

FIRST ROUND CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the meeting. The Authority is yet to form any opinion on them. As appropriate, issues will be addressed in proposed Issues Papers and in the Authority's reports].

Scheme: St George Water Supply Scheme
Date: 05-May-10
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Process Issues

- Concern expressed that no QCA Board member has a background in irrigation.
- Concern that consultation is not genuine with the previous WAMP process cited as an example of poor consultation with irrigators.
- Concern with timelines associated with review and lack of availability of SunWater submissions. Timelines should be extended.
- Concerns about using ABARE to undertake analyses associated with determining capacity-to-pay. No alternative identifiable.

Technical Issues

- Need to ensure that any 'capacity-to-pay' assessment takes into consideration the effects of water price increases on property values.
- View that all scheme assets should be valued at zero as assets previously paid for.
- Operational expenditure incurred by SunWater is of concern with significant increases over the last 2 years.
- Disagreement that the review is broadly consistent with NWI. Assets in NSW have been valued at zero resulting in Queensland irrigators now being at a competitive disadvantage.
- Issue of benchmarking to assess appropriateness of SunWater's opex and capex programs, was raised. Irrigators also raised concern about inability of QCA to appropriately access previously published Indec costing.
- Concern that asset values will incorporate the aesthetic values associated with the scheme.
- Concern about how pricing will address impact of drought. Concerns about reliability of supply for irrigation including allocation of costs between high and medium supply entitlement holders.
- Benefits of irrigation accrue to the broader community. Important to take into account that the irrigation industry was established to benefit the State economy. Having a globally competitive irrigation industry is important.
- The original purchase of entitlements some years ago equates to a contribution to the purchase of the scheme assets. Submission and evidence to this effect being prepared.

- Purchase of land/water entitlement compensated Government for the costs associated with establishing the scheme. Therefore, rate of return should not apply. Also application of rate of return is retrospective. Irrigators have no alternative suppliers.
- Concern over how the impact of rate of return including how capacity to pay (in relation to the rate of return on high cost headworks) could be addressed without rendering irrigation businesses uncompetitive.
- Concern that any irrigation price increases that lead to broader negative impacts are not being quantified as part of this review.
- Preference for assessment of usage on historical basis rather than projected demand.
- Need to assess prices for the scheme as a whole rather than segments – all customers have same levels of access.
- Concern regarding the implications of a zeroing of channel assets, with a view that there is an intention for the State to eventually sell scheme assets.
- SunWater needs to account for all scheme revenues.

Scheme Specific Issues

- Irrigators should be allowed to purchase scheme for \$1 similar to what happened in New Zealand.
- Although SunWater now employ less staff and provide lower service standards in the region, higher costs are applied to irrigators due to the 5 year price path. If service standards are restored, this could lead to increased costs to irrigators.