



# **QCA Irrigation Water Price Path Submission**

29 February 2024

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# 1 Fairbairn Irrigation Network

## 1.1 About

Fairbairn Irrigation Network Limited (FIN) is a locally owned company managing the distribution of up to 86,000 megalitres of water from the Fairbairn Dam to channel customers. Through an extensive irrigation supply and drainage network, FIN is responsible for the timely delivery of water for use in irrigated annual crops, horticulture, and stock and domestic supply.

## 1.2 Our Team

The day-to-day management of the Company is overseen by a General Manager, who reports directly to the Board. We have ten staff members, in addition to the General Manager.

## 1.3 Our Board

### Chair

David McDougall

### Directors

Ross Burnett

Emma McCullagh

Director and Company Secretary

Hamish Millar

Mitchell Petrie

# 2 Emerald Irrigation Distribution Scheme

## 2.1 Fast Facts

- The area irrigated by the distribution scheme is approx. 15,000 hectares, scoured from the Fairbairn Dam
- Irrigation crops – cotton, cereals, citrus and other crops such as macadamias and grapes

- Customers – 150 Irrigators
- Channel & Pipelines – 126 km
- Pump Stations – 4
- Balance Storages – 0
- Drains – 144 km
- Offtakes = 144 km
- Water Transported – 86,000ML
- Water Allocation Entitlements – 83,000ML
- Distribution Losses – 29,643ML

### **3 Queensland Competition Authority (QCA) Price Path Review**

FIN thank the QLD Government for directing the Queensland Competition Authority to review the irrigation pricing practices of Sunwater in relation to the operation, maintenance and administration of the Nogoia – Mackenzie scheme for the four-year period from 1 July 2025 to 30 June 2029.

### **4 Summary of Issues**

Please accept this as our submission. FIN have identified the following concerns, these include but are not limited to.

#### **4.1 Selma Pump Station Operations & Maintenance**

FIN have a service agreement in place for the operations and maintenance of the Selma Pump Station, are forecasts based on best practice operations and maintenance.

Sunwater have not issued or provided any detail on Opex & Capex planning for Selma PS with the exception of issuing a table with high level figures out to 2027 for the following cost centres.

- Sunwater have issued a basic table of figures
- Routine - Operations - electricity
- Routine - Operations - insurance
- Routine - Operations - other

- Routine - Preventative maintenance
- Routine - Corrective maintenance
- Non Routine - Operations
- Non Routine - Preventative maintenance
- Non Routine - Corrective maintenance
- Non Routine - R&E

Sunwater have stated in their Asset Management and Strategic Objectives their plan is consistent with industry good practice and in alignment with International Organisation for Standardisation (ISO) 55000 asset management standards. The organisation notes the creation of a Sunwater-wide SAMP and separate Asset Management Plans (AMP) for Service Contracts on their water supply schemes.

Sunwater have an operate into perpetuity model for the Selma PS which does not align with their statement contained within their Asset Management and Strategic Objectives. The development of a Strategic Asset Management Plan aligning with ISO 55000 is underpinned by a risk-based approach to managing water assets due to the need to understand the relative importance of ones assets. Assets that are considered more critical such as the Selma Pump Station, have the potential to significantly impact on the Sunwater business and the level of service FIN provides to our customers. A SAMP provides a business wide repeatable approach to assigning criticality to individual assets and allows organisations to manage these assets more effectively through optimised maintenance expenditure and prioritised renewals programs focussed on addressing high risk assets.

Q. Can Sunwater demonstrate the Asset Management and Strategic Objectives and underlying individual plans have or will deliver savings and are these included in the price path assumptions?

Q. Have these plans been tested and can Sunwater demonstrate such.

## 4.2 Selma PS & LN1 Opex

Sunwater outlined proposed operating costs and renewals expenditure they believe are required to deliver irrigation services over the next price path period; required revenue and price calculations; as well as a potential cost recovery change with implications for customer prices.

Do these pricing calculations include the operations, maintenance, administration and capital expenditure for the Selma Pump Station and the LN1 drainage system. FIN have a service contract in place with Sunwater for (1) the O&M of Selma PS and (2) maintenance of LN1 drainage system. Both service agreements are based on a cost + arrangement meaning Sunwater incur costs and also derive revenue from both assets.

Q. Is both the cost of sales & derived revenue included in the price path assumptions for the Nogo Mackenzie scheme?

### 4.3 Nogoa & Mackenzie Operations and maintenance

Sunwater's opex forecast was developed using the base-step-trend methodology presented in their pricing submission.

Sunwater's proposed base year (2022-23 actuals after adjustments) of \$3.598M and is \$1.238M (52%) higher than the QCA's allowance for the same year (after adjustment for actual inflation).

Sunwater's key drivers for change are described as

- associated support costs – accounts for 44 per cent of the uplift
- contractors – accounts for 20 per cent of the uplift
- direct labour – accounts for 14 per cent of the uplift.

FIN incur quarterly invoicing for the O&M of Selma PS & LN1 drainage system, it is our experience the invoicing is constantly flawed and contains costs associated with non-FIN related activities.

Invoicing also contains costs associated with managerial support services i.e. senior accountant costs for the approval of invoices, senior management costs associated with safety inspections, labour costs associated with supervision of contractor provided services etc.

Q. Are Sunwater's administrative & operational practices consistent with sustainable business outcomes. Is there a benchmarking programme in place for analysing or evaluating sustainability initiatives or past and future business performance.

### 4.4 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?

Q. 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?

### 4.5 Sunwater Insurance Costs

Why was there a 21% increase in the 2023/2024 year with future costs predicted of 10.73% in 2024/2025? Has a 'self-insurance' option been explored around specific assets to reduce cost?

Q. What options have been explored for Insurance?

## **5 Conclusion**

This is our initial summary of concerns FIN would like the QCA to review during your assessment of the Sunwater Irrigation pricing proposal 2025 to 2029. We look forward to working with the QCA to ensure Sunwater is able to deliver water services in an efficient, cost effective and sustainable fashion