

Tasmanian Irrigation / Irrigator Representative Committee Meeting:

Midlands Irrigation District

Minutes

Date: 1 July 2019 at 10am
Location: Oatlands Council Chamber (courtroom)
Attendees: Andrew Kneebone, Fiona Buckingham, James Hipwood, Anna Graham, Richard Gardner, Charles Dowling, Greg Wilson, Maria Weeding, Jeremy Lovell, Andrew McShane,
Apologies: Julian Von Bibra, Knox Heggarton

1. Previous meeting minutes accepted.

2. Previous meeting actions:

- TI to provide options for improved access to reliable meter data, including cost, to irrigator committee as it becomes available

Have had some testing done in other schemes using Metasphere which is more cost effective than other options.

Richard declared an interest before explaining involvement with development of a telemetry unit which could be a viable alternative. Trials have been done and now ready to roll out – will talk to TI further regarding this.

IRC discussed that potentially not all irrigators need this, with potential funding of the rollout to be offered as a ‘user pays’ add-on, funded from Asset Renewal Levy (ARL), or potentially installed by the irrigators externally of TI. IRC discussion needed before progressed further.

ACTION: TI to progress investigations into telemetry & funding options, and meet with IRC to discuss.

- TI to provide detailed breakdown of Asset Renewal activity with final financial statement, including the location of replacement air valve

Narrative in finance system was not accurate with the system and processes since improved. The previous advice about expenditure relating to an air valve, was actually related to outlet componentry across the scheme.

Full ARL activity since scheme commissioning is available on request.

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

Done

- TI to query the R&M item for TC Machine for around \$7k

Also an inaccurate narrative in the finance system. Expenditure actually related to Regenerate NZ for the servicing of power station runner.

- TI to determine whether there are sufficient funds in the cash balance to continue fixed charge discount

Done.

- TI to confirm interaction between ARL and insurance policies

Detailed insurance review underway. Generally ARL relates to ensuring 100 year life of asset, including refurbishment and replacement due to normal operation. Insurance is relating to insurable events causing damage.

- TI to provide the draft ARL calculation to the committee and arrange meeting specifically to discuss the plan

Not progressed – Andrew to address later in meeting

- Bylaws to be circulated

Done

- 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.

This is specifically around the generator being off line – Asset Management plan still pending so not progressed.

3. Scheme summary:

- *15,257 ML delivered to May, not far from budgeted volume.*
- *Mount Seymour: power quality is a problem. Tas Networks need a good case and evidence before making changes, TI is collecting this evidence. Peak times and power demands on the line appear to be causing issues.*

ACTION: TI to continue to lobby TasNetworks regarding power quality issues at Mt Seymour.

- *IRC asked if VSD failures due to power quality are covered by insurance.*

ACTION: TI to check whether Mt Seymour VSD failures due to power quality are covered by insurance

- **MACQUARIE RIVER**

- *dry spell during summer making delivery difficult – constant monitoring required*
- *cease to take period applied by EMIT, and also for TI irrigators for a limited period of time.*
- *EMIT/TI/Blackman Water need to work together to coordinate the Macquarie River deliveries.*

ACTION: TI to confirm the operating rules (eg cease to take and base flow thresholds) in the Macquarie, to better understand EMIT.

- *IRC agrees scheme operator should not be involved in policing of water takes and that EMIT and Blackman Water are responsible for managing their own flows.*
- *IRC asked whether base flow obligations are being met because if this is not maintained, it will affect delivery of TI water. EMIT is generally obliged to maintain base flows, though TI has made efforts in the past to try to assist with rectifying low flows in the river.*
- *IRC suggest that irrigators need to go to EMIT if not able to access their water.*
- *Frost protection*
 - *Cladding project almost complete, with only 8 outlets still need frost protection installed*
 - *Ideally would like some cover over main line PRV (main line 4/zone 11). This would include insulation and a small shed*
- *Power station maintenance shut down occurred with no issues*
- *Power lines and pole repairs performed on the transmission line funded out of Repairs and Maintenance (not funded out of ARL).*
- *Cable joint failure due to surge with a temporary repair done immediately. Improvement to the installation out of the transformer to transmission line funded from ARL.*
- *General principle is that ARL should pay for scheme enhancements only. Repairs are paid out of repairs and maintenance.*

Unsold water, entitlements sales and trades

KEY NOTES:

- *Some sales pending but not finalised yet*
- *Not a lot of trading value disclosed, with only 21% disclose statewide. IRC agreed that irrigators should be encouraged to disclose the value of trades to further develop trading and the water market.*
- *A water trading platform may be introduced to the Tasmanian market, with TI providing information and support to assist with this proposal. This would enable transparent and independent trading/reporting, and would likely result in some brokers entering the market. Active marketing of unused entitlements would benefit all entitlement holders. Some schemes are not trading much therefore this would hopefully encourage trading.*
- *Discussed that unsold water price is not currently indexed, a principle which is under review.*
- *If price for winter water were reduced to maximise sales, TI needs to consider the underlying debt relating to the unsold water volume. IRC would like to be involved in any discussions regarding the price of unsold water entitlements.*

ACTION: Include the IRC in any discussions regarding the price of unsold water entitlements.

- *IRC suggested option to privatise unsold water has been considered, where the scheme purchases the unsold volume using working capital, then share amongst all irrigators. Irrigators would have the option to trade the volume to irrigators who can best make use within the trading zones where water is deliverable. TI advised that the working capital figure at the end of May seems high, but also includes a committed value which will be used to pay the annual water purchase bill (around \$4million).*
- *IRC suggest introducing a shoulder product which would be priced to reflect the value of such a product (March/April or September dam fill), and then reduce the mid winter water. **ACTION: TI to consider introducing a shoulder product which would be priced to reflect the value of such a product (March/April or September dam fill), and then reduce the mid winter water. Target: August.***
- *Mixed opinions in the IRC about whether a price reduction with winter water should also include compensation for people who purchased water at the higher price. **ACTION: TI to clarify volume of winter water sold at the full price, to quantify the potential value of requested compensation if a reduced price is introduced.***

4. Financial information (to May 2019):

KEY NOTES

- *Admin overheads exceeded budget largely due to expected funding for administrative overheads of the business not being received (\$1million). Admin overheads funded around 25% from the operational business, and the rest funded from Build.*
- *Executive/finance staff movements and need to bring in external support and consultants to cover finance function, redundancies and contract pay outs not covered in budget*
- *Budgets assumed that the three new schemes (Duck, North Esk, Swan) would make a full year contribution to overheads, but were only operational for half of the year.*
- *Operational overheads not budgeted sufficiently, including no budgeted General Manager role. Resulted in no new asset management resources and no progress on asset management planning. General Manager role not replaced when Andrew became Acting CEO, rather filled with existing staff.*
- *TI reviewing the organisational restructure to ensure maximum value/efficiency.*
- *IRC asked whether the scheme could set up their own office and manage within the compliance framework for less (around \$550k for combined scheme and power station). TI is undertaking detailed reviews of significant expenses such as IT and insurance.*
- *Variable recovery of costs (variable revenue + generation revenue, compared to water purchase + electricity costs): 2018-19 pricing included a shortfall to be funded from the scheme's significant working capital balance.*
- *Waiting on pricing to be confirmed by Hydro with the expectation that they will change methodology so that their calculation takes place at the end of June instead of end of April. TI made a suggestion to review generation efficiencies for the Arthurs Lake water purchases,*

which are currently around 1.89 MWh/ML. With the requirement to pump to Great Lake, and physical restrictions on this capacity, the suggestion was to review this to around 1.5 MWh/ML which has not been received enthusiastically by Hydro.

- *Plant and equipment costs: include transmission lines repairs and power station annual service.*
- *No formalised asset management plan in place with the aim to progress asset management this year. Delays due to funding and budget shortfall.*

ACTION: TI to progress development of Asset Management Plans.

- *Other income \$80,000 relates to Avoided TUoS, which is calculated by TasNetworks based on total actual system demand which is why it isn't included in the budget. Other revenue relates to works undertaken for the Department of State Growth.*

5. 2019-20 budgets and draft water pricing:

KEY NOTES:

- *No separate ARL balance for power station as it is included in the fund for the scheme*
- *30 June accounts to be finalised and circulated.*

ACTION: TI to provide full balance sheet for end of financial year

- *Hydro pricing methodology still pending for 2018-19, with discussions also underway for 2019-20*
- *REC sales contract locked in until end of December 2019.*
- *Fixed charges increase but discount still continued, funded from working capital*
- *Based on current Hydro pricing methodology, assuming passing all of the cost through to irrigators, the Variable Charge could increase by up to 600% in the charge zone immediately after the midlands power station (zones A, B & C). This is due to the expected generation revenue being less than the draft Hydro Tas water purchase price. This price is yet to be confirmed.*

ACTION: TI to continue to negotiate with Hydro to try to finalise pricing methodology for 2018-19 and 2019-20.

- *IRC advised would prefer to keep prices low, using working capital to offset increase.*
- *When accurate figures received, TI need to assess this against the actual working capital value. IRC agreed that it is valuable to maintain a safe buffer for working capital, with the level of this to be determined.*

ACTION: TI review the actual working capital value at end of financial year, and assess the viability of reducing the variable charge increase with the shortfall funded from working capital. A safe buffer to maintain in the working capital account to be discussed with the IRC.

6. Draft Irrigator Representative Committee Charter:

Standard charter presented to all schemes. IRC to provide feedback

7. Tranche 3 update:

Funding submission has been done for the first 5 schemes that can get underway quickly and easily. Phase 1 is made up of:

- *Forth/Don*
- *Northern Midlands*
- *Fingal*
- *West Tamar*
- *SWIS augmentation*

Southern Midlands and South East integration are part of Phase 2. These schemes are a lot larger and more complex so will take longer to get mobilised.

Initial interest across Phase 1 has increased considerably since initial EOs.

8. Hydro TAS pricing methodology update and exposure to renewable certificate prices

Discussed earlier in the meeting.

With the reductions in the REC prices, and the reliance on these to mitigate water purchase price, need to better understand exposure for pricing increases.

ACTION: TI to investigate exposure to REC prices for the scheme, once Hydro pricing methodology has been confirmed.