

Discussion Paper Summary

Why we are reviewing delivery shares?

The Victorian Government recognises the increasing need for irrigation systems in Northern Victoria to provide flexibility for farmers and allow districts to adapt to rapid and ongoing change.

Water use has changed significantly from the use patterns seen before the 2007 unbundling reforms, due to reduced water availability, new technology, global markets and commodity prices.

In response, the Government's Water for Victoria plan committed to help irrigation districts adapt to the future and support the changing needs of their customers. This included reviewing the future use of delivery shares in the Goulburn-Murray and Sunraysia Irrigation Districts.

The review is examining how delivery shares are working and considers how they can be used into the future to support our irrigation communities and contribute to affordable and resilient irrigation districts.

Changing water use patterns

Before the 2007 unbundling reforms, most irrigator's water use was largely aligned with their entitlement. Since this time, business owners have changed their ownership of water and use patterns, but have generally retained their delivery share.

These changes have included a mix of the following actions:

- Sold water entitlement, but continued to irrigate
- Sold water entitlement and stopped irrigating
- Sold allocation
- Reduced their delivery shares, or used much more water so their use was close to their annual delivery allowance.

The changes in use patterns are having an impact on the efficiency of use of delivery shares. Figure 1 shows the variation in water use patterns associated with delivery shares in the Goulburn Murray Water region.

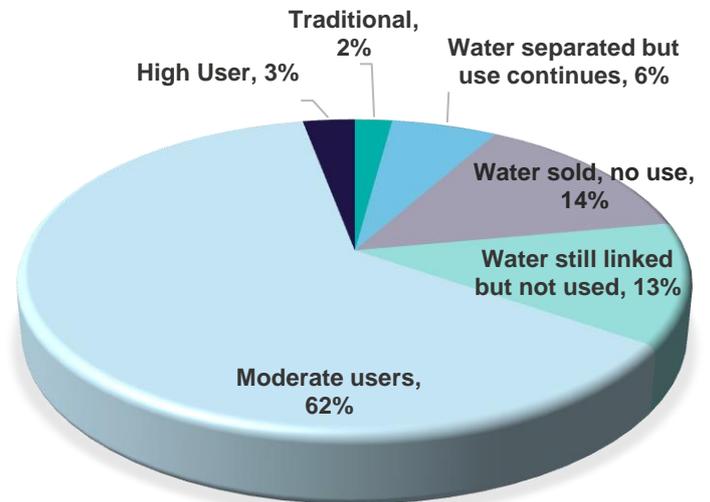


Figure 1. Use patterns of irrigators holding delivery shares (Goulburn Murray Water)

Around 25% of GMW customers use significantly less water than their delivery shares provide the right to access. This includes customers who do not intend to irrigate their properties but must continue to pay the fixed delivery share charges.

This equates to a risk of revenue loss of over \$80 million, equivalent to \$8 million of revenue per year over the 10-year period covered by termination fees.

In the LMW districts, there is a surge of redevelopment and increasing demand for water. Delivery share is starting to have scarcity value in the LMW districts, and opportunities are being identified to optimise water delivery to maximise capacity within district networks.

Options for community comment

The review has identified a series of options for future management of delivery shares. Options are grouped by chapters within the discussion paper:

- The specification of a delivery share – including reducing the annual delivery allowance, resizing or allocation
- Providing specific service products at different price points

Delivery Share Review

- Using delivery share in system operations- including priority lead times and volumetric access for delivery shares over casual use
- Facilitating a market in delivery shares
- Tariffing and pricing principles – including changes to the infrastructure access fee
- Other recommendations that have emerged through the process that do not alter how delivery shares function

The review process

The review has been conducted in three phases.

Phase 1 – Understanding the problems: Work began to hear and understand community concerns and fact check issues around delivery shares. This informed the project scope and terms of reference.

Phase 2 – Determining the possible options: A list of options to investigate was developed, with the concerns expressed by irrigators informing the identification of options. These options were explored to see how they might be designed, and evaluated against the principles of the review.

Phase 3 – Developing final policy recommendations: This is the current project phase. We are seeking feedback from irrigators and the community to help refine the preliminary recommendations to develop final policy recommendations that make sense and meet the needs of the Goulburn-Murray and Sunraysia irrigation districts now and into the future.

Next steps

Your feedback will help in shaping the final recommendations report, to be provided to the Minister in September 2018.

Comments from the community will be collated into the Delivery Share Review Community Response report. This report will be released through the Engage Victoria report in September 2018.

The options that have been determined to improve on

the current performance or value of delivery shares will become the final recommendations made to the Minister.

Have your say

A discussion paper has been released for community comment.

DELWP is seeking feedback from irrigators and the community to refine and confirm these initial findings. We need your input to develop final policy recommendations that make sense and meet the needs of the Goulburn-Murray and Sunraysia irrigation districts, both now and into the future.

The preliminary recommendations will be open for community consultation and public submissions from Tuesday 24 July to Monday 20 August 2018.

Three community meetings will be held across Northern Victoria during the consultation period. Information on these sessions is available from the Engage Victoria website: <https://engage.vic.gov.au/delivery-share-review>.

Further information about the delivery share review and opportunities to get involved, contact the project team:

- rural.water@delwp.vic.gov.au

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