

4 November 2019
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

(By Electronic Submission)

Response to the Rural irrigation pricing review 2020-24

Cotton Australia is the peak body representing the interests of Australia's 1400 cotton growers, many of whom are Queensland irrigators and are clients of Sunwater.

Cotton Australia welcomes the opportunity to comments of the Queensland Competition Authority's (QCA) draft report for the Rural Irrigation Price Review 2020-24.

Cotton Australia is an active member of the Queensland Farmers Federation (QFF), and has played a role in the preparation of its response to this draft report, and therefore endorses its submission and the interactions QFF has had with both the QCA and Sunwater throughout this process.

Cotton Australia also has either a direct or indirect relationship with a number of other groups and organisations that it understands either have or will submit on this report.

In most instances these groups are either locally or regionally based, and therefore have an intimate understanding of their own Sunwater Schemes, their peculiarities, and irregularities, and therefore Cotton Australia urges the QCA to pay particular attention to the specific matters that these groups and organisations bring to your attention.

For example, Cotton Australia is aware that the Dawson Valley Cotton Growers Association (DVCGA) has raised concerns around the cost implications of the Moura Off-Stream Storage (MOS), and has also provided information that provides the historical context for that storage. This detailed understanding should be highly valued by the QCA.

Further, the DVCGA submission seriously questions some of Sunwater's costings, and provides evidence of an alternative quote. Cotton Australia has long been concerned by Sunwater's inflated costings, and urges the QCA to more closely examine cost claims, and seek alternative costings as comparisons.

Cotton Australia would also like to take this opportunity to braise the following high level concerns:

Sunwater Costs

As mentioned above, Cotton Australia remains deeply concerned that Sunwater costs are far from prudent and efficient. Many of our growers have requirements to purchase very similar goods and services as Sunwater, and often they can demonstrate that the cost of the same goods or service escalates significantly when Sunwater is the purchaser.

Cotton Australia urges the QCA to do further "truth-testing" of what is prudent and efficient expenditure by Sunwater.

Dam Safety Costs

Cotton Australia remains completely opposed to the allocation of dam safety costs to irrigators, particularly when they are associated with any existing infrastructure.

Cotton Australia completely rejects the QCA's draft recommendation 4, and therefore as a consequence rejects the other recommendations associated with Dam Safety.

Our opposition to the Dam Safety costs is based on:

-) The inclusion of dam safety costs was never considered when the dams were originally proposed, and therefore were outside the scope of any cost/benefit analysis, and any consideration by irrigators in regards to the economics of irrigation.
-) Given that Dam Safety upgrade work has been regularly carried out by Sunwater on numerous dams, and to date the cost has been born by the Government, it would be highly inequitable to burden some irrigators with these costs, while irrigators on schemes with recent upgrades have not had to make a contribution.
-) Dam safety upgrade requirements are completely outside the control of the irrigators, and therefore they have no capacity to influence the cost that will be applied to them.
-) Dam safety upgrades requirements can be triggered by downstream developments, and it would be completely inequitable to burden irrigators with costs associated with these developments.

Inspector-General Emergency Management

Cotton Australia opposes the inclusion of Inspector-General Emergency Management costs as an irrigator costs.

The role of the IGEM, is a government required role, with widespread community benefits. Whether a dam has a formal flood mitigation role or not, it will have an impact by minimising flows that would have otherwise occurred during a flood event. Therefore, Cotton Australia contends that dams will not exacerbate the damage caused by floods, but do offer opportunity to minimise damage, and therefore it is a cost that should be met by the whole of society via the government.

Further, it is Cotton Australia understanding that QCA supports the Sunwater IGEM costs as Sunwater now has a formal role in flood prediction. CA would contend that this role would have been carried out by another body in the past, with the costs not being met by irrigators, and the need to carry-out the role is not contingent on either dams being in place or irrigator behaviour, therefore it is inequitable to apply the IGEM costs.

Cotton Australia calls on the QCA to remove the IGEM component of costs.

Renewal Annuities

Cotton Australia calls on the QCA to re-consider the calculations regarding renewal annuities. There appears to be a huge variation in the renewal annuities from the last price path to this price path. Cotton Australia directs the QCA towards the Dawson Valley Cotton Growers Association submission which provides detailed information on anomalies in the annuity calculations for that valley.

The variation in the Non-Routine Annual Expenditure is demonstrated in the following table:

Table 1:

Total Non Routine Annuity	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	% Increase 2020 to 2021
BBR - Barker Barambah WS	231	230	238	240	246	252	258	264	1,561	1,573	1,584	1,595	591%
KBB - Bowen Broken WS	324	326	337	436	439	450	461	471	1,023	1,031	1,037	1,044	217%
BBY - Boyne WS	13	13	17	17	17	17	18	18	3,140	3,154	3,170	3,208	17151%
BBB - Bundaberg WS	561	574	585	599	618	634	650	664	3,865	3,898	3,941	3,977	582%
ABB - Burdekin WS	548	558	567	592	596	611	627	641	1,341	1,363	1,409	1,527	209%
LBC - Callide WS	371	370	370	374	380	390	400	409	2,949	2,968	3,011	3,040	722%
IBH - Chinchilla Weir WS	4	4	4	4	4	4	5	5	192	194	207	223	4129%
IBN - Cunnamulla Weir WS	6	7	7	7	7	7	7	8	34	47	49	49	453%
LBD - Dawson WS	(47)	(45)	(20)	(7)	16	16	17	17	964	1,000	1,027	1,046	5624%
KBE - Eton WS	560	568	573	587	623	639	655	669	877	885	898	927	131%
LBF - Lower Fitzroy WS	9	9	11	11	13	14	14	14	152	152	155	163	1065%
BBL - Lower Mary WS	110	110	110	110	109	112	114	117	239	242	245	248	204%
IBT - Macintyre Brook WS	253	254	258	266	269	275	282	289	662	675	722	748	229%
IBM - Maranoa WS	5	5	6	8	8	8	9	9	46	46	47	47	526%
MBM - Mareeba	10	10	116	117	120	123	126	129	718	737	755	772	556%

WS		8	8											
LBN - Nogoa WS		44 3	45 4	455	468	470	482	494	505	1,4 40	1,4 60	1,5 02	1,5 56	285%
KBP - Pioneer WS		42 3	43 3	444	446	457	468	480	491	1,1 16	1,1 80	1,2 55	1,2 79	227%
ABP - Proserpine WS		19 8	20 0	202	201	201	206	212	216	490	797	1,0 74	1,0 83	227%
IBS - St George WS		62 5	63 4	640	649	657	673	690	706	674	684	734	918	95%
LBT - Three Moon WS		10 7	10 8	109	112	114	116	119	122	585	603	619	625	480%
BBU - Upper Burnett WS		16 3	17 3	175	180	187	192	196	201	863	874	889	899	430%
IBU - Upper Condamine WS		54 5	54 9	556	578	583	598	613	627	794	818	844	855	127%
									861 2	257 49			Av g	299%

With an average increase of 299%, but in some cases an increase 17,151%, it beggars belief that a consistent pricing mechanism as employed by the QCA could lead to such inconsistency.

Electricity Costs

Cotton Australia supports continued discussion amongst QFF, Sunwater and the QCA to develop an appropriate and robust pass-through mechanism for electricity prices.

Access/Account Charge

Cotton Australia believes it is fair and equitable to have a revenue neutral account or access charge that truly reflects the costs Sunwater faces in managing a customer account. That being said, Cotton Australia does not believe the costs identified by Sunwater for account management are either prudent or efficient

Cotton Australia recommends further work be carried out by QCA and Sunwater to identify the prudent and efficient costs of account management, and then apply them in a transparent and revenue neutral manner.

Reviews During Price Path

With the exception of electricity costs (as discussed above) Cotton Australia does not support an "in period" cost review system. It would appear to negate the purpose of an effective and rigorous price setting process, to have annual variations subject to further review.



Advancing Australian Cotton

For further information on this submission please contact Michael Murray, General Manager, Cotton Australia – 0427 707 868 Or michaelm@cotton.org.au .