

## DELWP Delivery Share Review – Coliban Water Submission

Coliban Water welcomes DELWP's review of delivery share arrangements and the opportunity to make a submission. Coliban Water is broadly supportive of the proposed measures for implementation as listed in the Preliminary Findings Report. Additional commentary has been provided in some areas below.

Coliban Water purchased in excess of 25 GL of Goulburn system water shares during the Millennium Drought to ensure delivery of water to urban and rural customers in periods of water scarcity. As well as water shares, Coliban Water together with Central Highlands Water (CHW) obtained 150 delivery shares to supply water via the Goldfields Superpipe from the Waranga Western Channel. The business also own delivery shares in Campaspe as well as small delivery share parcels to supply water to various townships connected to the lateral channel system in northern Victoria.

Coliban Water will only utilise the majority of its Goulburn water shares to supply water to customers in years of extreme dry. Regardless of usage, the business pays in full for delivery shares it holds. This represents a significant cost to the business and customers, as well as more broadly to those GMW customers who have relinquished their water shares but retain delivery shares.

Due to sale of water shares out of the Goulburn system and changes to irrigation practices, there is now excess capacity in GMW's channel system. Fewer customers holding fewer water shares are now paying the full cost of maintaining the channel system. Some users, including the Environmental Water Holder where it utilises the channel system, pay a different (lower) price for delivery shares.

While there is significant excess capacity in the system in off-peak periods, there may not be in peak periods. Any actions from this review that smooth peak demand, for example by offering off-peak pricing to incentivise customers to move from peak day demand, would be welcomed.

Less peaky demand could in turn support GMW to appropriately size the channel system based on average rather than peak demand. This could reduce the overall costs of maintaining the system. Further, high termination fees to certain customers may prevent

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them willingly exiting the system, meaning that inefficient or unwanted channels remain in operation. There may be some situations where GMW could waive part or all of termination fees for select customers (or even potentially pay willing customers to relinquish their delivery share right) if this allows the business to rationalise the network and reduce overall operating costs.

Coliban Water and CHW obtained sufficient delivery share rights to meet peak pumping requirements in the Goldfields Superpipe. Under the current market rules, both corporations pay a high annual fixed cost for these rights despite only pumping significant volumes from the Waranga Western Channel in two of the past 10 years. An efficient market would allow both businesses, as well as other irrigators connected to the channel system, to determine their water needs on a year-by-year basis and temporarily trade or otherwise obtain delivery share. This would support more cost-reflective pricing, where system costs increasingly seem to be driven by peak flow requirements. Users could self-select whether they require delivery at peak times or are willing to receive water off-peak for a lower price.

An effective market where users can trade short-term delivery share as needed would minimise the burden of high fixed charges and help ensure irrigators remain invested in the system. It would also provide appropriate price signals to customers and incentivise GMW to appropriately target future investment decisions.