

Tasmanian Irrigation / Irrigator Representative Committee Meeting: Midlands Irrigation District

Date: Thursday 5 July 2018, 2.00 pm – 4.00 pm

Location: Oatlands Council Chambers (Courtroom), Oatlands

Present: Andrew McShane (Chair), Greg Wilson, Maria Weeding, Charles Dowling, Nicola Morris, Jeremy Lovell, Mike O'Shea, Andrew Kneebone, Anna Graham

Apologies: Richard Gardner, Julian Von Bibra, Knox Heggaton.

Minutes

1. Accepted previous minutes.
2. No actions discussed.
3. Nicola introduced Andrew Kneebone, the new GM of Water Delivery, noting the irrigator representation during the recruitment process. Other staffing changes have resulted in a streamlined hierarchy.
4. Mike presented the Scheme Update notes to the group and invited people to provide feedback.
 - Trading information includes private transactions only (as opposed to purchases from TI).
 - Jeremy gave a summary of the scheme operation over the last twelve months:
 - One pump has been removed and is being analysed to highlight areas of wear. Old pump is to be rebuilt and retained as a spare. The pumps have been operating on the expected pump curve.
 - Installation of cladding throughout the scheme has slowed after Ben Roberts left TI, however this is to continue over the coming months.
 - SCADA improvements are underway to improve efficiencies for the scheme.
 - Looking at introducing a new operation mode to the Midlands Power Station to maximise peak generation where possible without manual intervention.
 - A planned shut down is expected on Sunday 22nd July from the Midland Highway Pump Station onwards, which is expected to take 4-5 days. Jeremy will contact irrigators prior to this time. As it is only a short period, TI will try to catch up water delivery for this period if there is capacity available. If irrigators require catch up delivery due to a TI shut down, then TI will try to catch up. No catch up is available if there is no TI outage.
 - Power outages for irrigators in the Mt Seymour region are driven by TasNetworks not TI.
 - Irrigators asked if they can access individual usage information via the telemetry on outlets. Currently the constraint is around allowing third party access to SCADA systems. TI is looking at available technology to allow better access to this information for irrigators. In the meantime, need to contact Jeremy if require updated usage information.

ACTION: TI to provide options for improved access to reliable meter data, including cost, to the irrigator committee as it becomes available.
5. Mike introduced the financials and provided a line by line commentary:
 - Financial information provided at this time is in draft, with end of financial year underway.
 - ARL expenditure includes the pump refurbishment at Midlands Highway Pump Station and a replacement air valve.

ACTION: TI to provide detailed breakdown of Asset Renewal activity with final financial statement, including the location of the replacement air valve.
 - External professional costs include some costs to be recovered from the Dept State Growth. The income will be included in 2017-18 end of year accounts. This is for costs relating to road works

which impact on the transmission line, which will go under the highway. This is not expected to impact the transmission losses due to the short distance.

- The employee resources for ongoing running of the scheme is under review following Ben Roberts' departure.
- Variable surplus acknowledged as significant. Electricity efficiency is highly variable and also time of use. This is expected to be a deficit in the 2018-19 budget period due to the expected revenue at the power station compared to potential Hydro Tas water pricing, which is to be confirmed.
- Irrigators concerned about accumulating too much cash. TI advised that the preliminary pricing for 2018-19 is expected to use some of this surplus.
- Distributions between the power station and scheme have the effect of 100% of cost and revenue of the power station passing to the scheme.

ACTION: TI to present financial statements for scheme and power station on a single page, similar to the budget.

- Build business pays for 75% of the Corporate Overhead costs, with the remaining 25% shared across Water Delivery. This 25% of Corporate Overheads, and also the Water Delivery (operations) Overheads are allocated to irrigation schemes on the basis of volume (ML) on issue (40%) and the number of customers (41%). Around 19% of the overheads are met by power stations, self-managed schemes, and other infrastructure managed by TI. When the new Scottsdale Power Station comes online, the share for power stations will remain at 15% but will be shared between three (not two) generators.
 - When TI has no more Build projects, the Corporate Overheads will need to drop to a level which reflects the 25% component currently met by the Water Delivery business.
 - All acknowledged the importance of thorough review process for costs allocated to the scheme.
ACTION: TI to query the R&M item for "TC Machine" for around \$7k.
 - Other income for the Midlands Power Station relates to "Avoided TUOS". This is not a budgeted item, as it relates to the demand on TasNetworks' system during the period, and their own avoided costs in accordance with the regulations.
 - Asset renewal fund for the scheme includes the Midlands Power Station. Some HV equipment have long lead times (transformer is 5-6 months and around \$750k). When these assets require replacement, TI will look at less rare replacement options. Some critical spares may be shared with the proposed Scottsdale Power Station.
 - TI is undertaking a review of insurance portfolio, including the levels of cover and whether this is appropriate.
6. Nicola introduced the draft budget and pricing,
- Discussions continuing with Hydro Tasmania regarding a potential 17% increase in water purchase price. Long term aim to review the appropriateness of the Act which entitles Hydro to ownership of all water, and whether TI can access a proportion of this water with no charge. If this benefit is reached, then all of the benefit will be passed to the irrigators with no margin. Irrigators agreed that a lower price, even if this is not \$0, would provide significant benefit.
 - TI confirmed that all generation benefit from Midlands Power Station remains with the scheme.
 - If TI were to pass through the full 17% increase, then the Macquarie charge zone increases by around 275%. Given the strong cash surplus, TI is proposing to hold the floor price at \$5, and fund the deficit from the existing cash balance.
 - Budgeted employee costs are for 170% of FTE, with consideration for the National Employment Rules and the Water Award.

- Significant reduction in overhead allocation due to reduction in costs, mainly employee expenses.
- Fixed charge discount is not included in this budget, irrigators asked if this can be continued and funded from the cash surplus.
ACTION: TI to determine whether there are sufficient funds in the cash balance to continue the fixed charge discount.

Meeting then discussed item 9: Asset Renewal Levy:

9. Asset renewal calculation and Strategic Asset Management Plan (SAMP) have been drafted and can be made available upon request.
 - This includes replacement of 10% of pipeline cost over the life of the scheme, and 50% replacement of the Arthurs Supply Line. The SAMP provides effective lives for the assets which then drives the replacement program for each ARL calculation.
 - Each ARL will be reviewed regularly to take into account actual asset performance, and advances in technology.
 - TI confirmed that these funds are quarantined for each scheme, and that they are not at risk of being reclaimed for another use.
ACTION: TI to confirm interaction between ARL and insurance policies.
ACTION: TI to provide the draft ARL calculation to the committee and arrange a meeting, specifically to discuss the plan.
 - TI noted that the preliminary calculations have indicated that the existing charge of \$9/ML appears to be appropriate.

Meeting then discussed item 7: Timing of fixed charges:

7. Irrigators agreed that creating the invoice on the first day of the season, with the same payment timeframe (January/February) would avoid confusion about who is liable for the charges.
8. Nicola explained that the by-laws are available on the TI website.
ACTION: Circulate a copy of the by-laws with these minutes.

Item 9 was addressed earlier, meeting then discussed item 10: procedure for shut-down of Midlands Power Station:

10. A documented risk and decision matrix would be of benefit to determine what happens if the Midlands Power Station is down for a period of time.
ACTION: TI to work with irrigator committees to prepare a decision matrix/crisis plan which contains rules in different scenarios to guide decisions. This plan to be clearly communicated to all system users, including any pricing or network constraints if the generator is offline.
11. Other business:
 - TI website is being updated, and will include general information such as dam levels and river flows.
 - Nicola gave an update of the Future Irrigation Project which has drawn strong interest from potential irrigators for 10 new schemes. This is resourced with a specific project team, funded by a grant. The funding will dictate any timeframes for construction. More information is expected by the end of this year.