



# **PARLIAMENT OF TASMANIA**

## **TRANSCRIPT**

### **LEGISLATIVE COUNCIL**

### **GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B**

**Tasmanian Irrigation Pty Ltd**

**Wednesday 4 December 2024**

### **MEMBERS**

Hon Tania Rattray MLC (Chair);  
Hon Rosemary Armitage MLC;  
Hon Luke Edmunds MLC;  
Hon Mike Gaffney MLC; and  
Hon Meg Webb MLC



## **WITNESSES IN ATTENDANCE**

**Hon. Jane Howlett MP**, Minister for Primary Industries and Water, Minister for Hospitality and Small Business, Minister for Racing

**Kate Vinot**, Board Chair

**Andrew Kneebone**, Chief Executive Officer

**Byron Fraser**, Chief Financial Officer

**Sophie Grace**, General Manager Environment, Health and Safety



# PUBLIC

**The committee resumed at 12.23 p.m.**

**CHAIR** - Minister, thank you for coming along today with your next responsibility for Tasmanian Irrigation and I introduce those members of the Committee B: Luke Edmunds, Rosemary Armitage, myself, Tania Rattray, Meg Webb and Mike Gaffney. We have our secretariat support, Simon Scott and Henry on *Hansard*. Thank you very much. I expect you will have a brief overview.

**Ms HOWLETT** - I do thank you.

**CHAIR** - Will you introduce your members at the table?

**Ms HOWLETT** - Absolutely. Thank you so much, Chair. Chair of Tasmanian Irrigation, Kate Vinot and our CEO, Andrew Kneebone.

Tasmanian Irrigation is vital to the Tasmanian government's plans to grow the value of agriculture. This past year has provided ample evidence of how the company is doing that. It was a year like no other. The prolonged dry resulted in record demand for reliable irrigation water and Tasmanian Irrigation responded by delivering an unprecedented amount, 100,593 megalitres of water to Tasmanian farmers.

This enabled crops to be finished, pastures to prosper and livestock to reach target weights. This was a 177 per cent increase in the quality of water last year and demonstrates a commitment of Tasmanian Irrigation to getting water to its customers where and when it's needed. Without access to this water, farmers face reduced yields, crop failure, selling off livestock and reduction in revenue, which would have a market flow-on effect for the Tasmanian economy.

There is no doubt that the investment that has occurred in Tasmania over the past 15 years in irrigation infrastructure has underpinned substantial job creation, regional economic growth and on-farm drought proofing. This past year we've seen the commissioning of the Don Irrigation Scheme, the first project delivered under the Tasmanian Irrigation tranche 3 program.

We've also recently seen construction start on the Northern Midlands Scheme. This will be the largest irrigation scheme in Tasmania in terms of investment. I thank the farmers for their ongoing commitment to this project. We continue to work with Tasmanian Irrigation to progress the Tamar Irrigation Scheme. The government has recently approved to fund the development of a business case to test whether a scheme that supports both agriculture and green hydrogen production is feasible. We're also pleased the Australian government recently committed to its share of capital funding for the Greater South East Irrigation Scheme.

The state government's \$75 million funding commitment has always been secure and I know farmers have also made a significant financial commitment to the capital cost of this scheme. I cannot wait to see the progression of this scheme. I'd like to take the opportunity to thank chair Kate Vinot and all at Tasmanian Irrigation for their ongoing commitment to water development. I'd also like to make special mention of their outgoing CEO, Andrew Kneebone. Andrew has been a very steady hand at the helm of this important business and wish him all the very best on his retirement.

## PUBLIC

**CHAIR** - Thank you very much, minister and the committee would like to add their acknowledgement of the CEO Andrew Kneebone to yours and certainly wish him all the best, albeit that it's May next year. There's plenty of opportunity for this committee to see Mr Kneebone prior to his moving on to retirement, but thank you and we acknowledge your contribution to this particular entity. I invite Mr Gaffney to open up the line of questioning. Thank you.

**Mr GAFFNEY** - Thank you, minister, Andrew and Kate. First of all, I want to say congratulations on your annual report. We read a lot of these reports and strategic plans. I found it quite engaging and interesting to read. I wanted to read more. I think that's good because usually you just sort of go for the question.

**CHAIR** - Well, after five, none of us want to read too many more.

**Mr GAFFNEY** - Yes, and I think mainly because many Tasmanians can acknowledge the changing landscape and the effect that irrigation has had on it. It's something that we actually live and immerse within travelling down the highway quite frequently. I've a series of questions I would ask. First of all, well done on the Don scheme. It's very well received by people in my community, so thank you.

Noticing that the first question was about the corporate plan and you mentioned it, minister, for the Northern Midlands Irrigation Scheme. In the plan for 2023-27, it was supposed to start in April 2024 and was postponed to August 2024, and has mentioned the environmental protection and biodiversity act, which sort of delayed it. Can you give a bit more information about that delay and what was the hold-up on that plan to progress that as quickly it should have been?

**Ms HOWLETT** - Yes, certainly, and that's a very good question that the member has asked, and I'll pass over to Andrew to speak to that.

**Mr KNEEBONE** - Our experience with getting the federal environmental approvals for, under the EPBC act, changed dramatically in the transitory period and post the election of the Labor government federally. When we went to get the, or to apply for the federal approval for the Northern Midlands scheme, we took the same approach as we've taken with all our other schemes, put in a comprehensive application. But, what we found was that there was a much more stringent interpretation of the act being taken federally, by the federal department, and they required us to do a lot more work upfront rather than providing an approval subject to completing works as you - before you start construction, which is what our previous experience had been.

For this particular project, because there were matters of environmental significance associated with the project, particularly quolls, devil habitat, lowland native grasses, and there were going to be impacts on those both temporary and permanent because we're going to have to clear a small piece of land to build tanks and those sorts of things. They, for the first time, the federal government required us to have an offset and that offset had to be in place, and agreed, and to a standard of environmental habitat that was acceptable, and for a volume of land that was quite considerable to offset that. All of those things, a more detailed submission, the requirement to have the offset beforehand, before an approval would be granted, all required - all had a delay on the project. We certainly learnt a lot from that, and we're looking to try for future projects, Sassafras Wesley Vale is the next project - it's going through a similar thing,

but we're now much better prepared and understand the thought process that the federal department goes through.

**Mr GAFFNEY** - That leads in to the next question. That project for the Sassafras Wesley Vale augmentation project was supposed to start early in 2025, has that been delayed because of the EPBC?

**Mr KNEEBONE** - Essentially, yes. When we set up the original profiles of when we thought things were going to occur, all of our previous experience would have said that the process of getting an EPBC approval would take up to a year. We're now finding that they're taking 18 months to two years to actually get the approval. We've also learnt that you don't go to tender before you've got your approvals or you've got a reasonable chance of getting your approvals. Because of that, we've finished our detailed design on Sassafras. We're ready to go to tender, but we just need to get the EPBC approval before we can.

**Mr GAFFNEY** - At the time of writing the report, you didn't have funding from the feds for the Greater South East Irrigation scheme. I'm assuming that you were thinking that was coming through and you'd continue the project or did that delay what you've been able to do with that scheme because of that delay in funding announcement?

**Ms HOWLETT** - Are you referring to the Greater South East or?

**Mr GAFFNEY** - Yes.

**Ms HOWLETT** - It certainly wasn't a guarantee of funding. I must admit we were all shocked when it wasn't in the budget. I know a lot of our farmers were deeply disappointed by that as well. We're very pleased that the federal government has committed their \$150 million towards the scheme. As we all know, water is an absolute game changer to our farmers, particularly the high yield of crops that they can now grow. We'll see a lot of farmers, particularly down in the south-east, invest into their farms.

**CHAIR** - Fortunately, there's a federal election coming, I think.

**Ms HOWLETT** - I'm just pleased that that funding is secure and it's not an election commitment. I'm very grateful for that.

**Mr KNEEBONE** - If I may add a little bit more context to that. The state government did agree, whilst we were seeking funding, we agreed that we were going to continue on to seek the funding once it didn't get announced in the last federal budget. The state government did allow us to proceed, albeit not as fast as we would have otherwise or do as much, but we certainly proceeded to continue to do some of our environmental work and some of the design works that we would need to do in order to make sure we didn't lose too much time. In essence, we're probably six months behind where we would have preferred to be. Given this announcement of funding and the fact that it is not just an election commitment, it is actually apparently going to be in the midyear economic forecast update, we can now start pulling together our resources and move this project forward as quickly as we can.

**Ms WEBB** - In relation to the GSEIS, Greater South East Irrigation Scheme. My understanding was that you may have needed to update the business case for that to present the commitments that were made. Is that updated business case something that can be provided?

**Ms HOWLETT** - There was a request for additional information to update the business case and that additional information that was required was a nature-positive lens on the business case, also an indigenous lens. They weren't required at the time of the submission of the application, but we were notified and the department and TI put forward those extra requirements as soon as they could. As far as that information being released, I will seek information from the chair or CEO.

**Mr KNEEBONE** - In general terms, the business case itself didn't need to be updated. What was updated was the funding submission. The funding submission is an interpretation of the business case. It is the document that goes from the state government to the federal government requesting the funding. The business case itself remained exactly how it was. Generally, the business cases are not released publicly, although I understand there was an FOI of this particular one at the federal level and a redacted version was provided. The reason they're not provided is because they have commercially sensitive information and basically you would be putting exactly what you expect to pay for different aspects of your project out into the marketplace before you go to competitive tender. Those are the reasons why they haven't been made available. They are subject to FOI and the federal government released that business case, but heavily redacted.

**Mr GAFFNEY** - According to the report, the Tamar Irrigation Scheme did not have sufficient farmer commitment to occur. There is a comment I am quite interested in that says:

In collaboration with the Tasmanian government, we are exploring whether the scheme would be viable with the potential incorporation of industrial water supply for the proposed hydrogen hub at Bell Bay.

So, my two questions here would be, is that still being considered with the hydrogen hub? Secondly, I'm interested to know whether that strategy would actually be feasible under the federal government's work, that this is funding for water for agricultural purposes. I'm just wanting to know that yes, under the federal government's requirements the water is for, I'm assuming, agricultural purposes, whether you can then put in a joint effort with industrial water.

**Ms HOWLETT** - As I mentioned earlier, we're progressing with the Tamar Irrigation Scheme. We're pleased to announce that the funding for the next stage of the project is secure, and the government will fund the development of a business case to test whether a scheme that supports both agriculture and green hydrogen production is feasible. TI will now work with the Tasmanian government, including Renewables Climates and Future Industry Tasmania (ReCFIT) to finalise arrangements. This is really good news for more than 90 irrigators who have expressed interest in the scheme. I'll hand over to the CEO to provide some more details.

**Mr KNEEBONE** - In respect of the approach we've taken with Tamar, we went out to market for an agricultural-only scheme to start with, just to ensure that we weren't putting any confusion to the market about - we needed to really test whether there was an agricultural demand. Unfortunately - we have 90 applications, but they're not for a very large amount of water, and they weren't sufficient to justify it on its own. For a number of years we've been working with state government, even to the point where recently, as of December last year, the legislation got changed to allow us to enable TI to actually undertake these sorts of works.



## PUBLIC

We've been working on that because we think it's always made sense that a single set of infrastructure be built that serves two purposes. In terms of the federal funding for that, the federal funding is unclear in respect of how we would - and that's what the business case is going to have to flesh out. In general terms, the National Water Grid Authority, now National Water Grid Fund, their remit has changed in recent years. It used to be just that it was agricultural water only, and any industrial or domestic water could not be funded. They have relaxed that a lot. In fact, they're looking for opportunities where the two are combined and where there's broader benefits able to be generated by those. It sits right in a sweet spot for what your remit then is, this particular project.

**Mr GAFFNEY** - Thank you. That was one of the things that I could sort of remember back to when this came out. Following on from that, it said - and this is interesting, I get the idea that the Southern Midlands Irrigation Scheme, it says:

This project has been paused in the pre-feasibility stage following directions from the Tasmanian government. It will be revisited once the greater south-east one -

and now we've just heard that's been funded -

and Tamar projects progress beyond the business case.

If the south-eastern one progresses but the Tamar one doesn't, what impacts might that have on the Southern Midlands case continuing. Do you see what I mean? In the footnote we have, it has both. If one gets passed, if the other one doesn't, what impact would that have on the Southern Midlands Irrigation Scheme?

**Ms HOWLETT** - I know that the CEO would like to add more comments to it.

**CHAIR** - And I have a supplementary on that one, too.

**Mr KNEEBONE** - The Southern Midlands project, we were asked by government to pause that prior to going to water sales, simply because the work in front of us was so large that trying to add another one into the mix - as well as, it's a large project. It's another \$300 million project. We would need \$75 million from the state government, we would need \$150 million from the federal government. It's also economically borderline. The agreement with state government at the moment is that we pause that. It's certainly a viable project, but we pause that until we know we have more certainty around the capacity of the state to take on that project, both from a construction perspective but also from a financing perspective.

There certainly is a lot of interest in that from the farming groups. The issue is that it's taking water a long way. It's bringing water from right up in the highlands, and we'd have to construct, I believe, something like 30 or 40 kilometres of pipeline before we meet a customer. It's through highlands territory. It's a very large, complex project. It's possibly worthwhile but at the moment it's marginal, and really, the thought process informed by government is, let's just get the things that are on our plate, get certainty around those. We have \$700 million worth of projects to deliver in the next five years, now that we're adding Greater South East. It's not an insubstantial requirement, and we're really stretching the construction capability of the state in order to deliver those, particularly if we add Tamar onto it as well.

**CHAIR** - Thank you. Ms Armitage, you have a supplementary.

**Ms ARMITAGE** - Yes, a supplementary to the Tamar scheme. I notice you said there were 90 applications but not requests for enough water. How short was it? How much is actually required to have the scheme?

Also, what specific work has been done in the area to try to engage for the farmers, particularly there are a lot of vineyards in that area, or other areas which council have done before?

**Ms HOWLETT** - I will speak briefly to that note, Chair. As the CEO stated before, we went out twice for water sales for this scheme, and the water sales fell short of the required threshold to support a scheme of that size.

The scheme was redesigned in 2023 as a 13,500 megalitre scheme covering the west and east Tamar regions, including Dilston, Rowella, Beaconsfield and into Pipers River and Pipers Brook.

At completion of an extensive sales campaign in February, confirmed sales for the Tamar scheme again did not meet the necessary threshold. Over 90 irrigators expressed interest, but it was only 39 per cent of the required irrigator funding commitment to justify the 13,500 megalitre scheme.

The business case is the next stage of this in pursuing the project for our irrigators.

**Mr KNEEBONE** - If I could just add the final piece, regarding engagement. We've been to water sales twice now, and the water sales process and the advertisements and engagement with the community was the best process we've ever undertaken, the most comprehensive - a lot of social media, boots on the ground, talking to people. We tried to engage investors, and we made specific allowances for investors who might be looking to buy land in the area but hadn't completed those transactions. We were looking to allow them to purchase. We went out of our way in terms of engaging the entire community and trying to understand and encourage people to put their best foot forward.

The issue is - if we were to try to shrink the scheme back to the level of current demand, which is around 6000 megalitres, of the current demand, it would mean we'd build an 8600 megalitre scheme, something like that. At that scale, it becomes uneconomic. It is just too expensive per kilometre of pipeline to build it. You still have to put in 240 kilometres of pipeline; you're just delivering a lot less water. That's why we believe this integration of an industrial supply and to support the construction of an agricultural scheme, means that we can deliver both outcomes, even at the current level of demand.

The issue is, if we go with a really low level - and our threshold is, normally we try to raise 75 per cent of the total capital from irrigators to know that we have a viable scheme. Here, we were less than 40 per cent. If we were to go ahead at that level, someone, Tasmanian Irrigation, is carrying a lot of debt and taking the risk that unsold water will then sell over time and that debt has to now be funded. When it was 1 per cent interest rates, it was pretty easy to make some of those decisions, but now that they're still up around the sevens and eights, it's a significant cost and really one that wasn't able to be taken on.

## PUBLIC

**Ms ARMITAGE** - Thank you. One suggestion I would make though, before I go is that maybe on your annual report - the page numbers are very hard to read - the water mark makes it almost impossible. You've got to go through and write over them.

**CHAIR** - They just didn't show up and other than it being easy to read as the member for Mersey said -

**Ms ARMITAGE** - It's hard to find the pages.

**CHAIR** - It's the page numbers.

**Ms HOWLETT** - Point taken. Thank you.

**Unknown** - Can you print with your photocopy it?

**Unknown** - Yeah, it doesn't come in the number in the [inaudible].

**Ms HOWLETT** - Noted, thank you.

**Ms ARMITAGE** - Yes, thank you for the feedback.

**Mr GAFFNEY** - Three more quick questions.

**CHAIR** - All right. Thank you and with fairly quick answers. Thank you, minister.

**Ms HOWLETT** - We'll do our best.

**Mr GAFFNEY** - I did see the \$3 million upgrade of Lake Leake with a 100-year longevity or extended out. What did that involve? Very quickly, what was that work and how do you know it's going to last 100 years?

**Ms HOWLETT** - The upgrades to Lake Leake Dam are now complete, providing an additional 100 years of life for the asset. To extend the life of the Lake Leake Dam, the Tasmanian government committed \$1.5 million to the project, which was equally matched by the Australian government through the National Water Grid Fund. The Lake Leake Dam supplies water to both Campbell Town and Ross and irrigation water for the Elizabeth Macquarie Irrigation Trust. The upgrade will secure the ongoing availability of 14,600 megalitres of water per year to local irrigators for crop and livestock production for many years to come. I'm very aware irrigators have asked questions about the insurance premiums for the dam and that is an operational matter for TI. I'll ask Andrew if he'd like to speak to that.

**Mr KNEEBONE** - Certainly. With the works that were undertaken, the structure of the dam itself was not at risk, but there were elements of it in terms of wing walls and sluice gates that needed to be upgraded. They are over 100 years old now. The works consisted of upgrading a spillway in the outlet works, stabilising the wing wall. Effectively, we had to spray concrete grout on those wing walls to make sure they were waterproof and didn't contribute to leakage. We've also taken the opportunity to install some new control systems, telemetry, power and instrumentation, CCTV and the like on the structure. The engineering assessment is that with

those upgrades it's now to a more contemporary standard and will certainly mean it's got an extended life.

**Mr GAFFNEY** - Yes, we'll have to take your word for that.

**Mr KNEEBONE** - Yes.

**Mr GAFFNEY** - You did mention you've put six solar arrays on different schemes and the result with the power usage cost savings back to each of the schemes. How do you measure that, or can you break that down and say that solar work has saved us this much money for that scheme? How do you measure that without just saying it? How do you quantify it?

**Ms HOWLETT** - Thank you, member.

**Mr KNEEBONE** - They're all metered. They're individually metered and we know what power is used in the pump stations they're aligned to, but also how much we export to the grid. They are all individually accounted for. The energy that is the energy that is not purchased or is supplied - so we don't have to purchase the retail, we can calculate that - all the other energy that is actually provided back to the grid is then consolidated and provided as a general benefit across all schemes.

**Mr GAFFNEY** - Do we see that in your annual report on a breakdown of the savings or you just make -

**Mr KNEEBONE** - I don't believe you'll see - we calculate them, but they wouldn't be shown in the annual report. No, I don't believe so.

**Mr GAFFNEY** - Okay. If you make a statement in the annual report about yes, that's saving us 'X' amount of money, don't you then have to back that up with some statistics we can see. Do you see what I mean?

**Mr KNEEBONE** - I'll take -

**Mr GAFFNEY** - Yes, just -

**CHAIR** - Some transparency somewhere.

**Mr GAFFNEY** - My last question. We expect to take new water products to market over the coming year, was a line in your report. What does that mean and what are the new water products?

**Mr KNEEBONE** - Water is water. The time of year is more likely to be the product. At the moment we're examining the options where we have a summer only scheme and it's at full capacity.

I'll use Scottsdale for an example. Whilst we have unsold summer water in Scottsdale at the extremities of the scheme, there are people who want additional water, but it's fully sold out. The only way we can deliver that to them is to provide it in the off season or the winter season. It's a matter of if we're selling them an entitlement which gives them a right to that water at a certain reliability, it's putting that together, and seeing whether there's a demand -

## PUBLIC

we've certainly determined there is a demand, particularly at Scottsdale - then seeing whether there's other opportunities to provide those sorts of things around the state where we have unsold capacity.

**Mr GAFFNEY** - Thank you.

**Mr EDMUNDS** - I have some questions about climate.

**CHAIR** - We're talking about water here. Focus your mind on water.

**Ms HOWLETT** - I think you're referring to the State of Environment report.

**Mr EDMUNDS** - No, I'm not. With the changes in climate and drying trends in Tasmania, how has Tasmanian Irrigation -

**CHAIR** - Haven't been this week. Sorry.

**Mr EDMUNDS** - I don't mind. Some people interrupt and it's not constructive.

**Mr GAFFNEY** - Chair, can you stop the interjections, please?

**Mr EDMUNDS** - How is Tasmanian Irrigation preparing for the compounding challenges of climate change, such as more frequent droughts, which could place additional strain on water resources and infrastructure?

**CHAIR** - That is a very good question. The minister will not read six pages, thank you.

**Ms HOWLETT** - Would you like for me to speak about water quality monitoring?

**Mr EDMUNDS** - More about the strain on resources.

**Ms HOWLETT** - Certainly.

**Mr KNEEBONE** - When TI looks at a proposed scheme, we have to assess whether or not there is a reliable water source for another 100 years. In order to do that, we use modelling that was done in 2009 called the Water Futures Study, which is now in the process of being updated. We took a conservative view at that stage, that we would adopt a drying climate scenario in that modelling. We apply that modelling to all of our schemes hydraulically as we assess the viability of the water source. That is of particular issue when you take water out of rivers or are going to pump fill a dam, less so for our transitory program because we're highly reliant on the hydro storages. Hydro storages provides our reliability there. They still undertake a similar analysis to say whether or not that volume of water would be available to us for a period of 100 years. The Rural Water Use Strategy that the department is undertaking work on the moment is updating that modelling.

The issue with that modelling is when it's done as a gross modelling across Australia, you can't determine the actual impact on small areas, microclimates, within Tasmania without a further analysis. That analysis is now being done to break it down to relatively small square kilometre grids across Tasmania so we understand what the particular impacts are going to be. That is being funded by state government and federal government at the moment. Once we

have that for Tasmania and that work is completed, we can then do a risk assessment across all of our projects to see whether or not that's going to have a detrimental impact. Generally, by adopting a conservative approach to start with means that we already think we have a fair buffer in the system. It's one of the things on our risk register and gets looked at a lot.

**Mr EDMUNDS** - Probably related to that, you have schemes that are rainfall dependent with their sources. Obviously, that's a little bit less predictable, as we've seen this week and in general. What alternative water sourcing or storage strategies are being developed to reduce reliance on rainfall-dependent sources?

**Ms HOWLETT** - I thank the member for that very important question.

**Mr KNEEBONE** - Thank you, minister. The initial design will take that into account. So, where we design a scheme that has a storage associated with it, then we've got to assess what scale that storage would be. In some cases, they're built to hold a year-and-a-half or two years' worth of water when they're full and it all then depends on the assessed yield of the supplying river, et cetera. We don't go looking for groundwater and those sorts of things to supplement our schemes.

Where we have in the past had very dry periods and the likes of the Macquarie River has been drying and we could put our irrigation water into it but it can't get to where it needs to go - we've made arrangements with Hydro, for instance, to buy additional water off them to then effectively provide environmental flow and float our water on top of that, for want of a better term. That all still has to be paid for; every drop that we get from Hydro we've got to pay for. We reached agreement with our irrigators at the time that they would fund those losses and they were very happy to because it meant they got their water.

Otherwise, if we provide a 95 per cent reliable product. That foresees that five years out of 100 that you won't get your full allocation, you'll get somewhere near it or you'll get nothing. We've only had one or two instances where we have had to not provide a full allocation.

**Mr EDMUNDS** - While you talk about Hydro, one of our other committees had some feedback. Do you find that the tariff system for irrigation is working well for flow and things like that?

**Mr KNEEBONE** - We made a submission to a select committee recently and one of our points we raised was just that: we think the tariff structure drives behaviour. It means that people who are looking to try to save money will then try to use off-peak power. The tariff structure has got many inputs into it, but it doesn't actually reflect how power is generated today. Generally, off-peak is during the middle of the day, not at night anymore, because of the solar and wind components, but it means that if - particularly in those areas where irrigators are pumping directly from a water source of river and they're all looking to save a dollar, they're all going to turn their pumps on when it's cheaper to do so. That's going to have an environment, so it just means you can end up with a surge in river.

I think tariff structures do drive behaviour and that there is an opportunity to really examine that. I know there are many inputs and I'm talking very much as a layperson here, the impost on networks particularly is a driver for when peak, and off-peak is not necessarily just when the energy is being produced and how cheaply it's being produced. There's a myriad of

things that need to be taken into account here, but the general principle is tariffs drive behaviour.

**Ms WEBB** - I have a couple more questions on accessing the water for the Greater South East Irrigation scheme. I'm interested in any environmental studies that are being done about water flow to give us confidence that downstream users and the environment aren't going to be adversely affected by the water being taken for that scheme. My understanding is previous scientific studies flagged that summer flows in the lower Derwent are already quite low and there are risks from that of poor water quality, algal blooms, and the like. Knowing we will be in that space more with this scheme, are there environmental studies being undertaken in a prompt way now to ensure we know the impact it will have?

**Ms HOWLETT** - I note the CEO is eagerly awaiting to answer your question.

**Mr KNEEBONE** - The issue is, we are not taking water from the lower reaches of the Derwent for the Greater South East Irrigation Scheme. We're taking water directly from Lake Meadowbank. Traditionally, we have taken water, or TasWater has taken water from the lower reaches on our behalf and supplied it to us. Those licences are no longer going to be required and we have to work out with the department what we do with those licences once they're handed back. We're taking about 2 per cent of the volume over a year of the Lake Meadowbank system and it has no impact on the environmental releases at all of the requirements on Hydro to release water into the lower Derwent.

What we're doing will have no impact on this on the day-to-day. In fact, we'll probably end up taking less water because it's not being extracted below Lake Meadowbank any more. We certainly have to cover this often. We've been working with local environmental groups, their NRMs. I'll look to my environmental manager for confirmation. Correct. Thank you. I'm not telling any lies. To ensure that this is understood. We've even recently had people wanting to look at us providing additional infrastructure to go around the Hydro dam and put water into the river, but it's not something that we think is in scope for our current project. We're looking to keep it within a fairly narrow scope.

**Ms WEBB** - Will we no longer be taking TasWater-treated water out of Bryn Estyn, for example?

**Mr KNEEBONE** - Once the scheme is built, that's correct.

**Ms WEBB** - So, we're still doing it now, but we won't be once the scheme is built?

**Mr KNEEBONE** - Exactly right.

**Ms WEBB** - What is the timeline on that?

**Mr KNEEBONE** - We got the funding announced two weeks ago, I think. Currently, we're saying 2029-30 will be when it's to be delivered. It really comes back to how long it takes us to get the environmental approvals, in essence.

**Ms WEBB** - In the meantime, we are still taking treated water out of Bryn Estyn. There has been an investment of public money into treating that water for human consumption, not to be taken to irrigation. How much does Tasmanian Irrigation pay for that water? Does it cover

the cost of the treatment or are TasWater customers subsidising, in effect, Tasmanian Irrigation?

**Mr KNEEBONE** - We've been working very closely with TasWater on this matter. They raised a concern with us a couple of years ago that they were subsidising it. They'd agreed to the price and the price varied for two projects for the two schemes. There are three schemes down there. Stage 2 and stage 3 take the irrigation, are the connected to the drinking water system. Various, they're between \$178 a megalitre and \$280 a megalitre. TasWater has told us that they believe their cost of production is around \$500 a megalitre. We're now working with them and we're about to strike a deal that puts us on a path that gets them to recovering that and we'll provide them with a value stream that's equivalent of that. From here on, there's effectively no subsidy.

**Ms WEBB** - From here on. You said you are on a path, but does that mean-

**Mr KNEEBONE** - No, no. Effectively, there will be a reconciliation from this point forward. They're going to change their pricing structure as from this year. It's already in place to put us on a glide path in terms of what we recover from our irrigators. We've also arranged some other value for them that compensates them through access to other schemes that compensates them for an equivalent amount. We'll do an annual true-up on this. It means that we cannot price our irrigators out of existence, whilst we're trying to solve the problem. We don't kill the patient before we've got the cure, and we still keep TasWater relatively whole.

**Ms WEBB** - What's the period of time that we've had that situation where basically TasWater customers are subsidising Tasmanian Irrigation?

**Mr KNEEBONE** - Their current cost of production is related to their brand new water treatment plant. This goes way back into history. The Stage 2 was built in the 1990s, I believe. So, at that stage, what was Hobart Water at the time, was very eager to have additional demand put on the scheme. They wanted to provide additional water, so they were promoting this. So, it's the evolution of time. We reached an agreement - we, my predecessors - in 2013, reached an agreement around the supply for Stage 3 and it was all agreed as to what the dollar value would be of the supply with TasWater at the time.

The issue is things have changed dramatically, and at that stage there probably wasn't pricing regulation, it wasn't as explicit with respect what the cost to TasWater would be. This has been the prime driver while we've been investigating the Greater South East project. When I first came here, it became very apparent that it was not sustainable, it was not an appropriate use of the resource, and there needed to be a different arrangement put in place.

**Ms WEBB** - That has been rectified now, that's for sure.

**Ms ARMITAGE** - Minister, if I could take you to page 37 of the report, I am interested in the number of notifiable incidents. I'm curious what a typical notifiable environmental incident with Tasmanian Irrigation would be? I noticed the target was zero and the actual was zero. What would a typical notifiable environment incident be?

**Ms HOWLETT** - Minister, I thank you for that question.



## PUBLIC

**Mr KNEEBONE** - I introduce to the committee, Sophie Grace, who is our general manager, environmental health and safety.

**Ms ARMITAGE** - Thank you. It's just a curious area and I wonder what it would be.

**Ms GRACE** - Absolutely. It would be any incident either from our own operations - well, usually from our operations - where environmental harm could occur. Spills, for example. Works as well, so, if we have contractors who undertake certain activities, those types of activities.

**Ms ARMITAGE** - Were there any near misses or any environmental incidents that didn't actually meet the reportable threshold that occurred?

**Ms GRACE** - No, not in the last financial year. We had some recorded non-conformances to plans and conditions, but no environmental incidents, or no incidents that related to any harm to any values.

**Ms ARMITAGE** - Thank you.

**CHAIR** - What about non-compliance audits?

**Ms GRACE** - Non-compliance audits to - different to works with contractors? If I could clarify, non-compliance actions or audits that identified non-compliances?

**CHAIR** - Both. Easy.

**Ms GRACE** - So, non-compliances, in the last financial year we had one and that related to the Northern Midlands project.

**CHAIR** - Thank you. If I could now take you to page 72 with regard to the government grants and grants received for operational funding are, for this financial year, \$334,147, and that's different from grants received for business case development and programs. Can I have some understanding of how you receive a grant for operational funding and how is that -

**Ms HOWLETT** - Thank you, Chair. That's a very important question and I note that on the page of the report and I'll ask the CEO to add some more to that.

**Mr KNEEBONE** - Grants for operational purposes are provided either through grant funds, grant deeds from governments, or they come through the budget process, and as per any other grant deed where an amount of money is agreed for a specific outcome and purpose. The scope of what's in that \$334,000 - I'll have to just get some -

**CHAIR** - Happy to take that on notice, if that's -

**Mr KNEEBONE** - This was a specific grant from state government that related to what we call our legacy assets. When Tasmanian Irrigation was formed, we were given a range of assets that either weren't related to schemes - so they're dams, or they related to a drainage scheme or something like that, which we had no revenue stream to do works on. The state government gave us an amount of money to do works and to maintain those assets.

## PUBLIC

**CHAIR** - Has that program been completed? Previous year it was \$283,000, and then \$334,000. Is that ongoing, is there an ongoing - thank you, welcome.

**Mr KNEEBONE** - This is Byron Fraser, Chief Financial Officer for Tasmanian Irrigation.

**CHAIR** - Welcome, Byron. It's a lot easier at the table than turning behind.

**Mr FRASER** - The legacy asset grants are expected to be used for one more financial year, this financial year. Then that will cease.

**CHAIR** - Does that mean that everything's been completed when it comes to legacy issues with the quantum that will be provided?

**Mr KNEEBONE** - There will be one item that still remains outstanding, which we are trying to clarify. It's a very historic arrangement in terms of drainage on the Furneaux islands, which we're just struggling to get any real history on and understanding of. It's not in scope of this. It will remain an outstanding issue, but not one that we have to spend any money on at this point in time.

**CHAIR** - Thank you. This question has come from someone interested. It talks about how the indirect overheads have grown. They're interested in improving transparency around these costs and therefore encouraging TI to explain the value of the services which drive the high overhead cost levels. Then they suggest that community management of schemes would be a non-issue. Can I have some understanding of whether there is an issue with transparency that perhaps has been raised with the organisation around the overheads and costs? It didn't come from my direct community, thank you, Mr Kneebone. I'm still interested in self-managed schemes.

**Mr KNEEBONE** - If I may, in terms of Tasmanian Irrigation's overheads, it is the most scrutinised element of the scheme budgets -

**CHAIR** - All those stakeholders, all those irrigators.

**Mr KNEEBONE** - Every year we - Byron and David Skipper, my Chief Operating Officer - meet with every irrigation scheme and give them a breakdown of what's in those overheads and what the allocation methodology has been. The amount that we recover from overheads has grown, because the number of schemes that we now manage has also grown. It is a continuing and ongoing focus.

Unfortunately, we're not immune from cost-of-living increases. Our insurances have gone up, our rates - all the things that everybody else has experienced, we experience as well. Unfortunately, being a cost recovery business, we have to recover them somehow. At this point in time, a very large proportion - so, I think we recover 30 per cent of our total overheads from our irrigation schemes. The other 70 per cent is still funded by government. It's one of the issues that is front of mind in respect to our new strategic plan about ensuring that we become financially sustainable because, at some point in the future, albeit not for the next five or six years even perhaps longer, we will become an operational-only business and we won't be looking for state government funds to fund these overheads. We need to grow the organisation to a scale where it can fund itself through its recovery of these overheads.

We agree, completely agree with the sentiment of the question asker. It's something that we are patently aware of and something that we constantly look at, but we have serious governance compliance issues that we can't avoid and they all bring costs. They're just things that we can't - we could certainly, I think, improve in terms of what is the value that people get for those funds and that's something that we've recognised for some time. And now that we're doing much more in terms of understanding our stakeholders and our customers, we're certainly working on how we improve that level of communication and get that to them.

**CHAIR** - You talked about that communication and you said by scrutinised and particularly by those who participate in these schemes. Why would there appear to be not enough transparency? Is it just that there's a conversation but there's no follow-up information? Should it be more in black and white?

**Mr KNEEBONE** - No, I think the issue is more that we've got a model that delivers a dollar outcome. We add up all of our overheads, 30 per cent of them are then a dollar amount, and then you've got to work out how you recover that from each individual scheme. If there's anything that's opaque about that, it's that model. It's based on a weighted average of number of megalitres and number of customers. Some schemes have got high number of megalitres and low levels of customers, some people have got high levels of customers and low levels of megalitres. Those two things basically drive outcomes. Now, we've modelled this where, if we were just going to charge people for the level of activity that we undertake to service their scheme, we would price some of the smaller schemes out of existence. The overheads that would need to be recovered from those would be substantially higher than they are today because of the amount of effort that it takes to manage those smaller schemes.

Yes, there's probably an inherent cross-subsidy in there, and this is not something, I think we've had this question a number of times over the years, but if there's anything that's opaque, it's that. We're quite clear that that's the model that we use to allocate these overheads and we've looked at many different options. I can't remember how many we've looked at - multiple options to try to see if there is a better or fairer or different way that produces a different outcome and we can't find a better one at this point in time.

**CHAIR** - It'll be interesting to see what the future holds and talk about sustainability.

**Ms HOWLETT** - I think you were talking about community management as well, would you like me to speak to that?

**CHAIR** - Well, I mean, obviously, that in itself shows that if there is some interest in self-management, then some of these issues wouldn't apply. There wouldn't be that cross-subsidy, but obviously that's for another time and I can always ask about that in the future because I know that TI are receptive to self-management.

**Ms HOWLETT** - Absolutely. We can certainly speak more to that if you'd like us to.

**CHAIR** - We have a question around sustainability and I think it's an important one.

**Ms WEBB** - I might have two, one is about a sustainability and one's about environment.

**CHAIR** - We might eat into our lunch break, but go with it.

**Ms WEBB** - We started a bit late. I note that you featured in the report the fact that you developed the sustainability strategy for 2023-24, and that's really pleasing to see. I expect that that was looking ahead to reporting and auditing requirements that will come in under the Commonwealth *Corporations Act*. Now, I presume Tasmanian Irrigation isn't going to be in the first tranche of requirements, but you would be anticipating it coming further down the track. Was that the motivation for the sustainability strategy? And could you give us an indication of what you're doing to prepare for, ultimately, having to report against and be audited on sustainability.

**Ms VINOT** - I'm very happy to take that one. Compliance isn't our driver. Compliance to future regulation and so forth is not our driver. Our driver is to make sure we have sustainable schemes now and for the future, going back to the member's question on climate. It's really understanding what are the holistic impacts and opportunities associated with what we do in Tasmania. It's not just about economic development, it's also around the social development, the social impact of our schemes, positively and negatively, mainly positively. There's very few negative impacts on that. Also making sure we understand completely the environmental impacts.

That said, we're also looking at the emerging expectations around that, one of which is the one you've cited, which is the changes to expectations in terms of reporting. There are emerging expectations generally. We have to be a good corporate citizen and make sure that we understand what people are expecting from us when it comes to ESG requirements, what they're expecting from us in terms of engaging Aboriginal communities, what they're expecting in terms of understanding and reducing our climate-related emissions, increasing our amount of renewable energy and looking at the impacts of our operations on an ongoing basis.

As we discussed before, in relation to changing climate and making sure we have good metering and monitoring. We're working with partners across our ecosystems to make sure that's managed. That's the driver for our strategy. To be honest, we want to get more schemes up in Tasmania and we want to make sure those future schemes meet future expectations. If we don't do a sustainability strategy that's holistic, comprehensive and really integrated into our business, we won't be able to present the best projects for future funding.

**Ms WEBB** - A question about water quality and data? You did mention data earlier about doing that analysis down at a more granular level than the whole of Australia one. In the State of Environment report that came out in recent months here at a state level, we did mention in relation to water quality in our rivers and wetlands the overall condition and trend results for Tasmanian rivers and other freshwater systems are unknown, because highly reliable water quality data exists, but statewide analysis is limited by the scope and complexity of integrating the multiple disparate datasets. It does mention Tasmanian Irrigation as a source of data that's one of these potentially difficult to integrate or not at this stage well-integrated data sources. In your annual report you have a heading about water quality and water flow monitoring and mention you have a comprehensive water quality monitoring program currently under review.

Can you tell me what that review is entailing and is it with a view to being able to provide something in an integrated way into more of our state-wide datasets? Then next time we come to do our State of Environment report, hopefully within statutory timeframes, we actually have data to tell us what's going on with the river systems? Clearly, we don't have a sufficient amount of data for it currently.

**Ms HOWLETT** - I know it's not about TI, but they have been commissioned to do some research into projects to help farmers understand what influences irrigation efficiency and how to adopt practices that minimise environmental impacts. That's a \$1.6 million project which will be led by Professor Caroline Mohammed. I'm looking forward to her response to that report in due course. I will hand over.

**Mr KNEEBONE** - I'll say a little bit then I'll hand over to Sophie, who's definitely the expert in this matter, not me. We are working hand in glove with the Department of Natural Resources and Environment on their Rural Water Use Strategy. I've said this a couple of times in the last couple of days, it is one of the most comprehensive and well-structured pieces of work I've ever seen come out of a department. I don't say that lightly. I've said I don't praise the department often, but on this particular matter I think it is a fantastic piece of work they're doing. It is to do exactly what you're talking about. We provide water quality data, we're required to under our state-based approvals, but also under some federal-based approvals. We collect that information and we provide it through the systems. It appears in the water portal. Is that correct?

**Ms VINOT** - Not the water portal, the flow.

**Mr KNEEBONE** - We are part of a working group. Sophie and her team are part of a working group that are contributing to that specific piece of work under the banner of the Rural Water Use Strategy.

Do you want to add anything else to that?

**Ms GRACE** - In terms of, you asked about our own review and what that is specifically.

**Ms WEBB** - You mentioned here you're doing a review of your water quality monitoring program. Is that going to result in better sharing of data and better transparency on the data that is collected by Tas Irrigation?

**Ms GRACE** - It's part of the picture. In short, yes.

The analysis we are conducting is to better understand the water quality trends of our schemes over time. That's also going to lead us to make some improvements and adjustments as to where we're measuring and what that data is actually telling us - what is the overall picture. It will contribute to the work that NRE is undertaking, and probably more catchment-wide understanding.

**Ms WEBB** - To what extent is the data you collect around water quality made transparent and available publicly?

**Ms GRACE** - At the moment we don't provide that data in its raw state publicly. Something that we are working towards is to be able to provide the data - or not provide the data - but be able to provide some level of reporting and transparency of that data in a digestible way. As you can imagine, we do analysis every single month. There are a lot of data points that come through and month on month being able to provide the raw results doesn't actually give you a picture of what's going on.

## PUBLIC

We're hoping in the review that we are undertaking and the adjustments that we make to our program, we might be able to get to a stage where we can provide something that is digestible.

**Mr KNEEBONE** - Every year we provide a water entity report on every one of our schemes. That water entity report in itself has the water quality data and the trends associated with the water quality data in it.

**Ms WEBB** - Is that made public?

**Ms GRACE** - The water entity reports, no -

**Ms WEBB** - I'm interested in transparency and publicly available data. The water quality of our river systems should be publicly available.

**Mr KNEEBONE** - We provide those reports to the minister and to the department. I'm not sure why they're not -

**Ms GRACE** - If I can clarify, they do contain some private information that we aren't able to disclose.

**Ms WEBB** - A version of them though, essentially minister, could be made publicly available that at least has the data in it, so it becomes a public resource.

**Ms HOWLETT** - That could be a question for the Minister for Environment.

**Ms WEBB** - It's your entity that's collecting the data and providing these reports. It might be a question for you, minister, to make a commitment to looking at what can be made transparent and public from this?

**Ms HOWLETT** - As Sophie has said, there is some confidential information involved in those reports.

**Ms GRACE** - Indeed we can and that's what we're working towards with this review is to be able to redact out that information we can't provide, but absolutely be able to provide the rest of that information.

**Ms WEBB** - Minister, did Tas Irrigation provide data through to the State of Environment Report that was released this year?

**Ms HOWLETT** - I note the chair would like to add some comments to that.

**Ms VINOT** - I'd just like to add to that the data we provide does go into the government, so that would have been included in the State of the Environment Report. But one of the challenges we have and Sophie is trying to cover is that our schemes are just some of the irrigation that's done in a particular area. Data points we collect and add to don't necessarily represent the impact of our operations. They need to be looked at in terms of a holistic set of data that's being gathered by others as well.

## PUBLIC

I think the department is the best place to give that holistic picture, and that's where the working group that Sophie is on, is trying to make sure that that comes out holistically with those explanations of what the impacts are. We want to understand as well, of course. We need everybody's data together to be able to get that holistic picture, which is where the State of the Environment is going.

**Ms WEBB** - Final thing, is there a timeline on the resolution of that work? When will we see a result from the working group in terms of being able to present something publicly?

**Mr KNEEBONE** - That's a matter for the department, I'm sorry, I don't have that.

**CHAIR** - We'll follow up with the department. In light of the time - we always seem to run out of time - on behalf of the committee, we'd sincerely like to thank you all for your time, the effort that goes into putting together information and coming before the committee. It is very much appreciated. We thank you very much, and again acknowledge your work as CEO, thank you, Mr Kneebone. As I said, we might well see you before May with some follow-up. Thank you, minister, this is your final time before the committee today.

**Ms HOWLETT** - Thank you, Chair. I thank the committee for their interest in Tasmanian Irrigation, and thank my team for all the hard work that they've done to put together today's information.

**The witnesses withdrew.**

**The committee suspended at 1.33 p.m.**