

☎ 07 4783 1988

📍 112 Airdmillan Road, Ayr

✉ PO Box 720, Ayr Qld 4807

✉ admin@lowerburdekinwater.com.au

🌐 www.lowerburdekinwater.com.au

ABN 42 671 751 039

Rural Irrigation Price Review 2025-2029

Submission to the Queensland Competition Authority

Contents

Contents	1
Overview	2
Background	2
Proposed base year for the 2025-2029 price path	3

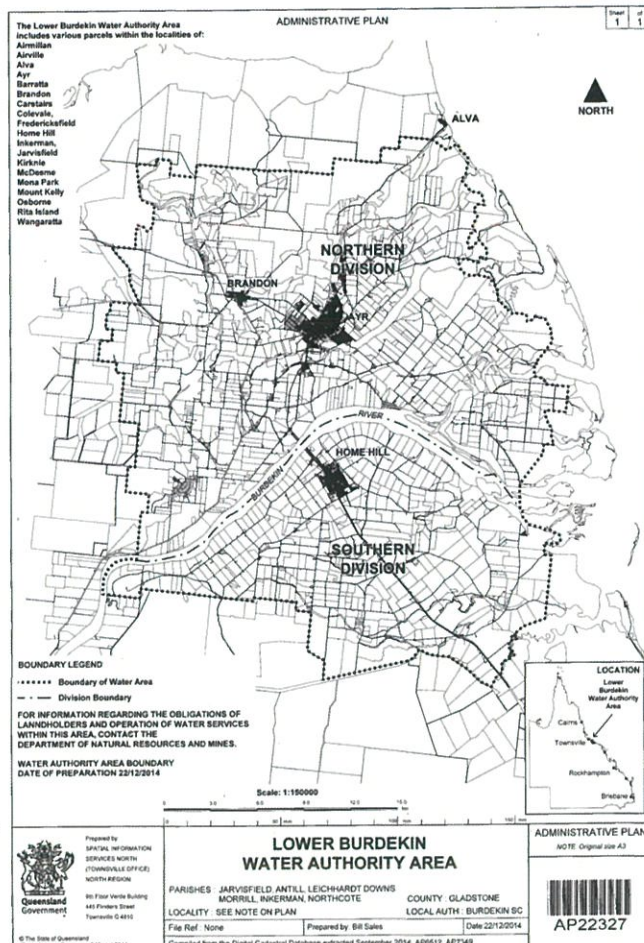
Overview

1. This submission is made on behalf of Lower Burdekin Water to the Queensland Competition Authority (**the QCA**) in respect of the Rural Irrigation Price Review 2025-2029 (**the Review**).

Background

2. Lower Burdekin Water (**LBW**) operating in the Burdekin area in North Queensland since its original constitution as the North and South Burdekin Water Boards in 1965 and 1966, is an autonomous statutory groundwater resource management authority responsible for the economic and environmentally sustainable management of the groundwater resource within its authority area. LBW is SunWater's largest bulk water supply customer in the Burdekin Haughton Water Supply Scheme.

AP22327 VO Page 1 of 1 Not To Scale



Copyright protects the plans being ordered by you. Unauthorised reproduction or amendments are not permitted.

3. LBW is a category-two water authority for the purposes of the *Water Act 2000* (Qld), holds a distributions operations licence and is a water service provider for the purposes of the *Water Supply (Safety and Reliability) Act 2008* (Qld).

4. LBW holds various water allocation entitlements (WAEs) through which it accesses water from the Burdekin River. These WAEs, are utilised by LBW throughout its authority area for LBW's statutory purpose of aquifer replenishment, and to service supply needs for agriculture and industry in the Burdekin region together with the urban needs of the townships of Brandon, Ayr and Home Hill.
5. LBW manages Australia's largest coastal aquifer recharge system to carry out its replenishment activities for the primary purpose of managing the saltwater interface between the Burdekin Delta and the coastal fringe. Throughout its authority area of more than 75,0000 ha, LBW currently has 320 km of pipelines and constructed channels, six river pump stations, 13 re-lift pump stations, natural lagoons, artificial aquifer re-charge pits, road culverts, inverted siphons, fish ladders, earth bunds and control gates and structures.
6. LBW currently services 417 ratepayers including the Burdekin Shire Council. The distribution of water to irrigators and customers through the distribution system compliments LBW's water replenishment activities in addition to providing water for a thriving agricultural industry and local communities.
7. LBW is operated on a not-for-profit basis with surplus revenue being reinvested into infrastructure renewal and improvement programs.

Proposed base year for the 2025-2029 price path

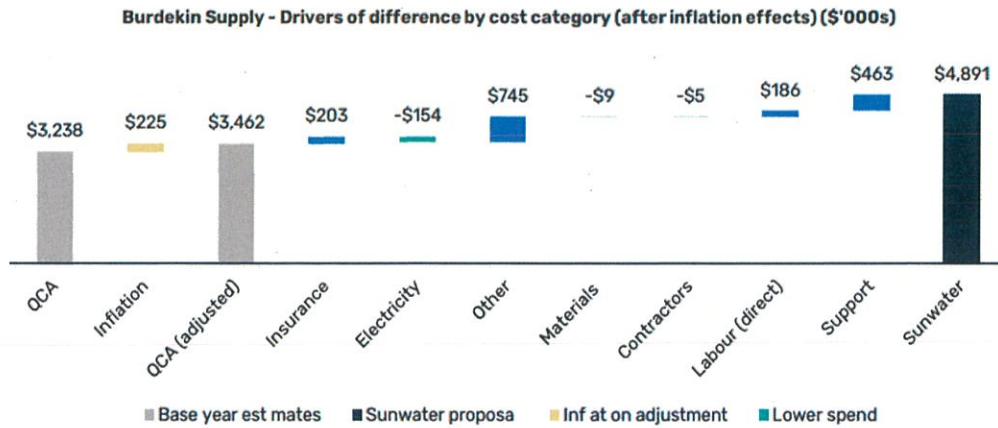
8. The Burdekin Haughton Water Supply Scheme provides both a bulk water (supply) and channel distribution (distribution service). As stated above, LBW is SunWater's largest bulk water supply customer for the Burdekin Haughton Water Supply Scheme.
9. The Burdekin Haughton Water Supply Scheme Irrigation Pricing Proposal 1 July 2025 to 30 June 2029 (**BH Pricing Proposal**) sets out SunWater's proposed base year for the calculation of the pricing proposal for the 2025-2029 price path.¹
10. SunWater has proposed that the base cost for the 2025-2029 price path be set at the actual costs incurred in the 2022-2023 financial year of \$4,890,000. These costs are \$1,429,000 in excess of the QCA allowance (adjusted for inflation) for the 2022-2023 financial year shown in the previous price path. SunWater acknowledges that the actual costs amount to a 41% increase in SunWater's costs for bulk water supply in the 2022-2023 financial year over and above the QCA allowance.²

¹ Burdekin Haughton Water Supply Scheme Irrigation Pricing Proposal 1 July 2025 to 30 June 2029 page 16

² Burdekin Haughton Water Supply Scheme Irrigation Pricing Proposal 1 July 2025 to 30 June 2029 page 16

11. SunWater has provided a high level breakdown of the areas of additional costs in Figure 7 (shown below for convenience). Of particular note are the amounts of \$745,000 allocated to “Other” and the amount of \$463,000 allocated to “Support”, representing \$1,208,000 (or 84.4% of the 41% increase).

Figure 7 - Scheme level breakdown of difference between Sunwater's base year and QCA allowance (2022-23)



12. The increase in costs is explained by SunWater as:³

The uplift is driven by higher insurance, other (including land tax, rates and vehicle leasing which was previously captured under support costs), direct labour and support costs. Electricity, materials and contractor costs are lower than the comparable QCA allowance.

An increase in uncontrollable local authority rates of 61 percent from 2021-22 to 2022-23 added \$0.22m to the Burdekin supply service, while the remainder of the uplift in this category is driven by the decision to allocate motor vehicle lease costs to other direct costs (previously considered to be a support cost).

Support costs include indirect activities (those that support a specific direct activity such as dam safety, pricing and regulation, and water planning); and local and corporate support, such as depots, local administration teams and offices, finance, payroll, procurement, human resources, information and communications technology, cybersecurity, and other necessary costs of doing business.

13. Conversely, SunWater advises that the distribution supply service costs are less than the QCA allowance for the 2022-2023 financial year. Based on the actual costs incurred, the distribution service costs are 16% lower than the QCA allowance.

³ Burdekin Haughton Water Supply Scheme Irrigation Pricing Proposal 1 July 2025 to 30 June 2029 page 16

SunWater explains the decrease in costs for the distribution serve as follows:⁴

The primary driver of the decrease is a significant reduction in electricity costs via a new agreement with a more favourable electricity consumption rate. Support costs and materials are also lower, noting that support costs reflect a shift of some effort from the distribution to the supply service.

14. It is apparent from the BH Pricing Proposal, that the significant increase in the actual costs incurred by SunWater for 2022-2023 financial year, over and above the QCA allowance results, are at least in some measure, from an internal reallocation of support costs by SunWater and a reallocation of support costs between the Burdekin Haughton bulk water supply and distribution service.
15. The effect of the use of the actual cost of the 2022-2023 financial year as a base year for the 2025-2029 price path is demonstrated by SunWater in Table 3 of the BH Pricing Proposal, set out below for convenience.

Table 3 - Burdekin Supply - Opex forecasts for price path period ('000s)

Cost categories	2025-26	2026-27	2027-28	2028-29
Insurance	\$1,767.8	\$1,809.7	\$1,850.5	\$1,887.5
Electricity	\$7.5	\$7.7	\$7.9	\$8.0
Operations and maintenance ¹	\$2,193.5	\$2,246.5	\$2,293.9	\$2,339.5
Support costs	\$1,862.5	\$1,899.7	\$1,940.6	\$1,979.9
Opex - BST sub-total	\$5,831.4	\$5,963.6	\$6,092.9	\$6,214.9
Renewals opex	\$1,039.2	\$2,719.4	\$952.8	\$1,171.6
Opex total	\$6,870.6	\$8,683.0	\$7,045.7	\$7,386.5

Note 1: Includes preventative and corrective maintenance categories

16. It appears from Table 3, that the adoption of the 2022-2023 financial year actual costs as the base cost for the 2025-2029 price path effectively results in almost doubling of the operational costs for bulk water from the QCA 2022-2023 allowance over the next price path.
17. It is unclear how the figure of \$5,831,400 in Table 3 has been calculated, noting it is \$941,000 more than the proposed 2022-2023 base year. Upon review of the previous price path, the amount proposed for the 2025-2026 year exceeds the QCA allowance for 2023-2024 financial year (adjusted for inflation at the rate set out in the BH Pricing Proposal)⁵ by a concerning 65% or \$2,293,000.

⁴ Burdekin Haughton Water Supply Scheme Irrigation Pricing Proposal 1 July 2025 to 30 June 2029 page 18

⁵ The adjustment for inflation is indicative only.

18. If the actual costs incurred by SunWater for the 2022-2023 financial year is to be adopted as the base year for the 2025-2029 price path, then the significant increase in the costs of the 2022-2023 should be interrogated, and if thought necessary by the QCA, adjusted to reflect an appropriate figure.
19. LBW requests that the QCA:
 - (a) interrogate the reallocation of support costs in the 2022-2023 financial year to the Burdekin Haughton bulk water supply;
 - (b) interrogate the reallocation of support costs and materials in the 2022-2023 financial year from the Burdekin Haughton distribution service to the Burdekin Haughton bulk water supply;
 - (c) interrogate the appropriateness of the use of the actual costs incurred in 2022-2023 as cost base for the next price path, specifically whether the increased costs are representative of a normal year and ongoing expenses to be expected throughout the 2025-2029 price path.
20. LBW submits that the proposed interrogation is required to ensure:
 - (a) transparency in the reallocation of costs both internally and between the Burdekin Haughton bulk water supply and distribution services;
 - (b) the proposed base cost is an accurate reflection of the costs to be incurred by SunWater during the 2025-2029 price path;
 - (c) the QCA properly considers the financial effect of the almost doubling of the operational costs of bulk water as a result of the adoption of the 2022-2023 actual costs and other proposed increases as the basis for the next price path, on irrigators and the community generally in the Burdekin Haughton Bulk Water Supply Scheme.



David Sartori
Executive Officer
Lower Burdekin Water

29 February 2024