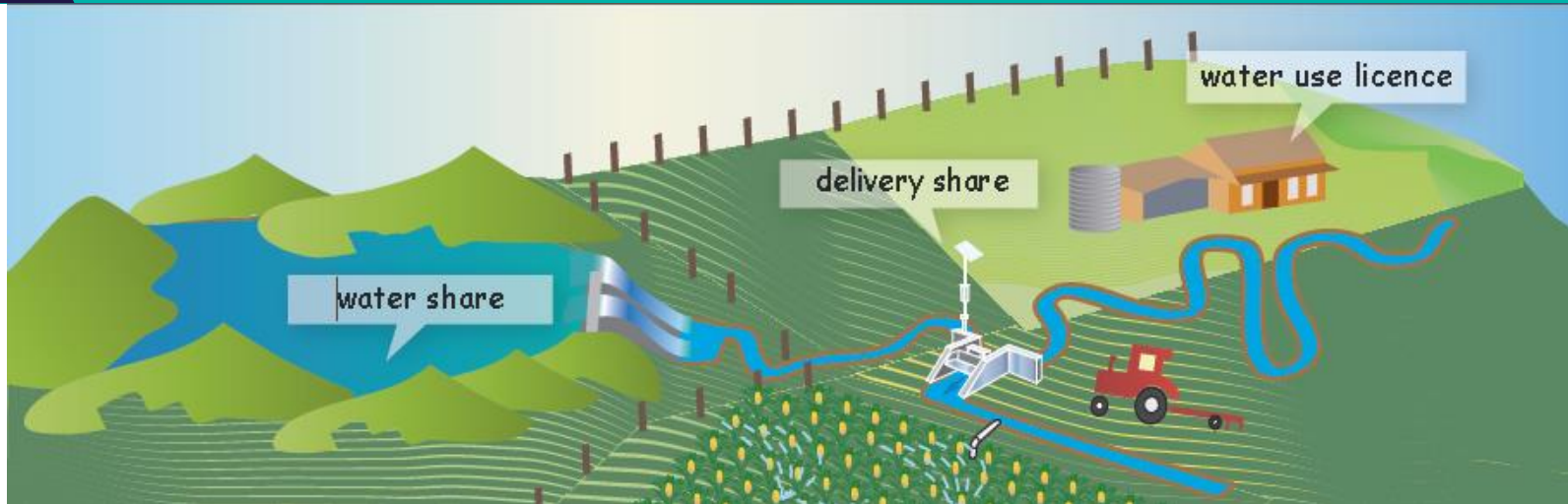


What is a delivery share?

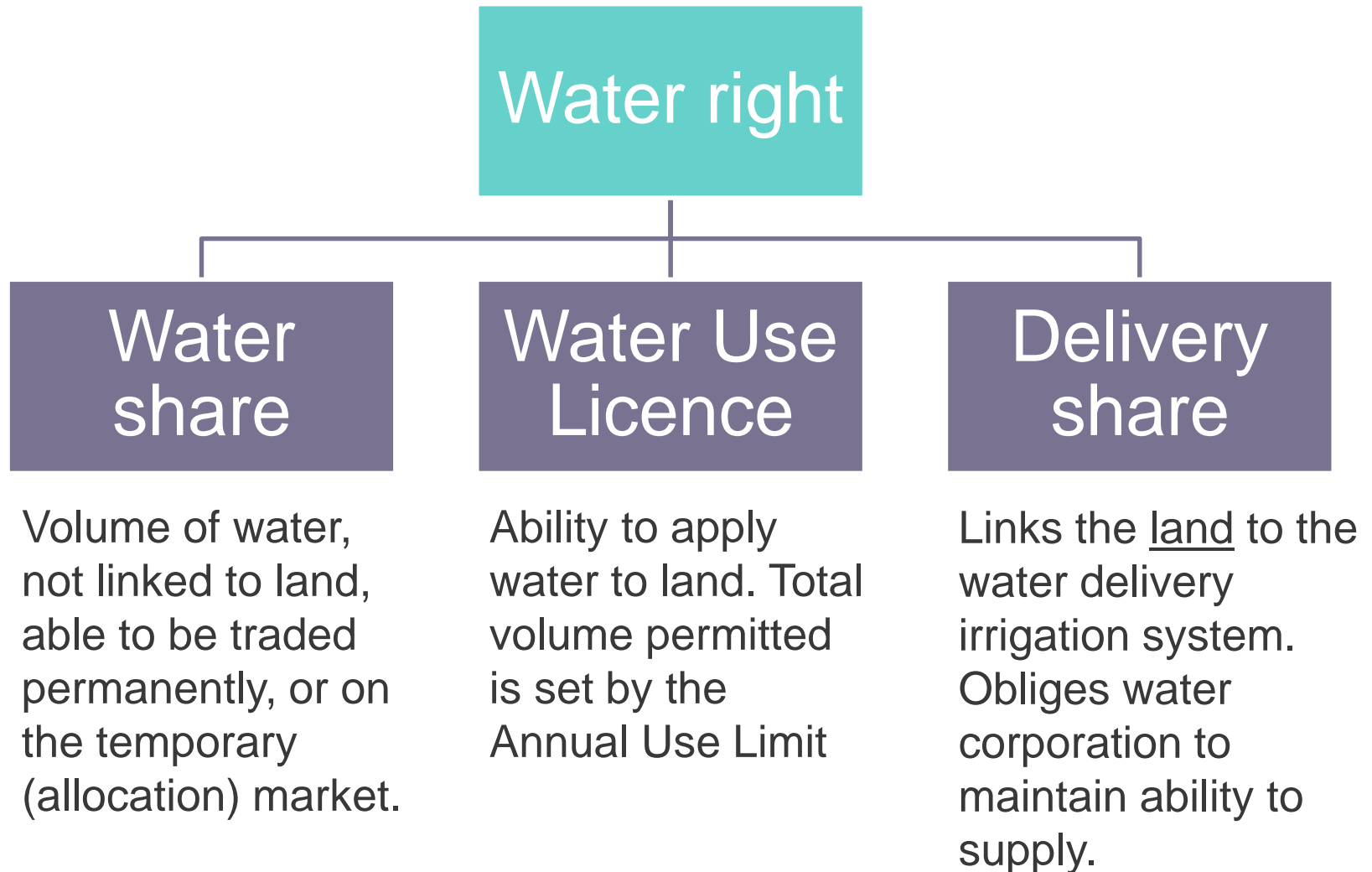


A **delivery share** is an entitlement to have water delivered to land in an irrigation area. It is tied to the land, not to a person.

It gives you access to a share of the available capacity in the channel or piped network that supplies water to your property.

It provides the security of having water delivered when there is demand for water from other landholders on the channel or network.

It is linked to fixed charges that must be paid regardless of water use.



Irrigation districts in Northern Victoria

Lower Murray Water

- Mildura, Red Cliffs, Robinvale and Merbein

Goulburn-Murray Water

- Central Goulburn, Murray Valley, Rochester-Campaspe, Shepparton, Torrumbarry and Loddon valley

Different crops and production systems, different infrastructure, different pricing structures:

Unique issues and opportunities

Why are we reviewing delivery shares?

*Commitment in **Water for Victoria** to examine how delivery shares are working in the Goulburn-Murray and Sunraysia Irrigation Districts, and how their future use can support affordable and resilient irrigation districts that are attractive to new businesses.*

Ten years after unbundling, much has changed:

- Are delivery shares are still the best way to require water corporations to give irrigation customers access to water delivery?
- How have delivery shares have performed against their original design purposes?
- Are those purposes are still the right ones for our districts?
- Are there are new or expanded functions that better meet changing customer needs?

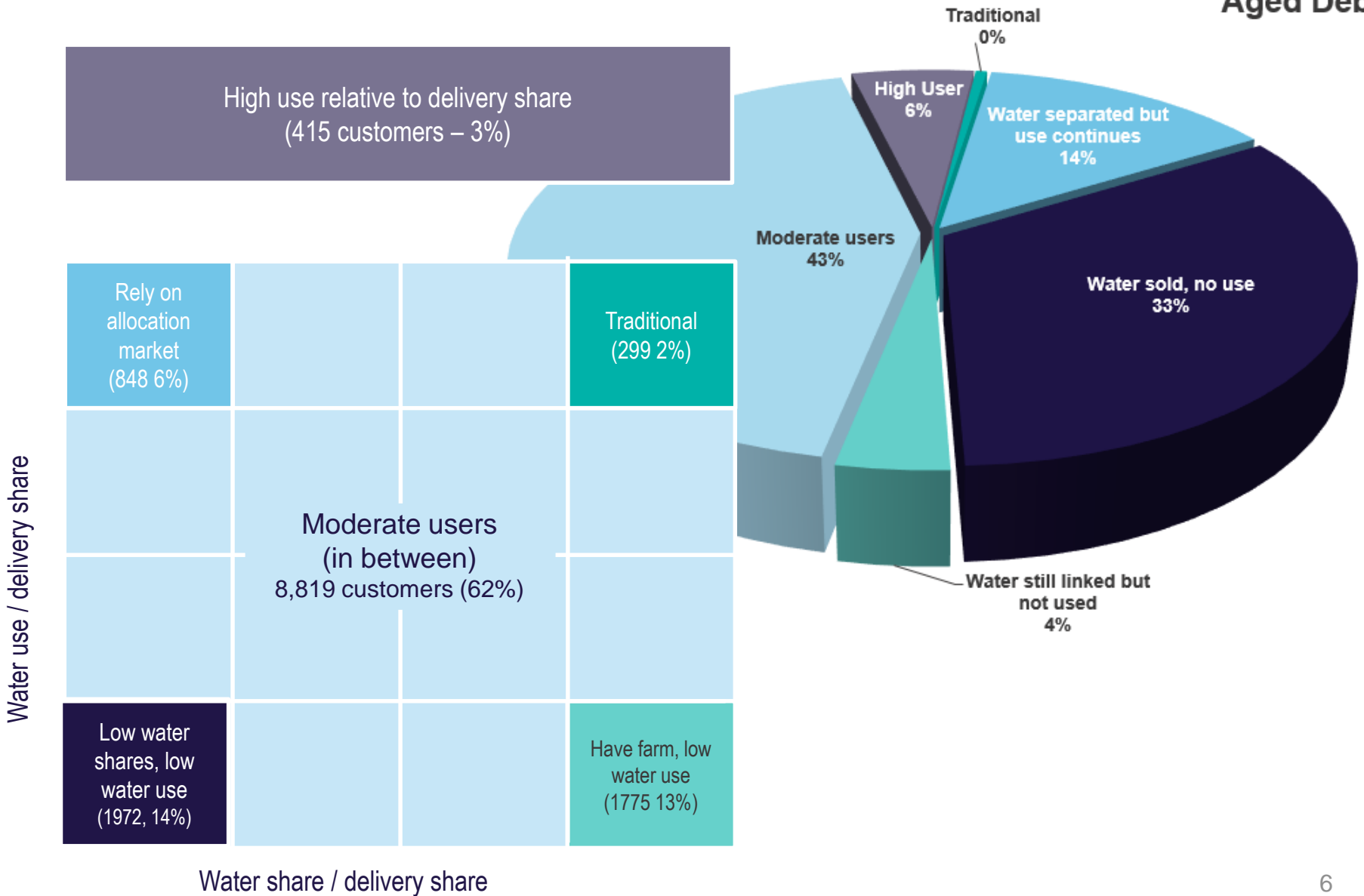
In the GMID:

- Reduced water availability through climate change and Basin Plan
 - Average water deliveries reduced by 1/3
- Changed technology and infrastructure
 - Connections Project – reduced water loss
 - On-farm modernisation – efficient water use
- Markets and prices impacting farm cash flow & opportunities
 - Dairy price low
 - Water price high

Less water used + low termination of delivery shares =
Increased cost per ML to deliver less water (via IAF)

Water use & delivery shares in the GMID

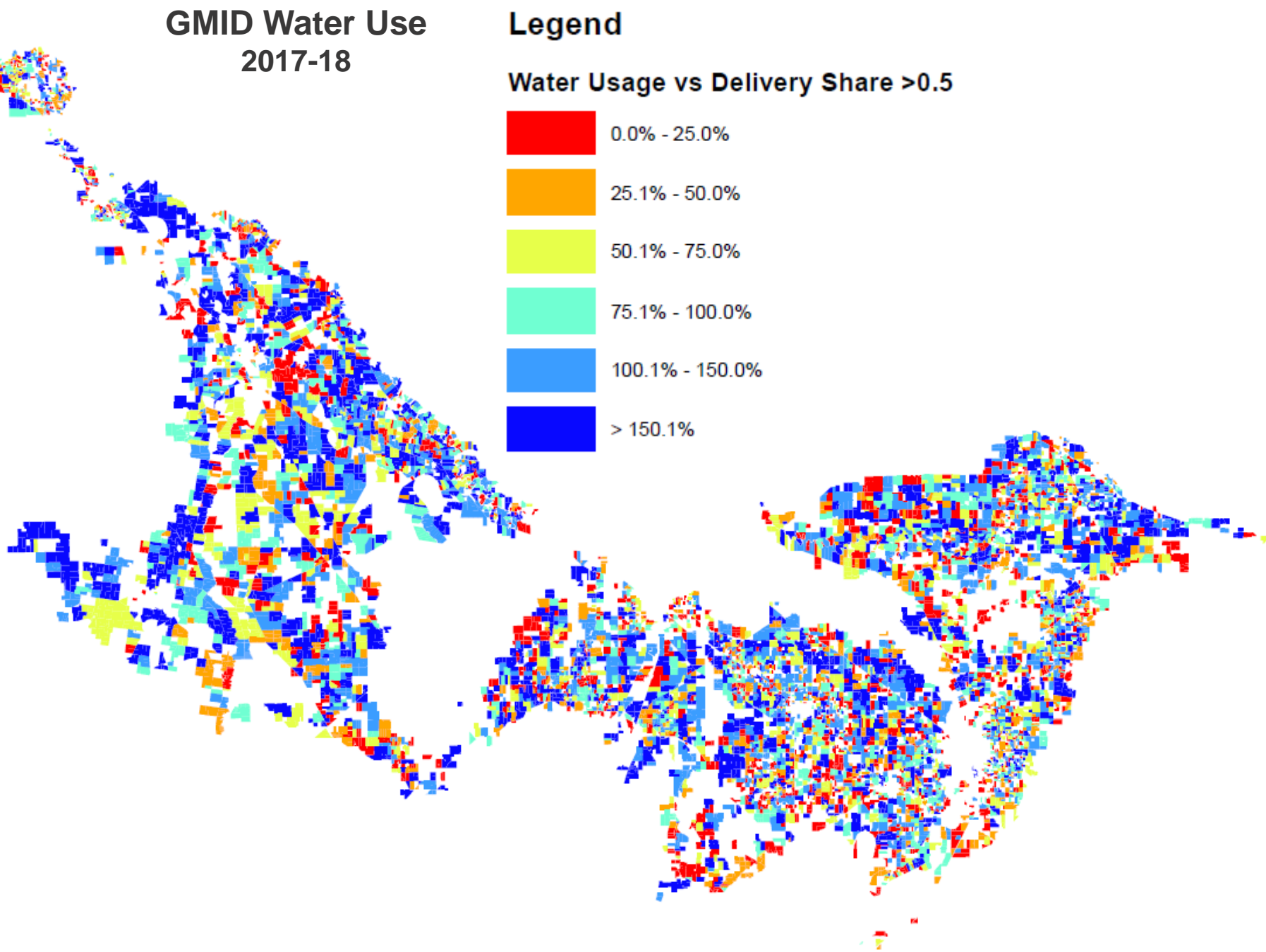
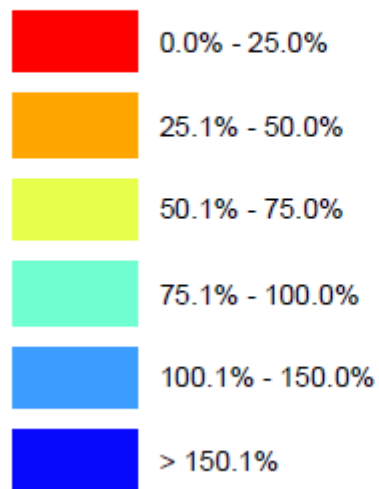
Aged Debt



GMID Water Use 2017-18

Legend

Water Usage vs Delivery Share >0.5



Delivery Share is one piece of the puzzle

Water entitlement and pricing framework

Victorian water market and trading rules and
Essential Services Commission

ACCC water market rules and water charge
rules

Water availability and deliverability

Murray-
Darling Basin
Plan (MDBA)

Deliverability
and
extraction
management

Environmental
Water Charges
Policy Project
(DELWP &
VEWH)

Socio-
economic
impacts of the
basin plan
(DELWP)

GMW Operations

GMW tariff
and pricing
review

GMW 25-year
asset strategy

Modernisation
Connections
Project

Transformation
Process (long
term viability)

ESC pricing submission

Water for Victoria

Action 4.3 Rural water corps will actively respond to the changing needs of their customers so that irrigation districts remain affordable and attractive to new businesses.

Delivery share review

Are delivery shares working?

1. Manage the obligation to continue a delivery service
 - YES - Provides a strong basis for protecting rights to delivery.
2. Manage level of service, including rationing in congestion events
 - Links between delivery shares and service levels altered through changing water use; need for recalibration?
3. Share the fixed costs of irrigation infrastructure
 - Working, but fairness and equity issues emerging.
4. Protect from price shocks as water is traded
 - YES - Working, IAF has remained steady as water traded.
5. Signal areas that could be rationalised or reconfigured
 - Not effective; low termination rates masking opportunities

We have done the first pass, using data to assess the options against criteria:

1. How does the option perform against the purposes delivery shares were designed to perform?
2. Does the options provide any additional functions or values?
3. How well does the option align with water policy principles and frameworks?
 - The changes and any proposed products are well-specified and understandable
 - The changes are consistent with the guiding principles and frameworks for water markets and pricing
 - The changes are feasible to implement from an infrastructure operation and administration perspective, and the benefits of implementation exceed the costs
 - Impacts on different customer groups and districts can be identified and managed.

- Delivery shares mostly working as intended, but water use has changed
- Keep the entitlement, but examine options to improve value and function of delivery shares
- Options collated through community input, tested against data
- 18 options assessed; plus 3 emerging from process (21 total)
 - 7 recommended to proceed with community support
 - 9 to be investigated with further, with community input
 - 5 not recommended to proceed.

We need your input on the preliminary findings to develop the review recommendations!

These options increase the benefits of holding delivery shares to active irrigators

- Seasonal division of delivery shares
 - Lease capacity to others when you don't use it
- Different delivery service level products
 - cost-reflective pricing (e.g. premium & lower service options)
- Priority in systems operations (3 different models)
 - Priority ordering lead times
 - Priority volumetric access (volumetric restriction)
 - Implement flow rates linked to delivery shares
- Link delivery shares to Annual Use Limits
- Facilitated markets in delivery shares
- Distribution of water efficiency dividends

These options help to improve signals for where all customers would benefit from reconfiguration or rationalisation of infrastructure.

They also provide options for those wishing to exit by providing paths other than full termination fees.

- Limited term contracts for system access
- Termination fees linked to system costs/benefits
 - Apply discounts where termination provides system benefits
 - Ensure termination fees used to reduce system costs
- Spatial decision-making processes (Water corp & customers)
- *Facilitated markets in delivery shares*
 - *Dependent on options that will support demand for purchase*

These options aim to address the changes in balance between delivery shares, water use, infrastructure and demand

- Change casual use fees and thresholds
- Alter basis for calculating the Infrastructure Access Fee
 - Service point based pricing
 - Distance-based pricing zones
- Adjust balance between fixed and variable charges
- Examine environmental water charges for use of district infrastructure → ***Environmental Water Charges project***
- *Facilitated markets in delivery shares*
- *Spatial decision-making processes*

These options improve understanding of how delivery shares work, and what costs and services they linked to

- Greater information, communication and transparency
 - Water corps to provide clear information on charges and costs to customers, in particular the Delivery Share Fee
 - Water corps to provide up-to-date information on channel capacity, use and delivery-shares
 - Water corps and DELWP to improve information on delivery shares and make it readily available
 - Disclosure of delivery shares and related charges on Real Estate Section 21 statements and information statements
- *Spatial decision-making processes*

Options that don't stack up:

- Resize delivery shares – retrospective change to an entitlement, doesn't address declining water use or mismatch between demand and infrastructure
- Reallocate delivery shares based on recent water use – shifts costs to higher water users, doesn't address declining water use or mismatch between demand and infrastructure
- Amnesty – against ACCC rules, risks \$80 million revenue shortfall; how to recoup?
- Government subsidies – against water market principles, doesn't address the known issues
- Apply charges to water traded out (e.g. increase headworks charge, charge on traded water) – against ACCC rules, means you will pay twice if you use and trade water

Phase 3: pre-feasibility assessment of these options, incorporating your feedback.

- What needs to be done to implement the change
- Which changes work best together. Which ones don't work together
- What combination provides the greatest benefit over all.

There is no single solution that solves all problems!

- Improving delivery shares won't solve all the issues
- Each option has trade-offs: what do you value more?
- What works in each region, and for whom?

Complete the feedback form

- Online at engage.vic.gov.au/delivery-share-review
- Email to rural.water@delwp.vic.gov.au
- Post to
DELWP Delivery Share Review
Level 12, 8 Nicholson St
East Melbourne VIC 3002

Provide a more detailed submission

- Group submissions welcome: district, industry, etc.
- Have an alternative option? Demonstrate how it would address the issues, and work across the different users and districts

Stay informed

- Register on the online portal for updates, including release of the Community Response Report

Public consultation until 20th August
engage.vic.gov.au/delivery-share-review

What will support a long, productive future for the GMID?

- Think about the whole system and long-term outcomes
- Think about your business needs and future change
- How can we best balance individual needs with system operation?
- How can we support exits without increasing your costs?

Put in a submission and make your voice heard!