LWUF lockyer water users forum

Lockyer Water Users Forum Inc.
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Chair
Queensland Competition Authority
GPO Box 2257
Brisbane
Qld 4001

8th March 2019

Dear Sir,

RE: CENTRAL AND LOWER LOCKYER IRRIGATORS SUBMISSION UNDER SECTION 23 OF THE QUEENSLAND COMPETITION AUTHORITY ACT 1997 PRICE PATH PERIOD 2020 - 2024

This submission is on behalf of the Lockyer Valley Irrigators in the following water supply schemes constructed and owned by the State of Queensland and operated by SEQW being:

- Atkinson Dam
- Lake Clarendon
- Mortonvale Pipeline
- Bill Gunn Dam

This submission is in regard to the yet to be introduced 4 year price path (2020 – 2024) and seeks to address maters of fact in the continual underlying poor performance of the schemes and argues that new policy is required when formulating a price path for schemes that will never be able to reach cost recovery or breakeven.

Lockyer Valley Irrigators will also be providing a response when the Commission calls for submissions on the SEQW pricing proposals for the four years from July 2019

Current Situation: SEQW has advised customers under the pricing principles expected to be implemented by the QCA that the next price path will include the introduction of Part A (fixed cost) and Part B (variable cost) groundwater pricing for Central Lockyer Water Supply Schemes and that will result in the water charges being split at 95% Part A and 5% Part B. Mortonvale Pipeline Users will in addition pay Part C and Part D charges on the pipeline. The introduction of fixed Part A charges will occur with the introduction of water allocations in the Central Lockyer.

Also note that Atkinson Dam users are currently charged for water under a Part A and B pricing framework, however it is proposed that under the new price path SEQW proposes an adjusted split of 95% Part A and 5% Part B to reflect assessed fixed and variable costs.

Operational Performance of Schemes: Data has been collected on the performance on all the schemes in the Lockyer Valley since the inception with data supplied by the various owners and operator managers at the time being the Qld Water Commission, DNRM, SunWater, and SEQW. Performance summary is in the following table:

Scheme	Commissioned (1st release)	Years of Data	Capacity	Performance (Average)
Atkinson Dam	1972	45 years	31,300 ML	19%
Lake Clarendon (includes Mortonvale Pipeline releases)	1995	22 years	21,000 ML	11%
Bill Gunn Dam	1989	28 years	7,520 ML	30%

In the case of Lake Clarendon, ongoing actual storage capacities achieved make this asset nothing more than a private storage for the Mortonvale Pipeline since the first 3,500 ML is held for these irrigators. In general there is little or never any excess water available to return to the creek to recharge the groundwater aquifers.

The actual long term performance of the Lockyer Valley Schemes place all of them in the bottom ranking of the worse performing water infrastructure assets in the state of Qld. Year on year releases are an attachment in appendix 1.

Irrigator Reality: Irrigators run businesses and like any organisation they have cost inputs that utilise capital investment to generate sales revenue through the production of agricultural products. Like any organisation the objective is to make a profit as the basic precursor to remain in business.

The current reality of the schemes do not enable realisable production and generation of cash flows or support continued capital investment. If the schemes were a consumer product such as a car, we would relate it to only being able to drive to work 1 week per month. How would you survive financially if you could only drive to work 1 week out of 4. If this was a consumer product there would be outrage and the population would be complaining to the ACCC.

Impacts of Part A Introduction: Recovery of 95% Part A fixed water charges under circumstances where the Lockyer Valley Schemes perform with such poor reliability and low delivery of water volume is unethical, bad policy, and plain just wrong under the these circumstances. It is not the fault of irrigators that the schemes are mitigated failures, the responsibility resides with past Qld Governments for commissioning infrastructure designs that deliver such poor performance.

Could the QCA answer this fundamental financial question as part of its price path review – how does an irrigator generate an income to make a profit to pay 95% Part A of their water charges when the schemes don't delivery any water the majority of the time?

The pricing approach proposed will force irrigation enterprises out of business and increase the risk stranded State assets. Lockyer irrigators question the application of the policy of Part A tariffs recovering the fixed costs of scheme assets that are grossly failing to meet performance levels required to support intensive agricultural production enterprises.

QCA Scheme Inspections: Representatives from the QCA have inspected the Lockyer schemes and have knowledge of the situation. When inspecting the Bill Gunn Dam inlet from Laidley Creek they commented that "this has got to be one of the worst schemes in Qld".

Nodal Pricing: At present Bill Gunn Dam and Lake Clarendon water charges are the same regardless of which scheme you are on. The operations of each scheme are completely different, Bill Gunn Dam is gravity fed of water both in and out where Lake Clarendon is dependent on electric pumps to move water. The associated electricity charges to move water are significant.

The introduction of Nodal Pricing should be given serious consideration to prevent cross subsidisation.

Recommendations:

1. Do not introduce a Part A pricing framework for Lockyer Valley schemes.
2. Define new pricing principles for water supply schemes where supply performance is well below acceptable levels and making it difficult to reach cost recovery or breakeven through the creation of a poor performing asset category.
3. Continue with charging for water on a volumetric basis only to reflect water availability and the ability to generate agricultural production and cash flow.
4. Introduce Nodal Pricing as applicable.
5. Discontinue the Part A pricing framework on Atkinson Dam and return pricing to a volumetric basis only as outlined in points 2 and 3 above.

Paul Emmerson Chairman Lockyer Water Users Forum	Gordon Van der Est CEO/Secretary Lockyer Water Users Forum	Greg Banff Treasurer Lockyer Water Users Forum

Appendix 1.

Capacity:	Bill Gunn Dam 7,520 (constructed 1987)		Lake Clarendon 21,000 (constructed 1992)			Atkinson Dam 31,300	
1972						2,996	10%
1973						5,899	19%
1974						2,192	7%
1975						3,478	11%
1976						1,902	6%
1977						3,632	12%
1978						11,135	36%
1979						6,006	19%
1980						13,451	43%
1981						7,230	23%
1982						5,274	17%
1983						11,232	36%
1984						4,584	15%
1985						7,175	23%
1986						12,503	40%
1987						5,183	17%
1988						636	2%
1989	2,900	39%				4,855	16%
1990	2,670	36%				4,764	15%
1991	6,930	92%				11,122	36%
1992	2,240	30%				8,095	26%
1993	6,732	90%				11,495	37%
1994	200	3%				10,332	33%
1995	-	0%	1,757	8%	1	1,464	5%
1996	6,450	86%	7,491	36%	2	3,871	12%
1997	2,435	32%	6,626	32%	3	10,767	34%
1998	-	0%	1,918	9%	4	12,623	40%
1999	2,216	29%	2,964	14%	5	2,616	8%
2000	1,655	22%	2,257	11%	6	8,440	27%
2001	1,757	23%	1,783	8%	7	13,619	44%
2002	-	0%	144	1%	8	1,298	4%
2003	-	0%	-	0%	9	-	0%
2004	-	0%	-	0%	10	-	0%
2005	-	0%	-	0%	11	2,102	7%
2006	-	0%	-	0%	12	-	0%
2007	-	0%	-	0%	13	-	0%
2008	894	12%	780	4%	14	818	3%
2009	7,687	102%	-	0%	15	16,075	51%
2010	6,290	84%	1,634	8%	16	7,124	23%
2011	217	3%	575	3%	17	3,192	10%
2012	1,275	17%	2,647	13%	18	4,888	16%
2013	307	4%	2,442	12%	19	5,379	17%
2014	3,580	48%	10,472	50%	20	12,468	40%
2015	6,110	81%	6,907	33%	21	8,610	28%
2016	1,263	17%	-	0%	22	886	3%

	Summary Data Bill Gunn Dam: 28 Years	Summary Data Lake Clarendon: 22 Years	Summary Data Atkinson Dam: 45 Years
Total Water Released:	63,808	50,397	271,411
Target Release:	210,560	462,000	1,408,500
Average released per year :	2,279	2,291	6,031
Average % of Design Capacity:	30%	11%	19%
Median Release :	1,465	1,696	5,183
Releases in Years :	20 out of 28	15 out of 22	41 out of 45
Below Dead Storage:	29%	32%	9%