



Summary *
of
Board meeting 175
Wednesday 9 September, 2009
Tatura Office

Present:	Stephen Mills	Chairman
	Craig Cook	Deputy Chairman
	John Brooke OAM	Director
	Peter Fitzgerald	Director
	Claire Penniceard	Director
	Des Powell	Director
	Catherine Scott	Director
	David Stewart	Managing Director
In Attendance:	Russell Barnier	General Counsel & Corporate Secretary
	Ian Moorhouse	General Manager Operations
	Peter Guy	General Manager Corporate Services
	Garry Fyfe	Acting General Manager Technical Services
	Matt Barden	Acting General Manager Business Modernisation

Welcome

The Chairman welcomed all in attendance to the meeting.

1 Chairman's Report

The report of the Chairman was discussed with the following noted –

- The visit of Michael Taylor, Chairman of the Murray Darling Basin Authority was very positive, he being particularly impressed with plastic lining of channels, the Katunga connection channel and on-farm irrigation initiatives
- There are a few remaining nominees of WSC's to interview for chair positions
- The Chairman is planning to have discussions with individual directors in preparation for the performance review scheduled for the November meeting.

** sourced from Chairman approved minutes*

A comment was made that the Victorian Government has signed an MOU with Xunan province in China and is planning a delegation to visit in October to view dams work in particular.

The Chairman thanked Craig Cook for attending with the Managing Director the recent meeting with Minister Penny Wong, who was interested in discussions about on-farm changes brought about by modernisation and the Minister expressed concern that the removal of the 4% cap was not being addressed quickly enough.

A query raised by a customer with the Chairman related to the pre-ordering of water prior to the opening date of the 15th for delivery on the 16th, without having to wait the four days required for delivery after ordering on the opening date. It was noted that pre-ordering can occur where the customer holds a carryover entitlement and that customers were encouraged to contact their area managers on water delivery issues.

2 Managing Director's Report

The Managing Director's report was discussed, with the following noted –

- The recent alpine search for the Minister for Water raised concerns within G-MW, which reflected the view the staff have of his presence as the high regard in which he is held by staff generally
- A revised budget will be brought to the October Board meeting
- There is a recruitment freeze on business support positions at G-MW pending a review of organisational efficiencies
- The Chairman of Risk and Compliance Committee indicated a view that the risk register should be reviewed more frequently than annually – perhaps quarterly.

- Maintaining the Backbone

The Board was referred to a previous paper which identified the standard accepted by the Board as the performance level required of the backbone. Having identified the required level, it wasn't so much a matter of what would be acceptable at a lower price. The greater issue is requiring the work to be done over time regardless of the final cost if the backbone is to reach and be maintained at the agreed standard which achieved water savings and provided appropriate levels of service to customers on an ongoing basis.

The Board agreed that the issue of stage 2 backbone creep should be raised again with NVIRP at the next Co-ordination Committee meeting.

- Recent developments in workforce management were noted. The Directors expressed a desire to have a discussion about the G-MW culture and workforce ethics with the Executive Manager People & Development, who they acknowledged was instrumental in driving the change process.

- With respect to females employed within G-MW at senior levels, the Board was advised that of the 19 senior positions across G-MW, 4 were filled by women and over the next two months two of those will be acting in General Management positions
- An MOU has been developed to assist with coordination of the future management of Lake Boga once the lake is incorporated into the new G-MW Mid

Murray Storage water system. Ongoing roles and obligations will be the subject of formal agreements once identified

- The signing of the new lease for Jerusalem Creek Caravan Park was noted
- Management is developing a business plan for the G-MW Training Centre which will be brought to Board. The centre is currently providing both internal and external training courses and the point was made that content of internal courses should be aligned with the new G-MW skills requirements for the future.

3 Governance Report

In discussing the Board program, the following was addressed –

- The December meeting was accompanied by three Committee meetings and would require appropriate management
- Risk and Compliance Committee was linked to away meetings in 2010 and this could be reviewed.

It was noted that Ms Liz Wright has resigned from the Rochester-Campaspe WSC due to personal time commitments. The Board considered and agreed with the recommendation of the WSC not to appoint a replacement at this stage as the Western Zone elections occur in 2010 and the Committee will continue to operate with one vacant position until that time. The Board was appreciative of the commitment Ms Wright has given to assisting in the proceedings of the Committee.

4 G-MW / NVIRP Board Coordination Committee

Minutes of the 17 August 2009 meeting of the Committee were noted.

The following was discussed and noted –

- NVIRP is currently working on service fees with DSE, ESC & G-MW for inclusion in the Water Plan
- Progress has been made on syndicates & shared metres and NVIRP should be in a position to talk about these with customers in November. While WSC's have generally endorsed the position on syndicates, trade practices implications should also be considered

The Chairman noted that the co-ordination Committee might extend to three, including himself, in substitution for joint board meetings. This will be further discussed with Directors and NVIRP.

5 Strategic Actions

Craig Cook captured the following observations from the previous evening's dinner with Board and senior management focusing on strategic actions -

- G-MW needs to better communicate the fact that it is continually considering the bigger issues, such as a future with low water supply
- Looking at the composition of our future customer base will influence many aspects of water delivery and we must respond to a changed customer base

- The method of achieving short term water savings should not adversely affect long term efficiency
- Flexible access to water in future may be provided by the customers' own use of capital equipment
- Renovating the backbone is a priority and we must budget accordingly
- Management are returning to the Board in November with operational cost drivers and cost structures for maintaining the backbone

6 Watermove Pty Ltd

The General Manager Corporate Services and Manager Watermove attended and advised the Board that a statement by VSEC in its annual report indicated that G-MW had fully complied with and completed to the satisfaction of VSEC the transition by Watermove to a position of competitive neutrality. The commencement date of 1 November 2009 was noted.

The Board considered the first draft of the proposed Watermove Pty Ltd constitution and Directors will forward their comments to the Corporate Secretary.

7 Water Service Committee Charter & Code of Conduct

Amendments made to the WSC Charter & Code of conduct following receipt of feedback from the Committees were considered and approved as presented.

The Chairman commented that the interview process had been very successful not only in building relationships but also encouraged discussions on succession planning for the future.

8 Strategy Planning 2010/11

The Board considered a presentation from the Managing Director which outlined the key strategies adopted last February and the following key issues which would be considered at the strategy workshop planned for 17 September –

- Environment – climate change and drought
- New government policy initiatives (eg climate change response, biodiversity strategy, Northern Region sustainable water strategy, etc)
- Customer base (dairy industry, commodity issues, industry adjustment)
- System modernisation programs
- Future G-MW business direction and financial models.

9 Business Reform Program

The Managing Director presented his paper on G-MW reform and modernisation of G-MW which was noted by the Board.

10 Season Outlook and Water resource Issues

The Executive Manager Water Resources provided a summary of current water resources issues. In response to a question from the Chairman he assured directors there was no new market sensitive information to be presented. The main points noted were:

- The water availability has improved in the Murray and Goulburn systems.
- The allocation is 2% in the Murray, and the operating requirements are available in both systems.
- Water has been assigned of the Modernisation water savings account for delivery to Melbourne after the volume is confirmed by audit.
- Some aspects of the Goulburn Qualification of Rights are about to lapse and water is being assigned to restore passing flow in the lower Goulburn River.
- Waranga Basin will be pumped to supplement water availability in the Goulburn system. Inflows are well below average but likely to exceed September inflows in the last four years.
- The pumping of Waranga Basin has been assumed in the calculations for the Goulburn allocations. The final decision on whether Waranga Basin needs to be pumped has to be made by 2 November to allow enough lead time to lease the generators
- The severe water shortage in the Broken, Campaspe and Loddon systems means that continuous flows cannot be maintained into the lower reaches of these rivers if conditions remain dry.

11 Dam Improvement Program

The Manager Major Projects gave a presentation on the Dam Improvement Program from which the following was noted –

- The dam improvement program is part of a broader dam safety program and satisfies the Statement of Obligations
- Identified risks have been progressively reduced since 1998 and is consistent with the corporate risk program
- Costs of upgrade works will not be contributed to by DSE even though, as was commented, dam safety should be regarded as a whole of government issue.

It was noted that the G-MW risk framework indicates upper and lower levels of tolerance for dam safety risk while ANCOLD declares a single tolerable risk line. Where regulation (in this case the Statement of Obligations) specifies a basis of considering risk then our risk register needs to reflect this.

12 Goulburn Weir Upgrade Project

The Board was advised that Goulburn Weir risk assessment in 2006 identified deficiencies relating to the stability of the weir under flood loading to be the highest economic risk associated with dam failure across G-MW's portfolio of dams. The risk does not sit above the ANCOLD line of limit of tolerability and is therefore a G-MW business decision how to mitigate the risk.

Following consideration of advice and available options, the Board agreed that G-MW would undertake both superstructure strengthening and improve gate locking devices at an estimated cost of \$3.5m. This would reduce risk associated with both failure

models by approximately two orders of magnitude. Funding for the project is included in the current water plan.

13 Application to Amend Murray Bulk Entitlement

The Board approved the making of an application to amend the Bulk Entitlement (River Murray – Goulburn-Murray Water) Conversion Order 1999.

14 Application to Amend Broken Bulk Entitlement

The Board approved the making of an application to amend the Bulk Entitlement (Broken System – Goulburn-Murray Water) Conversion Order 2004.

15 Application to Grant Bullarook System Bulk Entitlement

The Board approved the making of an application to grant the Bulk Entitlement (Bullarook System – Goulburn-Murray Water) Conversion Order 2009.

16 Water Service Committee Chair Appointments

The Board considered the recommendations of the interview panel and made the following appointments –

- Mr John Wenske appointed chair of Shepparton WSC
- Mr John Nelson appointed chair of Pyramid-Boort WSC

17 Financial Report

The Financial Report was discussed. It was noted that the cashflow diagram represented the position before any additional borrowings which may be made to ensure G-MW's cash position is sufficient to cover budget.

18 Capital performance Report

The Capital Performance Report was noted.

19 Stakeholder Relations Report

The Board noted the changing nature of the report, particularly as it related to WSC feedback and recommendations. The following was discussed –

- Payment of customer accounts – management to investigate alternative methods of payment, including the possibility / attractiveness of monthly payments

- The new reporting and correspondence protocol will ensure WSC matters are brought to the attention of the Board
- The general view that modernisation is not so much about cost saving as cost shifting to irrigators will be brought up at the joint NVIRP Coordination Committee, noting that the compensation paid in the modernisation process is a decision of NVIRP and takes account of cost transfers.

20 Dairy Shed Licensing Transition Program

The Board noted the scope and timing of introducing DSE's statewide Dairy Shed Licensing program.

21 Lake Eildon Fire Risk

Management tabled a paper in response to a Director's question earlier in the meeting and detailing the strategies and processes G-MW has in place at Lake Eildon and other major storages to deal with potential fire related incidents. Accompanying the paper was the Lake Eildon Fire protection Plan 2009/10. The Board noted that a similar plan exists for Dartmouth and that plans for Eppalock and Waranga basin are being developed.

Management was asked to review the strategies and cross check in light of the release of a list by DSE of 52 hot spots for bushfires in the coming season.

22 Meeting Evaluation

Claire Penniceard provided the following comments on the Board's performance –

- Strategic content and discussions were carried over from the previous evening's strategy discussions
- The balance in the agenda was appropriate
- Board papers were more focused on management providing requested information
- Some explicit discussions on the roles of board and management occurred in a number of areas
- A good basis for future meetings

David Stewart
Managing Director

16 September, 2009
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