



Duck Irrigation District
Offer Document for Round Two
Landholder Water Sale



This document has been prepared to assist interested parties evaluate the purchase of water entitlements in the irrigation district.

This document should be read in conjunction with the scheme overview document prepared for the irrigation district. This document provides general information relating to the:

- Direct Sales Rules for the Offer of Water Entitlements to Landholders for the Duck Irrigation District (the "Direct Sales Rules"); and
- Water Entitlements Purchase Contract for the Duck Irrigation District (the "Purchase Contract").

The Direct Sales Rules and Purchase Contract (including all of their annexure) represents the complete statement regarding the sale of water entitlements in each irrigation district and prevail over the general information provided in this document to the extent of any inconsistency.

All documentation regarding the sale of water entitlements in the irrigation district can be viewed online at:
www.tasirrigation.com.au

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Contents

1.	Investment overview	1
2.	Water entitlements overview	2
3.	Important additional information	3
4.	Details of the Offer	4
5.	Details of the Application	6
6.	Details of the Acceptance Process.....	7
7.	Details of the Purchase	9
8.	Property outlets.....	11
9.	Frequently Asked Questions.....	12

1. Investment overview

Business overview

Tasmanian Irrigation is a state-owned company responsible for developing and operating irrigation schemes in Tasmania. As at May 2015, Tasmanian Irrigation owns and operates eleven irrigation schemes, owns the infrastructure of two locally managed schemes, has one scheme under construction and is at various stages of development with a further five schemes known as "Tranche Two".

The capital cost of the irrigation schemes currently being developed is a shared partnership between the public and private sectors. A total of \$220 million has been made available by the Australian and Tasmanian Governments for Tasmanian Irrigation's Tranche One schemes, which are nearing completion and the private investment contribution is raised through the sale of water entitlements. An additional \$90 million of public funding has been made available to Tasmanian Irrigation to complete Tranche Two.

The irrigation schemes currently being developed by Tasmanian Irrigation are designed to last 100 years, deliver water at an average annual reliability of at least 95% and are built to satisfy demand in each region with a threshold level of private commitment required before construction begins.

Legislative environment

In Australia, water is managed by each state and territory in accordance with the Inter-governmental Agreement on a National Water Initiative. In Tasmania, water is governed by the *Water Management Act 1999* ("WMA").

Under the WMA, all water resources in Tasmania are vested in the Crown. The Minister for Primary Industries and Water may grant rights to take water under a system of water licences. Water licences are currently administered by the Department of Primary Industries, Parks, Water and Environment ("DPIPWE").

Where an irrigation district is established, the rights arising under a water licence (or an agreement deriving from a water licence) may be broken into individual shares and issued as irrigation rights. Irrigation rights are administered by entities (such as Tasmanian Irrigation) who are responsible for operating irrigation districts.

Water licences and irrigation rights are statutory water entitlements. They are transferable and separable from land. The irrigation schemes owned, operated and developed by Tasmanian Irrigation use irrigation rights as the statutory basis for water entitlements.

Reason for the offer

Tasmanian Irrigation is conducting this offer of water entitlements to landholders to achieve water entitlement sales to allow a Business Case to be developed for the Duck Irrigation Scheme, for the Duck Irrigation District. Water sales are a critical component of the Business Case to assess the economic benefits of the proposed scheme.

The first round of water sales in the Duck, Harcus and Redpa Irrigation Districts resulted in very low uptake for the Harcus and Redpa schemes and a strong response for the Duck Scheme. As a result, the Harcus and Redpa schemes have been put on hold until further notice and further work has been conducted on the Duck Irrigation Scheme.

A redesign of the scheme, further information on Duck River hydrology and transmission losses, together with an economic analysis of the revised scheme has resulted in a 5,000ML scheme, being proposed to meet demand which will require a minimum of 4,500ML to be taken up by the private sector to support a Business Case to be provided to Government. A strong Business Case will then provide the best opportunity to secure the public funding required to proceed with the project.

If public funding is not secured for the project, the deposits held by Tasmanian Irrigation in respect of purchases made during this sale period will be refunded (including any interest earned on the deposits).

2. Water entitlements overview

The water entitlements offered in this sale include irrigation rights and delivery rights.

Irrigation rights

Irrigation rights confer entitlements to have an allocation of water made available for delivery during each irrigation season. The entitlement arising under irrigation rights is defined as a volume and denominated in megalitre (ML) units.

Irrigation rights in the irrigation district are warranted to 95 per cent average annual reliability on the basis of the conditions applying at the time reliability was assessed and that the scheme continues to operate as it was originally designed. The warranty does not cover reductions to reliability arising from climate changes or other natural causes.

Delivery rights

Delivery rights confer entitlements to a share of the capacity of the scheme to deliver water within a zone during each irrigation season. The entitlement arising under delivery rights is defined as a flow rate and denominated in megalitre per day (ML/day) units.

Delivery rights provide assurance that capacity is available to deliver water at a set rate, when and to where it is required. Flow rate entitlements give certainty over the timing of supply and introduce a tradable product through which irrigators can plan water deliveries, manage seasonal risks and maximise the benefit of their entitlements.

Trading

The entitlements under irrigation rights and delivery rights are tradable within the district in which they are issued.

Trades are given effect by transferring volume between irrigation rights and flow rate between delivery rights. To take effect, a trade must be approved by Tasmanian Irrigation and recorded in the water entitlements register for the irrigation district.

The tradability of water within an irrigation district is regulated through the zone nomination of delivery rights. Zones arise because of variations in pipeline diameters and other factors that limit the capacity of a scheme to deliver water to different parts of a district.

There is not a requirement that a person has to own land within a district to receive a transfer of water entitlements.

3. Important additional information

Connection agreements

The water entitlements offered in this offer are not linked to land. Water entitlements are linked to land through connection agreements.

Connection agreements specify the location at which water may be accessed from a scheme and contain the terms and conditions of taking supply through a property outlet.

An important condition of connection agreements is that water taken from the irrigation district may only be used on land that is covered by a Farm Water Access Plan.

Farm Water Access Plans

Farm Water Access Plans are management tools demonstrating that the use of water is sustainable and complies with Australian and Tasmanian Government statutory requirements. The plans contain soil, water and biodiversity modules and specify management actions where environmental risks associated with irrigation are identified.

Farm Water Access Plans are completed by pre-qualified consultants authorised by the Minister for Primary Industries and Water. To keep costs to a minimum, Tasmanian Irrigation is able to assist with the preparation of maps and baseline information required to complete Farm Water Access Plans and can arrange for tendering work to the pre-qualified consultants.

Property outlets

For water delivered by pipeline the purchase of water entitlements in this offer includes the provision of a property outlet (including a water meter) through which water may be accessed from a scheme. One property outlet will be provided for each parcel of contiguous (adjoining) land that is operated as the same business.

Each property outlet provided as part of the sale of water entitlements in this offer will be capable of delivering at least three times the purchased flow rate, subject to any capacity constraint of the pipeline to which an outlet joins.

The provision of additional property outlets or property outlet upgrades may be purchased if required. Please refer to section 8 for more details.

For water supplied by a natural watercourse the purchase of water entitlements in this offer includes the provision of one water meter through which water may be accessed from a scheme. Additional water meters may be purchased if required.

Transmission Loss

Where water is delivered using a natural watercourse, transmission losses will be incurred from the point at which it is released into the watercourse to the point at which it is extracted. These losses primarily due to seepage into stream banks and the groundwater system.

Transmission losses will be determined by DPIPWE under a watercourse authority to be issued to allow the transportation of water from the scheme along watercourse. The Duck Irrigation District will have some water delivered via a watercourse (the Duck River).

Although Tasmanian Irrigation expects that the transmission losses to be 0% applied in the initial watercourse authority based on a current transmission loss assessment, it will warrant up to the first 5% of transmission losses in future years. In particular, the losses may be revised by an amendment to the watercourse authority by DPIPW E if it is demonstrated that the losses specified in a watercourse authority are incorrect in practice.

What transmission losses mean is that, for example, if you purchase 100 ML of water entitlements in either the Duck River or Mella, Stanley or Forest supply zones, you will be allowed to take 100 ML. However, if losses were deemed to be greater than 5%, it will be on the account of the irrigator. For example, if losses are 10% then 95ML will be delivered.

Importantly, the fixed charge will be payable on the full 100 ML of water entitlements held and the variable charge will be payable on the full amount of water released into the Duck River.

Water charges

The on-going costs associated with the irrigation district and its related infrastructure are funded through annual water charges, which comprise of fixed charges that are levied on water entitlement holdings and variable charges that are levied on water supplied.

Water charges are set each year according to the costs applying at the time and expenses associated with operating and maintaining an irrigation district, and provide for the refurbishment and replacement of significant scheme assets.

Information on annual charges for an irrigation district can be found in the scheme overview document prepared for the district.

4. Details of the Offer

Volume offered	Flow rate	Price
2,130ML	1 ML = 0.0083 ML/day	\$1,200 / ML
Zone	Total volume	Volume remaining
Duck River	730	20
Edith	645	145
Forest 2	410	60
Forest 3	400	400
Forest-A	310	0
Irishtown 1	295	165
Mella 1	650	430
Mella 2	1360	760
Mella-A	50	50
Mella-B	100	100
Mella-C	50	0
TOTAL	5,000	2,130

*Note that all remaining volume can be purchased in the Duck River zone

Purchase volumes	Volumes of not less than 10 ML and multiples of 5 ML	
Deposit options	10% (2% & 8% installments)- obligation to complete is binding	25% - option to complete (non-refundable deposit)
Settlement	Within 28 days of commissioning of the scheme	
Close of offer period	12 noon, Wednesday, 8 July 2015	
Eligibility	This offer is open to owners and occupiers of land within the proposed areas of interest	

Upon confirmation of first round contracts for irrigation rights, Tasmanian Irrigation is offering 2,130ML of remaining water entitlements for sale.

The zones in which the unsold volumes are available are shown in the table on page 6. In the case where additional water is sought in fully allocated zones, an application can still be received and Tasmanian Irrigation will undertake an assessment on whether the application can be accepted.

The price of water entitlements for this offer is \$1,200/ML with minimum purchases of 10 ML and increments of 5 ML.

For every 1 ML purchased, an irrigation right with a volume entitlement of 1 ML and a summer delivery right with a flow rate entitlement of 0.0083 ML/day will be issued on completion. The flow rate conversion is based on a 120-day minimum delivery period (i.e. 1 ML/120 days = 0.0083 ML/day).

A purchase must be secured by either a 10% (2% upon signing & 8% upon public funding commitment) or 25% deposit. Under a 10% deposit, the applicant is legally required to complete the purchase of water entitlements. Under a 25% deposit, the applicant can choose not to complete the purchase but will forfeit the deposit.

Completion of the purchase of water entitlements is to occur within 28 days of commissioning of the scheme as notified by Tasmanian Irrigation.

This offer is open to anyone or any entity that owns or occupies land in the proposed irrigation district.

5. Details of the Application

To purchase water entitlements during this offer an application needs to be lodged with Tasmanian Irrigation together with a deposit of either 2% at signing (a second installment of 8% is required upon public funding commitment) or 25% of the value of the purchase by no later than **12 noon on Wednesday 8 July 2015**. An application may be lodged by post, hand delivered to Tasmanian Irrigation's offices at the Launceston Airport or delivered personally to an employee of Tasmanian Irrigation.

An application made during the landholder water sale is an irrevocable offer to enter into a contract with Tasmanian Irrigation for the purchase of water entitlements, subject to the application being accepted by Tasmanian Irrigation during the acceptance process.

The details to be completed in an application include the following:

Details of the applicant

An application can be made by any type of legal entity solely or in partnership with one or more other entities. The most common types of legal entities to purchase water entitlements include individuals, companies, trusts and superannuation funds.

Details of the guarantors (if any)

Where an application is secured under the 10% deposit (2% upon signing & 8% upon public funding commitment) option and is made by a company (or a company in its capacity as trustee of a trust or superannuation fund) that is not a listed company or a subsidiary of a listed company, Tasmanian Irrigation requires all directors of that company to guarantee the application. Alternatively, an application can be secured under the 25% deposit option without the need for guarantees.

Qualifying land

To qualify for this offer, details of the parcel of land in respect of which an application is made need to be provided.

The qualifying land must include all land that is contiguous (adjoining) and operated as the same business, notwithstanding the underlying title ownership of the land.

Land may be considered contiguous by Tasmanian Irrigation even if intersected by a road, railway or any other land unless the effect of the intersection is to practically sever it for operational purposes. Clarification as to whether land is contiguous can be provided by Tasmanian Irrigation on request.

Applications for more than one contiguous parcel of land must be made in separate applications.

At the time an application is made or during the acceptance process, an applicant must establish that they are the owner or occupier of the qualifying land, is otherwise entitled to deal with that land or has a relationship to that land which is equivalent to ownership or occupation.

Qualifying zone

For applications that can be accepted on the basis of the current design of the pipeline distribution network, an applicant's qualifying zone will be that zone which borders or passes through the applicant's qualifying land.

If more than one qualifying zone borders or passes through the qualifying land, the applicant can nominate which of those qualifying zones is to be taken as the applicant's qualifying zone.

The qualifying zone is an important element of the application as it is used to establish the zone nomination of delivery rights, which will determine where in the scheme water is able to be delivered and/or traded.

For applications that can not be satisfied on the basis of the current design of the pipeline distribution network (and therefore require either an extension of the scheme or a private connection to the scheme), no qualifying zone will border or pass through the qualifying land.

Where sufficient water sales are achieved to warrant an extension of the scheme, Tasmanian Irrigation will create a new qualifying zone and nominate that qualifying zone as the applicant's qualifying zone in respect of each application satisfied by the extension.

If Tasmanian Irrigation does not agree to supply water to an applicant's qualifying land but the applicant is willing to receive supply by privately connecting to the scheme, Tasmanian Irrigation, in consultation with the landholder, will nominate the qualifying zone that is the most practical from which to supply the qualifying land.

Preliminary connection point

Each application must describe one preliminary connection point, being the point at which the applicant wishes to draw water from the scheme.

A preliminary connection point is best described by specifying geographic coordinates (i.e. easting and northings), although it can also be described in words or by marking a point on a map of suitable resolution.

Tasmanian Irrigation can assist with the identification of geographic coordinates on request.

The preliminary connection point is also an important element of the application as it will be used to determine the ultimate location of the property outlet to be installed as part of the sale of water entitlements.

If an application is accepted, Tasmanian Irrigation will do everything it reasonably can to build an outlet within 50 m of the preliminary connection point nominated by the applicant.

Requested volume

This is the amount of water entitlements (expressed in ML units) that an applicant wishes to purchase. The minimum purchase is 10 ML, with further increments of 5 ML.

Deposit election

This is where an applicant nominates whether to make a deposit of 10% (2% upon signing & 8% upon public funding commitment) or 25%. Under a 10% deposit, the applicant will be legally required to complete the purchase of water entitlements if the application is accepted by Tasmanian Irrigation. Under a 25% deposit, the applicant can choose not to complete the purchase but will forfeit the deposit.

6. Details of the Acceptance Process

After the close of the offer period, Tasmanian Irrigation will assess all applications for compliance with the terms and conditions of the direct sale rules. Non-complying applications may be rejected.

As part of the acceptance process, Tasmanian Irrigation will undertake to satisfy as many applications to purchase water entitlements as possible, subject to the capital budget, operating costs and approval constraints. This may involve a design review.

Once a scheme design has been confirmed, the rights to purchase water entitlements will be allocated in each zone until all applications are satisfied or the maximum capacity of the zone has been met. If oversubscription in respect of a zone occurs, Tasmanian Irrigation may elect to terminate the sale for that zone and undertake a competitive process or pro-rata applications in that zone.

An application will only be included in the allocation process if Tasmanian Irrigation is able to accept the preliminary connection point specified in the application on the basis that water can be supplied to that point. If a preliminary connection point can not be accepted, the applicant will have an opportunity to amend it.

Tasmanian Irrigation will have until **31 August 2015** to complete the acceptance process.

If an application can not be accepted, Tasmanian Irrigation will refund the deposit in full. If an application is pro-rated, Tasmanian Irrigation will refund any excess of the deposit over the deposit required to secure the purchase.

7. Details of the Purchase

Conditions precedent	Public funding commitment	Due date: 31 December 2016
	Final approval to construct	Due date: the date public funding commitment received <i>plus</i> 15 months

Sunset date	Date public funding commitment received <i>plus</i> 48 months (as may be extended by the period of any delay caused or contributed to by force majeure)	
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If an application to purchase water entitlements is accepted by Tasmanian Irrigation, the applicant and any guarantors will automatically enter into a contract with Tasmanian Irrigation for the purchase of water entitlements in the terms of the Water Entitlements Purchase Contract for the Duck Irrigation District (the “purchase contract”).

The purchase contract is conditional and is subject to Tasmanian Irrigation: (1) receiving a public funding commitment for construction of the scheme; and (2) receiving final approval from the Tasmanian Government to construct the scheme. Final approval to construct will be granted subject to Tasmanian Irrigation achieving the water sales threshold, obtaining all necessary permits and approvals and securing construction contracts for the project within budget.

When the first condition precedent (public funding commitment) is met, holders of purchase contracts secured under the 10% deposit option will be required to pay the second 8% deposit installment. If this condition is not met, either Tasmanian Irrigation or the holder of purchase contracts may terminate the contract in which case Tasmanian Irrigation must refund the deposits that it holds and any interest it earned on the deposits.

When the second condition precedent (final approval to construct) is met, purchase contracts may be transferred to another party in full or part by assigning the rights arising under the contract to be issued the water entitlements. Please be aware that an assignment does not extinguish the obligation of the holder of the contract to complete the purchase of water entitlements. If this condition is not met by the due date, Tasmanian Irrigation may elect to terminate the contract in which case Tasmanian Irrigation must refund the deposits that it holds and any interest it earned on the deposits.

Completion of the purchase of water entitlements is to occur within 28 days of commissioning of the scheme as notified by Tasmanian Irrigation. Completion requires the holder of a purchase contract to make payment for the balance of the purchase price and Tasmanian Irrigation to issue water entitlements and enter into a connection agreement in exchange for that payment.

If a purchase has been secured by a 10% deposit, payment for the balance of the purchase price must be made within 28 days of commissioning. If the holder of a purchase contract fails to complete the purchase within this time, interest will accrue daily on the outstanding balance at the rate of 10% and any charges and interest payable under the water entitlements that would have issued had the contract completed on the completion date will become payable as they fall due.

If a purchase has been secured by a 25% deposit, the holder of a purchase contract may nominate at any time before 28 days after receiving notification of commissioning that they do not wish to complete the purchase of water entitlements. However, if this option is taken, the deposit will be forfeited.

If commissioning does not occur by the sunset date (as extended by the period of any delay to commissioning to the extent the delay was caused or contributed to by force majeure), a purchase contract may be terminated by its holder and Tasmanian Irrigation must refund to the holder the deposit and any interest it earned on that deposit.

8. Property outlets

As part of the sale of water entitlements, Tasmanian Irrigation will install one property outlet for each parcel of contiguous (adjoining) land that is operated as the same business.

A parcel of land is considered to be contiguous if it is operated as the same business, notwithstanding the underlying title ownership of the land. Land may be considered contiguous even if intersected by a road, railway or any other land unless the effect of the intersection is to practically sever it for operational purposes. Clarification as to whether land is contiguous can be provided by Tasmanian Irrigation on request.

Each property outlet supplied as part of the sale of water entitlements will be capable of delivering at least three times the purchased flow rate, subject to any capacity constraint of the pipeline to which an outlet joins. Depending on the amount of flow rate purchased, the size of outlets will vary from 50 mm for a flow rate purchase of 0.08 ML/day (equivalent to 10 ML of volume) to 300 mm for a flow rate purchase of 2.5 ML/day (equivalent to 300 ML of volume) or greater.

The table below provides a summary of the size of property outlets that are likely to be provided as part of the sale of water entitlements. The outlet sizes have been estimated on the basis of hydraulic and control restraints across the outlet assembly.

The provision of additional property outlets or property outlet upgrades may be purchased if required. The table below contains prices for the provision of additional outlets with the difference between outlets of different sizes constituting the cost of an upgrade.

Circular Head Irrigation Scheme: property outlet pricing and indicative sizing						
Outlet Size	Purchase price	Purchased volume	Purchased flow rate	Typical max flow*	Typical max flow*	Typical max flow*
(mm)	(\$)	(ML)	(ML/day)	(L/sec)	(ML/day)	(ML/season)
50	19,500	10 – 20	0.08 – 0.17	7	0.60	70
80	20,550	25 – 40	0.21 – 0.33	16	1.38	165
100	21,750	45 – 80	0.38-0.67	24	2.07	250
150	26,000	85 – 180	0.71 – 1.50	52	4.49	540
200	30,000	185 - 295	1.54 - 2.46	85	7.34	880
300**	40,000	300+	2.5	200	17.5	2100

* The actual capacity of an outlet will depend upon the final scheme design, the actual range of pressures available in the pipeline at the point at which an outlet joins and the method for connecting downstream infrastructure.

** Outlets greater than DN200 are customised items. Pricing for DN300 outlets as shown in the table is indicative. Actual pricing will be confirmed on a case by case basis.

*** The typical maximum flows displayed in this table are based on an assumption of 50 m of head (equivalent to 490 kPa or 71 psi) being available in the pipeline at the point on the pipeline where a property outlet joins. The capacity of each outlet will depend upon the final design, the actual pressures available in the pipeline at the connection point and the method for connection to private infrastructure.

9. Frequently Asked Questions

Q. How much water is available for purchase in this landholder water sale?

A. Tasmanian Irrigation is offering all water entitlements that are able to be supplied by the current scheme design, which is 5,000ML.

Q. How do I purchase water entitlements?

A. By lodging an application with Tasmanian Irrigation. Your application must be received by **12 noon, Wednesday 8 July 2015**.

Q. What if the proposed pipeline alignment does not pass near my property?

A. All landholders within the proposed irrigation district are encouraged to make an application to purchase water entitlements.

Tasmanian Irrigation will endeavour to supply as many applications to purchase water entitlements as possible, subject to the capital budget, operating costs and approval constraints.

Some areas which have not been included in the current design of the pipeline distribution network may be able to be included in the final scheme design if sufficient water sales are made.

Q. What is the upfront cost of buying water entitlements?

A. \$1,200/ML. This is the lowest price at which Tasmanian Irrigation will sell water entitlements in the Duck Irrigation Scheme (DIS) and this price is only guaranteed for this landholder water sale.

Q. Do I have to pay GST on the purchase of water entitlements?

A. Tasmanian Irrigation does not collect GST on the purchase of water entitlements because water is not currently taxable for GST purposes. Should this change as a result of a change to the law or a change to the interpretation of the law, GST will apply.

Q. If I purchase water entitlements, when do I have to pay the upfront cost?

A. You would need to pay a deposit of 2% at signing of the agreement and a second instalment of 8% when public funding is committed, or 25% of the value of the purchase upon application.

If your application is successful, you will be required to pay the balance of the purchase price within 28 days of receiving notification of commissioning of the DIS in exchange for receiving water entitlements.

If the current scheme design proceeds, commissioning is expected to occur in the 2017/18 irrigation season.

Under the terms of the purchase contract, Tasmanian Irrigation will have until at least 31 December 2020 to commission the DIS.

Q. What is the difference between paying a 10% deposit (2% and 8%) and a 25% deposit?

A. Under a 10% deposit, you would be legally required to complete the purchase of water entitlements. Under a 25% deposit, you can choose not to complete the purchase but will forfeit the deposit.

Q. Will there be ongoing costs?

A. Yes. Water entitlement holders will be required to pay annual charges made up of a fixed charge and transfer charge levied on water entitlement holdings and a variable charge levied on water consumed/supplied.

The fixed charge is calculated as the annual cost required to be recovered on each water entitlement to pay for the fixed costs of operating and maintaining the scheme as well as to provide for asset renewal

to ensure a 100-year life of the scheme. The fixed charge will be set at a uniform rate across the scheme.

The variable charge will be differentiated across the scheme to reflect differences in pumping costs.

Q. Do I have to pay GST on annual charges?

A. Tasmanian Irrigation does not collect GST on annual charges because water is not currently taxable for GST purposes. Should this change as a result of a change to the law or a change to the interpretation of the law, GST will apply.

Q. When will the annual charges be invoiced?

A. The fixed charge will be invoiced in January each year and the variable charge will be invoiced in June each year, both with 30-day payment terms.

Q. Do I have to pay annual charges if I don't use water?

A. You will be required to pay the fixed charge and transfer charge on your water entitlement holdings regardless of whether you use water. However, you will only be required to pay the variable charge on water actually consumed/supplied.

Q. Can I carry over any unused water from one irrigation season for use in another?

A. No.

Q. What happens if my application to purchase water entitlements is not accepted?

A. Your deposit will be refunded. Under the terms of the direct sale rules, Tasmanian Irrigation will have up to 90 days after the close of the landholder water sale in which to determine whether it can accept your application.

Q. Do I have to pay for an outlet to be installed so that I can take water from the scheme?

A. No. As part of the sale of water entitlements, Tasmanian Irrigation will install one property outlet for each parcel of contiguous (adjoining) land that is operated as the same business and will receive water from a pipeline.

Each property outlet supplied as part of the sale of water entitlements will be capable of delivering at least three times the purchased flow rate, subject to any capacity constraint of the pipeline to which an outlet joins. Additional property outlets or property outlet upgrades can be purchased from Tasmanian Irrigation if required.

Q. What happens if the landholder water sale is oversubscribed?

A. In the first instance, Tasmanian Irrigation will consider whether the capacity of the scheme can be increased so as to satisfy the demand for water entitlements, subject to the capital budget, operating costs and approval constraints.

If unable to satisfy demand in full, Tasmanian Irrigation will consider whether to terminate the sale and engage a competitive process or pro-rata water entitlements. If applications are pro-rated, the deposit paid in respect of the pro-rated amounts will be refunded.

Q. What happens if my application to purchase water entitlements is accepted but Tasmanian Irrigation fails to commission the scheme?

Your deposit will be refunded and any interest earned on your deposit while Tasmanian Irrigation was holding it will be paid.

Q. In purchasing water entitlements would I be buying a share of the infrastructure of the CHIS ?

A. No. The infrastructure of the DIS will be the property of Tasmanian Irrigation.

Water entitlements are rights to a supply of water. In particular, they are rights to have an allocation of water made available during each irrigation season (nominally 1 December through 31 March) and rights to have that water supplied within a zone of the scheme at a constant daily flow rate.

Q. Why does the DIS have zones?

A. Zones arise because the capacity of the DIS to supply water varies across the scheme. Zones define where in the scheme you are entitled to receive water and facilitate water trading.

Q. Can I purchase water entitlements in any zone of the scheme?

A. No. In this landholder water sale you can only purchase water entitlements in a zone that will service your property.

Q. Are water entitlements an asset?

A. In as much as water entitlements are long-term rights to the supply of water, are freely tradeable and are separable from land, they could be considered an asset.

Q. What does 95% reliability mean?

A. Reliability is defined as the sum of the annual allocation of water that is available for supply in each irrigation season during a 100-year period, divided by the sum of the annual volume of water that is contracted for supply under irrigation rights over that same period.

It means that over the 100-year life of the DIS an average annual allocation of not less than 95% will be made without an annual allocation greater than 100% being made in any one year. Two examples of this are:

- over 100 years, a 100% annual allocation being made in 95 years and a zero annual allocation being made in the remaining 5 years; or
- an annual allocation of 95% being made in every year of 100 years.

Any individual case will lie somewhere between these two examples.

Q. How has reliability been assessed?

A. The reliability of the scheme was assessed by developing a model of the Duck River catchment, which was used to simulate the winter and summer flows along with the storage behaviour of the proposed Mill Creek Dam under current, median future and dry future climate scenarios prepared by the CSIRO as part of the Tasmanian Sustainable Yields Study.

Q. How long do water entitlements last?

A. The initial term of water entitlements in the DIS has been set to match the 40-year term of the water licence to be issued by the Department of Primary Industries, Parks, Water and Environment (DPIPWE) to underpin the scheme's water supply. On the basis that the water licence will be issued in 2015, the initial term has been set as the end of the 2055-56 irrigation season.

The term of the water entitlements must be extended where the term of the underlying water supply for the DIS is extended on terms that are acceptable to the entity responsible for operating the scheme. This means that, so long as the DIS is able to maintain its underlying water supply, each of the agreements that constitute the contractual right to supply for irrigators can continue in perpetuity.

Q. Are water entitlements attached to land?

A. No, water entitlements are separate to land.

Q. Is water trading subject to capital gains tax or stamp duty?

A. Water trades may be subject to capital gains tax, although it is our understanding that they do not currently attract stamp duty. You should obtain your own tax advice on these matters.

Q. Are water entitlements specific to individual schemes? What if some schemes are connected in the future?

A. Water entitlements are specific to individual schemes. It is possible that if schemes are connected in the future that water entitlements may be able to be traded between schemes.

Q. Are water entitlements 'property' that can form part of an inherited estate?

A. Yes, on the death of a holder of water entitlements they will become a part of the holder's estate.

Q. Apart from water entitlements, is anything else required to use the water on my land?

A. Yes. In addition to holding water entitlements, in order to take the water through a connection point and be able to use it on your land you will require a connection agreement and a Farm Water Access Plan (Farm WAP).

Q. What is a connection agreement?

A. A connection agreement specifies the terms under which water may be taken through a property outlet connected to a pipeline of the scheme. Because water entitlements are separate from land, the connection agreement ensures that a relationship exists between a landholder and Tasmanian Irrigation, recognising that a landholder may not necessarily always be the holder of water entitlements.

Q. What is a Farm WAP?

A. A Farm Water Access Plan (Farm WAP) is a property management plan that demonstrates sustainability through soil, water and biodiversity planning. A requirement to access water from the CHIS is that a Farm WAP is in place to cover the area of land directly affected by the use of water supplied by the scheme and the land is managed in accordance with any recommendations or restrictions identified in the Farm WAP.

Q. How much will a Farm WAP cost?

A. As an indication of the cost of a Farm WAP, the net cost to farmers in other schemes has been between \$550.00 and \$2,200.00 (inc. GST). This cost range is only provided as a reference. Please be aware that the actual cost of preparing a Farm WAP may be higher and will be determined at the time a quote is sought from a pre-qualified consultant.

Q. What areas of a property does a Farm WAP need to cover?

A. A Farm WAP needs to cover only those areas of land that will be directly affected by the use of water supplied from the CHIS.

Q. When should I get a Farm WAP?

A. A Farm WAP will be needed in time for water to be delivered through your property outlet.

Q. Can Tasmanian Irrigation assist with the preparation of a Farm WAP?

A. Tasmanian Irrigation is able to help facilitate the completion of Farm WAPs or alternatively a Farm WAP may be procured individually.

Q. Who will operate the DIS ?

- A. At least for the term of the defects liability period arising from the construction works, Tasmanian Irrigation will operate the DIS. During this period the necessary operational resources will be acquired and policies and procedures to operate the scheme will be established.

During the development of the DIS and the initial operations period, irrigators will be consulted to determine the most appropriate structure for the long-term operation of the scheme, including the potential option for the scheme to be managed locally. Operating the scheme will not only entail the efficient use of the infrastructure but also inspections that are required to meet permit conditions and regulations.

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