

# Delivery Share Review

Outcomes and actions for the Sunraysia Irrigation  
Districts



## **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**

Irrigated cropping in Mildura, Lower Murray Water.

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# Delivery Share Review outcomes and actions: Sunraysia Irrigation Districts

## Executive Summary

The Victorian Government has reviewed delivery share arrangements in northern Victoria and identified opportunities to strengthen these arrangements to better support irrigation communities and districts as they adjust to rapid, continuing changes in land and water use.

Delivery shares are used in the Sunraysia and Goulburn-Murray districts as a way of providing rights to irrigators to access water delivery infrastructure. Part of the fixed charges paid by irrigators, delivery share guarantees the holder access to the irrigation system and helps to share the costs of operation and maintenance across all people in the system who can use water.

The Delivery Share Review has set **4 outcomes** for delivery shares in the Sunraysia irrigation districts that directly address the concerns raised by irrigators, supported by **12 actions** proposed to be developed in collaboration with Sunraysia irrigators.

These outcomes were developed in consultation with irrigation communities following the release of the Preliminary Findings Report and Community Discussion Paper. Details on the consultation held in Sunraysia districts and the feedback received are provided in the Community Response Report that accompanies these outcomes. The Review found that current delivery share arrangements are generally functioning well in Sunraysia, however there are opportunities to strengthen and support delivery share arrangements in response to emerging risks.

Sunraysia irrigators raised concerns around risks to water delivery and protection of delivery rights, especially in periods of peak demand. Growers need confidence that they can access the irrigation network to get the water they need when they need it. There is the opportunity for delivery shares to play a greater role in managing when and how much water irrigators can confidently access. This will help to manage risks associated with the shift to higher water demand crops currently underway in Sunraysia.

The outcomes and actions proposed in this report set out how delivery share arrangements can be improved to help irrigators to adapt and manage these risks as markets, water demand and climate conditions change.

### Outcomes for Sunraysia

1. Facilitate markets and trade in delivery shares, providing new tools, developing products that meet irrigation needs, and putting well-managed systems in place that mean irrigators can adjust their access to delivery infrastructure as their water needs change.
2. Improve tools for managing system operation and deliverability constraints, making sure there are clear rights and processes in place to manage water delivery, protect delivery rights and ensure equitable access to shared infrastructure, clearly and transparently linked to delivery shares.
3. Improve the quality, transparency and timeliness of information and communication on delivery shares, making sure that irrigators have access to the information they need to make decisions and manage business risks. This includes spatial data on system operation and asset condition as well as processes for making decisions around infrastructure use and configuration, and clearly capturing delivery shares in property transactions.
4. Strengthen and clarify the over-arching governance and pricing principles for delivery shares and termination fees to ensure that changes in water ownership and use are taken into consideration, that prices reflect actual cost and service received and infrastructure management reflects changing water use. Pricing and infrastructure management decisions will be supported by high quality and transparent information on water trade and use.

## Acting on the outcomes

The Department of Environment, Land, Water and Planning (DELWP) has worked closely with Lower Murray Water and Goulburn-Murray Water and consulted with irrigation communities to develop the options and actions proposed in this report.

Further consultation and collaboration is planned, working with irrigators to consider these actions and determine what will be done in the Sunraysia districts. This work includes confirming the actions, setting out the processes and timeframes for making changes, and developing plans for how and when the agreed changes will be put in place.

Data and information-based actions have been identified that can be undertaken immediately as the information they provide will support irrigators to make business decisions. This information will also help to inform the design and adoptions of proposed actions that would expand how delivery shares are used to manage water delivery risks and share system capacity.

Lower Murray Water will play a lead role in this phase of the Delivery Share Review, working with the irrigation community and coordinating engagement processes.



*Water delivery infrastructure is being modernised in Sunraysia, including underground piping with structures like these pipes that manage water pressure.*

# Introduction

DELWP commenced a review of delivery share arrangements in northern Victoria in 2017, delivering on a commitment to irrigators set out in Action 4.3 of Water for Victoria. The Delivery Share Review has been undertaken in collaboration with Lower Murray Water (LMW) and Goulburn-Murray Water (GMW), and in consultation with irrigators, industry groups and customer committees in the Sunraysia and Goulburn-Murray districts.

The first three phases of the Review have been completed:

- Phase 1: understanding community concerns and issues around delivery shares across northern Victoria
- Phase 2: developing and evaluating options for potential changes to delivery shares, as presented in the Preliminary Findings Report.
- Phase 3: proposing policy outcomes and actions to update delivery share arrangements supported by community feedback on the preliminary findings, as presented for Sunraysia districts in this report

Phase 4 of the project will involve working closely with irrigators and LMW to review the proposed actions and work out how the outcomes will be put in place in Sunraysia.

The Delivery Share Review examined how well delivery shares are currently performing against the five purposes that they were designed for and considered a range of options to alter or replace delivery shares. The options were assessed to identify any that performed better than current delivery share arrangements against the design purposes of delivery shares, as well as asking if there were other purposes that were important to irrigators.

The Delivery Share Review released the Preliminary Findings Report and Community Discussion Paper in July 2018. These reports set out the purpose of the Delivery Share Review, explained how delivery shares are currently used across northern Victoria, and presented the 21 options for delivery shares that have been explored through the Review.

Clear differences between the Sunraysia and Goulburn-Murray irrigation districts were identified through the review process. These differences have been highlighted in feedback from irrigators through the community consultation period. For clarity, proposed outcomes and actions for the two regions are presented in separate reports.

The outcomes and actions outlined in this report address the specific concerns of Sunraysia irrigators, providing pathways to understand and manage risks in water delivery and limits to delivery capacity. There are also some actions to strengthen policy frameworks and principles that apply across northern Victoria.

The proposed actions will be shaped further by Sunraysia irrigators, with Lower Murray Water working with customers to design and finalise the actions to ensure that any changes will be implemented in ways that meet customer needs and expectations. Department of Environment, Land, Water and Planning (DELWP) will continue to work closely with LMW and to listen to irrigators as we further develop and implement the agreed actions.

## Community consultation

Input from irrigators has been essential in shaping the proposed outcomes and 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 Lower Murray Water's Customer Strategic Advisory Committee
- A public meeting in Mildura
- Through completing a standard feedback form
- By making a written submission to the review.

The feedback received is captured and summarised in the Delivery Share Review Community Response Report, available through [Engage Victoria](#).

## Developing outcomes and actions for Sunraysia districts

The proposed outcomes and actions presented in this report were developed through further analysis of the options classified as “recommended” or “investigate further” in the Preliminary Findings Report. Of the 21 options presented, seven were considered relevant specifically to irrigators in the Sunraysia districts (Table 1). These seven options were the focus for assessment to test if they address the community concerns around irrigation management that were raised through consultation with Sunraysia irrigators and provide valued improvements on current delivery share arrangements.

The criteria applied to the preliminary findings to reach the outcomes were:

1. The outcome solves a clearly identified issue with delivery share arrangements
2. The benefits of the actions are greater than the costs
3. The mechanisms and pathway to implement the actions are understood and can be made
4. The impacts of the actions on different stakeholders and customer groups are understood and can be managed
5. Water corporation and DELWP systems (e.g. Water Register, planning, ordering and scheduling) have the capabilities to implement the actions and regulatory compliance can be managed
6. Risks are understood and can be effectively managed.

The options that met these criteria were then considered in combination to understand the relationships between options. This approach identified (i) which options were dependent on other options to work, and (ii) if any options were incompatible with each other. This helped us to identify the strongest overall combinations of options and develop the actions as suites that work together to support the outcomes, strengthening delivery share arrangements to help irrigation districts adapt to reduced water availability and changing irrigator needs.

**Table 1: The Preliminary Findings Report presented seven options for delivery shares in the Sunraysia districts that aim to help manage community concerns around demand peaks and delivery capacity.**

Delivery Share Review options proposed for Sunraysia irrigation districts		Preliminary finding
4	Linking delivery shares to Annual Use Limits	Investigate further
5	Seasonal delivery shares	Recommended
8	Priority ordering lead times	Investigate further
9	Priority volumetric access	Investigate further
10	Implement flow rates linked to delivery shares	Investigate further
11	Delivery Share Markets	Recommended
21	Information, communication and transparency	Recommended

## Understanding the Sunraysia Irrigation Districts

We heard that delivery share arrangements are not a major concern for irrigators in the Sunraysia districts. As they have not been a topic of discussion, many irrigators were concerned that changes would be made without the more in-depth consultation and consideration they felt was required. To address this concern, irrigators will be directly involved in reviewing and developing the actions proposed for Sunraysia. DELWP and LWM will liaise with irrigators to decide how best to support the outcomes and work through the proposed actions.

Stakeholder concerns centred on deliverability risks, with both LMW and their customers concerned about the ability to meet peak demand for water deliveries given current trends to higher water demand crops and increased competition with large private diverters. Risks around deliverability and demand are an emerging issue for the Sunraysia region. These concerns are broader than delivery shares and are being considered though other projects. The feedback from this review will be used to inform work in this area.

Delivery shares do, however, have an important role to play in managing capacity constraints and deliverability risks within irrigation districts. They are the mechanism for sharing channel and pipeline capacity during rationing and congestion events. This review has identified a suite of improvements to delivery shares that strengthen their value as tools to manage water delivery, helping irrigators to understand and manage these emerging risks and creating opportunities to make better use of our irrigation systems.

The actions proposed in this report set out a path to improve delivery share arrangements, helping LMW and their customers to manage risks arising from increased peak water demands and delivery shortfalls. The final design of these actions, including detailed planning, will be decided with irrigators through LMW's established engagement processes.

The proposed actions are presented below linked to the specific outcome they support.

# Outcomes and actions for the Sunraysia Irrigation Districts

## Managing deliverability risks and capacity constraints

The following actions are designed to increase the operational value of holding delivery shares by creating stronger links with system operation, design and service. The information and tools provided will help irrigators to understand and take clear steps to manage their risks around deliverability of water in periods of peak demand and during rationing events. Stronger management tools will help LMW to ensure that all customers are getting the service and access to the system that their delivery shares entitle them to. This sets up our Sunraysia districts to remain productive and profitable as crop water demands and production systems shift and puts us on the front foot for adapting to change, including emerging risks in water delivery.

The ability to trade delivery shares means that Sunraysia irrigators can adjust their delivery shares – and the associated fixed charges – as their water use requirements change.

The majority of LMW channels and pipelines are currently operating at or near their delivery capacity during peak demand periods, meaning there are limited new delivery shares to issue to those who want them. Those who hold delivery shares that they don't need currently pay fixed charges through the Delivery Share Fee, regardless of water use, or pay up to ten times the annual fees to terminate unwanted delivery shares.

Trading provides an alternative way for irrigators to adjust their delivery shares: where the capacity and connectivity of infrastructure means the channel capacity can be transferred, delivery shares can be bought and sold. As trade opportunities are limited by infrastructure capacity, accurate information on channel capacity, delivery shares and water use are needed to ensure a market is properly managed. **Facilitated markets in delivery shares** will make sure trade opportunities are clearly identified and transactions are well-managed. Lower Murray Water has already commenced work to establish delivery share markets for Sunraysia irrigators.

The strong seasonal pattern of water use in Sunraysia districts presents an opportunity for expanding markets to include developing a **seasonal delivery share product** that can be leased or traded. Irrigators have expressed interest in breaking down delivery shares into seasonal shares, allowing them to trade the channel capacity linked to their delivery shares when they don't need it, e.g. in winter. As seasonal delivery shares are a new product, care must be taken to fully develop the concept and design a product that provides value to irrigators and supports optimal use of district infrastructure.

### Outcome 1: Facilitate markets, products and trade in delivery shares

Proposed action	Pathway for change	Key dates
<p><b>1.1 Facilitated markets in delivery shares</b></p> <p>LMW will actively facilitate markets in delivery shares, collating information on willing sellers, system capacity and ability for trade and price.</p>	<p>LMW completion of channel-by-channel assessments</p> <p>LMW to develop capacity to manage and report on delivery share trades</p>	<p>Support systems in place from July 2019</p>
<p><b>1.2 Seasonal delivery shares</b></p> <p>LMW will work with its customers to consider the need for and design of seasonal delivery share products based on customer needs and effective management of water deliverability risks.</p>	<p>LMW customer consultation processes</p> <p>LMW systems</p> <p>DELWP support</p>	<p>To be determined in collaboration with LMW and its customers</p>
<p><b>1.3 Support for market approaches</b></p> <p>DELWP will support delivery share</p>	<p>Ministerial Directive to LMW to facilitate delivery</p>	<p>From January 2019, as required to meet</p>



markets and products, including assisting with product specification, disseminating product information, and supporting the product in the Victorian water register	share markets Develop information and tools for managing delivery share trade	market development
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A key function of delivery shares is to manage how channel capacity is shared in rationing events. This functionality can be improved by strengthening the relationship between delivery shares and system operation. This also expands the ability to use delivery shares to manage increasing demand and congestion as Sunraysia irrigators move to crops with higher water demands and manage crop water requirements in peak demand periods.

Linking the flow rate available to irrigators taking water to the delivery shares they hold means that all irrigators share system capacity fairly, based on the delivery shares they hold (and thus the amount they pay toward district infrastructure). Known as **priority volumetric access**, this linking also provides a tool for LMW to manage irrigator orders and operate their systems to ensure everyone gets the service they pay for.

While priority volumetric access is specifically proposed for its value in fairly and transparently managing the ability to deliver water and share system capacity, LMW may work with its customers to explore other options identified through the Delivery Share Review that use delivery shares to improve system operation and manage capacity constraints.

**Outcome 2: Improve tools for managing system operation and deliverability constraints**

Proposed action	Pathway for change	Key dates
<p><b>2.1 Priority volumetric access</b></p> <p>LMW will work with its customers to implement priority volumetric access linked to delivery shares across all districts, as part of actively identifying and managing deliverability risks and capacity constraints.</p>	<p>LMW customer consultative processes</p> <p>LMW operational systems</p>	<p>Implementation worked through from January 2019</p>

Irrigators need reliable access to clear, up-to-date and understandable information to make business decisions. As delivery shares have not been a cause for concern in the Sunraysia districts, many irrigators are not familiar with them. As our irrigation districts adjust to change, it is essential that irrigators understand this entitlement and how they can use it to manage their business opportunities, risks and costs.

In some parts of Sunraysia, urban expansion is encroaching on traditional irrigation areas. People are purchasing properties without understanding what the delivery shares attached to their land mean, including the fixed charges associated with holding and terminating delivery shares.

There are clear opportunities to improve the information we provide on delivery shares, including:

- What delivery shares are, the benefits they provide, and how they are used to help manage irrigation districts
- Channel operation, asset condition and deliverability constraints, to inform decisions on how much delivery share irrigators need and how water corporations manage their infrastructure
- The tariffs and charges linked to delivery shares, what they pay for, and how they are determined
- Options to change the amount of delivery share attached to a property, including advice on delivery shares attached to land in property transactions.

### Outcome 3: Improve information and communication and transparency on delivery shares

Proposed action	Pathway to change	Key dates
<p><b>3.1 Spatial decision-making processes and toolbox</b></p> <p>LMW will develop and document processes and frameworks to provide data and facilitate decision-making at the channel/pipeline or spur scale. These processes and frameworks will set out clear roles, responsibilities and obligations for making informed decisions, with both customer groups and the water corporation able to instigate decision-making processes including decisions around infrastructure reconfiguration and delivery share trades.</p>	<p>Ongoing development and management through LMW business processes</p> <p>This action requires the provision of system information by the water corporation as described in 3.2 below.</p>	<p>Framework complete by 30 June 2019</p> <p>Data provision is ongoing, building on channel capacity assessments already underway</p>
<p><b>3.2 Spatial information</b></p> <p>LMW will provide up-to-date spatial information on channel capacity, use, asset condition, and opportunities to trade delivery shares to their customers.</p>	<p>LMW operational systems and web portal</p> <p>This action provides information to support trade in delivery shares (1.1 &amp; 1.2).</p> <p>This information supports spatial decision-making processes described in 3.1 above</p>	<p>Information portals operating by December 2019</p>
<p><b>3.3 General information</b></p> <p>DELWP, GMW and LMW will consult with irrigators and other water corporation customer groups to identify requirements for information and tools to understand and manage delivery shares, including support for new products as they are developed.</p>	<p>LMW and GMW customer consultation processes</p> <p>DELWP Water Information Systems</p>	<p>Commencing with this Review and ongoing</p>
<p><b>3.4 Information in property sales – water corporations</b></p> <p>Water corporations will provide information on the delivery shares attached to a property, nature of charges (ongoing, fixed) and associated fees as part of the Information Statement required in property transactions.</p>	<p>Ministerial Directive</p> <p>Water register forms and processes</p>	<p>Commencing with this Review</p>
<p><b>3.5 Information in property sales – Government</b></p> <p>DELWP will update regulatory requirements, advice to water corporations and information systems to</p>	<p>Potential changes to the Water Act (Section 158 – Information Statements), and Sale of Land Act (Section 32 – Vendor</p>	<p>Commencing with this Review and proceeding as legislative review processes permit</p>

confirm the requirements to disclose delivery shares and associated charges in conveyancing checks for property sales. Statements)

## Setting principles for delivery share tariffs and prices

There are opportunities to revise and strengthen the over-arching principles and policy frameworks for delivery shares that apply to both Sunraysia and Goulburn-Murray districts. The outcomes and supporting actions below set clear expectations and requirements at the State level for how tariffs and prices associated with delivery shares will be determined by water corporations, who will inform and engage with their customers to develop price submissions. These submissions are provided to the Essential Services Commission, which reviews them against regulatory requirements for rural water supply services.

These frameworks will help to set tariffs and prices that are cost-reflective for the services provided and ensure that delivery share fees are reinvested into the Sunraysia districts in ways that support the long-term needs of the districts.

We will ensure that the latest **information on water ownership, use, delivery and pricing** is made available and used to inform water policy. This information will support LMW to work with its customers to set tariffs and prices that reflect changing water use.

Irrigators have raised concerns about the **termination fees** associated with delivery shares, which are capped at a maximum of ten times the annual Delivery Share Fee. This high cap works to prevent price shocks as water is traded out of districts, although LMW can charge termination fees below the cap level under current regulations. Clear guidelines that set out if, when and how discounts will apply to termination fees will ensure that all irrigators have the same rights and opportunities when terminating part or all of their delivery shares.

Termination fees must be invested back into the irrigation districts in ways that maximise the long-term benefits to remaining irrigators. By making this information public to LMW customers we can build confidence that the Sunraysia districts are being managed to support active irrigators and provide infrastructure that meets customer needs.

### Outcome 4: Strengthen and clarify over-arching principles for delivery shares and termination fees

Proposed action	Pathway to change	Key dates
<p><b>4.1 Real information on water market trends, pricing and use</b></p> <p>DELWP, LMW and GMW will work together to provide up-to-date and transparent information on changes in water use and ownership, and on current pricing in Northern Victoria. This information will be used to inform tariff and pricing processes as well as to review policy settings and frameworks.</p>	<p>DELWP Water Market Trends report</p> <p>DELWP Environmental Water Charges report</p> <p>Water corporation tariff and pricing processes</p>	<p>DELWP reports released in December 2018</p> <p>Application through water corporation price submission processes</p>
<p><b>4.2 Termination fee guidelines - discounts</b></p> <p>LMW will develop clear, repeatable and transparent guidelines for determining if, when, and by how much to discount</p>	<p>LMW customer consultative processes</p> <p>LMW operational systems</p>	

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termination fees, including associated costs to decommission and remove infrastructure as part of termination. These guidelines must incorporate the following principles:

- Termination fee discounts will apply where the full termination of delivery shares allows rationalisation or reconfiguration of infrastructure.
- The magnitude of the discount, including waiving fees, reflects the cost savings made through rationalising/reconfiguring infrastructure.
- The resulting termination has a cost-neutral or positive impact on the prices for remaining irrigation customers.

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**4.3 Termination fee guidelines - investment**

LMW will continue to ensure that all money collected through termination fees are used to the manage costs of the system and put downward pressure on prices for remaining irrigators. LMW will provide clear and transparent information on how termination fees are used to their customers.

LMW financial reporting processes

Published online in the Customer Information section of LMW's website

2018-19 financial reporting

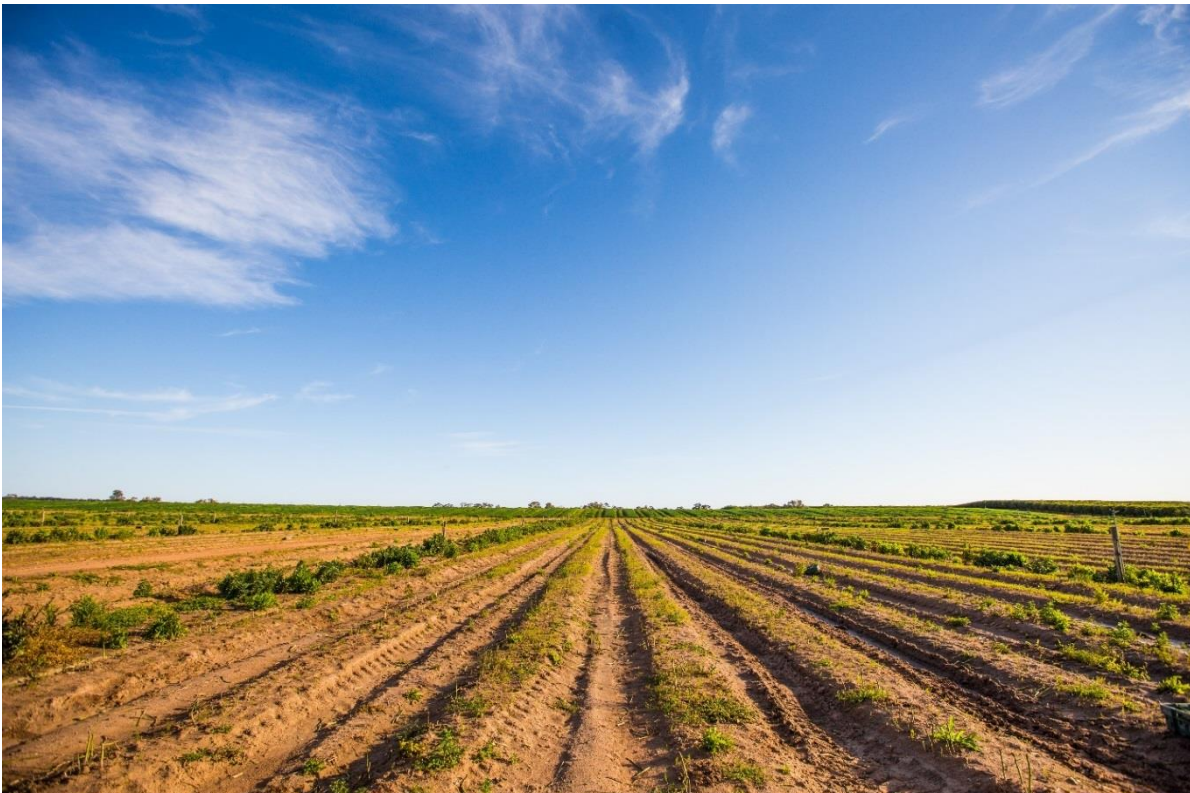
## Acting on the outcomes

DELWP and Lower Murray Water will work closely with irrigators to discuss the outcomes of this report and review and confirm the actions for Sunraysia. We will then consult with the community to plan how and when the agreed actions will be implemented. This work must take into account the pathways and key dates identified in this report that capture how the proposed actions link in with established processes and regulatory requirements. LMW will lead consultation with irrigators through its existing customer engagement processes.

Sunraysia irrigators and LMW have already identified several of the proposed actions as being important for their business through LMW's existing customer engagement and business improvement processes. For some, work on designing and implementing the actions had already begun prior to their proposal through this review. This work will continue in collaboration with irrigators:

- The foundational work is underway to provide the real-time information on system use and capacity information (action 3.2) required to support facilitated markets in delivery shares (1.1 and 1.2) and LMW is already developing its systems for managing permanent trade in delivery shares (1.1). This work was initiated by LMW in direct response to identified customer needs.
- Priority volumetric access (action 2.2) has been successfully implemented in the Robinvale district, which provides a valuable demonstration of how this approach helps to ensure irrigators receive the water they are entitled to in periods of peak demand and system congestion.
- LMW currently complies with action 4.3, ensuring that termination fees for delivery shares are reinvested into the irrigation districts, and is providing clear information to its customers on the costs recovered through tariffs levied on the basis of delivery shares.

For those actions that apply across northern Victoria, LMW will work together with GMW and DELWP to develop consistent principles and approaches. These types of actions include overarching principles and guidelines, supporting information, and centralised systems that work to underpin and facilitate management of delivery shares by irrigators.



*Irrigation districts in the Sunraysia region have seen extensive redevelopment and changes in crop type, resulting in higher water demand peaks during prolonged hot and dry conditions.*

