



Issues for Upper Condamine Irrigators in QCA's price review of SunWater 2020-24

Annuity costs

Currently the Upper Condamine scheme is operating, for Medium Priority license holders, at above operating cost. These costs as listed on SunWaters website are:

- Cost Reflective Prices:
- MP Part A: \$18.39
- MP Part B: \$17.88
- Total \$36.27

- 2019 charges for MP users:

- MP Part A: \$33.20
- MP Part B: \$5.43
- Total \$38.63

It is clear from these figures that the total current charges are higher than the total current operating costs. However, the current annuity balance of the Upper Condamine scheme is forecast to be -\$902,300. How can a system that has been operating at above cost recovery still have a negative annuity balance? Is this due to the manipulative accounting of SunWater or simply through their lack of efficient and competitive business operations?

SunWater is happy to highlight the 'subsidy' provided between the cost of Part B and the actual cost, but provides no mechanism for the subsidy provided by MP users for Part A charges to be recognised.

In the period between July 2002 and September 2017 Leslie Dam had a level which was below the 15,000ML Medium Priority cutoff 45% of the time. That means Medium Priority license holders only had access to water 55% of the time. This also means Medium Priority license holders are covering the Part A fixed charge 45% of the time when they have no access to water.



SunWater also appear to be using the annuity fund as a mechanism to conduct what should be routine maintenance. This would be no issue but the administration cost of processing these jobs is extremely high and is in some cases far higher than the cost of the job itself.

QCA needs to further investigate the use and calculations of the annuity fund in the Upper Condamine to ensure it is being accounted for correctly and utilised in an efficient manner.

Part A charges well above cost recovery:

MP users in the Upper Condamine, despite only accessing water 55% of the time, are paying 190% of cost recovery for the fixed charge Part A. They have been doing this for many years and under the current proposal will continue to do so for the foreseeable future.

Unfortunately there seems to be no recognition of this fact in SunWaters proposal. We understand that the Government has a position of not reducing charges where they are above cost, but there should be better recognition of this fact in SunWater's accounting and, as above, the annuity fund.

Increases to Part B Usage Charges:

SunWater is proposing that Upper Condamine irrigators be faced with an increase in the Part B usage charge of 322% in one year. Our charges are forecast to increase from \$5.55 to \$17.88 in one year.

This is not an increase any business can handle, let alone given the current drought conditions faced by irrigators. Given our overall scheme should be operating at above cost recovery already, there should be recognition of the subsidy irrigators have provided for many years through Part A charges, and will continue to provide under the current proposal.

These costs are reflective mostly of the increased costs of electricity. In the Upper Condamine only one small proportion of irrigators are affected by this. All other users have little to no electricity costs in the delivery of their water. This increase in costs for Part B may therefore be passed on to only those that use electricity on the North Branch Scheme. However, SunWater cannot provide any details on this cost or breakdown of costs between areas of the scheme. Has this increase in costs been averaged over all water users? If so, will this cost then be even greater for the North Branch users? SunWater has not been able to answer this question and it is one that could severely affect some irrigators in our scheme.

We ask that QCA caps the increases in charges in a similar manner offered to other schemes operating below cost recovery for Part A charges.



Dam Safety Upgrades:

SunWater is proposing very high cost dam safety improvement programs for Leslie Dam. The estimate is \$24m with \$12m allocated in the current proposal.

Leslie Dam has filled once in 15 years and in that time has an average level of approximately 30%. Given this lack of opportunity for flood effects downstream it seems overly cautious to spend \$24m when the dam rarely spills.

Upper Condamine Irrigators also object to carrying the costs for these improvements based solely on safety of those downstream of the dam. The dam already reduces downstream flooding affects and this should be considered in any improvement program.

Irrigators consider that the dam safety improvement program assists the general public from what is a Government owned asset. We therefore believe that those affected, and the owners of the infrastructure should be liable for these costs. This has been the case in the past and should continue to remain so.

Flood Monitoring and Reporting Costs

Given the fact Leslie Dam has spilled once in 15 years it is difficult for irrigators to accept the costs of flood monitoring and reporting. These costs are significant in our scheme and are particularly high given the risk the dam obviously poses in terms of flooding.

Irrigators do not believe we should carry the burden of this cost in any way. The wider community is the beneficiary of this monitoring and should carry the cost.