the changes be seen on bills from 1 July 2011?

The CPI cap is effective from 1 July 2011 and is not retrospective. Some charges on a bill are levied in advance and some in arrears. Therefore on the first bill after 1 July 2011, customers may not see a CPI cap on certain charges if they applied to a time before the change came into place. The following explains further:

- Access or fixed access charges are generally billed in advance. An account received in July, for example, would include a charge for the next quarter's access, which would be subject to the CPI cap.
- Water consumption charges are calculated in arrears. They are based on the measurement of water that has already been consumed. Water consumption before 1 July 2011 will not have the CPI cap factored in.

EXAMPLE:

Jane is issued her quarterly bill in mid-September 2011. As fixed distribution-retail access charges are billed in advance, her bill includes charges for October, November and December 2011. The price cap applies to these charges because they occur after 1 July 2011.

Jane's bill also includes charges for water used in her household. Her meter was read for consumption during June, July and August. As the price cap was only effective after 1 July, it does not apply to water used by her household for the month of June. The CPI price cap will however apply for the months of July and August, and in all future months for consumption until 30 June 2013.

Distributor-retailers are moving to issue quarterly bills to all residential customers, but some households and businesses will continue to be billed on a six-monthly basis until early 2012.

What happens if a customer is currently receiving a subsidy?

Eligible pensioners will continue to receive the Queensland Government's SEQ pensioner water subsidy.

Subsidies or rebates on distribution and retail costs are provided by councils and/or distributor-retailers on an individual basis. Where a local government subsidy or rebate was in place prior to 1 July 2011, and is discontinued or altered after 1 July 2011, the distribution and retail charges must still not exceed the CPI price cap.

What happens after the price cap finishes – will prices go up again?

The CPI price cap on distribution and retail charges applies until 30 June 2013. The Queensland Government has introduced other changes to help keep price increases moderate after this time.

Councils must publish a price mitigation plan, and also implement a five-year price path, showing how they intend to moderate the impact of price increases on customers after the CPI cap ends in June 2013.

Who can answer more questions about bills?

Customers should contact their relevant distributor-retailer for more information about a water and wastewater bill received:

- Queensland Urban Utilities <www.urbanutilities.com.au>
- Unitywater <www.unitywater.com>
- Allconnex Water <www.allconnex.com.au>