

Snowy advance 2016/17



Murray Irrigation

Updated Friday 8 July 2016

Frequently asked questions

This information sheet has been prepared to provide customers and shareholders with information about the 2016/17 Snowy Advance project.

Murray Irrigation is aware that there will be many more questions. If your question is not answered within this document, please contact reception on T. 1300 138 265 or email snowy.advance@murrayirrigation.com.au.

Has regulatory approval for the Snowy Advance been received?

Yes. Regulatory approval for the 2016/17 Snowy Advance project was received on Thursday 22 June 2016.

The final Deed was signed by all parties late June.

I had applied for an option during the Advance application process. When will I know the volume I have been granted?

Murray Irrigation has started issuing participating customers an 'options notice' detailing their granted volume. Customers will receive the full allocation they have applied for, and are eligible for, through the advance application process. If you do not receive an 'options notice' by 15 July call T. 1300 138 265.

How do I exercise my volume?

Your granted option volume will be available for exercise after 1 July 2016. Details on how you can exercise your granted option volume is available via the 'Snowy Advance' section of our website. Your granted option volume must be exercised by 5.00pm on Monday 1 August 2016.

When will the Snowy water be available?

The exercise closing date will be on Monday 1 August 2016. Customer allocation accounts will be credited on or about Wednesday 17 August 2016.

Will I receive a tax invoice for my Snowy Advance payments?

Yes. Murray Irrigation will be sending out tax invoices to customers once option notices have been finalised.

Customers will be separately invoiced for their exercise payment. Customers will need to pay their exercise invoice separately to their normal quarterly bills.

The full exercise amount is to be paid to Murray Irrigation by 5.00pm on Friday 5 August 2016.

I was not involved in the original Advance application process. Can I still take part?

No. Applications for participation in the Snowy Advance project closed on Friday 13 May 2016.

I no longer wish to exercise the volume I have applied for. Do I still have to take part in the project?

No. Participants do not have to take the volume they have optioned if they subsequently decide they do not want or need it. However, the option fee is non-refundable (in accordance with the Terms and Conditions).

The option volume will be available for exercise after 1 July 2016 but individuals do not have to exercise their right to that volume and no exercise fee will be charged if they elect not to exercise their options.

I no longer require the full volume I applied for. Can I exercise part of the volume I have been granted?

Yes. Applicants can choose to exercise all, some or none of the volume they have optioned for. Keep in mind that the option fee is non-refundable (in accordance with the Terms and Conditions). You will only pay for the volume you exercise (\$39 per ML). The remaining volume will be forfeit and no further fees charged.

Snowy advance 2016/17



Murray Irrigation

Updated Friday 8 July 2016

Can the water be transferred between landholdings?

Yes – within Murray Irrigation only. But the repayment obligation will remain with the landholding account stated on the application. It is up to customers to ensure they manage their accounts to comply with repayment conditions.

Can the water be traded?

No. A condition of shareholders participating in the advance is that the volume exercised through this advance is used on-farm.

Murray Irrigation will monitor a customer's water use on the nominated landholding. As long as the volume advanced is used by that customer through their Murray Irrigation outlet (metered) we consider that use of the advanced volume. Failure for the customer to either have the water in their account or have used it through their farm outlet would be considered a breach of the Terms and Conditions.

Can Water Entitlements, Delivery Entitlements and/or landholdings be sold by shareholders participating in the Snowy Advance project?

Snowy advances are not secured against the applicant's landholding. Accordingly, the obligation to repay a Snowy advance does not pass automatically to the buyer when a borrower sells their landholding.

- For Water Entitlement applicants, Snowy advances are tied to the number of their water entitlements which are secured by Murray Irrigation under the Snowy Advance *Terms and Conditions*. Water Entitlement applicants may not transfer their secured Water Entitlements unless they first repay their Snowy advance in full, or the buyer agrees to assume the burden of repaying the Snowy advance (with Murray Irrigation's prior consent).
- For Delivery Entitlement applicants, Snowy advances are not tied to their Water Entitlements, Delivery Entitlements or landholdings. If a Delivery Entitlement applicant wishes to sell their Water Entitlements, Delivery Entitlements or landholding, it is likely that they will seek to have the buyer assume their Snowy Advance debt too. Before Murray Irrigation will consent to the buyer assuming the Snowy advance, the buyer will need to provide a form of security that is acceptable to Murray Irrigation.

How will the advance be paid back?

Unlike previous 'borrows', there will be no roll-over fee or specific repayment date associated with this agreement.

Murray Irrigation has developed a schedule for repayments with Snowy Hydro commencing when NSW Murray General Security announced allocation reaches 40 percent.

For customers using Water Entitlements as security, their account may remain at 40 percent allocation until their own advance volume is repaid. This is only the case if the customer has advanced the full 25 percent - anything lower than 25 percent will mean that their account will increase by the difference.

For customers using Delivery Entitlements as security, they will be required to transfer 25 percent of their advanced volume into Murray Irrigation's nominated Snowy Account when allocations reach 40, 50, 60 and 70 percent. There will be a four-day window for customers to payback, once allocation reaches each trigger level.

In the event the full volume is not repaid in the first water year, the repayment trigger will be reset to 40 percent and repayments will recommence as described above in the new water year, until such time as the individual's full volume is repaid.

Snowy advance 2016/17



Murray Irrigation

Updated Friday 8 July 2016

Schedule of repayments – WE security

General Security Available Water Determination	Repayment of Exercise Volume
< 40%	0%
40%	2.5%
41%	5%
42%	7.5%
43%	10%
44%	12.5%
45%	15%
46%	17.5%
47%	20%
48%	22.5%
49%	25%
50%	27.5%
51%	30%
52%	32.5%
53%	35%
54%	37.5%
55%	40%
56%	42.5%
57%	45%
58%	47.5%
59%	50%
60%	52.5%
61%	55%
62%	57.5%
63%	60%
64%	62.5%
65%	65%
66%	67.5%
67%	70%
68%	72.5%
69%	75%
70%	77.5%
71%	80%
72%	82.5%
73%	85%
74%	87.5%
75%	90%
76%	92.5%
77%	95%
78%	97.5%
79%	100%

Schedule of repayments – DE security

General Security Available Water Determination	Repayment of Exercise Volume
< 40%	0%
40%	25%
50%	50%
60%	75%
70%	100%

Snowy advance 2016/17



Murray Irrigation

Updated Friday 8 July 2016

What happens if allocations don't reach the trigger point and the volume is not repaid?

If allocations fail to reach the point where the full volume is repaid, that debt will be automatically carried over to the next water year and the trigger allocation will reset.

There is also provision for an early payback to provide participants with flexibility to manage their repayments to suit their business requirements. Individuals will be able to repay the volume early by transferring volume into Murray Irrigation's nominated Snowy Account.

Are there any ongoing fees?

No. There is only a one-off option fee and a one-off exercise fee for delivery of the exercised volume. There will be no ongoing fees, even if the volume is repaid over a number of years in the event of ongoing low allocations.

Will it affect carryover?

No. From an account perspective, this volume will be treated in the same way as a temporary purchase. It is up to the individual to manage their own allocation and carryover accounts. If a participant has water remaining in their allocation account at the end of 2016/17, the usual carryover rules apply.

Why is it an advance and not a buy?

Snowy Hydro does not own any water and therefore has no water to sell.

The product is effectively an advance of a future water allocation and therefore must be paid back by participants according to a schedule once NSW Murray General Security announced allocations reach 40 percent.

How will this affect allocations?

There will be no impact to announced allocations for water users who do not participate, nor to the entitlement or reliability of entitlement for water holders in other jurisdictions.

The advance will be released from 'above target' water and will therefore not impact on required annual releases in the water year 2016/17. Those who choose not to participate will not be impacted by this arrangement.

If it is an advance, why do I have to pay?

You are paying for a right (option) but not the obligation to an advance of water at a predetermined exercise price. You are paying for Snowy Hydro's opportunity cost as a result of locking in a fixed and higher generation position during the 2016/17 water year.

Will future efficiency allocations trigger repayment of Snowy Advance debt?

No. Repayment of Snowy Advance debt is based entirely on announced allocations. Efficiency allocations will have no effect on repayment triggers.

Will future efficiency allocations be used to pay off Snowy Advance debt?

No. Future efficiency allocations will not be used by Murray Irrigation to service a customer's Snowy Advance debt, unless a Delivery Entitlement holder defaults on a repayment and their security is insufficient to meet the outstanding debt.