HUTCHINSON AG
PO BOX 348 MOURA QLD 4718 | 07 4997 4114

September 16, 2024

Submission of Hutchinson Ag to the Queensland Competition Authority review of irrigation prices 2025-2029

RAB vs Annuity

Previous to the consultation in August 2024 it was understood from Sunwaters presentations that the RAB model would be used going forwards. Given the level of support (based on the surveys conducted by Sunwater) why isn't this being adopted by QCA. Sunwater has a history of not being able to accurately project costs going forwards for 12 months let alone 30 years. Countless projects are consistently being pushed out to further years due to investigations showing the assets did not need to be renewed / worked on. Irrigators are paying the costs for this inaccuracy and only by adopting the RAB model can Sunwaters expenditure be kept under control. From an irrigators perspective we would be much happier paying for work that has actually been completed over a 20 year time span than paying for work that may or may not be completed when Sunwater says it will and being based on wildly inaccurate price projections in 30 years time.

Metering

Considerable costs are being incurred by the scheme each year for "metering upgrades". Why is Sunwater allowed to justify this cost for upgrading to expensive electromagnetic meters when it is clear under the current Queensland interim water meter standard for non-urban metering that any meter larger than 600mm does not require a "pattern approved" meter. Also meters that have not "failed or became faulty" are also looking at being replaced even though they meet the standards.

Orange Creek Weir

Considerable costs are being allocated to Orange Creek weir each year even though it is not providing any allocation volume to customers on the Dawson. If Sunwater is allowed to allocate costs to this piece of infrastructure then they should be required to include the usable volume in the announced allocations for the scheme.

Service and Performance Plans / Annuity Contributions

Table 6: Service contract financial summary

Dawson Valley Bulk Water Service Contract	2018/19 Sunwater / QCA Actual $'000	2019/20 Actual $'000	2020/21 Actual $'000	2021/22 Forecast $'000	2022/23 Forecast $'000
Revenue					
Irrigation	871.8	994.5	940.1	1187.7	1041.1
Community Service Obligation	-	-	371.6	-	-
Industrial[1]	1898.8	2033.6	1950.7	1909.9	1909.6
Urban[1]	692.8	710.9	715.8	724.4	724.4
Revenue transfers[2]	171.3	-	-	-	-
Drainage	-	-	-	-	-
Other	1.5	-	6.7	-	-
Revenue total	**3636.2**	**3739.0**	**3984.8**	**3822.0**	**3675.1**
Less – Operating expenditure	810.0	938.4	1085.2	1158.0	1167.1
Less					
Annuity-funded	30.3	204.0	455.7	501.8	723.4
Non-annuity funded	-	-	-	-	-
Surplus (deficit)	**2795.8**	**2596.6**	**2444.0**	**2162.3**	**1784.6**

How can a scheme that has consistently been making well over $2m on average surplus over the past 5 years be seen as being "below lower bound costs" Where is this surplus going and why is it not being allocated to the annuity balance for the future benefit of the scheme. Any future surpluses made by a scheme should be retained within the scheme and not allocated to Sunwaters general revenue.

Medium A and Medium Allocations

Part A Fixed Charges Dawson Valley Water Supply Scheme

				Ending Allocations	
	Medium	**Medium A**		**Medium**	**Medium A**
2018-19	17.6	13.64		100%	100%
2019-20	18.04	13.98		65%	85%
2020-21	16.18	13.98		101%	101%
2021-22	17.7	14.17		90%	100%
2022-23	18.81	16.56		99%	100%
2023-24	19.23	19.04		81%	100%
2024-25	19.66	19.66			
	127.22	111.03	16.19	89.3%	97.7%
				Difference	8.3%

Since Theodore Water took over the local area management of the channel scheme in 2018 they have been charged with considerably lower Part A charges for a higher reliability product. Over the past 6 years this difference in pricing has amounted to $16.19 / ML extra that medium customers have had to pay. Not only do Theodore Water customers receive a 20% priority allocation at the start of every water year the average extra water supplied to these customers at the end of the season is over 8.3%. Whilst we recognize that in the 2024/25 year prices have now finally come in line with existing medium priority customers they need to continue to be priced differentially with a higher charge to reflect the better reliability of the water that they are being to be provided. QCA and Sunwater cannot argue that they are both medium security customers when there has been a clear differentiation in the past. Given the greater reliability that they place on infrastructure to provide them with a higher reliability product at the start of the season a higher Headworks Utilisation Factor should be applied to this particular category which should result in a higher charge Part A. If the differentiation in pricing cannot be achieved through this means another method needs to be considered. It has not been fair on existing bulk water customers to subsidise the channel scheme over the past 6 years and continuing to do so if the same price is charged for a higher reliability product. It is not possible to have an “allocation differential” without a “pricing differential”.