

## 2025–29 rural irrigation price review Mackay workshop – summary of issues raised

*This note records issues identified and views expressed by stakeholders present at the QCA's workshop on the draft report for Sunwater's schemes. The QCA is yet to form any opinion on these issues and views. As appropriate, issues will be addressed in the QCA's final report.*

**Schemes:** Eton, Pioneer River

**Date of workshop:** 2 August 2024

Topic	Issues raised
Sunwater's costs	<ul style="list-style-type: none"> <li>A stakeholder noted that the QCA's draft recommendations on costs are generally less than Sunwater's proposal and asked whether this indicated 'gold-plating'.</li> <li>The extent of the QCA's investigation of renewals costs was raised, including in regard to an efficiency target for renewals.</li> <li>A stakeholder asked whether we compared Sunwater's costs to those of local management arrangements (LMAs) when establishing prudence and efficiency (noting that LMAs have reduced staff in operation and maintenance areas compared to Sunwater increasing staff).</li> </ul>
Baseline opex	<ul style="list-style-type: none"> <li>A stakeholder wanted to know what sort of changes the QCA regarded as 'one-off' adjustments when determining baseline opex.</li> </ul>
Future scheme costs	<ul style="list-style-type: none"> <li>A stakeholder raised the issue of the future treatment of scheme renewals costs, for example, renewals in Palm Tree Creek.</li> </ul>
Insurance costs	<ul style="list-style-type: none"> <li>Some stakeholders queried whether Sunwater's proposed insurance costs were indicative of other businesses; the potential for self-insurance; and whether a RAB approach made it easier to cover the costs of an insurance claim.</li> <li>Concerns were raised about the split of insurance costs between the regulated and unregulated parts of the business, noting that there are increases for the unregulated business.</li> </ul>
Billing system costs	<ul style="list-style-type: none"> <li>A stakeholder said that Sunwater's justification for the costs of this system was complexity due to the number of tariff groups. However, stakeholders noted that this complexity was mostly due to complex legacy contracts with industrial customers and not irrigation contracts (especially in this scheme).</li> <li>Stakeholders wanted to know the relevant cost category for the billing system.</li> </ul>

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Dam safety costs	<ul style="list-style-type: none"> <li>Recovery of dam safety costs was raised as an issue – for example, whether customers effectively 'pay twice' (for installation and removal of bladders at Teemburra Dam).</li> </ul>
Cost categories	<ul style="list-style-type: none"> <li>Some stakeholders sought clarification on different cost category definitions in the draft report, including routine compared to non-routine maintenance.</li> </ul>
RAB vs annuity approach	<ul style="list-style-type: none"> <li>There was discussion of the RAB and annuity approaches, including whether over-capitalising was an issue. A stakeholder noted that a RAB approach was not the solution to addressing issues with Sunwater's management.</li> <li>A stakeholder asked about the definition of opex/maintenance compared to capex, and whether there are differences under a RAB approach.</li> </ul>
Eton risk priority allocations	<ul style="list-style-type: none"> <li>There was some discussion about when this water is available, noting there is only a short period of time it may be used (i.e. 2 weeks out of a 10-week period of river flow) and is unlikely to materially increase the price charged to other customers.</li> <li>An issue identified by a stakeholder was the impact on operation and maintenance costs of the Eton scheme for the delivery of Pioneer River water allocations (e.g. due to weed growth). It was noted that, while this service and its charge are outside of the Eton scheme, it uses Eton scheme assets as the water is only there due to Kinchant Dam (being fed by seepage from Kinchant Dam). Therefore, the stakeholder considered these Pioneer River water allocations should be accountable for Kinchant Dam costs to some degree.</li> <li>Renewals costs associated with borrow pits should be ring-fenced to be excluded from the Eton scheme.</li> </ul>
Price discount	<ul style="list-style-type: none"> <li>A stakeholder asked whether the 15% discount that currently applies will be continued.</li> </ul>