

SECOND 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 the Authority's reports].

Scheme: Bundaberg Water Supply Scheme

Date: 15-April-2011

QCA Contact: Matthew Bradbury ((07) 3222 0575 or matthew.bradbury@qca.org.au)

Process Issues

- The timelines are insufficient to allow SunWater customers to adequately respond to the consultant reports' on SunWater's NSPs.

Technical Issues

- A high discount rate will mean a lower present value of future SunWater expenditures.

Scheme Specific Issues

- Irrigators would like to see a full list of past renewal expenditure.
- Does SunWater review past expenditure to monitor if the new equipment works according to plan?
- Concern that unused SunWater staff time is being booked against preventative maintenance activities.
- Are overheads allocated to Burnett Water?
- With the introduction of Burnett Water, SunWater distribution customers have experienced a reduced share of channel capacity. Should SunWater charges be reduced to reflect a drop in service and costs allocated to paradise water for use of channels? Growers had 15 % of flow rate in channel for new water and have taken a lower standard of service. Also, off peak water has been sold so how will this be accounted for.
- Paradise Dam has caused credit water to be removed so there is a lower standard of service and water reliability.
- SunWater and Burnett water have a common announced allocation so Burnett water should pay to use SunWater assets like other users.
- There is no incentive for SunWater to reduce fixed costs when the fixed charge is high.
- Further review of fixed and variable costs is required to determine whether more costs are variable than just electricity.
- If there is no nodal pricing, and pumping costs are averaged between all users, SunWater may face a negative incentive to deliver water to areas where the actual pumping costs exceed the average.

- There is concern that overheads are too high. For example 61.3% of costs for preventative maintenance bulk are indirect and overheads. Indirect, overheads and other for operations bulk is 70% which is not operations costs but overheads.
- Concerns raised in regards to increases in electricity costs and that direct in field labour staff decreasing while total staff unchanged. Irrigators prefer that the majority of staff in field doing work not overhead staff in Brisbane which doesn't increase service.
- Centralisation has moved staff from Bundaberg to Brisbane. Higher labour costs in Brisbane means costs have increased.
- Growers concerned re declining levels of service delivery are not maintaining assets properly.
- Bucca weir is in bulk not distribution.
- There is no scheduling in Bundaberg so should not be a cost for this. The scheme is downstream controlled so releases occur automatically to fill channels and pipes rather than requiring water ordering.
- Question whether items such as water meter reading for groundwater attracting are overhead costs. If so, are they included as revenue offset?
- Renewals expenditure over the past 2 years for the bulk scheme needs to be investigated further.
- Has a full cost benefit analysis been done on all expenditure or are assets just being replaced at set times without a thorough analysis?
- Is the labour mix of full time, casual and contract appropriate? If there is spare labour then should be more casuals and contractors? An analysis of direct cost allocation % of Infrastructure Management staff. If there is spare time then a portion of this is likely to be inefficient.
- Are costs attributed accurately to projects or are costs of people sitting around doing nothing attributed directly to schemes? Analysis of % of costs being direct for each item to see if they are appropriate needs to be done.
- Concern expressed regarding conversion factors since some growers are likely to convert from medium to high priority over the next 5 years. Will cause remaining medium priority users to be imposed with extra costs. Conversion factors should be calculated by converting all medium priority to high priority and use this for both bulk and channel so there is no incentive or cost impacts on remaining growers if some growers decide to convert.
- Service standards imposed by SunWater are all the same throughout State when this may not be appropriate. Big issue for renewals.