

ROUND ONE 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: Warrill Valley Water Supply Scheme

Date: Tuesday 19 June 2012

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1.1 Regulatory Framework

Water Planning Framework

- Irrigators questioned who pays the Part A when an interim water allocation is surrendered.
- Irrigators asked what would happen to prices if a material number of irrigators surrendered their Interim Water Allocation. Would prices for remaining customers increase?
- The Authority must take into account that irrigators are not able to respond to a price signal and permanently trade their interim water allocation. Some irrigators are able to temporarily purchase water; however, irrigator's are not able to invest in on-farm infrastructure without the certainty of a permanent water allocation.
- There is currently an over-supply of water available for a temporary trading.

Volume Risk

- The proposed tariff structure shifts all volume risk to irrigators. This is unfair to irrigators.

1.2 Pricing Framework

Tariff Structures

- Recovering all costs through the fixed charge will lead to a very large increase from the current \$19 fixed charge to the Seqwater proposed cost reflective tariff of \$31. Some irrigators will not be able to pay this higher amount and any increase needs to be gradually introduced.
- A 100% part A charge will not encourage Seqwater to deliver water as they will earn no revenue from use.

1.3 Renewals Annuity

Future Renewals Expenditure

- Irrigators questioned why the Warrill Valley is being used as the pilot program to implement the national metering policy?
- Irrigators questioned whether benefits of increased metering accuracy are greater than the costs of the new meters when irrigators volumes are relatively small. It will require a large

amount of water to be taken to justify the increased cost of a meter, particularly if the volumetric charge is small or zero.

- The underground pipeline in the Warrill View Diversion Channel has collapsed and needs to be repaired. This expenditure may need to be added to the forecast renewal expenditure.

1.4 Operational Expenditure

Consultation

- Irrigators considered that annual consultation on irrigation costs may not be required as Seqwater's full operational costs program is reviewed to determine the Grid Services Charge. Instead of a full consultation program, as recommended for SunWater, a brief summary of actual costs against budget may be sufficient.