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# Proposed Southern Forests Irrigation Scheme

## Offer Document for Water Sales to Members of SF Irrigation Co-operative Ltd

Version 4.2

This document should be read in conjunction with the registered rules of the SF Co-operative Limited.

Any Western Australian legislation and SF Co-operative Limited contracts or rules relevant to the Proposed Scheme shall prevail over the general information provided in this document to the extent of any inconsistency.

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## 1. Overview of the Southern Forest Irrigation Scheme

The Southern Forest Irrigation Scheme has been proposed for the Manjimup – Pemberton area in south-west Western Australia (**the Proposed Scheme**). The Proposed Scheme will comprise a 15GL dam located on Record Brook and a pipeline distribution network that will supply water to irrigators who have purchased a water entitlement for the Proposed Scheme. Water for the Proposed Scheme will be supplied from peak flows that are over and above the environmental flow requirements of the Donnelly River and will be of high quality and reliability. The Proposed Scheme will underpin current agricultural production and fuel growth and investment in one of the most significant horticultural areas in the southern half of the State.

Working with local stakeholders, the Proposed Scheme has identified new water supply options as well as increased availability by improving current water use efficiency. This will create a whole-of-region approach to commercial water security for existing producers and open the door for developing new irrigated areas within the Proposed Scheme's reach. Benefits to the region will include increased investment, a strengthened economy and the creation of sustainable employment opportunities.

### The SF Irrigation Co-operative Ltd

To facilitate the development of the Proposed Scheme, a co-operative, SF Irrigation Co-operative Ltd, (**SFIC**) has been established and registered under the *Co-operatives Act 2009 (WA)*. SFIC has been set up to be owned and controlled by the Proposed Scheme's water users. Upon confirming the development of the Proposed Scheme, SFIC will be responsible for establishing and operating approximately 250 km of pipeline as custodians of the network assets and selling water entitlements to members of SFIC.

SFIC is guided by an interim board of directors (**SFIC Board**) with a management team to be established in future to deliver and operate the water sales and distribution component of the Proposed Scheme. Contact details for the members of the SFIC Board are set out in Annexure A.

### State and Federal Government Funding

The Western Australian Government, through the Department of Primary Industries and Regional Development (**DPIRD**), is working together with SFIC to deliver this once in a life time opportunity for the region. The State Government has committed \$19 million to the Proposed Scheme and additional funding is being sought from the Federal Government, with a decision expected in early 2018 <sup>1</sup>.

A total of \$17.5 million has been included in the State Government's Forward Estimates for the Proposed Scheme with SFIC to raise approximately \$12 million through water sales as the irrigators' contribution to the Proposed Scheme. The total capital cost of the Proposed Scheme is estimated at approximately \$79.4 million with the balance of funding (referred to in this document as public funding) being sought through the federal government's National Water Infrastructure Development Fund (**NWIDF**).

The State Government has either commissioned or undertaken reports from which information was drawn to formulate a business case for the Proposed Scheme. Further information will be made available upon request. In addition, SFIC and DPIRD will hold workshops for members in Manjimup and Pemberton in February 2018 (dates to be confirmed).

SFIC, in conjunction with the State Government, is undertaking initial planning with a threshold level of industry commitment needed to allow the Proposed Scheme to proceed.

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<sup>1</sup> <https://www.mediastatements.wa.gov.au/Pages/McGowan/2017/07/Securing-fresh-water-supplies-for-growers-in-WAs-South-West.aspx>

and <https://www.mediastatements.wa.gov.au/Pages/McGowan/2017/12/Scheme-to-secure-Southern-Forests-water.aspx>

## Reason for the offer

Between January and March 2016 interested land holders in the area were requested to express their interest in purchasing irrigation water through a letter of intent process. The Proposed Scheme received overwhelming support from local growers through that process<sup>2</sup>. The letter of intent process also allowed for project planners to receive invaluable information that allowed for the development of conceptual plan, costings and business case for the Proposed Scheme based on information available at that time.

Following on from the letter of intent process, SFIC is now asking land holders to become members of SFIC and to enter into binding water entitlements agreements to allow for the Proposed Scheme to progress. Minimum water sales of 6,465 ML are required under the business case for the Federal Government to allocate funds to this project following the finalisation of the design, approvals and tendering.

## 2. Important Information

### Legislative environment

In Australia, water is managed by each state and territory in accordance with the Inter-Governmental Agreement on a National Water Initiative (NWI). In Western Australia, the Department of Water and Environmental Regulation assists the Minister for Water in administering relevant legislation associated with managing Western Australia's water resources, including the *Rights in Water Irrigation Act 1914 (WA) (RIWI Act)* and the *Water Services Act 2012 (WA) (WS Act)*.

SFIC will apply for a water licence under the RIWI Act from the Department of Water and Environmental Regulation (DWER) and the rights arising under the water licence (or an agreement deriving from the water licence) will be broken into individual shares and issued as water entitlements to individual members of SFIC.

Water entitlements are transferable and separate from land. The irrigation networks to be developed, owned and operated by SFIC will grant water entitlements to SFIC members as the basis under which members will access water from the Proposed Scheme.

An exemption from the requirement to hold a water services licence under the WS Act, granted by the Minister for Water under the WS Act, currently applies to SFIC in relation to certain irrigation and water supply services. If SFIC considers that it is in the members' interests to do so, it may apply for a water services licence under the WS Act.

### Water entitlements

A water entitlement is an agreement between SFIC and a member of SFIC that sets out the terms and conditions on which the member will be given an annual water allocation that the Member can draw from the Proposed Scheme.

It should be noted however that each member of SFIC bears the risk of any shortage of water arising from unanticipated climate changes or other natural causes.

### Reliability assessment approach

DWER (former Department of Water function) has undertaken various scenario modelling assessments as to the reliability of the water supply. The assessment was undertaken in a two-step process. Initially, a hydrological model of the Donnelly River was created to determine the streamflow volumes at the Donnelly Pump Station. Secondly, a water balance model of the storage dam on Record Brook was used to determine the reliability of supply for the scheme.

The hydrological model of the Donnelly River replicates the rainfall to streamflow response for the Donnelly River

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<sup>2</sup> <https://www.mediastatements.wa.gov.au/Pages/Barnett/2016/04/Overwhelming-support-for-Southern-Forests-irrigation-scheme.aspx>

catchment and provides estimates of change in streamflow caused by a reduction in rainfall or an increase in evaporation. The model is calibrated to monitored streamflow data at the Strickland gauging station, located downstream from the proposed pump point.

The future climate scenarios analysed by the DWER follow the recommendations in the Selection of future climate projections for Western Australia (Department of Water 2015) report<sup>3</sup> and draws on information from the Intergovernmental Panel on Climate Change (IPCC) 5th assessment report (IPCC 2013)<sup>4</sup>.

Three future climate scenarios were assessed as 'wet', 'median' and 'dry' future. The 'wet', 'median' and 'dry' scenarios correspond to the 90th, 50th and 10th percentile of 48 Global Circulation Models (GCMs) based on change in mean annual rainfall. Streamflow at the proposed pump point was modelled under the various climate scenarios. Using this data, a preliminary estimate of the pumped volume was determined using a maximum extraction rate of 200ML/day and the pumping regime estimated to maintain environmental values.

To account for the annual variability of water obtained from the Donnelly Pump Station, additional water needs to be stored in high flow years to mitigate low pump volumes in dry years. To determine the storage volume and required size for the Record Brook dam a water balance model was created.

A water balance model of the Record Brook dam compared the water inputs into the reservoir (inflows, pumped inflows and rainfall) against the water outputs (evaporation and demand). The water balance model provides estimates on the shortfall in captured water and the required water to be carried over from year to year to prevent limited supplies. The modelling worked conducted by DWER meets the 95% reliability criteria for the 'median' 2030 climate scenarios. As the demand from the reservoir was modelled on a 10GL extraction over summer, which is more than summer water being offered, it serves as a worst case demand scenario to assess the reliability of supply.

The SFIC Board acknowledges the need for water security and the need to develop a range of mitigation strategies to manage any periods of water shortage in any given year. It should be noted that while DWER's modelling supports a 95% reliability, it is a figure that is subject to change and can vary from year to year. It should be acknowledged that the reliability of any entitlement granted by SFIC may change over time and each member of SFIC bears the risk of any reduction in the reliability of their entitlement that is caused by unanticipated climate change or other natural causes. This change may be reflected in seasonal announcements on availability made by SFIC.

Statistically, over a 100 year period, this can mean that a member of SFIC will be provided with a full annual allocation for 95 years (and zero allocation for the remaining 5 years) or 95% of a member's allocation year on year provided the climate conditions remain consistent with those used to design the Proposed Scheme. While any individual case will lie somewhere in between, it is understood that DWER's modelling outputs report where a full allocation is provided (that correlates to 95% of the time) and quantifies the volumes and instances of when this is not met.

Each 12-month period will have a Winter Irrigation Season and a Summer Irrigation Season. The periods of the Winter and Summer Irrigation Seasons will be determined annually by the Board of SFIC. The current pipeline infrastructure has been designed to provide the Summer Irrigation Season of 180-days duration and a Winter Irrigation Season of 150-days duration.

The length of the season considers a range of matters including the size of the pipe, pumping and flow requirements, capital and operational costs. It is intended to supply water evenly through the irrigation season so as to work within the flow capacity of the pipe network. Water customers will need to be aware of this requirement and have capability to take water from the scheme for the duration of the irrigation season and avoid usage peaks. The SFIC Board is aware that this may not be practical for some customers, particularly those who only require "top up" toward the end of the season, and is looking at a range of solutions that do not significantly impact on the capital cost.

It should be noted that the reliability assessment and environmental flow worked conducted by the DWER was preliminary in nature. The reliability of water and/or potential yield available to the Proposed Scheme, and the pumping

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<sup>3</sup> [http://www.water.wa.gov.au/\\_data/assets/pdf\\_file/0010/8686/109300.pdf](http://www.water.wa.gov.au/_data/assets/pdf_file/0010/8686/109300.pdf)

<sup>4</sup> <https://www.ipcc.ch/report/ar5/wg1/>

regime estimated to maintain environmental values, will be confirmed through further assessments being undertaken by the DWER.

### Term of water entitlements

The term of the water entitlements issued in the irrigation area will be aligned with the term of the water licence to be issued by DWER to SFIC under the RIWI Act which will underpin the irrigation area's supply.

The initial term of the water licence will be for 10 years with provision for multiple licence renewals. SFIC will use its best endeavours to seek to extend the water licence and will extend the term of a water entitlement to correspond with the water licence.

### 3. Details of Offer

Volume offered	Flow rate	Price
Summer (180 days) - 6,300 ML	1 ML = 0.0055 ML/day	\$1,400/ML (exc. GST)
Winter (150 days) – 2,935 ML	1 ML = 0.0067 ML/day	\$1,000/ML (exc. GST)
<b>Purchase volumes</b>	Volumes of no less than 10 ML and multiples of 5 ML in any combination of Summer and Winter Irrigation Water	
<b>Deposit payable</b>	10% (2% on application and 8% on notification of public funding commitment) - obligation to complete purchase is binding	
<b>Settlement</b>	Balance within 28 days after notification of commissioning (near completion of construction) of the Proposed Scheme	
<b>Close of offer period</b>	12.00 noon, Wednesday, 28 February 2018	
<b>Eligibility</b>	This offer is open to land holders who are eligible to and do become members of SFIC	

#### Volume offered

SFIC is expecting to have available for members, 9,235 ML of water entitlements in the Proposed Scheme of which 6,300 ML is for the nominal 180-day Summer Irrigation Season and 2,935 ML for the nominal Winter Irrigation Season. The price of water entitlements is \$1,400/ML (exc. GST) for Summer Irrigation Water and \$1,000/ML (exc. GST) for Winter Irrigation Water with minimum purchases in any Seasonal Water combination of 10 ML with increments in multiples of 5 ML.

For every 1 ML of Summer Entitlement purchased, a volume entitlement of 1 ML and a summer delivery right with a flow rate entitlement of 0.0055 ML/day will be issued on completion i.e. 28 days after notification of commissioning (near completion of construction) of the Proposed Scheme. The flow rate conversion is based on a 180-day delivery period.

For every 1 ML of Winter Entitlement purchased, a volume entitlement of 1 ML and a winter delivery right with a flow rate entitlement of 0.0067 ML/day will be issued on completion i.e. 28 days after notification of commissioning (near completion of construction) of the Proposed Scheme. The flow rate conversion is based on a 150-day delivery period.

#### Deposit payable

A member of SFIC will be required to secure their water entitlement by making a 10% deposit of the water entitlement cost (2% deposit payable upon application and 8% deposit on notification that the Proposed Scheme has received the required public funding commitment). The member is legally required to complete the purchase of the water entitlement.

Completion of the purchase of water entitlements is to occur within 28 days after commissioning (near completion of



construction) of the Proposed Scheme as notified in writing by SFIC.

### Eligibility

This offer is open to anyone that is eligible and is accepted for membership of SFIC. To qualify for membership of SFIC, you must be a “Land Holder”, as defined in the SFIC’s registered rules.

The SFIC’s Co-operative Rules are annexed to, and form part of, the Conditional Water Entitlement Agreement.

### Estimate of ongoing costs

The text in this section is now replaced with “Annexure B – Water entitlements and ongoing charges” on p 15.

## 4. Details of the Application

To apply for a water entitlement during this offer period, the respective applications must be lodged by no later than **12.00 noon, Wednesday, 28 February 2018**. A deposit (2% instalment) is payable within 14 days of the SFIC member being advised by SFIC that the Conditional Water Entitlement Agreement has been executed.

Application forms may be lodged at Department of Primary Industries and Regional Development (former Department of Agriculture and Food) by hand delivery to 28527 South West Highway, Manjimup WA or by post to Locked Bag 7, Manjimup, WA 6258.

Applications made during this offer period are an irrevocable application for membership of the SFIC and offer to enter into a contract with the SFIC for the purchase of a water entitlement, subject to the application for membership being accepted by the SFIC.

The details to be provided in the applications include the following.

### Details of the applicant

To be accepted, applications need to be in the legal name of an entity that meets the eligibility requirements for membership of the SFIC.

### Qualifying land

To qualify for this offer, details of the parcel of land in respect to which an application is made must be provided.

The qualifying land must include all land that is adjoining and operated as the same business, notwithstanding the underlying title ownership of the land.

Land may be considered adjoining by the SFIC even if intersected by a road, railway or any other land unless the effect of the intersection is to practically sever it for operational purposes. Clarification as to whether land is adjoining can be provided by the SFIC upon request.

Applications for more than one non-adjoining parcel of land must be made in separate applications.

At the time an application is made, or during the acceptance process, an applicant must establish that they are the owner or occupier of the qualifying land or that they have legal access to that land.

### Preliminary supply point

Each application must describe one preliminary Supply Point, being the point at which the applicant wishes to draw water from the Proposed Scheme. This is usually at the boundary of the property unless the pipeline runs through the property and must minimise the overall length of the scheme pipeline.

A preliminary Supply Point is best described by specifying geographic coordinates (i.e. easting and northing coordinate), although it can also be described in words or by marking a point on a map of suitable resolution. The SFIC can assist with the identification of geographic coordinates upon request.

The preliminary Supply Point is also an important element of the application as it will be used to determine the ultimate location of the Supply Point to be installed as part of the Proposed Scheme design and directly affects the cost of the capital cost of the Proposed Scheme.

If an application is accepted, and subject to the Proposed Scheme design, the SFIC will do everything it reasonably can do to build a connection to the Proposed Scheme within 50 metres of the preliminary Supply Point nominated by the applicant.

### Requested volume

This is the amount of water entitlements (expressed in ML/annum units) that an applicant wishes to purchase and for which Season, either Summer and/or Winter, the applicant wishes to draw water from the Proposed Scheme. The minimum aggregate purchase is 10 ML with further increments in units of 5 ML.

## 5. Acceptance Process

An offer to purchase does not constitute an acceptance that water is able to be supplied to a given property or landholder. After the close of the offer period, the SFIC will assess all applications for compatibility with the aims, terms and conditions of the Proposed Scheme. Non-complying applications may be rejected.

As part of the assessment process, the SFIC will endeavour to satisfy as many applications as possible subject to the capital budget, operating costs and approval constraints. This process may involve a Proposed Scheme design review. Once the Proposed Scheme design has been confirmed, all applicants will be advised of the outcome. If oversubscription occurs, the SFIC will make a determination on the forward steps, which may include termination of the sale and undertake a competitive sales process, pro-rata applications, re-engineering design or other.

An application will only be included in the allocation process if the SFIC is able to accept the preliminary Supply Point specified in the application on the basis that water can be supplied in close proximity to that point. If a preliminary Supply Point cannot be accepted, the applicant will have an opportunity to amend or withdraw the application.

The SFIC will have 4 months from the close of the offer period to complete the acceptance process.

If an application cannot be accepted, the SFIC will refund the deposit in full within 28 days of non-acceptance. If an application is pro-rated, the SFIC will refund any excess deposit amount within 28 days of amending the application.

## 6. Details of the Purchase

Conditions Precedent	<p>The required minimum accepted and funded Conditional Water Entitlement Agreements are received by SFIC</p> <p>Notification of funding approval and construction of Proposed Scheme proceeding</p> <p>Final Government Approval to construct Proposed Scheme</p>	8% payable within 30 calendar days	Due date: notification of approval to construct the Scheme is received <i>within</i> 24 months of notification of Funding Approval
Completion Date	28 calendar days after notification of Commissioning		
Sunset date	Final Government approval to construct Proposed Scheme is received <i>plus</i> 36 months (as may be extended by the period of any delay caused or contributed to by force majeure)		

If an application to purchase water entitlements is accepted by the SFIC, the applicant will be deemed to have entered into a contract with the SFIC for the purchase of water entitlements on the terms and conditions of the Conditional Water Entitlements Agreement for the proposed Southern Forests Irrigation Scheme (the “Agreement”).

The Agreement is conditional and is subject to the SFIC:

1. receiving the required minimum accepted and funded Agreements being received by SFIC within 4 months of applications closing;
2. providing to members notification of funding approval and construction of the Proposed Scheme proceeding; and
3. receiving final Government approval for construction of the Proposed Scheme.

Final Government approval to construct the Proposed Scheme is subject to the construction and operation of the Proposed Scheme being fully funded, obtaining all necessary permits and approvals and securing construction contracts for the construction of the Proposed Scheme within the business case budget provision.

When the second condition precedent (notification of Proposed Scheme proceeding) is met, holders of Agreements will be required to pay the second deposit instalment of 8%. If this condition precedent is not met, either the SFIC or the holders of any Agreements may terminate their contract in which case the SFIC must refund the deposits that it holds.

When the third condition precedent (final Government approval to construct the Proposed Scheme) is met, Agreements may be transferred to another eligible party in full or part by assigning the rights arising under the contract to be issued

the water entitlements. However, the minimum water entitlement holding for a property is 10 ML. Please be aware that an assignment does not extinguish the obligation of the holder of the Agreement to complete the purchase of water entitlements. If this third condition is not met by the due date, the SFIC may elect to terminate the Agreement in which case the SFIC must refund the deposits that it holds.

Completion of the purchase of water entitlements is to occur within 28 days after the commissioning (near completion of construction) of the Proposed Scheme as notified by the SFIC. Completion requires the holder of an Agreement to make payment for the balance of the purchase price and SFIC to issue water entitlements in exchange for that payment.

Payment for the balance of the purchase price must be made within 28 days after notification commissioning. If the holder of a purchase contract fails to complete the purchase within this time, interest will accrue daily on the outstanding balance at the Bank Bill Swap Bid Rate (**BBSY**) plus 4% and any charges and interest payable under the Water Entitlements that would have been issued had the contract completed on the completion date will become payable as they fall due.

If commissioning does not occur by the sunset date (as extended by the period of any delay to commissioning to the extent the delay was caused or contributed to by an event of force majeure), a purchase contract may be terminated by its holder and SFIC must refund to the holder the deposit paid.

## 7. Frequently asked questions

### **Q1. How much water is available for purchase in this landholder water sale?**

In the first instance, SFIC will consider whether the capacity of the Proposed Scheme can be increased so as to satisfy the demand for water entitlements subject to the capital budget, operating costs, reliability and approval constraints. If total applications are greater than 9,235 ML, the business case for the Proposed Scheme may be revised and resubmitted for funding approval.

If unable to satisfy demand in full, SFIC will consider whether to terminate the sale and engage a competitive sales process or pro-rata water entitlements. If applications are pro-rated, the surplus deposit will be refunded.

### **Q2. How do I purchase water entitlements?**

A2. By lodging an application with SFIC. Your application must be received by 12 noon **Wednesday, 28 February 2018**.

### **Q3. What if the proposed pipeline alignment does not pass near my property?**

A3. All land holders within the proposed irrigation area are encouraged to make an application to purchase water entitlements.

The Co-operative will endeavour to supply as many applications to purchase water entitlements as possible subject to the capital budget, operating costs and approval constraints.

It may be possible to include in the final Proposed Scheme design areas which have not been included in the current design of the pipeline distribution network if sufficient demand exists and provision is available within the budget.

### **Q4. What is the upfront cost of buying water entitlements?**

A4. \$1,400/ML for summer water and \$1,000/ML for winter water (exclusive of GST). This is the lowest price at which the Co-operative will sell water entitlements in the Proposed Scheme and this price is only guaranteed for this land holder water sale.

The total cost will also depend on what volume and season you nominate.

You need to budget on the total cost of your commitment and the cash flow timing.

### **Q5. Do I have to pay GST on water entitlements and/or annual charges?**

A5. The SFIC is presently seeking advice in relation to taxation issues associated with the proposed Scheme and will update members in due course. However, entitlement holders should obtain their own independent tax advice on these matters.

### **Q6. If I purchase water entitlements, when do I have to pay the upfront cost?**

A6. You would need to pay a deposit of 2% within 14 days of execution of the Conditional Water Entitlement Agreement and a second instalment of 8% within 30 days of being notified by SFIC of funding approval and construction of the Proposed Scheme proceeding.

If your application is successful, you will be required to pay the balance of the purchase price within 28 days after notification of commissioning of the Proposed Scheme to receive a water entitlement.

**Q7. Will there be ongoing costs?**

A7. Yes. Please refer to “Annexure B – Water entitlements and ongoing charges”.

**Q8. Do I have to pay annual charges if I don’t use water?**

A8. Yes. Please refer to “Annexure B – Water entitlements and ongoing charges”.

**Q9. Can I carry over any unused water from one irrigation season for use in another?**

A9. No.

**Q10. What happens if my application to purchase water entitlements is not accepted?**

A10. Your deposit will be refunded. SFIC will have 4 months following the close of the offer period to determine whether it can accept your application.

**Q11. Do I have to pay for the Supply Point to be installed so that I can take water from the Proposed Scheme?**

A11. No. As part of the sale of water entitlements, SFIC will install a single Supply Point for each parcel of adjoining land that is operated as the same business and will receive water from a pipeline.

Each Supply Point supplied as part of the sale of water entitlements will usually be capable of delivering nominally three times the purchased flow rate, subject to any capacity constraint of the pipeline to which an outlet joins. An offer of additional Supply Points or Supply Point upgrades may be made by SFIC prior to the commencement of the Proposed Scheme construction but there will be an associated charge.

**Q12. What happens if my application to purchase water entitlements is accepted but the Co-operative fails to commission the Proposed Scheme?**

A12. Your deposit will be refunded in full.

**Q13. In purchasing water entitlements will I be buying a share of the infrastructure of the Proposed Scheme?**

A13. All delivery infrastructure of the Proposed Scheme will be the property of SFIC held for the benefit of its members. So as a member of the Co-operative you will have an indirect interest in the infrastructure.

**Q14. Are water entitlements an asset?**

A14. In as much as water entitlements are long-term rights to the supply of water, are tradeable and are separate from land, they could be considered an asset (subject to legal access to the land to which the water entitlement relates). The State’s proposed reforms to the water resources legislation is in a state of flux. Applicants should give considerations to the need to take independent professional advice on this matter.

**Q15. What does 95% reliability mean?**

A15. Statistically, over a 100 year period, it can mean that you will be provided your full annual allocation for 95 years (and zero allocation for the remaining 5 years) or 95% of your allocation year on year. In practical terms individual cases will lie somewhere in between.

**Q16. How has reliability been assessed?**

A16. When designing the Proposed Scheme, the State Government assessed the reliability of water supply on the assumption that forecasted conditions, including climate, would be consistent and that the Proposed Scheme would operate as designed. Further details of the assessment approach is provided in section 2 of this

document.

**Q17. How long do water entitlements last?**

A17. The term of the water entitlements issued in the Proposed Scheme is set to match the term of the water licence issued under the RIWI Act which will underpin the Proposed Scheme's supply. The term of water licences are 10 years with provisions for repeat renewals. An extension of the water licence that underpins the Proposed Scheme's supply will be sought and the term of water entitlements will be extended to mirror the term of the water licence.

**Q18. Are water entitlements attached to land?**

A18. No, water entitlements are separate to land. However, you must meet the eligibility criteria to hold a water entitlement.

**Q19. Is water trading subject to capital gains tax or stamp duty?**

A19. The SFIC is presently seeking advice in relation to taxation issues associated with the proposed Scheme and will update members in due course. However, entitlement holders should obtain their own independent tax advice on these matters.

**Q20. Are water entitlements 'property' that can form part of an inherited estate?**

A20. On the death of a Member their interest in a Water Entitlement is dealt with in accordance with rule 32 of SFIC's registered rules.

**Q21. Apart from water entitlements, is anything else required to use the water on my land?**

A21. Yes. In addition to holding water entitlements, in order to take the water through a Supply Point and be able to use it on your land the water licence to be issued to the co-operative requires that you have a Farm Water Access Plan (Farm WAP).

**Q22. What is a Farm Water Access Plan?**

A22. Farm Water Access Plan (Farm WAP) is a farm specific management tool demonstrating that the use of water from the Proposed Scheme complies with Australian and State Environmental legislation requirements and the overall Scheme is sustainable. Individual plans are completed in accordance with soil, water and biodiversity modules and specify farm management actions required where environmental risks associated with irrigation are identified.

SFIC will conduct annual audits of Farm WAPs to ensure compliance. If for any reason a holder of a Water Entitlement fails to establish, or retain an approved Farm WAP they remain liable to pay fixed charges on the water entitlement notwithstanding they are not permitted to draw water from the Proposed Scheme.

**Q23. How much will a Farm Water Access Plan cost?**

A23. As an indication of the cost of a Farm Water Access Plan (Farm WAP), the net cost to farmers on other schemes has been \$2,200 (incl. GST) or less. This cost range is provided as a guide only. Please be aware that the actual cost of preparing a Farm WAP may be higher and will be determined at the time a quote is sought from a pre-qualified consultant.

**Q24. What areas of a property does a Farm Water Access Plan need to cover?**

A24. A Farm Water Access Plan need only cover those areas of land that will be directly affected by the use of water supplied from the Proposed Scheme. However, careful thought should be given to areas to be included in any

future irrigation expansion plans.

**Q25. When should I get a Farm Water Access Plan?**

A25. A Farm Water Access Plan (Farm WAP) must be completed before you can draw any water from the Proposed Scheme. Therefore, you should have a Farm WAP completed before the commissioning of the Proposed Scheme which is expected to be in time for the 2019-20 irrigation season.

**Q26. Can SFIC assist with the preparation of a Farm Water Access Plan?**

A26. A Farm Water Access Plan (Farm WAP) must be completed by a pre-qualified consultant. SFIC will assist members to identify qualified consultants. However, as SFIC will conduct annual audits of Farm WAPs to ensure compliance there needs to be a degree of separation.

**Q27. Who will operate the Proposed Scheme?**

A27. SFIC will operate the water distribution aspect of the Proposed Scheme. During the initial period the necessary operational resources will be acquired and policies and procedures to operate the water distribution aspect Proposed Scheme will be established.

**Q28. Will I be provided with a copy of the SFIC's registered rules?**

A28. Yes, the SFIC's registered rules are annexed to, and form part of, the Conditional Water Entitlement Agreement.

**Q29. Can I request further information regarding the Proposed Scheme?**

A29. Yes, further information is available upon request. In addition, SFIC and DPRID will be running workshops for members in Manjimup and Pemberton in February 2018 (dates to be confirmed).



## Annexure A – Contact details for members of the SFIC Board

SF Irrigation Co-operative Ltd		
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## Annexure B – Water entitlements and ongoing charges

Water charges for the SF Irrigation scheme comprise a once off charge, called a water entitlement, as well as ongoing charges. The price for water entitlements is \$1400/ML for summer water and \$1000/ML for winter water.

The estimated<sup>5</sup> ongoing charges are detailed below and are structured such that irrigators cover the recurring annual costs of operating the scheme as subsidies are limited to the capital cost of building the scheme.

There are two types of ongoing charges – a fixed charge based on the volume of the water entitlement purchased and usage charges based on the volume of water used within an irrigation season.

### **Fixed charge**

The fixed charge is estimated at \$75.26/ML and is the same for all users across the scheme. It covers the ongoing scheme operating costs and includes the salaries of one and a half operator/managers plus their associated expenses such as vehicles and computers. It also covers the scheme maintenance and asset refurbishment costs to underwrite the one hundred year life of the scheme.

### **Usage charge – dam fill charge**

The dam fill charge is based on scheme usage from the Record Brook Dam and is estimated at \$89.73/ML. It covers the cost of pumping water from the Donnelly River pump station to the Record Brook Dam.

The annual dam fill must replenish the evaporation and seepage from the dam and the environmental releases (losses). The net losses (or gains) will be shared among the irrigators on the basis of entitlements held by adjusting the dam fill charge for the following year. A rebate equivalent to the previous season's per ML cost of pumping water to Record Brook Dam will be due to an entitlement holder when the dam fill charge is payable.

For example, at the commencement of each irrigation season, irrigators will be required to pay a dam fill charge based on their full entitlement volume. So if a 20 ML entitlement has been purchased and the dam fill charge has been set at \$89.73/ML, then \$1794.60 (20 x \$89.73) will be charged. However, at the commencement of the following summer season irrigators will receive a rebate for any unused water based on the actual pumping costs of the previous season.

The \$89.73/ML charge will be adjusted each year according to the performance of the scheme taking into account the rainfall, losses, pumping efficiency and electricity cost.

### **Usage charge – water distribution**

The water distribution usage charges vary depending on where a property is located in the scheme and are estimated as follows:

- northern line - \$41.51/ML
- northern line beyond Yornup pump station - \$51.63/ML
- southern line - \$22.00/ML

The usage charges predominantly comprise the cost of pumping from the Record Brook storage dam to the southern and northern header dams.

The final design of the scheme will be dictated by water sales and may include a booster pump station on some lines. Irrigators will only be charged for the operating costs of a booster pump station if the water delivered to them comes through that pump station. Under the National Water Initiative this is known as nodal pricing.

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<sup>5</sup> The ongoing costs contained in this document are indicative and are based on the original design of the scheme and the anticipated power costs. If the scheme design or power costs change significantly, then the ongoing charges may also change.

### Example No 1

Assume the scheme quantities and costs are in accordance with the Letters of Intent process and the Record Brook Dam is full.

An irrigator has a summer entitlement of 200ML in the southern sector of the scheme.

At the commencement of the summer season a payment of \$75.26/ML of fixed charge and a dam fill charge of \$89.73/ML is made. Payment =  $(\$75.26 + \$89.73) \times 200 = \$32,998$

However, this irrigator uses only 100ML through the summer season which is only half his entitlement.

Payment of the variable charge is:

Usage charge =  $\$22.00 \times 100 = \$2,200$

At the commencement of the following season, a rebate per ML will apply based on the actual cost of pumping from the previous season. The rebate will not apply to the losses (from evaporation, seepage and environmental releases) as the costs of these losses are shared by all entitlement holders, whether or not they used the water.

### Example No 2

Setting the dam fill charge for the following season:

At the conclusion of each season, the dam storage volume is known from the level of the dam and the dam storage curves. From the on-farm water meters the amount of water delivered for the season is also known. The total losses can therefore be calculated after correcting for the metered water harvested. From this information and the reigning cost of pumping each ML (a combination of pumping efficiency and electricity costs) the dam fill charge for the following season can be set. Likely and possible inflows and losses will be taken into account when setting this charge.

### Approximate annual charges per ML in accordance with the Letters of Intent demand.

System Supplied	Fixed Charge	Dam Fill Charge <sup>1</sup>	Usage Charges – water distribution			Total Variables <sup>2</sup>
	\$/ML	\$/ML	Northern sector <sup>2</sup>	Southern sector <sup>2</sup>	Booster pumping <sup>2</sup>	
			\$/ML	\$/ML	\$/ML	\$/ML
Northern system	75.26	89.73	41.51	-	-	41.51
Yornup pump	75.26	89.73	41.51	-	10.12	51.63
Southern system	75.26	89.73	-	22.00	-	22.00

- Notes:
1. Based on \$/ML of entitlement however a rebate will be paid at the start of the following season when unused water and Record Brook Dam filling costs are known. Dam fill costs are affected by evaporation, seepage and natural in-flows.
  2. Based on \$/ML delivered.
  3. Based on off-peak electricity tariff of \$0.08/kW-hr and peak tariff of \$0.28/kW-hr.

A schematic is included below showing the conceptual scheme design based on the Letters of Intent. Note this design may change depending on the outcomes of the water sales process.

