

Notes from Steve Lottkowitz to CWIC Members – Update on Coliban Water's Rural Supply Reforms.

Coliban Water Investigations Committee members will recall that Bernie Mannes and Steve Lottkowitz have been working with Coliban Water as members of the Coliban Water Rural Users' Liaison Subcommittee.

I spoke to the CWIC Meeting on 27 April 1999 and agreed to provide some notes for members.

The Rural Users' Sub-committee was established to help Coliban Water improve the Rural Water Supply System. Our main role was to comment on options as Coliban Water staff developed them.

When the Sub-committee reached agreement on the new arrangements, it carried motions of support so that the Coliban Water Board and senior management could demonstrate that a successful consultative process had been undertaken.

By 16 April 1999, Coliban Water and its legal counsel had prepared the following draft documents that were necessary for introducing the new arrangements:

- ***Coliban Rural System - Ministerial Guidelines for the Performance of the Private Diversions Function 1999***
- ***Coliban Rural System – Procedures for the Administration of the Coliban Rural System***
- ***Licence to Take and Use Water from the Coliban Rural System.***

The Sub-committee endorsed these drafts with a few minor amendments. It also endorsed "in principle" the introduction of a new tariff structure including a capacity charge as well as an access fee and a charge per kilolitre of water used. I believe that this was subsequently endorsed by the Coliban Water Board and recommended to the Government. These endorsements followed more than eighteen months of work by Coliban staff and many meetings of the Sub-committee.

By now you will have received information kits from Coliban Water explaining these changes.

Here are a few notes that might help to understand the need for the changes:

- The Government has set Coliban Water the goal of making its Rural System break even.
- At the moment, the Rural System loses money. The key elements are its labour intensive nature, its relatively small size and difficult topography, and the low proportion of licenced volume actually used each year.

- The majority of Rural Water Customers have licences for 1000 kl to 5000 kl. Many of these licence holders do not use water but hold on to their licence and pay the charges each year.
- The Rural System is integrated with a number of urban supplies, so it is difficult to treat the Coliban Urban and Rural Supply Businesses completely separately.
- On 16 April we were advised that the Board of Coliban has accepted that an ongoing cross-subsidy can be justified because of the integrated nature of urban and rural supplies. This is good news for rural water users.
- During the consultative process there were many occasions when Coliban Water's long-term commitment to running a viable Rural water supply system was demonstrated.
- The security of a 15-year licence should attract new investment to the Coliban area. Renewals are automatic unless the Minister has a specific reason to refuse one.
- Water trading needs to be encouraged so that more water is sold each year.
- The new arrangements will allow individuals to trade water by private sale and at market price.
- Evidence state-wide suggests that there is no price difference between *water right* and *water licence* water. One form of water can be sold into the other, and vice versa. This will become important in future if sales to and from other irrigation areas are permitted.
- In recent years only a little more than half of the licenced volume has actually been used – ie – over 40% of the Rural System's licenced capacity has been idle.
- The introduction of a "capacity charge" will reduce the "per kilolitre" charge and encourage people to consider trading unused licence capacity. In the long term this should improve system efficiency. Compared with alternative tariff structures it provides a financial advantage to people who use their full licenced volume and their sales water.
- Coliban Water is mapping channel efficiencies, and can accurately do so. If you sell water to a less efficient part of the system, the licenced volume is reduced to take account of the extra losses. If you trade water to a more efficient part of the system, the gains are captured within the Rural system and don't go to the individual. This is a neat way to improve system efficiency without penalising the existing users – in the long term, the gains will benefit all remaining users in the form of greater water security and perhaps higher prices when trading water licences.
- At this stage there are 15 "capped" channels and pipelines where trading restrictions apply (see your Information Kit for details). It is worth noting that the total volume of licences on those is 1,600 ML, or about 10-12% of the Rural System total.

I trust that these points help CWIC members to understand the need for the new arrangements.

S N (Steve) Lottkowitz

Channel Efficiencies – 1999/2000

Abbotts Channel	95.5%
Ascot Channel	83.1%
Axe Creek Channel	46.5%
Cockatoo Hill Channel	67.1%
Coliban Main Channel	96.4%
Cominis Channel	50.0%
Diamond Hill Channel	86.0%
Emu Valley No.1 Channel	75.4%
Emu Valley No.2 Channel	79.0%
Emu Valley No.2 Eppalock Channel	85.4%
Eagles Channel	39.8%
Ellesmere Channel	56.2%
Gaol Hill Channel	24.0%
Goornong Channel	48.1%
Harcourt Main Channel	96.7%
Huntly Channel	97.2%
Ironstone Hill Channel	64.7%
Jackass Flat Channel	73.1%
Kangaroo Channel	49.4%
Lockwood Channel	69.2%
Maiden Gully Channel	76.6%
Mannes Channel	87.9%
Marong Channel	89.2%
Myers Flat Channel	77.9%
Neilborough Channel	88.7%
Poverty Gully Channel	94.2%
Ranters Channel	No volume supplied
Raywood Channel	91.4%
Sebastian Channel	83.4%
Sparrowhawk Channel	89.0%
Specimen Gully Channel	62.9%
Specimen Hill Channel	88.7%
Spring Gully Channel	93.8%
Strathfieldsaye Channel	92.9%
Trust Channel	49.3%
White Hills Channel	88.5%
Warrens Channel	56.1%
Wilson's Hill Channel	74.0%

Dear Mrs Read

Rural Channel Efficiencies

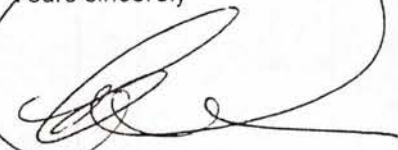
Thank you for your letter dated 10 August 2000, requesting information regarding the efficiencies of our various rural channels.

Please find attached a sheet showing calculated channel efficiencies for deliveries made during the 1999/2000 season.

The efficiency of an individual channel is calculated based on a known volume supplied into a system and known volumes supplied via a customer's outlets. The difference in these volumes being losses via evaporation and seepage.

If you have any further enquiries regarding this matter please contact Frank Reilly on 5434 1281.

Yours sincerely



Alastair Dawson
Executive Manager Customer Service