



Additional Information to the MDIA Submission on Draft Irrigation Water Prices

Declining Block Tariff

- The existing Declining Block Tariff Structure System for the MDIA ensures the long term viability & the capacity to pay of the larger irrigators who hold the majority of the water allocation which in turn ensures the long term viability of the scheme.
- We wish to clarify the current pricing system – All medium priority irrigators have the same supply contract with SunWater regardless of the water entitlement volume they hold. There is no differential pricing for large irrigators other than the declining block tariff prices which are published on the SunWater website (see attached) i.e. all irrigators pay the published SunWater prices regardless of their entitlement volume
- Approx. 5% of MP irrigators hold 40% of the MP water allocation (From 2005 Barron ROP- 49 MP 500+ML Allocations hold 62,349ML. This excludes SunWater MP Loss Allocation)
 - Economies of scale tell us that it must be cheaper to deliver 62,349ML of water to 49 MP Allocations than it is to deliver 91,049ML of water to 975 MP Allocations (Figures from 2005 Barron ROP).
- It is cheaper to deliver water to a large allocation holder on a per unit basis
 - On a per unit of water basis it is cheaper to administer 1 x 500ML allocation account than it is to administer 10 x 50ML allocation accounts
 - The cost per unit of water on reading and maintaining water meters is also cheaper for 1 x 500ML allocation holder than 10 x 50ML allocation holders
 - The larger the water allocation the cheaper the cost per unit of water for maintenance of the delivery system
 - The Larger water users order large, constant volumes of water for extended periods of time in one order (i.e. repeat / standing orders). Not only is this an administration saving but it also means that the constant volume of water requires less gate adjustments for extended periods than is required for small irrigators whose water usage and frequency fluctuates.
 - Larger water users place water orders which reduces SunWater's losses resulting from having to guess releases and subsequently releasing more water than is used
 - Larger water users are more flexible to the needs of SunWater. i.e. quite often the large irrigators will be asked by SunWater to take water earlier or later than ordered to help reduce losses
- If the declining block tariff is removed there is a real risk that some of the larger irrigators will be driven out of business and SunWater will be left with stranded assets.

RECOMMENDATIONS:

1. The Declining Block Tariff should remain for the MDIA as QCA has no sound economic rationale for removing the declining block tariff which has historically been and continues to be the agreed position of irrigators in the scheme.
2. QCA should be retaining the declining block tariff as a pricing driver that promote usage not penalise those who use more. Without these drivers there will be higher prices for all.
3. We request that QCA examine SunWater's costs to determine the comparison between SunWater's time and resources servicing the scheme and the unit cost of water supplied and serviced. We believe that this examination will show that the larger the water user the cheaper it is for SunWater to service and supply them.