

FIRST ROUND CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the meeting. The Authority is yet to form any opinion on them. As appropriate, issues will be addressed in proposed Issues Papers and in the Authority's reports].

Scheme: Bundaberg

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Process Issues

- The Authority should consult with smaller groups of irrigators and hold several meetings in the scheme for subsequent consultation rounds.
- The time allowed for the price review is too short and should be extended. The timeframe does not allow adequate time to make submissions and to respond to SunWater's submission, the issues papers and the draft prices which are due to be released by the Authority by 31 January 2011.
- Irrigators confirmed that the Authority will be recommending prices to Government and that Government will be making the final decision.

Technical Issues

- SunWater has a small revenue risk as irrigators are obliged to pay Part A charges (which largely cover SunWater's fixed costs) regardless of water use. Under the current arrangement, irrigators bear most of the risk.
- The irrigation industry provides employment to many in regional Queensland and the multiplier effect of agricultural production is significant for rural Queensland. The public benefit of water use should offset the amount charged to irrigators through water prices.
- If a depreciation approach is preferred to the current renewals annuity, then the Authority will need to determine how to treat the balance in the renewals reserve.
- The definition of what constitutes a channel asset and what constitutes a bulk asset is unclear.
- Irrigators want to ensure that SunWater's cost forecasts are based on efficient costs.
- If prices increase to the average capacity to pay then prices would be more than some irrigators had capacity to pay.
- The capacity to pay approach would allow different prices within a scheme/segment based on capacity to pay.
- By using the capacity-to-pay approach, profitable irrigators will be penalised as they have more capacity to pay. Some irrigators were of the view that they are currently paying prices at a level within their capacity to pay.
- Spillway assets have benefits to towns and the whole cost should not be borne by irrigators.

- Government should pay for environmental flows and fish ladders as they contribute towards a public benefit.
- Government does not receive a rate of return on its other assets such as roads and museums so should not seek a rate of return from irrigators.
- Canegrowers are price takers and will not be able to pass on higher water prices. Irrigators will be at a disadvantage to irrigators in other States due to Government policy and subsequent water prices.

Scheme Specific Issues

- Price Differentiation:

Some irrigators are of the view that costs in the scheme vary depending on the level of pumping required and that the users that require greater levels of pumping should pay the associated costs.

Conversely, other irrigators are of the view that all customers contribute towards scheme costs and that increasing prices in some areas will force those irrigators to stop irrigating and the costs will be shared by the remaining fewer irrigators. This will increase prices for everyone.