

Central Brisbane River Irrigation Price Review
for the Central Brisbane River Water Supply
Scheme

Submission to Queensland Competition Authority
on behalf of J.B.&B.L. Keller

5.6 Free water allocations

The QCA considered the pricing treatment of WAE previously provided free of charge in its draft report. This issue is relevant to this review of Seqwater's irrigation charges.

Current situation

Seqwater's irrigation customers in the Central Brisbane River WSS currently pay no charges. This situation existed before Seqwater took ownership of the scheme.

When Wivenhoe and Somerset dams were transferred to Seqwater in 2008, no charges were in place for Central Brisbane irrigators. Seqwater understands this was due to past legacy decisions, most recently in 2002 when the Government expressed a policy position in a regulation made under the *Water Act 2000* in 2002. This regulation set the terms and conditions for the water access entitlement granted to SEQWater Corporation, and required SEQWater to make available, free of charge up to 7,000ML a year to supply the licensees already authorised to take water under licenses previously issued by DERM (i.e. the Central Brisbane irrigators). Seqwater did not apply charges during 2008-09 for a range of reasons, including a lack of a clear contractual relationship and rights to do so.

(During the consultation phase, we attempted to have input into the Resource Operation Plan (ROP), however these attempts were rejected. We were heavily involved in the Water Resource Plan (WRP) by clearly stating these issues, but unfortunately no impact was made)

As set out above, when the ROP for the Central Brisbane River WSS was made in December 2009, a deemed contract applied to the Central Brisbane irrigators under the *Water Act 2000*. The new deemed contract requires irrigators to pay water charges. These charges can be set and reviewed by law, **or otherwise by Seqwater acting reasonably** and having regard to the criteria that would be applied by an economic regulator.

This provides a legal mechanism for Seqwater to set charges, or for a regulatory decision to be applied, assuming there is no continuing legal obligation to provide water free of charge. No charges have been levied since these contracts applied in December 2009.

Draft SunWater report

The QCA considered two scenarios where free water allocations existed: legacy contractual arrangements that prevented SunWater from charging customers, and free water arising from 'compensation' style arrangements that preserved pre-existing rights to water before construction of the scheme.

The QCA concluded that:

(a) SunWater should continue to meet legacy arrangements as these represent commercially agreed arrangements... In these circumstances, the costs are borne by SunWater in the form of diminished revenues; and

(b) for compensation arrangements, the pre-existing rights to free water should be maintained where they are the result of an existing agreement or as part of a current legislative or Government policy.

For compensation arrangements, the QCA stated that “those customers benefitting from the supplemented supply should pay for the costs of that supply. Neither SunWater nor customers with a continuing right to free water should bear these costs”.

(Rain and irrigation water that runs from our land, over the surface and through underground streams, are all contributing to the flow of water in the Brisbane River. We contribute a huge amount of water annually that feeds into the river, even more-so where the land is irrigated. There are also many other tributaries flowing into the Brisbane River downstream of Wivenhoe Dam that have profound effects on water volume and water quality.)

Seqwater position

Seqwater consider that the historical practice of allowing licensed irrigators in the Central Brisbane River WSS to divert water free of charge, expired on 7 December 2009, being the day that:

- the Moreton ROP commenced in accordance with the provisions of the *Water Act 2000*; and
- Seqwater became the holder of a Resource Operations Licence (ROL) for the Central Brisbane River WSS.

Upon commencement of the ROP, the irrigators' historical entitlements were converted into the allocations or other entitlement stated in the ROP. The provisions of the *Water Act 2000* then took effect so that the conditions of supply of the allocated water managed under the ROL for the Central Brisbane River WSS were those provided for under a supply scheme contract for the relevant allocation.

The Standard Supply Contract for the Central Brisbane River WSS sets out the terms under which a customer is to pay water charges to Seqwater as the ROL holder.

Seqwater has authority, derived from the contract and Seqwater's general statutory contractual capacity, to impose charges for the water services that are provided to the holders of the water allocations that are managed under the ROL for the Central Brisbane River WSS.

Accordingly, Seqwater has set prices to apply to irrigation customers in the Central Brisbane River WSS.

Living in close proximity to Wivenhoe Dam in the Lowood region, we have seen many changes pre and post-construction of not only Wivenhoe, but Somerset Dam as well.

Coming out as migrants from Germany in 1926 and settling very close to where we currently reside, we have a much more intimate connection and knowledge of climatic conditions, weather patterns, land use, previous natural river levels of flooding and the nature of the Brisbane River's influence on the landscape during flooding and normal river heights without being “supplemented” by both of these dams. Our history and knowledge goes further back than any detailed records that have been kept in this region.

We were approached by the Water Resources Commission and the Department of Primary Industries when Wivenhoe Dam was being built and were informed that the temperature in the Winter season will increase by up to 2 degrees due to the vast area covered by the body of water that the dam will hold (increase in humidity and saturation point, similar to the way the oceans work). As for the rest of the seasons there is much higher humidity. This leads to more frequent and heavier fogs as well as heavier and longer duration of dews. Consequently, we have huge disease and pathogen pressure on our crops.

This, in turn, affects our lucerne and hay production on a huge scale. The bleaching of hay is downgrading our quality, which is represented by a reduction in price. We have observed these issues arising since the completion of the dam. Frequent showery weather and rain development has been influenced because of the huge surface area of water that these dams cover.

Running a fruit, vegetable and fodder farming operation under these conditions costs us large sums of money to cope with the downgrading in quality of produce, abandoning some crops at harvest and an increase in labour due to climatic conditions interrupting planting, maintenance activities and harvesting produce. There are also some crops that we are unable to grow successfully due the huge cost of plant disease and pathogen control needed caused by the vegetation of the plant remaining saturated by fogs, dew and showery weather. Our localised climate or micro-climate has changed significantly, yet we are just supposed to cope with these conditions.

This “change” costs our farming operation several tens of thousands of dollars each season!

Our river is just that....a RIVER! It is not a special channel that has been designed specifically for the purpose of delivering water to Mount Crosby for treatment of the raw water into potable drinking water.

The landowners along the Brisbane River have been extracting water by any means necessary for agriculture and general purposes since settlement. Even with technological advances, we have never over extracted or abused the river. This has been achieved without monitoring from the authorities or metering our take. The river has proven, that before Somerset and Wivenhoe dams were built, during the worst drought of the 20th century, in the early 1940's, the majority of the river has never run dry! Earthworks were carried out to de-silt and tap into the body of water that was no longer running down to Mount Crosby.

These dams that were built in recent times were designed to block off these rivers and regulate supply for the treatment of water and for flood mitigation purposes. Using our river to supply the treatment plant, we the landowners were issued with entitlements to extract water from the river at “no cost”. Upon being granted this, we were never asked to inform the dam operators of when and what volume we intended to divert. The large volume of water being released has never been impacted greatly by any of the 134 license holders.

The dam operators never regulate the volume of water released for medium priority license holders. We have no impact on the day to day operations of the dam and should not be exposed to any direct and non-direct operating costs outlined by SEQWater, as they do not perform any specific tasks to supply us with medium priority water.

The only cost that we should be responsible for is the reading and billing of the water meters once they are installed. At this time, the irrigators can save SEQWater money by reading the meters themselves by informing them of the volume taken each quarter. One official reading can be done by SEQWater to monitor that we are conforming within the guidelines.

Any suggestion of cost to the Central Brisbane Irrigators is questionable!

To even consider us as licence holders, to be responsible for the costings of not one dam, but two dams, is a cruel joke! Other irrigators under the SEQWater schemes are not exposed to this ridiculous expectation.

It is true that Somerset dam's water releases flow down a river into Wivenhoe dam, but to suggest this additional cost and responsibility is simply not fair. It will be no surprise that once every licence holder realise this, that the price of \$56.52ML is a lot higher than anyone expected.

We have always watered efficiently and are some of the first irrigators to take up new improved water efficient technologies. Without meters on our pumps, we suggested that we keep log books of our irrigation methods to help maximise dwindling town water supplies in the first decade of 2000.

We have also formed our own committee without demanding SEQWater to set up and fund an official customer committee. This has saved them thousands of dollars each year to run. Our committee, the Mid-Brisbane River Irrigators is totally voluntary. This committee has also spent over \$40,000 on counsel fees for the duration of the Queensland Flood Commission and has donated thousands of hours for this cause.

The MBRI have assisted SEQWater greatly in the commission.

The devastation caused by inappropriate release levels from Wivenhoe dam in the 2010/11 floods is said to be worn by the land holder! There is extremely poor communication from our “Service Provider” to the licence holder when any such releases are in operation.

Over many years, excluding the January 2011 flood, there have been many occasions when releases from the dam have submerged and destroyed our pumps used for the extraction of river water. On occasion, we have disconnected our pumps and dragged them up above the release level only to have it submerged within a very short period of time by a second wave of water raising the levels in the river substantially. This decommissions our irrigation pumps for periods of weeks at a time costing us large sums of money. SEQWater says it is not responsible for these totally unnatural river levels, causing not only pump and infrastructure damage, but river bank slumping in particular which is extremely dangerous and creates long standing water quality issues.

SEQWater is obligated to comply with the Australian Drinking Water Guidelines which includes measures to protect raw water quality. Are the costs of meeting these guidelines separated from measures for raw water quality? It clearly states that their Rural Supply contracts can make no requirement on rural customers about water quality issues.

During the 2011 flood, SEQWater decided to release huge volumes of water unseen by any of the “Old Hands” on the river. The flood waters were higher than the 1974 flood, but this one wasn't natural as the dam operators were in charge of the flows. Each land holder in the river's destructive path, many of which are not SEQWater's customers, had to deal with the huge cost of recovery. Billions of dollars have been needed to get the surrounds back into a “pre-flood” condition.

SEQWater says it is not responsible for any “unnatural” stream flows that have caused damage to our river banks, it just delivers water to irrigators and the treatment plant at Mount Crosby. We say, THIS IS NOT GOOD ENOUGH!!!

What is going to be the cost to us for any future flooding? Are we going to be compensated under the insurance premiums that SEQWater claim to be paying and demanding us to be charged for?

High fixed charges will be a significant impost on customers, especially during extended periods of low supply whilst adhering to a strict water restriction regime. \$56.52 ML in 2013-14 to \$60.87 in 2016-17 are ridiculous figures for a region who has

never been charged for take of water. To be slugged with this excessive yearly water cost is extremely difficult to take and unaffordable.

People have moved to this region and paid substantially more for their land, all because they have greater access to the Brisbane River. Now that the ROP officially separates the water from the land, it has created problems greater than we and economists had first thought. If the land was sold without the water or vice versa, the landowner would never be able to recoup their total initial investment purchase pre-ROP.

Water trading is never going to be a success in the Central Brisbane region if the price of water is too high (fixed or variable). The potential buyer won't be able to afford it and the potential seller will be charged a fixed rate regardless if they have a pump in the river or not. They will potentially hand in their licenses, forfeiting all previous expenses. This is not fitting in with the guidelines of the water going to the highest value and most efficient use in the National Water Initiative (NWI). It will not encourage best water use efficiencies.

If water trading, temporary or permanent, was a success, some trades would have already taken place. We don't just have Medium Priority irrigation water for agriculture, there are other licence holders as well. The Ipswich City Council, Somerset Regional Council, Lowood and District Golf Club and SEQWater all have Water Access Entitlements totaling 270ML. SEQWater hold 150ML alone. They have obtained this amount of megalitres from water licences of irrigators that have been revoked. They do not need this amount of water for maintaining their recreational space. Why does SEQWater need to have any figure remotely close to 150ML. The majority of this water should be sold to irrigators as we can put it to "best use". Neither this, nor any other Medium Priority water should be allowed to be converted to High Priority water under any circumstances! It was originally issued for irrigation water, it should remain irrigation water!

We have not been given the opportunity to drought proof ourselves like our neighbouring regions have. In the early to mid-2000's, neighbouring agricultural landowners had a severe water shortage due to below average rainfall during the prolonged drought. These farmers sunk more bores into the aquifer to keep up with demand, built dams for overland flow and set up flood-lifting pumps to extract water when significant, short lived flows entered their creeks and tributaries. We still had sufficient flows in the river through this time and as irrigators, we had a false sense of security so we did not build the necessary infrastructure needed to deal with such extremes. In 2005 a Moritorium was put in place to prevent any such infrastructure to be built. The WRP is now in place and prevents any such further development.

Our area doesn't have any decent sub-artesian or artesian aquifers, so bores are not an option.

For this reason, we do not have any supplementary water supplies to subsidise the imposed cost of \$56.52ML for water pumped out of the river. Every megalitre that is used on the agricultural land in this region will cost \$56.52 to the customer. Without SEQWater considering pumping costs, this figure is completely unfair!

SEQWater has insufficient data on the actual water use for QCA to conduct adequate analysis to assess efficient operational, maintenance and administrative costs as well as prudent and efficient expenditure on renewing and rehabilitating existing assets.

The issue of “forward drawing” and “carry over” should be allowed when metering is implemented.

The only way that we will agree to pay a nominal fee for supplied water is when there is to be more water made available above and beyond the 7041ML. To expand food production, we need security of a larger portion of water to be given as an option. Any further water taken should be charged as a variable Part A-Part B charge. It is relevant in other schemes, why can't it be implemented in the Central Brisbane? It should be either a 60:40 or a 50:50 split.

The Government needs to consider the option of a Community Service Obligation (CSO) for the Central Brisbane River Water Supply Scheme. Irrigators will benefit from this until we can all substantiate the water usage, timings of peak demand and losses in the delivery system of the Brisbane River.

Since SEQWater is such a large organisation, the suggestion to absorb the figure which is the revenue that would be raised from charging irrigators is not really out of the question. We ask this to be done until such time that we all have a better understanding of the water being used in the system and irrigators are back on their feet after the 2011 flood.

Alternatively, SEQWater can have their irrigation customers continue to take their water allocations free of charge without having to burden such a debt. Since irrigation customers generate such a small revenue to our service provider of \$393,400, this figure can be absorbed by their major customer; the Water Grid Manager.

The Water Grid Manager delivers the treated water from the Brisbane River to its urban customers. It has an entitlement to take 279,000ML per annum. Such a large user of high priority water can simply pass this cost on to its many customers who need water

as a basic necessity for domestic purposes and for use in business enterprises. There have been several price rises over the past decade that the customers have had to pay, this will be no different. If the cost of the 279,000ML charged to the Water Grid Manager is increased by as little as approximately \$1.41 ML, this will be enough to pay for the figure of \$393,400 for 2013-14 that SEQWater believes that we deserve to pay. This is such a miniscule figure for such a large entity. The Water Grid Manager can afford to subsidise their fellow customers without the Government falling short on funds.

The water that irrigators use above the 7041ML can be charged at \$10ML + CPI. The Water Grid Manager has the ability to then add \$1.16ML more to its customers for this regime.

Rather than the QCA, SEQWater and the Treasury only focusing on the “bottom line”, we all should be looking continually at the economic impact that will be far reaching if high pricing is to be included on the bottom line of each and every irrigator in an already struggling industry. Flood impacts (current and future), increasing electricity prices, higher labour costs, never ending red tape of quality assurance, fuel etc. but lower commodity prices, are a recipe for disaster if we have further cost increases. We are at the doorstep of an ever expanding population and decreasing fertile agricultural land, why send more farmers broke or move on and lose generations of invaluable and irreplaceable knowledge.

We cannot come to any other conclusion except that this process has been a debacle from the start. If the QCA were to involve us in a productive way and valued our comments at meetings and submissions, it could have been handled very differently.

With less than three weeks from our initial consultation, the expectation to gather information for our submission whilst working extremely long hours to successfully run our businesses, is just not good enough! This is a very serious discussion that needs to be had, not something knocked up in three weeks. Our whole future, for generations, may very well lie and be subjected to the stroke of the pen in what gets handed down in November.

We propose that the Central Brisbane irrigation licence holders should not be exposed to this term's price path ending 2017.

There needs to be much more genuine consultation from SEQWater and QCA over the coming years until all parties are satisfied and agree on all issues. This process is not just about putting a price on each megalitre used in the system. There are a range of issues ranging from:-

- a) Water use,
- b) Water use efficiencies regarding water trading,
- c) Water meter standards and installation,
- d) Communication of water releases from the dam to minimise infrastructure damage.

Water prices should only be discussed when these, and other such important issues, are agreed upon and when any further water is made available by SEQWater above the current 7041ML.

Until this time is upon us, the water we use should be monitored by the roll out of meters. Those licence holders that still haven't repaired or replaced pumps and pump sites since January 2011 flood, can perform temporary transfers and the whole process can be readdressed with adequate and accurate information in 2017. SEQWater will have the required water usage data from irrigators and the losses in the delivery system can be assessed. Irrigators will also be able to have an accurate assessment of water use and what direction their farming operation is heading.

The Mid Brisbane River Irrigator Committee will be very willing and able to assist any further decisions and deserve proper consultation for such serious issues that affect every irrigator's livelihood.