

SECOND ROUND CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the meeting. The Authority is yet to form any opinion on these issues and views. As appropriate, issues will be addressed in the Authority's reports].

Scheme: Nogoa Mackenzie Water Supply Scheme

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QCA Contact: Matt Bradbury ((07) 3222 0575 or matthew.bradbury@qca.org.au)

Technical Issues

- Are SunWater's overhead costs required? Could the scheme operate with reduced overheads?
- SunWater changes its structure and accounting methods between every review which makes it difficult to compare current forecast with past expenditures.
- SunWater spent \$14.4M on automating equipment. Was this expenditure peer reviewed?

Scheme Specific Issues

- Are legal costs associated with fabri-dam failure associated with the Bedford weir being allocated only to Nogoa Mackenzie or shared with other WSS's? Will SunWater's insurance recover this expenditure, and if so, will this be returned to irrigators?
- \$75 000 to be spent in 2012 on the Bedford Weir. Is this to replace the fabri-dam on the weir? All repairs to the weir which involve the historical augmentation must be covered by the profits from the sale of the allocation gained. Can SunWater make system improvements as cost effectively as possible, sell off the water saved and then expect water users to maintain the improvements. Changes to infrastructure which enables allocation to be sold should see any funds over and above the cost of the project going back into the scheme ensuring existing water users don't carry the ongoing cost of maintaining it.
- QCA needs to ensure that no bulk costs are included in the distribution charge (i.e. no double dipping). For example, most of the compliance costs of distribution are covered in the bulk charges and care needs to be taken to ensure that irrigators are not paying twice for compliance.
- The bulk electricity cost presented in the NSP is likely related to running the water treatment plant.
- Distribution customers pay for bulk water meter reading through the bulk charge but do not benefit from this service.
- The distribution lining was initially paid for by selling Water Access Entitlements. Should the replacement of the lining be paid for from renewals or from the proceeds of the initial sale?
- SunWater stated in their System Leakage and Management Plan stated that distribution losses can only be quantified by putting in new meters which will cost approximately \$400 000. Some of the water lost in the distribution system goes into the drainage network and is then

sold to customers who pay a drainage diversion charge. Irrigators argue that it is not equitable for irrigators to pay the bulk charge for distribution losses and then pay the drainage diversion charge when the same water is extracted from the drainage network.

- The methodology used to allocate the renewals annuity between bulk and distribution puts all the renewals up for question. The allocation should have been a simple accounting exercise on what was spent and what was due to be spent. Transparency of renewals annuity funds is now very important.
- SunWater argues that it should not bear volume risk. Irrigators with a history of high use have also raised concerns that they are subsidising others in the scheme that have low water use. Irrigators argued that if they are to bear volume risk, then price should decrease. The nature of volume risk will be better understood when the costs that vary with water use are identified
- Are the gauging stations sufficiently accurate to measure distribution losses?
- Is there any bulk infrastructure that is used by bulk customers only – and not channel customers?
- Indirect and overhead costs are over 55% of the total operating costs. This is a very large efficient, effective irrigation scheme with very high water use per customer, but it is still attracting a very high percentage of indirect and overhead costs. The methodology for apportioning these costs needs to be looked at closely to ensure this scheme is not subsidising other schemes that lack the size and efficiencies.
- A process needs to be developed that better aligns water pricing with water trading.