

## **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:** Nogoa Mackenzie

**Date:** 28-Apr-10

**QCA Contact:** Mark O'Sullivan (07 32220523, mark.o'sullivan@qca.org.au)

### **Process Issues**

- the Authority's presentation slides should be placed on the Authority's web site .
- the Synergies report contains errors.
- more notice of meetings is required.
- the Advertisement in paper was too small. A coloured header for the Authority's logo would attract attention.
- QCA should have access to confidential material from the previous review . Additional time for the review is required as 8 months to a Draft Report was not considered enough time.
- further visits to Emerald requested on key issues.

### **Technical Issues**

- irrigators have already funded the capital cost of the scheme through the sale of water /farms when the scheme was built and that they effectively own the scheme. Documentary evidence to be provided.
- the capitalised value of water entitlements has an impact on farmers borrowing levels. Higher tariffs means lower capital value/equity and reduced financial security.
- Emerald irrigators have to compete with interstate irrigators that do not pay a rate of return in their water charges Will the approach deliver a consistent outcome with the outcome in other states with their interpretation of NWI and National Guidelines set just recently by COAG?
- irrigators seek a definition of new assets which would attract a full return on capital. For example, is replacing meters (not being replaced with the same technology - new technology is claimed to be for work health place and safety reasons) a capital cost? How would bulk metering, total channel control and channel lining investments be treated?
- the likely rate of return is a major concern. Irrigators concerned that prices are heading towards \$100/ML.
- clarification is required on how the capital to service environmental flows will be charged.

- clarification is required on the impacts on charges of renewals annuities vs. depreciation of assets. Also the ability of customers to scrutinise expenditure and adjustments at the end of renewals term if assets have longer life.
- efficient operating costs is desirable but not at the expense of local administration support. There was concern about the level of administration costs, including head office cost and how these are allocated.
- there are 8-12% of the water charges that are not in Part A or Part B tariffs. Charges apply to carryover water and there are drainage charges. This revenue needs to be taken into account.
- drainage charges need to be reviewed as not all irrigators have/ need drains yet all are charged. Need to take into account lesser use of drains in areas due to number of factors e.g. trapping of off farm runoff, are works justified now.
- there was discussion about how QCA will approach projecting future water use as it is central to tariff pricing. Modelling shows 83-87% average usage. Related issues include: need for schemes to be able to review updated historical use data; concern about how alternatives to historic use forecasting could be implemented e.g. taking account of inter and intra seasonal water availability; implications of uncertain prices, distinguishing between agriculture and other use.
- recreational areas costs are passed to irrigation customers yet are a community resource; QCA to look at who should pay.
- Fairbairn Dam has flood mitigation benefits yet larger community not carrying part of the costs; and – implications for spillway upgrades.
- Spillway upgrades – who benefits, priority/timing, cost.
- capacity to pay is a difficult concept to measure and shouldn't be in the Referral – differences in cropping, market cycles, level of performance of enterprises, implications for competitive performance with other schemes in Qld and elsewhere. Can't assess unless in the position of the bank lender.
- capital cost allocation: suggested that modelling 100% conversion from medium priority to high priority be carried out as the true conversion factor is 3:1 not 2.5:1; flood mitigation should be removed first.

### **Scheme Specific Issues**

- how to value Bedford Weir as the inflatable device to increase storage has gone and further upstream irrigators are penalised. Water has to be released from the dam to make up for the lower weir storage.