

Distributing the Irrigators Share



Why am I hearing about this?

On-ground works are nearing completion for the Connections Project, the \$2 billion investment in irrigation infrastructure modernisation in the Goulburn-Murray Irrigation District (GMID). Once complete, the final amount of water recovered will be confirmed and distributed.

The Minister for Water has asked a representative group of irrigators to look at how the irrigators share of this water recovery could be provided back to GMID irrigators. This group, the Irrigators Share Consultative Committee, made up of Water Services Committee Chairs and the Victorian Farmers Federation, has looked at ways of providing the recovered water to all people who hold GMID delivery share, exploring options to increase the benefits to both individual irrigators and the GMID.

The committee has explored a range of ways to share the benefits of water recovery and is now seeking input from the community on their proposed approach.

This is your chance to contribute to the Committee's proposal.

Why does it matter to me?

If you hold delivery share in the GMID, you will receive a benefit. The benefits will be distributed to people across all six gravity irrigation areas, on the basis of their delivery share holdings.

The irrigators' share is up to 75 gigalitres (GL) long term average yield of the confirmed water recovered through Stage 1 of the Connections Project. While the final make-up of the irrigators' share can't yet be confirmed, we know that it will be:

- A mix of high-reliability and low-reliability water shares
- From a mix of trading zones in the Goulburn and Murray systems

What did the committee find?

A once-off benefit: The committee found that a once-off distribution of benefits is the most practical solution. As water shares are a critical component of peoples' businesses, it is proposed that water shares – or the associated value for holders of small amount of delivery share – will be issued directly to irrigators.

Water shares: Based on water recovery to date and forecasts, we estimate that for each megalitre per day (ML/day) of delivery share an irrigator would receive around 4 ML of high reliability water share (HRWS) and 1.8 ML of low reliability water share (LRWS). These are estimates only and must be confirmed following the completion of water recovery.

Financial benefits: Analysis showed that those with very small delivery share would be better off receiving a financial benefit as the costs for them to administer such small parcels of water outweigh the value of the water. This financial payment is proposed to be made as credit on their Goulburn-Murray Water bills.

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How small is very small? The committee has proposed a threshold delivery share rate of less than 0.25 ML/day. At this level, the amount of HRWS would be below 1 ML (and LRWS below 0.5 ML), which the Committee considered to be the minimum parcel size providing real value to recipients. This means that water shares would be issued against 98% of all GMID delivery share.

For delivery share of 1 ML/day, estimated irrigators' share of 4.0 ML HRWS and 1.8 ML LRWS.

For delivery share < 0.25 ML/day, financial benefit equivalent to the value of your water share.

Estimates only: The exact amount and mix of entitlements that will be received cannot be known until after all works are complete and the water recovery has been confirmed.

What led to these findings?

The committee explored the value of different distribution models for individual irrigators and for the GMID as a whole, looking for solutions that deliver security for irrigators while keeping the costs to recipients low, providing long-standing benefits to the GMID, ensuring that arrangements couldn't be easily changed, and protecting the rights of current and future entitlement holders.

Keeping costs low

To protect the value of the irrigators share, the committee looked at the distribution costs that would be met by the beneficiaries. For all ongoing models a portion of the available allocation or water shares would need to be sold to fund the ongoing management and distribution of benefits to irrigators. This would result in a higher cost for water from the irrigators share relative to an irrigator holding the same water share. Several different governance models were investigated to look for cost-effective arrangements for an ongoing water distribution. To be consistent with

the requirements of the trading rules under the Murray Darling Basin Plan, the cost and red tape involved in ongoing models would be significant.

For those with very small amounts of delivery share, the costs for both once-off and ongoing approaches outweigh the benefit to recipients. This is why the Committee proposes delivering a financial benefit to those below the 0.25 ML/day delivery share threshold, providing a transparent, simple and balanced approach to fairly sharing the benefits.

Arrangements that cannot be easily changed

Given that it is impossible to predict or control the future, the committee came to the position that providing benefits fully and directly to individual irrigators provides them with the maximum choice, certainty and control over how the irrigators share should be managed into the future.

The committee concluded that the significant controls aren't in place that would be required to maintain a central entitlement that is sold each year, with the benefit provided as payment to irrigators or used to keep down irrigation access fees.

By issuing water shares, recipients can manage the irrigators' share to suit their business needs, including use for carry-over, farm financing and allocation trade. Providing the benefits directly to irrigators – as water shares or as financial benefits – guarantees that water stays with irrigators and arrangements cannot be changed down the line.

Rights of current and future entitlements protected

Under the Murray Darling Basin Plan, all Basin states are required to operate under the same rules for water trading. With farmers increasingly making market decisions on the best way to use their water in each year, non-discriminatory trading rules provide GMID irrigators with an even playing field in accessing the market.

Distributing the irrigators' share once-off as water shares aligns with the trading rules, protecting the rights of all water entitlement holders now and into the future. It is important that the distribution of the irrigators' share integrates with our existing rules

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and frameworks to protect all entitlements and maintain the benefits of water trade.

Long-standing benefits to the GMID

The committee considered different ways to lock in the irrigators share within the GMID. In looking at different options it also looked at its ability to have a material benefit to the GMID while not putting additional costs onto irrigations. Given that irrigators in the GMID are free to trade all other water shares, locking in this water would not prevent water leaving the district.

The committee recognises the importance of helping the GMID adapt to changing irrigator needs. Providing the irrigators share directly to delivery share holders gives irrigators the most ability to make the decisions that are right for their businesses.

The committee noted that the Victorian Government is putting other measures in place to manage water trade in the Goulburn system in light of evidence around environmental tolerances. This, in combination with driving down the cost of delivery, will provide advantages to irrigating in the GMID.



The Connections Project is on track to provide 429 GL (long term average annual yield) in total of water recovered through modernisation works undertaken across the GMID.

What other options were considered?

The committee looked at once-off and ongoing options for distribution of water and of financial benefits, as well as combinations of the different approaches.

Financial options included the once-off sale of water shares and the ongoing sale of allocation with the benefit provided to delivery share holders either as direct monetary returns, or through investment in GMID infrastructure. The committee believes that delivery share holders would prefer water to be distributed over financial benefits, unless the costs of administering the water outweigh the value of the water provided.

Options to hold water shares centrally and distribute water seasonally through allocation processes were also thoroughly explored. The committee found that it was not possible to propose simple and cost-effective ongoing allocation models based on delivery share as they would breach Commonwealth regulations. These rules set out that water trades must be non-discriminatory, meaning that it is not permitted to only provide water allocations to delivery share holders.

An option to distribute the irrigators' share through increases in entitlement allocations to all water share holders, which would be consistent with Commonwealth regulations, was dismissed as it would provide water to all Murray and Goulburn entitlement holders, including the environment, non-water users and irrigators from other areas. There was no simple way to link allocations to only provide water against GMID delivery share.

When will the irrigators share be distributed?

Once water recovery works are completed, it is essential to confirm the water recovered so that water shares can be issued with no risk of impacts to existing entitlement holders. It is also important that Connections Project entitlements issued to all recipients – irrigators, Melbourne urban water retailers and the environment – are based on principles of equity and transparency.

The committee believe that this should be done as soon as possible after Connections Project works are completed. The committee is calling for a clear timeframe to be announced when the Minister makes the final decision regarding distribution, setting out when water shares will be distributed. The issuing of water shares and financial benefit to over 10,000 customers is a major undertaking that

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needs to happen as soon as possible to ensure that the issue of the benefit is not avoidably delayed.

In the interim, the committee calls for any water allocation available from the irrigators share to be released to delivery share holders, where it is not required to offset system stress from water shares issued to the Commonwealth in advance of water recovery works.

The committee is calling for water to be made available to irrigators as soon as possible after works are completed.

The Minister for Water has asked the Irrigators Share Consultative Committee to provide its recommendation by mid-2020. The Minister will then decide on the final distribution model.



Issuing water shares directly to GMID delivery share holders means that farmers retain the water and can make the choices that are right for their businesses.

What is your view?

Your feedback will help us to put forward a recommendation that reflects the views of GMID irrigators.

Go to engage.vic.gov.au/irrigators-share to:

- Find more information on the committee's decisions
- Complete the feedback questionnaire
- Register for online discussion events
- Participate in scheduled online forums

Consultation is open from 20 April until 1 June 2020.

To find more information, register for online events and submit your feedback, go to engage.vic.gov.au/irrigators-share.

Contact us

For more information, contact the Irrigators' Share Consultative Committee secretariat.

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🌐 engage.vic.gov.au/irrigators-share

Last updated 14/03/2020

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