

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): Mareeba WSS and distribution system

Date: Thursday 31 January 2019

Government pricing principles

- Stakeholders questioned why the transition component of the fixed price was now \$2.38 and why it was being inflated over the price period. Some stakeholders considered that this approach was not consistent with what they had agreed with the Government.
- Stakeholders asked whether the transition component would be applied once to the aggregate (Part A + Part C) fixed charge or would it be applied individually to both the Part A and Part C charges.
- Stakeholders were concerned with the shift to calculating the fixed and volumetric components independently of each other and the implications of that for the volumetric component in particular.

Pricing framework

- Stakeholders said that there should be a clear definition of what the fixed access charge covers. Some stakeholders questioned whether the fixed access charge in Mareeba reflected costs, or whether there should be a differential access charge. The interaction of the access charge with the declining block tariff, the rationale for the declining block tariff and the calculation method for the declining block tariff were also discussed.
- Stakeholders were concerned with how SunWater had allocated distribution losses between irrigators and SunWater. Stakeholders were concerned with the implications if a scheme is still in play for transitioning to local management arrangements (LMA) when prices are recommended, but ultimately does not proceed (after pricing review is finalised).

Electricity costs

- Stakeholders were concerned with the impact of electricity costs on some schemes and how the QCA intended to approach this issue. There was concern that SunWater would just be able to pass the costs through and would not have an incentive to be more efficient. Stakeholders considered that there were learnings from the LMA process that should be taken into account, including that there was scope for a more efficient approach to electricity costs.

SunWater's proposed costs

- Stakeholders wanted to know whether SunWater was insuring through the State Government or whether it was relying on private sector companies to provide insurance coverage.
- Stakeholders asked whether the QCA intended to apply an efficiency dividend when it applied inflation (i.e. inflation less efficiency dividend).

Prices

- Stakeholders highlighted the difficulty of making a complete submission without modelled prices for the declining block tariff in SunWater's submission. There was an acknowledgement of the difficulty in

providing the prices given the nature of SunWater's model and the calculation method for the declining block tariff used in the previous review.

- The allocation of costs to the fixed and volumetric components of prices was also discussed. Stakeholders generally considered that electricity costs were the only costs that varied with usage. However, stakeholders were not convinced that SunWater's treatment of electricity costs as 100 per cent volumetric was appropriate.

Other issues

- Stakeholders questioned why they should have to pay for QCA regulatory fees when they had not asked for the review. Stakeholders also asked whether we would be using material from the LMA process to minimise costs.