

Initial Submission on ‘Sunwater Price Path Review’ August 2010

Central Downs Irrigators Limited has been representing irrigators in the Upper Condamine Supply Scheme area for many years and is looking forward to be part of discussions on the new Sunwater price path. We have attended the information session held by QCA at Cecil Plains. Following on from that meeting and addressing topics arising from your Issue Papers we are submitting these notes as an initial submission on the ‘Sunwater Price Path Review’:

1. We do not agree with the retrospective introduction of a Return on Assets charge on existing infrastructure. Leslie Dam has been built some 40 years ago with the aim to develop the irrigation industry and the economy of communities in the area. This has been achieved with on-farm investment into irrigation infrastructure. The ongoing return on that asset is being paid in the form of extra Shire Rates that are being charged on irrigation land, payroll tax to the government, wages spent in local communities and other flow-on effects. Upper Bound charges should only be able to be considered with new projects.
2. Introducing Return on Asset charges will significantly devalue the asset irrigators hold in form of their licence and compensation would need to be addressed.
3. We are concerned that there will not be enough opportunity and time for licensees to evaluate the methods used to determine Sunwater’s competitive and ‘efficient operational, maintenance and administrative costs’.
4. In the Upper Condamine WSS Leslie Dam releases for medium security license holders have been very infrequent. Water pricing within the scheme has to factor in the percentage of Leslie Dam releases for high versus medium security entitlement holders. An efficient system should supply water at a comparable cost to other supply schemes (such as St George and Emerald).
5. Using a ‘Capacity to Pay’ principle to determine water charges will be counterproductive in the irrigation industry’s effort to increase on-farm water use efficiency; investment in WUE measures should be encouraged, not penalised and should lead to discounted rather than increased water charges for irrigators.
6. Only the openly advertised and transparent CPI should be used to accommodate increased costs into the future.
7. Distribution rules for allocations in storage have major impacts on the value of water to irrigators and need therefore to be addressed as part of

this review; more flexible supply arrangements (capacity share vs water year accounting) help irrigation water being used at the most profitable timing and on the most profitable crops.

8. Irrigation water supplied under 'Stream Flow Period' provisions (formerly Credit water) can in most cases only be accessed by using on-farm storage infrastructure. Losses occurred during storage are also then worn by licensees. 'Stream Flow Period' water should therefore fall into a separate pricing category.
9. Sunwater customers in the Upper Condamine WSS source irrigation water from a combination of regulated and unregulated river flows, groundwater and overland flows. The economic impact of the Price Path Review need to be considered in light of:
 - Condamine Alluvium groundwater planning process potentially reducing allocations by more than 50%;
 - Murray Darling Basin Plan reductions of river water diversions;
 - drought leading to only very limited take of overland flow;
 - potentially wide ranging effects of the Coal Seam Gas industry on the irrigation sector in the Upper Condamine

The Central Downs Irrigators Ltd are looking forward to having the above points considered in your review process. Ample opportunity to discuss the complexity of all those issues face to face should be regarded as a crucial part of this review process also.

Yours truly,

Johannes Roellgen
Chairman, Central Downs Irrigators Ltd