

## 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:** St George WSS and Distribution System  
**Date:** 8 December 2011  
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### Pricing Framework

#### Tariff Structure

- The recommended tariff structure is considered inappropriate as no other comparable irrigation system would have so many fixed costs. Costs such as labour and maintenance are usually defined in commercial practice as variable costs.
- The recommended tariff structure provides no incentive for SunWater to be efficient, let alone provide water. There is no incentive for SunWater to maintain the scheme as it receives its fixed revenue from the Part A charge regardless. In addition, the high Part A charge also does not encourage water use efficiency on-farm and this contradicts general Murray Darling Basin objectives.
- As a result of the tariff structure, irrigators are assuming all of the risks associated with SunWater's gold-plated scheme. SunWater should bear some of this risk as it is a corporation and in a competitive market a corporation would normally bear such risks. A high Part A reflects monopoly behaviour by SunWater and QCA is endorsing this.
- In 2000 irrigators were advised that \$21 per ML would achieve full-cost recovery and now irrigators are faced with \$46.95 per ML.
- Concern was expressed that by recommending a high Part A charge the Authority is creating an incentive for irrigators to transfer entitlement out of the channel to the river. The irrigator can then transfer the entitlement back to the channel in the form of a water harvesting entitlement, thereby avoiding the high Part A.

#### Cost Allocation

- Government regularly provides subsidies. Examples include suburban train travel in Brisbane and attending sporting events at Lang Park. However, irrigation misses out. Irrigators consider that it is wrong for Government not to provide a subsidy to irrigators given the substantial regional economic benefits of irrigation [and consider that the Authority acknowledges this].

- Moolabah Weir is used exclusively for environmental flow and that, as a consequence, irrigators should not be allocated associated costs.
- Recreational facility costs are for the benefit of the community and costs should not be met by irrigators. As an example, costs associated with establishing a buoy line should not be allocated to irrigators. These are considered a safety feature for the benefit of recreational users – they have nothing to do with irrigation.

## **Renewals Expenditure**

- The annuity balances proposed by SunWater cannot be justified. By nominating an arbitrary 10% saving, the Authority is washing their hands of the matter. Irrigators expressed concern that GHD was not provided with the information it needed to provide a proper assessment.
- Irrigators acknowledged that costs will be incurred in the design of the St George pump station. However, the design can be done for less than the \$700,000 being put forward by SunWater.
- Regarding the proposed reinstatement of Outlet Works for Jack Taylor Weir (\$282,000 in 2011-12), irrigators advise that the Murray Darling Basin Authority (MDBA) has indicated that funds are available to offset costs incurred by water service providers in establishing infrastructure required to maintain environmental flows.

### ***SunWater's consultation with Irrigators***

- Irrigators have very poor communication with Brisbane based senior management and the only time irrigators see senior management regionally is when they want to shut down a picnic area.
- The result of the recent investment in the Intersafe Program is that a lot of this infrastructure is now *less* safe through inappropriate design. Irrigators could have advised SunWater on more appropriate and potentially less costly, options.
- SunWater need to take on board the views of irrigators when considering programs of capital and operational expenditure. Irrigators work with the system and may be able to provide low cost solutions that are not obvious to SunWater.

## **Operations Expenditure**

- SunWater will walk away from the Authority's recommended efficiency gains and they will not be achieved. As soon as the review is completed, SunWater's costs will blow out and there will be no ongoing oversight.
- A general view was expressed that the efficiency gains identified by the Authority in overheads and opex are not enough.