



## Murray Irrigation

Monday 19 June 2017

Dear Customer,

### **Subject: Fees and Prices Schedule 2017/18 and Information Statement**

I am pleased to announce that Murray Irrigation water delivery charges **will remain unchanged** at current levels.

The Board met on Thursday 15 June 2017 when a key outcome was the approval of a three-year budget and a strategic roadmap for the company's approach to fees and pricing, capital and operational expenditure, as well as cost saving measures to 2020.

The Board acknowledged that after a lot of hard work, the company was now close to breakeven at the 650GL water delivery benchmark. The Board wants water delivery charges kept as low as possible to encourage the use of water in our system and to ensure landholders can be competitive in the water market.

The Board also recognised that the company's capital reserves had been historically under-funded and that it was important to maintain a prudent level. In that context, a 15 percent increase will be applied to the fixed asset component of fees incorporating the Asset Management Renewal Reserve (AMRR) portion of the Delivery Entitlement (DE) fee and the outlet fee.

To ensure the company focuses on its water delivery role, the Board also approved a change to its operating model. More information on the change will be available in the coming months, but in summary, the changes will create a greater level of accountability and efficiency by separating the company's principal activities into three separate entities – *water delivery*, *asset management* and *investment*.

### **Summary of changes to the Fees and Prices Schedule:**

- Change to business operating model
- Asset operator (water delivery):
  - Fixed and variable usage charges will remain unchanged at 2016/17 levels
  - Government charges have changed quite significantly after the recent IPART determination (note these are pass-through charges). A more detailed analysis will be provided in coming weeks.
- Asset management:
  - DE-AMRR fee increase by 60 cents
  - Outlet fee will be allocated to AMRR and will increase by 15 percent
- Removal of early payment discount

These changes support the company's core function - to deliver water efficiently and effectively to irrigators. As we enter the final and most critical stage of PIOP Round 2, a concurrent primary focus needs to be identifying steps that we can take to assist irrigators leverage the benefits of this new infrastructure. The pricing changes enclosed reflect a move towards encouraging the usage of water in our system and properly funding the condition of company assets through its capital reserves.

Yours sincerely,

**Bruce Simpson, Chairman**

**Enclosed:** Information Statement and Fees and Prices Schedule 2017/18 (Annexure A to the Fees and Prices Policy). The Fees and Prices are effective from 1 July 2017.