



Hon Henry Palaszczuk MP
Member for Inala



**Queensland
Government**

**Minister for Natural Resources,
Mines and Water**

Ref CTS 04858/06

06 JUL 2006

Mr N J Laurie
The Clerk of the Parliament
Parliament House
Cnr Alice and George Streets
Brisbane Qld 4000

Neil
Dear Mr Laurie

I refer to your letter of 9 June 2006 enclosing a copy of Petition No. 669-06 lodged in the Queensland Legislative Assembly.

The Petition requests that the House curtails the Part A tariff (Maintenance Fee) for irrigators on the Warrill Creek System. The irrigators request that this fee be disposed of and not be implemented because of lack of water in Warrill Creek.

SunWater's rural irrigation prices for the storage and delivery of water in its water supply schemes are structured into two parts which is known as a two-part tariff. The reason why SunWater uses a two-part tariff structure is because it has fixed costs for each scheme which it has to cover even when there is no announced water allocation. The Part A tariff covers the scheme's fixed costs and is levied on irrigators' nominal allocations. The Part B tariff covers other costs which arise due to water usage and these are referred to as variable costs. Such a tariff structure is necessary to ensure that the infrastructure is maintained and the scheme continues to function so that when water is available it can be supplied.

I acknowledge that SunWater, for the price path concluding on 30 June 2006 has had a policy of granting schemes exemption from Part A under certain conditions. These conditions are that the scheme must have three years of zero announced allocations. This means that there is no water available to be taken for a three year period and no other water supply is available. I understand that this policy currently applies to the Warrill Valley Water Supply Scheme.

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This policy concluded on 30 June 2006 along with the current price path. The new prices for the next five years will become effective on 1 July 2006 having been determined through a process involving negotiations between SunWater and the irrigators' representatives. These negotiations, for the period 1 July 2006 to 30 June 2011, have included arrangements for a drought tariff to be offered to all schemes at the beginning of the new price paths. The drought tariff is an arrangement where the Part A tariff is increased during periods of high water availability, and decreased during periods of low water availability. The drought tariff ensures that the Part A tariff gets paid back over time, and is not 'relief' from the Part A tariff. As I understand it, the drought tariff policy is currently being considered by the Warrill Valley Water Supply Scheme's representatives.

The drought tariff policy is a well developed policy which takes account of the drought conditions prevalent in Queensland as well as allowing SunWater to meet its commercial obligations.

Thank you for bringing this matter to my attention.

Yours sincerely

Henry Palaszczuk MP
**Minister for Natural Resources,
Mines and Water**