THIRD 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: Dawson Valley WSS and Theodore Distribution System

Date: 7 December 2011

QCA Contact: Matthew Bradbury (07) 3222 0575 or matthew.bradbury@qca.org.au

PRICING FRAMEWORK

Termination fees

- The existing termination fee should remain but that remaining customers should not be impacted. The balance of costs should be paid for by SunWater.

- If water use efficiency is increased but the amount of land is not increased then less water will be needed in the channel and water will need to be traded out. This may not be able to occur if the termination fee is too large.

- The termination fee is very large compared with the value of WAE.

- If a customer transfers from the river to the channel then those exiting in the past should be reimbursed.

Distribution losses

- Why should distribution customers need to pay for distribution losses if no water is delivered through the distribution system?

- Distribution customers should not pay for distribution losses if bulk customers do not pay for river losses.

- If SunWater operated the channels efficiently and fixed leaks then losses would be lower. Therefore, SunWater should pay for distribution losses.

- Can SunWater sell unused distribution losses?

Drainage Charges and Drainage Diversion Charges

- Drainage charges should be based on actual costs. Irrigators should not pay for drainage diversion as irrigators already pay for this water when it comes out of the channel.

RENEWALS EXPENDITURE

Moura Off-stream Storage as bulk asset

- The renewals expenditure for the next five years is forecast to be $750,000. However, $350,000 specifically relates to the off-stream storage. The majority of the WAE from the off-stream storage are high priority. Therefore, all renewal costs associated with this asset should be allocated to high priority customers only.

- This change in allocation method would reduce the cost-reflective price which is currently too high. Lowering the bulk charge will reduce the cost reflective price payable in the channel.

- QCA should really look at reapportioning these costs prior to the Final Report, to reduce the channel cost reflective price.

- The QCA needs to examine the HUF for this asset and look at cost allocation and a recalculation of prices as a result.

- This asset does not increase medium or medium priority system yields so irrigators should not contribute.

OPERATING EXPENDITURE

Non-direct costs

- The application of 60% plus non-direct costs to this scheme was queried.

- The benefits of the costs recovered in this scheme are not evident to irrigators.

- Centralisation was considered to be a mistake. Other government organisations are now becoming decentralised again due to the inefficiencies of centralisation.

- When SunWater operated out of Biloela it was a far better and more cost efficient situation with more practical decisions being made.

- We are getting seriously hurt by the current cost allocation method for overheads and indirect costs. Why doesn't the QCA use water allocations and not labour costs to allocate costs?

- If you are not going to change the allocation base – and direct labour costs remains the method – then two things need to happen:

  - less hours must to be booked to this scheme – based on efficient service deliver not the currently wasteful and ineffective work practices; and

- irrigators want a say in the hours booked to this scheme – you must involve local knowledge in forecasting the required labour for this scheme.

- QCA should immediately review the direct operating costs (including labour) and irrigators can consult on these. The 65%+ of our total costs on non-directs is unacceptable.

- Our total bulk and channel costs combined are $2.2 million and of this $1.2 million are central office costs.

Labour, Material and Contractor Costs

- Acrolein does not reduce weeds in this channel, which makes the $100,000 forecast on this chemical inefficient. The drains are still clogged and are not maintained.

- Assets are inspected by SunWater employees from 2-6 hours away (say Mackay or Bundaberg), this means overnight accommodation and another 2-6 hours drive to return. This is highly inefficient.

- Local contractors / electricians could do the jobs far cheaper and should be engaged not SunWater staff, who cost a lot more.

- Irrigators in this region have agreed to maintain some drains instead of SunWater.

- Labour allocated to this scheme is far too high. The number of hours forecast for this scheme must be reviewed and lowered. The remoteness of the scheme necessitates the use of local contractors to lower these forecast labour hours.

Electricity Costs

- Irrigators queried whether they were paying the $30,000 per annum electricity cost for a major industrial customer.

- The bulk electricity costs relate to the Moura Off-stream storage and should be paid for by off-stream storage (high priority) users and not allocated to all bulk users.

PRICES

Bulk Scheme

- Irrigators stated that the $16 Part A and $1.63 Part B has 2 bad outcomes:

    - no incentive for SunWater to perform; and

- no incentive for farmers to invest in water use efficiency.

- Irrigators need a low Part A because SunWater needs to have a revenue/financial motivation to update the announced allocation (after minor rainfall events / inflow). This is particularly the case because in Dawson WSS the customers live 'hand to mouth' and need any small amount of water that can be made available.

- The two-part tariff is not acceptable because we do not get 100% of our allocation. When the announced allocation is 30% the cost per ML of water delivered is above $50/ML.

Distribution System

- The $2/ML increase each year is simply unacceptable. Farming will become unviable in this area.

- The $80/ML cost-reflective Part A and the Part B of $20/ML makes the price of water $100/ML.

- This $100 is likely to become $120/ML and irrigators stated that they are concerned they will never get to or be able to afford the cost reflective price of a channel scheme.

Water Use

- At the start of the water year (say October, November, and December) the announced allocation is always or often zero for the first month at least. The end of year water availability data overstates the amount of water that is available as it is only available at the end of the year, when irrigation is complete. When the water is needed, water availability is less than the end of year figure suggests. The HUF should be calculated on water availability at the start of the period, not the end.

- High priority users seem to use more than 30% of the storage [the HUF allocates 30% of costs to high priority]. When the weir is full the Medium Priority user still does not necessarily receive 100% announced allocation but the high priority customer does. This means that the HUF must overstate the benefit to Medium Priority and Medium Priority A customers. Irrigators are strongly of the view that the HUF needs to be reviewed.

OTHER

- Very keen to understand if we have enough data from SunWater to make an intelligent decision as part of this price review.

- What would the Government say if we said that we do not have enough information to make a price recommendation?