

FACT SHEET

OFFSETS - FREQUENTLY ASKED QUESTIONS



Produced by Goulburn - Murray Water

BROKEN SYSTEM & RELIABILITY OF SUPPLY

Q. Why do we need offset packages?

To maintain a reliable supply to Broken System irrigators after the decommissioning of Lake Mokoan. The offsets reduce water losses or transfer demand to the adjoining Goulburn system.

Q. What commitment has the government made to irrigators over maintaining supply reliability?

The *Our Water Our Future* action plan commits the Government to maintaining reliability of supply to water users in the Broken, Goulburn and Murray Irrigation systems after Lake Mokoan is decommissioned. This reliability of supply for the Broken system - based on modeling of the system for the Bulk Entitlement Conversion process - was determined to be 91%

Q. What does 91% reliability of supply mean?

That in 91 years out of 100, full allocation of water right would be available to irrigators. In the remaining nine years out of 100, an allocation would be available but it would be less than full allocation.

The findings of a simulation of the current Broken System, based on the last 114 years of climatic data and using current operating rules, is shown in Table 1 below. It demonstrates the likely February allocation available to irrigators each consecutive year.

Number of years	Modelled February Allocation
100	170%
3	100 to 120%
3	80 to 100%
3	60 to 80%
1	40 to 60%
3	20 to 40%
1	less than 20%

Q. Will there be an audit in the reliability figures? (91% vs 97%)

An audit is not an appropriate means for resolving the reliability issue.

The Government commitment to 91% is based on the Bulk Entitlement (BE) Conversion agreement on share of the water resource. Irrigator representatives were party to this agreement. Any change to this agreement would open up the BE process and would be seen as taking water away from the environment.

Q. Will the offset package achieve better than 91% reliability of supply?

Yes, because operational improvement is expected as a result of a major investment in remote control and monitoring of flows in and out of Lake Nillahcootie and other weirs, other major catchment streams and all large diversions. Currently there is around 15,000 ML of operational losses in the system and the remote control and monitoring will reduce this and thereby further increase reliability of supply.

Q. Who had input into the offset package investigations?

Over the past 18 months, Goulburn-Murray Water, Department of Sustainability & Environment, Goulburn-Broken Catchment Management Authority, Broken System Reliability Reference Committee and a range of independent consultants have been among groups contributing to the process.

Table 1. Modelled February Allocations for the current Broken System (determined by the GSM model, based on 114 years of record)

Q. Can we have a final say on the options considered?

Feedback will be sought from the VFF, irrigator groups, individual irrigators, Benalla Rural City Council and other interested parties during September and October 2006. This feedback will be taken into account when the Project Control Board recommends a final offset package to the Minister. Project officers will be also be available to discuss the options on a one-on-one basis.

Q. What other options were considered & why were they not included?

A large range of offset measures have been assessed over the past 18 months. A scorecard was developed to compare the individual reliability offset measures. The scorecard compared cost, reliability benefit, impact on end-of-valley flows, project risks, environmental and social impacts and community acceptance.

A tabulation of all offset assessments and outcomes will be mailed out to all Goulburn-Murray Water Customers and also will be available on the Lake Mokoan – Return to Wetland Website, www.lakemokoan.com.

Q. Why wasn't the suggestion of an irrigation storage within the Winton Wetland complex considered?

This option was one of several considered in the original Lake Mokoan Study. These options have net economic benefit significantly lower than full decommissioning and much lower water savings.

Q. How much will the offset packages cost?

Between \$36.5 million to \$45.5 million for four offset packages. Two lower cost packages require a high volume of entitlement purchase and two higher cost packages have significantly smaller entitlement purchase requirement with greater infrastructure components.

Q. How will these packages alter current water supply arrangements?

Water supply arrangements for all Broken System customers will be modified to varying degrees depending on the final offset package chosen. Fact sheets are available to explain what each offset measure involves. Goulburn-Murray Water will consult further with irrigators on the detail of any of the revised water supply arrangements.

DECOMMISSIONING IMPACTS

Q. What impact will decommissioning and the offset packages have on the price of water?

The future cost of water depends on several factors including the Essential Services Commission framework and Water Industry Regulatory Order as well as G-MW pricing policy. Most of these factors are outside the scope of this project. Charges will continue to reflect the cost of delivering water supply to customers.

The ESC price review process provides for community input at various stages in their consultation process.

Q. What affect will the purchase of entitlements have on the future of the irrigation sector and economic growth in the region?

This will depend on the extent of entitlement purchase required for the various offset packages. For the two high cost packages, the impact will be minimal; for the low cost packages, the impact will be greater.

The main issue affecting irrigation development in the region is the presence of a high number of under-utilised entitlements. The potential full uptake of these entitlements with the introduction of COAG prescribed inter-basin trade is regarded as a far greater risk to economic growth than decommissioning Lake Mokoan.

Q. Will the capacity of any proposed pipeline scheme be large enough to handle future irrigation development?

The viability of any reasonable expansion proposal will be considered as part of any pipeline design. This will involve Goulburn-Murray Water consulting with irrigators to fully understand individual irrigation demands (as these are considered unique for each business), and an engineering assessment of the scheme viability.

Q. Will a reliability of supply less than 100% reduce the productive capacity of the Broken system?

No, the Broken system's ability to remain a productive area will not change. Irrigators currently deal with the possibility of not receiving full water allocations, or not having access to any sales water. The probability of this occurring will not increase with the implementation of the offset package, which will maintain the reliability of supply of the system.

ENTITLEMENT PURCHASE

Q. Why does the Government need to purchase entitlements to deliver reliability for irrigators?

Viable infrastructure options (which reduce demand through reduction in system losses) are limited and cannot totally provide the required reliability of supply at a reasonable cost. The package of offset options provides a range of differing entitlement purchase requirements for irrigators to consider.

Q. Has the Government's mind already been made up about the amount of water it has to purchase?

No - the four offset packages presented to the irrigators give the range of entitlement purchase that can be considered. The Government is prepared to significantly increase investment in infrastructure (as indicated by the two higher cost options) in order to minimise the extent of entitlement purchase.

Feedback from irrigators and other interest groups will be considered before a package is chosen.

Entitlement purchase was always considered a necessary component of any offset package; however, the project has kept purchases as low as possible.

Q. What process will the Government follow to purchase entitlements?

A voluntary process will be followed - irrigators will be able to offer their water for purchase. There will be no compulsory acquisition of entitlement.

Q. How long will the offer be available to irrigators to sell their entitlement?

Until the target has been achieved.

Q. Is entitlement purchase likely to have an impact across Victoria?

The entitlement purchase follows *Our Water Our Future* policy, which states, water savings infrastructure are a priority but that efficiency improvements will be complemented where appropriate by purchasing water.

Q. If water savings achieved are greater than the target, can we decrease the amount of entitlement purchased by the Government?

This is possible but would come at the expense of improving reliability of supply.

Q. What happens if people don't sell or you don't reach your target?

Selling is entirely up to individual irrigators if it makes sense for their business to sell their water. It is considered an achievable amount of water to obtain and the project has kept the required amount of entitlement purchase to a minimum.

Q. How many irrigators in the Broken system now use 100% of entitlement?

There are 173 irrigation licences within the Broken system. Records show that 20% use more than their licence volume in a high demand year, 51% use more than half their licence volume and 39% use less than half of their licence volume in a high demand year.

Q. Will the reliability of supply be affected if sleeper licences are purchased?

All licenses are eligible to take part in the entitlement purchase scheme. The reliability of supply for the Broken system irrigators will be maintained at 91% or better irrespective of the history of use of purchased licences.

TIMELINES

Q. When will the offset packages take affect?

This is currently scheduled for December 2008 when all offset measures are implemented and commissioned and supply to lake diverters is secured. As works which form part of the package become available, such as the Tungamah Pipeline, customers will enjoy the benefits of the new, more efficient infrastructure.

CONSULTATION

Q. How can I provide feedback on the offset packages?

An information pack will be sent out to all Broken system irrigators, which will provide detailed information on each offset contained in four offset packages. It will also provide details of information sessions where G-MW and DSE can provide more detailed information. The information pack will contain a feedback form, which will allow irrigators to ask questions and raise any concerns. This feedback will be used in the final selection of offsets.

GENERAL

Q. Why is the Lake being decommissioned?

Lake Mokoan is Victoria's most inefficient storage and is costly to operate. It loses 50,000 megalitres of water every year through evaporation. Upon completion of the Mokoan - Return to Wetland project, 44,000 megalitres of water will be saved every year to be redirected for environmental flows.

Q. Will decommissioning Lake Mokoan have a massive social impact and devastate small communities?

No, because reliability of supply will be maintained and the large investment in irrigation works will provide opportunities for irrigators.

Q. How does unbundling and inter-basin trade of irrigation licences impact on the offset packages?

Unbundling and interbasin trade are not yet scheduled to start within the Broken System. However, when these changes do occur they are not expected to impact on the choice of offset packages.

Q. Will local landholders who rely on the Lake be left without water?

The Victorian Government has made a commitment to irrigators that their existing reliability of water supply will not be affected. A new system, which will provide improved water quality, is being developed by Goulburn-Murray Water.

Q. Why has there been a cost blow out in the project?

There has been modest cost increase as the project has been more clearly defined. This is expected and does not effect the original basis for deciding to decommissioning Lake Mokoan. Hence there has been no "cost blow out".

The Future Land Use Strategy budget includes costs associated not only with wetland rehabilitation but also other costs associated with tourism development and research facilities. These additional facilities will be economically and financially assessed as a separate project that would potentially attract separate public or private investment to further develop the Winton Wetlands into more of a tourist attraction and research facility. This is beyond the existing Government commitment, and the potential for this to occur would involve a great deal of community belief and support.

Q. Without Lake Mokoan, will Benalla be at increased risk from flooding?

Lake Mokoan plays a very minor role in reducing Broken River floods in Benalla. A number of studies have been completed to investigate any potential impacts. Findings are presented in a fact sheet and can be found by visiting the GBCMA website at www.gbcma.vic.gov.au

Q. When will the lake be drained?

Draw-down of Lake Mokoan is not scheduled to take place until 2009 after which the rehabilitation of the wetland system will commence.

Q. Why is rehabilitating the Mokoan wetlands so important?

Water savings from the Lake will help improve the health of the Broken, Goulburn, Snowy and Murray Rivers. Healthy rivers are the lifeblood of our community, providing vital water for homes, towns, farms and businesses. Healthy rivers also support habitats for native animals and fish. The wetland itself will also play an important role in improving the local habitat for a number of endangered flora and fauna species.

Q. What is the current state of our rivers in Victoria?

One third of Victorian rivers are in poor condition. When our rivers deteriorate, so does the quality of water supply.

Q. What is Our Water Our Future?

Our Water Our Future is the Victorian Government's action plan to manage the state's water resource. The Mokoan - Return to Wetland project is one of 110 new initiatives to secure water for the next 50 years.

Q. I have heard reports that Lake Mokoan is going to be decommissioned, but nothing is happening?

While the decision to decommission Lake Mokoan has been made, several outcomes need to be achieved before the Lake can be returned to a wetland system, the main one being alternative water supply. Currently, there are a number of irrigators using water from the Lake. Alternative arrangements need to be in place for these irrigators before the Lake can be drawn down.