

ROUND ONE 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: Central Brisbane River Water Supply Scheme

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1.1 Regulatory Framework

Volume Risk

- Irrigators sought confirmation that Seqwater's forgone revenue, due to low water use during the current price path, would not be recovered from irrigators in the 2013-17 prices.
- Irrigators questioned whether paying for water (particularly higher Part A fixed water charges) would ensure water availability or increased reliability associated with water access entitlements (WAE).
- In this water supply scheme (WSS), irrigators do not have access to on-farm ground water (whereas other WSSs do have additional ground water resources). This makes it more difficult for the irrigators in this WSS to manage water availability / ensure on farm supply.

1.2 Pricing Framework

Tariff Structures

- Irrigators commented that a 100% fixed charge will cause financial hardship to irrigators when water availability is low.
- Irrigators cannot trade water unless they have a meter installed, because (having sold the allocation temporarily or permanently) there would be no certain way of preventing them taking water subsequently. An exception to this, for the same reasons, is that where no meter and no water pump are installed, irrigators can trade water (because without a pump the same risk does not apply).
- Accordingly, water trading may occur between customers which both have meters, or where one customer has a pump and a meter (generally the buyer) and the other customer has neither (generally the seller – often referred to a 'sleeper or dozer').

1.3 Renewals Annuities

- Irrigators noted that renewals annuity costs in this scheme were less significant than the operating costs.

1.4 Operational Expenditure

Direct Operating Costs

- Irrigators generally do not order water, which may reduce operating costs incurred by Seqwater.

- Irrigators questioned the rate of indexation that Seqwater has applied to cost forecasts.
- Irrigators questioned the magnitude of recreation-area costs and what portion is allocated to irrigators. It was also generally considered that Government, not customers, should pay for the maintenance of these public recreation areas (particularly in SEQ where the costs are considered to be high and the level of use by the public commensurately high).
- The scheme was built for urban water supply – not irrigators. This is different to all other schemes that are operated primarily for irrigators. Accordingly, irrigators considered that more direct operating costs should be allocated to urban and industrial users than in a scheme that was built primarily for irrigation purposes.

Non-Direct Costs

- Irrigators considered that this scheme does not require additional staff in the Brisbane head office for the purpose of providing services to irrigators. It was considered that as the WSS overwhelmingly exists for the purpose of supplying urban and industrial water (and flood mitigation) and accordingly, irrigators should not pay for non-direct costs. Others considered that the irrigator share of non-direct costs should be smaller than that proposed by Seqwater.
- Irrigators questioned how much Seqwater is paying on catchment management activities and proposed that rather than irrigators paying for catchment management (which delivers environmental and water quality benefits to urban customers), Seqwater should pay irrigators for better catchment management practices on farm.
- Irrigators asked whether any costs related to the presentations to and findings of the dam enquiry and any associated legal action will be included in irrigators water charges.

1.5 Draft Prices

- Irrigators stated that much of the flood damage caused to their own properties during the 2010-11 floods included loss of river bank, pumps and meters (in cases where they exist).
- The estimated capital costs of remediation, whilst they vary for each property, are in the tens of thousands of dollars (or sometimes more). Such costs are generally not covered by the insurance policies held by landowners as the floods downstream of Wivenhoe Dam were deemed to be human-induced and not an ‘act of God’.
- This contributes to a widespread financial inability (currently) for (particularly smaller) operators to reinstate pumps and makes them reluctant to accept cost increases relating to water charges and potentially water meters.
- Irrigators keep a log book to record water use (that is provided to Seqwater’s office at Karalee) which could be used to determine the volumetric charge. This is done as a condition of holding a water allocation where a meter does not yet exist.
- Irrigators agreed that the starting price was a critical issue for this WSS:
 - One irrigator suggested that prices start on 1 July 2013 at a point between \$12 - \$20/ML, but conceded that \$20/ML (Part A fixed tariff) was possibly reasonable.
 - Another irrigator suggested a starting price of \$30/ML on the basis that sleepers and dozers are more likely to make water allocations available at or above this

price (whereas a lower starting point may not sufficiently incentivise non-productive water users to sell water allocations).

- A number of irrigators would propose a starting price of \$2/ML in 2013-14, on the basis that the current price is zero.
- Irrigators generally agreed that, for price pathing, and increase of \$2/ML plus 2.5% CPI was preferable to larger annual increments.
- Water allocation holders in this WSS are very concerned about metering costs (above) particularly as many have relatively minor allocations (say a 10ML water allocation with annual water charges proposed up to \$600 per annum at full lower bound cost recovery in 2016-17); whereas, a meter may cost \$1600 to \$9000 as a one-of investment depending on the decisions in relation to the above points.
- Irrigators questioned whether Government, Seqwater or irrigators will pay for meter installation. There is particularly concern that the cost of a meter (installed for the first time, where currently no meters exist) could be more substantial than the issue of annual water charges. Irrigators raised concerns that the likely low or zero Part B tariffs (that is, water consumption charges) create a situation where expenditure on a meter (and particularly an expensive meter complying with the national metering standard) would be hard to justify.
- Irrigators seek a policy decision from Government and / or Seqwater on water meters:
 - what standard of meters will be implemented (equivalent to current meters or the national metering standard);
 - what the timeframe will be for implementation of these meters (particularly where there are currently not meters); and
 - the funding arrangements (will irrigators, Seqwater and/or Government pay).
- Irrigators questioned how long it will take to reach cost reflective prices and whether their submissions on the above issues would ultimately make any difference to the final recommended prices.