

# RESPONSE TO DELIVERY SHARE REVIEW DISCUSSION PAPER

John Smith, Irrigator.

Bernice Lumsden, Sharefarmer

## EXECUTIVE SUMMARY

Delivery share charges should be fairly allocated so that water is encouraged to both flow in and out of the GMID system. Currently we see the destruction of the GMID as some HRWS holders avoid responsibility to the system through the current design of the charging system. Water is being encouraged out of the GMID.

- 1. HRWS should pay for a portion of the infrastructure charges. Just as a farm is charged shire rates and does not directly receive benefit from shire facilities delivered to the township, so too must HRWS bear some responsibility towards the water delivery system that is established to deliver it.**
  - a. Dam storage fees need to be reviewed and made transparent. [Support OPTION 21]
  - b. All HRWS should share the burden of GMW expenses to manage, and administer that water. Full transparent analysis of Dam Storage costs must be undertaken and published. The current dam storage charge of approx \$9-\$13 per meg we believe is not reflective of the true costs. Further there should be fixed Infrastructure Access Fees assigned to water held in the Dams, as it has an obligation to the delivery network because it does access it - in some form or other.
  - c. The price of water has driven up by investment because HRWS is an attractive investment option with very little fixed costs in holding the asset (minimum responsibility).
- 2. Natural carriers still incur management costs to deliver water. There is inconsistency where some carriers are included in the irrigation system ie Gunbower Creek, Pyramid Creek, and others are not ie Murray River.**
  - a. The Murray River and other natural water ways should be considered part of the irrigation system and be charged an IAF. Delivery of water from the Dams via the Murray River and other natural waterways to land outside of the GMID should still contribute to the GMID management and administration costs as GMW enable this water to travel.
  - b. This principle has been established in the treatment of charges to Low Reliability Water. LRWS incurs a dam storage charge, but is not stored in the dam, (it is the excess water from a good season, and only a 5% allocation in 10 years). Even though it is never stored in the dam, it has for the last 10 years contributed to the costs of running the system.
  - c. Selling water out of the GMID system is a sign from market forces that there is a fundamental imbalance - water is not contributing to the fixed costs associated with it. In fact the current system promotes water to leave GMID to a cheaper location.

- d. As water travels through the system, from the dams to the sea, losses occur each km it travels. Currently the lack of IAF means that water travelling via the Murray to downstream developments in fact incurs even greater losses and pays for none of it.
- 3. Today we have a GMID that uses approx 45% less water than it was originally designed to deliver, and the amount of megs per Delivery Share should change to reflect that.**
- a. One Delivery Share should allow for the distribution of 148 megs (equivalent to 100 HRWS and 48 LRWS). Therefore in SUPPORT Option 1 of the review should apply 148 megs per DS.
  - b. 270 megs per delivery share is too much, and not reflective of the modern system, and dates back to an 80 year old system. 148 is a fairer number.

## Additional Notes to Feedback Form

### QUESTION 8

The amount of water that is there to be delivered no longer bears any relationship with the amount allocated on the Delivery Shares. We have lost 45% approx. of the water that was in the GMID prior to unbundling. As a consequence of this and other factors listed below the amount of Delivery Shares allocated to a property are excessive in most cases.

It was intended that Delivery Shares gave you a percentage use of the system. However as water has left the system that objective has become irrelevant. DS are in the main disproportionate to the amount of the water currently being delivered in the system

Other factors are:

- The initial allocation of delivery shares was done so in an ad hoc fashion with no relevance to future use of water on those properties
  - For example we hold a 600acre farm that the prior owner had purchased extra HRWS (water right at the time) prior to unbundling so that they did not have to rely on sales. But during unbundling because of the additional HRWS that farm received double the normal amount of delivery shares for a 600 acre farm.
  - Existing customers were allocated 1 DS per 100 meg HRWS. However 1 DS is for 270 meg. Yet new customers are electing how many DS they need based on expected use (not previous use) and would only get 1 DS for every 270 meg they want to use.
  - 1 DS should be per 100 HRWS meg (and 48 LRWS) as per allocation during unbundling. Unbundling farmers were disadvantaged almost 3 times, compared to those who came later needing Delivery Shares and could choose the number allocated to them up to 270meg per Delivery Share.
- Farmers have taken up Water Savings programs on their farms, to structure farms to use less water. However there has been no similar reduction in DS for those farms, despite the work and restructure to operate with less water.
- When there has been rationalisation of channels by GMW through Connections (such as spur channels) there is no reduction in delivery shares. GMW have initiated this works and still no reduction in DS. It should reduce costs to GMW therefore it should reduce the costs of running the system and the need for DS income.

### QUESTION 9

#### Reducing the annual delivery allowance

YES. Reduce to 148 megs (equal to 100 HRWS & 48 LRWS) per DS as per the initial allocation. Support

OPTION 1 OF PRELIM REORT

## Resizing of current delivery shares

How does this vary to points above- seems the same

## Reallocation of Delivery Shares

Absolutely this needs to be reviewed. Del Shares were allocated in ad hoc fashion and unjust allocation has resulted for a range of different reasons, based on water use 80 years ago, that bares no resemblance to functioning now. Two issues in particular impacted the allocation unfairly:

- Some proactive farms bought additional water right to avoid having to rely on “Sales” water, which they were advised was going to become less reliable. So in the allocation of DS they were allocated 1 DS for every 100 HRWS meg of water that they owned –whether it was originally allocated to the property and also if they had purchased additional water. The fact that they had purchased additional water was not an indication of greater use of water on the farm, simply that they were avoiding vagaries of the “Sales” allocation. So usage of water on a farm was not the same as the “Water right” of that farm – as some farms relied on Sales. Many farms had for example 600 megs, but actually used 1000 megs through sales. However at the time of unbundling Farm 1 received 10 DS and Farm 2 only received 6. To compound the inequity Farm 1 with 10 DS has to use 2700 megs to gain value for the DS whereas Farm 2 would use 1620 megs to gain full value. The reality neither farm would ever use their full amount, because they only every used 1000 megs (1200 megs max).

## Linking delivery shares to Annual Use Limits

Not relevant in Torrumbarry as the AULs seldom bare any resemblance to properties now. They are all over the place. This suggestion is a red herring and a waste of time. Can't seem any relevance to DS.

- AUL is mostly linked to soil types, but often not up to date, and not accurate.
- Especially in today's climate of minimal water use, there would be only exceptional cases where AUL bare any resemblance to the water actually used on farm. Seldom anyone would ever reached AUL and now the water available is halved so just impossible to use to that level.
- It is not possible today for any industry to afford the water to maximise the AUL on any irrigation property. We are no longer able to maximise the irrigation potential on a property economically.
- Horticulture would be the only industry that would ever maximise the AUL on a property. Never dairy.

## QUESTION 11

No. Too complicated.

Don't see how it can impact on the costs of running a system.

The cost of administering this would be totally impractical, and the excessive complexity and ultimately cost would outweigh any benefit. Maintain focus on achieving a simple, fair and just system.

### QUESTION 13

No this is not relevant to a gravity system.

Maybe some relevance in a piped district, but not in Torrumbarry.

### QUESTION 14

No. More complexity for no real gain.

### QUESTION 15

No. There is not a capacity problem in Torrumbarry gravity system. So there is no relevance to this option in gravity.

Perhaps consider in pipeline area, but not in Torrumbarry.

### QUESTION 16

None of these items, as they occur so rarely that they have no real material affect on our business. Now not relying on wheels, and pumping out of natural carrier or backbone channels that almost never is an issue.

### QUESTION 17

This is a red herring in the analysis of GMID water. Not relevant to gravity system. Nothing is ever “guaranteed”. The Review is on the wrong path with this line of analysis.

### QUESTION 18

Yes do support a “market” but wonder how it can possibly be achieved. It can only be achieved if they actually add value to a business. At the moment they are over issued to such a degree that they are devaluing land and creating a “reverse market” where the holder has to pay to get rid of them.

- The current “market” is a reverse market – therefore there is currently no market.
- GMW just issue new shares when it suits them

If the following changes were made:

1. Reducing the amount of megs per DS, and
2. Not allowing GMW to just hand out new DS as is currently the case.

In a new situation given the changes above, then YES would support a market in DS as there would be some value in owning them. Delivery Shares need to add value to a business, and currently they are over allocated, allocated in such an ad hoc fashion that they are detrimental to a large extent.

### QUESTION 19

If changes made as suggested in Question 18, then all options have potential.

### QUESTION 20

Trade of what?? Temporary water or HRWS?

If they intend to rationalise into the future they should be offering to take back DS. If GMW are receiving DS income they should not restrict water trade. This would be unconscionable conduct!!

## QUESTION 21

If Question 18 is genuine, there is only one option viable – Only where there is no delivery shares to be traded. Not if opening up a new area. If opening up a new area they should be traded, and only issue more if none to be traded.

## QUESTION 22

YES, we support a **proper** review of Water Market such as the ACCC conducted for the Dairy and Banking industries.

The unbundling process was done hastily, unprofessionally, using convenient over simplifying methodologies to switch charges from water to land in the guise of infrastructure shares, without transparency of the proper costs to own a HRWS. In transferring the cost of the system from water to land a lot of critical facts were not taken into account, after all the whole system is about water and its delivery and best use. It is more than just a game of speculation, it is about responsibility of ownership towards the system. GMWs management, delivery and responsibility is greater than just dam storage charges (which still have not been transparently costed) The following issues must be central to a full review:

- There must be **transparency** of the true costs of water that has been moved out of a system
- There must be **transparency** of the true costs of storage of water in the dams. It strongly appears that some people who have bought water (government, environment, super funds) buy it out of existing irrigation districts and do so without responsibility to the real cost of storing that water. It still has to be managed by GMW either way. It still has to be managed down the river, through some back bone channels and natural carriers that form part of an irrigation district. Owning water is a lot more complex than just a dam storage charge –and even that hasn't been transparent.
- How do you value a dam? – therefore how are the dam storage fees established. It could be argued that the dams' value is as much as the whole irrigation district. They are worth billions.
- Liken it to a buying a block in town, that you still have to pay shire rates on whether there is a house on it or not. Rates for just a block are less but not insignificant to that of a house.
- What is the point of dams and irrigation districts if there is no water?. So to say that someone can own water without significant responsibility to the infrastructures and the management around that water is unjustifiable.
- How can a resource, that generates income, be controlled and manipulated by one group, and the infrastructure costs and maintenance paid by another group. It is out of balance, and we contend that owning water **DOES** bear “responsibility” to the whole “system”.

## QUESTION 23

Distance – proves that the Dam Storage Fee requires an investigation and further **transparency**. The further water travels the higher the losses.

A meg released at the dam is not equal to a meg delivered in Echuca, less again in Robinvale or Mildura and even more less in Adelaide.

This point illustrates that there are a lot more costs and responsibility in owning water than merely putting a dam storage charge on it.

### QUESTION 24

This is another Red Herring (Splitting Hairs). This question avoids the real issues of current fundamental oversimplification of owning water.

There is a greater responsibility and costs to owing water than is being acknowledged and recognised by the Government and the authorities - who determined the proportionate charges of this system in unbundling.

### QUESTION 25

Ambiguous. What does 100 times mean? Does this mean 1 DS now should only supply 100 megs, instead of the current 270 megs??

Don't know what this question is asking – poorly worded.

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### QUESTION 27

Currently there is a rule that allows DS to be terminated by paying the equivalent of 10 years of the DS IAF. Therefore if we extrapolate that logic through, 10 years after the allocation of DS and they have not been used/needed therefore they have actually been paid for and should be terminated.

It clearly defines

1. HOW DS should be allocated throughout the GMID and
2. would create a market for DS.

If this is going to break the system, then it clearly demonstrates that the current GMW charging regime relies on the excessive overcharging of land-holding customers for DS they didn't use for 10 years and for all practicality can never use.

**This review needs to investigate the following CRITICAL issues:**

1. **How long are GMW to continue charging customers for something that haven't used for the last 10 years and never plan to use?**
2. **How long are GMW going to continue undercharging people for HRWS?**

A true and transparent investigation is needed. To achieve a fair system must address these two critical questions.

### **QUESTION 28**

HRWS must contribute in some level to the costs of delivering water in the whole system, as without delivery there is no purpose. Just as shire rates are charged without necessarily using all the services.