

LOWER MURRAY WATER
CUSTOMER SERVICES ADVISORY COMMITTEE
PRIVATE DIVERTERS
MINUTES

Monday 12th April 2010
Meeting Commenced at 2.12pm
“Training Room”, Lower Murray Water

PRESENT

CSAC Members

Geoff Minter, Craig Thornton, Keith Milne

LMW Officers

Owen Russell (General Manager Customer Services), Kevin Murphy (General Manager Technical Services), Loris Davis (General Manager Business Services) John Bergin (Manager Financial Services), Pam Fitzpatrick (Minute Taker)

1.0 WELCOME

General Manager Customer Services advised that the focus of the meeting was to review the Draft 2010/11 Corporate Plan and examine tariffs for the coming season.

Additional matters included on the agenda were 2010 CSAC Elections, Blue Green Algae and Carry Over Rules 2010/11.

2.0 APOLOGIES

Andrew Young, Ian Keens, Andrew Fremder, Ron Leamon (Managing Director)

3.0 BUSINESS

3.1 Corporate Plan including tariffs for 2010/11

General Manager Business Services advised that LMW was currently undertaking a round of consultation with its urban and rural Customer Committees to examine pricing for 2010/11. The Committee was requested to provide feedback as soon as possible so that the Board could again consider the Corporate Plan at its meeting on 21st April. The CSAC was advised that the Sunraysia Modernisation Project had not been incorporated in the Corporate Plan as tabled.

It was noted that LMW prepares a Corporate Plan on an annual basis for submission to the Minister for Water and Treasurer. The Plan which was due to be submitted by 30th April incorporated data for five years being the last three years of the current ESC regulatory period and for two years into the next regulatory period.

Manager Financial Services reported that the Plan was prepared in accordance with the requirements of the Water Act 1989 and must include:

- (a) business objectives;
- (b) main business undertakings;
- (c) nature and scope of the activities to be undertaken
- (d) performance targets and other measures in relation to LMW’s business objectives;
- (e) the kind of information to be provided to the Minister by LMW during the course of those financial years; and
- (f) any other matters that may be agreed on by the Minister and LMW from time to time.

LMW was also required to include data and narrative regarding:

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- Financial information that meet the requirements of the Department of Treasury and Finance (DTF) Corporate Planning and Performance Reporting;
 - Key assumptions such as assumed allocations, water restrictions and customer growth;
 - Major initiatives and capital projects;
 - Material changes from the previous Corporate Plan and 2008-2013 Water Plan;
 - Major operational, social and environmental risks and strategies required to mitigate these risks; and
 - Sensitivity analysis of key planning assumptions.

The meeting was advised that 'Rural' prices were set under a revenue cap approach whereby the maximum revenue that could be earned was set at the outset of the regulatory period for the whole 'rural' business. This provided LMW with guaranteed revenue for each year of the regulatory period regardless of volume. Under this scenario, any income derived over the revenue requirement was adjusted in the later years within the regulatory period or in the next regulatory period. That is, where income received exceeded the revenue cap it was returned to the customers as a price reduction but where income was less than the cap, it could be recovered from customers through price increases over the remaining years in the regulatory period.

The total revenue cap for the rural business was \$15.5M per year. LMW however calculated this on a district basis and there was no cross subsidising of districts.

The history of water share across the Private Diversions area was discussed. It was noted that the Water Plan had forecast Water Share of 353,564 but the Actual forecast for 2009/10 was substantially down at 286,639.

The Committee commented that it was difficult to understand that with the decreased water share why prices had not reduced. LMW officers advised that pricing took account of such costs as fixed costs, capital works and operating expenditure. It was noted that \$6M had been expended on metering.

In examining proposed tariffs the meeting reviewed three pricing scenarios and the impact on reserves. Scenario 1 showed pricing as per the Water Plan with CPI increases each year into the next regulatory period. Scenario 2 and 3 showed a drop in prices for 2010/11 and a different size of increase thereafter.

Scenario 2 would result in a \$2.2M deficit at year 8 and require a price increase at some time to improve the cash position. LMW officers advised that they did not see this option as viable on-going.

The cash at end in Scenario 3 showed \$6M at 2009/10 decreasing to \$21,000 at year 8.

It was noted that the Bulk Entitlement Share Charge was only paid on Water Share – 'if you do not own it you do not pay it'.

The General Manager Business Services advised that it was important for the CSAC Committee to advise a desirable cash at end figure.

The CASC advised that it wanted to see the reserve utilised and prices kept as low as possible. The Committee view was that the irrigation industry was in crisis with commodity prices, water prices, the high dollar value and lost export markets contributing to a dire situation where in the Committee's view, property was worthless.

It was agreed that a 4th Scenario be provided to the Committee. This scenario to set a price of \$2.50 for 2010/11 and apply CPI increases for two years.

It was noted that the metering program and telemetry were the major capital works proposed over the next two years.

3.2 CSAC Elections

It was noted that the period of appointment for Keith Milne and Andrew Fremder were due to expire and that LMW would call for nominations for the two positions. Should more than two nominations be received it would be necessary to undertake an election process. Nominations would be called at the end of April with the appointments expected to be made in July 2010.

3.3 Blue Green Algae

It was noted that blue green algae had been a big issue for Sunraysia and particularly from Robinvale to Mildura for the past month. The bloom had however dissipated over the last two days. Monitoring showed no algae downstream of the Mildura Weir.

Whilst it was expected that the alert was over for this year it was anticipated that next year could see a similar season. The alert had highlighted the need for LMW to be able to contact customers urgently and arrangements were being made to provide alerts via text messages. Customers would be requested to provide up to date contact information as soon as possible.

It was noted that whilst LMW had staff trained to test for blue green algae that it was generally conducted at laboratories in the cities. The CSAC advised that it would be advantageous to irrigators to be able to do their own testing.

3.4 Carry Over Rules

An extract from the Northern Region Sustainable Water Strategy document and a media release from the Minister for Water relating to the new carry over rules were tabled. CSAC members were advised that the spillable water account would be managed via the Water Register and would also be available at 'Waternow' on the LMW web page. Provided that storages did not spill customers would be able to use water in the spillable water accounts.

The meeting was advised that allocations were at 100% and discussed the amount of carry over water in the region Nyah to the SA Border and the dollar value. It was noted that 82,000ML including that held by Private Diverters had been carried over whilst GMW customers had carried over 72,000ML with 5,000ML being against low security water and hence not being forfeited.

CSAC Members queried why the additional 22% increase in allocation had been announced. The meeting was advised that under the sharing of the resource rules GMW had to allocate everything available from 1 July to 1 April. It was noted that water from the Darling would be available and had increased the allocation. Under the rules Victoria and NSW would not have to share with SA as the Darling water was deemed to be 'water in transit'.

The meeting queried the term 'dam spill' and it was noted that it was not a physical spill of water from the dam but an internal spill. The CSAC requested that LMW advise what volume in the dams would constitute a 'spill'.

ACTION:

General Manager Customer Services to advise what the volume in the dams would constitute a 'spill'.
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The meeting discussed that a storage fee would apply to water held in 'spillable accounts' however the charge was unknown as the Discussion Paper had not yet been finalised. The charge would be determined by GMW however that corporation would under the revenue cap, seem to be unable to collect additional revenue.

It was noted that the Department planned to advertise in the next week how the spillable water accounts would work. LMW would provide a newsletter to its customers setting out this information.

4.0 Any Other Business

The meeting discussed whether with increased water allocation irrigators may consider using additional water or whether abandoned property may be brought back into production. The consensus was that whilst irrigators may purchase property a 'wait and see' policy would probably be applied. Whilst some irrigators may consider moving to alternative crops it was agreed that it was about 'what could be earned with the water' otherwise it would be false economy.

CSAC Members were reminded that LMW officers would be available to answer any questions on the Corporate Plan and that comments/feedback should be provided by Thursday 15th April.

Manager Financial Services tabled Scenario 4 – Pricing. This showed that under Scenario 1 the charge would be \$3.29 in 2010/11 increasing through to \$4.83 in 2017/18. Scenario 4 commenced at \$2.50 in 2010/11 and applied CPI increases for two years and also resulted in a price of \$4.83 at 2017/18. The cash at the end of year 3 in Scenario 4 would be \$2.5M reducing to \$648k at the end of year 8 (2017/18).

Committee members present agreed that this seemed a good option and agreed to hold a telephone hook up with the other members unable to be present at the meeting and advise LMW officers by close of business on 15th April.

The meeting closed at 3.30pm