

Chairman's report

Friday 19 February 2016



Murray Irrigation

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

Water efficiency allocation

The Board yesterday agreed to make a **water efficiency allocation of three percent (3%)** of permanent delivery entitlements, excluding Class A (Town Water Supply) and domestic supply agreement customers. This efficiency allocation provides customers with an additional 33GL (approximately) and was made possible because of conveyance savings from pro-active operational efficiencies over the year. I would like to acknowledge the efforts of our Customer Operations team for their good work over the summer period, balancing deliveries with modified channel operations to ensure water was delivered efficiently in a low allocation season.

The additional three percent brings the total water efficiency allocation to six percent for the 2015/16 irrigation season. This disbursement creates value for our customers, in particular our Delivery Entitlement holders whose accounts are up to date, and I am confident it will be welcome news given the price of water in the market today.

Engagement with the Murray Group

Murray Irrigation has recently engaged with the Murray Group to ensure our local communities have a united voice. The Murray Group represents regional food producing communities across the Murray region of southern NSW. It also includes representatives from Southern Riverina Irrigators (SRI) and Murray Valley Private Diverters (MVPD).

The Board sees it as a priority that local communities and representative groups align our efforts to ensure we can find solutions for issues relevant to the Murray region. The Murray Group aims to work with governments and agencies to provide solutions that achieve genuine 'triple bottom line' outcomes which effectively balance environmental, social and economic imperatives associated with implementation of the Murray-Darling Basin Plan.

Victorian Murray stakeholders

Murray Irrigation has initiated discussions with key irrigation stakeholders in Victoria. There's no doubt that communities on both sides of the Murray River are being impacted by the Murray-Darling Basin Plan. It is therefore extremely important that we take a united approach to ensure we achieve sustainability in food production and vibrant regional communities in conjunction with the environmental objectives of the plan.

Half year results

The Board received yesterday an update on the company's half year financial results. I am pleased to report that we are on track to achieving our financial goals for 2015/16. Costs are significantly down on last year, even with a low water allocation year, and there are more initiatives using the price, volume and cost levers of the business for the second half. It is clear that our CEO, Michael Renehan, has introduced some strong financial disciplines which are being implemented across the business.

PIIOP project

Murray Irrigation has reviewed the roll-out of its Private Irrigation Infrastructure Operators Program (PIIOP) project to ensure both the company and our customers' farm businesses achieve an acceptable return on investment. We have reprioritised the roll-out of the PIIOP project to minimise overcapitalisation and maximise utilisation and to avoid having stranded assets. Customers are being encouraged to think about how they connect to our network and consider possible opportunities for connection reconfigurations where there is mutual benefit. Reconfiguration is a key driver of benefit to the future footprint of Murray Irrigation. Ten reconfiguration deeds have already been executed with three projects completed. A further 25 projects are being negotiated with customers.

Snowy Advance

As many of our customers will now know, Murray Irrigation is currently negotiating a potential advance of water from Snowy Hydro in the water year 2016/17. Final details are still being negotiated and the deal is contingent on government approvals, but a tentative timeline is to conclude contract negotiations by the end of March. Next week, more details on the pricing and payback will be released to the market to allow potential participants time to better understand the offer. The company will then frame an offer to customers with expressions of interest called in early April 2016.

Payback clauses in this potential advance differ to previous deals with Snowy Hydro. This time round there is no fixed repayment date and no rollover fees or ongoing charges. Instead, participating individuals commit to repay from their water account commencing once future NSW Murray water allocations hit a certain allocation trigger. For full details, I encourage customers to read the Frequently Asked Questions document which is available in the 'Current activities' section of our website: www.murrayirrigation.com.au. If you have any further questions, please contact reception on T. 1300 138 265.