



Pioneer Valley Water Co-operative Limited.

A co-operative formed under the *Cooperatives Act 1997*.
ABN: 55 322 373 770

PO Box 275
(Level A, 120 Wood Street)
Mackay QLD 4740

Ref: GD :

30 November 2018

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sir / Madam,

RE: Rural Irrigation Price Review 2020-24

I refer to the direction notice from the Deputy Premier (Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships) referring the monopoly business practices of Seqwater and SunWater to the Queensland Competition Authority for investigation about pricing practices from 1 July 2020 to 30 June 2024.

I advise that Pioneer Valley Water wishes to participate in local stakeholder meetings and receive issues papers and reports related to the investigation. Pioneer Valley Water will also provide submissions to the investigation at the appropriate times.

As an initial submission the following comments are provided:

Affordability

Irrigators in the Pioneer Valley have already changed irrigation practices from a crop promotion footing to one of crop survival in response to past unsustainable increases in water and electricity pricing, as the Queensland government seeks to transition High Priority B allocation holders to cost reflective pricing. Agricultural productivity has plummeted accordingly. Irrigation schemes and farming enterprises are at risk together with tens of millions of dollars in scheme and on-farm irrigation infrastructure. Downstream enterprises servicing and otherwise reliant on a vibrant agricultural sector are similarly at risk and are confronting issues around severe reductions in processing capacity, and/or downsizing at a minimum. The water market in the Pioneer River Water Supply Scheme has failed, with water allocations now acting as a deterrent to the sale of farms, and outcomes from the surrender of water allocations and/or the inability of allocation holders to pay water charges invoices all point to a redistribution of fixed charges across those that are left in the sector.

Into the above economic reality, increases proposed by SunWater under the parameters of the Queensland government's direction notice propose a 20% increase in water charges in 2020, and an average increase around 15% per annum over the four-year price path. To put that into some sort of perspective, Pioneer Valley Water would need to lay off 80% of our personnel in order to off-set the four-year increase! Irrigators are simultaneously confronting increases in the order of 60% to 140% in electricity prices in 2020 at a scheme level (i.e. excluding increases to their individual energy costs).

Pioneer Valley Water is *extremely* disappointed that the Queensland government has effectively tied the QCA's hands in terms of considering capacity to pay when recommending fixed (Part A) pricing. We respectfully ask that the QCA examine the issue of capacity to pay and prosecute it in relation to usage (Part B) pricing to the full extent available to QCA under the direction notice.

Annuity Reserve

The negative balance in the annuity reserve for the Pioneer River Water Supply Scheme has increased far beyond that anticipated by the QCA when the previous price path was recommended. The reasons behind this overspend need to be scrutinised for prudence and efficiency. There needs to be a mechanism for *ongoing* assessment of performance against budget, not simply a pass-through approach where overspends are carried through into the next price path. Annual Network Service plans have historically not provided enough detail for this level of scrutiny by customers, and customers generally do not have access to the necessary skillsets to assess the information presented. There is clearly a need for independently prepared efficient cost data.

There is a significant step change (doubling) of the required annuity contribution from 2020/21 in the Pioneer River Supply scheme. This argues for close examination of SunWater's approach to asset management, and scrutiny of the cost basis used for planned projects.

Headworks Utilisation Factor

Changes to the PRWSS HUF are welcomed by PVWater, however they do not go far enough in this scheme. While the change in storage volumes associated with removal of inflatable rubber dams from Dumbleton and Mirani Weirs has been considered, the impacts on system yield and associated reduction in reliability of supply appear to have been overlooked.

Similarly, the reduction in system yield resulting from operational constraints at Marian Weir, and the reduction in supplementation efficiency associated with downgrading of the Palm Tree Creek Outlet release mechanism (from cone valve to pepper-pot valve) have not been considered.

Under water sharing rules, changes in system yield and operational efficiency impact High Priority B allocation holders much more significantly than High priority A allocation holders and should be evaluated and reflected in the HUF.

Insurance

There can be no doubt that insurance costs have increased significantly across all sectors, however, insurance costs for SunWater against the bottom line for the PRWSS are running at 350% against QCA predictions!

This increase is unsustainable, and argues for:

- scrutiny of policy documentation to confirm the insurability of all items insured;
- assessment of the value for money associated with insurance of items insured;
- exploration of options for self-insurance.

Flood Monitoring and Reporting

Pioneer Valley Water contends that flood monitoring and reporting benefits the wider community and associated costs should be borne by that community accordingly.

Dam Safety

We feel strongly that there has not been anywhere near enough opportunity for community debate about the imposition of dam safety requirements in Queensland in the first instance, let alone for examination of the fallout in terms of costs. To be considering how best to allocate those costs, is putting the cart before the horse.

There is insufficient information available as to construction of the costs as presented. As with flood monitoring and reporting, Pioneer Valley Water contends that costs associated with dam safety upgrades, should be borne by the broader community.

Thank you for the opportunity to provide some initial comments on the 2020/24 irrigation pricing review for SunWater schemes. We will provide more detailed submissions in due course.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Greg Dawes', with a stylized flourish at the end.

**GREG DAWES
MANAGER.**