

QCA irrigation workshop: issues arising

[This note records issues identified and views expressed by stakeholders present at the meeting. The QCA is yet to form any opinion on these issues and views. As appropriate, issues will be addressed in the QCA's final report.]

Scheme/(s): Nogoia-Mackenzie WSS

Location: Emerald

Date: Friday 27 September 2019

Pricing framework

- Query as to if the QCA consults with other government departments such as Department of Agriculture and Fisheries (DAF) with regards to regional development.

Apportionment of dam safety upgrade capital expenditure

- Concern raised with Sunwater classifying renewals works that arose due to poor design as dam safety expenditure. View expressed that irrigators should not pay for these costs.
- View expressed that only including 50 per cent of dam safety expenditure into the regulatory asset base (RAB) (as proposed by Sunwater in some schemes) is misleading, as the additional 50 per cent will be included in the future.
- Concern raised with the QCA using the term 'formal flood mitigation service'. View expressed that since dams protect the community in a flood event, they have a formal flood mitigation service. They also considered that the QCA needs to refine its definition when using the term 'formal flood mitigation service', i.e. is the QCA referring to the dam safety upgrade or the dam itself?
- Concern raised that the QCA used the term 'flood moderation' inconsistently, with no clarification as to whether it applies to the spillway, dam itself or dam safety upgrade.
- Stakeholders considered that since downstream population size has contributed to the need for a dam safety upgrade, the community should pay a fair share.
- Concern raised about the appropriateness of the Australian National Committee on Large Dams (ANCOLD) guidelines for Australian dams. Questions were raised about the treatment of any future updates to the guidelines that require more dam safety upgrades.
- Concern raised that once a share of dam safety expenditure is allocated to irrigators it won't be reversed.
- View expressed that dams were not built for the primary purpose of supplying water to users, they were built for regional development.
- Concern raised with the QCA's use of wording regarding allocating 80 per cent of dam safety capital expenditure to users. View expressed that it sounds like the QCA is allocating 80 per cent of costs directly to irrigators and the remaining 20 per cent to other users.

Costs

- View expressed that the draft report is confusing to follow since it does not specify what costs are being discussed. Clarification needs to be made as to whether the report is referring to lower bound, whole scheme or irrigator only costs in the tables or when reference is made to costs. Concern raised that costs are specified as irrigator only when they actually apply to all customers.

- Query as to the QCA's ability to assess prudence and efficiency given the limited timeframe and lack of resources.
- Concern raised regarding the QCA's draft recommendations for within-price path period reviews, given that irrigators are paying for this review. View expressed that once prices are set they shouldn't change.
- View expressed that since Sunwater uses the QCA's recommended lower bound price as a basis to set prices for non-irrigation customers, irrigators should not be allocated all of the QCA regulatory fee.
- View expressed that while insurance costs increased from Sunwater's original submission, the QCA didn't take into account the transfer of some distribution scheme assets to local management arrangements.
- View expressed that Fairbairn Dam reduces flood events, so Inspector-General of Emergency Management (IGEM) review costs are irrelevant. It was also considered that IGEM costs should not be allocated to irrigators as they are not prudent.

Draft prices

- Concern raised with changes to the headworks utilisation factor (HUF) in this scheme since the reasoning was due to things which are controllable by Sunwater, such as converting medium priority water to high priority and removing the fabric dam from Bedford weir.
- Concern raised about the appropriateness of the HUF, given that it is based on the driest 15-year period, and does not take into account carry-over water.
- Concern raised about the impact the HUF has on costs associated with high priority distribution losses, which are paid for by irrigators that are distribution system customers. This also reduces the ability to convert high priority water back to medium priority water since it's too expensive.