



Trim Ref: TRF/2539

Monday 20 August 2012

Dear Customer

Subject: Review of Murray Irrigation's 2012-2017 Network Service Plan

Murray Irrigation provided you with a copy of its 2012-2017 Network Service Plan (NSP) at the end of May 2012. Murray Irrigation is required by the *Water Charge (Infrastructure) Rules 2010* (the Rules) to develop an NSP that provides information regarding plans for expenditure and services, and includes forecast fees and prices for the five financial years from 2012/13 to 2016/17 inclusive. The Rules also involve an independent review of the NSP funded by the Australian Competition and Consumer Commission (ACCC).

Deloitte, in conjunction with Aurecon, was engaged by the ACCC to complete the review.

Deloitte has completed its review and a copy of both the full final report and summary report are available from Murray Irrigation's website www.murrayirrigation.com.au – click on *Customers* and then on *Fees and prices* to view the reports.

Deloitte concluded that Murray Irrigation's NSP is generally prudent and efficient and represents a sound set of forecasts based on a well-defined strategic direction.

Deloitte suggested Murray Irrigation undertake hydrological modelling to inform planning decisions about the volume of future seasons' water sales. Murray Irrigation acknowledges that annual water sales over the life of the NSP may exceed the assumed annual average sales of 500GL however, with the memory of the drought still looming large, Murray Irrigation is happy with its current planning base of 500GL average water annual deliveries over the five year life of the NSP.

Further Murray Irrigation's fees and prices are set annually taking into account the outlook for the forthcoming water year. Murray Irrigation considers its annual delivery forecasting is sufficient to ensure its annual planning and fees and prices setting process is robust and therefore don't believe that investment in the recommended hydrological modelling is commercially justified.

Deloitte has also suggested there is potential for Murray Irrigation to reduce its fees and prices in real terms over the life of the NSP, i.e. Deloitte has concluded it is not necessary to increase fees and prices by CPI each year as proposed in the NSP. The Board in setting its annual fees and prices during the life of the 2012-2017 NSP will consider opportunities to reduce fees in real terms.

Deloitte supports the concept of tiered variable fees, however, it did suggest that the differences between the three tiers of government fees are too large. At the August 2012 Board meeting it was agreed that Murray Irrigation would review its fees and prices structure over the coming months, with the outcomes of this review to form part of the budget and fees and prices setting process for 2013/14. More details about this review and opportunities for customer input to the review will be made available in due course.

The Murray Irrigation Board of Directors has considered the Deloitte report and decided not to alter the NSP or make changes to 2012/13 fees and prices.

If you require further information regarding this matter please contact Murray Irrigation reception on T. 03 5898 3300.

Yours sincerely

Anthony Couroupis
General Manager