



QUEENSLAND
FARMERS'
FEDERATION

Irrigation Price Investigation 2025-2029

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A photograph of a center pivot irrigation system in operation over a field of young green crops. Multiple long, parallel lines of water are being sprayed across the field from a central pivot point. The background shows a line of trees and a clear blue sky with some clouds.

The united voice of
Queensland agriculture

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- Queensland United Egg Producers
- Turf Queensland
- Pork Queensland
- Bundaberg Regional Irrigators Group
- Burdekin River Irrigation Area
- Central Downs Irrigators Ltd
- Fairburn Irrigation Network
- Mallowa Irrigation
- Pioneer Valley Water Co-operative Ltd
- Theodore Water Pty Ltd
- Eton Irrigation
- Lockyer Valley Water Users

About the Queensland Farmers' Federation



The Queensland Farmers' Federation (QFF) is the united voice of agriculture in Queensland.

Our members are agricultural peak bodies who collectively represent more than 13,000 farmers who produce food, fibre and foliage across the state.

QFF's peak body members come together to develop policy and lead projects on the key issues that are important to their farmer members and the Queensland agriculture sector.

Together, we form a strong, unified voice leveraging our effectiveness by working together to drive policy and initiatives that support a strong future for Queensland agriculture.

Submission

QFF welcomes the opportunity to provide comment on the Queensland Competition Authority (QCA) Irrigation price investigation 2025-29.

We provide this submission without prejudice to any additional submission from our members or individual farmers.

Overview

In February 2024, QFF provided feedback on the QCA Irrigation price investigation 2025-29. The key issues raised by QFF and its members were affordability, rising costs of overheads, the currency and gaps in the QCA pricing review framework and the need for cost reflective Lower Bound Pricing.

Many QFF members are serviced by Sunwater. The continuing escalation of costs for irrigation presents a significant risk to Queensland's agriculture sector, risking food, fibre and foliage supply and economic output for Queensland. With rising input costs and climate variability and uncertainty, the proposed price increases present a significant risk to the financial viability of many irrigation customers.

In our submission of February 2024, QFF put forward feedback about the necessary factors for irrigation pricing required to ensure affordability and viability for irrigator customers. It is therefore disappointing that the QCA Draft Report of July 2024 has not addressed the issues raised by QFF and its members in February 2024, and in former price path review processes.

Feedback from QFF members about the recent online and regional consultation process has been disappointment and frustration. This is due to QCA's lack of consideration of individual scheme issues and inclusion of relevant detail. Particularly for those schemes that face cost increases of 35% to 40% year one, the impact of lack of a detailed explanation and transparency undermines customer confidence in the price review. It is expected that QCA would look at and describe the drivers of extreme fluctuations in prices and ask questions of the methodology applied by Sunwater for schemes that have been operating for 50 plus years. It is important that QCA understands and is able to describe the reason that significant fluctuations have not been adequately managed.

QFF urges QCA to improve and uphold a high standard of communication and transparency about the review for methods applied to schemes. QFF calls for a higher standard from QCA and Sunwater to irrigators that clearly explains and justifies the recommendations that affect individual irrigation schemes. Without a high standard of communication and transparency, there will continue to be distrust and disregard for the price setting process by utility providers and the QCA.

QFF recommends that the individual Scheme Information Sheets better reflect the specific scheme issues that were raised by stakeholders in their submissions and in the consultation process. The review and consultation would be improved and potentially more effective if QCA were able to address and describe customer concerns in the relevant Scheme Information Sheets, and make further reference to any relevant pages of the 197 page Sunwater Report and associated 247 page Atkins Realis Expenditure Review.

Irrigators in Queensland are also impacted by escalating charges within under performing schemes, including in the Seqwater price determination for the Lockyer Valley, in which submissions, issues and concerns raised by the irrigators are dismissed as “out of scope.” QFF urges the Queensland Government to increase the scope for the QCA to address the relevant issues in the price determination for both Sunwater and Seqwater irrigation customers, and for the QCA to give proper consideration to irrigators’ issues and seek discussions with irrigator groups and the Department of Regional Development, Manufacturing and Water for resolution. QFF refers to the Lockyer Valley Water Users Forum submission on 27 February 2024 for further details matters relating to Seqwater.

QFF supports the role of the QCA and considers its function essential to the setting of proposed irrigation prices by Sunwater and Seqwater. QFF acknowledges the QCA’s work in delivering positive outcomes for several irrigation schemes in the previous price path. QFF remains firm in its position that the role of the QCA should be maintained and broadened to address emerging out of scope matters that are a product of a monopoly provider supplying to customers.

The impacts of extreme price variations and unpredictable future costs has a significant detrimental impact on the financial viability and mental wellbeing of irrigators and their communities. At a time where uncertainty in the agriculture sector should be minimised at every possible chance, QFF calls on the QCA and Sunwater to make every effort to minimise such fluctuations in price.

Summary

1. QFF is concerned about Sunwater’s rising internal and support costs. QFF notes that the QCA has reduced Sunwater’s proposed Total Allowable Costs and urges the QCA to drive more efficiency in Sunwater, by further reducing Sunwater’s Total Allowable Costs.
2. QFF does not support the cost of \$18 million for the CASPr customer billing system. QFF is concerned about the high cost to establish and operate this proposed system and the risk of future non-described additional cost investments to maintain and upgrade the system.
3. QFF does not support the shift from an Annuity based Renewals System to a Regulated Assets Base (RAB). This is due to a lack of adequate communication about the impact of the RAB approach to agricultural customers and future risks, such as unforeseen step increases in pricing passed on to customers. QFF recommends further calculations and transparency for agricultural customers and advocates to maintain the Annuity for this price path until the further work is undertaken.

4. Should the opposition of irrigator groups to a RAB be disregarded and a RAB approach be implemented, QFF advocates for positive annuity balances to be returned to customers early in this price period and built into the determined prices. Further, careful consideration must be given by QCA and Sunwater to avoid perverse outcomes of the return and impacts on the next price path.
5. QFF is concerned about the calculation of the Weighted Average Cost of Capital (WACC). The WACC should genuinely reflect the cost of capital paid when borrowing from the Queensland Government. Presently, QFF is concerned about the difference in the projected and actual figures which results in a low customer confidence in the data. Information about the calculation of the WACC should be transparent and a true reflection of the cost consistent with Lower Bound Pricing. QFF calls on QCA to implement a genuine no rate of return and WACC covered at the cost of recovery from Treasury.
6. QFF calls on Treasury to reaffirm lower bound pricing and zero rate of return.
7. QFF advocates to maintain the 15% price reduction for all Sunwater and Seqwater irrigation schemes. The irrigation price proposal and QCA review is silent on this reduction and QFF strongly advocates for maintaining this 15% reduction to support the viability of scheme users.
8. QFF supports the role of the QCA in the review of irrigation pricing practices of Seqwater and Sunwater and supports a number of the findings and recommendations of the QCA Draft Report. QFF would like to see more transparency and communication of the review of individual schemes to increase the reliability of the pricing review process.
9. QFF supports the views expressed by its members that the Draft Determination has failed the irrigators that are facing price increases, in excess of 60% in some cases, through an inability to provide detailed information about the actual cost drivers in those schemes.

Past collaboration between QFF, Sunwater, Seqwater and the Queensland Government Department of Regional Development, Manufacturing and Water and Treasury, has led to many productive and efficient water pricing policy outcomes for agricultural customers. Collaboration around specific issues is an effective method to implement an appropriate policy and pricing structure for irrigation.

QFF seeks and welcomes further engagement with QCA and the Queensland Government to review and assess the impact of costs from pricing components to irrigators. QFF welcomes a risk analysis of rising water costs on agricultural production and recommends that productivity or financial viability be taken into account for future price path methodologies and reviews.

Total Allowable Costs

QFF supports the QCA's draft determination to reduce Sunwater's overall costs by 13.6%, and presses QCA to ensure there is no upward revision by Sunwater of these allowable costs. QFF notes there are further opportunities to reduce operational costs in the areas of Overheads and Indirect Costs which will further increase the cost efficiency and viability of pricing for irrigation schemes.

QFF does not support the proposed cost of \$18 million for a new customer billing system. QFF notes the QCA's reduction in allowance for a new customer billing system from the initial proposed \$38 million to \$18.5 million. QFF is concerned about the efficiency of the high cost of \$3,000 per customer to implement the new system, the \$1.6 million to run the system, and has valid concerns about further additional cost investments to maintain and upgrade the system in the future.

QFF is concerned at the further increases to Sunwater's overheads through an increase in FTEs, which was evident in the past Determination period above Sunwater's proposal for the previous Determination. A steady growth in FTEs is difficult to understand from an efficiency basis and QFF advocates for QCA to further investigate and identify areas for cost savings.

QFF is opposed to the inclusion of the QCA Regulatory fee of \$4 million over the Determination period and views this cost as a government CSO, as part of the commitment for equitable pricing from a government-controlled monopoly provider.

QFF supports the QCA's response to adjusting the Sunwater metering programme.

Regulated Asset Base versus Annuity

On the basis of Sunwater's past management and renewal of long-life assets, QFF is unable to support Sunwater's proposal to shift from an Annuity to a RAB. QFF's members are not confident in the described method and do not support Sunwater's ability to manage the risk of rapid growth in the RAB and consequential increase in renewal costs. QFF recommends further calculations and transparency for irrigation customers before implementing a RAB.

Return of Positive Renewal Balances

Should a RAB be implemented, QFF urges for positive annuity balances be returned to customers early in this price period and that the balance is built into the determined prices. Further, careful consideration must be given by QCA and Sunwater to avoid perverse outcomes of the return and impacts on the next price path.

Weighted average cost of capital (WACC)

QFF is concerned about the calculation of the Weighted Average Cost of Capital (WACC). The WACC should genuinely reflect the cost of capital paid when borrowing from the Queensland Government and there are questions about the difference in the projected and actual figures that results in a low confidence in the data. Information about the calculation of the WACC should be transparent and be a true reflection of the cost consistent with Lower Bound Pricing.

Consultation

QFF acknowledges and appreciates the online and regional consultations of the QCA to irrigation schemes during this consultation period.

QFF advocates for QCA to communicate in more detail in these engagements to increase trust, transparency, local understanding and urges for a collaborative approach to water pricing that genuinely sets out to support the viability of agriculture in Queensland.

QFF calls for a higher standard of communication from QCA and Sunwater to irrigators that clearly explains and justifies the recommendations that affect individual irrigation schemes. The individual Scheme Information Sheets must better reflect the specific scheme issues that were raised by stakeholders in their submissions and consultation process. The review and consultation would be improved and potentially more effective if QCA did address and describe customer concerns in the relevant Scheme Information Sheets, and make further reference to relevant pages in the 197 page Sunwater Report or 247 page Atkins Realis Expenditure Review.

QFF acknowledges the joint QFF-Sunwater Consultative Committee as an effective and welcome consultation forum to inform and engage with QFF members. QFF supports this to continue, to genuinely support a collaborative approach to solutions that support agriculture in the price path negotiations.

Maintaining the 15% price reduction

In the current price path a minimum 15% reduction was passed and provided by the Queensland Government for all Sunwater and Seqwater irrigation schemes. Most customers did not see a discount initially, with the QCA set price increases ruling out the discount. Following QFF advocacy, the Queensland Government set a price freeze for all schemes with introduction of the discount to provide some price relief. The irrigation price proposal and QCA review is silent on this reduction and QFF strongly advocates for maintaining this 15% reduction to support the viability of scheme users

More than ever, food security and the cost of living is a critical issue for Queenslanders. To ensure viable and profitable production of food, fibre and foliage, QFF advocates to maintain the 15% price reduction for all Sunwater and Seqwater irrigation schemes.

Conclusion

QFF supports a number of QCA findings and recommendations. As described above, there are areas of concern and disappointment in which essential changes can better support the viability and productivity of irrigation schemes.

Overall, QFF strongly supports the role of the QCA and considers it a vital function to the setting of irrigation prices by Sunwater and Seqwater. It is essential that the role of the QCA is maintained and broadened to address out of scope matters, to further mitigate and manage risks introduced from a monopoly provider to customers. QFF therefore recommends that the Queensland Government give consideration to a broader scope for the QCA review that would address more of the issues that are impacting irrigation pricing.

QFF also acknowledges the ongoing effort and positive engagement by Sunwater with its irrigator customers over the past 12 months. Effectively addressing water pricing challenges requires ongoing discussions. QFF appreciates the consultative work done to date to ensure irrigators have had the opportunity to inform the future of pricing and deliver viable solutions that meet the demands of water and agriculture. Without this, Queensland risks a decline in regional and rural productivity and viability, risking the ongoing viability of intensive and irrigated agricultural in Queensland.

If you have any queries about this submission, please contact Alicia Kennedy at alicia@qff.org.au.

Yours sincerely

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