

CONTENTS

| | | |
|-------|---|---|
| 1 | Central Highlands Cotton Growers And Irrigators Association (CHCG&IA) | 2 |
| 1.1 | About | 2 |
| 1.2 | Objectives | 2 |
| 1.3 | Our Members | 2 |
| 2 | Nogoa Mackenzie Scheme | 2 |
| 2.1 | About the Scheme | 2 |
| 2.1.1 | Fairbairn Dam | 2 |
| 2.1.2 | Channel/Pipeline System | 2 |
| 2.1.3 | Selma Channel System | 2 |
| 2.1.4 | Weemah Channel System | 3 |
| 2.2 | Fairbairn Dam | 3 |
| 3 | Queensland Competition Authority (QCA) | 3 |
| 4 | Submission Overview | 3 |
| 5 | apportionment of dam safety program costs | 4 |
| 5.1 | Background | 4 |
| 5.2 | SunWater Proposal | 5 |
| 5.3 | Recommendation | 5 |
| 6 | Renewals Annuity | 5 |
| 6.1 | Background | 5 |
| 6.2 | Recommendation | 6 |
| 7 | Prices | 6 |
| 7.1 | Background | 6 |
| 8 | Conclusion | 7 |
| 9 | Bibliography | 7 |

1 CENTRAL HIGHLANDS COTTON GROWERS AND IRRIGATORS ASSOCIATION (CHCG&IA)

1.1 ABOUT

The CHCG&IA is an incorporated association under the *Associations Incorporation Act 1981* (QLD).

The CHCG&IA is local industry group that represents growers/irrigators and associated businesses in agriculture. Membership is comprised of members who grow crops that include cotton, mungbeans, soybeans, sunflowers, chickpeas, wheat, grapes, melons and citrus. Associate members include product resellers, bankers, agronomists, consultants, contractors, ginners, merchants and researchers.

The irrigation areas are serviced by the Nogoa, Comet, Belyando and McKenzie River catchments and businesses are a mix of family and corporate operations.

1.2 OBJECTIVES

Membership is voluntary, and the group is coordinated by volunteers. The CHCG&IA objectives are;

- Promoting economically viable and environmentally sustainable growth in the industry
- Promoting industry Best Practice and facilitating education opportunities for members
- Providing a support network locally and advocating for members at a district, state and national level
- Advocating “production, research, protection and advancement” of the local industry

1.3 OUR MEMBERS

Grower Irrigators – Approximately 50 members.

Associate Members – Approximately 80+ members.

2 NOGOA MACKENZIE SCHEME

2.1 ABOUT THE SCHEME

2.1.1 Fairbairn Dam

Fairbairn Dam is built across the Nogoa Gap about 19 kilometres upstream (south) of the town of Emerald, in Queensland’s central west.

2.1.2 Channel/Pipeline System

Water is diverted from Fairbairn Dam to two channel systems to customers via a network of mostly open-earth channels.

2.1.3 Selma Channel System

The Selma Channel System supplies water to the left bank, west and north of Emerald. The channel is approximately 47 kilometres long and supplies subsidiary channels totalling a further 26 kilometres.

The left bank outlet which releases water into the Selma Channel System is at a relatively high level and a pump station is required to lift water into the outlet channel for peak demand periods when the storage level falls. The pump station is located in the left bank wall of the spillway and is equipped with three variable discharge pumps.

2.1.4 Weemah Channel System

The Weemah Channel System supplies water to the right bank irrigation area east of Emerald. The channel is approximately 53 kilometres long.

The right bank outlet which releases water into Weemah Channel and the Nogoa River consists of a 6 metre diameter tunnel with an intake tower housing control gates at the upstream end. The tunnel was used to divert the river during construction of the dam.

Surface drainage systems are in place to provide drainage services in the area. The total length of drains is 204 kilometres.

(<http://www.sunwater.com.au/>, 2018)

2.2 FAIRBAIRN DAM

| Dam name | Stream name | Lake name | Nearest town | Structure description | Maximum height of dam above foundation (metres) | Storage capacity (ML) | Surface area at full supply level (ha) | Year completed |
|-----------|-------------|---------------|--------------|-----------------------|---|-----------------------|--|----------------|
| Fairbairn | Nogoa River | Lake Maraboon | Emerald | Earthfill embankment | 46.3 | 1,301,000 | 15,000 | 1972 |

(SunWater, 2018)

3 QUEENSLAND COMPETITION AUTHORITY (QCA)

The CHCG&IA association thank the Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships for issuing a referral notice to the QCA to investigate pricing practices relating to the business activities of SunWater, the sole operators of water delivery in the Nogoa Mackenzie scheme area. We invite the QCA to work with the CHCG&IA throughout the investigation period and look forward to collaborating to achieve fair and equitable irrigation prices for the period 1 July 2020 to 30 June 2024.

4 SUBMISSION OVERVIEW

The initial analysis of the bulk and distribution services provided by SunWater in the Nogoa Mackenzie scheme illustrates significant increases in costs. This initial submission outlines some of concerns which include, but are not limited to the following;

- **Dam Safety Program Costs** – the CHCG&IA reject the cost of dam safety upgrades. SunWater are referring to this as the Dam Improvement Program however the works do not lead to any improvements. The dam safety program is a community benefit and we categorically reject covering the cost of this.
- **Renewals Annuity** – There is a significant overspend in renewals annuity.
- **Electricity** – SunWater must be held accountable for their electricity usage and be encouraged to implement more efficient use.
- **Insurance**- SunWater need to consider their insurance profile and only insure relevant assets and for appropriate risk.

- **Distribution Price Increase (MP &HP)**– Forecast prices for the Emerald Distribution scheme increase substantially over the price path.
- **Bulk Water Price Increase (HP)** – Forecast prices for Bulk high priority water increase substantially over the price path.
- **Exit Fees** – Consideration needs to be given to how the revenue from exit fees is utilised. Exit fees must be used for investing in ways to reduce the ongoing costs to remaining water users rather than being absorbed in general revenue.
- **Flood Monitoring and reporting costs** – the CHCG&IA reject accepting the full cost of flood monitoring and reporting. This is a whole of community benefit and should be apportioned appropriately.
- **Queensland Competition Authority (QCA) Review** – the CHCG&IA would like the cost of the QCA review to be removed from consideration. The cost of the review of the monopoly activities provided by SunWater should not be borne by irrigators.
- **Viability** – The QCA should give consideration to irrigators viability. Increasing water costs could result in irrigators becoming unviable as the cost of production becomes too high.
- **Industrial Customers** – Sunwater have contracts with industrial customers. These customers hold supplemented allocations from the Fairbairn Dam and are considered in calculating the announced allocation. It is uneconomical under the current contracts for these customers to trade water back into the irrigation market because of exit fees attached. This scenario creates a reduced reliability at the Fairbairn Dam and is a barrier to increasing water use for production.
- **Bedford Weir** - The CHCG&IA request a resolution to the impacts on Fairbairn Dam reliability and revenue retained by SunWater since the failure and subsequent removal of the fabri-dam.
- **Recreation Costs** – The CHCG&IA thank the government for appropriately apportioning the costs of the recreation facilities to the appropriate end-users. However, the CHCG&IA request the categorisation of recreation facility costs to ensure that all relevant costs are excluded

We provide some more detail on the following subjects;

- Dam Safety Program
- Renewals Annuity
- Indicative Prices.

5 APPORTIONMENT OF DAM SAFETY PROGRAM COSTS

5.1 BACKGROUND

Historically, the QCA has not been asked to consider the recovery of dam safety upgrade capital expenditure when recommending irrigation prices during the last review in 2012. However, the current government has now changed its mind. The QCA has released a consultation paper, *Rural irrigation price review 2020-24: Apportionment of Dam Safety Upgrade Costs* outlining how it would propose to apportion the capital costs of the upgrades between irrigator customers and others who could be held responsible for these major investments.

5.2 SUNWATER PROPOSAL

The following table outlines the proposed SunWater approach toward dam safety program cost recovery.

| | 2019/20 Forecast \$'000 | 2020/21 Foreca st \$'000 | 2021/22 Forecast \$'000 | 2022/23 Forecast \$'000 | 2023/24 Forecast \$'000 |
|---|-------------------------------|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| DIP Expenditure ¹ | 61,350.0 | 9600.0 | - | - | - |
| DIP Contribution ² | - | 194.3 | 393.4 | 403.3 | 413.4 |
| DIP Contribution - % of Total Costs | 0.0% | 5.4% | 10.3% | 10.2% | 10.2% |

Table 1 Dam Improvement Program (DIP) Nogoa Mackenzie Bulk Water

(Sunwater, 2018)

5.3 RECOMMENDATION

Dam safety is a community benefit and the upgrades provide no additional value to irrigators, therefore they should not be expected to contribute to the dam improvement program capital expenditure.

The economic value of the irrigation industry to rural communities and the state will be demonstrated more fully in further submissions. It needs to be noted that there are other industries that are smaller who will Our submission will also refer to the flood mitigation benefits that the dam has provided during flooding events.

The CHCG&IA strongly oppose the cost of dam safety programs being passed on to irrigators and also note that the use of the term 'dam improvement' is not a true reflection of the works being conducted.

6 RENEWALS ANNUITY

6.1 BACKGROUND

The table below illustrates the increasing negative renewals annuity balance.

| Nogoa Mackenzie Service Contract | 2016/17 Actual \$'000 | 2017/18 Estimate \$'000 | 2018/19 Forecast \$'000 | 2019/20 Forecast \$'000 | 2020/21 Forecast \$'000 | 2021/22 Forecast \$'000 | 2022/23 Forecast \$'000 | 2023/24 Forecast \$'000 |
|-------------------------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Annuity | | | | | | | | |
| Opening balance ² | (1968.5) | (2970.8) | (4156.0) | (4763.1) | (6306.4) | (6053.9) | (5519.9) | (5317.3) |

| | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Spend | (1325.2) | (1444.8) | (789.9) | (952.9) | (934.3) | (701.4) | (1129.3) | (884.2) |
| Insurance proceeds receipts (if applicable) | | | | | | | | |
| Prior year | - | - | - | - | - | - | - | - |
| Current year | - | - | - | - | - | - | - | - |
| Annuity contribution ³ | 470.4 | 482.1 | 494.2 | 506.5 | 1551.8 | 1585.6 | 1651.4 | 1700.3 |
| Interest/financing costs | (147.4) | (222.5) | (311.3) | (356.8) | (364.9) | (350.3) | (319.4) | (307.7) |
| SunWater – Closing Balance | (2970.8) | (4156.0) | (4763.1) | (5566.3) | (6053.9) | (5519.9) | (5317.3) | (4808.9) |
| QCA – Closing Balance | (1625.6) | (1710.4) | (1374.4) | | | | | |
| Difference | (1345.3) | (2445.7) | (3388.7) | | | | | |

Table 2 - Annuity Balance Bulk Water Nogoia Mackenzie

6.2 RECOMMENDATION

The CHCG&IA ask the QCA to consider the interest and financing costs incurred because SunWater have not delivered their capital expenditure in an efficient manner.

7 PRICES

7.1 BACKGROUND

The following table illustrates the indicative prices proposed by SunWater throughout the price path.

| Side Constrained (Indicative) Prices (\$/ML) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|-------|-------|-------|-------|-------|-------|
| - HP Part A | 28.18 | 28.81 | 31.90 | 35.13 | 38.50 | 42.01 |
| - MP Part A (Bulk & Dist'n) | 8.63 | 8.82 | 8.82 | 8.82 | 8.97 | 9.21 |
| - Part B Usage | 1.29 | 1.32 | 1.27 | 1.30 | 1.34 | 1.37 |
| Side Constrained (Indicative) Prices (\$/ML) | | | | | | |
| - HP Part C | 38.59 | 39.46 | 42.81 | 46.31 | 49.96 | 53.76 |
| - MP Part C | 26.60 | 27.20 | 30.25 | 33.43 | 36.76 | 40.23 |
| - Part D Usage | 6.71 | 6.86 | 10.03 | 10.34 | 10.97 | 11.04 |

(SunWater, 2018)

8 CONCLUSION

The CHCG&IA thank the QCA for their investigation into the monopoly activities of SunWater and for recommending prices that reflect prudent and efficient operational, maintenance and administrative costs.

9 BIBLIOGRAPHY

<http://www.sunwater.com.au/>. (2018, November 2018). *SunWater*. Retrieved from SunWater:
<http://www.sunwater.com.au/>

Sunwater. (2018). *Addendum to the 2018/19 to 2023/24 Network Service Plan*. Brisbane: SunWater.

SunWater. (2018). *SunWater Annual Report 2017-18*. Brisbane.

SunWater. (2018). *SunWater Submission Irrigation Price Review Appendix F Sunwater Regulatory Model*. Sunwater.

| | |
|--|---|
| Table 1 Dam Improvement Program (DIP) Nogo Mackenzie Bulk Water..... | 5 |
| Table 2 - Annuity Balance Bulk Water Nogo Mackenzie..... | 6 |