5th November 2019

Queensland Competition Authority

GPO Box 2257

Brisbane QLD 4001

Dear Mr Page

Re: Rural irrigation pricing review 2020-24

Thank you for the opportunity to comment on the Queensland Competition Authority Rural Irrigation Pricing Review 2020 – 2024.

1. Dam Improvement Program (DIP)

The QCA has determined its position on "who should pay" for Dam Improvement Costs based on a simplistic view that "dams in Queensland have generally been built for the primary purpose of supplying water to users". The QCA fails to consider why governments would gift such infrastructure to water users. Clearly, as with all other national and state significant infrastructure amenities, such as rail and roads, these facilities are provided by governments to grow our economy and strengthen our communities. To suggest these costs now fall predominantly on the shoulders of water users is an unjustifiable shift in the policy relationship with users and will unfairly disadvantage Queensland irrigators' national and international competitiveness.

In our previous submissions we have outlined our concerns with the inclusion of the Moura Off Stream Storage (MOSS) in the Upper Dawson Valley pricing inputs. The MOSS facility contributes a significant component of Sunwater's non-routine expenditure across this price path and the 30 year annuity profile. We call on the QCA to justify why;

1) A facility such as MOSS, for the benefit of a single commercial user, should result in increased costs to Upper Dawson Valley Irrigators.
2) Any future Dam Safety Upgrades applicable to MOSS will be shared amongst all Upper Dawson Valley Irrigators who receive no benefit from the MOSS.

2. Inspector-General Emergency Management (IGEM)

In our previous submissions and at local QCA conducted workshops, we have informed the QCA of the following;

- Sunwater would assign $90,000 per annum for IGEM costs to the Dawson Valley
- There are no dams on the Dawson river.
- As with our position on the proposed Dam Improvement Program, where we strongly believe dam improvement costs are a matter for the state, so should IGEM costs be.

We call upon the QCA to provide us with the reason Upper Dawson Valley irrigators will share in the cost of IGEMs even though there is no mechanism to control or influence flood waters within the Dawson Valley infrastructure set.

3. Non – Routine Expenditure.

We feel we have no option but to clearly articulate the reality of cost management under Sunwater in order to demonstrate why QCA must strongly challenge all information and propositions presented within Sunwater's Pricing Submission.

The QCA commissioned review undertaken by AECOM highlights several areas of concern that are not adequately addressed in the QCA's draft report. AECOM's report is in effect, a desk top review of costs incurred versus estimated costs. This approach, without knowledge of the project specifics or analysis of the detail involved in projects assessed, highlights the limitations of the value such work provides. As an example, 15DAW01 – Moura Offstream Storage (MOSS) within AECOMs Rural Irrigation Capital Expenditure Review is summarised as being prudent and, with some conjecture, `efficient'.

It appears prudency is awarded based on the opening statement within AECOM's report, provided by Sunwater as follows;

"MOSS is a part of the Dawson Valley Supply Scheme and failure of the control system will result in Sunwater being unable to fulfil their regulatory requirement to manage water resources at MOSS. The scheme supplies 153 customers and it is essential to maintain service. An inspection identified the control system to be obsolete and immediate works were recommended.

Should this statement be examined in detail, AECOM would find that MOSS;

1) was, and remains manually operated at site level. SCADA is not an essential requirement for this site.
2) There is only 1 customer reliant of the operation of MOSS.

Theodore Water makes no judgement as to the intent of this statement and whether it is ill-founded or intentionally misleading. However to advise prudency, clearly a closer examination must be undertaken.

AECOM's examination and findings with regards to the efficiency of this project are confusing. . For a project estimated initially at between $52,258 and $32,258 to result in approved capital expenditure of $260,693 deemed efficient by AECOM is very hard to understand. A simple exercise in obtaining quotes for the replacement of such works would provide a reasonable guide to what is efficient expenditure. For a project to grow in value by 600% and be deemed efficient is astounding.

Unfortunately, the outcome of inefficient project expenditure moves through to the assets register where it unduly influences the required annuities going forward.

To further highlight to the QCA the concerns previously raised in our submissions, we again revert to detail in order to demonstrate the inappropriate mechanisms used for determining annuities and how they are unjustly driving up the price of water. Whilst this is not an exhaustive review, it is undertaken to highlight how easily failures and anomalies in the costing process can be uncovered.

Case Study: Glebe Weir – Dawson Valley.

The following table is extracted from Sunwater's 30 year annuity plan. Our comments are included below the relevant points.

Item	Component	Sunwater Values
		$
1	**Glebe Weir - Study - 5 Yearly Comprehensive Inspection & Report (Tier 1)**	$372,075
	Total	**$372,075**
	Glebe weir and overfall are constructed from mass concrete. The weir wingwalls are supported by sheet piling and tied with timber waling. Exposed aggregate is evident and should be addressed in course to arrest further surface deterioration. Detailed examination every 5 years is questionable unless there is a noted shift in the asset stability. If there is no shift of this sort, routine inspections are sufficient to safely monitor this site. The $372,000 proposed over the 30 year annuity profile is deemed excessive.	
2	**Refurbish Electrical Cable**	$391,484
	Replace Electrical Cable	$619,651
	Total	**$1,011,135**
	The site contains limited electrical components. Apart from a few lights, power outlets and a small electric motor to drive the hydraulic system controlling the outlet valve, there is no electrical componentry of note. This cost does not appear to relate to this site.	
3	**Reinstate pressure relief holes with no fine concrete or modern equivalent**	$644,222
	Total	**$644,222**
	Whilst we acknowledge this is a labour intensive task, the cost for this site seems to be extremely overstated.	
4	**Study: Bathometric Survey required - Communicated to customers that this would be occurring 2018/19**	$93,338
	Total	**$93,338**
	The site on inspection is currently empty. A visual assessment is all that is needed to understand the site is significantly silted and planning to dredge should be considered. Save the survey money and put plant into action.	
5	**Glebe Weir - Refurbish - General Power Outlets and Lights (Tier 1)**	$81,804
	Replace Outlets and Lights	$147,536
	Total	**$229,340**
	There are 2 x 240v light sockets and several 240v power outlets. There is an auxiliary 3 phase outlet external to the control room. Again, this is clearly an extraordinary over estimation of cost for this site.	
6	**Replace BUOYS (5 OFF), PLASTIC FABRICATIONS**	$44,066
	Total	**$44,066**

7	**Refubish Outlet Conduit - Minor**	$121,420
	Total	**$121,420**
8	**Refurbish Hydraulic Actuator**	$144,532
	Refurbish Hydraulic System	$203,497
	Total	**$348,029**
	The hydraulic system is as new and has a very low rate of utilisation as would be the case for the actuator. It is unlikely any costs will be required in maintaining the hydraulic system in the next 30 years.	
9	**Option Study:Replace Steel Piling-Left Abutment**	$15,549
	Option Study:Replace Steel Piling-RightAbutment	$15,549
	Refubish Protection Works Right Abutment	$102,918
	Refubish Steel Piling-Left Abutment	$108,710
	Refubish Steel Piling-Right Abutment	$108,710
	Refurbish Protection Works Left Abutment	$205,836
	Refurbish Protection Works Right Abutment	$102,918
	Replace Steel Piling-Left Abutment	$241,576
	Replace Steel Piling-Right Abutment	$241,576
	Total	**$1,143,344**
	The visible component of existing steel piling remains in good condition. An assessment of buried steel piling should be made before committing any funds within the 30 year period.	
10	**Refubish Drain Conduit**	$19,484
	Refurbish Conduit - Major	$389,681
	Refurbish Conduit - Minor	$78,055
	Refurbish Drain Conduit Outlet Pipe	$19,484
	Refurbish Outlet Conduit - Major	$323,713
	Refurbish Vent Conduit Outlet Pipe	$19,484
	Total	**$849,902**
11	**Option Study:Refurbish Inlet Structure**	$25,150
	Options Study: Refurbish Outlet Structure	$20,214
	Total	**$45,364**
12	**Refurbish valve**	$197,654
	Replace Valve, 80mm B/Fly	$27,084
	Total	**$224,738**
13	**Refurbish Crest Wall**	$51,558
	Refurbish Downstream Face Spillway	$128,894
	Refurbish Downstream Face Wall	$51,558
	Refurbish LH Side Wall	$128,894
	Refurbish RH Side Wall	$128,894
	Refurbish Spillway Apron	$128,894
	Refurbish Spillway Crest	$128,894
	Refurbish Upstream Face Spillway	$80,525
	Refurbish Upstream Face Wall	$51,558
	Total	**$879,668**
14	**Glebe Weir - Refurbish - Filling Line 80mm (Tier 1)**	$95,010

	Refurbish Filling Line - Major	$189,235
	Replace 80MM Filling Pipe	$12,545
	Total	**$296,790**
	Again, the cost associated with these works seem to be un-proportional to the asset type. We would assess this to be overestimated by 300%.	
15	**Refurbish Inlet Structure**	$241,576
	Total	**$241,576**
	We were unable to assess any need for work in this area.	
16	**Refurbish Outlet Structure**	$209,366
	Total	**$209,366**
	We were unable to assess any need for work in this area.	
17	**Refurbish Access Road**	$98,357
	Total	**$98,357**
18	**Replace Sign, 1800X2400Mm Important Safety Notic**	$2,461
	Replace Sign, 400X600Mm Danger Weir Ahead	$4,921
	Replace Sign, 400X600Mm No Unauthorised Access	$4,921
	Replace Sign, 900X1200Mm Water Storage Area	$2,461
	Total	**$14,764**
19	**Refurbish site fences**	$49,373
	Total	**$49,373**
20	**Refurbish handrails**	$21,742
	Refurbish Stairs	$10,871
	Refurbish Structure	$38,668
	Replace Air Conditioner	$24,707
	Replace Handrails	$48,315
	Replace Stairs	$24,158
	Replace Structure	$72,473
	Total	**$240,934**
	These works are as new, cold dipped galvanised steel construction. No work on these elements will be required in the next 30 years. No air conditioner is present at the site.	
21	**Replace Timber Waling with Galvanised Steel**	$152,875
	Total	**$152,875**
	Required. We recommend staying with timber.	
22	**Replace Control Equipment**	$53,128
	Total	**$53,128**
23	**Refurbish Measurement Weir Structure**	$128,894
	Total	**$128,894**
24	**Replace Trash Screens**	$54,757
	Total	**$54,757**
25	**Refurbish Ladders**	$10,871

	Replace Ladders	$24,158
	Total	**$35,029**
26	**Replace Manhole**	$6,982
	Total	**$6,982**
27	**Glebe Weir Refurbish - Reinstate Rock Protection Downstream of Outlet Works - Refer (DS 2018 2.5.2) (Tier 2)**	$11,515
	Total	**$11,515**
	Grand Total	**$7,600,982**

In summary, our review of costs associated with Glebe weir over the 30 year annuity profile suggests the total value of works is over estimated by approximately 100%. If this overvaluation is extrapolated across the all sites, the proposed annuity can be reasonably considered to be set at twice that which is actually required. This is a concern that requires immediate investigation and response.