

# Implementation Plan for Supporting More Efficient Irrigation in Tasmania

NATIONAL PARTNERSHIP AGREEMENT  
ON WATER FOR THE FUTURE

## PRELIMINARIES

1. This Implementation Plan is created subject to the provisions of the *Intergovernmental Agreement on Federal Financial Relations* and *National Partnership Agreement on Water for the Future* and should be read in conjunction with those Agreements.
2. The Parties are committed to promoting and facilitating the implementation of National Water Initiative (NWI) commitments and continued progress and outcomes in agreed policy reform. The Commonwealth has agreed to provide up to \$140 million<sup>1</sup> of funding from the Commonwealth's *Water for the Future* initiative for Tasmania to undertake one or more sustainable irrigation infrastructure projects that will substantially contribute to irrigation water use efficiency.
3. The parties acknowledge that Tasmania is committed to irrigation development and has established an \$80 million Water Infrastructure Fund (WIF) and that the irrigation infrastructure projects funded under this implementation plan will be jointly funded by the parties and the irrigators who benefit.

## PROGRAM

---

### Program Objective

4. These projects will fall within an overarching Commonwealth Election Commitment - *Supporting More Efficient Irrigation in Tasmania* (the Program). The Program, and the Projects that fall within it, will assist Tasmania to use its water resources within the State's irrigation sector in a sustainable and efficient manner and *Water for the Future* outcomes will be addressed through the effective implementation of those projects.

---

<sup>1</sup> The Tasmanian Sustainable Yields project has been funded from the election commitment, however as payments are made directly to the CSIRO, \$4.2 million is not a component of this Implementation Plan.

5. The Program may include one or more, but is not limited to, the following irrigation Projects:
  - a) Midlands Water Scheme;
  - b) Sassafras Wesley Vale Irrigation Scheme;
  - c) Whitemore Irrigation Scheme;
  - d) Forth River Irrigation Schemes;
  - e) Ouse / Shannon and Clyde River Projects;
  - f) North East Dams;
  - g) Winnaleah Irrigation Scheme;
  - h) Headquarters Road;
  - i) Meadstone Dam;
  - j) Upper Macquarie Dam;
  - k) Upper South Esk Dam.
6. The Commonwealth's agreement to fund a Project is dependent on that Project meeting the assessment criteria defined in Schedule D. Similarly, the inclusion of a Project in this Program will be also based on the outcomes of Tasmania's assessment and approval processes.
7. The Program will result in an acceleration of Tasmania's current implementation of defined National Water Initiative commitments within clearly specified reform actions and milestones.
8. The CSIRO Tasmanian Sustainable Yields study will be an important consideration for the Commonwealth in making Project level investment decisions. As part of conditions of investment the Commonwealth will expect that the business case for each proposal will take into account the findings of this study. Importantly, water management planning will need to take into account these findings in order to set sustainable NWI-consistent diversion limits.

## **REFORM ACTIONS AND MILESTONES**

9. The State agrees to complete the Reform Actions and Milestones identified in Schedule C for each agreed Project.
10. The State agrees to complete each of its Reform Actions, Project Conditions and Milestones specified in or agreed under each Project Plan by the dates specified in Schedule A and in Table 1 of this Implementation Plan.
11. The Reform Actions and Reform Milestones specified in Schedule C are based on reforms identified in the National Water Initiative. This Implementation Plan and subsequent Project Plans (Schedule A) agreed under it link the funding for Projects to agreed Reform Actions and Milestones (Schedule C).
12. The State agrees to ensure all its Projects are NWI compliant.

## **ROLES AND RESPONSIBILITIES OF EACH PARTY**

### **Commonwealth**

13. The Commonwealth will be responsible for:
  - (a) reviewing the State's performance against the milestones set out in Table 1 in accordance with this Implementation Plan as well as Project milestones in accordance with the agreed Project Plan(s); and
  - (b) completing an assessment of a proposal in accordance with the Guidelines defined in Schedule D, except that the Commonwealth may seek the advice of other relevant parties (including external technical providers) when assessing a proposal.
  
14. The Commonwealth is responsible for assessing the State's performance under this Implementation Plan. The Commonwealth may delegate its assessment of the State's performance and achievement of its Reform Actions to a third party, including the National Water Commission.

### **State**

15. The State will have responsibility for:
  - (a) completing each agreed Project in a timely and professional manner in accordance with this Implementation Plan.
  - (b) providing written comments to the Commonwealth within 20 Business Days of receiving a draft assessment report resulting from an assessment conducted against the criteria defined at Schedule D;
  - (c) providing Reports in accordance with this Implementation Plan; and
  
16. Having regard to the estimated costs of agreed projects the State will not be required to pay a refund to the Commonwealth if the actual cost of the project is less than the agreed estimated cost of the project. Similarly, the State bears all risk should the costs of a project exceed the estimated costs. The Parties acknowledge that this arrangement provides the maximum incentive for the State to deliver projects cost-effectively and efficiently

### **Funding, milestones and payments**

17. The funding to be provided by the Commonwealth for the Program is payable in accordance with milestones set out in the Table 1 below.
  
18. Subject to the terms of this Implementation Plan the Commonwealth will pay the Funds to the State as specified in table 1 and as specified in Schedule A.

**Table 1: Milestone Funding Schedule**

Milestone	Performance benchmark	Performance indicator	Date for completion of performance benchmark	Payment
1	a) National Partnership and Implementation Plan signed	The first payment will be made following the NPA and IP being signed by each Party	The date the NPA and IP comes into effect	\$14.8M
2	a) Project Definitions	Project definitions are satisfactorily completed for all projects listed in this implementation plan	As agreed	Nil payment
	b) Water Reform Baseline report	A baseline report is developed and agreed upon by both parties in order to assess progress of water reforms throughout the life of the Program	Expected 3 months after the date of the agreement	Nil payment
	c) Business Cases approved for funding	The Projects business case and project plans approved by the Commonwealth	Expected within 2 months of Business case being accepted by DEWHA for formal assessment	As per project plans (but will not exceed \$14 million)
3	a) Project Progress reports	Project Progress reports submitted in accordance with project plans to the satisfaction of the Commonwealth	As agreed for each project in its Project Plan	As per project plans (but will not exceed \$75 million)
	b) Project Completion reports	Project Completion reports submitted in accordance with project plans to the satisfaction of the Commonwealth	As agreed for each project in its Project Plan	As per project plans (but will not exceed \$25 million)
4	Water Reform progress reports	Water reforms are satisfactory progressed in accordance with the baseline report	6 Monthly	Nil payment
5	Final Program report	Final Program reports submitted in accordance with this IP (including evidence of completion of all reform and project milestones) to the satisfaction of the Commonwealth.	60 days after completion of the Program	\$7 million

## **Project Plans**

19. The Parties will agree to a Project Plan (Schedule A) for each funded Project. Amendments to a Project Plan can be requested by either Party at any time, to accommodate emerging issues. These amendments will require agreement with both Parties prior to revision of the Project Plans.

## **PROVISION OF REPORTS**

20. The State agrees to provide the Commonwealth with reports at the times specified in the Project Plans (Schedule A), plus a 6 monthly Water Reform report based on the performance of the Program, containing the information specified in the Reporting Requirements (Schedule B).

## **PROGRAM OVERVIEW GROUP**

21. The Commonwealth and State agree to establish a Program Overview Group to monitor progress of this Implementation Plan, its Projects and water reform requirements. Agreed terms of reference for this Group will be developed by both parties within one month of the signing of this Implementation Plan.

## **VARIATION TO INCOPROATE ADDITION REFORM ACTIONS AND REFORM MILESTONES**

22. The Commonwealth and State may agree in writing to additional Reform Milestones or project specific conditions for the Reform Actions specified in Schedule C for inclusion in this Implementation Plan.
23. The Commonwealth and State may agree in writing to additional Reform Actions for inclusion in this Implementation Plan.

## **NOTICE OF DETAILS FOR THIS PROGRAM**

24. A notice relating to this Implementation Plan and relevant Projects, rather than the Agreement generally, is to be in writing and dealt with as follows:
  - a) *if given by the State to the Commonwealth:*  
Assistant Secretary  
Irrigation Efficiency Northern Branch  
Water Efficiency Division  
Department of Environment, Water, Heritage and the Arts  
GPO Box 787  
Canberra ACT 2600  
  
Contact number 02 6274 9063, fax number 02 62 741662;  
  
email address richard.mcloughlin@environment.gov.au

or

b) *if given by the Commonwealth to the State:*

General Manager Water and Marine Resources  
Department of Primary Industries, Parkes, Water & Environment  
GPO Box 44  
Hobart TAS 7001

Contact number 03 6233 5424, fax number 03 6233 6055

email address [wes.ford@dpipwe.tas.gov.au](mailto:wes.ford@dpipwe.tas.gov.au)

# Project Plan for **insert name of irrigation scheme**

NATIONAL PARTNERSHIP AGREEMENT  
ON WATER FOR THE FUTURE

Drafting Note: this is a template that will be used to negotiate Project Plans for each of the Projects approved under this Implementation Plan.

**[Insert Name of the Project]**

## Project

---

### Summary and duration of Project

1. **[Insert a brief explanation and summary of the Project]**
2. **[Insert the start and end date for the Project, noting the end date should leave sufficient time for the State to provide the final Project Report]**

### Aim of Project

3. **[Insert goals or aims of the Project]**

### Project Requirements

4. **[Outline how the Project will contribute to the achievement and acceleration of Reform outcomes]**
5. **[Describe what the State is required to do to perform the Project using precise language. Provide an outline of any components.]**

### Project Components

Drafting Note: Some Projects may not have Components, in which case the following items can be deleted.

### Component One

6. **[Insert description and requirements for Component One]**

### Component Two

7. **[Insert description and requirements for Component Two]**

## Project Schedule

---

8. The Project Milestones for this Project are set out in the following table:

Drafting Note: The delivery of Project Reports should be included as project milestones. The delivery of Reform Reports should be identified in a separate Project Plan with reference to Schedule C.

A Project Report will be required as part of the Payment Preconditions for each payment of Funds and, the Payment Preconditions will also include the completion of the closest 6 monthly Reform Report,

**Below is an example only (further discussion is required)**

Milestone Number	Project Milestone (description and deliverables)	Completion date for Project Milestone	Performance Indicator (evidence of completed project milestone)
2c	Project plan for the project approved for funding by the Commonwealth.		
2c	Business case submitted for due diligence assessment		Business case passes due diligence assessment and approved by the Commonwealth AND passes Tasmanian Government approval processes.
3a Project Progress Report			
	Note: the larger the AG contribution the more likely we may negotiate extra progress reports		

Milestone Number	Project Milestone (description and deliverables)	Completion date for Project Milestone	Performance Indicator (evidence of completed project milestone)
3b Project Completion Report			
4	Where applicable the completion or progress towards a reform outcome in respect of the Certain Component should be listed as one or more Project Milestones.		

9. Except as otherwise agreed in writing by the parties, the State is required to complete the Project Milestones for a Project in the order in which they appear in the table in this Schedule A.

**Project performance measures**

---

10. [Specify any performance measures that the State will need to meet in its performance of this Project.]

**Project Cost**

---

**Project Cost**

The Project Cost is set out in the following table.

Project Title				
Item	FYxx (exc GST)	FYxx (exc GST)	FYxx (exc GST)	Total (exc GST)
Project Total (exc GST)				

**Agreement Material and Existing Material**

---

**Agreement Material**

11. The following conditions apply to the following Agreement Material that relates to this Project:

Item of Agreement Material (excluding a Report)	Conditions or Restriction on Commonwealth's use of that Agreement Material

**Existing Material**

12. The following conditions apply to the following Existing Material that relates to this Project:

Item of Existing Material (excluding that which is incorporated in or supplied with a Report)	Conditions or Restriction on Commonwealth's use of that Existing Material

Drafting Note: The Project Milestones, Reform Reports relevant to a Project will all need to be included as Payment Preconditions in the payment schedule of the Project Schedule for that Project.

The timeframe for making a payment of Funds will need to factor in a reasonable time period for DEWHA to assess the Project Reports and also the procedures in place between the Commonwealth and State Treasuries for the payment of Funds.

### Schedule of Funding payments for the Project

13. The maximum GST-exclusive amount of Funds payable by the Commonwealth to the State for this Project is \$[Insert].
14. The Commonwealth will pay the Funds to the State at the times, in the manner and subject to the Payment Preconditions specified in the following table, and in Table 1 of this Implementation Plan:

Payment number for this Project	GST-exclusive amount of the Funding instalment	Payment Preconditions for Funding instalment
1	\$[Insert]	E.g. Approval of final business case by the Commonwealth Government <ul style="list-style-type: none"> <li>Project milestone 1 – business case submitted and approved by AG</li> </ul>
2	\$[Insert]	E.g. Completion of the following to the Commonwealth's reasonable satisfaction: <ul style="list-style-type: none"> <li>Project milestone2 – Project Progress Report (3a) and most recent preceding Water Reform Report</li> </ul>
3	\$[Insert]	E.g. Completion of the following to the Commonwealth's reasonable satisfaction: <ul style="list-style-type: none"> <li>Project milestone3 – Project Completion Report (3b) and most recent preceding Water Reform Report</li> </ul>
Total	\$[insert]	

15. The date for payment of Funds is 30 Business Days after the first day of the month following the date that the State is assessed as having met all of the Payment Preconditions relating to the payment.

### Notice Details for this Project

16. A notice relating to this Project, rather than the Agreement generally, is to be in writing and dealt with as follows:

*if given by the State to the Commonwealth* - addressed to DEWHA at the following address:

[Insert position, postal address, phone number, email address and fax number]; or

*if given by the Commonwealth to the State* - addressed to the [insert name of State or Territory department or agency] at the following address:

[Insert position, postal address, phone number, email address and fax number].



# Reporting Requirements

NATIONAL PARTNERSHIP AGREEMENT  
ON WATER FOR THE FUTURE

## Program and Project Reports

---

1. Each Project Progress Report (Implementation Plan Milestone 3a) is to contain the following information:
  - a) a description of actual performance of the Project to date against the Project milestone/s, including a statement as to whether the Project is proceeding within the Project Budget and if it is not, an explanation as to why and the action the State proposes to take to address the matter/s;
  - b) promotional activities undertaken in relation to, and media coverage of, the Project during the last reporting period; and
  - c) a description of the work that will be undertaken to complete the remaining Project Milestone(s), and any expected promotional opportunities, during the next reporting period for the Project.
2. Each Project Completion Report (Implementation Plan Milestone 3b) will be a stand-alone document that can be used for public information dissemination purposes regarding the Project. The final Project Report must:
  - a) describe the conduct, benefits and outcomes of the Project as a whole;
  - b) evaluate the Project, including assessing the extent to which the objective has been achieved and explaining why any aspect were not achieved; and
  - c) include a discussion of any other matters, relating to the Project, which DEWHA notifies the State should be included in this final Project Report at least 30 days before it is due.
3. The final Program Report (Implementation Plan Milestone 5) is due within 60 Business Days of the completion of the last Project (or termination of this Implementation Plan or the Project) and will be a stand-alone document that can be used
  - a) describe the conduct, benefits and outcomes of the Program as a whole;
  - b) evaluate the Program, including assessing the extent to which the outcomes of the Program has been achieved and explaining why any aspect were not achieved; and
  - c) include a discussion of any other matters, relating to the Program, which DEWHA notifies the State should be included in this final Program Report at least 30 days before it is due.

### ***Other Reports***

4. The State agrees to meet any reasonable request by the Commonwealth to provide other reports regarding the Project implementation or funding conditions.

### **Reform Reports**

---

#### **Due Dates**

1. The State is required to provide a Reform Report regarding its achievement of the Reform Actions and Reform Milestones every 6 months, from the date of delivery of the Water Reform baseline report (Implementation Plan - Milestone 1c).

#### **Contents of Reform Reports**

2. Each Reform Report is to contain the following information:

The extent to which the State has progressed and/or completed the Reform Milestones, and achieved the Reform Actions to date, including information that specifically addresses the Reform Requirements in Schedule A;

Detailed information regarding the amount of Environmental Water protected under Water Management Plans including actual water allocations and the amount of Environmental Water resulting from the Projects.

# Reform Action and Milestones

## NATIONAL PARTNERSHIP AGREEMENT ON WATER FOR THE FUTURE

### PROJECT REFORM REQUIREMENTS

**The State agrees to complete the Reform Actions and Reform Milestones set out in the following table in accordance with this Agreement.**

The State agrees to conform to the Conditions of Australian Government investment in Tasmanian irrigation projects under *Water for the Future* as agreed to by the Minister for Climate Change & Water in May 2008. The conditions are summarised below;

1. Accelerate implementation of National Water Initiative (NWI) commitments within clearly specified timelines;
2. Water management plans that take into account and integrate the proposed irrigation projects and other significant land-use change (interception) activities as agreed to under the NWI;
3. Comprehensive environmental impact (long and short-term) assessments as part of any project proposal;
4. Robust and credible social and economic analysis and research as part of any project proposal including short and long-term social and economic viability and engineering (technical) feasibility;
5. Consultation with all affected stakeholders in the development of project plans;
6. Agreed governance arrangements (contractual, project and financial) for all projects;
7. Project designs to include irrigation delivery systems that will run at a minimum 90% level of efficiency and the Australian Government and Tasmania to agree the most cost-effective and water-use efficient on-farm systems, including compatibility between the delivery system and on-farm irrigation practices;
8. All bulk water and farm off-takes to be metered to new national metering standards with an in-field accuracy of +/- 5 per cent;
9. Clearly identifiable level of state/industry cash contribution for each project; and
10. Milestone-based funding profiles for each project.

The State agrees to complete the Reform Actions and Reform Milestones set out in the following Table 2 below and report progress at 6 monthly intervals.

Related Water Reform	Project Water Reform Action / Deliverable	
<b>Water access entitlements and planning</b>  (Sections 25 & 26 & Sections 55-57 NWI)	NWI –consistent water planning for the entire area where the Project is to be undertaken  Provide a copy of any final, revised or new water management plans developed under NWI parameters that account for and integrate the outcomes and impacts from each Project	
<b>Water markets and trading</b>  (Sections 58-62 NWI)	Provide evidence that a competitively neutral and independently regulated water market and trading arrangements are in place for the Project water irrigation scheme  Provide evidence that best practice water pricing and institutional arrangements are in place for the irrigation scheme  Provide evidence that publicly accessible and compatible water register arrangements are in place and consistent with the National Water Market System for the Project water irrigation scheme	
<b>Integrated management of environmental water</b>  (Section 69 & 79 NWI )	Provide evidence of how environmental and other public benefit water is being (or will be) applied, reported and is consistent with the intent of the NWI for this particular water irrigation area.	
<b>Water Data</b>  (Section 80-89 NWI)	Provide evidence that the collection, management and dissemination of Water Data for the Project meets the standard and protocols developed by the Bureau of Meteorology (as these standards and protocols become available)  Provide evidence that water data is freely and openly available in the transfer formats developed under the Australian Water Resources Information System for this particular irrigation scheme.	
<b>Water Metering</b>  (Section 87-89 NWI)	Provide evidence that water metering arrangements are in place and consistent with national standards for measurement and metering for the Project water irrigation area.  Report on the in-field accuracy of all bulk water and farm off-takes (meters) within the Project water irrigation area	
<b>Water Efficiency</b>	Provide evidence that constructed irrigation delivery system will run at a minimum 90% level of efficiency;  Provide evidence of planning for cost-effective and water use efficient on-farm systems, including compatibility between the delivery system and on-farm irrigation practices, for farms taking water from the irrigation scheme, through a farm planning process agreed by the Commonwealth and Tasmania.	

Timeframes are to be negotiated as a component of Implementation Plan Milestone 1c – Water Reform Baseline Report

# Due Diligence Assessment Guidelines

## NATIONAL PARTNERSHIP AGREEMENT ON WATER FOR THE FUTURE

- A1 These Due Diligence Guidelines provide advice to the State to assist the State prepare the business case required for each Proposed Project (Proposal).
- A2 The Commonwealth agrees to assess a Proposal for inclusion in this Agreement as a Commonwealth-Funded Project in accordance with the Due Diligence Guidelines set out in this Schedule.
- A3 Analysis of the business case forms a critical part of the Commonwealth's Due Diligence assessment of each Proposal.
- A4 The State should also address the Conditions of Australian Government investment in Tasmanian irrigation projects under *Water for the Future* (as per Schedule C).
- A5 Commonwealth Funding of a Proposal is conditional on the Commonwealth undertaking a Due Diligence assessment in accordance with these Due Diligence Guidelines. Should the Commonwealth agree to contribute funds, then payments will be made subject to achieving agreed progress in completing Reform Actions by the State (where applicable).
- A6 To commence the Due Diligence process, the Commonwealth will require the State to submit a separate business case for each irrigation scheme, to DEWHA, so that each Proposal can be assessed in its own right.
- A7 Each Proposal will also require a detailed project plan to be submitted with the business case.
- A8 The Commonwealth may engage an independent third party to undertake some or all of the Due Diligence assessment.

### The Due Diligence Criteria

- A9 The business case for each proposed Project must provide sufficient information to enable the Commonwealth to commence a Due Diligence assessment. The criteria by which this assessment will be undertaken will be as follows:
  - i. Economic and social criteria
  - ii. Environmental criteria
  - iii. Value for money criteria
  - iv. Water reform criteria, and
  - v. Other due diligence criteria.

#### **1. Economic and social criteria**

- A10 A Proposal must be able to secure a long-term sustainable future for irrigation communities, in the context of climate change and reduced water availability into the future. A Proposal must:

- (a) contribute to regional investment and development, secure regional economies and support the local community; and
- (b) demonstrate a long-term economic and environmental benefit that can be sustained over a 20 year horizon, preferably supported by a modern, efficient irrigation plan.

### **Addressing the economic and social criteria**

A11 Outline how the Proposal will be able to secure a long-term sustainable future for irrigation communities, in the context of climate change and reduced water availability in the future. The State must demonstrate the short-term (to 2012) and long-term (to 2030) environmental and economic benefits of the Proposal, including (at a minimum):

- (a) Details of the extent to which the Proposal will contribute to regional employment.
- (b) Details of how the Proposal will sustain industry in the region.
- (c) Details of additional first order value-added (not flow-on or multiplier) effects, or reduction in costs of production, resulting from implementation of the Proposal.
- (d) How the Proposal will attract other investment in the region, and the expected quantum of that additional investment.
- (e) Provide evidence that demonstrates that the Proposal is technically feasible (applicable for Sustainable Irrigation Infrastructure projects). This may include consultancy reports, environmental impact studies, legal assessments, land surveys and mapping, water or town planning documents prepared by various levels of government, water use efficiency initiatives or the outputs from community consultation in relation to water issues. In addressing this requirement, copies of supporting documents and references such as letters and reports must be provided.
- (f) Provide details of the economic and financial assessment of the proposed on-ground works for the Proposal.
- (g) Provide sufficient evidence of consultation with stakeholders regarding the Proposal including irrigators, environment and community groups.

### **2. Environmental criteria**

A12 Environmental impact (long and short term) assessments consistent with relevant State and Commonwealth legislation must form part of the business case for the Proposal.

A13 Any Proposal that involves investment in new or refurbished water infrastructure will be required to be assessed as ecologically sustainable prior to the investment occurring, consistent with clause 6g of the NWI.

### **Addressing the environmental criteria**

A14 The State is required to outline how the Proposal will secure and deliver benefits for the environment and maintain or improve river and wetland health. This must include at a minimum:

- (a) how water use projections for the Proposal consider or will consider the appropriate climate and development scenarios from the CSIRO Tasmanian Sustainable Yields Project to take into account the impacts of climate change over the life of the Proposal.

(b) how the Proposal will achieve environmental outcomes (for example, water quality impacts) that maintain, and/or secure, real improvements in river and wetland health and high priority environmental assets.

(c) how irrigators drawing water from the Proposal are required to comply with Land and Water Management Plans (taking into account land capability, crop type and environmental approvals).

(d) Evidence of the Proposal's compliance with all relevant State and local government environmental law, including environmental impact assessment processes.

(e) Evidence that the Proposal is environmentally sustainable (including, but not limited to, demonstrating that the Proposal will meet any rulings and/or conditions imposed under the *Environment Protection and Biodiversity Conservation Act 1999*).

A15 The Commonwealth may take into account other relevant matters where necessary in undertaking its Due Diligence assessment of environmental criteria. For example, the Commonwealth may also assess the Proposal's ability to adapt to climate change in an environment of reduced water availability, the potential energy and CO<sub>2</sub> emission- implications of the Proposal, and other relevant environmental issues such as land use change and salinity.

### **3. Value for money criteria**

A16 The Proposal must deliver value for money in the context of the first two criteria (being the economic and social and environmental criteria):

- (a) A Proposal must demonstrate a positive cost-benefit outcome for a range of investment scenarios, compared with a no change option.
- (b) There must be clearly defined, and agreed, cost sharing arrangements

#### **Addressing the value for money criteria**

A17 Describe how the Proposal is value for money. All benefits resulting from the Proposal must be clearly demonstrated. Demonstration of value for money must include the following information at a minimum:

#### **A18 Budget details:**

- (a) Provide details of the Proposal's budget, including expenditure timeframes and categories. This must include at a minimum a detailed project budget for the Proposal that indicates the employment, capital and operational costs of the Proposal.

#### **A19 Cost sharing arrangements:**

- (a) Provide a clear description of the proposed cost sharing arrangements for the Proposal. The State must also provide complete details of how the Proposal is to be funded, including the funding contributions from:
  - i. the Commonwealth (noting that its contribution for a Proposal will be limited to the amount (if any) specified in this Agreement for that Proposal once the Commonwealth approves the Proposal as a Commonwealth-Funded Project);
  - ii. the State
  - iii. Charges or levies on users;

- iv. General revenue measures;
- v. CMAs or other regional bodies; and/or
- vi. Other sources (please specify these).

**A20 Cost-benefit analysis:**

- (a) Provide a cost-benefit analysis to demonstrate that the Proposal will provide a net benefit to the Australian economy and the Australian public. The cost-benefit analysis provided should be undertaken in accordance with the Australian Government Department of Finance and Deregulation publication Handbook of Cost-Benefit Analysis which is available from the following web site: <http://www.finance.gov.au/publications/finance-circulars/2006/01.html>; and provide an assessment of options against a base case (such as 'do nothing' or 'do minimum' scenario).

**A21 Technical feasibility:**

- (a) Provide evidence that the project is technically feasible. This may include consultancy reports, environmental impact studies, legal assessments, land surveys and mapping, water use efficiency initiatives or the outputs from community consultation in relation to water issues. In addressing this requirement, copies of supporting documents and references such as letters and reports should be provided.
- (b) Provide evidence of compliance with relevant Commonwealth, state legislation, including the Commonwealth Environment Protection and Biodiversity Conservation Act 1999, or outline the process to obtain these approvals.
- (c) Provide details of the engineering, economic and financial assessment of the proposed on-ground works.

**A22 Financial viability:**

- (a) Provide details about the long term financial viability of the Proposal. This must include at a minimum:
  - i. Details of the Proposal's estimated ongoing operations and maintenance costs, including any expenditure for periodic upgrades, over the short term (to 2012) and long term (to 2030) if possible.
  - ii. Details of how the Proposal's ongoing operations and maintenance costs will be met, including specifying who will bear these costs and whether the Proposal will generate its own ongoing revenue stream to cover or partially cover these costs covering both the short term (to 2012) and long term (to 2030), and providing details of the analysis to verify the viability of the revenue stream.
  - iii. If irrigators and primary producers are to be the major contributors to operations and maintenance costs, indicate the likely process for achieving these contributions.
- (b) Provide details of the principal assumptions that underpin the assessment of financial viability of the Proposal as outlined in paragraph u. above. For example, assumptions regarding climatic conditions, water availability, agronomic and irrigation practices and trends, industrial developments, urban, other land use issues, charges on recreational users of riverine or other environmental assets.
- (c) Where the Proposal involves infrastructure or assets owned or operated by another entity, provide sufficient material to demonstrate unequivocally the financial viability of that entity.

**A23 Risk assessment:**

(d) Provide details on the risks associated with the Proposal, how the risks were identified and assessed, and how these risks will be managed. Demonstrate how the processes for managing the risks associated with the project meet Australian Standard AS/NZS 4360:2004: Risk management.

**4. Water reform criteria**

- A24 All activities associated with the funding of a Proposal must be in accordance with the National Water Initiative agreement and the Conditions of Australian Government investment in Tasmania irrigation projects under *Water for the Future* outline in Schedule C.
- A25 The State must demonstrate how a Proposal will accelerate, or contribute to the acceleration of the implementation of its defined National Water Initiative commitments within clearly specified timelines.
- A26 The State must ensure that the Proposal is consistent with table 1 in Schedule C.
- A27 The State will ensure that Proposals are NWI-compliant, or otherwise outline the steps in place to ensure NWI-compliance during the implementation of the Proposal, particularly in the areas of (but not exclusive to):
- (a) water management planning and stakeholder engagement, including indigenous engagement;
  - (b) water access entitlements;
  - (c) water markets and trading;
  - (d) water pricing;
  - (e) metering;
  - (f) environmental water; and
  - (g) water data.

**Addressing the water reform criteria**

- A28 For each Proposal, the State must demonstrate that the Proposal is NWI compliant, particularly in relation to:
- (a) Water access entitlements and planning. The State must
    - (i) Demonstrate NWI-consistent water planning for all parts of the State covered or affected by the Proposal that takes into account and integrates the Proposal and other land-use change (interception) activities as consistent with Tasmania's NWI commitment.
    - (ii) Provide relevant documentation demonstrating NWI-consistent water planning that account for and integrate the outcomes and impacts from the Proposal. The documentation will need to reflect appropriate planning, management and regulatory measures necessary to protect the integrity of the State's water access entitlements system and the achievement of the State's environmental objectives.
    - (iii) Within each water plan area, significant interception activities must be identified and consistent with clause 55-57 of the NWI and any new proposal for interception activities must be brought within the water access entitlement system

- (b) Water markets and trading. For each Proposal the State must implement:
  - (i) competitively neutral and independently regulated water market and trading arrangements;
  - (ii) publicly accessible and compatible water register arrangements consistent with the National Water Market System;
- (c) Best practise water pricing and institutional arrangements. The State must implement water charging regimes for each Proposal that reflect the full cost of supply to end users, including environmental externalities where feasible and practical.

In particular, a concise description of the proposed water pricing approach for the Proposal is required. The description must include details on whether upper bound pricing or lower bound pricing is being sought (see NWI for definitions).

The description must demonstrate that the approach to pricing is consistent with NWI pricing principles developed by NWI parties and include an itemised list of the cost elements that make up the upper or lower revenue bound pricing including:

- (i) a return on capital where upper bound pricing is being sought;
  - (ii) a return on capital to make provision for future asset refurbishment/replacement;
  - (iii) operational, maintenance and administrative costs;
  - (iv) externalities;
  - (v) taxes or TER's;
  - (vi) interest cost on debt (lower bound); and
  - (vii) dividends (if any);
  - (viii) and water planning and management charges.
- (d) Water metering. The State must demonstrate that for each Proposal, water metering arrangements will be in place consistent with national standards for measurement and metering.
  - (e) Integrated management of environmental water. The State must demonstrate for each Proposal how environmental and other public benefit water is applied, reported and whether desired outcomes are achieved.
  - (f) Water data. The State must ensure that for each Proposal:
    - (i) the collection, management and dissemination of water data meets the standard and protocols developed by the Bureau of Meteorology as these standards and protocols become available; and
    - (ii) water data is freely and openly available in the transfer formats developed under the Australian Water Data Information System; and
  - (g) compliance with any other National Water Initiative reforms

A29 The State must ensure that the Proposal is consistent with Table 1 in Schedule C.

#### **5. Other due diligence criteria**

- A30 A Proposal must be consistent with best practice and other national approaches and standards being adopted for planning and implementation of the Commonwealth's *Water for the Future*, in particular:
- (a) The design for the Proposal must include irrigation delivery systems that will run at a minimum 90% level of efficiency.
  - (b) the Commonwealth and the State are to agree on the most cost-effective and water-use efficient on-farm systems, including compatibility between the delivery systems and on-farm irrigation practices.
  - (c) Bulk water and farm off-takes are to be metered to new national metering standards with an in-field accuracy of +/- 5 per cent.
- A31 A Proposal must integrate with the State's water planning documents and processes.
- A32 The Commonwealth will provide funding for on-ground works-related expenditure only and not for financial restructuring or other purposes not directly related to on-ground works.
- A33 Suitable project management capability and capacity must be demonstrated.
- A34 Project specifications for the Proposal must include:
- (a) appropriate governance arrangements for the Proposal to ensure it delivers on time, within budget and against all key objectives;
  - (b) compliance with other relevant jurisdictional legislation;
  - (c) indemnification of the Commonwealth against any environmental or other third party damage caused by the Proposal;
  - (d) the Commonwealth to have no responsibility for any past, present or future taxation liabilities arising from investments;
  - (e) warranties on investments; and
  - (f) no allocation of responsibility to the Commonwealth for any legal contracts already entered into, except where explicitly agreed in writing by DEWHA.
- A35 The Commonwealth may take into account other relevant matters where necessary in undertaking its Due Diligence. In particular, the Commonwealth may also assess the overall potential of the project to deliver against the Conditions of Australian Government investment in Tasmanian irrigation projects under *Water for the Future*
- A36 It is expected that the State will, where required, commission suitably qualified, independent persons or organisations to carry out detailed studies to inform the development of the Proposal and demonstrate compliance with the requirements of this Schedule D. These studies must be made available to the Australian Government to inform its Due Diligence assessment of the State's Proposal.