

Appendix 5

Feasibility study and business case for the proposed Nimmie-Caira project

(Source: documents tabled in the NSW Parliament on 20 November 2012)



**Department of
Primary Industries**
Office of Water

File ref: WS12 / 264

Mr David Parker
Deputy Secretary
Department of the Sustainability, Environment, Water, Population and Communities
GPO Box 787
Canberra ACT 2601

Dear Mr Parker

Nimmie-Caira System Enhanced Environmental Water Delivery Project

I have pleasure in submitting the feasibility study and business case for the Nimmie-Caira System Enhanced Environmental Water Delivery Project.

The Nimmie-Caira Project involves the purchase of 19 properties on the Nimmie-Caira floodplain, owned by 11 farming businesses, together with 381,000 unit shares of supplementary water (Lowbidgee) access entitlement (hereinafter referred to as Lowbidgee supplementary entitlement), and associated water supply infrastructure and improvements.

The project includes the transition of the area from working irrigated agricultural farms to actively managed conservation areas with provision for dryland farming in those areas that are not of high environmental value and includes the costs of an alternative stock and domestic water supply to provide for this. Included in the future land management options to be determined in consultation with the regional community and NSW Government agencies, is the potential for the significant involvement of regional Aboriginal communities in land management activities.

The project includes reconfiguration of water delivery infrastructure to more efficiently and effectively deliver environmental flows onto the Nimmie-Caira area and other parts of the Lowbidgee floodplain, as well as deliver increased flows through the Lowbidgee system to the Murrumbidgee River. This has the potential to significantly increase the capacity to deliver regulated flows from the Murrumbidgee into the Murray River downstream of Balranald.

The total project cost is \$185 million, which will enable the transfer of 381,000 unit shares of Lowbidgee supplementary entitlement to the Commonwealth Environmental Water Holder. This entitlement will permit the diversion of up to 381,000 megalitres (ML) each year and equates to a long term average annual yield of 173,000ML. This is expected to

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reduce the remaining volume required to be recovered to meet the within-valley target in the Murrumbidgee Valley under the Draft Basin Plan.

The location of the Nimmie-Caira area within the Lowbidgee floodplain in the lower reaches of the Murrumbidgee River, together with the reconfiguration of the water supply system will, at times, enable the recovered volume to be excluded from diversion to the Nimmie-Caira area to meet the hydrological requirements of downstream environmental assets in the Lower Murray River.

The project may enable further SDL offsets to be realised by using the Nimmie-Caira infrastructure to more efficiently deliver environmental flows within the floodplain and to downstream environmental assets.

This offer is consistent with the draft National Partnership Agreement (NPA) on Water for the Future: A Healthy Working Murray-Darling Basin. The project achieves a market multiple of 2.25 times the market price of water (Lowbidgee supplementary entitlement) based on the sale price of \$246/unit share.

The sale price of \$246/unit share for Lowbidgee supplementary entitlement reflects the market price for Murrumbidgee supplementary entitlement adjusted for the quarantining it from impacts from growth in use through out the Murrumbidgee Valley, provision for which is to be included in the water sharing plan. Further, the price reflects that a Lowbidgee supplementary entitlement will provide for far greater environmental outcomes in the Lower Murrumbidgee and Murray valleys than could be achieved through the acquisition of NSW high or general security entitlements.

The total project cost includes a 10 per cent contingency to offset any potential financial risk to the NSW Government in the implementation of this project. Consistent with the draft NPA, any cost savings achieved will accrue to NSW and will be used for other environmental projects within the NSW Murray-Darling Basin that may further contribute to the within-valley or downstream shared component of water recovered to meet the Sustainable Diversion Limits in the Proposed Basin Plan.

The NSW Office of Water is proposing that the project be implemented in two stages.

Stage 1, will include the purchase of the land, water entitlements and associated water supply and management infrastructure, the administrative and legal costs involved in the transfer of the assets and project management costs. Stage 1 will include the transfer of the 381,000 unit shares of Lowbidgee Supplementary Entitlement that has a Long-Term Average Annual Yield of 173,000ML.

The cost of Stage 1 is \$121,000,000, and is payable on the agreement by the Australian Government for the NSW Office of Water to proceed with implementation of the project, consistent with the business case.

Stage 2 of the project provides for the implementation of the outstanding components of the project as defined in the business case, including:

- Water delivery and infrastructure reconfiguration
- Land management transition arrangements
- Water planning and modelling
- Local community offset projects
- Project management and governance.

The cost of Stage 2 is \$64,000,000, and implementation activity would commence as soon as a detailed implementation plan is submitted to the Commonwealth, as outlined in the business case.

NSW proposes the following payment milestones to allow for the efficient delivery of the project:-

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| i. On project approval | \$121 million |
| ii. On exchange of contracts and delivery of the implementation plan | \$20 million |
| iii. On settlement of purchase and transfer of entitlement | \$44 million |

The Nimmie-Caira System – Enhanced Environmental Water Delivery Project represents a unique opportunity to recover a large volume of water currently used for consumptive purposes at a strategic location in the Murrumbidgee Valley that will contribute to the volume of water needed to be recovered to meet the sustainable diversion limits (SDLs) within the proposed Basin Plan.

The Nimmie-Caira landowners are a collective of willing participants in the project and have entered into a joint landholder agreement to facilitate the implementation of the project. The project has support of the NSW Government and the broader Murrumbidgee community.

Most importantly, the project delivers water for the environment and the opportunity to secure one of the significant environmental assets in the Basin, while maintaining or enhancing the social and economic benefits in the region.

The Nimmie-Caira Project is a combination of infrastructure works, social and economic offsets, and includes the strategic purchase of land and water entitlements. The NSW Office of Water would recommend that funding for the project be apportioned between the 'Restoring the Balance Program' and the remaining allocation available to NSW under the 'Sustainable Rural Water Use and Infrastructure Program'.

As we have previously discussed there is an imperative that Stage 1 of the project be implemented as soon as possible.

I therefore seek the agreement of the Australian Government for the project based on the business case submitted, plus the additional 10 per cent contingency and subject to agreement, to proceed as soon as possible with Stage 1 of the project as described.

I look forward to your favourable consideration of this offer and early response.

Yours sincerely

4.7.2012

David Harriss
Commissioner, NSW Office of Water

Cc: NSW Minister for Primary Industries

Table 3.1 Summary of Nimmie-Caira Project

Nimmie-Caira Project Summary		
Project Component	Description	Cost (\$)
Purchase of Nimmie-Caira land and water package	Purchase of 381,000 shares of Lowbidgee Supplementary Water Entitlement.	
	Purchase of 84,000ha of Nimmie-Caira land across 19 properties. Purchase of Nimmie-Caira landholder water delivery infrastructure.	120,000,000
	Legal Services associated with the purchase.	100,000
Water Delivery Infrastructure Reconfiguration	Upgrade of system capacity to deliver up to 3000ML/day through the system.	
	System upgrade to optimise delivery efficiency.	
	Automation and modernisation of system operation.	16,259,823
	Rationalisation of infrastructure to facilitate movement of water through the floodplain and minimise operation and maintenance costs.	
Land Transition Arrangements	Establishment of easements.	
	Decommissioning of fencelines, establish of boundary fences.	
	Pipelined water supply Provision of utilities	25,550,000
	Environmental water management services. Cultural heritage survey.	
Water Planning and Modelling	Environmental water plan	
	Verification and modelling of system losses System operational Plan	500,000
	Hydrological modelling and verification of off-sets	
Local Community Offset Projects	Road upgrade for Waugorah and Loorica Roads to maintain access.	
	Community Development Coordinator for Hay Shire. Community Interpretive Centre Nimmie-Caira Module in Balranald.	4,547,000
	National/regional tourism marketing.	
Project Management and Governance	Project Manager	
	Project Steering Committee	1,300,000
	Monitoring and Reporting	
Total		168,256,823