



Pioneer Valley Water Co-operative Limited.

A co-operative formed under the *Cooperatives Act 1997*.

ABN 55 322 373 770.

PO Box 275
(Level A, 120 Wood Street)
Mackay QLD 4740

Reference:

23rd April 2010

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sirs

RE: Irrigation Prices for SunWater Schemes: 2011-2016

I refer to the public notification that the Premier and Treasurer have directed the Queensland Competition Authority to recommend irrigation prices to apply in SunWater water supply schemes from 1st July 2011.

I would advise that Pioneer Valley Water wishes to participate in local stakeholders meetings and receive issues papers and reports related to the investigation. Pioneer Valley Water will also provide submissions to the investigation at the appropriate times.

As an initial submission the following comments are provided.

Synergies Report on Pioneer River Water Supply Scheme

- Table 55 states that the scheme supplies 23 customers with Pioneer Valley Water considered as a single customer supplying all irrigation water in the scheme. It is understood that there are 4 industrial and/or urban customers in the scheme making the total customer number 5. Pioneer Valley Water supplies 246 irrigation customers.
- There is no Medium priority WAE in the scheme. Irrigation is assigned High priority B and urban/industrial High priority A. Despite holding high priority, irrigation being the lowest priority WAE in the scheme receives the last benefit of supply under water sharing rules in the scheme.
- Year end High priority B announced allocations for the years 2006/07 to 2008/09 have been 100% but this does not show the true situation for water availability in the scheme. Announced allocation is recalculated monthly under the Resource Operations Plan (ROP) and increments upwards depending on actual water use in the previous period and system inflows. The following table shows the actual performance of announced allocation for irrigation for the period.

Year	Date	AA(%)
2006/07	01/07/06	0
	01/12/06	3
	01/01/07	6
	01/02/07	43
	01/03/07	100
2007/08	01/07/07	78
	01/08/07	84
	01/09/07	100
2008/09	01/07/08	100

Irrigation water demand is normally highest during the first half of the water year (July to December). Very low announced allocation for this period during 2006/07 resulted in low water use. Demand during the second half of the year is very dependent on wet season rainfall and the wet seasons for the last three years have been above average with minimal irrigation demand. Irrigation from the Pioneer River Scheme is termed “supplementary irrigation” which is the deficit between full crop water demand and average effective rainfall. In periods of above average rainfall, irrigation use is low.

- Dumbleton Weir Stage 1 was constructed in 1982, Stage 2 in 1992 and Stage 3 in 1998.

Comments on Issues Papers

- Critical for the determination of pricing is the establishment of the efficient costs for the service provider to provide that service. During negotiations for the current price path for irrigation water there remained uncertainty by customers as to the accuracy of the efficient cost information presented by SunWater. It was recommended from those negotiations that a customer reporting framework be developed to provide feedback of SunWater’s implementation of incentives to reduce efficient costs. This has not occurred to date during the present price path and further questions the validity of the efficient cost data used for that exercise. Pioneer Valley Water looks forward to receiving independently prepared efficient cost data for the Pioneer River Water Supply Scheme as part of this QCA process.
- Pioneer Valley Water is steadfastly opposed to the imposition of any rate of return on irrigation headworks. Most of the dams and weirs in this state were constructed many years ago with regional development as a major focus. Since establishment of these projects, irrigators have indirectly provided returns through their enterprises through taxes, input commodities, electricity charges etc. Pioneer Valley Water fully funded the construction of its irrigation infrastructure with the debt still being paid through annual water charges to customers. Imposition of a rate of return on SunWater headworks above these charges would seriously impact on the viability of customers and hence the overall irrigation scheme. Pioneer Valley Water provided a capital contribution towards the construction of Dumbleton Weir Stage 3 and it would be expected that these contributions would be recognised for rate of return considerations.

Imposition of a rate of return on headworks assets is inconsistent with national water policies. For example, the New South Wales Government has deemed that all assets including headworks prior to 1997 be considered as sunken costs. This inconsistency in application of rate of return would lead to unfair advantages for irrigators growing similar crops in other states.

- Sections of the SunWater headworks infrastructure in the Pioneer River Water Supply Scheme cause serious concerns.
 1. Palm Tree Creek outlet from Teemburra Dam – The variable discharge cone valve on this outlet has failed twice and has never operated as designed since the dam was commissioned in 1996.

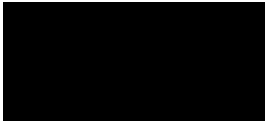
2. Rubber fabridams on Mirani and Dumbleton Weirs have been deflated since December 2008 following an unfortunate incident at Bedford Weir. Both fabridams had previously been identified to be in poor state of repair. Weir storage is reduced with the fabridams deflated and this impacts on the supply reliability for customers.

We trust that these matters will be addressed in any asset valuation considerations for this scheme.

- Of prime importance in consideration of rate of return and capacity to pay for irrigation water are the potential negative impacts on an irrigator's ability to address environmental issues associated with the operation of his irrigated farm. With increasing stringent environmental requirements for operation in Great Barrier Reef catchments, any returns achieved and used to improve on farm efficiency of water use must stand above the requirements to provide those same returns to Government through a rate of return on water infrastructure.

Thank you for the opportunity to provide some initial comments on the SunWater irrigation pricing review. We will provide more detailed submissions in due course.

Yours sincerely



J R Palmer
MANAGER