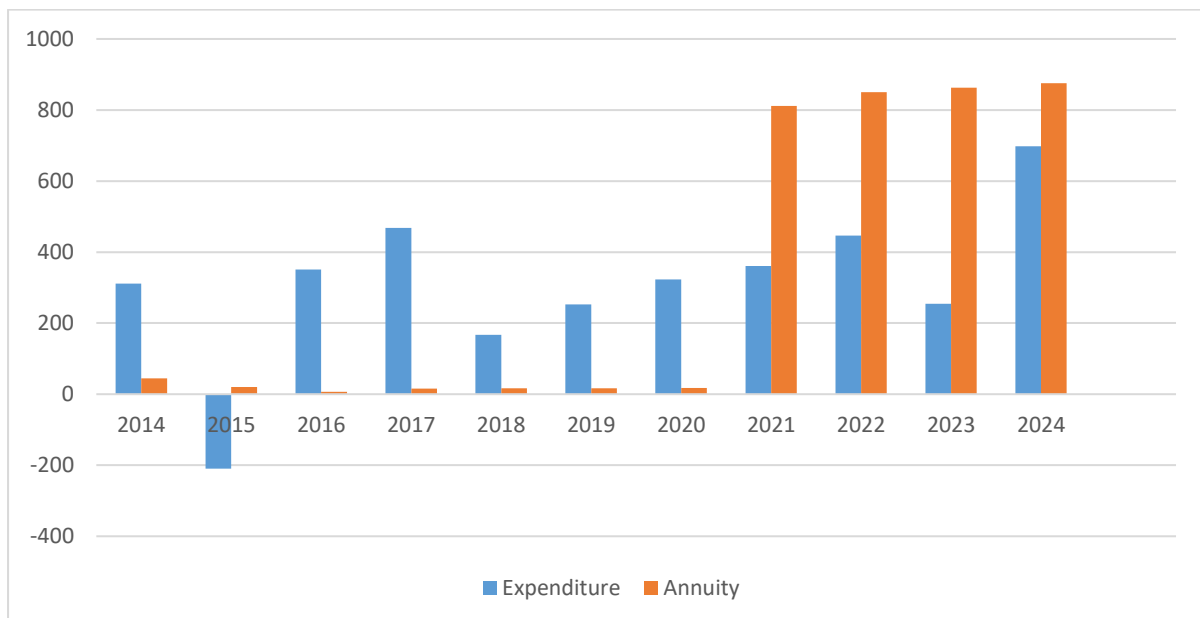


## Response to the Rural irrigation pricing review 2020-24

### Non-Routine expenditure

We note an extraordinarily large increase in renewals annuity projected across the network services plan price path. The annuity contribution requirement increases from \$17,100 (2019-20) to \$811,700 (2020-21). Please refer to Figure 1. An increase of over 4700%. The Dawson Valley currently has an annuity balance of \$1,501,000. When examining the proposed works as included in Tables 1 and 2 below, we question how this can be classified as prudent and efficient.

**Figure 1. Dawson Valley Bulk Water Supply Contract Price Path – Annuity v Non-Routine Expenditure (\$000)**



In examining the Network Service Plan for this period, approximately 26% of expenditure is associated with auditing, inspecting and reviewing. We would question if these activities should instead be classified as non-routine. A further 16% is undefined. Theodore Water requests QCA to review this apportionment to ensure this is not an accounting methodology to minimise the impact on performance of routine expenditure by placing it into an area that appears to have less accountability.

Sunwater has allocated \$347,000 in 2023/24 for a 20-year dam safety review. The amount equates to employing 2 full time engineers for 12 months to undertake a review on, what is, a very small dam. This appears to be a gross over estimation of the of task. We request the QCA examine Sunwater’s costing processes to ensure specific site costing methodologies are being used and not generalisation in developing the non-routine program.

We further note the significant expenditure associated with the Moura Off Stream Storage (MOSS) which includes the MOSS Moura Pump Station. Whilst we acknowledge the adjustment to the Headworks Utilisation Factor, with 40% of the price path non-routine expenditure forecast for MOSS, we question if the revision goes far enough.



**Table 1. Dawson Valley Non-Routine Planned Expenditure by site.**

Activity	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	Total
Meter Replacements	\$85,000	\$88,000	\$90,000	\$92,000	\$95,000	\$450,000
Glebe Weir						\$0
Gyranda Weir			\$183,000			\$183,000
Moura Weir	\$103,000					\$103,000
Theodore Weir			\$53,000			\$53,000
Moura Pump Station	\$44,000	\$43,000		\$46,000	\$82,000	\$215,000
Moura Off Stream Storage	\$25,000	\$190,000		\$47,000	\$347,000	\$609,000
Other Works	\$65,000		\$73,000	\$19,000	\$174,000	\$331,000
Asset Revaluation		\$40,000				\$40,000
Neville Hewitt Weir			\$47,000			\$47,000
Orange Weir Creek				\$27,000		\$27,000
Boolburra Water Hole Gauging				\$22,000		\$22,000
	\$322,000	\$361,000	\$446,000	\$253,000	\$698,000	\$2,080,000

Source: Data extracted from Sunwater Network Service Plan

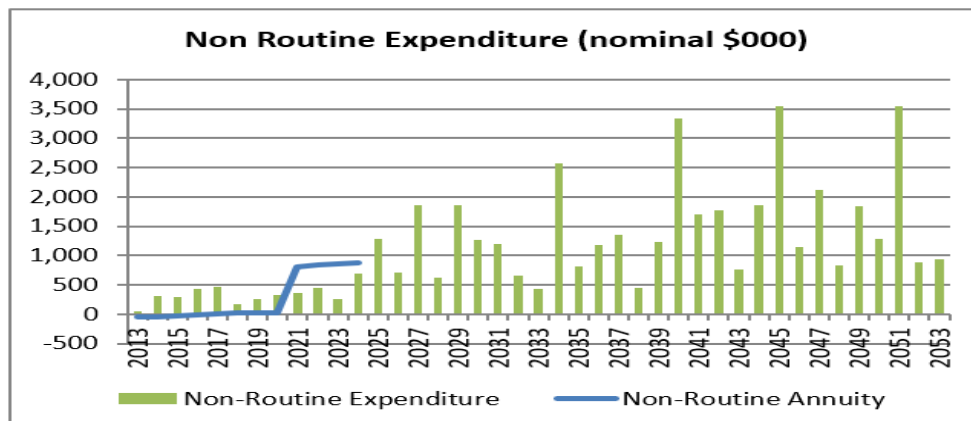
**Table 2. Dawson Valley Non-Routine Planned Expenditure by type.**

Pre Works	\$186,000	Inspections	
	\$347,000	Dam Safety Review	
Undefined	\$331,000	Undefined	
Maintenance/Upgrades	\$450,000	Metering	
	\$190,000	Erosion Protection	
	\$190,000	Corrosion Protection	
	\$386,000	Repairs/upgrades	
Total	\$2,080,000		

Source: Data extracted from Sunwater Network Service Plan

Theodore Water strongly encourages QCA to determine the level of confidence that can be attributed to Sunwater’s future planning and take this into account in recommending final pricing going forward. Such a significant shift in requirement should be accompanied by clear, concise, and consulted program planning.

**Figure 2. Sunwater’s proposed shift in annuity v expenditure**



Source: Sunwater financial model

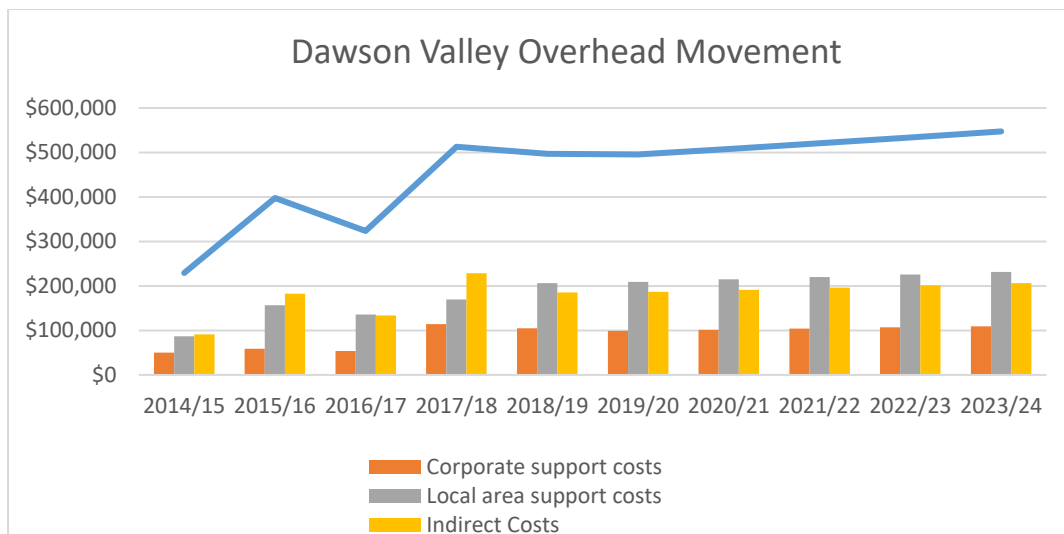
**Routine expenditure**

Routine expenditure for the Dawson Valley increased 26% from 2016-17 to 2017-18. The 2017-18 financial year subsequently forms the basis of estimating the 2018-19 financial year and start of the next price path. We ask QCA to determine the justification of a 26% increase from one year to the next and further determine if the application of 2017-18 financial year reflects an accurate starting point for determining expenditure over the new price path.

Sunwater’s Local and Corporate costs for the Dawson Valley demonstrate an increase of 248% from 2014-15 through to 2023-2024 and an indirect-costs increase of 225% over the same period. The significant change occurred from 2014-15 to 2016-17 (223%). Again, the forecast for the new price path is being built off what seems to be an abnormal annual increase in cost compared to previous years.

One of the major arguments for transitioning to local management was the rational control of costs. Theodore Water is looking to keep the costs of water delivery at levels that are commercial against real costs in the world of irrigators. Sunwater’s proposed increases in bulk water costs alone exceed the projected cost increases of channel and bulk systems and would therefore exclude any cost increases for channel water which are the largest portion of the total cost of water.

**Figure 3.**



**Insurance**

Theodore Water supports the position recommended by the Queensland Farmers’ Federation as follows:-

- All flood damage costs that are or could be related to an insurance claim be removed from the non-routine expenditure.
- Any outstanding claims be removed from the calculations of the annuity as QCA recommended for the previous pricing review.
- A detailed review of insurance costs be completed to establish the correct allocation of the costs as well as the prudence and efficiency of the costs being proposed by Sunwater.

**Inspector-General Emergency Management (IGEM)**

In response to the Inspector General Emergency Management report, Sunwater is required to assign



the costs associated with the operation of a Flood Room to its customers. The room is to be used for flood management, emergency action planning, monitoring and reporting seasonal flood events. This would appear to be duplicating functions already undertaken by the Bureau of Meteorology and Local Emergency Coordination Committees. We understand it is not within the QCA's control to determine the merits of duplicating existing services, however we strongly recommend that such a service should be funded by the beneficiaries of additional flood warning, the general community, and not irrigators.

Under this proposal, Sunwater would assign \$90,000 per annum to the Dawson Valley. The Dawson river control structures consists of a series of low-level weirs. The discharge capacity from these structures is limited by their physical size. In the event of flows beyond full storage capacity, water simply overtops the structures. Operational influence through the control of weir gates would not provide any reduction to flood effects. The State Governments Referral and Direction notice applied to the Dawson Valley would not provide any benefit for residents or system users. Theodore Water request the QCA ensure no unnecessary costs are passed onto irrigators.