

Newsletter to Barossa Infrastructure Ltd Customers

July 2019

Information to BIL Customers on Drought Conditions

A special newsletter titled *Information to BIL Customers on Drought Conditions* is attached to this newsletter and is intended to explain how BIL Customers will be impacted by River Murray reduced water entitlement percentages due to the ongoing drought.

As always, please give me a call or come into the BIL office if you would like to clarify how this impacts you.

River Murray Water Allocations have Increased

South Australian River Murray Class 3 (irrigation) water allocation percentages have increased to 38% and the Department anticipates further improvements across the water year, since most inflows to the River Murray system historically occur between July and November.

Updates will be posted on BIL's website.

Customer's to rely on Customer Transfers for Extra Water in BIL Water Year 2019/20

In BIL Water Year 2018/19, Customers benefited from being able to purchase extra temporary water above their normal BIL Water Entitlement. The infrastructure had expanded to be able to supply 11GL per year while Customer contracts add up to 10.3GL per year, and so BIL was able to sell some of the difference to Customers.

From 1st October, our supply remains at 11GL per year while our Customer contracts also total 11GL per year, so BIL does not have the ability to sell extra temporary water.

Customers who want more water will need to rely on transfers from other BIL customers.

Change of Water Supply – Raw Water

In late June SA Water switched BIL back to its normal water source – raw water via the Warren Reservoir.

Additional Water in BIL Water Year 2018/19 – None Left

The situation remains the same: there is no additional water left for BIL to sell to customers this water year (until 30 September 2019).

If you have spare water, please let Neville know so he can get it to Customers who want it – you will avoid unused water charges at the end of September, and other customers will be grateful.

Further Expansion – Being Considered

We continue to receive non-binding [Expression of Interest forms](#) from customers and potential customers interested in taking up more water. Thank you.

At the Board's recent Strategic Planning Day it was agreed that BIL would begin investigating a further expansion, including investigating the use of recycled water (treated to an appropriately high quality). No decision has been made on whether to proceed.

If you would like to express your view on expansion and/or use of recycled water, feel free to give me a call or send me an email/letter which I will pass on to the Board.

National Vineyard Scan

This may be of interest.

The *National Vineyard Scan 2018* is a project by Wine Australia to geolocate all wine grape vineyards in Australia, using a computer algorithm to scan aerial imagery and detect vineyards.

On their website you can find all sorts of information by GI region, such as there are 13,103ha of vineyards and 40,276km of vine rows in the Barossa GI.

Follow this link for a [news article](#) or this next link to go to the [National Vineyard Scan 2018](#) website.

Contact for BIL Operations

Barossa Infrastructure Ltd

Simon Schutz 0403 743 199 Simon@BIL.net.au

Neville Skipworth 0407 972 311 Neville@BIL.net.au

Infrastructure Maintenance Services

Steve Dewar 0418 845 738

Caleb Staehr 0432 074 572



Simon Schutz
General Manager

Information to BIL Customers on Drought Conditions

Summary

- BIL Water Year 2018/19 (i.e. up to 30 September 2019): BIL Customers can use all of their BIL Water Entitlement.
- BIL Water Year 2019/20 (i.e. **from** 1 October 2019): If there are water restrictions due to drought, extra up-front charges may apply.
 - Your BIL Water Entitlements will be reduced in proportion to the South Australian River Murray Class 3 allocation percentage. This usage will be charged at normal rates.
 - If you want to take water above this reduced amount, an extra up-front charge will apply to this extra volume of water.
 - If you need more water than your normal BIL Water Entitlement, this can only be done through temporary transfers.

BIL and the Board have been monitoring the drought conditions in the Murray-Darling Basin for some time and have taken steps to ensure BIL Customers have access to water.

This *Information to BIL Customers on Drought Conditions* special newsletter is intended to explain how BIL Customers will be impacted by reduced water entitlement percentages due to drought.

The approach is intended to be fair and reasonable for all BIL Customers. It was the system used during the millennium drought. If you feel there is a better approach, please let me know as the Board will review its policies based on best available knowledge.

BIL and the Board will continue to monitor the situation throughout the season. If information becomes available that warrants a different approach, this will be considered by the Board and any changes will be communicated to Customers.

As allocations are announced by the Minister, they will be posted on BIL's website, so please check regularly. Each regular newsletter will contain the current announced allocations and the Government's projected likelihood of water allocations to 30 June 2020.

As always, please give me a call or come into the BIL office to discuss your water circumstances or needs.

Regards,



Simon Schutz
General Manager

Background

BIL uses SA Water to transfer water from the River Murray to Fromm Square, after which BIL transfers water to Customers via our own pipes and pumps.

BIL must hold River Murray water allocations for all water that passes through Fromm Square.

A River Murray water access entitlement (or just an *entitlement*) is an ongoing right to a share of water.

- If there is ample water, allocation percentages are set at 100% and so, for example, if BIL owns 100,000 entitlement shares BIL would get $100,000 \times 100\% = 100,000\text{kL}$ or 100ML of water allocation.
- If allocation percentages are 50% (i.e. water restrictions due to drought), BIL's 100,000 entitlement shares would allow BIL to get $100,000 \times 50\% = 50,000\text{kL}$ or 50ML of water allocation.

When there is drought in the Murray-Darling Basin (like there is now), the Minister for Environment and Water usually starts allocations low and progressively increases the percentage in response to rain and dam levels.

A River Murray water *allocation* is a right to access a volume of water within a water year.

- Water allocations provide access to a volume of water and are not impacted by allocation percentages (like entitlements are, see above)

The River Murray water year is 1 July to 30 June, which is different to BIL's water year of 1 October to 30 September.

BIL's water strategy since inception is to have a combination of owned entitlements, leased entitlements and any shortfall is covered by buying annual water allocations as needed.

Most of BIL's entitlements are South Australian, but some are from New South Wales and Victoria. Each state is responsible for setting their own allocation percentages, and often they are different between states.

Current Situation

Water held in Murray-Darling Basin Authority storages (i.e. the storages that release water for South Australia's share of the River Murray) is currently at 36% of active capacity. The long-term average at the end of July is 72%.

The South Australian Minister has announced that SA River Murray Class 3 (irrigation) allocations are 38% (as at 15 July 2019).

In Victoria, BIL's water entitlements are at 6% and 8%.

As a result, water allocation prices are currently about three times higher than normal.

Outlook

The Bureau of Meteorology's seasonal weather outlook over the southern Murray-Darling Basin for July to September indicates that it is likely to be drier than average, with above average maximum temperatures also likely.

The SA Department of Environment and Water publish water availability projections to help South Australian water users better understand the likelihood of future water allocations. These currently indicate that:

- There is a 95% likelihood that allocations will get to at least 79% by 30 June 2020
- There is a 90% likelihood that allocations will get to at least 97% by 30 June 2020
- There is somewhere between 75% and 90% likelihood that allocations will get to 100% by 30 June 2020

More information can be found on the Department's website at

<https://www.environment.sa.gov.au/topics/river-murray/water-allocation-and-carryover/water-allocations-and-announcements>

What does this mean for BIL's Customers

This Water Year

BIL's Customers can take 100% of their BIL Water Entitlement for BIL Water Year 2018/19, up until 30 September 2019.

Reduced allocations came into effect on 1 July and this impacts BIL, but the Board has determined that it will not directly impact BIL Customers for the remainder of BIL Water Year 2018/19.

Next Water Year

Your BIL Water Entitlements will be reduced in proportion to the South Australian River Murray Class 3 allocation percentage.

Extra up-front charge will apply if you request from BIL additional water between this reduced amount and up to your full BIL Water Entitlement.

Below are a few scenarios that demonstrate how the Board currently intends to respond to various drought scenarios.

100% Allocations

If SA River Murray Class 3 (irrigation) allocations increase over winter to 100% before 1 October 2019, BIL's Customers can take 100% of their BIL Water Entitlement for the water year to 30 September 2020 at normal prices.

Reduced Allocations

If SA River Murray Class 3 (irrigation) allocations are below 100% on 1 October 2019, your BIL Water Entitlement will be reduced in proportion to the gazetted SA River Murray Class 3 (irrigation) allocation percentage.

BIL Customers will be able to:

Take BIL water at normal prices up to a volume equal to their BIL Water Entitlement multiplied by the SA River Murray Class 3 (irrigation) allocation percentage

E.g. if allocations at 1 October are 53%, a BIL Customer with a 10ML Premium Water Entitlement would have access to $10 \times 53\% = 5.3\text{ML}$ at normal Premium Water prices

If allocation percentages subsequently increase, BIL's Customers will have access to this additional water at normal prices.

E.g. if allocations increase to 61% on 1 December, the same BIL Customer will now have access to $10 \times 61\% = 6.1\text{ML}$ at normal Premium Water prices

If the Customer needs more water than they have access to, they can request BIL purchase additional temporary water for them.

E.g. if the same Customer needed 8.1ML, they would request $8.1 - 6.1 = 2\text{ML}$ of additional temporary water from BIL.

An extra up-front charge for this water would apply, calculated as the difference between the cost of buying water allocations at that time and the embedded cost of water in the budget.

If the cost to BIL of buying that water from the River Murray at that time is \$850/ML and the cost of water allocations allowed in the budget is \$250/ML, then the customer would need to pay BIL $(850-250) \times 2 = \$1,200$ up-front
plus

BIL's normal Premium Water costs in the billing period in which the water is used

If allocation percentages subsequently increase again, BIL's Customers will have access to this additional water but only up to 100% of their BIL Water Entitlement.

E.g. if allocations increase to 90% on 1 April, the same BIL Customer would have access to 10ML of water, being $10 \times 90\% + 2 = 11$ but capped at their BIL Water Entitlement of 10ML.

Purchasing additional temporary water, including the extra up-front charge, is at the Customer's risk.

The up-front charge can not be re-couped from BIL.

This applies to all water supplied by BIL – Premium, Off Peak, Spot etc.

Customers must have purchased additional temporary water through BIL **before** taking delivery of water in excess of the Customer's BIL Water Entitlement multiplied by the SA River Murray Class 3 (irrigation) allocation percentage applying at that time.

Excess water charges will be calculated based on the Customer's BIL Water Entitlement multiplied by the SA River Murray Class 3 (irrigation) allocation percentage as at 30 June 2020 plus any additional temporary water purchased and temporary water transfers at the time of billing.

Water not taken charges will be calculated based on the Customer's BIL Water Entitlement multiplied by the SA River Murray Class 3 (irrigation) allocation percentage as at 30 June 2020 plus any additional temporary water purchased and temporary water transfers at 30 September 2020.

BIL Customers **can still temporarily trade water between customers**, but on volumes determined by their BIL Water Entitlement multiplied by the SA River Murray Class 3 (irrigation) allocation percentage at that time plus any top-up water purchased and temporary water transfers.

The Board has approved maintaining the current policy of discussing short or long-term leases of customer owned River Murray entitlements and/or allocations for use across the whole customer base. BIL will not be able to allow Customers to use the BIL infrastructure as a water transport service for their own River Murray water.