

QCA irrigation workshop: issues arising

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

Scheme/(s): Bundaberg WSS and distribution system

Date: Monday 11 February 2019

Pricing framework

- One stakeholder suggested that the existing termination fee framework was uncompetitive as it left no room for negotiation.
- Stakeholders noted that water trading may be an issue, since if the seller does not want the water then others may not want it either.
- Stakeholders were concerned with Paradise Dam repairs, and the impacts it could have on the scheme. There were concerns that if there are reductions in Paradise allocations it could affect distribution system prices, as there would be a lower allocation of distribution system costs to Paradise Dam allocation holders. Stakeholders want greater transparency in relation to this issue.

Inspector General Emergency Management (IGEM) review costs

- Irrigators do not believe it is appropriate that they pay for IGEM costs, as these are a benefit to the broader community.

Electricity costs

- Concern were raised with SunWater's proposal to allocate 100 per cent of electricity costs to the volumetric charge, as electricity costs have a fixed component.
- Stakeholders were concerned that a straight pass through of electricity would not provide an incentive for SunWater to reduce costs.
- One stakeholder was concerned that allowing SunWater to recover the regulated price of electricity was allowing a double recovery of electricity costs through water and electricity prices, as both Ergon and SunWater are paying dividends to the government
- Stakeholders suggested applying an efficiency factor to electricity, removing inflation and benchmarking electricity costs against other schemes or businesses.
- Stakeholders wanted to know if their prices would be locked in for the price path period, as a solar facility is in the early stages of investigation. The outcome of the solar study could result in a reduction to electricity costs, but there is no incentive for stakeholders to try and reduce electricity costs if prices are locked in.

SunWater's proposed costs

- Stakeholders were concerned with the intergenerational equity issues of a 30 year annuity period.
- Stakeholders were concerned that large projects at the end of the 30 year annuity period were pushing up the renewals annuity cost.
- One stakeholder wanted to know how the QCA will adjust for the cost of projects which may not go ahead.

Public interest matters

- One stakeholder wanted to know what weight socio-economic factors have on setting prices. Concerns were raised that cane farming may become unviable if prices keep increasing.
- One stakeholder was concerned that a trigger point may be reached where no one wants to buy water anymore.
- Concerns were raised that uncertainty in commodity prices and other input costs makes it hard for irrigators to forecast costs. Stakeholders want greater certainty of their costs in the future, and there were concerns that the government may eventually set irrigation prices with full cost recovery and a rate of return.
- Stakeholders were concerned with the big price increase if their volumetric charge moved immediately to SunWater's modelled volumetric price.
- Stakeholders wanted to know how the QCA will be assessing bill 'impacts', and what definition the QCA uses for impact.