

ROUND TWO CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the consultation 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: Warrill Valley Water Supply Scheme

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1. Regulatory Framework

- The Authority does not understand the issues associated with running a commercial business. The Authority has not shown any consideration of the risks and pressures faced by farmers. It is a State entity looking after another State entity [Seqwater] to make sure that Seqwater recovers its costs and pays the money to Government, who funds the Authority.
- Irrigators have been promised by Government for many years that the current interim water allocations would become permanently tradeable. There is support for the Authority's recommendation that the Department of Natural Resources and Mines (DNRM) introduce permanent trading by 30 June 2015. It is a necessary water reform for water to move to higher value users.
- With the introduction of permanent trading, irrigators are uncertain about who will buy the water and at what price.

2. Pricing Framework

- Irrigators do not support the Authority's principles, if they lead to the type of significant price increases that have been proposed. Rather than principles and mathematics, the community would like the Authority to consider the practical realities of running a farming business in the current environment – which is extremely challenging.

3. Renewals Annuity

- Making the access to water meters safe for Seqwater employees should not be paid for by irrigators because the irrigators have to go down the banks to access water pumps in the same conditions.

4. Operating Expenditure

- The scheme operator is well respected but since Seqwater took over, resources are wasted on contractors doing work that the SunWater staff used to do (for example, slashing the grass around the dam).

5. Consultation

- It is difficult to represent the views of the scheme since the irrigation committee that existed under SunWater has been disbanded due to a lack of consultation by SunWater and subsequently Seqwater, since 2006.

6. Draft Prices

- The Authority's recommended draft prices are too high. The 50% increase in Part B charges is unacceptable. It does not reflect consideration of customer needs and is not a moderate price increase. The high Part B and increased Part A will penalise productive farmers.
- The Part B charge should not start at \$34/ML but a Part B of \$28/ML would be better. The Authority should introduce a price path to get to cost-reflective Part B charges.
- Water use is very low in the Warrill Valley WSS even when the announced allocation is 100%. This relates to difficult business conditions for many farmers and to the alternative water sources (which come at relatively lower cost, for example, on-farm groundwater).
- The Part B charge discourages water use. It should instead provide an incentive for irrigators to increase water use, otherwise ground water will be over-extracted.
- The Authority should be encouraging (not providing a disincentive to) productive high water users. A higher Part A (as submitted by Seqwater) would be more favourable for such users.
- The Authority's recommended prices should, via a higher Part A charge, encourage inactive WAE holders to sell WAE, thus promoting the movement of WAE to higher value uses.
- The Authority should promote competition. Rather it is focussing on the monopoly's revenue requirements (without regard for farmers' rising costs and falling revenues).
- Irrigators are also expected to pay very substantial increases in electricity pumping costs. Irrigators noted that there has been no consultation in this area on the estimated doubling of some electricity tariffs used by irrigators.
- It was considered that the water use during 2012-13 and possibly during the 2013-17 price path could return to higher levels than the Authority has assumed in recommending its prices. That is, the past 10 years average water use of 9% of WAE has not been typical.
- The years prior to the past 10 may be more indicative of water use in the coming years. Irrigators would like to see the QCA's water use data and provide input. It is acknowledged that forecasting water use is particularly difficult in this unreliable scheme.
- The Authority has assumed between 9% and approximately 25% water use (the higher being the average of the above average years from the past 10 years of data); however, in contrast the current prices assumed 55% water use. Actual water use for 2006-12 has been less [14%]. It would be interesting to see the actual water use to 31 December 2012.
- In the past month (January 2013), irrigators may have used up to 10% of the annual allocation already. That is, recent water use has been about 2,000ML per month, which means the Authority's estimate of water use is likely to be inaccurate. The large draft price increases are based on very uncertain water use assumptions.
- If water use is higher than assumed during 2013-17, would the Part B be lower in the next price path?