

REVIEW OF SEQWATER SUBMISSIONN TO QCA – LOGAN WSS

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Chapter 2 Seqwater Business

Seqwater is a large business with one product (Water) as its core sale item. Much of this water is (by virtually guaranteeing delivery and purifying) sold to one customer. Income is approx.\$700m. A considerable volume of water is also sold to approx. 1450 irrigators spread over 7 water supply systems. The irrigators pay nearly \$2m in total or \$1375 on average (mean)per irrigator. As a further subdivision of income is made, we find in the Logan System, 136 irrigators paid Seqwater \$2400, per irrigator, on average for a total payment of less than \$1/3m i.e. .048% of total Seqwater income.

Irrigators ask –Can the management and accountancy systems of a \$700m business allow adequate scrutiny of \$1/3 m segment?

Chapter 3 Regulatory Framework

Seqwater in supplying water to irrigation customers has sales that rise and fall in response to weather patterns. Likewise its source of raw material – rain – is neither predictable nor assured.

Irrigators ask – Given that Seqwater and irrigators, are by the very nature of their businesses cyclic, how is it possible to have certainty of income or costs?

Chapter 4 Pricing Framework

Seqwater proposes a pricing framework based on a fixed charge per mega litre of WAE. This price is calculated by dividing predicted costs \$468000 by total volume of WEA 13554ml.

There is no usage charge proposed. The only price signal given is that “the more you use the cheaper it is”. As an example an irrigator who uses 1% of his WEA effectively pays \$3454/ML. At 25% (roughly the current Logan irrigator usage) the price becomes \$138.16/ML. It is only at 100% usage that price per ML becomes \$34.54.

Irrigators see this proposal as having the following possible results

- No incentive for Seqwater to seek out efficiency in their cost structure.
- Increase level of trading of WEA. In practice not likely as some zones have a very small and restricted market.
- Large increase in costs per mega litre when restricted water access implemented.
- Force WEA holders to sell or reduce their holdings, even though in a business sense water is seen as an integral part of a land holding.
- Decrease capital value of WEA on a long term basis.
- May increase level of seasonal assignments, although past history of Logan volumes indicated little demand for seasonal assignments.
- Decrease use of water harvesting.
- May decrease availability of credit water – no incentive for Seqwater to provide more zero priced water.

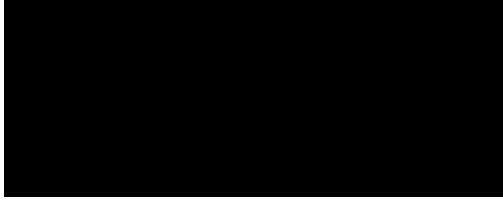
- Irrigation sleepers will have their costs doubled without any change in level of service or security of WEA.

Possibility of tariff Parts ABC should be investigated.

Chapter 5 & 6 Renewals and Opex.

Irrigators see this as complex. The absence of any advisory and formalised committee to discuss with Seqwater aspects of the above topics, makes informed comment difficult.

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