

Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Rural irrigation price review 2020–24 and apportionment of dam safety upgrade costs:

Thank you for the opportunity to be involved in the rural irrigation price review and dam safety upgrade cost apportionment review.

While we will outline our detailed considerations of the afore mentioned reviews in our final submission due 22nd of February, we wish to provide our initial thoughts for your consideration. We provide this in two parts. Firstly, concerns with our understanding of the detail in SunWater's proposed pricing over the life of the network services plan and secondly, our views on dam safety upgrade cost apportionment both in general, and on dam safety upgrade costs specific to the Dawson Valley Supply Scheme (DVSS).

Rural Irrigation Pricing Review:

Renewals Annuity

Whilst we are yet to access the full detail behind non-routine expenditure, we note a significant increase in renewals annuity projected across the network services plan price path. In examining the Network Service Plan for this period, approximately 30% of expenditure is associated with auditing, inspecting and reviewing. We would question if these activities should be classified as non-routine.

Indirect Costs

Indirect costs seem to be excessive and are on an upward trend for routine expenditure. We would like to understand how effective is SunWater's business model and their performance in comparison to other similar industry entities.

Cost Reflective Prices

We note in the DVSS High Priority Part A & B cost reflective pricing escalates significantly. Between 2020 and 2021 costs effectively double. Without benchmarking business effectiveness, how is fair and justified determination of cost reflective pricing calculated?

Dam Upgrade Cost Apportionment:

General Comments

- 1) Theodore Water have not had opportunity to fully understand the detail behind the proposed solutions and/or the necessity of dam safety projects and their costings.
- 2) We understand the need for, and support measures to improve community safety, however we are not yet convinced proposed upgrades will mitigate future risks to any great extent beyond those currently at play.
- 3) All Queenslanders enjoy the direct and indirect benefits of water storage. Be it irrigators, communities that have grown and prospered because of irrigation and water security, the State's economy through irrigated commodity export provisions, communities who are protected by dams and who's frequency and impact of flooding have been reduced, Councils who have been able to increase available residential and commercial land due to the safety afforded by dams, recreational users, insurance companies and those who pay insurance premiums benefit from well maintained and operated dams. It is our view, should upgrades be deemed necessary, the burden of efficient and effective expenditure should be shared across the State, therefore under the direct financial responsibility of the Government, unless such upgrades are undertaken to include provision for improved water security or scheme expansion.

Dawson Valley Specific Comments

- 1) Whilst the Moura Off-stream Storage (MOSS) is mentioned as a smaller project and outside the price path, SunWater's DVSS Network Service Plan includes costs of \$347,000 in 2023/24 for a dam safety review.
- 2) The MOSS was installed to enable the provision of high priority water for an ammonium nitrate plant at Moura. As the DVSS was already fully allocated, this was a measure to offset impacts on existing entitlement holders for allowing overallocation of the resource. We have not seen any modelling or historic records that indicate a benefit, if any, that would justify why all users of the DVSS are contributing to the operation, maintenance and renewal costs of the MOSS.
- 3) The 2018/19 – 2023/24 DVSS Bulk Water Network Services Plan has a total non-routine expenditure of \$2,286,000 of which \$824,000 (36%) is intended for the MOSS. Theodore Water do not receive any material benefit from the MOSS and do not believe it should be included in the DVSS costs. From our perspective, it provides an exclusive and direct benefit to the Moura ammonium nitrate plant and associated costs should not be socialised.

Geoff Beard



General Manager
Theodore Water Pty Ltd
Mobile: 0427 160564