Mareeba Dimbulah Irrigation Area Council
PO Box 1359
Mareeba QLD 4880

Chairman: Joe Moro: 0418 966 960
Secretary: Bronwyn Dwyer: 0428 891 462

Irrigation Price Review 2020-24
Submission on Draft Prices
Mareeba Dimbulah Water Supply Scheme (MDWSS)

Headworks Utilisation Factor (HUF)

QCA has recommended that dam safety upgrade capex and IGEM costs should be allocated to medium and high priority customers using HUFs for bulk water and using nominal WAEs for distribution systems.

Given that distribution customers also have a bulk water contract it means that dam safety and IGEM costs will be paid for twice by a distribution customer.

Recommendations:

1. Review the cost allocation of dam safety upgrades and IGEM costs to ensure that distribution customers are not being charged twice.

Insurance Costs

QCA has accepted SunWater's June 2019 submission of a 10% increase in insurance as compared to SunWater's November 2018 submission. ($6.6M as compared to $6.0M). Whilst we acknowledge the rising costs of insurance, we query the magnitude of the increase given that three (3) schemes have gone to local management.

Recommendations:

1. Review the insurance costs submitted by SunWater in June 2019 to ensure that the declared asset values of the three (3) schemes that have transitioned to local management are EXCLUDED from the insurance calculation.

Electricity

There is currently too much averaging and estimating in determining the electricity costs in $/ML for the distribution schemes – average water and electricity usage, estimate of energy usage patterns (ie. peak v off peak) and use of 'obsolete' electricity tariffs to determine fixed and variable cost allocations.

The MDIACouncil and re-lift irrigators have reviewed the SunWater proposed electricity cost pass through mechanism and IS NOT in favour of using this method for the following reasons:

- Re-lift irrigators will be unable to budget water costs for the price path.
- Electricity estimates are based on the cost of electricity for the whole scheme
- Having a pass-through mechanism provides no incentive for SunWater to implement electricity cost saving measures (i.e. solar, hydro, tariff reviews)

Re-lift irrigators within the MDWSS have no capacity to pay for the increased electricity costs. The cost of production continues to increase, and farmers have no ability to pass on these cost increases.

Re-lift irrigators in the MDWSS now pay the highest irrigation water prices in Queensland.

Below, is a table of the cost increases already passed through to re-lift irrigators over the last eleven years.

Re-lift Water Prices 2010 – 2020

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fixed Charge	$41.24	$44.12	$47.68	$22.04	$24.64	$27.36	$30.20	$33.16	$36.25	$36.10	$42.78
Variable Charge	$26.18	$28.00	$29.01	$73.04	$74.87	$76.74	$78.66	$80.62	$82.63	$84.70	$86.81
Total	$67.42	$72.12	$76.69	$95.08	$99.51	$104.10	$108.86	$113.78	$118.88	$120.80	$129.59

Recommendations:

1. Implementation of smart meters to measure interval electricity data
2. Implementation of renewable energy at pump sites to reduce electricity costs
3. Continuation of a CSO for variable electricity costs to reduce water price increases for re-lift irrigators

Fixed Water Charges (Parts A & C)

Recommendations:

1. In the Ministerial announcement regarding the price path review the Minister stated that the previous policy on water pricing would continue which effectively means the $2.38/ML + CPI increase on the combined water charge for customers below lower bound. The Directive to QCA however does not reflect the Government Policy. As such the combined annual price increases must be reflected as follows:
    a. Bulk Customers (Parts A & B combined)
        i. Above Lower Bound – No price increase
        ii. At Lower Bound – increase of CPI only
        iii. Below Lower Bound – increase of $2.38 + CPI
    b. Distribution Customers (Parts A, B, C & D combined)
        iv. Above Lower Bound – No price increase
        v. At Lower Bound – increase of CPI only
        vi. Below Lower Bound – increase of $2.38 + CPI

Inspector-general Emergency Management (IGEM) Costs

In Part B 2.9.2 of the Draft Report QCA note that a number of stakeholders considered that IGEM costs should be apportioned to the general community, as they considered the main beneficiary of the IGEM recommendations is the downstream community. QCA consider that the purpose of the recommendations is to minimise harm to downstream communities as a result of dam outflows that are directly related to the operation of the dam during flood events. On this basis, the IGEM recommendations are better viewed as a compliance obligation placed on Sunwater directly in relation to the safe operation of a dam or weir during flood events.

The MDIACouncil affirms its position that this is Government passing an unnecessary cost impost onto SunWater. The IGEM provides a benefit to the wider community and as such the costs should not be apportioned to irrigators.

Recommendations:

1. Can QCA please explain what allocation method has been used to establish the share between irrigation and non-irrigation customers i.e. HUF v WAE's and also between allocation holders and the community.

Recoupment of QCA Costs within the new Irrigation Price Path

As part of the Referral Notice the Government has allowed for the recoupment of up to $2.5M of the Queensland Competition Authority's costs to run this irrigation price path review. This $2.5 M is not included in the SunWater cost models and as such irrigation customers will be picking up these costs in the new price path.

Recommendations:

1. The Government's referral notice is a blatant cost shift. Determining irrigation prices is a Government / SunWater cost and this cost **should not** be borne by irrigators.
2. The referral notice gives scope for QCA to recover costs up to $2.5M. There must be a transparent mechanism where QCA has to disclose and justify their costs for running this irrigation price path process.

Dam Safety

QCA has recommended that where a dam provides informal flood mitigation irrigation customers should be allocated 80% of the dam safety upgrade capex costs and that the remaining 20% should be excluded from the cost base for irrigation pricing purposes.

These % splits come from ERA & IPART recommendations. IPART also states that the costs of bringing pre-1997 assets up to 1997 dam safety standards as legacy costs, and therefore not reflecting these costs in prices. Using this principle, the dam safety upgrade costs apportioned to irrigators for the majority of dams under the price path investigation would be 0.

We reconfirm our position that dam safety is a cost that should be borne by the wider community and we do not accept that we should pay on principle that irrigation customers 'contribute to the need or derive a benefit' from a dam safety upgrade.

QCA also states that the allocation of dam safety upgrade capex across non-irrigation customers in those schemes (for example, industrial customers and local government), and the prices paid by those customers, are not within the scope of this review and are matters for SunWater and Seqwater.

It is clear that non-irrigation customers and hydro also benefit from irrigation dams and as such these customers should be contributing to dam safety upgrade capex at the same proportion as irrigation customers.

If non-irrigation and hydro customers are excluded from the dam safety capex cost base calculation does that mean that SunWater will be recovering a portion of the costs from these customers and if so, does it form part of the 20% excluded costs or are they effectively double dipping?

To prevent cost escalation of future dam safety upgrades for irrigation customers, new downstream urban developments which will contribute to more stringent dam safety requirements should pick-up a proportion of upgrade costs through an urban development levy.

Recommendations:

1. QCA to provide clarity on whether 100% of the cost allocation has been used when apportioning the 80%/20% to irrigation customers or whether it has been taken into consideration that a portion of costs should be excluded from the calculation which SunWater should then pass through to non-irrigation and hydro customers.

Reviews during price path (Revenue and cost risks)

QCA has recommend addressing cost risks by using within-period reviews or price adjustments (if the risk is material) or an end-of-period revenue adjustment (if the risk is not material).

Given that we are expected to pay $2.5M for the 4-year price path review we would expect that a thorough assessment has been made and there should be no need for further cost risk reviews and adjustments within that period. Furthermore, considering that the majority of costs are covered through the renewal's annuity we would question what other costs excluding electricity & insurance would require a within-period review.

Assuming the trigger of a within-period review would be to adjust electricity prices, re-lift irrigators within the MDWSS would likely be impacted by such a review. Not only will this impact them financially, but it also makes it extremely difficult for them to budget water costs over the price path period.

Recommendations:

1. Within-period reviews and/or price adjustments should not be included in this price path.
2. QCA to provide more information on what they consider to be material risk areas which would trigger a within-period review.

Yours faithfully

Guiesppe Moro
Chairman MDIACouncil