To Whom It May Concern:

Re Submission to the Victorian Government's Delivery Share Review

Thank you for the opportunity to make a submission regarding the Delivery Share Review. I write on behalf of a family owned and operated dairy business in the Shepparton irrigation area.

The unbundling of water entitlements in 2007 created water shares, a water use licence and delivery shares that provided stable and legally binding rights for irrigators to access, use and have water delivered through Goulburn-Murray Water's irrigation distribution system.

We have worked hard to adapt our business to these arrangements and as a matter of principle expect that these entitlements will not be changed at the whim of Goulburn-Murray Water or the Government. This includes the rights inherent in delivery shares to access a share of delivery capacity in the system and to have 270 ML delivered for each delivery share held every irrigation season before higher casual use fees are imposed.

Table 1 contains a summary of my responses to the 21 options proposed in the review. Column 4 is my response to the proposed recommendation and should be interpreted as:

- Support – the proposed recommendation is supported
- Not supported – the proposed recommendation is not supported
- Need further information – further information is required to form an opinion
- See comments – refers to recommendations that I view as being sufficiently important to provide specific comments on. These comments are provided below.

Context and challenges

The major challenges facing the Goulburn-Murray Irrigation District result from decreased water use. A reduction of water use in the order of 40% since the mid-1990s has occurred without corresponding decreases in irrigation infrastructure and GMW staffing levels.

The decreases in water use are a result of largely unrestricted trade of water entitlements to horticultural developments in the Sunraysia region and untargeted purchases by the Commonwealth Government during the height of the Millennium Drought. The Commonwealth purchases are particularly disappointing given the Basin Plan's requirement to optimise social, economic and environmental outcomes.

Further exploration by the Government on whether it is physically possible to keep transferring water out of the GMID to Lower Murray would also benefit irrigators understanding of water trade. To date deliverability issues have occurred and it needs to be considered whether further trade is possible.

The requirement for those wanting to terminate delivery shares to pay a termination fee equivalent to ten time the level of fixed charges (the Infrastructure Access Fee) has provided remaining irrigators with some protection from increases in charges. 2

However, the failure of many customers to pay these termination fees after selling water entitlements means that Goulburn-Murray Water has had insufficient funds to pursue rationalisation of irrigation infrastructure and restructure its business operations. The district now finds itself in the situation where channels, meters, regulators etc across all districts have the capacity to deliver more than 2,000 GL of water but only 1,400 GL is being used. This means that customers as a whole are paying much more per ML delivered than was the case in the past – even though fixed charges have generally not increased.
The primary actions required to address these challenges are described in the Strategic Advisory Panel's report which was published in January 2018. These include the need to significantly reduce the infrastructure footprint of the delivery system with the aim of achieving quality services at prices that make irrigation businesses competitive with private diverters and irrigators in other areas. I support recommendations in the review that that will aid in delivering these outcomes.

Comments on specific options

Option 1 – Reducing the Annual Delivery Allowance

The main objective of this option appears to be to reduce volumes delivered over a season, currently 270 ML per delivery share, before casual use fees apply. This will require larger water users to purchase additional delivery shares so they don't have to pay casual use fees. Presumably larger water users will purchase delivery shares from irrigators who are now using less water or not irrigating at all.
The option will not reduce infrastructure, delivery shares or costs. It will require larger farmers to pay more for the same service currently received. This may marginally increase the scarcity of delivery shares. But the main outcome will be a redistribution of costs from those using small volumes of water to those using larger volumes. Given the small number of large water users each is likely to incur a large increase in charges with each of the numerous smaller users receiving a small decrease in their charges.
This option requires a significant change to the delivery share rights (entitlements) that we all hold and agreed to with the unbundling changes in 2007. Changing an entitlement is difficult to justify under any circumstances, but to do so for the purpose of simply redistributing costs cannot be justified, even if it is legal to do so. I strongly oppose implementation of this option.

Option 18 - Alter the level and application of the Termination Fee

Altering the level and application of the usage fee, appears to be similar to Option 1, i.e. instituting the change would see larger users paying casual use fees for water use that is currently delivered within the delivery share right. Again this involves a redistribution of charges without addressing the underlying issues with the infrastructure footprint and associated costs. Again I strongly oppose implementation of this option.
My understanding is that the following options are largely designed to support a reduction in the irrigation infrastructure footprint and costs to run the system:

- Option 7 – limited term contracts
- Option 18 – altering the level and application of the termination fee
- Option 20 – spatial decision making process.

The Delivery Share Review Summary Report does not contain a lot of detail about these options. My interpretation is that they are designed to support reductions in infrastructure and delivery shares by working with customers wanting to terminate some or all of their delivery shares. Importantly this is to be done in a way that reduces the overall costs of operating and maintaining the delivery system, i.e. the cost savings from rationalising or reconfiguring channels, meters and regulators more than offsets the future revenue and costs associated with keeping the infrastructure. If the cost savings are sufficient then I support reducing or waiving termination fees for those wishing to exit. But termination fees should not be reduced if prices for remaining irrigators increase as a result. 3

Option 21 – Information, communication and transparency
Water charges are a significant part of costs for our business and dairy businesses across the Goulburn-Murray Murray Irrigation District. These costs are part of doing business, but just like any customers of any business it is important that irrigators know they are only being charged for the services received.
Customers in the Shepparton irrigation area pay significantly higher fixed charges than customers in the other five districts. It is difficult to obtain good information on why this is the case. Just as difficult is to find good quality information that justifies why customers who hold water shares linked to land pay higher entitlement storage fees than customers defined as non water users.
I fully support the improved transparency around costs and charges proposed in this option. The Delivery Share Review would be making a significant step forward if it can accelerate the publication of improved and easy to understand information.
An area of particular concern to me is the low charges paid by domestic and stock water users.
According to GMW they have a total of 18,851[1] customers; almost 12,000[2] of those are using less than 10 megalitres. Arguably these can be considered as stock and domestic users.

Options 1 and 18 proposed seem to negatively target larger water users. A better outcome would be to target the smaller users given they make up such a large proportion across the customer base.
Below is a working example of how Coliban Water, Grampians Wimmera Malle Water and Goulburn Murray Water charge someone using 2 and 5 megatlitres. Further details can be found in the appendix.

2 MEGALITRE SCENARIO			
	GMW	Coliban Water	Grampians Wimm Mallee Water
5 Districts 0.01DS/2ML	$550.66		
Shepparton 0.01 DS/2ML	$581.66		
Coliban Pipe		$1,737.94	
Coliban Channel		$1,362.98	
Coliban 80mm meter		$4,676.66	
GWM per kilolitre			$4,307.33

1 https://www.g-mwater.com.au/downloads/gmw/Corporate_Plans/CORPORATE_PLAN_2017-18_TO_2021-22-A3058383.pdf
2 Figures provided by GMW in a presentation in 2016

5 MEGALITRE SCENARIO			
	GMW	Coliban Water	Grampians Wimmera Mallee Water
5 Districts 0.03DS/2ML	$979.65		
Shepparton 0.03 DS/2ML	$1,188.65		
Coliban Pipe		$3,019.45	
Coliban Channel		$2,644.49	

Coliban 80mm meter		$6,207.65	
GWM per kilolitre			$10,067.66

If 12,000 GMW customer's stock and domestic charges were brought more in line with other water authorities this could generate an additional $20 million in additional revenue for GMW.

Another area where improved information is a priority is delivery risks in the lower Murray. The Department of Environment, Land, Water and Planning (DELWP) recently published two fact sheets on this issue which highlighted potential problems with delivering water orders to horticulture developments in the NSW and Victorian Mallee during extreme hot spells. Making horticulture developers fully aware of these risks is an important role for DELWP as part of its water market responsibilities – as it is for the Murray-Darling Basin Authority and the South Australian and NSW governments.

Conclusion

- The Delivery Share Review cannot address all the challenges facing the Goulburn-Murray Irrigation District, but it has an important role to play in:
- Ensuring remaining irrigators generating agricultural output do not continue to pick up the costs from those that have sold their water out of districts.
- Explore costs of small water users in other water authorities and compare against G-MW.
- protecting delivery share entitlements from being undermined
- supporting GMW's Transformation Program to rationalise and reconfigure irrigation infrastructure where this produces cost savings and reduces charges for remaining irrigators
- publishing information that shows in a clear and simple way that district irrigators are paying for the services they receive

Table 1 – summary of responses to delivery share options

No.	Option	Report Recommendations	My opinion
1	Reducing the ADA	Investigate further	Not supported. Undermines entitlement rights agreed as part of unbundling in 2007. Redistributes more costs onto larger irrigators generating the largest agricultural output
2	Resizing of current delivery shares	Not recommended	Support
3	Reallocation of delivery shares	Not recommended	Support
4	Linking delivery shares to AUL	Investigate further	Not applicable – relates to Lower Murray Water only
5	Seasonal delivery shares	Recommended	Not supported – adds complexity for uncertain benefits
6	Different delivery service level products	Investigate further	Need to see further information as benefits are unclear
7	Limited term contracts	Recommended	Support – see comments
8	Priority ordering lead times	Investigate further	Need to see further information
9	Priority volumetric access	Investigate further	Need to see further information

10	Implement flow rates linked to delivery shares	Investigate further	Need to see further information
11	Delivery Share Markets	Recommended	Support
12	Amnesty period for unwanted delivery shares	Not recommended	Support
13	Increase contribution of environmental water use to	Investigate further	Environmental users should pay for the service they receive.
14	Applying comparable charges on water that is traded out of	Not recommended	Support applying comparable charges. Those who chose to sell water cannot leave those remaining irrigators to bear all the remaining costs.
15	Government subsidies	Not recommended	Support
16	Alter the recovery basis for IAF	Investigate further	Not supported – see comments
17	Alter the level and application of the usage fee	Investigate further	Need to see further information
18	Alter the level and application of the Termination Fee	Recommended	Not Supported – Again this punishes larger water users having to pay casual use fees.
19	Distribution of water efficiency dividends	Recommended	Support
20	Spatial decision-making	Recommended	Support
21	Information, communication and transparency	Recommended	Support

APPENDIX:

The size of the bills for domestic and stock customers of Coliban Water, GWM Water and G-MW are estimated using published 2018/19 price lists. Estimates are provided for customers using 2ML and 5ML.

Goulburn Murray Water:	**GMW Shepp 0.01 DS/ 2ML**	**GMW Shepp 0.03 DS/5ML**	**GMW All 0.01DS/2ML**	**GMW All 0.03 DS/ 5ML**
Service Fee	120	120	120	120
Service Point Fee	340	340	340	340
Storage/Headworks $ per ML $10.98 per ML	21.96	54.9	21.96	54.9
Infrastructure Access $/ML/day: $4245	84.9	636.75		
Infrastructure Access $/ML/day: $2925			58.5	438.75
Infrastructure Use $/ML: $7.40 per ML	14.8	37		
Infrastructure Use $/ML: $5.10			10.2	26
	581.66	**1,188.65**	**550.66**	**979.65**

2 MEGALITRE SCENARIO

Coliban Water	**Coliban Pipe 2ML**	**Coliban Channel 2ML**	**Coliban 80mm 2 ML**
Annual Charge	856.09	481.13	3656
Volumetric Charge per ML: 261.50 per ML	523	523	523
Infrastructure Charge per ML: 165.67 and 248.83 per ML	331.34	331.34	497.66
Outlet Charge	27.51	27.51	0
	1,737.94	**1,362.98**	**4,676.66**

5 MEGALITRE SCENARIO

	Coliban Pipe 5ML	**Coliban Channel 5 ML**	**Coliban 80mm 5ML**
Annual Charge	856.09	481.13	3656
Volumetric Charge per ML: 261.50 per ML	1307.5	1307.5	1307.5
Infrastructure Charge per ML: 165.67 and 248.83 per ML	828.35	828.35	1244.15
Outlet Charge	27.51	27.51	0
	3,019.45	**2,644.49**	**6,207.65**

Grampians Wimmera Mallee Water	GWM 2 ML	GWM 5ML
Capacity Charge: 0.87 per kilolitre	1740	4350
Primary meter charge: 311.48	311.48	311.48
Charge for other meters: 155.68	155.65	155.68
Usage charge: 1.0501 per kilolitre	2100.2	5250.5
	$4,307.33	**$10,067.66**