

QCA Submission for the 'Sunwater Irrigation Price Path Proposal - 1 July 2025 to 30 June 2029'

1. Central Highlands Cotton Growers and Irrigators Association (CHCG&IA)

The CHCG&IA is an incorporated association under the *Associations Incorporation Act 1981* (QLD).

The CHCG&IA is a local industry group that represents growers/irrigators and associated businesses in agriculture. Membership is comprised of members (approx. 40) who grow crops that include cotton, mungbeans, soybeans, sunflowers, chickpeas, wheat, grapes, melons, macadamias and citrus. Associate members (approx. 50+) include product resellers, bankers, agronomists, consultants, contractors, ginners, merchants and researchers.

Membership is voluntary and the CHCG&IA is coordinated by volunteers. The group's objectives are:

- Promoting economically viable and environmentally sustainable growth in the industry
- Promoting industry Best Practice and facilitating education opportunities for members
- Providing a support network locally and advocating for members at a district, state and national level
- Advocating 'production, research, protection and advancement' of the local industry

The irrigation areas are serviced by the Nogoia, Comet, Belyando and McKenzie River catchments and the businesses are a mix of family and corporate operations.

2. Queensland Competition Authority (QCA)

The CHCG&IA wish to thank the Treasurer and Minister for Trade and Investment for issuing a referral notice to the QCA to investigate the pricing practices of Sunwater related to the irrigation prices that are to be applied from 1 July 2025 to 30 June 2029.

As Sunwater has the monopoly of bulk water in the Nogoia Mackenzie scheme, we invite and encourage the QCA to work with the CHCG&IA throughout the investigation period and look forward to collaborating to achieve fair and equitable irrigation prices for our members for the above-mentioned period.

3. Submission Overview

Sunwater's initial proposal of their bulk water services provided to the Nogoia Mackenzie scheme indicates significant increases in costs. In this submission, the CHCG&IA wish to outline some concerns for the QCA consideration and further investigation. These include, but are not limited to the following:

- 1) **Significant Price Increases** – What are the drivers for such significant price increases that Sunwater have proposed?
- 2) **Double-Dipping** – Sunwater's Irrigation Price Path Proposal shows inflated prices for water according to CPI, then also says that prices indicate inflation PLUS CPI. Explain how price increases are justified.
- 3) **Unrealistic and Grossly Inflated 'COVID' Prices** – the CHCG&IA wish to be assured that the unrealistic and grossly inflated 'COVID' prices and practices are NOT used as a basis for future pricing. Raised costs during this period (including adopted practices such as one person per vehicle policy) are not indicative of current and future costings and as such should not be used. Specific example to note *"Sunwater scoping water meter upgrades during COVID – 3 separate vehicles were travelled in and utilised when normally 1 would suffice. This practice 'Company-wide' during this period would have been an exceptional operating expense and is not indicative of future operating expenses"*

- 4) **Quoting Process** – Investigate Sunwater’s process for obtaining and accepting quotes for works to be carried out. What processes exist in Sunwater to ensure that when they engage in Services and products from contractors/businesses, that they receive competitive and tested quotes?
- 5) **New Accounting System** – Sunwater’s proposal for the implementation of a new accounting system appears an excessive expense. Is it necessary? What other options have been explored for a more cost-effective outcome?
- 6) **52% over Budget** – How did Sunwater get their expenses so wrong (52% out from budget)?
- 7) **Insurance** – What options have been explored for Insurance? Why was there a 21% increase in the 2023/2024 year with future predicted for 10.73% in 2024/2025? Has a ‘self-insurance’ option been explored around specific assets to reduce cost?
- 8) **Meter Replacements** – The CHCG&IA has concerns about the lack of detail provided by Sunwater regarding their capital expense of \$300,000 for meter replacements.
- 9) **CAPEX & OPEX Assumptions** – Are Sunwater factoring in the LN1 and Selma Pump Station in their CAPEX and OPEX assumptions?
- 10) **Regulated Asset Base (RAB) vs Annuity**
 - a) In reference to the ‘Referral Notice’ from The Hon. Cameron Dick MP – Treasurer and Minister for Trade and Investment to the Chair of QCA, it states that “while the RAB-based methodology has merit, proposals from the businesses (*in this case, Sunwater*) relating to a RAB-based methodology, and any associated decisions from Government, are not expected to be available for consideration by the QCA as part of this review” The Minister for Water, The Hon. Glenn Butcher MP, stated himself that this work is “complex and ongoing, and further work is required to ensure there are no adverse consequences for both customers and the businesses.” With this in mind, the CHCG&IA support this and believe there needs to be further investigation ensure that the process is not rushed through.
 - b) CHCG&IA has concerns around Sunwater’s ‘consultation process with Customers/Irrigators’ to gauge support for the change to a RAB approach. There does not appear to be significant nor comprehensive support from Nogoia Mackenzie Scheme Irrigators for a change to RAB.
 - c) Is Sunwater’s proposed RAB approach going to be based on their current asset management practices? Would they be accountable after 4 years if they haven’t reached their mark?
- 11) **Bedford Weir Reconstruction** – Is there still ongoing expenditure being outlaid? If so, is it required? The CHCG&IA request a resolution to the impacts on the Fairbairn Dam reliability and the revenue gained and retained by Sunwater since the failure and subsequent removal of the ‘Fabri-Dam’.
- 12) **Electricity** – What process and review system does Sunwater have/use to ensure the most appropriate and efficient electricity tariff is selected in relation to the Selma Pump Station? Sunwater must be held accountable for their electricity usage and be encouraged to implement more efficient practices.
- 13) **Staff and Customer Engagement Costs** – \$2.9M expenditure in customer support is not reflected in service delivery/customer support received in our region. Are Sunwater effectively training, recruiting and retaining staff? Should these excessive expenditures be passed on to Irrigators if the expense is deemed to be as a result of inadequate management practices by Sunwater?
- 14) **Advertising/Marketing** – Is Sunwater’s advertising and marketing appropriate, efficient and targeted?
- 15) **Gauging stations** – Are they reliable? Unreliability of this infrastructure and the inaccuracy of feedback/data gained from these stations is a concern of the CHCH&IA.
- 16) **QCA Review** – the CHCG&IA would like the cost of the QCA review to be removed from consideration. The cost of the review of the monopoly activities provided by Sunwater should not be borne by irrigators.
- 17) **Viability** – The QCA should give consideration to irrigators viability. Increasing water costs could result in irrigators becoming unviable into the future as the cost of production becomes too high.
- 18) **Recreational Costs** – the CHCG&IA request the categorisation of the recreational facility/area costs to ensure that all relevant costs are excluded.

4. Conclusion

The CHCG&IA would like to thank the QCA for their investigation into the monopoly activities of Sunwater and for recommending prices that accurately reflect efficient operational, maintenance and administrative costs.