

THE NOGOA MACKENZIE IRRIGATOR ADVISORY COMMITTEE (IAC)

We are a group of irrigators with in the Nogoia Mackenzie scheme who have been elected by the irrigation customers to represent the interests of the broader irrigation customer base in relation to scheme operations and water supply issues and improvements with Sunwater

QUEENSLAND COMPETITION AUTHORITY (QCA)

The IAC association thank the Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships for issuing a referral notice to the QCA to investigate pricing practices relating to the business activities of SunWater, the sole operators of water delivery in the Nogoia Mackenzie scheme area. We invite the QCA to work with the IAC throughout the investigation period and look forward to collaborating to achieve fair and equitable irrigation prices for the period 1 July 2020 to 30 June 2024.

NOGOA MACKENZIE SCHEME

ABOUT THE SCHEME

Fairbairn Dam

Fairbairn Dam is built across the Nogoia Gap about 19 kilometres upstream (south) of the town of Emerald, in Queensland's central west.

Channel/Pipeline System

Water is diverted from Fairbairn Dam to two channel systems to customers via a network of mostly open-earth channels.

Selma Channel System

The Selma Channel System supplies water to the left bank, west and north of Emerald. The channel is approximately 47 kilometres long and supplies subsidiary channels totalling a further 26 kilometres.

The left bank outlet which releases water into the Selma Channel System is at a relatively high level and a pump station is required to lift water into the outlet channel for peak demand periods when the storage level falls. The pump station is located in the left bank wall of the spillway and is equipped with three variable discharge pumps.

Weemah Channel System

The Weemah Channel System supplies water to the right bank irrigation area east of Emerald. The channel is approximately 53 kilometres long.

The right bank outlet which releases water into Weemah Channel and the Nogoia River consists of a 6 metre diameter tunnel with an intake tower housing control gates at the upstream end. The tunnel was used to divert the river during construction of the dam.

Surface drainage systems are in place to provide drainage services in the area. The total length of drains is 204 kilometres.

(<http://www.sunwater.com.au/>, 2018)

FAIRBAIRN DAM

Dam name	Stream name	Lake name	Nearest town	Structure description	Maximum height of dam above foundation (metres)	Storage capacity (ML)	Surface area at full supply level (ha)	Year completed
Fairbairn	Nogoa River	Lake Maraboon	Emerald	Earthfill embankment	46.3	1,301,000	15,000	1972

(SunWater, 2018)

SUBMISSION POINTS

The initial analysis of the bulk and distribution services provided by SunWater in the Nogoa Mackenzie scheme illustrates significant increases in costs. This submission outlines some of concerns which include, but are not limited to the following

DAM SAFETY PROGRAM COSTS

The IAC reject the cost of dam safety upgrades being apportioned to irrigators. SunWater are referring to this as the Dam Improvement Program, however the works do not lead to any improvements and the costs should not be considered as supplying water to customers. The dam safety program is a community benefit and we categorically reject covering the cost of this. A more detailed overview is presented in our response to *Rural irrigation price review 2020–24: apportionment of dam safety upgrade costs*

RENEWALS ANNUITY

There is a significant overspend in renewals annuity. The annuity reserve closing balance will be a negative amount and the increase from the end of the last price path to the projected amount in 2024 Is significant.

LBN - Nogoa WS	2017 (actual)	2018 (actual)	2019 (base year)	2020 (proj)	2021 (proj)	2022 (proj)	2023 (proj)	2024 (proj)
Routine Expenditure	2,099	2,627	2,653	2,376	2,435	2,496	2,559	2,621
Non Routine (Renewals) Annuity	470	482	494	505	1,532	1,566	1,631	1,680
DIP Capital Return	-	-	-	-	-	-	-	-
Non Routine Expenditure	1,325	1,087	790	953	934	701	1,129	884
Annuity Reserve (Closing Balance)	(2,971)	(3,798)	(4,378)	(5,154)	(5,641)	(5,106)	(4,902)	(4,393)

ELECTRICITY

Electricity costs have become a major component of water charges during this price path and are projected to escalate further during the next price path. SunWater must be held accountable for their electricity usage and be encouraged to implement more efficient use. This should include;

- i. an annual review of tariffs in consultation with the Irrigators Advisory Council (IAC).
- ii. review pumping efficiencies in consultation with the Irrigators Advisory Council (IAC).
- iii. QCA and SunWater to ensure the correct tariff's have been adopted beyond 2020

We strongly urge SunWater and QCA to focus on ensuring the correct price for electricity is used and then ensure it is allocated to a cost/ML for the setting of prices. This includes defining the cost as fixed or variable.

INSURANCE

SunWater need to consider their insurance profile and only insure relevant assets and for appropriate risk. If the full cost of insurance is to be passed on to water users, QCA needs to ensure all works that are relating to possible claims are removed from the Non-Routine costs.

INSPECTOR GENERAL EMERGENCY MANAGEMENT COSTS (IGEM)

The Fairbairn Dam, which SunWater is managing, does not make or cause the floods, in fact it reduces the flooding impact caused by upstream rainfall. SunWater is passing on the costs of management the IGEM to water users, not back to government, who is the actual beneficiary.

BULK WATER PRICE INCREASE (HP)

Forecast prices for Bulk high priority water increase substantially over the price path.

EXIT FEES

Consideration needs to be given to how the revenue from exit fees is utilised. Exit fees must be used for investing in ways to reduce the ongoing costs to remaining water users rather than being absorbed in general revenue.

QUEENSLAND COMPETITION AUTHORITY (QCA) REVIEW

The IAC would like the cost of the QCA review to be removed from consideration as per the previous price path reviews. The cost of the review of the monopoly activities provided by SunWater should not be borne by irrigators.

BEDFORD WEIR

The IAC request a resolution to the impacts on Fairbairn Dam reliability and revenue retained by SunWater since the failure and subsequent removal of the fabri-dam.

RECREATION COSTS

The IAC thank the government for appropriately apportioning the costs of the recreation facilities to the appropriate end-users. However, the IAC request the categorisation of recreation facility costs to ensure that all relevant costs are excluded.

It is our understanding that SunWater are negotiating with Central Highlands Regional Council regarding the transition of recreational areas management to local government. The IAC request open and transparent disclosure of any transition payments paid to councils to take-over the recreation facilities.

CONCLUSION

The IAC thank the QCA for investigating and recommending water prices to ensure SunWater is able to deliver water services efficiently and cost effectively.