



Pioneer Valley Water Co-operative Limited.

A co-operative formed under the *Cooperatives Act 1997*.

ABN 55 322 373 770.

PO Box 275
(Level A, 120 Wood Street)
Mackay QLD 4740

Reference: C10/019/14

17th March 2011

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sirs

RE: Supplementary Submission to SunWater Network Service Plan – Pioneer River Water Supply Scheme

We refer to our initial submission dated 15th February 2011 and provide this supplementary submission which has resulted from further review of the NSP and reinforced the very serious concerns that we have with the document.

Bulk Water Service Costs

Our submission of 15th February discusses in detail the situation in the Pioneer River Scheme where Pioneer Valley Water undertakes almost all of the irrigation water service functions under its Distribution Operations Licence (DOL). The NSP reads as though SunWater provides these services and we have asked in our earlier submission if allowance has been made in forecast costs for the reduced irrigation activity by SunWater in the Pioneer Scheme.

We also highlighted in our submission that, due to control valve problems, activity associated with scheduling of releases from Teemburra Dam was not particularly significant highlighting that operation of the Pioneer Scheme was considered to be less complex than other systems.

We have undertaken some comparison of forecast costs for other bulk schemes to gauge if the Pioneer has been treated any differently to schemes where SunWater undertakes all irrigation service functions. Table 1 attached shows that approximate full time equivalents (FTE's) for Pioneer do not stand out as very different to schemes with similar bulk assets such as Barker Barambah, Macintyre Brook, St George, Upper Burnett and Upper Condamine. We accept that no two schemes are exactly the same and some have more complex operational requirements but we would expect Pioneer to rate a degree lower in this comparison.

Pioneer Scheme as well as having all irrigation service delivery undertaken by the DOL holder does not have any recreation facility costs. Also Teemburra Dam is an unmanned site with all operations undertaken from SunWater's Eton Office. On this basis it would be expected that FTE numbers would be lower than most other similar sites. As discussed in our earlier submission, clarification of this matter is sought particularly details of the bottom up approach adopted by SunWater for forecasting labour costs for the scheme

Strategic Asset Management Plan

The Water Supply (Safety & Reliability) Act 2008 (the Act) requires that all Water Service Providers have an approved Strategic Asset Management Plan (SAMP) for their infrastructure.

Section 71 of the Act states the following in regard to a SAMP.

71 Preparing strategic asset management plan

(1) A service provider must prepare a strategic asset management plan for approval by the regulator.

(2) The plan must state the following matters—

(a) the registered services to which the plan applies;

(b) the infrastructure for providing the services;

(c) standards for appropriate levels of service, including customer service, and performance indicators for the service;

(d) an operation, maintenance and renewals strategy that demonstrates how each standard will be achieved.

Further Section 108 of the Act requires that regular independent audit reports be prepared about the SAMP and compliance by the Water Service Provider with the SAMP. These audit reports are to be available for inspection and purchase.

It would be expected that the SAMP audit report for SunWater's irrigation infrastructure would provide some clarification of our concerns with the major renewals annuity spend in the scheme over the last four years and the subsequent negative \$5.16 million annuity balance forecast for the scheme.

SunWater has been requested for advice of the terms for the inspection and purchase of their latest SAMP audit report. This is as provided for under Section 108(4) (c) of the Act. A reply to this request to SunWater is still awaited.

Asset Renewal

As detailed in our 15th February submission there is major concern with the renewals annuity spend data presented in the NSP for the Pioneer and the very significant negative balance in the renewals account.

We must draw attention to a very concerning discrepancy in the renewals reporting by SunWater which goes no way toward clarifying the data presented for renewals in the Pioneer NSP. The table below compares information provided in the NSP with information in recent SunWater Annual Reports.

Document	Pioneer River WSS reported renewals spend (\$,000)			
	2006/07	2007/08	2008/09	2009/10
2008/09 SunWater Annual Report	180	620	590	
2009/10 SunWater Annual Report	100	350	450	1,200
NSP	224	810	825	2,220

Similar discrepancies exist in the areas of annuity collection and annuity balance between the two SunWater annual reports. Figure 1 attached shows this information from the two SunWater Annual Reports.

Without some clear explanation of these discrepancies and other specific matters raised in our earlier submission we consider that the entire section of the NSP dealing with renewals is unacceptable and requiring major review.

Vehicle hire costs

It is unclear in the NSP where scheme vehicles are accounted for in the cost forecasting process. Scheme vehicles would surely be a direct cost that is very quantifiable and should appear separately in Table 4-3 - Expenditure by type. As a bare minimum it could be included in "Other" in Table 4-3 but this is not the case as the description for "Other" costs in Appendix C.2 does not include vehicle costs.

Appendix C.2 includes in the description for "Overheads" light vehicles and it must be assumed that this includes scheme based vehicles. Reference to SunWater's Background Paper on Centralised Costs shows that the Credit and Services Unit within the Finance Group is responsible for (among other functions) credit management, fleet management and reception functions. If this is where vehicle costs are accounted for it is a very obscure method of applying costs for what is very clearly a direct scheme cost.

Clarification is sought as to how scheme vehicle costs have been included in the NSP and explanation for the treatment of them not as direct costs.

As stated in our submission of 15th February we will provide further submissions to the irrigation pricing review as more detailed information becomes available.

Yours sincerely

J R Palmer
MANAGER

Table 1 – Bulk Schemes NSP - Comparison of labour costs

Scheme	Bulk assets	Total forecast operations (\$,000)	Forecast labour (\$,000)	FTE's at \$75k	Number of Customers
Barker Barambah	Bjelke Petersen Dam, 2 weirs, 1 pipeline, 1 pump station	690	180	2.4	161
Bowen Broken	Eungella Dam, 1 weir, 1 offstream storage	893	207	2.7	51
Boyne Tarong	Boondoomba Dam	365	100	1.3	262
Bundaberg	Fred Haigh Dam, 3 weirs, 2 barrages	1,092	295	3.9	684
Burdekin	Burdekin Falls Dam, 5 weirs, 2 pump stations	2,957	830	11.1	369
Callide	Callide Dam, Kroombit Dam, 1 weir, 1 diversion channel	898	221	3.0	138
Macintyre Brook	Coolmunda Dam, 3 weirs	898	261	3.5	90
Mareeba	Tinaroo Falls Dam, 6 weirs	930	255	3.4	128
Nogoa Mackenzie	Fairbairn Dam, 4 weirs	2,211	608	8.1	204
Pioneer	Teemburra Dam, 3 weirs	909	229	3.1	7
Proserpine	Peter Faust Dam, 1 pipeline	823	169	2.3	92
St George	Beardmore Dam, 3 weirs	970	265	3.5	153
Three Moon Creek	Cania Dam, 5 weirs	327	92	1.2	90
Upper Burnett	Wuruma Dam, 3 weirs	694	194	2.6	156
Upper Condamine	Leslie Dam, 7 weirs	919	251	3.3	100

Total forecast operations - from NSP Tables of Expenditure by type excluding electricity and revenue offsets.

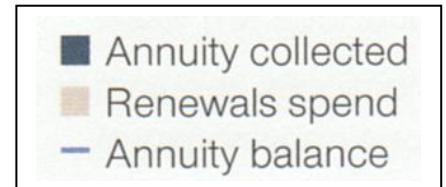
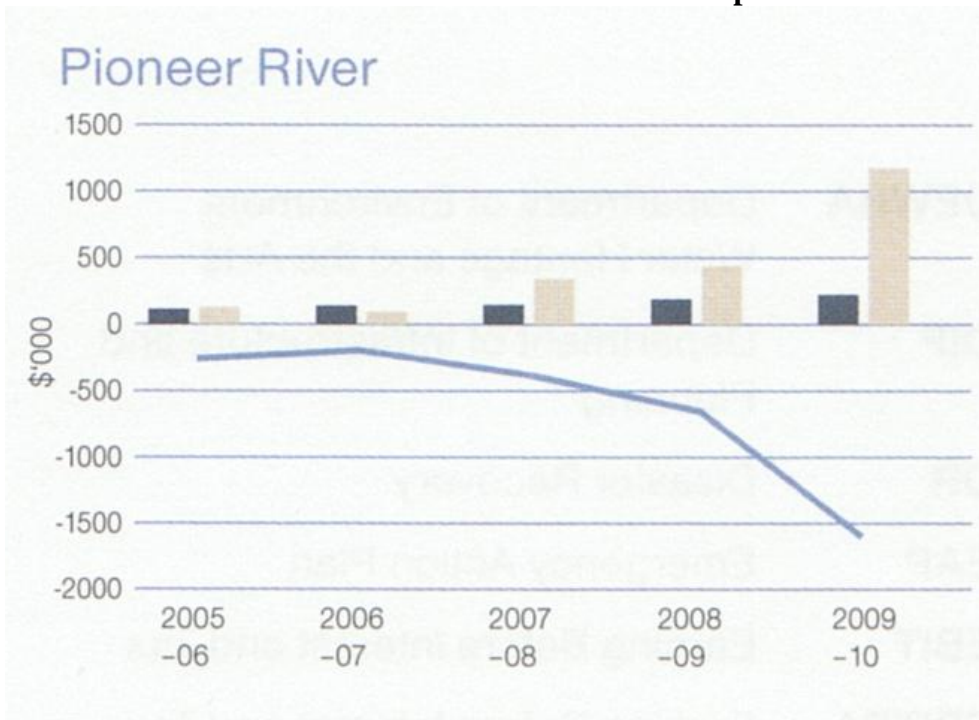
Forecast labour – from NSP Tables of Expenditure by type

Customer numbers – from NSP Section 2

FTE @\$75,000 – This value has been adopted for comparison purposes and does not reflect actual information.

Figure 1 – Extracts from SunWater Annual Reports for Asset Sustainability

2009/2010 Report



2008/2009 Report

