

Delivery Share Review

Community Response Report



Acknowledgements

The Department of Environment, Land, Water and Planning acknowledges the Australian Aboriginal and Torres Strait Islander people of this nation. We acknowledge the traditional custodians of the lands on which our Department is located, and we pay our respects to ancestors and Elders, past and present. DELWP is committed to honouring Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

Photo credit

Spray irrigation in the Sunraysia irrigation districts, Lower Murray Water.

© The State of Victoria Department of Environment, Land, Water and Planning 2018



This work is licensed under a Creative Commons Attribution 4.0 International licence. You are free to re-use the work under that licence, on the condition that you credit the State of Victoria as author. The licence does not apply to any images, photographs or branding, including the Victorian Coat of Arms, the Victorian Government logo and the

Department of Environment, Land, Water and Planning (DELWP) logo. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>

Disclaimer

This publication may be of assistance to you, but the State of Victoria and its employees do not guarantee that the publication is without flaw of any kind or is wholly appropriate for your particular purposes and therefore disclaims all liability for any error, loss or other consequence which may arise from you relying on any information in this publication.

Accessibility

If you would like to receive this publication in an alternative format, please telephone the DELWP Customer Service Centre on 136186, email customer.service@delwp.vic.gov.au, or via the National Relay Service on 133 677 www.relayservice.com.au. This document is also available on the internet at www.delwp.vic.gov.au.

Thank you

The Delivery Share Review project team would like to extend our sincere thanks to everyone who provided feedback at community meetings and through written materials on the preliminary findings of the Delivery Share Review. Community perspectives were also shared at the three Community Forums held in Mildura, Kerang and Shepparton, and have been taken on board. We received over 100 submissions representing a range of stakeholders, including active irrigators, urban water corporations holding delivery shares, industry groups and water corporation customer committees.

We appreciate the effort made to provide us with constructive comments and suggestions regarding delivery share arrangements across Northern Victoria and have made every effort to incorporate them.

We recognise that many of those who have contributed to the Delivery Share Review have lived through significant changes in water industry and their observations and advice have been invaluable in shaping the outcomes of the Review.

The feedback we received through the engagement process is summarised in this report. Individual submissions have been published on the Engage Victoria portal, with permission of the authors.



Crop trends in Sunraysia districts are showing a movement to higher water demand crops, like these dwarf almonds, affecting the ability of existing infrastructure to deliver water to meet extended peak demand.

Background

The Victorian Government is reviewing delivery share arrangements in northern Victoria to support irrigation communities and districts as they adjust to rapid, continuing changes in land and water use. This is part of action 4.3 in Water for Victoria to examine how delivery shares are working now and how their future use can support affordable and resilient irrigation districts that are attractive to new businesses.

The Delivery Share Review began in 2017 with the Department of Environment, Land, Water and Planning (DELWP) working closely with Goulburn-Murray Water (GMW), Lower Murray Water (LMW) and other key stakeholders.

The review examined 21 options to change or replace delivery shares, as presented in the Preliminary Findings Report and Community Discussion Paper released in July 2018. These options were developed by consulting with water sector and irrigator representatives and looking at the data and evidence around current delivery shareholdings and water use.

The feedback and suggestions received from the community in response to the Preliminary Findings and associated consultation have been analysed and considered in the development of outcomes and actions for delivery share arrangements for Goulburn-Murray and Lower Murray districts, provided to the Minister for Water.

This report documents the valuable community feedback we received and how this feedback has shaped the outcomes of the Review.

Recognising differences between Goulburn-Murray and Sunraysia districts

In consultation we heard that people saw clear differences between the Sunraysia and Goulburn-Murray districts. The irrigation infrastructure in each region is different, as are the crops grown. This means that the ways delivery shares operate and the opportunities for improvement are different between the regions. Irrigators are keen to see that the Delivery Share Review understand their region and want to understand what the Review means for them.

We have provided individual reports for each region. The outcomes and actions proposed in each report address the specific concerns of irrigators from each region.

Summary of feedback

Input from irrigators has been essential in shaping the outcomes and proposed actions. We sought feedback on the options and analysis presented in the Preliminary Findings Report and Community Discussion Paper over the period 12 July to 31 August 2018. Opportunities for the community to have input included:

- In discussions with GMW's Water Services Committees
- In meeting with LMW's combined Customer Service and Strategic Advisory Committees
- Public meetings in Mildura, Shepparton and Kerang
- Through completing a standard feedback form
- By making a written submission to the review.

Community engagement



The consultation period for the Delivery Share Review commenced on 24 July 2018 with the release of the Preliminary Findings Report and Community Discussion Paper and ran through to 31 August 2018.

During this period DELWP received a total of 101 submissions from the community – 75 online survey responses and 26 written submissions.

Feedback came from a variety of stakeholders across the community. We heard from individuals, families, agricultural organisations and businesses.

Three community meetings were held at Mildura, Kerang and Shepparton in early August. Over 161 people attended the three meetings to hear about the Review and provide feedback on the preliminary findings put forward by the government.

Information sessions were also held with GMW's and LMW's irrigator committees.

In general, there was support across both the Sunraysia and Goulburn-Murray districts for ensuring that changes to delivery share arrangements are fit for purpose, system specific and demonstrate benefits at the system scale over the long term.

DELWP will continue seeking constructive input from stakeholders as the actions proposed are refined and developed through to implementation.

Sunraysia irrigation districts

Few submissions were provided by the Sunraysia community. LMW customers represented nine of the 75 survey responses and two of the 26 written responses. The majority of online respondents from the Sunraysia districts listed horticulture as their primary irrigation activity. 35 people attended the Mildura community meeting. The preliminary findings were also presented to the LMW combined customer and strategic advisory committees.

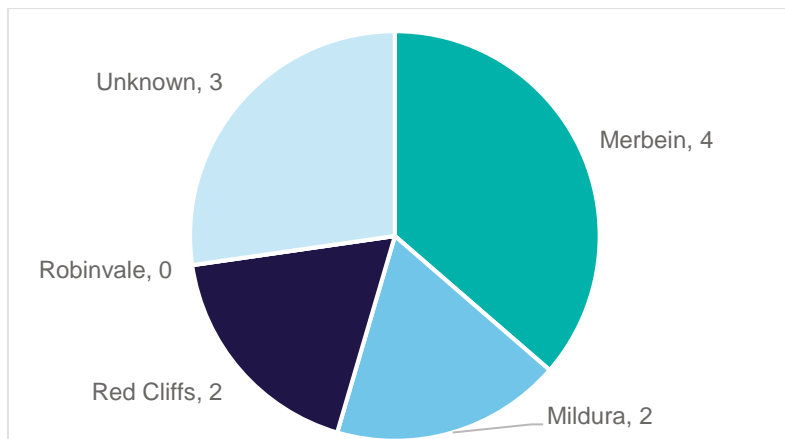


Figure 1: The 11 submissions made to the Delivery Share Review from Sunraysia irrigators came from across the districts.



Figure 2: People from the Sunraysia irrigation community attended a community forum on the Delivery Share Review in Mildura on 1 August 2018, where representatives from DELWP and LMW discussed the options for change.

Credit: Don Arnold, Mallee Catchment Management Authority

What we heard

Feedback from the Sunraysia communities largely supported the view that the current delivery share arrangements are functional and there is no need for reforms in the region. As there are no significant problems at this time, many community members questioned the need for major change to delivery shares arrangements.

"I do not consider there is any need to alter in any way the current delivery share arrangement in this region."

Feedback on the options presented

9 feedback forms submitted by Sunraysia irrigators, and the views presented may not be representative of the broader irrigation community in the region. Submissions have been considered as a reflection of the perspectives and preferences of the individuals who made them.

Overall, submissions from Sunraysia focussed attention on:

- Taking more time to consider the options and understand how delivery shares are working in Sunraysia irrigation districts
- Maintaining the current delivery share arrangements
- Looking at the balance and size of fees and charges, including the delivery share fee (DSF), use charges and termination feed

Priority issues and concerns

The LMW community also expressed the desire for more time to build their understanding of delivery shares. This has been captured in the outcomes of the Delivery Share Review for the Sunraysia districts, with attention to building understanding around:

- the relationship of delivery shares to deliverability risks, and
- how delivery shares could be used as a tool to mitigate risk.

Deliverability risks associated with times of high demand has been flagged as an area of concern for LMW customers, however. Customers are concerned about the ability of the system to meet peak demand and manage delivery shortfalls given the industry movement to higher water demand crops and increased competition with large private diverters.

“Delivery shares are a valuable asset that enable both production and growth... these minimum access rights must be preserved to ensure water delivery to crops when needed (i.e. on a daily basis), particularly in peak summer periods.”

Linking Sunraysia irrigator concerns to delivery share arrangements

Based on the feedback received, we have identified two major areas of concern for Sunraysia irrigators that relate to delivery share arrangements:

1. Managing deliverability risks and capacity constraints

Risks around the ability to deliver water to irrigators in periods of peak demand are an emerging issue for the Sunraysia region. Delivery shares have an important role to play in setting out how water is delivered through shared infrastructure to manage capacity constraints allow district irrigators to understand and manage deliverability risks.

2. Setting principles for delivery share tariffs and prices

Making sure that all district irrigators have good information on what delivery shares are, how they can be used to manage water access, and the ways that the costs of irrigation district infrastructure are managed, will help irrigators to make informed decisions. This will help with shaping how the proposed actions from the Delivery Share Review are developed for LMW customers, as well as providing broader benefits for decision-making and risk management.

Goulburn-Murray irrigation districts

The majority of feedback for the Delivery Share Review came from the GMW community. There were 66 responses to the online survey and 24 written submissions from this district. Eight submissions were received from agricultural organisations representing member perspectives. The majority of online respondents identified as mixed farming irrigators followed closely by dairy irrigators. There were two community engagement meetings in the GMW district with a total of 126 attendees.

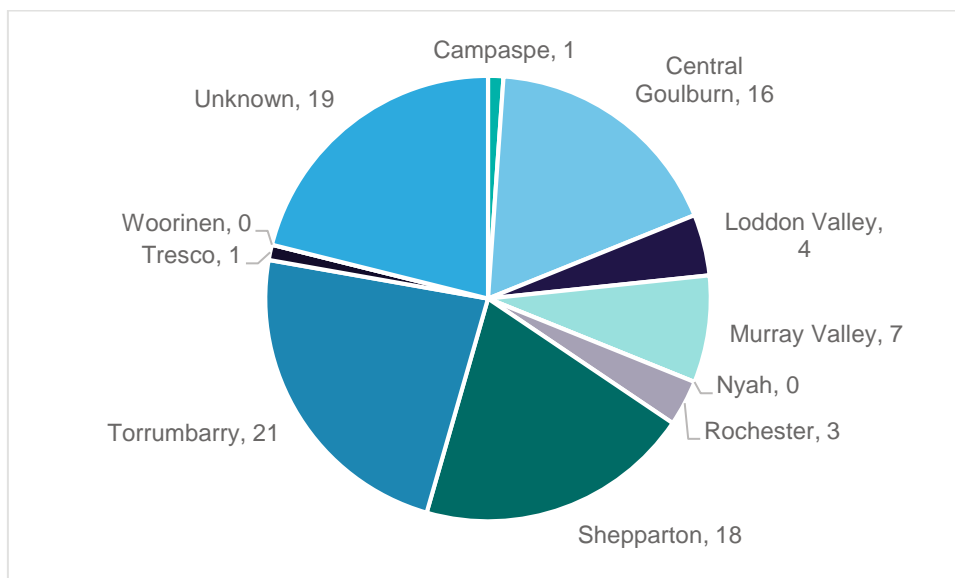


Figure 3: Irrigators across the Goulburn-Murray irrigation districts provided 90 submissions to the Delivery Share Review, with strong representation from Shepparton, Torrumbarry and Central Goulburn.



Figure 4: The community forum held in Shepparton to discuss the preliminary findings of the Delivery Share Review was attended by over 80 people

What we heard

There were some common issues identified in the feedback from the GMW community. Concerns about the impacts of water moving out of the GMID were widely held, along with other concerns that intersect with delivery shares but are much broader in scope. This report focusses on the feedback that more directly relates to the Delivery Share Review and the options presented in the Preliminary Findings. We heard that there are a range of broader issues that need to be considered. Submissions touching on issues outside the scope of the Review are captured later in this report.

“We want to start with a clean slate to determine the best way forward rather than tinkering around the edges and increasing complexity so that an already complex payment system becomes almost impossible to understand as does any signals for rationalisation.”

Feedback on the options presented

Options presented in the Preliminary Findings Report that were of particular interest to Goulburn-Murray irrigators included examining the recovery basis for infrastructure fee (IAF), looking at how termination fees are calculated and applied, and opportunities to develop effective markets in delivery shares.

Other options received very mixed feedback, with strong perspectives both for and against them. These included looking at reducing the annual delivery allowance (ADA), developing limited term contracts for delivery services, and was to use delivery shares in system operations.

Priority issues and concerns

The GMID infrastructure footprint

There was an overwhelming call from the community for infrastructure rationalisation within the GMID. Much of the feedback suggested that the current infrastructure footprint does not reflect the current level of water demand and total water use within the GMID. Many irrigators feel that there is a disconnect and are concerned about increasing cost pressures in the region to maintain an infrastructure network that does not reflect changing customer needs.

“The crunch time is coming as we look at what the footprint of the [GMID] irrigation district now looks like and what it might be going forward into the future.”

“We must reduce the [infrastructure] footprint of GMW to have a future.”

Delivery share costs, transparency and management options

Tariff and pricing principles were a clear area of concern in the majority of submissions. Irrigators are concerned that the costs associated with delivery shares are prohibitively high and are not appropriately shared across all water holders and users. Submissions flagged the need for more transparency regarding the Infrastructure Access Fee (IAF) and the rationale behind the ten-times the IAF multiple used for the delivery share termination fee.

A common theme across submissions was a current surplus of delivery shares within the network. Some argued that the surplus is a legacy issue associated with the methodology used to create delivery share entitlements, while others requested that GMW stop issuing new delivery shares to let the system rebalance.

The surplus supply of delivery shares and the high costs associated with terminating delivery shares leave few options for delivery share holders to manage their entitlements or exit the delivery share market.

“At some point in time, if nothing changes, and the cost of operating the irrigation system becomes too expensive for land holders, irrigation operators will pull the pin and look for other farming options outside this region.”

“The breakdown of the Infrastructure Access Fee we consider to be quite inadequate and does not show any real in-depth breakdown of the fee, but probably raises more questions than answers.”

Linking Goulburn-Murray irrigator concerns to delivery share arrangements

The submissions to the Delivery Share Review captured a wide range of issues with many of these issues related to each other. The review has sought to consolidate these issues into a set of key issues that can be used to provide a clear pathway forward that addresses the underlying issues associated with delivery shares and the delivery network. These issues have been used to develop outcomes for the review.

1. Address the imbalance between infrastructure capacity and current water use

The amount and capacity of irrigation system infrastructure no longer reflects patterns of water use or irrigator intentions. Low termination of delivery shares is masking the signals for infrastructure rationalisation and sensible reconfiguration needed to adjust to changes in water deliveries.

2. Ensure prices are set based on real costs for all water users and holders

Concerns are emerging regarding the cost-reflectivity for irrigation districts given the significant changes in water ownership and use since water rights were unbundled in 2007, and the need for downward pressure on prices.

3. Provide more clarity and build trust in delivery share arrangements and charges

There is a lack of clarity and trust around how delivery shares are currently used, and the charges associated with holding them, particularly in the GMID where irrigators are facing significant cost pressures.

4. Make sure those buying irrigation properties are informed about delivery shares

Information on delivery shares and associated costs is not consistently or clearly provided in property sales, with some purchasers unaware of the ongoing annual costs associated, regardless of water use.

5. Show real benefits to holding delivery shares and paying fixed charges

Relationships between delivery shares, system design and service provision have changed since unbundling, creating opportunities to increase their value in system operations and make sure irrigators receive the service and benefits they pay for.

Broader concerns raised

Delivery shares and the broader recovery of costs is a complex issue that has many interconnecting elements. It was therefore not surprising that a significant proportion of feedback received through the community engagement covered issues that went beyond the Delivery Share Review. While not specifically related to the review, many of the additional issues raised are important to the overall pricing of GMW's irrigation service and can be influenced by the

“The content of all fees including infrastructure access fee, delivery share fee, storage fee, service fee and service point fees should all be thoroughly dissected.”

delivery share arrangements. Given this, we consider it important to capture this feedback as part of the review to ensure that it is not lost.

“There should be a more wide-ranging view of how we will pay for the system in the future while making sure that agricultural users remain viable. If the high users are not viable within GMW what hope is there for the future of the whole delivery system?”

Tariff and fee transparency: There were several submissions expressing the need for an in-depth review of

all water service fees and tariffs, even those not associated with delivery service. GMW is currently conducting a detailed tariff and pricing review for the purposes of its next pricing submission to the Essential Services Commission, which will provide additional details on components of the tariff.

Cost sharing: A separate but related issue that was common in the feedback was that tariffs and fees that are applied to recover the infrastructure within the GMID are not equally shared between all water users. A significant number of submissions reflected the desire to have infrastructure costs associated with water entitlements ownership rather than with land in an effort to distribute costs between irrigators, the environment and non-water users. One of the key drivers for this view has been the significant change in water use and demand throughout the region, resulting in a different mix of water users than what the network was initially constructed for.

Outside of this review, the environmental water charges review and the assessment of the socio-economic impacts of the Basin Plan will further evaluate the equity and fairness of infrastructure cost distribution across communities.

“In terms of equity and cost sharing it could be argued that small users (less than 50-100ML and S&D customers) are being subsidised by higher users to gain access to a modernised delivery system.”

“All high-reliability water shares should share the burden of GMW expenses to manage and administer that water.”

Pathways to effective change

While the feedback on the issues facing customers in the GMW region was largely consistent, the perspectives on the most effective ways to address the problems varied greatly. In some cases, submissions for and against the options presented in the Preliminary Findings Report were evenly split, highlighting the challenges faced in developing effective outcomes and actions for delivery share arrangements that both address the concerns raised and are supported by the irrigation community.

Overall, the GMW community expressed a desire for equitable and transparent solutions, but there was less alignment from the community in how equity could be achieved and what it would look like.

“At the recent public meeting in Shepparton there was a strong call for the costs of the delivery of water to be paid for by Water Share Owners, this is another way to cover these ongoing costs. This doesn’t provide any direct incentive for efficiency in water delivery and future water savings and doesn’t give the customers incentive to work with GMW to save water.”

The feedback provided to the Delivery Share Review has helped to refine the design of recommended actions to improve delivery share arrangements and support broader adaptive change for GMW's irrigation districts. DELWP and GMW will work closely with the irrigation community to work out how best to design and implement the actions proposed through this Review, making sure any changes are well-considered and developed with active irrigators to support the long-term needs of the GMID and GMW pumped districts.

Quite a lot of feedback extended beyond the scope of the Delivery Share Review, raising broader challenges facing Goulburn-Murray irrigators. This information will be used by DELWP and GMW to feed into appropriate project and processes that are specifically looking at the issues that were raised. These projects include:

- GMW transformation project, working to shape the water corporation for long-term sustainability
- GMW tariff and pricing strategy, setting irrigation tariffs and charges for the 2020-2024 regulatory period
- GMW 25-year asset strategy, setting out how infrastructure will be maintained, rationalised or replaced
- DELWP Environmental Water Charges Review, ensuring that environmental water charging arrangements are transparent and consistent across Victoria

“There are a number of options in the discussion paper that propose an effective ‘shuffling of the deck chairs’ to shift the cost of sustaining the GMW network between different landholders. In our view these options are inequitable and unfairly punish active irrigators for a circumstance not of their making.”



The Connections project has modernised water delivery infrastructure in the GMID, including significantly reducing the infrastructure footprint, however many irrigators believe that more rationalisation is needed.

