

ATTACHMENT 1 – DATA REQUEST – SEQWATER IRRIGATION REVIEW 2013-17

RE: Water Planning Framework

Version: 14 June 2012

1.1 Purpose

This paper considers the status of irrigators' ability to trade or surrender water access entitlements (WAE), and the existence of water supply contracts and service targets in Seqwater irrigation water supply schemes (WSSs).

The paper forms the basis of a data request to Seqwater and the water planning regulator, the now Department of Natural Resources and Mines Management (DNRM).¹

Written responses would be appreciated by COB 28 June 2012.

For this purpose, the Authority would appreciate DNRM and Seqwater's response, to include, but not limited to detail:

- (a) confirmation regarding each numbered item (see "Confirm" where indicated in the text below) that facts and our interpretations are correct;
- (b) confirming that we have covered all relevant water planning framework issues; and
- (c) provide any (further) views on the implications of that information for the regulatory and pricing framework. For example, please outline your views on an appropriate approach to:
 - (i) Part A and Part B tariff structures for each tariff group given the varied status of WAE, trading and ability to surrender;
 - (ii) managing the possible revenue risk (including likely order of magnitude) to Seqwater associated with surrender of WAE; and
 - (iii) the allocation of fixed costs in tariff groups where WAE are not expressed as a nominal volume of ML per annum. For this purpose, you are requested to provide an indication of the latest data upon which future nominal volumes may (or should) be based (including previous papers and Excel spreadsheets outlining hydrological estimates of the sustainable rates of water application per hectare and the associated hectares, by tariff group).

1.2 Background

In the context of the Seqwater Irrigation Pricing Review 2013-17, this paper examines whether WAE – including Water Licences, Interim Water Allocations (IWA) and Water Allocations – can be permanently traded, temporarily traded and/or surrendered.

This will be a key consideration in for the Draft Report, Volume 1 Chapter 3: Regulatory Framework and Chapter 4: Pricing Framework. Specifically, if a high portion of Seqwater's irrigation costs are found to be fixed (indicating relatively high Part A tariffs) we must consider the impact of tariff rebalancing on irrigators without the ability to trade (or surrender) their WAE.

¹ The paper will be provided to DNRM via the Department of Energy and Water Supply (DEWS), as key contact for this review.

1.3 Summary of Findings

Table 1: Summary of Findings for each WAE

WAE	Tariff Groups	Permanently Tradable	Temporarily Tradable	Able to Surrender
Water Licence	1. Central Lockyer	No	No	Yes
Interim Water Allocation	2. Central Lockyer (e.g. Mortonvale Pipeline)			
	3. Lower Lockyer	No	Yes	Yes
	4. Warrill Valley			
Water Allocation	5. Cedar Pocket			
	6. Central Brisbane			
	7. Logan	Yes	Yes	No
	8. Mary River			
	9. Pie Creek			
<u>Water Supply Agreement</u>	<u>10. Central Lockyer (eg Morton Vale pipeline)</u>	<u>?No</u>	<u>?Yes</u>	<u>?Yes/No (can terminate contract)</u>

Comment [c1]: While the IROL states 3507ML of IWA for Morton Vale, no IWA has actually been issued there. The only IWA in Central Lockyer is 395ML for customers and 184ML for Seqwater losses

Comment [c2]: Morton Vale WAE can TT within the pipeline and they are able to terminate their contract.

No service targets are specified in Central Brisbane and the Central Lockyer WSS.

1.4 Permanent Trading

Water Licence

2. **Confirm:** Water Licences are held by some irrigators in the Central Lockyer WSS (Benefitted Groundwater Area). Correct

Section 213 of the *Water Act 2000* (Water Act) specifies that an irrigation water licence attaches to the licensee’s land. Section 215 specifies that water taken under a licence must be used only on the land to which the licence attaches. Correct

3. **Confirm:** Section 223 allows for an application to be made to transfer a water licence if the *Water Regulation 2002* (Regulation) allows it. Section 15A of the Regulation allows changing the location of the water licence if the Resource Operations Plan (ROP) states the rules. The Water Licences held by Seqwater irrigators are in Central Lockyer WSS only, which does not have a ROP (so the rules are not specified).

4. **Confirm:** Thus, permanent trading of water licences is not permitted in Central Lockyer WSS (Benefitted Groundwater Area). Correct

Comment [c3]: DERM will answer this better but the location **can** be changed on a water licence however this is not the same as permanent trading.

Interim Water Allocation

5. **Confirm:** Interim Water Allocations (IWA) are held by irrigators in the Central Locker (~~Mortonvale Pipeline Distribution System~~), Lower Lockyer and Warrill Valley WSSs. Discrete IWAs are not held by individual irrigators in the Central Lockyer.

Section 190 of the Water Act specifies that an IWA attaches to the land of the holder.

Section 195 allows for IWA to attach to other land if the Regulation provides for the transfer. Section 8 of the Regulation allows for transfer to other land if the IWA is managed under an Interim Resource Operations Licence (IROL) for a water supply scheme mentioned in schedule 3, column 1 of the Regulation. No Seqwater irrigation WSSs are in Schedule 3.

6. **Confirm:** As no Seqwater irrigation WSSs are in Schedule 3, IWAs in the Central Locker (~~Mortonvale Pipeline Distribution System~~), Lower Lockyer and Warrill Valley WSSs may not be permanently traded. Correct. None of these WSSs are in Schedule 3.

Water Allocation

7. **Confirm:** Water Allocations are held by irrigators in Cedar Pocket, Central Brisbane, Logan and Mary River WSSs. Correct

Section 129 of the Water Act allows for a change to a water allocation if the ROP allows it.

8. **Confirm:** Therefore, water allocations may be permanently traded subject to the conditions of the ROP, in Cedar Pocket, Central Brisbane, Logan and Mary River WSSs. Correct

Comment [c4]: Changes to a water allocation include things like the splitting or amalgamation of WA's, change to ROL zone or priority. These things are in addition to the ability to permanently trade a WA.

1.5 Temporary Trading

Water Licence

Water Licences are held by some Seqwater irrigators in the Central Lockyer WSS. Section 230 of the Water Act allows temporary trading if the WRP or ROP allows temporary trading. However, the relevant Moreton WRP does not allow temporary trading of water under a water licence and the ROP is not established for the Central Lockyer.

Temporary trading would require licences to be converted to IWAs; however, although the current IROL indicates that this could (by now) have occurred, it has not. This is due to delays in the water planning process for which DNRM is responsible.

9. **Confirm:** Thus, temporary trading of the water licences held in the Central Lockyer WSS is not permitted.

Comment [c5]: Correct, however temporary trading is allowed by Morton Vale customers as these are neither water licences nor iWA's, nor WA's.

Interim Water Allocations

IWAs are held by Seqwater irrigators in the Central Locker, Lower Lockyer and Warrill Valley WSSs. Section 200 of the Water Act allows an IWA to be temporarily traded, subject to the approval of the IROL holder (Seqwater) and the conditions of the IROL.

10. **Confirm:** Thus, IWAs can be temporarily traded (where they are held) by irrigators in the Central Locker, Lower Lockyer and Warrill Valley WSSs. Correct

Water Allocations

Water Allocations are held by irrigators in Cedar Pocket, Central Brisbane, Logan and Mary River WSSs. Section 129 of the Water Act allows for a change to a water allocation if the change is permitted under the water allocation change rules of a resource operations plan.

11. **Confirm:** Thus, water allocations may be temporarily traded (subject to ROP conditions) in Cedar Pocket, Central Brisbane, Logan and Mary River WSSs. Correct

1.6 Surrendering WAE

Water Licence

Water Licences are held by some Seqwater irrigators in the Central Lockyer WSS. Section 226 of the Water Act allows for an irrigator to surrender a water licence.

~~12.~~ **Confirm:** Thus, water licences can be surrendered in the Central Lockyer WSS. To divest themselves of water licences, irrigators may: surrender the licence; or as licences require periodic renewal, may instead choose to not renew.

Comment [c6]: Again, DERM will answer this better but we understand that iWA's could be transferred to other land. This is not the same as permanent trading.

Interim Water Allocation

IWAs are held by Seqwater irrigators in the Central Locker, Lower Lockyer and Warrill Valley WSSs. Section 197 of the Water Act allows for an irrigator to surrender an IWA.

~~13.~~12. **Confirm:** Thus, irrigators in Central Locker, Lower Lockyer and Warrill Valley WSSs may surrender their IWA. Correct, however no process has been progressed by DNRM to make the volumes of water surrendered available.

Water Allocation

Water Allocations are held in Cedar Pocket, Central Brisbane, Logan and Mary River WSSs. As water allocations are a property right, they cannot be extinguished and no provision exists in the water planning framework for them to be voluntarily surrendered.

However, Section 138 of the Water Act allows for a water allocation to be forfeited by the Chief Executive if a water allocation holder has been convicted of an offence under the Act. Offences are described in sections 808-812 of the Water Act and include unauthorised taking, using water contrary to water use plan and tampering with devices.

It is not clear if failure to pay water charges would be grounds for forfeiture (prosecution).

~~14.~~13. **Confirm:** A water allocation may not be voluntarily surrendered in Cedar Pocket, Central Brisbane, Logan and Mary River WSSs. Correct

~~15.~~14. **Confirm:** A water allocation may be forfeited by the Chief Executive of DNRM after successful prosecution of a customer for (likely serious) non-compliance actions. Please confirm with the Department.

1.7 Water Supply Contracts

Water Licences

Water Licences are held by some Seqwater irrigators in the Central Lockyer WSS. See Interim Water Allocation (below) for discussion of the water supply contracts relevant to licence holders.

Interim Water Allocation

IWAs are held by Seqwater irrigators in the Central Locker, Lower Lockyer and Warrill Valley WSSs. Section 1116 of the Water Act requires that the Minister approve standard supply contracts for the storage and delivery by the corporatised entity of water under interim water allocations.

The Act defines a corporatised entity as the commercialised business unit previously within the department and known as State Water Projects (i.e. now SunWater).

The *South East Queensland Water (Restructuring) Act 2007* specifies that Rural Water Pricing Direction Notice (No. 1) 2006 applies Seqwater customers. However, there is no reference that Seqwater is the 'corporatised entity' referred to in the Water Act.

Therefore, it is unclear whether the standard supply contracts continue to have legal effect as Seqwater is not the corporatised entity defined by the Water Act.

In the Central Lockyer, licence holders take water which is collectively assigned an IWA in the IROL. Therefore, the standard supply contract applies to licence holders in the same way as for IWA holders.

~~16.15.~~ **Confirm:** That the Minister has approved a standard supply contract for storage and delivery for Central Lockyer, Lower Lockyer and Warrill WSS and explain the legal mechanism that makes Seqwater a contracted party. Please send the QCA a copy of this contract/s. [Please refer to our email of 14 June, 2012.](#)

~~17.16.~~ **Confirm:** That the standard supply contract applies to licence holders in the Central Lockyer in the same way as for IWA holders. [Correct+](#)

Water Allocation

Section 122A of the Water Act allows the chief executive to approve standard supply contracts for the storage and delivery of water allocations by ROL holders. On the day an allocation is granted, the standard supply contract for the area applies to the allocation. [Correct](#)

The majority of Seqwater's irrigation customers are subject to the terms and conditions of standard supply contracts, deemed (not signed) under the Water Act. The exception is where an individual or scheme specific (signed) supply contracts have been [established](#).

~~18.17.~~ **Confirm:** That the Chief Executive has approved a standard supply contract for Cedar Pocket, Central Brisbane, Logan River and Mary Valley WSS [under S122A](#). Please send the QCA a copy of this contract/s. [Correct. Contracts can be found on the DERM website. Also refer to our email of 14 June, 2012 that includes links to relevant contracts.](#)

Comment [c7]: Approx. Half of Seqwater's customers are on deemed contracts issued under the Water Act, the other half are on standard supply contracts which they have signed.

1.8 Service Standards

Service Standards have been attached to Seqwater's NSPs in Cedar Pocket, Logan, Lower Lockyer, Mary Valley and Warrill WSS.

~~19.18.~~ **Confirm:** No service targets are specified in Central Brisbane and the Central Lockyer WSS.

[Correct](#)

2. INDIVIDUAL SCHEMES SUMMARY

Table 2: Summary of Seqwater WSS

WSS	Tariff Group	WRP	ROP	Final ROP Approved	WAE ¹ Status	Irrigation Priority	Permanent Trading	Temporary Trading	Able to Surrender	Service Standards ²
Cedar Pocket	Cedar Pocket Dam	Mary Basin 2006	Mary Basin	2-Sep-11	Water Allocation	Medium	Yes	Yes	No	Yes
Central Brisbane	Central Brisbane	Moreton 2007	Moreton	4-Dec-09	Water Allocation	Medium	Yes	Yes	No	No
Central Lockyer	Central Lockyer Regulated	Moreton 2007	NA	NA	Surface Water licence²/IWA	Risk A/ Risk B	No	Yes	Yes	No
Central Lockyer	Mortonvale	Moreton 2007	NA	NA	Waterworks Licence	Medium Priority	No	No	Yes	No
Central Lockyer	Mortonvale Central Lockyer Groundwater	Moreton 2007	NA	NA	Surface water Ground water licence²	Risk A & Risk B Medium	No	No	Yes	No
Logan	Logan River	Logan Basin 2007	Logan Basin	4-Dec-09	Water Allocation	Medium	No Yes	Yes	No	Yes
Lower Lockyer	River	Moreton 2007	NA	NA	IWA	Medium	No	Yes	Yes	Yes
Mary River	Mary Valley	Mary Basin 2006	Mary Basin	2-Sep-11	Water Allocation	Medium	Yes	Yes	No	Yes
Mary River	Pie Creek	Mary Basin 2006	Mary Basin	2-Sep-11	Water Allocation	Medium	Yes	Yes	No	Yes
Warrill Valley	Regulated	Moreton 2007	NA	NA	IWA	High A	No	Yes	Yes	Yes
Warrill Valley	Regulated	Moreton 2007	NA	NA	IWA	High B	No	Yes	Yes	Yes

² ~~To be converted to IWA on completion of Central Lockyer Allocation Project.~~ **Incorrect – Surface water licences are already Iwa's**

² ~~Water Supply Arrangements and Service Targets~~

³ ~~To be converted to IWA on completion of Central Lockyer Allocation Project.~~

³ ~~Water Supply Arrangements and Service Targets~~

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WSS	Tariff Group	WRP	ROP	Final ROP Approved	WAE ¹ Status	Irrigation Priority	Permanent Trading	Temporary Trading	Able to Surrender	Service Standards ²
Warrill Valley	Regulated	Moreton 2007	NA	NA	Distribution Loss IWA	Medium	No	No	Yes I don't believe it can be surrendered	Yes Not subject to Services Stds as it belongs to IROL holder
Warrill Valley	Regulated	Moreton 2007	NA	NA	IWA	Medium	No	Yes	Yes	Yes