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: Upper Burnett WSS

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Pricing Framework

Tariff Structure

- Irrigation customers sought to avoid high fixed charges because they encourage water overuse / wastage. However, this [the proposed tariff structure] is counterproductive as it encourages water inefficiency.

- Previously fixed charges did not necessarily reflect fixed costs, and there are years where announced allocations are 20-30%. However, now 93% of the costs are to be paid to SunWater based on water allocations (regardless of announced allocation).

- SunWater's view is that capacity sharing will not work in this scheme.

Usage

- Usage in the John Goleby Weir section of the scheme is very low, with only six irrigators holding water allocations, and only 2 are likely to use any water.

- Water use for the whole scheme was low due to drought and flood over the past 5 years. The last 12 months has seen very low water use due to the rain.

- Water use also responds to commodity prices received by farmers.

Renewals

Kirrar Weir

- Kirrar Weir – There is concern that SunWater is spending money on assets and yet the assets continue not to work. The implication is that money is not being spent wisely and such unnecessary expenditure should be investigated.

- The original construction of the Kirrar Weir was problematic and the original construction company constructed a fundamentally flawed weir, which has never been addressed by SunWater.

Opex

Recreation costs

- Irrigators queried whether they are paying for recreation costs. User pays principle should apply to recreation costs. Council should help to bear the costs.

Non-direct costs

- Non-direct costs are 54% of total opex, which is too high. Irrigators considered that the non-direct costs should be no more than 40%.

Pricing

Revenue equivalence

- Revenue was incorrect previously and now is being maintained in real terms, from which the Government is making profit from irrigators.

- The high level of revenue above cost recovery provides a justification to decrease the Part A charge.

- Five years ago (during the 2005-06 review), the water price was increased significantly and yet costs did not rise, which indicates that the last 5-year price path was incorrect.

- Prices should not be increased by CPI on the basis that they are currently significantly above (lower bound) costs.

Price Impacts

- Most farmers won't use their allocation because they can't afford to use it. That is, the cost of electricity is a significant disincentive to use water because particularly [on-farm] pumping costs are high.

- In this region there is significantly less irrigated citrus than 15 years ago, indicating a decline in irrigation due to rising costs.

- Two years ago, irrigators calculated that pumping costs were in the vicinity of $60-70/ML to extract water from the river and apply it to the farm. It is likely that costs have increased further since this time. Total cost of (production) equates to $100/ML.

- As a result, some farmers are instead turning to poorer quality groundwater, or switching from irrigated crops to simply grazing cattle as an alternative enterprise.

Other

ROP changes

- High Priority (HP) water allocation holders were given HP status at the stroke of a pen, without any corresponding increase in water availability.