

ETON IRRIGATOR ADVISORY COMMITTEE

13th April 2011

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sirs

RE: SunWater Network Service Plans – Arup Report

We refer to the Arup Report “Review of SunWater’s Network Service Plan – Cluster 4” and provide the following comments in regard to both the Eton Bulk Water Supply Scheme and Eton Distribution System. Our comments apply to both the Arup Final Draft dated 28/03/11 and the Draft 3 dated 02/04/11.

We refer also to our submission dated 11th March 2011 which provided our initial comments on the Network Service Plans for Eton.

Eton Bulk Water Supply Scheme

Section 9.2 Irrigator comments & key concerns

We note the removal of three points in the later version of the report however the following comments still apply

- Point 1 (both versions) is totally irrelevant as Pioneer Valley Water has no involvement with the Eton Scheme
- Point 6 (Arup Final Draft), Point 5 (Arup Draft 3) has no relevance as it refers to Pioneer Valley Water customers
- Point 9 (Arup Final Draft), Point 8 (Arup Draft 3) “dam height” should read “weir height”

Section 9.3 Operations

- The report states that “operational costs are forecast to increase annually at about 1.47% ...when using an average of the 2006-2011 operating costs”. We believe that the increase is substantially more than this and cannot accept this statement unless we are satisfied that the 2006-2011 costs are prudent and efficient. Reference to Section 4.1 Operational Costs Review compound the situation where the statement is made “The cost information supplied has not been considered adequate for this review”
- The report states that the SLFI review led to a reduction in administrative staff from 23 to 6 and to disposal of depot and land. These reductions have not occurred at Eton Bulk and these comments must belong to some other scheme.
- We are not aware of any fishways and water allocations/entitlements which are held by DERM and incurring operating and renewal costs in this scheme.

- As there are no environmental water entitlements in Queensland we consider that the reference to the DSE's Victorian Water Entitlement Holder is inappropriate. We note this reference has been removed only from Section 9.6 of Arup Draft 3

Section 9.4.1 Renewals Accounting

- We seek clarification of works being included in the Kinchant Dam safety upgrade which is not now part of the price path. Does it include the Kinchant Dam embankment stability investigation and comprehensive risk assessment as well as the preliminary works for upgrade that have been funded from renewals to date?
- The determination of the closing balance at 30 June 2011 requires more detailed explanation particularly as follows
 - i. Renewals expenditure 2007-2011 in the NSP is shown at \$1,756k and it is our understanding that irrigators share was set at some 97% for the 2006-2011 price path. On this basis the irrigators' component would be \$1,703k.
 - ii. The uplift factor is stated to be the HUF as introduced by SunWater for the new price path. HUF is not appropriate for the 2006-2011 price path determinations.
 - iii. It is not understood how application of the indicated uplift factor of 1.26 results in a smaller scheme balance than the irrigator sector balance

Section 9.4.2 Renewals Forecast

- Kinchant Dam spillway upgrades should not be in renewals for 2011 - 2016
- Assets being refurbished are bulk assets servicing irrigation not "strictly irrigation assets".
- Unable to find the attachment with process flow chart.

Section 9.5 Summary of Observations

- We note the inclusion in Arup Draft 3 of the statement "We were not provided with detailed cost data for specific work items and at this detailed level cannot state if the cost are prudent and efficient".

Eton Distribution System

Section 10.3 Operations

- We note that Arup are still awaiting a formal response from SunWater on labour costs increase.
- We understand that Hymenachne weed is an increasing problem in Kinchant Dam and Mirani Diversion Channel in Eton Bulk and not in the distribution system. Maintenance costs increase need to be further investigated.
- Acrolein is not used to control Hymenachne
- While the increased cost for Acrolein can be accepted we seriously question what justification has been given for the employment of an additional "New Tech man" for what appears to be one or two additional treatments per annum. We would also question what allowance has been made by SunWater for wet years such as 2010/2011 where very minimal chemical treatment has been undertaken due to no use of the system.

- We would like an explanation of what information has been available to justify the statement “The least cost means have been adopted for this scheme...”

Section 10.4.1 Renewals Accounting

- Renewals spend for 2008 is shown in the NSP as \$50k whereas Arup indicate that flood damage in 2008 saw the largest expenditure item of \$62,316.
- This highlights a discrepancy between the NSP and the Renewals Annuity Calculation – Internal Working Paper that Arup have referenced.
- The determination of the closing balance at 30 June 2011 requires more detailed explanation particularly for renewals expenditure 2007-2011 which in the NSP is shown at \$1,560k and it is our understanding that irrigators share was set at some 97% for the 2006-2011 price path. On this basis the irrigators’ component would be \$1,506k and not \$1,647k.

Section 10.5 Summary of Observations

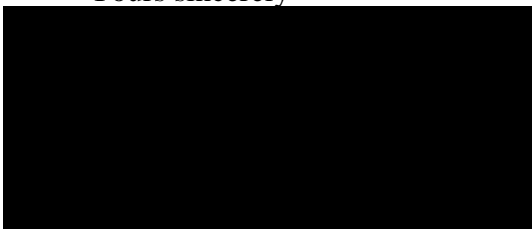
- We note Arup’s view that the size of the increase in operating costs warrants further investigation
- We also share Arup’s concern that the increase may be related to unbundling between bulk and distribution and request that this be investigated in detail.

Unanswered matters from our NSP submission of 11th March 2011

We consider that along with the matters above the following issues remain unresolved from our NSP submission.

- Applicability of unbundling Water Allocations and Water Delivery Entitlements in the Eton Scheme particularly as it is a single customer group system
- Impact on supply reliability from Kinchant Dam foundation issues, Mirani P/S Stage 2 and Mirani Weir fabridam
- Forecast electricity costs well below previous forecasts and in view of significant electricity price increases. We note that Arup state that review of electricity costs is not within their brief.
- Detailed questions on Tables 4-3 and 4-5 in Eton Bulk
- Detailed questions on Tables 4-1 and 4-3 in Eton Distribution
- Revenue offset for High A Pioneer WSS allocation deliver through Eton
- Detailed questions on renewals for Eton Bulk and Eton Distribution

Yours sincerely



David Ellwood
Chairman