THIRD ROUND CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the meeting. The Authority is yet to form any opinion on these issues and views. As appropriate, issues will be addressed in the Authority's reports].

Scheme: Macintyre Brook WSS

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QCA Contact: Matthew Rintoul (07) 3222 0540 or matthew.rintoul@qca.org.au

Pricing Framework

Tariff Structure

- Given the change in tariff structure, even when irrigators don't get the water to use, significant costs are incurred.

- Increased costs to irrigators will lead to increased risk that assets associated with the Macintyre Brook Water Supply Scheme will eventually constitute stranded assets.

Renewals Expenditure

- The culture of SunWater is that a 300% blow-out in construction costs is normal. This is not accepted industry practice.

Whetstone Weir

- In contrast to SKM's conclusion, outlet works *were* included in the initial 2005 plans for refurbishment of the weir. In addition, these outlets works merely constituted a pipe over the top of the weir which is in contrast to the extensive $426,000 of works ultimately undertaken by SunWater. QCA should therefore compare SunWater's full costs including the outlet works.

- The original estimate of approximately $785,000 constituted a commercial agreement between SunWater and irrigators. The additional costs - incurred by SunWater without consultation and agreement with irrigators - constitute a breach of this commercial agreement. Irrigators were not given the chance to respond to the increased costs.

- If a cost/benefit analysis was undertaken on the $2.35 million, the benefit would not be proven. As an example, the option put to irrigators by SunWater was that Whetstone Weir be run to failure or spend the $785,000. Irrigators would not have endorsed the additional expenditure if given the opportunity to consider it and would have preferred to let the weir run to failure rather than incur costs in excess of the original estimate.

- Irrigators have directly funded refurbishment at the weir. As an example, irrigators paid $20,000 of their own funds in 1996 to establish a concrete pad across the top of the weir.

Cost Allocation

- Having a single tariff group that ignores the distributional losses that occur in different zones means that some irrigators are subsidising others.

- Costs should be allocated to the environment.

Opex/Cost of Continuous Sharing

- Irrigators have incurred substantial costs when SunWater were establishing continuous sharing arrangements. SunWater trialled several approaches before arrangements were settled and there were lots of problems. Costs incurred during these trials should be off-set through the revenue SunWater has achieved, and are seeking, in promoting continuous sharing arrangements in other jurisdictions.

- Costs should be shared across all SunWater schemes as other schemes may benefit from the experience gained from Macintyre Brook. The option of self-meter reading by irrigators has not been seriously considered and irrigators are concerned that this implies that SunWater and QCA do not trust irrigators.

Prices

- In the context size of the required price increases to reach cost reflectivity, capacity to pay should have been allowed to be taken into consideration.

- A solution to increased prices could be to trade more water. However, losses (which are applied outside the scheme) constitute an impediment to trade. More accuracy in losses in needed. The Department of Environment and Resource Management's (DERM) arbitrary approach is not supported by irrigators. Transaction costs are also an impediment to trade.

- Some concern was expressed that prices for the Council will need to increase threefold due to the HUF approach which allocates more costs to high priority users. Council have undertaken to pursue this issue with SunWater and State Government.