QUEENSLAND FARMERS' FEDERATION

Submission on SEQWater Irrigation Price Review 2013-17 - Draft Report

March 2013

Thank you for the opportunity to make a submission on the QCA Draft Report for the SEQWater 2013-17 - Irrigation Price Review. The Queensland Farmers' Federation is the peak rural body representing intensive agriculture, which contributes around half of the State's $13 billion in agricultural product. Irrigation prices in the SEQWater schemes is a major cost item for our members particularly Growcom (Queensland Fruit & Vegetable Growers) and Queensland Dairyfarmers' Organisation (QDO).

QFF provides this submission without prejudice to any additional submission provided by our members or farmer customers of each of the schemes.

In the time available, QFF has been unable to obtain comprehensive feedback on this submission from members and scheme representatives. QFF would like the opportunity to provide further comment as members or schemes raise issues with us.

1) Overview

a) QFFs submission on the SEQWater network service plans highlighted issues of concern that QFF had raised in a letter to the Minister for Energy and Water Supply on 25th May 2012. It is useful to review these issues having regard to the findings of the QCA investigations.
   i) ***The terms of reference for the pricing investigations provides little scope for QCA to address issues with the viability of the Lockyer schemes and the Pie Creek & Cedar Pocket schemes in the Mary Valley.*** QCA analysis has confirmed that these schemes are well below cost recovery and face longer term prices increases to achieve assessed cost reflective prices. A review of scheme reports later in this submission will outline recommendations for action by the Queensland Government to address problems beyond the scope of QCAs investigations.
   ii) ***SEQWater has insufficient data and time managing all rural schemes for QCA to conduct adequate analysis to assess efficient operational, maintenance and administrative costs and prudent and efficient expenditure on renewing and rehabilitating existing assets.*** QCA with SEQWater investigations have made a significant effort to address this shortcoming.
   iii) ***Rural customers will be starting from scratch in trying to scrutinise the SEQWater Network Service Plans given the lack of effective customer consultation since SEQWater took over management of the schemes.*** QCA conducted a very open process including consultation meetings on the network service plans, briefing to SEQ irrigator representatives prior to the release of the draft report, scheme consultations on the draft report and follow up meetings for those schemes that may face significant changes to price recommendations in the final report.
   iv) ***The requirement to renew and rehabilitate existing assets through a renewals annuity will restrict the analysis QCA can undertake in assessing the need for and efficiency of expenditure on scheme assets.*** This matter may require further consideration in regard to schemes such as Pie Creek.

v) ***There is no provision to examine issues with the availability of water for schemes except in allocating renewals costs between urban and rural sectors.*** The submission recommends State Government action to address this issue as it applies to the Central Lockyer scheme.

vi) ***There is no scope to consider significant structural issues in schemes like the Pie Creek scheme which is suffering from urban encroachment and poor level of water use.*** The submission recommends State Government action to address this issue as it applies to Pie Creek.

vii) ***Recreation management costs for assets in this region reflect demands of an increasingly urbanising area.*** In accordance with the State Government's requirements, QCA has assessed a proportion of recreation costs to be met though irrigation charges. QFF questions the continued application of this policy. Irrigation customers should not have to bear the costs of operating and maintaining recreation assets which are increasingly servicing growing metropolitan and regional recreation demands.

viii) ***Scheme customers in both the Warrill & the Lockyer schemes will not be able to trade entitlements to cope with the impacts of new prices.*** QCA has taken steps to address this issue by delaying the imposition of fixed charges in the Central Lockyer. Charges will apply in the Morton Vale, Lower Lockyer and Warrill schemes where interim water allocations apply by there is no permanent trading arrangements in place.

b) QFF submission on the SEQWater network service plans questioned SEQWater's interest in managing the rural water supply schemes. This submission focuses on the capacity of SEQWater to manage schemes such as the Central Lockyer groundwater and issues are raised re the need for alternative management options for Pie Creek and Cedar Pocket schemes. It may also be preferable to review management arrangements for the Lower Lockyer.

c) Other matters such as the need to improve SEQWater's asset and costs information system for each scheme appear to have been addressed and backed up with a requirement for the preparation of network service plans to monitor and consult on performance. The application of the conditions for the payment of capital charges in the contracts for Morton Vale customers has not been addressed by QCA as this is a matter for SEQWater. This issue requires urgent attention before final prices are determined by the State Government.

2) Review of the approach to the analysis of prices

a) <u>Regulatory and pricing framework</u>

i) Tariff structure and the application of the State Government's revenue maintenance policy - Sections of the Volume 1 report deal with the issues of demand and supply risk and the tariff structures to address these risks. However, the implementation of the State Governments policy regarding maintenance of scheme revenues takes precedence in the assessment of tariffs. While it was expected that the Authority would recommend high fixed tariffs (above 70%) to recover the fixed costs of running schemes, the requirement to maintain scheme revenues based on low water usage over the past 10 years resulted in higher volumetric tariffs in excess of 60% in all schemes except the Logan and Mary Valley bulk schemes. Fixed price increases to achieve cost reflective tariffs would redress the balance but for some schemes this is achieved over the longer term.

The application of the revenue maintenance policy also resulted in significant price increases for some schemes in 2013-14. QCA has sought to address this concern by using a longer period (15 years) to assess a level of water use that would be expected that the scheme would be geared to serve. This approach has removed the volumetric price jumps in 2013-14 and provides a pricing framework that rewards those customers that make more use of their entitlements. This is an important outcome because recommended prices in the draft report for schemes like the Warrill recorded a 10% increase in cost of water for levels of use below 10% and a 25% increase for usage over 50%. This pricing structure may also discourage water trading.

ii) Minimum charges – QCA has removed minimum charges for servicing small customers for the purposes of administrative efficiency at SEQWater. This approach was also justified based upon the prospect of higher fixed charges being applied which would recover a significant proportion of the scheme costs. There is also limited information held by SEQWater to assess a minimum charge. However, the Pie Creek case warrants further investigation given the proposed very low fixed charges (6%) resulting from the application of the revenue maintenance policy and a growing rural residential customer base in the scheme.

iii) Bulk and distribution loss allocations - QFF supports QCAs recommendation that DNRM review by June 2105 bulk and distribution loss allocations to ensure customers do not have to pay for loss allocations that are in excess of requirements. It is recognised that as a result of the review it may be necessary to make adjustments to prices from July 2015.

iv) QFF supports QCA's recommendation that a termination fee for exiting distribution schemes should be a multiple of up to 11 times the relevant fixed distribution tariff (Part C tariff). However, applying this requirement to the Pie Creek scheme results in excessive exit fees which will prevent any trading of water from the scheme to the river. Further comment on this case is provided later in the submission. QCA also indicate that this requirement can be negotiated to apply in the Morton Vale scheme to replace the current contract which specifies a termination fee which recoups both capital charges and variable costs. QFF recommends that SEQWater initiate these discussions.

v) QCA rejects submissions for the retention of free water in the Central Brisbane scheme on the grounds that the Authority has been directed by Ministers to recommend irrigation prices for the scheme and not to determine whether SEQWater is legally entitled to impose and recover irrigation charges. QCA however responds to issues raised in submissions. Central Brisbane irrigators do not consider that the issue of free allocations has been adequately addressed.

b) Renewals annuity

i) *Prudence and efficiency assessment* – QFF accepts QCAs recommendations for the reduction of all sectors (including irrigation) renewals expenditure.

ii) *Renewals assessment* – SEQWater has provided estimates for each scheme for the conduct of a detailed analysis of projects proposed for the next 5 years and a high level options analysis for any forecast project from year 5 onwards. These forecasts are significant for the Cedar Pocket, Central Brisbane and Morton Vale schemes and will significantly increase renewals costs. As renewals are around 10% of costs for most schemes it is questioned whether this analysis is necessary particularly if SEQWater reports adequately on renewals as part of the annual network service plans. Customers and scheme advisory committees would have the opportunity to submit on these plans. The planning period for renewals of 20 years is accepted.

iii) *Customer consultation* – QFF supports QCAs recommendations to require SEQWater to consult with customers annually and to prepare network service plans (NSPs) annually and every five years prior to each price review. SEQWater is to prepare these plans for release on the website from 1 July 2014 and be updated annually including customer submissions and SEQWater responses. SEQWater has forecast that this process will cost $3,400 per annum

iv) *Cost allocation between priority customers* – QFF accepts the proposed Headworks Utilisation Factors (HUF) assessed for each scheme for the purposes of allocating fixed bulk renewals costs where there are medium and high priority customers in the Logan, Mary Valley and Warrill Valley schemes. The Nominal water allocation entitlements are to be used to allocate fixed renewal costs in the Cedar Pocket, Central Lockyer and Lower Lockyer schemes where there are no high priority customers. Nominal water allocation entitlements are also to be used to allocate fixed distribution costs between priority groups. In the Central Brisbane, QCA's estimate of adjusted nominal water allocation entitlements is to be used as the HUF was found not to apply. Metering costs forecast for each scheme is also to be recovered via the renewals annuity and costs allocated by nominal water allocation entitlements. QCA has confirmed that these are needed upgrades or replacement of meters and are not for the implementation of National metering standards.

c) Operating costs

i) *Cost recommendations* - QCA has investigated SEQWater's total forecast irrigation operating costs submitted in April and their revised costs submitted in early November 2012. QFF accepts QCAs recommended direct operating costs but considers that non direct costs (such as head office costs) allocated to the rural schemes are still quite high. SEQWater's breakdown of these indirect costs does not allow further assessment. This situation is not expected to change given the small proportion of revenue obtained from the rural schemes.

ii) *Cost allocation between priority customers* – QFF supports the approach for allocating costs between medium and high priority using the Headworks Utilisation Factors (HUFs) or water allocation entitlements where the HUFs do not apply.

iii) *Cost escalations* – QFF accepts proposed escalations

iv) *Customer consultation* - In response to our earlier submission SEQWater has forecast that it will cost $3,570 per year to implement scheme advisory committees. This cost can be covered with a small increase in charges. QFF supports the formation of these advisory committees in each scheme as a means providing a focus for the review of network service plans each year and for the dissemination on scheme management issues. These advisory committees could also play a key role in some schemes where measures are needed to implement reform measures. Specific comment will be made on issues for some schemes later in the submission.

3) *Review of Scheme reports*

a) Cedar Pocket

i) This is a small scheme with six commercial dairy farms and other small rural customers. In contrast to the Pie Creek Scheme it is understood that the Council has not allowed small area subdivision. One of the customers advised that SunWater, at one stage, expressly approached the Council to ensure that there would not be zoning changes that could adversely affect the customer base of the scheme.

ii) QCA has recommended in the Draft Report a doubling of the volumetric tariff from the current \$16.81 to \$32.02/ML in 2013-14 while cutting the fixed tariff from \$15.68 to \$9.70/ML. Analysis using a 15 year record of use makes no difference to the recommended tariffs. Implementation of this tariff change will affect those irrigation enterprises that make more use of their water allocation. QCA analysis of these tariffs shows that a Cedar Pocket irrigator using only 10ML of a 50ML entitlement will see a reduction in the water bill of 17% in 2013-14 compared with the bill for the same use this financial year. However, a farm using 30ML of a 50ML allocation will see charges increase by 9% and by 25% for full use of entitlement. By 2016-17 total charges assuming average use of 30ML will have increased by 42% while lower usage around 10ML will face a 22% increase in total charges.

iii) QCA has also assessed that fixed charges will have to increase from \$8.37 to \$221.93/ML plus the volumetric charge of \$32.02/ML to fully recover their assessment of the efficient costs of the scheme.

iv) QFF's subsequent contact with one of the dairy farmer customers confirmed a concern that the high volumetric tariff (over 70% of the total tariff for the next four years) would discourage the use of water by the commercial dairies. However, the very high fixed charge required eventually to recover costs raises doubts about the viability of the scheme in the medium term. The dairy farmer customers that attended the QCA consultation confirmed that this charge will discourage water trading in a scheme where there is some interest now in buying and selling allocation.

v) QFF has sought to meet with the customers of the scheme in the weeks following the 13th February meeting. The best opportunity to do this was in the week of the 4th of March when QFF had a meeting with some Pie Creek customers. Severe flooding in the Cedar Pocket valley on the previous weekend prevented such a meeting. However, discussions by phone with one dairy farmer customer has addressed the following options for the scheme:

(1) If the recommended tariffs are implemented dairy farms will take steps to progressively reduce their use of scheme water over the four year term of the new price path. The prospect of a

staged fixed tariff increases to $222/ML will put pressure on the existing dairies to close particularly during this difficult time in the Queensland milk market.

(2) The best option to maintain a small scheme of this nature is to investigate the feasibility of local management of the scheme. Investigations could address the following:
   - Feasibility of establishing an independent management entity from the outset
   - Support that may be required to transition to a fully independent entity
   - Services to the scheme that could continue to be provided by SEQWater such as management of a referable dam. However, it is noted that there are two referable dams in the Mackay area with downstream population at risk that are managed by private operators.
   - Measures that could be implemented to improve water availability to commercial irrigation customers.

vi) Scheme customers need the opportunity to meet to consider the above and determine if they wish to develop a proposal which can be put to the Minister for Energy and Water Supply. Flood damage problems may further delay this meeting.

b) <u>Central Brisbane</u>

i) Scheme customers continue to submit that there should not be water supply charges for the Central Brisbane

ii) Customers also submit that the costs assessed by QCA are not reflective of what the efficient costs of providing supply downstream of Wivenhoe Dam to the Central Brisbane irrigators.

iii) While the recommended tariff for 2013-14 has been set having regard to prices in other schemes, the recommended prices will impact on customers that have not had to pay charges in the past.

c) <u>Central Lockyer and Morton Vale</u>

i) QCA tabled revised pricing proposals at a meeting with scheme representatives in Gatton on 5th March 2013. QCA indicated that they had applied the average of above average water use for the 15 year period (1998 to 2012) to estimate volumetric water charges which had the effect of reducing Part B charges and increasing fixed Part A charges from those proposed in the Draft Report.

ii) While the meeting preferred these revised tariffs to those presented in the draft report, representatives from both schemes attending the meeting voiced deep concerns about the impact the proposed fixed charges would have on irrigation enterprises in both schemes now and into the future. They were particularly concerned about the impact of the fixed tariffs on customers with smaller allocations whom they expected would not be significantly utilising their entitlements. QCA presented analysis which indicated water bill increases of between 30% (20% usage) to 84% (zero usage) in the Central Lockyer. Bills were forecast to increase in Morton Vale by 19% and 48% for the same usage levels. Representatives agree that the proposed cost reflective tariffs could not be implemented without significant restructuring of both schemes.

iii) Central Lockyer and Morton Vale customers are tabling a submission with QCA which addresses the following:

(1) Planning and management for sustainable irrigation in the scheme including such matters as implementation of different volumetric conversions in defined management zones, opportunity to apply for benefit assessments, the extent of groundwater management in the Lockyer Valley and reviews of groundwater modelling and the performance of scheme infrastructure. In addition, QCA's proposal to delay imposition of fixed tariffs for the first two years of the price path is welcomed but customers are concerned that groundwater planning will now be rushed allowing little time to address the complex implementation issues in the Central Lockyer.

Recommendations

- *Department of Natural Resources and Mines consult with scheme customers on a program for the conduct of water planning for the Central Lockyer that provides sufficient time for issues being raised by irrigators to be addressed.*
- *QCA allow for a review of the imposition of fixed tariffs in the Central Lockyer if resource operations plans have not been fully implemented by 30th June 2015*
- *Morton Vale customers be permitted to seek relief from the payment of fixed tariffs and capital charges until ROPs have been implemented*

(2) Irrigator representatives from the Lockyer schemes have been seeking solutions on key issues particularly with the poor performance of the schemes from 2000 and increasing discussions regarding the implementation of national water reforms. However, little has been achieved over this period. Progress with the implementation of groundwater management has been very slow and has now been overtaken by the implementation of pricing reforms. There is now a significant risk that poor coordination between water planning and management reforms and pricing will undermine the benefits expected to result from these reforms. If the performance of both schemes is not significantly improved, prices proposed by QCA are expected to have a negative impact on both schemes. It is submitted that customers have little confidence that SEQWater will have a commercial interest or the capacity to work with both schemes to achieve needed improvements in performance. It is proposed that DNRM, SEQWater and customers must engage in the planning and management of both schemes to successfully achieve reductions in the take of groundwater to sustainable levels while at the same time facilitating customers to improve farm productivity. It is also hoped that improved local management of the groundwater scheme would gain efficiencies to drive down scheme management costs.

Recommendation

- *The Queensland Government require the Department of Natural Resources and Mines, Department of Energy and Water Supply, SEQWater and irrigator representatives to develop a coordinated plan for the implementation of water planning and management and pricing reforms for the Central Lockyer (and Morton Vale) scheme.*

(3) Morton Vale customers have submitted that the original surface water entitlements for the scheme were 5,051ML. They have documentation from the then administering Department of action taken in 1996-97 to reduce entitlements. The QCA Volume 2 report identifies that the schemes supplies 3,470ML of medium priority interim water allocations. Customers do not consider that they should bear full responsibility for the renewals and operating costs of the scheme designed to supply a much larger quantity of water.

Recommendation

- *QCA investigate whether Lake Clarendon and associated distribution assets are in excess of what is required to operate the scheme allowing a reassessment of these costs to reflect the 'optimised cost' of supplying water to scheme customers.*

(4) Socio economic research undertaken for the area concludes that implementation of water planning should result in additional supply security, reduced risk of spread of salinity, improved equity re access to groundwater resources and reduced pumping costs to improve the position for irrigators. Customers have found it difficult to accept these findings because the significant limitations that were placed on the research. They also suggest that this work needs to be updated to take into account QCA's forecast of prices required to achieve cost recovery targets for both schemes. It is submitted that water supply costs have increased by over 200% in past ten years if both water and electricity prices are taken into account. Farmers in the Lockyer are making investments to change the water retention properties of soil, to use less water and electricity and change to zero till in an effort to reduce costs and remain viable. However, the economic condition of the farming industry in the Lockyer is poor following the drought and floods and it is expected that the move to fixed charges will put many out of business. There is a concern that proposed QCA charges will lead to a further drop in water extraction as costs will exceed expected returns. It is proposed that implementation of draft QCA prices will require further assessments of impacts for representative farming enterprises and areas within both schemes. It will also be necessary to examine options for customers to adjust to these impacts through trading or other measures and any action required to remove impediments to these adjustments. It is submitted that the option of customers being forced to hand in interim water allocations as the only option to manage price impacts must be a last resort.

Recommendations

- *Economic and social assessments of defined water management arrangements for the Central Lockyer and Morton Vale schemes need to be conducted as a matter of urgency. These investigations should also identify measures to adjust to impacts on farming enterprises.*
- *Managing for the impact of water planning and pricing reforms must be within the terms of reference for the preparation of a coordinated plan for the Central Lockyer (and Morton Vale) scheme.*

(5) At the 5th March meeting in Gatton, QCA tabled cost estimates for SEQWater to conduct forward renewals options analysis, production of annual network service plans and response to submissions and the establishment of scheme advisory committee. There was support for the annual network service plans and scheme advisory committees at a forecast cost of $7,000 per annum per scheme. The forecast of $16,730 for renewals analysis for the Morton Vale scheme was not accepted. Scheme representatives require further advice from SEQWater on the proposed investigations. Customers submit, however, that the proposed consultation arrangements will not address the needs for engagement on the coordinated implementation of water planning and management and pricing reforms. It is proposed that the implementation of a coordinated plan involving implementation of local management of groundwater use could be

expected to provide significant savings in direct and therefore the indirect operating costs for the scheme which should be passed onto customers in future pricing rounds.

Recommendations

- *Annual network service plan reviews and a scheme advisory committee are supported for the Central Lockyer/Morton Vale scheme.*
- *SEQWater address the need for future renewals analysis with Morton Vale customer representatives*
- *Terms of reference for the preparation of a coordinated plan for the Central Lockyer (and Morton Vale) scheme must include consideration of operating cost efficiencies (direct and indirect) that can be delivered from local management of groundwater.*

d) Logan River

i) QFF understands that customers accept the tariff recommendations in the Draft Report. QCA has recommended that the volumetric tariff will drop from the current $27.93 to $15.27/ML in 2013-14 while the fixed tariff increases from $17.50 to $21.87/ML. Analysis using a 15 year record of use could further reduce the volumetric tariff by about $5/ML and increase the fixed tariff by $2.60/ML. Analysis shows that irrigation enterprises that make more use of their water allocation will see a reduction in their water bills in 2013-14 compared with the bill for the same use this financial year. Water bills will increase for farms that have underused entitlements.

ii) Customers are likely to support proposals for the annual network service plans and scheme advisory committees at a forecast cost of $7,000 per annum per scheme.

e) Lower Lockyer

i) QCA tabled revised pricing proposals at a meeting with scheme representatives in Lowood on 4th March 2013. As a result of applying 15 year water use data the recommended volumetric tariff in the Draft Report has been reduced from $43.77 to $22.33/ML but the fixed charge increases from $25.72 to $28.98/ML. Customers accepted these proposed tariff changes but small entitlement holders with low water usage were concerned about the higher fixed charges. There was support for the annual network service plans and scheme advisory committees at a forecast cost of $7,000 per annum per scheme.

ii) It was also noted that these changes would provide small reductions on water bills comparative with current tariffs providing some encouragement for increased water use. Customers were concerned however that fixed charges would have to increase from $24.49 to $103.57/ML plus an increased volumetric charge of $43.77/ML to fully recover QCA's assessment of the efficient costs of the scheme.

iii) There has been limited time for customers to fully discuss the implications of the high cost reflective prices. Proposals that have been raised include defining trading zones in the preparation of the resources operations plan that will encourage the purchasing of sleeper/dozer licences. There is also the issue of the regulation of groundwater access as part of the scheme.

f) Mary Valley and Pie Creek

i) QFF understands that, like the Logan River, the bulk customers in the Mary Valley accept the tariff recommendations in the Draft Report. QCA has recommended that the bulk volumetric tariff will drop from the current $11.19 to $8.42/ML in 2013-14 while the fixed tariff increases from $17.90 to $19.95/ML. Analysis using a 15 year record of use makes very minor changes to these recommended tariffs. Again the structure of the tariff would provide small reductions on water bills for increased water use in comparison to current tariffs.

ii) Customers of the bulk scheme are expected to support the need for the annual network service plans at a forecast cost of $3,340 per scheme per year. The formation of a scheme advisory committee needs to be discussed by both the bulk and Pie Creek customers.

iii) QCA has recommended a tripling of the variable tariff for the Pie Creek distribution scheme from the current $58.03 to $188.87/ML in 2013-14 while cutting the fixed tariff from $40.63 to $8.37/ML. The modified approach to the assessment of volumetric tariffs applying usage over a 15 year period reduces the volumetric tariff by just over $15.60/ML and increases the fixed charge by over $4.70/ML. Either set of charges will significantly affect those irrigation enterprises that make more use of their water allocations. QCA analysis of the Draft Report recommended tariffs shows that a Pie Creek irrigator using only 10ML of a 50ML entitlement will see a reduction of 14% in bill in 2013-14 for the same use this financial year. However, a farm using 30ML of a 50ML allocation will see charges increase by 57%. By 2016-17 total charges assuming average use of 30ML will have increased by 78% while lower usage around 10ML will face a 5% increase in total charges.

iv) QCA has also assessed that fixed charges will have to increase from $8.37 to $351.77/ML plus a variable charge of $188.87/ML to fully recover their assessment of the efficient costs of the scheme. To protect against stranding of scheme assets QCA recommends a termination fee of $3,595.46/ML for the trading of allocations to the bulk scheme.

v) These recommendations will discourage the use of water and severely limit any trading of water within and out of the scheme. Recent flooding events have made it difficult to canvass opinion in the scheme about the proposed prices and there has been limited time to consider what the options different water users would propose. Commercial irrigation customers contacted agree that in the medium term irrigation farming in the scheme will be unviable. In addition, the significant increase in variable charges from 2013-14 will force them to scale back their irrigation operations over the term of the current price path.

vi) It is considered that if QCA or the State Government fails to take action to address the impact of the charges, commercial irrigation farms will be forced to reduce their use of scheme water lowering water usage and further reducing cost recovery. They are very concerned that they have no other opportunities to adjust to the proposed prices in the short to medium term and their water entitlements are trapped in the scheme with limited opportunities to trade. Opportunities may arise in the longer term to sell their land with entitlement for expanded rural residential development.

vii) QFF has had discussions with two of the commercial irrigation customers in the scheme. The following proposals were discussed:

(1) State Government takes action to allow commercial irrigation and other enterprises to phase out of the scheme by purchasing entitlement at agreed rates for lease back to these enterprises for a defined period. This approach would reduce uncertainty for business planning and allow time to organise relocation of businesses. An alternative approach would allow trading of medium priority entitlement to the river waiving the requirement to pay the excessive termination fee.

(2) State Government takes action to investigate the following proposals in conjunction with scheme customers and the local Council. These proposals may allow irrigation enterprises to remain as customers of the scheme:

- QCA investigate whether the pump assets and distribution system is in excess of what is required to operate the scheme allowing a reassessment of these costs to reflect the 'optimised cost' of supplying water.
- Investigations should be undertaken into the implications that growing rural residential use is having and could have on the scheme. Options to better operate and manage the scheme for rural residential access should be identified and costed to allow analysis of the need for differential charges and a reassessment of irrigation tariffs.
- Options for the Council to manage and operate the scheme with State Government financial support also require investigation.

g) Warrill Valley

i) QCA tabled revised pricing proposals at a meeting with scheme representatives in Kalbar on 4th March 2013. As a result of applying 15 year water use data the recommended volumetric tariff in the Draft Report has been reduced from $34.52 to $9.35/ML but the fixed charge increases from $20.39 to $21.72/ML. Cost reflective prices would be achieved in 2013-14. Customers accepted these proposed tariff changes. There was also support for the annual network service plans and scheme advisory committees at a forecast cost of $7,000 per annum per scheme.

ii) It was also noted that these changes would provide significant reductions on water bills for increased water use comparative with current tariffs. For example QCA estimates that a usage rate of 60% would reduce bills in 2013-14 by 18% compared with current bills. A sleeper licence on the other hand would face a bill increase of 12%.