



29 October 2019

Submission of Central Downs Irrigators Limited to the Queensland Competition Authority review of irrigation prices 2020-2024

Central Downs Irrigators Ltd represents irrigators across the Darling Downs including our members who have Medium Priority and Risk A entitlement from the Upper Condamine system. This submission represents the thoughts of those affected irrigators.

Central Downs Irrigators largely agrees with the processes and outcomes used by QCA in their draft report and pricing. Unfortunately, QCA are bound by Government policy with regards to Part A charge reductions and that is the greatest issue we have with this proposed pricing.

Lack of ability to reduce Part A charges to lower bound prices.

The QLD Government has directed that there can be no reduction in Part A charges. Unfortunately for Upper Condamine irrigators our prices are between \$17.76 and \$31.30 or between 210% and 290% above cost recovery.

QCA has taken the position of freezing Part A charges until increases in cost reach the current charges. However, at a standard 2.5% inflation rate it will take 30 years for Upper Condamine Medium Priority users to reach parity and 45 years for North Branch users.

This timeline is simply not acceptable, and we encourage QCA to highlight this to Government.

We are pleased to see the over pricing of Part A charges for North Branch users is credited against the Part B charges which are below cost recovery. The small increase in Part B is better than the full increase.

SunWater has refused to credit the annuities balance (as recommended by QCA) with excess funds generated from charges above lower bound cost recovery. It says that the reason for SEQWater crediting annuities is that an error occurred in a previous price path and this is not the case for SunWater. CDIL does not accept this as a justifiable reason and we remain of the belief that excess profit should be returned to the scheme rather than going into SunWater consolidated revenue.

Time and again the QCA draft report lists a major principle of the pricing path as aiming to reach lower bound cost recovery, but nowhere does it allow for Schemes above cost recovery to get reasonable recognition of the overcharging.



Headworks Utilisation Factor (HUF)

The reduction in the HUF for irrigators in the Upper Condamine from 9% to 8% is welcome and clearly reflects the reduced access for irrigators from the devastating impost of Section 6, Chapter 2 of the Upper Condamine Operations Manual. This rule has already had serious consequences for irrigators access to entitlement and will continue to in the future.

This small reduction in the HUF is the only material compensation for reduced access ever offered to irrigators as a result of the cut off rule.

Dam Safety upgrade costs

It is clear from our discussions with SunWater that the cost estimate for dam safety upgrades for Leslie Dam were well and truly overestimated in their submissions. Recent correspondence points to a cost of close to \$1m rather than \$12.9m.

Despite this, CDIL agrees with allocating costs to users via the headworks utilisation factor (HUF).

However, we do not believe the Government led impost of these upgrades should be carried by irrigators and we reject the 80% level proposed by QCA. CDIL believes this should be 50% at most.

As noted at the information session in Pittsworth, CDIL questions the inclusion of Risk A licenses in the dam safety costs. Risk A water has no connection to the dam at all and is sourced solely from the River.

If costs are to be passed on to irrigators this should be after costs are incurred rather than proposed.

Electricity

The costs of electricity are a significant issue for our North Branch irrigators. They make up over 95% of the electricity use in the scheme. We agree that North Branch irrigators should have the electricity charges included as part of their Part B charges.

This leads into the SunWater proposal to separate electricity charges in billing to allow a more flexible approach and ensure they are recovering costs of pumping.



SunWater's proposed system of recovering costs throughout the year and balancing the books at the end of the year seems overly complex and fraught with opportunity for error, particularly in a scheme like the Upper Condamine where allocations and stream flow events can alter the amount pumped very quickly.

Bills may also be variable depending on water demand. Whilst local SunWater staff work hard to ensure they pump at off peak times where possible, there are times when pumping must occur during peak times. Trying to predict this to give an average billing charge would be very difficult and again prone to error.

CDIL believes SunWater should be using smart meters to track electricity use and timing meter reading/billing from Ergon with SunWater's quarterly billing cycle. However, if the electricity bills cannot be included in the current quarterly bill they should be held over until the following billing cycle. Irrigators should not carry the estimates of SunWater should they prove to be incorrect, SunWater should do that themselves.

Fixed electricity costs should be included in Part A charges. Variable electricity charges should be listed separately on SunWater's invoicing as a subsection of Part B charges.

Access Charge

As a representative of the larger irrigators in the Upper Condamine, CDIL agrees with the imposition of an access charge. However, we do question the \$1000 minimum charge and the aim of having users access online services to receive the discount. Our customers have not seen a great need to utilise online services and should not be punished for not accessing it.

The Upper Condamine has 94 customers, of which only 31 are above SunWater's cutoff in the scheme of 350ML. Therefore 33% of the customers are subsidising the remaining 66%.

Imposition of the access charge will result in a reduction in Part A charges of \$2.65 for those above 350ML WAE. CDIL would like to see more details on this figure before it is accepted.