Sunraysia Modernisation Project 2 – Collaborating with Customers to build resilience of the Lower Murray Water Rural Irrigation Business

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EXECUTIVE SUMMARY (100 words maximum)

Lower Murray Water (LMW) worked closely with its customer committees to develop a project to deliver water for 2,000 hectares of new horticulture developments adjacent to its existing irrigation infrastructure. The challenge was to design the project to meet the requirements of both existing customers and new proponents within the risk appetite of LMW. The project is jointly funded by the Commonwealth Government and private sector investors. The benefits include price benefits to customers, new jobs for the community and a $40 million Net Economic benefit to Victoria and Nationally.

YEAR CASE STUDY WAS IMPLEMENTED

2018

CASE STUDY DETAIL

SMP2 addresses three key opportunities (or problems):

1. Addresses demand for new, economically viable agricultural development in the region serviced by LMW. LMW was aware of the demand for new agricultural developments and initiated a rigorous, market-led process to determine the extent of this demand. This market-led process enabled the requirements of investors to match with the optimal technical and commercial design as well as location. Investors signed legally binding Commitment Agreements, including payment of initial deposits.

2. Provides cost-effective irrigation infrastructure that will enable expansion of productive agribusiness in Sunraysia. If LMW did not provide SMP2 infrastructure, then it is highly unlikely that the productive land will be developed.

3. Mitigates increasing input costs that threaten the competitiveness of the existing 2,800 LMW irrigation customers who compete globally. Increased utilisation of the existing capacity will result in additional net revenue that may be used to offset cost increases (such as electricity) and/or be available for re-investment in LMW water delivery infrastructure. New customers will be allocated Delivery Shares and pay usage charges at the same rates as existing customers.

LMW developed a Business Case for the SMP2 project that was endorsed and submitted by the Victorian Government for funding under the Commonwealth National Water Infrastructure Development Fund – Capital Component. The minimum requirement was that the project was “shovel ready” with proponents committing to 50% of the capital cost of the project. LMW was informed recently that it was successful in attracting funding.

The support of existing customers was crucial in achieving funding. Over 80 community and customer sessions were held over a 4-month period to identify customers concerns. These concerns were then addressed in the design of a binding Commitment Agreement that was signed by each of the proponents.

SMP2 will deliver up to 20GL of water to new proponents to irrigate up to 2,000 hectares of new agricultural developments commencing late 2019. The project will enable cost savings for all customers while maintain
the same level of supply reliability for existing customers. The project has a Net Economic Benefit of $40 million and will result in 33 new full-time jobs for the Sunraysia region.