

Implementation Plan for the Gascoyne Irrigation Pipeline Project (WA)

NATIONAL PARTNERSHIP AGREEMENT ON WATER FOR THE FUTURE

PRELIMINARIES

- A1 This Implementation Plan is created subject to the provisions of the *National Partnership Agreement on Water for the Future* and should be read in conjunction with that Agreement.
- A2 As part of the Water for the Future initiative, the Australian Government has committed to be a financial partner in upgrading the irrigation water delivery system across the Carnarvon Irrigation Area (within the Gascoyne region, hence the name the Gascoyne Irrigation Pipeline Project).
- A3 The Commonwealth has agreed to provide financial assistance of up to \$6.6 million towards upgrading irrigation infrastructure throughout the Carnarvon Irrigation Area from the Sustainable Rural Water Use and Infrastructure Program. The Project is scheduled to be completed by 31 October 2011. However, in relation to Milestone Payment No. 6 (see Table 1, page 3 below), the Commonwealth will extend the Project completion date to 30 April 2012, only if needed to allow the State to fulfil its National Water Initiative water charging responsibilities (as per paragraph A10 below).

PROJECT

Project Objective

- A4 The primary objective is to construct a high-pressure irrigation water delivery system throughout the Carnarvon Irrigation Area by replacing existing buried asbestos cement pipes with high density polyethylene pipe. A secondary objective is to install water meters and telemetry controls, and implement an on-line water accounting, consumption and reporting system. The overall aim is to achieve multiple outcomes including:
- a more efficient irrigation distribution system (thereby saving water);
 - more productive use of water;
 - environmental benefits for the region, including addressing over allocation in the Carnarvon Groundwater Area; and
 - best practice metering, telemetry and water charging arrangements consistent with the National Water Initiative.

Roles and Responsibilities

Commonwealth

A5 The Commonwealth is responsible for:

- (a) completing an assessment of the Project business case in accordance with the guidelines defined in Schedule A; and
- (b) reviewing the State's performance against the Project Milestones in accordance with this Implementation Plan.

A6 The Commonwealth may delegate its assessment of the State's performance and achievement of its National Water Initiative reform actions to a third party or the National Water Commission.

State

A7 The State will have responsibility for:

- (a) delivering the Project, in a timely and professional manner, in accordance with this Implementation Plan; and
- (b) meeting all conditions including providing Reports, in accordance with this Implementation Plan

A8 The State agrees to establish a Project Management Committee to monitor and oversee the implementation of the Project. A Commonwealth representative will be an observer and may attend and participate in all meetings (via telephone or in person).

A9 The State agrees to ensure that water use in Basin A does not exceed the estimated sustainable yield (currently 5.8 gigalitres) by the time of full implementation of the Lower Gascoyne Management Strategy in 2010. The State agrees to ensure that by the end of the next Lower Gascoyne Management Strategy (due to commence in 2010), licensed water allocations in Basin A will not exceed the sustainable yield estimate identified in that management strategy.

A10 The State agrees to implement water charging arrangements that reflect National Water Initiative commitments, particularly with regard to best practice water charging and institutional arrangements.

A11 The State agrees to ensure that the Project delivers metering and telemetry systems consistent with commitments in Western Australia's implementation plan for the National Water Initiative and national metering standards.

A12 The State agrees to have in place and maintain a detailed project plan, including but not limited to, a financial assistance agreement, communication, risk and stakeholder plans.

FUNDING, MILESTONES AND PAYMENTS

A13 The Commonwealth's agreement to fund this project is dependent on this project meeting the assessment criteria defined in Schedule A. In assessing the criteria, the Commonwealth may

seek the advice of other relevant parties (including external technical providers) regarding the Project.

A14 The maximum funding to be provided by the Commonwealth for the Project is \$6,600,000, payable in accordance with milestones set out in Table 1 below. All funding amounts are GST exclusive.

Table 1

Payment Number	Milestone	Dates	Amount
1	Upon signing of the NPA and Implementation Plan Business case and project plan is approved by the Commonwealth.	NPA signed December 2009. IP expected May 2010 Expected June 2010	\$1,650,000
2	Contract (tender) awarded to install the pipeline. Submission of a progress Report to the satisfaction of the Commonwealth.	Expected August 2010	\$990,000
3	Pipeline installation 60 per cent complete. Submission of a progress Report to the satisfaction of the Committee and the Commonwealth.	Expected March 2011	\$2,310,000
4	Contract (tender) awarded for Supervisory Control and Data Acquisition work. Submission of a progress Report to the satisfaction of the Commonwealth.	Expected May 2011	\$330,000
5	Supervisory Control and Data Acquisition system 75 per cent complete. Submission of a progress Report to the satisfaction of the Commonwealth.	Expected August 2011	Nil
6	Project completed. Submission of a final Report, including evidence of completion of all reform and project milestones, to the satisfaction of the Commonwealth.	Expected October 2011* (*Note the exception at paragraph A3)	\$1,320,000
TOTAL			\$6,600,000

State Contributions

A15 The State agrees to provide up to \$7,400,000.

A16 The Commonwealth's funding contribution will not be reduced where the State secures funding from other activity partners through innovative and collaborative partnerships.

A17 Having regard to the estimated costs of projects specified in this Implementation Plan, 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.

BUDGET

A18 The Overall Project Budget is set out in Table 2 below.

Table 2

Expenditure Item	Cwlth Amount \$	State Amount \$	Other Amount GWAMCO \$	Total Cost \$
Sign the Implementation Plan (Cwlth/State) and Financial Assistance Agreement (State/GWAMCO) for Gascoyne Irrigation Pipeline Project		740,000		740,000
Project plan and detailed business case including detailed technical specifications and costs as well as the details of economic, environmental and social impact assessments (design & construct)	1,650,000			1,650,000
Prepare tender for pipeline construction		3,700,000	590,000	4,290,000
Award tender for pipeline construction	990,000			990,000
Commence construction and installation of Pipeline System			\$5,310,000	5,310,000
Construct and install Pipeline System (60 percent complete)	2,310,000	2,220,000		4,530,000
Design and install Supervisory Control and Data Acquisition System	330,000			330,000
Project Delivery (including Final Report), Insurances, Contingency & Other Costs	1,320,000	740,000		2,060,000
Total Budget:	6,600,000	7,400,000	5,900,000	19,900,000

REPORTS

A19 The State will provide Progress Reports to the Commonwealth as specified in Table 1 to coincide with milestones. The Progress Reports will be the primary means for the State to demonstrate, and the Commonwealth to assess, achievement of performance benchmarks.

A20 Each Progress Report is to contain the following information:

- (a) a description of actual performance of the Project to date against the Project milestone/s and budget, including progress in relation to the State's water-reform related obligations specified at clauses A9, A10 and A11;
- (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.

A21 The final Project Report is due within 60 Business Days of the completion of the Project (or termination of this Implementation Plan or the Project) and 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 aspects were not achieved (including evidence of completion of all reform and project milestones); and
- (c) include a discussion of any other matters, relating to the Project, which the Commonwealth notifies the State should be included in this final Project Report at least 30 days before it is due.

A22 The State agrees to meet any reasonable request by the Commonwealth to provide other reports regarding the Project implementation.

Requests for Reports and Information

A23 The State agrees to meet any reasonable request by the Commonwealth to provide other reports, or access to information, sites or assets, to enable assessment or review of the implementation of the Project.

NOTICE OF DETAILS FOR THIS PROJECT

A24 A notice relating to this Project, 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: richard.mcloughlin@environment.gov.au

or

- b) if given by the Commonwealth to the State:
John Loney
Director Strategic Policy and Water Services
Department of Water
PO Box K822
Perth, WA 6842
contact number 08 6364 7108
Email: john.loney@water.wa.gov.au

Assessment Guidelines

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1. These Due Diligence Guidelines provide advice to Western Australia to assist in the preparation of the business case required for the Project.
2. To commence the Due Diligence process, the Commonwealth will require Western Australia to submit a business case for the Project, to DEWHA for due diligence assessment.
3. The Commonwealth may engage an independent third party to undertake some or all of the Due Diligence assessment.

The Due Diligence Criteria

4. The business case for the Project will need to 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.

Economic and social criteria

5. The Project will need to be able to secure a long-term sustainable future for the irrigation community, in the context of climate change and reduced water availability into the future.
6. The Project should demonstrate how it will contribute to regional investment and development, secure regional economies and support the local community; and 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

7. Western Australia will need to demonstrate the short-term and long-term economic and social benefits of the Project, including:
 - (d) Details of the extent to which the Project will contribute to regional employment.
 - (e) Details of how the Project will sustain industry in the region.
 - (f) Details of additional first order value-added (not flow-on or multiplier) effects, or reduction in costs of production, resulting from implementation of the Project.
 - (g) How the Project will attract other investment in the region, and the expected quantum of that additional investment.
 - (h) Provide details of the economic and financial assessment of the proposed on-ground works for the Project.
 - (i) Provide sufficient evidence of consultation with stakeholders regarding the Project including irrigators, environment and community groups.

Environmental criteria

8. Environmental impact (long and short term) assessments consistent with relevant State and Commonwealth legislation must form part of the business case for the Project. The Project will also be required to be assessed as ecologically sustainable prior to the investment occurring, consistent with clause 69 of the NWI.

Addressing the environmental criteria

9. Western Australia should include:

- (j) how water use projections for the Project consider or will consider appropriate climate change scenarios to take into account the impacts of climate change over the life of the Project;
- (k) how the Project will achieve environmental outcomes that maintain, and/or secure, real improvements in river, groundwater and wetland health and high priority environmental assets;
- (l) how irrigators drawing water from the Project are required to comply with State Land and Water Management Plans;
- (m) evidence of the Project's compliance with all relevant State and local government environmental law, including environmental impact assessment processes; and
- (n) evidence that the Project is environmentally sustainable (including, but not limited to, demonstrating that the Project will meet any rulings and/or conditions imposed under the *Environment Protection and Biodiversity Conservation Act 1999*).

Value for money criteria

10. The Project should demonstrate its ability to deliver value for money in the context of the first two criteria (being the economic and social and environmental criteria):

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

Addressing the value for money criteria

11. Describe how the Project is value for money. All benefits resulting from the Project must be clearly demonstrated. Demonstration of value for money should include the following information:

Budget details:

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

Cost sharing arrangements:

13. Provide a clear description of the proposed cost sharing arrangements for the Project. Western Australia must provide complete details of how the Project is to be funded, including the funding contributions from:

- i. the Commonwealth ;
- 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).

Cost-benefit analysis:

14. Provide a cost-benefit analysis to demonstrate that the Project will provide a net benefit to the Australian economy and the Australian public.

Technical feasibility:

15. Provide evidence that the Project is technically feasible.

Financial viability:

16. Provide details about the long term financial viability of the Project.
17. Provide details of the principal assumptions that underpin the assessment of financial viability of the Project. 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.
18. Where the Project involves infrastructure or assets owned or operated by another entity, provide sufficient material to demonstrate unequivocally the financial viability of that entity.

Risk assessment:

19. Provide details on the risks associated with the Project, how the risks were identified and assessed, and how these risks will be managed.

Water reform criteria

20. Western Australia will ensure that the Project is NWI-compliant, or otherwise outline the steps in place to ensure NWI-compliance during the implementation of the Project, particularly in the areas of (but not exclusive to):
- (a) water pricing;
 - (b) metering; and
 - (c) water data.

Addressing the water reform criteria

21. Western Australia must demonstrate that the Project is NWI compliant, particularly in relation to:
- (a) Best practice water pricing and institutional arrangements. The State must implement bulk water charging regimes for the scheme to reflect the full cost of supply to GWAMCO, including environmental externalities where feasible and practical.

In particular, a concise description of the proposed bulk water pricing approach for the scheme is required.

The description must demonstrate that the approach to pricing is consistent with NWI pricing principles developed by NWI parties including 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);
- (vii) dividends (if any); and
- (viii) and water planning and management charges.

(b) Water metering. Western Australia must demonstrate that water metering arrangements will be in place consistent with national standards for measurement and metering.

(c) Water data. Western Australia must ensure that the collection, management and dissemination of water data is carried out consistent with the National Water Initiative and obligations under the *Water Act 2007* and Regulations; and water data is freely and openly available in the transfer formats developed under the Australian Water Resources Information System.

Other due diligence criteria

22. The Project must integrate with Western Australia's water planning documents and processes.

23. 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.

24. Project specifications should include:

(o) appropriate governance arrangements for the Project to ensure it delivers on time, within budget and against all key objectives;

(p) compliance with other relevant jurisdictional legislation;

(q) indemnification of the Commonwealth against any environmental or other third party damage caused by the Project;

(r) the Commonwealth to have no responsibility for any past, present or future taxation liabilities arising from investments;

(s) warranties on investments; and

(t) no allocation of responsibility to the Commonwealth for any legal contracts already entered into, except where explicitly agreed in writing by DEWHA.