

NEWSLETTER

Pre-Season Update

Tasmanian
Irrigation

September 2023



Swan Valley Irrigation Scheme

Tasmanian Irrigation's Water Delivery Team is looking forward to working with all irrigators for the upcoming 2023-24 irrigation season.

This newsletter provides general information on the upcoming season, such as the planned season opening date, expected season duration, entitlements for sale, financial year performance, upcoming annual charges, trading information and more.

Please visit our website at www.tasmanianirrigation.com.au, follow us on Facebook or telephone us at any time if you require additional information.

Water Delivery

In consultation with the Irrigator Representative Committee, the 2023-24 irrigation season will open on 9 October 2023 and will open with a 100 per cent water allocation of the scheme's 2,000 ML total capacity.

Irrigation seasons have nominated lengths to ensure the 95 per cent reliability of the water entitlements based on the Scheme's original design. The Scheme is designed to run for 150 days making the estimated season closing date 7 March 2024.

This season closing date will be finalised and advertised closer to the time, with an extension conditional on the outcomes of the season and climatic forecasts.

Dam Summary

Melrose Dam will open at near full capacity due to a successful dam fill program during the off-season.

Live dam levels are available on the Tasmanian Irrigation website. From the home page, please select 'Dam Levels' from the top menu banner.

Entitlements for Sale

The Scheme is fully sold. Water can only be purchased by trading entitlements.

Fast Facts



09 Oct 2023
SEASON OPENING



150 days
EST. DURATION



100%
ALLOCATION



2,000 ML
SCHEME CAPACITY



For more information, please
contact your Scheme
Operator:

Scott Williams

0447 803 692

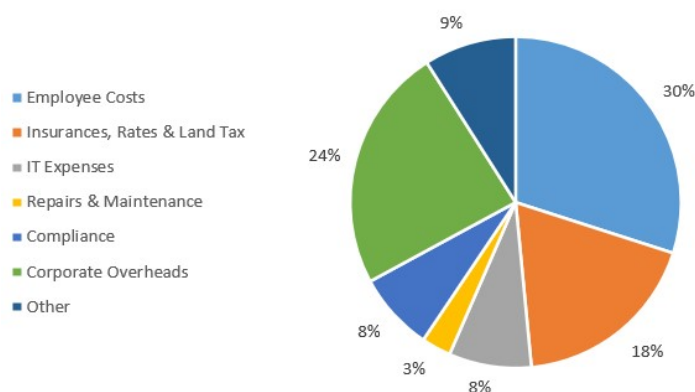
scott.williams@tasirrigation.com.au

Financial Year 2022-23 Performance

Tasmanian Irrigation funds the operations of each individual irrigation scheme on a cost recovery basis and has a mandate that each scheme is stand alone for financial management. Furthermore, there is no funding source to allow deferral of expenditure from one season to another.

Budgets are set to recover the operating costs of the scheme only with consideration given to ensuring the scheme has enough cash flow throughout the financial year to meet the required expenses.

The pie chart below shows the Scheme's total Financial Year 2022-23 expenditure of \$154,477 by major category and their respective percentage weighting.



The Scheme made a profit of \$52,069 as at 30 June 2023. This is \$39,594 more than the budgeted profit and largely due to an insurance recovery received from a prior year claim.

Other notable variances include fuel costs, insurances and rates and land tax being above budget.

A total of \$4,452 was spent on Repairs and Maintenance activities and a total of \$8,310 was spent on Asset Renewal Levy activities.

The "Other" category is made up of expenses such as motor vehicles expenses, depreciation, office and telephone expenses, vermin control and fixed electricity costs. A total of \$13,937 was spent in the Financial Year in this category.

2023-24 Annual Charges

Tasmanian Irrigation would like to thank the Irrigator Representative Committee for their input and advice through the pricing consultation period. The 2023-24 season prices are summarised in the table below with explanations of each category and the reason for the change detailed overleaf:

	2022-23 (\$/ML)	2023-24 (\$/ML)	Change (\$)	Change (%)
Fixed charges				
Operation & maintenance charge	\$ 85.70	\$ 86.38	\$ 0.68	0.8%
Asset renewal levy	\$ 52.55	\$ -	\$ (52.55)	(100%)
Levy to build Scheme Working Capital	\$ -	\$ 59.05	\$ 59.05	100%
Storage charge	\$ 3.16	\$ 4.17	\$ 1.01	32.0%
Total	\$ 141.41	\$ 149.61	\$ 8.19	5.8%
Variable charges				
Melrose Pump Station (all areas)	\$ 25.15	\$ 33.20	\$ 8.05	32.0%

Operations and Maintenance Charge

This charge recovers the costs for running the Scheme that don't materially change with the volume of water supplied during a season. This includes costs relating to employment of scheme operators, motor vehicle costs, maintenance, telemetry, compliance, administration, finance and insurance.

The table below shows the change in price for each major category with an explanation of the material contributors to the variance.

Expense Category	Change \$/ML	Comment
Employee Costs	\$1.60 ↑	Wage increases and mandated increase to Superannuation Guarantee
Insurances, Rates & Land Tax	\$3.28 ↑	Large increase in insurance premiums combined with increased property values driving up rates and land tax
IT Expenses	\$0.21 ↑	Inflationary increases to telemetry contract
Repairs & Maintenance	\$0.13 ↓	Re-classification of expense to ARL. Refer to the ARL section for more information
Compliance	\$2.58 ↓	Re-classification of expense to ARL. Refer to the ARL section for more information
Corporate Overheads	\$0.50 ↑	Inflationary increases combined with increases in IT cyber security expenses
Other	\$0.46 ↑	General inflationary increases
Dam Survey costs to ARL	\$2.66 ↓	Re-classification of expense to ARL. Refer to the ARL section for more information
Total	\$0.68 ↑	

As is being seen and felt across Australia, inflationary pressures are driving the costs of goods and services up in all sectors and we are seeing material inflationary pressures between 6 to 10 per cent across most aspects of the operational scheme costs.

Tasmanian Irrigation has been working hard to keep prices as stable as possible and the main contributors to this year's price change are increases in insurance costs, rates and land tax (as a result of increased land values), wage increases and the impact of the mandated increase to the Superannuation Guarantee.

Despite the above, the overall Operations and Maintenance charge this year has only increased by \$0.68 per megalitre. This is due to the transfer of significant dam related costs to the Scheme's Asset Renewal Levy. This is explained further in a later section of this newsletter.

Asset Renewal Levy (ARL)

The asset renewal levy provides for refurbishment and replacement of Scheme assets and provides funds in the unlikely event of a major Scheme failure. Funds collected through the levy are set aside in an asset renewal reserve for the benefit of the irrigation district.

Tasmanian Irrigation uses a risk-based approach to estimate the likely replacement year of all assets owned by the Scheme. This includes various factors such as current asset condition, manufacturer's guidelines, industry data and the criticality of the asset to the Scheme.

The estimated replacement value of the asset is then incorporated into a model to determine the appropriate annual levy required to ensure that there are sufficient funds to meet the next 50 years of commitments. This process is reviewed annually, with any material adjustments accounted for in the price.

As part of the Financial Year 2024 budgeting process Tasmania Irrigation has re-classified various dam expenses that were previously recovered from the Operations and Maintenance component of the fixed charges to the ARL component of the charges.

This change allows for these large costs to be spread over 50 years in accordance with the ARL methodology and benefits irrigators by reducing potential large price spikes in the years the expenses fall due.

Specifically, the expenses that have been transferred relate to the five- and twenty-year comprehensive dam surveys, as well as repairs and maintenance expenses that result from these surveys.

The current ARL balance as at 30th June 2023 is \$379,737. The results of the modelling, now including the dam survey costs, show that the Scheme is currently below the required target threshold of \$64.65 per ML per year.

However, as there are sufficient funds available to cover the forecasted expenses for the next forty years, a decision has been made to temporarily suspend the ARL levy for one year and a levy to increase the Scheme's working capital will be introduced. This is explained in more detail in the next section of this newsletter.

In Financial Year 2025 the ARL levy will be reinstated and increased on a pathway to reach the required target of \$64.65 per ML per year in Financial Year 2026.

ARL works planned for the year are listed in the table below:

Facility Name	ARL Task
Scheme Wide	<ul style="list-style-type: none">• Deep cycle battery replacements• Electrical critical spares• 3G obsolescence upgrades
Swan Pump Station	<ul style="list-style-type: none">• Critical Spare variable speed drives
Dam	<ul style="list-style-type: none">• Comprehensive Surveillance Report (Regulatory)• Spillway Stabilisation• Filter Patch Installation on down stream Face

Special Levy to increase Working Capital

The Scheme's working capital is used to cover all the expenses except ARL. This means working capital covers operations & maintenance expenses as well as variable costs (costs of delivery). It does not cover ARL expenses as these are funded from a separate bank account and quarantined until ARL expenditure is needed.

The current working capital balance has been identified as being too low to adequately manage cashflow over the financial year. All schemes are "ring-fenced" meaning that they must be self-funding and cannot rely on Tasmanian Irrigation's group finances.

Scheme revenues are not received for 8 to 9 months (February/March) after the beginning of the financial year, meaning the Scheme runs at a deficit for this period. Therefore, all schemes are required to maintain a working capital balance equivalent to 12 months of expenses to meet the expenditure commitments.

The modelling from the ARL (as mentioned in the previous section) shows that the Scheme has a healthy ARL balance for the next forty years. Due to the accounting rules surrounding the treatment of ARL, a direct transfer from the ARL reserve to fund the working capital shortfall cannot be made. Therefore, the ARL charge will be temporarily suspended for one year and instead a special levy to increase working capital will be introduced that directly offset each other. This will achieve the same result as a direct transfer and will result in an adequate working capital balance.

Storage Charge

The storage charge recovers the cost of pumping for any evaporation or seepage losses into the main water storage. The large percentage change in price is due to an increase in the electricity contract as explained in the variable charges section overleaf.

Variable Charge

The variable charge is levied on the volume of water ordered or consumed by each irrigator, to recover electricity costs for pumping incurred by Tasmanian Irrigation. The variable charge is based on the cost to deliver water to the various charge zones.

The large change in price this Season is due to the well-publicised increases in electricity costs, made worse because the current prices are based on the final year of a three-year contract that has shielded the annual increases for several years. Therefore, the percentage change from the prior season price to the 2023-24 price is magnified.

Tasmanian Irrigation understands that this year's increase is material and may affect the overall demand for water. Unfortunately, as the Scheme works on a cost recovery basis there is no opportunity to reduce these costs as the price is set to recover the average electricity cost per ML of water pumped.



Trading Information

Irrigation rights and delivery rights are tradable within the irrigation district in accordance with the *Irrigation Clauses Act 1973* and the Trading Rules for the irrigation district. Trades are made by transferring volume between irrigation rights and flow rate between delivery rights. To take effect, a transfer must be approved by Tasmanian Irrigation and recorded in the Water Entitlements Register for the irrigation district.

For more details on how to trade, please refer to the *Quick Reference Guide to Water Trading* available on the Tasmanian Irrigation website under the *Buy / Trade Existing Entitlements* page.

If you are not intending to use all of your current entitlement this coming season, Tasmanian Irrigation strongly advise you to consider your trading options.

Contact Details — Tasmanian Irrigation

If you require any additional information about Tasmanian Irrigation or the Scheme, please contact:

Title	Name	Email	Phone
Scheme Operator	Scott Williams	scott.williams@tasirrigation.com.au	0447 803 692
Chief Operating Officer	David Skipper	david.skipper@tasirrigation.com.au	0417 279 062
Manager Operations & Assets	Anne-Marie du Plessis	AnneMarie.duPlessis@tasirrigation.com.au	0488 153 346
Sales & Trading	Fiona Buckingham	fiona.buckingham@tasirrigation.com.au	0438 465 338
Billing & Invoicing	Jessica Hendley	jess.hendley@tasirrigation.com.au	(03) 6398 8433
Corp. Services Mgr	Byron Fraser	byron.fraser@tasirrigation.com.au	0429 197 273

Irrigator Representative Committee

If you are interested in finding out more about the Committee or are interested in joining, please speak to your Scheme Operator or Chairperson in the first instance.

Title	Name	Email	Phone
Chairperson	Tim Lyne	tim@springvalewines.com	0401 214 834
Member	Rodney Jones	rodney.jones@stahmannwebster.com.au	0407 843 879
Member	Annie Browning	bobannie@iinet.net.au	0419 897 878
Member	Adam Greenhill	adam@galaestate.com.au	0408 057 163

Your Contact Details

If any of your contact details have changed, please advise us as soon as possible via email: enquiries@tasirrigation.com.au.

Swan Valley Irrigation District

Charge rates: 2023-24



In-season annual charges for water entitlements

	2022-23 (\$/ML)	2023-24 (\$/ML)	Change (\$)	Change (%)
Fixed charges*				
Operation & maintenance charge	\$ 85.70	\$ 86.38	\$ 0.68	0.8%
Asset renewal levy	\$ 52.55	\$ -	\$ (52.55)	(100.0%)
Levy to build Scheme Working Capital (funded by ARL discount above)	\$ -	\$ 59.05	\$ 59.05	100.0%
Storage charge**	\$ 3.16	\$ 4.17	\$ 1.01	32.0%
Total	\$ 141.41	\$ 149.61	\$ 8.19	5.8%
Variable charges***				
Melrose Pump Station (all areas)	\$ 25.15	\$ 33.20	\$ 8.05	32.0%

* Fixed charges: payable on current entitlement holdings on the opening day of the irrigation season.

** Storage charges: a fixed charge to replenish storage losses in the scheme, such as evaporation.

*** Variable charge: payable on water that is supplied to you during the irrigation season.

Excess water charges - for unauthorised use of additional volume

Excess Water Charges*	2023-24 (\$/ML)
Melrose Pump Station (all areas)	\$ 300.00

* Excess water charges: payable for each additional megalitre (or part of a megalitre) of water taken, in addition to your authorised volume under your water entitlement, during the irrigation season. These rates have been set within the By-Laws for your scheme.

Out of season (general availability) water charges

Out of season water charges*	2023-24 (\$/ML)
Normal out of season charges**	
Melrose Pump Station (all areas)	\$ 107.79
Excess out of season charges	
Melrose Pump Station (all areas)	\$ 225.75

* Out of season water charges: payable on water supplied outside the irrigation season by agreement with Tasmanian Irrigation.

** Normal out of season charges: available to irrigators who hold current entitlement in the irrigation district and only up to the level of their respective holdings. If TI has opportunity to harvest free "flood take" water during the GA supply period, the benefit of the free water will be apportioned across the total volume which has been supplied, and a cheaper price will apply.

Interest for late payments

In accordance with the by-laws for the district, Tasmanian Irrigation may issue interest charges when payment is not received within the standard terms of each invoice (30 days). This will be charged at the rate two per cent (2%) per annum above the 3 month Australian Bank Bill Swap Bid Rate (BBSY).

You will be unable to trade your water entitlements if your account is in arrears.

Tasmanian Irrigation understands that on some occasions our customers may experience times of financial hardship due to circumstances outside of their control. As such, you may choose to apply for a payment plan under our Financial Hardship Policy.

Other charges

Permanent transfer application fee	\$	77.00	Including GST
Limited term transfer application fee	\$	77.00	Including GST
Short term transfer application fee	\$	-	Including GST
Registration, transfer, variation, or discharge of security interest	\$	77.00	Including GST
Copy of water entitlement extract	\$	33.00	Including GST

Further information:

Water charges are levied by Tasmanian Irrigation to recover the costs of operating, maintaining and administering irrigation districts.

In all irrigation districts, a **Fixed Charge** is levied on the volume of your irrigation right holdings on the first day of the irrigation season and is payable regardless of whether water has been consumed.

The Fixed Charge can have up to three components:

- > **Operation & Maintenance** charge recovers the costs for running the scheme which don't normally change materially with the volume of water supplied during a season. This includes costs relating to employment of scheme operators, motor vehicle costs, maintenance, telemetry, compliance, administration, finance and insurance.
- > **Asset Renewal Levy** makes provision for major asset repairs and replacements required to ensure the continuing operation of the district.
- > **Storage Charge** (some districts): recovers costs of pumping any evaporation or seepage losses into the main water storage.

Most irrigation districts also include a **Variable Charge** which is levied on the volume of water ordered or consumed by each irrigator, to recover electricity costs for pumping and water purchase costs incurred by Tasmanian Irrigation. The variable charge is based on the cost to deliver water to the various charge zones. Variable Charges are invoiced following the end of the irrigation season or delivery period.

Excess Water Charges can be avoided entirely by ensuring you have sufficient allocation:

- > Monitor your usage (contact your Scheme Operator if you require assistance).
- > Contact us if you have any questions about your allocation, trading or usage.
- > Trade any required additional allocation. We are unable to accept retrospective trades.

To assist buyers and sellers of water entitlements with establishing trading connections, Tasmanian Irrigation provides a free **Water Trading Notice Board** on our website. This allows parties to advertise their interest in buying, selling or leasing water entitlements. You can access the Notice Board via Tasmanian Irrigation's website: www.tasirrigation.com.au.

All annual water charges are retained within the separate irrigation schemes to be used for the benefit of the irrigators.

If you have any questions, please contact our office on 03 6398 8433 or enquiries@tasirrigation.com.au.