

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): Burdekin-Haughton WSS and distribution system

Date: Tuesday 19 February 2019

Government pricing principles

- Stakeholders were concerned about the principle that prices move to the Government's definition of cost-reflective over the longer term.
- Stakeholders wanted to know the justification for, and origination of, the \$2.38 fixed price adjustment.
- It was questioned whether the QCA had been directed by the Queensland Government to deliver a certain rate of return to SunWater –the view was expressed that a government directed return was either built into the QCA process or into SunWater's costs.
- Stakeholders wanted to know why they have to go through the legal pricing process when it is obvious that they cannot afford to pay the prices.

Pricing framework

- Stakeholders queried the QCA's approach to costs allocation in relation to the Giru Groundwater Area and whether the QCA would accept the OD Hydrology report in SunWater's submission on face value.

Dam safety upgrade capital expenditure

- There was substantial concern about the quantum of dam safety upgrade capital expenditure proposed for the Burdekin-Haughton scheme and the inclusion of any of that expenditure in prices.
- Stakeholders considered that irrigators should not have to pay for the upgrades as they received no benefit from the expenditure (the community/ Government should pay as the community benefited).
- Stakeholders wanted to know why SunWater had applied a 50 per cent discount to the dam safety expenditure proposed to be included in costs for most schemes, but had not applied a similar discount to the Burdekin-Haughton scheme expenditure.
- Stakeholders considered that the timeframes, uncertainty and lack of information around dam safety upgrade capital expenditure meant that SunWater's forecasts were unlikely to be robust enough for the QCA to include in the cost base and review for prudence and efficiency.
- Stakeholders noted that other schemes (e.g. Mareeba-Dimbulah) had not been required to pay for dam safety upgrades through prices. Stakeholders considered that it was unfair/inequitable for dam safety costs to be included in the prices for some schemes when other schemes previously had their dam safety upgrade costs covered by SunWater or the Government.
- The view was expressed that it was not fair that only irrigators were being asked to pay dam safety costs, while other users (e.g. urban and mining) were not. Stakeholders wanted to know if the QCA was consulting with other water users on this issue and why it was not setting prices for other water users.

- View expressed that the QCA's dam safety issues paper did not give stakeholders confidence that users will not pay as all of the examples in that paper involved water users paying some or all of the dam safety upgrade costs.

Inspector General Emergency Management (IGEM) review costs

- Stakeholders wanted to know what services were included in IGEM costs and how these services differed from the existing flood monitoring costs that irrigators were already paying for.
- Stakeholders considered that the IGEM measures were purely for the benefit of the broader community and consequently irrigators should not be required to pay for these costs.

Electricity costs

- Stakeholders wanted to know how a pass through mechanism might work.
- Stakeholders questioned SunWater's proposed approach to electricity and whether it has an incentive to manage its electricity usage.
- Stakeholders asked whether the QCA will just look at SunWater's proposed costs or will it look more broadly at whether SunWater is implementing the most efficient strategies to manage costs.
- Some stakeholders considered that fixed and semi-fixed costs should be allocated to the fixed component of prices and the variable costs should be allocated to the volumetric component, and that there should be no pass through mechanism (as any such mechanism would reduce the incentive for SunWater to manage their electricity costs efficiently).

SunWater's proposed costs

- Stakeholders were concerned about SunWater's proposed costs and considered that the QCA needed to review those costs. They wanted to know how the QCA would assure itself that SunWater's proposed costs were prudent and efficient.
- There was concern as to the QCA's approach to assessing SunWater's proposed renewals annuity and the material that the QCA would consider as part of its approach. It was also queried whether the QCA had a view on the appropriate length of the renewals planning period.
- Stakeholders also wanted to know if the QCA could impose an efficiency dividend.

Public interest matters

- Stakeholders were concerned about the affordability of water and electricity, and the implications for the viability of irrigated agriculture.
- Stakeholders queried the QCA's approach to bill moderation and capacity to pay.
- Stakeholders wanted to know if the QCA would be taking a holistic view of the pricing impacts. For example, broader community and economy wide impacts rather than just focusing on the impact on irrigators.

Other issues

- A question was raised as to who received the Part A revenue – did it go to SunWater or the Queensland Government?
- Concern raised about some irrigators being charged by both Lower Burdekin Water and SunWater.