

1 CONTENTS

2	Fairbairn Irrigation Network	2
2.1	About	2
2.2	Directors.....	2
3	The Emerald Irrigation Distribution Scheme	2
3.1	Fast Facts.....	2
4	Queensland Competition Authority (QCA) Price Path Review.....	3
5	Summary of Issues	3
5.1	Dam Safety Program Costs	3
5.2	Renewals Annuity.....	3
5.3	Flood Monitoring and reporting costs.....	5
5.4	Recreation Costs.....	5
5.5	Electricity and Insurance Costs.....	6
6	Conclusion.....	6

Contact us

2 FAIRBAIRN IRRIGATION NETWORK

2.1 ABOUT

The Fairbairn Irrigation Network Pty Ltd (FIN) is registered under the Corporations Act 2001 (Cth) as a Special Purpose Vehicle (SPV) to implement the transition to local management with a locally appointed board. The owner of the SPVs during the transition phase will be the Government. The ownership of the company and scheme will transfer to the water allocation entitlement customers of Emerald once all matters relating to the transfer of the business have been resolved. FIN have finalised the terms of the transfer agreement and are awaiting signing by all parties.

2.2 DIRECTORS

Independent Board Chair	Anne Marie O'Callaghan
Shareholder Director	Ross Burnett
Independent Director	Emma McCullagh
Shareholder Director	Hamish Millar
Shareholder Director	Peter Galea
Independent Director	David McDougall

3 THE EMERALD IRRIGATION DISTRIBUTION SCHEME

3.1 FAST FACTS

- ✓ The area irrigated by the distribution system is about 15,000 hectares, sourced from the Fairbairn Dam
- ✓ Irrigated crops - Cotton, cereals, citrus and other crops such as macadamias and grapes
- ✓ Customers = 150 irrigators
- ✓ Channels and pipelines = 126km
- ✓ Pump stations = 4
- ✓ Balancing storages = 0
- ✓ Drains = 144km
- ✓ Off takes = 237
- ✓ Water transported = 86,000 ML
- ✓ Water Allocation Entitlement's = 83,000 ML
- ✓ Distribution Losses = 29,643 ML

Contact us



Email: emerald@lmairrigation.com.au

Anne Marie O'Callaghan (*Chair*)
0428 582 852

Ross Burnett
0427 336 340

Peter Galea
0417 636 881

Hamish Millar
0418 741 553

Emma McCullagh
0438 789 488

David McDougall
0419 782 419

4 QUEENSLAND COMPETITION AUTHORITY (QCA) PRICE PATH REVIEW

FIN thank the Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships for directing the Queensland Competition Authority to review the monopoly activities of SunWater and for recommending prices that reflect prudent and efficient operational, maintenance and administrative costs.

FIN look forward to working with the QCA to assist with the process and invite the relevant project leads to connect with our business. Should Emerald move to local management, FIN will be a large customer of SunWater's. Furthermore, FIN is committed to championing on behalf of our future customers to ensure that bulk water prices are reasonable. We strongly urge the QCA to host a public consultation in Emerald and would be pleased to assist the QCA in facilitating this opportunity.

5 SUMMARY OF ISSUES

FIN provides the following commentary on key issues identified as part of the price path review:

5.1 DAM SAFETY PROGRAM COSTS

FIN rejects the proposal that the cost of these Dam Safety works should be borne by irrigators. Dam Safety expenditure is a community benefit, initiated in response to flood related legislative and regulatory compliance changes aimed at protecting downstream communities, and should be socialized accordingly.

5.2 RENEWALS ANNUITY

FIN requests the following;

- i. A major review of SunWater's Asset Management System (AMS) to make it more efficient and remove unnecessary overheads.
- ii. Review the cost of running this system and the inefficiencies of the current approach which is driving up the costs of the Non-Routine expenditure.
- iii. Review the cost of reporting and options analysis that are completed regarding asset replacement and ensure that this expense reflects normal commercial practice.
- iv. Ensure small assets and projects are not included in the system and are allocated to maintenance instead.
- v. An overview of the annuity calculations and carried forward negative annuity balances.

The non-routine annuity is highlighted in blue in the graph below and the costs attributed to this include overhead costs and asset management planning. SunWater must commit to ensuring that these costs are administered appropriately, at as low a cost as possible, and not at the expense of actual capital improvements.

Contact us



Email: emerald@lmairrigation.com.au

Anne Marie O'Callaghan (Chair)
0428 582 852

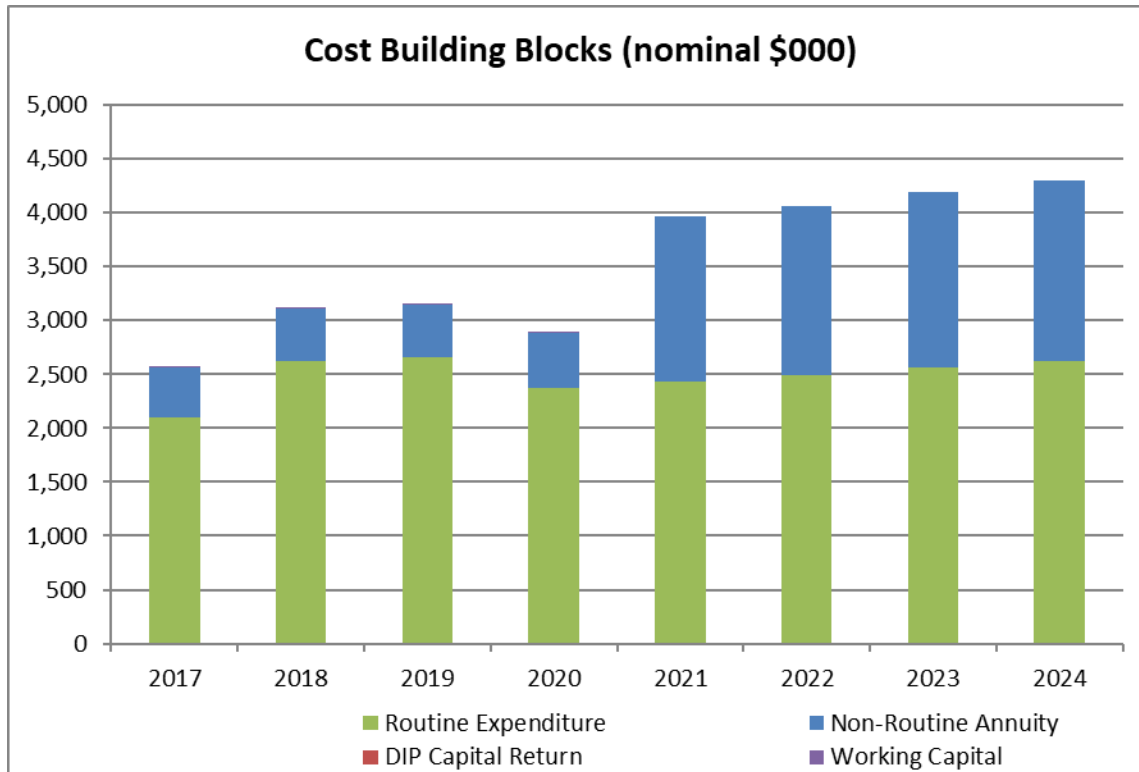
Ross Burnett
0427 336 340

Peter Galea
0417 636 881

Hamish Millar
0418 741 553

Emma McCullagh
0438 789 488

David McDougall
0419 782 419



Nogoa Bulk 1

A very large negative annuity balance is being carried forward into this price path, expected to be \$4.4m approximately at June 2019. This is largely resulting from projects exceeding budget over many years. What confidence can irrigators have in SunWater’s asset management planning when this occurs? What incentive does SunWater have to control their costs if negative balances are allowed to be carried forward into the next price path?

FIN requests that QCA discount the carried forward negative annuity balance to exclude flood related works and significant unexplained budget overruns from prior years. The QCA excluded costs should be written off the carried forward annuity balance, thereby correctly reflecting attributable costs.

LBN - Nogoa WS	2017 (actual)	2018 (actual)	2019 (base year)	2020 (proj)	2021 (proj)	2022 (proj)	2023 (proj)	2024 (proj)
Routine Expenditure	2,099	2,627	2,653	2,376	2,435	2,496	2,559	2,621
Non Routine (Renewals) Annuity	470	482	494	505	1,532	1,566	1,631	1,680
DIP Capital Return	-	-	-	-	-	-	-	-
Non Routine Expenditure	1,325	1,087	790	953	934	701	1,129	884
Annuity Reserve (Closing Balance)	(2,971)	(3,798)	(4,378)	(5,154)	(5,641)	(5,106)	(4,902)	(4,393)

Nogoa Bulk 2

Contact us



Email: emerald@lmairrigation.com.au

Anne Marie O’Callaghan (Chair)
0428 582 852

Ross Burnett
0427 336 340

Peter Galea
0417 636 881

Hamish Millar
0418 741 553

Emma McCullagh
0438 789 488

David McDougall
0419 782 419

5.3 FLOOD MONITORING AND REPORTING COSTS

FIN rejects the allocation to irrigators of the full cost of flood monitoring and reporting. FIN maintains that this is a whole of community benefit and should be apportioned appropriately. FIN rejects accepting the cost of the SunWater flood room at a cost of \$2.5 million. This cost is on top of the gauging stations which are used by local disaster management groups and State government to inform the public during uncertain times.

It must be recognised that the dams SunWater is managing do not create floods, and in most cases, they reduce the flooding impact caused by upstream rainfall even if many dams do not have a designated flood mitigation role. If the dams were not in place there would continue to be a requirement to manage the risk to populated areas during flood events. The requirement to manage the risk is not brought about by the capture of water, so the cost should not be passed on to irrigators using the water.

This is a community safety program which needs to be funded by the community, not SunWater customers.

\$/ML	Service Contract	Allocation Percentage of bulk costs	Allocation Amount \$'000
\$0.69/ML	LBN - Nogoia WS	5.5	159

5.4 RECREATION COSTS

FIN is of the opinion that the cost of providing recreation facilities should be passed on to the wider community. To ensure that there is no confusion about the allocation of these costs, FIN requests that the QCA review the categorisation of all the costs and ensure that they are not included in bulk water pricing. This is particularly important for Fairbairn and we need assurance that the costs associated with the water treatment plant and all recreation costs are excluded by the QCA.

It is FIN's understanding that SunWater are negotiating with the Central Highlands Regional Council to transition management of the recreation facilities at the Fairbairn Dam. Should any transition payments be paid to the CHRC to take over the recreational areas, now or in the future, the amounts must be excluded from non-routine expenditure.

Contact us



Email: emerald@lmairrigation.com.au

Anne Marie O'Callaghan (Chair)
0428 582 852

Ross Burnett
0427 336 340

Peter Galea
0417 636 881

Hamish Millar
0418 741 553

Emma McCullagh
0438 789 488

David McDougall
0419 782 419

ELECTRICITY AND INSURANCE COSTS

Electricity

SunWater must be held accountable for their electricity usage and be encouraged to implement more efficient usage strategies. SunWater need to demonstrate that they have accurately considered the tariff changes beyond 2020 in their forecasts. We strongly urge SunWater and QCA to focus on ensuring the correct price for electricity is used and then ensure it is allocated to a cost/ML for the setting of prices.

Should a pass-through approach be adopted, the process still needs to ensure electricity costs are projected with the best data available to avoid price shocks during the price path period.

The time frames for the pass through need to be limited to ensure that the user is the impactor of the under or over spend to be recovered. There needs to be some transparency in the cost of managing this type of process and it should not be another revenue mechanism for SunWater.

Insurance

If the full cost of insurance is to be passed on to water users, QCA needs to ensure all works that are relating to possible claims are removed from the Non-Routine costs.

6 CONCLUSION

We look forward to working with the QCA to ensure SunWater delivers water services efficiently and cost effectively into the future.

Contact us



Email: emerald@lmairrigation.com.au

Anne Marie O'Callaghan (*Chair*)
0428 582 852

Ross Burnett
0427 336 340

Peter Galea
0417 636 881

Hamish Millar
0418 741 553

Emma McCullagh
0438 789 488

David McDougall
0419 782 419