

## SECOND ROUND 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:** Upper Condamine Water Supply Scheme

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### Technical Issues

- If a two-part tariff is to be applied to manage volume risk, then given the volatility associated with supply in this scheme, calculating the tariffs over a 5-year period may be too short. Historically this scheme has had instances of low supply of up to 10 years.

### Scheme Specific Issues

- There are significant inefficiencies associated with the original design of infrastructure associated with this scheme. SunWater's pricing arrangements do not accommodate these inefficiencies, with irrigators ultimately having to pay.
- Supply from this scheme is extremely volatile and it is unjustifiable to charge irrigators for a service they do not receive.
- The announced allocation system does not facilitate an efficient outcome, particularly given that in many years irrigators have no supply. Inability to implement water ordering systems due to limits of water resource planning.
- In the context of the Deloitte report, there are a lot of indirect/overhead costs being apportioned to this scheme. Because in many years no water is made available, this may not be appropriate. Uncertainty regarding the benefit of head office and regional offices.
- Although some irrigators consider the service provided by SunWater to be good, irrigators incur costs even when no water is provided.
- The GHD report lacks analysis of efficient operating and renewals costs and is unacceptable as a basis for QCA to assess efficient prices.
- Concerns were raised by customers about growing deficits associated with ARR balances. Past expenditures need to be checked for need (prudency) and efficiency and the forward program also needs to be better analysed.
- The cost of electricity has a significant consequence on pricing. What options are available to move to more efficient electricity charges (i.e. contestable electricity contracts versus franchise electricity tariffs)?
- Support for the application of the HUF to allocate costs between high and medium priority users. This analysis at least reflects the poor reliability associated with this scheme on an ongoing basis. It is understood that if this approach is applied, Condamine irrigators would be allocated 11% of the renewals annuity.

- General support for a price cap but concern that scheme unreliability means that irrigators can only ever use about 50% of nominal entitlements. Lack of reliability means that irrigators will have limited opportunity to adjust to cope with price impacts.
- Concerns were raised about the impact of a high Part A tariff given the (relatively) low reliability of the scheme and the impediments irrigators experience in making adjustments. A high Part A will drive a 'use-it-or-lose-it' approach.