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Dear Sir/Madam

Re: 2011 Biennial Assessment of Progress in Implementation of National Water Initiative (NWI)

In May 2006 the SunWater Customer Council representatives from Bundaberg CANEGROWERS and Bundaberg Sugar believed that the water pricing system for the Bundaberg Irrigation Area was unfair, with many users paying significantly more than lower bound full cost recovery for their irrigation water.

They also believed that the system did not comply with either the Queensland or Australian Government's COAG policy undertakings.

As a result the *Bundaberg Regional Irrigators Group* was established to represent irrigators in the Bundaberg district across a range of commodity groups including sugarcane, grain and horticulture. Our purpose is to ensure a fair and reasonable system exists for the charging of use and access to water for irrigation purposes; to support and encourage self-management of the Bundaberg Irrigation scheme/s; and develop projects and policy to ensure the efficiency viability and sustainability of irrigators in the Bundaberg Region.

The Board and management of BRIG are all stakeholders and irrigators. We represent in excess of 79,000 ML in the Bundaberg Irrigation Area.

BRIG wishes to comment on:

1. Water Pricing
2. Links between underground and surface water
3. Water Planning

1. Water Pricing

SunWater charges and 2011/16 Price Path

a) River Irrigators

BRIG understands that the NWI required monopoly irrigation water suppliers to remove obvious internal cross subsidies from their water charge schedules. This has not occurred in the SunWater Bundaberg Irrigation Area (BIA).

Under the current charges river irrigators (use their own pumps to lift water from the river) pay charges well above the lower bound cost of delivering that water. SunWater was unable to advise whether these charges were above upper bound costs. Channel irrigators (water is pumped to their property boundary via channels and pipelines) receive the benefit of this cross subsidy via charges that may be below lower bound.

BRIG acknowledges that this may be addressed satisfactorily during the current 2011/16 price path review, however, this will need to be further considered once the report is released.

b) Postage Stamp Pricing

Of very great concern to BRIG's members is the cross subsidies that exist within the channel water charges.

The Bundaberg Scheme is rather unique as very different pumping costs (primarily electricity costs) are incurred in delivery of water to different sub-sections of the channel system.

Despite the administrative ease of identifying nodes and pumping costs, SunWater persists with postage stamp pricing for channel water, giving rise to substantial cross subsidy.

Electricity costs have risen (in excess of 50% since July 2007) and will continue to rise at rates well in excess of CPI so the extent of this cross subsidy will increase over the 2011/16 price path.

BRIG believes that nodal point pricing should be introduced to comply with the National Water Initiative position on cross subsidies.

BRIG made representations in 2006 to SunWater, the Queensland Government and the National Water Commission in support of nodal point pricing, commenting that this was consistent with National Water Initiative pricing policies.

Following the failure to investigate, let alone implement, the concept in 2006, BRIG received an undertaking from the then Premier, Peter Beattie that nodal point pricing would be reviewed in the 2010 price path review process. (Attachment 1)

The Queensland Competition Authority (QCA) has been tasked to investigate and develop irrigation prices to apply to specified SunWater water supply schemes for the period commencing 1 July 2011 to 30 June 2016. (Attachment 2) The pricing recommendations as per paragraph 1 of the Referral Notice specifically refers to pricing recommendations for “segments of schemes”.

Consistent with the Referral Notice QCA proposed to undertake an investigation into the adoption of nodal point charging within the Bundaberg Scheme. (Attachment 3)

Unfortunately one of the Shareholding Ministers for the State Government owned corporation SunWater, (Minister Stephen Robertson) appears to have interfered in the process by issuing a letter to the QCA stating that his understanding is that the QCA is to recommend irrigation prices based on the current SunWater tariff group arrangements, which if correct would mean that QCA no longer needs to make nodal point pricing recommendations as part of the investigation. I have attached the email received from QCA (Attachment 4).

QCA advised BRIG that it was seeking confirmation of Minister Stephen Robertson’s understanding from the Premier, Anna Bligh and the Treasurer, Andrew Fraser and that QCA is therefore deferring any investigation of segment (nodal) pricing in Bundaberg, pending confirmation of the intent of the Referral Notice.

BRIG representatives have sent two letters to the Treasurer (Attachments 5 & 6) which to date remain unanswered.

BRIG Representatives met with QCA and were advised that it was unlikely that QCA would implement the segment (nodal point) pricing investigation.

BRIG is concerned that:

- The undertaking by Peter Beattie is only as good as fish and chips wrapper in the event that nodal point pricing recommendations are removed from QCA’s terms of reference.
- The strength of NWC and the COAG/NWI undertaking is weakening as there are no longer any COAG payments from the Federal Government which is impacting on the effective implementation of COAG/NWI objectives.
- There appears to be political interference by some members of the State Government in QCA operations which is diminishing the benefits to be derived from QCA investigations, which may result in pricing recommendations that adversely affect irrigators in the Bundaberg area.

c) *Water planning charges*

BRIG is opposed to the approach that irrigators should pay the full cost of water planning activity.

There are clear and obvious benefits to the wider community from the economic activity generated by irrigators and the associated infrastructure.

BRIG believes that it is unfair that any of these costs should be paid directly by irrigators as a water charge.

2. Links between underground and surface water

Links between overland flow, surface water and underground resources are being examined in the current Burnett Basin Water Resource Plan review. BRIG has representation on the Community Reference Panel.

Within the scope of current knowledge, BRIG believes that the interactions are being managed in a fair and reasonable manner given known relationships. BRIG has formed that view that current modeling assumes that all land development (agriculture, forestry and urban) increases take and reduces water allocated to the environment. This is clearly not the case with runoff increasing in response to some forms of development.

Further investment in the associated science is critical in order to deliver the best social, economic and environmental outcomes.

3. Water Planning (Item 1.4 of the discussion paper)

A review of the Burnett Basin water resource plan (WRP) is currently underway. It is now some 10 years since the first plan was introduced. The complexity of the plan has been increased significantly by including underground and overland flow components.

In general, the BRIG representatives involved in the review process are pleased with the process and the improvements being identified especially in the surface (scheme) water area.

The science is very complex and knowledge / information is lacking especially in the underground section of the plan. In response to this the government department/s charged with administering the plan take a very cautious precautionary approach to the take allowed from this resource.

There is little recognition that limiting the take has an impact of farming families and the wider community. The social and economic analysis presented as part of the plan review is at best cursory and does not address this issue well. As water resource plans are set for 10 years and monitoring is limited, there is no practical method for review within the life of a plan, even though it may become obvious that more water could be taken without affecting the environment.

It is a particular concern to many WRP community reference panel members that the background material presented to justify decisions has been developed over a lengthy period and contains errors or is out of date by the time it is presented to the panel. While these errors may not affect the outcome, they do reduce irrigator's confidence in the science used to justify plan decisions.

In light of the angst arising from the current Murray Darling water resource planning process, the NWC may wish to recommend that additional resources be allocated to determining the community implications of limiting water extractions to levels that ensure the risk of environmental damage is very low or non-existent.

Further information or clarification can be provided any aspects of this submission. Enquiries should be directed to Mr Dale Holliss, Secretary, Bundaberg Regional Irrigators Group Ltd on (07) 4151 2555.

Yours faithfully

MA Smith
Deputy Chairman

cc: Ruth Dow, Price Waterhouse Coopers
Danny O'Brien, CEO, National Irrigators Council
Nick O'Kane, Water Branch, ACCC
Sebastian Roberts, General Manager, Water Branch, ACCC
Mr. EJ Hall, CEO, QCA