Pioneer Valley Water Co-operative Limited.

A co-operative formed under the *Cooperatives Act* 1997.
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11th April 2011

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sirs

RE: Review of Irrigation Water Pricing in SunWater Schemes
Submission on Consultants Draft Report on Pioneer WSS Network Service Plan

This submission provides our comments on the Arup Draft Report "Review of SunWater's Network Service Plans – Cluster 4". There are two versions of the draft report and our comments are provided for both. These comments were initially provided in our emails of 1st and 5th April 2011.

Arup Final Draft – 28/03/11

Sec 11.2 Irrigator comments & key concerns

- Point 1 - should read PWB deliver "most" and not "some" of the irrigator services.... This is a major issue which has not been addressed by Arup (Sec 14 Conclusions Table point 7 "Not part of the Arup review")
- Point 3 – This statement in regard to local SunWater staff being very busy is not the view of PVWater and has not been raised in any of our submissions.
- Point 5 – Metering in the PVWater scheme is an internal issue for PVWater and is not part of SunWater NSP
- Point 6 – Electricity expenditure is forecast at only $3,000 pa in the Pioneer WSS and not considered to be of concern with annual price reset triggering.
- Point 7 – should read drop in "weir" not "dam" wall height.
- Point 8 – This refers to PVWater customers who are also Eton WSS High Risk A customers and who take Pioneer WSS allocation through Mirani Diversion Channel. Our concern is with how distribution losses to deliver the Pioneer WSS allocation are addressed.
- Point 10 – The matter of cost sharing of Mirani Weir between Pioneer WSS and Eton WSS has not been addressed.
- Point 12 – We have no idea what this statement is about
- Point 14 – There are no recreation management costs in the Pioneer WSS

[We note that in the latest version of the draft Points 3, 5, 6, 12 and 14 have been either removed or amended.]

Sec 11.3 Operations

- 2011 labour costs are stated as increasing due to increased surveillance of Teemburra Dam. This must be quantified and some justification assessment done by the consultants. [We note that some justification has been provided in the latest version of the draft but has not been quantified.]
- It is stated that "Based on discussions with local SunWater staff, the large CM (Corrective Maintenance) for earlier years is due to greater instances of unplanned maintenance activities including weed eradication. Significant resources were required for additional mechanical slashing and use of Acrolein to eradicate aquatic weeds." Pioneer WSS is a watercourse (Pioneer River and Cattle Creek) based bulk supply system and chemical weed control is prohibited. This needs to be re- examined to determine the real justifiable reasons for CM increases. [We note that in the latest version the reference to aquatic weed control has been removed but that further explanation is required from SunWater to explain increased maintenance activities.]
- It is stated that "The age of the scheme is necessitating additional regular maintenance." Teemburra Dam is one of SunWater's newest dams completed in 1996 and this statement requires detailed justification. [We note that in the latest version the reference to scheme age has been removed]

Sec 11.4.1 Renewals accounting

- The Palm Tree Creek Regulating Valve was installed new in 1996 and first failed in 2000 and attempts to rectify have been ongoing since then (not 2008). Overspends have been noted and all expenditures must be quantified and fully investigated especially to ascertain what amount of interest has accrued on the negative account balance. The additional renewals works listed must also be quantified particularly to determine if insurances have covered flood damage. The calculation presented for the renewals accounting process has no explanations and there seems to be a mismatch with the opening balance presented in the NSP of negative $5,160, 000. We share the concern raised "that further costs will be incurred in the next price path and thereby further bringing down the annuity balances" particularly if it continues as for the last price path with the absence of any information from SunWater to customers on the position and the presentation of information in SunWater Annual Reports that is vastly different from what is now in the NSP (see our submission of 17th March)

Sec 11.4.2 Renewals Forecasting

- Some comment should be made on the costs presented for the renewals projects particularly justification of the proposed $231,000 dam safety inspection in 2016. We would also seek comment on the inclusion of dam safety inspections under the renewals program for what is in reality a regular preventative maintenance activity.

Sec 11.6 Recommendations

- The comments from the consultant in Sections 4.1 and 4.2 (Operational and Capital Costs Review) on the adequacy of the data made available to them for the review are very much at odds with the recommendation that, even for their high level review "Arup considers that the scheme is operating in a prudent and efficient manner"

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Arup Draft 3 - 02/04/11

Section 11.2 Irrigator comments & key concerns

- In our view Point 1 should read "Pioneer Water Board deliver most of the irrigator services." . This matter is covered in detail in our submissions of 15th February and 17th March relating to the NSP inferring that SunWater undertakes most functions that are in reality performed by PVWater. Arup have stated that this matter is not part of their review and our question remains as to who then will respond to us on this particularly to ensure that the SunWater labour costs for the Pioneer WSS reflect that SunWater does not perform duties such as customer water ordering, water delivery, water meter reading, meter maintenance etc and are only the headworks operator for the scheme

- As above – "This refers to PVWater customers who are also Eton WSS High Risk A customers and who take Pioneer WSS allocation through Mirani Diversion Channel (in the Eton WSS). Our concern is with how distribution losses to deliver the Pioneer WSS allocation are addressed

- Point 7 in regard to sharing of Opex and Capex costs for Mirani Weir between the Pioneer WSS and Eton WSS has still to be addressed

Section 11.4.1 Renewals Accounting

- The table presenting the determination of the closing balance at 30 June 2011 still has no explanation following it as appears for the same tabular determination in other schemes in the Arup draft. It has been clarified at the Round 2 consultation that item (f) "Uplift factor whole of scheme" is based on the SunWater determined HUF and converts the irrigator sector balance to the whole scheme balance. The factor is quoted to be 1.65 but the SunWater HUF numbers are 44% for medium priority (irrigation) and 56% for high priority for the Pioneer WSS. HUF of 44% results in an uplift factor of 2.27 by our calculations. The factor of 1.65 would seem to be incorrectly based on a split between medium and high priority of 61% - 39% which is the split proposed by SunWater for Opex costs on a one for one basis cost sharing. This matter requires clarification.
- Despite our comments in the above point it is our contention that HUF should not be used in this determination as it is a new concept proposed by SunWater for the next price path. Sharing of costs for the present price path was done a pseudo converted nominal allocation basis for the Pioneer and this methodology should be used for the renewals accounting calculations in this instance for the 2006 – 2011 price path.

We note that our comments on the draft report of 28/03/11 have brought some corrections and amendments to the version of 02/03/11 including an alteration to Section 11.6 – Recommendations as follows

28/03/11

"From an operational perspective and given the high level nature of the review that was undertaken, Arup considers that the scheme is operating in a prudent and efficient manner."

02/04/11

"From an operational perspective and given the high level nature of the review that was undertaken, Arup is not able to in its entirety claim that the operations are prudent and efficient based on the information we have been provided. We can however state that forecast expenditure can be explained in part by looking at historic actuals. Furthermore we found that local staff had a great appreciation for the scheme and demonstrated a commitment to operating the scheme efficiently."

Further to our comments above on the Arup draft reports, the following matters from our submissions on the Pioneer NSP remain to be answered.

1. Sharing of Opex and Capex costs for Mirani Weir between the Pioneer and Eton Schemes
2. Distribution losses associated with the delivery of Pioneer WSS allocations through the Mirani Diversion Channel in the Eton WSS.
3. Opex cost allocation including overheads and indirects that recognises that Pioneer Valley Water performs most water delivery functions under the Distribution Operations Licence for the Pioneer WSS.
4. Questions in regard to Compliance in the areas of Water Quality Monitoring, Environmental Management, Land Management and Insurance,
5. Specific questions on Opex costs in Tables 4-2 and 4-3.
6. Allocation of Opex costs
7. Projected water use and fixed and variable cost determination
8. Specific questions on renewals in Table 4-5 and Figure 4-1
9. Access to SunWater SAMP audit report
10. Clarification of discrepancies between renewals data in the NSP and SunWater Annual Reports.
11. Clarification of calculations of the HUF for the Pioneer
12. Clarification of how local scheme vehicles costs are incorporated in Opex costs

We would also raise an additional matter in regard to the fabridams on Mirani and Dumbleton Weirs. The fabridams remain deflated pending legal proceedings involved with the Bedford Weir fabridam and the renewal or replacement of them has been excluded by SunWater from the Pioneer NSP. In this situation we contend that all Opex and Capex costs in the scheme associated with the two fabridams should also be excluded from the NSP. Further any storage volume based determination of cost allocation between water allocation priority groups should exclude volumes stored by the fabridams. This would include the SunWater proposed HUF methodology.

Yours sincerely

[redacted]

J R Palmer
MANAGER