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"Replenishing Groundwater Since 1965"

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Rural Irrigation Price Review 2020-24

Submission to the Queensland Competition Authority

8 March 2019

Contents

Overview

1. This submission is made on behalf of Lower Burdekin Water ("**LBW**") to the Queensland Competition Authority ("**the QCA**") in respect of the Rural Irrigation Price Review 2020-2024 ("**the Review**") and expands on those submissions made 30 November 2018.

Background

2. LBW operates in the Burdekin area in North Queensland as an autonomous statutory groundwater resource management authority responsible for the economic and environmentally sustainable management of the groundwater resource within its authority area.

3. LBW is SunWater Pty Ltd's ("**SunWater**") largest customer in the Burdekin Haughton Water Supply Scheme. LBW uses its 255,000ML WAEs to access water from the Burdekin River for its statutory purpose of aquifer replenishment and to service the supply needs for the irrigated agriculture and industry in the Burdekin region and the urban needs and communities of the townships of Brandon, Ayr and Home Hill, with a combined population of 13,500.

4. In carrying out its operations LBW services 417 irrigators or 663 farms in the Burdekin area who are primarily cane growers. The distribution of water to irrigators and customers through the distribution system compliments LBW's water replenishment activities in addition to providing water for a thriving agricultural industry and local communities.

5. LBW is uniquely placed to consider the issues raised by this Review, particularly the impost of the cost of the proposed Burdekin Falls Dam Safety Upgrade upon its customers having operated for in excess of 50 years on a not-for-profit basis with any surplus revenue being reinvested into infrastructure renewal and improvement programs to the benefit of irrigators and the broader community.

6. Burdekin Haughton is SunWater's largest scheme, and LBW is SunWater's largest customer in that scheme. LBW is one of SunWater's largest customers state wide, if not the largest by volume.

Pre-Dam Water Allocation Entitlement

7. LBW holds water allocation entitlements totaling 185,000ML ("**the Pre-Dam**

Allocation") which is supplied without charge by SunWater and for which SunWater receives funding under a community service obligation. The current CSO will expire prior to implementation of the 2020-2024 price path.

8. Previous assessments of the treatment of this Pre-Dam allocation have consistently found that LBW should not incur any charges related to this allocation.

9. The referral and direction notice gazetted 2 November 2018 ("**the Referral Notice**") expressly excludes the cost of SunWater supplying the 185,000ML to LBW from the recoverable costs to be included when calculating the prices applying to the remaining water allocation entitlements.[1]

10. SunWater have indicated that they expect the CSO to continue by the inclusion of the arrangement in their regulatory model.[2] This is consistent with LBW's position and expectation of this current pricing review.

11. However, if the CSO does not continue, the cost of supplying the Pre-Dam Allocation would result in the tripling of LBW's SunWater costs (bringing it to the equivalent of around 40% of LBW's total costs of business).

12. LBW is not in a position to absorb the additional costs as a not-for-profit business, the only course of action would be to increase charges to its ratepayers and customers by over 20%.

13. In support of its's position, that the Pre-Dam Allocation should remain without cost, LBW relies upon:

    (a) The current referral notice that explicitly states for the Burdekin-Haughton WSS, the costs of SunWater supplying 185,000 ML to LBW are not to be recovered from the prices applying to the remaining water entitlements.

    (b) The QCA Final Report SunWater Irrigation Price Review: 2012-17 ("**the 2012 Price Review**") which acknowledged:

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[1] Paragraph G of Schedule 2

[2] SunWater: Irrigation Price Review Submission 1 July 2020 to 30 June 2024 dated 6 November 2018 ("**SunWater's Submission November 2018**"), p72; Irrigation Price Review Submissions Appendix I Pricing Arrangements for irrigation customers dated 6 November 2018, p13

(i) that Government policy as at the 2006 price path review[3] stated that free water allocations represented pre-existing entitlements and were a condition precedent to the schemes in which they occur;[4]

(ii) the Government policy stated above continues to apply;[5]

(c) SunWater's submissions to the QCA in the 2012 Price Review that:

(i) free water allocations should be considered on the basis of their original intent;[6]

(ii) the proposed criteria on which to base the assessment which included:

> "*(b) compensation arrangements: these relate to agreements where an entity held a pre-existing right to water which needs to be preserved as a condition of the storage development or as a legislative or policy requirement.*";[7]

(iii) free water allocations arising from compensation agreements should be considered a cost of the scheme's development.[8]

(iv) SunWater had concluded that free water allocations were delivered as a result of a compensation arrangement, as distinct from a commercially negotiated water supply arrangement.[9]

and concluded that:

> "*(b) for compensation arrangements, the pre-existing rights to free water should be maintained where they are the result of an existing agreement or as part of a current legislative or Government policy.*"

(d) In Volume 2 of 2012-17 Price Review, the QCA further dealt with the Burdekin Haughton Water Supply Scheme's "free water allocations", referring to:

(i) SunWater's conclusion that the receipt of the free water allocations was as

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[3] SunWater Irrigation Price Review 2005-2006 Tier 1 Report, April 2006 p77
[4] 2012 Price Review Volume 1, May 2012 p91
[5] As evidenced by paragraph G of Schedule 2 of the Referral Notice
[6] 2012 Price Review Volume 1, May 2012 p91
[7] 2012 Price Review Volume 1, May 2012 p91
[8] 2012 Price Review Volume 1, May 2012 p91
[9] 2012 Price Review Volume 1, May 2012 p92

a result of a compensation arrangement, as distinct from a commercially negotiated water supply arrangement;[10]

(ii) the then Boards' submissions regarding:

(A) the cost effects of removing the Pre-Dam Allocation and the significant financial risks to LBW and its customers;

(B) the need for the entitlements to realise its natural resource management objectives in relation to the groundwater aquifer; and

(C) inconsistency of the loss of the Pre-Dam Allocation with State objectives for the management of the aquifer.[11]

(iii) The QCA goes on to recommend that there be no charge for the Pre-Dam Allocation.

14. In LBW's submission the CSO now provided by government further supports its position that the Pre-Dam Allocation should remain non-chargeable to LBW and SunWater.

15. In its initial submission LBW advised that it would appreciate the opportunity for a briefing on the detailed approach to the treatment of the Pre-Dam water within SunWater's regulatory pricing model and any QCA determination as it may relate to cost allocations for new projects such as dam safety upgrades. At this time LBW has been unable to meet with SunWater but expects to do so in the near future.

Burdekin Falls Dam Safety Upgrade Program

16. Section 2.4.2 of the Review refers to the requirements for the QCA under the Referral Notice stating:

> *Paragraph B(1.2) of the referral requires the recommendations made by us to provide an additional set of prices that include an appropriate allowance for prudent and efficient capital expenditure associated with dam safety upgrade costs that are forecast to be incurred from 1 July 2020 onwards. This means that we will provide two sets of recommended prices for the price path: one that includes a share of the capital expenditure associated with dam safety upgrades forecast to be*

[10] 2012 Price Review Volume 2 Burdekin Haughton Water Supply Scheme, April 2012 p17
[11] 2012 Price Review Volume 2 Burdekin Haughton Water Supply Scheme, April 2012 p17

incurred from 1 July 2020, and one that excludes all dam safety upgrade capital expenditure.

As part of this investigation, we will consult with stakeholders about possible pricing approaches for apportioning dam safety upgrade capital expenditure and will develop and apply an appropriate approach.

17. LBW's position is that inclusion of the cost of these works and implementing a consultation process regarding apportionment of those costs is premature where no details of the proposed costs for the works, the need for the works or any other analysis have been made available for stakeholder consideration. Further, without such information the QCA's ability to make recommendations about prudent and efficient capital expenditure are compromised.

Lack of differentiation between Dam Improvement Program works and Safety upgrade works

18. While the SunWater Submission to the Price Review (Appendix F) identifies significant investments in the Burdekin Falls Dam during the period of the next price path, there is very little evidence to demonstrate what this investment is for, whether it is for general dam improvements, safety improvements, or other initiatives such as the proposed hydroelectricity facility. It is premature to request stakeholders to make submissions in respect of those costs when:

    (a) there is no detail on the substance of the projects; and

    (b) there has not been any technical feasibility studies or business cases made available to stakeholders and customers, despite the intention to pass costs onto consumers.

Lack of review against statutory guidelines

19. Major projects such as the dam safety upgrades proposed are significant projects and are subject to a number of assessment requirements and guidelines (e.g. Queensland Dam Safety Management Guidelines, ANCOLD guidelines on dam safety risk assessment, Treasury costs-benefit analysis guidelines, Building Queensland Business Case guidelines etc). No evidence is provided of any analysis against those guidelines. In the absence of these assessments LBW is unable to ascertain whether the works are justified at all.

20. These guidelines require a risk assessment to be carried out. While a risk assessment

is referred to in the Emergency Action Plan prepared by SunWater ("**the EAP**"),[12] the risk assessment, which is relevant to stakeholder's assessment of any proposed works, is not publicly available.

21. Without the assessment report upon which the safety upgrade project parameters are based it is not possible to determine whether any proposed safety upgrades meet a rigorous prudency or efficiency test.

22. No information provided in respect of the decisions which underpin the need for the proposed works. Is it a requirement of current infrastructure and capacity or is it associated with any future dam capacity upgrades to facilitate future development or industry? Consistent with state policy all infrastructure projects with a capital cost above $100,000,000 are required to be assessed through a rigorous business case undertaken by Building Queensland. The business case would assist stakeholders in when determining their position in respect of the proposed works.

23. An initial review of the inundation maps raises real concerns as to the need for the safety upgrade and the viability of the upgrade when faced with the financial impacts of its cost. It is the additional inundation associated with a dam failure on top of the existing flooding that underpins the 'benefit' of any dam safety upgrade. That is, the benefit of the dam safety upgrade is the reduction in the cost of the flood (the consequence of a flood event).

24. Figure 1 below is a map of LBW's authority area. The area marked red shows the area that would be flooded in a Probable Maximum Flood ("**PMF**") without a dam failure. The area shaded in green shows the additional area that would flood if the dam failed during a PMF event. The cost of the proposed safety upgrade must be assessed against the risk it would mitigate which, as shown by the map below, is so negligible as to give rise to concerns as to the benefits to be derived by the community from the expenditure.

25. Figure 1 shows that without the dam safety upgrade completed, the additional loss in a PMF event would be limited to 477 ha of which 142ha is currently under cane production. Analysis using the Queensland Department of Agriculture and Fisheries own economic model of cane production in the LBW area, and a sugar price of $420/tonne (the average for the past 10 years), shows that the economic consequence of a PMF event where the dam safety upgrade is not completed would be at least $420,000. When the very low likelihood of a dam failure in a PMF event is considered against the indicated cost and the Annual Average Damage (the standard economic

[12] Emergency Action Plan – Burdekin Falls Dam July 2018 File no. 08-000358/001

approach to assessing flood risks), in LBW's view the benefits of the dam safety upgrade to its customers does not exceed the detriment to be caused by the increases in water prices to meet the costs.

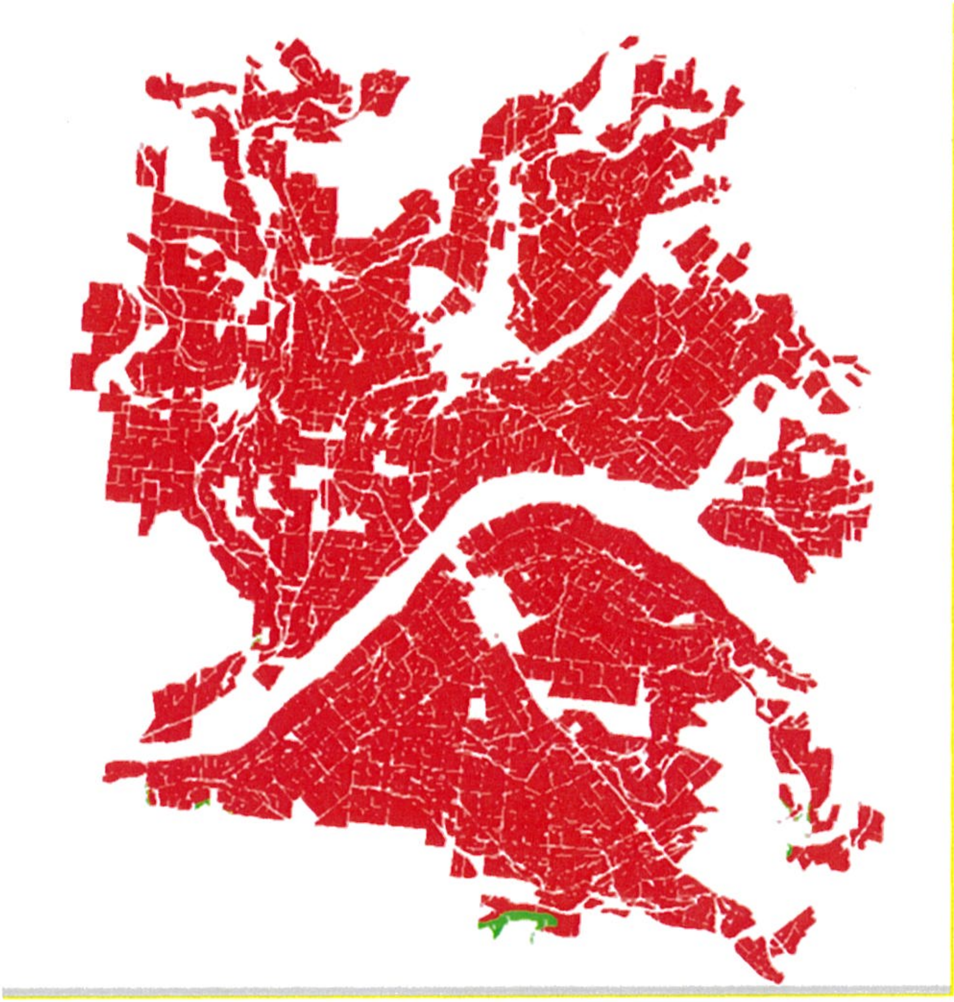

Figure 1: LBW Authority Area

The Probable Maximum Flood area without a dam failure is marked in red.

The additional area which would be inundated in the event of a dam failure is marked in green.

26. Of the broader Burdekin irrigated agricultural production area, (exclusive of LBW's authority area) being approximately 45,000 ha, in a dam failure during a PMF event, without the dam safety upgrade the additional land under cane production which would be inundated would be limited to approximately 2,100ha. The economic consequence of a PMF event where the dam safety upgrade is not completed for are outside of LBW's authority area would be approximately $2,100,000.

Lack of business case

27. At section 1.1 of the Review, the QCA advises that:

> *Dam safety upgrades are undertaken to ensure that dam safety compliance requirements are achieved by keeping the potential for dam failures to tolerable levels.*

However, no risk assessment of the Burdekin Falls Dam has been provided and therefore it is unknown as to what is required to achieve compliance with "*tolerable levels*". No business case has been provided and therefore whether the cost of the works to achieve the tolerable levels are a cost presently able to be met by irrigators or the community at large.

28. At section 1.2 of the Review stakeholders are asked, where possible, to provide detailed arguments and evidence to support their views. In circumstances where no analysis of the need for the safety upgrade or the preparation of the business case for the proposed works have been published by SunWater, LBW's ability to provide detailed arguments and evidence is impeded.

29. Notwithstanding the lack of information, LBW has attempted to provide some analysis within this submission. While the analysis presented in paragraph 23 is only partial, it questions the economic viability of the dam safety upgrade and reinforces a need for a robust business case.

30. Without a proper and robust risk assessment of the risks and damages pre and post a dam failure (and based on ANCOLD and other relevant guidelines), it is impossible to undertake a business case to determine:

    (a) whether the dam safety upgrade can be justified at all; and

    (b) where the upgrade is justified, how costs could be distributed across the various classes of beneficiaries; and

    (c) the cost versus benefit analysis given the financial impact of the proposed works on irrigators and the region as a whole.

31. SunWater indicates that the current dam improvement expenditure forecast for the Burdekin Falls Dam is in excess of $340,000,000 over the next price path.[13] No

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[13] SunWater's Submissions November 2016 Table 4.1 p52 c/f $357,000,000 for the safety dam upgrade set out in the Burdekin Supply AMP Table 6 p20

analysis of the proposed expenditure is provided, particularly any justification of the proposed capital expenditure.

Economic impacts of dam safety upgrade costs if imposed on irrigators

32. Sugar production and processing has been the mainstay of the Burdekin economy for around 50 years. The latest available figures indicate an economy with over $2.6 billion in turnover, representing around 9% of the broader northern Queensland economy and around 0.4% of Queensland. Manufacturing (primarily sugar manufacturing) and agriculture are the largest output contributing industries at $849 million and $584 million, respectively, worth over 50% of the region's total economic output.

33. Within the Burdekin region itself irrigated agriculture and manufacturing (primarily sugar manufacturing) account for approximately 88% of the estimated $1.13 billion in regional exports annually generated by the Burdekin economy and approximately 38% of the direct employment.

34. Sugar is a low margin, bulk commodity, and all irrigators are 'price takers' on the world market. Therefore, they have limited opportunities to absorb large changes in input costs such as a major increase in water service charges to fund a dam safety upgrade.

35. Any material increase in SunWater charges would ultimately impact on irrigators' viability, the viability of the mills, and ultimately the economic viability of the Burdekin region. This is a particularly acute economic risk for the Burdekin as the economy is so narrowly structured around the long-term prospects of the sugar industry, and viable options for major economic diversification are limited. In short, the dam safety upgrade may provide no material benefit to irrigated agriculture or the community but may in fact jeopardise the economic viability of the region as major increases in SunWater charges make irrigated agriculture simply unaffordable.

36. LBW receive rate payments from both cane growers and local sugar mills. LBW's cost recovery model requires that any SunWater charges attributable to dam safety upgrades are passed onto its customers in their entirety. The imposition of the proposed costs will affect the viability of the sugar industry in the region and place at risk the entire community which is based upon that industry.

37. Given the significant cost impact that any dam safety upgrade would place on irrigators and the broader Burdekin community, a robust and transparent assessment is paramount.

Treatment of safety upgrade costs in respect of pre-dam WAE

38. As outlined in paragraphs 8 to 15 of this Submission, LBW does not currently accrue charges for its Pre-Dam WAE. However, there is no information provided in the QCA discussion paper[14] as to how it is intended that the Pre-Dam WAE will be treated with respect to any allocation of costs for dam safety upgrades.

39. If the allocation of dam safety cost upgrades disregards the current costing position for the Pre-Dam WAE, the financial impost on LBW's customers would be disproportionally high and further jeopardise the viability of the region.

40. In LBW's submission, in recognition of its primary purpose of aquifer replenishment, the Pre-Dam WAE should remain free of any future cost associated with dam capital works.

Economic viability of safety upgrade at this time

41. However, before apportionment is considered, whether the proposed safety upgrade is economically viable must be first determined. It is instructive to consider the potential financial impost on customers from allowing SunWater to recover the total capital returns from users only (total capital returns peak at $14.03 million in 2024 for the Burdekin). Assuming capital returns are allocated between high and medium priority users based on the HUF, and the proportion of costs to medium priority users is allocated based on WAE, the financial impacts on LBW are significant. For example, even if LBW's contribution was based on its post-dam WAE only, LBW's share of total capital returns in 2024 could be around $790,000, requiring a 10% increase in LBW's charges to customers to recover these costs. If the basis for cost sharing also incorporated the pre-dam WAEs, LBW's share of the total capital returns in 2024 could be around $2.9 million, requiring, upon review, an increase of 51% in our charges.

42. LBW is funded by both growers and millers. Any pass through of costs jeopardises growers and millers alike and the community upon which that industry is based.

Dam safety upgrade is a cost to government

43. The Burdekin Falls Dam was constructed at government expense for the benefit of the entire Burdekin region, the State and in respect of the region's return on the national economy, the nation. It is LBW's position that any upgrade is also for the benefit of those stakeholders and should be at government expense.

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[14] QCA (2018) Rural irrigation price review 2020–24: apportionment of dam safety upgrade costs

44. LBW's position accords with similar projects, such as the Tinaroo Falls Dam upgrade which was carried out at government expense. Further in other schemes the government has applied a 50% discount. However, no such discount has been applied to the Burdekin Haughton Scheme. LBW's position is that it is inequitable for the Burdekin community to pay for the upgrade in circumstances where other communities have been fully funded or received a substantial discount.

45. Whether the government funds the dam safety upgrade or not does not preclude the need for a robust business case. Any State expenditure on the dam safety upgrade comes with an opportunity cost. What alternative strategies and investment could be undertaken to enhance community safety and mitigate economic risks with that same expenditure? Therefore, the identification and assessment of alternative options to the dam upgrade to improve community safety should be assessed. For example, enhanced flood warning systems and improved evacuation procedures.

46. Like the assessment of benefits to irrigators of the dam safety upgrade, for the community it is also the additional inundation associated with a dam failure on top of the existing flooding that underpins the 'benefit' of any dam safety upgrade. The maps outlined in the EAP indicate that during a PMF event most urban centers would be inundated before the dam failed, therefore the benefits to community property (e.g. houses) are likely to be negligible. Furthermore, evacuation plans to protect human life are likely to have already been implemented under the Burdekin Local Disaster Management Plan. Hence, benefits to human safety from the dam safety upgrade could also be negligible.

Benefit to other industry

47. While LBW has not assessed the benefits of any dam safety upgrade to the region's industries, there is little evidence to suggest the upgrade would provide a sufficient benefit for the industry to justify the investment. Again, this should be assessed as part of a robust risk assessment and business case.

48. As set out above LBW has insufficient information to otherwise respond to the factors identified by the QCA in paragraph 2.4.4 of the Review. LBW has grave concerns regarding the Queensland Competition Authority's capacity to properly review SunWater's forecasted costs for prudency and efficiency given the complete lack of information available regarding the proposed works.

Dam Capacity Upgrade

49. SunWater is currently preparing a business case for an upgrade of the Burdekin Falls Dam to increase its capacity by up to 30% ("**the Dam Capacity Upgrade**").[15] The proposed disclosure of this business case will ensure transparency in respect of those works required for the safety upgrade.

50. SunWater has acknowledged that no growth or future demand related projects have been identified for the Burdekin Distribution service contract.[16] LBW's position in respect of the apportionment of the costs of the Dam Capacity Upgrade are that they are either a community cost or capital costs recoverable from the sale of *future* water allocation entitlements as the upgrade provides no benefits to existing users.

51. Consideration should also be given to:

    (a) whether there is cost mitigation in combining the safety upgrade works with the Dam Capacity Upgrade, or the potential hydroelectrical augmentation. LBW has grave concerns regarding the Queensland Competition Authority's capacity to properly review SunWater's forecasted costs for prudency and efficiency given the complete lack of information available regarding the proposed works.

    (b) the effect that any major changes to the size and yield of the dam upon natural recharge. LBW recommend that:

        (i) a formal and detailed scientific risk analysis be undertaken of any proposed dam capacity upgrade to identify the potential risk to aquifer replenishment; and

        (ii) thereafter a study to understand the materiality of the risk which could be undertaken as part of any feasibility assessment of dam upgrades.

BHWSS Bulk Water

52. In our earlier submission LBW set out SunWater's two part tariff system methodology for irrigation prices in its Irrigation Price Review Submission Appendix I – Pricing arrangements for irrigation customers,[17] as follows:

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[15] Ryan, D; Gillespie, S; 2009. The Raising of the Burdekin Falls Dam. *ANCOLD Proceedings of Technical Groups*
[16] Burdekin Supply AMP [3.3] p20
[17] Dated 6 November 2018

- *Fixed tariffs – also known as Part A tariffs (in bulk water supply schemes) and Part C tariffs (in distribution systems) – are paid according to the amount of water access entitlements held by irrigators. These tariffs are "fixed" to the extent the volume of water allocation held by the customer, regardless of their actual use in the year, does not change. However, the fixed charges will vary between customers based on their water access entitlement.*

- *Volumetric tariffs – also known as Part B tariffs (in bulk water supply schemes) and Part D tariffs (in distribution systems) — are charges paid per megalitre of actual water used by the customer, measured at the meter or 'offtake'.*

53. Part C and D tariffs are paid by customers of SunWater's distribution scheme for the costs of the supply of that water through SunWater's channel system to them.

54. The methodology above allowed for transparency in the pricing of water applied to water allocation entitlement holders who take water from the Burdekin River as opposed to those who take water from SunWater's distribution scheme. Part C and D tariffs allowed SunWater to recover the costs associated with its distribution scheme on essentially a "user pays" principal.

55. Part A and B tariffs were historically charged at the same rate for both water allocation entitlement holders and SunWater distribution scheme customers.

56. In 2016, SunWater adjusted Part A tariffs for its distribution scheme customers, reducing the cost to "lower bound" and increasing the Part C cost. SunWater has offset the revenue from its distribution customers for Part A that is above lower bound ($9.00ML) against their Part C distribution tariff. Whilst other bulk water customers are required to continue to pay the prevailing price, being $9.30 above an actual cost reflective lower bound cost. This adjustment by SunWater has reduced the transparency of its charging methodology for bulk water supplied from the Burdekin River. LBW's position is that there should be one Part A tariff for bulk water in the BHWSS.

57. The Referral Notice at Schedule 2 paragraph E refers to distribution systems where Fixed (Part A) and Fixed (Part C) prices are applicable and by paragraph i. proposes that Fixed Part A, where it is above the initial cost reflective Fixed Part A price, should be reduced to the cost reflective Fixed Part A price. However, paragraph iii, requires a consideration of the prevailing Fixed Part A and Part C such that to be added for the purposes of calculating whether the price is above the initial total cost reflective Fixed (Part A and Part C) price.

58. The Referral Notice proposed that the two-tier system for Fixed Part A pricing is to continue over the next price path.[18]

59. In the 2012 price path the Government directed that where prevailing prices were above lower bound that they would be maintained until they reached lower bound. The proposed methodology for distribution systems allows the offsetting of any funds paid by distribution scheme customers for Part A charges against any under recovery on the Part C charges.

60. LBW submits that the transparency of a single Fixed Part A charge to all customers of the BHWSS is preferable to the proposed combination.

61. If a two-tier system is to be maintained, then the calculation for the combination of the Fixed Part A and Part C charges should be published for consideration and comment. LBW's concerns regarding transparency surrounding the two-tier system remain.

Recreational use

62. Section C(1.3) of the Referral Notice provides that costs associated with the provision of recreation facilities that are to be incurred by the businesses from 1 July 2020 onwards that would not otherwise be incurred to supply water, are not to be included unless the QCA is satisfied there is customer support for these costs to remain included.

63. In principal LBW is supportive of the exclusion of the costs associated with recreation facilities by the QCA when recommending appropriate prices under the Referral Notice. However, LBW submits that care must be taken during the process to ensure any transitional costs are also excluded from the costs to be borne by irrigators. Scrutiny must be applied to those costs which are allocated as "recreational" with SunWater to confirm that it captures all costs associated with recreational use including those relating to in or around recreational areas. For example, the costs of the Burdekin Falls Sewerage Treatment Plant works are currently in the annuities program. These are recreational costs and should be excluded.

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[18] Referral notice Schedule 2 Paragraph E

Transparency

LBW submits that there is a need for greater transparency throughout the review process to ensure that all costs considered and included by the QCA when determining the prices to be recommended under the Referral Notice are clear so that they can be properly considered, and appropriate submissions made. For example:

(a) **Annuities** - The methodology and effectiveness of SunWater's annuities should be examined. The opportunity should be taken to assess performance of SunWater's asset management system with a focus on examining both past and future costs to be allocated against projects to ensure that the works and associated costs are being managed in a cost-effective manner with a view to progressing proposed projects to actual asset renewal works with the minimum practicable preliminary costs.

(b) **Annuity Charges** - The annuity charges for the bulk water substantially increase over the proposed 2020-2024 price path. The upgrade of the Clare Weir hydraulic gates is a significant driver of the increase. The function of the hydraulic gates is to increase the upstream pool height to improve pumping performance and reducing energy consumption. The only beneficiary of their function is SunWater and its distribution customers. LBW's position is that the costs associated with upgrades of the existing infrastructure should be apportioned to the beneficiaries of those upgrade works.

(c) **Insurance** - SunWater has indicated that insurance costs will increase. SunWater should review its insurable infrastructure and risk profile against its current policies to ensure that the policies are prudent and commercially effective. Claims need to be managed effectively and resolved in a timely manner to ensure recovery is maximized.

(d) **Inspector General Emergency Management** – These costs are captured in indirect costs apportioned to irrigators. Irrigators receive no benefit from these services beyond those received by the broader community. Where the services are provided for the benefit of the broader community, they should be either a government expense or apportioned across the broader community.

(e) **Local Area Support Costs** – The costs attributed to this cost centre should be disclosed for transparency. Without a cost analysis LBW is unable to comment on the appropriateness of the costs being apportioned.

(f) **Flood Monitoring and Reporting Costs** – These costs are, by Government directive, to be apportioned to irrigators. LBW submits that this is inappropriate in circumstances where the monitoring and reports are for the benefit of the broader community. Where the services are provided for the benefit of the broader community the expenses should be borne by the government expense or apportioned across the broader community.

David Sartori
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