



29 February 2024

Submission of Central Downs Irrigators Limited to the Queensland Competition Authority review of irrigation prices 2025-2029

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. Our members make up the large majority of water used in the system. This submission represents the thoughts of those affected irrigators.

Our representatives have attended the consultation sessions held recently on the proposed price path for the Upper Condamine and provided feedback at those meetings, but this letter provides a written record of our thoughts on SunWater's 2025-2029 pricing proposal. Below is a list of issues we see in the proposal.

RAB vs Annuity

The RAB approach seems to be a good way of managing large capital expenditure and recovery of the associated costs. However, if this system provides SunWater with a way to get a market-based return on the assets at our expense it should not be implemented.

Given the past performance of SunWater in predicting and managing the Annuity balance, a RAB approach could be a better method for managing long term asset-based expenditure.

The reporting of the annuity spend and balance in the Service and Performance Plans is questionable to say the least. For example, the 2021/22 report states on Page 13 that the actual SunWater closing balance for 2019-20 is \$627,800. The 2022-23 report states that the 2019-20 actual closing balance is -\$73,500. This is a \$701,300 difference in reports that are supposed to be 'actual' from one year to the next.

The draft 2021-22 report forecasts a closing balance of \$2,558,100 but the 2022-23 report changes that to -\$2,136,000. This equates to a \$4.7m turnaround in the balance of our scheme in one year. Looking over some of the annuity expenditure it is clear we have often been under budget, but the balance has dropped significantly. Even the QCA closing balances seem to change from year to year. It is difficult for us as customers to analyse and interpret these figures when the totals and even manner in which the figures are presented changes over time.



If a move to RAB approach is taken, how will the annuity balances be approached? We understand there is a proposal to take the current balances forward. However, given the lack of transparency and huge discrepancies in the previous reporting and previous spending, it is difficult to believe that the true balance will be reflected in the annuity balance going forward.

The Upper Condamine scheme has been generating a near \$1m profit annually for far too many years, yet there is no reflection of that fact from SunWater. How can a scheme operating at a huge profit now, apparently, have a negative annuity balance?

Proposed increases in costs

Throughout the Irrigation Price Path consultation SunWater pointed to increased inflation as a reason for increasing proposed prices. Inflation tops out at 6.8% in the document. However, the proposed prices, for example, in the Upper Condamine Medium Priority Part A is a 45% increase in one year from 204-25 to 2025-26 (page 13). Whilst this is smoothed under Government community service obligation (CSO) policy, it is still completely unacceptable.

We have finally received a change in Government policy to allow a cut to our Part A charge and a move back to Lower Bound Cost Recovery. This appears to be SunWater trying to claw those savings back as soon as possible. Under the proposed price path almost all the gains in Part A charges achieved through policy change are lost in the coming price path.

All prices across the scheme end in an almost doubling of prices in the 5 year period from 2022/23 to 2028-29.

No details have been provided to Upper Condamine irrigators to justify these huge increases in costs. Details were requested but 'couldn't be provided in time for the consultation process'.

Many of the cost increases appear to be coming from overheads and support costs. Whilst the business of, volume and method of delivering water in the scheme has not changed, the business of SunWater has. Locally there have been increases in staff numbers across the region, but these staff haven't appeared in the scheme budgets to be criticised by customers, but are instead included in 'support costs'.

The scheme is essentially operated by two local staff delivering on average 13,936ML or 41% of entitlement. The scheme is budgeted \$964,900 (44% of the total budget) in support costs in 2025-26. This is \$177,300 more than the \$787,600 budgeted for operations and maintenance. The Upper Condamine irrigation scheme is a small and simple one made improbably complex and expensive by SunWater.



The reason for such large overheads and price increase may lie in the extra employment of 221 staff since 2017-18. Reading the SunWater annual reports the number of staff has risen from 424 in the business in 2017-18 to 645 in 2022-23.

An example of overhead cost increases pushed by SunWater in the consultation phase was the new billing system which is budgeted to cost \$43.9m. This seems excessive for a business with only 4372 customers and equates to over \$10,000/customer for one system upgrade.

Whilst SunWater is proposing a near doubling of costs over the price path period, locally managed schemes such as Mallowa Irrigation in St George are managing prices in a much more efficient manner. Mallowa has no price increases between 2023-24 and 2024-25.

We would also encourage QCA to further review the Headworks Utilisation Factor and how costs are attributed to it. Information from SunWater seems to group Risk A entitlement in with Medium Priority entitlement, but they are very different products. Whilst Medium Priority can be delivered down the River from Leslie Dam, Risk A is solely supplied by the river and delivered to the North Branch. No costs associated with Leslie Dam should be attributed to Risk A entitlement.

Electricity cost pass through

Irrigators in the Upper Condamine have a long held policy of paying the fair cost of delivering water in the scheme. We are happy to pay increased costs if they can be justified, but also look to seek savings wherever possible.

The variable nature of water supply in our scheme results in huge changes to the electricity costs generated at Yarralong pump station (the only major user of electricity in the scheme). A blanket average of this cost is not the most efficient method for recovering these variable costs and irrigators believe a cost pass through mechanism would be useful for both SunWater and irrigators alike.

However, due to the changes to the tariffs (Part B being divided into Part B and Part F) there will be a reduction in Part B pricing and therefore no Government CSO will be activated when prices subsequently rise.

If there could be recognition by Government of the combined total, or analysis of existing Part B charges with the electricity cost removed to keep the CSO intact, then irrigators would still be supportive of the pass through being enacted.

If Government is unwilling to implement the CSO, Upper Condamine Irrigators will not accept an electricity passthrough.



CENTRAL DOWNS IRRIGATORS LIMITED

Changes to Service and Performance Plans.

SunWater has proposed changes to its Service and Performance Plans. CDIL has expressed that we do not agree with the removal of the overall budget of the scheme (including urban and high priority income). This is the only reporting of the scheme's overall performance and profitability available to customers.

To analyse the pricing proposals of SunWater, consistency in the SP&P's is of the upmost importance. It is difficult for us as customers to review SunWater's performance without it. More up to date and correct figures being presented would be very helpful as well.

Upper Condamine irrigators would like to thank you for the opportunity to provide feedback on the proposed price path and we look forward to working with QCA to achieve a far better outcome than that proposed by SunWater.

Yours Sincerely,

Lindsay Krieg

CDIL Treasurer &

Upper Condamine CAC representative