

ROUND TWO CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the consultation 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: Mary Valley Water Supply Scheme (including Pie Creek tariff group)

Date: Tuesday, 12 February 2013

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1. Draft Prices

- An irrigator from Pie Creek noted that he considered the Authority's estimates of costs and prices to be correct. This nevertheless reflects the problems with the scheme, which would provide the basis for discussions with Government about its future.
- Irrigators claim that water use is decreasing over time. When Pie Creek was built there were 45 dairy farmers, now there are no dairy farmers. If the recommended draft prices are implemented then Pie Creek water use is likely to drop further. This will further increase volumetric charges in the future.
- Some irrigators considered that the Authority had done a one-dimensional review and had not looked at broader issues. For example, a review of the scheme needs to be undertaken, including consideration that the Gympie population is forecast to increase and will require more (urban) water in the future.
- Some irrigators considered that it may be cheaper to build on-farm water infrastructure than to pay the Authority's recommended draft prices.
- Irrigators questioned what would happen at the commencement of the subsequent regulatory period. Will prices substantially increase towards cost-reflective prices?

2. Pricing Framework

- Irrigators considered that Pie Creek is very inefficient and distribution losses are very high, which add significantly to the costs of the scheme. Irrigators wished to further discuss options with Seqwater to reduce losses.
- The termination fee is too high and should be reduced. It acts as a disincentive to trade.
- Irrigators suggested that the termination fee should be based on the recommended Part C fixed charge, rather than the cost-reflective Part C fixed charge.
- The high termination fee will decrease property values.

3. Renewals Annuity

- Meters have recently (about five years ago) been upgraded. They do not need to be done again. However, Seqwater contractors recently have been on farms proposing to replace five year old meters, which appear to be unnecessary and inefficient.

4. Operating Expenditure

- Irrigators questioned whether the reduction in Mary Valley WSS direct labour costs is due to a reallocation of costs from direct labour to contractors.
- Irrigators questioned whether a reduction in non-direct costs – due to the 1 January 2013 merger of Seqwater with LinkWater and the SEQ Water Grid Manager – was incorporated in the Draft Prices.
- If not, non-direct costs allocated to irrigators should be reduced in the QCA's Final Report.
- Irrigators should not pay for recreational renewals or operating costs. In SEQ, recreational costs are far more significant than in SunWater due to higher population density. The QCA should, in its Final Report, recommend that Government consider changing this policy.

5. Consultation

- It is difficult to comment on consultation without knowing the costs of the different consultation options.
- Seqwater should have internal reports already and preparing reports for irrigation should be relatively costless.