BUNDABERG REGIONAL IRRIGATORS GROUP
REPRESENTING MEMBER IRRIGATORS IN THE BUNDABERG IRRIGATION AREA

ABN: 86 137 318 631
Postal Address: PO Box 953,
Bundaberg Qld 4670
07 4151 2555 P
07 4153 1986 F
BRIG@bdbcanegrowers.com.au E

7 December 2018

Mr Darren Page
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

darren.page@qca.org.au

SUNWATER PRICE REVIEW: 2020-2024

Bundaberg Regional Irrigators Group (BRIG) was established to represent irrigators in the Bundaberg district across a range of commodity groups including sugarcane, grain and horticulture.

The Board and management of BRIG are all stakeholders and irrigators and represent in excess of 66% of the nominal allocation in the Bundaberg scheme.

BRIG representatives have been closely involved with the Local Management process through the three stages and the key findings of the latest stage are reiterated below:

- Sugarcane is the cornerstone tenant of the scheme and around 80% of the nominal allocation and as such 80 % of the overheads of the scheme are borne by irrigators from the sugar cane industry. It is expected that sugarcane will still be the major water user over the next 15 years and as such will remain the main contributor to the schemes overhead revenue.

At current sugar prices it is unviable to irrigate sugarcane using water from the BIA.

This has significant implications to the viability of irrigated agriculture in the Bundaberg region.

It is critical that QCA investigate:

- The cost of energy in delivering water to irrigators.

COAG and NWI have identified that SunWater should recover lower bound cost (Cost with zero rate of return). Currently SunWater is over recovering in three of the sub schemes but not fully recovering all of the electricity cost over the whole scheme.

For SunWater to remain sustainable it must either recover this direct cost by way of a pass through, by way of CSO or by some other alternative.

The LMA Stage 3 process identified the key financial drivers of the sustainability of the each of the sub schemes in 2020/21 as:

Sub-scheme	Abbotsford	GinGin/Bingera	Gooburrum	Isis	Woongarra
ML allocations	991	40,807	24,951	51,255	34,411
ML Usage	284	16,703	13,188	26,040	20,091
Asset Replacement Values per ML alloc	$9,507	$10,618	$4,900	$4,578	$5,371
Total Opex 2019/20 per ML usage	$533	$133	$101	$199	$140
Elec cost per ML used 2020/21 * *new electricity tariffs*	**$139**	**$26**	**$23**	**$104**	**$53**
Capital exp. Yrs 1-30 per ML alloc	$1,933	$892	$497	$704	$622

<u>Electricity</u>

It is BRIG's policy that it is not acceptable for an irrigator in the Gooburrum sub scheme to be subsidising the cost of electricity to irrigators in other sub schemes.

We are also of the understanding that this is counter to the NWI.

It is also BRIG's view that irrigators in the Isis and Abbotsford excessive energy cost sections should not be penalised due to the fact that the scheme was originally built when both federal and state governments considered such infrastructure projects as nation building.

We note that in the SunWater proposal it appears that there will be electricity true up in the next price path period.

We are supportive of electricity being a transparent and equitable pass through.

The proposed methodology seems unnecessarily complex and on first glance appears to have significant intergenerational transfer / equity issues.

We do not support a true up in a future price period and would like to develop with QCA's and SunWater's assistance a practical and fair methodology that could be implemented in the Bundaberg Scheme.

I have borrowed the following from a previous BRIG submission to QCA (23/12/2011) by way of example:

> *BRIG does not agree with end of regulatory period adjustment for significant under or over recovery of costs in the current pricing. The currently proposed system for electricity costs is not acceptable as it could lead to large inter-generational shifts in price between years. This is of particular concern in the Bundaberg Distribution System where at least 1/3 of the cost is electricity. The price of electricity is uncertain over the coming 5 year period with the impact of the carbon tax still unknown. In addition the amount of electricity used per ML pumped can vary with delivery point, time of use and changes in pump efficiency and transmission losses in various channel sections.*
>
> *BRIG believes that an electricity cost pass through mechanism (a year in arrears) audited by QCA is the only transparent and acceptable option and that electricity should be a separate tariff component. This approach could be limited to schemes where electricity makes up a significant portion of the total delivery cost. BRIG proposes that the tariff structure be further unbundled to:*
>
> *Part A = Bulk Fixed Charge*
> *Part B = Bulk Volumetric Charge*
> *Part C = Distribution System Fixed Charge*
> *Part D = Distribution System semi variable volumetric charge*
> *Part E = Distribution System electricity volumetric charge*

Our view now has changed slightly and given the ability to put a behind the meter "watt watchers" type analytical system on each pump station the true cost of electricity across the scheme can be derived and averaged (Postage stamp pricing) based on mega litres through the meters quarterly in arrears.

This would allow for the true transparent cost of electricity to be on charged to each water user albeit on the inefficient postage stamp allocation basis.

Should the concept of a Part E charge be contrary to the referral notice it would be quite easy to unbundle part D into electricity and true variable costs similar to the bill customers receive from ERGON.

Our considered opinion is that Electricity is around 96% of variable cost in the Bundaberg irrigation area.

By transparently reporting electricity irrigators will be able to ensure that SunWater is operating electricity as a pass through and allows end users to better match marginal cost and marginal benefit to use of additional water.

BRIG is a member of QFF and supports the broad tenets raised in their submission provided to QCA on 3 December 2018.

We wish to see a sustainable outcome for all irrigators in all sections of the scheme and also for SunWater's long term sustainability.

We would be pleased to assist SunWater and the QCA in this matter and are available should you wish to discuss further.

Dale Holliss
Company Secretary
0417 009 236