

# NEWSLETTER (aka Water Restriction Notice #9)

## WATER RESTRICTIONS LIFTED

What a turnaround in the month! The series of rain events we had in the region through January have provided enough relief for us to lift all irrigation restrictions and advise, with reasonable confidence, that we expect to be able to operate for the remainder of the season without restrictions for below dam irrigators and the river.

I'll take the opportunity in this newsletter to provide the usual information around the water storage and supply situation but also update you on a number of other relevant company issues.

Note that we will obviously continue to monitor the water storage and supply conditions and advise well ahead if we foresee the need for any change to the 'no restriction' regime.

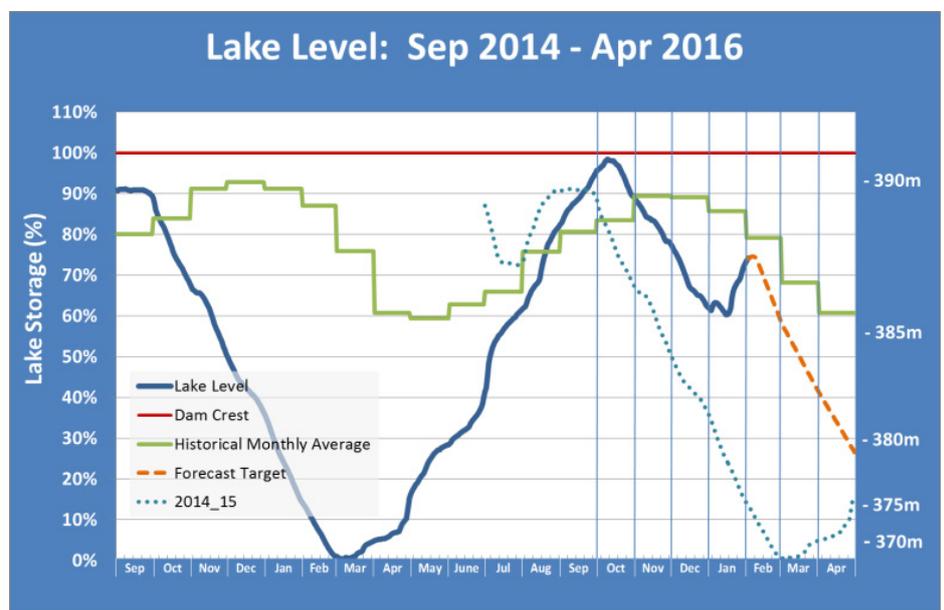
### WATER STORAGE SITUATION

The rain events through January (three main events on the 3<sup>rd</sup>, 19<sup>th</sup> and briefly on the 30<sup>th</sup>) have lifted inflows into the lake and in the rivers throughout the catchment and, equally as significantly, resulted in a dramatic reduction in irrigation demand. For the last half of the month we have been able to have the lake releases back at minimum which has also contributed to the increase in storage.

We've projected forward from our current position (which is now 12% better than at the start of January) and we estimate that the storage is sufficient now to provide for normal irrigation and river flow requirements through to April.

### RESTRICTIONS

For virtually the first time since December 2014, it is great to be able say that we can operate without restrictions on irrigation or river flows.



### COMMENT ON OUR WATER MANAGEMENT

I am sure there will be some questions about our water management and restriction regime given that, at the beginning of January I was suggesting that we should be prepared for a 50% regime for all of January and possibly further, yet here we are five weeks later saying there is no restriction. Were we being too conservative?

At the start of January, even though we had 25% more storage than last season, we were still looking at a scenario that would have had the lake empty by the end of March. That scenario was based on inflows similar to last season and an irrigation restriction regime of 50% and reduced river flows. The extra storage in the lake had given us 3-4 weeks buffer compared with last season when we ran out at the end of February. At the OEFRAG forum, we had said from the outset of this season that we had two key objectives:

- To maintain continuous irrigation (with a restriction no greater than 50%)
- To be able to maintain higher flows in the river in the critical late March-April period (last year the river was reduced to 2 cumecs through this period)

These objectives, and the other obvious learnings from last season, had led us to earlier implementation of restrictions – especially on the river – to ensure that if the weather did shape up as predicted to be more severe than last year, then we had some reserve to maintain supply from the lake at the later part of the season.

The inflows to the lake through November and December were 25% less than last season, so we had every reason, I believe, to accept that this summer was likely to be drier than last season.

However 2016 has delivered some quite unexpected weather which, as is the nature of our business, has a compounded effect of more inflows and less demand.

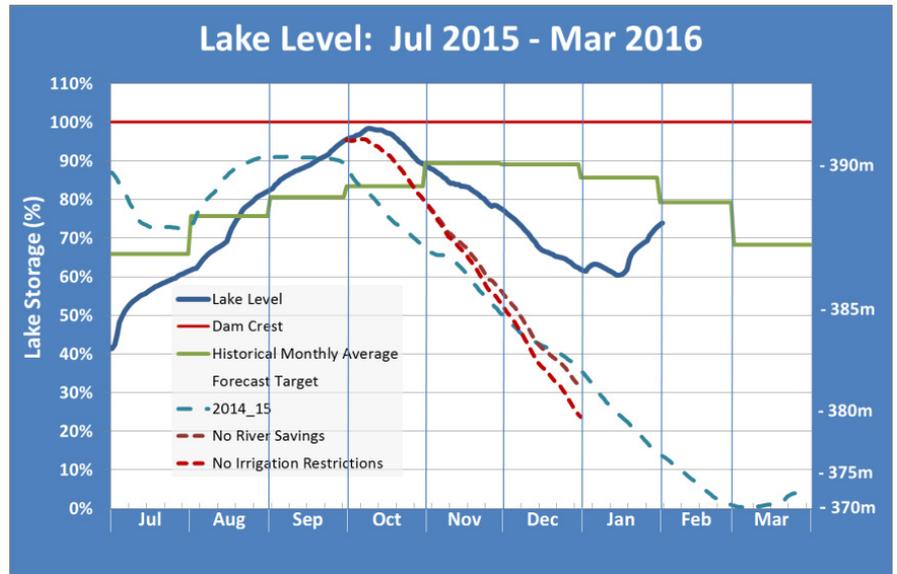
As a further reflection on the season so far and the impact of the early season restrictions, I have included a chart that shows where the lake storage would have been in January if we had not implemented the restrictions on river flows and the irrigation restrictions. The chart indicates that, without those measures, we would have had even less storage at New Year than last season. River savings had provided 30% more storage and irrigation savings a further 8%.

This chart demonstrates the impact of the early season water savings through reduced rivers flows and irrigation restrictions.

Without these measures the storage level at New Year would have been less than last season

#### 1<sup>st</sup> January Lake Levels - comparison

2015	(actual)	36%
2016	(actual)	62%
	(calculated)	
	No river restrictions	32%
	No river or irrigation restrictions	24%



## RESTRICTION REGIME - a different approach

This season we implemented our restrictions using a 'volumetric allocation' rather than the restriction on rate of water take that we used last year. Generally the feedback we have had is that this was a better regime for farmers to work with and I would be interested to hear from a range of our irrigators what your thoughts are on this approach. There has been some comment that it would be good to be able to advise an allocation for the whole season and thereby enable irrigators to manage their water use to match their farming activities – especially for cropping farmers for instance who tend to have higher demands at the season shoulders than pasture based farms. Unfortunately the limited size of the Opuha storage precludes this long term management and I think our recent experience is that a 'rolling monthly allocation' approach is as close as we would be able to come.

From a scheme management point of view, the volumetric allocation basis does present some different challenges to us and, most notably has highlighted further to us the need for telemetered water use across the scheme. There are a number of key reasons for this including water distribution and use efficiency (most important) but also there is a primary issue of accuracy and fairness. The volumetric allocation approach does provide a lot more 'freedom to act' for individual irrigators but we are often entirely reliant on water orders to track water use and we are well aware that there are some shortcomings in this approach. See below for a comment on our approach to water metering.

## WATER POLICIES - METERING

Through last year, I have been working with the Board on various water policies and I have provided some overview of this in previous newsletters.

We expect to be able to provide shareholders with information on these in the next few months and will be seeking feedback and comment.

Policies that we are currently finalising include:

- On-Farm and In-Scheme Water Storage
- Surplus Water
- Water Metering
- Water Restriction Regimes

We would like to provide an early indication of our intention to require all our water users to have water metering compliant with the national water metering regulations including telemetering with the information accessible to OWL.

Many of our irrigators are already required to have this metering as a condition of their consent so it is mainly those who operate under scheme consents (i.e. Totara Valley, Kakahu and Levels) that, up until now, have not been required to have compliant metering.

The national regulations require all consented water takes above 5 l/s to have compliant metering installed by 1<sup>st</sup> October 2016 and this would be the initial position for OWL.

We are mindful of the cost and time involved in retrofitting this equipment and we are intending to be making some financial assistance (deferred payment, loans) available and to possibly review the implementation dates.

Further details will follow on this in the couple of months.

## LAKEBED SEDIMENT CONTAMINATION CLAIMS

Most of you will be aware of the significant level of activity that resulted from the allegations early last year that there were pesticides buried in the lake and potentially contaminating the lake bed sediments.

OWL took these allegations very seriously and engaged with ECan as the lead regulator to investigate the claims in a robust scientific manner. We also engaged our own advisors to provide independent advice on legal, scientific, issues management and communications matters.

The management of this process, which we saw brought significant potential risk to OWL and its shareholders, consumed considerable management and Board time over most of the year and has resulted in external costs to the company exceeding \$200k. This cost was not budgeted and has had an obvious impact on our financial performance this year.

The issue was essentially concluded with a forum hosted by ECan in Timaru at the end of November. The forum was attended by all the key stakeholders and participants to consider the results of the scientific investigations. The

outcome of the forum was covered by ECan's subsequent press release which we circulated by email to our shareholders on 4<sup>th</sup> December. The press release was headed by the statements:

*Tests at Lake Opuha show water and fish safe*

*The results of tests on water, sediment and trout from Lake Opuha show that the lake water is safe to drink, safe for agricultural use, and that the flesh of trout caught in the lake is safe to eat.*

Just prior to Xmas ECan released a subsequent press statement following some allegations and requests for further review allegations that had been received relating to the contamination found in the river at Skiptons Bridge. The tenor of the press release reflects the view of the OWL Board that, on the basis of the scientific evidence now available, the lakebed sediment issue has essentially concluded and the issue of contamination in the river at Skipton Bridge is separate and still subject to police investigation. The press release contained the following comments quoting ECan's Water Science Manager:

*"Police inquiries are continuing into who deposited the sediment containing DDT and arsenic into the riverbed near Skipton Bridge so I cannot comment on it now," Davie said.*

*"Environment Canterbury has conducted a thorough investigation over the past four years into allegations of sediment containing DDT or arsenic on the bed of Lake Opuha at a cost to the ratepayer of between \$50,000 and \$100,000."*

*Rigorous testing, with OCEPS present, was carried out on the lake sediment, water and fish. It showed the lake water was safe to drink, safe for agricultural use, and the flesh of trout caught in the lake was safe to eat, he said.*

*"Tests by the Timaru Council on the river water downstream also showed the water was safe to drink.*

*"We are not going to take these latest claims any further."*

**OPUHA BOARD – NEW CHAIRMAN**



At the February Board meeting, Milne Horne was elected by the Directors as the new Chairman of Opuha Water Ltd.

Milne was elected to the OWL Board at the inaugural AGM of the new (merged) Opuha Water Ltd in 2014. Milne has interests in three dairy operations in the Kakahu/Geraldine area. One

is based on the Kakahu Irrigation Scheme and he played a very significant role in the development of the Kakahu scheme as Chairman of Kakahu Irrigation Ltd in its very challenging establishment phase beginning in 2001.

Outgoing Chairman, Tom Lambie, has headed the Opuha Board since 2006. Tom's leadership and contribution to the governance of the company through that period, which has seen significant changes and challenges, was acknowledged by the Directors who also welcomed Tom's agreement to stay on as a Director on the OWL Board. Tom's very busy work load and time demands with his on-going roles as ECan Commissioner and Lincoln University Chancellor, as well as managing his own dairy farm in Totara Valley, were relevant in Tom's decision to step down as OWL Chair.

Nicky Hyslop was confirmed in her current position as Deputy Chair.

Regards

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