

THIRD 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 WSS and Emerald Distribution System

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Pricing Framework

Tariff Structure

- The revenue required above prudent and efficient costs should be collected through the volumetric charge not the fixed charge.
- The proposed tariff structure will be unfavourable when water use is low, such as during floods.
- Prices should be reduced during drought.
- What types of costs are fixed?

Termination fees

- Is there a termination fee to transfer for the river to the distribution system? What happens if a customer transfers into the distribution system and then back to the river?
- The termination fee should not recover any non-direct costs but direct costs only.
- If the WAE is transferred to the river then SunWater will recover above lower bound costs in the river and the termination fee should be reduced to reflect this.

Distribution losses

- Will distribution loss costs be reduced if channel losses are reduced?
- Distribution customers should only pay for losses they use. If there are unused losses in the dam then they should be made available to distribution customers only.
- Bulk users do not pay for bulk losses.

Renewals Expenditure

- Why is the annuity increasing in the distribution system?
- The renewals period should be 10 years as this would increase forecasting accuracy.

Past Renewals Expenditure and ARR Balances

- What has happened to money spent on the buying water around 1990? Irrigators understood at the time that these funds would be used to spend on future renewals expenditure.
- The over-expenditure on renewals will be brought forward but the extra revenue from revenue offsets has not been brought forward to reduce future prices.

Renewals Cost Savings

1. Right Bank should be Called Left Bank

- The siphon should have cost \$150,000-\$300,000. The basis for it costing \$1.4 million is required.
- SunWater noted that change the name / description (it is the left bank not the right bank) was an error in SunWater's records).
- The QCA was also requested to review look at the bullring outlet upgrade too and think about them as a whole.

2. Refurbish right bank outlet works

- SunWater advised that this project did not occur as forecast in 2011-12. Some design work done 2011-12. Construction likely to be deferred until 2012-13.

3. Bedford Weir – Fabridam

- Question raised as to whether SunWater insured for the fabri-dam failure. SunWater advised it was but the final outcome / insurance outcome is unknown.

4. Selma Distribution Concrete Lining 2031-32

- Consultant needs to look at prudence of this as it may be better to remove the concrete out and leave it as an earth channel.
- Also SunWater line the channels and sell allocations as a result – then irrigators are required to pay for the renewal / maintenance of this asset.

- Irrigators were concerned that it is bad economics for them to be paying for the Selma Distribution concrete lining twice.
- Concern that there is more lining to go and that costs will increase.

Operating Expenditure

Non-direct costs

- Irrigators queried whether by taking away 1.5 people in finance the QCA had ensured that bills may never arrive or be delivered annually or later than currently.
- Dealing with Brisbane head office is very difficult and seems to be very inefficient. For example, it took 1.5 hours to enter meter readings over the phone recently.
- Irrigators see centralisation as the loss of service and an increase of costs.
- Irrigators at the meeting cannot understand how QCA and its consultant's consider the high non-direct costs as being efficient. Numerous irrigators consider SunWater's central office as being very inefficient.
- Why do irrigators face such a proportionally high share of non-direct costs (40-60% of total scheme costs) when other service contracts (commercial ones) face only 25% non-direct costs.

Working Capital

- Irrigators questioned the method used to derive working capital when fixed charges are paid in advance. There should be no working capital allowance.

Prices

- Will actual prices increase at the actual rate of inflation, or at the forecast rate of 2.5%?
- High priority channel prices should be much higher than medium priority prices.
- Prices should have regard to the efficient costs agreed in 2005 which are 25% less than the QCA's recommended costs.

Other

- Is there a rate of return on SunWater's assets?
- Can the QCA prevent SunWater from reducing storages to 75%?