



CANEGROWERS Isis

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Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001
www.qca.org.au/submissions

Re: CANEGROWERS Isis Ltd Response to Rural Irrigation Price Review 2020-24

Introduction

CANEGROWERS Isis would like to fully support the Queensland CANEGROWERS submission and associated points raised representing canegrower irrigators across the state.

As we have stated in previous submissions, the Bundaberg Irrigation Scheme (BIS) was developed as a nation building project by both the Federal and State Governments. The scheme took an unacceptable period of time to build and was never fully built to the original design specifications. The pressure that was applied to finish the scheme, resulted in it being completed at the lowest possible construction costs, not to a level that would deliver the maximum amount of water efficiently. This has resulted in the current problem of high electricity prices forcing the cost of delivering water (combined with the electricity prices that irrigators are being forced to pay) to a level that the local sugar industry is already finding unsustainable with current sugar prices.

At this time, the future of the irrigation and water security is currently under threat with major design and construction flaws identified in Paradise Dam which are in the process of being investigated. In this situation it is unfair and unrealistic to expect irrigators to be burdened with increasing water prices in a non-performing scheme at no fault of their own.

Irrigators are now being impacted by a significant decrease in water security and availability going forward compared to levels to which they have been accustomed and expect. Irrigators have invested heavily in on-farm infrastructure based on current levels of water security. We propose that serious consideration be made to putting a freeze on prices until the water security levels in the Burnett River are returned to a level that customers are paying for.

Despite this, the sugar industry has been in this region for over 130 years and has stood the test of time. Canegrowers are often advised or encouraged to transition to high value crops, but experience has taught us to be wary. High value crops can quickly become low value due to market over supply and/or competition for natural resources eg land or water. With the current threat to water security the opportunity to transition to other permanent crops will be significantly impacted. Sugar is a globally traded commodity which, though is subject to cyclical price movements has a degree of price stability which provides a certain level or foundation of economic stability for the region.

The demise of the sugar industry would lead to a huge inventory of stranded assets such as sugar mills, farm machinery, irrigation equipment specifically for the growing and harvesting of cane. It should be remembered that all forms of agriculture that require water for irrigation are price takers and cannot pass on any increases in water prices like all other increases in cost of production onto their customers. Even a standard CPI increases in costs of production to most irrigated reliant businesses has a major impact on viability.

Due to increasing impact of climate change such as extreme rainfall events and prolonged periods of drought, farming is becoming difficult without consistent irrigation. The purpose of the BIS is to underwrite agricultural production in the region which is now under significant threat (Paradise Dam issues). This provides benefits not only to farmers but to local workers, commercial businesses, sugar mills, recreational users and local, state and federal authorities. However, for these regional economic benefits to be achieved it is necessary for water to be available and affordable to Sunwater customers. Their capacity to pay is crucial to the success of the scheme.

Further to the points we made in our March submission, CANEGROWERS Isis would like to highlight the following:

Minimum Access Charges

Firstly, a point of order or process, it is the view of CANEGROWERS Isis that QCA has yet to undertake a full analysis of Sunwater costs and as such we do not have full confidence that the proposed figures are accurate. This requires analysis and consultation with all customers before being included in the final price determination.

Even though we give in principle support to the proposed approach, we do not have confidence in the accuracy of Sunwater's access charge calculations. This is especially important in the Bundaberg Irrigation Scheme where over 75% of current customers would pay higher total water charges than they do at present.

There needs to be clear efficiency drivers or KPIs to how Sunwater would manage and reduce these charges into the future.

Details of QCA's proposed response are not yet known and are required to support detailed further consideration.

Electricity Pass Through

In another example of a point of order or process, the QCAs proposed response is not yet known and further details have been requested from Sunwater regarding potential impacts. CANEGROWERS Isis requests the opportunity to comment before the QCA final determination through written and open consultation.

From a CANEGROWERS perspective, if a pass through is operational, it should be asymmetric with irrigators sharing the benefit from electricity price/ cost reductions and Sunwater bearing the risks of any increases for the following reasons:

- there needs to be *efficiency drivers* in place
- there needs to be *incentives* in place as the current regulatory approach masks the incentive to pursue energy efficiencies

It is also noted that as part of the proposal currently being considered, if Sunwater has not managed its electricity usage with defined performance targets customers may request a review of the prudence and

efficiency of the final volumetric electricity charge by QCA however we do not support the suggestion that customers would bear the costs of a QCA review, this should be borne by Sunwater.

As stated we do have continued concerns in regard to electricity being regarded as a direct pass through cost as it takes away any incentive for Sunwater to attain any improvement in efficiencies eg using the correct tariffs or in making any improvements in how they deliver water throughout the scheme more efficiently. We request efficiency drivers be put in place and QCA develop KPIs to force Sunwater to reduce electricity costs and consumption.

In addition, we have practical concerns over charging and billing customers for an electricity pass through – how would this be managed and how would irrigators budget for this effectively?

Inspector-General Emergency Management (IGEM) Costs

It is understood that most of the data used and made available by Sunwater's control room is publicly available. The dams do not make or cause floods and in most cases reduce the flooding impact caused by upstream rainfall – a flood mitigation tool.

The IGEM recommendations are passing on the responsibility to Sunwater of the work BOM and the local disaster management groups (LDMG) have failed to do well in the past. Sunwater is now attempting to pass on these costs to water users, rather than back to Government or to the broader community – the beneficiary. This work by Sunwater will be important however cannot be used by Sunwater in making available public forecasts during any flood event which would be done by BOM and the Local Disaster Management Groups – the beneficiaries.

If the dams were not in place there would still be a requirement to manage the risk during events to assist populated areas within these areas. The requirement to manage the risk is not brought about by the capture of water, so the cost should not be passed onto the people using the water.

Again, our view remains – **“why should irrigators have to cover the costs that benefit the whole community and government”?**

Water Use Forecasts

CANEGROWERS Isis concurs with QCA that the variability in climate conditions throughout Queensland makes accurately forecasting water usage at the scheme level over a multi-year period is challenging. However, we do not agree with QCA in using a 20-year averaging period (for the Bundaberg Irrigation Scheme) as appropriate to cover the range of conditions.

Instead we suggest using of water usage trends rather than an average usage over a 20year period. This is particularly prudent in the BIS where Paradise Dam has increased reliability and usage within the past 10 years ie the trend is faster than use of a 20-year average.

Conclusion

In our view, given that the benefits of the Bundaberg Irrigation Scheme flow to the entire region, it is unrealistic to expect irrigators alone to pay cost reflective prices. We acknowledge that QCA has recognised this and has decided not to recommend an immediate transition to lower bound prices.

The Scheme effectively needs a CSO to realise its full potential. For regional economic benefits to be achieved it is necessary for water to be affordable to all Sunwater customers.

We are concerned around the process undertaken by Sunwater in the late submission regarding Access Charges and Electricity Pass-through which denied QCA the chance to adequately review and analyse

Sunwater's calculations. This makes it extremely difficult for us to make an informed comment on these two issues. It would be appropriate to have consultation on these issues prior to QCA's final determination.

Any costs associated with Inspector General Emergency Management and Dam Safety should be recovered by the community beneficiaries (the government) not irrigators.

Due to the recent events relating to Paradise Dam and questionable water security we propose that serious consideration be given to putting a freeze on prices until there is certainty given to returning to current water security levels.

We look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Williams', with a stylized flourish at the end.

Angela Williams
Manager
CANEGROWERS Isis