



## NVIRP Connections Program - Key Funding Principles: Ensuring Transparency and Consistency

The following eight key principles apply to connections funding. They have been established to promote transparency and consistency in landowner agreements with the Northern Victoria Irrigation Renewal Project (NVIRP).

### 1. Purpose of the Funding

Funding is provided to landowners so that they have sufficient funds to remove an existing supply point or multiple supply points on smaller spur channels and relocate supply to the defined 'backbone' network of channels. (See backbone maps on NVIRP website.)

The connection process is determined in conjunction with the landowner and connection agreements are entered into voluntarily. By forming an agreement with NVIRP, landowners are able to take advantage of both financial incentives and improved levels of service provided through connecting to the modernised backbone supply system.

These connections involve the installation of new, privately owned infrastructure, metered at the backbone channel. This allows water to be delivered more consistently, in a timely manner and at higher flow rates through the whole irrigation channel system.

Alternatively, landowners may use NVIRP funding to terminate their connection to the irrigation supply system. This option is only accepted when it is deemed appropriate by the landowner, Goulburn-Murray Water and NVIRP, with factors considered including soil suitability for irrigation, available drainage, susceptibility to flooding and distance from the backbone channel network. Partial removal of supply to a property is also permissible based on these factors.

Stage 1 and Stage 2 of the Connections Program provides funding for two main activity types:

- **Constructing a new connection:** the majority of landowners supplied with water from non-backbone channels will reconnect to the modernised backbone through a new, privately owned connection funded by the NVIRP incentive or;
- **Facilitate Termination:** some landowners may have sold or are planning to sell their water shares and have a reduced need for irrigation water supply. They may wish to relinquish their Delivery Shares and use incentive payments provided by NVIRP to establish an alternative dryland enterprise with a stock and domestic supply or alternately retire from the industry.

## 2. Actual Costs

The funding provided by NVIRP is based on the actual on-farm costs of connecting to the backbone channel network with the costs calculated as one of the following.

1. Minimum payment

This is a 'no questions asked' payment with regard to on-farm works and is available to simplify administration costs. The payment involves a minimal 30% of the total NVIRP incentive payment being made available for an individual project.

2. Farm Irrigation Assessment (FIA)

Farm Designers contracted by NVIRP will assess the existing irrigation supply infrastructure and associated farm design and discuss with landowners their future requirements. It is the Farm Designer's responsibility following consultation with the landowner to design and estimate the cost of new infrastructure that will deliver the flow of water required by the landowner.

The FIA will consider the enterprise mix of the farm and the current farm layout in consultation with the landowner before making a fair and reasonable assessment of what infrastructure is required to ensure the landowner is no worse-off from a connection to the backbone.

The FIA is responsible for managing landowner expectations so that all planned works estimates accurately reflect the costs of replacement infrastructure that is to be privately owned. In some cases, landowners may add their own funds to the project to generate increased on-farm benefits. Cost estimates and designs are submitted to NVIRP for approval and negotiations then begin between the landowner and NVIRP Modernisation Coordinators for a final agreement.

3. Property Consolidation

In the event of property consolidation, where a neighbouring property is purchased that results in infrastructure decommissioning, the minimum payment is increased to 60% of the total NVIRP incentive payment generated for an individual project. The initial 60% incentive can only be paid once the property has been purchased (i.e., settlement has occurred). The landowner can claim above the 60% limit if the reasonable consolidation or connection costs can be demonstrated to be in excess of the funds provided.

## 3. Eligible Works

Works that are eligible to receive funding from NVIRP through the Connections Program include:

- Constructing a New Connection

Eligible works are any works and reasonable associated costs incurred by a landowner to establish a new connection to the backbone channel network. These works may include earthen channels, pipelines (gravity or pressurised), electricity connections, other earth works to facilitate connection (such as trenching and laser levelling), fencing and the reinstatement of laneways, pastures and other existing features that may be disturbed during construction efforts.

It is not appropriate for NVIRP to limit the types of works that can be included because every farm and every connection is different, however the works need to be based on either a connection or termination as described above.

NVIRP incentive payments to establish a new connection may include a provision for future pumping costs where pumping is an essential element of the new connection and not part of an enhanced connection arrangement.

If connecting a property to the backbone is not achievable for reasonable cost or it is not appropriate due to specific circumstances (e.g. flood risk or soil types), landowners may choose to relocate in order to achieve a backbone connection. In such instances, the costs associated with relocation could be claimed from NVIRP. Examples of such expenses are transport costs for cattle or machinery, stamp duty and legal fees to achieve a property sale or purchase.

- Facilitate Termination

Eligible termination activities for an incentive payment include providing an alternative domestic and stock water supply and converting irrigated land to dry land, which may involve infrastructure decommissioning costs, demonstrated devaluation costs to be reimbursed and termination fees to be paid in return for surrendering delivery share entitlements (if permissible).

Termination of supply is accompanied by other changes to a property's status. Termination will include the surrender of the Water Use License associated with the property and it will also result in the excision of the relevant land titles from the irrigation district. NVIRP will pay the cost of these changes.

#### 4. Validation of Costs

Prevailing benchmark prices are established through reference to current market rates for new connection infrastructure. The benchmark prices are established through the evaluation of costs associated with equipment providers, works contractors, irrigation designers and accredited valuers. These are checked and updated by NVIRP every six months.

If the offer received from a landowner is higher than the established rates of a new connection, NVIRP will enter into discussions with the landowner to find a solution based on acceptable industry costs. If the project includes technology or benefits that go beyond those necessary to make the new connection, NVIRP will not fund these inclusions. The Farm Designers working for NVIRP play a critical role in establishing an appropriate level of design and cost for the Connections Program.

#### 5. Local Connection - Maximum Cost

NVIRP is required to achieve the overall Connections Program within a set amount of funding. In order to ensure the project is delivered within this budget, connection projects are subject to a maximum incentive rate.

The incentive benchmarks used by NVIRP to identify the maximum cost to NVIRP to cover connection or termination costs include the channel length decommissioned (approximately \$140 000/km of channel decommissioned) and the delivery shares relocated to the backbone or terminated (approximately \$30 000/ML/day of delivery share).

If there are any associated backbone modernisation cost savings these are also included in the equation on a case-by-case situation. NVIRP project costs including decommissioning or termination costs, where applicable, also need to be considered.

It is important to note that the actual payment made is not based on these maximum incentive payments for a specific landowner or group of landowners, but are instead driven by actual on-farm costs to connect landowners to the backbone through the Connections Program.

## 6. Accumulated Funding

The Connections Program adopts the assumption that some projects will cost less than the funds available through the incentive framework described above. Any accumulated funds are to be used in areas that have higher actual costs. The procedure for applying accumulated funds to connections includes the following:

1. Funds cannot be allocated until sufficient funding is available from within the accumulated fund balance.
2. Local areas that have potentially higher costs (i.e. involve a greater distance to the backbone, more on-farm infrastructure to work around or a significant amount of stock and domestic connections) will generally have access to these banked funds, however the principle of payment of actual costs remains unchanged in these circumstances.
3. Landowners or groups of landowners whose connections costs are more expensive than the benchmarked average may choose to either wait and see if sufficient funds become available or alternatively, develop less expensive options that still meet NVIRP and landowner requirements. However, funding is always based on actual costs.

## 7. Governance

NVIRP is now rolling out Strategic Connections Projects, which involve all landowners within a specific channel system agreeing on outcomes for that system. Details and maps are available on the NVIRP website. To assist with the rollout of these projects, local steering committees are encouraged to be established.

These steering committees play an important role in developing a concept connection plan, ensuring all landowners are engaged in the process and seeking independent external advice on matters such as taxation, easement management and river connections. The steering committees also have access to mediation services and can directly access senior NVIRP staff when required.

NVIRP provides funding for independent advice to be obtained by landowners to assist with the decision-making process, irrespective of whether the offer is accepted or not. More information on this funding is available on NVIRP's website.

NVIRP also has a continuous quality assurance process in place to monitor the Connections Program and is subject to both internal and external audits.

## 8. Appeal Process by Independent Review Panel

NVIRP has developed an appeals process which will allow landowners the opportunity to seek a review of decisions made in respect to their connections solutions. This process is also described in detail on NVIRP's website under Connections Program. The process allows landowners to appeal the components of the funding offer made available through the Connections Program.

A landowner steering committee formed for a Strategic Connections Project may develop a Concept Connection Plan to guide upgrade or discontinue works for a specific area. If this plan is supported by the majority of landowners, and the consultation process has been exhausted, it may be presented to the Minister of Water for a decision on its implementation. The Minister can then consider using the mandatory reconfiguration powers he has under the Water Act.

## Key Definitions

**Backbone:** a large capacity water supply channel (carriers and trunks). The backbone forms the nucleus of a modernised and automated water supply system to efficiently transport large volumes of water to customer service points.

**Concept Connections Plan:** a plan developed in consultation with landowners for a Strategic Connections Project that provides a connections solution for all properties involved.

**Non-backbone Channel:** smaller spur channels located below the backbone network of channels, which NVIRP is attempting to decommission to create a more efficient system.

**Reconfiguration:** a process incorporated in the Water Act that would allow in some circumstances a developed concept connections plan agreed by the majority of landowners to be implemented through a compulsory process.

**Property Consolidation:** the process of purchasing neighbouring properties and consolidating into a single enterprise.

**Strategic Connections Project:** a project focussed on a defined channel or section of channels. NVIRP, landowners and a designated farm designer develop a Concept Connections Plan for this area that provides options for all properties in the area to connect to the project backbone.

**Steering Committees:** local committees established for each Strategic Connections Project to assist with the development of the Concept Connections Plan and address landowner issues as they arise.

**Termination:** an option available to landowners who wish to exit irrigation.