



# Pioneer Valley Water Co-operative Limited

## NEWSLETTER

Issue 11

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*In this Newsletter we cover the following areas:-*

- QCA Review of SunWater Pricing

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### QUEENSLAND COMPETITION AUTHORITY REVIEW OF SUNWATER PRICING

The Queensland Competition Authority (QCA) has been directed by Government to recommend prices to be paid by irrigators in SunWater schemes. The QCA review commenced last year and many of you attended a public meeting in Mackay in May 2010 at which QCA explained the terms of reference they had been given by Government for the price review. The new prices were to apply from 1<sup>st</sup> July this year for the period 2011 to 2016.

The purpose of this newsletter is to provide an update on progress by QCA and to advise that the next public meeting by QCA is to be held on Monday 4<sup>th</sup> April at 9.30am at Magpies Sporting Club, Glenella. We strongly urge you to attend this meeting as it will include detailed discussion on the Network Service Plan which has been given to QCA by SunWater and which sets out SunWater's costs to operate the Pioneer River Water Supply Scheme.

#### Amended Ministerial Direction to QCA

Following extensive lobbying by a number of agencies including Queensland Farmers Federation, Canegrowers and Cotton Australia, the Ministerial Direction for the irrigation pricing review by QCA was amended in late 2010 to remove some very significant items from the review. These were as follows.

- Removal of the requirement for irrigators to pay a rate of return to SunWater for all assets. The initial direction only excluded distribution infrastructure from the rate of return but included headworks (dams and weirs).
- Removal of the requirement for irrigators to pay for major dam spillway upgrades to meet new safety standards.
- Require that if prices need to increase by more than inflation they are to be phased in under a staged price path which could be longer than five years.
- Extend the start time for implementation of the new price path to 1<sup>st</sup> October 2011.

The first two items had the potential to make irrigation water totally unaffordable and their removal was a major breakthrough.

We are closely involved in these negotiations through our representation on the small technical working group that has been established by Queensland Farmers Federation to work closely with QCA during the price review. As well as our Manager, John Palmer the working group comprises Ian Johnson (QFF), Geoff Kavanagh (Cotton Australia) and Eric Danzi (Canegrowers). This group has been meeting on almost a monthly basis with both QCA and the Department of Environment and Resource Management to ensure that the voice of irrigators is heard in the review of water charges.

#### SunWater Network Service Plans

Under the requirements of the Ministerial Direction to QCA, SunWater has prepared Network Service Plans (NSP) for all of its irrigation schemes in Queensland. The purpose of the NSP is for SunWater to set down what it considers to be the efficient cost to operate the scheme and hence on which water charges paid by irrigators should be based.

The NSP for our scheme can be accessed on the QCA website at the following address.

[http://www.qca.org.au/files/W-SunWater-Pioneer\\_River\\_WSS\\_NSP-0111.pdf](http://www.qca.org.au/files/W-SunWater-Pioneer_River_WSS_NSP-0111.pdf)



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We have examined the Pioneer NSP in very great detail and have provided two submissions to QCA so far. Final submissions on the NSP are to be with QCA by 22<sup>nd</sup> April 2011

Our submissions are on our website at the following addresses.

[http://www.pvwater.com.au/submission\\_qca\\_pricing\\_pioneer\\_nsp\\_15\\_feb\\_2011.pdf](http://www.pvwater.com.au/submission_qca_pricing_pioneer_nsp_15_feb_2011.pdf)

[http://www.pvwater.com.au/submission\\_qca\\_pricing\\_pioneer\\_nsp\\_supplementary1\\_17\\_mar\\_2011.pdf](http://www.pvwater.com.au/submission_qca_pricing_pioneer_nsp_supplementary1_17_mar_2011.pdf)

If you wish to have a look at what we have provided to QCA and are unable to access the websites please let us know and we will send you a copy of the submissions. You will need to refer to the SunWater NSP as well to fully understand all of the matters we have raised in our submissions. We can also provide copies of the NSP if required.

In general we consider that the SunWater NSP does not provide anywhere near enough detail to allow us to be confident that their proposed costs to operate the Pioneer scheme are efficient. The following are the main points relevant to our review of the Pioneer NSP.

- SunWater's cost to operate are proposed to increase from around \$720,000 per annum this year to some \$915,000 per annum for the start of the next price path – an increase of over 25%.
- Water charges for our scheme include Bulk Water Charges that we pay to SunWater. The total SunWater bulk water charge would increase from \$18.17/ML this year to \$28.00/ML for the start of the next price path under the SunWater proposed cost in the NSP.
- Overhead and indirect costs (mainly SunWater Head Office) account for 52% of the total operating costs.
- The NSP is confusing in that it indicates that SunWater carries out water delivery functions for irrigation in the Pioneer whereas this is all done by us. We have sought clarification that the NSP costs exclude the activities done by PVWater.
- Expenditure by SunWater on renewal of assets in the Pioneer over the last five years is stated at just under \$7million. This is an extraordinary amount for which we have requested a full breakdown of the assets involved. We suspect that the ongoing work to rectify the faulty outlet valve at the Palm Tree Creek outlet from Teemurra Dam has been included and we have questioned if this should be included as asset renewal.
- With this very high expenditure, the balance in the renewals account for the Pioneer is a massive negative \$5,160,000. Funding this negative balance is a major component of the increase in water charges proposed by SunWater.
- Our submissions raise numerous other questions on SunWater's proposed costs in the NSP and for which we are seeking answers.

If you feel that we have missed any other issues with the NSP please let us know. As mentioned we have until 22<sup>nd</sup> April to make further submissions to QCA on the Network Service Plan.

This coming meeting with QCA is a very important stage in the irrigation pricing review and it is our opportunity to provide our views directly to QCA representatives. A good representation by our irrigators will send a clear message to QCA from our scheme.

**Monday 4th April 2011, 9.30am Magpies Sporting Club**