

# 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:** Central Brisbane River Water Supply Scheme

**Date:** Thursday, 24 January 2013

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## 1. Introduction

- Tom Wilkinson, Chair of Mid Brisbane River Irrigators (MBRI), requested that he make an audio recording of the meeting. Participants were asked if any objected to a recording. There were no objections.
- Tom Wilkinson requested that he meet with the Authority's representatives to discuss matters further at the end of the meeting. The Authority's representatives agreed and invited all to attend. No issues arising from this meeting were recorded.

## 2. Free Water

- The Authority's use of the term 'legacy arrangement' instead of 'free water' was questioned. When advised that the term legacy arrangement has a specific meaning, the term 'pre-existing right' was suggested.
- MBRI asserted that the matter of free water was not properly investigated by the Authority in the Draft Report.
- MBRI are displeased that the Government has not explained to irrigators why the pre-existing rights no longer apply and why the Government referred this issue to the Authority without consultation with irrigators.
- MBRI do not have the resources of the Authority and is not aware of the information that has been presented to the Authority. There is an information imbalance.
- Irrigator records were destroyed in the flood but nobody is holding a copy of a free water agreement. Locating documents has been difficult, but there are repeated [historical] documents indicating the continuance of the water having to be supplied for free.
- MBRI questioned whether there is any documentation to show that water charges can now apply – not just documentation showing that previous rights to free water no longer apply.
- MBRI asserted that the Authority has not gone beyond the matters raised in submissions. The Authority should extensively investigate materials including explanatory memoranda and Queensland Government cabinet papers.
- It was asserted that as the deemed standard supply contract was not sent to customers by the relevant agency, the contract should not have effect.

- A question was asked as to whether the free water allocation held by Glamorgan Vale Water Board (GVWB) reflects pre-existing rights before the construction of Wivenhoe Dam. The QCA advised that GVWB's verbal advice was that GVWB held an agreement with Seqwater confirming the free water allocation.
- The QCA undertook to investigate the matter, including whether the agreement is renewed annually. It was suggested that a similar arrangement did not exist for irrigators in the Central Brisbane River WSS.

### **3. Operating Expenditure**

- Concern was expressed that SKM [the engineering consultant employed by the QCA to review Seqwater's costs] had a conflict of interest as they were engaged by Seqwater to provide advice, for example, for the Flood Commission.
- Irrigators questioned whether they are allocated costs associated with Seqwater's activities to supply water to Esk, or flood mitigation.
- Water quality testing costs below the dam and prior to water entering the Mt Crosby Water Treatment Plant should be allocated to urban customers.
- Irrigators noted that LinkWater, the SEQ Water Grid Manager and Seqwater have been merged into a single entity on 1 January 2013 and noted that non-direct costs (e.g. overhead and administration costs) should decrease accordingly.
- It was agreed that Seqwater had efficiency targets to meet by 30 June 2013 and would advise the Authority of any changes in operations for incorporation into the Authority's assessment, including any (further) changes in costs arising from the January 2013 merger.

### **4. Renewals**

- Irrigators asked whether an Asset Restoration Reserve should have already been maintained [rather than starting at zero at the commencement of irrigation prices] to reflect urban and industrial costs and revenues. [It was confirmed that a zero balance for irrigation customers was consistent with no water charges previously having been applied.]
- The accuracy of Seqwater's forecasting of renewals expenditure in the past was questioned.

### **5. Draft Prices**

- The Authority's approach to determine the Part A charge as an average of neighbouring WSS is not considered to take into account the differences between the schemes such as soil type, access to alternative water supplies and reliability. Irrigators in Central Brisbane River should receive a further Part A reduction due to these differences (for example, irrigators indicated that they do not have access to other water sources and require more water, due to sandy soil types).
- The calculation of the Part B charge should take into account irrigation only water use, not all sectors water use. Irrigation only water use is much higher, as a percentage of WAE, than non-irrigation water use. This method would increase typical water use and decrease the Part B charge.
- Irrigators in Central Brisbane River WSS used less water in recent years due to reduced announced allocations and damage to pumping infrastructure caused by floods. Irrigators would like to use more than the QCA assumed for a typical year.

- A transfer of medium priority WAE from low water users to high water users (via permanent trading) due to the introduction of irrigation water charges is likely to increase water use above past levels. QCA needs, therefore, to reconsider its calculation of a typical year to take this into account.

## 6. Cost Allocation

- Irrigators comprise a very small portion of Seqwater's customer base. Irrigators did not agree that some costs should be allocated on the basis of nominal WAE as almost all of the activities of running the dam are needed to supply high priority WAE. Medium priority WAE should be allocated a relatively smaller share of all costs than nominal WAE would imply. A greater proportion of costs should be allocated to high priority customer WAE.
- High priority water has a very high value in SEQ and, accordingly, should be allocated more costs than proposed by the QCA's Draft Report.
- Medium priority water holders have greater uncertainty [less reliability of supply]. Customers hold more WAE than they need to ensure a minimum level of supply. If announced allocations drop below a certain level, then the available water does not allow for sufficient economies of scale to operate commercial irrigation enterprises. Unless the announced allocation is high, then all irrigation activities may need to cease. The cost allocation needs to reflect that irrigators receive significantly less benefit when announced allocations fall below 100%. This varies depending on the irrigation activity.
- The cost allocation of headwork costs [renewals, repairs and maintenance expenditure] cannot be calculated based on a simple average of respective water availabilities. Costs should be allocated by a weighted average based on the bands in the ROP of announced allocation. Each successive reduction to the announced allocation needs to be modelled to calculate the appropriate cost allocation factor.
- The Authority's approach to allocating a portion of operations costs using nominal WAE does not reflect the respective costs and benefits of delivery. For example, irrigators do not order water and generally do not have water meters that need reading. Accordingly, a smaller portion of costs should be allocated to irrigators than the 2.5% proposed for those costs currently allocated using nominal WAE.
- High priority users have a far greater level of service and should pay proportionally more costs than medium priority users. It was suggested that irrigators be allocated 1% of total costs to reflect the respective benefits.
- High priority users have a significantly greater ability to pay for water. Medium priority users have other significant [on farm] costs that are not borne by high priority users.
- In this scheme, significant water inflows occur from tributaries that are not stored in the dam. This [irrigation] water does not cost Seqwater anything to provide and should not be charged for.