

Central Highlands Cotton Growers & Irrigators Association

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Rural Irrigation Price Review 1 July 2025 to 30 June 2029: Sunwater Second Submission

To Queensland Competition Authority
By online submission form

Introduction to the Central Highlands Cotton Growers and Irrigators Association

The Central Highlands Cotton Growers & Irrigators Association (CHCG&IA) is a local, not for profit industry group that represents growers and irrigators as well as their associated agricultural businesses in the Central Highlands of Queensland. Our members who are stakeholders of irrigation water for cropping are serviced by the Nogoia, Comet, Belyando and McKenzie River catchments with these businesses being a mix of family and corporate operations. The water from these schemes is used for irrigating crops, including cotton, mungbeans, soybeans, sunflowers, chickpeas, wheat, corn, forage and sorghum as well as horticulture produce including grapes, melons, macadamias and citrus. These farming enterprises support a wider scope of associated businesses in the area including product resellers, bankers, agronomists, consultants, contractors, ginners, merchants and researchers.

Engagement with the Queensland Competition Authority

The CHCG&IA have engaged with the Queensland Competition Authority's (QCA) investigation and draft recommendations for the irrigation pricing practices of Sunwater that are to be applied from 1 July 2025 to 30 June 2029. As Sunwater has the monopoly of bulk water in the Nogoia Mackenzie scheme the CHCG&IA have a key responsibility to represent and advocate for the concerns of our members who are water stakeholders on this scheme. The CHCG&IA engaged with QCA discussions and submitted its initial response to the QCA's proposal for Irrigation Pricing Practices of Sunwater on the 29th February 2024, in this submission the CHCG&IA raised key concerns on behalf of our relevant members. Upon the release of QCA's Draft Report on the 5th July 2024 the CHCG&IA find that the QCA's review is yet to take obvious consideration of our feedback or answer questions of concern from our first submission and therefore raise a supplementary submission.

Second Submission

The CHCG&IA wish to reiterate and emphasise the following areas of concern with the QCA's proposed recommendations for irrigation pricing practices for Sunwater's business relevant to the Nogoia-Mackenzie scheme going forward.

Regulated Asset Base (RAB) vs Annuity

- The CHCG&IA cannot support the potential transition to a RAB under the current proposal as there is inadequate information on the implications of this for our irrigators on the Nogoia-Mackenzie scheme and thus we have concern that the stakeholder could be exposed to further unnecessary costs. We struggle to see how a RAB approach would be managed effectively as there is an existing precedent of Sunwater assets/resources being irresponsibly managed.
- CHCG&IA ask for improved consultation and communication with Customers/Irrigators' to ensure an appropriate potential RAB approach is developed.



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Excessive Operating Costs

- The CHCG&IA has concerns about the lack of detail provided by Sunwater regarding their capital expense of \$300,000 for meter replacements. Has this been competitively priced and/or necessary to this extent?
- What process and review system does Sunwater have/use to ensure the most appropriate and efficient electricity tariff is selected in relation to the Selma Pump Station? Sunwater must be held accountable for their electricity usage and be encouraged to implement more efficient practices.
- Sunwater's Staff and Customer Engagement Costs of \$2.9M is an expenditure in customer support that is not reflected in service delivery/customer support received in our region. Are Sunwater effectively training, recruiting and retaining staff? Should these excessive expenditures be passed on to Irrigators if the expense is deemed to be as a result of inadequate management practices by Sunwater?
- The CHCG&IA considers Sunwater's proposal for the implementation of a new customer accounting system at the cost of \$18 million to be extravagant and expensive with the running costs of \$1.6 million raising concern for general cost efficiency. While we appreciate the reduction from the original proposal of \$38 million. We consider this to reflect how much the costing could be reduced and urge the QCA to continue to explore other accounting options to ensure the most cost-effective system is employed.
- The CHCG&IA wish to be assured that the unrealistic and grossly inflated 'COVID' prices and practices are NOT used as a basis for future pricing. Raised costs and adapted practices during this period are not indicative of current and future costings and as such should not be used.
- The CHCG&IA note that Sunwater have obvious and exponentially increasing running costs and we see merit in identifying inefficiencies within Sunwater via comparison to other businesses (for example Fairbairn Irrigation Network) to give practical and relevant guides on improvements.
- Despite the range of increased costs across Sunwater's Nogoa-Mackenzie scheme our irrigators are struggling to experience tangible support from Sunwater. Again reiterating a rise in costs with a fall in service.
- The CHCG&IA wish to highlight that despite a minimum 15% reduction of costs for Sunwater Schemes being sanctioned in the current price path the recent and future proposed prices prove to negate the previous intentions of a discount. It is critical for pricing to be fair and competitive to support the sustainability of our irrigator's businesses and their production of produce. Thus we strongly advocate for the 15% reduction of prices.
- The CHCG&IA agree with the QCA's finding that the general overhead costs of Sunwater are higher than necessary and reinforce the implantation of more cost effective practices.

In summary the CHCG&IA are concerned about Sunwater's increasing and un-explainable administration, labour and infrastructure costs which are inherently absorbed by our irrigators. We ask that improved cost and resource efficiency be employed across all sectors of the Sunwater business.

QCA Review Expense

- The CHCG&IA recognize the value of assessment however note that the QCA's process of review is most associated with Sunwater a government cooperation and that the majority of costs should **not** be carried by the local irrigator.

Irrelevant Costs

- The CHCG&IA request the categorisation of the recreational facility/area costs to ensure that all costs which are irrelevant to irrigators are excluded from the review.
- The CHCG&IA are curious of Sunwater's advertising and marketing intentions and wish to know are the costs appropriate and associated to irrigators? We ask this as irrigators have not seen any direct value from Sunwater marketing

Conclusion

The CHCG&IA would appreciate if the QCA could take consideration of our feedback. We also ask for improved communication and transparency of your assessment metric, cost calculations (current and future) and validity of the proposed scope of works for the Sunwater Business associated with the Nogoa Mackenzie Scheme. We wish to note that we are willing to further engage with the QCA to ensure a fair and sustainable approach is taken for Sunwater's pricing processes going forward.