

Chairman's report

Friday 21 March 2014



Murray Irrigation

This is the Chairman's report, distributed following a meeting of the Murray Irrigation Board of Directors yesterday.

Meeting with Minister for Primary Industries, Katrina Hodgkinson

I recently met with the NSW Minister for Primary Industries, Katrina Hodgkinson. This meeting was an opportunity to both thank the Minister for her government's position in relation to the Murray-Darling Basin Plan and to reinforce the importance of achieving measurable efficiency improvements to offset the impact of the Plan's implementation. I discussed the importance of projects being considered by NSW for the Menindee Lakes system, and the 650GL of offsets, emphasising the only meaningful way to minimise the negative impacts of the Murray-Darling Basin Plan on the company, our shareholders and the region is to achieve genuine offsets.

Since this meeting I have requested the Minister detail how we will be involved in NSW projects to achieve water savings and I have again raised concerns about the NSW Office of Water (NOW) charges for shallow groundwater users.

Customer meetings

Thank you to those customers who attended our recent round of meetings and for the valuable feedback provided. I am pleased with the increase in attendance this year compared to last year and welcome the positive feedback received about the meetings. There were some common themes which the company is looking to address, issues frequently identified included: the timeliness of our PIIOP consultation process; better understanding of our Outlet and Meter Strategy; and changes to *Water Ordering* in particular ready access to estimated volume remaining and being able to change crop type for an operating order. We also heard about the need to identify opportunities to streamline our permanent trade processes and the reliability of telecommunications and access to reliable mobile and internet services. We received positive feedback on customer service from both our Water Distribution and Water Trade teams which is pleasing to hear.

Water efficiency allocation

After assessing the volume available to the company, it was agreed the company is not in a position to make an additional efficiency allocation. The April Board meeting will be the next opportunity to evaluate whether the company has sufficient water to increase the efficiency allocation.

2014/15 budget

The Board confirmed its assumptions for the 2014/15 budget. The budget is being developed assuming: deliveries of 600GL; inflation of 2.5 percent; the ACCC draft determination for State Water plus an assessment of MDBA costs; the current fees and prices structure including the 10 percent discount for on-time payment; and the casual use fee to apply on use above 120 percent of delivery entitlements.

Whilst the NOW outlook released on 17 March indicated starting allocations of zero for NSW Murray General Security if dry conditions continue, this situation is not unusual, with improvements always reliant on catchment rainfall and inflows. On a positive note NOW indicated starting allocations for High Security for the NSW Murray and Murrumbidgee are 97 and 95 percent respectively and carryover of up to 50 percent of General Security entitlement in the NSW Murray will be available. Therefore, at this point, the Board is confident in assuming 600GL for deliveries in 2014/15 is reasonable.

Private Irrigation Infrastructure Operators Program (PIIOP)

The Board discussed at length the challenges our PIIOP rollout confronts in meeting our targets for outlet and regulator reductions. A key focus of the Board's effort is using the experiences of the first 12 months of PIIOP implementation to refine the PIIOP budget, including forecasts for outlet and regulator rationalisations.

I cannot stress enough the importance of the successful implementation of our PIIOP program which is critical to the company's capacity to control its costs into the future - both capital and operation and maintenance costs. Our recent experience in the Yallakool Pilot, and also in Divisions 3 and 8 around Finley, indicates targets for reducing our infrastructure may not be met, with potential impacts on the PIIOP budget and potentially future costs to customers. These are important issues which your Board is grappling with as we strive to achieve equity whilst at the same time control costs and minimise the potential for investment in unused or under-utilised infrastructure. I anticipate further refinement of our Outlet and Meter Strategy over time as your Board works through these issues.

As always, your Board encourages your constructive engagement in PIIOP, as we all have to roll to play in its success.

Bruce Simpson, Chairman