

SEQWATER'S 10 JULY SUBMISSION / RESPONSE TO QCA REQUEST OF 29 JUNE

29 June 2012

The Authority provides, herewith, another formal (consolidated) information request to Seqwater. [Questions outlined below prior to Seqwater responses.]

From: Ross Muir [REDACTED]
Sent: Tuesday, 10 July 2012 12:13 PM
To: Angus MacDonald
Cc: Matt Bradbury; Colin Nicolson; Adam Kay-Spratley; Damian Scholz
Subject: RE: DRAFT FOR DISCUSSION - FURTHER DATA AND INFORMATION REQUEST ARISING FROM ROUND 1 AND RENEWALS DATA REVIEW

Angus

Please find below our response to your questions raised in your email of 29 June.

QCA Question 1

WHAT HAPPENS TO IWA WHEN SURRENDERED AND WILL SEQWATER CEASE OR CONTINUE CHARGING

Seqwater Response to Item 1

As you would be aware, only IWAs can be surrendered (water allocations post-ROP cannot). Therefore surrenders can only occur in three schemes that still have IROLs. Seqwater's records indicate surrenders since taking ownership of the scheme as follows:

Central Lockyer – 2ML

Warrill Valley – 10ML

Lower Lockyer – 80ML (although Seqwater believes up to an additional 70ML was surrendered prior to taking ownership).

Seqwater understands that surrendered IWA is effectively removed from the scheme, however we suggest you seek advice from DEWS to confirm.

Seqwater's policy has been to cease charges once a customer surrenders IWA, and release the customer from their contract without further payment. This policy remains current today.

QCA Question 2

WHAT HAPPENS TO IWA WHEN SURRENDERED AND WILL SEQWATER CEASE OR CONTINUE CHARGING

- When a water licence or an interim water allocation is surrendered, does DNRM then hold the IWA?

- After surrender, are customers still contractually bound to pay fixed charges to Seqwater for a period of time? How does this vary by scheme in SEQ, depending on the status of the ROP and applicable service contracts?
- What must happen before customers are no longer liable for fixed charges?
- Can Seqwater legally continue to levy fixed charges to irrigators after they have surrendered?
- What is the relevant department's policy in this regard for 2012-13 to 2016-17? That is, due to the risk of some surrenders where water allocations do not exist, what do DNRM or DEWS propose to do to ensure revenue adequacy for Seqwater and equity for irrigators?

Seqwater Response to Item 2

- As indicated above, Seqwater's policy is to discontinue charges following any surrender. Where Seqwater has rights to charge a termination fee on past contracts (on the basis the customer is obliged to maintain their water allocation), it has chosen not to do so. This remains Seqwater's policy position.
- It is important to note that any surrendered IWA to date has the effect of improving supply reliability to existing users, assuming this surrendered IWA is not re-issued by DEWS (which we understand is the case). Seqwater therefore submits that the IWA surrendered to date is excluded from the WAE base for charging purposes, as has been done in NSPs, in recognition of the reliability benefits created for remaining users. Accordingly, the WAE amounts listed in NSPs (and which exclude past surrenders) should form the basis for determining lower bound reference tariffs.
- Notwithstanding the above, Seqwater accepts the need for certainty about prices over the forthcoming regulatory period, and also accepts that making adjustments for surrenders that occur during the regulatory period will introduce complexity that is not commensurate with the financial impacts involved. Accordingly, Seqwater is willing to accept that any surrenders that occur within period are borne by Seqwater, and that there is no end of period adjustment required on the basis of materiality (or lack thereof).
- Finally, Seqwater submits that prices at the next regulatory period are re-set based on the final WAE created under the relevant ROP, if this has been made, as the ROP provides the definitive and final decision about WAE in a scheme.