

QCA irrigation workshop: issues arising

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

Scheme/(s): Eton WSS and distribution system and Pioneer River WSS

Date: Tuesday 5 February 2019

Government pricing principles

- Significant concerns were raised about the matters that had been included in the referral notice. Some stakeholders considered that the referral notice was incomplete/incorrect as the pricing principles did not consider issues such as the impact of cost reflective prices on the viability of the region's sugar industry (both irrigators and mills). Consequently, they expressed the view that the review was a waste of time.
- Stakeholders wanted to know why the Government was shifting to cost reflective and raised concerns about this as the schemes were not built on the premise that irrigators would pay cost reflective prices.
- Some stakeholders noted that the change in pricing principles to independently derive fixed and volumetric prices would have a significant impact on Eton's prices.
- Some stakeholders expressed the view that it was a waste of time making submissions, as they had done this in other reviews and the issues raised in those submissions were repeatedly not addressed. Therefore they did not have confidence that the issues they might raise in this review would be taken into account.

Pricing framework

- Recreation costs are a key issue especially the transitional payments to local government that SunWater has included in costs.
- Stakeholders were concerned about inclusion of recreation costs incurred pre-1 July 2020 in the annuity and suggested that this may not be consistent with the referral notice (as irrigators would still be paying recreation costs from previous periods after 1 July 2020).

Dam safety upgrade capital expenditure

- Concerns were raised about having to pay pumping costs to refill the dam after SunWater releases water in anticipation of rain as the dam is not flood mitigation dam (so users should not have to pay for this). SunWater clarified that it was only releasing water to bring the dam's level down to its operational level and that this was not being done for reasons of flood mitigation.
- Stakeholders said that dam safety measures are for benefit of broader community so the community should pay for them.

Inspector General Emergency Management (IGEM) review costs

- Stakeholders said that clarity on SunWater's proposed cost allocation method is required.
- Stakeholders said that IGEM measures deliver nothing for irrigators, and that these measures are for the benefit of broader community so the community should pay for them.

Electricity costs

- Stakeholders wanted to know what the QCA would be looking at in respect of electricity costs. Would the QCA look at the structure of electricity tariffs and the appropriateness of those tariffs for irrigated agriculture?
- Other issues raised included the fixed / variable split for electricity, the appropriateness of electricity tariffs for irrigated agriculture, the choice of standard business tariffs for assets that are currently on transitional or obsolete tariffs, and the prudent and efficient allocation of electricity costs.

SunWater's proposed costs

- Stakeholders asked whether the use of a forecast (rather than actuals) for the base year was appropriate.
- Stakeholders raised concerns about flood costs and the shift in SunWater's approach as compared to the QCA's approach in the 2012 review.
- The interest rate on the annuity debt needs to be looked at as part of the review.
- Allocation of overheads to individual water supply schemes is a major issue.

Public interest matters

- The sugar industry in Mackay is struggling and higher water prices will threaten the viability of irrigators and the mill. This will have an impact on the region. In addition, irrigation dams will become stranded assets if irrigators cannot afford to irrigate and the Government would then have to pay for the dams.
- Stakeholders wanted to know if the QCA would take into account the lack of alternative options for irrigators if water prices continued to rise, and the market into which the irrigated product was being sold when it set water prices (e.g. the level of sugar prices).
- Some stakeholders highlighted the regional benefits of the schemes and expressed the view that the economic benefits were far bigger from growing cane than benefits from the dividends from SunWater that go back to Government. They considered that the region is missing out on benefits at the moment as irrigators are not irrigating as much as they would if prices were lower, and wanted the QCA and the Government to look at the bigger picture.
- Stakeholders queried whether all of the factors in section 26 weighted were evenly, or were some more important than others.

Other issues

- Stakeholders considered that, if price path is implemented, irrigators would need a mechanism to surrender water entitlements as they would not be able to afford water (trading not an option due to limited irrigated agriculture options in the region).