



ABN: 86 137 318 631
Postal Address: PO Box 953,
Bundaberg Qld 4670
07 4151 2555 P
07 4153 1986 F
BRIG@bdbcanogrowers.com.au E

15 March 2011

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Fax: (07) 3222 0599

Submission to QCA
Irrigation Prices for the Bundaberg Scheme 2011 to June 2016 Following the
Bundaberg Visit by Auerecon Representatives March 2011

This submission has been developed in response to the information provided in the Network Service Plans and discussions held in Bundaberg 7th March 2011 with Auerecon representatives.

BRIG is very concerned that Auerecons terms of reference do not allow them to address all of the issues that BRIG has identified in the NSPs.

1. ISSUES WITH THE MINISTER'S TERMS OF REFERENCE

BRIG has become aware that the revised Terms of Reference stipulate that price cannot decrease. This means that river irrigators continue to pay above lower bound.

Further to this River irrigation water now becomes "bulk". BRIG believes that because of this both river and channel irrigators will be paying above lower bound for bulk water.

As a result BRIG requests that QCA calculate the upper bound price to ensure we are not paying upper bound. (Or above).

Under the current arrangements there is a mismatch in that Part A is too small and part B too big.

BRIG believes that irrigators are subsidizing sleepers.

The Distribution NSP does not take account of the river charge cross subsidy. BRIG contends that Bundaberg irrigators will be paying a rate of return (contrary to the Minister's press release and spirit of the TOR).

Paradise water charges are not covered by this review however they use the same distribution system. As such MI pumped, MI lost, costs and income from this also needs to be considered.

2. ISSUES WITH BULK WATER NSP

BRIG has identified a number of problems with the Bulk Water NSP:

- BRIG does not expect there to be much water transferred from Fred Haigh to the south side due to the unsold water in Paradise.
- BRIG questions the logic that operations costs are going to decrease substantially in 2011 when they are supposedly efficient now.
- BRIG does not believe that MP and HP should pay the same costs per MI. That is more of the dam is required to supply HP. (Problem of HUF vs. the conversion factor in WRP.)
- BRIG suggests that a HUF is nonsense when there is no longer a return on assets.
- Renewals costs are heavily back loaded without an explanation.
- BRIG does not believe Bingera Weir is a SunWater asset (page 12).
- BRIG disputes paragraph 3.1 on service standards and targets – annual report supports this.
- The scheme has outlets without a flow rate and SunWater does not shut these down when supply is short.
- Water use targets can be debated. This does not matter if Part A is fixed cost and Part B is the variable cost.
- Table A1 is incorrect. Allocation was sold to Avondale water Board.
- BRIG requires an explanation as to why there is a negative renewals annuity balance?

3. ISSUES WITH DISTRIBUTION NSP

BRIG has identified a number of problems with the Bulk Water NSP:

- BRIG is aware that there are sections of pipeline requiring replacement, this is impacting on reliability. Given that there is a positive balance in replacement fund, why is work done in piecemeal fashion?
- BRIG has noticed that the renewals are massively back ended. BRIG wishes to be assured that these assumptions are valid as we do not wish to see the next generation have to pay for underfunding now or vice versa.
- BRIG is concerned whether SunWater is buying electricity in the cheapest possible way?
- Table 4.6 Is Bucca Weir a bulk water or distribution asset?

4. ISSUES WITH BACKGROUND PAPERS

BRIG has identified a number of problems and issues with the Background Papers:

- BRIG cannot clearly distinguish what is maintenance and what is a renewal.
- BRIG wishes to understand how insurance claims are treated in relation to maintenance or renewals
- BRIG notes that “Centralised costs” are a large proportion of the costs in the NSP’s and suggest that these require close examination.
- BRIG would like to understand where and how insurance claims flow back into scheme income.
- BRIG questions whether we are paying for insurance that is not required. E.g. professional indemnity (surely only required for SunWater’s consulting business) refer to Table A16 in centralized cost paper. This needs further breakdown and clarification.
- With respect to page 9 of the centralized cost paper – third dot point and footnote. Is the allocation of purchasing costs on \$ value equitable to large schemes?
- Allocation of labour costs is also inequitable as the use of contractors varies across different schemes.
- In the cost forecasting assumptions paper it is unclear what price escalation mechanisms SunWater are requesting
 - CPI,
 - Construction index.
- Electricity is a difficult component to manage and should Part B contain items other than electricity, it becomes even more complicated.

Further information or clarification can be provided on any aspect of this submission. Enquiries should be directed to Mr. Dale Holliss, Co. Secretary, Bundaberg Regional Irrigators Group Ltd on (07) 4151 2555.

Yours faithfully



MA Smith
Deputy Chairman