

THIRD ROUND CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the meeting. The Authority is yet to form any opinion on these issues and views. As appropriate, issues will be addressed in the Authority's reports].

Scheme: Burdekin Haughton WSS and Distribution System

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REGULATORY FRAMEWORK

Risks

- By setting a higher fixed charge there will be very little incentive for efficiency improvements to be made, either by SunWater or customers.
- The price of water should be linked to service standards.
- Irrigators want reliability of supply. When there is no water irrigators are still charged.
- What happens if the Government doesn't accept the Authority's proposed prices?

PRICING FRAMEWORK

Termination fees

- QCA's recommendation that SunWater should cover the remaining share of termination fees (rather than the remaining customers as is currently the case) was considered reasonable, but concerns remain as to whether this arrangement will be retained beyond the next price path.

Drainage and Diversion Charges

- SunWater does very little maintenance in the drainage system so it is not fair for them to charge irrigators for it.

Free Water Allocations

- Irrigators accept that the agreement regarding free water allocations should stand but would like the QCA to note that there are costs incurred with supplying this water. Suggested that there should be a CSO to account for the costs associated with free water allocations.

RENEWALS EXPENDITURE

Renewals Expenditure and ARR Balances

- Irrigators queried why only some renewals expenditure items been reviewed.

Capital Cost Allocation

- Questions raised regarding:
 - how the HUFs apply to the Burdekin scheme;
 - how is the water allocated to Townsville Council accounted for;
 - who pays for the costs of holding Townsville Council water.

Customer Consultation

- Irrigators can't negotiate with SunWater so don't see that customer consultation will have any impact.

OPERATING EXPENDITURE

- In the last review a lot of time and effort was put into setting prices but there is a large difference between actual and forecast expenditure.
- Questions asked regarding:
 - the reasons for rising scheme operating costs;
 - whether the Authority has reviewed SunWater's electricity bills.

PRICES

- The annual \$2/ML increase in prices, in addition to CPI, for the distribution system is unacceptable.
- Question raised as to why the Lower Mary scheme is being given 32 years to reach cost-reflective prices when Burdekin is expected to get there straight away.

Bulk Scheme

- For schemes where current prices are already above cost-reflective prices, it appears that the recommended prices effectively mean that the government is getting a rate of return on the bulk storage assets. Question raised as to whether river customers are subsidising the channel customers.

Distribution System

- The reason for the price of water for Gladys's Lagoon being higher than that for Giru Groundwater was requested.

Impact of Recommended Prices

- Irrigators are being subjected to price increases from other government programs – e.g. carbon tax. So while it might seem that the QCA price recommendations are not going to impact too badly it will when all the price rises are added up.
- Investment decisions by irrigators were made on the basis of water prices when farms were purchased, but these prices have since doubled. Irrigators stated that

they cannot continue to put their prices up \$2 a year to account for the price rise in the distribution system.

- Increases from the last price path were not accepted and are not acceptable now.
- Question raised as to who is going to subsidise the scheme when irrigators withdraw.

OTHER ISSUES

Price Investigation/QCA Process

- Was the QCA going to go back government to advise that these prices are not sustainable? The QCA has gone back to Government already to challenge other issues.

Community Impact

- Questions raised as to whether :
 - the QCA is obliged to take community interest into account;
 - the QCA has reviewed projections of crop prices over the next five years;
- Pricing above cost reflective levels is inappropriate.

Out of Allocation Water

- SunWater has set a non-negotiable charge of \$26/ML for out of allocation water, which SunWater claims is a market price. The basis of this charge is required.

SunWater's Allocation

- With regards to the share of the scheme's water entitlement held by SunWater, irrigators consider that SunWater should be charged the recommended price of \$9.92/ML, rather than the cost-reflective price of \$3.75/ML [as recommended by the QCA in the Draft Report]. This is because SunWater can influence the trading market as its holding costs are significantly lower than that for irrigators.