



Minister for Water

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1 SEP 2014

Ms Joan Liley
Chair
South Gippsland Water
PO Box 102
FOSTER VIC 3960

Dear Ms Liley

ISSUING STATEMENT OF OBLIGATIONS (BULK WATER REFORM)

In accordance with section 41(2) of the *Water Industry Act 1994*, I wish to notify you that I have made and issued a Statement of Obligations (Bulk Water Reform) for South Gippsland Water Corporation.

This Statement is in addition to the Statement of Obligations issued to all Victorian Water Corporations on 9 September 2012.

A copy of the Statement is attached for your information.

Please contact Nathan Watt, Senior Economic Reform Advisor, Office of Living Victoria, on (03) 9027 4536 if you need more information.

Yours sincerely

THE HON PETER WALSH MLA
Minister for Water

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Water Industry Act 1994

STATEMENT OF OBLIGATIONS (BULK WATER REFORM)

I, Peter Walsh, Minister for Water, as Minister administering the **Water Industry Act 1994**, pursuant to Section 4I(2) of the **Water Industry Act 1994**, make and issue the attached Statement of Obligations (Bulk Water Reform) to the following Water Corporations:

- Barwon Water Corporation;
- City West Water Corporation;
- South East Water Corporation;
- South Gippsland Water Corporation;
- Western Water Corporation;
- Westernport Water Corporation;
- Yarra Valley Water Corporation.



PETER WALSH MLA

Minister for Water

Dated: 30.8.2014

Statement of Obligations (Bulk Water Reform) – Retail Corporations and Regional Urban Water Corporations

Part 1 – Preliminary	
1	Commencement and Term
	This Statement of Obligations commences on the date it is made and operates until it is revoked.
2	Authorising Provision
	This Statement of Obligations is issued by the Minister under section 4I(2) of the <i>Water Industry Act 1994</i> to All Corporations.
3	Purpose
	The purpose of this Statement is: <ul style="list-style-type: none"> a. To impose obligations on a Corporation in relation to the performance of its functions, specifically the water supply functions under Part 8 of the <i>Act</i>, and the exercise of its powers under the <i>Act</i>; and b. To clarify the obligations of a Corporation, together with other Corporations and Melbourne Water in relation to the management and reform of Bulk Entitlements and bulk water arrangements in the Melbourne headworks system.
4	Interpretation
4.1	<ul style="list-style-type: none"> a. The definitions of terms contained in Schedule 2 to this Statement apply to this Statement. b. Unless defined in this Statement, terms defined in the <i>Act</i> and the <i>Water Industry Act 1994</i> have the same meaning in this Statement.
4.2	<p>The following rules apply in interpreting this Statement, except where the content makes it clear that a rule is not intended to apply.</p> <ul style="list-style-type: none"> a. Whenever this Statement requires a Corporation or each Corporation to make something “available to the public” the Corporation must: <ul style="list-style-type: none"> i. publish that thing on the Corporation’s website; ii. make a copy of the thing available for inspection at each of the Corporation’s offices; and iii. provide a copy on request at no charge, or where providing the copy involves significant cost to the Corporation, for a charge that covers the fair and reasonable costs of making the copy available. b. Whenever this Statement requires a Corporation to “develop” something, the Corporation will be taken to have complied with that obligation if it has already developed the thing before this Statement commenced; and c. A reference to a Corporation or each Corporation means any of the Corporations defined in “all Corporations”.
4.3	This Statement imposes additional obligations on the Corporation to those specified in the Statement of Obligations (General) and Statement of Obligations (System Management).
5	Availability of Statement
5.1	Each Corporation must make this Statement available to the public.
Part 2 – Bulk Water Reform Principles	
6	Bulk Water Reform Principles
6.1	<p>In complying with this Statement, all Corporations and Melbourne Water must have regard to the following principles with respect to bulk water reform:</p> <ul style="list-style-type: none"> a. A transparent wholesale water market that supports efficient water use across the system; b. Achieving whole-of-water-cycle management optimality, not just optimal outcomes for a single type of water; and c. Empowering each Retail Corporation to manage its balance between customers’ demand and supply while being accountable for meeting security of supply performance standards.
Part 3 – General Duties	
7	General Duties

7.1	<p>All Corporations must actively engage with Melbourne Water, in its role as Storage Manager and Resource Manager, to enhance strategic water sourcing decision knowledge. Strategic water sourcing includes, but is not limited to:</p> <ul style="list-style-type: none"> a. Costs of harvesting different water sources; b. Optimising water quality; and c. Short, medium and long term water seasonal determination and carryover impacts from harvesting differing sources of water.
7.2	<p>All Corporations must participate with Melbourne Water, as Storage Manager, in making all water transfer decisions from the Thomson River to the Greater Yarra System and any other decisions affecting the taking and use of water from the Thomson River.</p>
7.3	<p>All Corporations must participate with Melbourne Water, in its functions as Storage Manager and/or Resource Manager, to enable it to:</p> <ul style="list-style-type: none"> a. make and publish rules for allocating available water for the current year and setting aside reserves for subsequent years; b. Provide regular information to all Corporations about current and forecast water allocations under certain scenarios; c. Develop contingency plans for the Melbourne headworks system for managing severe water shortages; and d. Make appropriate information provided under subclauses 7.3 a - c available to the public.
7.4	<p>All Corporations must participate with Melbourne Water, in consultation with the Department, for it to submit to the Minister for approval by 30 June 2015, a total Melbourne headworks system average long term diversion limit that may vary from year to year depending on climate. The cap may exclude water from the Victorian Desalination Plant and North South Pipeline.</p>
7.5	<p>The Retail Corporations, in consultation with Melbourne Water and the Office of Living Victoria, must develop, agree and submit a work program to the Office of Living Victoria for approval by 12 September 2014. The work program must include:</p> <ul style="list-style-type: none"> a. Development of an individual level of service measure for which the corporation will manage its bulk and other water resources, for approval by the Minister; b. Development of criteria to assess and measure the impact of bulk water reforms; c. Development of appropriate institutional reform options for Melbourne Water's Resource Manager and Storage Manager functions; d. Identification of expected costs and benefits of further reform; e. Identification of amendment(s), if required, to the bulk entitlements orders; f. Proposed alternative water trading rules and market arrangements for bulk entitlements and water allocations; and g. Any other matter deemed appropriate. <p>In undertaking clause 7.5, the Victorian Environmental Water Holder, Regional Urban Water Corporations and other bulk entitlement holders must be consulted.</p>
8	Review
8.1	<p>All Corporations and Melbourne Water must jointly, in consultation with the Office of Living Victoria, by 30 June 2020:</p> <ul style="list-style-type: none"> a. Review criteria established under subclause 7.5 b and develop assessment criteria for measuring the efficiency and effectiveness of the bulk water management arrangements and level of service criteria; b. Review the efficiency and effectiveness of the bulk water management arrangements to date and level of service criteria; c. Report to the Minister on the effectiveness of the reforms; d. Propose further reforms, if required, consistent with the criteria established in subclause 8.1 a; and e. In proposing reforms, all Corporations and Melbourne Water must identify, if required, amendments to: <ul style="list-style-type: none"> i. the seasonal determination model and process; ii. the carryover rules;

	<ul style="list-style-type: none"> iii. Bulk Entitlement Orders; iv. the trading rules; v. institutional arrangements; and vi. any other matter deemed appropriate. <p>In undertaking clause 8.1, the Victorian Environmental Water Holder and other bulk entitlement holders, must be consulted.</p>
Part 4 – COMPLIANCE	
9	Compliance
9.1	Each Corporation must monitor compliance with its obligations under Part 3 of this Statement and the approved work program under this Statement.
9.2	<p>If a Corporation becomes aware of a material failure or potential material failure to comply with its obligations under Part 3 of this Statement or approved work program, the Corporation must:</p> <ul style="list-style-type: none"> a. Advise the Office of Living Victoria in writing within 10 days of it becoming aware of any material failure or potential material failure, detailing: <ul style="list-style-type: none"> i. the nature of and reason for the material failure or potential material failure; and ii. a proposed plan of action to prevent the material failure or potential material failure re-occurring. b. Give the Minister a written report, within 30 days after becoming aware of the material failure or potential material failure, that includes: <ul style="list-style-type: none"> i. the nature of and reason for the material failure or potential material failure; and ii. a proposed plan of action to prevent the material failure or potential material failure re-occurring.
9.3	The Corporation must make any variation to the plan of action referred to in subclause 9.2 b requested in writing by the Minister.
9.4	<p>The Corporation must:</p> <ul style="list-style-type: none"> a. Implement the plan of action referred to in subclause 9.2 b, as varied by the Minister; b. Report its progress in implementing the plan, whenever the Minister or the Office of Living Victoria so requests in writing; and c. Summarise the contents of any plan made under subclause 9.2 b, and its progress in implementing the plan, in its annual report.
10	Dispute Resolution
10.1	If a difference or dispute arises between any of the Corporations or Melbourne Water, concerning the interpretation or application of this Statement, the Corporation may give written notice to another party requiring the matter to be determined by an independent expert.
10.2	If a difference or dispute arises between any of the Corporations or Melbourne Water, concerning the interpretation or application of this Statement, and the other Corporations, or Melbourne Water gives written notice to the Corporation requiring the matter to be determined by an independent expert, the Corporation must comply with the notice.
10.3	The notice requiring that the matter be determined by an independent expert under subclause 10.1 or 10.2 may be given no sooner than 14 days after the matter has arisen. The independent expert may only commence to determine the matter a further 14 days after the giving of that notice. The independent expert must follow these dispute resolution rules.
10.4	<p>The independent expert will be either:</p> <ul style="list-style-type: none"> a. A person agreed to by the parties of the difference or dispute; or b. If the parties cannot agree, a person nominated by the President of the Institute of Arbitrators and Mediators, Australia.
10.5	The independent expert must reach a conclusion on the matter within 30 days of it being referred, but has the power to extend the period for reaching a conclusion on the matter by a further 30 days.
10.6	The independent expert must send a copy of the conclusion and the supporting reasons to each party to the difference or dispute.
10.7	In any difference or dispute to which the Minister is a party, the Corporation must instruct the independent expert to express the conclusion as a recommendation.

10.8	In any difference or dispute to which the Minister is not a party, any conclusion by an independent expert is final and binding on the parties.
10.9	The parties may request the Minister to determine the apportionment of the costs of and incidental to every reference, including the costs of the independent expert.

Schedule 1 – Primary Entitlements	
	Barwon Water - Bulk Entitlement (Greater Yarra System – Thomson River Pool – Barwon Water) Order 2014
	City West Water - Bulk Entitlement (Greater Yarra System – Thomson River Pool – City West Water) Order 2014
	South East Water- Bulk Entitlement (Greater Yarra System – Thomson River Pool – South East Water) Order 2014
	South Gippsland Water - Bulk Entitlement (Greater Yarra System – Thomson River Pool – South Gippsland Water) Order 2014
	Westernport Water - Bulk Entitlement (Greater Yarra System – Thomson River Pool – Westernport Water) Order 2014
	Western Water - Bulk Entitlement (Greater Yarra System – Thomson River Pool – Western Water) Order 2014
	Yarra Valley Water - Bulk Entitlement (Greater Yarra System Yarra – Thomson River Pool – Yarra Valley Water) Order 2014

Schedule 2 – Definitions	
	<p>“Act” means the <i>Water Act 1989</i>;</p> <p>“All Corporations” means Barwon Water Corporation, City West Water Corporation, South East Water Corporation, South Gippsland Water Corporation, Western Water Corporation, Westernport Water Corporation and Yarra Valley Water Corporation;</p> <p>“carryover” means the right of Primary Entitlement Holders to store unused water allocation over multiple water seasons in accordance with provisions in the primary entitlement orders listed in Schedule 1 and/or other instruments supporting the bulk entitlement regime;</p> <p>“Department” means the Department of Environment and Primary Industries;</p> <p>“Greater Yarra System” means Upper Yarra, Maroondah, O’Shannassy, Sugarloaf, Silvan, Cardinia, Toorourrong, Yan Yean, Greenvale and Tarago Reservoirs and the associated weirs, tunnels, transfer conduits, treatment plants and associated water supply works owned by Melbourne Water in the Yarra, Silver-Wallaby and Bunyip-Tarago Basins;</p> <p>“Greater Yarra System – Thomson River Pool” means water allocation that is able to taken by a Primary Entitlement Holder listed in Schedule 1;</p> <p>“Melbourne Water” means Melbourne Water Corporation;</p> <p>“Melbourne headworks system” means Thomson, Upper Yarra, Maroondah, O’Shannassy, Sugarloaf, Silvan, Cardinia, Toorourrong, Yan Yean, Greenvale and Tarago Reservoirs and the</p>

associated weirs, tunnels, transfer conduits, treatment plants and associated water supply works owned by Melbourne Water, and includes the water harvested by the headworks and sourced from the Victorian Desalination Project;

“Minister” means the Minister administering the *Water Act 1989* and *Water Industry Act 1994*, and in relation to a provision, includes any person authorised by the Minister to act on the Minister’s behalf in relation to that provision, or to whom the Minister has delegated the relevant power, discretion, function, authority or duty under s 306 of the *Water Act 1989*;

“Office of Living Victoria” means the Office of Living Victoria;

“other bulk entitlement holders” means a Corporation other than the Corporation, or any other person holding a bulk entitlement granted under Divisions 1 or 3 of Part 4 of the Act;

“Other Corporations” means the same corporations listed in the definition of “all Corporations”;

“Project Deed” means the contract between the State of Victoria and AquaSure;

“Resource Manager” means a person appointed by the Water Minister under s 43A of the Act;

“Retail Corporations” means City West Water Corporation, South East Water Corporation and Yarra Valley Water Corporation;

“Regional Urban Water Corporations” means Barwon Water Corporation, South Gippsland Water Corporation, Western Water Corporation and Westernport Water Corporation;

“Seasonal Determination” means a seasonal determination made by the Resource Manager under Schedule 1 of the Greater Yarra System – Thomson River Pool Primary Entitlements listed in Schedule 1 of this Statement;

“Statement” means this Statement of Obligations;

“Statement of Obligations (Bulk Water Reform)” means this Statement of Obligations

“Statement of Obligations (General)” means the Statement of Obligations dated 16 September 2012 and any subsequent Statement of Obligations of the same name;

“Statement of Obligations (System Management)” means the Statement of Obligations that commenced on 1 July 2009 (as amended at 26 March 2012) for the Retail Corporations and Melbourne Water;

“Storage Manager” means a Melbourne Water under s171B of the Act;

“Thomson River” means the Thomson River between Easton Weir and Coopers Creek Gauging Station, including the pools formed by and immediately upstream of Easton Weir, Swinger Weir and the Thomson Reservoir; and

“Victorian Environmental Water Holder” means the Victorian Environmental Water Holder established under section 33DB(1) of the *Water Act 1989*.