



Submission

29 August 2019

Flavio Menezes, Board Chair
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

Via: <http://www.qca.org.au/Submissions/Irrigation-Pricing-Review>

Dear Professor Menezes

Re: Supplementary submission/Letter of Support to the QCA as part of the 2020/24 Irrigation Price Review

The Queensland Farmers' Federation (QFF) is aware of SunWater's intent to provide a supplementary submission specifically focused on an amended electricity cost estimation methodology and annual pass through mechanism.

SunWater has engaged with QFF in the development of the model used to estimate the cost of electricity, the proposed supporting methodology intended to enable price pass through annually, and a mechanism for accountability and transparency of SunWater management of electricity costs.

While significant progress has been made through this collaboration, further development and discussion is required to progress this process to a mutually satisfactory conclusion.

Further work is required to ensure the proposed methodology and modelling properly takes account of the impact of electricity prices on water prices. QFF requests the Queensland Competition Authority (QCA) review this work and undertakes further consultation on the issue following the release of the draft report for the 2020/24 Irrigation Price Review. Mitigating the electricity price risk for both SunWater and irrigation customers, should consultation demonstrate that an agreed pathway can be found.

To clarify,

- QFF supports IN PRINCIPLE development of an alternative methodology that increases transparency in the cost of electricity component in tariff setting, particularly as it relates to the efficiency in operation and maintenance of assets electricity use.
- As part of developing this alternative methodology, QFF also supports IN PRINCIPLE the development of an alternative model for calculating the electricity component of the irrigation water tariff, specifically to enable calculation of an annual pass through cost for electricity.
- QFF believes that the SunWater methodology, as outlined in their supplementary submission, or the data demonstrating the modelling of electricity price is not sufficiently developed to be conclusive nor is it sufficiently transparent to satisfy QFF stakeholders that the approach appropriately models and allocates prudent and efficient costs.



- QFF requests that QCA critically reviews SunWater's proposed model and methodology and seeks irrigation water users' input as part of consultation on the Draft 2020/2024 Irrigation Pricing Review.
- QFF encourages QCA to seek leave from the Treasurer to consult further and enable the ongoing development of this methodology and model.

QFF looks forward to the opportunity to continue contributing to this important process.

Yours sincerely

Travis Tobin
Chief Executive Officer