THREE MOON CREEK IRRIGATOR ADVISORY COMMITTEE SUBMISSION

QUEENSLAND COMPETITION AUTHORITY - IRRIGATION WATER PRICE REVIEW

TARIFF GROUPS

Our committee understands that the Ministerial Directive requires that QCA review tariff groups in the Three Moon Creek Irrigation Scheme and is seeking submissions on this topic.

Currently, the Three Moon Creek Scheme services about 90 users whose allocations total around 14,500 megalitres. This is comprised of 12,789 mgs medium priority ground water, 580 mgs high priority ground water and around 1,772 mgs of surface water.

NB: North Burnett Regional Council relinquished 200 mgs of high priority water which currently rests with DNRME. After applying a conversion factor, this will translate to 400 mgs of medium priority water. DNRME has conducted public consultation around releasing this water to the irrigator cohort as 200 mgs of surface water and 200 mgs of ground water. However, this matter remains unresolved.

Currently, Part B charges are at $4.66 per megalitre, for both tariff groups, and Part A charges are at $23 for ground water and $31.64 for surface water.

Our user group understands that Sunwater does not incur any extra costs in supplying the surface water allocation however, it should be noted that electricity costs for irrigators accessing surface water are lower than for those accessing ground water. The IAC recognises that Sunwater is incurring costs in administration and through inefficiencies due to managing two tariff groups across the scheme.

A number of options are available in order to resolve the issue:

1. **Raise ground water Part A price to meet surface water Part A price.**

   This would result in an increase in $8.34 per meg which would equate to an increase of 36% in Part A charges to ground water users who will also bear the brunt of higher electricity prices. This proposal is unacceptable to irrigators as it will jeopardise their economic viability with consequent flow-on to the local economy.

2. **Lower Part A price for surface water to meet ground water Part A price.**

   This proposal would significantly benefit surface water users and also reduce Sunwater annual revenue by around $14,778 on current prices. Certainly, some of this shortfall could be off-set through an efficiency dividend, however we recognise the difficulty in reducing Sunwater revenue given the current Government policy to move schemes to cost reflective pricing over time.

3. **Raise ground water Part A price and reduce surface water Part A price to achieve a revenue neutral outcome.**

   At current prices and allocations, and excluding urban high priority water, we estimate that a figure of around $24.06 across all medium priority allocations would generate the same revenue for Sunwater as the current Part A charges for the two separate tariff groups. This approach would

provide an immediate efficiency dividend to Sunwater and its customers through reduced administration costs.
Ground water irrigators would receive a modest cost increase that could be absorbed and surface water users would receive a price reduction, however all users would benefit from overall increased efficiency in the scheme.
The IAC recognises that in this scenario there is a slight possibility of an influx of irrigators applying for surface water allocations. If this were to occur, the management of water releases might be slightly complicated by the need to ensure that enough water reaches downstream users in a timely way. However, we feel this is only a slight risk and should be manageable.

The IAC feels that, as far as possible, requests from irrigators to move allocation from groundwater allocations to those that are held in conjunction between groundwater and surface water should be accommodated. This approach will assist irrigators to remain viable in the face of increasing water and electricity prices and encourage higher usage of allocation water and the subsequent financial benefit to Sunwater.

4. **Fix surface water Part A price at the current level and allow ground water Part A price to reach that level incrementally.**

   This option provides similar results to option #3 except that the efficiency gains of moving to a single tariff are delayed by 4 to 5 years as the ground water Part A price approaches the surface water Part A price under the current prescribed approach.

5. **No change.**

   This option is the simplest to implement as it requires a business as usual approach. However, it also entrenches inefficiencies inherent in the current system.

Conclusion:

After considering the options above, the Three Moon Creek IAC is of the opinion that Option 3 is the best path in relation to resolving the tariff group issue in this scheme.

COST REFLECTIVE PRICING

The Three Moon Creek IAC understands that current government policy in relation to irrigation water pricing, is aimed at moving prices to a cost reflective level over time. Our IAC feels that this policy is flawed in that it ignores the significant contribution of natural flows in the system.

- A number of tributaries of Three Moon Creek enter the system down stream of Cania Dam. These include, but are not limited to: Cedar Creek, Spring Creek, Ford Creek, Monal Creek and Hurdle Gully. Although Sunwater has no influence on the water that these Creeks supply to the system in natural flows, irrigators are charged for all of the water that they use regardless of whether or not it is supplied naturally or via a Cania Dam release.

  This fact should be reflected by a reduced price through the meter.

Furthermore, there are a range of benefits accruing to the area from Cania Dam that are not related to irrigation.

- Tourist visitation to the Dam is significant and provides an economic benefit to the region and the State that is ignored in the current policy of moving towards cost reflective pricing for irrigation water. Although the cost of maintaining recreation facilities is not included in the scheme costs, the overall cost of maintaining the facility should be partly met through an ongoing State Government community service obligation payment. This would reflect the benefit to the State economy accruing from the existence of the Dam.
- Also worthy of consideration, is the fact that Cania Dam provides a flood mitigation benefit. Although the Dam is not specifically designed for this purpose, experience over recent years with ex-cyclones Oswald, Marcia and Debbie reinforces this community benefit.

  If Cania Dam is less than full, the available capacity in the Dam absorbs some of the flood peak, which is beneficial to the down stream floodplain and the Monto township. If the Dam is at capacity, anecdotal evidence suggests that the flood peak is slowed as it traverses the Dam and this also, we suggest, reduces downstream impacts.

These points, aside from flow-on economic benefit to the regional economy from irrigated agriculture, demonstrate that the policy objective of foisting all of the operational and maintenance costs of the Cania Dam scheme onto irrigators is flawed.

The Three Moon IAC submits that there is a clear case for an ongoing community service obligation contribution from government.

This will maintain the viability of the irrigation sector in the area and its consequent economic benefits to the regional and state economy. Our committee is of the belief that higher value cropping options are limited by our location, soil types and weather conditions and that increasing prices with the aim of driving water to higher value uses will not be successful.

Thank you for your time in considering our submission, and we look forward to a positive result.