

## 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:** Mareeba-Dimbulah WSS and Distribution System

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### REGULATORY FRAMEWORK

#### *Risks*

- By setting a higher fixed charge there would be very little incentive for efficiency improvements to be made, either by SunWater or customers.

### PRICING FRAMEWORK

- There had been a large shift between fixed and variable charges.
- Did the government specify criteria for the determination of fixed and variable prices?

#### *Water Usage*

- Is water that is taken from the river by riparian and stock and domestic users being taken into account? They are not mentioned in the report.
- What costs have been allocated to the government for environmental flows?
- If customers are forced to irrigate when the dam is overflowing they should not be charged for this water.

#### *Termination fees*

- Why is the price to exit the scheme rising?
- An increase in termination fees will result in a drop in WAE values.
- There is 4,000 ML of water earmarked for Cairns – who is going to pay for this?

### RENEWALS EXPENDITURE

#### *Past Renewals Expenditure and ARR Balances*

- Why is the under-recovery of renewals expenditure carried forward into the next pricing period but not the over-recovery of operating expenditure?

- Does the ARR balance take into account the cost allocation to the Barron Falls Hydro facility?

### **Specific Renewals Items**

#### ***Tinaroo Falls Dam***

- Why is expenditure incurred on the river outlet works dispersion valve and the post-tensioning of wall rock bolts to be paid by customers and not government?

#### ***Intersafe***

- Why are customers in the southern part of the distribution system paying for Intersafe when the expenditure was incurred in other parts of the system?

#### ***SCADA***

- Irrigators have previously advised the QCA that SCADA has never worked properly. This item only been discounted. Irrigators should not have to pay for the upgrade of something that has never worked properly or efficiently.

### **OPERATING EXPENDITURE**

- Question as to how would identified cost savings (past and future) would be passed through to customers.
- Irrigators queried how the QCA determined SunWater's costs.
- In looking at operating costs, what comparisons has the QCA made to other Queensland irrigation schemes?

#### ***Indirect Costs***

- It does not seem appropriate to benchmark SunWater against regulated utilities in other countries such as the United States as they operate in a completely different environment (e.g. different wages, subsidised agriculture, free water).
- What about the money irrigators have paid to prop up inefficient schemes/subsidise them in the past?

#### ***Electricity Costs***

- In the re-lift section irrigators pay twice for pumping costs so it is very difficult to sell property in this area.

### **PRICES**

- It costs more to keep the water behind the dam than to deliver it. If so, is this not considered double-dipping by charging for both water storage and delivery?
- The dam has already been paid for so why should we be charged for storing water in it?

### ***Bulk Scheme***

- If the government is going to charge above cost-reflective prices, doesn't this mean that it is getting a rate of return?

### ***Distribution System***

- The Authority advised irrigators that the recommended prices for the re-lift section were incorrectly reported in the Draft Report and are being adjusted to reflect their correct value.

### ***Declining Block Tariff in Outside Re-lift Section***

- The removal of the declining block tariff (DBT) in the outside re-lift section would result in a water bill increase of \$80,000 by the end of the price path for large WAE holders. If it becomes unviable for these operators to continue to grow sugarcane this would have a significant impact on the district. In particular, if sugarcane farmers switch to growing mangoes, then this will affect the price of mangoes for all growers in the region and potentially crash the market.
- The QCA is going against the community's wishes to retain the DBT for the outside re-lift section.
- The scheme's customer access charge, which is supported by customers, has been retained despite the QCA noting that it goes against so-called economic principles. Why then has the QCA decided to go against the community's choice to retain the DBT?
- For other commodities (e.g. fuel) it is cheaper to buy in bulk so surely this should also apply for water.

### ***Impact of Recommended Prices***

- Irrigators noted the difference between recommended and cost-reflective prices.
- The shift in costs between the fixed and variable charge, would have a large impact on users who only use a small share of their total water allocation.
- For the bulk system, recommended prices represent 211% increase in revenue compared to the 2005-06 price path, and an extra 25.1% for distribution.

## **OTHER ISSUES**

### ***Barron River***

- Despite all the consultation that has occurred between irrigators and water managers, and the assurance that natural river flows would be mimicked, many irrigators continue to experience damage to their pumps as a result of fluctuating river flows.

### ***Hydro-cost Allocation***

- How has the water taken by the Barron Falls Hydro Facility been taken into account in allocating costs and setting prices? How much water do they take and how much to they pay?

### ***Price Investigation/QCA Process***

- Why is the government only now deciding that it needs a so-called independent regulator to look at prices?
- Many considered that their submissions would not be taken seriously as government had already made up its mind.
- 23 December 2011 is not a realistic deadline for making submissions.

### ***Community Impact***

- Has capacity to pay been taken into account when determining prices?
- Irrigators strongly believe that community benefit should be taken into account as everyone benefits from the output of farmers. We are concerned that the bigger picture has not been looked at.
- We do not have the ability to keep passing on cost increases to our customers.
- By raising water costs you are going to discourage the younger generation to continue farming. National competition policy has pushed many out of agriculture and we are losing a wealth of experience/knowledge because of it.

### ***Local Management***

- There has previously been a recommendation for local management of the scheme to be considered by government. Why has this not happened?