

## SECOND 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 these issues and views. As appropriate, issues will be addressed in the Authority's reports].

**Scheme:** Mareeba-Dimbulah Water Supply Scheme

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### Process Issues

Irrigators were concerned that the consultation period is very short since they need to provide their submissions by 22 April 2011. They also noted that one of ARUP's findings for the Mareeba-Dimbulah Distribution was that no costs data was available from SunWater. The very tight timeline is also of particular concern.

### Scheme Specific Issues

#### *Consultation*

- SunWater has had very poor communication with stakeholders.
- Irrigators suggest that they be part of the consultation process especially for proposed renewals expenditures.

#### *Water Usage and water forecasting*

- Approximately 30% of irrigators hold 60% of water entitlements in the Mareeba-Dimbulah WSS.
- Water usage in Mareeba-Dimbulah has averaged 69% and this water use percentage has also been the basis for forecasting expenditures. Irrigators are happy to bear risk if water allocation is less than 69% but would like to benefit from more than 69% water availability.
- Mareeba-Dimbulah uses more water than forecast.

#### *Two River Tariff Groups*

- The irrigators clarified that there are two river irrigation tariff groups - 'River – Supplemented Streams & Walsh River' and 'River – Tinaroo/Barron'.
- SunWater NSPs did not include a discussion of water coming from supplemented streams and Walsh River.
- There should be price differentials for water used by irrigators along the river and those who use supplemented water.

#### *Tariffs*

- The current tariff structure and billing system is already complicated.

- A suggestion that the 70:30 tariff structures be maintained but to ensure revenue for SunWater, there would need to be a good water use forecast.
- SunWater will have a disincentive to pump water in high cost areas if they can only charge minimum variable cost. However, a high Part A will increase the incentive for irrigators to use their water.
- There is a need to clarify how the variable cost will be calculated (i.e. whether it will be based on the average electricity cost or a highest electricity cost).
- Question whether the fixed access charge is part of the 70:30 cost allocation for setting the price.

#### *Distribution Losses*

- If irrigators are forced to pay for distribution losses, there will be no incentive for SunWater to maintain their distribution system.
- In the previous price review, SunWater estimated 30,000 ML distribution loss . The current estimate of 45,000 ML distribution loss seems to indicate that after paying for the 30,000 ML, SunWater did not do anything to remedy or prevent the leaks.
- It is unacceptable that irrigators pay for SunWater's inefficiency.
- Some views that distribution losses should not even be considered.

#### *Renewals Annuity*

- A 20 year forecasting period for renewals expenditure is more acceptable as after that any forecast will be too uncertain.
- Consultation is recommended before SunWater estimates their renewals and enhancement. SunWater should look at what has been spent and what to do in the next 12 months.

#### *Cost Allocation*

- It is noted that:
  - a higher proportion of capital expenditures allocated to high priority water users; and
  - a higher proportion of operating expenditures allocated to medium priority water users.

#### *Weirs*

- SunWater's proposal to consider the four weirs as part of the distribution system for pricing is queried and in particular, how the weirs will be treated for pricing as they are ineffective in that they only hold a meter or half a meter of water.
- All weirs that used to be included in the bulk costs are now part of the distribution costs. It was argued that Collins Weir is a headworks weir and should be the only one included in the bulk costs.

### *Channels*

- Data for the tariff group ‘channel outside re-lift’ should be available from SunWater.
- The proposed change in the tariff structure for the distribution system is a concern to the irrigators.